



**PBDD** Partnership &  
Business  
Development  
Division

**Emerging Donors in International Development Assistance:**

## **The India Case**

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**One of five reports on the role played by emerging economies in funding  
international development**

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## Table of Contents

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Executive Summary .....	2
1. From Recipient to Donor .....	3
2. Structure, Flows, and Priorities of Indian Development Assistance .....	5
3. Training, Education, and Research for Development.....	9
4. India's Approach to Development Assistance Collaboration.....	12
5. Emerging Trends and Looking Ahead .....	13
6. Conclusion .....	15
Bibliography .....	16
Abbreviations and Acronyms.....	17

## Executive Summary

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Over the past decade, India has quietly become a significant provider of development assistance to other less developed countries. In fact, current trends suggest that the country could become a net exporter of development assistance sometime in the next five years. This transformation is driven by India's perception of itself as an emerging power, its competition with China for political influence and energy resources in developing countries, and the rapid growth of its domestic non-profit and private-consultancy sectors.

The broad aim of India's development assistance programming is to increase the country's geopolitical influence and develop a viable 'pro-India' constituency among key decision makers in recipient countries. The single-most defining characteristic of this programming is the country's attempts to share its experience in poverty alleviation and economic development through an active pipeline of consultants and experts.

The bulk of Indian development assistance is devoted to training, capacity building, and other 'soft' investments in recipient nations—although the country also supports a number of capital projects through financial and technical assistance. India, however, sponsors virtually no research for development, even though almost all of what the country does abroad is carried out by the country's huge public-sector science and technology establishment.

The country's foreign policy establishment realizes that current mechanisms to provide development assistance are either vastly underdeveloped and overly bureaucratic, and a quiet debate is underway to focus the country's development assistance and establish more effective delivery channels.

The report consists of five main sections. The first will explore the historical development of India's transformation from recipient to donor of international development assistance. The second section examines the structure, flows, and priority areas of Indian development assistance. The third section looks at the emphasis placed on training, education and research for development, while the fourth section examines India's approach to international collaboration. Finally, the fifth section explores the emerging trends and future of India's development assistance programs.

## 1. From Recipient to Donor

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The past decade has brought visible, multi-layered changes to India's economy, politics, and diplomatic activity, all of which have gradually bolstered the country's image abroad and confidence at home. The Indian economy has averaged more than seven percent annual growth over this period, foreign investment and external trade have climbed by double-digit rates, the educated middle class has tripled in size, the country's information technology industry is now a globally recognized leader that continues to grow, and foreign exchange reserves are overflowing. India is now the world's fourth-largest economy in terms of internal purchasing power and the twelfth largest in hard currency assets. Indian companies, which once lobbied to prevent the entry of multinational companies, now proudly pursue their own global ambitions, and have purchased overseas firms and brands worth more than US\$30 billion in the last three years. In fact, India has become a net exporter of capital.<sup>1</sup>

This macro-level performance, however, is not without its flaws and contradictions, most noticeably in the growing disparity between the high rates of economic growth in India's urban areas (and in service-sector jobs) and the low growth rates in rural areas. Indeed, almost 250 million people live on less than US\$1 per day, and many inequalities remain pervasive. Despite these challenges, India has improved its overall socioeconomic indices, a significant achievement given its huge population size. Overall poverty has declined from 40 to 25 percent, average life expectancy has increased to 63 years, and India is one of the few developing countries that look likely to succeed in halving the proportion of its population living in extreme poverty by 2015, an accomplishment that is in line with the United Nations Millennium Development Goals.<sup>2</sup>

India's economic rise has also coincided with geopolitical developments related to the terrorist attacks of 9/11, which have highlighted the positive features of Indian democracy, secularism, and multiculturalism. There is a growing sense of trust and partnership between India and the G8 countries, and India's isolation in the aftermath of its 1998 nuclear test is now largely over. For example, India and the United States have signed a historic bilateral agreement on civilian nuclear energy that will effectively extend de facto recognition of India as a nuclear power.

As a consequence of its economic rise and increased geopolitical influence, India has been able to redefine its relationship with the world, including its relationship with foreign donors. Until a decade ago, India increasingly—and often desperately—relied on Western aid. At one point in the mid-1980s, the country was the world's largest recipient of foreign aid. Now foreign aid constitutes less than 0.3 percent of the country's national GDP and has become marginal in overall economic development.

In fact, successive Indian regimes have opposed the country being perceived as a net recipient of foreign assistance. Given its quest for regional power and even membership in the United Nations Security Council, India is increasingly eager to portray itself as a provider of development assistance. As such, recent Indian policy has strove to reduce the country's dependence on external aid, prepay as much external debt as possible, downsize India's relationship with small donors, and maintain a cordial—but not fawning—relationship with large donors such as the World Bank, the Asian Development Bank, and Japan. As a result of these

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<sup>1</sup> High-profile global acquisitions by Indian companies, such as British steelmaker Corus by India's Tata group, have received much media and corporate attention in recent months [*FDI outflows are set to top inflows* (The Times of India, October 21, 2006) and *India Inc Goes Abroad: Indian Companies' Foreign Acquisitions* (Maple Advisory Group, April 2006).

