



CENTRE FOR POLICY RESEARCH

Premier think tank shaping policy debates since 1973



INDIAN DEVELOPMENT  
COOPERATION RESEARCH



The Asia Foundation

This project is funded by the Asia Foundation. The views expressed by the author(s) do not necessarily reflect those of the Foundation or the Funder.

---

# IDCR Report: The State of Indian Development Cooperation

---

## Contents

Spring 2014

The State of Indian Development Cooperation	2
<b>Regional Briefs on Indian Development Cooperation</b>	
India-Africa	5
India-Central Asia	7
<b>Bilateral Briefs on Indian Development Cooperation</b>	
India-Afghanistan	9
India-Bangladesh	11
India-Bhutan	13
India-Maldives	15
India-Myanmar	17
India-Sri Lanka	19
India-Vietnam	21
About IDCR	24

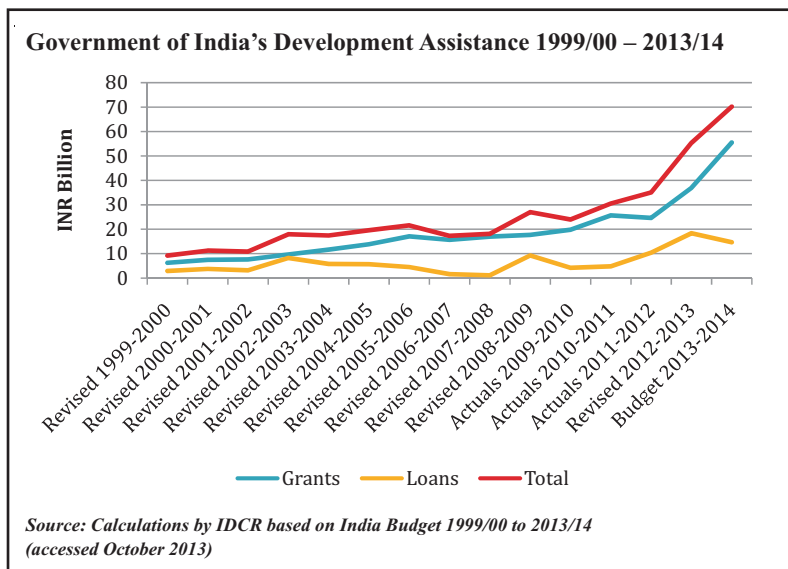
# The State of Indian Development Cooperation

Rani D. Mullen

## The Importance of India as a Growing “Development Partner”

The rapid growth of India’s economy in the 21st century along with India’s growing global prominence has led to a large expansion of India’s engagement in development cooperation (foreign assistance) with other countries over the past decade. Yet the rise in volume and diversity of India’s development cooperation over the past decade is a little understood phenomenon. India is not a new donor, having first provided development assistance in the late 1940s, shortly after its independence. Yet its development assistance remained small compared to traditional foreign assistance donors until the turn of the century. Since then, Indian development assistance has risen significantly. Indian development assistance in 2013 was comparable to that of smaller developed countries such as Austria. Moreover, the growth rate of Indian aid stands in notable contrast to the stagnant or even declining foreign assistance of most developed countries.

## India as an Older “Pivotal Donor”



Since the turn of the century, India’s development cooperation has risen in volume and diversity. Increasing attention is being devoted to India as a “pivotal donor”. Yet little is known about India’s development assistance program. India is not part of the Organization for Economic Cooperation and Development’s (OECD) Development Assistance Committee (DAC), the consortium of the world’s large developed countries donors that have been the drivers behind collecting and harmonizing data on their foreign aid and discussing foreign aid policies. India also does not report its development assistance to DAC. Moreover, while the DAC member countries decided the guidelines on how Official Development Assistance (ODA) is calculated and what it

entails, India does not categorize its aid using ODA guidelines, nor share its development assistance data, further complicating comparisons of India’s development assistance program.

