Foreign Assistance in India's Foreign Policy: Political and Economic Determinants

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Abstract

This paper describes and analyzes the emerging Indian development cooperation program in the context of India's foreign relations and policy. The paper begins by situating India and other emerging donors in the international aid architecture. It then analyzes the Indian program in terms of the key questions—how much, to whom, for what, how, and why?—focusing on the quantum, direction, modalities, institutions, and, crucially, motivations. It describes in detail the relationships with the main recipients in South Asia, Afghanistan, Myanmar, and with Africa, situating the assistance program in the larger political and security context of India's foreign policy and India's trade and investment relationships. It is argued that the Indian development cooperation program's South Asian regional and extended neighborhood focus is largely politically and security-motivated and the emerging shift in focus to Africa is for long-term relationship building rather than immediately correlated with trade and investment relationships. The program does not impose macroeconomic policy conditions but is largely tied to Indian-sourced supplies.

Keywords: South Asia, Sub-Saharan Africa, policy, security, foreign aid, partnership

Resumen

Este documento describe y analiza el emergente programa de cooperación para el desarrollo de la India en el contexto de las relacio-

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nes y la política exteriores. El documento empieza al situar a India y otros donantes emergentes en la arquitectura de la ayuda internacional. Luego analiza el programa indio en términos de las preguntas clave: ¿cuánto, a quién, para qué, cómo y por qué? - centrándose en la cantidad, la dirección, las modalidades, las instituciones y, fundamentalmente, las motivaciones. Describe detalladamente las relaciones con los principales destinatarios en Asia del Sur, Afganistán, Myanmar y África, situando el programa de asistencia en el contexto político y de seguridad más amplio de la política exterior de la India y las relaciones comerciales y de inversión de la India. Se argumenta que el enfoque regional y extendido de Asia del Sur del programa de cooperación para el desarrollo es en gran medida motivado por la política y la seguridad y el cambio emergente en África es para la construcción de relaciones a largo plazo en lugar de correlacionarse inmediatamente con las relaciones comerciales y de inversión. El programa no impone condiciones macroeconómicas, pero está primordialmente ligado a los suministros obtenidos por India.

Palabras clave: Asia meridional, África subsahariana, política, seguridad, ayuda exterior, asociación

摘要

本文在印度外交关系和政策的背景下描述并分析了印度新兴发展合作计划。本文首先将印度和其他国际援助框架下的新兴援助者进行了联系。之后针对印度计划的几个关键问题进行了分析——计划规模是多少？针对谁？目的是什么？如何做？为什么做？——这几个问题聚焦于量度、方向、方式、制度、以及动机（尤为关键）。本文详细描述了印度援助的主要接受者——它们来自南亚、阿富汗、缅甸、以及非洲，同时将援助计划置于印度外交政策和贸易投资关系的政治背景和安全背景之中（进行考量）。本文主张，印度发展合作计划中有关南亚区域和“大周边”（extended neighbourhood）这一焦点在很大程度上受到了政治和安全因素的影响，并且该计划最近将焦点转变到非洲的目的是为了建立长期关系，而不是立即建立贸易投资关系。此计划并没有推行宏观经济政策形势，但它却在很大程度上和印度政策有关。

关键词：南亚，亚撒哈拉非洲，政策，安全，外交援助，伙伴关系

Introduction: Key Questions about India as an Emerging Donor

Emerging economies are also emerging as aid donors and players in the international aid architecture and in the use of aid as a foreign policy tool. India's development partnership policy has been little studied for a country that is a major emerging market and regional power and has given over $34 billion (bn) in aid since 2004. This paper attempts a detailed account and analysis of India as an emerging foreign aid donor, or development partner as it prefers to call itself while rejecting the former term (I will refer to Indian assistance rather than aid henceforth). It analyzes India's development partnership program within the framework of Indian foreign policy and relations rather than that of only the development aid literature. India is not a member of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD), the traditional coordination mechanism of the developed country donors and the international aid regime. This paper will analyze India's development partnership policy in the context of its foreign policy by asking and analyzing five key questions:

1. *How much?* Aid numbers have always been prone to massaging as donors attempt to show their largesse. A good handle on India's assistance numbers is an essential first step.
2. *To Whom?* What have been the allocations by country and/or region? To what extent is Indian assistance directed to the "near abroad" versus more geographically distant countries? Is the assistance directed to the poorest countries or to resource-rich countries?
3. *For what?* What are the purposes to which this assistance is directed? What are the sectors and types of projects being assisted? Is there a discernible philosophy regarding economic development in Indian assistance policy?
4. *How?* What are the modalities and institutional mechanisms through which Indian assistance works? Is it through grants or loans? Is it tied to imports from the donor? Which arms of the government give the assistance and how is it coordinated and administered? Is India's assistance strategically planned, either for promoting development or for promoting its interests, or it is *ad hoc*, case by case, and evolving?
5. *Why?* What are the motivations of this assistance? Is it to secure access to scarce natural resources, commercial expansion, or for geo-strategic goals or in response to geo-political competitive dynamics? Is it coordinated with India's expanding trade and investment relationships? This paper links India's program to its foreign policy toward all its major recipients with a section on each.

Emerging Donors in the International Aid Architecture

While the post-war global foreign aid regime has been largely constructed and driven by Western countries, other country groups also played a varying role. For a few decades, the Soviet Union (and Maoist China despite low per capita income) was an important player in countries allied to its interests. After the first oil-shock of 1973, some of the OPEC did so in the 1970s (especially Kuwait, Saudi Arabia, and Venezuela), through both bilateral and multilateral institutions (such as the OPEC Fund for International Development) targeted especially to members of the Organization of the Islamic Conference (OIC) and global-membership multilateral institutions (notably IFAD and UNIDO). But, with the sharp decline in oil prices in the 1980s, the economic power of OPEC diminished and with it reduced any influence they might have on the global aid regime.

However, today the economic resurgence of non-Western countries, epitomized by the emergence of China and of the other BRICS (the Brazil–Russia–India–China–South Africa group), the BRICS-promoted New Development Bank (NDB), and the Chinese-promoted Asian Infrastructure Investment Bank (AIIB), is raising new questions, challenges, and perhaps even hope about the future of the global aid regime. India, like China earlier, graduated from International Development Association (IDA)—the largest multilateral concessional source of development aid—in 2014, and after a period of transitional support till 2017, is now off it completely, borrowing at standard World Bank interest rates. It is an emerging donor.

Currently, the international aid architecture is, to simplify a bit, constituted by two broad groups of donors (for useful outlines of the international aid regime and emerging donors, see Manning 2006; Naim 2007; Paulo and Reisen 2010; Six 2009; Walz and Ramachandran 2011; Woods 2008).

First, the traditional developed-country donors who coordinate their aid policies through the OECD's DAC, formed in 1960. The DAC defines Official Development Assistance (ODA or aid) as a concessional transaction (a minimum of 25 percent must be a grant, calculated for loans at a 10 percent reference rate), that is concessional loans and grants provided by governments for the promotion of economic development and welfare and including technical cooperation (Chaturvedi 2008, 5). DAC ODA enjoyed near-total dominance in the 1990s, but the pattern has changed since the 2000s. ODA from DAC donors in 2016 was $145 bn (Table 1). DAC ODA as a percentage of GNI declined from 0.51 percent (1960) to 0.22 percent (2000) before recovering to 0.32 percent (2016) (Table 1).

Second, a diverse non-DAC group of emerging donors, which include China, India, Brazil, South Africa, Russia, and Venezuela among others, have emerged in the 2000s. Manning (2006) has identified four subgroups of the non-DAC donors: (i) OECD mem-

Table 1. DAC ODA (Official Development Assistance) 1960–2017

Year	ODA (U.S.D. Mn)	ODA as a Percent of GNI
1960	4,676	0.51
1970	6,713	0.33
1980	26,304	0.35
1990	52,808	0.33
2000	54,021	0.22
2010	128,484	0.32
2012	127,030	0.29
2013	134,847	0.30
2014	137,139	0.29
2015	131,563	0.30
2016	144,965	0.32
2017(p)	146,600	NA

Source: OECD, accessed July 11, 2018—http://www.oecd.org/dac/stats/data.htm

Note:

1. (p) is for preliminary; NA is for not available
2. The values are basis current prices (last updated April 9, 2018)
3. For raw data, see the file "Longterm-ODA" and "TAB01e"

bers not part of DAC; (ii) EU members from Central and Eastern Europe that are not part of the OECD; (iii) Middle East and other OPEC; (iv) "others" that do not fall into the above three categories (including China and India).

