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INDIAN DEVELOPMENT COOPERATION: AS WE MOVE FORWARD

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EXECUTIVE SUMMARY

This policy brief delves into the question, what is the future of India's Development Cooperation? In an attempt to answer this, the role of India in South-South Cooperation along with key aspects of the Indian approach is examined. The brief proposes that as India moves towards an increased role as a development partner, it should articulate its interests, motives and direction through a policy statement, if not a white paper. This brief makes recommendations for a policy statement proposing that for any country to cooperate with others, it first needs to articulate its own national interests, what it wants and on what basis it will interact with others.

Keywords: India, development cooperation, partnership, policy.

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India's Development Cooperation

India's development cooperation is rooted in the historical principle of *Vasudhaiva Kutumbakam* meaning the world is one family. Viewing the world with this sense of brotherhood has pushed India towards taking a lead role from the Non-Alignment Movement to South-South Cooperation. Tharoor (2016) points out that India has evolved from a recipient to donor to a 'Global Rule-Maker' as the volume and nature of India's development cooperation develops. In 1961, India founded the Indian Technical and Economic Cooperation under the Ministry of External Affairs. This was a newly independent India's first step towards development cooperation. India lunged itself forward with efforts being made towards capacity building, project assistance, providing scholarships and technical cooperation. Since 2015, India's development cooperation efforts have increased from US\$ 1.308 billion to US\$ 1.314 billion (Mullen & Arora 2016). To become prominent player in South-South Cooperation, India need to overcome emerging challenges in respect to environment and accountability, while managing an increased Chinese involvement in its region. Moreover, a policy statement and a well-laid out institutional structure, increased engagement with civil society and better dissemination of information will contribute towards achieving the status of a global rule maker.

In 2012, Government of India set up the Development Partnership Administration (DPA), under the Ministry of External Affairs (MEA), as India's official agency for development cooperation (Sharan, Campbell & Rubin 2013). The role of the DPA is to 'consolidate and streamline all aspects of India's development assistance (Sharan, Campbell & Rubin 2013).' The DPA was a step towards entering the league of countries with a well-institutionalised development framework, in line with India's global aspirations of a leader of the South. The creation of DPA further increased India's scope in development cooperation, indicating to its partners its commitment towards South-South Cooperation. One of the motives behind the creation of the DPA was to 'raise public awareness (Sharan, Campbell & Rubin 2013)' regarding India's cooperation efforts, helping to bridge the information gap within India. While there has been higher engagement within the Indian society, the DPA lacks the fuel to truly undertake the task of administration of India's efforts.

Principles of India's Development Cooperation

India claims its role in South-South Cooperation to be guided by the principles of mutual benefit, no conditionalities, no prescription of policies, and no overriding of a state's sovereignty (Sharan, Campbell & Rubin 2013). India also claims that its cooperation is highly demand driven, taking on a consultative mode of engagement (Katti, Chahoud & Kaushik 2009). This aspect of demand driven approach aims to respond to the development priorities of the receiving countries. For instance Indian LOCs to Africa focus on their demand for energy, low cost technology and market access (Katti, Chahoud & Kaushik 2009). Along with this demand-centred approach, India aims to develop a mutually beneficial relationship that allows both the countries to see each other in an equal partnership rather than a donor-recipient dichotomy. This is evident in Indian Lines of Credit (LoC) extended towards countries, with a clause that allows for material sourcing from India, making the LoC beneficial for both parties involved.

In terms of transparency, a roundtable conference in Delhi, 2013, between Observer Research Foundation and Saferworld (Sharan, Campbell & Rubin 2013), held the view that India's development initiative is more transparent than the traditional aid efforts. This was mainly held under the perception that Indian assistance focuses on filling capacity gaps, rather than governance gaps (Sharan, Campbell & Rubin 2013). India's approach has over the years has become more focused on the capacity development, with increased training being provided by embassies, private entities and India-based non-governmental organizations. The Beijing Model in development cooperation is more of a build-operate-transfer model, where in China acknowledges the sovereignty of its partner, uses their land and resources to build infrastructure and delivers the final output (Kim 2014). While the receiving countries get the final output, there is no capacity development in the receiving country and management after transfer becomes a hurdle. The Indian approach, similar to that of Brazil, is more of a on-ground engagement, in line with the local interests and domestic demands of the receiving country. India's Small Development projects, called the Umbrella Agreement, are a good example wherein the Indian Embassy in Nepal extends local level initiatives and disbursing up to INR50 million for local education and medical and small infrastructure projects (Ministry of External Affairs 2015)¹. The agreement, which recently came to the end of its terms, has been successful to ensure local level development in Nepal.

