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***Session IV: New and old donors -
Complementing or competing approaches to development?***

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Emerging Dynamics of Indian Development Cooperation

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1. Introduction

Although India is not a “new” player in the area of development cooperation, the issue has become a significant aspect of Indian foreign policy and strategic thinking in recent years. India’s development cooperation programs abroad have expanded considerably in the last one decade, both in geographical spread and in sectoral coverage.¹ The growing Indian presence in this area is being facilitated by changing economic policy orientation and economic expansion. Since 1991, India is making a successful transition from an excessively inward-oriented economy to a more globally integrated economy. As a result of new policies, it has become one of the fastest growing economies of the world. Despite some serious challenges like global slowdown, energy security, poverty, infrastructure, regional disparities and internal security, there are strong indications that rapid growth will continue. Apart from expansion, the Indian economy is also being diversified significantly. Traditionally, the economy was dependent on markets in Europe and the US. In the last two decades, there has been rapid integration of the Indian economy within Asia which has been reinforced by India’s Look East policy that was initiated in the early 1990s. This is clearly evident from rapidly increasing India-China as well as India-ASEAN trade. Similarly, India’s economic engagement with Africa has also improved significantly.

Despite liberalization, the broader Indian development strategy is still guided by long term plans prepared by the Indian Planning Commission. The 12th Five Year Plan (2012-2017) targets faster, more inclusive and sustainable growth. The focus is on creating human, physical and institutional capabilities to achieve a targeted 8.2 per cent growth in the next five years. Although rapid growth in the last 10 years has raised expectations, domestic and global circumstances are less favorable today. Still, the overall aim is to bring 9 per cent growth back by the end of the 12th plan. As a result of these changes, India is adapting itself simultaneously to the economic globalization and to the emerging balance of power. The strategic consequences of its economic performance are clearly evident. Growth and outward orientation has helped India to reorient its traditional partnerships with the developing world and forge new relationships with all major powers. India’s emerging development

¹ *Annual Report 2012-13*, (New Delhi: Ministry of External Affairs) Pp. 121-127.

partnerships with its neighbors in South, Central and Southeast Asia as well as with Africa could be better understood within this broader context.

2. Evolution of Cooperation Activities

India started its aid activities immediately after independence in the form of loans and technical assistance programs to Burma and Nepal. Indian Aid Mission in Nepal in 1954, Indian Technical and Economic Cooperation Programs in the mid-sixties and Joint Commission in Afghanistan in 1969 were important initial beginnings. Later, many of these activities were extended to a number of developing countries within the framework of Non Aligned Movement and South-South cooperation. As a result of its own development experience, Indian activities were more focused on capacity building and technical cooperation. Still, in terms of dollar exchange rates, it remained relatively small compared to major western donors. In the last fifteen years, however, there has been significant increase in Indian development activities. India is not a member of the Development Assistance Committee (DAC) of the Organization for Economic Development and Cooperation (OECD). So neither it follows DAC guidelines to define its aid activities nor does it report its development data to the OECD. Still, OECD sources calculate that India's "ODA's like" flows amounted to US\$ 393 million in 2007, 610 million in 2008, 488 million in 2009, 639 million in 2010 and 730 million in 2011². Indian government in the past did not bother to provide precise figures of its activities in one place. For the first time in 2007, Indian Finance Minister P Chidambaram mentioned in his budget speech that development cooperation extended through a number of Ministries and agencies amounted to "about US\$ 1 billion per annum".³ Some independent studies have calculated that Indian development assistance has increased about seven fold from about US\$ 200 million in the year 2000 to about US\$ 1.3 billion 2013.⁴ These figures indicate two broad trends. First, Indian development activities are becoming significant which cannot be ignored. Secondly, there is substantial increase in its volume over the years, which is very different from traditional donor activities which are almost stagnant for many years. Indian development activities abroad could be broadly classified into three major heads. These include Lines of Credit (LOC); capacity building particularly Indian Technical and Economic Cooperation (ITEC) program; and bilateral grant assistance projects.

² *Development Cooperation Report 2013* (Paris: OECD), p. 251.

³ <http://indiabudget.nic.in/ub2007-08/bs/speecha.htm>

⁴ *Indian Development Cooperation Research Report: The State of Indian Development Cooperation* (New Delhi: Centre for Policy Research, The Asia Foundation), Fall 2013, p. 2.

