Aid and the Private sector:
A study in the context of India

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Background:

The international aid system has undergone a lot of changes in recent years. Initially dependent on Official Development Assistance (ODA) by DAC countries, it has moved on. Under pressure to prune budgets in the wake of financial crises, the traditional donors are finding it difficult to meet their commitment to allocate 0.7% of their GNI to ODA. ODA has also come under criticism for being an inappropriate mechanism through which to assist development in poor countries. An OECD report, *The Tying of Aid*[1] found that donors continue to be driven by economic and political motivations for tying aid. Donor countries aim at increasing their exports through aid. Tied aid also influences the policy options for the recipient country as they are tied to the decisions made at the behest of the donor countries.

At the international level new paradigms of development are emerging. A consensus is growing for both the decentralisation of resources and, more equitable access to make development more inclusive. The June 2012 UN Rio +20 Outcome advocates for democratic access and control by small holders, women, indigenous people, youth and other marginalised groups over resources; committing adequate public financing for poverty eradication, social equity and sustainable development; establishing a strong regulatory framework for the private sector, and establishing participatory accountability mechanisms.

Over the years increasing concerns have been raised that aid has not been able to achieve its goals. Against such background, a movement towards international aid effectiveness began to take shape in the late 1990s, acknowledging that money alone is not enough. Aid had to be seen as a partnership, rather than a one- way relationship between donor and recipient. This agenda for aid effectiveness has been expressed through a series of High Level Forums since 2003.[2]

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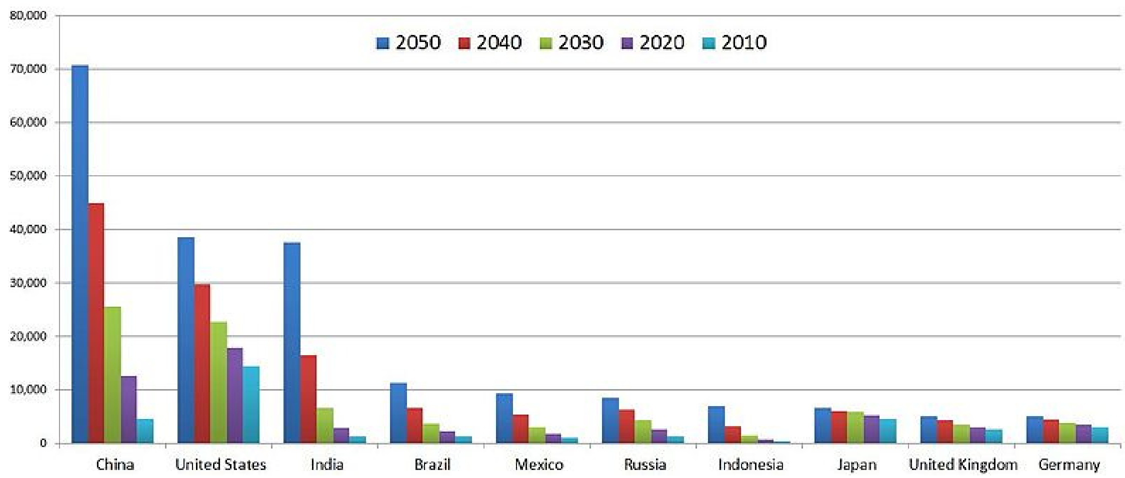
[1] OECD Development Centre Studies: The Tying of Aid

[2] High Level Forum on Harmonization at Rome (2003), Paris Declaration on Aid Effectiveness (2005), Accra Agenda of Action (2008), Fourth High Level Forum on Aid Effectiveness, Busan (2011)

Emerging trends:

The dominance of the G8 and the hegemony of OECD donor countries, including the leadership of the United States, are being challenged by several players on the world stage. The BRICS is one such formation of growing upper middle-income countries. It is estimated that the BRICS economies will overtake the G7 economies by 2027. Four countries (Brazil, Russia, China and India), combined, currently account for more than a quarter of the world's land area and more than 40% of the world's population. Goldman Sachs predicts that China and India, respectively, will become the dominant global suppliers of manufactured goods and services, while Brazil and Russia will become similarly dominant as suppliers of raw materials.[3]



The ten largest economies in the world in 2050, measured in GDP (billions of 2006 USD), according to Goldman Sachs.[4]

The international aid system is also no longer dependent on OECD Development Assistance Committee (DAC) members alone. In recent years non DAC countries, and particularly the BRICS, have started flexing their muscles in the international aid system. Global Humanitarian Assistance published a report in July 2010[5] ranking countries both inside and outside the OECD, DAC on the total amount of humanitarian aid channelled by BRICS through United Nations (83.6%), elected governments (7.3%), NGOs (3.3%) and others (5.8%).