Of the third subgroup above, mainly the oil-rich Arab donors, while these are not members of the OECD's DAC most report their aid to the DAC although not necessarily according to DAC definitions or disaggregation (for example, do not report debt forgiveness as ODA unlike DAC). Arab aid started in the 1970s, with five aid agencies being established between 1971 and 1976, led by the United Arab Emirates (UAE), Saudi Arabia, and Kuwait. The average net aid for these three states between 1973 and 2008 was 1.5 percent of GNI,

and between 1973 and 1994, Arab aid accounted for 13.5 percent of global ODA (Walz and Ramachandran 2011). Arab aid tends to flow to other Arab and Muslim countries, but in recent years to sub-Saharan Africa too.

The fourth subgroup of non-DAC donors referred to above tends to call their aid development assistance or cooperation, and to focus on infrastructure, particularly China, and particularly to Africa. The main southern donors tend to be regional powers—China, India, Brazil, and South Africa. Although aid from this group does not impose policy conditions, the majority of their aid is tied to the use of donor-country goods and services, contractors or oil imports or packaged with commercial deals and foreign direct investment in an era when DAC aid is moving to untied aid. Aid from this group of countries is much less transparent as regards data and disaggregation. Non-DAC donor ODA in 2015 (excluding India and China) was $17.55 bn, of which $12 bn was from Saudi Arabia and UAE compared to DAC aid of $131 bn that year.[1]

The evolution of the international aid regime in the past quarter century can be summarized as follows. Following a decline in the 1980s, the era of Third World debt, aid flows began rising again in the 1990s. The traditional donors pledged to reform the aid architecture, creating the Paris Declaration on Aid Effectiveness in the Paris High-level Forum, 2005, followed by the Accra Agenda for Action in 2008. This was supposed to usher in a revised architecture that prioritized commitments to improve (recipient) ownership, alignment, harmonization, results, and mutual accountability. This is now the basis of the OECD-DAC approach to ODA. However, the Paris Forum was attended by many new donors (notably, not India, but India signed on in 2006). However, there has been not much progress in implementing all the commitments made in the Paris Declaration and Accra Agenda, even by DAC donors. Since the Fourth High-level Forum on Aid Effectiveness of November 2011 in Busan, South Korea, DAC donors have been trying to extend their lending norms to new donors but with diverse results to date.

These developments have led to the construction of the so-called Southern model (De Renzio and Seifert 2014) which does not impose DAC economic criteria, philosophies, and conditionalities. However, on a closer look, the Southern model collapses into a diversity of donors and practices. Comparatively speaking, Chinese assistance is much larger than India's and its motivations have shifted from ideological to mutual economic interests, resource access, and energy security (Gu et al. 2016). Non-DAC aid on the whole tends to be geopolitically motivated somewhat like Western aid was at an early stage during the Cold War; perhaps it will evolve as it matures as Western aid did toward the current OECD-DAC approach referred to in the last paragraph, less nakedly geopolitical and more embedded in development economics, but that remains to be seen.

India: Emerging Development Partnership Policies

Historical Background and Evolution

Historically, India's assistance to fellow developing countries began in 1949 with scholarships and humanitarian assistance in cases of famine.[2] The Colombo Plan was the main channel for scholarships, although India's own International Technical and Economic Cooperation (ITEC) program started in 1964 for training and transfer of expertise. Nepal and Bhutan were the earliest recipients of Indian assistance and from 1959, India has been giving program-based assistance as annual grants to these countries, worked into their and India's five-year plans.

Indian assistance has traditionally been coordinated by two ministries, the Ministry of External Affairs (MEA) and the Ministry of Finance's Department of Economic Affairs (DEA) (see Agrawal 2007; Chanana 2009; Chaturvedi 2012a, 2012b, 2008; Kragelund 2010; Mullen 2012, 2013; Naidu 2008; Price 2005, for accounts of India's emerging assistance policies). The MEA concentrates on neighbors like Nepal, Bhutan, and other South Asian countries, for immediate geopolitical reasons of keeping them from aligning against India, and gave mainly grants and lines of credit (LOC) (through the Exim Bank since 2004–05), and also assistance through the ITEC program.

ITEC, which came into existence in 1964, operates through four modalities: training in India, project assistance, study trips, and humanitarian assistance. The DEA (in the Ministry of Finance) gave LOC to a range of developing countries, especially South Asian neighbors.

Exim Bank LOC

There was a basic policy shift from 2003 to 2004 from government to government credit lines to government-supported LOC through the Exim Bank of India. As the Ministry of Finance put it:

> Policy on Lines of Credit: For about four decades, Department of Economic Affairs on behalf of Government of India had been extending lines of credit (LOCs) to friendly developing foreign countries. These LOCs were essentially "Government to Government" (G to G) credit lines as the credit agreements were signed between GOI and the Government of the recipient country. Till 2003–04, the LOCs were from Government to Government. Accordingly the full amount covered by the LOCs, used to be provided in the Budget. Since 2003–04, this system has been substituted by extending GOI supported Lines of Credit through Exim Bank of India.[3]

To address a question that can be raised, at the outset, viz., why should LOC be considered foreign assistance and not commercial activity? The answer is that it is government-subsidized and below market rates of interest:

Furthermore, the Ministry of Finance continues:

> Q. What is the interest rate the overseas importer of Indian goods has to pay?
>
> A. The overseas importer of Indian goods has to approach the overseas borrower financial institution/recipient of Exim Bank's LOC, for approval of his proposal for import of Indian goods on deferred credit terms. The interest rate that the importer will need to pay to the recipient of Exim Bank's LOC, will depend on various factors such as the cost of fund, the currency of credit, tenure of credit, security offered by the importer, the risk perception of the importer and the interest rate structure prevalent in the country. It may however be mentioned that Exim Bank's interest rates on LOCs being competitive, the importer would normally have to pay interest rate lower than what he would otherwise pay to his Bank on similar credits.[4]

The last sentence indicates that the LOCs of the Exim Bank may be considered subsidized credit and hence foreign assistance. The interest subsidy on the Exim Bank's LOCs is given in the IDEAS line item in Statement 11 of the annual Expenditure Budget.

A key turning point in Indian foreign assistance was the decision in 2003 to repay its bilateral debt to all but four countries, not to accept tied aid in the future and accept bilateral aid from only five countries and the EU, and simultaneously shift from a major aid recipient to donor (Chaturvedi 2008, 26–29). Between 2003 and 2004 and June 2018, India provided $22,515 million (m) in 227 operative Exim Bank LOCs with another $1,782 m in the pipeline to be operationalized, totaling 246 LOCs of $24,297 m (Table 2). The average worth of an operative LOC was $99 m.

Region-wise and country-wise (Table 3), 158 LOCs (of 227 operational) worth $9,229 m went to sub-Saharan Africa (henceforth, Africa refers to sub-Saharan, that is, non-Arab Africa, plus Sudan and Djibouti, and including the island states of Madagascar, Mauritius, and Seychelles), 15 LOCs worth $10,481 m to South Asian countries, 10 LOCs worth $539 m to Myanmar, 15 LOCs worth $538 m to Southeast Asia and Pacific (other than Myanmar), LOCs worth $1,167 m to the (non-oil) Middle East and Central Asia, and 22 LOCs worth 405 m to Latin America and the Caribbean. Thus, 70 percent of the number of LOCs went to Africa and 7 percent to South Asia, 4 percent to Myanmar, and 7 percent to Southeast Asia and Pacific. By value, 47 percent went to South Asia and 41 percent to Africa, these two regions getting 88 percent of the total amount loaned.