3. Lines of Credit

During the mid-sixties, the Indian government opened LOCs for many friendly countries. The program was implemented by the Ministry of Finance (MOF) in collaboration with the Ministry of External affairs (MEA). Initially, the program was charged to the national budget and disbursements were made through State Bank of India. Till 2003, when this arrangement changed significantly, a total of 83 LOCs amounting to about US\$ 500 million (31 LOCs in dollars) and Rs 5862 million (52 LOCs in Indian Rupees) to 23 countries were implemented. In 2003, the then Finance Minister Jaswant Singh announced India Development Initiative. Among many other things, it also provided that on behalf of the Indian government, the EXIM Bank will now extend LOCs to friendly developing countries. Any differential between commercial interest rate and actual interest rate charged by the EXIM Bank is to be paid by the government. These LOCs are guaranteed by the borrowing government and counter guarantees given by the Indian government. The scheme was renamed as Indian Development and Economic Assistance (IDEAS) in 2005. Apart from helping partner countries, major objectives of the scheme were to boost Indian exports, opening new markets for Indian goods and services as well as overall increasing Indian influence. The scheme is administered by guidelines framed in 2004 and updated in 2010. Countries are classified into three categories viz. Heavily Indebted Poor Countries (HIPC), Low Income Countries (LIC)/Least Developed Countries (LDC) and Middle Income Countries (MIC). For HIPC rate of interest is 1.75 per cent, maturity 20 years (with 5 year moratorium) and grant element is 56.4 per cent. For LDCs rate of interest is 2 per cent, maturity 10 years (with 3 year moratorium) and grant element is 37.3 per cent. Similarly, for MICs rate of interest is London Inter-Bank Offered Rate (LIBOR) +0.5 per cent, maturity 8 years (with 2 year moratorium) and grant element is 34.4 per cent.⁵ Since this program is also clearly designed to promote Indian business interests, 75 per cent goods and services must be sources from India. In special cases, 10 percent relaxation may be provided. With the exception of LOC for Bangladesh, Bhutan and Nepal (which are administered from the MEA budget) all other LOCs follows these rules.

By March 2014, the EXIM Bank had signed 176 LOCs covering 62 countries with credit commitments of about US\$ 10.2 billion. In addition, 19 LOCs amounting to about US\$ 800 million were in the pipeline. Once signed, this activity will amount to 195 LOCs worth 11 billion with 66 countries. Top ten partners under LOC category

⁵ Terms and Conditions and Procedure to be Adopted in Respect of Government of India Supported Exim Bank Lines of Credit, F. No. 21/6/2008-CIE-II, Government of India Ministry of Finance Department of Economic Affairs, New Delhi, 23 July, 2010 available at <http://www.eximbankindia.in/sites/default/files/C.pdf>

are Sri Lanka (\$1216 million), Ethiopia (\$1005 million), Bangladesh (\$800 million), Sudan (\$739 million), Mozambique (\$639 million), ECOWAS Bank for Investment and Development (\$500 million), Nepal (\$350 million), D R Congo (\$269 million) and Tanzania (\$255 million). In terms of value, about 53 percent LOCs are with HIPCs. In fact, out of total 176, 127 LOCs with a credit amount of \$6,270 million (62%) were with African countries and 33 LOCs with credit amount of \$3,663 (36%) were with Asian countries. Sector-wise, 23% LOCs were in the power sector and 20% were for railway projects. Other sectors included engineering (8%), irrigation (6%), roads and transport (5%), construction (4%), rural electrification (3%).⁶

Last year (2012-13), LoCs amounting to about US\$ 190 million were allocated to Africa. This included Mashkour sugar project in Sudan (US\$ 125 million); up-gradation of Deka pumping station and river intake system for Hawang Power Station in Zimbabwe (US\$ 29 million), rural drinking water project in Mozambique (about \$ 20 million) and tractor assembly plant and farm manufacturing unit in Benin (US\$ 15 million), Major projects in Asia included US\$ 500 million to Myanmar for various projects and US\$ 200 to Sri Lanka for the Sampur Power Project. The Indian government had also announced US\$ 1 billion LOC to Bangladesh in 2010, out of which \$200 million converted into grant in 2012. For balance US\$ 800 million 12 projects worth more than US\$ 650 million have already been identified, These include projects for rolling stock - freight wagons, locomotives and diesel electric multiple units and supply of 290 double-deckers, 100 single-decker and 50 articulated buses.⁷