<sup>2</sup> While India is behind on issues such as education, sanitation, and child mortality, its progress on poverty is widely recognized. According to the Millennium Development Goals, by 2015, India must reduce the proportion of people below the poverty line from 37.5 percent in 1990 to 18.75 percent. In 1999-2000 (when the last national survey was done), the poverty ratio was already down to 26.1 percent. Since then, India has brought about the National Rural Employment Act to further reduce poverty in rural areas. More detailed data on India's MDG performance can be viewed on the website of India's Ministry of Statistics & Programme Implementation (<http://mospi.nic.in>).

efforts, in 2003, India became a net creditor to the International Monetary Fund and the World Food Program after having been a borrower from these organizations for years.

India's emerging self-sufficiency and financial muscle enabled the country to announce that it would no longer accept tied aid, and that it would accept official bilateral aid from only five countries (Germany, Japan, Russia, the United Kingdom, and the United States) and the European Union.<sup>3</sup> Other countries were invited to channel their aid through nongovernmental organizations and multilateral institutions. India subsequently widened the number of acceptable donors to include France, Italy, and Canada.

India's response to the Asian tsunami in 2004 and the Kashmir earthquake in 2005 exemplified the country's new approach to development assistance. On both occasions, India declined international aid. In fact, the country sent ships to assist tsunami victims in Sri Lanka, the Maldives, and Indonesia, and helped save hundreds of lives. In 2006, India again refused offers of foreign aid when the country's commercial capital, Mumbai, was paralyzed by heavy monsoons that left hundreds dead.

This new approach, which has been lauded by some and puzzled others, is grounded in the country's history and psyche: India has been successful when it has applied national focus and resolve to its problems. The country's approach is also guided by a clear aspiration: After years of backwardness and isolation, Indian policymakers, politicians, and professionals take great pride in the country's steady rise and are committed to ensure it continues.

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<sup>3</sup> *India's Makeover: From Aid-Taking to Aid-Giving*, Times of India, June 2, 2003.

## 2. Structure, Flows, and Priorities of Indian Development Assistance

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It is difficult to know how much development assistance India provides, where it goes, and for what purpose. Neither the Ministry of External Affairs (MEA) nor the Ministry of Finance maintain records of Indian aid. MEA annual reports contain expenditure items such as technical and economic cooperation, but these figures hide as much as they reveal. First, not all Indian development assistance flows through well-established channels or under clear budget headings. For instance, following the Asian tsunami in 2004, the decision to provide assistance was taken by the Prime Minister. In these kinds of operations, the Indian military and paramilitary forces provide medical care, repair infrastructure, and rehabilitation services.

In other cases, different Indian government agencies share implementation costs. For example, the Tala and the Punatsangchu hydroelectric projects in Bhutan (both of which will eventually sell power to India) are being built with Indian material and money, but the MEA and the Ministry of Power share project costs. Similarly, India's largest public-sector oil company, ONGC, has invested US\$10 million to build a railroad in Nigeria. In these cases, multiple spin-off benefits for recipient nations should be categorized as development assistance, but these benefits are not captured in official Indian data.

Moreover, pledges most often make more news than actual disbursements. Since May 2006, India has pledged nearly US\$300 million over five years to Bhutan, US\$250 million over 3 years to Nepal, and increased an earlier commitment of US\$600 to Afghanistan by another US\$150 million.<sup>4</sup> But these pledges are not flows of money and material, and they may not be realized.

India also does not adhere to any standard definition of development assistance. What the country calls 'overseas development assistance' is often a mixed bag of project assistance, purchase subsidies, lines of credit, travel costs, and technical training costs incurred by the Indian government. The absence of comprehensive definitions, measurements, and accounting methods suggests that India poorly manages its development assistance and has no strong strategic purpose for it.

