

USAID and Its Involvement In India

I. Introduction

Since 1951 the United States Agency for International Development (USAID) has led important transformations throughout India by developing its health system while expanding education reform and agricultural production and providing disaster relief and supporting women's empowerment. The Indo-U.S. development partnership shifted from traditional donor-recipient frameworks to democratic value-based cooperation following mutual strategic interests.

The U.S. administration under President Donald Trump initiated an unexpected 90-day freeze on funding that disrupted this long-enduring partnership during early 2025. The funding freeze initiated by President Donald Trump's administration through allegations of foreign election interference became the trigger for halting essential programs that helped vulnerable populations while thrusting domestic development architecture to reassess its relation with foreign aid.

The present period of intensified review demands a thorough inspection of USAID's historical impact in India along with the existing diplomatic challenges as well as projected future partnerships in this changing globally complex political scenario.

II. Historical Context: USAID in India

Since President Harry Truman approved the India Emergency Food Assistance Act of 1951, the United States began investing in Indian development. The USAID program passed through significant developmental stages throughout the years, starting with food emergency assistance in 1951, to establishing key Indian institutions while supporting Indian economic reforms and further initiatives. Food scarcity affected India as a whole nation during the 1950s. The United States joined forces with India to create their first bilateral initiative that built a decentralized university system of State Agricultural Universities (SAUs) throughout India in 1955. These SAUs received direct oversight from each state while they worked on agricultural obstacles and possibilities at the state level.

During 1960 the first SAUs started their operations successfully and launched initiatives to minimize the food deficit. A total of over three hundred U.S. university faculty members worked as visiting professors at SAUs for terms exceeding two years. The initiative allowed both American experts to live and work in India while training Indian professionals in the U.S. who learned specific skills needed to fulfill domestic requirements upon returning home. Food aid constituted 92 % of the yearly financial support in 1960¹.

Rural electrification served as one among several projects when USAID launched their activities in the late 1970s together with promotion of fertilizers and malaria control along with agricultural credit and integrated health and population programs alongside irrigation schemes and social forestry².

The program underwent a transformation during the mid-1980s and started its focus on science and technology applied to policy and institutional changes. The programs worked on agricultural research together with alternative-energy technology development and biomedical research and water resources

¹ <https://2017-2020.usaid.gov/india/history>

² <https://2017-2020.usaid.gov/india/history>

management aside from family planning initiatives. All these actions included technology diffusion and increased institutional competency as integral components. During the period from 1992 to 2002 food aid received 65 percent of all annual U.S. foreign assistance funding which was directed to India.

Other support from USAID to India includes the development of capital markets received support to enhance stock exchange management while maintaining transparent prices and creation of the first municipal bond dedicated to water supply and sanitation infrastructure development in the entire regional area. India's Green Building movement started under USAID, led to the activation of 1.2 billion square feet of LEED-registered green construction space across the nation³.

III. Key Sectors of USAID's Engagement in India

The US government funded India's health sector with around \$54.7 million in 2020, which increased to \$189.5 million in 2022. However, it declined to \$79.3 million in 2024. They provided around \$17.2 million in 2020 for its economic development, which rose to 26.7 million in 2023 and further increased to \$34.4 million in 2024. The top programmes funded by USAID in India in 2024 were in the health sector. The Reproductive, Maternal, Neonatal, Child, and Adolescent Health Alliance Partnership, the programme that focuses on ending maternal and child deaths in India, received the highest funding from the US Agency for International Development, amounting to \$10.2 million.⁴

a. Health Sector

The Laqshya initiative is part of a USAID-internal program that aids Indian governments in enhancing quality birth care. The initiative supports the implementation of guidelines like Family Participatory Care (FPC), ensuring proper newborn handling and engagement among staff. USAID also supports the National AIDS Control Plan (NACP) in implementing prevention, care, and treatment services for HIV/AIDS. Since 2000, the initiative has reduced new HIV infections by 66%, with over one million people receiving antiretroviral therapy. USAID assists the NACP in selecting cost-efficient, evidence-based treatment strategies from international sources⁵. The initiative launched a large-scale TB screening program for HIV-positive individuals in five Indian states and initiated a daily treatment pilot project for all tuberculosis patients across 100 districts.

Health programs supported by USAID such as TB, maternal and child care along with HIV/AIDS receive major obstacles under the current freeze. Transgender clinics face immediate closure because of this action which negatively impacts vulnerable populations. The suspension of Urban WASH programs threatens public health objectives since they continue in a stopped state.

