UK aid to India: country portfolio review

Literature review

March 2023

Any enquiries regarding this publication should be sent to us at enquiries@icai.independent.gov.uk.

@ICAI_UK www.icai.independent.gov.uk

Table of contents

1. Introduction

This literature review informs the Independent Commission for Aid Impact's (ICAI) country portfolio review of UK aid to India. The research questions and methodology for this literature review were developed as part of the methodology for ICAI's main review (see 'UK aid to India: country portfolio review – approach paper'). The literature review should be read in conjunction with the main review, available on the ICAI website.

The literature review focuses on specific topics relating to aid to India to inform the main review, covering:

- the economic and political context in India
- the UK's overall strategy in India, including its strategy for aid, and comparison with other donors
- the evidence base for the impact of the instruments being deployed for UK aid to India, and best practice around them.

The literature review is organised into seven sections, including this introduction. The second section outlines the social and political context in India. The third section describes the UK strategy towards India and the nature of its aid to India since 2016. The fourth section examines the strategies of other major donors to India. The fifth section considers the merits of key aid instruments used by the UK in India. The sixth section examines the evidence of 'what works' in using the key aid instruments deployed by the UK in India. Finally, the seventh section concludes with an overall summary of the literature review findings.

This literature review is not intended to be comprehensive. It focuses on a series of topics relevant to the overall questions that guide the main ICAI review. It aims to provide an overview of available peer-reviewed and grey literature on these topics without aiming to be a comprehensive review.

2. The Indian context

Understanding India's economic and political landscape from 2016 to the present is important for the main ICAI review. India's successful economic transformation is central to achieving national and global aims, such as ending extreme poverty, promoting shared prosperity, and achieving the Sustainable Development Goals (SDGs) (World Bank, 2018a). However, there are major internal constraints to India reaching its full economic potential (FCDO, 2022a), including continuing high poverty rates (with 150 million people estimated to be living below the international poverty line) (World Bank, 2021a), skills shortages, unplanned urbanisation, a huge infrastructure deficit, pollution, and the impacts of climate change (Department for International Development, 2018). UK development cooperation in India aims to address these constraints and gaps, alongside cooperation provided by other bilateral donors and multilateral agencies. This section will outline India's economic and political context and discuss the economic constraints and inequalities that the country is currently facing.

India's economic growth

India is one of the world's largest economies and had a population of 1.4 billion people in 2020 (World Bank, 2020a). The economy has undergone a rapid transformation over the past 20 to 30 years, and has been one of the fastest growing economies in the world. It is projected to become the world's fourth-largest economy by 2030 based on nominal gross domestic product (GDP) (Department for International Trade, 2021). According to the World Bank's Country Partnership Framework (CPF) for India FY18-22, annual growth in India has exceeded 7% over the past ten years and average per capita growth was 5.5% per year in the last decade (World Bank, 2018a). India's GDP annual growth reached 8.3% in 2016 but decreased to 4% in 2019 and -7.3% in 2020 as a result of the COVID-19 pandemic (World Bank, 2020b). India's growth rebounded to 8.7% in 2021 and is expected to fall to 7.4% in FY22 (IMF, 2022).

Growth has been broadly diversified. It has accelerated fastest in services, followed by industry, and less so in agriculture. Regarding the current composition of its economy, India's sector-wise GDP in 2020-21 was dominated by agriculture, industry and services. In 2020-21, the agriculture, forestry and fishing sector comprised 20.19% of the economy, industry and infrastructure made up 25.92%, and the remaining 53.89% were contributions from the service sector (including public administration, financial services, trade and transport)

(Ministry of Statistics and Programme Implementation, 2021). India's Ministry of Finance (2022) reported that the industry and infrastructure sectors, consisting of mining, manufacturing and electricity, fell by 7.8%, 9.6% and 0.5% respectively in FY20-21. In comparison, agriculture and food grain production increased in 2020-21 by 5.32 million tonnes, bringing the total to a record of 316.06 million tonnes (Ministry of Finance, 2022a).

Over the long term, India's growth has been driven by an increasing share of investment and exports plus a large contribution from consumption. Growth has also been characterised by productivity gains – in labour productivity and total factor productivity (World Bank, 2018b; Reserve Bank of India, 2022). However, growth has been regionally concentrated. Moreover, growth has not created the vast numbers of jobs that India requires and it has been based on skill-intensive industries (Khan, 2011).

Growth has also been reasonably stable and consistent (apart from the disruption in 2016 from the demonetarisation of the economy and in 2020 and 2021 from the COVID-19 pandemic). This resilience can be attributed to the country's large and spatially diversified economy, as well as its diversified production structure that is not dependent on a few products, commodities or natural resources. It can also be attributed to India's diversified trade basket and broad range of trading partners, wherein a slowdown in any one part of the world will not result in a large impact on (World Bank, 2018b).

This has led to India transitioning from low-income status to middle-income status. This transition has changed the nature of the relationship between India, bilateral donors and multilateral organisations. World Bank funding has largely transitioned from International Development Assistance to the International Bank for Reconstruction and Development (World Bank, 2018a). The World Bank CPF for India FY18-22 (2018) has moved from a prioritisation of basic needs to a focus on improving the quality of institutions.

However, even before the COVID-19 pandemic, India's growth had slowed due to structural rigidities in the economy. These included structural rigidities in key input markets; continuing balance sheet stress in the banking and corporate sector and stress in the non-banking segment of the financial sector; increased risk aversion among banks and corporates; a decline in rural demand; and a subdued global economy (World Bank, 2020b). The impact of the 2016 demonetarisation of the economy, when the Indian government demonetised high-value currency notes at short notice in order to reduce corruption and illicit economic activities, led to an immediate loss of 86% of its monetary base and caused negative impacts on the parallel economy, GDP, supply and demand side, price, inflation, stock market, foreign direct investment (FDI), availability of credit, bank deposits, interest rates, spending, and key sectors of the Indian formal economy. This was also a significant shock that caused long-term damage to the economy (Patharkar, 2020). Policy measures put in place to address this demonetarisation shock included: recapitalisation and consolidation in the banking sector; an ambitious public disinvestment plan, some rationalisation, and reduction in personal income tax rates; and business regulatory reforms. In addition, reversing a nearly two-decade-long process of trade liberalisation, a number of tariff and non-tariff measures were initiated to restrict imports. However, the pandemic reduced their positive impacts (World Bank, 2020b). It was a significant shock that caused an economic contraction, although the effects dissipated over time (Chodorow-Reich et al., 2020).

India's external position has been robust, underpinned by a modest current account deficit (CAD) and large foreign reserves. The CAD has averaged about 1.5% of GDP in the past five years. It declined to 1% of GDP during 2019-20 due to a contraction in imports, attributed to the slowdown in the economy, moderation in import prices, and import substitution measures. Exports have slowed as well, but less sharply than imports, resulting in an improvement in trade and CADs. Within total capital flows, India receives both FDI and equity and debt flows. Similar to the experience of other emerging markets, FDI flows have been stable, while portfolio flows exhibit episodic volatility (World Bank, 2020b).

The fiscal deficit and government debt is moderate. In the 2020-21 budget, the central government revised its deficit estimate to 3.8% of GDP, up from 3.3% budgeted in 2019-20. The actual deficit was higher, at 4.6% of GDP (World Bank, 2020b). Government debt increased to nearly 73% of GDP in 2019-20, after having remained stable at around 69% in previous years. India's public debt is considered sustainable, being largely domestic, local currency-denominated and long-term, and because nominal GDP growth has typically been higher than the interest rate at which the debt has been raised. Debt servicing costs are at a moderate 5% of GDP. However, government borrowings crowd out private sector investment and the COVID-19 pandemic has had a drastic negative effect on fiscal and debt outcomes (World Bank, 2020b).

India's financial sector

There is broad academic evidence to support the close and causative relationship between financial development[1] and economic growth, and to support the case that it has this effect by driving more efficient resource allocation and lower cost of capital. Because of this need, finance is often the 'binding constraint' on economic growth in developing countries (Hausmann et al., 2005) and relieving such constraints can be a key role for development finance institutions.

Financial development in India has been strong and exceeds its peers in emerging markets. It has driven economic development, with the majority of studies finding a robust long-term relationship, as predicted by the literature (Joshi, 2016; Sehrawat and Giri, 2018; Krishnan, 2011; Kumar and Paramankik, 2020; MacDonald and Xu, 2022).

India's banking sector, which is essential for intermediating savings into lending and providing finance at a reasonable cost and availability, has seen significant growth and deepening in the last two decades and is now on a par with other major emerging markets. Its capital markets, which are a rich and important source of finance for investment for India, where the emergence of large-scale enterprises is important for the productivity gains that drive economic transformation, have performed even better, and are now much more developed than those of their peers, as shown in the International Monetary Fund's Financial Development Index (IMF, 2023). This is also proving important in driving India's climate ambitions. For example, India recently raised $1 billion from its first sovereign 'green bond' to finance green infrastructure development and deployment in India. This is expected to accelerate further green corporate issuance in addition to the $25 billion in green debt already issued by Indian companies and some government-backed entities (Reed, 2023).

Since the 1990s, this financial deepening has been supported by successive financial market reforms, including making interest and exchange rates largely market-determined (although the exchange rate regime remains one of managed float, and some interest rates remain administered). Considerable competition has been introduced in the banking sector through new private sector banks (IMF, 2021). However, public sector banks continue to have a dominant market share – which is a problem as they have a lower effect on economic growth than private banks (MacDonald and Xu, 2022).

It has also been accompanied by reasonable financial stability (Reserve Bank of India, 2021b; IMF, 2021). Financial development can be a source of financial and macroeconomic instability, especially in middle-income countries where growth leads to increased exposure to cross-border capital flows and integration with international financial systems – which is the case in relation to India. Because of this, strong financial regulation is a key issue in maintaining financial stability in India. The Reserve Bank of India (RBI) is well regarded as an effective regulatory institution and, in 2021, the International Monetary Fund (IMF) rated financial stability risks as moderate for India. However, the IMF also highlighted credit risks relating to rising non-performing loans because of the pandemic and emphasised the importance of ensuring adequate bank capitalisation including rebuilding capital ratios for some institutions which suffered credit losses as a result of the pandemic (IMF, 2021).

Given this level of financial development, it is unsurprising that there is limited evidence of India's economic growth being constrained by lack of finance, with studies identifying non-financial constraints as being the key binding constraints on growth in India (for example, Dutta, 1988; McCulloch et al., 2016; Posit and Kannan, 2019; Dinh et al., 2010). Only 11% of firms cite finance as a critical constraint, with other factors such as corruption, taxation and electricity being seen as more important (with 20%, 15% and 13% of firms respectively citing these factors as key constraints).[2]

---

1 Financial development is defined as a combination of depth (measured by the size and liquidity of markets), access (the ability of individuals and companies to access financial services), and efficiency (the ability of institutions to provide financial services at low cost with sustainable revenues, and the level of activity of capital markets). It can be observed in the increasing number, scale and diversity of financial institutions, including banks, insurance companies, mutual funds and pension funds, and in financial markets, such as foreign exchange, stock and bond markets, increasing liquidity and turnover, and the number of 'market makers' (Sahay et al., 2015; Svirydzenka, 2016).

2 Most recent data available: *Enterprise surveys data for India*, World Bank, accessed December 2022, link.

However, there are exceptions. Smaller, rural firms have more difficulty accessing finance than larger and urban firms (Singh and Kaur, 2021) and there is stronger evidence of financial constraints in agriculture (for example, Pillarisetti, 2007; Pohit and Kannan, 2019).

Microfinance in India

There has been strong growth in microfinance in India, which has been encouraged to overcome difficulties for individuals and smaller firms accessing finance, and for its effects on poverty reduction. There has been considerable growth in the microfinance sector in India over the past two decades, with the sector becoming increasingly commercialised. There have been increases in both the number of institutions providing microfinance as well as the quantum of credit made available to microfinance customers. Microcredit is delivered through a variety of institutional channels via: (i) scheduled commercial banks (including small finance banks and regional rural banks) lending both directly and through business correspondents and self-help groups, (ii) cooperative banks, (iii) non-banking financial companies (NBFCs), and (iv) microfinance institutions (MFIs) registered as NBFCs as well as in other forms (Reserve Bank of India, 2021a).

This growth has been accompanied by regulatory problems, with the regulatory framework still in development. There was a crisis in Andhra Pradesh in 2010 relating to exploitative microfinance practices, including high interest rates and aggressive debt collection practices. The state regulators moved to close down microfinance branches and a code of fair practice was introduced by the RBI. However, problems re-emerged when SKS, one of the largest and most profitable microfinance-orientated institutions in India, was criticised for aggressive debt collection techniques which were alleged to have driven a number of clients to suicide (Harper, 2010). Following political anger and agitation, default rates on microfinance loans in the state reached 90%. Further legislation was implemented which restricted how microfinance-orientated institutions lend and collect money and placed caps on interest rates that had previously been unregulated. Since then, there has been further growth in the sector, with the conversion of some MFIs to banks and other regulated entities. The RBI is in the process of further strengthening regulation, including addressing ongoing concerns related to the over-indebtedness of microfinance borrowers and enabling the market mechanism to reduce interest rates and improve the transparency of loan pricing (Reserve Bank of India, 2021a).

But this growth in microfinance lending is not strongly linked to inclusive economic growth and poverty reduction in middle-income countries. The majority of studies have found that credit has little or no significant impact on income, including from business creation, or on education, health or women's empowerment. Moreover, it can be associated with unsustainable indebtedness in poor households (Christian, 2001; Dercon, 2002; Banerjee and Duflo, 2007; Ogden and Beck, 2007; Hulme, 2007; Meyer, 2007; Frank, 2008; Demirgüç-Kunt et al., 2008 and 2017; Karlan and Zinman, 2008; Karlan and Zinman, 2009; Karlan and Morduch, 2009; Islam, 2009; Armendáriz and Szafarz, 2009; Collins et al., 2009; Banerfee et al., 2009; Bateman, 2010; Armendáriz and Morduch, 2010; Karlan, 2010; Rodman et al., 2010; Mersland and Strom, 2010; Roodman, 2010; Jansson, 2000; Hulme and Arun, 2011; Tyson, 2012; Janze and Carter, 2013; as well as many country-level studies).

Other products have more positive results but are strongest in countries without adequate public social protection, such as low-income countries (LICs). Savings products increase household resilience as they can be used to smooth consumption and manage shocks, such as the loss of employment or the loss of a breadwinner. However, these effects are most important in countries without adequate public social protection – notably many LICs – which is not the case in India. Payment services also have a positive relationship to poverty alleviation, as they lower costs and increase the speed and security of payments (Loayza et al., 2000; Collins et al., 2009; Demirgüç-Kunt et al., 2017; Armendáriz and Szafarz, 2009; Armendáriz and Morduch, 2010).

The overall strong financial development in the sector has been found to be only weakly causative, or not causative, of *inclusive* growth (as opposed to broad GDP growth) and poverty reduction in India (Joshi, 2016; Sehrawat and Giri, 2018; Kumar and Paramanik, 2020). This has been causally linked to the shift in credit composition away from corporates to microfinance (MacDonald and Xu, 2022). Banerjee et al. (2013), in a study of urban India, found no statistically significant relationship between household consumption and access to finance, and instead found evidence that some microcredit programmes may be harmful because the poor become burdened with excessive debt (Banerjee et al., 2013).

The political context

The political environment in India is complex and interacts with economic and social development. The government consists of a president as head of state, an executive headed by the prime minister, and a legislature consisting of a parliament with an upper and a lower house (the Rajya Sabha and Lok Sabha) (Price, 2022). India's constitution sets out the country's political code, federal structure and powers of government. It also guarantees Indians' rights, including equality before the law and freedoms of speech, assembly, movement and others. The constitution banned caste discrimination and early governments introduced quotas to provide a fairer allocation of jobs and education, but caste remains a powerful factor in politics. In some regions, political parties still court voters according to caste, who tend to vote as a bloc. The constitution was adjusted to describe India as a secular state during the 1975 emergency, and a later court ruling found that India has been secular since independence. Nonetheless, India is understood to be a deeply religious country, with diverse religions represented in its population (Price, 2022).

In 2014, Narendra Modi, the chief minister of Gujarat from 2001, was elected prime minister. Modi had cultivated an image as an efficient governor who had transformed Gujarat's economy, attracting investment from various Indian industrialists. He was also known for his Hindu nationalist beliefs and for the Gujarat riots of 2002. Months of communal violence spread across the state that year, after Modi blamed Islamic terrorists for a fire on a train of Hindu pilgrims. The riots resulted in more than a thousand, mostly Muslim, deaths. Modi's administration was accused of both inciting the violence and failing to bring it under control, but he was cleared of complicity in 2012. Modi's Bharatiya Janata Party (BJP) won 31% of the vote in the 2014 general election, enough to gain 282 seats – an outright majority. In 2019 the BJP increased its majority, winning 37% of the popular vote and securing 303 seats. Most of the BJP's support is from the most populous and generally poorer 'Hindi Heartland' states in the north of India like Uttar Pradesh, Madhya Pradesh and Bihar, though it would like to grow support in other states (Price, 2022).

Prime Minister Modi and the BJP represent the Hindu nationalist movement, whose ideology – Hindutva – has remained consistent for a century. Since before independence, nationalists have argued that India should be the homeland for South Asia's Hindus, as Pakistan was for its Muslims. The contemporary BJP hopes to consolidate the Hindu community – arguing, not without merit, that caste divisions were artificially exaggerated during the colonial period as part of a divide and rule strategy by the British. Since taking power, the BJP has been preoccupied with pursuing this agenda. Hindu nationalists are not concerned about other religions which originate in India, such as Sikhism and Jainism, but their attitude to religions which originate elsewhere, notably Islam and Christianity, is more hostile. The BJP argues that other parties have privileged the minority (Muslim) population, and that it is levelling up the status of Hindus (Price, 2022).

Kashmir, the only Muslim-majority state in India, was put under lockdown from 2019 to 2021 and subjected to a communications blackout. The region's autonomous status was revoked, and thousands were arrested, including Kashmiri politicians, activists and separatists. In Assam, a north-eastern state, where politics around undocumented immigration is highly inflamed and Muslims represent around one-third of the population, detention camps have been created for those who cannot prove their Indian citizenship, which is often difficult because of a lack of formal documentation (such as passports, formal immigration processes and IDs) relating to past decades of population migration (including during partition). This followed the Citizenship Amendment Act passed in 2019, which eased citizenship requirements for various religions, but expressly omitted Muslims. 1.9 million Muslims had already effectively been stripped of their citizenship in Assam after being left off India's National Register of Citizens (Price, 2022).

