

Should rich countries stop sending development aid to India?

The UK has announced that by 2015 it will stop sending aid worth some £200m a year to India.

Jayati Ghosh says foreign aid is not key to development, but **Nisha Agrawal** says that aid can help the half a billion people in India who live on less than \$1.25 a day



New wealth, old problems

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- Analysis: Helping poorer countries make locally informed health decisions (*BMJ* 2010;341:c3651)
- Views and reviews: Does foreign aid work? (*BMJ* 2011;342:d3646)

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YES Poverty, undernutrition, and extreme destitution are rampant in India. Hundreds of millions of people still live in homes without electricity and without access to improved sanitation. Millions of children never finish elementary schooling, and health conditions are still appalling for most.¹

Surely this is a country that must get development aid? But when the UK government decided to cut its aid to India, much of the Indian response was indifference or even relief.² There are several reasons why countries like China and India increasingly feel that they do not want development aid from rich countries.

Firstly, the amounts involved are too small to make a difference in these large emerging economies. In India, for example, aid from the United Kingdom at around £280m (24 600 million rupees; €344m; \$450m) amounts to less than 0.04% of India's national income, and is even smaller than 2% of what the central government spends on the food subsidy and rural employment programmes alone.³ In China the aid amounts seem even more trivial and inconsequential.

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NO The UK's recent decision to end aid to India from 2015 seems to have been taken after a media debate that generated more heat than light. India, the British public were told, is a powerhouse that has moved up the international economic league achieving middle income status. It could and should do more to tackle its own poverty, and it doesn't need outside help.¹

But when you look beneath the headlines about India's space programme and burgeoning economy, you find a country that is home to a third of the world's poor people and that cannot afford to eliminate domestic poverty.

There are more than 400 million people in India living below the global extreme poverty line of \$1.25 (69 rupees, £0.77; €0.95) a day—more than the combined total populations of the United States, Australia, and the United Kingdom.² Even taking account of the small but growing number of super rich elite, India's average income per head is just \$3650, a 10th

If the amounts are small then it is important for the effect of the aid to be highly relevant and catalytic. But another reason for rejecting aid is that all too often the money comes with strings attached (in the form of use of equipment or contractors) and strategies that do not add much value. The outrage in Britain when the Indian government did not purchase British fighter jets even though it received aid from that country is still fresh in the minds of many Indians.⁴ These expectations of quid pro quo are widely seen by government and the general public as undesirable and hard to justify, and alienate recipient governments and people.⁵

The public perception in many developing countries is that too much of the aid ends up in the pockets of expensive international consultants who contribute little to the development process. This has been partly borne out by recent revelations (especially in the UK) of the favoured contractors who have made millions out of the lucrative business of poverty consulting, even if they are not always in tune with the aspirations or requirements of those they are supposed to help.⁶

In any case, too much aid is devoted to pushing economic and social policies that are not in the interests of recipients or are driven by changing fashions. The international development "industry" is particularly prone to fads: thus we had the privatisation of basic services, followed

of that for Great Britain, comparing gross domestic product per capita using purchasing power parity to adjust for different costs of living.³

The needs of poor people in India are no different to people living in Africa or anywhere else—shelter, food for their families, drugs when they get sick, schooling and with it the chance of a better life for their children. Although we have 61 billionaires, in India 217 million people will go to bed hungry tonight.^{4,5}

There is not enough money among India's elite to help such a vast number of poor people. Nor is there sufficient money among the middle classes. Martin Ravallion, director of the World Bank's development research group, has calculated that even if the Indian government confiscated every last rupee from every Indian living on more than \$13 a day (the US poverty line) and gave it all to people living on less than \$1.25 a day it would eliminate only "a modest fraction" of Indian poverty.⁶

Ravallion's analysis was published the day before the UK announced it would end aid to India and almost certainly after the decision

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by microcredit, followed by conditional cash transfers, as the flavours of the month, all within the broader context of market friendly policies that reduce regulation of private activity. These policies then get pushed down to all recipient countries, regardless of context, relevance, or applicability, until they are thwarted by their own contradictions or overtaken by the next fad. Thus the underlying adherence to market oriented policies that can reduce the access of the poor to basic goods and services reduces any micro-benefits of microfinance or cash transfers.