Little attention has been focused on India’s development assistance until recently, because historically the volume of India’s assistance has been significantly smaller in US dollar terms than foreign aid from traditional DAC donor countries. That, however, has changed over the past few years. In 2013 the Indian government reported that INR 7,018 crore or approximately US\$ 1.16 billion were budgeted for development assistance for the fiscal year 2013/14. India’s development assistance budget for 2013 was higher than the foreign assistance of six of the 23 DAC countries in 2012.<sup>1</sup> Moreover, the trend of India’s assistance commitments also differ markedly from those of the traditional DAC countries. India’s development assistance has grown dramatically, rising four-fold in the decade between 2003/04 and 2013/2014. By contrast the total foreign aid from DAC countries decreased by almost 2 percent in real terms in 2011 and by 4 percent in 2012. Finally, a dollar of development assistance given by India is not the same as a dollar given by DAC countries. The nature of Indian development assistance and the purchasing power parity of a dollar of Indian aid spent in India or in the recipient country means that one dollar of Indian foreign assistance has greater purchasing power than one dollar in foreign assistance from any DAC country.

In volume, trend and purchasing power, Indian development assistance will play an increasingly important role in overall global development assistance flows and architecture, as its active role in the BRICS (Brazil, Russia, India, China and South Africa), its growing role in regional and multilateral organizations, and its move to become a “net donor” illustrates.

We at Indian Development Cooperation Research (IDCR) at the Centre for Policy Research (CPR), New Delhi are putting together the first, comprehensive database of Indian development cooperation and disseminating research on Indian foreign assistance in order to help better understand India's role as an increasingly important "pivotal donor."

## The History of Indian Development Cooperation

The early decades of Indian development assistance were generally in the form of multi-year loans and technical assistance as seen in the 1950s loans of around INR 200 million to Myanmar and INR 100 million to Nepal.<sup>2</sup> Though small in amounts, particularly when compared to foreign assistance from the United States, the United Kingdom or other traditional donors, they nevertheless earned India goodwill and soft power leverage amongst its neighbors. For example, though Indian development assistance to Nepal throughout the 1950s was small in monetary terms, it nevertheless helped India build a close relationship with the Nepalese rulers and influenced the country's first experiment in democracy,<sup>3</sup> though subsequent politics marred some of this initial camaraderie with Nepal. Similarly, loans to Myanmar earned India some good will with its neighbor and today that history of support to Myanmar positions India well as it seeks deeper reengagement with Myanmar and its other eastern neighbors.

### *India starts engaging in development cooperation shortly after independence*

The ethos behind India's approach to development assistance through building "Development Partnerships" can be traced back to Indian independence in 1947 and the year after when India offered its first development assistance to another country. Indian development cooperation was characterized from its inception by a focus on partnership and solidarity between developing countries. By focusing on the commonality of subjugation under colonial systems and newly-fought independence with other newly independent countries, India forged a sense of shared history, which acted as the main driver of India's early foreign assistance program. This sense of shared history created a perception of a level field between many developing countries as they engaged in "South-South" cooperation. India's prominent role in the Non-Aligned Movement through the end of the Cold War further helped cement India's image as a development partner. Overall, India's approach to development assistance has helped leverage its assistance program beyond the rupee amount given, into a large resource for its foreign policy and "soft power".

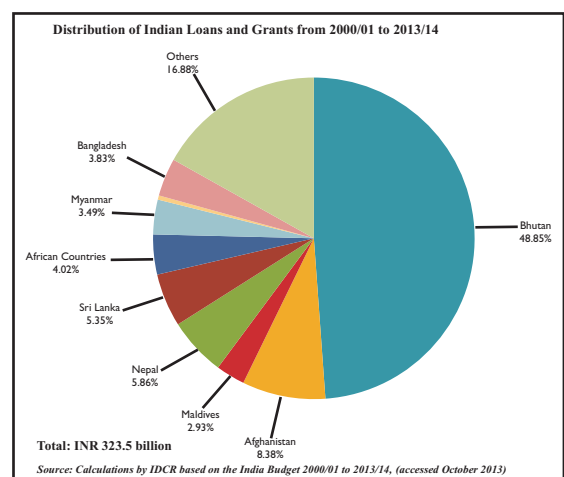
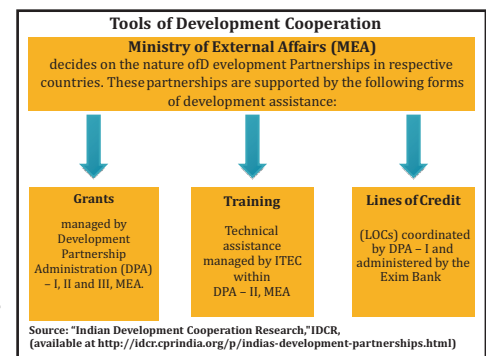
### *India's development assistance approach*

India's development assistance differs from traditional foreign aid in three main ways:

1. It is demand-driven (identified by the recipient country);
2. It is largely given without conditionalities; and
3. It is administered in a decentralized manner, though it is now coordinated through the Ministry of External Affairs' Development Partnership Administration (DPA) structure.

