

Future of Development Cooperation

Policy Priorities for an Emerging India

John Samuel & Abraham George

July 2016

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This Policy Brief is based on the Oxfam India-ISDG research study on Development Cooperation of India by the authors.

Institute for Sustainable Development & Governance (ISDG) is a policy research and advocacy institute committed to the promotion of sustainable development and democratic governance in India.

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Acknowledgements

This report is the outcome of a research study conducted by the Institute for Sustainable Development & Governance (ISDG) in collaboration with Oxfam India. We wish to acknowledge with gratitude the financial support extended by Oxfam India for this research study on the emerging area of international development cooperation.

We are extremely grateful to Dr Nisha Agrawal, Chief Executive Officer, Oxfam India for her leadership, support and advice.

Our special thanks to Mr Deepak Xavier, Ms Pooja Parvati and Mr Tomojit Basu of Oxfam India for their guidance, suggestions and support at different stages of the project.

We also acknowledge the valuable assistance of Mr Anton Babu, Mr Deepak John and Mr Avinash Thomas of ISDG who provided research support throughout the project.

Many thanks to our colleagues at the ISDG and at the Centre for Communication and Development Studies (CCDS), Pune, particularly to Ms Hutokshi Doctor and Mr K C Dwarakanath for their whole-hearted support without which this report would not have been possible. Ms Shoba Ramachandran deserves special mention for her valuable editorial support.

Last but not least, I would like to express appreciation to co-author Dr Abraham George, Director of ISDG, who co-ordinated the research study and worked closely with me.

John Samuel
President, ISDG

List of Acronyms

A

ADR : Aid for Disaster Relief

C

CFTC : Commonwealth Fund for Technical Cooperation

CSOs : Civil Society Organisations

D

DAC : Development Assistance Committee

DAG : Development Assistance Group

DCF : Development Cooperation Forum (under ECOSOC)

DPA : Development Partnership Administration

E

ECOSOC : UN Economic and Social Council

EXIM Bank : Export and Import Bank of India

G

GDP : Gross Domestic Product

GNI : Gross National Income

H

HIPCs : Heavily Indebted Poor Countries

I

IBSA : India-Brazil-South Africa

ICCR : Indian Council for Cultural Relations

IDA : International Development Association

IDEAS : Indian Development and Economic Assistance Scheme

IDPs : Internally Displaced Persons

IMF : International Monetary Fund

INIDA : India International Development Agency

ISLES : Institute for Security and Law Enforcement Studies

ITEC : Indian Technical and Economic Cooperation

M

MDGs	: Millennium Development Goals
MEA	: Ministry of External Affairs
MIIT	: Myanmar Institute of Information Technology

N

NAM	: Non-Aligned Movement
NEPAD	: New Partnership for Africa's Development
NGDOs	: Non-Governmental Development Organisations

O

ODA	: Official Development Assistance
OECD	: Organization for Economic Cooperation and Development
ONGC	: Oil and Natural Gas Corporation

R

RIS	: Research and Information System for Developing Countries
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S

SCAAP	: Special Commonwealth Assistance for Africa Programme
SDGs	: Sustainable Development Goals
SDP	: Small Development Project
SSC	: South-South Cooperation

T

TCS	: Technical Cooperation Scheme
Team-9	: Techno-Economic Approach for Africa-India Movement

U

UAE	: United Arab Emirates
UNMEE	: UN Mission in Eritrea and Ethiopia
USAID	: United States Agency for International Development

International Development Cooperation – An Overview

The present study is an attempt to analyse the role of India as an emerging donor in the context of growing South-South development cooperation in the international aid regime. This study mainly analyses the evolution and structure of international development cooperation, role of India as a major emerging donor in the international aid architecture and effectiveness of India's development cooperation initiatives. A few policy recommendations for strengthening the effectiveness of India's development cooperation, particularly in mitigating poverty and inequality in partner countries, are also given in the concluding section.

The global perception of India has changed remarkably since the turn of the century. Today the country is increasingly being perceived as an emerging economic power and as a leader of developing countries of the South. India, in recent times, has been able to transform herself from an aid recipient to a donor nation with her role in the international development cooperation growing in an unprecedented manner. In order to analyse and understand the development cooperation initiatives of the country, an overview of the international aid architecture is imperative. Before analysing India's development cooperation in detail, let us briefly discuss the history and evolution of international development cooperation in general and the South-South paradigm in particular. Such an understanding of the background of the present international aid regime will enable us to appreciate and analyse India's development cooperation efforts with greater clarity.

The term 'Development Cooperation' is interpreted in different ways by different actors engaged in international development assistance. Development cooperation is often used synonymously with financial aid or with official development assistance. It has been defined in much broader terms as well. Some even include market flows like foreign direct investment as part of it. The definition of development cooperation as perceived by developing countries and followed by the Organization for Economic Cooperation and Development (OECD) countries also differs considerably. In a broader sense, development cooperation may be defined as an activity that aims explicitly to support national and international priorities, is not driven by profits, discriminates in favour of developing countries and, is based on cooperative relationships that seek to enhance developing country ownership.¹ Such a broad interpretation of development cooperation that includes financial and in-kind transfers, capacity support and policy change is more meaningful in the present global context because the attainment of SDGs involves non-financial forms of development cooperation also.²

1. Alonso, José Antonio and Glennie, Jonathan(2015), 'What is development cooperation?', 2016 Development Cooperation Forum Policy Briefs, ECOSOC, Development Cooperation Forum, February, No. 1. www.un.org/en/ecosoc/newfunct/pdf15/2016_dcf_policy_brief_no.1.pdf

The common perception has always been that only the rich developed countries provide development assistance to developing countries. It is true even today, that despite the active presence of several emerging donors, the major proportion of development assistance comes from traditional donors comprising the rich industrialised countries belonging to the Development Assistance Committee (DAC) of the OECD. As shown in Table: 1.1, the official development assistance from 28 DAC members stood at US\$151.4 billion in 2013 while the total development cooperation flows from non-DAC countries was estimated to be US\$23.5 billion.³ The volume of development assistance by the non-DAC countries could be a gross underestimation as the DAC definition of development cooperation does not take into account several developmental initiatives and transactions of emerging donors like measures for promoting production and trade from partner countries. Further, a great deal of South-South Cooperation is 'in kind'; and in the absence of any standard accounting practice and transparency, it is difficult to calculate the exact amounts involved.⁴

During the past few decades, several non-DAC developing countries have emerged as international aid donors. It is interesting to note that until recently, many of these emerging donors, including China and India, have been important aid recipients. The emergence of non-DAC donors has considerably strengthened South-South Cooperation among the developing countries of Asia, Africa and Latin

Table 1.1 Estimated Global Development Cooperation Flows (2013)

	2013 (In US\$ Billion)	(% of total)
Official Development Assistance (ODA) from DAC member countries	151.4	86.6
Estimated development co-operation flows from non-DAC providers	23.5	13.4
Estimated Global Total	174.9	100.0

Source: OECD Development Cooperation Report 2016

America. The very approach of developed countries and developing countries with regard to development cooperation does vary. While there exists a donor-recipient relationship in North-South development cooperation, it is more a mutually beneficial relationship between partner countries for South-South Cooperation.

History and Evolution of International Development Cooperation

The post-war international foreign aid regime was dominated mainly by Western countries. The European Recovery Program (ERP) known as the 'Marshall Plan' was the first major foreign aid initiative. Marshall Plan was the bilateral assistance initiative of the United States (US) for the reconstruction of the war-ravaged countries of Europe. In 1949, United States launched the 'Point Four Program' to aid developing countries in Africa, Asia, Central and South America. It included technical assistance and education programmes often adjusted to the specific needs of local communities.⁵ Another initiative for the development of less developed countries was the Colombo Plan for Cooperative Economic Development in South and

2. Ibid

3. OECD (2015), Development Co-operation Report 2015: Making Partnerships Effective Coalitions for Action, OECD Publishing, Paris, p.293

4. Chaturvedi, Sachin (2008), 'Emerging Patterns in Architecture for Management of Economic Assistance and Development Cooperation: Implications and Challenges for India', RIS Discussion Paper # 139, June, pp.6-7

Southeast Asia (now the Colombo Plan for Cooperative Economic and Social Development in Asia and the Pacific) that was the outcome of the meeting of the Commonwealth Foreign Ministers in Colombo, Sri Lanka, in 1950. Though the United Kingdom, Canada, Australia and New Zealand were the main donors in the beginning, non-Commonwealth countries like the US and Japan also joined the Colombo Plan later on.⁶ Yet another American development assistance initiative was the 'Alliance for Progress' created in 1961 for the economic and social development of Latin America. The United States Agency for International Development (USAID) was set up in 1961 for the administration of all bilateral economic assistance programmes of the US. During the Cold War era, Western industrialised countries had been using foreign aid as an instrument to combat Communism. The ultimate aim of both Western aid and aid from the Soviet bloc was to stop developing countries going over to 'the other side'.⁷ The US continued to be the pre-dominant global donor during 1950s and 1960s. Soviet Union joined in the international development assistance by mid-1950s and its aid programme was directed mainly towards socialist countries and non-aligned developing countries. Soviet assistance mainly consisted of credits with a grant element for large-scale projects and training facilities for students.⁸

By the 1960s, European countries like Belgium, France, Germany, Italy, the Netherlands, and Portugal, along with Canada and Japan, also joined the development assistance bandwagon. They established the Development Assistance Group (DAG) in 1960 that became the Development Assistance Committee (DAC) a year later. DAC was set up to coordinate the aid policies of the members. Over the years, DAC members developed their own standards and best practices in the system of development cooperation. Multilateral aid for developing countries started growing during the 1960s and 1970s. By then, multilateral agencies like the World Bank began to shift their focus from European countries to the development needs of the less developed countries. The International Development Association (IDA) was started in 1960 as the soft loan window of the World Bank. Several regional development banks were started during this period. The Inter-American Development Bank was established in 1959 to provide development assistance to Latin America and the Caribbean. Soon after, the African Development Bank (1964) and Asian Development Bank (1966) were set up. These institutions provided soft loans, grants and technical assistance to less developed countries in different regions of the world.

Meanwhile Middle Eastern nations also started providing development assistance with the establishment of the Kuwait Fund for Arab Economic Development in 1961. Similar development funds were started by Abu Dhabi and Saudi Arabia in the 1970s. Different bilateral and multilateral aid agencies of Arab countries have been providing development assistance including grants, loans, guarantees and technical assistance at highly concessional rates.

The 1980s witnessed a sea change in the development assistance priorities of Western donors. Major donor countries began to uphold market-oriented neo-liberal policies during the 1980s unlike the active role of the state in economic development being widely recognised earlier. This began to reflect in donor countries' development policies as well and they started to insist that recipient countries introduce market reforms. The World Bank and the International Monetary Fund (IMF) were also aggressively promoting a development doctrine emphasising economic liberalisation, privatisation and globalisation during the same period. Development assistance began to be increasingly linked to the implementation of stabilisation and structural adjustment policies by recipient countries. Due to widespread criticisms against market-based approaches, the World Bank and the IMF again changed their development doctrine in 1990s in

5. Nowak, Wioletta (2014), 'The Evolution of Development Assistance', Journal of US-China Public Administration, May, Vol. 11, No. 5, p.455

6. Ibid, pp.455-56

7. Kanbur, Ravi (2003), 'The Economics of International Aid', Handbook of the Economics of Giving Altruism and Reciprocity, Edited by Serge Christophe Kolm and Jean Mercier Ythier, North-Holland, p.5.

<http://www.arts.cornell.edu/poverty/kanbur/handbookaid.pdf>

8. Nowak, Wioletta(2014), Op.cit., p.457

favour of poverty reduction policies and started to recognise the role of the government in the growth and development process, all the while stressing on the need for accountability of the Governments.⁹

During the early years of the present century, DAC countries have further shifted their emphasis by focusing on achieving the Millennium Development Goals (MDGs). Improving aid effectiveness has also become another important objective of major western donors. DAC countries have also been focussing on issues like poverty alleviation, sustainable development, development of trade capacity in the recipient countries, gender equality, women empowerment, violent conflict prevention, etc. The DAC donors consider security from violence and good governance as fundamental for sustainable economic, social and political development.¹⁰

In their effort to reform the international aid architecture for enhancing aid effectiveness, traditional donors held a series of High Level Forums in Rome (2003), Paris (2005), Accra (2008) and Busan (2011). The Paris Declaration on Aid Effectiveness at the Paris High-level Forum in 2005 and the Accra Agenda for Action in 2008 to strengthen, build on and accelerate the progress towards aid effectiveness have become the foundation for the OECD-DAC approach to foreign assistance. Several non-DAC donors have also ratified the agreement. India became a signatory in 2006. The inclusion of non-DAC actors in the deliberations is indicative of a gradual change towards more inclusive and representative forums in the international aid architecture that had been earlier entirely dominated by DAC/Western donors.¹¹

The 21st century has also seen the increasing presence of emerging donors like China, India, Brazil and South Africa. The highlight of development assistance by these donors is that their development cooperation programmes do not carry strict conditionalities for the receiving country whom they regard as a development partner rather than just an aid recipient.