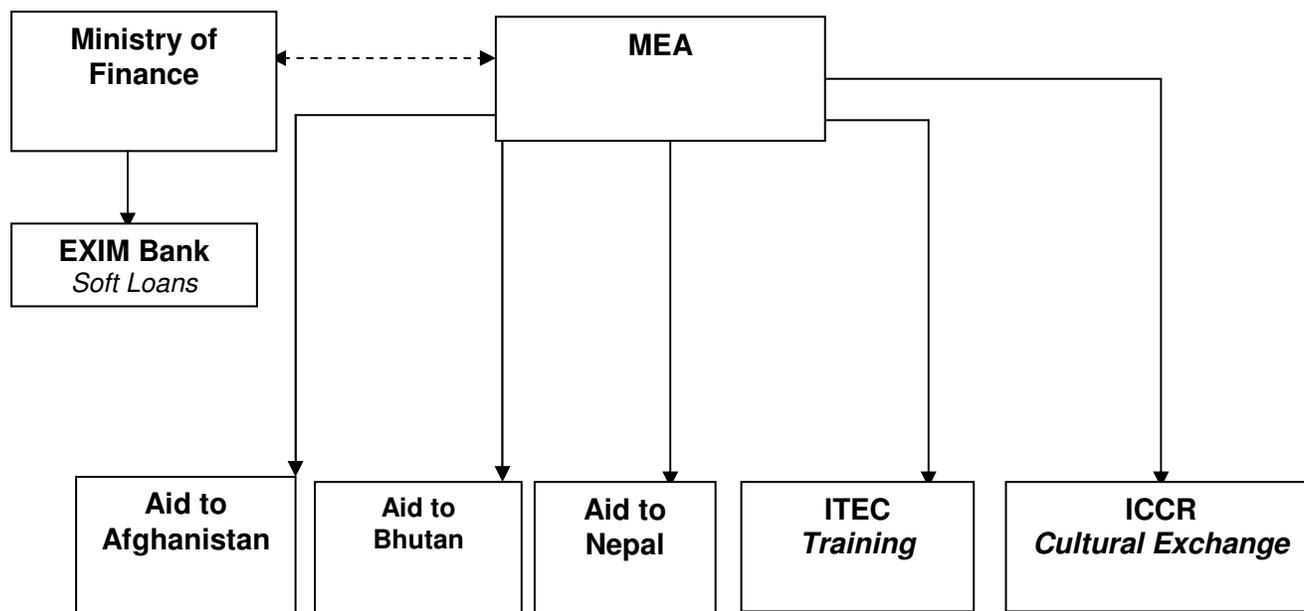
### **Assistance levels and institutional structures**

The lead agency for Indian development assistance is the MEA, which is directly responsible for the country's assistance to Bhutan, Nepal, and Afghanistan. The MEA also advises the ministries of finance and commerce on assistance to other countries. In addition to its country-based programs for Afghanistan, Bhutan, and Nepal, the MEA also funds general programs such as ITEC and ICCR. The Ministry of Finance serves in an indirect capacity—although it exercises administrative oversight on EXIM Bank loans. Despite the appearance of central coordination, however, it is not clear that the MEA has actually integrated these different programs into a coherent framework for development assistance. See Figure 1.

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<sup>4</sup> For instance, see *India to give Nepal \$218m in aid*, BBC, Friday, June 9, 2006.

**Figure 1: Organizational chart for Indian development assistance**



***Geographic and sectoral distribution and motivations***

*Source: MEA Annual Reports*

In 2007-2008, Indian development assistance under the MEA’s jurisdiction is US\$420 million, 20 percent higher than the previous year’s figure. In his 2007-2008 budget speech, the Indian Finance Minister mentioned how the country also provides US\$1 billion in development assistance annually through a number of ministries and agencies.

India focuses its development assistance in two geographical regions: its immediate neighbourhood, particularly Bhutan, Nepal, and Afghanistan; and the developing countries of Africa, where India has a tradition of political engagement that is linked to its leadership in the post-colonial movement and active role in the Commonwealth. In keeping with the country’s desire to become a major power, however, India has begun to extend its development assistance far and wide—from Central Asia to islands in the Pacific Ocean to Southeast Asia. Some of the countries receiving substantial amounts of aid include Senegal, Tajikistan, Ethiopia, Vietnam, and Kampuchea. Table 1 below provides the recent geographic breakdown of expenditures by country or region.

Historically, Bhutan and Nepal are the highest individual recipient nations.<sup>5</sup> In fact, Bhutan represents almost 30 percent of all Indian overseas aid in the last 15 years.<sup>6</sup> Development assistance to Nepal and Bhutan is concentrated primarily on infrastructure, education, and health. Indeed, much of the assistance India provides to neighbouring countries is for infrastructure projects that offer long-term value to India (such as hydroelectric projects) and

<sup>5</sup> The focus on Asia in terms of development assistance is generally matched by flows of military assistance as well, often in significant amounts. In some cases, such as the development of the naval port at Sittwe in Burma, military assistance may have other development implications. For the most part, however, the correspondence of military and development assistance reinforces the notion that India is seeking to expand its political influence in the region. In keeping with its increased development assistance in Africa, however, there is also evidence of Indian military assistance to sub-Saharan Africa, as in the case of military training assistance for Nigeria.

<sup>6</sup> Based on MEA reports and independent estimates. For a historical analysis of India’s aid program to Bhutan, see *Development Strategy of Bhutan* by Neil Fraser, and *Bhutan: Country Assistance Evaluation Study 2005* (World Bank Report No. 30737).

create public goodwill toward India. Afghanistan has become a significant recipient of Indian development assistance, and if current trends continue, Afghanistan will shortly overtake Bhutan as the single-largest recipient of Indian development assistance. Since 2002, India has pledged US\$750 million under the Assistance Programme for Afghanistan.

