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India’s development partnership: key policy shifts and institutional evolution

Sachin Chaturvedi
Research and Information System for Developing Countries

Abstract This article examines the emerging trends in India’s role as a provider of development assistance to the other developing countries of the global South. Though India has diversified the regional focus and has multiplied the quantum of development assistance, there remain several challenges at various levels. The expectations from the development partners have gone up but is India prepared with the institutional frameworks that would be required to administer the desired scale of response? Is there enough preparedness to undertake impact assessment? This article attempts to address some of these issues.

Introduction

This article examines the emerging institutional architecture, trends in enhanced allocations, and implications of India’s role as a ‘responsible’ development cooperation partner with other developing countries of the global South with respect to aid effectiveness and donor coordination. Despite India’s increasing activism in providing development assistance, there remains a strange lacuna in the study of the so-called emerging donors. While academic studies of China’s rise as a foreign aid ‘donor’ is a veritable growth industry and Brazil’s so-called growing ambitions as a Southern donor have also received growing attention lately, detailed studies of the Indian case are still rare. This is somewhat puzzling, as India, since its independence in 1947, has consistently followed a policy of South–South cooperation (SSC) and has dedicated a portion of its scarce public resources to helping other states in the developing world.

Even in the 1950s, when India’s economic growth rates were close to Organization for Economic Cooperation and Development (OECD) levels of today, that is, a gross domestic product (GDP) growth rate of around three per cent, India supported the initiative of organizing the Afro-Asian Conference in 1946, which eventually led to several initiatives at the bilateral level for development cooperation between India and various Southern countries. However, the levels of cooperation were limited given that the total amount of disposable resources from India was also limited. Nevertheless, India now has taken on a far greater role as a provider of development assistance and has become an active participant in SSC at various fora like IBSA (India, Brazil, South Africa), RIC (Russia, India, China) and, more recently, BRIC (Brazil, Russia, India, China). Conclusively, India’s involvement in these groupings of the South is indicative of
a desire for global recognition. What are the implications of India’s new development cooperation initiatives for India’s own policy and assistance programmes? Will India go it alone, working closely with other Southern aid providers, or seek close cooperation with the Development Assistance Committee (DAC) donors with the aim of ‘harmonization’? How does India envisage the role of emerging economies and the shape of global governance in the area of development cooperation?

This article finds that the new economic strength of India is providing the material base for elevating SSC beyond rhetoric to more substantive operations. This is starting to shift SSC onto a different level altogether, which, hitherto, has been largely confined to dissenting voices or group formations at international negotiations. It is important to acknowledge here that, like Brazil and China, India does not prefer to be called a ‘donor’, and prefers instead to see itself as a ‘development partner’. In the recent past, India has taken several initiatives to consolidate its development assistance programmes, which have led to an enhanced interest in and debate over India’s policies and its approach towards development cooperation both inside the country and, increasingly, abroad. The recently announced state institutional restructuring that aims to strengthen the effectiveness of outgoing assistance from India is part of the milieu of growing trade and investment linkages of India with other developing countries. On 8 April 2008, during the India–Africa Forum Summit in New Delhi, the Indian Prime Minister announced the DFTP (duty free tariff preference) scheme for 49 least developed countries, out of which 33 are in Africa, 15 in Asia and one in the Americas (Chaturvedi 2008).

Although recent Indian efforts to consolidate and enhance outgoing development support have attracted growing attention from the media and international stakeholder agencies, the details have yet to be officially announced. The initial pronouncements were accompanied by a resolution to establish a new specialized agency for managing India’s outward assistance flows, but the institutional details are missing. This raises questions about whether, or to what degree, India is serious about reorganizing the functioning of its aid policies and their implementation; the implications of the consolidation efforts for the recipients; and how exactly India is positioning its aid policies in the global context in relation to the Paris and Accra Declarations, and India’s relations with the newer Development Cooperation Forum of the United Nations (UN) (Fues et al 2012). This article will discuss these issues in the sections that follow. It maps the new direction and changing focus of India’s outgoing aid programmes. India’s aid initiatives are growing beyond its neighbouring countries to the wider South, and emerging from the confines of human resource training and basic capacity-building into skill-upgrading and the establishment of specialized institutions across the partner countries.

**Genesis and evolution**

In accordance with the philosophy of India’s foreign policy, an approach of friendship and cooperation with the aim of peaceful co-existence became the foundation principle of India’s development cooperation policy. The framework of SSC and its associated values facilitate the overcoming of multitudes of
problems, differences and conflicts that might pull all the efforts for cooperation in different directions.

Under Nehru, India had an element of idealism impacting on Indian foreign policy which was not very different from Gandhi’s philosophy of ‘Growth for All’. As a part of this, India articulated that the economic development of all countries is an obligation of the whole international community. This was very much part of India’s commitment to internationalism, wherein all countries contribute to the rapid evolution of a new and just economic order under which all nations can live without fear or despair (Nehru 1948). It was out of its own experience that India committed to the promotion of the social and economic development of newly independent countries and their people, as lack of skills was realized to be a major impediment to realizing developmental goals (Nehru 1948). This was the reason why India launched manpower training programmes. This policy of promoting manpower training programmes was very much evident from India’s own experience when engineers from the Indian Institute of Technology (IIT) provided major technical support in rebuilding the country after independence. Moreover, India accumulated experience in skills development by being part of several multilateral programmes for skills development, such as the Colombo Plan, the Special Commonwealth Assistance for Africa Programme (SCAAP), the US (United States) Third Country Programme and the Technical Assistance Programme of the UN and its specialized agencies (MEA 1965, 84). The government of India established a new division within the Ministry of External Affairs (MEA) to deal with these and other programmes, the Economic and Coordination Division established in 1961, but soon realized that the training programmes had expanded and, as a result, the Indian Technical and Economic Cooperation was launched.