International Aid Architecture

As we have been discussing, western industrialised countries have been in the forefront of international aid giving since the Second World War. The development cooperation policies of this group have been coordinated through DAC. The non-DAC countries that have gained prominence during the last few decades as aid providers include emerging economies like China, India, Brazil, Russia, and oil-rich countries like Saudi Arabia, Venezuela, etc. In the matter of the volume of development assistance provided, the non-DAC donors lag far behind the DAC members whose contribution is estimated to be 86.6 per cent of the total global development cooperation flows. According to OECD estimates, development cooperation flows from non-DAC countries formed 13.4 per cent (US\$23.5 billion) of the estimated global total of US\$174.9 billion in 2013 (See Table:1.1). As mentioned earlier, the actual share of the non-DAC donors in total global flows would be much higher as the above figures form only an approximation of the wide-ranging development cooperation activities of the non-DAC countries. Although a few non-DAC countries report their aid statistics partially or fully to the DAC, most of the large emerging donors like China or India, do not.

At present, the international aid architecture broadly consists of three major groups of donors: Traditional Donors, Arab Donors and Emerging Donors.

9. Kanbur, Ravi (2003), *Op.cit.*, p.8

10. Nowak, Wioletta (2014), *Op.cit.*, p.460

11. Mawdsley, Emma (2012), *From Recipients to Donors: Emerging Powers and the Changing Development Landscape*, Zed Books, London, pp. 39–40

a. Traditional Donors

Traditional donors comprise the OECD countries belonging to North America, Western Europe and Japan. The aid policies of these developed countries are formulated and co-ordinated through DAC. From the beginning, DAC members dominated the global aid regime, with almost total domination during 1990s.¹² However, since 2000s the picture changed with the emergence of several non-DAC donors in the international aid scenario.

In 2013, DAC donors altogether transferred US\$151.4 billion to recipient countries.¹³ Among the DAC members, the largest donor countries in 2014 were USA, UK, Germany, France and Japan. The DAC countries channelled 39 per cent of their ODA to and through the multilateral aid system and 16.1 per cent of total bilateral aid through civil society organisations (CSOs). Although the United Nations has set the ODA target at 0.7 per cent of the Gross National Income (GNI) for developed countries, the net ODA as a percentage of GNI for DAC countries as a whole was only 0.29 per cent in 2014. However, the ODA flows from Denmark, Luxembourg, Norway, Sweden and UK actually exceeded the 0.7 per cent mark. Thus there exists no uniformity among DAC members regarding aid-giving as a proportion of GNI. While some members do not provide any tied aid, some others give partially tied aid. The DAC in general has been in the process of untangling aid provided to the recipients.

b. Arab Donors

Saudi Arabia, Kuwait and the UAE form the major donors among the oil-rich Arab countries. They together have been providing the major proportion of the total Arab ODA. Arab aid accounted for 13.5 per cent of the global ODA during the 1973–94 period.¹⁴ Recently, Qatar has also emerged as another Arab donor. In 2013, the United Arab Emirates (UAE) provided US\$5.4 billion as total net ODA. It came to about 1.34 per cent of its GNI. Saudi Arabia's development cooperation amounted to US\$5.7 billion in the same year. The ODA provided by the Kuwait Fund for Arab Economic Development was US\$186 million in 2013, although this figure forms only a part of the total development cooperation provided by Kuwait.¹⁵

Although Arab donors are not members of DAC, they report a part of their aid details to DAC. But their aid policies are quite different from that of DAC. Arab donors mainly provide aid to other Arab or Muslim countries. Several countries of sub-Saharan Africa are also beneficiaries of Arab aid. Development assistance is mainly provided for infrastructure projects. Arab aid is generally untied and made available with hardly any conditionalities. A major part of Arab aid is given as bilateral assistance and only a small proportion of the total aid is provided multilaterally. Arab aid is basically different from the DAC model as it primarily remains concentrated regionally and is more openly influenced by social solidarity and religious ties.¹⁶

12. Sridharan, Eswaran (2014), *The Emerging Foreign Assistance Policies of India and China: India as a Development Partner*, Final Draft, March, p.4.

<https://casi.sas.upenn.edu/.../E.%20Sridharan%20-%20DRC,%20India%...>

13. For details, see OECD (2015), *Op.cit.*, p.293

14. Walz, Julie and Ramachandran, Vijaya (2011), *Brave New World: A Literature Review of Emerging Donors and the Changing Nature of Foreign Assistance*, Working Paper 273, Center for Global Development, Washington DC, p.4

15. See OECD (2015), *Op.cit.*, pp. 298–99

16. Walz, Julie and Ramachandran, Vijaya (2011), *Op.cit.*, p.12

c. Emerging Donors

The group of emerging donors consisting of countries like China, India, Brazil, South Africa, Russia, Venezuela, etc., is engaged in South-South development cooperation. The prominent emerging donors like China, India, Brazil and South Africa are regional powers. They prefer to call their development aid programme as mutual assistance. Among the emerging donors, China is the biggest donor country. According to OECD estimates, China's total concessional development finance alone amounted to US\$3 billion in 2013, while India's total concessional finance for development was US\$1.3 billion in the same year.¹⁷ "Although aid from this group does not impose policy conditions for aid, the majority of their aid is tied to the use of donor-country goods and services, contractors or oil imports or packaged with commercial deals and foreign direct investment in an era when DAC aid is moving to untied aid. Aid from this group of countries is much less transparent as regards data and disaggregation."¹⁸ Unlike DAC having a donor-recipient 'vertical' model, South-South Cooperation has more a 'horizontal' model by way of mutually beneficial relationships, largely motivated by the promotion of bilateral and regional trade and investment.¹⁹

Emerging donors are largely engaged in bilateral and regional development cooperation. They focus mainly on infrastructure projects and technical cooperation. Their trade and investment interests particularly target resource-rich African countries. Traditional donors view the emergence of this new group of donors with much concern as they think that provision of large amount of aid by too many donors without proper coordination could have several negative consequences. However, aid-receiving developing countries welcome development assistance from the emerging donors as an alternative source of funds with less conditionalities and more policy space.²⁰

South-South Development Cooperation Evolution and Growth

Against the general perception that it is the developed countries that have been providing aid to relatively poor counterparts, there has occurred, since the turn of the century, a significant spurt in the volume of development cooperation among the countries of the South. South-South development cooperation continued to make remarkable progress even during the Great Recession that started in 2008. With the economic slowdown in developed countries, developing economies have been considering South-South Cooperation as an alternative source of support. Further, it provides them an option to avoid the conditionalities of DAC and multilateral institutions like the IMF. South-South development partnership includes trade, foreign direct investment, credit relations and development assistance. Although most South-South trade is intra-regional, supra-regional trade is also increasing.²¹ Major donors like China, India, Brazil and South Africa are considered to be regional powers and together they contribute 25 per cent of the global domestic product and have 40 per cent of the world's population.²² Even though all these emerging donors have to deal with domestic economic problems and poverty, they have captured international attention through the rising levels of development assistance they provide to other

17. OECD (2015), Op.cit., p.301

18. Sridharan, Eswaran (2014), Op.cit., p.7

19. Walz, Julie and Ramachandran, Vijaya (2011), Op.cit., p.14

20. Paulo, Sebastian and Reisen, Helmut (2010), 'Eastern Donors and Western Soft Law: Towards a DAC Donor Peer Review of China and India?', Development Policy Review, 15), p.535

21. Chahoud, Tatjana (2008), Southern Non-DAC Actors in Development Cooperation, (Briefing Paper 13), DIE, Bonn, p.1

22. Reality of Aid (2010), South-South Cooperation: A Challenge to the Aid System, Special Report on South-South Cooperation, p.1 <http://www.realityofaid.org/wp-content/uploads/2013/02/ROA-SSDC-Special-Report1.pdf>

developing countries. The socio-economic structure of these new donors defines a 'dual position' as developing countries on the one hand and development partners in their external relations on the other.²³ Even though the emerging donors have been perceived as a threat to the dominance of the traditional donors, the assistance they give continues to be only a small proportion of the total aid provided by traditional donors.

Contrary to the popular understanding, South-South development cooperation is not a recent phenomenon. In fact, it has a long history. Countries like India and China have been providing development assistance to other developing countries, particularly in their neighbourhood for more than five decades. The Bandung Principles – a ten-point declaration on promotion of world peace and cooperation – have been considered by many developing countries as their main guidelines in development cooperation. These principles were adopted by the first Africa-Asian Conference in 1955 at Bandung, Indonesia. The Bandung Conference paved way for the creation of the Non-Aligned Movement (NAM) that marked the beginning of a collective voice for the South in the bipolar world of the 1950s. The Bandung Principles continue to be the guidelines for not only the Non-Aligned Movement and G-77, but also for the entire South-South development cooperation.²⁴

Major Features of South-South Development Cooperation

Some generally observed features of South-South development cooperation are delineated below:

Southern donors are guided by the principle of 'equality and mutual benefit' instead of the 'donor-recipient' relationship found in the traditional model of development assistance. They consider other countries engaging in development cooperation as 'development partners'. Since many of the emerging donors share common experiences with colonialism and Western involvement, they would like to have their development cooperation initiatives with other developing countries as a partnership, rather than as a new form of colonialism.²⁵ Broadly speaking, Southern donors are guided by the principles of non-interference and respect for sovereignty of the programme country. As a result, interference in the internal affairs and policies of the partner countries is generally avoided by the emerging donors. A major criticism raised against traditional donors and major multilateral donors is about attaching macroeconomic and governance conditionalities in their development assistance programmes. However, conditionalities are seldom attached by the donors of the South. Moreover, they have greater flexibility and less procedural delays.

Unlike traditional development cooperation flows from the North, geographical proximity has been a major determinant in most of the southern bilateral development cooperation programmes. It may be partly due to cultural or historical reasons or to promote local stability and security or boost the image of the donor in the region.²⁶ Southern development assistance, in the form of loans and technical cooperation, is often offered as grants or at concessional rates, making it attractive to partner countries. A major proportion of southern development cooperation is bilateral assistance and only a small proportion is channelled through multilateral organisations.²⁷

23. Six, Clemens (2009), 'The Rise of Postcolonial States as Donors: A Challenge to the Development Paradigm?', Third World Quarterly, Vol.30, No.6, p.1110

24. Chahoud, Tatjana (2008), Op.cit., p.2

25. Walz, Julie and Ramachandran, Vijaya (2011), Op.cit., pp.16-17

26. Reality of Aid (2010), Op.cit., p.11

In recent times, traditional donors direct their development assistance more towards social sectors like health and education of the recipient countries. Southern donors, however, provide a sizeable part of their assistance for investment in infrastructure and productive sectors, with a relatively smaller share for social sectors.²⁶ Promotion of their own trade and investment interests has also been an important reason for many southern countries providing development assistance. Assistance from the emerging donors for different development projects is often tied in varying degrees. The volume of development assistance they provide often varies with fluctuations in the economic growth of the donor country as is evident from the development cooperation initiatives of China, India, Arab countries, etc.

Positives

South-South development cooperation is likely to become stronger in the years to come as it has several advantages over aid from traditional Northern donors. Southern donors offer greater choices for the recipient countries, especially at a time when Northern assistance could be dwindling due to the global economic slowdown. Further, Southern donors have more familiarity with the socio-cultural and political conditions and the technological requirements of the recipient countries. Therefore, technical assistance from emerging donors would be more appropriate to local conditions and relatively cheaper. South-South Cooperation is also found to be more cost-efficient. As South-South development cooperation has less bureaucratic procedures, projects could be completed faster.²⁷ Yet another advantage is that the Southern donors could draw on their own experience in the various capacity development programmes in areas like health, education, technical cooperation, etc.³⁰

Concerns

Traditional donors have raised several concerns about the development cooperation programmes of the emerging donors of the South. Since most of the Southern donors do not report details of the amount involved in their development cooperation to DAC or any other body, it is very difficult to get an idea about the magnitude of South-South development cooperation. Lack of transparency makes quantitative analysis of development cooperation of emerging donors of the South difficult. Official secrecy of different donors and recipients has several negative consequences including corruption.