- Saudi Arabia- US$ 51.8 million
- United Arab Emirates- US$ 35.3 million
- Kuwait- US$ 34.2 million
- Russia- US$ 32.5 million

[3] " BRICS AND BEYOND"-Goldman Sachs Study of BRIC and N11 nations, November 23, 2007
[4] Ibid
[5] http://www.globalhumanitarianassistance.org/report/gha-report-2010

- India- US$ 14.6 million
- South Korea- US$ 13.2 million
- Qatar- US$ 12.9 million etc.

The international aid system is also witnessing increasing levels of public private partnerships. The role of the private sector is increasing in the aid system. It has been the effort of the international donors to associate the private sector, sometimes through the NGOs, in the implementation of the projects funded by the donors. In recent years, WHO's work has involved more collaboration with NGOs and the pharmaceutical industry, as well as with foundations such as the Bill and Melinda Gates Foundation and the Rockfeller Foundation. Some of these collaborations may be considered global public- private partnerships (GPPPs). Half of the WHO budget is financed by private foundations.

The Case of India:

India is an interesting case in the evolving international aid scenario. From being one of the world's largest recipients of foreign aid in the mid-1980s, India has become a net donor. In 2008 it allocated about US$ 547 million to aid- related activities while approving US$ 2.96 billion in Lines of Credits (LoCs) mostly to Sub-Saharan Africa (SSA).

In 2003, India became a net creditor to the IMF and the World Food Program after having been borrower from these organisations for years. India laid out its new policy towards aid in June 2003.[6] It would no longer accept tied aid. Bilateral aid would be accepted only from five countries, namely the United Kingdom (UK), the USA, Russia, Germany and Japan in addition to the European Union (EU). The bilateral cooperation with other donors would not be renewed after completion of existing projects, although these donors may still channel their assistance through non-government organisations (NGOs) and multilateral agencies. In many respects, this decision was political one in order to secure a permanent seat in the reform of the UN Security Council and not based on any financial consideration. It is important also to note that many innovative schemes were initiated and implemented successfully by these bilateral donors, which have become models for development.

Besides dispensing with assistance from many bilateral donors, the government decided to establish its own overseas development aid relationships under the India Development Initiative (IDI). Major traditional donor countries usually have had an autonomous agency to administer their aid, such as USAID and the UK's Department for International Development (DFID). Indian government also aimed at creating a new aid agency for these purposes, called the **India International Development Cooperation Agency**. Three years later after being mooted, the proposal has been dropped in June 2012. [7]

India focuses its development assistance in two geographical regions: its immediate neighbourhood, particularly Bhutan, Nepal, and Afghanistan; and the developing countries of Africa.

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[6] www.realityofaid.org/userfiles/roareports/roareport_3ce2522270.pdf

[7] http://www.igovernment.in/site/india-drops-plan-external-aid-agency-37739

India has pledged US$ 5bn in aid to Africa, an amount almost equivalent to its own annual healthcare budget- around US$ 5.9 bn[8]. Africa is one of the weakest links in the realisation of the Millennium Development Goals (MDGs). Apart from development aid, India will also US$ 700m to build institutions and establish training programmes and US$ 300m to develop the Ethio-Djibouti Railway. In the offing are plans for an India- Africa virtual university and more than 22,000 higher education scholarships for African students. Apart from these initiatives, India will contribute US$ 2m to the African Union Mission in Somalia (AMISOM).[9] Similarly, India's largest public-sector oil company, ONGC, has invested US$ 10m to build a railroad in Nigeria.

Afghanistan has also become a significant recipient of Indian development assistance. If current trends continue, Afghanistan will shortly overtake Bhutan as the single-largest recipient of Indian development assistance. Since 2002, India has pledged US$ 750m under the assistance programme for Afghanistan.

India's overseas development assistance (ODA) is a mix of project assistance, purchase subsidies, lines of credit, travel costs, and technical training costs incurred by the Indian government.

One new idea that holds significant potential is contained in a government report currently under review. The report recommends that Indian non-governmental organisations be permitted to use their funds in other countries. This move will open the door for Indian non-governmental organisations to serve as the 'soft' arm of the MEA. Although this policy is being debated under the aegis of the Planning Commission of India, most signals point to a policy that will also enable public-private partnerships in Indian development assistance. When it happens, this change will be assisted by the establishment of large voluntary organisations by India's biggest corporations, including Reliance, Tata, Bharti Airtel, Mittal etc.[10]

While India's assistance to Bhutan, Afghanistan, and Nepal is devoted mainly to infrastructure and project assistance, aid to other countries (especially in Africa) is focussed on training civil servants, engineers, and public- sector managers of recipient nations; providing loans to enable foreign governments to purchase Indian equipment and services; and for project-related activities such as feasibility studies and sending technical experts from India. The country provides very little development assistance in the form of cash grants.