**Table 1: Major Recipients of Indian Aid (in Indian Rupee millions)**

Country/Region	2004-05	2005-06	2006-07
Bhutan	10,486	14,095	5,770
Africa	1,068	610	200
Nepal	661	660	2,100
Burma	62	220	400
Bangladesh	242	530	200
Maldives	32	132	60
Sri Lanka	153	250	280
Afghanistan & Others	3,567	5,038	4,452

*Source: MEA Annual Reports*

While India's assistance to Bhutan, Afghanistan, and Nepal is devoted mainly to infrastructure and project assistance, aid to other countries (especially in Africa) is divided as follows: 60 percent to train civil servants, engineers, and public-sector managers of recipient nations; 30 percent to provide loans to enable foreign governments to purchase Indian equipment and services; and 10 percent for project-related activities such as feasibility studies and sending technical experts from India. The country provides very little development assistance in the form of cash grants.

Indian development assistance to Africa represents an interesting contrast to its activities in South Asia. While Indian development assistance to South Asian nations focuses on infrastructure, health, and education, Indian development assistance to Africa is devoted mainly to technical training of civil servants and managers working in state-owned enterprises and government-run institutions such as hospitals, railways, and universities. While India's focus on its own region corresponds with the country's strategic goal of regional leadership and influence, its activities in Africa provide clearer evidence of a complementary set of commercial and political interests. India's apparent competition with China in Africa serves as an interesting window on the way in which these other interests affect Indian policy. This competition focuses on three major issues: diplomatic influence, oil reserves, and markets for goods.

With regard to diplomatic clout, India does not lack goodwill in Africa, given the country's past support for decolonization and the struggle against apartheid. But lately, India's geopolitical priorities have not included Africa. On the other hand, China has more diplomatic missions in Africa than even the United States, and its leaders and officials visit the continent regularly. In comparison, India has five diplomatic missions to look after its interests in 25 countries in West and Central Africa. India's quest for a permanent seat on a restructured United Nations Security Council provides a strong diplomatic incentive to garner support from the large African constituency. More concretely, however, diplomatic presence is required on a continent rich in oil and as a market for exports.

Indeed, India's rivalry with China is most evident in the two countries' quest for African energy resources, with both countries trying to secure 'equity oil'.<sup>7</sup> Africa enjoys some eight percent of the world's known oil reserves, an attractive prospect for China (the world's second-largest importer of energy) and India (the fifth). Africa, however, is more than just a source of strategically important resources, it is also a growing market for exports. As rapidly growing

<sup>7</sup> 'Equity oil' is oil obtained as part of ownership (in part or whole) of an oil-production facility. It is generally much cheaper than oil purchased on the open market and thought to be of great strategic value in unpredictable market conditions.

economies, both China and India need new markets, especially those where lifestyle, consumption patterns, and income levels are similar to their domestic markets. Consequently, Indian firms have begun to invest in Africa in significant volumes—almost US\$400 million in the last two years alone.

Commercial interests, therefore, have become embedded in India's assistance programs and political processes in a variety of ways. Many Indian companies realize that they have natural limits to growth unless they break into non-traditional markets. Although Africa has always been a bit of a blind spot for India, the continent is beginning to make sense for Indian exporters to penetrate markets in Africa, where Indian products in light engineering, consumer goods, and intermediate products can compete on price and are well adapted to local conditions. For instance, trucks made by the India corporate giant Tata already sell well in Africa because local conditions on the continent are similar to those in India. In fact, many foreign diplomats and donors consider a large part of what India spends on development assistance as nothing more than an export subsidy scheme for surplus goods.<sup>8</sup>

India can hardly match China in terms of its generosity, but it is trying to expand its influence in Africa. India has an aid program targeted at African countries: the Special Commonwealth African Assistance Programme (SCAAP). Recipient countries include Botswana, Cameroon, Gambia, Ghana, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Nigeria, Seychelles, Sierra Leone, South Africa, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe. India's trade with Africa, excluding oil, surged from US\$914 million in 1990-1991 to more than US\$10 billion this year.

India's foreign policy establishment has also been forced to give greater priority to Africa, realizing that the country faces a potential energy crisis. Consequently, India has stepped up its diplomatic offensive in West Africa's Gulf of Guinea, where 70 percent of African oil is extracted, by pledging \$500 million in concessional credit facilities to eight resource-rich countries: Burkina Faso, Chad, Equatorial Guinea, Ghana, Guinea-Bissau, Ivory Coast, Mali, and Senegal. Together with India, these countries form TEAM-9, the Techno-Economic Approach for Africa-India Movement.<sup>9</sup> Indian diplomats also point to the Pan-African E-Network as an example of development assistance that is said to be earning tremendous goodwill for India among African governments.<sup>10</sup>

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<sup>8</sup> Confidential interviews conducted between March and July 2007 in New Delhi.

<sup>9</sup> Data on India's economic relations with Africa are available on the MEA website.