The BJP's attempt to remake India has seen political discourse become increasingly polarised, while economic growth has slowed. Some commentators see this as having eroded trust in India's institutions and in basic democratic foundations like the rule of law. Trust in the law is further undermined by India's dysfunctional legal system, which leaves many languishing in detention before trial for 'crimes' including peaceful protest. Meanwhile, Amnesty International reports numerous uses of excessive force by India's police and security forces (Price, 2022).

Indian democracy faces further challenges because of criminality in the political system. 43% of those who won national parliament seats at the 2019 general election had been charged with a crime of some kind (Price, 2022). Indian politics has been plagued by corruption for decades. A wave of scandals engulfed the Congress-led coalition government that assumed power in 2010. Various accusations were made in relation to the 2010 Commonwealth Games. The Indian government formed a special committee to investigate allegations against the Games Organising Committee, resulting in the arrest of the committee chair and various other officials. As of March 2022, there have been no convictions. Another major 'scandal' saw India's telecoms minister, Andimuthu Raja, imprisoned on corruption charges relating to India's auction of 2G spectrum licences. The case damaged the coalition government's support, although it was eventually dismissed. As part of its winning 2014 electoral strategy, the BJP promised to tackle corruption. High-profile arrests have taken place, including that of former finance minister and Congress party MP Palaniappan Chidambaram, who was charged in 2019 over allegations that he cleared foreign investments in exchange for bribes while minister in 2007. However, the BJP has faced corruption allegations of its own. Congress accused the government of favouritism in the awarding of contracts relating to a €7.8 billion (£7.0 billion) purchase of Rafael fighter jets and the privatisation of six major airports, with Modi allies winning lucrative contracts. Again, nothing has yet been proven (Price, 2022).

In relation to foreign policy, India is seen as needing to establish a prominent role in international politics that reflects its growth and importance in the global economy. India originally sought a policy of neutrality after independence, but in recent years it has been engaged in a bitter border standoff with China and conflicts with Pakistan, as well as concerns about maritime security and Islamic terrorism stemming from its neighbours. This has led to India courting a deepening relationship with the US (Carmack et al., 2022) and, to a lesser extent, with Europe.[3] Alongside Japan, the US and India have championed the vision of a 'free and open Indo-Pacific' and, in the Gulf, India has strengthened partnerships with the United Arab Emirates and Saudi Arabia. An important aspect of India's foreign policy approach has been deepening strategic engagement with major powers, mainly through seeking closer contacts, building connectivity and expanding strong cooperation (Ministry of External Affairs, 2022b). India's strategic relationships with the US and Europe were, however, strained in 2022 by its engagement with Russia during the Ukraine conflict (Chatham House, 2021; Barrow and van Hooft, 2022; Grare, 2022).

India's foreign policy ambitions centre around being a global power and an influential and equal player in global forums, as well as security concerns relating to the power balance in the region with China and Pakistan. This is reflected in India's upcoming presidency of the G20, which is expected to strengthen the development dimension of the group (OECD, 2022a). However, this is also reflected in India's role in the Quadrilateral Security Dialogue (Quad) with the US, Australia and Japan in response to China's growing expansion in the Indo-Pacific region. There are plans for India to place a renewed focus on maritime security, through partnerships with the US, Japan and France, to create regional partnerships, and to fulfil the role of net security provider (Paskal, 2021). This is additionally demonstrated through India's drive for South-South cooperation with African countries.

Indian development cooperation

While India has not stopped accepting international development assistance, it has been shifting from an aid recipient towards a major player involved in bilateral and multilateral development cooperation. Since 2014, Organisation for Economic Co-operation and Development (OECD) estimates show that India has received $19.6 billion (£15 billion) in official development assistance (ODA) from all official donors, and $16.0 billion (£12 billion) from Development Assistance Committee (DAC) countries.[4] In 2020 alone, India was the second-largest recipient of DAC ODA, receiving £1.8 billion (FCDO, 2022c). However, India's bilateral and multilateral engagement with Asia and Africa has increased over time, and particularly with Africa over the past year (Ministry of External Affairs, 2022b). The Indian think tank Research and Information System estimates that India's external

3 This is noted by Ambassador Kanwal Sibal, former foreign secretary of India, in an expert discussion held by Chatham House: *India's foreign policy challenges: A balancing act?*, Chatham House, February 2021, link.

4 Calculated using aid disbursements to countries and regions by all official donors between 2012 and 2020. Organisation for Economic Co-operation and Development, December 2022, link.

development cooperation has increased overall from $6.2 billion (£4.8 billion) in 2014 to $8.7 billion (£6.8 billion) in 2020, with the OECD estimating that $1.0 billion (£780 million) was provided in 2020 (OECD, 2022a).

Indian development cooperation, led by the Ministry of External Affairs and involving various ministries and institutions, aims to be demand-driven and mutually beneficial, and to ensure local ownership without conditionality to support sustainable development. It uses multiple aid instruments, including grants, lines of credit, technical assistance and disaster relief (Ministry of External Affairs, 2022b). It applies these instruments to a variety of sectors, with agricultural development and energy a top priority, as well as health, information technology and infrastructure among others. While India has focused exclusively on South-South cooperation, it has also prioritised triangular cooperation, collaborating with other donors such as France, Germany, Japan and the UK to provide development assistance in Africa and Central Asia (OECD, 2022a; Ministry of External Affairs, 2022b).

Impact of COVID-19 on India's economy

Despite the government of India's implementation of strict and severe isolation measures, over 1.6 million people were infected in India and over 35,700 deaths were attributed to COVID-19 as of end-July 2020, with further deaths from a third wave in late 2021 and early 2022. These figures are, however, believed to be significantly underreported due to weaknesses in the registration of deaths (World Bank, 2020b).

The COVID-19 pandemic has had a significant impact on India's economy. India's government implemented stringent lockdown and social distancing measures to curb the spread of COVID-19, resulting in a quasi-standstill in economic activity, which caused some reversal of the economic gains of the last two decades. Real GDP growth fell from 7% in 2017-18 to 6.1% in 2018-19 and 4.2% in 2019-20 (Reserve Bank of India, 2022). As a result of the pandemic and measures put in place, India's economy contracted by 7.3% in FY21 following the first wave of infections, with the second wave resulting in a further sharp decline in economic activity (IMF, 2021).

The economic disruption caused by the pandemic had a severe impact on poor and vulnerable households in India. The World Bank (2022) estimates that poverty rates in 2020 in India reverted to the levels of 2016 and citizens working in the informal sector faced significant income losses in the absence of formal social security safety nets (IMF, 2021). The government of India and the RBI responded with economic support measures, including support to vulnerable households and expanded service delivery with a focus on social and health spending (IMF, 2021). Further broad monetary and fiscal stimuli were targeted at the corporate sector, hoping to support investment and employment (Parkin and Singh, 2022).

It is expected that the Indian economy will rebound following the aftermath of the COVID-19 pandemic in 2021 and 2022. The World Bank (2022) estimates that growth will stabilise at around 7% after FY22 and India's Ministry of Finance Annual Report (2022) expects real GDP growth to reach as high as 9.2% in FY21-22 due to the strengthening of the economy from improved consumption levels, rising public sector spending, an investment cycle uptick and the increased resilience of India's exports. The latest figures from the IMF (2022) illustrate that India's economy grew by 8.7% in FY21; however, figures have now been revised downwards for FY22 from 9.5% to 7.4%, and 6.1% in FY23 (IMF, 2021). These figures do suggest that India's economy is recovering, but the overall economic outlook remains uncertain. Long-term effects of COVID-19 on investment, human capital and other drivers of growth could slow recovery. For example, the IMF (2021) highlights the importance of rectifying disruptions to education and the impact this could have on younger generations.

Economic inequalities and social protection in India

Analysing India's GDP growth figures tells an interesting story of rapid rates of economic growth over the last decade, with a recent fall due to the pandemic. Between 2011 and 2015, poverty is estimated to have declined from 21.6% to 13.4% (below the international poverty line), lifting more than 90 million people out of extreme poverty (World Bank, 2020a).

However, the focus on economic growth, GDP growth and GDP per capita as indicators for India's economy neglects and conceals inequalities ingrained within the economy. Examining economic growth and GDP as indicators of 'development status' has been criticised by numerous scholars as an outdated method (UNDP and

OPHI, 2021). To assess India's economic landscape effectively, input is required from other indicators and statistics. India consists of 28 states and eight union territories, all with diverse economies, different growth paths and poverty characteristics (World Bank, 2018a).

The Human Development Index (HDI), for example, is a summary measure of average achievement in health, education and life expectancy (UNDP, 2022). In the Human Development Report 2020, India was classed as 'medium human development', being ranked 132nd out of 191 countries and territories and receiving a score of 0.633. Equally, the Gender Development Index reveals different HDI figures for males and females in India in 2019, 0.699 and 0.573 respectively. In 2019, labour participation was circa 20.5% for women and circa 76.1% for men (UNDP, 2020). However, these figures are only representative of workers in the formal economy. The labour market dimension lacks information on incomes, employment and unpaid work by women (UNDP, 2020). **There are challenges in solely focusing on aggregate growth figures and there is a need to consult other indicators which provide insight into India's economic landscape. From these figures and the literature, it is evident that significant inequalities exist in India: between the different states, between rural and urban areas, and between men and women.**

The Multidimensional Poverty Index (MPI) also aims to capture overlapping deprivations in health, education and living standards, and in income, and complements India's poverty measurements (UNDP and OPHI, 2021; NITI Aayog, 2021). The national MPI for India is 0.118, and this is split into an overall rural MPI of 0.155 and urban MPI of 0.04, illustrating considerable disparities between rural and urban areas. (NITI Aayog, 2021). To compare, Bihar is India's poorest state, with nearly 52% of people being multidimensionally poor. The MPI for Bihar is 0.265, while Kerala has the lowest MPI among India's states, receiving a score of 0.003 in 2021, with 0.71% of people classed as multidimensionally poor (UNDP and OPHI, 2021).

The informal sector in India is an example of a marginalised group affected by economic inequalities. The majority of India's labour force are employed in the informal sector and were significantly impacted by the COVID-19 pandemic, with increased job vulnerability and income losses (World Bank, 2020c; 2022). India's strict nationwide lockdown in March 2020 put millions of informal workers out of work, prompting a chaotic exodus of migrant workers from urban centres to their rural homes (Parkin and Singh, 2022). The OECD (2021b) asserts that the pandemic emphasised the need for job stability, the protection of vulnerable individuals, and reforms to healthcare in India.

India's social protection programme has been deepened and extended in recent years. Since 2005, there have been concerted efforts by state and central governments to strengthen investments in social protection programmes. The share of centrally sponsored social protection schemes in total government of India expenditures has increased from 9% in 2004 to 27% in 2021-22 and from 1.4% of GDP in 2004 to 8.3% in 2021-22 (World Bank, 2017; Ministry of Finance, 2022b).

Social protection programmes emphasise subsidies, with food and fuel subsidies accounting for more than half the expenditure, and insurance programmes. Social insurance programmes include health insurance schemes (Rashtriya Swasthya Bima and Aam Aadmi Bima Yojana), insurance for disability, death and accidents (Pradhan Mantri Jeevan Jyoti Bima Yojana and Pradhan Mantri Suraksha Bima Yojana), and pensions (Atal Pension Yojana), including for informal sector workers and households. These schemes are important for increasing household resilience, including in the informal sector where health shocks, accidents and deaths are major factors in households being trapped or falling back into poverty (World Bank, 2017; Diwakar et al., 2019).

However, uptake of schemes has been relatively muted for some groups, with barriers in the design of enrolment and entry procedures. Increasing access and uptake are now the policy priorities to build on in these social protection programmes. For example, beneficiary identification is done though community and political organisations for some schemes. In rural programmes, elected village representatives are responsible for many aspects of programme administration, particularly beneficiary identification. While this increases overall uptake, some marginalised groups are excluded. In urban areas, uptake rather than the presence of social protection measures is the key issue among vulnerable groups. Uptake by informal urban workers is particularly low (including women within these groups) because of difficulties in meeting requirements for access such as providing official documents (for example, the universal identification document, the Aadhaar card, which is needed to claim many social services, or the labour welfare card, which is required to get a 'ration card' for subsidised food through Public Distribution System shops) (Agarwal et al., 2022). Changes in procedures, administrative delays, applications rejected for minor irregularities, problems with biometric or mobile phone text message authentication, and political marginalisation also contribute to inequitable access (World Bank, 2017; Agarwal et al., 2022). The government is undertaking initiatives to increase uptake. For example, a Digital Pension Coverage Toolkit, with ready-to-deploy technology tools and digital platforms to integrate programmes, is being developed for pensions and there has been an 'auto-enrolment' programme linked to financial inclusion (World Bank, 2017).

Environmental and social costs of economic growth

India's rapid economic growth has created detrimental social and environmental costs. The World Bank (2018a) assert that India's ability to lower its carbon footprint will be pivotal to whether the planet can reach the two degrees global warming threshold. In 2016, India's carbon dioxide emissions reached 1.6 tonnes per capita and in 2018 this rose to 1.8. India was the third-largest emitter of greenhouse gases in 2020, although its per capita emissions were lower than the world average (UNEP, 2022). To meet global climate change targets, it is crucial for India to transition to a low-carbon economy. This can create new economic opportunities, as new technologies and industries are required to facilitate the transition. It also provides a global opportunity for India to demonstrate its climate leadership to other countries (Chaturvedi and Malyan, 2021; Kathpal et al., 2021; Narassimhan et al., 2021). The World Bank (2018a) outlines that key environmental issues in India are: the management of scarce water resources; modernising food systems to improve rural livelihoods; and ensuring megacities become engines of sustainable economic growth and inclusion. Growth has also been powered by coal-based energy and transport. This has had detrimental public health consequences because of air pollution, 97% of which is caused by particle emissions from coal-based power plants and fossil fuel-based transport (CREA, 2022)

The literature illustrates that renewable energy has become an increasing focus of India's economy, but that more needs to be done to encourage India's move away from coal-based power. To meet commitments to the SDGs, India's current fossil fuel dependency must be replaced by more sustainable energy sources, and this has become a prominent aspect of the Indian government's agenda (Ray and Bandyopadhyay, 2020). However, actual progress has been slow. New legislation was introduced to reduce emissions through filtering in 2015 but, by 2021, only 2% of power plants had actually implemented it. The government continued to hold auctions for coal franchises in 2021 and 2022, citing a "need for expansion in domestic coal mining capacity to meet the increasing demand and reduce import dependence of the country" (CREA, 2020, p. 1). However, forecasts are over-capacity and there has been little attention to the effects on forests and indigenous rights in this planned expansion of output (CREA, 2020).

At COP26, India pledged to reach net zero emissions by 2070, and to produce half of its energy from renewable sources by 2030 (OECD, 2021b). India is the world's third-largest emitter of carbon. The prime minister announced an ambitious target based on five different elements, including: attaining 500 gigawatts non-fossil energy capacity by 2030; 50% energy mix comprising renewable energy by 2030; reducing total projected carbon emissions by 1 billion tonnes from now until 2030; reducing the carbon intensity of the economy by 45% by 2030; and achieving net zero by 2070. These elements were accompanied by revised nationally determined contributions in August 2022 (Government of India, 2022; Ministry of Finance, 2022a). These targets are significant, and it will be imperative for India's future development pathway to implement green transition strategies for the energy, transport, agriculture, water and urban development sectors over the next decade to reach these goals (Jha, 2021; UNEP, 2022). Additionally, at COP26, India launched the Green Grids Initiative – One Sun, One World, One Grid in partnership with the UK, the US, France and Australia. This initiative plans to create a more interconnected global grid and increase renewable energy generation to benefit global sustainability (Das and Chaturvedi, 2021).

However, India was heavily criticised for its long phase-out to 2070 and a weak commitment only to 'phase down', not phase out, coal-based energy generation. 70% of its energy production is coal-based and there is still no clear pathway for how the country can phase out coal. Renewables are growing rapidly but currently only account for 18% of electricity generation. Solar, while cheaper than fossil fuels, is intermittent and battery storage remains expensive, and India does not have significant oil and gas reserves (and spends more than €100 billion (£88 billion) each year to import these). Nuclear power accounts for less than 2% of the country's electricity capacity. India did not join a coalition of countries that committed to a coal phaseout during the first week of COP26 and pushed back against language in the final text of the Glasgow agreement, seeing it as deviating from the Paris pledge to account for national circumstances. In the view of experts, India's coal phaseout will depend on its ability to ensure that renewable energy can be fed into the energy grid, and ensure its access to emerging global grids. This will require better storage systems and other technologies that need to be scaled up in India, and decentralised energy solutions to power remote and rural schools, healthcare, and livelihood facilities. Adequate markets, finance, technology transfer and institutional arrangements, access to finance, an enabling policy and regulatory environment and capacity building measures can support these outcomes (Scientific American, 2021; CREA, 2020; 2022a; 2022b). India has recently raised $1 billion from sovereign 'green bonds' to fund projects including clean transport, climate change adaptation, water and waste management, pollution prevention and control, and biodiversity conservation (Reed, 2023).

The literature highlights that India will be extremely vulnerable to climate change pressures, with some states being more vulnerable than others. Mohanty and Wadhawan (2021) map India's climate vulnerability by conducting a district-level assessment through the construction of a climate vulnerability index. The report finds that climate change in India will have a disproportionate impact on vulnerable communities and pose a crucial threat to India's sustainable development. The Council on Energy, Environment and Water finds that three out of four districts in India are extreme event hotspots, facing severe climate change pressures. The most climate-vulnerable states include Assam, Andhra Pradesh, Maharashtra, Karnataka and Bihar. Most of these states are located on the west or east coast of the country. With temperatures expected to rise, the frequency of extreme weather events is predicted to increase, impacting vulnerable communities the most (Mohanty and Wadhawan, 2021). States like Bihar, with the highest level of multidimensional poverty and high climate vulnerability, are at significant risk, and this threatens to disrupt and impact India's economy. India's climate vulnerability is a major issue for the economy and will continue to pose significant threats. Transition towards a lower carbon footprint will be imperative to curtail this impact and to achieve a sustainable, inclusive economy.