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[8]http://www.indiaafricaconnect.in/upload/publication/AQ_May-July2011.pdf.
The Second Africa India Forum Summit was held in Addis Ababa, Ethiopia, from May 24 to 25, 2011. The theme for the second summit was 'Enhancing Partnership and Shared Vision'. The Prime Minister of India Manmohan Singh announced that India would provide US$5 billion in credits to support infrastructure and other development in Africa.

[9] http://www.guardian.co.uk/global-development/poverty-matters/2011

[10] http://www.idrc.ca/EN/Documents/Case-of-India-pdf

While CSOs criticize the conditionalities of traditional donors, countries like India and China have their own tied conditionalities attached to their aid. This situation ignores the fact that traditional ODA came under attack mainly on the ground of the tied nature of aid. China and India are implicated in many cases of human rights violations in the countries of Asia and Africa through their support to dictatorships and the suppression of human rights. Civil society organisations in India can't remain a mute spectator. They should take a definite and ethical stand on these issues with their own government.

Geopolitical Considerations in Indian aid:

A strong underlying motivating factor for India's aid priorities is the India China rivalry for regional supremacy and the quest for natural resources. This competition focuses on three major issues: diplomatic influence, oil reserves, and markets for goods.

India's rivalry with China is most evident in the two countries' quest for African energy resources, with both countries trying to secure 'equity oil'[11] Africa enjoys some eight percent of the world's known oil reserves, an attractive prospect for China (the world's second largest importer of energy) and India (the fifth). Africa is also a growing market for exports. Indian firms have begun to invest in Africa in significant volumes- almost US$ 400 million in the last two years alone. In Africa, Indian products in light engineering, consumer goods, and intermediate products can compete on price and are well adapted to local conditions. For instance, trucks made by the India corporate giant Tata already sell well in Africa.

Given its quest for regional power and membership in the United Nations Security Council, India is increasingly eager to portray itself as a provider of development assistance. In fact, in a major development, at the G20 summit, held at Los Cabos, Mexico, Prime Minister Manmohan Singh announced that India would contribute $10 billion to the International Monetary Fund's additional firewall of $ 430 billion meant for the eurozone in a reversal of role![12] At one point in the mid-1980s, the country was the world's largest recipient of foreign aid. Now foreign aid constitutes less than 0.3 percent of the country's national GDP and has become marginal in overall economic development. However, India's development assistance has just begun and is still well behind China's, which is estimated to be about seven times that of India's.

Critical debates in international aid in India:

Indian NGOs' response to aid is divided into two main groups. One group says that Indian NGOs should focus on generating resources from the people in the country itself, from a growing and affluent middle class. This will ensure that they become more politically rooted as well as more accountable to the people they claim to represent. This way they can also overcome the conditionalities that come with their reliance on foreign funds. The donors

[11] 'Equity oil' is oil obtained as part of ownership (in part or whole) of an oil-production facility. It is generally much cheaper than oil purchased on the open market and thought to be of great strategic value in unpredictable market conditions.

[12] The Hindu, June 19, 2012

dictate strategies for implementing projects, which are often completely out of tune with social and political realities and most of the time do more harm than good. More reliance on domestic resources would check this aid dependency.

On the other hand, the advocates for aid argue that all Indians deserve entitlements to food security, safe drinking water, healthcare, sanitation and education at affordable prices. These are areas where well-targeted aid has the potential to reshape India in a more inclusive, participatory, and egalitarian direction. In absolute dollars, aid may not deliver much to India's social spending programmes. But its contribution must not be trivialized so long as the Indian state fails in public services provision for all Indians.

Public private partnership model: A case study of India.

Sectoral priorities for public investment

The focus of the Eleventh Five year Plan (2007-12) has been on infrastructure. It envisaged an increase in investment in physical infrastructure from the level of about 5% of GDP during the Tenth Plan (2002-07) to about 9% of GDP by 2011-12 (final year of the Eleventh Plan). This was estimated to require an investment of Rs 20,56,150 crore* (US$ 514 billion) during the Eleventh Plan period as compared to an estimated investment of Rs 8,71,445 crore (US$ 218 billion) during the Tenth Plan. Further, it was estimated that the contribution of the private sector in this investment would increase from about 20% in the Tenth Plan to about 30% in the Eleventh Plan.[13] The contribution of the private sector in the total investment in infrastructure in the first two years of the Eleventh Plan was 34.3% and 33.7% respectively, which is higher than the Plan's target of 30% of investment by the private sector.

The focus of Twelfth Five Year Plan (2012-17) has been on social sector. But the investment is well below its targets. The Approach document for this Plan notes that resource limitations imply the need to prioritize carefully and that some priority areas, e.g., health, education and infrastructure will have to be funded more than others. Although the country targeted 6% share of GDP devoted to the education sector, performance has fallen short of expectations. During the Financial year 2011-12, the Central Government of India has allocated Rs 38,957 crore for the Department of School Education and Literacy. Within this allocation, a major share of Rs 21,000 crore is for the flagship programme '**Sarva Siksha Abhiyan'**. However, budgetary allocation of Rs 21,000 crore is considered very low in view of the officially appointed **Anil Boradia Committee's** recommendation of Rs 35,659 crore for the year 2011-12. This higher allocation was required to implement the recent legislation, 'Right to Children to Free and Compulsory Education Act', 2009.

