



MAKING DEVELOPMENT COOPERATION WORK Policy Options for India's Development Assistance Effectiveness

- John Samuel and Abraham George

In recent times, emerging economies including that of India have made a mark in the international aid regime that has all along been dominated by OECD (Organisation for Economic Cooperation and Development) countries. Considering the lingering recessionary conditions in the North and the growing significance of BRICS in the global economy, South-South development cooperation is expected to play a significant role in the international aid architecture. Taking into account the significance of development cooperation as a strategic foreign policy tool, this Policy Brief provides a few policy recommendations to enhance the development effectiveness of India's development assistance and also to evolve a South-led alternative to the existing system of international development cooperation.

Background

Since the Second World War, affluent countries of the North have been in the forefront of international aid-giving.¹ Their development cooperation activities have been coordinated through the Development Assistance Committee (DAC) of the OECD. However, buoyed by the high GDP growth rates, emerging powers like China and India have enhanced their development partnership engagements significantly during the present century.² For instance, the volume of India's development cooperation has grown four-fold during the period 2003-04 to 2013-2014.³

India has been engaged in development partnerships since Independence.⁴ The facets of India's development cooperation include providing grants and lines of credit (LoC), capacity building through the Indian Technical and Economic Cooperation (ITEC) programme, trade and investment, technology transfer, etc. Between 2010-11 and 2014-15, India had provided LoC⁵ amounting to US\$8.15 billion and ITEC⁶ programmes involving US\$852 million to other developing countries. While major beneficiaries of India's ITEC programmes have been countries belonging to South Asia, the largest share of the total LoC has been availed by African countries (See: Figs 1 & 2). At the Third India-Africa Forum Summit held in New Delhi in October 2015, India made a pledge of concessional credit worth US\$10 billion – a doubling of its existing commitment⁷ – to Africa in the next five years. The construction of the Salma Dam (inaugurated in 2016) in Afghanistan and the development of the proposed Chabahar Port in Iran are among India's most recent development assistance initiatives.⁸

Figure 1: Region-wise Distribution of India's Lines of Credit as on March 2016

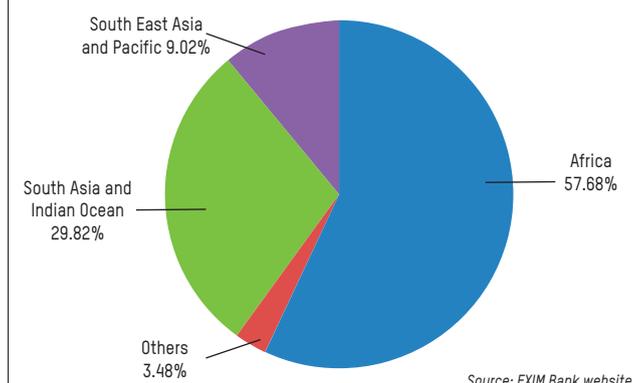
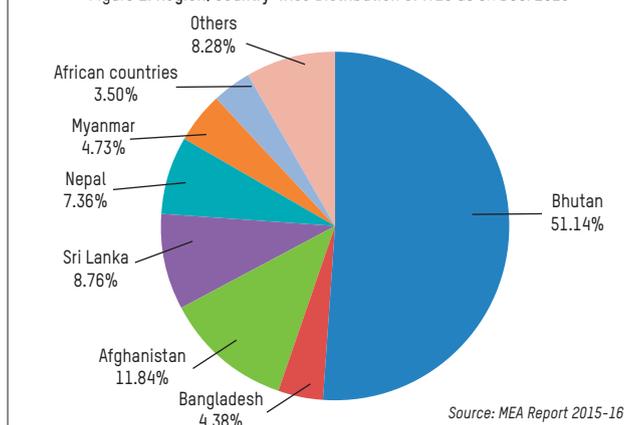


Figure 2: Region/Country-wise Distribution of ITEC as on Dec. 2015



India has generally been perceived, globally and even domestically, as a major aid recipient even though the country has transitioned itself from a net aid receiver to a net aid donor during the last decade. Although India's international development assistance initiatives have a history of more than six decades, there is relatively less understanding or appreciation of these efforts even now. This Policy Brief highlights the importance of leveraging India's development cooperation as a strategic foreign policy tool and the need to enhance transparency and accountability for improving development effectiveness. It also recommends the establishment of a South-led alternative to the existing OECD/DAC dominated aid regime. Three cross cutting themes are briefly discussed below and a few policy recommendations are made in order to enhance the scope, scale and effectiveness of India's development cooperation.