<sup>10</sup> Interview with Gurjit Singh, Indian ambassador to Ethiopia.

### 3. Training, Education, and Research for Development

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Part of India's rapid growth is founded on its higher-education and high-technology sectors. India has much to offer other countries in terms of education and training opportunities, which have established a presence in the country's development assistance through the Indian Technical and Economic Cooperation (ITEC) program. The ITEC program also provides a base for the country to expand its development assistance activities into areas that might be seen as research for development.

The ITEC program is administered by the Economics Affairs department within the MEA,<sup>11</sup> with Indian diplomatic missions abroad acting as major contact points. The ITEC program covers 156 countries and together with the Special Commonwealth African Assistance Program (SCAAP) forms India's main vehicle for development assistance. The ITEC program and SCAAP,<sup>12</sup> which provide technical assistance to countries in Asia, East Europe, Africa, and Latin America, have spent nearly US\$2 billion since their inception.<sup>13</sup> The technical assistance provided by these programs has four components:

- training,
- projects and project-related activities such as feasibility studies and consultancy services,
- deputation of experts, and
- study tours.

Under the ITEC program, some 3,000 foreign candidates are given short-term training in India every year in a number of technical fields—from computer literacy to water management. There are more than 40,000 alumni of the ITEC program around the world. This figure represents a large constituency of senior public officials with a friendly disposition toward India—at least that is the MEA's hope. According to Primrose Sharma, joint secretary of the MEA and head of the program: "ITEC is a very visible and successful part of Indian diplomacy."

Despite clear economic benefits to recipient nations through technical assistance and training, however, ITEC programs have not resulted in long-term political value for India. Other MEA officials (serving and retired) point out the irony that, after their ITEC program training, many civil servants in recipient nations are known to leave their comfortable but relatively low-paying government jobs and join the private sector, especially those who have completed courses in marketable skills such as information technology.<sup>14</sup>

Currently, almost 50 percent of all ITEC program slots are related to information technology. Much of the training in this area is subcontracted to private companies such as NIIT, Tata Consultancy, and Aptech. Other major areas in which the ITEC program is involved include small and medium-sized enterprise development and English-language proficiency. In addition, the ITEC program provides scholarships to foreign students who take regular academic courses in India. The program also sends Indian experts and equipment overseas as part of its technical assistance for projects in recipient nations.

#### **Research for development**

Despite being a poor country, India has invested heavily over the past 50 years to develop a large establishment of national laboratories, universities, and specialized research centres. The

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<sup>11</sup> The MEA also runs the Indian Council of Cultural Relations (ICCR), which promotes cultural ties through exchange programs that bring in foreign students, teachers, writers, editors, performers, and other artists. In 2007-2008, the budget for ICCR is US\$15 million.

<sup>12</sup> More information on the ITEC program and SCAAP is available at <http://itec.nic.in/about.htm>.

<sup>13</sup> Estimate based on various media reports. For instance, see *India's ITEC programme trains them for life* by Manish Chand in the official e-zine of the Ministry of Overseas Indian Affairs.

<sup>14</sup> Confidential interviews (March-July 2007, New Delhi).

chief architect of this effort was India's first Prime Minister, Jawaharlal Nehru, who ardently pushed for these "modern temples of science." He established the framework, and also the priority, for India to become a technologically self-sufficient country.

From a humble start, with just 20 universities, 60 national laboratories, and negligible industry-based research, India has built more than 200 universities, 400 national laboratories, and 1,300 other specialized research units. India has the capacity to produce almost everything, from basic tools to advanced satellites. Although not all of these facilities are state of the art, or even useful in terms of adapting advanced technology for local purposes, India has been able to build a solid research and development infrastructure.

Much of this research infrastructure remains in the public sector, including almost two-thirds of all health research, nearly 75 percent of energy research, and all agriculture research. The bulk of Indian development assistance is centred on public-sector institutions, because there is virtually no tradition in India of private-public partnerships. Most universities in India, apart from some centres of excellence, such as the Indian Institutes of Technology, are seriously deprived of resources and therefore perform little high-quality research. Consequently, Indian academics play little or no role in research for development.

Another reason why the public sector in India plays such an important role in development assistance is because, in areas such as social development, reproductive health, education, and taxation, the only experts available in India are those employed in the public sector. Public finance is a case in point. India produces a large number of economists, but only a moderate number of well-trained public finance specialists, the bulk of whom work within the government. As a result, the supply of independent advisors for overseas work is small.

Indian expertise, whether operational, technical, or related to economic and demographic analysis, is found in four major sources:

- private-sector consulting firms and independent consultants,
- universities and research institutions,
- government policy and training institutions, and
- professional nongovernmental organizations.