The long-standing development cooperation policy of India underwent dramatic policy changes in the early 2000s as economic buoyancy transformed the delicate balance of India’s dual role as a recipient and as an assistance provider (a ‘development partner’) for fellow developing countries. India had set a minimum ceiling for incoming aid (US$25 million), which drove out several smaller donors. Presently, only major donors (basically G-7 members) are left that provide aid to the government. The others are encouraged to provide assistance to civil society organizations. These policy changes are rooted in the assertive nationalism stemming from post-Pokharan nuclear explosion of 1998. This was backed by accumulation of a sizable foreign exchange reserve, resulting from high economic growth and sizable expansion in foreign trade and foreign direct investment. The ability to consolidate the group of developing countries, along with Brazil and South Africa, to block any progress in the negotiations at international organizations like the World Trade Organization (WTO) and World Intellectual Property Organisation (WIPO) also gave a fillip to India’s desire for a larger global role. This aggressive posturing at multilateral fora with other leaders from the South provided new life to the whole idea of SSC, which was still grappling with the pressure of the Washington consensus.

The GDP growth at 2004–2005 prices (at factor cost) was around eight per cent from 2004–2005 till 2010–2011. Of course, this was followed by recent decline in 2011–2012. Foreign exchange reserves rose from a low level of US$5.8 billion in 1991 to US$285 billion in 2009–2010 (MoF 2010). This rise was a very different experience from the early 1950s when India was a recipient of food grain under
the PL 480 aid scheme of the US. There was considerable discontentment in those
years, particularly related to Indian dependence on food imports (Subramaniam 1995). The recent institutional changes basically emanate from the budget speech of the Finance Minister in 2003 (Lele and Agarwal 1991).

However, the recent institutional changes are not completely unprecedented. In fact, a long series of institutional innovations have been attempted at various levels and at different points of time for experimenting on delivery mechanisms and also for bringing the idea of impact evaluation and assessment into the development partnership programme of India. What emerges clearly is the lack of consistency in these efforts. The institutional arrangements, which have often led to changes and rearrangements—sometimes within a year or so—have affected performance and commitment. The concerned divisions within the MEA dealing with planning (at the headquarters) and delivery (at the end of missions) have also gone through several changes. Some of these institutional innovations are captured in Table 1. Though not an exhaustive list, this information can be easily tracked in the publicly available literature.

India has been actively engaged in Nepal and, in terms of India’s development cooperation programme, Nepal has always occupied a very eminent place both in terms of quantum and also in terms of innovations in institutional delivery mechanisms. Nepal was the first country in which India established an Indian Aid Mission (IAM), in 1954 in Kathmandu. The IAM was to coordinate and monitor implementation of various Indian-funded projects. The IAM also played an important role in communicating India’s accomplishments. For instance, in December 1963, the IAM organized a major development exhibition at Kathmandu, which was attended by more than 75,000 people (MEA 1965, 37). The number of projects, particularly related to infrastructure, expanded in a major way that required review in terms of timelines and quality of delivery. Later, in 1966, when the Indian Prime Minister visited Nepal, she renamed the IAM the ‘Indian Cooperation Mission’ (ICM) to emphasize that Indian cooperation went deeper than aid, involving emotions as well as friendship with the people of Nepal. The ICM also undertook studies reviewing the implementation of various projects and their socio-economic impact, for example Goli (1971) and Singh (1974). The ICM was wound up in 19801 and an Economic Cooperation Wing (ECW) was established at the Indian Mission at Kathmandu which would address several other economic activities, going beyond development cooperation, such as expanding trade and investment ties.

The importance of evaluation and impact assessment was also one of the concerns that ran through the MEA at several points of time but no standing institutional arrangement was established. During his visit to Kathmandu in August 1964 the Foreign Minister, Sardar Swarn Singh, announced an agreement between the two governments for undertaking a periodic review of progress made on Indian-aided projects. The first such review took place in Kathmandu between 29 October 1964 and 2 November 1964 (MEA 1965, 37). The government also realized the need to review projects in other countries as well. This came up again when the Prime Minister, Indira Gandhi, visited Afghanistan in 1969 and the need