³ <https://2017-2020.usaid.gov/india/history>

⁴ <https://www.thehindubusinessline.com/data-stories/data-focus/usaids-shutdown-may-not-have-a-significant-impact-on-india/article69179811>.

⁵ <https://2017-2020.usaid.gov/india/achieving-aids-free-generation>

b. Education Sector

Under the Padhe Bharat Badhe Bharat (Read India Progress India) initiative supported by the USAID it addressed over 2 million students. Through its training programs the agency increased the number of teachers interested in enhancing their classroom effectiveness and teaching abilities to 61000⁶.

The USAID supports school improvement activities to enhance reading skills and combat student desertion since 40% of students stop their education before reaching 8th grade. The imposed freeze presents serious danger to programs which ensure access to education and better educational quality particularly for marginalized communities. American government education programs including literacy teaching and teacher development programs experienced a suspension which led to fallout in schools of Uttar Pradesh and Bihar where students frequently drop out from school. The suspension of education programs remains ongoing even after the review of the freeze since USAID has not provided any updates to indicate their future prospects.

c. Environment and Renewable Energy Sector

USAID collaborated with the Indian government to enhance sanitization measures and environmental quality. Through its support of Swachh Bharat Abhiyan it facilitated toilet access for 300,000 people. The aid worked toward eliminating open defecation in 25,000 communities⁷. USAID plays a crucial role in enhancing WASH solutions by raising awareness together with implementing better sanitation practices in rural locations.

The Union Ministry of New and Renewable Energy has partnered with USAID through the Advance Clean Energy – Deployment Technical Assistance (PACE-D TA) Program. Arcfinance implemented the program as an agency under bilateral agreements between the U.S. and India. The Ministry of Environment Forest and Climate Change of India (MOEF&CC) and state forest departments have collaborated with USAID to implement technologies and tools for forest management in Karnataka, Madhya Pradesh, Himachal Pradesh, and Sikkim. The program aims to enhance forest systems, carbon values, biodiversity conservation, and local livelihoods.

The partnership between USAID and India focuses on building an economy based on high-performance while maintaining a low-emission and energy-secure structure to invest in the \$1 trillion Indian energy market. The suspended activities under this freeze could impede the speed of India's renewable energy sector transformation. USAID has not restarted any energy initiatives because it presumably devotes its resources primarily towards regions aside from India whose domestic energy market is well-established. Estimated losses are \$20-30 million annually.

⁶<https://www.moneycontrol.com/news/business/economy/over-a-fifth-of-usaid-s-2-9-billion-assistance-to-india-since-2001-came-in-last-four-years-12930184.html>

⁷<https://www.moneycontrol.com/news/business/economy/over-a-fifth-of-usaid-s-2-9-billion-assistance-to-india-since-2001-came-in-last-four-years-12930184.html>

d. Disaster Management Sector

The Government of India-United Nation Development Program (UNDP) *Developing Resilient Cities through Risk Reduction in the Context of disaster and Climate Change* established its operations in 6 cities namely Cuttack (Odisha), Navi Mumbai (Maharashtra), Shillong (Meghalaya), Shimla (Himachal Pradesh), Visakhapatnam and Vijayawada together with USAID during the 4 years (June 2016 – May 2020)⁸. The program aimed to improve risk-sensitive city development planning in 10 cities through disaster risk assessments, hazard risk and vulnerability analysis in 8 cities, enhance local government and community capacity to respond to disaster and medication risks, improve knowledge management, and enhance private sector investments.

Following the 90-day review which concluded in mid-April 2025 USAID failed to declare which programs will return. United States foreign aid programs could sustain permanent reductions affecting approximately half of their disaster management initiatives because the Trump administration doubts the worth of international assistance. All disaster management projects continue to be suspended because the Trump administration has not issued any exceptions.