Table 2. Operating Exim Bank LOC as on June 2018

Level of Utilization of LOC	No. of LOCs	Amount ($ Mn)
Operating	227	22,515
Pipeline	19	1,782
Total	246	24,297
Of the operating		
Fully used*	142	5,762
Partly used**	43	4,793
Totally unused***	42	11,960

* Assuming amount left for utilization is zero, where such data is missing in relevant columns

** Of partly used, the amount left for utilization is $2,357.46 m

*** "To be made effective" are clubbed under this

Source: EXIM Bank, accessed July 11, 2018—http://www.eximbankindia.in/lines-of-credit

Table 3. Region-wise (Operating) LOC as on June 2018

Country/Region	No. of LOCs	Amount ($ Mn)
Africa	158	9,229
Eurasia	2	156
LAC	22	405
Middle East and Central Asia	5	1,167
Myanmar	10	539
South Asia	15	10,481
South East Asia and Pacific	15	538
TOTAL	227	22,515

Source: EXIM Bank of India, accessed July 11, 2018—http://www.eximbankindia.in/lines-of-credit

By major purpose (Table 4), the largest single number of LOCs was 71 (of 227 operational LOCs, 31 percent of the total number), covering a wide range of miscellaneous purposes too diverse to slot into sectors, worth $3,409 m, or 15 percent of the total amount of credit extended. By identifiable purpose, the loans show a focus on power and electrification, railways, agriculture, and sugar, or more generally, electricity, transport, and agriculture. The largest amounts loaned by major sector were in power projects ($1,688 m in 27 LOCs) and the related area of rural electrification ($1,646 m in 26 LOCs), the latter two between them $3,334 m or 15 percent of the total amount equaling the Miscellaneous category. There was also a significant category of general purpose LOCs which the recipient could use for any purpose, amounting to $11,070 in 40 LOCs, or 18% of the LOCs, totaling 49% of the total loaned amount.

Table 4. Purpose-wise (Operating) LOC as on June 2018

Purpose	No. of LOCs	Amount ($ Mn)	Amount Left for Utilization ($ Mn)
General	40	11,070	10,580
Agricultural	29	1,162	455
Cement	6	157	46
Rural electrification	26	1,646	921
Power	27	1,688	653
Sugar industry	11	905	29
Railway	14	1,979	816
Non-bilateral	3	500	155
Miscellaneous	71	3,409	666
Total	227	22,515	14,321

Source: EXIM Bank, accessed July 11, 2018—http://www.eximbankindia.in/lines-of-credit

Grants and Loans Other Than Through the Exim Bank

Other than the LOCs extended by the Exim Bank and subsidized by the government since 2004–05, India provided a grand total of $15,030 m in grants and loans over the period from 1984 to 2018 (Tables 5A and 5B), of which $13,364 m was over 1997–2018, particularly since 2004–05 and more so over 2008–18. Grants have dominated this non-Exim Bank assistance (77 percent) over the period 1997–2018 (Table 5A). Table 6 gives the amount of grant and loan assistance, other than Exim Bank, to South Asia. For the period since 2004–05, this totaled $7,796.

Table 5A. India's Bilateral Aid, Excluding EXIM Bank LOCs, 1997–2018 (U.S.D. Mn)

Year	Plan			Non-Plan			Total
	Grant	Loan	Total	Grant	Loan	Total	
1997–98	10	6	16	91	43	134	150
1998–99	44	27	71	100	30	131	202
1999–00	57	36	92	88	33	121	213
2000–01	76	44	120	88	38	127	247
2001–02	50	34	84	110	34	144	228
2002–03	69	44	114	56	113	169	282
2003–04	99	66	165	155	60	215	381
2004–05	101	62	164	208	65	273	437
2005–06	100	63	162	287	39	326	488
2006–07	41	8	49	305	28	333	382
2007–08	63	12	75	359	17	376	451
2008–09	73	25	98	313	177	490	588
2009–10	89	63	151	328	26	353	505
2010–11	69	106	175	495	—	495	670
2011–12	64	165	229	451	52	503	732
2012–13	86	209	296	601	129	729	1,025
2013–14	209	241	450	659	26	684	1,134
2014–15	231	380	611	678	—	678	1,289
2015–16	314	511	825	776	25	801	1,626
2016–17	—	—	—	810	—	810	810
2017–18	—	—	—	696	—	696	696
2018–19*	—	—	—	828	—	828	828
Total	**1,845**	**2,102**	**3,947**	**8,482**	**935**	**9,416**	**13,364**

Note: Rupee figures converted at average annual rupee–dollar exchange rates

Source: Ministry of External Affairs, accessed July 11, 2018—http://indiabudget.nic.in/previousub.asp

*Budget estimates

Table 5B. India's Bilateral Aid, Excluding EXIM Bank LOCs, 1984–1997 (U.S.D. Mn)

Year	Grant	Loan	Total
1984–85	85	58	143
1985–86	81	59	140
1986–87	67	206	273

1987–88	129	36	165
1988–89	124	34	158
1989–90	96	10	106
1990–91	123	49	173
1991–92	67	15	82
1992–93	50	16	66
1993–94	53	22	75
1994–95	48	25	73
1995–96	78	31	110
1996–97	73	30	102
Total	**1,074**	**593**	**1,666**

Source: Government of India, Ministry of Finance: Expenditure Budget, 1984–1997 accessed November 20, 2015

Note: Rupee figures converted at average annual rupee–dollar exchange rates

Table 6. Loans and Grants to South Asia, 1984–2019

Year	South Asia Total ($Mn U.S.D.)
1984–85	107
1985–86	105
1986–87	110
1987–88	77
1988–89	82
1989–90	54
1990–91	77
1991–92	39
1992–93	47
1993–94	45
1994–95	34
1995–96	63
1996–97	59
1997–98	89
1998–99	79
1999–00	78
2000–01	84
2001–02	95

2002–03	92
2003–04	102
2004–05	116
2005–06	145
2006–07	188
2007–08	199
2008–09	328
2009–10	349
2010–11	463
2011–12	562
2012–13	788
2013–14	902
2014–15	929
2015–16	1,184
2016–17	602
2017–18	481
2018–19*	560

Source: Government of India, Ministry of Finance: Expenditure Budget, accessed July 12, 2018—http://indiabudget.nic.in/previousub.asp

South Asia includes Nepal, Bangladesh, Bhutan, Maldives, and Sri Lanka.

*Budget estimates

Of the grand total, since 1997, or $13,364 m, $7,796, or 58 percent (Tables 5A and 6), went to its South Asian neighbors. Thus, India's non-Exim Bank Non-Plan grants and loans have gone mainly as grants, and primarily to its South Asian neighbors, with Afghanistan registering a presence since 2008–09 and Africa since 2005–06. Infrastructure, health, and education are the main focus of Indian development assistance in South Asia while assistance tied to purchases of Indian goods and services and technical training of civil servants and public sector managers is the main focus in Africa. An Indian company, usually a public sector company, has to be the lead contractor and 75 percent of goods and services should be sourced from India. However, there is an open bidding process among Indian companies and the choice of contractor among them is the host government prerogative.

Consolidated data on the number of scholarships and training slots offered under the ITEC program and allied programs like the Technical Cooperation Scheme (TCS) of the Colombo Plan, and the Special Commonwealth Assistance to Africa Program (SCAAP), and the amounts spent on these, are still unavailable. However, in

2017–18, 10,918 civilian and 2,512 defense training slots were available for 161 partner countries including 4,700 for African countries.[5]

Overall, it is not surprising, as we shall see later, that South Asia, as well as the "near abroad," including Myanmar and Afghanistan, has dominated Indian foreign assistance. However, Africa has emerged as a major focus particularly since 2008 (Duclos 2012; Kragelund 2010; Naidu 2008).

Recent Institutional and Policy Evolution: The Development Partnership Administration

In terms of institutions, organization, and strategy, in common with many other donor countries, there was considerable bureaucratic competition between the Finance Ministry and the MEA on institutional control. A proposal for an integrated agency called the India International Development and Cooperation Agency, mulled over since 2003 and mooted in the budget for 2007–08, did not come into being immediately. However, since January 2012, a Development Partnership Administration (DPA) has been formed within the MEA, and started functioning from June 2012 in effect, coordinating the implementation of India's development partnership program. It is a three-division department. The DPA currently has a staff strength of 75–80. This was a somewhat belated response to India's development assistance program since 2003–04 outpacing the support infrastructure in the MEA. The creation of the DPA within the MEA to coordinate Indian assistance has to be seen in the context of the clear understanding in the MEA that a capital-hungry country like India can justify a foreign assistance program only if it serves vital national interests, political, strategic, and economic.[6] Foreign assistance is clearly seen as a matter of foreign policy rather than disinterested development assistance despite it not laying down economic policy conditionalities.

The core DPA mandate consists of (a) focused attention on projects, the flagship project of the DPA being the construction of 50,000 houses for displaced persons in the North and East of Sri Lanka; (b) developing a skill base; (c) helping in policy formulation. However, it is an implementation agency, not a policy-making agency and does not propagate any particular development philosophy or strategy. Policy is handled by the country desk in the relevant political (territorial) division in the MEA. The traditional mechanism continues, that is, requests for assistance originate from the would-be recipient country. The Indian embassy, usually the ambassador or deputy chief of mission, is approached by the foreign government. This also happens very commonly on high-level visits to India either by heads of government or foreign ministers, or other cabinet ministers such as trade ministers, or when Indian leaders undertake high-level visits.