4. Capacity Building Programs

Another major aspect of Indian development cooperation is capacity building programmers throughout the developing world via Indian Technical and Economic Cooperation (ITEC) program, Special Commonwealth Assistance for Africa Program (SCAAP) and Technical Cooperation Scheme (TCS) of Colombo Plan. The ITEC program is in operation since 1964 and fully funded by the Indian government. The program is essentially bilateral. In recent years, however, its activities have also been extended to Economic Commission for Africa, Industrial Development Unit of Commonwealth Secretariat, UNIDO, Group of 77 and G-15, ASEAN, Bay of Bengal

⁶ Figures are taken from Prabodh Saxena “Contemporary Modalities” (Mimeo) paper presented at the workshop on “India’s Soft Power: The Emerging Dynamics of Indian Development Cooperation” New Delhi 22-23 May 2014. Also see Annual Report 2013-14 (Mumbai: Export Import Bank of India); For updated data see <http://www.eximbankindia.in/lines-of-credit>

⁷ *Annual Report 2012-13*, (New Delhi: Ministry of External Affairs) p. 121.

Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), Mekong-Ganga Cooperation (MGC), African Union (AU), Afro-Asian Rural Development Organization (AARDO), Pan African Parliament, Caribbean Community (CARICOM), World Trade Organization (WTO) and Indian Ocean Rim - Association for Regional Cooperation (IOR-ARC).

Under ITEC and SCAAP, more than 160 countries from Asia, Africa, East Europe, Latin America, the Caribbean as well as Pacific and small island countries are invited to participate. Main components of the program include training (both civilian and defense), projects and project related activities such as feasibility studies and consultancy services; deputation of Indian experts abroad; study tours; donations of equipment; and aid for disaster relief. The most important part of the program is training programmers organized by public and private institutes in India. Every year about 10,000 (about 8,500 civilian and about 1,500 defense) personnel from friendly countries are trained in 47 empanelled institutions in India. There are more than 280 short term, medium term and long term training programs. These courses include accounts, audit, banking and finance, Information technology, telecommunication, English language, management; SME/rural development; environmental renewable energy as well as specialized and technical courses organized on special request from the partner countries.⁸ Most sought after courses are information technology and English language courses. Defense training include security and strategic studies, defense management, electronics, mechanical engineering, marine hydrography, counter insurgency and jungle warfare as well as foundation courses. Courses at the National Defense College New Delhi and Defense Services Staff College Wellington are very popular.

5. Development Projects with Grant Assistance

Initially these projects were mainly concentrated in the neighborhood. However, in the last ten years there has been significant increase of these projects in Africa as well. India has a very robust development cooperation partnership with Bhutan and hydropower is one of the main pillars of this cooperation. Three Hydropower projects developed with Indian assistance and which have already been completed are 1020 MW Tala Hydroelectric Project, 336 MW Chukha Hydroelectric Project, 60 MW Kurichhu Hydroelectric. Out of ten more projects which have been agreed, three are already under construction. These are Punatsangchhu-I Hydro Electric Project,

⁸ Details of all offered courses for the year 2014-15 is available at <http://itec.mea.gov.in/?pdf2980?000>

Punatsangchhu-II and Mangdechhu. Both are negotiating for the remaining seven projects of Kholongchhu, Amochhu, Wangchhu and Bunakha reservoir, Kuri Gongri, Chamkharchhu and Sankosh. Indian government also provided more than Rs 5,000 crores for Bhutan's 10th Five year Plan (2008-2013) for implementation of 70 socio economic projects, small development projects as well as project grant. Similarly for 11th Five Year Plan (2013-18), Rs. 4,500 crores have been approved. Dungsum cement plant with the help of Rs 300 crores has also been commissioned.