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1 Based on personal communication with MEA, as precise reference to this is not to be found in the available literature (Chaturvedi 2007).
<table>
<thead>
<tr>
<th>Year</th>
<th>Programme</th>
<th>Purpose</th>
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<tbody>
<tr>
<td>1949</td>
<td>Cultural fellowships established</td>
<td>MEA established cultural fellowships for fellow developing countries</td>
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<tr>
<td>1954</td>
<td>Indian Aid Mission (IAM)</td>
<td>Launched at Kathmandu for coordinating and monitoring implementation of various Indian projects in Nepal</td>
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<td>1964</td>
<td>First Agreement for Periodic Review of development projects</td>
<td>This was signed with Nepal, during the visit of the Indian External Affairs Minister, to undertake a periodic review of the progress made on Indian-aided projects</td>
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<tr>
<td>1966</td>
<td>Indian Cooperation Mission (ICM)</td>
<td>The Prime Minister rechristened the IAM the ICM, signifying the fact that Indian cooperation goes deeper than aid</td>
</tr>
<tr>
<td>1969</td>
<td>Joint Commission (JC) in Afghanistan established for project reviews</td>
<td>Entrusted with (a) identifying resources and capabilities for undertaking projects of mutual interest and (b) exploring possibilities for expanding trade, including land transit trade arrangements</td>
</tr>
<tr>
<td>1961</td>
<td>Economic and Coordination Division (ECD)</td>
<td>A new division was established at MEA to coordinate technical cooperation among other MEA programmes</td>
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<tr>
<td>1964</td>
<td>Consolidated training programme launched as ITEC</td>
<td>Indian Technical and Economic Cooperation Programme (ITEC) launched as a part of the Economic Division, for which a special cell was formed</td>
</tr>
<tr>
<td>1980</td>
<td>New Economic Cooperation Wing (ECW) launched at the Nepal mission</td>
<td>ECW was established at the Nepal mission, subsuming ICM</td>
</tr>
<tr>
<td>1994</td>
<td>Special Volunteers Programme (SPV) launched</td>
<td>India launched a special programme targeting ten countries in Asia and Africa to assist in the development programmes of partner countries</td>
</tr>
<tr>
<td>1995</td>
<td>Establishment of ITEC Division</td>
<td>ITEC, SCAAP and ADR hived off from the Economic Division to provide greater focus on Indian economic diplomacy; later subsumed in the Technical Cooperation Division</td>
</tr>
<tr>
<td>2003</td>
<td>India Development Initiative (IDI)</td>
<td>Budget speech announcement of supporting fellow developing countries</td>
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<tr>
<td>2004</td>
<td>IDEAS lines of credit (LoC) launched</td>
<td>India Development and Economic Assistance Scheme (IDEAS) launched to provide LoC from the EXIM Bank</td>
</tr>
<tr>
<td>2005</td>
<td>Development Partnership Division</td>
<td>A new division created for better delivery of development projects; later merged with Technical Cooperation Division</td>
</tr>
<tr>
<td>2007</td>
<td>India International Development Cooperation Agency (IIDCA)</td>
<td>Budget speech announcement of setting up IIDCA as one-stop shop for coordinating all projects, LoC, technical cooperation, deputation of experts and training foreign nationals in India</td>
</tr>
<tr>
<td>2012</td>
<td>Development Partnership Administration (DPA)</td>
<td>A new division within the MEA established to coordinate India’s development assistance</td>
</tr>
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Source: Compiled by the author.
for institutional arrangements for the study and planning of various projects of mutual interest came up (MEA 1970, 21). However, this time the response from India was different. Instead of establishing an institution similar to ICM, the government opted to establish a Joint Commission (JC) at the ministerial level. Though the JC had a much wider mandate, it also had a predominant focus on projects in development cooperation. The JC was established in 1970 and its first meeting was organised in New Delhi. The JC was entrusted with (a) identifying resources and capabilities for undertaking development projects of mutual interest and (b) exploring possibilities for expanding trade, including land transit trade arrangements. Later, such JCs were established for other countries, like Ceylon (today Sri Lanka), Iran and Czechoslovakia. The idea was to widen and deepen the basis of economic collaboration between India and these countries for the exploitation of national resources for mutual benefit. However, there was no arrangement at the central level to coordinate and harmonize various policy decisions across countries and associated institutional changes. Immediate need, rather than long-term vision, seems to be the prime driver of India’s approach in the area of development cooperation.

Within the headquarters too institutional changes were occurring. The economic development programmes, particularly the one dealing with Nepal, were originally based at the Ministry of Finance, from where they were transferred to the MEA in January 1961. Later, in July 1961, a new division was established at MEA called the Economic and Coordination Division (ECD), which, besides other responsibilities, had to deal with aid and trade relations with Nepal previously dealt with by the Eastern Division (MEA 1963, 54). This division also had an advisory role in matters related to trade agreements, credit and payment agreement, foreign aid negotiations and technical agreements, which otherwise had to be finalized by the territorial divisions and, in some cases, by the respective line ministries. However, this division was responsible for all proposals relating to technical assistance with the exception of schemes and programmes within the Colombo Plan, which was with the Ministry of Finance. The ECD also led work on economic conferences pertaining to the UN and other multilateral organizations while the remainder of UN business remained with the UN division (MEA 1963, 54). This division also established inter-ministerial committees and study groups, at different points in time, to consider economic questions having an important bearing on Indian foreign policy (MEA 1964, 80).

India consolidated the ongoing fellowship and training programmes in 1964, within the Indian Technical and Economic Cooperation Programme (ITEC). As part of the ITEC programme, India collaborates with partner countries to undertake industrial projects that share development experience and expertise India acquired in the past. It also provides consultancy services to partner countries.

The establishment of the ECD played an important role in linking foreign policy with the economic growth of India. In fact this was the first effort to provide economic content to foreign policy per se, when growing technical expertise in agricultural and industrial development was linked with external projects. The major emphasis on industrial development throughout the Second Five Year Plan imparted a new confidence to establish sophisticated industrial plant at nominal costs. As a result, the Indian government issued special instructions to the Indian missions for exploring expansion of Indian exports along with exploring prospects
of economic and technical cooperation. This was for utilizing talents and surplus capacities generated during the implementation of the Second Five Year Plan. The idea was to evolve relationships with other countries for mutual advantage and collective development (MEA 1970, 78).

As a result of this new orientation Indian development cooperation was able to encompass three major activities: (1) technical assistance, (2) promotion of economic collaboration and (3) analytical and advisory functions on matters related to aid and trade. Since several developing economies were in a phase of reconstruction, they required support for carrying out techno-economic surveys led by the National Industrial Development Cooperation (NIDC) of India. In the 1970s such surveys were conducted for several countries, including Afghanistan, Yemen, Fiji, Iran and Mauritius. The ITEC programmes provided support for countries like Ghana, Nigeria, Tanzania and Uganda (MEA 1970, 79). The Economic Division was restructured in 1995 resulting in the creation of a special administrative division within the MEA to deal with the ITEC programme. In this new ITEC division a couple of other related programmes like SCAAP and Aid to Disaster Relief (ADR) were also added. However, within a year ITEC was merged with the Technical Cooperation Division. In 1994, India also launched the Special Volunteers Programme (SVP) to provide assistance to the development programmes of partner countries in Asia and Africa but the impact of SVP and the number of volunteers enrolled are little known to the outside world. In later years there is no mention of what exactly happened to this programme.

The recent incarnation of India’s development cooperation policy first emerged in 2003 when the Finance Minister, Jaswant Singh of the National Democratic Alliance (NDA), announced the new features during his presentation of the annual budget for the country. He stated that ‘A stage has come in our development where we should now, firstly, review our dependence on external donors. Second, extend support to the national efforts of other developing countries. And, thirdly, re-examine the line of credit route of international assistance to others.’ The February 2003 budgetary announcement was followed by extensive meetings to establish the guidelines and operational strategies that were issued in June 2003. The key government announcement from these meetings was that the government would reorient its aid policies (GOI 2003).