Economic outlook

Moving forward, a priority of the Indian government is to promote sustainable and inclusive growth across India. There is strong evidence from the literature that India is a fast-growing economy. Despite this, states and sections of society still remain below or around the poverty line. The level of hunger in India enforces this, with the Global Hunger Index ranking India 107th out of 121 countries, with serious levels of undernourishment and child stunting and wasting.[5] The World Bank's (2018a) CPF for India FY18-22 discusses some of the key challenges and constraints India's economy is currently facing. The Bank's Systematic Country Diagnostic distils three key priorities for maintaining poverty reduction and high growth (World Bank, 2018a):

- *Pivoting to a more resource-efficient path*: India's current growth path is unsustainable and needs to become more resource-efficient, due to the country's low natural resources and the increasing impacts of climate change. As a result, the World Bank will implement assistance with a focus on: enhancing the productivity and liveability of cities; changing policies for agriculture and the wider rural economy; correcting distortions in energy and water usage; and increasing climate resilience.
- *Accelerating inclusion*: India's economic programme and access to economic opportunities need to be spread more equitably to build a more stable, inclusive and resilient society. A key aspect of this is ensuring that all citizens, particularly women and groups from disadvantaged social backgrounds, have access to these economic opportunities. Equally, investment is needed in India's human capital, especially in health, education and training to advance long-term competitiveness.
- *Strengthening the public sector*: The weak delivery of core public functions in India needs to be strengthened. The World Bank aims to support this process through: tightening the chain from

[5] *India*, Global Hunger Index 2022, December 2022, link.

government inputs to service delivery outputs and outcomes; augmenting resources and improving accountability mechanisms; and administrative reforms (World Bank, 2018a).

Commentators disagree about the optimal future composition of India's economy. This is evident through the large-scale farmers' protests that took place from September 2020 until November 2021 (Curtis, 2021). The protests were in response to laws announced in 2020, including market reforms, the removal of state protection, and the minimising of the government's role in agriculture to provide more space for private investors (Curtis, 2021; Mashal et al., 2021). These protests illustrated the deep-seated structural problems within the Indian agricultural sector, including its extensive public subsidies, and demonstrated the Indian government's aims to move away from government support for agriculture and towards the private sector. In addition, technology is a growing sector of India's economy. India's IT services and outsourcing industry has significantly grown over the past decade (The Economist, 2022). This growth has contributed to India's position as the world's fifth-largest exporter of services, and these growth rates in technology are likely to continue as demand increases (The Economist, 2022). The technology and agriculture sectors are clear examples of India's divided economy, and in terms of the future, the government's agenda involves movement towards greater marketisation and privatisation.

As of June 2022, India's economy was recovering from the pandemic. The National Budget 2022-23 saw a substantial increase in government capex outlay, thereby improving aggregate demand. Furthermore, the National Infrastructure Plan amounting to R100 lakh crore (approximately £1 trillion) and the National Monetisation Pipeline involving R6 lakh crore (approximately £62 billion) – both targeted for completion by 2024-25 – are also expected to give a major thrust to infrastructure spending.[6] The focus on supply side management through 'process reforms', facilitating the smoothing and simplification of processes in some sectors where the government's presence as a facilitator or regulator is necessary, would help improve the resilience of the Indian economy. Several sectors have benefitted from process reforms, such as in public procurement and telecommunications. Laying out a path for sustainable agricultural growth and enhanced farm income, the Union Budget 2022-23 announced several initiatives focusing on chemical-free natural farming, an increase in the domestic production of oilseeds and millet, and promotion of agri-tech start-ups to enhance productivity. The Pradhan Mantri Gati Shakti Yojana laid the roadmap, driven by the seven engines of roads, railways, airports, ports, mass transport, waterways, and logistics infrastructure. For the micro, small and medium enterprises (MSME) sector, the Emergency Credit Line Guarantee Scheme has been extended up to March 2023, with the guarantee cover expanded to cover the hospitality sector (Reserve Bank of India, 2021a).

Consumer and business confidence has remained resilient despite the third wave, on the back of the accelerated pace of vaccination and better prospects for economic activity. A full recovery in aggregate demand is, however, contingent on a turnaround in private investment. On the supply side, there is a resurgence in the services, mining and manufacturing sectors. The future path of growth will be conditioned by addressing supply side bottlenecks and by calibrating monetary and fiscal policy support to aggregate demand and structural reforms. Such reforms are also warranted in the labour market to adapt to the pandemic by reskilling workers. The pandemic also provides a unique opportunity to boost digitalisation and adopt new technologies for raising productivity growth (Reserve Bank of India, 2022).

However, inflation has risen sharply (as it has globally during 2021), reflecting pandemic-related supply and logistics disruptions, a rebound in global commodity prices (most notably oil and gas following the conflict in Ukraine in 2022), and a release of pent-up demand. Headline inflation breached the upper tolerance level of the inflation target during May-June 2021, driven by a sharp increase in inflation in all the three major groups – food, fuel and excluding food and fuel (core) – due to supply disruptions induced by the localised lockdowns (Reserve Bank of India, 2022).

Moving forward, a core aim for the Indian government is movement towards inclusive and sustainable growth within India's economy. This is also a priority for bilateral donors and multilateral agencies contributing

[6] The Indian numbering system is used for Indian currency, where 'lakh' and 'crore' are used to express large numbers. One lakh is equivalent to 100,000, and one crore is equivalent to 10,000,000. When used together, a 'lakh crore' is equivalent to one trillion (1,000,000,000,000).

different forms of financial assistance through channels of development capital and technical assistance. The OECD (2021a) predicts that future growth in India will be uneven. Currently, the aftermath of COVID-19 has resulted in rural areas struggling to cope with influxes of migrant workers, urban households being more vulnerable since the start of the pandemic, and economic and social inequalities being exacerbated further across India (OECD, 2021b; World Bank, 2022). The IMF (2021) argues that structural reforms are ultimately needed to achieve inclusive growth. This will involve addressing long-standing reform priorities to further boost long-term growth (IMF, 2021). For the World Bank (2018a), current and future priorities include transitioning towards a more resource-efficient growth path, accelerating inclusion, and strengthening the public sector.

3. The UK's India strategy

3.1 The evolution of the UK-India strategy since 2016

The development partnership between India and the UK has undergone a significant transition since 2016 (and indeed before), with both countries redefining their relationship against their emerging economic and political priorities.

The post-Brexit pivot: an enhanced strategic partnership for bilateral ad global engagement

Scott (2017) stated that a new chapter in UK-India relations was signalled with Brexit, which elevated relations to an 'enhanced strategic partnership'. The UK and India had existing bonds in security and defence, business, innovation, education and culture. However, Brexit pivoted the UK to reassess its partnership with India on political and economic fronts, providing the opportunity to deliver a more ambitious, strategic UK-India partnership that would respond to 21st century challenges; forge deeper, broader and stronger relations with India; and leverage opportunities resulting from India's development, particularly its economic growth and prosperity (Scott, 2017; Pant and Milford, 2021). The UK also recognised India as an essential bilateral partner with similar principles and adapted its strategy to improve its recognition of and response to India's priorities (House of Commons Foreign Affairs Committee, 2019). Evidence suggests that India also continued to reassess its strategy with the UK, with scope for a major UK-India 'reset' during the post-Brexit period (Policy Exchange, 2020).

In addition to efforts to strengthen cooperation on security and defence and global governance, a central component of the post-Brexit shift in UK-India relations was strengthening economic links with India, particularly through stimulating bilateral trade, investment and the movement of people as key components of the UK's prosperity agenda (Scott, 2017; House of Commons Foreign Affairs Committee, 2019; UK Government, 2016b). Aid which builds bilateral economic ties as the basis for more equal, long-term partnerships is considered applicable for middle-income countries or 'rising powers', such as India (ICAI, 2019b).

In 2018, with the UK as the largest G20 investor in India, and with India as the fourth-largest funder of investment projects in the UK, this provided an opportunity for both countries to engage on shared priorities for future cooperation. The joint statement between the UK and Indian prime ministers in November 2016 placed greater emphasis on stimulating growth, trade and business; financing India's infrastructure growth; smart cities and urban development; ease of doing business; and enterprise and entrepreneurship (through Start-up India) (UK Government, 2016b).

The UK-India economic partnership was considered of primary importance to the UK, wherein India's economic development would afford opportunities for the UK to further deepen the partnership with India. From the UK's perspective, trade and investment opportunities were considered the most important feature of India's economic rise, with a growing potential market for UK businesses and exports to benefit. However, joint statements between the UK and India noted the two-way nature of economic links, with shared prosperity, job creation, skill development and international competitiveness.[7]

[7] Foreign and Commonwealth Office, 2016, cited in Scott (2017): "Foreign Office minister Alok Sharma visits India", press release, 24 July 2016, link.

A notable feature of the UK-India economic partnership during this period was a shift towards mobilising greater volumes of private finance for development needs, which was also recognised as a shift in the role of UK aid more generally (ICAI, 2019b). In 2016, India and the UK began establishing an India-UK sub-fund under India's flagship National Investment and Infrastructure Fund to leverage private sector investment to finance Indian infrastructure projects (UK Government, 2016b). In 2018, the Green Growth Equity Fund was announced as a joint initiative by the government of India and the UK, expecting to leverage up to £500 million from institutional investors into India's growing renewable energy sector to accelerate India's renewable energy capacity and invest in other related sectors such as clean transportation, water and waste management (UK Government, 2018b).

The post-Brexit pivot was accompanied by a continued emphasis on long-standing shared development priorities, including culture and education, science and technology and energy and climate change (UK Government, 2016b; 2018b). In particular, addressing climate change and providing secure, affordable and sustainable energy were emphasised as key shared priorities (UK Government, 2018b).

A feature of the UK-India partnership emphasised by both sides has been 'triangular cooperation' – the UK and India providing development assistance to address challenges in a third country, in particular with developing countries in Asia and Africa. In 2018, the UK-India joint statement mentioned the strengthening of the UK-India partnership on global development to ensure that the benefits of economic and political cooperation, including finance, new markets, trade and investment, are shared with other countries, especially the poorest and most marginalised (UK Government, 2018b). For example, the identification of shared objectives between the UK, India and African countries on trade expansion, addressing climate change and technology-led growth, presented new opportunities for the UK-India partnership to strengthen support for sustainable growth and development. However, the UK's shift to strengthen links with rising powers and new markets outside Europe as a result of Brexit and India's intention to extend its reach in the Indo-Pacific region and in Africa also contributed to these shifts (India Global Business, 2019).

India's engagement in triangular cooperation has been growing over time, and the UK has played an influential role in shaping India's participation in this type of development cooperation compared to other donors (such as Japan and the US). In particular, using UK networks to broker partnerships with a broad range of actors from India and other developing countries is regarded as a key area of its comparative advantage (Paulo, 2018). The UK's support here can be captured through the India-UK Global Partnership Programme on Development, which aims to facilitate the sharing of UK, Indian and global development experience, expertise and policy position, including low-carbon, renewable energy-led green growth; climate-resilient infrastructure; digital/tech-led innovative solutions for development; and gender equality (Paulo, 2018; Mittal, 2020). This type of cooperation is expected to act as an additional lever of momentum to deepen the UK-India relationship (FCDO, 2018; Paulo, 2018; Mittal, 2020). However, it has been regarded as "an agenda that is still finding its feet" (Gulrajani et al., 2020, p. 19). This follows an early finding from the OECD which noted that triangular cooperation was often associated with "small-scale projects and activities that do not follow a long-term strategic vision" (OECD, 2016, p. 3).

Scott (2017, pp. 187-188), however, noted that one key feature of the UK-India partnership would be that each country would have priorities of "asymmetric importance". That is, as India rises as an economic power, its economic importance for the UK will continue to grow, while the UK's economic importance for India may decline over time.

The Integrated Review and the UK-India partnership

In March 2021, the UK published its *Integrated Review of security, defence, development and foreign policy*. This outlined the UK's integrated strategy for national security and international policy. It highlighted the role of combining development and diplomacy efforts, spearheaded by the creation of the Foreign, Commonwealth and Development Office (FCDO), in 2020, from the merger of the former Foreign and Commonwealth Office (FCO) and the former Department for International Development (DFID). The combination of development expertise with the global reach of its diplomatic network was posited to enhance the UK's ability to achieve long-term positive changes around the world (UK Cabinet Office, 2021).[8] The *Integrated Review* stated that the UK government would "more effectively combine… diplomacy and aid with trade" and "tackle regional challenges in our mutual interests" (UK Cabinet Office, 2021, p. 46).

The *Integrated Review* signalled a further shift in UK development cooperation with India. It noted that for countries able to finance their own development priorities, a category in which India can be placed (ICAI, 2016), the UK would transition towards providing UK expertise in place of grants, and towards using a variety of financing models, including the mobilisation of private finance, to tackle regional challenges based on mutual interests. The *Integrated Review* outlined that the UK would increase bilateral investment flows, although it was left unclear what the proportion of official development assistance (ODA) to non-ODA would be to support the growing economic relationship with India (UK Cabinet Office, 2021). It set out the UK's intention of making an 'Indo-Pacific tilt', describing the UK's ambition to forge deeper economic and political ties with the region.

The *Integrated Review* provides the strategic framework for the UK's strategy to increase development coordination and cooperation to achieve greater impact. The first part of this strategy is the deployment of a cross-government and integrated approach within the UK government, which the *Integrated Review* suggests is reflective of other bilateral development partners (UK Cabinet Office, 2021). The *Integrated Review* argued that deeper integration across government would result in faster decision-making, more effective policymaking and a more coherent implementation of cross-government objectives using finite resources. It would also allow the government to bring the best of British expertise and sustain strategic and comparative advantage, such as in science and technology (UK Cabinet Office, 2021).

Additional to greater internal coordination is collaborating with other bilateral donors and multilateral development partners to achieve greater impact. This reflects the UK's intention to pursue an extensive multilateral agenda on global challenges such as climate change, global health, free and fair trade, economic resilience and poverty reduction. It is expected to combine the UK's hard and soft power to influence international development action and priorities. In particular, the UK's technical expertise and soft power through diplomatic networks, aid spending, and collaborative efforts with the public and private sectors is expected to be leveraged to identify where the UK can lead in areas where it has significant strengths, such as in green technologies, and where it is best placed to support others (Dave, 2020; UK Cabinet Office, 2021).

The India-UK 2030 Roadmap: a comprehensive strategic partnership

In September 2021, the UK and India elevated their cooperation to a 'comprehensive strategic partnership', which closely aligns with the *Integrated Review*. The *2030 Roadmap for India-UK future relations*, jointly agreed by the UK and Indian prime ministers, was developed to guide cooperation over the next ten years, including development efforts (UK Government, 2021a; 2021b; 2022). The 2030 Roadmap is ambitious and outlines several strategic shifts in UK-India development cooperation. The partnership is based on multiple shared commitments, and is expected to deliver mutual benefits for both countries and act as a global force for good around the world. Policy Exchange (2020) has called the Roadmap a "twin-track approach", combining both a prosperity agenda and a security agenda.

To support India in reaching its full global economic and political potential, the UK-India partnership aims to provide targeted and catalytic support to help India address constraints to growth, accelerate development, and generate a return for Britain by creating new markets for trade and investment. In particular, key areas of the India-UK 2030 Roadmap are to enhance trade and investment, increase prosperity and jobs, and drive global economic governance in both countries; strengthen joint action on global issues of mutual concern through bilateral, trilateral and multilateral institutional mechanisms; and widen access to knowledge and technology through collaborative work on science, technology, education, and research and innovation, such as on global health challenges (like COVID-19 and anti-microbial resistance). These are in addition to

[8] The review states that the UK has the fourth-largest diplomatic network, and has a seat in every major multilateral organisation, such as the World Bank (Cabinet Office, 2021).

cooperation to support the UK and India's mutual global security objectives (FCDO, 2022b; UK Government, 2021a; 2021b; 2022).

Central to financial and economic cooperation under the 2030 Roadmap is the Enhanced Trade Partnership (Pant and Milford, 2021), agreed through joint economic and financial dialogues between the finance minister of India and the UK chancellor of the exchequer to double bilateral trade by 2030 (HM Treasury, 2021).

In addition, addressing climate change is a central, embedded objective of the India-UK Roadmap, committing to enhancing bilateral cooperation towards low-carbon and climate-resilient development and mobilising public and private finance. Examples of this are through CDC Group/British International Investment (BII) and multilateral agencies, and through private investment and climate finance in India, to support the implementation of key multilateral environment agreements such as the Paris Agreement. This includes clean energy and transport, adaptation and resilience, nature and biodiversity, waste management and the circular economy; as well as bilateral and multilateral fora, such as the Coalition for Disaster Resilient Infrastructure (UK Government, 2021a; 2021b; 2022).

As of April 2022, the UK and Indian prime ministers expressed satisfaction about the Roadmap's progress to date. The joint statement says that each prime minister mandated the identification of high-impact projects for time-bound implementation in each of the pillars of the 2030 Roadmap. There is also a joint interest between the UK and India to develop a Vision 2047 for shared security and prosperity (UK Government, 2022).

However, critiques of the India-UK 2030 Roadmap have emerged with respect to openness, democracy and human rights. The 2030 Roadmap identifies the UK and India as "modern, open and democratic societies", making reference to democratic norms and principles and respect for universal human rights (UK Government, 2021b). Campbell (2022) points to a gulf between the UK's foreign policy rhetoric, which recognises and celebrates India's democratic values, and the reality of deteriorating openness, democracy and human rights, including the shrinking space for civil society, the status of women, and religious polarisation. The *Integrated Review* recognised that the UK "will need to manage inevitable tensions and trade-offs between… our short-term commercial interests and our values" (UK Cabinet Office, 2021, p. 17). It is noted that the UK has raised these concerns in private with Indian counterparts, but Campbell (2022) questions how the UK can reconcile, or at least balance, "its stated commitment to defend openness, democracy and human rights with its ambition to forge a strategic partnership that will advance trade and security interests", highlighting securing the Free Trade Agreement as one example.

Challenges are also recognised around the deployment of development diplomacy in practice. Gulrajani et al. (2020, p. 19) noted that in the context of political turbulence, both domestic and between UK-India relations, this can place pressures on the formulation and pursuit of cross-government development diplomacy, highlighting the "complex and distributed process it can be in practice" to take forward such an agenda.

India in the context of the new UK government's strategy for international development

In May 2022, the UK government's new approach to international development was published. The new strategy was developed in response to shifting geopolitical trends and gave direction to the UK's future priorities. The strategy highlighted the need for the UK to use all its capabilities, including diplomatic influence, trade policy, defence, intelligence, business and investment partnerships, and development expertise to achieve development objectives (FCDO, 2022b, p. 5). In particular, building upon the *Integrated Review*, the new international development strategy underlined the alignment between development and foreign policy objectives, with notable emphasis placed on trade, investment and economic development as a cornerstone of the strategy, including its ambitions to tackle climate change and protect nature, on bilateral ODA channels instead of multilateral approaches, and on a shift in ODA spending towards the Indo-Pacific region. With respect to these developments, India appears to be positioned as a central nation for the UK, highlighting the comprehensive strategic bilateral partnership with India as set out in the India-UK 2030 Roadmap (FCDO, 2022b).