A number of projects in Nepal have also been implemented in the areas of infrastructure, health, water resources, rural and community development and education. Over 445 projects are being implemented under the Small Development Scheme at a cost of Rs 500 crores in all the districts of Nepal. Border infrastructure projects border including construction of Terai Roads (about 1450 km), five Rail-Links and four Integrated Check Posts is also being implemented. A 200 bed Emergency and Trauma Centre is also completed recently. During his visit to Nepal, Indian Prime Minister Narendra Modi announced a new US\$1 billion LOC for infrastructure and energy projects.⁹

Apart from LOCs, India is also involved in reconstruction activities as well as robust program of internally displaced people in Sri Lanka. As an immediate measure India supplied 250,000 family relief packs, one million roofing sheets and 400,000 cement bags for construction of temporary housing and provision of 95,000 starter packs of agricultural implements. In 2010, India agreed to support reconstructing of 50,000 houses. A pilot project of 1,000 houses was completed in 2012. The second phase of the project (construction and repair of 43,000 houses in Northern and Eastern provinces) was launched in October 2012. This full grant project of US\$ 270 million is one of the biggest projects implemented by Indian authorities outside India. Indian government is also involved in renovation of Palaly airport, Kankesanthurai harbor, interconnection of electricity grids between the two countries, construction of a 150-bed hospital in Dickoya, a cultural centre in Jaffna and setting up a coal power plant in Sampur.

In Myanmar, India is active in both human resource development and in infrastructure development. India has helped setting up the Myanmar Institute of Information Technology at Mandalay; an Advanced Centre for Agricultural Research and Education, a Rice Bio Park at Yezin Agriculture University among many others. Major connectivity projects include: Kaladan Multimodal Transit Transport Project,

⁹ *Joint Press Statement on the Visit of the Prime Minister to Nepal*, August 04, 2014, <http://www.mea.gov.in/bilateral-documents.htm?dtl/23807/Joint+Press+Statement+on+the+Visit+of+the+Prime+Minister+to+Nepal>

building/upgrading 71 bridges on the Tamu-Kalewa-Kalemyo road; construction of Kalewa-Yargyi section of the trilateral highway between India, Myanmar and Thailand. For border area development India has granted \$ 25 million for five years. Under this program 21 schools, 17 health centers and 8 bridges were built during the first year in Chin State and Naga Self Administered Zone of Myanmar. Other training institutes built by Indian support include two Industrial Training Centers, Centre for English Language, Myanmar-India Entrepreneurship Development Centre and Centre for Enhancement of IT Skills, Language Laboratories and E-Resource Centre at the Ministry of Foreign Affairs in Yangon and Nay Pyi Taw, restoration of the Ananda Temple in Bagan, upgradation of the Yangon Children's hospital and Sittwe General Hospital.¹⁰

Major Engagement in Afghanistan

With broad understanding that peaceful and stable Afghanistan is crucial for regional stability, India has been playing an active role in the reconstruction since 2002. So far it has pledged assistance worth about \$2 billion, with projects covering the whole of country mainly in the areas of road construction, power transmission lines, hydro electricity, agriculture, telecommunication, education, health and capacity building. Details of these projects can be classified under four major heads:¹¹

Infrastructure Projects: One of the major infrastructural projects completed by India is construction of 218 km Zaranj-Delaram road project in the southwestern Afghanistan. This road has a strategic significance for India as it is going to facilitate movement of goods and services from Afghanistan to the Iranian border and, onward, to the Chahbahar Port. This road, together with 60 km of inner-city roads in Zaranj and Gurguri, was completed in January 2009 at a cost of US \$150 million. During construction 6 Indians and 179 Afghans lost their lives due to insurgent attacks. Another major project, which was completed in 2009 was construction of 220kV DC transmission line from Pul-e-Khumri to Kabul and a 220/110/20 kV sub-station at Chimtala. Built at the cost of \$120 million, this line has facilitated almost 24 hour power supply from the northern grid to Kabul city. Further, Indian engineers will also be setting up of additional 220/20 kV sub stations at Charikar and Doshi along the Pule-e-khumri Kabul transmission line. Material for the project is being airlifted from Delhi. The total cost of the project is about Rs 109 crore (\$20 million). With the

¹⁰ Project details about Bhutan, Nepal, Sri Lanka and Myanmar is compiled from various publications of the Ministry of External Affairs, Government of India

¹¹ Information and data for this section has been compiled from various publications as well as website of the Ministry of External Affairs; and Embassy of India in Kabul website <http://eoi.gov.in/kabul/>