IV. Allegations on USAID Funding

According to reports, the U.S. Agency for International Development (USAID) had allegedly supported groups linked to terrorism in India, sparking serious concerns about how aid is given. India Today⁹ and OpIndia¹⁰ reported that USAID donated \$110,000 to Helping Hand for Relief and Development (HHRD), a Michigan charity, in 2021, even though HHRD has had longstanding allegations of supporting jihadist groups in South Asia. According to reports, the money was transferred to the Pakistan-based Falah-e-Insaniyat Foundation (FIF) which covers for the U.S.- and India-designated terrorist organization Lashkar-e-Taiba (LeT), who organized the 2008 Mumbai attack that killed 166, including six Americans. Even after the U.S. banned FIF in 2010, it is alleged that USAID kept funding it and this was a source of criticism for many, including House Foreign Affairs Committee Chairman Michael T. McCaul, who urged Samantha Power, then USAID Administrator, to handle the situation in his 2023 letter. Because of these revelations, many are pushing for a closer review and thorough investigation of USAID's activities in supporting such threats to India.

The Indian government is very concerned about allegations that the U.S. Agency for International Development (USAID) funds activities that promote terrorism and other programs in India. On February 21, 2025, the ministry replied to allegations made by U.S. President Donald Trump and the Department of Government Efficiency (DOGE) led by Elon Musk, stating that \$21 million was given to India by USAID for "voter turnout." MEA spokesperson Randhir Jaiswal called the information

⁸ <https://msdma.gov.in/usaaid.html>

² <https://www.indiatoday.in/world/story/donald-trump-usaid-funded-pakistan-ngo-link-to-terrorist-organisation-lashkar-e-taiba-let-falahs-e-insaniyat-2675197-2025-02-05>

¹⁰ https://www.opindia.com/2025/02/usaaid-stands-exposed-under-trump-how-it-helped-terrorist-organisations-from-let-in-pakistan-to-hamas-in-gaza-via-ngos/#google_vignette

"deeply troubling"¹¹ and raised concerns about potential foreign interference in India's internal affairs, stating that relevant departments and agencies were investigating the matter.

V. Implications for India-US Bilateral ties

US-India relations present multiple factors while the USAID freeze takes place. Since 1951 the United States has provided continuous support for Indian development that shifted from food assistance to technical education and health and energy programs. Trump along with Elon Musk joined other administration members to show resistance against foreign aid spending because they viewed it as unexplainable or criminal. The public accusations by Musk on X have accelerated the calls for USAID shutdown despite his lack of substantial supporting data.

The reports about USAID assisting groups allegedly associated with terrorism in India could create major tensions between the United States and India. The main point of the partnership, founded on similar goals like challenging China in the Indo-Pacific region, defense cooperation among the Quad members and strong trade, relies on trust between the countries. If New Delhi feels threatened by America's indirect actions, it could cause disagreements and New Delhi might ask for more oversight or voice its complaints through diplomatic actions. The result could be less collaboration on crucial projects, suspended military drills and paused discussions with crucial partners which could weaken the alliance as tension rises around the world.

The United States considers India as its main Indo-Pacific strategic partner while this nation confronts complex challenges. Several commentators view this funding cut as an open challenge to Indo-US relations because they describe it on X as "*Trump's direct first move against India.*" The review should restore funding to critical programs according to Secretary of State Marco Rubio since he wants to verify US national interest alignment. Development professionals in India remain cautious about addressing the US aid freeze because current financial limitations stem from worldwide budget cuts and India's Foreign Contribution Regulation Act.

India considers these cuts a unilateral American policy that harms established development partnerships between the countries. External Affairs Minister S. Jaishankar has raised concerns about USAID-related allegations that could represent foreign interference thus causing potential escalation in diplomatic tensions between India and the United States. India's minimal response to the freeze shows an approach of avoiding conflicts with its major ally although inner discontent remains.

Senator Chris Murphy from the US Congress alongside other Democratic members denounced the freeze for being unconstitutional since presidents lack authority to dissolve USAID through executive orders¹². India faces confusing diplomatic challenges because of the internal disagreements between US political branches. The prospect of additional Trump administration policy changes causes India to hold back from participating in fresh US projects.

¹¹<https://www.reuters.com/world/india/new-delhi-says-it-is-looking-into-deeply-troubling-information-about-usaid-2025-02-21/>

¹²<https://www.npr.org/2025/02/04/nx-s1-5285491/sen-chris-murphy-discusses-the-power-of-congress-as-a-check-on-the-president>