While India focuses on capacity gaps, certain practices of the traditional donors should not be overlooked and can best be put forth through triangular partnerships. India, as it moves forward a policy articulation would help India streamline resources, coordinate policies amongst different ministries, private sector and organizations, but also contribute towards building mutual trust and transparent action with its partners.

Evolving Trends in India's Development Cooperation

Moving Towards Newer Engagements

India's development cooperation has increased in absolute terms, however as a percentage of its budgetary allocation there has been a decrease of 0.04% in 2016-17 (Mullen & Arora 2016). In 2015-16 84% of total foreign assistance budget was allocated towards South Asia, in line with the pledge to focus on the neighbourhood under the Modi Government (Piccio 2015). Out of this 84% Bhutan was the top receiver, which has remained true even for 2016-17 allocations (Piccio 2015). Assistance towards Afghanistan and Myanmar has also increased since 2015-16 to 2016-17 (Mullen & Arora 2016). However there has been an overall decline in the total budgetary allocation towards the neighbourhood in 2016-17. Subsequently, Indian engagement with Africa has seen a sharp rise.

Indian engagement with Africa over the past few years has moved from political to economic cooperation. It has widened over the years with duty-free access to Indian markets and increased Indian LOCs towards Africa. By 2011-12, LOCs have been the major modality for Indian development cooperation towards Africa (Taraporevala & Mullen 2015). With an increasing role of the Ministry of Finance and Exim Bank's lines

¹ Small Development Projects in Nepal extend to projects costing lesser than INR 5 crore, aimed to assist community infrastructure projects based on local demands and needs (Ministry of External Affairs 2015).

of credit, Indian cooperation with Africa is reaching new heights. Grants via the Ministry of External Affairs comprise of only a small portion, 4% of total global commitment of grants, and is mainly directed towards Information Technology and Education (Taraporevala & Mullen 2015). Lines of Credit towards Africa comprised of 53% of total global commitment of LOCs and focused on the sectors of Energy, Agriculture, Transport, Water, Aquaculture amongst others (Taraporevala & Mullen 2015). Moreover, Indian engagement towards Africa reflects the need to counterbalance Chinese influence in the region. Evidently, recurrently articulated by PM Modi and most recently at the 52 African Development Bank meet, that Africa is both an economic need as well as a foreign policy priority for India.

The dominance of LOCs over grants comes from the nature of these modalities where LOCs are essentially tied loans while grants are untied. Moreover increasing income levels of partners reflect a shift from grants to LOCs, to make the relationship more equitable. LOCs stipulate that approximately '75% of goods and services for projects must be sourced from India (Taraporevala & Mullen 2015)' creating a space for Indian goods in the African market. This element of tied assistance in Indian LOCs aims to fulfil the aspect of mutual benefit, a key principle in South-South Cooperation. Moreover, Indian development cooperation in terms of purchasing power parity is higher than the funds allocated through traditional aid (Mullen 2014). Thus not only has Indian efforts in PPP terms reached the ranks of traditional donors, in the case of LOCs African countries get more value for the percentage amount to be spent on Indian goods and services. Becoming truly beneficial for both the countries.

An increased Indian-African engagement should not be seen as a zero-sum game for Indian cooperation efforts in its own neighbourhood. A clear policy statement from India, indicating its continued interest in the South-Asian region along with emerging partners in Africa and Latin America would be in India's favour. While total budgetary allocation to the neighbourhood saw a slight decrease, it is not indicative of a shift in India's interests evident in an increased engagement with Myanmar and more LOCs committed towards Bangladesh².

Fragmenting a Fragmented Institution

Institutionally, there has also been a decline in terms of money allocated towards the MEA, between 2015-2016 and 2016-2017, by approximately 13 percent, further reducing MEA's role in development cooperation (Mullen & Arora 2016). There has however been an increase in channelling of funds through the Ministry of Finance (MoF), indicating a stronger role of the MoF over the MEA (Mullen & Arora 2016). This can be attributed to the role of key personalities in the government, such as Finance Minister Arun Jaitley, pushing for an increased role of the MoF in South-South Cooperation.

