

Framework Paper

UK-India Development Partnership after 2015

Background

India and the United Kingdom have a long history of collaboration on development – both within India and in global fora. The UK's development assistance through the Department for International Development (DFID) has been aligned with India's national plans and priorities and has supplemented the efforts of the Government of India towards achievement of the Millennium Development Goals (MDGs).

Development Cooperation 2008-2015

2. From 2008 to 2011, the emphasis of UK development assistance was on social sector programmes in areas such as health, education, rural livelihoods, and urban slum improvement through central programmes of the Government of India as well as state-level programmes in five focus States (Andhra Pradesh, West Bengal, Odisha, Madhya Pradesh and Bihar).

3. The bilateral development partnership was reviewed by the two countries during 2010-11 following a proposal by the UK to give increasing emphasis to private sector development. In July 2011, both countries agreed to continue cooperation through financial and technical assistance with a focus on three priority States (Odisha, Madhya Pradesh and Bihar). They also agreed to implement a new pro-poor Private Sector Development Initiative in eight low income states of India. Under this initiative, DFID's investment will be in the form of 'returnable capital' (loans or equity) through Government sponsored financial intermediaries such as SIDBI. In addition, it was also agreed to continue DFID's partnership with NGOs and multilateral institutions such as World Bank, ADB and UN agencies.

The UK-India Development Partnership beyond 2015

4. Keeping in view India's growing economic status, the UK proposed that the development partnership should change further beyond 2015. In order to discuss and finalise the post-2015 development partnership, Ministerial and senior official level meetings were held from April 2012 onwards. Following these discussions, both countries agreed to provide a new direction to the India-UK development partnership after 2015. The contours of the new arrangements agreed by the two countries will be as follows:

- Financial grant to Government sector programmes will be discontinued. (The Secretary for State for International Development announced on November 9, 2012 that the UK would approve no new financial aid grants; but would continue to provide financial grant to existing projects, so that these projects are completed as planned by 2015).
- Technical Cooperation will continue after 2015 focusing on policy cooperation and skills exchange in areas such as growth, trade and investment, education and skills, health, and governance. Technical Cooperation can include support for development of policies and systems, capacity building, monitoring and evaluation. The programme will be implemented within India's policies and guidelines on technical cooperation.
- The pro-poor Private Sector Development Initiative will also continue in the eight low income states of India through Government sponsored institutions. The investment from DFID will primarily be used to finance entrepreneurial projects that are below commercial risk and for which mobilization of private investment is difficult due to inadequate financial institutional capacities or investor confidence. Through this innovative approach, DFID will deploy capital to address key constraints in private sector led growth leading to inclusive growth, improved infrastructure, enhanced skills and greater access to finance and renewable energy. DFID's investment will be in the form of returnable capital (loan and equity), accompanied where appropriate by technical assistance on grant terms.
- DFID's partnership with NGOs and multilateral institutions will also continue.
- Regarding collaboration on global & regional development issues, specific areas of interest will be identified.

Financial resources

5. The UK provided £280 million in 2011/12. As a result of the November 2012 decision to approve no new financial aid grants, as well as slower than expected progress with the new Private Sector Development Initiative, the volume of UK's development assistance for the three years 2012/13 to 2014/15 is now expected to be around £210 million annually. Levels beyond 2015 have not yet been agreed, but are expected to be substantially lower, with the technical assistance element expected to be around £30 million annually.

Other support

6. This framework refers to the bilateral development cooperation programme implemented through the UK's Department for International Development (DFID). It does not cover projects supported by the UK Government through other channels, such as regional or global programmes, or the UK International Climate Fund.

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