Many South-South Cooperation programmes are pursued just as government-to-government affairs on a commercial basis. These initiatives are seldom subjected to the scrutiny of parliaments or Civil Society Organisations (CSOs). This aspect erodes democratic ownership and accountability of many of the development partnership programmes.³¹ DAC has raised several concerns like the possibility of emerging donors supporting 'rogue states', increasing the levels of indebtedness of the recipient countries, ignoring environmental protection norms, tendency to focus largely on only extracting resources, undermining the improvements that have been made over the past several decades, etc. Such concerns are mainly targeted against China regarding its large scale investments in different countries of transition, particularly in Africa. Although some of the concerns could be genuine, emerging donors generally consider these concerns to be hyped up by the traditional donors of the North who feel threatened by the growth in the

26. Reality of Aid (2010), Op.cit., p.11

27. Chahoud, Tatjana (2008), Op.cit., p.3

28. Ibid., p.3

29. Ibid., p.3

30. Reality of Aid (2010), Op.cit., p.16

volume and importance of South-South development cooperation in the global aid regime. According to Southern donors, development cooperation initiatives of several major OECD countries are yet another tool to promote their commercial and strategic interests over developing countries.

Lessons for India

The above analysis provides us a background of the current global aid regime which has been dominated by the developed countries. In the light of such an understanding, we are able to situate India's development cooperation in the larger international context. The emergence of Southern donors could bring about positive changes in the international aid architecture in evolving more acceptable standards in the development cooperation initiatives that could contribute to effectively reduce poverty and deprivation in partner countries and promote sustainable development. Although South-South development cooperation has great significance in today's world, the idea of development cooperation cannot be seen in isolation. Southern donors including India, have to learn from the positive as well as the negative aspects of the development cooperation experiences of the Northern donors during the past several decades.

As a developing country that has since Independence been providing development assistance to other developing nations, enabling them to achieve socio-economic development, India could learn from the DAC/OECD development cooperation initiatives that in recent times have been increasingly focussing on achieving Millennium Development Goals (MDGs) and Sustainable Development Goals (SDGs). India could incorporate in its development cooperation policies the brighter aspects of successful integration of human development and sustainable development within the framework of development cooperation as done by the OECD countries. Further, development cooperation activities of India and other Southern donors need to be better coordinated and more coherent like the traditional donors of the North. India thus needs to develop its own policy framework adapting the positive aspects and avoiding the negative ones of the DAC experiences.

Based on the broad understanding of the structure and dynamics of the global aid regime as discussed in the present chapter, we may proceed to analyse India's development assistance programmes in the next chapter that mainly deals with the evolution, rationale, structure and future prospects of India's development cooperation.

31. Ibid., p.16

India's International Development Cooperation

Indian economy has been registering a relatively high rate of growth during the years following the economic reforms that were introduced in the early 1990s. India has been among the few economies that could weather the Great Recession from which most other countries of the world are yet to recover. Consequently, India is now viewed increasingly as an emerging economic power. This change in the stature of the nation has given the country an opportunity to increase its geopolitical influence regionally as well as internationally. India has been using development cooperation as an important tool not only for realising her economic, political and strategic ambitions, but also for the socio-economic development of other developing countries.

Development assistance is not an entirely new phenomenon for India. She has been involved in development cooperation since the initial years of Independence and it was largely an expression of her solidarity with other developing nations. Most of them were newly independent countries with a shared history of colonial subjugation. Though India does not have a declared policy on development cooperation, her policies are largely based on the Bandung and Panchsheel Principles – non-interference and mutual respect for sovereignty being the chief guidelines. Unlike aid from Northern donors, India's development assistance does not have too many conditionalities. Further, the effectiveness of India's development assistance in reducing poverty and inequality is also considered to be relatively high as her development cooperation initiatives are 'demand driven', or according to the priorities of the recipient countries.

With the growth of the Indian economy and the consequent rise in the economic and political clout of the country, the volume and diversity of its development cooperation have also increased. However, India is neither a member of the Development Assistance Committee (DAC) nor does she report aid statistics to the DAC. India's active role in the NAM and in the BRICS (Brazil, Russia, India, China and South Africa) has contributed much to her emergence as a leader in the South-South development cooperation. Her role and participation in the regional and international multilateral institutions and groupings have also been increasing steadily. India's aspiration for the membership of the UN Security Council has also been a driving force behind the growth of her development cooperation initiatives in recent times.

Evolution of India's Development Partnership

After Independence in 1947, India started development cooperation initiatives as early as 1949 by providing scholarships and humanitarian aid to other countries.¹ At first, development assistance was provided to the neighbouring countries of Nepal and Bhutan during 1950s. India started giving programme-based aid as annual grants to these countries from 1959. From the beginning, Indian development cooperation was part of a conscious effort to build solidarity with other Afro-Asian nations and to promote economic cooperation among post-colonial states.² Though the aid amounts were small in the beginning, these helped India earn tremendous goodwill among the partner countries. During the period of cold war, India's development cooperation was largely with neighbouring countries and members of the Commonwealth and NAM, mainly from sub-Saharan Africa.³ Development assistance was provided largely by way of grants and loans during the early years after Independence. However, with the establishment of the Indian Technical and Economic Cooperation (ITEC) in 1964, Indian development cooperation took a new form by providing technical training and capacity building facilities to other developing nations. India could strengthen its soft power considerably through the ITEC initiatives in subsequent years.

With the introduction of economic liberalisation and opening up of the economy during the early 1990s, India's development cooperation programmes also increased substantially. Over the years, India has become the largest provider of aid to Bhutan and is emerging as a major donor to Afghanistan, Nepal, and Maldives and to several sub-Saharan African countries. At present, India plays a prominent role in the reconstruction of Afghanistan. By the turn of the century, India's development assistance programmes got larger and more diversified with the introduction of new tools like the Lines of Credit (LoC) scheme introduced in 2004. Lines of Credit are largely concessional loans. While a major part of India's development assistance in the form of grants is given to South Asian neighbouring countries, about two-thirds of the LoC are provided to Africa. The total amount of LoC that India has extended to partner countries exceeded US\$11 billion by early 2016.⁴

Rationale for India's Development Cooperation Initiatives

As we have seen, development cooperation has been an integral part of India's foreign policy since Independence. India has all along been relying on development assistance as a policy tool for increasing its soft power at both regional and international levels. Since the 1950s, the Panchsheel Principles have been the guiding principles of India's foreign policy. These principles were later extended to formulate the Bandung Principles in 1955. During the early years after Independence, India's development cooperation policy was largely ideological and political. But, after introducing the economic reforms in the 1990s, it became more influenced by geo-economic considerations. Of late, India's development cooperation is increasingly being guided by its growth-driven strategy.

1. Chaturvedi, Sachin (2012a), '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
2. Sharan, Vivan, Campbell, Ivan and Rubin, Daniel (2013), *India's Development Cooperation: Charting new approaches in a Changing World*, Special Report, ORF, Issue 2, July, p.3 <http://www.saferworld.org.uk/resources/view-resource/751-indias-development-cooperation>
3. Mullen, Rani D (2012), 'India Flexes Its Foreign Aid Muscle', *Current History*, April, p.154
4. <http://www.eximbankindia.in/lines-of-credit>

Undoubtedly, geo-strategic considerations strongly influence India's development partnerships. For instance, India considers maintaining close ties with Nepal and Bhutan to be crucial for its border security. Although Bhutan and Nepal do not have much economic significance for India, they are extremely important to India for security and strategic reasons. However, development partnership with India is vital for both Bhutan and Nepal as India now accounts for a sizeable share of their imports and exports. Concern over growing presence of China in the Indian Ocean is one of the reasons for India's attempts to strengthen the development partnerships with countries like Maldives and Sri Lanka. Similarly, India has considerable geo-political interest in the case of Afghanistan and Myanmar. India's development assistance in her neighbourhood is greatly conditioned by the objective to reduce the influence of China and to some extent that of Pakistan.

Commercial interests have become a more visible aspect of Indian aid policy. This is evident in India's development partnerships with resource-rich countries of Africa, Afghanistan, etc. As mentioned earlier, the development partnership with African countries is also guided by competition with China, despite the latter being way ahead in terms of investments in the African continent.

Quest for resources as well as for markets is a major driving force behind India's development cooperation programmes during the last decade. Development partnerships enable India to secure markets for Indian products as India's aid quite often is extended as tied grants and loans that require the purchase of Indian goods and services. Growing domestic markets of many of these partner countries offer huge demand potential for Indian goods and services in the future too.

India's approach regarding investments in partner countries differs vastly from that of China or western multinationals. While they usually take majority stakes in their investments, import much of the skilled manpower from home and repatriate profits, Indian investments are generally in sectors that build local capacity or local consumption and are found to promote long-term development of the host country.⁵

Over the last several decades, India has been assisting the economic development of its partner countries. For example, in Bhutan and Nepal, the main focus of Indian assistance is on infrastructural projects like roads, bridges, power generation, transportation, etc. A major share of foreign direct investment in Bhutan and Nepal also comes from India. India is also one of the largest investors in Sri Lanka providing several LoC for the development and restoration of railways, harbours, thermal power plants, telecommunication network, etc. India has played a major role in the reconstruction and development of Afghanistan. India has undertaken projects in several sectors including road construction, hydroelectricity, power transmission, telecommunications, industry and agriculture. This makes India the fifth largest bilateral donor to that country.

Indian companies, both public and private, are found to invest increasingly in various African countries. By the end of the first decade of the 21st century, Indian foreign direct investment in Africa had reached US\$105 billion. Although China has a much larger presence in Africa than India, several prominent Indian private business houses have made large investments in Africa, particularly in South Africa in sectors like automobile, information technology, pharmaceuticals, etc. Building of a fibre-optic network viz., Pan African E-Network Project is one of the most prominent Indian initiatives. India's participation in the New Partnership for Africa's Development (NEPAD) and the Techno-Economic Approach for Africa-India Movement (Team-9) Initiative is also significant. India has also been one of the largest contributors to

5. Chanana, Dweep (2009), 'India as an Emerging Donor', Economic and Political Weekly, Vol. 44, No. 12, p.13

peacekeeping in Africa. India had been part of the UN Peacekeeping Forces in Burundi, Ivory Coast, the Democratic Republic of Congo and the UN Mission in Eritrea and Ethiopia (UNMEE).⁶

India has been playing a proactive role in strengthening the socio-economic infrastructure and human resource development in other developing countries. India's development cooperation has always been focusing on capacity building in partner countries. India has been offering large number of scholarships to students and trainees from the government and other sectors including defence sector of partner countries through the various ITEC/SCAAP/ICCR programmes. Social sectors like education and health have been priority areas for India's development cooperation with assistance provided to build up several hospitals, technical education institutes, etc., in many of her partner countries in Asia and Africa.

Under the Small Development Projects (SDPs) programme also, large amounts of aid is directed to sectors like human resource development and health care. India's development assistance in human resource development and capacity building has helped most of the development partner countries to improve their performance in meeting their MDGs to a certain extent. India could also play a positive role in helping them achieve the SDGs in the coming years.

Transition from Recipient to Donor

A drastic shift has been occurring in India's development cooperation during the early years of the present century. From a predominantly aid receiving country, India has transformed herself to play the dual role of an aid recipient as well as a major donor to other developing countries, regarding them as her development partners. After Independence till 1990s, India was a major aid recipient nation. During 1960s, India was even a recipient of food grains under the PL 480 scheme of the United States. India remained as an aid receiving country for several more decades. India was also one of the largest borrowers of multilateral agencies like the World Bank and IMF. From being a net borrower, India has successfully transformed herself to become a net creditor of aid.