Moreover, several ministries in India engage in different modalities of South-South Cooperation. This takes one back to the generalist vs. specialist debate, wherein

² The 2016-17 budget has committed to INR 4 billion, an increase from INR 1.54 billion (2015-16) towards Myanmar, and an increase in infrastructure projects such as the Kaladan Multi-Modal project; In the case of Bangladesh, INR 137.23 billion in LOCs in extension to already operating LOCs has been proposed (Mullen & Arora 2016).

specialised ministries coordinating different levels of development cooperation engagement decrease the bureaucratic hurdles. However the need for a general coordinating body that ensures transparency and accountability in use of national resources is also imperative. There is a need for a stronger coordinating role by the DPA along the lines of Mexico's Development Cooperation Agency (AMEXCID). The Mexican Agency acts as a coordinating body for all inflows and outflows relating to development cooperation, while other ministries involved in South-South Cooperation and North-South Cooperation work in tandem (Agencia Mexicana de Cooperacion Internacional para del Desarrollo 2016). Such a coordinating role, embodying the meaning of 'administration' in Development Partnership Administration, is needed in India's case, not only to streamline its efforts but also consolidate India's cooperation's into partnerships.

In terms of modalities, India is moving towards engagement in newer spheres of development cooperation. Making the most of its comparative advantage in space science and technology, India launched the South Asia Satellite intended to serve 'economic and development priorities (Hindustan times 2017)'. India's initiative is being heralded as a step towards 'regional integration' and regional communication, where India can contribute towards 'low-cost, high-impact' cooperation (Chaulia 2017). In Africa, India's Pan-Africa Network also aims to provide internet-based solutions to support tele-education, e-commerce, and telemedicine (Taraporevala & Mullen 2015). India may not have China's deep pockets, however through newer engagements like these India is inching closer to becoming a true leader moving from cooperation engagements to partnership style relationships in the Global South. Partnership models can be seen emerging in coalitions such as the IBSA and BRICS along with India's interest to build stronger ties with the MERCOSUR countries.

The Way Forward for India

Indian development cooperation has evolved multi-fold since the creation of ITEC and to move forward India needs to take into account emerging challenges of climate change, gender empowerment, accountability measures and meeting Sustainability Development Goals (SDGs).

Through building policy coalitions India can move towards strengthening commitments towards climate change mitigation and adaptation and Agenda 2030, where in both have far greater implications for the global south. The broadly articulated SDGs give India a wide scope for coordinating its development cooperation. The aim of reducing poverty, inequality and ensuring education for all are fields India can work towards. The World Economic Forum on Africa, 2017, highlighted the need for Africa to overcome its digital divide and tap into its demographic dividend (World Economic Forum 2017). India has been fairly successful through its 'Digital India (Bagchi 2016)' program and efforts towards financial inclusion and can model these to help Africa overcome poverty and inequality.

Furthermore, India can greatly benefit from a well-structured institutional system and a policy statement articulating India's interests and efforts towards development cooperation. A clear institutional system will make resource allocation efficient, manageable and prevent misuse. This would help balance between India's international commitments along with its national priorities, with efficient information dissemination.

A challenge for India emerges in the field of monitoring and evaluation, along with accountability of programs. India can benefit from engagement with Civil Society organizations to develop a framework for monitoring and evaluation, which will decrease partner suspicion in respect to India's projects. India's role in the northern region of Sri Lanka is a case in point, as India is working towards building infrastructure in Sri Lanka's troubled Jaffna region (Sood 2017). Historically India's role in Jaffna has been criticised domestically as India assisted Sri Lanka to battle Liberation Tigers of Tamil Eelam³ that resulted in the assassination of Indian Prime Minister, Rajeev Gandhi and a decade long civil war in Sri Lanka (Bijoy 2010). India through a monitoring and evaluation can overcome this historical label of its development cooperation as a geopolitical tool, towards better engagement with its neighbours. This would also be a step towards decreasing Chinese involvement in India's neighbourhood.

Another issue that emerges as India moves forwards is the matter of accountability, especially environmental accountability of projects. Indian coal-based power project in ecologically sensitive Sundarbans mangrove forests of Bangladesh raises red flags concerning environmental accountability of development cooperation (Kurian 2017). Interestingly, similar coal based projects in India were not granted domestic environmental clearance. Thus India needs to move forward in South-South Cooperation acknowledging its role as a credible actor, and ensuring that its projects adhere to domestic and international environmental standards.

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³ LTTE was a Tamil terrorist organization that waged a secessionist nationalist movement to create a separate state for Tamil Sri Lankans. Tamil Nadu, a state in India, supported their cause.

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