

**USAID/India**

**Annual Report**

**FY 2005**

June 16, 2005

## **Please Note:**

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## India

### Performance:

India is one-third the size of the United States. It has a democratic, federal government and the world's second largest population, 1.1 billion (15 percent of the world's population). More than 300 million people live below the official poverty line in over 500,000 villages and 200 towns and cities. Another 400 million live on the margin. With cultural roots extending back 5,000 years, 18 official languages, a secular government, and geographically distinct regions, diversity and tolerance are traditional cornerstones of Indian society. India's GDP is about \$560 billion, but to put India's scale and development into perspective, the Netherlands (with a tiny fraction of India's territory and population) has a larger economy. The Government of India began an ambitious economic reform program in 1991 that accelerated economic growth. However, the Congress-led coalition victory in May 2004 resulted, in part, from dissatisfaction among the rural poor majority who believed they were not benefiting from the previous government's reform agenda. As a result, the new government's policy agenda emphasizes continuing reforms but with a broader social impact.

Development challenges in India include over-population, extensive poverty, environmental degradation, and potential civil strife despite impressive gains over the last decade in economic growth, investment, and output. India will soon surpass China as the largest population in the world. Development progress has been uneven among sectors and states. There have been improvements in poverty and education indicators, but maternal and under-five mortality have not improved. With over 5.1 million cases, second only to South Africa, India is expected to have more people infected with HIV than any other country in the world. HIV/AIDS has the potential to upset much of India's development progress, with both regional and global consequences. Fiscal deficits in virtually all state governments inhibit adequate investment in social sectors. Reform of energy distribution is essential for both public fiscal sustainability and faster economic growth.

The United States and India are experiencing a rapid convergence of policy interests and development objectives. According to the US National Security Strategy, "The United States has undertaken a transformation in its bilateral relationship with India based on a conviction that US interests require a strong relationship with India." The two countries share common values: democratic principles, respect for individual freedom, the rule of law, and peaceful state-to-state relations. The US and India share multiple national interests: combating international terrorism, slowing the spread of weapons of mass destruction, mitigating HIV/AIDS, stopping the trafficking of drugs and human beings, and promoting peace and freedom. The two countries are working, through the US-India Economic Dialogue and the Next Steps in Strategic Partnership, to create new forms of collaboration that present exciting opportunities for US foreign assistance.

The country's economy is growing, but the rapid growth of some industries, such as information technology and services, affects a relatively small number of people. India has made impressive progress in reducing poverty while making important strides towards the achievement of the Millennium Development Goals. Unfortunately, India is not expected to meet most goals. India's economic and social performance has been impressive on many counts, but it has been uneven and has fallen behind the performance of a number of countries in Asia.

USAID/India's strategic objectives are designed and implemented based on the mutual interests of both countries to help those who are mired in poverty. USAID/India's strategic objectives are Increased Transparency and Efficiency in the Allocation and Mobilization of Resources in Selected States, Improved Health and Reduced Fertility in Targeted Areas of India, Reduced Vulnerability to Disasters in High Risk Areas, Improved Access to Clean Energy and Water in Selected States and Enhanced Opportunities for

Vulnerable Peoples. USAID has designed these programs to work with civil society, the private sector, and at all levels of government to foster prosperity.

Key Achievements: USAID/India has completed the second year in the Mission's five year strategy (2003-2007). FY 2004 was a year of continued progress.

- As a result of efforts to increase transparency and efficiency in state governments, the government of the state of Karnataka (population 55 million) introduced program and performance budgeting for its six largest departments, including health, primary education, public works, and power. This system increases financial accountability by enabling budget allocations to be compared with the results of public investments made on the ground. USAID helped the state government of Uttaranchal (population 9 million) develop a cash flow model to better track its cash position. The state government of Jharkhand (population 27 million) has designed a Fiscal Planning and Analysis Team to help assess, for the first time, the impact of policy, procedural, and regulatory decisions on resource generation, allocation, and the state budget. The state government of Maharashtra and five pilot municipalities tested a new accrual accounting manual and prepared its first annual financial statements with the new system. The state government is expanding accounting reform across the state.