The government’s shift in outward aid policy in 2003 also resulted in the decision to establish a new aid agency for managing India’s outward aid (Srinivasan 2007). This decision alone represented an important breakthrough in terms of elevating India’s outward assistance programme. The absence of a specified agency not only affected the outcome of the assistance programmes but also missed out the larger picture of development cooperation and strategic economic gains for India, as, throughout, the focus remained on specific projects (Chaturvedi 2011; Channa 2009). It is worthwhile to examine the extent to which India’s development cooperation has been leveraged to achieve foreign policy goals. As Table 1 demonstrates, there were several efforts in the past to restructure delivery mechanisms at the level of Indian missions and not many changes were made at the level of the headquarters. The announcement of

\[\text{There are studies like Abraham (2007) which have observed that India has not used this instrument effectively.}\]
establishment of a specified agency, in that sense was a paradigm shift in the Indian approach.

The corrective measure came in a parliamentary budget speech on 28 February 2003, when the Finance Minister explicitly addressed the nuances of India’s approach to external investment and development cooperation. J. Singh stated that the Indian government would introduce the ‘India Development Initiative’, an ‘initiative to promote India as both a production centre and an investment destination’. The initiative was established under the Ministry of Finance, with an allocation of Rs 2 billion (approximately US$43 billion) for 2003–2004. The Finance Minister emphasized that ‘this initiative will also leverage and promote our strategic economic interests abroad’ (GOI 2003, 21, paragraph 117). The Finance Minister outlined India’s approach to ‘aid effectiveness’, based on India’s own developmental experience. As he stated, ‘Having carefully weighed all aspects, I propose the following measures:

1. While being grateful to all our development partners of the past, I wish to announce that the Government of India would now prefer to provide relief to certain bilateral partners, with smaller assistance packages, so that their resources can be transferred to specified non-governmental organisations (NGO’s) in greater need of official development assistance. The current agreed programmes will, however, continue and reach their completion. Of course, there will be no more ‘tied aid’ any longer.

2. Having fought against poverty, as a country and a people, we know the pain and the challenge that this burden imposes. For the Heavily Indebted Poor Countries (HIPC’s), owing overdue payments of substantial sums to India, I am happy to announce that we will be considering a debt relief package. This will be announced shortly in consultation with the Ministry of External Affairs.

3. I am also happy to announce that the Government proposes to generally discontinue the practice of extending loans or credit lines to fellow developing countries. Instead, in future, I propose to utilize the ‘India Development Initiative’, which I have already announced, for providing grants or project assistance to developing countries in Africa, South Asia and other parts of the developing world (GOI 2003, 22–23, paragraph 126, emphasis added)’.

The new budgetary allocations were then followed by extensive meetings and the drafting of guidelines (June 2003), which outlined implementation strategies (GOI 2003).

The 2003–2004 shifts in India’s external aid policy, introduced by the previous government, therefore preconditioned the 2007 announcement of the Indian Finance Minister that the United Progressive Alliance (UPA) government would establish the India International Development Cooperation Agency (IIDCA) to provide unified administration of the country’s outgoing development assistance. One guiding principle for the new agency was that India’s assistance would be directed especially at developing countries that were in greater need of external aid than India. In working from this operating principle, the IIDCA was also to build on the preceding India Development Initiative (IDI).

The initiative had already started the process of identifying the highly indebted countries that would be the preferred recipients, and then directing grants and others credits to these recipient countries, in addition to working on writing off their debt to the Indian government. One should not miss the fact that
the IDI also had the dual agenda of ‘promoting India’ in overseas markets. Its aim was not solely to foster techno-economic and intellectual cooperation. It was because of this dual agenda in the IDI that the new government decided that it would review the initiative, to reconsider whether the programme needed to be reoriented more squarely upon development assistance objectives (Speech cited in Iyer 2004, emphasis added).

Under the UPA government, the shift in India’s external aid policy has now been matched by changes in the machinery of government. In the budget speech of 2007–2008 to the Indian Parliament, the Finance Minister P Chidambaram announced (28 February 2007) that,

In keeping with India’s growing stature in international affairs, we must willingly assume greater responsibility in promoting development in other developing countries. At present, India extends development cooperation through a number of Ministries and agencies and the total sum is about US$ 1 billion per annum. It is felt that all activities relating to development cooperation should be brought under one umbrella (GOI 2007).

Accordingly, the government proposed to establish the IIDCA. The Ministries of External Affairs, Finance and Commerce and Industry and other stakeholders were to be represented on the board of IIDCA (GOI 2007 13, paragraph 107).

It is interesting to note that all the announcements related to IIDCA were either in Parliament or in the media there was no mention of this in any of the MEA documents. In 2011 media reports indicated a change of name for IIDCA to the ‘Indian Agency for Partnership and Development’ (Jacob 2011). It was only in 2012 that the MEA Annual Report announced the setting up of a Development Partnership Administration (DPA). As the name indicates, this is not an agency in itself. It is just one of the several other divisions of the MEA. At best this seems to be one step short of setting up a full-fledged development cooperation agency. In hindsight, this seems to be a far more balanced approach, as the MEA has now more time to connect together various relevant divisions dealing with the evaluation of credit lines and projects.

The above changes in the external aid policy and architecture set the conditions for the expansion of India’s development cooperation programme. India’s assistance was traditionally focused, geographically, in the South Asian region; however, in the past few years it has diversified to other countries and regions. India has expanded its development cooperation into various parts of Africa and Latin America. Apart from geographical expansion, there has also been a marked increase in the quantum of assistance, range of activities and nature of development assistance. For instance there is growing emphasis on new areas like cooperation in frontier technologies, which is now advancing at a rapid pace. In some cases it is comparable to that of the other developing country donors, such as China and Brazil (Chaturvedi and Thorsteinsdóttir 2012).