Four major examples are the India–Africa Forum summits of 2008,

2011, and 2015, the Afghan president's visit to India in 2011, and the Indian prime minister's visit to Bangladesh in 2017, all of which were followed by major increases in assistance commitments. The requests are processed by the country desk, i.e., the political (territorial) division of the MEA, which makes a decision on whether and how to respond. Assistance requests and hence, assistance decisions reflected in annual numbers are not—and cannot realistically be expected to be—a smooth affair but jerky and politically punctuated. Except for long-term Plan assistance to countries like Bhutan and Nepal, one can expect the numbers to jump up and down with events.

Once a policy decision is made by the relevant political division of the MEA, the DPA is then charged with implementing the decision. After the shift to Exim Bank LOCs for project loans, including import of Indian equipment, the MEA now gives 95 percent of the total assistance, reflected in Statement 11 of the Government of India's Expenditure Budget, with about 5 percent coming from some other ministries such as Science and Technology, Health, and Renewable Energy. The factors that will shape the likely mix of bilateral and multilateral modes of Indian development partnership are unclear and need better understanding, particularly with India's future participation in new institutions like the (BRICS') NDB and the AIIB.

The experience of various DAC donor agencies and their relationship to their respective foreign ministries is being studied, particularly the models of the Japan International Cooperation Agency (JICA), UK's Department for International Development (DFID), and the US Agency for International Development (USAID). The DPA has observed that the independently spun-off DFID in the UK developed tensions with the Foreign and Commonwealth Office, and that USAID is gradually being reintegrated into the State Department.

Internal issues that the DPA is currently addressing include: (a) budget allocations—funds are needed early in the financial year; (b) the approval process—an empowered committee is proposed to be set up to speed up LOCs selected by host countries; (c) efforts to move away from the monopolization of projects by a few companies and reduce over-dependence on public enterprises; (d) streamlining contracting/procurement procedures.

India is striving to emerge as a South–South cooperation leader, co-founding the Global Network of Exim Banks and Development Finance Institutions in 2006, promoting the establishment of the Development Cooperation Forum in 2007, and becoming one of the largest contributors to the Commonwealth Fund for Technical Cooperation, and has now joined the NDB (which is based in Shanghai but headed by an Indian for its first five years) and the AIIB. Will it strive to marshal its limited foreign assistance resources through those multilateral institutions where it has a leadership role, but which might be relatively small, or

Table 7. India's Foreign Trade, 2004–05 to 2016–17

Country/ Division	2016–17	2015–16	2014–15	2013–14	2012–13	2011–12	2010–11	2009–10	2008–09	2007–08	2006–07	2005–06	2004–05
	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total
Africa	**60,693**	**65,286**	**83,912**	**79,280**	**86,143**	**80,969**	**59,128**	**45,400**	**47,116**	**35,632**	**29,896**	**21,251**	**17,076**
South Africa	9,365	9,500	11,793	11,013	13,991	14,688	11,064	7,725	7,366	5,860	4,718	3,999	3,182
Nigeria	9,464	11,678	17,032	17,126	18,101	16,628	12,058	9,451	9,972	7,469	6,316	4,328	3,486
African countries in OPEC (ex. Nigeria)	4,161	4,340	7,458	9,826	10,385	9,540	6,918	5,423	5,721	4,285	3,624	2,483	2,000
Rest of Africa	37,702	39,768	47,630	41,315	43,666	40,113	29,088	22,800	24,057	18,018	15,237	10,441	8,409
Asia–Developing Countries (incl. SAARC)	**221,766**	**209,420**	**231,418**	**221,777**	**221,677**	**238,589**	**185,770**	**138,901**	**129,932**	**101,753**	**84,975**	**61,432**	**47,550**
SAARC	**21,636**	**21,587**	**23,437**	**20,056**	**17,786**	**15,968**	**13,807**	**10,008**	**10,237**	**8,581**	**7,977**	**6,961**	**5,391**
Afghanistan	801	835	686	689	630	637	567	589	525	291	216	201	—
Bangladesh	7,397	6,766	7,071	6,663	5,780	4,419	3,684	2,678	2,769	1,885	1,856	1,791	1,691
Bhutan	624	748	485	508	397	434	377	271	260	252	199	188	156
Maldives	207	183	157	110	129	144	132	83	132	73	72	70	48
Nepal	5,804	4,398	5,213	4,128	3,632	3,291	2,680	1,981	2,046	1,556	1,235	1,240	1,089
Pakistan	2,288	2,623	2,354	2,717	2,606	1,954	2,364	1,848	1,783	1,637	1,673	869	616
Sri Lanka	4,515	6,034	7,471	5,241	4,612	5,089	4,004	2,559	2,722	2,887	2,726	2,602	1,792

Latin American Countries	26,071	24,988	32,075	30,335	31,185	25,279	18,903	13,837	11,415	9,907	9,394	5,754	4,243
China	71,527	70,721	72,409	66,123	65,826	75,886	58,928	42,316	41,369	35,396	25,755	17,627	12,714
Russia	7,487	6,170	6,337	6,016	6,527	6,454	5,295	4,545	5,380	3,371	3,312	2,755	1,954
European Union	88,770	88,516	98,744	101,704	102,844	111,181	90,658	74,386	81,240	65,220	56,638	47,536	36,253
Canada	6,080	6,263	5,953	5,186	4,845	4,997	3,376	3,220	3,814	3,083	2,888	1,942	1,643
United States	64,416	62,101	64,266	61,535	61,388	59,213	45,338	36,465	39,414	39,885	30,602	26,808	20,767
Japan	13,600	14,500	15,509	16,275	18,520	18,501	13,716	10,336	10,793	9,186	7,458	6,542	5,363
World	659,288	643,297	758,385	764,629	791,137	795,283	620,905	467,124	488,991	377,853	312,149	252,256	195,053

Source: RBI—https://dbie.rbi.org.in/DBIE/dbie.rbi?site=home accessed on 13 July 2018; and World Integrated Trade Solutions, World Bank —https://wits.worldbank.org/ accessed on 13 July 2018

try and leverage them through large global institutions where its voice is relatively limited? There has been some cooperation with DAC donor agencies which have expressed a desire to train Afghans and Africans in India as it is more cost-effective; this has been welcomed by DPA. Some DAC agencies have also expressed interest in joint project implementation in third countries. DPA has resisted this, fearing brand equity dilution and also wanting to avoid the terms and conditions of DAC aid. There has been a DAC attempt since the Fourth High-level Forum on Aid Effectiveness (Busan, South Korea meeting) Agenda of November 2011 to launch a global partnership on aid effectiveness in which DAC donors have been trying to envelope new donors under common norms for project selection, terms and conditions, etc., particularly for the post-millennium development goals (MDG) (post-2015) development agenda. India and China have been resisting this to avoid DAC conditionalities and also avoid having the global development aid burden passed on to them in part, which would reduce the flexibility of their own programs.