3.2 The nature of UK aid to India since 2016

UK aid to India has undergone a major transformation since 2016, reducing in scale and changing in its nature (ICAI, 2022a). In the previous decade, India was one of the largest recipients of UK aid. The UK's portfolio of direct financial aid (grants provided directly from donor governments to partner governments in developing countries) focused on supporting the Indian government's delivery of services, such as health and education, in the country's poorest states. Since 2010, official aid statistics show a steady decline in UK aid to India, through both bilateral and multilateral channels. For example, bilateral grants fell from £279 million in 2014 (when India was still the second-largest recipient of UK grant aid) to £186 million in 2015 (making it the ninth-largest), and £95 million in 2020 (16th-largest) (FCDO, 2022c). This comes after a long-standing debate in the UK about the extent to which limited aid resources should be disbursed in middle-income countries as opposed to lower-income countries, and after reactive statements from the Indian government that UK aid was no longer needed (Daily Mail, 2012). In 2011, the International Development Committee (IDC) of the UK Parliament published an inquiry entitled "The future of DFID's programme in India". The inquiry concluded that UK aid could only have a marginal impact on India's development because it made up only a tiny proportion of India's GDP (House of Commons International Development Committee, 2011, p. 3). The IDC therefore called for the UK's aid relationship with India to change. In response to the inquiry, the former DFID noted that it had stopped providing direct financial aid[9] to the Indian government.

UK aid to India is now largely focused on economic development, climate and infrastructure as priority sectors, compared to its previous focus on the provision of basic services such as health and education to the poorest states in India (Department for International Development, 2014; UK Government, 2016b; 2018b; 2021a; 2021b; 2022).

The UK continues to provide other forms of bilateral aid to India through FCDO, cross-government funds and other government departments such as the Department for Business, Energy and Industrial Strategy (BEIS). This aid has been in the form of technical assistance and research funding, as well as development capital investment in the private sector. The UK has also continued to provide multilateral aid through core contributions to multilateral organisations, including the World Bank, the Asian Development Bank and the multilateral Climate Investment Funds, which focus on clean technology (FCDO, 2022d, Table A10; ICAI, 2016). The UK government has increasingly used a 'mutual prosperity' approach,[10] whereby aid explicitly benefits both countries, to justify continuing aid to India (ICAI, 2019b, p. i). As described above, the UK government has sought to pursue an integrated approach to aid, trade, diplomacy and security in recent years.

FCDO in India is unique among the countries where it operates, in that it manages its own portfolio of development capital investments in private companies. This is separate from the India investment portfolio held by BII (formerly CDC Group), the UK's development finance institution. **India represents BII's largest portfolio**, making up 28% of its active investments at the end of 2021.[11] These aid channels are expected to generate returns on UK investment, of which the latest available estimate is £100 million.[12]

During recent rounds of UK aid budget reductions, only a handful of countries were protected, **including India.** In 2020-21, estimates of ODA to India for 2021-22 provided by FCDO increased from £41 million to £55 million (£14 million increase), with FCDO planning to spend more in India compared to other country and regional offices (Loft and Brien, 2021; National Audit Office, 2022). Official aid statistics reveal that while bilateral aid in India fell from £95 million in 2020 to £91 million in 2021, India rose from 16th to 11th place in the UK's top recipients of UK bilateral ODA, ahead of Bangladesh, Kenya and the Democratic Republic of the Congo (FCDO, 2022c).

---

9 Direct financial aid is financial assistance provided directly by one donor country to a developing country partner government, where the partner government is responsible for spending these grant funds.

10 ICAI's information note on this subject defined mutual prosperity as follows: "Mutual prosperity is a broad and somewhat ambiguous concept, covering a spectrum of possibilities. There is no common definition in UK policy documents. One end of the spectrum is the use of UK aid to support global economic development, which ultimately benefits both the partner country and the UK through the expansion of global trade. Towards the centre of the spectrum, UK aid programmes could be used to promote economic growth in countries or sectors that are of particular interest to the UK. At the other end of the spectrum, mutual prosperity could mean the pursuit of short-term commercial advantages for the UK, as well as benefits to the partner country."

11 *Key data,* British International Investment website, accessed December 2022, link.

12 *UK aid to India: Country portfolio review,* Independent Commission for Aid Impact, March 2023, available on the ICAI website, link.

The distribution of aid has differed between DFID and non-DFID ODA spend. Overall, non-DFID ODA has had a greater middle-income country profile, with India being a central recipient (House of Commons International Development Committee, 2020). For example, in 2021 India was the third-largest recipient of ODA from BEIS (see Table A4f in FCDO, 2022c)[13] and, in 2020 it was the second-largest recipient of ODA from the former FCO[14] (see Table A4f in FCDO, 2021). India was also the largest prospective country recipient of cross-government Prosperity Fund funding, designed to target assistance to ODA-eligible middle-income countries with growth potential and strategic importance to the UK (ICAI, 2017b).

ODA is regarded as an insignificant source of development finance in India. Due to India's middle-income status, large economy and strong growth trajectory providing it with the ability to self-finance its development, UK ODA is relatively insignificant in India given that ODA is no longer a major source of development finance. Opportunities to support poverty reduction and development outcomes through ODA in countries like India are considered weak. As a result, it has been suggested that non-ODA engagements and cooperation may be more impactful compared to limited ODA funds (Calleja et al., 2021).

4. India strategies of other major donors

This section describes the strategies of the other major bilateral and multilateral donors to India.

India receives most of its ODA from large global or regional multilaterals and from a handful of bilateral donors. According to OECD statistics, the UK is the fourth-largest bilateral donor to India, well behind Japan, Germany and France. For each of these donors, a substantial share of their assistance is in the form of loans and equity investments through their respective development finance institutions (OECD, 2023). The US contributes less but provides relatively more grant-based financing, making it an important contributor to the social sectors and poorest states of India (AFD, 2017).

India is also a key recipient of other bilateral donors' development finance institutions (DFIs) (Kenny et al., 2018). According to a report by Devex (2022), India emerged as a top priority among countries for DFI investment, with 295 active projects between 2018 to 2022 at $4 billion (£3.1 billion) in total commitments. This is almost equal to the amount invested for regional projects in Africa. In addition to the UK's British International Investment (BII), the main DFIs operating in India include France's Proparco, the German KfW Development Bank and its subsidiary investment corporation DEG, and the Dutch Entrepreneurial Development Bank (FMO).

Although donors generally share similar overarching ambitions of promoting prosperity and inclusive growth in India, there are notable differences in their strategies for achieving this. Multilateral donors mainly lend to the Indian government, while bilateral donors use sovereign loans with larger proportions of non-sovereign technical assistance programmes[15] and development capital investments within their portfolios. Sovereign loans, however, are only used by Japan, Germany and France, and not the UK. There are also subtle differences in each donor's target sectors. For example, among bilateral donors, France's strategy is more focused on urban infrastructure development and energy (AFD, 2017), while Germany is more focused on energy and industrial development (BMZ, n.d.; GIZ, 2021; Ministry of External Affairs, 2022a), compared to the UK's focus on economic development, climate and infrastructure (UK Government, 2021a).

4.1 Other bilateral donors

Japan

India is Japan's largest development partner, which has resulted in India becoming an important strategic international partner to Japan. Japan's strategic partnership with India is reported to be based on shared values, mutual trust and the fact that Japan is in alignment with India's national priorities and long-term vision (JICA, 2018; 2020). In 2015, the Japan-India relationship was upgraded to a 'Special Strategic and Global Partnership'

13 The top ten ODA country recipients for BEIS in 2021 were: South Africa, Colombia, **India**, China, Gambia, Uganda, Kenya, Brazil, Indonesia and Mexico (FCDO, 2022d).

14 The top ten ODA country recipients for FCO in 2020 were: Afghanistan, **India**, China, Pakistan, Nigeria, Kenya, Iraq, South Africa, Mexico and Sudan (FCDO, 2021).

15 This is a technical assistance programme that has been financed independently from the related sovereign (ADB, 2022b).

through a joint statement on India and Japan's *Vision 2025*, which further consolidated Japan and India's strategic partnership, and formalised and regularised consultations between the prime ministers of both countries (Basrur and Kutty, 2022; Panda and Sarkar, 2020; JICA, 2018). Since 1958, Japan has channelled public and private investment, including ODA, to assist India's development policies (JICA, 2020). According to OECD statistics, since 2016, Japan has provided $11.3 billion (£8.8 billion) in ODA to India[16] distributed across Indian states, including India's poorest states (JICA, 2020).

Japan's ODA is split between bilateral and multilateral assistance, the latter of which goes to international organisations such as the World Bank. Japan's bilateral assistance includes (i) low-interest, long-term and concessional loans in the form of ODA loans and private sector investment finance, (ii) various types of technical cooperation to support human resource development and the formulation of administrative systems, and (iii) grant aid to provide funds without repayment (JICA, 2018; 2020). While it is unclear what proportion of this is tied aid, there is some evidence that Japan has provided large sums of aid in this form. For example, in 2017 Japan allocated around £1.6 billion in tied aid for a high-speed rail link between Mumbai and Ahmedabad using Japanese technology, and has since allocated an additional £610 million in 2022.[17]

The majority of JICA's (Japan International Cooperation Agency) ODA to India is in the form of ODA loan commitments, with some evidence that this is integrated with smaller amounts of technical cooperation. As of 2021, Japan had 88 ongoing development activities, of which 78 were in the form of loans.[18] Other components of JICA's aid operations include more limited provision of grant aid, technical cooperation and citizen participation (that is, development assistance by Japanese non-governmental organisations and volunteers). Evidence suggests that JICA is looking to enhance its collaboration with private sectors and non-governmental organisations to deepen the impact of its initiatives in India (JICA, 2020). Evidence also suggests that Japan has been particularly significant in north-east India through activities enhancing connectivity and quality of infrastructure (Panda and Sarkar, 2020).

Since 2016, JICA's long-term goal for Japan-India development cooperation has been to increase sustainable and inclusive growth. This centres on providing assistance in sectors supporting economic growth, poverty reduction, environmental protection and human resource development (JICA, 2018; JICA, 2020). Since 2016, JICA's development strategy has concentrated on playing an active role in infrastructure development, particularly in transport and connectivity[19] (JICA, 2020). Other sectors of focus, some of which are supported by infrastructure developments, include water and sanitation, energy, forestry, agriculture, human resource development (such as education), and health (JICA, 2020).

Japan is a strong supporter of South-South and triangular cooperation.[20] This includes engagement in triangular cooperation with India to support India's regional efforts. While there is no available information on how much Japan spends on this form of development assistance, compared to the UK it delivers more triangular cooperation projects overall (OECD, 2016). Evidence suggests that India seeks to leverage JICA's experience in its key sectors of development assistance to support other countries in Asia and Africa (JICA, 2018; Basrur and Kutty, 2022; Panda and Sarkar, 2020). For example, in 2018 India and Japan agreed to jointly pursue infrastructure development in Sri Lanka. Other developments include Japan and India's Asia Africa Growth Corridor collaboration and the India-Japan dialogue on Africa (Basrur and Kutty, 2022; Panda and Sarkar, 2020). There is evidence that Japan has continued to develop its triangular cooperation strategy, including alongside other bilateral donors. For example, in 2014 it co-funded a comparative analysis of triangular cooperation strategies with Germany and the UK (Honda and Sakai, 2014). There is also some evidence to suggest that Japan and India's regional cooperation efforts are supported by the US and Australia (Basrur and Kutty, 2022).

Japan considers itself India's top bilateral development partner, close to the size of the World Bank and the Asian Development Bank (ADB). The UK is excluded from Japan's most recent analysis of India's major

---

16 *Creditor Reporting System*, OECD, accessed 6 January 2022, link.

17 *JICA extends ODA loan of JPY 100 billion for Mumbai-Ahmedabad high speed rail project (III), transforming inter-city mobility along Maharashtra and Gujarat with Japan's Shinkansen technology*, Press release, Japan International Cooperation Agency, July 2022, link.

18 *Activities in India,* Japan International Cooperation Agency, July 2021, link.

19 Types of infrastructure that Japan seeks to improve include railways, roads, power, water and sanitation, hospitals, and environment conservation.

20 *Development cooperation profiles: Japan,* OECD, link.

development partners. JICA's analysis of activities by major development partners includes the World Bank, ADB, France's Agence Française de Développement (AFD), and Germany, and it identifies their major sectors of support.[21] However, its country analysis omits the UK as a major bilateral partner in India (JICA, 2018).

Germany

Germany's development cooperation to India, including the Federal Ministry of Economic Cooperation and Development (BMZ), the German Development Agency (GIZ) and other federal ministries,[22] contributes another important bilateral source of ODA, as well as contributing to multilateral responses in India. India is one of Germany's 'global development partners' for international development cooperation, with a focus on programmes which aim to achieve a structural impact and build upon India's own efforts and reforms (BMZ, n.d.). To date, Germany is the second-largest bilateral donor in India, with total commitment to India in both technical and financial cooperation, and it has almost reached €22 billion (£19 billion) (German Missions in India, n.d.), with an additional €10 billion (£9 billion) announced for the next ten years (Ministry of External Affairs, 2022a). In 2019, Germany committed a record amount of €1.6 billion (£1.4 billion) for cooperation with India, of which over 98% was financial cooperation in the form of loans at near-market conditions to be paid back with interest by India (Stiftung Wissenschaft und Politik, 2022). According to Germany's development strategy with India, Japan is described as India's closest bilateral partner (Federal Foreign Office, 2020).

Germany's development cooperation with India focuses on several priority areas. These include renewable energy and energy efficiency; sustainable urban and industrial development; environmental protection and resource conservation; sustainable economic development, including trade, investment and employment especially facilitating the economic participation of women; and, to a lesser extent, social development (BMZ, n.d.; GIZ, 2021; Ministry of External Affairs, 2022a). The priorities of cooperation have ultimately shifted towards supporting climate change mitigation and adaptation (BMZ, n.d.), including through Germany's International Climate Initiative and intention to engage in international for a such as the International Solar Alliance and Coalition for Disaster Resilient Infrastructure (Federal Foreign Office, 2020). Germany is also noted to have a strong research and innovation partnership with India, promoting cooperation between industry partners and research. Potential lessons emerging from German-Indian research cooperation include ministerial dialogues to agree on joint priorities, jointly delivered research with Indian partners, a broad spectrum of topics covered which have mutual benefit, and opportunities to leverage German expertise such as on climate transition technologies, including storage for renewable energies and green hydrogen (Federal Foreign Office, 2020; Federal Ministry of Education and Research, n.d.).[23]

Like the UK, Germany's development cooperation strategy has shifted from bilateral and multilateral cooperation towards extending and deepening its relations with India through triangular cooperation with third countries. To date, Germany's triangular cooperation worldwide has constituted only a small portion of its overall development cooperation, accounting for 0.047% of the total budget of the Federal Ministry for Economic Cooperation and Development (BMZ) (Stiftung Wissenschaft und Politik, 2022). In 2022, Germany and India signed a joint declaration of intent on the implementation of triangular cooperation (Presse- und Informationsamt der Bundesregierung, 2022), intended to build on each country's strengths and experiences in development and diplomacy. It aims to offer sustainable, viable and inclusive projects through both financial and technical cooperation to third countries in addressing development challenges, particularly on shared interests in green and sustainable development. It notes an interest in civil society being systematically involved in triangular cooperation efforts, but that the roles of civil society, political actors and the private sector need to be elaborated (Stiftung Wissenschaft und Politik, 2022; Ministry of External Affairs, 2022a).

---

21 **World Bank**: transport, water and energy; **ADB**: energy, transport and urban development; **AFD**: urban transport and energy; **Germany**: energy, industrial development and urban development.

22 Other federal ministries involved in Germany-India development cooperation include the Federal Ministry of the Environment, Nature Conservation and Nuclear Safety (BMU) and the Federal Ministry for Economic Affairs and Energy (BMWi) (GIZ, 2021).

23 *Germany and India: Partners in education and research*, Federal Ministry of Education and Research, Germany, link.

The KfW Development Bank is also a key arm of German development cooperation in priority areas. Germany is considered one of India's most important investment partners. KfW delivers loan investments and credit lines in sustainable energy generation, urban development and transport systems, protection of natural resources and agriculture, and crisis and social security response programmes, most recently with respect to the COVID-19 pandemic (KfW, n.d.). For example, in 2015 the Indo-German solar partnership was formed, which channelled investment into the expansion of solar power in India.

While Germany aims to promote democracy, human rights and civil society, it notes this has been challenging in India, where the quality of democracy has been deteriorating and the fundamental rights of freedom of expression are coming under pressure. Strategically, Germany acknowledges that it must balance the opportunities for geopolitical alignment and economic potential with the socio-political controversies that exist in India (Stiftung Wissenschaft und Politik, 2022), but it is unclear what this may look like in practice. Nonetheless, OECD data on ODA spend show that Germany remains more active in financing governance activities on democratic participation and civil society compared to the UK and other bilateral donors in India.[24]

France

AFD is another relatively important bilateral source of ODA for India, reporting that it committed €2.2 billion (£2.1 billion) to India between 2008 and 2020 (AFD, 2021).[25] AFD assistance has come in a combination of sovereign loans and technical assistance programme funding (AFD, 2017), although AFD's South Asia regional strategy notes a decreasing emphasis on grant resources and a focus on capacity building or technical assistance (AFD, 2021). AFD has published four reports on how it intends to provide development assistance focusing on urban transport,[26] biodiversity,[27] energy,[28] and water and sanitation in India specifically.[29] However, AFD describes itself as having a "sizeable competitive disadvantage" in India in terms of financing development, as it has less capacity to mobilise soft financing in major emerging economies under guidelines defined by French ministries (AFD, 2021).

The main channel through which AFD contributes to urban development, central to its mandate in India, is by co-financing major urban infrastructure development, for example the construction of the Bangalore Metro (expected to be used by 2 million people per day). AFD is recognised as a leader in technical innovation in the transport sector and manages technical assistance programmes focused on helping major Indian cities such as Nagpur, Chandigarh and Pondicherry to provide expanded urban transport services in a cost- and energy-efficient way. Other major technical assistance programmes focus on helping cities develop their drinking water distribution networks. India's three so-called 'French' cities (Nagpur, Chandigarh and Pondicherry) are the primary recipients of AFD's urban development financing historically, although the 2017-21 French-India strategy signalled an intent to expand into 12 other Indian cities, including Kochi and Ahmedabad (AFD, 2017). AFD also supports conservation and biodiversity in India primarily by providing technical assistance to forest administrations to manage forests in the state of Assam in the north-east of India. To support France's international commitments on climate, particularly on forests, AFD's strategy also stipulates that all projects provide climate 'co-benefits'.

4.2 Other bilateral development finance institutions

Dutch Entrepreneurial Development Bank (FMO)

FMO is the Netherlands' development bank, focusing on private sector development using a number of finance instruments to support private sector investment in sectors relevant to sustainable development and climate change.[30] In India, FMO is described as an active growth-stage investor, using loans, equity and

---

24 See sub-sector data on government and civil society using *Creditor reporting system: Official development assistance flows*, Organisation for Economic Co-operation and Development, accessed 30 January 2023, link.