Despite the proliferation of technical institutes—or perhaps because of it—it is difficult to identify the Indian research that is related to international development. The multiplicity of institutions and the absence of centralized policymaking and control make the study of Indian research for development difficult. Most of the technology deployed abroad is strictly a by-product of indigenous research conducted to solve India's own problems, such as ground-water scarcity, infectious diseases, rural unemployment, and gender inequality. In fact, most public-sector organizations in India are neither dedicated to aid implementation nor possess any specific expertise about the economic and social conditions of recipient countries. Indeed, many of the organizations through which Indian aid is administered are bureaucratic 'fits' rather than strategic choices or competitively selected entities.

Another reason for the absence of a dedicated research for development sector is that there is a great deal of inter-ministerial rivalry over budgets, jurisdiction, personnel, and overseas assignments. This rivalry is even fiercer when it comes to foreign policy—and Indian development assistance is very much related to serving India's political and economic interests. The foreign affairs portfolio has always held a privileged position in the Indian cabinet hierarchy, and many past prime ministers (notably Nehru and Rao) also served as foreign minister. As a result, the MEA has been a closed and powerful organization that has little experience with—or desire to—share control.

The ITEC program usually awards the work related to technical fieldwork and operational aspects of any development assistance project to India's many official research bodies and

public-sector units. The program itself remains the coordinating body through which assistance is offered. The number of Indian institutes and public-sector units involved in overseas technical assistance runs into the hundreds. Four organizations, however, are particularly active:

- National Research and Development Corporation,
- Indian Institutes of Technology,
- Indira Gandhi National Open University, and
- National Small Industries Corporation.

### **National Research and Development Corporation (NRDC)<sup>15</sup>**

NRDC is a public-sector enterprise that was set up in 1953 to act as a vehicle for technology transfer. Its specific aims are to: develop and commercialize technology relevant to Indian needs, especially in rural areas; license and transfer this indigenous technology to private firms; and provide venture capital and technology assistance to entrepreneurs. Lately, its focus has shifted from conducting research and development to becoming a repository of technologies developed in various government institutions. NRDC, which has been involved in development assistance projects in Senegal, Egypt, and Angola, is currently assigned by the MEA to establish a centre in Ivory Coast to demonstrate Indian micro-machinery.

### **Indian Institutes of Technology (IITs)**

There are seven IITs and three more in the pipeline. Established in the 1950s and 1960s with the help of developed countries, each IIT has a different history and specific evolution. As centres of advanced learning, they bring together some of the best technology and academic minds in India. The IITs are also among the first Indian institutions of higher education to establish industrial liaison and technology transfer offices, and have been active in applied research related to information technology, energy, and construction. Many IITs have their own arms to license in-house technology. The MEA occasionally uses IITs for feasibility studies of development assistance projects and taps IIT faculties for experts to be sent abroad to support projects.

### **Indira Gandhi National Open University (IGNOU)**

India's premier distance-learning institute, the Indira Gandhi National Open University (IGNOU) was established in 1985. Since its inception, the IGNOU has experienced phenomenal success and growth. Starting with 4,000 students, the IGNOU is now the world's largest university, with more than one million students, a network of 47 regional centres, more than 1,200 study centres in India, and almost 300 study centres in 38 countries, mostly in Africa, Central Asia, and the Persian Gulf region.

Based in Delhi and linked by government-owned INSAT satellites, the IGNOU offers undergraduate, graduate, and professional courses in a range of programs—from social sciences and tourism to computer and business management. Because of India's historic and cultural links with many developing countries, and India's reputation as a source of quality education, IGNOU has strong political access and social acceptability in many parts of the world. For instance, even in a traditionally closed society such as Saudi Arabia, the IGNOU has three centres and, in just four years, has increased enrolment from 63 to 900 students—70 percent of whom are women.

### **National Small Industries Corporation (NSIC)**

NSIC is a public-sector enterprise charged with promoting small-scale industry in India, especially in rural areas. It helps at various stages of production: identifying technology, securing raw materials, training labour, and assisting in the hiring and purchase of machinery. NSIC has helped create a strong first generation entrepreneurial base in India, and has been commissioned by the MEA to establish training courses in recipient countries.

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<sup>15</sup> Most of this information is obtained from official websites: <http://www.nrdcindia.com>, <http://www.ignou.ac.in>, <http://www.nsic.co.in/working/index.asp>, and <http://www.iitk.ac.in>.

#### 4. India's Approach to Development Assistance Collaboration

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India has always been a keen participant in multilateral groupings, including the Commonwealth, G-77, G-20, Non-Aligned Movement, and numerous additional developing-country blocs. The country has also advocated a strengthened United Nations, played a major role in World Trade Organization (WTO) negotiations, and pushed for the sanctity of international law. In an overall sense, then, India has supported a multi-polar world with strong multilateral institutional and legal frameworks.

This preference for multilateral initiatives continues to this day. India, which is already among the largest contributors to the new UN Democracy Fund,<sup>16</sup> is working hard to lay the groundwork for a future South Asian Regional Forum. It has also lobbied to join ASEAN, APEC, and the Shanghai Cooperation Council. More recently, India helped form the India-Brazil-South Africa (IBSA) Dialogue Forum and the related IBSA Fund for Alleviation of Poverty and Hunger, which is to be managed by the United Nations Development Programme. The IBSA Fund is designed to pool experience, expertise, and resources to address development challenges.