Visible changes have taken place in the international image of the country following sustained high growth rate of the economy in recent times. Factors like huge accumulation of foreign exchange reserves, rapid rise in the size of middle class population, increase in the number of globally competitive Indian companies, and others, have enhanced the stature of the country at the international level. From being dependent on foreign aid for several decades, the country has now become a net exporter of capital.⁷

Likewise, after being a borrower from the IMF and the World Food Program, India became a net creditor to these organisations by 2003. In the same year, India laid out its new aid policy and decided not to accept tied aid any more. The high growth rate of the economy together with accumulation of large foreign exchange reserves have provided India the flexibility to stop accepting aid from all the donor countries by setting a minimum ceiling for incoming aid (US\$25 million). In 2003, India chose to accept bilateral aid only from five countries such as UK, US, Russia, Germany and Japan in addition to the European Union (EU). But, a few more countries were added to the list in 2004. Other bilateral donors were asked to provide their

6. Sridharan, Eswaran (2014), The Emerging Foreign Assistance Policies of India and China: India as a Development Partner, Final Draft, March, p.55
<https://cas.sas.upenn.edu/.../E.%20Sridharan%20-%20IDRC,%20India%...> (accessed 16 March 2016)

7. Agrawal, Subhash (2007), Emerging Donors in International Development Assistance: The India Case, Research Report, IDRC-CRDI, December, p.3

funds through NGOs, UN agencies or other multilateral institutions.⁸ India also decided to repay bilateral credit to fifteen countries in 2003, following which India's bilateral debt remained only with Germany, Japan, US and France. Meanwhile, India cancelled debts worth US\$24 million owed to it by seven Heavily Indebted Poor Countries (HIPC) of Africa.

Although India continues to be an aid receiving country even today, the share of grants in the overall assistance has drastically declined. For instance, while India received an overall assistance of US\$8287 million in 2010–11, the proportion of loans formed US\$7679 and grants a meagre US\$608 million. The share of loans in the total assistance received increased from 81 per cent in 1981–82 to as high as 93 per cent by 2010–11.⁹

India's refusal to accept humanitarian aid during tsunami in 2004, earthquake in Northern parts of India in 2005 and Mumbai flooding in 2006 also reveal its eagerness to be seen more as a provider of development assistance rather than as an aid recipient. At the same time, India has always been in the forefront in providing humanitarian assistance to neighbouring countries afflicted by natural calamities. For instance, humanitarian assistance was rushed to Sri Lanka in 2004 following tsunami and to Myanmar in 2008 after Cyclone Nargis. In recent times, India has given humanitarian assistance to several countries including Sri Lanka, Nepal, Myanmar, Serbia, Bosnia Herzegovina, the Philippines, Croatia, Syria, Solomon Islands, Burundi, etc. India has also been providing supplies of medicines and vaccines to several countries in Asia and Africa.¹⁰

India's aspiration to be a regional power in its Asian neighbourhood in competition with China is evident in its development cooperation initiatives. The strategic and commercial interests of the country are reflected in its increasing development partnership with African nations. The competition with China exists in India's quest for the African energy resources and markets as well. Development partnerships with different developing countries have also been utilised by India to seek their support for its claim for membership in the UN Security Council. In recent times, India has become more active in various developing country groupings, particularly the BRICS and various other multilateral blocs and aid consortiums including WTO, G-77, G-20, NAM, Commonwealth, UN Economic and Social Council (ECOSOC), India-Brazil-South Africa (IBSA) Dialogue Forum, South Asian Association for Regional Cooperation (SAARC), and others.

India's contributions to multilateral agencies like the IMF, Commonwealth Fund for Technical Cooperation (CFTC) and the United Nations were also enhanced during the first decade of the century. India was the co-founder of the Global Network of EXIM Banks and Development Finance Institutions in 2006. It also helped in setting up the Development Cooperation Forum (DCF) under ECOSOC in 2007.¹¹ All these may be seen as part of India's leverage for a greater strategic role regionally as well as globally and as an attempt to emerge as a leader of the South-South development cooperation.¹²

8. See Bijoy, C.R (2010), 'India: Transitioning to a Global Donor', in *The Reality of Aid, South-South Cooperation: A Challenge to the Aid System?*, 68 (Special Report on South-South Cooperation 2010), pp.67–68 http://www.realityofaid.org/userfiles/roareports/roareport_3ce2522270.pdf

9. Chaturvedi, Sachin (2012b), 'India's Development Partnership: Key Policy Shifts and Institutional Evolution', *Cambridge Review of International Affairs*, Vol. 25, No. 4, p.566

10. Ministry of External Affairs (2015), *Annual Report 2014–15*, Government of India, New Delhi, p.164

11. Sridharan, Eswaran (2014), *Op.cit.*, p.29

12. See Bijoy, C.R (2010), *Op.cit.*, p.67

Administrative Structure

At present, India's development cooperation programmes are carried out mainly under the leadership of the Ministry of External Affairs (MEA). MEA has various divisions and institutional arrangements for its operations. It directly operates some of the largest bilateral programmes, technical training and cultural assistance programmes. From 2012, the major activities related to India's development partnerships are coordinated through the Development Partnership Administration (DPA) of the MEA. It mainly manages grants extended by India to other countries; training and technical assistance provided by the Indian Technical and Economic Cooperation (ITEC) and Lines of Credit (LoC) given to other developing countries through the EXIM bank. Moreover, the Indian Council for Cultural Relations (ICCR), set up with the specific objective of strengthening cultural relations and mutual understanding between India and other countries, is also placed under the MEA.

Development Partnership Administration

India's instruments of aid mainly consist of grant assistance, capacity building and training by ITEC and the LoC (See Figure: 2.1). In recent times, with the increase in the quantum and tools of development assistance, there has arisen the need for streamlining the development cooperation programmes that were being handled by multiple agencies and ministries. In order to coordinate this process, the Development Partnership Administration (DPA) was established in 2012 and was placed under the Ministry of External Affairs (MEA).

The DPA at present is India's official agency for international development cooperation. It is expected to coordinate and rationalise the delivery of aid. DPA is entrusted with the formulation, implementation and evaluation of India's development assistance programmes. It also coordinates trade and investment, transfer of technology, financing through credit and capacity building using technical and economic cooperation.

The agency has three divisions. DPA-I mainly deals with the LoC projects under the Indian Development and Economic Assistance Scheme (IDEAS) of the Ministry of Finance. DPA-II is responsible for capacity building and training, ITEC and humanitarian assistance. DPA-III looks after project implementation, working closely with the concerned ministries, departments and agencies.

Figure: 2.1 Structure and Major Tools of India's Development Cooperation



The DPA functions in close coordination with the different Territorial Divisions of MEA. Since DPA has been placed under MEA, it is obvious that development cooperation of the country is not independent of the broader foreign policy strategy and national interests.¹³ The DPA has been developing the expertise required to handle projects in different sectors and regions through the various stages, including project appraisal, implementation, monitoring and evaluation.

a. Grants and Loans

India provided altogether US\$6965 million as grants and loans other than the LoC extended by the EXIM Bank during 1997–2013 period.¹⁴ About 30 per cent of the total was under Plan grants and loans as part of India’s Five-Year Plans. Non-Plan grants and loans formed 70 per cent of the total. Grants have dominated both Plan aid (53 per cent) and Non-Plan aid (82 per cent). While plan grants were given largely to Bhutan and Nepal, non-Plan grants and loans went mainly to India’s South Asian neighbours, Afghanistan and Africa. Infrastructure, health and education sectors receive most part of the Indian development assistance in South Asian countries.

Among neighbouring countries, Bhutan received the largest proportion of aid and concessional loans. The Small Development Projects (SDPs) programme that was first introduced in Nepal in 2003 and then in Bhutan mainly focuses on education, health and infrastructure. The programme is widely spread in both the countries. From 1960, India started to provide programme-based support to different aid programmes in Bhutan and Nepal rather than the sectoral support that it used to give earlier.¹⁵ Though India has several multi-sectoral partnerships with Sri Lanka, India’s assistance in the resettlement of Internally Displaced Persons (IDPs) in Sri Lanka through a major housing project involving construction of 50,000 houses deserves special mention. Indian assistance to Maldives in recent times include the setting up of the Composite Training Centre and Institute for Security and Law Enforcement Studies (ISLES).

A number of cross-border projects are also at various stages of planning and implementation, including the Trilateral Highway between India, Myanmar and Thailand. The Kaladan Multi Modal Transit Transport Project is expected to provide connectivity between ports in India and Myanmar. Several institutions like the Advanced Centre for Agricultural Research and Education and the Rice Bio-Park at Nay Pyi Taw and the Myanmar Institute of Information Technology (MIIT) at Mandalay are being set up in Myanmar with Indian assistance.¹⁶

Development Projects with Indian grant assistance in Afghanistan include those in the areas of infrastructure development, hydroelectricity projects like reconstruction of Salma Dam (42MW) in the Herat province, power substations, agriculture-related projects, education, health, etc. The Small Development Projects scheme implemented in three phases is expected to cover all the provinces of Afghanistan. The scheme focuses on community-based projects in vulnerable border areas in agriculture, rural development, education, health and vocational training involving local ownership and management. By signing a trilateral agreement during the India-Afghanistan-Iran Summit in 2016, India has pledged US\$500 million for development of the Chabahar port in Iran. India also pledged an additional Rs3000 crore for the development of a railway line linking Afghanistan with Chabahar.¹⁷

13. Sharan, Vivan, Campbell, Ivan and Rubin, Daniel (2013), Op.cit., p.5

14. Sridharan, Eswaran(2014), Op.cit, p.24

15. Chaturvedi, Sachin(2012b), Op.cit., p.569

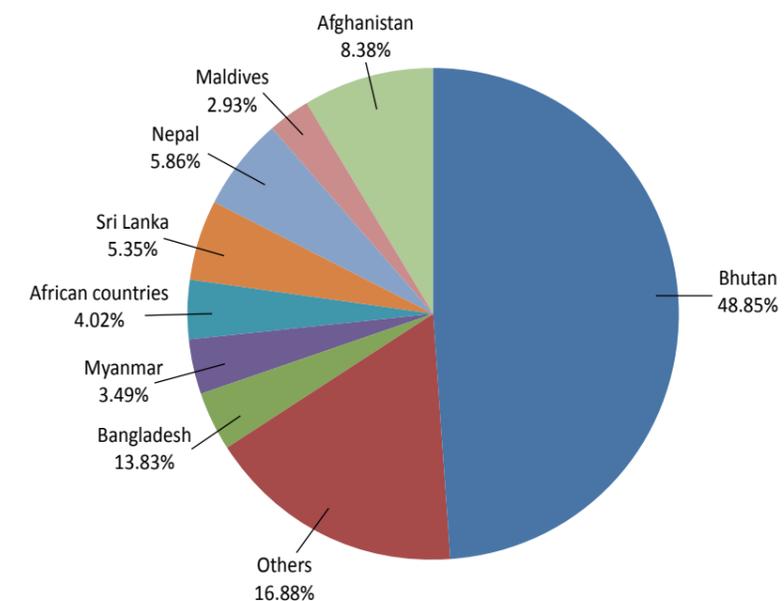
16. Ministry of External Affairs (2015), Op.cit., p.163

17. G Parthasarathy (2016), ‘India Cannot Afford to Lose the Chabahar Test’, The New Indian Express, June 5

India’s partnership with Africa is also based on a consultative approach by sharing of development experiences and addressing the priorities and needs of the respective governments. Under the grant assistance programme, India’s development partnership with different African countries included supply of Information Technology-related equipment, hospital equipment, medicines, ambulances, vehicles, tractors, agricultural equipments, etc. Aid given to African countries is mostly tied to the purchase of Indian goods and services. Support was also extended to start the pilot research project on tomato production and processing in Ghana; Centres on Geo-Informatics Application in Rural Development (CGARD) in Madagascar and Algeria; and Rural Technology Parks in Zimbabwe, Cote d’Ivoire and Malawi. Engagement with African countries through development partnerships has been strengthened periodically through the three India-Africa Forum Summits of 2008, 2011 and 2015. In the Third India-Africa Forum Summit held in New Delhi in 2015, India pledged an additional grant assistance of US\$600 million to Africa for various development projects during the next five years.¹⁸

Figure 2.2 shows the major recipients of India’s grants and loans between 2000–01 and 2013–14.¹⁹ Bhutan is the main beneficiary country receiving almost 49 per cent of the total grants and loans provided by India during this period. Almost 80 per cent of the total aid is flowing to Asian countries alone. The share of Africa is just 4 per cent in this regard.