25 Annual AFD commitments in India have been around €250 million (£220 million) since 2013, equivalent to 3-5% of the total ODA received by India.

26 *AFD and India: Focus on urban transport*, AFD, October 2020, link.

27 *AFD and India: Focus on biodiversity*, AFD, October 2020, link.

28 *AFD and India: Focus on energy*, AFD, March 2020, link.

29 *AFD and India: Focus on water and sanitation*, AFD, October 2020, link.

30 *Overview of the FMO*, Green Climate Fund, link.

guarantees with complementary capacity development in some instances. FMO's largest country exposure to investments in its portfolio is India,[31] and in 2019 it was estimated that its gross portfolio amounted to $703 million (£550 million), with an expectation that this would grow to $1 billion (£783 million) over the coming years.[32] While there is no clear India investment strategy documented, investment data since 2016 show that FMO has focused on financial institutions (48%), energy (21%), agribusiness, food and water (19%), and infrastructure, manufacturing and services (12%).[33] FMO has also often co-invested with other bilateral DFIs in India, including DEG and Proparco.[34] FMO recognises that there is a lot of potential for investment opportunities in India, with little struggle to find good opportunities for investment in its niches. However, it declared the intention to remain selective to ensure additionality and inclusivity.[35]

Proparco

Similar to the UK, AFD provides capital injections to a development capital investment-making institution, its DFI Proparco. It finances private sector-led projects to achieve local development impact and optimise social and environmental performance. India is a priority country for Proparco, which is estimated to have invested a total of €710 million (£625 million) in 34 projects across the country since 2008, despite its relatively small investment team (Proparco, 2021). Proparco's financial offer in India is to provide longer maturity (minimum five years), focus on riskier sectors, and introduce international environmental, social and governance, and anti-money laundering standards (AFD, 2017).

Like CDC/BII, Proparco makes investments using both debt and equity instruments, as well as intermediated investments through financial institutions, in a range of sectors including energy, health, education, financial services and agri-food. In particular, Proparco is an active supporter of financial inclusion in India, with 30% of its investment portfolio in small and medium enterprises and financial inclusion. However, unlike BII, Proparco sets aside most of its funding (52%) for energy, including renewable energy generation or energy efficiency projects. This is in line with its commitment to be compliant with the Paris Agreement by supporting clean growth initiatives and projects in the renewable energy sector, but also venturing into new sectors of investment such as water, waste and public transport (Proparco, 2021).

German Investment Corporation (DEG)

The German Investment Corporation, DEG, is a subsidiary of Germany's KfW Development Bank, and is known for working closely together to enable "an attractive one-stop service, especially for larger investments". It provides loans, equity investments and mezzanine capital[36] for Indian and German companies, long-term funds to banks and investment companies, and flexible long-term finance for infrastructure projects. It focuses on banking and finance, infrastructure, industry and trade, and agriculture. Its close collaboration with KfW helps strengthen DEG's attractiveness for investment.[37] India represents DEG's third-largest country for investment in its portfolio, with an estimated $354 million (£287 million) in commitments (Devex, 2022).

4.3 Major multilateral agencies

The World Bank

The World Bank is the oldest and largest of the major multilateral donors, comprising three international financial institutions (IFIs) that make loans and grants available to different classifications of partner countries.[38] The International Bank for Reconstruction and Development (IBRD) and International Finance Corporation (IFC) provide non-concessional financing to middle- and low-income countries (the IBRD lending to sovereign

31 *FMO investor presentation*, FMO, March 2021, link.
32 *FMO will continue to build its India portfolio: Peter Van Mierlo*, Fortune India, October 2019, link.
33 Calculated using *FMO world map investments*, FMO, link.
34 For example, FMO has invested in the India-UK Green Growth Equity Fund (link), as well as forming a green finance charter alongside DEG and Proparco to mobilise climate finance for green infrastructure (link).
35 *FMO will continue to build its India portfolio: Peter Van Mierlo*, Fortune India, October 2019, link.
36 Mezzanine capital is a form of financing that is part debt and part equity.
37 *DEG Representative Office New Delhi | India*, German Investment Corporation (DEG) website, link.
38 The Multilateral Investment Guarantee Agency and International Centre for Settlement of Investment Disputes are not IFIs but also form part of the World Bank Group.

governments and the IFC to private sector firms). International Development Assistance (IDA) provides concessional financing to sovereign governments in poorer (and less creditworthy) countries.

The World Bank has been actively lending to the Indian government since the 1950s. Now classified as a middle-income country, India graduated from being eligible for concessional IDA support in 2014. The IBRD has since overtaken IDA as India's main source of World Bank Group (WBG) financing, which as of 2022 consisted of 92 lending operations totalling $23 billion (£19 billion) in commitments. Around four-fifths ($18 billion/£15 billion) of WBG lending to India is IBRD and one-fifth ($5 billion/£4 billion) is IDA. While some argue that India's graduation from IDA was premature and risked undermining state capacity to provide public services, others contend that India can use its relatively good credit rating to plug its development finance gap through borrowing on market terms (Isenman, 2015).

An important implication of the shift from concessional to return-seeking lending is India's policy sovereignty. Concessional IDA lending is allocated to countries on the basis of population and income level but also on the quality of countries' policies and institutions (as assessed by the World Bank). Historic recipients of IDA financing, such as India, are widely considered to have been encouraged, through policy conditionality attached to IDA loans, to implement deregulation, liberalisation, austerity and privatisation policies that were perceived at the time by World Bank economists to lead to sustained economic development. In recent decades, however, many have questioned the legacy of World Bank conditionality, arguing that the so-called 'Washington Consensus' set of policies is correlated in certain contexts with uneven growth, boom-and-bust cycles, excessive corporate welfare and industrial enclave-style development (Chang, 2003; Stiglitz, 2002; UNCTAD, 2017; UNCTAD, 2021). India's graduation is therefore considered to afford it greater ownership over its policies than has perhaps been the case in previous decades, although Bank officials claim to have abandoned the one-size-fits-all 'Washington Consensus' model in favour of more context-specific conditionality linked to the needs of the borrowing country.

WBG lending in India is focused on promoting inclusive economic development, but also on financing public goods. Inclusive growth, industry competitiveness and jobs, and human capital (such as health, education and skills) were the priority focus themes of the FY18-22 India Country Partnership Framework (CPF) (World Bank, 2018a). Within these areas, the World Bank engages more deeply in India on air pollution, jobs for women, financial sector development and early childhood development (World Bank, 2018a). While the focus on economic development is consistent with the UK's India strategy, the World Bank remains more committed to financing the delivery of public goods such as health and education, framed within the theme of 'human capital'.

The World Bank is also committed to climate objectives in India, but its continued financing of non-renewables sets it apart from the UK, which committed to ending support for fossil fuel investments. However, the World Bank has responded to increasing international pressure and will ensure Paris alignment of all new operations starting from July 2023 (ICAI, 2021, p. 23; World Bank, 2021b, p. 15). The German environmental lobby group Urgewald (2020) estimates that the World Bank has provided $12 billion (£9 billion) in finance to fossil fuels globally since the Paris Agreement was signed. India itself remains highly dependent on coal, which the World Bank pushed by providing private coal mining industry in states such as Odisha with loan guarantees and low-interest loans to expand operations. The IFC has continued to finance coal-fired energy generation in India during the last CPF period, claiming that withdrawing coal investments risks exacerbating energy poverty (World Bank, 2018a). Although this is true to an extent, critics argue that relatively few non-renewable energy investments genuinely support improved access (Mainhardt, 2017). Many call for additional donor support to transition India away from coal (Busby et al., 2021).

Making development capital investments in India's private sector is increasingly a key component of the World Bank Group's India strategy, facilitated by the IFC. India is not just the IBRD's largest client, but also the IFC's, which has invested over $24 billion (£19 billion) in over 500 Indian companies since 1958. Historically, the IFC has financed energy and transport infrastructure projects and, to a lesser extent, health and water projects in India. The FY18-22 CPF emphasises a shift from sovereign lending to leveraging private investments in India, reflecting the broader organisational shift made famous by the 'billions to trillions' speech given by the former Bank president (World Bank, 2015).

"The Indian economy has evolved to a level where the private sector can be counted on to close large developmental gaps. Through this CPF, the WBG will help India leverage additional resources from the private sector to help India realize its full potential."

Jun Zhang, Country Head, IFC, India (World Bank, 2018c)

Asian Development Bank

ADB exists to promote sustainable and inclusive growth and eradicate extreme poverty across Asia and the Pacific. Given its regional mandate and the significant proportion of Asians in extreme poverty living in India, ADB is one of the largest providers of ODA to India. A founding member of ADB in 1966, India is now the fourth-largest shareholder and its top borrower since 2010 (ADB, 2022a). In total, ADB has committed 589 public sector loans, grants, and technical assistance packages totalling $51 billion (£40 billion) to India (ADB, 2022a).

ADB provides the overwhelming majority of financing to India through sovereign loans (ADB, 2022a). In 2021, ADB committed $5 billion (£4 billion) to India – of which $4.6 billion (£3.6 billion) is in sovereign loans and $0.4 billion (£0.3 billion) in development capital investments (consisting mainly of private sector loans and MSME/micro-enterprise finance, with some equity investments).

ADB provides little technical assistance financing to India. There is just one grant worth $3 million (£2 million) currently active in the portfolio. Financing for technical assistance programming in 2021 was just $37 million (£29 million) of the $4.6 billion (£3.6 billion) provided.

Making development capital investments in India's private sector is a minor component of ADB's India strategy. In 2021, ADB invested in eight projects totalling $274 million (£214 million) in sectors including health, infrastructure, energy, and construction. It also committed a further $147 million (£115 million) to two MSME and micro-enterprise finance investment programmes.

ADB lending focuses on similar themes to the World Bank: industry competitiveness and jobs (ADB, 2021b), infrastructure development (ADB, 2020) and human capital (ADB, 2021a). There is typically less of a focus on financing basic public service provision, but ADB financing for healthcare-related spending was scaled up in the wake of the COVID-19 pandemic. To support India's COVID-19 recovery, a further $1.8 billion (£1.4 billion) in loans was made available, comprising $1.5 billion (£1.2 billion) for vaccine procurement and $300 million (£234 million) to strengthen healthcare systems (ADB, 2021a).

The Quality of Official Development Assistance (QuODA) tool ranks ADB 12th out of the 49 largest bilateral and multilateral agencies, awarding it moderately high scores across three dimensions of aid effectiveness (Prioritisation, Ownership, Evaluation), but lower on Transparency & Untying of aid (CGD, 2021). However, despite its operational effectiveness, some of the common criticisms of the World Bank discussed in the previous sub-section (for example, emphasis on aggregate growth, non-contextual policy conditionality and support for non-renewables) are also levelled at ADB's operations (Raman, 2009; O'Keeffe et al., 2017; Wright et al., 2017).

5. Merits of key aid instruments

In this sub-section, evidence is presented on the relative merits and objectives of the instruments used to deliver UK aid in India since the start of the review period. The section first looks at some of the purported merits of development capital investments and explores how effective they have been in creating jobs, improving access to goods and services, leaving no one behind, and crowding in private investment. It then explores the merits of technical assistance and of funding research and innovation partnerships. It is important to note that this review largely draws on evidence from global studies and findings, with a few sources included specific to India. It therefore presents a general overview of the merits of key aid instruments used to deliver UK aid to India.

5.1 Development capital

In this consideration of the merits of development capital, the review draws on the comprehensive literature review of Attridge et al. (2019) and complements it with additional sources. There have subsequently been evaluations of BII's investments in the infrastructure sector, which include a review of existing evidence in support of the BII Infrastructure Impact Framework (Kim et al., 2022), as well as BII's investments in financial institutions (Genesis Analytics and IPE Global, 2020). These studies on infrastructure capital both conclude that there is reasonable evidence to link *infrastructure* development to greater productivity, economic opportunity, GDP increases, employment, standard of living, and environmental sustainability (although the strength of that relationship varies by country due to other non-infrastructure factors) (Attridge et al., 2019; Tyson et al., 2020).

Studies that have examined the impact of development capital in India specifically have suffered from methodological challenges in isolating its effects from other drivers of economic growth and crowding-in investment (Attridge et al., 2019). Despite this, there were positive findings from DFID's development capital portfolio in relation to early-stage capital, with isolated positive effects on small companies (IPE Global, 2019). As such, it is reasonable to state that development impact is probably assisting with these goals in India. However, it is difficult to define the strength of these effects or isolate them from general growth and investment trajectories caused by other drivers outside of early-stage financing.

There is a lack of agreement on whether DFID's theory of change linking development finance institution (DFI) investment with development is clear, and this is explored below. For example, a report from the Center for Strategic and International Studies' Project on Prosperity and Development, and ODI, (Runde et al., 2016) argues that the theory of change linking DFI investment with development impact is clear. However, this has been criticised due to the uncertainty of connections between growth and development underpinning DFID's economic growth agenda, including its investment in CDC (Mawdsley, 2015).

Creating jobs

There is reasonably strong evidence at global level that development capital investments create jobs. National- and portfolio-level studies assess the employment effects of development capital investments (achieved simply by counting new jobs) and find evidence of job creation (Dalberg, 2010; Oikawa et al., 2012; Jouanjean and te Velde, 2013; IFC, 2013a). Often studies estimate a 'multiplier' of job creation (that is, how many jobs are created per an amount of investment). The International Finance Corporation (IFC, 2013a) finds that, for every $1 million (£0.6 million) invested by the IFC, 31 jobs were created in Jordan, 116 in Ghana, 247 in Tunisia and 650 in Sri Lanka. Dalberg (2010) estimates that every €1 million (£0.9 million) invested by members of the Association of European Development Finance Institutions (EDFI) created 350 jobs (80 direct, 270 indirect) per year.

The distinction between direct and indirect jobs is an important feature of this body of literature. Direct jobs can be more easily calculated by analysing the employment rates of direct investees, whereas indirect job calculations are based on largely theoretical and analytical grounds. Studies typically find that far more indirect jobs are created. For example, a study of BII investments finds that as many as 7.8 indirect jobs are created for every direct job created (MacGillivray et al., 2017). These results have been replicated for development capital investments in India and were strongest where investments specifically targeted employment creation as part of their planned impact (IPE Global, 2019).

Although evidence clearly suggests that development capital investments create jobs, it is unclear whether they create a lot or a little, since there is no counterfactual against which these employment effects can be compared (Attridge et al., 2019). Even direct jobs cannot be solely attributed to investments, since investees may create jobs because they receive finance from other sources, benefit from increased levels of demand for their products or services, or simply change their business strategies independent of any investment. Moreover, because studies do not measure net employment effects, we do not know how many of the jobs created are at the expense of competitors not selected to receive investment (Koptya and Domenech, 2015).

There is inconclusive evidence that development capital investments create 'decent' jobs. Attridge et al. (2019) find that only two studies explore the quality of jobs created by development capital investments. In theory, development capital investments improve job quality in two ways. First, by supporting the growth of higher-productivity sectors, and second, by attaching labour standards to their investment policies that promote better employment practices (for example, higher wages) among their investees. However, enforcing labour risks in practice has proven difficult for investing institutions, due to their limited leverage over investee business practices once investments are made (Ergon Associates, 2019). At times, there can be trade-offs between the quantity and quality of jobs created in developing contexts. DFIs often commission studies into the quantity of jobs created, but very little is known about their quality since much of the relevant information that could be used to assess this is confidential (Ebert and Posthuma, 2010).

Improving access to goods and services

There is mixed evidence as to the level of household income for those accessing services, with moderate evidence that relatively higher-income households benefit most. Attridge et al. (2019) identify numerous studies of investments reporting evidence of increased consumer access to key goods, such as energy, and services, such as banking services (Dalberg, 2012; Scott et al., 2013; Steward Redqueen, 2015; 2016; 2017). However, as with employment effects, it is unclear how much of the observed changes in access to goods and services can be attributed to development capital investments. While improved access to energy is widely considered to be beneficial for poverty reduction, the effect of improved access to finance is more contentious. Proponents of investing in financial services argue that greater access to finance enables people to launch new or expand existing enterprises and, in doing so, achieve economies of scale, increase competitiveness, and unlock increased incomes (World Bank, 2014). On the other hand, critics argue that improved access to finance does not, by itself, ensure greater business competitiveness and business success (Mader, 2018). In unfavourable market conditions, it has been found to lead to increased levels of indebtedness (Guerin et al., 2015).

Leaving no one behind

There is inconclusive evidence that development capital investments reduce poverty. DFIs tend to prioritise investments towards what are perceived to be poverty-reducing sectors, but the actual impacts of investments are unclear due to a lack of empirical evidence. Although analyses are often undertaken to estimate the potential impact on poverty prior to investments being made (ex-ante), actual performance is rarely evaluated against these predictions after investments take place (ex-post). A recent evaluation of Swedfund (Spratt et al., 2018, p. 13), conducted with the aim of assessing whether investments have contributed to poverty reduction, concluded: "while we find indications that Swedfund is having a positive impact on poverty through its activities, it is not possible to definitively answer this question based on the data made available to us".

Some studies have examined the disaggregated impacts of development capital investments on some marginalised groups, most commonly women and youth. An evaluation of the IFC's youth employment programmes estimates that participants in 'Better Work' programmes were between 70% and 90% female and 60% youth (IFC, 2013b). Other examples cited by the evaluation include an investment in Yemen which created jobs of which 45% were for young people, and support for technical and vocational education training programmes which reached 1.5 million students across Latin America. Four of the five studies rated as high-quality studies by Attridge et al. (2019) suggest greater levels of female employment in SMEs supported by DFI investment compared to sectoral averages, finding that the proportion of new jobs going to women ranged between 24% and 85% of total jobs created (Khanna and Kehoe, 2017). Only one high-quality study cited in Attridge et al. (2019) finds a lower level of female employment representation. Development capital was found to create low-skill employment in India where this was a specific goal of the planned investment (IPE Global, 2019).