While India is comfortable with this kind of South-South framework, and while it also has a good track record of supporting multilateralism in its broadest sense, India's postures and intent are not always the same. India's multilateralism has been intended to provide India with a louder voice and greater leverage in international issues. This stance was true in the old days when India assumed leadership of newly independent nations, and is equally true now that India has positioned itself as a voice of emerging economies that want to shape the rules of global trade.

But India's vocal support for a multilateral world is strategic rather than ideological, and its record of 'going along with the mainstream' is hardly unblemished. There are many instances where the country has demonstrated its willingness to run contrary to global opinion in order to pursue its strategic interests. Supporting and trading with the Burmese junta is one such example. Refusing to accede to the Nuclear Test Ban Treaty is another. This willingness to 'go it alone' rather than join international initiatives is most visible in the way India responds to political and humanitarian crises in its own region. Spurred by its rising economic profile and confidence in global affairs, India is focused more than ever on projecting itself as a major power.

Consequently, India has virtually no history of cooperating with other countries in development assistance. In fact, the country has given very little thought to the subject. Senior people in the MEA, however, are now increasingly aware that such cooperation, in whatever form, has some economic and political merit.<sup>17</sup> Although it remains in the early stages, this rethinking of approach is inspired by recent experiences working with Western aid agencies in a wider pro-democracy campaign in Nepal. Participation in Afghanistan assistance programs has also brought India into more sustained contact with other donors within a cooperative framework.

Against this background, it might be easier to understand India's likely position on future collaboration with other countries involved in development assistance, especially Western donors. At the moment, however, it is difficult to see India changing its policy substantially, or even to see what advantages India might derive from committing to global donor community principles. India itself has been sensitive about questions raised with regard to human rights, and openly aligning itself with Western donors would undermine the country's position as spokesperson for the developing world. At the same time, a development assistance policy structure in India is only now emerging. This new structure may make India more amenable to collaboration, and may help the country play a more prominent role on the international stage.

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<sup>16</sup> See <http://www.un.org/democracymfund/>.

<sup>17</sup> Confidential interviews with Indian diplomats (March-July 2007, New Delhi).

## 5. Emerging Trends and Looking Ahead

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There are many reasons to believe that India is becoming a major player in the development assistance world:

- The simple geopolitics of aid and India's position as a middle power.
- A series of broad trends have coalesced to raise India's profile.
- Many developed countries face serious financial commitments elsewhere, such as funding pension systems, while many private donors have become disenchanted with corruption in many developing states.
- The collapse of the Soviet Union has meant that a steady source of economic assistance to poor countries, particularly in Africa and Asia, has virtually ended.
- Developing countries such as India see an opening for themselves through economic diplomacy, especially in light of their huge appetite for energy, growing wealth and financial resources, and increasingly global ambitions.<sup>18</sup>

In light of these trends, India is trying to position itself as a leader of South-South cooperation, an area in which the country has vast experience from its key role in the Non-Aligned Movement. To fulfil this role, India is forming and joining numerous development-aid consortiums, such as the IBSA Forum and the Afghanistan Donors Group.

Of course, India's development assistance has just begun and is still well behind China's, which is estimated to be about seven times that of India's.<sup>19</sup> However, India has a vast array of knowledge-based and language skills, and human capital that constitute tremendous potential for providing technical assistance to others. India also enjoys a long tradition of democracy that may be relevant for governance reform in many poorer countries, as well as the ability and will to mobilize considerable resources for specific development and humanitarian activities.

While India may be strongly positioned in human, technical, and geopolitical terms, an expansive and effective development assistance program is by no means inevitable. The country's development assistance programming needs a major re-evaluation and renewed political commitment. According to Mukta Tomar, joint secretary in the MEA, although the ITEC program has been a partial success, the government must consider whether India should continue to invest in a large number of small projects and training courses or undertake fewer but more visible projects. This debate is still in its infancy, but a broad reading of the India media, especially the writings of senior Indian analysts and diplomatic columnists in newspapers, suggests that India may slowly begin to emulate the Chinese model.

A review is also underway within the government on the extent to which India should rely on soft loans as part of the country's development assistance. There have been some media reports in recent months about instances of Indian pumps and motors lying idle in some recipient nations because the soft credit lines extended for their initial purchase did not cover subsequent service by trained engineers. Another reason for India's cautious reassessment of its development assistance programming (especially in Africa) is fairly regular coverage in Indian media of the increasing troubles faced by China in African nations such as Angola and South Africa.<sup>20</sup> Indian officials, who carefully monitor these developments, are eager to ensure that the country's

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<sup>18</sup> *India - From Begging Bowl to Economic Diplomacy* by Pranay Gupte quotes a senior Indian foreign affairs analyst as saying: "The story of India's economic diplomacy has barely begun. For generations of Indians, the begging bowl has been an important symbol of Indian diplomacy. It is refreshing to see New Delhi now help others make progress."