Efforts are now being directed at consolidating the outflow of these aid contributions through ‘effective partnerships’ (Government of India (GOI) 2007). This largely means greater emphasis on coherence in India’s other policies that support development across partner countries. For instance, in 2008, India announced granting unilateral market access to most exports from the least-developed countries (LDCs). The scheme covers products that account for 92.5 per cent of the LDCs’ total global exports (and 94 per cent of India’s total tariff lines).
Some of the products of interest for African countries that are covered include cotton, cocoa, sugar cane and copper and aluminum ores. Many observers believe that this type of support to the development process of India’s traditional aid recipients is far more important than monetary grants (Sharma 2007; ITEC 2010). India adopted a similar approach for Bangladesh, where apart from providing a credit line of US$1 billion in 2010, India also provided greater market access for exports from Bangladesh particularly textiles and other products. Wider market access provided by India to the goods from Bangladesh, through the duty-free and quota-free market access regime, may help in economic development of Bangladesh. Initially India allowed duty-free import of 46 textile items but subsequently expanded the arrangement to all but 25 items imported from Bangladesh. In 2010 India extended a credit line of US$1 billion and in 2012 announced a US$20 million grant for infrastructure and industrial capacity-building (MEA 2012). This composite approach is needed to eventually achieve policy harmonization.

Emerging dynamics: implications of key decisions

Despite the aforementioned institutional changes and associated shortcomings in the management of India’s aid architecture, the country has registered major increases in quantum and diversification in geographical destinations over the past twenty years or so (1991–1992 to 2009–2010). In this section, we focus on the three key instruments of Indian development cooperation: lines of credit (LoC), grant-based assistance and skill upgradation programme of ITEC.

It appears that LoC have occupied a major place in India’s development cooperation landscape compared with activities like grants and training programmes. This is not very different from India’s own experience as a recipient of aid over the last 60 years. Since 1981–1982, the share of loans and grants in the overall inflow of aid has not changed much in the Indian context. In 1981, India was receiving external assistance of US$2079 million, out of which US$1694 million was loans while US$385 million was grants (Ministry of Finance (MoF) 2012). In 2010–2011, India received overall assistance of US$8287 million, out of which loans constituted US$7679 million while grants totalled US$608 million. Our time series analysis for this period (1981–1982 to 2010–2011) shows that the share of loans in the total assistance moved from 81 per cent in 1981–1982 to 93 per cent in 2010–2011. In some years it was as high as 94 per cent (2000–2001). The major providers of development assistance in 2010–2011 at the bilateral level included Japan (17 per cent), the United Kingdom (UK) (4 per cent) and Germany (4 per cent). At the multilateral level, the major providers were the International Bank for Reconstruction and Development (IBRD) (38 per cent), Asian Development Bank (ADB) (20 per cent) and International Development Association (IDA) (13 per cent).

Among all the instruments being deployed as part of India’s development assistance scheme, LoC occupy a huge share of India’s total assistance to other countries (Chaturvedi 2012). The various policy changes introduced in

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3 There are no official data on this but a very rough estimate suggests that the share of LoC is close to 80 per cent.
2003–2004 also included the launching of the India Development and Economic Assistance Scheme (IDEAS) to provide LoC through the Export and Import Bank of India (EXIM Bank) rather than from the GOI. The IDEAS was intended to provide professional support and technical guidance in managing loan portfolios for partner countries. It was designed to finance exports from India of project equipment, goods and services.

The EXIM Bank is an apex financial institution that provides financing to facilitate and promote India’s international trade with other countries. Lines of credit have emerged as one of the key instruments of the EXIM Bank for supporting the trade activities of India’s small and medium-sized enterprises (EXIM Bank 2010). The Bank extends LoC to overseas financial institutions, regional development banks, sovereign governments and other institutions. The EXIM Bank’s financing enables buyers in the borrowing countries to import projects, goods and services from India on deferred credit terms and plays an important role in the implementation of needed foreign exchange and capacity provision for the implementation of the projects. Besides its own LoC to overseas entities, the EXIM Bank has been extending and operating at the behest of and with the support of the Indian government to provide support to partner developing countries since 2003–2004 (EXIM Bank 2010). The EXIM Bank works closely with the Investment and Technology Promotion Division (ITP), now part of DPA, the Department of Economic Affairs and India’s overseas diplomatic missions to ensure effective implementation of LoC. The government support is in terms of providing repayment guarantees and interest subsidy/equalization to the EXIM Bank in order to compensate the Bank for the interest differential between the market and what it charges to the partner countries.

Figure 1 shows that the EXIM Bank has major operations in Sub-Saharan Africa, which receives almost 50 per cent of its lending, followed by South Asia (39 per cent) and the rest of Asia (9 per cent). As of 7 February 2012, the total LoC commitment was US$7.7 billion, covering 153 LoC in 94 countries in Africa, Asia, the Commonwealth of Independent States (CIS), Europe and Latin America. Over 40 African countries have availed themselves of 100 Indian LoC aggregating over US$4.2 billion. The Prime Minister at the Second India–Africa Forum Summit announced another set of LoC, worth US$5 billion, over the next three years. In several countries, LoC have played an important role in providing industrial competitiveness and improved infrastructure. One of the facets of this programme is that the EXIM Bank suggests neither the nature of projects nor the individual entitlement of a country. It is left to the countries to decide, provided they come up with their own procurement laws as enunciated in their government documents. The EXIM Bank runs two separate programmes under the LoC scheme. One is on commercial terms and the other is on non-commercial concessional terms. The difference from the international market rate of interest is borne by the GOI.

The projects that India has financed have ranged from a cement factory to power projects to dams to rice-growing projects. In Senegal, with LoC help crop production has gone up by a factor of 2.5 (Ranganathan 2012). Similarly, Laos has become completely self-dependent in crop production. Among the infrastructure projects, Sri Lanka received US$492 million for a railway project, Belarus received US$60 million for a power plant while Mongolia received US$20 million for establishment of IT training centres and livestock vaccination programmes. At the macro level, the sectoral composition of LoC is captured in Figure 2. As is evident,
the power sector has received the maximum support (28 per cent), followed by railways (19 per cent), engineering and construction (14 per cent), sugar production (9 per cent) and agriculture and irrigation (8 per cent).

