



DFID's Anti-Corruption Strategy for India

January 2013

Introduction

1. Corruption can broadly be defined as the abuse of entrusted power for private gain. The word can cover a whole range of abuses. On one level it can refer to the risk of taxpayers' money in DFID programmes being fraudulently spent or stolen. On another level it can refer to corruption within a country and its institutions, with the negative impact that this has on development prospects. DFID sets the highest standards for the manner in which its own money is spent. Through its development programmes, DFID also works to reduce the prevalence of corruption in each of its partner countries.
2. In November 2011, the **Independent Commission on Aid Impact** (ICAI) reviewed DFID's approach to tackling corruption. It found that DFID had a good awareness of the fraud risks and seeks to safeguard UK funds through appropriate choices of funding channels and programme design, and often played a leading role within the donor community on anti-corruption work. It did however recommend that in any country assessed as having a high risk of corruption, DFID should develop an explicit anti-corruption strategy. As part of its response, DFID is producing anti-corruption strategies for each of its main partner countries. This strategy sets out how DFID will (a) safeguard UK taxpayers' money and (b) support efforts in India to reduce corruption and its impact on development over the next three years.
3. The UK Government is committed to **transparency, results and value for money**. To make it easier for taxpayers and citizens in its partner countries to 'follow the money', DFID now publishes details of all its new programmes and of all transactions over £500 on the DFID website (<http://www.dfid.gov.uk>).

Protecting UK Aid funds in India

4. In 2011, Transparency International ranked India **95th out of 183 countries** (with 1 being the least corrupt)¹. The World Bank's Worldwide Governance Indicators assessment of control of corruption puts India below the 50th percentile, with a decline in scores between 2008 and 2010². In the last two years, major corruption cases and public protests against corruption have heavily featured in India's media.

¹Transparency International Corruption Perceptions Index 2011 <http://cpi.transparency.org/cpi2011/results/>

²World Bank Worldwide Governance Indicators 2011 - http://info.worldbank.org/governance/wgi/sc_chart.asp

However, India has delivered a range of important reforms, including the 2005 Right to Information (RTI) Act and recent 'Right to Public Services' Acts in several states. 'Social audit', which enables citizens to directly hold officials to account, is being implemented at an ever increasing scale. Some survey data suggests that petty bribery is reducing³. In the approach paper to the 12th Five Year Plan, India's Planning Commission notes that:

'Public perception of corruption as a pervasive problem has increased. This is in part because of greater awareness and increased transparency (e.g. the Right to Information Act) and also the operation of a vigilant Press, especially the electronic media. Whatever the reasons, there can be no dispute that the problem requires focused attention in the Twelfth Plan'.

5. Between 2012/2013 and 2014/2015, DFID India's budget is **£630 million**. DFID uses a variety of delivery channels and partners to implement its programmes. These are chosen after a thorough consideration of the best means to achieve results and the safest way to spend UK aid. In the 2012 to 2015 period we project that:

- 55% of funds will be used to provide Financial Aid to government, mainly in health, nutrition, education and urban reform. The bulk of expenditure will be in three partner states: Bihar, Madhya Pradesh and Odisha.
- 17% will provide Technical Assistance (TA) expertise to national and state governments, mostly through commercial service providers. All are contracted via rigorous and transparent international competitive tendering and provide specialist expertise – national and international - that would otherwise be unavailable to either the government or DFID. These TA experts also help safeguard larger flows of UK Financial Aid.
- 8% will support Non-Governmental Organisations (NGOs) that work with India's poorest and most vulnerable people.
- 5% will be spent via multilaterals such as the World Bank and Asian Development Bank, mostly to provide TA to government partners across a wide range of areas.
- 13% will be invested as 'returnable capital' for private sector development and for which a financial return is expected; along with grants (3% of total budget) to complement investments and stimulate private sector development.

In November 2012 the Secretary of State for International Development announced that the UK has agreed with the Government of India (GoI) the end of the UK's traditional grant programme in India. Existing projects will be finished responsibly, with final payments expected in 2015. Financial Aid will decline as a proportion of DFID India's framework while technical assistance and the private sector portfolio will increase.

6. DFID has a range of **standard controls and measures in place to protect UK aid**. These include rigorous risk assessments and monitoring requirements for all projects and programmes. Regular internal and external audits add a further level of assurance that money is spent on the purposes for which it is intended. DFID is continually strengthening its risk management procedures, and has recently brought in additional measures including: more detailed fraud and corruption risk assessments in programmes; enhanced pre-funding 'due diligence' checks on partners; and specialised training for staff. Where there is suspicion of corruption and fraud DFID will always follow up; and if fraud or corruption is uncovered DFID will always take action and work to recover UK taxpayers' money.

In India, DFID will continue to ensure integrity and value for money through the above, and in areas such as:

³ Transparency International India's national corruption surveys in 2008 and 2010.

- Implementing DFID India's new corruption risk assessment and management tools in private sector programmes.
- Strengthening fraud and corruption risk monitoring of TA contracts, including a quarterly outreach meeting with all contractors.
- Proactively analysing corruption and fraud risks in the states and sectors in which we operate, and of the way UK funds are transferred and accounted; commissioning further analysis in areas of new investment, such as corruption risks in small and medium enterprises.
- Further expanding mechanisms that enable beneficiaries to monitor and report back on programmes funded by DFID.

Supporting efforts to reduce corruption in India

7. Over the next three years, DFID will support India to tackle corruption through:

- Support to government partners, NGOs and the World Bank to design, implement and replicate innovations in public service delivery that both improve services and squeeze out opportunities for corruption and bribery, such as 'Right to Public Service' Acts, and the use of Information Technology to reform public distribution systems.
- Working with national and state governments to further improve budgeting, accounting and audit in DFID-funded sectors (such as health, nutrition, education and urban) and across state government systems.
- Commissioning research of corruption risks in relatively unexplored areas; and new research and evaluation of Indian anti-corruption innovations. The aims are two fold – firstly, to deliver public goods that Indian partners can use to tackle corruption in India; and secondly, to disseminate Indian experience and help to fill the global evidence gap on 'what works?' in tackling corruption.
- Continuing DFID's decade long support for innovation and roll out of accountability mechanisms such as social audit and citizen score cards so that more Indian citizens can take direct action – by understanding their entitlements, holding service providers to account, and standing up against corruption.
- Using DFID's track record of working with Indian states to further strengthen its dialogue on corruption - with national and state governments, multilateral banks, business groups, NGOs, Think Tanks, and UK government departments. Continue to include anti-corruption interventions in ongoing programmes and seek new opportunities for engagement, including for UK and Indian experts to share practical experience.

More information

On the country programme is available on the DFID website at: www.dfid.gov.uk/india

Media enquiries: pressoffice@dfid.gov.uk

Follow us in Twitter and Facebook.

DFID India, British High Commission, B-28 Tara Crescent, Qutab Institutional Area, New Delhi 110016

© Crown copyright 2013

Copyright in the typographical arrangement and design rests with the Crown. This publication (excluding the logo) may be reproduced free of charge in any format or medium, provided that it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright with the title and source of the publication specified.

Published by the Department for International Development 2012.