Mobilising private finance

There is evidence that development capital investments modestly increase the flow of private finance into investments with development impact. In recent years, the idea emerged that development institutions should act as brokers for private sector investments, to increase the total stock of development finance into the world's poorest countries from 'billions to trillions' (World Bank, 2015), provide a less volatile source of external capital than debt, and help to stabilise current accounts and exchange rates (Gallagher and Zarsky, 2007). Studies of major blended finance[39] funds suggest that, although development capital investments do mobilise private sector investments to a degree, this remains limited and they do not address all the constraints to private investments (Attridge and Engen, 2019; Lee and Cardenas, 2020). The World Bank's Independent Evaluation Group (IEG) finds that, for every dollar of concessional International Development Association (IDA) funding committed through blended finance during FY18-20, around $3.60 in funds from private investors is leveraged. However, $2.20 in funds from other arms of the World Bank were also leveraged. The $537 million (£419 million) in concessional finance committed by IDA into private sector projects therefore mobilised $1.9 billion (£1.5 billion) in private sector investment (IEG, 2021b), but is regarded as a relatively small proportion of the overall private sector investment mobilised by the World Bank (ICAI, 2022b). Furthermore, even though the World Bank set aside a total of $2.3 billion (£1.8 billion) to be invested in private sector projects during the FY18-20 period, only $537 million (£419 million) was committed (IEG, 2021b). The IEG (2021a) evaluation finds that a limited pipeline of viable investment projects, strict eligibility criteria, and a protracted approval process restricted the rate at which commitments could be invested. However, the leverage ratios of private finance to development capital remain low and well below target, meaning that the absolute amount of private finance being mobilised is modest (Attridge et al., 2019). As noted, in India, the effects of development capital on investment flows could not be disaggregated from other drivers of investment (IPE Global, 2019).

5.2 Technical assistance

Technical assistance (TA) is the non-commercial support provided by an aid agency, DFI or other organisation that is aimed at developing the capacity or effectiveness of a client, investee, partner or ecosystem/market (Shaw, 2022).

The evidence on whether TA provided by aid agencies 'works' is limited. It has been summarised by Cox and Norrington-Davies (2019). Alongside difficulties in measuring the scale of expenditure, there has been systematic underinvestment in the monitoring and evaluation of TA, linked partly to methodological difficulties in measuring and attributing results. The evidence that is available is largely sceptical. The limited record of success is often attributed to weaknesses in TA delivery. This sort of TA tends to be supply-driven, reflecting donor reform agendas rather than national priorities. There are widespread problems with capacity substitution, where external experts under pressure to 'get the job done' displace rather than build local capacity. TA is generally poorly coordinated among donors, resulting in multiple and often inconsistent offers of support to counterpart institutions. There is little evidence around the effectiveness of TA provided by DFIs (Cox and Norrington-Davies, 2019). Studies of the impact of TA in India have suffered from methodological problems which limited any clear conclusions (IPE Global, 2019).

The type of assistance that a traditional aid agency provides vis-à-vis a DFI differs. Aid agencies mainly provide advice to governments on policy and regulatory reform, research and data collection, and capacity building at the national and subnational levels, while advice from DFIs centres mainly on the private sector, companies' business practices, and the support of specific investment transactions to increase their chances of success (Runde et al., 2020). For example, BII's technical assistance and grant facility, BII Plus, supports businesses to adapt their operations and pilot new, more inclusive business models, and help shape markets where it invests (CDC, 2020).

5.3 Research and innovation partnerships

Improving access to evidence for policymakers

There is reasonably strong evidence that research and innovation partnerships can lead to higher-quality policymaking. A key indicator of development effectiveness is considered to be the strength of the link between research, policy and practice (Georgalakis, 2020) and more research funding is widely considered by donors to increase the amount of evidence available to policymakers and development practitioners (UK Government, 2018). However, the extent to which evidence generated by research is accessible to and used by policymakers is

[39] Blended finance is the strategic use of development finance for the mobilisation of additional finance towards sustainable development in developing countries (OECD, 2022b).

more contentious, with problems of research wastage stemming from limitations in funding, research practices, and the extent of translational activities and stakeholder engagement (Fransman and Newman, 2019; Oliver and Boaz, 2019). The 2015 Nurse Review, led by Sir Paul Nurse, on the UK government's research and innovation strategy, highlighted that "good policies and strategies developed by researchers who know how science operates, working together with policy makers and those responsible for societal and commercial interests, are essential for a successful research endeavour" (Nurse, 2015 p. 8).

Promoting UK research excellence

There is little evidence that research and innovation partnerships increase the competitiveness of donor-country science and research industries. This notion is rooted in a particular set of 'international development' ideological assumptions and agendas, which positions donor countries as leaders in "scientific, research and technical expertise" (UK Government, 2016a) and implies a "unidirectional export model for research" (Fransman and Newman, 2019, p. 524). Although there is little empirical evidence supporting this, leading research partnership programmes (such as the UK's Global Challenges Research Fund and Newton Fund) cite the development of domestic science and research as one of its objectives (ICAI, 2017a; 2019a). Critics question the use of public development budgets to achieve domestic objectives such as the development of science and research (Fransman and Newman, 2019). Moreover, there is a trade-off between funding partnerships with high-quality research institutions in middle-income countries versus those with lower-quality institutions in poor countries where capacity building is most needed.

6. Evidence of 'what works' in using key aid instruments

In this section, the review explores the application of key instruments and best practice through which the UK could deliver aid in India. The section first looks at 'what works' in using development capital and summarises the evidence regarding the co-selection of financial instruments, the prioritisation of sectors, the creation of enabling environments and the measurement of investment impacts. It then examines 'what works' in funding research and innovation partnerships and summarises the evidence on the brokering of knowledge, the encouragement of interdisciplinary working, targeting research by theme/geography, and the role of equitable partnerships and sustained engagement. This section is also based on global findings and focuses on the practical realities of implementing development capital, technical assistance and research partnerships.

6.1 Development capital

Financial instrument selection

Evidence is inconclusive as to whether loan or equity investments are more effective in achieving development impact.[40] Most development finance institutions (DFIs) are loan-making institutions that historically invest more in debt than in equity. On average, about 20% of DFI portfolios are in equity (IADB, 2017). However, emerging evidence suggests that, although riskier, equity investments incentivise investing institutions to supervise investees more closely and reappraise investee performance more frequently (IADB, 2017). This more active management of investees is often associated with greater impact, but empirical evidence supporting this logic is limited. Some studies show that equity investments generate higher returns than debt investments (IADB, 2017), but few studies comparatively assess the impacts of debt versus equity investing. One rare example, a 2018 evaluation of Swedfund's investments, finds that loan investments have a higher employment-generating capacity than equity investments (Spratt et al., 2018). However, this evidence fails to account for the fact that equity and loans finance different phases of development in the private sector. Equity tends to be more important for incubating new firms from small to medium-sized enterprises, and debt is more important for subsequent expansion of firms from medium to large-scale enterprises. The evidence may also fail to account for different sectors and geographies. For example, DFIs are more likely to use equity in lower-risk countries (Kenny et al., 2018). In addition, in India, financial institutions were able to raise similar or higher levels of debt, at similar

[40] Loan and equity investment impacts vary depending on the stage of a project in the capital cycle, as well other key determinants and dimensions of impact such as the intended incubation impact, the intended scale of the project, and impact through blended finance.

pricing and similar tenures to BII's debt in the domestic bond market (Genesis Analytics and IPE Global, 2020). Given this, the impact of equity may be underestimated, although academic evidence for this in the context of developing economies remains limited.

Sectoral prioritisation

There is moderate evidence that SME (via financial service providers), energy sector and infrastructure investments have stronger poverty-reducing impacts than investments in other sectors. Low-income regions tend to have more fragmented domestic industries made up largely of small and medium-sized, often informal, enterprises. Due to the difficulties that such businesses and entrepreneurs have in accessing finance,[41] funding SMEs is widely considered key to achieving economic development and poverty reduction objectives (Griffith-Jones et al., 2014). Several studies reviewed by Attridge et al. (2019) report that SME recipients of development capital investments have expanded their operations and created new jobs, with employment within SME recipients of International Finance Corporation (IFC) finance being shown to grow in the range of 3% to 15% year-on-year (IFC, 2013a; 2014; Koptya and Domenech, 2015; Goldblum et al., 2015).

However, critics argue that investments in financial service providers do not always significantly expand credit to SMEs, due to the conservative and prudent nature of the financial institutions involved (Horus Development Finance, 2015). Studies of agricultural commodity markets often show that smallholders receiving microloans expand production but, also, that increased production often leads to market glut and reduced prices, and therefore loan recipients do not earn more in real terms despite taking on additional debt (Gibbon, 2005; Amanor, 2019). In India specifically, an evaluation of CDC's financial institutions portfolio found that further analysis would be required to understand the added value of allocating large amounts of funding for financial services in India, in particular microfinance. This is due to the size and maturity of India's financial system (Genesis Analytics and IPE Global, 2020; see **Section 2** for more information). The evaluation highlights considerations of scaling back support for a larger number of microfinance institutions in India in favour of other geographies, or an opportunity to refocus support to help other types of financial institutions and sub-sectors (Genesis Analytics and IPE Global, 2020).

Energy sector and infrastructure investments are also considered crucial for economic development because of their significant indirect and induced effects as enablers of productivity growth within economies. While energy sector investments directly support some new jobs within energy suppliers, increased energy generation also reduces energy prices and makes the wider supply of energy more reliable, which in turn reduces costs of production, increases productivity and creates employment in other sectors (Dalberg, 2012; Scott et al., 2013; Steward Redqueen, 2015; 2016; 2017).

Steward Redqueen (2016) finds that Proparco's energy investments generated an additional 3,866 megawatts of energy, which contributed to an additional €1 billion (£0.9 billion) in GDP and the creation of 218,000 indirect jobs. An in-house evaluation by the Dutch Entrepreneurial Development Bank (FMO) estimates that its energy portfolio supported the creation of 106,000 direct and indirect jobs from 2009 to 2014 (FMO, 2015). Attridge et al. (2019) find limited or no evidence of increased access to goods and services from investments in other sectors (such as manufacturing or pharmaceuticals). However, although increased energy production reduces prices and improves the reliability of supply, Attridge et al. (2019) find no strong evidence that this has increased consumer access to electricity (for either households or firms).

Enabling environments

There is reasonably strong evidence that enabling environment reforms help maximise the impact of development capital investments, but no consensus has yet been reached on the optimal package of policies and regulations for investment success. An UNCTAD-World Bank Survey of Responsible Agricultural Investment finds that host country policies and regulations are commonly cited constraints to investing in poor countries

[41] According to the World Bank, between 60% and 70% of SMEs in sub-Saharan Africa need loans, however only 17% of small and 31% of medium-sized firms actually have access to finance.

(UNCTAD, 2014). Excessive or poorly designed regulations can increase the costs and risks facing investors and discourage private investment. Many argue that effective policy advocacy and influencing activities aimed at cultivating an 'enabling environment' are necessary to mobilise private investment and increase the chances of investment success. IFC (2013a) finds that IFC expenditure of $23.5 million (£15.0 million) on Business Environment Reform (BER) created approximately 50,000 new jobs in Burkina Faso, Liberia, Rwanda and Sierra Leone from 2008 to 2010. Critics, however, argue that enabling environment reforms are often conflated with wholesale deregulation or the provision of overly generous incentives, which can lead to investment climates becoming liberalised with limited or no positive effects to local communities. Gallagher and Zarsky (2007), for example, look at the experience of Mexico in attracting foreign investment and show that although Mexico was initially successful in attracting investment, benefits were not connected to the wider economy and many local firms were put out of business in the absence of active state support.

Impact measurement

There is strong evidence that high-quality impact measurement helps maximise the impact of development capital investments. Strong systems and processes for evaluating and learning have long been regarded as a key driver of effectiveness when it comes to traditional, technical assistance-based aid. The Quality of Official Development Assistance (QuODA) assessment, regarded as one of the most robust comparative assessments of donor performance, includes evaluation as one of its four dimensions of effectiveness. A 2020 review of the QuODA assessment methodology argues that evaluation and learning contribute to aid effectiveness by fostering accountability – a claim which is supported by further empirical research (CGD, 2021). Project outcome ratings of World Bank investment loan projects are positively correlated with good quality monitoring and evaluation (IEG, 2021a), while World Bank operations that are subject to impact evaluation are less likely to have delays in disbursements (Legovini et al., 2015). Despite this, most DFIs do not systematically evaluate the impacts of their investments. More comprehensive and robust impact measurement is considered necessary for investing institutions to understand which investments generate greater relative impact and incentivise closer supervision of investment performance in terms of development impact as well as commercial viability.

6.2 Technical assistance

In recent years, a new conceptualisation of technical assistance (TA) provided by donors has emerged, linked to growing interest in the politics of development (Cox and Norrington-Davies, 2019). The new paradigm understands institutional failures in terms of power and politics, rather than capacity gaps. These new approaches pursue localised and contextual solutions, based on an understanding of economic interests and power dynamics. They pursue change through problem-solving methods; work towards incremental improvement in existing capacity, rather than attempting comprehensive reforms to fill capacity gaps; ensure efforts are harmonised to improve coordination and reduce donor overlap; and ensure local actors are in the driving seat in identifying problems and solutions to ensure ownership.

There is very limited literature on best practice in TA provided by DFIs (Cox and Norrington-Davies, 2019). One example is a report on how best to use TA to support investments in financial institutions (CDC, 2020), identifying seven key lessons. These include looking beyond the financial institution, understanding and building financial institutions' incentives for change, prioritising know-how over money, tailoring support, aiming for deeper institutional changes through longer-term engagement, thinking and acting locally, and being flexible and adaptive (CDC, 2020). In the case of BII, it is suggested that its size and years of operational experience may have facilitated its capacity to deliver in-house TA for its investments, in contrast to contracted TA (Megersa, 2022).

Synergies between technical assistance and development capital

There is reasonably strong evidence that TA is more impactful when combined with other aid instruments. Many argue that TA alone can promote dependence and constrain the growth of domestic industries. Using TA in conjunction with development capital, however, can help improve wider market conditions and thus increase the chances of development capital investments leading to desired effects (Spratt et al., 2018; Genesis Analytics and IPE Global, 2020). Based on this evidence, programmes are increasingly combining market systems development, policy influencing, and capacity building activities with development capital, given that lack of financing is just one constraint to sustained and inclusive economic growth in poor countries. This includes DFID/FCDO's use of TA alongside its programme of development capital investments. For example, TA helped enable investments into infrastructure projects in India's low-income states, helped maximise sector-wide opportunities and specific project work to ensure sustainability, and helped initiate multiple sector-specific knowledge products which enabled dissemination of learnings from its investments into the renewable energy and cold storage sectors (IPE Global, 2019).

6.3 Research and innovation partnerships

Prioritising research

There is strong evidence that funded research which is better targeted to geographic and thematic priorities in the Global South, involving greater representation in funding panels and participation of potential users, supports research impact (Viergever et al., 2010; Newman et al., 2019; Kwete et al., 2021; Cassola et al., 2022; Fadlallah et al., 2022). An example where this has been challenging is the Global Challenges Research Fund, where ICAI's rapid review of the Fund found limited analysis of research and policymaking capacity in participating countries, meaning that geographic or thematic priorities were not identified. One of the report's recommendations was for the programme to consider developing a more targeted approach in terms of where it directs funding (ICAI, 2017a).

Knowledge brokerage

There is reasonably strong evidence that knowledge brokerage[42] helps research partnerships to bring about the desired changes in evidence use and policymaking capacity. A 2020 study consisting of research partnership case studies and a literature review of development partnership theory identifies that impact pathways often include direct engagement in national policymaking, and regional and international policy advice, as well the mobilisation of excluded communities (Georgalakis, 2020). Research partnerships that brought together academics, civil society organisations, government bureaucrats and decision-makers were found to be more impactful than partnerships involving only research producers. Moreover, the study argues that three factors are key to researchers' ability to leverage awareness of their work: bounded mutuality (that is, the extent to which objectives of the research are aligned with those of partners); sustained interactivity (that is, the extent to which researchers and partners look for opportunities for longer-term collaboration after projects have ended); and policy adaptability (that is, the extent to which researchers identify key influencing spaces and re-frame evidence for specific audiences).

Interdisciplinary focus

There is emerging evidence that encouraging established research institutions to create interdisciplinary partnerships focused on addressing identified development challenges helps to maximise research impact. An ICAI rapid review of the Global Challenges Research Fund finds that the programme's most innovative element is its promotion of joint working across established research councils and academies that usually work separately (ICAI, 2017a). The report argues that interdisciplinary efforts are needed to overcome complex development challenges and, since research funding is traditionally organised by discipline, programmes funding research and innovation are well placed to encourage more interdisciplinary efforts. However, interdisciplinarity is enabled by shared visions, agendas and priorities in research partnerships (Perry et al., 2022).

Equitable partnerships

There is reasonably strong evidence that equitable research partnerships help improve the focus and quality of funded research, and that an increasing number of research funders and research institutions are beginning to incorporate these considerations. For example, the Global Health Research portfolio of the UK's National Institute for Health and Care Research has been taking action to widen call eligibility for research

42 Knowledge brokerage is the process of developing relationships and networks between producers and users of knowledge. This helps to facilitate the exchange of knowledge and build capacity for evidence-based decision-making (Cvitanovic, 2017).

institutions based in low- and middle-income countries (ESSENCE on Health Research and UKCDR, 2022, p, 28). However, while some funders promote equity in the distribution of resources, scholars highlight that more can be done to ensure equitable, mutually supportive partnerships. This includes ensuring co-creation in the research process, mutual understanding and respect for cultural norms supported by effective communication, continuous review and consultation to incorporate diverse perspectives, and building trust and long-term commitment in addition to research capacity (Newman et al., 2019; Zaman et al., 2020; Urassa et al., 2021; Cassola et al., 2022).

Sustained engagement

There is evidence that sustained and ongoing interaction between partners improves the effectiveness of research funding. Georgalakis and Rose (2019) find that partnerships which build engagement from the outset of the research process, and continue after projects have ended, supports successful research. This sustained and ongoing interaction includes characteristics such as researchers and institutions seeing value in working together, looking for opportunities for longer-term collaboration, and establishing formal structures such as advisory groups, as well as approaches to partnership that build trust.

Bibliography

1. ADB (2020). *Proposed loan and technical assistance grant India: Bengaluru Metro Rail Project*. Asian Development Bank, link.

2. ADB (2021a). *Proposed loan and administration of technical assistance grant India: Assam Skill University Project*. Asian Development Bank, link.

3. ADB (2021b). *Proposed programmatic approach and policy-based loan for Subprogram 1 and technical assistance grant: Industrial Corridor Development Program*. Asian Development Bank, link.

4. ADB (2022a). *Asian Development Bank and India factsheet*. Asian Development Bank, link.

5. ADB (2022b). *Glossary of terms: Sovereign and non-sovereign operations*. Asian Development Bank, link.

6. AFD (2017). *India – 2017-2021 strategy*. Agence Française de Développement, link.

7. AFD (2021). *South Asia: Regional strategy 2020-2024*. Agence Française de Développement, link.

8. Agarwal, S., Kothiwal, K. and Verma, S. (2022). *From risks to resilience: action research into informal workers' health and wellbeing in Indore, India*. Working Paper. International Institute for Environment and Development, link.