Table 8. India's Outward Direct Investment Flows, 2000–2018 (U.S. $ Mn)

Year	Gross Inflows/Gross Investments	Repatriation/ Disinvestment	Direct Investment to India	FDI by India	Net Foreign Direct Investment	Net Portfolio Investment	Total
2017–18	60,974	21,544	39,431	9,144	30,286	22,115	52,401
2016–17	60,220	18,005	42,215	6,603	35,612	7,612	43,224
2015–16	55,559	10,652	44,907	8,886	36,021	–4,130	31,891
2014–15	44,291	9,864	34,427	1,799	32,628	40,934	73,562
2013–14	36,047	5,284	30,763	9,199	21,564	4,822	26,386
2012–13	34,298	7,345	26,953	7,134	19,819	26,891	46,711
2011–12	46,552	13,599	32,952	10,892	22,061	17,170	39,231
2010–11	36,047	7,018	29,029	17,195	11,834	30,293	42,127
2009–10	37,746	4,637	33,109	15,143	17,966	32,396	50,362
2008–09	41,903	166	41,738	19,365	22,372	–14,030	8,342
2007–08	34,844	116	34,729	18,835	15,893	27,433	43,326
2006–07	22,826	87	22,739	15,046	7,693	7,060	14,753
2005–06	8,962	61	8,901	5,867	3,034	12,494	15,528
2004–05	6,052	65	5,987	2,274	3,713	9,287	13,000
2003–04	4,322	—	4,322	1,934	2,388	11,356	13,744
2002–03	5,095	59	5,036	1,819	3,217	944	4,161
2001–02	6,130	5	6,125	1,391	4,734	1,952	6,686
2000–01	4,031	—	4,031	759	3,272	2,590	5,862

Source: RBI, accessed July 13, 2018—https://dbie.rbi.org.in/DBIE/dbie.rbi?site=home

Table 9A. India's Outward FDI, Region-wise, 2010–2017

(U.S.D. Mn)	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Continent	**Total**	**Total**	**Total**	**Total**	**Total**	**Total**	**Total**	**Total**
Africa (total)	**5,116**	**2,661**	**1,829**	**3,679**	**8,320**	**3,991**	**4,970**	**2,759**
Eastern Africa	5,098	2,582	1,762	3,466	8,223	3,890	4,899	2,695
Western Africa	—	—	—	17	30	12	18	13
Central Africa	—	—	—	0	0	0	0	0
Southern Africa	—	—	—	19	33	62	28	29
Northern Africa	18	79	67	178	36	27	25	22
Asia (total)	**7,047**	**3,891**	**4,033**	**7,469**	**9,412**	**7,816**	**8,280**	**7,985**
South Asia	1,262	260	157	173	79	140	65	191
South East Asia	4,135	2,457	1,981	4,164	6,759	5,251	6,040	5,765
Western Asia	1,449	572	1,663	2,583	2,362	2,028	1,989	1,693
Eastern Asia	201	602	232	547	212	397	180	249
Central Asia	—	—	—	1	0	0	6	87
Caribbean	—	34	55	45	28	24	13	0
EU	2,551	1,955	1,835	0	0	0	0	0
Eastern Europe	—	—	—	62	70	46	107	545
Western Europe	2,255	2,028	2,263	5,479	15,030	5,011	7,531	5,089
South America	—	—	—	51	46	102	42	86
Central America	—	—	—	38	39	17	77	62
North America	893	835	745	4,928	5,213	3,340	4,034	4,472
Oceania	—	—	—	1	3	5	9	10
Antarctica	—	—	—	0	0	0	0	0
Australia	183	313	177	141	59	103	51	60
Unspecified	1,596	666	475	39	15	39	37	47
World	**18,337**	**11,405**	**10,973**	**23,964**	**40,261**	**22,510**	**27,180**	**23,138**

Source: RBI, accessed July 13, 2018—https://dbie.rbi.org.in/DBIE/dbie.rbi?site=home

Table 9B. FDI by India to South Asian Countries, 2010–17

(U.S.D. Mn)	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Country	**Total**	**Total**	**Total**	**Total**	**Total**	**Total**	**Total**	**Total**
Afghanistan	—	—	—	—	1	4	—	0
Bangladesh	—	—	—	26	10	19	9	30
Bhutan	—	—	—	6	1	0	0	0
Iran	—	—	—	—	—	—	—	—
Maldives	—	—	—	1	2	14	3	7
Nepal	—	—	—	10	3	5	2	22
Pakistan	—	—	—	—	—	—	—	—
Sri Lanka	1,262	260	157	130	63	98	52	131
Myanmar	—	—	—	16	4	1	13	50
Total	**1,262**	**260**	**157**	**190**	**84**	**141**	**78**	**240**

Source: RBI, accessed July 13, 2018—https://dbie.rbi.org.in/DBIE/dbie.rbi?site=home

India's Emerging Trade and Investment Relationships: Correlation with Development Partnership?

India's foreign assistance policy does not seem to be related to trade and investment relationships as far as its major thrust, South Asia, is concerned. Table 7 gives India's total trade with various regions and countries from 2004–05 to 2016–17 including with the countries of South Asia.

India's gross merchandize trade increased during the period of the new assistance policy from 23 percent of GDP in 2004–05 to 43 percent in 2011–12 before declining to 29 percent in 2016–17, while its exports increased from 10 percent to 17 percent before declining to 11 percent of GDP for the same years, indicating a rapidly globalizing economy even after the global financial crisis of 2008.[7] India's trade with the countries of the South Asian region, a major focus of Indian assistance with 47 percent of Exim Bank credit, amounts to only 3.3 percent of its overall trade in 2016–17, up from 2.8 percent in 2004–05, and only 7 percent of its exports in 2016–17, from only 5.5 percent in 2004–05. India's trade with, and exports to, Afghanistan, remain tiny at 0.14 percent and 0.2 percent, respectively, as at 2016–17. Likewise, India's trade with, and exports to, Myan-

mar remain tiny at 0.24 percent and 0.36 percent, respectively, as at 2016–17.

India's outward private investment flows increased steadily, from a very low base, over 2001–02 to 2017–18, rising from $759 m to over $19 bn in 2008–09 then down to $9.1 bn in 2017–18, totaling $177.77 bn over the period (Table 8). As Table 9A shows, the bulk of Indian outward FDI since 2010 has gone to developed Western Europe ($44.7 bn) and North America ($24.5 bn), and to Southeast Asia (mainly, developed Singapore) ($36.6 bn), oil-rich West Asia ($14.3 bn), resource-rich South America, and not to the main aided regions with the sole exception of Eastern Africa. Private investment flows to South Asia of $2.33 bn (Table 9B) are very small (just over 1 percent of all outward FDIs over 2010–17), although they are significant from the host country's point of view in the cases of Bhutan, Nepal, and Sri Lanka.[8] They are practically nonexistent for Afghanistan, Myanmar, Nepal, and Bangladesh, all recipients of a significant chunk of Indian assistance since 2004–05.

As far as Africa is concerned, trade, exports, and imports show the following pattern over the past few years (2013–17). For sub-Saharan (non-Arab) Africa as a whole, India's trade from that continent has decreased from 9.2 percent to 8.1 percent of its total trade, exports decreased from 10.3 percent to 8.3 percent, and imports from 8.5 percent to 8.1 percent.[9] As of 2016–17, total trade with Africa was about $61 bn, less than trade with China at $71 bn. If we look at Africa sub-regionally and country-wise in 2017, we see that $20 bn trade is with West Africa and $13 bn with Southern Africa out of a total of $61 bn. This is due to the dominant shares of just two countries in Indo-African trade—Nigeria with $9.46 bn and South Africa with $9.37 bn, totaling $18.83 bn. This is due to large imports from these energy- and resource-rich countries, India's trade profile with these two countries being dominated by imports. However, out of total assistance to Africa, these two countries are not at all dominant in the assistance profile, the overwhelming bulk of the assistance going to less developed or less resource-rich countries.

Outward FDI and assistance are also not correlated at all with respect to Africa except for East Africa ($32.62 bn, almost 98% of the total to Africa of $33.33 bn), a somewhat suspect figure which needs to be further investigated, the rest of Africa getting under 2 percent of Indian FDI commitments.

Program Evolution and Motivations: Politico-Security Concerns in India's Assistance

If trade and investment relations have not been the prime drivers what have been the motivations behind India's development partnership program? To situate the program in its politico-security and economic context, we situate it in the evolution of India's foreign policy with respect to the major regions of the program's concentration, viz., South Asia, Afghanistan, Myanmar, and the African continent, in this

section, based on detailed confidential interviews.[10]

Bhutan

The assistance relationship with Bhutan, along with Nepal, is the oldest and most consistent. India's relations with Bhutan have been governed by the India–Bhutan Treaty of August 8, 1949, and the updated and revised treaty called the India–Bhutan Friendship Treaty signed in February 2007, by which India *de facto* controlled its foreign relations, a carry-forward of the situation before Indian independence. Bhutan is a monarchy that inherited and continued its strategic status after India's independence as a Himalayan buffer state between India and China, and still does not have formal diplomatic relations with China, although relations are growing despite an unresolved border. India now accounts for 80 percent of Bhutan's imports and 94 percent of its exports, although the former figure is expected to be rapidly reduced by Bhutan's growing relations with China. Bhutan's export earnings are overwhelmingly from its export of hydroelectric power to India. India is the largest trade and development partner of Bhutan. Bhutan along with Nepal became a priority country after the October–November 1962 Sino–Indian border war. Assistance to Bhutan has been integrated into India's planning process and a number of grants are made under the head of Plan grants by the MEA.