As is clear from Table 2, grant-specific assistance from India has seen significant overall increases from Rs 2.6 billion in 1990–91 to Rs 28.5 billion in 2009–2010 and nearly Rs 48 billion in 2012–2013. India’s foreign policy related to outward assistance has remained largely unchanged despite the change in government from NDA to UPA, in the sense that there has not been a dramatic increase or decrease in the quantum of development cooperation. The policy changes initiated by the NDA in 2003 were largely continued under the UPA government when it took power in 2004. Table 2 presents outflows to different geographical destinations and also includes ADR and assistance to multilateral agencies. The major recipients from the

Figure 1. EXIM Bank’s operative lines of credit, 7 February 2012.
Source: EXIM Bank (2012).

Figure 2. LoC approvals by sector, 2001–2002 to 2010–2011.
Source: EXIM Bank (2012).
bilateral assistance programme have been the neighbouring countries in the Indian subcontinent and some of the larger African economies.

In the South Asian neighbourhood, Bhutan has received the largest amounts of aid and concessional loans, followed by Afghanistan and Myanmar. It is interesting to note that at a very early stage of India’s outgoing aid the government decided to opt for sectoral support rather than ad hoc project-based funding. This was initially tried in Nepal and Bhutan. However, today it continues only with Bhutan. The year 1959–1960 was a turning point in the history of India’s outgoing aid programme (GOI 1960). It was in this period that India decided on the programme-based support of various aid activities in Nepal and Bhutan. In the case of Nepal, in 1960–1961, India also agreed to provide support to Nepal’s Second Five Year Plan with aid of Rs 180 million. This was the first support to Nepal for assistance in planning. In the case of Bhutan, an annual grant of Rs 0.7 million in subsidy was provided from 1960 onwards for long-term objectives instead of ad hoc grants. This supported the government of Bhutan in formulating its development planning. The grant assistance was given in addition to a sum of Rs 0.5 million that was paid annually to the Bhutan government under the 1949 treaty. Elsewhere in the South Asian region, India has partnered with Bangladesh for mutual economic development and growth. In Nepal, a novel programme was launched in 2003: a small development programme (SDP). The SDP covers projects costing less than Rs 3.12 crores (US$0.7 million) and with focus areas like infrastructure development and capacity-building in the areas of education, health and community development. The SDP entails the participation

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<td>4720</td>
<td>10410</td>
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<td>Total</td>
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<td>28573.8</td>
<td>33825.6</td>
<td>30411.1</td>
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Notes: * indicates provisional figures.
Source: Expenditure Budget, MoF (various years) and loan figures from MEA annual reports (various years).
of local communities, the national government and the Indian Mission. The auditing is done by the local community, which helps in ensuring effective and timely delivery besides other advantages like lower transaction costs, minimum overheads and direct involvement of stakeholders. The projects are expected to have a short gestation period, simple and transparent modality and a high degree of flexibility.

Table 2 show that the allocations to African countries have increased from Rs 90 million in 1990–1991 to Rs 1258 million in 2009–2010.\(^4\) There have been significant fluctuations during certain years, especially in the cases of Bangladesh and Africa. These dramatic changes in aid flows may be due to India’s funding cycles. These vary according to the support for certain large infrastructural projects in particular years. South Asia has received consistent increases in Indian development assistance.

The aid has ranged across human resources training, technical assistance, research and training fellowships, scholarships at different levels of education and the provision of goods such as medicines. In the recent years, Indian contributions to infrastructure construction and maintenance have seen significant increases. The Pan African e-network that links Africa through an optic fibre network, and several projects with the Economic Community of West African States (ECOWAS) Development Bank and New Partnership for Africa’s Development (NEPAD) demonstrate India’s growing support for regionalized approaches to improving infrastructure in Africa (Singh 2006). Examples of individual country-specific projects include power generation units in the Sudan (US$450 million), rural electrification in Ethiopia and the computerization of African stock exchanges.

The ITEC initiative has emerged recently as a flagship programme of the MEA. This was originally launched in 1964, and it has provided supplemental support over the years to the SCAAP. It now appears that the SCAAP will likely be absorbed into the ITEC. The ITEC aims to help fellow developing countries to overcome their limitations in the science and technology sectors, which depend crucially on having adequate numbers of trained personnel. Building on its past contributions in this area, India’s authorities are now looking to make enhanced technical cooperation and capacity-building a major policy focus for future external aid programming. India has provided over US$2 billion in technical assistance to developing countries through the ITEC programme since its inception (1964).\(^5\) There have been considerable increases in the Indian government’s allocation for ITEC programming, from Rs 134 million in 1990–1991 to Rs 1.2 billion in 2012–2013. However, the share of the ITEC programme in the total allocation for development assistance has declined, due to an increase in large-scale project assistance. For instance, a donation of US$200,000 to Colombia was provided in 2002 for installing a solar energy plant, while during the same period two information technology (IT) centres were established in Africa. Development assistance for supporting large-scale projects has seen major

\(^4\) The subsequent years of 2005–2006 and 2006–2007, though, show a decline but there is an abnormal increase in category of others like from Rs 3 billion to Rs 5 billion in 2006–2007.
increases, for example in aid to Nepal, expanding from Rs 173 million in 1985–1986 to Rs 1.5 billion in 2009–2010, an increase of almost 767 per cent. In Africa, assistance to support large-scale projects expanded from Rs 166 million to Rs 1.25 billion during the same period, an increase of 653 per cent.

In historical context, the ITEC slots have expanded in the last couple of years. In the period 1995–1996 to 2005–2010, the number of ITEC trainees increased from 427 to 2014. The strategy of the Indian government seems to be to diversify the geographical coverage of the ITEC programme to broaden the number of developing countries and the types of programmes. The intake from Asian countries in 1995–1996 was close to 57 per cent, compared with 32 per cent from Africa and 11 per cent from the rest of the developing world. By 2005–2006, a more balanced pattern emerged, with increased participation from other developing countries (19 per cent), which equalled the 19 per cent from Africa. Despite these rebalancing shifts, Asia has still seen an increase in the number of countries involved in the programmes. This increased from 26 (1995–1996) to 48 (2005–2006), including several LDCs from the Asian region. In 2011–2012, the share of Africa and Asia was almost equal at 44 per cent and that of Latin America was four per cent (see Figure 3). The multilateral agencies have a share of two per cent.