Similarly, India's total expenditure on health amounts to 5.1% of the GDP, while its per capita total expenditure on health is $ 80 compared to an average of over $220 spent by many other developing countries. These trends have resulted in shift in demand towards private providers, which are prohibitively expensive for most of the population.

**Crore is equivalent to ten million.*

[13] http://planningcommission.nic.in/plans/mta/11th_mta/chapterwise/chap14_invest.pdf

There is need to strengthen Public Private Partnerships (PPPs)

Public Private Partnership is not the panacea for all ills; however it is the convergence of private sector capabilities and the government's priorities. A large number of PPP projects have been taken up in various infrastructure sectors, including roads, ports, airports, and urban infrastructure. A total of 937 projects, involving an investment of Rs 7,16,439 crore are currently at various stages of awards and implementation.

Some illustrative PPP projects include the following:[14]

- Bangalore International Airport, Karnataka
- Rajiv Gandhi International Airport, Hyderabad
- Chhatrapati Shivaji International Airport, Mumbai
- 6 Laning of Jaipur- Kishangarh National Highway
- Hyderabad Metro Rail Project, Hyderabad
- Bridge across River Godavari between Yanam-Edurulanka, Andhra Pradesh, etc.

As a major policy decision Government of India notified VGF Scheme[15] in 2006 to enhance the financial liability of competitively bid infrastructure projects.

Public Private Partnership extends to other areas as well:

This public private partnership framework, however, is not limited to the area of infrastructure alone.

As a matter of fact, several of India's flagship programmes are running under PPP framework, (though not in the traditional sense of PPP) with significant external funding. For example, SSA[16] was partially funded to the tune of Rs 4700 crore from 2003-04 to 2006-07 by the World Bank, the European Commission and DFID.[17] SSA involves Public Private

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[14] planningcommission.nic.in/plans/planrel/fiveyr/11th/.../11th_vol1.pd.

[15]Government of India has established a ***Viability Gap Fund*** to aid the PPP infrastructure projects which face the viability gap due to inherent nature of the project. The Viability Gap Funding Scheme provides financial support in the form of grants to infrastructure projects in PPP mode to make them commercially viable.
The Scheme is administered by the Ministry of Finance. Provision has been made to provide upto 20% of total project cost as capital grant to meet the funding gap. Also in such project sponsoring agency/department/state can give additional 20% of the project cost VGF support. The criteria is that the PPP project should be implemented, i.e. developed, financed, constructed, maintained and operated for the Project term by a Private Sector Company; selected through a transparent and open competitive bidding process.

[16] ***Sarva Siksha Abhiyan (SSA)*** is Government of India's flagship programme for achievement of Universalization of Elementary Education (UEE) in a time bound manner, as mandated by 86th amendment to the Constitution of India, which makes free and compulsory Education to the Children of 6-14 years age group, a Fundamental Right. Opening new schools in those habitations which do not have schooling facilities and strengthening existing school infrastructure through provision of additional class rooms, toilets, drinking water, maintenance grant and school improvement grants.

[17] http://pib.nic.in/archieve/flagship/ssa_faq.pdf

Partnership; not at the stage of construction of physical infrastructure, but at the monitoring stage. The monitoring mechanism includes apart from, the government representatives, representatives of civil society (i.e. two NGOs working on elementary education). The Government of India is also commissioning several independent assessments to assess the implementation of SSA and the elementary education situation in the country.

Similarly under '**Rajiv Gandhi Grameen Vidyutikaran Yojana'**[18] a franchisee can be Non Governmental Organisations (NGOs), Self Help Group, User Associations, Cooperatives or individual entrepreneurs. This is also an excellent example of PPP.

The **Mid- day Meal Scheme**[19] in the state of Karnataka has successfully involved private sector participation in the programme.[20] Even otherwise, in mid day meal scheme, the weekly menu is decided by the local authorities i.e. village Panchayats, VEC, Self-Help Groups, etc. Representatives of Gram Panchayats/Gram Sabhas, members of VECs, PTAs, SDMCs as well as Mothers' Committees can monitor the quality of the food cooked.

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[18] Launched in April 2005, Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) aims at providing access to electricity to all rural households and providing electricity Connection to Below Poverty Line (BPL) families free of charge. Habitations above population of 100 are being covered under the scheme.
Under the RGGVY scheme, deployment of franchisees is mandatory in the areas for the management of rural distribution in the areas, where projects have been financed under the scheme. These franchisees will be the authorized representatives of the state power utilities. They may be given the responsibilities of operation and maintenance of the distribution system, issuance of electricity connections, attending of minor faults, meter reading, issuance of electricity bills, collection of bill payment etc. They will work under the supervision of the state utility, which will have the overall responsibility of providing proper services to its consumers.