Figure 2.2 Major Recipients of India’s Grants and Loans between 2000–01 & 2013–14



Source: Adapted from Mullen, Rani D (2014) based on IDCR calculations from Indian Budget figures

17. G Parthasarathy (2016), ‘India Cannot Afford to Lose the Chabahar Test’, The New Indian Express, June 5

18. Ministry of External Affairs (2016), Annual Report 2015–16, Government of India, New Delhi, p.174

19. Mullen, Rani D (2014), ‘The State of Indian Development Cooperation’, IDCR Report, Spring, Centre for Policy Research, p. 3

b. Technical Assistance and Training

India has initiated a number of programmes for technical cooperation with partner countries mainly through Indian Technical and Economic Cooperation (ITEC) established in 1964. Over the years, ITEC has emerged as the leading development cooperation programme of India. ITEC provides technical cooperation and capacity building facilities to other developing countries, thereby enabling them to overcome their limitations in science and technology. ITEC provides training to personnel from partner countries, gives project-based support including feasibility studies and consultancy services, deputs Indian experts abroad, arranges study tours to India and provides Aid for Disaster Relief (ADR).²⁰ A number of Indian institutes and public sector units are involved in ITEC's technical assistance programmes including Indian Institute of Management, Ahmedabad and Indian Institute of Technology, Roorkee. The ITEC programme supplemented by the Special Commonwealth Assistance for Africa Programme (SCAAP) and the Technical Cooperation Scheme (TCS) under the Colombo Plan for Cooperative and Economic Social Development in Asia and Pacific together strengthen India's capacity building initiatives for partner countries. Moreover, India has been sharing its expertise and development experience with the collaborating countries in various development projects.

During 2015–16, more than 8300 civilian scholarship slots were offered under the ITEC/SCAAP programme to 161 partner countries for different short-term and medium-term courses in various Indian institutions. The civilian training programme in 47 training institutions in India under ITEC, fully sponsored by the Government of India, includes over 280 training courses for working professionals in subjects like information technology, public administration, election management, entrepreneurship, rural development, parliamentary affairs and renewable energy.

Moreover, 500 slots were offered during 2015–16 under the TCS programme of the Colombo Plan. Human resource development, audit and accounts, commerce, information technology, textiles, financial management, insurance, and others were the main areas of training. In addition, 2058 defence training

Table: 2.1 Region-wise Distribution of ITEC Programmes as on December, 2015

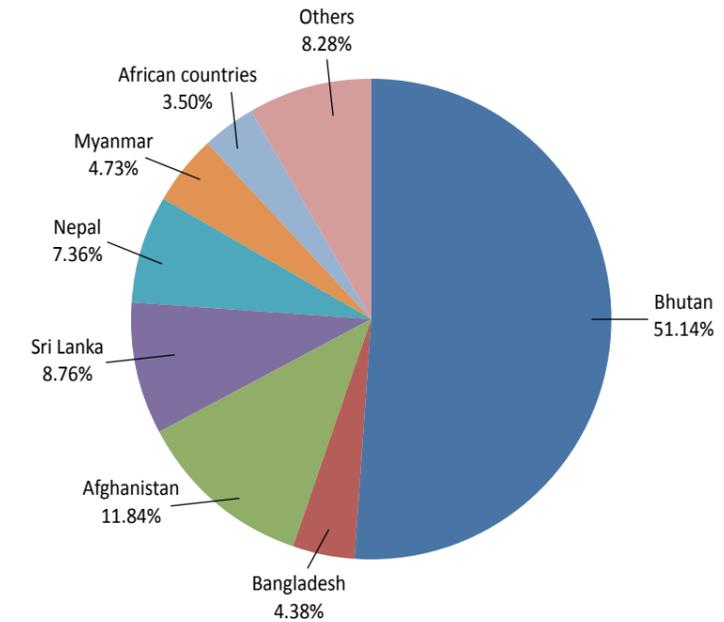
Region/Country	Amount (In INR crores)	% of Total
Bhutan	2919.40	51.14
Bangladesh	250.00	4.38
Afghanistan	676.00	11.84
Sri Lanka	500.00	8.76
Nepal	420.00	7.36
Myanmar	270.00	4.73
African Countries	200.00	3.50
Eurasia	20.00	0.35
Maldives	25.00	0.44
LAC	15.00	0.26
Mongolia	2.50	0.04
Others	410.32	7.19
TOTAL	5708.22	100.00

Source: MEA Annual Report 2015–16

20. Chaturvedi, Sachin (2012b), Op.cit., p.571

slots were allocated to partner countries during the same period. As part of its development cooperation, India has also been deputing teachers, experts and defence training teams to the partner countries.²¹

Figure: 2.3 Region-wise Distribution of ITEC Programmes as on December, 2015



Source: MEA Annual Report 2015–16

Table: 2.1 and Figure: 2.3 depict region-wise distribution of ITEC programmes as on December, 2015. Bhutan is the single largest beneficiary of India's ITEC initiatives, receiving more than half of the total. It is interesting to note that Asian countries together shared about 88 per cent of the total ITEC programmes while the share of African countries amounted to just 3.5 per cent during 2015.²²

c. Lines of Credit (LoC)

Lines of Credit (LoC) on concessional terms are one of the main instruments of India's development assistance to least developed and developing countries of Africa, Asia and Latin America. According to MEA, the LoC enable borrowing countries to import goods and services from India and undertake projects for infrastructure development and capacity building as per their developmental priorities.²³ During 2003–04, Indian Development and Economic Assistance Scheme (IDEAS) was initiated in order to provide LoC through the Export and Import Bank of India (EXIM Bank). The EXIM Bank is an apex financial institution that provides finance to promote India's international trade with other countries. The EXIM Bank provides support to partner developing countries at the behest of and with support of the Indian government. Under the LoC scheme, the EXIM Bank offers two types of programmes. One is on commercial terms while the other is on non-commercial concessional terms. Regarding the latter, the difference from the international market rate of interest is borne by the Government of India.

21. Ministry of External Affairs (2016), Op.cit., p.175

22. Ibid., p.348

23. Ibid., p.171

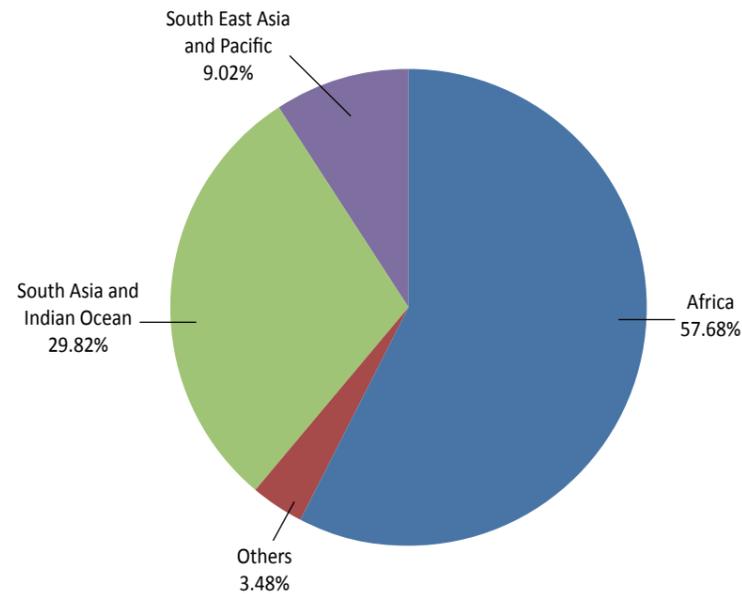
Table: 2.2 Region-wise Distribution of LoC as on March, 2016

Region	No. of LOC	Amount (in US\$ million)	% of Total
Africa	134	6608.99	57.68
Europe	1	55.60	0.49
LAC and Caribbean Islands	15	198.05	1.73
Middle East and Central Asia	3	145.00	1.27
South Asia and Indian Ocean Region	15	3416.16	29.82
South East Asia and Pacific	23	1033.24	9.02
TOTAL	191	11457.04	100.00

Source: EXIM Bank website

By March 2016, altogether US\$11.46 billion worth of 191 LoC commitments were made covering countries in Africa, Asia, Europe and Latin America.²⁴ Till March 2016, African countries had availed themselves of 134 Indian LoC amounting to more than US\$6.6 billion (See Table: 2.2 and Figure: 2.4) and received close to 60 per cent of the total LoC allocation. Countries belonging to the South Asian and Indian Ocean Regions came next with receiving almost 30 per cent of the total LoC allocation. The share of Latin American and Caribbean countries formed only a meagre 1.7 per cent of the total. In 2015, during the Third India-Africa Forum Summit held in New Delhi, Government of India announced US\$10 billion additional LoC to Africa for various development projects till 2020.²⁵

Figure: 2.4 Region-wise Distribution of LoC as on March, 2016



Source: EXIM Bank website

24. <http://www.eximbankindia.in/lines-of-credit>
 25. <http://mea.gov.in/india-africa-forum-summit-2015/index.html>

As on March 2016, the major share of LoC in the partner countries has been utilised for development of the power sector (26 per cent) and hydro electricity (18 per cent). Other sectors like agriculture (14.8 per cent), railway (13.5 per cent) and infrastructure (12 per cent) have also benefitted from Indian LoC (See Table: 2.3 and Figure: 2.5).²⁶

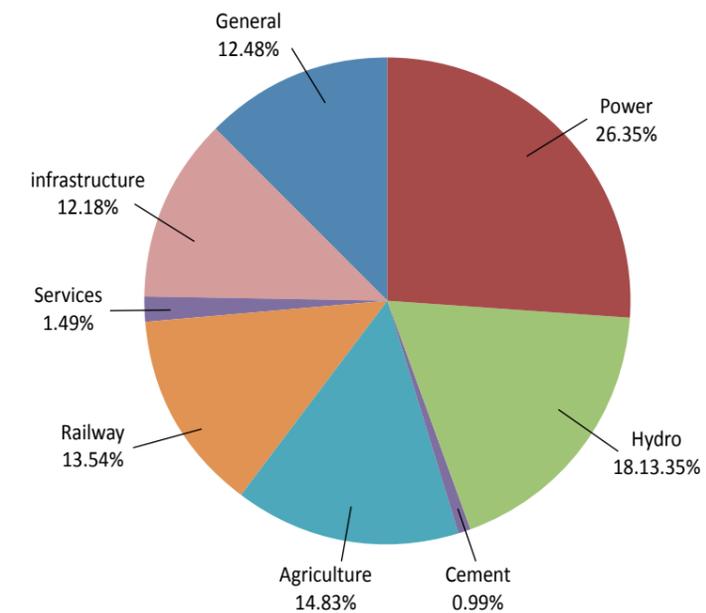
Table: 2.3 Purpose-wise Distribution of LoC as on March, 2016

Purpose	Amount (in US\$ million)	No. of LoC	% of Total
General	1429.40	20	12.48
Power	3019.23	51	26.35
Hydro	2077.46	23	18.13
Cement	113.63	4	0.99
Agriculture	1699.37	35	14.83
Railway	1551.63	11	13.54
Services	170.50	10	1.49
Infrastructure	1395.82	37	12.18
TOTAL	11457.04	191	100.00

Source: EXIM Bank website

In recent times LoC have been allocated for a wide variety of purposes in different developing countries in different continents. They include LoC for projects such as the hydroelectric power plant in Burkina Faso, agriculture mechanism in Ghana, solar diesel hybrid rural electricity in Mauritania, rice self-sufficiency in Senegal, electrification expansion and replacement of asbestos water pipes in Gambia, procurement of specialised equipment from India by Vietnam, roads in Myanmar and Guyana, power plant in Fiji, electric transmission line and substations in Nicaragua, hydropower in Nepal, and others.

Figure: 2.5 Purpose-wise Distribution of LoC as on March, 2016



Source: EXIM Bank website

26. <http://www.eximbankindia.in/lines-of-credit>

In 2010, India extended a LoC of US\$1 billion to Bangladesh. Later, US\$200 million of this amount was converted as a grant and the remaining US\$800 million was made available as LoC for 15 projects, mainly for procurement of supplies and infrastructure development. This LoC was further increased to US\$862 million. In 2015, Government of India extended another LoC amounting to US\$2 billion to Bangladesh for financing various social and infrastructure development projects. During the last decade, India has allocated LoC exceeding US\$1350 million to Nepal for projects such as hydropower, irrigation, roads, rural electrification and various other infrastructure development.²⁷

While Indian aid is widely distributed across countries like Bhutan and Nepal through a large number of small projects, India's development cooperation engagements with Bangladesh and Sri Lanka are mainly through support for large projects. At the same time, most of the development assistance to African countries is for relatively large and medium scale projects, particularly in infrastructure and agriculture.²⁸ Of late, the Indian government has been actively encouraging investments by Indian companies, particularly private sector companies in partner countries. Public sector enterprises like Oil and Natural Gas Corporation (ONGC) also have several major investments in different partner countries.