Indian help, construction and commissioning 42 MW Salma Dam power project on Hari Rud River in Herat province is also going to be completed soon. There has been some delay in the project and revised cost is estimated to be around \$250 million. At the cost of \$180 million, Indian government is also constructing Afghan Parliament building, which is going to be handed over to Afghan authorities soon. It has also restored telecommunication infrastructure in 11 provinces and expanded national TV network by providing an uplink from Kabul and downlinks in all 34 provincial capitals. Earlier, it also supplied vehicles (400 buses and 200 mini-buses for mass urban transportation, 105 utility vehicles for municipalities) and 3 airbus aircrafts and spares to Ariana Afghan Airlines. The Indian government also supplied equipment for three sub stations in Faryab province and for 125 km transmission line from Andkhoy to Maimana plus rehabilitated Amir Ghazi and Quargah Reservoir Dam. It further helped in restoration/revamping of information set up, including setting up of Azadi (Freedom) printing press. Other infrastructure projects include solar electrification of 100 villages; construction of 5000MT cold storage in Kandahar; establishment of modern TV studio and 1000W TV transmitter in Jalalabad; setting up of a mobile TV satellite uplink and five TV relay centers in Nangarhar; digging 26 tube wells in 6 north-west provinces; drilling of 24 deep wells in Herat; planned construction of Radio television Afghanistan (RTA) building in Jalalabad and leasing of slot on Indian satellite INSAT3A for RTA telecast since 2004. Five toilet-cum sanitation complexes have also been handed over in Kabul.

Humanitarian Assistance: The Indian government is providing a daily supply of 100 grams of fortified, high-protein biscuits to nearly 1.2 million children under a School Feeding Program. This Program is administered through the World Food Program and will cost \$ 460 million when completed in 2012. It has also reconstructed Indira Gandhi Institute of Child Health in Kabul and is providing free medical consultation and medicines through 5 Indian Medical Missions in Kabul, Kandahar, Jalalabad, Herat and Mazar-e-Shrif to over 300,000 patients annually. Since attack on Indian doctors in Kabul in 2010, medical mission program has been affected adversely. In 2001, India agreed to provide 1 Million MT of wheat to Afghanistan. Despite serious transportation problems, assistance of 250,000 MT of wheat to Afghanistan was completed in February 2012. Another tranche of 150,000 MT was to be completed by July 2013. India has also supplied blankets, tents, medicines, vegetable seeds etc

Education and Capacity Development: India is playing an important role in this field through provision of 675 long-term university scholarships annually. These fellowships are sponsored by the Indian Council for Cultural Relations for undergraduate and postgraduate studies in India. In addition, 675 annual slots for short term

technical training courses are provided every year. In 2012, it was decided to grant 1000 scholarships for Afghan Nationals (administered by ICCR) annually during the period 2012-13 to 2020-21. At the January 2010 London Conference, Indian External Affairs Minister announced graduate and post graduate/Ph.D fellowships for 5 years in the field of agriculture and related fields. Now 614 Agriculture scholarships (B.Sc, M.Sc and PhD) have been made available under an Indian Council for Agriculture Research (ICAR)-administered scheme. In February 2014, first Indian backed new agricultural university was inaugurated in Kandahar. In 2005, the Habibia School in Kabul was reconstructed by India and about 9000 educational kits to students of this school were provided. Further, it provided 20,000 school desks to the Ministry of Education and laboratory equipments and sports goods to schools in Nimroz as well as teacher training and books to Kandahar and Khost Universities. In cooperation with the UNDP, the Indian government is also deputing 30 Indian civil servants as coaches and mentors annually under the Capacity for Afghan Public Administration program since 2007. It has also provided services of Indian banking experts to Da Afghan Bank and Millie Bank; Indian English teachers in 5 cities; vocational training to 1000 Afghans (through the Confederation of Indian Industries); Women's Vocational Training Centre in Baghe- Zanana for training of 1000 Afghan women; computer training centers, and established Hindi and English departments at Nangarhar university. Special training courses have also been provided to more than Afghan diplomats, dozens of civilian officials, police officers, teachers, and doctors and paramedics. In addition, Indian institutions are also providing training to Afghans in various fields through training programs organized by many international agencies independently.