9. Amanor, K. (2019). *Global value chains and agribusiness in Africa: Upgrading or capturing smallholder production?* Agrarian South: Journal of Political Economy, 8(1-2), link.

10. Armendáriz, B. and Morduch, J. (2010). *The economics of microfinance: Second edition*. MIT Press, Cambridge, MA.

11. Armendáriz, B. and Szafarz, A. (2009). *On mission drift in microfinance institutions*. Centre Emile Bernheim, Working Paper No. 09/015, link.

12. Attridge, S and Gouett, M. (2021). *Development finance institutions: the need for bold action to invest better*. Overseas Development Institute, link.

13. Attridge, S. and Engen, L. (2019). *Blended finance in the poorest countries: The need for a better approach*. Overseas Development Institute, link.

14. Attridge, S., Calleja, R., Gouett, M. and Lemma, A. (2019). *The impact of development finance institutions: rapid evidence assessment*. Department for International Development, link.

15. Banerjee, A. and Duflo, E. (2007). *The economic lives of the poor*. Journal of Economic Perspectives 21(1): 141-167, link.

16. Banerjee, A., Duflo, E., Glennerster, R. and Kinnan, C. (2013). *The miracle of microfinance? Evidence from a randomized evaluation*, Working Paper 18950, National Bureau of Economic Research, link.

17. Barrow, A. and van Hooft, P. (2022). *India's approach to the Russian invasion of Ukraine: An example of the BJP's 'India first' thinking and what it means for the West*. The Hague Centre for Strategic Studies, link.

18. Basrur, R. and Kutty, N. (2022). *Modi's India and Japan: nested strategic partnerships*. International Politics, 59: 67-89, link.

19. Bateman, M. (2010). *Why doesn't microfinance work: The destructive rise of neo-liberalism*. London: Zed Books.

20. Birdsall, N. and Morris, S. (2016). *Multilateral development banking for this century's development challenges: Five recommendations to shareholders of the old and new multilateral development banks*. Center for Global Development, link.

21. BMZ (n.d.). *India: An important partner in international cooperation*. Federal Ministry for Economic Cooperation and Development (BMZ), link. [Accessed 18 August 2022].

22. BII (2020). *Making the most effective use of grants and technical assistance to support financial institutions*. British International Investment, link.

23. Busby, J., Shidore, S., Urpelainen, J. and Bazilian, M. (2021). *The case for US cooperation with India on a just transition away from coal*. Brookings Institute, link.

24. Calleja, R., Hughes, S. and Cichocka, B. (2021). *Two birds, one budget: Using ODA for influence and development in the Indo-Pacific?* CGD Policy Paper 247, Center for Global Development, link.

25. Campbell, I. (2022). *India and the UK: Tensions between values and interests*. The Foreign Policy Centre, link.

26. Carmack, D., Mathur, A., Pant, H. V., Ray, T., Smith, J. and Taneja, J. (2022). *India-U.S. relations: Priorities in the next decade*. Observer Research Foundation, link.

27. Cassola, A., Baral, P., Røttingen, J. and Hoffman, S. (2022). *Evaluating official development assistance-funded granting mechanisms for global health and development research that is initiated in high-income countries*. Health Research Policy and Systems, 20: 55, link.

28. CGD (2021). *QuODA 2021*. Center for Global Development, link.

29. Chang, H. J. (2003). *Kicking away the ladder*. Anthem Press.

30. Chatham House (2021). *India's foreign policy challenges*. Online expert discussion, Chatham House, link.

31. Chaturvedi, V. and Malyan, A. (2021). *Implications of a net-zero target for India's sectoral energy transitions and climate policy*. Council on Energy, Environment and Water, link.

32. Chodorow-Reich, G., Gopinath, G., Mishra, P. and Narayanan, A. (2019). *Cash and the economy: evidence from India's demonetization*. Quarterly Journal of Economics, 135(1):57-103, link.

33. Christian, R. (2001). *Commercialization and mission drift: The transformation of microfinance in Latin America*. Consultative Group to Assist the Poor, link.

34. Collins, D., Morduch, J., Rutherford, S. and Ruthven, O. (2009). *Portfolios of the poor*. Princeton University Press.

35. Cox, M. and Norrington-Davies, G. (2019). *Technical assistance: new thinking on an old problem*. Open Society Foundations and Agulhas Applied Knowledge, link.

36. CREA (2020). *Does India need new coal mines to meet its 2030 demands?* Centre for Research on Energy and Clean Air, link.

37. CREA (2022). *Failure to load: India's power crisis is a coal management crisis*. Centre for Research on Energy and Clean Air, link.

38. Curtis, J. (2021). *Farmers' protests in India and agricultural reforms*. Research briefing, House of Commons Library, link.

39. Cvitanovic, C. (2017). *Three ways that knowledge brokers can strengthen the impact of scientific research*. Research to Action, link. [Online]

40. Dahiya, S. and Myllyvita, L. (2021). *Health and economic consequences of unabated coal generation in New Delhi*. Centre for Research on Energy and Clean Air, link.

41. Daily Mail (2012). *If India doesn't want our aid, stop it now, Cameron told after country labels £280m-a-year donations as 'peanuts'*. Daily Mail, link.

42. Dalberg (2010). *The growing role of the development finance institutions in international development policy*. Dalberg Global Development Advisors, link.

43. Dalberg (2012). *EDFI energy evaluation 2012*. Proparco, link.

44. Das, P. and Chaturvedi, V. (2021). *India at COP26 and beyond*. ISAS Insights No. 701, link.

45. Dave, A. (2020). *The UK's approach to India*. Royal United Services Institute, link.

46. Demirgüç-Kunt, A., Beck, T. and Honohan, P. (2008). *Finance for all: Policies and pitfalls in expanding access*. World Bank Group, link.

47. Demirgüç-Kunt, A., Klapper, L. and Singer, D. (2017). *Financial inclusion and inclusive growth: a review of recent empirical evidence*. Policy Research Working Paper 8040, World Bank Group, link.

48. DFID (2014). *Operational plan 2011-2016: DFID India*. Department for International Development, link.

49. DFID (2018). *DFID India country profile*. Department for International Development, link.

50. Department for International Trade (2021). *Global trade outlook: September 2021*. Department for International Trade, link.

51. Department for International Trade (2022). *UK-India Free Trade Agreement: The UK's strategic approach*. Department for International Trade, link.

52. Dercon, S. (2002). *Income risk, coping strategies and safety nets*. World Bank Research Observer, 17(2):141-166, link.

53. Devex (2022). *The Growth of Development Finance*. Devex, link.

54. Dinh, H. T., Mavridis, D. A. and Nguyen, H. B. (2010). *The binding constraint on firms' growth in developing countries (English)*. Policy Research Working Paper 5485, World Bank Group, link.

55. Dutta, A. (1988). *The wage-goods constraint on a developing economy: Theory and evidence*. Journal of Development Economics, 28(3): 341-363, link.

56. Ebert, F. C. and Posthuma, A. (2010). *Labour standards and development finance institutions: a review of current policies and activities*. Discussion Paper Series No. 204, ISBN 978-92-925 1-003-9, International Labour Organisation, link.

57. Ergon Associates (2019). *Decent work and development finance*, link.

58. ESSENCE on Health Research and UKCDR (2022). *Four approaches to supporting equitable research partnerships*. ESSENCE and UKCDR Good Practice Document, link.

59. Fadlallah, R., Daher, N., El-Harakeh, A., Hammam, R., Brax, H., Karroum, L. B., Lopes, L. C., Arnous, G., Kassamany, I., Baltayan, S., Harb, A., Lotfi, T., El-Jardali, F. and Akl, E. A. (2022). *Approaches to prioritising primary health research: a scoping review*. BMJ Global Health, 7(e007465), link.

60. FCDO (2018). *Business case: The India-UK Global Partnership Programme on Development (GPPD)*. Foreign, Commonwealth and Development Office, link.

61. FCDO (2020). *Profile of development work: India*. Foreign, Commonwealth and Development Office, link.

62. FCDO (2021b). *Additional tables: Statistics on international development: final UK aid spend 2020*. Foreign, Commonwealth and Development Office, link.

63. FCDO, (2022a). *DevTracker India country summary page*. Foreign, Commonwealth and Development Office, link. [Accessed 6 June 2022].

64. FCDO (2022b). *The UK government's strategy for international development*. Foreign, Commonwealth and Development Office, link.

65. FCDO (2022c). *Statistics on international development: final UK aid spend 2021*. Foreign, Commonwealth and Development Office, link.

66. FCDO (2022d). *Additional tables: Statistics on international development: final UK aid spend 2021*. Foreign, Commonwealth and Development Office, link.

67. Federal Foreign Office (2020). *Policy guidelines for the Indo-Pacific, Germany – Europe – Asia: Shaping the 21st century together*. Federal Foreign Office, Germany, link.

68. Federal Ministry of Education and Research (n.d.). *Germany and India: Partners in education and research*. Federal Ministry of Education and Research, Germany, link. [Accessed 1 February 2023].

69. FMO (2015). *Annual sector evaluation 2015: energy*. Dutch Entrepreneurial Development Bank (FMO), link.

70. Frank, C. (2008). *Stemming the tide of mission drift: Microfinance transformations and the double bottom line*. Women's World Banking Focus Note, link.

71. Fransman, J. and Newman, K. (2019). *Rethinking research partnerships: Evidence and the politics of participation in research partnerships for international development*. Journal of International Development, 31(7): 523-544, link.

72. Fukuda-Parr, S. (2011). *Theory and policy in international development: Human development and capability approach and the Millennium Development Goals*. International Studies Review, 13(1): 122-132, link.

73. Gallagher, K. and Zarsky, L. (2007). *The enclave economy: Foreign investment and sustainable development in Mexico's Silicon Valley*. MIT Press.

74. Gelb, A. H. (1989). *Financial policies, growth and efficiency*. Policy Planning and Research, Working Paper No. 202, World Bank Group, link.

75. Genesis Analytics and IPE Global (2020). *Evaluating CDC's financial institutions portfolio*. Foreign, Commonwealth and Development Office, link.

76. Georgalakis, J. (2020). *The power of partnerships: How to maximise the impact of research for development*. Institute for Development Studies Digital Essay, link.

77. German Missions in India (n.d.). *Development cooperation: India is a strategic partner for German development cooperation*. German Missions in India, link. [Accessed 10 August 2022].

78. Ghate, P. (2007). "Learning from the Andhra Pradesh crisis". In: Dichter, T. and Harper, M. (eds.) *What's wrong with microfinance?* (pp. 163-176). Practical Action Publishing,

79. Gibbon, P. (2005). *The commodity question: New thinking on old problems*. United Nations Human Development Report Office, link.

80. GIZ, 2021. *India country page*. Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), link. [Accessed 10 August 2022].

81. Goldblum, D., Khanna, M. and Mirmulstein, M. M. (2015). *Promoting financial inclusion in India: evidence from Au FINANCIERS (INDIA) LIMITED*. International Finance Corporation, link.

82. Government of India, 2022. *India's updated first nationally determined contribution under Paris Agreement (2021-2030)*. Government of India Submission to United Nations Framework Convention on Climate Change, link.

83. Griffith-Jones, S., Karkowski, E. and Dafe, F. (2014). *A financial sector to support development in low-income countries*. Overseas Development Institute, link.

84. Goswami, A. G., Medvedev, D. and Olafsen, E. (2019). *High-growth firms: Facts, fiction, and policy options for emerging economies*. World Bank, link.

85. Guerin, I., Labie, M. and Servet, J. (2015). *The crises of microcredit*. Zed Books.

86. Gulrajani, N., Mawdsley, E. and Roychoudhury, S. (2020). *The new development diplomacy in middle-income countries: The changing role of traditional donors in India*. Overseas Development Institute, link.

87. Harper, M. (2010). *The distressing and entirely predictable situation in Andhra Pradesh*. www.indiamicrofinance.com, November 8, link. [Accessed 18 August 2022]

88. Hausmann, R., Rodrik, D. and Velasco, A. (2005). *Growth diagnostics*. John F. Kennedy School of Government, Harvard University, link.

89. HM Treasury (2021). *Joint statement by the Finance Minister of India and the Chancellor of the Exchequer at the 11th UK-India Economic and Financial Dialogue*. Policy Paper, HM Treasury, link.

90. Honda, S. and Sakai, M. (2014). *Triangular cooperation mechanisms: A comparative study of Germany, Japan and the UK*. Japan International Cooperation Agency, link.

91. Horus Development Finance (2015). *Evaluation of the effectiveness of EDFI support to SME development through financial institutions in Africa*. Horus Development Finance, link.

92. House of Commons Foreign Affairs Committee (2019). *Building bridges: Re-awakening UK-India ties*, Eighteenth Report of Session 2017-2019. House of Commons, link.

93. House of Commons International Development Committee (2011). *The future of DFID's programme in India*. House of Commons, link.

94. House of Commons International Development Committee (2020). *Effectiveness of UK aid: interim findings*. Second Report of Session 2019-21. House of Commons, link.

95. Hulme, D. (2007). "Is microdebt good for poor people? A note on the dark side of microfinance". In: Dichter, T. and Harper, M. (eds.) *What's wrong with microfinance?* (pp. 19-22). Practical Action Publishing.

96. Hulme, D. and Arun, T. (2011). *What's wrong and right with microfinance?* Economic and Political Weekly, 46: 23-26, link.

97. IADB (2017). *Comparative study of equity investing in development finance institutions*. Inter-American Development Bank, link.

98. IBEF (2022). *FDI in India: Foreign direct investment opportunities*. India Brand Equity Foundation, link. [Accessed 27 February 2023].

99. ICAI (2016). *When aid relationships change: DFID's approach to managing exit and transition in its development partnerships: A performance review*. Independent Commission for Aid Impact, link.

100. ICAI (2017a). *Global Challenges Research Fund: A rapid review*. Independent Commission for Aid Impact, link.

101. ICAI (2017b) *The cross-government Prosperity Fund: A rapid review*. Independent Commission for Aid Impact, link.

102. ICAI (2019a). *The Newton Fund: A performance review*. Independent Commission for Aid Impact, link.

103. ICAI (2019b). *The use of UK aid to enhance mutual prosperity: Information note*. Independent Commission for Aid Impact, link.

104. ICAI (2021). *UK aid's alignment with the Paris Agreement: A rapid review*. Independent Commission for Aid Impact, link.

105. ICAI (2022a). *UK aid to India: country portfolio review, Approach paper*. Independent Commission for Aid Impact, link.

106. ICAI (2022b). *Literature review: The UK's support to the World Bank's International Development Association (IDA)*. Independent Commission for Aid Impact, link.

107. IEG (2013). *Youth employment programs: an evaluation of World Bank and International Finance Corporation support*. Independent Evaluation Group, World Bank Group, link.

108. IEG (2020). *Results and performance of the World Bank Group 2020*. Independent Evaluation Group, World Bank Group, link.

109. IEG (2021a). *Results and performance of the World Bank Group 2021*. Independent Evaluation Group, World Bank Group, link.

110. IEG (2021b). *The World Bank Group's experience with the IDA Private Sector Window: An early-stage assessment*. Independent Evaluation Group, World Bank Group, link.

111. IFC (2013). *IFC jobs study: assessing private sector contributions to job creation and poverty*. International Finance Corporation, link.

112. IFC (2014). *IFC and Fransabank supporting job creation in Lebanon*. International Finance Corporation, link.

113. IMF (2021). *India: 2021 Article IV consultation-press release; staff report; and statement by the Executive Director for India*. Country Report No. 2021/230. International Monetary Fund, link.

114. IMF (2022). *World economic outlook update: Gloomy and more uncertain*. International Monetary Fund, link.

115. IMF (2023). *Financial development index database*. International Monetary Fund Strategy, Policy and Review Department, link. [Accessed 16 January 2023].

116. India Global Business (2019). *India, UK and the dawn of the Afro-Asian century*. India Global Business, link. [Accessed 14 June 2022].

117. IPE Global (2019). *Evaluation of impacts of the Development Capital Investment Intervention of the DFID India's Private Infrastructure Portfolio*. IPE Global, link.

118. Isenman, P. (2015). *Defining development drastically downward: Premature graduation from IDA and ODA*. Brookings, link. [Accessed 27 February 2023].

119. Islam, N. (2009). *Can microfinance reduce economic insecurity and poverty? By how much and how?* DESA Working Paper No. 82, link.

120. Jansson, T. (2000). *Microfinance: From village to Wall Street*. Inter-American Development Bank, link.

121. Janze, S. and Carter, M. (2013). *After the drought: The impact of microinsurance on consumption smoothing and asset protection*. American Journal of Agricultural Economics, 101(3):651-671, link.

122. Jha, A. (2021). *COP26: Four big takeaways for South Asia*. World Bank Blogs, link. [Accessed 6 June 2022].

123. JICA (2018). *JICA country analysis paper (JCAP) FY 2017 English version*. Japan International Cooperation Agency, link.

124. JICA (2020). *Operations and activities in India 2019-20*. Japan International Cooperation Agency, link.

125. Joshi, S. (2016). *Financial sector development and economic growth in India: Some reflections*. Munich Personal RePEe Archive, link.

126. Jouanjean, M. A. and te Velde, D. (2013). *The role of development finance institutions in promoting jobs and structural transformation: a quantitative assessment*. Overseas Development Institute (ODI), link.

127. Karlan, D. and Zinman J. (2009). *Expanding microenterprise credit access: Using randomised supply decisions to estimate the impacts*. Review Of Financial Studies, 23(1): 433-464, link.

128. Karlan, D. and Morduch, J. (2009). "Access to finance". Chapter 2 in Rodrik, D. and Rosenzweig, M. (eds.) *Handbook of development economics*. London: North Holland.

129. Kathpal, S., Kumar, K., Kumar, P. and Mishra, S. (2021). *Building a low carbon Indian economy*. IOP Conference Series: Earth and Environmental Science, link.

130. Kenny, C., Kalow, J., Leo, B. and Vijaya, R. (2018). *Comparing five bilateral development finance institutions and the IFC*. Center for Global Development, link.

131. KfW (n.d.). *India country page*. Bank aus Verantwortung, link. [Accessed 10 August 2022].

132. Khan, M. (2011). *India's evolving political settlement and the challenges of sustaining development*. SOAS, University of London, link.

133. Khanna, M. and Kehoe, A. (2017). *SME finance and growth: evidence from RBL Bank*. CDC Group, link.

134. Kim, R., Sutherland, Z., Verhoeven, S., Binet, S., During, N., Barnett, C., Lemma, A. and Beckmann, L. (2022). *Final report: Evaluating the impact of British International Investment's infrastructure portfolio*. Foreign, Commonwealth and Development Office and British International Investment, link.