Broadly speaking, India's aid programmes mainly consist of human resource development and training, technical assistance, fellowships and scholarships, provision of goods including medicines, support for agriculture, information and communication, infrastructure development including roads and railways, power generation and transmission, etc. Such development projects, if implemented effectively and efficiently, have the potential to build a solid foundation for sustainable socio-economic development and for mitigating poverty and inequality in the partner countries.

Looking Ahead

In recent times, India is emerging as a major player in the field of development cooperation. Since the beginning of the present century, the volume and nature of India's development assistance have improved phenomenally at both regional and international levels. With the growing international clout as an emerging economic power, India is attempting to be seen as a leader of the countries of the South. Consequently, India has been actively involving in various multilateral organisations and aid-giving agencies while providing humanitarian assistance to needy countries on a larger scale than ever before. India's economic growth and technological advancement and the availability of a large pool of human resources at its disposal along with its rich experience in democratic governance has enabled India to position itself as a country that can make significant difference in the partner countries through its development cooperation initiatives. Of late, India's commercial interests are also getting more and more pronounced in its development cooperation programmes.

In order to be a major player in the field of development cooperation, India needs to revamp its development assistance programmes. The effectiveness of the development cooperation initiatives depends largely on how focussed and well-coordinated these programmes are. Although India at present is unable to match the economic might of its regional rival China, it needs to put in more money, better focus, sharper delivery, and a more professional administration.²⁹ DPA was set up to streamline and coordinate the functioning of the development cooperation machinery. However, it has still a long way to go in establishing a coherent

27. Ministry of External Affairs (2015), Op.cit., pp.162–163

28. See Sridharan, Eswaran (2014), Op.cit., pp.60–62

29. Agrawal, Subhash, (2007), Op.cit., p.14

structure. The country's development cooperation still lacks well-defined and clear objectives, approach, accounting or monitoring.³⁰

Lack of transparency and accountability exist in most of the development assistance initiatives. One criticism has been that there are no consolidated estimates of India's development assistance.³¹ More transparency and accountability, greater opportunity for parliamentary and public discussion and greater accountability to the Parliament, larger involvement of civil society organisations, better availability of disaggregated data, availability of more resources and better monitoring and evaluation are imperative to make India's development assistance programme more effective and successful. In order to enhance aid effectiveness, India needs to adopt mechanisms for impact assessment.³² A comprehensive database has also to be developed to bring about better transparency, accountability and effectiveness.

By making its development cooperation efforts more efficient and effective, India can play a bigger role in the reduction of poverty and inequality in the partner countries and enable them to achieve their SDGs. Therefore an attempt has been made in the third chapter to analyse the effectiveness of India's development cooperation.

30. Bijoy, C.R (2010), Op.cit., p.74

31. Chanana, Dweep (2009), Op.cit., p.11

32. Chaturvedi, Sachin (2008), 'Emerging Patterns in Architecture for Management of Economic Assistance and Development Cooperation: Implications and Challenges for India', RIS-Discussion Paper # 139, June, p.36

Development Effectiveness and India's Development Cooperation

India's development assistance began to attract international attention after substantial increases in the volume of aid in the last fifteen years, with active portfolio development assistance to Africa.¹ In the last twenty-five years, India's development cooperation has undergone a major policy shift in consonance with the shift in the neoliberal policy paradigm of governance in India. Following the neo-liberal shift in the economic policy and new stress on national economic growth, economic diplomacy has become a core aspect of the external affairs policy of the Government of India. Economic diplomacy focused on strengthening trade, foreign direct investments, and promoting the Indian private sector at the international level, particularly in Asia, Africa and Latin America. It is in this context that India's development cooperation moved into a new phase with substantial increase in the quantity and outreach of the development support.

During the last decade, with a steady economic growth and more resources from the new taxation framework, the government of India increased its efforts to reformulate its development partnership by extending LoC, project assistance, and significant budgetary loans for projects like infrastructure development, hydropower plants, information-technology, and enhancing transportation and manufacturing capacity, among others. It is estimated that between 2001 and 2014 there is a twelve-fold increase of India's development assistance (from INR11.86 billion in 2001 to INR147.59 billion in 2014). As per various estimates, the annual development assistance of India is in the range of US\$1.16 billion, apart from a total of more than US\$13 billion in various LoC given through the EXIM Bank of India. It is estimated that India's development assistance through grants and loans was in the range of INR80 billion (US\$1.4 billion) in 2014–15. The total development assistance portfolio of India is now comparable with some of the traditional European donors like Austria. It has been argued that in terms of purchasing power parity, India's development assistance gives more 'value' for money as the cost of services and training resourced from India is much lesser than that of Europe or the US. Given the more purchasing power parity of a US dollar spent in India, India's development assistance budget is estimated to be several times higher than its value in dollar terms at the current prices. Hence, it is argued that in terms of purchasing power parity, development assistance of India will be in the range of US\$5.30 billion, comparable to some of the largest donors in Europe, such as Norway.²

The official perspective of the experts of the MEA is that India's development assistance is not in the 'aid' framework of OECD/DAC and is 'demand driven' and 'unconditional'. The official development assistance is in the framework of 'South-South' Cooperation and based on 'mutual support and development'. However, various analyses³ of trajectories in the financing of large scale infrastructure and other projects through LoC point out that in the case of most LoC or soft-loans window, the development assistance is tied aid, with the pre-condition to purchase 75 per cent of services and goods from Indian companies. While India's development partnership is beginning to make its presence felt in countries in South Asia and Africa, there are many challenges to derive an informed analysis on development partnership of India in many countries of South Asia and Africa.

One of the major challenges is that there is no coherent definition of what 'development' means in the context of India's development cooperation. This lack of clear articulation of 'development' often poses a key challenge to evaluate development effectiveness. In the absence of a coherent 'development policy' in international development cooperation, there is blurring of the lines between 'economic development' and 'human development'. While most of the LoC are expected to enhance economic development through better infrastructure, power-generation and transportation in the recipient countries and in India (as 75 per cent of the services and goods are expected to be sourced from India), a part of the grant element also contributes towards education and health facilities in the development partner countries. However, in the absence of a coherent perspective or policy formulation like that of the OECD/DAC, it is difficult to gauge the real development effectiveness on the ground in terms of its desired outcome and long term political and economic consequence in the partner countries.

While there is a larger consensus on development in the international community, primarily based on the Millennium Declaration of the leaders of all countries in 2000 and the eight MDGs endorsed by the United Nations, India's development assistance has not integrated such a perspective or clear set of goals in its development partnership. In 2015, the United Nations, after two years of negotiations among the member countries, endorsed the SDGs. Apart from its focus on economic growth and 'make in India' policy thrust through economic diplomacy, one of the major strategic objectives of India is to play a strategic leadership role in the world in its long-standing demand to be included as a permanent member of the Security Council of the United Nations. However, India is yet to clearly define its perspective on human and social development or for that matter even whether SDGs will be integrated in the broader policy framework of India's development cooperation.

All these pose serious challenges to gauge the real development effectiveness of India within the partner countries.

Issues that affect Development Effectiveness

1. Lack of transparent, systematic and disaggregated data and analysis

Significant economic growth in the first ten years of this century and consequent increase in the quantity and outreach of India's development cooperation have resulted in new interest among development practitioners and international policy researchers in the dynamics and emergence of India's development

1. Mullen, Rani D (2014), 5 Predictions for India's Development Cooperation Under New Government, The Asia Foundation. <http://asiafoundation.org/in-asia/2014/05/28/5-predictions-for-indias-development-cooperation-under-new-government/>
2. Centre for Policy Research (2015), IDCR Report on Fifty Years of Indian Technical Economic Cooperation, New Delhi, January

3. Aneja, Urvashi and Ngangom, Tanoubi (2016), 'Elephants in The Room: Challenges for India as Emerging Development Partner', ORF Occasional Papers, Observer Research Foundation, New Delhi, February

cooperation. This has resulted in a series of studies and also efforts to critically locate the causes, content and culture of India's development assistance. However, there still exists a lack of coherent quantitative or qualitative data on the real impact and effectiveness of development assistance of India in various countries. In recent years, the Research and Information System for Developing Countries (RIS), a think tank of the Ministry of External Affairs, has produced some very useful analysis and studies. This lack of coherent information poses a problem among most of the emerging donors. Take China – with substantially increased development assistance, and a possibly much higher aid volume than most of the traditional donors in the Europe and America, the non transparency in impact data poses difficulties in disaggregating the loans, lines of credit and aid components leading to poor clarity about the exact positive or negative development outcome or impact of the development assistance of China. Despite India being a democratic country with an elected government, India's international development seems to be still a closely guarded bureaucratic exercise, devoid of transparent data information or any opportunities for public scrutiny. The budget allocations for the international development cooperation are publicly available in the budget documents of the Union Government of India, and the report of the MEA gives a sense of the broad trend. However, the challenge lies in attempting to identify any evaluation or monitoring report of development assistance to a particular country and how such investment in development has made any difference on the ground.

2. Lack of effective leveraging of ITEC with other instruments and windows of development assistance

While the first phase of India's development cooperation till the 1960s followed more of an 'idealist' framework based on solidarity to the newly independent countries in a post-colonial context, the second phase moved into a more coherent framework through ITEC launched on 15 September 1964, by a cabinet note.⁴ Though ITEC began in a modest manner, primarily providing technical capacity development and human resource development to 80 officials in the first year, in recent years ITEC has provided opportunities to around 8500 civil servants and 1500 defence personnel to avail training in 47 accredited training institutions in India. Over the last fifty years ITEC has emerged as one of the most effective approaches providing support to enhance the technical and human resource capacity of more than fifty thousand civil servants and defence personnel from 161 countries across the world. ITEC has a relatively small budget allocation of the total volume of the budget for development partnership. But this window of development assistance seems to have made very concrete achievements with technical and human resource capacity development being more demand driven and contributing to the institutional capacity development of the development partner countries.⁵

ITEC has proved to be one of the most cost-effective programmes that has on the one hand enhanced the technical and human resource capacity of the participating partner countries and on the other hand has enabled India to share its experiences and expertise in development, democracy and institutional capacity. Experts who analysed the ITEC portfolio of India also indicated that the average cost inclusive of all costs per person comes to only US\$2800.⁶ Due to better purchasing power parity, the average cost per person is many times less than that of other donor countries. While this 'value for money' provides a strategic advantage, such a training programme also helps to create 'goodwill' for India. However it is still not clear how the ITEC programme gets translated into a clear development outcome in the countries.

4. Centre for Policy Research (2015), IDCR Report on Fifty years of Indian Technical and Economic Cooperation, New Delhi, January
5. Reports of Ministry of External Affairs and the website of the Ministry of External Affairs

While ITEC programmes have a rather broad coverage of 161 countries with around 10000 participants per year, the concrete development partnership through grants, loans or LoC is much smaller in number. ITEC is the oldest cost-effective strategic initiative having a large number of countries participating in it. However, with no proper follow-up of this partnership, questions now arise as to whether it is being 'spread too thin' with no alignment with the other development grant elements such as capacity building, lines of credit, and so on. A proper follow-up would indeed have more impact.

In the past, ITEC had a grant element based on specific projects in a given partner country that also included disaster relief support. In the last five years there has been an effort to make a distinction between the capacity and human development function of ITEC and the project support or disaster relief in a given country. However, the major question is whether 'ITEC' is a stand-alone, cost-effective initiative or is it a strategic initiative in alignment with strategic objectives of partnership within a given country.

While ITEC still focuses on individual capacity development of civil servants and defence personnel, it is not clear to what extent such trainings and exposure visits to India could get translated into institutional capacity and development outcomes in a given country. Despite several years of support to enhance the technical capacity of civil servants and defence personnel and also supporting the institutional and infrastructural development of Nepal, Bhutan and few other countries, there have been questions about the real impact or long-term effect of such an incremental approach of training few hundreds or thousands of civil service professionals without necessarily contributing to the eradication of poverty or substantial economic growth.