After the shift in India's overall assistance policy from 2004, and stepped-up border management and security cooperation by Bhutan in December 2003–January 2004 in taking action against Indian insurgent groups (United Liberation Front of Assam) holed up in Bhutan, Bhutan's Ninth Plan assistance was reviewed. In March 2004, an Indo-Bhutan Group on Border Security and Management was established. The subsequent stepping up of assistance has to be seen in this context.

In 2005, it was decided to renew the bilateral Trade, Commerce and Transit Agreement for another 10 years, and an umbrella agreement on power projects in Bhutan was finalized. In 2008, on the occasion of the centenary of the Wangchuck dynasty and the coronation of the fifth king, India agreed to double its assistance to Bhutan's 10th five-year plan (over the ninth plan) to Rs. 34,000 m ($700 m). This would consist of Rs. 20,000 m ($400 m) for 65 projects, mostly small development projects (SDPs), first introduced in Nepal and then in Bhutan, to be spread all over Bhutan. In March 2009, an Empowered Joint Group on Hydroelectric Power Development in Bhutan met to discuss the development of 10,000 MW of hydropower generation in Bhutan for export to India by 2020. Implementation agreements were signed later, indicating growing economic integration with India.

Nepal

Nepal, another Himalayan buffer state between India and China, is vital for India's border security, particularly after the 1962 border war with China. The 1,850 kilometer Indo-Nepal border is a porous one with free movement of people. Nepal is a weak and unstable

multi-party democracy that has been wracked by a Maoist insurgency since the mid-1990s. On February 1, 2005, the government was dissolved as the Maoist insurgency spread, triggering talks of the Joint Working Group on Border Management and the India–Nepal Bilateral Consultative Group on Security Issues. The Joint Committee on Water Resources also met in 2004–05, and an MOU was signed on an oil pipeline, and rail service commenced in July 2004.

The SDP program is central to India's assistance to Nepal. It was introduced in 2003, and by 2010–11, there were 400 projects in all 75 districts of Nepal. The aim is to spread the impact of assistance and also local awareness of it in the host country. In 2011–12, an Indo-Nepal Bilateral Investment Promotion and Protection Agreement (BIPPA) and a Double Taxation Avoidance Agreement were signed. More recently, Indian Prime Minister Modi announced a $1 bn credit line for hydropower, irrigation, and infrastructure in August 2014.

Over the entire period since the Emergency of 2005, India helped to politically stabilize Nepal, seen as vital for Indian security, by encouraging peace talks and the restoration of democracy and building up of a constitutional development process in Nepal at Nepal's invitation. Nepal agreed that it would not allow anti-India insurgent activities. Assistance to Nepal has to be placed in this context along with the fact that India now accounts for 60 percent of Nepal's foreign trade and 44 percent of its inward FDI, and India is the largest assistance provider and source of tourists. However, India faces stiff competition from China in economic assistance for political influence and Nepal has been adroitly playing the two off against each other.

Bangladesh

India–Bangladesh relations after the latter's independence in 1972 were governed by the 25-year India–Bangladesh Friendship Treaty, which was allowed to lapse in 1997 by the then Awami League government of Sheikh Hasina Wazed despite the signing of the watershed Indo-Bangladesh Ganga Waters Treaty in December 1996 which addressed Bangladesh's long-standing demands on river water-sharing.[11] The 1972 Treaty provided that neither country would harm the security of the other. The lapsing of this treaty removed this security feature from the Indian point of view, and in fact, since then India has suspected Bangladesh, particularly during the Bangladesh National Party government of 2001–06, of conniving with terrorist activities directed against India by nonstate actors. Despite starting on a promising note, relations have been bedeviled by a number of issues including an unresolved "ragged" boundary, illegal immigration of Bangladeshis into India, sharing of waters of 54 common rivers, primarily the Ganges, the operation of anti-Indian insurgent, and terrorist groups from Bangladesh. Hence, Bangladesh is a neighbor with whom India's relations are sensitive. Assistance to Bangladesh has to be seen in this context.

Talks in 2004–05 between the new UPA government in India and the Bangladesh government included the biannual Director-General-level talks between the two border guard forces, the issue of insurgent and radical Islamist groups, sharing of the Teesta river waters, illegal immigration, trade, investment and the possible Myanmar–Bangladesh–India gas pipeline, and the annual meeting of the Joint Rivers Commission. The year 2006–07 saw a revised Trade Agreement. The Joint Boundary Working Group met after a gap of four years and discussed the Land Boundary Agreement of 1974. An Indo-Bangladesh Chamber of Commerce and Industry was inaugurated in 2007–08 and a trial run of the Kolkata (Calcutta)–Dhaka passenger train took place, leading to the start of rail services the next year. A trade agreement and a BIPPA were signed in February 2009.

The Grand Alliance (GA) government led by the Awami League of Sheikh Hasina Wazed was formed in January 2009 and took steps to improve relations with India. She visited India in January 2010, following which an LOC of $1 bn for infrastructure projects, including railways, was signed in August, as was a 35-year power transmission agreement. Indian prime minister Manmohan Singh visited Bangladesh in September 2011 resulting in the Land Boundary Demarcation Agreement, an increase in the annual duty-free export quota of garments to India, a joint venture agreement for the 1,320 MW Khulna power plant, and increased defense cooperation and an increased number of ITEC and Colombo Plan training slots. More recently, Prime Minister Modi announced an additional $2 bn credit line focused on infrastructure in his 2015 visit, which also saw the resolution of the long-festering boundary issue. The stepping up of assistance is clearly linked to the cooperative attitude of the GA government and the perceived importance of its stability for Indian security. However, Indo-Bangladesh trade remains sluggish, with India accounting for only 13 percent of Bangladesh's imports, in sharp contrast to dominating the imports of landlocked Nepal and Bhutan.

Sri Lanka

Sri Lanka, which was in the throes of a long-drawn out separatist war over 1983–2009 between the government and the Liberation Tigers of Tamil Eelam (LTTE), a separatist guerilla group of the hitherto discriminated-against Tamils of the North and East of the island, signed a free trade agreement with India in 1998, operational from 2000, called the India–Sri Lanka Free Trade Agreement. This gradually liberalized trade ahead of the South Asian regional trade liberalization process and also had the effect of encouraging Indian investment in Sri Lanka to take advantage of lower tariffs on raw materials, and consequent export of products back to India. The free trade agreement and the domestic peace process between the Tamil rebels and the government, marked by the Ceasefire Agreement of 2002, led to an improvement of Indo-Sri Lanka relations, and Sri Lanka supported India's bid for a permanent UNSC seat. There were the beginnings of moves

to upgrade the FTA to a Comprehensive Economic Partnership Agreement (CEPA). India had become the biggest FDI source by 2004 and the fourth largest cumulatively.

In November 2005, Mahinda Rajapakse was elected president of Sri Lanka and visited India in December. India stressed the importance of political dialog and pressed its view that there was no military solution, and offered to share its constitutional experience. By 2007, India became the largest single source of tourists, the largest single source of imports and third largest destination for Sri Lankan exports. The civil war ended in May 2009 with the elimination of the LTTE, and President Rajapakse was re-elected in January 2010. India stressed the importance of reconciliation and a devolution-based political solution to the conflict, and gave assistance for relief and rehabilitation of the internal refugees.

India opened two new consulates-general, resumed ferry services, renewed the MOU on SDPs, signed a new MOU on Interconnection of Electricity Grids, increased defense cooperation focused on army and navy chief visits and training, an LOC of $415 m for the Northern Railway line, a demining team, a package for relief and rehabilitation and a commitment to build 50,000 houses for the internally displaced persons in the Northern, Eastern, and Central provinces. Sri Lanka assured India that political proposals for devolution of power building on the 13th Amendment to its constitution would be discussed with the Tamil leadership but has dragged its feet even under the new government that took power in 2015. India remained the largest trade partner, largest FDI, and tourist source, and sees engagement as vital for leverage. Assistance is part of this engagement and leverage on both internal reform and for providing an incentive to maintain a distance from a China that has emerged as the largest donor to Sri Lanka since the end of the civil war in 2009. India has stepped up its aid since then in response to the geopolitical competition for influence from China, signified most dramatically in Sri Lanka giving the southern Hambantota port, overlooking the main Indian Ocean sea lanes, to China on a 99-year lease in 2017.