[19] The Mid Day Meal is the world's largest school feeding programme reaching out to about **12 crore children** in over 12.65 lakh schools/EGS centres across the country. Purpose- to enhance enrolment, retention and attendance and simultaneously improving nutritional levels among children.

[20] Akshaya Patra Foundation is a not-for-profit organization providing freshly cooked, hot and nutritious cooked classroom lunches for nearly 1.3 million underprivileged children in India. It runs the world's largest NGO midday meal program for underprivileged school children in India. A public-private partnership project, Akshaya Patra delivers school lunch at a fraction of the cost of similar programs in other parts of the world. The Board of Trustees comprise missionaries of ISKCON Bangalore, corporate professionals, and entrepreneurs.
Voluntary organizations such as Akshaya Patra are encouraged to set up operations wherever possible. They act as the implementing arm of the government. Karnataka Human Development Report 2005 explains the policy of involving NGOs in development programs, "*Involvement of the NGOs in multilateral/bilateral programs raises the level of co-operations to another level. The NGOs become not only implementers; they also find a place in designing and managing programs together with government at all levels.*"

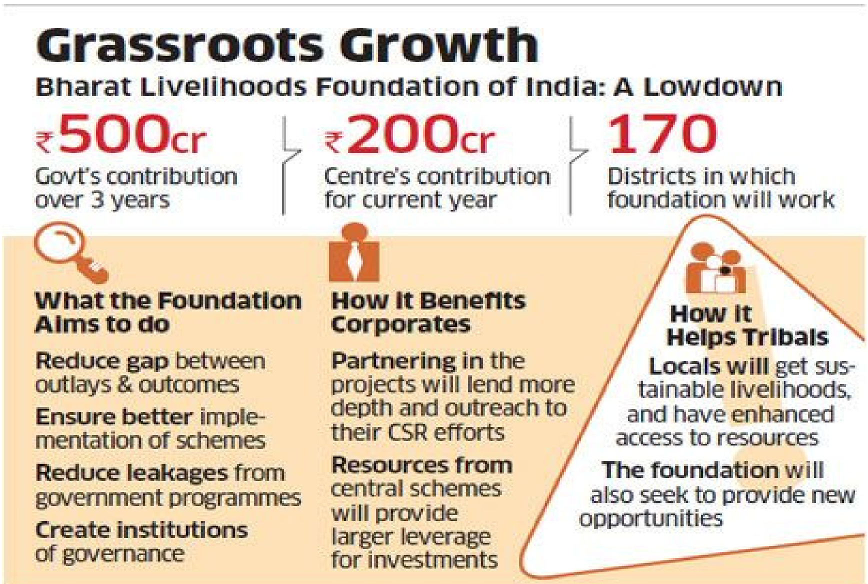

Fig: Bharat Livelihood Foundation of India.

Bharat Livelihood Foundation of India[21] is acknowledgement of the resourcefulness and initiative of the private sector as it attempts to associate leading corporate houses with Government's attempts in public private partnership framework to counter naxal insurgency through development work. For 2012, the Government has allocated Rs 200 crore to the Bharat Livelihood Foundation of India, which will work to improve livelihoods and the habitat of tribal communities in 170 districts. It plans to provide a total of Rs 500 crore to the Foundation over three years.

Draft National Public Private Partnership Policy:

The considerable growth in Public Private Partnerships in the last 15 years has led the Government to envisage a substantive role for PPPs as a means for harnessing private sector investment and operational efficiencies in the provision of public infrastructure and services. The Government of India has set up a Public Private Partnership Appraisal Committee to streamline appraisal and approval of projects. PPPs are now seen as the preferred implementation mode for Government initiatives in many sectors such as highways, ports and airports. Increasingly PPPs are being adopted in the urban sector and in social sectors.

[21] "I have written to the Tatas, Reliance, Infosys, Wipro. It will be a public-private-partnership model. The Foundation will be an independent body with a full-time professional CEO. On [April] 27 we have called a meeting of non-government organisations, donors and State governments. We are hoping to get a good response from the private sector," Mr. Ramesh told reporter. Foundation "will work with civil society organisations" directly in 170 Adivasi (tribal) districts. "Its function will be to build institutions and capacity of NGOs working in livelihood areas, such as dairy, watershed management, women's empowerment, in these difficult districts."

The Foundation will raise an initial corpus of Rs. 1,000 crore, of which Rs. 500 crore will come from the Centre and the remaining from the private sector. This news appeared in the Hindu, April 15, 2012 http://www.thehindu.com/news/national/article3315406.ece

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On September 27, 2011 the Ministry of Finance has promulgated "Draft of PPP Policy 2011" and solicited views and suggestions from all stakeholders by October 15, 2011.