135. King, R. and Levine, R. (1993). *Finance and growth: Schumpeter might be right*. The Quarterly Journal of Economics, 108 (3): 717-737, link.

136. Koptya, M. and Domenech, L. (2015). *Assessing private sector contributions to job creation: a bank case study in a Latin American country*. International Finance Corporation, link.

137. Krishnan, K. P. (2011). *Financial development in emerging markets: The Indian experience*. Asian Development Bank Institute, link.

138. Kumar, K. and Paramank, R. (2020). *Nexus between Indian economic growth and financial development: A non-linear ARDL approach*. The Journal of Asian Finance, Economics and Business, 7(6): 109-116, link.

139. Kwete, X., Berhane, Y., Mwanyika-Sando, M., Oduola, A., Liu, Y., Workneh, F., Hagos, S., Killewo, J., Mosha, D., Chukwu, A., Salami, K., Yusuf, B., Tang, K., Zheng, Z. J., Atun, R. and Fawzi, W. (2021). *Health priority-setting for official development assistance in low-income and middle-income countries: a best fit framework synthesis study with primary data from Ethiopia, Nigeria and Tanzania*. BMC Public Health, 21(1): 1-13, link.

140. Laeven, L. and Valencia, F. (2012) *Systemic banking crises: An update*. International Monetary Fund, link.

141. Lee, N. and Cardenas, M. (2020). *The future of private finance for development in poor countries*. Center for Global Development, link.

142. Legovini, A., Di Mario, V. and Piza, C. (2015). *Impact evaluation helps deliver development projects*. World Bank Group, link.

143. Levine, R. (2005). "Finance and growth: Theory and evidence". In: Aaghion, P. and Durlauf, S. N. (eds.) *Handbook of economic growth*. Elsevier, (pp. 865-893).

144. Levine, R., Loayza, N. and Beck, T. (2000). *Financial intermediation and growth: Causality and causes*. Journal of Monetary Economics, 46: 31-77, link.

145. Loayza, N., Schmidt-Hebbel, K. and Servén, L. (2000). *Saving in developing countries: An overview*. The World Bank Economic Review, 14 (3): 393-414, link.

146. Loft, P. and Brien, P. (2021). *Reducing the UK's aid spend in 2021*. House of Commons Library, link.

147. MacDonald, M. and Xu, T. (2022). *Financial sector and economic growth in India*. International Monetary Fund, link.

148. MacGillivray, A., Kim, R., van Moorsel, T. and Kehoe, A. (2017). *Measuring total employment effects: a lean data methodology for a portfolio of investments in developing countries*. CDC Group, link.

149. Mader, P. (2018). *Contesting financial inclusion*. Development and Change, 49(2): 461-483, link.

150. Mainhardt, H. (2017). *Funding clean energy access for the poor: Can the World Bank meet the challenge?* The Big Shift Global, link.

151. Mashal, M., Schmall, E. and Goldman, R. (2021). *What prompted the farm protests in India?* The New York Times, link. [Accessed 6 June 2022].

152. Mawdsley, E. (2015). *DFID, the private sector and the re-centring of an economic growth agenda in international development*. Global Society, 29(3): 339-358, link.

153. McCulloch, N. and Zileviciute, D. (2017). *Is electricity supply a binding constraint to economic growth in developing countries?* EEG State-of-Knowledge Paper Series, link.

154. Megersa, K. (2022). *Effectiveness and value for money of technical assistance approaches: in-house vs contracting*, Knowledge, Evidence and Learning for Development (K4D), Foreign, Commonwealth and Development Office, link.

155. Mersland, R. and Strom, R. (2010). *Microfinance mission drift?* World Development, 38 (1): 28-36, link.

156. Meyer, R. (2007). *Measuring the impact of microfinance*. In: Dichter, T. and Harper, M. (eds.) *What's wrong with microfinance?* Rugby: Practical Action Publishing.

157. Ministry of External Affairs (2022a). *Joint statement: 6th India-Germany inter-governmental consultations*. Ministry of External Affairs, Government of India, link.

158. Ministry of External Affairs (2022b). *Ministry of External Affairs annual report 2021-2022*. Government of India, link.

159. Ministry of Finance (2022a). *Ministry of Finance annual report 2021-2022*. Government of India, link.

160. Ministry of Finance (2022b). *Government's spending on social services increases significantly during the pandemic*. Ministry of Finance, link.

161. Ministry of Statistics and Programme Implementation (2021). *Press note on provisional estimates of annual national income 2020-21 and quarterly estimates of gross domestic product for the fourth quarter (Q4) of 2020-21*. Government of India, link.

162. Mittal, P. (2020). *India's triangular cooperation with the US, UK and Japan in Africa: A comparative analysis*. Observer Research Foundation, link.

163. Mohan, R. and Ray, P. (2017). *Indian financial sector: Structure, trends and turns*. International Monetary Fund, link.

164. Mohanty, A. and Wadhawan, S. (2021). *Mapping India's climate vulnerability: A district level assessment*. Council on Energy, Environment and Water, link.

165. Mott MacDonald (2012). *Gender impact of public private partnerships: Literature review synthesis report*. World Bank Group, link.

166. Narassimhan, E., Gopalakrishnan, T. and Gallagher, K. (2021). *India's policy pathways for deep decarbonisation*. Observer Research Foundation, link. [Accessed 27 February 2023].

167. National Audit Office (2022). *Managing reductions in official development assistance spending: Foreign, Commonwealth and Development Office*. National Audit Office, link.

168. Newman, K., Bharadwaj, S. and Fransman, J. (2019). *Rethinking research impact through principles for fair and equitable partnerships*. IDS Bulletin, 50(1), link.

169. NITI Aayog (2021). *India: National multidimensional poverty index – baseline report*. Government of India, link.

170. Nurse, P. (2015). *Ensuring a successful UK research endeavour: A review of the UK Research Councils by Paul Nurse*. Department for Business, Innovation and Skills, link.

171. O'Keeffe, A., Pryke, K. and Wurf, H. (2017). *Strengthening the Asian Development Bank in 21st century Asia*. Lowy Institute for International Policy, link.

172. OECD (2016). *Building the knowledge base on triangular co-operation – Findings from the 2015 OECD survey on triangular co-operation*. Organisation for Economic Co-operation and Development, link.

173. OECD (2021a). *Economic policy reforms 2021: Going for growth*. Organisation for Economic Co-operation and Development, link.

174. OECD (2021b). *India economic snapshot*. Organisation for Economic Co-operation and Development, link. [Accessed 6 June 2022].

175. OECD (2022a). *Development co-operation profiles: Other official providers not reporting to the OECD*. Organisation for Economic Co-operation and Development, link.

176. OECD (2022b). *Blended finance*. Organisation for Economic Co-operation and Development, link. [Accessed 5 October 2022].

177. Ogden, T. and Beck, S. (2007). *Beware of bad microcredit*. Harvard Business Review Online, link.

178. Oikawa, J. and Casadevall, F. (2012). *Estimating the socioeconomic impact of IFC financing: macro case studies from Ghana, Jordan, Sri Lanka and Tunisia*. International Finance Corporation, link.

179. Oliver, K. and Boaz, A. (2019). *Transforming evidence for policy and practice: creating space for new conversations*. Palgrave Communications, 5: 1-10, link.

180. Panda, J. P. and Sarkar, M. G. (2020). "Framing a Eurasia link in India-Japan global ties". In: Panda, J. P. (ed.) *Scaling India-Japan cooperation in the Indo-Pacific and beyond 2025: Corridors, connectivity and contours*. New Delhi: Institute for Defence Studies and Analyses: 23-55.

181. Pant, H. V. and Milford, T. (2021). *The UK shifts to the Indo-Pacific: An opportunity for India-UK ties*. Observer Research Foundation, link.

182. Parkin, B. and Singh, J. (2022). *India's uneven economic rebound creates winners and losers*. Financial Times, link. [Accessed 6 June 2022].

183. Paskal, C. (2021). *Indo-Pacific strategies, perceptions and partnerships: The view from seven countries*. Chatham House, link.

184. Patharkar, N. (2020). *A study on impact of demonetization on the Indian economy*. Bhopal: BSSS.

185. Paulo, S. (2018). *India as a partner in triangular development cooperation: Prospects for the India-UK partnership for global development*. Observer Research Foundation, link.

186. Perry, M., Sharp, J., Aanyu, K., Robinson, J., Duclos, V. and Ferdous, R. (2022). *Research partnerships across international contexts: a practice of unity or plurality?* Development in Practice, 32(5): 635-646, link.

187. Pillarisetti, M. (2007). *What microfinance for agriculture in developing countries?* Agence Française de Développement, link.

188. Pohit, S. and Kannan, E. (2019). *Identifying binding constraints to agricultural growth in Bihar*. UK Government, link.

189. Policy Exchange (2020). *A very British tilt: Towards a new UK strategy in the Indo-Pacific region*. Policy Exchange Indo-Pacific Commission, link.

190. Presse- und Informationsamt der Bundesregierung (2022). *Joint declaration of intent between the Republic of India and the Federal Republic of Germany on the partnership for green and sustainable development*. The Federal Ministry for Economic Cooperation and Development of the Federal Republic of Germany, link.

191. Price, G. (2022). *Democracy in India*. Chatham House, link. [Accessed 27 February 2023].

192. Proparco (2021). *Flyer Proparco in India*. Proparco Groupe AFD, link.

193. Raman, R. (2009). *Asian Development Bank, policy conditionalities and the social democratic governance: Kerala model under pressure?* Review of International Political Economy, 16(2): 284-308, link.

194. Ray, S. and Bandyopadhyay, K. (2020). *Energy challenges for India: Transitioning to a low carbon economy*. Indian Council for Research on International Economic Relations, link.

195. Reed, J. (2023). *India raises $1bn from maiden green bond sale*. Financial Times, link. [Accessed 28 February 2023].

196. Reserve Bank of India (2021a). *Consultative document on the regulation of microfinance*. Reserve Bank of India, Department of Regulation, link.

197. Reserve Bank of India (2021b). *Financial stability report December 2021*. Reserve Bank of India, link.

198. Reserve Bank of India (2022). *Annual report 2021-2022*. Reserve Bank of India, link.

199. Roodman, D. (2009). *What do we really know about microfinance impact?* FinDev Gateway, link. [Accessed 28 February 2023].

200. Rosenberg, R., Gonzalez, A. and Narain, S. (2009). *The new moneylenders: Are the poor being exploited by high microcredit interest rates?* Consultative Group to Assist the Poor, link.

201. Runde, D., te Velde, D., Savoy, C. M., Carter, P. and Lemma, A. (2016). *Development finance institutions come of age*. Center for Strategic and International Studies, link.

202. Runde, D., Bandura, R. and Staguhn, J. (2020). *The DFC: Delivering technical assistance in high-risk contexts*. Center for Strategic and International Studies, link.

203. Schonhardt, S. (2021). *Why India defended coal at the close of the COP26 climate summit*. Scientific America, link. [Accessed 10 August 2022].

204. Scott, A., Darko, E., Seth, P. and Rud, J. P. (2013). *Job creation impact study: Bugoye hydropower, Uganda*. Overseas Development Institute, link.

205. Scott, D. (2017). *The rise of India: UK perspectives*. Chatham House, link.

206. Sehrawat, M. and Giri, A. K. (2018). *The impact of financial development, economic growth, income inequality on poverty: evidence from India*. Empirical Economics, 55: 1585-1602, link.

207. Shaw, A. (2022). *Technical assistance: the outlook for a strategic tool for development finance*. Private Sector & Development, link. [Accessed 28 February 2023].

208. Singh, P. and Charanjit, K. (2021) *Factors determining financial constraint of SMEs: a study of unorganized manufacturing enterprises in India*. Journal of Small Business & Entrepreneurship, 33(3): 269-287, link.

209. Smith, J. (2012). *The GDP illusion*. Monthly Review, link. [Accessed 6 June 2022].

210. Sorokhaibam, R. and Thaimei, G. (2012). *Entrepreneurship development and employment in North East India*. Journal of Asian Business Strategy, 2(5): 95-105, link.

211. Spratt, S., O'Flynn, P. and Flynn, J. (2018). *DFIs and development impact: an evaluation of Swedfund*. EBA (Expert Group for Aid Studies), link.

212. Steward Redqueen (2015). *Economic impact of IFI investments in power generation in the Philippines*. Steward Redqueen, link.

213. Steward Redqueen (2016). *The link between renewable energy and jobs*. Steward Redqueen and Proparco, link.

214. Steward Redqueen (2017). *The link between power investments and jobs in Senegal*. Steward Redqueen and Private Infrastructure Development Group, link.

215. Stiftung Wissenschaft und Politik (2022). *Expanding Germany's relations with India: Triangular cooperation as the next step in the strategic partnership*. Stiftung Wissenschaft und Politik, link.

216. Stiglitz, J. (2002). *Globalisation and its discontents*. New York: W. W. Norton & Company.

217. The Economist (2022). *India is likely to be the world's fastest-growing big economy this year*. The Economist, link. [Accessed 6 June 2022].

218. World Bank (2014). *Global financial development report 2014: Financial inclusion*. World Bank Group, link.

219. World Bank (2015). *From billions to trillions: MDB contributions to financing for development*. World Bank Group, link.

220. World Bank (2018a). *Country Partnership Framework for India for the period FY18-FY22*. World Bank Group, link.

221. World Bank (2018b). *India's remarkably robust and resilient growth story*. World Bank Blogs, link. [Accessed 10 August 2022].

222. World Bank (2018c). *World Bank Group to focus on India growth, jobs, human capital*. World Bank, link. [Accessed 10 August 2022].

223. World Bank (2018d). *India – Strengthening Urban Safety Nets in India Project*. World Bank Group, link.

224. World Bank (2020a). *Data for India*. World Bank, link. [Accessed 28 February 2023].

225. World Bank (2020b). *India development update*. World Bank, link. [Accessed 10 August 2022].

226. World Bank (2020c). *Beaten or broken? Informality and COVID-19*. South Asia Economic Focus, World Bank, link.

227. World Bank (2021a). *Poverty and equity brief: India*. World Bank Group, link.

228. World Bank (2021b). *World Bank Group Climate Change Action Plan 2021-2025: Supporting green, resilient, and inclusive development*. World Bank Group, link.

229. World Bank (2022). *The World Bank in India*. World Bank, link. [Accessed 6 June 2022].

230. Tyson, J. (2012). "Microfinance". In: Toporowski, J. and Mitchell, J. (eds.) *The handbook of critical issues in finance*. Edward Elgar.

231. Tyson, J. (2015). *The expansion of financial access and financial development in Kenya*. SOAS, University of London, link.

232. Tyson, J., Diwakar, V., Adetutu, M. and Bishop, J. (2020). *Inclusive economic growth in Africa: the spatial dynamics of poverty*. Overseas Development Institute, link.

233. UK Cabinet Office (2021). *Global Britain in a competitive age: The integrated review of security, defence, development and foreign policy*. HM Government, link.

234. UK Government (2016). *DFID research review*. Department for International Development, link.

235. UK Government (2016b). *Joint statement between the governments of the UK and India*. Prime Minister's Office, Foreign and Commonwealth Office and The Rt Hon Theresa May MP, link.

236. UK Government (2018). *The allocation of funding for research and innovation*. Department for Business, Energy and Industrial Strategy, link.

237. UK Government (2018b). *UK-India joint statement: shared values, global capability*. Foreign and Commonwealth Office/Foreign, Commonwealth and Development Office, link.

238. HM Government (2021a). *2030 Roadmap for India-UK future relations*. Foreign, Commonwealth and Development Office and Prime Minister's Office, link.

239. HM Government (2021b). *Joint statement on India-UK virtual summit, May 2021: Roadmap 2030 for a comprehensive strategic partnership*. Foreign, Commonwealth and Development Office and Prime Minister's Office, link.

240. HM Government (2022). *UK-India joint statement April 2022: Towards shared security and prosperity through national resilience*. Prime Minister's Office, link.

241. UNCTAD (2014). *The practice of responsible investment principles in larger-scale agricultural investments: Implications for corporate performance and impact on local communities*. World Bank, link.

242. UNCTAD (2017). *Trade and development report 2017: Beyond austerity: Towards a new global deal*. United Nations Conference on Trade and Development, link.

243. UNCTAD (2021). *Trade and development report update: Out of the frying pan ... into the fire?* United Nations Conference on Trade and Development, link.

244. UNDP and OPHI (2021). *Global multidimensional poverty index 2021: Unmasking disparities by ethnicity, caste and gender*. United Nations Development Programme and Oxford Poverty & Human Development Initiative, link.

245. UNDP (2020). *Human development report 2020. The next frontier: Human development and the Anthropocene*. United Nations Development Programme, link.

246. UNDP (2022). *Human development index: Human development reports*. United Nations Development Programme, link.

247. UNEP (2022). *Emissions gap report 2022: The closing window – Climate crisis calls for rapid transformation of societies*. United Nations Environment Programme, link.

248. Urassa, M., Lawson, D. W., Wamoyi, J., Gurmu, E., Gibson, M. A., Madhivanan, P. and Placek, C. (2021). *Cross-cultural research must prioritize equitable collaboration*. Nature Human Behaviour, 5: 668-671, link.

249. Urgewald (2020). *World Bank Annual Meeting: Bank invested over $10.5 billion in fossil fuels since Paris Agreement*. Urgewald, link. [Accessed 28 February 2023].

250. US Congressional Research Service (2020). *Multilateral development banks: Overview and issues for Congress*. Congressional Research Service, link.

251. Diwakar, V., McKay, A. and Shepherd, A. (2019). "Immiserizing growth and poverty dynamics: An assessment of twelve Indian states". In: Shaffer, P., Kanbur, R. and Sandbrook, R. (eds.) *Immiserizing growth: When growth fails the poor*. Oxford: Oxford University Press.

252. Viergever, R., Olifson, S., Ghaffar, A. and Terry, R. (2010). *A checklist for health research priority setting: nine common themes of good practice*. Health Research Policy and Systems, 8(36): 1-9, link.

253. Willasey-Wilsey, T. (2021). *The integrated review's Indo-Pacific strategy: The centrality of UK-India relations*. Kings College, London, link. [Accessed 28 February 2023].

254. World Resource Institute (2022). *WRI India*. World Resource Institute, link. [Accessed 14 June 2022].

255. Wright, E., Holmes, I. and Littlecott, C. (2017). "Reviewing ADB performance". In: Wright, E., Holmes, I. and Littlecott, C. (eds.) *Greening the Asian Development Bank: Aligning with global climate goals*. E3G, link.

256. Zaman, M., Afridi, G., Ohly, H., McArdle, H. J. and Lowe, N. M. (2020). *Equitable partnerships in global health research*. Nature Food, 1: 760-761, link.