Afghanistan

Afghanistan has emerged as one of the largest single-country assistance programs for India. The political background to this is as follows, in brief. After the 9/11 attacks in the United States, and the subsequent invasion, overthrow of the Taliban regime and occupation of Afghanistan by U.S.-led NATO forces in late 2001, and the Bonn Agreement of December 2001, India made assistance commitments to the post-war reconstruction of Afghanistan. This began with $100 m in January 2002 at the Tokyo Donors Conference. This needs to be seen in light of the erstwhile Taliban regime's complicity in the hijack of an Indian aircraft in December 1999 and its closeness to the Pakistani military. It was in India's security interests to stabilize a moderate and democratic alternative in Afghanistan.

Indian assistance was focused on three major infrastructure projects: (i) upgradation of the Zaranj–Delaram highway of 218 kilometers; (ii) the Salma Dam project in Herat province in the west; (iii) the 220 kV double circuit transmission line from Pul-e-Khomri to Kabul, and the 220/110/20 kV substation at Chimtala to bring power from Uzbekistan to Kabul, all completed by 2010.

Apart from this, India undertook to build the new Afghan parliament building, contributed to the Afghan Reconstruction Fund, and to a broad SDP program, which paralleled similar SDP programs that were in existence in Bhutan and Nepal, including assistance in the agriculture, education, healthcare, and medical sciences areas.

In 2006–07, the security situation worsened with increasing attacks by the Taliban insurgents through most of the country. Two Indians working in the country were killed. MOUs in rural development and education were signed, and India participated in the November 2006 second Regional Economic Cooperation Conference in Afghanistan and the parallel Regional Business Conference on Afghanistan hosted by the Federation of Indian Chambers of Commerce and Industry (FICCI), the Confederation of Indian Industry (CII), and the Associated Chambers of Commerce and Industry (Assocham). Cumulative Indian assistance rose to $750 m by 2006–07. The year saw new project commitments like expansion of TV coverage, and the training of Afghan diplomats in the Foreign Service Training Institute in Delhi. About a thousand training slots were given to Afghans in the ITEC program. India supported the admission of Afghanistan to the South Asian Association for Regional Cooperation (SAARC) at the 14th SAARC summit in Delhi in April 2007 as its eighth member.

India welcomed the Obama speech of December 2009 on strengthening the Afghan government and security forces as preparation to the eventual U.S. drawdown and pullout, and participated in the UN International Conference on Afghanistan in London in January 2010. This was a prelude to the stepping up of India's security cooperation with Afghanistan from the next year. President Karzai's visit in October 2011 resulted in an Agreement on Strategic Partnership, the first such with any country for Afghanistan. This included political and security cooperation, and an MOU on hydrocarbons and minerals. An additional $500 m of assistance was announced during the visit taking the cumulative total assistance by then to $2 bn.

India's assistance strategy, to some extent, mirrors its assistance experience in countries like Bhutan and Nepal in that it focused not just on a few major high-profile projects but on a range of widespread small projects and capacity building by offering scholarships to students and trainees, and thereby building long-term human contacts.

India's assistance strategy in Afghanistan is geared to supporting and stabilizing the Afghan government in

both political and economic terms to secure India's perceived long-term security interests, against a possible future re-conquest of the country by the Taliban operating with covert backing from Pakistan. In recent years, China too has increased its level of activity in Afghanistan, something not to India's comfort given the *de facto* Pakistan–China alliance.

Myanmar

Myanmar is India's neighbor, bordering four northeastern Indian states, with a 1,650 kilometer border, and an ethnic Naga insurgency that overlaps that border. It also has about 400,000 people of Indian origin, mostly very poor. India has followed a policy of engagement with the military regime in Myanmar from the mid-1990s, its policy being based on cultivating Myanmar to prevent it from going entirely into the hands of China politically and to gain Myanmar's cooperation in tackling the Naga insurgency, de-prioritizing democracy, and the Indian minority. In return, Myanmar supported India's bid for UNSC permanent membership and has been cooperative on the Naga insurgency issue. Annual foreign office consultations began in 1995.[12]

Assistance to Myanmar increased gradually over the past decade. An MOU for the Chindwin hydroelectric project was signed in 2004–05, and one on the India–Myanmar–Thailand trilateral highway project following the Myanmar foreign minister's visit in July 2004. This was followed by MOUs on railways and energy cooperation *inter alia* a possible Myanmar–Bangladesh–India gas pipeline. The idea was to work toward the integration of India's northeastern states with Myanmar and further afield with booming Southeast Asia and Southwest China.

A BCIM group (Bangladesh–China–India–Myanmar) cooperation meeting was held in March 2006. A Double Taxation Avoidance Agreement and a BIPPA were signed in 2008–09. Emergency humanitarian assistance was rushed to Myanmar following Cyclone Nargis in May 2008.

Cooperation was significantly stepped up in 2010–11, mainly LOCs for oil and gas, power, railways, and highways. A delegation from Northeastern India visited Myanmar to promote subregional cooperation. The Myanmar president Thein Sein visited India in October 2011 (coincidentally coinciding with Afghan President Karzai's visit), an LOC of $500 m was extended and a target was set for $3 bn in trade by 2015. The stepping up of assistance is part of a strategy to support Myanmar's democratization and relative shift away from dependence on China.

Africa

Indian foreign policy has traditionally supported decolonization, and opposed racism and apartheid. India had been offering training and expertise to Africa under the ITEC program since the 1960s. In the period of the 1990s and in the twenty-first century, in the context of the liberalization and faster growth of India's economy, the end of apartheid in South Africa in 1994, the liberalization

and faster growth of African economies since 2002, Indian policy has come to pay greater attention to Africa. At the start of India's new foreign assistance policy from 2004 to 2005 onwards, the Indian president addressed the Pan-African Parliament in 2004, India was part of UN Peacekeeping Forces in four countries, and most of Africa had endorsed India's candidature for a permanent UNSC seat.

In 2004, India declared its intent to build a fiber-optic E-connectivity network for Africa. There was also close cooperation with the ECOWAS group of West African states (established 1975). In 2005, India engaged with COMESA (Common Market for Eastern and Southern Africa, established 1994) based on an India-COMESA MOU. An India–Africa Conclave was held in Delhi in March 2005, and the SADC-India Forum was approved by the (14 nations) SADC (Southern Africa Development Community, established 1992) Council of Ministers. The TEAM-9 Initiative (India plus eight West African countries) was launched at the margins of the UN General Assembly in New York in September 2005 and a $500 m LOC offered to TEAM-9. An LOC of $200 m was extended to several countries for execution of projects and purchase of equipment under the New Partnership for African Development (NEPAD). India joined the African Capacity Building Foundation (based in Harare) as a full member. Four thousand ITEC and SCAAP slots were allotted to Africa, spanning 39 institutions in India.

A landmark event in India's assistance policy to Africa was the India–Africa Forum Summit held on April 2008 in Delhi. It ended with the Delhi Declaration, a new architecture and framework for Africa-India cooperation, and a doubling of LOCs to Africa to $5.4 bn over the next five years (2008–13), concentrated in agriculture and food, small and medium enterprises, irrigation, infrastructure, IT, energy, and pharmaceuticals. Scholarships were doubled, and a Duty Free Tariff Preference scheme for access to products from African LDCs was initiated. A second India-Africa Forum Summit was held in 2011 and a third in 2015, both marked by step-ups of assistance.

Four Indo-African institutions were established as part of the follow-up to the India-African Forum Summit. These were the India–Africa Institute of Foreign Trade, India-Africa Diamond Institute, India-Africa Institute of Educational Planning and Administration, and the India-Africa Institute of Information Technology.

The Duty Free Tariff Preference scheme was offered to 33 African Least Developed Countries, of which 18 acceded to it. The Pan-African E-network was implemented in 34 out of 47 states in 2010–11.

In May 2011, the second Africa–India Forum Summit was held in Addis Ababa, resulting in the Addis Ababa Declaration and Africa–India Framework for Enhanced Cooperation, another step-up in the level of cooperation. The Declaration was a political document covering UN reform, WTO,

climate change, and terrorism among other things.

The second meeting between India and African Regional Economic Communities was held in November 2011. India has MOUs with four such entities—COMESA, ECOWAS, ECCAS (Economic Community of Central African States, established 1985), and SADC. South Africa joined the BRIC grouping, making it BRICS, in April 2011 and the fifth IBSA summit was held in Pretoria. Africa is the second largest recipient ($9.23 bn) among regions (after South Asia) of the $22.52 bn in LOCs extended by India till June 2018.