The Draft National PPP Policy seeks to facilitate this expansion of PPPs, where appropriate, in a consistent and effective manner, through measures:

i) Setting out the broad principles for pursuing a project through PPP;
ii) Providing a framework for identifying, structuring, awarding and managing PPP projects;
iii) Delineating the cross-sectoral institutional architecture and mechanisms for facilitating and implementing PPPs;
iv) Standardizing some of the vital interpretations and processes of PPPs so that a clear and consistent common position is adopted in key issues; and
v) Identifying the 'next generation issues' to mainstream, upscale, broaden and expedite PPPs.

The implementing agency for a PPP project must establish appropriate mechanisms for project monitoring such as Project Monitoring Unit (PMU) as well as appropriate interdepartment committees. The latter would oversee project implementation, facilitate coordination between departments and render assistance during events of dispute resolution or arbitration.

In order to continuously monitor the performance of the PPP projects over the project life cycle, the Government is establishing Management Information System for PPP projects.[23]

The Government of India has created a progressive financial support system for PPP projects. It has put in place a number of mechanisms to support PPPs, either for project development or for gap financing of capital and life cycle investments. These mechanisms include the India Infrastructure Project Development Fund (IIPDF), the Viability Gap Funding (VGF), resources for annuities/availability based payments, long term lending, a refinancing facility, infrastructure debt funds, among others.

The implementing agencies would encourage leveraging funding for PPPs available from schemes such as JNNURM[24], Bharat Nirman[25] etc, as well as alternate sources of finance

[22] "Draft of PPP Policy 2011"

[23] The evaluation of the PPP projects would also be tabulated and summarized so as to utilize the same for improving the quality of service delivery levels and sustainability of PPPs in the future. The database of the projects would not only contain information on the ongoing projects but also set out frameworks for monitoring them during various stages of the project cycle. The database would be so developed so as to generate information for undertaking VfM (Value for Money) analysis. PPP Cells would be responsible to set up MIS systems and disseminate information to Government agencies from time to time so as to effectuate suitable policy changes based on the previous experience of managing PPP projects.

such as Municipal Bonds, Pooled Finance Structures or Pension Funds. The Draft Policy states that monopolistic tendencies inherent in basic services projects will be controlled so as to protect the interests of both the consumers as well as private investors.

Government agencies sponsoring a PPP project retain full responsibility for making available unencumbered land for the project and obtaining clearances from relevant regulatory authorities. The agency must also ensure that the interests of land owners are fully protected under the extant laws.

A number of capacity building interventions have also been initiated by the Government to develop organizational and individual capacities for identification, procurement and managing PPPs. A National Capacity Building Programme provide training on PPPs in a phased manner to State Governments, Urban Local Bodies and Central Government departments.

Implementing Corporate Social Responsibility:

While the Draft Policy on PPPs is welcome, Corporate Social Responsibility (CSR) is another mechanism whereby the government is managing the utilization of private sector expertise in the social sector. However, CSR raises certain challenges.

The Indian Government would like to make it mandatory for companies to spend at least 2% of their net profits on CSR. Facing strong criticism, it gave up the effort in mid July in 2011 and made CSR spending mandatory only for Public sector companies and for rest voluntary. Industry has strongly resisted a mandatory requirement for CSR. Instead of defining CSR, the Indian Government recast it as "responsible business" in a set of voluntary guidelines for firms[26]. In the latest round of recommendations, the Government asks that companies keep tab on CSR spending and disclose it to their principal stakeholders.

Recently, the Government also sought to include vocational training for employees as part of CSR. But vocational training was also difficult to delimit. The first Government paper on

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[24] Jawaharlal Nehru National Urban Renewal Mission (JNNURM) is a massive city-modernisation scheme launched by the Government of India under Ministry of Urban Development. It envisages a total investment of over $20 billion over seven years i.e. the duration of the Mission is seven years beginning from December 2005-06. During this period, the Mission seeks to ensure sustainable development of select cities. Currently, ten projects are being covered by JNNURM funds pertaining to road network, storm water drains, bus rapid transit system, water supply, solid waste management, sewage treatment, river and lake improvement, slum improvement and rehabilitation. It supports public-private partnerships and cost recovery to make service providers financially self-sustaining.

[25] Bharat Nirman is an ambitious plan for creating basic rural infrastructure, launched by Government of India in 2005. It comprises projects in six areas: irrigation, roads, housing, water supply, electrification and telecommunication connectivity with an eye on overall development of the infrastructural facilities of the country.

[26] http://www.mca.gov.in/Ministry/latestnews/National_Voluntary_Guidelines_2011_12jul2011.pdf

CSR- released by the Ministry of Corporate Affairs in 2009- also raises health, cultural and social welfare, and education coming under the purview of CSR.[27]

In the Indian experience of CSR, corporate houses establish their own not-for-profit arms. In majority of the cases Indian companies are working through their own foundations, using their not-for-profit extensions as tax breaks.