The ITEC now has five major components. The first is the training in India of nominees of ITEC partner countries (in this element there is a growing focus on issues of trade, investment and technology cooperation). Second is project-based cooperation, including related activities such as feasibility studies and consultancy services. In some cases, the project-based cooperation is linked to supporting regional programmes under the Economic Commission for Africa, Group of 77, AARRO (Afro Asian Rural Reconstruction Organization), G-15 and SADC (Southern African Development Community). Third is the deputation of Indian experts abroad. Fourth are study tours to India. Fifth is ADR. The ADR has evolved as a major diplomatic tool to address bilateral and regional political issues that have

Figure 3. Regional distribution of ITEC programme during 2011–2012. Source: MEA Annual Report 2012.
hitherto proven difficult to deal with (Chandran et al. 2009). Among recent disasters the 2005 tsunami seems to have been a turning point, when India agreed to join the US, Australia and Japan in coordinating a substantive response to the crisis (Price 2005). In all the ITEC programme reflects India’s solidarity with other developing countries, and arguably the continuation of the type of support associated with its fellowship programme launched in 1949 with 70 fellowships (MEA 1950).

Global public goods and multilateralism

In addition to its bilateral aid initiatives, India has made increasing contributions to supporting other developing countries in their social and economic development and in the process enabling them to attend to their Millennium Development Goals (MDG) commitments. Under the IBSA initiative, India has contributed to the IBSA Fund, which was established in 2004. The IBSA Fund has already achieved some noteworthy success. For example, it has been used by the IBSA members to develop programmes that aim specifically to support the improvement of medical clinics in Africa and elsewhere. Experts from the IBSA countries and their national partner institutions have jointly assessed the Burundi health care system to determine how it can be improved in the fight against HIV/AIDS, drawing specifically from the national models and experiences of IBSA countries (Research and Information System for Developing Countries (RIS) 2008). The IBSA fund has been used to rehabilitate and properly equip two healthcare centres in a remote area of the island of Sao Nicolau, Cape Verde, and to construct a water desalination plant that will provide safe drinking water to the population of Sao Nicolau (UN Development Programme (UNDP) 2011).

In 2006, the IBSA Fund received the UN South–South Partnership Award, and it received the UN Millennium Development Goals Award in 2010. The IBSA Fund demonstrates how need-driven, locally owned and managed development cooperation programmes are implemented within the framework of SSC. This IBSA-led initiative responds to the growing global concerns regarding aid coordination, fragmentation and lack of coherence. It is one way in which India is trying to harmonize SSC with the broader goal of achieving aid effectiveness. However, India’s idea of aid effectiveness is very close to what is being described as ‘development effectiveness’, which is different from the idea the Paris Declaration communicates. In the latter, there is scope for equal roles for both partners in a development partnership.

Along with the rapid expansion of India’s economy, the government is also showing a keen interest in expanding India’s role in various multilateral fora. The IBSA Fund is unique in the sense that its work is managed and disbursed through the Special Unit for SSC of the UNDP. India has also provided assistance to Haitian earthquake victims through the UN’s special agencies as well as to the victims of the recent Pakistani floods. In addition to development assistance, Delhi is therefore providing a growing amount of humanitarian assistance through the UN’s initiatives. India has also joined several global public and private partnership programmes which are dedicated to attracting and disbursing additional resources to prevent and treat communicable diseases. One such example is the Global Fund, which has focused specifically on dealing globally with HIV/AIDS, tuberculosis and malaria, and has received high-profile support
from the Clinton Global Initiative and the Gates Foundation. Since its creation in 2002, the Global Fund has, in fact, become the main source of finance for programmes to fight AIDS, tuberculosis and malaria, with approved funding of US$18.4 billion for more than 572 programmes in 140 countries. It provides a quarter of all international financing for AIDS globally, two-thirds for tuberculosis and three-quarters for malaria. India has contributed US$11 million to this programme.\(^6\)

India has become the host country for two major Asian regional research centres for advance technologies, namely the International Center for Genetic Engineering and Biotechnology (ICGEB), and the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT). Both institutes play a substantive role in coordinating and supporting region-wide research in medicine and agriculture in Asia. These two institutions also operate under the UN umbrella. India also hosts the UN Educational, Scientific and Cultural Organization (UNESCO) Regional Centre for Biotechnology (RCB) and the Asian and Pacific Centre for Transfer of Technology (APCTT) of the UN Economic and Social Commission for Asia & the Pacific. India is furthermore contributing to the UN Democracy Fund, which plays an important role in strengthening democratic institutions around the world. India is the second-largest contributor to this fund, having contributed US$20 million (MEA 2010). The Fund supports various projects for developing democratic institutions in different countries. Contributions in this area are actually not new for India. The observation by the German Development Institute (DIE 2010) that Indian support for democracy in Afghanistan is driven by strategic considerations does not seem to be correct.

India has a strong history of sharing experiences in conducting and managing election processes; for instance, India sent its Election Commissioner to facilitate the implementation of the Anglo-Egyptian Agreement for self-government and self-determination in Sudan in 1953, as chairman of a seven-member International Commission (MEA 1954, 16). Similarly in 1959, India provided basic support for conducting an election in Nepal, where a team of experts was sent for six months along with necessary gadgets, such as 15 wireless handsets. Some documentary films on general elections in India were also presented to Nepal to explain the arrangements and techniques of conducting elections (MEA 1959, 18). Similar support was also extended to Burma, when members of the Burma Election Commission arrived at New Delhi in 1962 to observe the conduct of the general elections in India. The Burmese group included Thakin Pan Myaing (Union Party), U Khin Maung Lat (AFPFL, Anti-Fascist People’s Freedom League) and UTP Wan (NUF, National United Front). Later in the same year Burma also underwent elections (MEA 1962, 20). This demonstrates consistency and commitment for shared principles. India’s support for democracy in other countries may not work the same way that Western countries try to thrust democracy on other countries. India continues to be guided by *Panchsheel* principles: mutual non-interference and mutual respect for each other’s territorial integrity and sovereignty.