The approach is still too much in the “white man’s burden” tradition of having to educate or reform policies and practice in the recipient countries—and it is not surprising that many policy makers and practitioners increasingly feel they would rather be left alone to pursue their development strategy.

The most important point is that foreign aid is not the critical requirement for poverty reduction. It is no surprise that the fastest poverty reduction has occurred in countries that

have barely received aid—for example, China—or in periods when foreign aid has declined to a trickle, as has happened in the past decade. People in all developing countries, not just in the richer emerging markets, now know that the real game is about public spending, along with trade and investment. They realise that little dribbles of foreign aid—even when they are directed to specific interventions that are useful on the ground—pale into insignificance when compared with trade rules that do not allow developing countries to diversify their economies into more productive activities that generate higher incomes for the people, using some of the same policy instruments that rich countries used in their past. Poor countries notice that they are being pushed into investment treaties that provide huge protection and compensation to foreign private companies at the expense of domestic citizens. They are thwarted by the imposition of increasingly tight intellectual property rules that seek to control access to knowledge, affecting the prices of drugs for people, the ability to improve material conditions for the poor, and even for activities that are in the global common interest such as climate change mitigation.

Does this mean that all the aid flows were useless or that all foreign aid should be stopped? No, but what it does mean is that the approach, nature, and terms of foreign aid

need to change, if it is really to contribute to improving the lot of poor people anywhere. The development project is still far from complete (or even half done) in India, and still has a long way to go even in China, which also still has a large number of poor people living in deprived conditions.⁷ But improving their conditions has to be seen as part of a broader human project, in which people and agencies from different parts of the world can participate. This is different from treating aid as a paternalistic distribution of largesse or as seeing it as an attempt to establish influence and control in recipient countries.

India, and China to a greater extent, now give aid to other developing countries, though the exact amounts are hard to quantify.⁸ But both explicitly declare this to be different from the conventional development cooperation North-South model, with its embedded power equations. Such aid may not result in development partnerships that involve sharing experiences as hoped for, but at least the changed explicit motivation is more likely to be acceptable as well as more relevant and useful in the developing world.

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had been taken. But should it have made any difference?

To my mind, aid should be given to the countries where it is needed most to combat poverty and inequality, and the extent to which a country is able to solve its own problems is a crucial factor in determining that need.

Of course aid must also make a difference. UK aid to India has helped 1.2 million children go to school in the past 10 years and lifted more than two million people out of poverty in the poorest states. Aid has helped push polio to the brink of elimination.⁷ So it is clear that UK aid—targeted at the poorest states—does reach the people it is supposed to help.

But critics of sending development aid to India haven’t got it all wrong. India might not be able to afford to end domestic poverty but those who point out that India’s wealthy elite, its government, and its civil society need to take more responsibility are absolutely correct.

As India cements its newfound status as a middle income country, we cannot expect to be able to rely year after year, decade after decade on the goodwill of foreigners to help

Indians in poverty. Nor would we want to. It is time we did more ourselves.

That is one reason why a few years ago, Oxfam India became a fully fledged partner in Oxfam International, funding our work in India by raising donations from the Indian public. It is vital that Indian philanthropists (individuals, trusts, and foundations) help fill the void created by departing international donors. Within India the culture of giving is growing, but slowly.

The 0.9% of national income the Indian government spends on health is the lowest in the world and nothing short of a scandal when you consider that despite recent improvements, a mother in India dies in pregnancy or childbirth every 10 minutes.⁸

Education spending at 3% of gross domestic product is little better.⁹ Requiring the individuals and companies benefiting most from the booming economy to pay their fair share in taxes would allow both figures to be increased considerably.

Here too aid has a role to play: it embarrasses wealthy Indians to do more than they would otherwise. Aid not only pays for vaccinations,

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but it also encourages the Indian government to buy more vaccines itself. Statements from ministers about the country no longer needing aid simply betray that embarrassment.

I wish the reality was different. I wish India had developed to the stage where it could indeed solve its own poverty problems, where a focus on trade in place of, rather than alongside, aid would be enough. That day may not be far off and there are ways to bring it closer—changes to trade rules to allow Indian farmers to compete fairly with heavily subsidised European and US producers, for example.¹⁰ But when you look at the evidence rather than the headlines it is clear that ending aid to India in 2015 is too hasty.

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