I. Leveraging Development Cooperation as a Strategic Foreign Policy Tool

An obvious question that comes to the mind of people when they hear about development cooperation is: "Why does India provide assistance to other countries despite having a large population in poverty?" More than a moral obligation, it is important to locate development cooperation as a strategy to achieve India's global aspirations within the context of international and regional power dynamics. At the global level, India has been aspiring for a seat at the high table of the United Nations as permanent member of the Security Council. In the present global power-dynamics, the profile, scope and outreach of international development cooperation is a key factor to develop India's legitimacy as a responsible democracy with a larger global role.

Geo-strategic and commercial interests also drive India's development partnerships. India's development assistance in its neighbourhood is greatly conditioned by the objective to reduce the geo-strategic influence of China and to some extent that of Pakistan. Commercial interests in the form of search for resources as well as for markets are a major driving force behind India's development cooperation with resource-rich countries, particularly of Africa. Competition with China is evident in the case of Africa too. Thus we understand that the logic of our development cooperation is based on 'enlightened national interest', combining the strength of our values with pragmatism, leading to a doctrine of mutually beneficial relationships.⁹

Recommendations

1. Establish an India International Development Agency (INIDA): India's development cooperation lacks a coherent and clear development policy framework with competing priorities between different ministries often causing undue delay in the implementation of projects

or compromising on the intended development outcome. India needs to establish an International Development Agency (INIDA) to coordinate the country's development cooperation activities with a minister in charge, so that the role of India's development cooperation is elevated to ensure more visibility and strategic importance. As in many other countries, it is advisable for India to set up a multi-stakeholder advisory board including members of civil society, academia, private sector and parliamentarians to ensure development effectiveness.

2. Strategically leverage ITEC for promoting SDGs: While ITEC is a cost-effective strategic initiative, there are questions about it being 'spread too thin' with too many countries participating in it and also about its strategic alignment with the overall foreign policy objectives of India. A strategic alignment of ITEC with the larger foreign policy strategy could be brought about by focusing on promotion of Sustainable Development Goals (SDGs). India could utilise its vast experience in promoting small-scale programmes to effectively engage in areas like education, health, infrastructure and community development that could bring about huge improvement in the capabilities and living conditions of the poor and the marginalized.

II. Ensuring Greater Transparency, Accountability and Development Effectiveness

A major criticism against India's development cooperation programmes is the lack of transparency and accountability. There is relatively less understanding or appreciation of India's international development cooperation because it is often practised through closed official circuits, without adequate transparent policy processes or discussions in the public sphere. Further, despite the growth of Indian multinationals, the concept of economic diplomacy is largely restricted to the Government and there is only a minimal space for private players. By making its development cooperation efforts more efficient and effective, India can play a positive role in reducing poverty and inequality thereby enabling the partner countries to achieve their Sustainable Development Goals.

Recommendations

1. Ensure more transparency and accountability: There exists a lack of awareness about India's development cooperation even among the members of the parliament, media and civil society organisations (CSOs). Detailed evaluation and periodic reports of India's development cooperation have to be made available to the Parliament and in the public domain as the tax payers' money is involved. Building a reliable and comprehensive database for evaluation regarding the distribution, implementation and outcome of its development assistance projects

is vital for better development effectiveness. Improved accountability and transparency to the citizens of both the donor as well as recipient countries will improve the strategic and ethical validity of India's development cooperation internationally.