The Azim Premji Foundation, for example, has committed to train five lakh teachers through distance education in the next five years under its ‘Wipro Applying Thought in Schools’ programme. Indian Oil has set up the Indian Oil Foundation (IOF) as a non-profit trust to protect, preserve and promote national heritage monuments.

A survey conducted by TNS India on behalf of Times Foundation of Bennett, Coleman & Co has brought out several stark realities about CSR.

It demonstrates that

- Most of the companies implement CSR projects through their own CSR project management divisions, with just about 29 percent involving voluntary organisations and over one-tenth of the companies giving financial support directly to the community or to community based organisations.
- Education, health and environment are three of the most popular areas of intervention for companies as part of their CSR initiatives.
- Companies continue to decide their own projects depending on a number of parameters. These efforts are driven purely by the company’s operational perspectives and the ease of implementation for their CSR projects.
- Many CSR initiatives and programmes are taken up in urban localities. As a result, the impact of most projects does not reach the poor and marginalised in the rural areas.
- Only medium and large corporate houses are involved in CSR activities, and only in selected geographical areas. To address the issue of reaching out to wider geographical areas, the involvement of small and medium enterprises (SMEs) in the CSR domain will be essential.
- Companies end up duplicating each others’ efforts on similar projects in the same geographical locations. This creates problems and induces a competitive spirit amongst companies. It is recommended that companies involved in CSR activities urgently consider pooling their efforts into building a national alliance for corporate social responsibility.

But as corporate social responsibility is not compulsion under law, corporate initiatives under CSR are erratic, unplanned and having elements of spontaneity. The Indian companies are clearly not utilising 2% of their earning as CSR. This percentage would have been a very large outlay by any measure and if utilised in proper way, it could have given a huge boost to the PPP model. It is a major failure on the part of Indian Government, especially considering

[27] http://www.mca.gov.in/Ministry/latestnews/CSR_Voluntary_Guidelines_24dec2009.pdf

that companies take many benefits from the state such as tax breaks, special economic zones, purchase and lease of land on highly concessional rates. For these reasons, the Government should not have given way under corporate pressure, but rather should come back to make CSR spending by Indian companies compulsory.

Extending financial regulatory mechanisms to fight corruption:

The financial regulatory system in India is well developed. Recently the Government has taken an initiative to check corruption in the **private sector (including social sector**). A Transparency International India Report[28] says that the private sector is no longer a victim of government corruption; instead, they are instrumental and work hand-in-glove with public officials. As such the Government must bring a strong deterrent tool to curb corruption in the private sector. In this regard, the Government has proposed to amend the Indian penal code to make bribes exchanged between private persons a criminal offence.

National Policy on voluntary sector:

NGOs were intended to fill gaps in government services. In countries like India, NGOs are gaining powerful strongholds in policy decision-making. In the interest of sustainability, most donors require NGOs to demonstrate a relationship with governments.

The scale and variety of activities in which NGOs participate in Indian development has grown rapidly since the 1980s, witnessing a particular expansion in the 1990s; and foreign funding has a significant role in this; as Indian NGOs/CSOs have been getting substantial financial help from foreign donor agencies. Look at the figure. In the period from 2001 to 2010, Indian CSOs received more than Rs 70,000 crore. In one particular financial year 2009-10 the foreign contribution was Rs 10,338 crore under FCRA (Foreign contribution regulation Act)[29].

The breakup of the financial assistance shows that the highest amount of foreign contributions was allocated (*rather utilised*) for Establishment Expenses (Rs 1482.58 crore), followed by- Rural Development (Rs 944.30 crore), Welfare of Children (Rs 742.42 crore), Construction and Maintenance of school/college (Rs 630.78 crore), and then Grant of Stipend/Scholarship/Assistance in cash and kind to poor/deserving children (Rs 454.70 crore).

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[28]http://transparencyindia.org/resource/survey_study/Assessment%20of%20Integrity%20Pact%20in%20IP%20compliant%20PSUs.pdf

[29] FCRA (Foreign Contribution Regulation Act), 1976, amended in 2010. The prime objective of the Act is to regulate the acceptance and utilization of foreign contribution and foreign hospitality by persons and associations working in the important areas of national life. The Act also seeks to regulate flow of foreign funds to voluntary organizations with the objective of preventing any possible diversion of such funds towards activities detrimental to the national interest and to ensure that individuals and organizations may function in a manner consistent with the values of the sovereign democratic republic.