\(^6\)<http://www.theglobalfund.org/en/about/>.
Conclusion

This article has analysed the core institutional reforms that have shaped India’s development programmes. Though there might be official resistance from India in accepting the idea of ‘aid effectiveness’, however, as the article indicates, India has already developed strong practices to bring in ‘effectiveness’. For instance, its assistance projects are largely chosen with prior consultation with the recipient countries. This helps ensure a sense of participation among the recipients. India has also drawn from its own experience a number of key lessons about what it feels like to be on the recipient side of foreign aid flows. These experiences have been both positive and negative in terms of aid impact, especially in the area of local participation. These basic lessons of being an aid recipient, coupled with India’s own development experience, underpin the country’s approach to being a development assistance provider. In the case of the e-infrastructure Africa project, the enthusiasm from the network member countries was such that they immediately signed up for the telemedicine option under this facility and 47 countries are currently involved in the programme. These countries have found that the programme is a cost-effective means to have their own medical professionals trained on site along with full access to the optical fibre network. Promoting ‘cost-effectiveness’ appears to be an important norm that guides India’s external aid programme.

At the global and regional levels India’s external assistance has increased manyfold. Working through the IBSA process, India has shaped the profile of multilateral aid from the South. As discussed above, the IBSA-funded projects are being routed through the UN Special Unit for SSC instead of their national (aid) agencies, thereby helping to ‘de-nationalize’ a portion of the countries’ national aid flows. India has also promoted the role of private-sector actors in providing development assistance as a norm in SSC. The rationale here is to share each other’s comparative strengths rather than merely promoting ‘altruism’ from a larger economy. This rationale is promoted by Delhi as offering a different normative approach to the DAC donors.

The future effectiveness of India’s external development assistance will depend on whether it can overcome some of the main institutional, policy and programming constraints to date. Three such constraints are limited attention to trilateral cooperation, the limited visibility of India’s external aid programmes and the absence of impact assessment procedures for its aid projects. There is need for systematic and routine performance-reviewing mechanisms to be introduced in the system. The exercise of reviewing India’s aid performance is largely left to government field offices. It is not clear whether such an approach ensures coherent linkage to the government’s overall external aid policy objectives. Such breakdowns become especially evident at a time of a global financial crisis. Previously, they have resulted in problems such as slow and tardy implementation of aid projects.

One recommended reform measure to further strengthen the effectiveness of Indian development assistance is to reunify the administration of India’s outgoing assistance-related contributions under the MEA. Administrative rationalization into one ministry would make the exercise of administrative coordination more feasible, as administrative overlap and duplication could be reduced and, in some cases, avoided. Recent institutional reforms in Norway, Japan, South Korea and the Netherlands provide examples of the growing trend in this regard. In the case of America, the US Agency for International Development (USAID) has overall
responsibility for recommending aid strategy and policy and managing the implementation and evaluation of aid programming. India can draw lessons from these experiences.

This kind of an executive-led shift would impose major responsibilities on MEA in terms of getting parliamentarians and civil society involved in the formulation of India’s development cooperation policy in such a way so as to ensure that it addresses current challenges like the lack of focus, low visibility, and the ad hoc approach to programme development. India’s assistance has also been limited by the lack of any foreign policy strategy for the selection of aid recipients. In this respect, India is still very different from China as an aid provider, as strategic considerations at various levels appear seem to be a defining feature of Chinese foreign assistance programming (see the article by Gregory Chin in this issue). In the initial decades of development assistance, India focused on a select grouping of countries. However, this has changed in the past few years as major diversification has been undertaken. Japanese efforts to improve the quality of its aid may provide useful lessons for India, specifically the economic relevance of Japanese aid for the needs of the local people. As such, Tokyo’s aid has usually gained high visibility with the local agencies.

India and the other emerging countries face conceptual and practical challenges in charting their future global path as assistance providers. Their rise has further complicated the already complex global aid regime, a system that was already in flux. The emerging countries have registered their lack of desire to join the Global Partnership (GP) supported by the DAC at the UNDP. However, it is not clear whether, or to what extent, they will provide substantive support to the UN-led Development Cooperation Forum (Fues et al 2012).

Based on their commitments under the Paris Declaration, the OECD countries have agreed to increase the degree of transparency in their aid programming. However, it is unclear how the emerging countries intend to address the issue. It is urgent for the emerging countries to develop their definition of ‘aid’ for their SSC. Such evolution would bring improvements in statistical precision in tracking their contributions. It would furthermore bring improvements in the assessment of their contributions to global collective efforts on MDGs.

The second ‘responsibility’ theme that has been considered here is ‘donor coordination’ along various tracks of multilateral or trilateral cooperation. In addition to greater multilateral cooperation under the UN umbrella, there are enormous potential gains to be made through improved trilateral donor cooperation, whether of the IBSA or BRIC variety, for reducing the currently high transaction costs in aid delivery. The teaming up of donors is one promising solution. It is also likely to be unavoidable that the emerging donors will coordinate more closely with DAC donors under a trilateral rubric in the future. The key challenges and gains to be made here will be in sharing complementary professional skills in the design and delivery of aid programming, as well as in the management of aid projects in areas of project finance and technology transfer. This could bring significant expenditure gains in ‘returns on development’. In recent years, the Indian authorities have shown some interest in participating in such trilateral cooperation in Africa, especially with the UN agencies. It would be

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helpful to return to such efforts. A further strengthening of its commitment to aid effectiveness, and donor coordination, would help India to realize the objective of acting as a responsible actor, supporting other developing countries.

Notes on contributor

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