3. Economic diplomacy and lines of credit

The first two phases of India's development cooperation largely focused on extending grants, technical assistance and training to civil servants and defence personnel. In the third phase of international cooperation from the early 1990s, economic diplomacy became a primary policy thrust to the broader framework of India's international development cooperation. It is in such a context the LoC became a major instrument of India's international cooperation.⁷ The historical and political trajectory of India's development cooperation is significantly different from that of OECD/DAC and China. While the mainstream development cooperation framework of majority of the European countries and America often was influenced most often by colonial history and post-colonial development consensus among the donors in Europe and USA, the development cooperation framework of India was based on solidarity among the newly independent nations. Such a development assistance framework also supported those countries involved in the NAM. Since inception, one of the major challenges for India's development cooperation has been that there are too many ministries and departments involved in development cooperation. In the first two phases of India's development assistance (1950–90), the major challenge had been that of a fragmented and dispersed approach involving several ministries and departments. As a result, despite all good intentions, there was only an incremental change in terms of development outcome. In the third phase of developmental assistance (1990–2000s), the development partnership of India substantially increased in alignment with the neo-liberal policy shifts. The new shift of linking national economic growth, economic diplomacy and development began in the 1990s with a framework of 'South-South' Cooperation and making use of LoC as a strategic leverage for economic diplomacy in South Asia, Africa and Latin American countries.⁸

6. Centre for Policy Research (2015), Op.cit.

7. Aneja, Urvashi and Ngangom, Tanoubi (2016), Op.cit.

8. Chaturvedi, Sachin, Fues, Thomas and Sidiropoulos, Elizabeth (2012), Development Cooperation and Emerging Powers: New Partners or Old Patterns?, Zed Books, London

The major shift towards economic diplomacy was the result of a larger neo-liberal policy framework of more open market, liberalisation of international trade and foreign direct investments. Hence, the shift towards economic diplomacy in consonance with the larger international trends. Here, one of the primary focus of diplomatic missions of different countries across the world has been the promotion of international trade, marketing of private sector actors or multi-national companies and generally boosting markets for products, goods and services and options for foreign direct investments in a country. This shift also involved realignment of 'aid' or 'development assistance' as a strategic economic policy instrument along with the foreign policy objective to leverage the market in a given country or promote the interest of the respective private sector or public sector companies in the partnership countries. Most of the donors of OECD/DAC too shifted to realign the 'development assistance' to strengthen the economic growth or private sector in their own countries. Despite all rhetoric of 'development', the 'foreign aid' budgets were increasingly used as 'marketing and leveraging' tools to promote enlightened self-interests of the rich economic elites of a given country in nexus with the civil servants and political elites. Hence, there have been questions whether 'economic growth' driven 'development assistance' or 'aid' transfer is an exchange that primarily helps the entrenched power elites consisting of a nexus of political, bureaucratic and economic elites in the respective countries. It is in the context of such a major policy shift towards the link between economic diplomacy, development cooperation and the interests of private sector actors and economic elites of a given country that 'development' effectiveness needs to be discussed. There are a number of studies that indicate tensions and conflict between the imperatives of economic diplomacy and real human development and poverty eradication in a given country.

While India's initiatives to finance large-scale infrastructure projects through LoC is relatively new and a large number of LoC agreements have been signed, there are increasing questions about the widening gap between promises, performance and actual delivery of the projects. For instance, on 10 March 2016, the Managing Director of India's EXIM Bank signed an agreement with his counterpart in Bangladesh for a LoC of US\$2 billion. This was the second LoC agreement signed with Bangladesh within a span of two years. In fact, Bangladesh is yet to use more than 50 per cent of the LoC worth US\$1 billion signed in 2010. A Bangladesh official claimed the difficulties in meeting the conditions of the credit that stipulated 75 per cent of the credit should be used to only access service and goods from India. The present LoC of US\$2 billion for various infrastructure development programmes is reportedly the biggest LoC given to any country, resulting in the opening up of an office of EXIM Bank in Dhaka. A cursory look at the newspapers in Bangladesh prove that there are multiple perceptions and critiques of 'development effectiveness' in the respective countries.⁹

In the absence of robust project guidelines or poor implementation by the private sector actors, development gains can often be compromised. For instance, senior officials from Bangladesh Railways indicated that the price offered by the Indian companies led to the rise of project costs of LoC, resulting in a two-year delay of the project implementation. In this particular case, it was stated that the capacity of the private sector companies was not in line with the commitment made through the LoC. It was reported that the US\$800 million of LoC to Bangladesh was for upgrading the rail system. Since the Indian company did not have appropriate expertise to manufacture meter-gauge carriages or engines, Bangladesh had to seek additional assistance from the Asian Development Bank to implement the plan as envisaged in the LoC. This example clearly shows the gap between promises, performance and eventual implementation, often escalating the cost and eventually compromising on the expected 'development' outcome.¹⁰

9. '\$2B New Loan: Dhaka, Delhi To Sign Deal Today', *New Age*, N.p., 2016. Web., 21 Mar. 2016. <http://newagebd.net/209850/2b-new-loan-dhaka-delhi-to-sign-deal-today/>

10. 'BD To Buy Rly Carriages, Engines With ADB Finance', *Observerbd.com*, N.p., 2016. Web., 15 Mar. 2016. <http://www.observerbd.com/2015/08/03/102745.php>

One of the most important strategic shifts of India's development assistance has been the prioritisation of the countries of Africa along with that of the countries in South Asia. As a result, about 60 per cent of the LoC are signed with countries in Africa. This combination of economic diplomacy and development assistance through LoC seems to have resulted in substantial increase in trade between countries of Africa and India and increasing investments of Indian private companies in Africa. It has been reported that India's economic diplomacy and development assistance are intended to secure more energy supplies and minerals. As per the estimates, 20 per cent of India's crude oil imports are now from Africa, though this was zero in 2005.¹¹ The mineral products, precious stones and metal imports from Africa constituted 86 per cent of the all-Indian commodity imports from Africa in 2012.¹² While this combination of economic diplomacy and development assistance through LoC seems to have been mutually beneficial from the perspective of 'South-South' Cooperation, many of the experts and civil society activists have raised the issue of gap between the rhetoric and reality. A number of studies indicate how there is tension between the economic diplomacy objectives and development outcome objectives in the partner/aid recipient countries. The Indian companies are often accused of not following ethical, human rights or environmental guidelines, resulting in adverse developmental outcome. For example, in Ethiopia, the biggest agricultural landholding is with an Indian agro-business company, Karuturi Global. They have been accused of land grabbing and adversely affecting the food security and livelihoods of marginal farmers in Ethiopia.¹³ Similarly, the studies by African experts also show how the Indian investment in manufacturing sector (phosphoric acid plants) has adversely affected farmers in Senegal.¹⁴

Various studies and analysis clearly show there is a gap between development intentions and the actual development outcome in the partner countries and respective societies. In the absence of a key development policy framework and robust guidelines for Indian investors in a given country, such unintended consequences can actually undermine the development outcome, particularly sustainable development outcome in a given country. There are three issues here:

- lack of a clear and cohesive development policy positioning that helps to make strategic alignment between the objectives of economic diplomacy and that of development outcome in a particular country.
- relative lack of transparency, accountability or clear guidelines for the engagement of the private sector in relation to a development partner country.
- India, unlike many other donors in Europe and elsewhere, does not seem to have a clear country development strategy position or paper taking into account context specific issues and how the objectives of economic diplomacy, development partnership and engagement of the private sector can be aligned to ensure there is optimal development outcome and no adverse outcome in a given country.

Hence, for enhancing the development effectiveness, there is urgent need for clear project guidelines for the Indian LoC in a given country. These guidelines need to be in coherence with the development partnership objectives and long term economic, social and human development in a given country.

11. Anwar, M.A (2014), 'Indian Foreign Direct Investments in Africa: A Geographical Perspective', in Rogerson, C.M. and Szymańska, D. (Eds), *Bulletin of Geography, Socio-Economic Series*, No. 26, Toruń: Nicolaus Copernicus University, DOI, pp.35-49 <http://dx.doi.org/10.2478/bog-2014-0043>

12. Van Niekerk, H (2013), 'Africa-India trading relationship', TRALAC <http://www.tralac.org/files/2013/11/Africa-India-trading-relationship-synopsis.pdf>

13. Modi, Renu (2010), 'Role of India's Private Sector in Health and Agricultural Sectors of Africa', Fantu and Cyril Obi (Eds.), *Rise of China and India in Africa*, Zed Books, London

14. Cairo-i-Cespedesa, Gemma & Colom-Jaen, Arthur (2014), 'A Political Economy Approach to India in Senegal: A Win-Win Partnership', *Canadian Journal of Development Studies*, Vol:35 Issue:3, pp. 376-395

4. Lack of Policy coherence hampers the development effectiveness

The officials of the Ministry of External Affairs and others stress that India's development cooperation is very different from the post-colonial 'aid' framework – is 'demand driven' without 'conditionality' and based on 'mutual benefit and support'. The OECD's Development Assistance Committee has over the last fifty years developed a substantive policy framework, integrating human development, gender justice and sustainable environment. Aid effectiveness and aid accountability have become the international policy priorities of the DAC of OECD countries.

In the case of India's development cooperation, the absence of a coherent and clear development policy framework on the one hand and the lack of alignment between the policy priorities of the Ministry of External Affairs and other ministries such as Ministry of Commerce, Agriculture, or IT on the other hand have often led to contradictory tendencies. These cause undue delay in the implementation of projects or eventually compromising on the intended development outcome. With the establishment of the Development Partnership Administration (DPA) in the MEA, there is relatively better coordination of development partnership with this Ministry. However, there are a number of other ministries involved in the project implementation or providing technical support to a development partner. Often these ministries may not have a very clear policy position on international development cooperation. This also creates tension between priorities of DPA and that of various other ministries.

The lack of policy coherence within the various government departments and ministries and along with non-clarity in the development policy guiding a particular development partnership, the overall development outcome could be of incremental character or the real development outcome could be sub-optimal. In some cases, the development outcome could also be negative. Hence, there is an urgent need for a policy coherence and aligned approach towards development partnership.

Given the fact that India has a larger strategic objective in the international community and a demand for a permanent seat in the United Nations Security Council, it is time for India to develop a much more strategic institutional positioning in the international development cooperation. Now the volume of India's development assistance is comparable to many countries in Europe, and with that of the major donors in terms of purchasing power parity allocation. There is a clear rationale for establishing an India International Development Agency (INIDA) as a separate ministry with a minister of state for external affairs providing overall political and strategic leadership.

5. Need for more citizens and civic engagement in India

While there is substantial increase in the budget allocation for India's development cooperation, there are less discussions and understanding about the rationale, objectives or impact of the development partnership of India. In the course of this research we have conducted a survey of 150 young educated professionals in India. Less than five per cent have heard about India's development cooperation and hardly anyone knows about the nature and character of the development cooperation of India. Our discussions with several parliamentarians indicated that there are hardly any substantive discussions or debates on India's development cooperation in the Parliament and there is no parliamentary committee to discuss and provide inputs for India's development partnership. Even among the journalists interviewed, very few are aware of any details or purpose of India's development cooperation.

As of now, the main actors of India's development cooperation are primarily the officials in the Ministry of External Affairs. While there is relatively better awareness about ITEC, there is less awareness about the

exact role of India's development cooperation. As a result, details of India's development cooperation is only known to the respective officers in the Ministry of External Affairs, few specialist academics and a section of policy elites and experts with the civil society think-tank or academia.

While many Indian companies are involved in investing in business as part of the LoC agreement or due to economic diplomacy, there is relatively less transparency and accountability on how Indian companies can transparently bid for a project in a given country. In the absence of transparency and public accountability of private sector engagement as part of the development cooperation, there is increasing chance for arbitrary decisions and consequent corrupt practices. More often, the big Indian corporate houses, with the blessings of the political and bureaucratic elites, corner the major benefits of development cooperation. Since the budget allocation for development partnership goes from the tax payers' money, it is of immense importance for the government and the DPA to ensure transparency and accountability in terms of development policy, public awareness and more strategic engagement with civil society and the media in India.

Towards a New Development Compact

It has been pointed out that India's development cooperation is based on a 'development compact'. The core principles of development compact are sustainability, inclusivity, non-conditionality, demand-driven and mutually beneficial to India and the partner country.¹⁵ While this compact is expected to be based on India's own development experience and in consonance with the strategic objectives to emerge as an international 'soft-power', the real challenge is to make this compact work on the ground.

Hence, there is an urgent need for more discussions and debates within the public sphere and civil society in India and at different levels of the government to evolve a new development compact on India's international development cooperation. The most important aspects of India's development experience in the last sixty years are the efforts to substantially decrease poverty and achieve significant number of human development indicators. Within India, many states have already registered impressive human development and more effective governance. India has been a recipient of international development cooperation through bilateral as well as multi-lateral institutions and from donors belonging to OECD countries. India has also successfully used development assistance for institutional capacity development, economic development as well as poverty eradication. Hence the new development compact of India's international development cooperation needs to prioritise poverty eradication and sustainable development goals as the overarching framework for engaging in development partnership and in aligning the economic growth imperative and the development outcome in the partner countries.