Other Development Efforts: Another significant addition to Indian activities in Afghanistan is a specific portfolio called small development projects. These projects have become more important in the last couple of years. The focus of this scheme is on local ownership and management. These projects are mainly implemented by local Afghan authorizes with some advice from the Indian embassy. The projects are mainly implemented in the areas of agriculture, rural development, education, health, vocational training, etc. About 100 projects were completed in phase I and Phase II. An agreement for third phase projects was signed in 2012 with additional input of \$100 million. This phase will be completed in 2015-16. In 2002, India also contributed \$10 million to Afghan government budget and has also been contributing to the Afghan Reconstruction Trust Fund regularly since 2002. In 2005-06, it also provided 150 trucks, 15 ambulances, 120 jeeps, bullet proof jackets, bullet proof helmets, laser aim points, mine detectors, winter clothing, medicines etc. to Afghan National Army. It also helped setting up of Common Facilities Service Centre and

Tool Room at Pule-e-Charkhi Industrial Park and trained 5000 self help groups in Balakh.

Indian Prime Minister's visit to Afghanistan in May 2011 provided new direction to Indian development activities; the then Prime Minister Manmohan Singh raised Indian commitment to \$2 billion by announcing further increase of \$500 million. Some of the new schemes announced since then include donation of 1000 buses for the Kabul and other municipalities with provision for maintenance support, training, and infrastructure; provision of 500 tractors for Afghan farmers; provision of seeds and other assistance for the agricultural sector; the rehabilitation and professional up-gradation of the National Malaria and Leishmaniasis Centre of Afghanistan; up-gradation of the Indira Gandhi Institute of Child Health, including the neo-natal and maternal care unit; the early finalization of a US\$ 50 million Buyers credit line to promote exports and attract Indian business to Afghanistan; a grant of US\$ 10 million for preservation and revival of Afghanistan's archaeological and cultural heritage and cultural exchanges; and assistance in setting up an Afghan National Institute of Mines.

In the last one decade, there has been significant increase of Indian development activities in Africa. The two India-Africa Forum Summits (IAFS) in 2008 and 2011 further strengthened the partnership. Under grant assistance, support was extended to the educational and health sectors of Malawi, Botswana, Namibia, Tanzania and Seychelles received support for education and health sector. India supplied educational equipments worth \$15 million to Malawi. Projects related to Rural Technology Parks are being implemented in Zimbabwe, Malawi, South Sudan, Cote d' Ivoire and Republic of Congo.

6. Emerging Institutional Mechanism

Although India has been active in development cooperation for more than sixty years, it does not have any professional development agency to design, coordinate and implement its aid projects and activities. So far, it has been managed by different departments within the Ministry of External Affairs (MEA), Ministry of Finance and lately also by the EXIM Bank. In 1954, Indian government established an India Aid Mission in Nepal to coordinate and monitor its aid activities in Nepal. In 1966, it was renamed as India Cooperation Mission. In 1961, an Economic and Coordination Unit within the MEA was established to coordinate technical cooperation programs with other initiatives. In 1969, a Joint Commission in Afghanistan was established to identify projects and finding the possibilities of increasing trade and transit through the country. When India launched ITEC program, a special cell was established

within the MEA to coordinate these activities. A special ITEC division within the MEA was established in 1995. After economic growth in the nineties when Indian development activities expanded, Indian development activities attracted more attention from the government. In 2003, Finance Minister in his budget speech announced launching of an India Development Initiative (IDI). In 2005, Indian government re-launched its LOC scheme as India Development and Economic Assistance Scheme (IDEAS). The 2007 budget speech of the Finance Minister also mentioned establishing a new India International Development Cooperation Agency (IIDCA).¹² Due to many inter-departmental and inter-ministerial rivalries, many of these announcements remained on paper. Finally, a new division within the MEA called Development Cooperation Administration (DPA) was set up in 2012. Although it is still a division within the Foreign Ministry, it is a big improvement compared to earlier ad-hoc arrangements. Officially, it is declared that DPA is created “to effectively handle India’s aid projects through the stages of concept, launch, execution and completion.” The DPA is headed by a Secretary and has three divisions headed by three Joint Secretary level officers. DPA-I deals all LOCs, grant projects in the East, South and West African regions, grant assistance projects in Bangladesh and the Sri Lanka Housing project. DPA-II is responsible for all ITEC/SCAAP and other training programs as well as grants assistance projects in Southeast Asia, Central Asia, West Asia, and in Latin American countries and humanitarian and disaster relief. Similarly, DPA III handles grant assistance projects in Afghanistan, Maldives, Myanmar, Nepal and Sri Lanka.