- As a result of efforts to improve health and reduce fertility in parts of India, we are making an impact on HIV/AIDS in the states of Tamil Nadu and Maharashtra. USAID and partners have promoted innovative and comprehensive approaches linking prevention, care and support for targeted groups in high-risk areas. To address tuberculosis in Haryana, a state with over 21 million people, USAID supported the expansion of the Directly Observed Therapy Short program to all 19 districts. The child survival, health and nutrition targets were achieved through the solid performance of the Title II program, CARE's Integrated Nutrition and Health Program, Catholic Relief Services' Safe Motherhood and Child Survival program, and the micronutrient, Oral Rehydration Solution (ORS), and polio eradication initiatives. The sales of USAID-supported World Health Organization ORS in target areas of north India grew by 9 percent, from 6.8 million liters in 2003 to 7.4 million liters during the first three quarters of FY 2004. In reproductive health, significant progress has been made in improving healthy reproductive behavior in targeted areas of India. The major reproductive health project, Innovations in Family Planning Services in the state of Uttar Pradesh, has gone through a transitional design year in preparation for a new set of interventions focusing on public-private partnerships. (Uttar Pradesh's population of 166 million is larger than many countries.) The urban health program has developed rapidly and is a key technical assistance resource to the national, state, and local governments in the development, and implementation of urban health programs.

- As a result of USAID's disaster management support program, and in collaboration with technical experts from US Government agencies (such as the Federal Emergency Management Agency, the US Forest Service, the National Oceanic and Atmospheric Administration and the US Geological Survey), USAID has helped the GOI access the wealth of US experience and expertise in disaster response, preparedness and mitigation and build important new bilateral relationships. By supporting the United Nations Development Programme's Disaster Risk Management Program, USAID has increased community preparedness for disasters in five states. USAID is successfully responding to GOI requests for assistance to establish "FEMA-like" disaster preparedness and response systems.

- Work on clean energy and water has significantly advanced India's capacity to improve access to reliable and efficient electricity, institute pollution mitigating programs in industry and transport, advance urban water availability, and develop market-oriented approaches to stimulate investments in energy efficiency. USAID catalyzed public-private partnerships yielding unprecedented results, including the Global Development Alliance-supported Green Business Center at Hyderabad, the first of its kind in Asia and now an incubator and clearing house of information for "green" businesses and energy efficient technologies. The establishment of a highly valued partnership between the US Department of Agriculture's Rural Utilities Service and India's Rural Electrification Corporation will expand electricity access to thousands of Indian villages while providing bankable models for replication.

- Efforts to enhance opportunities for vulnerable people have increased the capacity of NGOs to

scale up delivery of quality educational services to out-of-school children. USAID's activities support the engagement of communities, improvements in health and hygiene knowledge and practice, and improved student learning and teacher subject knowledge and teaching skills. Through our access to justice programs, USAID is working to reduce regional trafficking in persons, address legal rights issues confronted by women, improve the skills and attitudes of formal legal sector personnel, institute community-based mechanisms for dispute resolution, change public attitudes and knowledge, and provide legal aid and counseling services.

Challenges: India's scale, regional and social diversity, entrenched bureaucracy, and overall complexity can at times seem daunting to donors. USAID is no exception. Some challenges include:

- Implementation of some governance activities in transparency and efficiency were delayed this year due to elections at the national and state levels that distracted host government personnel. In agriculture, progress on the bio-safety regulatory improvements was slowed by start-up challenges that have been resolved.
- The GOI was slow to disburse USAID project funding for HIV/AIDS. However, USAID received approval from the government to directly disburse funds for a portion of the program, which will accelerate implementation and increase impact. Many of USAID's child survival activities are based on feeding center platforms. Reductions of food aid to India required a transition from US-provided grain to GOI-provided food. This initially presented many challenges to cooperating sponsors. The obstacles have been largely overcome and the program is now less dependent on US food. In the reproductive health program, a change in the top personnel of USAID's main Indian implementing partner slowed some disbursements.
- USAID's ability to provide critical technical assistance to India for training in search and rescue and medical first-response in the disaster management program has been constrained by US legislative restrictions on the use of foreign assistance for law enforcement agencies. Language in pending FY 2005 legislation proposes to remove this constraint and, working with the Agency's General Counsel, we will move forward appropriately.
- USAID has primary agreements with the GOI governing much of the portfolio, and subsidiary agreements with the GOI line ministries or other implementing organizations. USAID/India's premier clean technology initiative did not receive funding for a portion of the year due to the change in status of the subsidiary GOI implementing organization from a public entity to a private corporation. After some delay, modifications to our subsidiary agreements resolved this matter. One USAID water and power reform project faces a political challenge from the state government of Andhra Pradesh, which has introduced a free power policy for farmers. While this market distortion hampers progress toward sustainable power availability, USAID is pushing for the improved energy distribution efficiency required to mitigate the fiscal impact of these policies. With time, we believe the reform agenda will prevail.
- Many of the Mission's activities to enhance opportunities for vulnerable people are both newly developed and new thematically to our NGO partners. For example, few organizations have worked systematically to help out-of-school children or prevent trafficking in persons. As a result, we faced a slow start-up period. Fortunately, the pace of implementation is picking up.