The Non-Governmental Development Organisations (NGDOs) and civil society think-tanks and research organisations can be strategic partners in evolving and implementing a new development compact. This compact could be based on the primary objectives of poverty eradication and making SDGs as the defining framework for heralding the next phase of India's development cooperation. It could also provide a strategic leadership for the emerging donors and play both a moral and political leadership in the international community.

15. Chaturvedi, Sachin (2014), 'India's Development Cooperation', IDS Policy Brief, IDS, Sussex, July

Key Policy Recommendations

The main focus of the present study has been on analysing how to make India's development cooperation initiatives more effective in addressing poverty and inequality among developing nations. One of the major challenges confronting today's world is the growing inequality in the distribution of income and wealth. International development cooperation could be an effective tool to reduce poverty and inequality through improving human capabilities. As we have seen, although the global development assistance scenario has been dominated by developed nations, several developing countries like China and India have emerged as aid-givers in recent times. From being one of the largest recipients of foreign aid, India has successfully transformed itself to become an international donor. Today development cooperation forms a major tool in India's foreign policy strategy.

Since the turn of the century, development cooperation of the country has increased significantly at both regional and global levels. India's development assistance has been unique in several respects. India's development cooperation policies have also been focussing on capacity building and long term development of the partner countries. Different projects have been undertaken on a demand driven basis according to the priorities of the partner countries. India's vast experience as an aid recipient and its successful development experience in becoming an emerging economy could be effectively utilised in India's development cooperation initiatives. India has an important role to play in reducing poverty and inequality through enhancing human capabilities and ensuring sustainable development.

Considering the significance of development cooperation in India's foreign policy initiatives, India needs to evolve strategies to enhance the effectiveness of such programmes. The success of India's development cooperation in the 21st century will depend on how effectively it overcomes the weaknesses and constraints, particularly at the policy formulation and implementation stages. The policy recommendations that follow are based on development cooperation experiences at the global and regional levels. Several parliamentarians, diplomats, and international experts have been interviewed during the course of this study and their inputs are incorporated for formulating the key policy recommendations.

The policy recommendations broadly highlight the strategic priorities as well as the measures to improve the quality of India's development partnerships and the process of managing them. These recommendations aim at enhancing the development effectiveness and bringing about greater transparency and accountability in India's development cooperation initiatives. This would ultimately make them more effective in addressing poverty and inequality in recipient countries and help them achieve their SDGs.

1. Reduce poverty and inequality in partner countries and enable them to achieve SDGs

The proposed SDGs have been endorsed by the United Nations and all the countries across the world. Goal 1—Ending poverty in all its forms, everywhere, and Goal 10—Reducing inequality within and among countries, are prioritised as two of the core SDGs to be achieved across the world. Goal 17 is about strengthening global partnership for sustainable development across the countries. Development cooperation has the potential to be a major policy instrument for the attainment of SDGs.

India can play an important role in reducing poverty and inequality, and promoting human development and sustainable development in Asia, Africa and Latin America, particularly in the least developed countries. Along with its increasing development cooperation initiatives, India has to work out a strategy in a systematic manner in order to make its efforts more effective in helping other countries achieve the SDGs. India's development cooperation is carried out through different initiatives including loans, grants and LoC, technical training and capacity building, transfer of technology, trade, investment, etc. A larger proportion of India's international development cooperation takes place not in cash but in kind. India's vast experience in promoting small-scale programmes would enable effective engagement 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 marginalised. As India's development assistance is largely demand driven, it would be more suitable to meet the needs of the potential beneficiaries of the recipient country. The ITEC programmes could play a major role in enhancing human resource development and capacity building. India's development assistance partnerships should help generate more production and value addition in priority sectors in the recipient countries and create more employment for the local people, resulting in the reduction of poverty and deprivation. India's Small Development Project (SDP) programme initiated in Nepal, Bhutan and Afghanistan is worth mentioning in this regard. Given the fact that India is the largest democracy in the world, India has substantial experience for developing democratic institutions in partner countries. With its vast experience in poverty alleviation and social protection programmes, India can play a leadership role in setting an agenda for international development cooperation towards achieving SDGs in least developed countries, particularly in South Asia and Sub-Saharan Africa. In that effort, India's development cooperation partnerships can prioritise the strengthening of human capabilities, elimination of poverty and reduction of social and economic inequalities, including gender inequality in partner countries.

2. Need to enhance transparency and accountability

India needs to ensure more transparency and accountability in its development cooperation. The country needs to develop a mechanism for regular and systematic impact assessment and evaluation regarding the distribution, implementation and outcome of its development assistance projects. Lack of transparency affects accountability and poses a great challenge in analysing in detail the development assistance provided by India. Apart from the budget outlays of various ministries and departments, very little reliable disaggregated data is available in this regard.

India's development assistance is primarily the contribution of the people of India through their taxes. There exists at present a lack of awareness about India's development cooperation even among the members of parliament, academia, media and civil society organisations. The involvement of these sections of society could increase transparency and accountability of the various development assistance programmes. Hence it is important that detailed analysis and evaluation and periodic reports of India's development cooperation are made available to the Parliament and in the public domain. This is essential to avoid wastage and leakage and to ensure that the money involved in the development cooperation is

utilised for productive development purposes only. Accountability to the citizens of both the donor as well as recipient countries is necessary. When, as part of achieving internationally agreed development goals, people-oriented development cooperation initiatives become more transparent and accountable, they would be more in line with human rights and environmental obligations, leading to sustainable development. Transparency is essential to build a reliable and comprehensive database regarding the different aspects of the outflow of development assistance from India. Moreover, better transparency will improve the strategic and ethical validity of India's development cooperation internationally.

3. Promote greater participation of civil society development organisations

As of now, India's development cooperation is carried out primarily as a government-to-government bureaucratic process largely through official channels and the MEA. In many countries, especially those belonging to the OECD, CSOs/NGDOs play an important and supportive role in the international development cooperation of their respective countries. In the case of OECD countries, apart from official bilateral funding, their respective governments make strategic use of the CSOs/NGDOs in providing direct support to the CSOs/NGDOs in partner countries. Participation of CSOs/NGDOs in development cooperation is likely to strengthen people's capabilities and the overall development potential at the grassroots level. India has a wide range of CSOs/NGDOs with experience and expertise in the field of international development partnership, including poverty reduction, women's empowerment, social protection and community development. India has much to learn from the experience of the OECD countries in this regard. Several Indian CSOs/NGDOs are active in different developing countries. 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. This will ensure greater transparency, accountability and public participation. Inputs gathered from them could be put to effective use in improving future policy formulation and project implementation. Government-to-government partnerships without public scrutiny have potential for corruption. Involvement of CSOs/NGDOs would be helpful in preventing misuse and leakage. Along with the implementation of the development projects through official channels, direct involvement of the donor country NGDOs in the implementation of the projects in partnership with NGDOs of the recipient country also could be experimented with. This twin approach would enhance the development effectiveness of India's development cooperation. As India has a long tradition of indigenous voluntary organisations involved in sustainable development and a whole range of CSOs with credibility, capacity and international experience, there is great opportunity for the government/MEA to develop partnership with credible Indian CSOs/NGDOs to make direct development interventions in the development cooperation projects in partner countries. Involvement of these agencies has the potential to improve not only the development effectiveness of partnerships but also the accountability of the government.

4. Enhance India's global leadership role by establishing an alternative to DAC

Since emerging donors like China and India are unwilling to join or actively associate with the DAC, India in consultation with other donor countries of the South should attempt to establish an international institutional mechanism as an alternative to DAC for the overall coordination and for evolving commonly acceptable guidelines in the South-South development cooperation. Drawing from the experience of DAC and the emerging donors of the South, international development cooperation policies could be formulated in a broader perspective with greater clarity and policy coherence. The members should arrive at collectively acceptable standards and norms in South-South development cooperation. They should be

reporting to the institutional mechanism on an annual basis and a system may be set up to analyse and disseminate reliable and comparable information.

Such a South-based development cooperation alternative should be built on the principles of human rights and international responsibilities with the strategic partnership of countries of Asia, Africa and Latin America. Compared to the donors of the North, this formation should be able to facilitate provision of development assistance to developing countries on better terms without interfering in their domestic policies through any conditionalities. This initiative could be effectively supported by the United Nations. As one of the founding members of the NAM and with the development experience of sustaining relatively high economic growth rate within a democratic framework, India has the potential to emerge as the leader of South-South Cooperation.

5. Provide greater strategic leadership in south-south cooperation through BRICS

India has to play a global role through BRICS and other international agencies. Development effectiveness could be improved to evolve shared policy approaches by learning from each other's experiences through dialogues and consultations with other BRICS members. India, in collaboration with other BRICS members, could initiate programmes to generate global public goods like vaccines for immunisation, internet connectivity, etc., for common benefit. BRICS may identify those sectors of the developing countries that are not adequately financed in the existing global aid structure and make development assistance available to them to achieve sustainable development. Since development assistance to the South from the recession-afflicted North could decline, 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.

6. Strengthen India's leadership role in South Asia through SAARC

India should strive to strengthen its role as a regional leader in the SAARC system through development cooperation. 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 its 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 way.

7. Establish an India International Development Agency

Even though India has set up the DPA under the MEA to coordinate the country's development cooperation activities, time has come to establish an India International Development Agency (INIDA) with a minister in charge, so that the role of India's development cooperation is elevated to ensure more visibility, profile and strategic importance. As in many other countries, it is important for India to set up a multi-stakeholder advisory board. This should include members of civil society, academia, private sector and parliamentarians to develop a framework for India's development cooperation and give expert advice to ensure effective distribution, implementation and evaluation to enhance development effectiveness.

8. Engage with the private sector

During the last twenty five years, economic diplomacy has been an important aspect of the external affairs policy framework of India. In recent times, India has been increasingly promoting private sector in its development cooperation agenda. India's development cooperation plays a facilitating role for Indian companies in different partner countries. However, many of the experts of development cooperation (interviewed during the course of this study) expressed the need for a more transparent and accountable process of promoting Indian companies in recipient countries. India may encourage Indian private sector participation in the various development cooperation programmes and projects, particularly in the areas in which it has proved its strength. But private companies should be given clear guidelines regarding their investments in other developing countries, particularly in least developed countries and conflict-ridden areas. There is a growing concern that there exists less transparency and accountability in the use of development assistance while promoting the interests of the profit motivated Indian private companies. Hence there is need for greater transparency in the budgetary allocation for development assistance involving private companies. 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.

9. Ensure development effectiveness

In order to be a major player in the field of development cooperation, India needs to revamp its development assistance programmes for ensuring greater development effectiveness. More transparency and accountability, greater opportunity for parliamentary and public discussion and greater accountability to the parliament, larger involvement of civil society organisations, better availability of disaggregated data and more resources are required to enhance the effectiveness of India's development cooperation initiatives. Better accounting, monitoring and evaluation are imperative to make India's development assistance programme more effective and successful. By enhancing development effectiveness, India can play a positive role in enabling the partner countries to achieve their SDGs.

10. Need for strategic Objectives and informed analysis

It has been observed that India's development cooperation often lacks clarity regarding the objectives, definitions, strategy and approach. Ad hoc policies and lack of focus in project development and implementation could considerably erode development effectiveness. India requires greater conceptual clarity in its development cooperation policies. At present there exists no unanimity regarding even the definition of 'development cooperation' among countries. India needs to develop an acceptable definition to bring about more clarity and definiteness in South-South development cooperation. It is necessary for meaningful assessment, evaluation and comparison of the contribution of development cooperation efforts of different actors in the attainment of SDGs. India could learn much from the experience of traditional donors in this respect.

Building a reliable and comprehensive database regarding the different aspects of the outflow of development assistance from India is essential to enable valid assessments and evaluating aid effectiveness. Better clarity and transparency would improve the strategic and ethical validity of India's development cooperation internationally. But lack of transparency and dearth of reliable information would give rise to corruption. At present, the RIS, an autonomous think-tank of the MEA is doing a good job in facilitating knowledge interaction with various stakeholders, including experts in the field, members of parliament, CSOs, academia, and media. It also provides available information in the public domain. However, lack of information about the nature and pattern of expenditure, outcomes and impact, and dearth of disaggregated data, etc., still exist. The need is for greater clarity in the strategic objectives and creating a reliable database regarding India's development cooperation.