VI. Post Freeze Review

Secretary of State Marco Rubio announced on March 10, 2025 how USAID worldwide programs would face termination: 83% (5,200 out of 6,200) programs would stop representing a reduction of 92% of grant value which resulted in \$60 billion savings. Those programs “*spent tens of billions of dollars in ways that did not serve, (and in some cases even harmed), the core national interests of the United States*”, Rubio wrote. “*In consultation with Congress, we intend for the remaining 18% of programs we are keeping ... to be administered more effectively under the state department,*” he said. Democratic lawmakers and others call the shutdown of congressionally funded programs illegal, saying such a move requires Congress’s approval¹³. The Trump administration revealed insufficient information when defining which programs were kept in operation while showing no transparency regarding the basis for program selection. This triggered widespread criticism about the insufficient review process. Health authorities within USAID warning about deaths proved to be ineffective because their recommendations were mostly disregarded by the organization’s leadership. The agency currently faces dissolution and State Department merger while its website remains offline since February 1, 2025 and 10,000 employees either experience furlough or return to work¹⁴. Rubio announced his position as the temporary USAID administrator while directing a governmental move toward centralized operations through “America First” principles.

VII. Turning USAID Freeze and Allegations into a Springboard for Strength and Leadership

India’s economic trajectory remains robust, and experts are optimistic that a USAID funding freeze, while notable, is unlikely to create a significant economic or funding problem for the nation. Dr. Gita Gopinath, IMF Chief Economist, highlighted in a June 2025 interview, “*India’s growth remains robust, driven by strong domestic consumption and investment.*”¹⁵ IMF Executive Director Krishnamurthy V Subramanian said India could become a \$55 trillion economy by 2047. This emphasizes that USAID’s contributions, a modest slice of India’s multi-trillion-dollar economy, can be readily absorbed by government initiatives and private sector dynamism, positioning India to lead with innovation and self-reliance.

The USAID freeze and the allegations that follow, India has a rare opportunity to demonstrate how strong, self-sufficient and influential it is for the world. India can act in a positive way, relying on its benefits, to become more powerful.

Firstly, domestic funds need to be improved to maintain the important development programs. Since the economy is strong and more attention is given to self-sufficiency under Atmanirbhar Bharat, India can use funds reserved for health, education and social programs by USAID for other purposes. When India works with agencies, corporations and civil society, it can ensure that services like health care are available to the marginalized and shows that it is able to care for its people independently. It may also

¹³ <https://www.theguardian.com/us-news/2025/mar/10/marco-rubio-usaid-funding>

¹⁴ <https://www.forbes.com/sites/siladityaray/2025/02/14/usaid-controversy-live-updates-judge-orders-trump-administrati-on-to-temporarily-restore-foreign-aid-funding/>

¹⁵ https://www.business-standard.com/economy/news/imf-s-gita-gopinath-says-india-could-become-3rd-largest-economy-this-year-124081601117_1.html

promote new solutions, seeing Indian NGOs and start-ups design cost-saving and tailored solutions for their region.

The second strategy entails India seeking more multilateral and regional backing to handle funding and knowledge differently. Relations with the World Bank, WHO, UN agencies and regional allies in the Quad can give India easier access to extra resources and technical guidance. Therefore, India can effectively lead with other nations in the Global South to meet global issues such as climate change, disasters and health matters. If companies in the private sector join in, by being socially responsible and working with the government, it will help India fill more gaps and highlight its strong economy and passion for entrepreneurialism.

Finally, clearly addressing the allegations can help India's image internationally. Thoroughly investigating claims of foreign involvement or improper handling of funds can help India prove its loyalty to standards of good governance and national sovereignty. The way the Ministry of External Affairs states its position, as shown in its February 21, 2025, statement, demonstrates India's belief in dealing with issues directly. Clearing up any confusion and openly talking with the U.S. allows India to grow its trust with the country and be seen as a strong, reliable ally. Using these methods helps minimize the USAID freeze and helps India gain an even stronger and respected role in the area of global development.

VIII. Conclusion

Recent developments surrounding USAID's activities in India underscore the urgent need for the Indian government to rigorously scrutinize all forms of foreign funding. While such aid often comes under the guise of improving healthcare, education, or infrastructure, there is growing concern that these funds may be covertly supporting religious conversions, influencing electoral outcomes, or even aiding extremist elements. As India moves toward self-reliance and long-term economic stability, it must assert control over its internal development narrative by prioritizing domestically driven solutions. Strengthening our own research and development ecosystem while remaining cautious in foreign collaborations is essential. By ensuring transparency and tightening regulatory oversight on international funding, no matter how reputable the source, India can safeguard its sovereignty, reinforce democratic integrity, and present itself as a model of growth rooted in national interest and constitutional values.