Realising the significant role of the voluntary sector in the national life, as well as their growing international stature, the Government's efforts to establish a new and defined policy with respect to NGOs/CSOs is breath of fresh air. It recognises that the voluntary sector has contributed significantly to innovative solutions to poverty, deprivation, discrimination and exclusion, through means such as awareness raising, social mobilisation, service delivery, training, research, and advocacy. The voluntary sector has been an effective non-political bridge between the people and the Government. This affirms the growing need for collaboration with the voluntary sector by the Government, as well as by the private sector, at the local, provincial and national levels.

The policy addresses issues of critical importance relating to Voluntary Sector:

- The Government will encourage the evolution of, and subsequently accord recognition to, an independent, national level, self-regulatory agency for the Voluntary Sector.
- At the same time, there is need to bolster public confidence in the Voluntary Sector by opening it up to greater public scrutiny. The Government will simplify and streamline the system for granting income tax exemption status to charitable projects under the Income Tax Act.
- The Government will review the FCRA (Foreign Contribution Regulation Act) and simplify its provisions that apply to Voluntary Organisations (VOs).
- The Government will encourage all relevant Central and State Government agencies to introduce pre-service and in-service training modules on constructive relations with the Voluntary Sector.
- It is essential that the Government and the Voluntary Sector work together, as Voluntary Organisations have alternative perspectives, capacity to conduct a meaningful dialogue with communities. Where feasible, such partnership may also include other entities such as Panchayati Raj Institutions, municipalities, academic institutions, and private sector organisations.
- The expertise of the Voluntary Sector will also be utilised, by including experts from Voluntary Organisations in the committees, task forces, and advisory panels constituted by the Government from time to time to help address important issues.
- The Government will identify national collaborative programmes to be implemented in partnership with Voluntary Organisations in areas like poverty alleviation, skill promotion, entrepreneurship development, empowerment of women, population stabilization, combating HIV/AIDS, managing water resources, elementary education and forest management.
- Concerned Government agencies will be encouraged to ensure proper accountability and monitoring of public funds distributed to Voluntary Organisations.
- The Government will encourage various agencies, including those in the Voluntary Sector, to develop alternative accreditation methodologies for Voluntary Organisations, which will lead to better funding decisions and make the funding processes more transparent. Accreditation may provide incentives for better governance, management and performance of Voluntary Organisations.

- The Government will support and encourage existing, as well new, independent philanthropic institutions and private foundations to provide financial assistance to deserving Voluntary Organisations.
- The Voluntary Sector is expected to set its own benchmarks in the areas of transparency and accountability. The Government will recognize excellence in governance among Voluntary Organisations by publicizing best practices.
- The Government will commission suitable agencies to prepare and update databases on Voluntary Organisations.
- The websites of various Government agencies will be re-designed to provide links to key documents and databases, including those related to project funding schemes.
- The Government will encourage involvement of volunteers in public services, such as in family welfare centres, primary health centres, hospitals, schools, vocational training centres, sanitation campaigns, etc.

The relationship between Indian government and the Voluntary Sector has generally been one characterized by a lack of trust and hostility. Voluntary Organisations have been viewed as greedy recipients of foreign aid and dictated by the foreign funders. This attitude is exemplified in a statement of Prime Minister Manmohan Singh wherein he pointed the foreign funded NGOs behind opposition to Kudankulam Atomic Project[30]. Indian NGOs/CSOs have hope that this Voluntary Sector policy opens a new chapter in the relationship of the Government with NGOs/CSOs.

But it seems to a be wishful thinking, at least for the time being. As of present, Government's Voluntary Sector Policy is still only "on paper" and has not been implemented since its acceptance by the Union Cabinet in 2010. All Ministries and Departments are not following the spirit of the Policy. Even the Ministry of Home Affairs recently made major amendments to the FCRA (Foreign Contribution Regulation Act), which has made it quite stringent to receive funds from foreign funding agencies.

Conclusion:

To sum up, the whole aid scenario is undergoing major paradigm shift. In the wake of emergence of new private players, Government is being forced to make changes in its perspectives and policies towards private players and aid system. PPPs are emerging as new implementing mechanisms. And unlike the traditional definition of PPPs, they are not limited to the infrastructure, but are extending to social areas, where not for profit organisations have increasingly been playing a bigger role. As such PPPs have emerged as significant avenue for aid mechanism. Foreign aid has only scaled up, with the involvement of private sectors and the foundations supported by them in this increasingly globalised world. Bill and Melinda Gates Foundation being one of the illustrious examples. Government has been doing a lot to

[30] American NGOs fund the protests that hold India back from building the nuclear reactors it needs to meet fast-growing energy needs, Mr Manmohan Singh said in an interview published in Science magazine on February 24.

make adjustments in this changed scenario. And this is not smooth sailing for the government. On one hand, it recognises the role of private sector, and plans to use them as 'soft arm' of government; on the other hand tries to clip their wings by making stringent provisions in FCRA. As a matter of fact, a lot of it owes to the problem; bureaucracy, with its old mindset faces in sharing space with other stakeholders.