Program Integration and Coordination: USAID health, economic growth, environment, and social development teams in India routinely collaborate to leverage resources, improve impact, address cross-cutting themes, and promote public-private Global Development Alliance partnerships. For example: (1) teams collaborate in the provision of food aid and child and maternal health services while addressing cross-sectoral urban issues (health, infrastructure, electrification, and water and sanitation); and (2) assistance has leveraged substantial counterpart contributions through 10 GDA partnerships. Mission-wide annual portfolio reviews promote collaboration and responsible resource management.

Conflict: There are certain areas in India that are conflict prone. USAID/India programs, to this point, have not been invited by the GOI to address these issues. We maintain a close watch on developments,

and are poised to assist when appropriate.

Gender: USAID/India adopted a comprehensive gender action plan this year that formally addresses gender concerns in programs. Examples include: gender balance targets in USAID/India-funded training activities; state-level socio-economic data bases and program budgeting that segregates data reporting by gender; community groups addressing service delivery at the municipal level comprised of women; a pioneering assessment to better understand gender issues in disaster management in India, and methods to identify opportunities combined with mechanisms for addressing them.

## Results Framework

**386-002 Reduced Fertility and Improved Reproductive Health in North India**

**386-003 Improved Child Survival and Nutrition in Selected Areas of India**

**386-004 Increased Environmental Protection in Energy, Industry and Cities**

**386-007 Reduced Transmission and Mitigated Impact of Infectious Diseases, Especially STD/HIV/AIDS in India**

**386-009 Expanded Advocacy and Service Delivery Networks for Women and Girls**

**386-011 Increased Capacity of Financial Markets and Government to Transparently and Efficiently Mobilize Resources**

**386-012 Recovery, Reconstruction and Rehabilitation Needs Met for Targeted Vulnerable Groups**

**386-013 Increased Transparency and Efficiency in the Allocation and Mobilization of Resources in Selected States**

**SO Level Indicator(s):**

Increased investment in education and health, including all necessary staffing, supplies and equipment

Increased mobilization of financial resources through market-based mechanisms

Increased percentage of municipal investment in urban environmental infrastructure in selected municipalities

**13.1** Increased capacity of financial markets to conduct efficient allocation of resources

**13.2** Increased capacity of and public support for state governments to strengthen fiscal discipline

**13.3** Increased capacity of urban local governments to raise and allocate resources

**13.4** Increased capacity of policy, technology and trade to improve farm and national level resource allocation

**386-014 Improved Health and Reduced Fertility in Targeted Areas of India**

**SO Level Indicator(s):**

HIV sero-prevalence by age group in targeted areas

Nutrition status among under-twos in targeted areas

Percentage of new smear positive pulmonary TB cases in targeted areas treated successfully

Total fertility rate in targeted areas

**14.1** Increased use of reproductive health and family planning services

**14.2** Increased safe behaviour for HIV prevention

**14.3** Increased use of key child survival interventions

**14.4** Increased use of key infectious disease interventions

**386-015 Reduced Vulnerability to Disasters in High-Risk Areas**

**SO Level Indicator(s):**

Number of communities that are more resilient to disasters

The number of more responsive and coordinated disaster-management systems

**15.1** Increased community preparedness to mitigate and manage disasters

**15.2** Improved capacity of public and private partners to meet critical needs of vulnerable groups in disaster situations

**386-016 Improved Access to Clean Energy and Water in Selected States**

**SO Level Indicator(s):**

Number of men and women that have access to improved power supply

Number of men and women with access to sustainable water supply as measured by improved water balance in targeted sites

Number of tons of CO<sub>2</sub> avoided

**16.1** Improved power distribution in selected states

**16.2** Improved groundwater management in selected states

**16.3** Improved urban water availability and sanitation in selected states

**386-017 Enhanced Opportunities for Vulnerable People**

**SO Level Indicator(s):**

Increase in retention of girls and boys in formal, alternative and bridge schools, in targeted sites, over the baseline data

Increased number or percentage of cases filed by women in the family courts in the target sites

**17.1** Improved access to education for vulnerable children

**17.2** Increased access to justice for women

**17.3** New and expanded social and economic opportunities for vulnerable people

**386-XXX 498-009 U.S. - Asia Environmental Partnership (US-AEP)**