India's attractiveness to Africa lies in its ability to produce soft infrastructure like IT goods and services and pharmaceutical products relatively cheaply and some see it as offering an alternative to Chinese assistance and trade (Naidu 2008). Access to African oil and gas resources for long-term energy security and as an alternative to the volatile Middle East also remains a goal of India's Africa policy (Naidu 2008). Assistance also complements the growing footprint of Indian companies in Africa and helps promote trade and investment, including in minerals.

Development assistance to Africa is not a case of immediate economic benefits or of short-term security competition with China but more of investment in long-term relationship-building with a resource-rich continent with close to 50 UN General Assembly votes that promises to be increasingly important in the future in both economic and political terms. All African countries have been visited by Indian ministers during the Modi government's tenure and Indian Ocean maritime security cooperation has also been discussed with several African states.[13]

Discernible Patterns

Among the major recipients of Indian assistance, the following patterns are discernible:

First, in the cases of Bhutan and Nepal, India bulks large in their trade, inward investment, and tourism profiles, while they are of marginal significance in India's trade and outward investment profile. They matter to India's security calculations in a major way as they are neighbors with porous borders and buffer states between India and China. Hence, India's assistance to them is primarily motivated by political and security considerations but is important to the recipients in economic terms. An important point here is that India's assistance is widely distributed in the form of a large number of small projects, thus maximizing popular awareness and impact. Also that India being the principal destination for higher studies and training creates an alumni network in both countries. India's assistance is one of long-term commitment as signified by the fact that it comes from its Plan budget as well as Non-Plan budget for decades.

Second, Bangladesh and Sri Lanka, which are neighbors in which India perceives competition for diplomatic influence from Pakistan and China, are

both insignificant to India's trade and outward investment profile but of considerable importance to the recipients' trade, inward investment, remittances (for Bangladesh), and tourism (for Sri Lanka) profile. In both cases, Indian assistance is fairly recent, becoming significant over the past half-decade, and relatively concentrated in large LOC. Scholarships and training are significant in both cases.

Third, Afghanistan and Myanmar are again recent cases of assistance, motivated primarily by political and security considerations with perceived competition for political influence from Pakistan and China, respectively. In both cases, the recipient country is of marginal economic but major geopolitical significance to India, although both can be of significance for India's natural resource needs in the future. This is because if the democratically elected Afghan government is not stabilized, and if there is a Pakistani-backed Taliban takeover after an eventual U.S. pullout, then a regime backing terrorism against India might get entrenched in Kabul. Likewise, a Myanmar overwhelmingly dependent on China is not in India's security interests, given the growing Chinese presence in the Indian Ocean. India does not bulk large in Afghanistan's or Myanmar's trade and inward investment. The pattern of assistance is one of large LOCs rather than small projects, although this is beginning to happen in Afghanistan, where scholarships and training are also significant.

Fourth, in the case of Africa, assistance again is recent in its growth, particularly after the India–Africa summits of 2008, 2011, and 2015. It consists of 158 of 227 operative LoCs, with an average worth of $58 m, to 36 countries and the ECOWAS Bank of Investment spread across the continent, and is concentrated in fairly large to medium projects in infrastructure and agriculture, although scholarships and training are important. Within Africa, there has been a shift of Indian assistance from Eastern and Southern Africa to West Africa, recognized to be energy- and mineral-rich. However, in 2016–17 as noted earlier, $18.83 bn of the $61 trade was with Nigeria and South Africa only, and these are not where the LOCs go. Assistance is not driven by immediate trade and resource considerations but by long-term relationship-building, plus close to 50 UN General Assembly votes factored in.

Fifth, comparing the Modi government with the previous Manmohan Singh government, one sees more continuity than change and a stepping up of LOCs from the Exim Bank as India's economic capacity increases. The major areas of focus remain South Asia and Africa as before. However, India now faces increased economic and political competition from China in its South Asian neighborhood with all countries other than India having signed up for the Belt and Road Initiative including its maritime component, and China having gained influence in Nepal, Sri Lanka, and the Maldives during the tenure of the Modi government.

An Overall Assessment

Four major points emerge from an overall assessment of the Indian development partnership program.

First, India eschews terms like aid and donor, and prefers to use the term "development partner" as a fellow developing country and DAC aid recipient. It is only with the formation of the DPA, that India's "demand-driven" and politically punctuated assistance can be said to have acquired the character of a program. As the amounts increased, it gradually acquired the character of a program in two shifts—the shift to LOCs through the Exim Bank from 2004, and the formation of the DPA as an implementation agency in 2012.

Second, while the purpose of partnership is admittedly political, it is meant to cultivate goodwill toward India and long-term relationships rather than immediate payoffs, either political or economic, particularly in the case of Africa.

Third, the MEA considers the ITEC program the most cost-effective and the one that had yielded the best returns in terms of long-term goodwill because it trains key personnel in India and builds long-term human relationships. These are considered important as money alone is not enough to buy influence. India, because of English language education, is seen to have a comparative advantage in education and training of developing country personnel.

Fourth, there is no clear economic development philosophy or macroeconomic policy prescription that emerges from a scrutiny of the development partnership program. The basic philosophy seems to be seen as a fellow developing country partner that fits in with what the recipient wants except that the assistance is largely tied to India-sourced supplies, similar in this respect to early-stage Western aid. However, if the development partnership program acquires a more programmatic rather than a jerky, politically punctuated, and *ad hoc* character, one might expect a prescriptive development strategy to emerge over time either on its own or in learning/partnering processes with established Western aid programs or in the context of new, South-led lending institutions like the NDB and the AIIB. However, this might possibly be in tension with the explicit policy position at present that the development program is to serve national, that is, foreign policy interests, although these have been seen so far in a long-term perspective.

Overall, India appears to have operated on the realist assumptions of power politics and interest-orientation in its assistance policies, particularly with its neighbors, and especially energy security as regards Africa, as argued by Six (2009) and Fuchs and Vadlamannati (2013), and in line with the earlier work on developed donor motivations by Alesina and Dollar (2000). However, as we said earlier, the Indian focus is on the long run more than for immediate gains. India's partnership relationships with Bhutan, Nepal, Bangladesh, and Sri Lanka, and with Afghanistan and Myanmar, remain essentially de-

termined by the objective of having its neighbors favorably inclined toward India. However, assistance seems to be more a defensive than a coercive or control strategy, to incentivize bandwagoning toward India or at least not incline toward India's geopolitical competitors, faced with competition in recent years from a China that can deploy much greater resources in development assistance. From a practitioner's standpoint, as emphasized in interviews, the Indian program is about building long-term relationships and not about immediate benefit. This is particularly the case in South Asia but also applies to Africa.

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Notes

1 Accessed August 4, 2018. https://stats.oecd.org/index.aspx?lang=en.

2 See Chaturvedi (2012a, 2012b, 171-77) for a historical account until the 2000s.

3 Source: Accessed December 15, 2015. http://finmin.nic.in/the_ministry/dept_eco_affairs/cie2sec/cie2sec_index.asp.

4 See note 3.

5 "Ministry of External Affairs." *Annual Report 2017-18*, 193-94.

6 In fact, the former head of the DPA, Ambassador P.S. Raghavan was explicit that aid by a low-income country like India could only be justified if it was clearly linked to foreign policy needs. Interview with Ambassador P.S. Raghavan, March 8, 2013, New Delhi.

7 See the Indian Ministry of Commerce database: http://commerce.nic.in/eidb/iecnttopnq.asp and the Reserve Bank of India database: http://dbie.rbi.org.in/DBIE/dbie.rbi?site=statistics and World Integrated Trade Solutions, World Bank—https://wits.worldbank.org/ for the figures in this section. Accessed on August 4, 2018.

8 Ministry of External Affairs, *Annual Reports*, various years, pages for these countries.

9 World Integrated Trade Solutions, World Bank—accessed August 3, 2018. https://wits.worldbank.org/

10 All facts and figures in the country accounts in this section are from Indian Ministry of External Affairs, *Annual Reports*, various years, and anonymous conversations with nine senior Indian diplomats with experience of the various countries and regions covered, including two former heads of the DPA, and a former chairman and managing director of the Exim Bank of India, besides the foregoing sections.

11 See Kabir (2011) for a comprehensive overview of Indo-Bangladesh relations.

12 See Egreteau (2011) for an account of contemporary India–Myanmar relations.

13 Ministry of External Affairs, *Annual Report 2017-18*, xi-xii.

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