<sup>19</sup> *Look Who's Giving: India's Dalliance with Aid Diplomacy*, Jehangir S. Pocha, *Business World* magazine, February 28, 2007.

<sup>20</sup> *Mbeki warns of China-Africa ties*, BBC, December 14, 2006.

development assistance in Africa is perceived as fair to local populations. In fact, Indian officials strive hard to make sure that India avoids a reputation as a producer of unreliable products.<sup>21</sup>

One new idea that holds significant potential is contained in a government report currently under review. The report recommends that Indian nongovernmental organizations be permitted to use their funds in other countries. This move will open the door for Indian nongovernmental organizations to serve as the 'soft' arm of the MEA. Although this policy is being debated under the aegis of the Planning Commission of India, most signals point to a policy that will enable public-private partnerships in Indian development assistance.<sup>22</sup> When it happens, this change will be assisted by the establishment of large voluntary organizations by India's biggest corporations, including Reliance, Tata, and Arcelor-Mittal.

In fact, references to public-private partnerships are found increasingly in official speeches and policy documents, as well as academic papers and media commentary. In India, however, the definition and contours of these partnerships are still evolving. Indeed, the government has traditionally held a deeply suspicious view of private and voluntary organizations. Despite this history, the idea that India's dynamic private enterprises and internationally networked nongovernmental organizations can be used to supplement MEA's development assistance efforts has finally found some traction in policy circles.

There are also strong indications that the Indian government is contemplating forming a high-powered cabinet committee on energy security, much like the current cabinet panel on national security. The mandate of this committee would be to counter Beijing's policy of using financial and military aid to secure oil fields in Latin America and Africa, where countries are emerging as oil suppliers of the future and are mostly outside American influence.<sup>23</sup> As a result, future Indian development assistance will likely focus on Africa.

However, if India is to achieve its unstated but clearly evident aim of becoming an influential regional (if not global) actor, the country's development assistance efforts will need more money, better focus, sharper delivery, and a more professional administration. As such, the government is contemplating creating a new aid agency—the India International Development Cooperation Agency. However, no details have emerged since the Minister of Finance first proposed this agency in February 2007.<sup>24</sup> If and when this agency is created, it will be the clearest manifestation of the Indian government's recognition of the importance of development assistance as an important foreign policy instrument, and acknowledgement of the need to accord it more resources, a higher profile, and a coherent structure.

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<sup>21</sup> Interview Ms. Mukta Tomar, Joint Secretary, Ministry of External Affairs.

<sup>22</sup> Syeda Hamid, a senior member of the Planning Commission, has been quoted in the press as saying: "There is an urgent need to identify systems by which the government could work with voluntary organizations, both in India and abroad, based on mutual trust and respect and with shared responsibility."

<sup>23</sup> *Govt to set up energy security panel to counter China*, Times of India, March 7, 2007.

<sup>24</sup> Finance Minister's budget speech on the floor of the Lower House of Parliament, February 28, 2007.

## 6. Conclusion

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India's entry into the donor league has been multifaceted and, at times, filled with inconsistencies. In its structure, Indian development assistance is centralized in the MEA yet diffuse in application. India has also sought to capitalize on traditional linkages with its developing country partners.

While there is no doubt that India has an affinity with other developing countries, its ventures into development assistance seem to be primarily motivated by strategic interests. Its regional development assistance activities seem motivated by its quest for secure economic integration, political stability at the regional level, and increasing influence globally. Its development assistance programs are structured accordingly. Its broader global endeavours build on historical linkages but are often framed with current strategic commercial interests in mind; while not strictly defined as 'tied', India's aid is usually linked to the purchase of Indian goods and services in sectors such as pharmaceuticals, information technology and automobiles.

If India is to become an increasingly influential regional (if not global) actor, its development assistance effort will need to accord it more resources, a higher profile, and a coherent structure. The government is currently contemplating creating a new aid agency, called the India International Development Cooperation Agency. If and when this agency does in fact come into existence, it will be the clearest manifestation of the Indian government's recognition of the importance of development assistance as an important foreign policy instrument.

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## **Abbreviations and Acronyms**

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ASEAN - Association of Southeast Asian Nations  
APEC – Asia-Pacific Economic Cooperation  
IBSA Fund - India-Brazil-South Africa Fund  
IGNOU - Indira Gandhi National Open University  
IIT - Indian Institutes of Technology  
ITEC - Indian Technical and Economic Cooperation  
MEA - Ministry of External Affairs  
NRDC - National Research and Development Corporation  
NSIC - National Small Industries Corporation  
SCAAP - Special Commonwealth African Assistance Programme  
TEAM-9 - Techno-Economic Approach for Africa-India Movement