- 2. Promote Greater Participation of Civil Society Development Organisations:** India has a wide range of civil society organizations (CSOs) and non-governmental development organizations (NGDOs) with experience and expertise for promoting poverty reduction, women's empowerment, social protection and community development. Indian CSOs need to be given greater opportunities for participating not only in public dialogues and discussions regarding India's development cooperation, but also in the implementation of projects in recipient countries to ensure greater transparency, accountability and public participation. Involvement of CSOs/NGDOs would be helpful in preventing misuse and leakages. India needs to experiment a twin approach regarding the implementation of development projects through official channels and with direct involvement of the donor country NGDOs in partnership with NGDOs of the recipient country.
- 3. Engaging with the Private Sector:** Only recently did India start promoting private players as part of their economic diplomacy in development cooperation. There is need for a more transparent and accountable process in promoting Indian companies in the recipient countries. Private players need to be given clear guidelines regarding their investments in other developing countries, particularly in least developed countries and conflict-ridden areas. Regular interaction, monitoring and evaluation of private sector investments should be done to assess the positive as well as negative impacts of private investments on the partner country's economy, especially on the local communities.

III. Establishing a South-led Alternative to OECD/DAC

The traditional international aid architecture dominated by the OECD/DAC system characterised by the donor-recipient relationship is increasingly being challenged by the emerging donors from the South. South-South Cooperation is largely based on the principle of mutual benefit to both the partner countries and perceptibly has less conditionalities when compared to North-South Cooperation. Similarity in history, developmental challenges, culture and level of technology also offers greater scope for developing countries to engage in South-South Cooperation.

India, as part of its South-South strategy, seeks to use its development assistance programmes as a strategic initiative in consonance with its own economic, political, and

strategic interests, while also taking into account the needs of the recipient country. India's engagements are largely demand-driven and have less conditionalities when compared to North-South aid. Further, in terms of purchasing power parity (PPP), India's development assistance gives more 'value' for money as the cost of services and training resourced from India is much lower than that provided by the OECD countries. Considering the advantages of South-South Cooperation over the traditional aid regime, there is much scope for a South-led alternative.

Recommendations

- 1. Enhance India's Global Leadership Role by Establishing an Alternative to DAC:** India should take the initiative to establish a South-led development cooperation built on the principles of human rights and international responsibilities. It should facilitate assistance to developing countries on better terms than OECD/DAC without interfering in the domestic policies through conditionalities. India should also give leadership in developing a mechanism to arrive at collectively acceptable standards and reporting mechanisms regarding the South-South development cooperation in order to ensure greater development effectiveness.
- 2. Enlarge South-South Cooperation through BRICS:** India needs to leverage the strength of BRICS to play a global role in South-South Cooperation. BRICS needs to identify the sectors in developing countries that are currently not adequately financed and make development assistance available to them to achieve sustainable development. Since development assistance flows to the South from the recession-afflicted North could decrease, BRICS countries including India may play a significant role in bolstering the aid flows to developing countries. As trilateral development cooperation could significantly reduce transaction costs in project implementation, India should effectively use the BRICS platform for promoting trilateral donor cooperation, particularly in providing development assistance to least developed countries.
- 3. Strengthen India's Leadership Role in South Asia through SAARC:** India may channelise a part of its development assistance through the SAARC system. Being an aid receiving country that has experienced the problems and constraints like any other South Asian developing country, India could draw lessons from her own development experience and offer technology and solutions more appropriate to the requirements of other developing countries of the region. Over the years, India has acquired remarkable strength and capabilities in education, health, information technology and a host of other diverse sectors that could be shared with other South Asian countries in a cost effective manner.

Notes:

1. John Samuel and Abraham George (2016), 'India's Development Cooperation Challenges and Opportunities for Sustainable Development', Oxfam-ISDG Policy Paper.
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4. Sachin Chaturvedi (2012): 'India and Development Cooperation: Expressing Southern Solidarity' in Chaturvedi, Sachin, Fues, Thomas & Sidiropoulos, Elizabeth (Eds.), *Development Cooperation and Emerging Powers: New Partners or Old Patterns?*, Zed Books, London, p.171.
5. <http://www.eximbankindia.in/lines-of-credit>
6. Ministry of External Affairs (2015), Annual Reports 2010–11 to 2015–16, Government of India, New Delhi.
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8. G. Parthasarathy (2016), 'India Cannot Afford to Lose the Chabahar Test', *The New Indian Express*, June 5.
9. Suhasini Haidar (2014), 'Enlightened National Interest is at Core of Modi's Foreign Policy Mantra', *The Hindu*, June 15.

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