7. Contextualizing Indian Development Cooperation within Global Aid Architecture

In the last few decades, discourse on foreign aid/ development cooperation has been dominated within the global aid architecture defined largely by the Development Assistance Committee (DAC) of the Organization for Economic Development and Cooperation (OECD) and other multilateral organizations. It is argued in literature that development assistance has been driven by geopolitics and also by evolution in development thinking. Its effectiveness in promoting growth in developing countries, however, is still not fully established. The issue has become even more complicated as more than one third of aid projects are implemented in conflict affected areas. With the emergence of non-traditional donors like China, India, Brazil and South Africa,

¹² For details see Sachin Chaturvedi, “India’s Development Partnership: Key Policy Shifts and Institutional Evolution” *Cambridge Review of International Affairs*, Volume 25, Number 4, 2012, pp. 557-577.

the dominant discourse is being challenged somewhat. Policy makers from countries like India assert that their aid is ‘different’ as it is demand driven and without conditionality. Since non-traditional donors don’t follow DAC definitions, it is difficult to quantify and evaluate its impact. As major discussions on the issue are still conducted within the framework and mechanisms originally developed for advanced economies, many of the activities by non-traditional donors like India may not fit traditional framework. Although Indian policy makers are reluctant to follow DAC definitions, they have not bothered to clearly define their own definition. Indian LOC could easily qualify as development assistance as grant element is more than 25 per cent. However, this concessional finance is also tied as almost 75 per cent goods and services have to be sourced from India. Impact of many grant assistance projects could be more than western aid projects as cost of implementation could be significantly lower. A regular dialogue between DAC of OECD and Indian DPA could promote better understanding of Indian activities abroad. This could also help identifying areas where activities of traditional donors could be coordinated with Indian activities which may lead to joint project implementation in future in specifying areas. To understand Indian development partnership activities, a new platform called the Forum for Indian Development Cooperation (FIDC) has also been established.¹³ The FIDC is a network of academics, civil society organizations and policy makers aimed at creating knowledge, awareness and working for conceptual framework of Indian development activities. It has also produced a directory of Indian NGOs¹⁴ working in various fields so that their services could be utilized for future Indian activities abroad.

8. Conclusion

Although India has been active in the area of development cooperation for many decades, its activities have expanded significantly in the last fifteen years. At present, India extends its activities mainly through Lines of Credit, capacity building training programs and grant assisted development projects. The institutional architecture to implement these projects is still evolving. A serious beginning has been made through the establishment of Development Partnership Administration within the Ministry of External Affairs. Since Indian government has never presented systematic data of its aid activities to the larger audience, its activities are not properly analyzed in

¹³ Forum for Indian Development Cooperation
http://ris.org.in/images/RIS_images/pdf/FIDC%20leaflet_new-A-4.pdf

¹⁴ *Profile of Indian Voluntary Organisations 2013* (New Delhi: FIDC, RIS)
http://ris.org.in/images/RIS_images/pdf/FIDC%20PROFILE-FINAL%20PRINT-WEBSITE.pdf

scholarly aid literature. Although Indian policy makers have argued that their aid activities are part of South-South cooperation, many scholars remain skeptical about these claims. Similar to many traditional donors, Indian policy makers would also like to achieve commercial, political, strategic and humanitarian objectives through development outflows. There is a clear understanding in policy circles that India would be involved much more in development area than hitherto. Majority of concessional finance will continue to grow in Africa and more grant assisted projects will be implemented in the neighborhood and in Africa. This sentiment was clearly articulated by Indian Finance Minister in his budget speech in 2007 when he argued that “in keeping with India's growing stature in international affairs, we must willingly assume greater responsibility in promoting development in other developing countries.” Since then activities have grown many fold. Still, India has not clearly declared its objectives and strategy concerning international development cooperation. Unlike China, it has not even issued any white paper on its development activities abroad. Since official objectives, strategy, and proper facts are not made available, Indian activities cannot be evaluated professionally. Despite these weaknesses, it seems Indian development activities have helped India to strengthen its political and economic ties with partner countries. Since Indian activities are definitely cost effective and remain popular, there is tremendous scope for joint projects with traditional donors in third countries, particularly in the areas of health, education, training, capacity building, women empowerment as well as democracy and election management.