### *Technical assistance and training added as a development cooperation tool in 1960s*

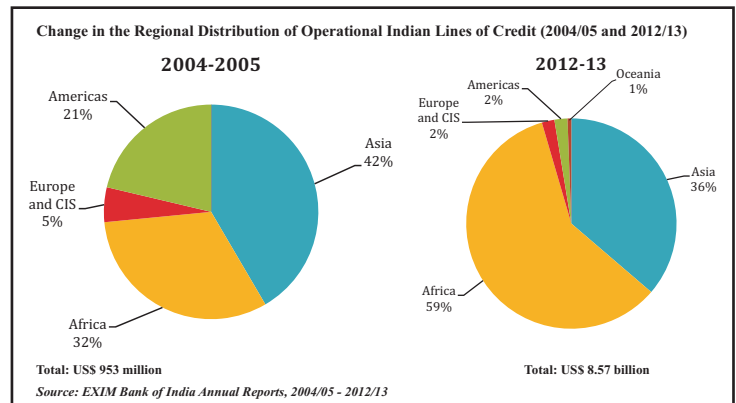
Often labelled an "emerging donor," India has actually engaged in development partnerships since shortly after its independence. Yet the nature of its development assistance has changed over the past six decades. During the 1950s and the early 1960s, Indian development assistance consisted of grants and loans, which were offered mostly through the Ministry of External Affairs. Since 2000/01, India has offered over US\$ 6.9 billion in development assistance, with the budgeted figure for 2013-14 being over US\$ 1 billion (see graph on India's Development Assistance).













Indian Technical and Economic Cooperation (ITEC) program was added by the Ministry of External Affairs (MEA) as the main vehicle for training, skill development and experience sharing with other developing countries. The ITEC program became India's premier bilateral avenue for development assistance and focused on a demand driven approach that provided developing nations the ability to address the self-identified lacunae in their socio-economic development plans. Since 2013 ITEC has been managed by the Development Partnership Administration - II (DPA - II) within the MEA. The ITEC program has a budget of INR 140 crore (approximately US\$ 23 million) and offered 8,280 training slots in 2013-14. Generations of civil servants and policy makers from other developing countries have come to be trained in India, leading to increased understanding between their respective countries and India.

### *Government-backed, Export Import Bank of India managed Line of Credits (LOCs) added in 2004*

In a rethinking of India's emerging role as a regional and global power and in order to raise the amount of development funding at its disposal, the Government of India launched the Indian Development and Economic Assistance Scheme (IDEAS) in 2004. It was under this scheme that the Government of India offered a newly restructured channel for offering development assistance, the Line of Credits (LOCs). These LOCs are Government of India-backed and Export Import Bank of India-managed credit lines. They are provided to other developing countries in order to support developmental projects as suggested by the Ministry of External Affairs. This instrument of development assistance thus enables the Indian government to harness the significantly greater resources available through the EXIM Bank, which raises money on the private markets, in the form of LOCs.



Top 10 Countries Receiving Indian Lines of Credit (2004/05 to 2013/14)			
Country	US\$ Million	Region	
 Sri Lanka	1116.2	South Asia	
 Ethiopia	1004.5	East Africa	
 Bangladesh	810.8	South Asia	
 Sudan	691.9	North Africa	
 Mozambique	639.4	East Africa	
 Nepal	350.0	South Asia	
 Myanmar	307.4	South Asia	
 D. R. Congo	268.5	Central Africa	
 Tanzania	254.7	East Africa	
 Mali	253.0	West Africa	

Source: Calculations made by IDCR based on Exim Bank Operative Lines of Credit, Government of India

### Indian Development Cooperation Today

Today, a growing aspect of Indian regional and global power is the rising development assistance it provides to other developing countries, as well as to regional and multilateral agencies. Increasing Indian consciousness of development assistance as an instrument of foreign policy has also led to its intensified use as a tool for securing access to energy sources, for building trade relationships (and a demand for Indian products and services), and for furthering regional and increasingly, global interests and ambitions. Given the rise in volume and diversity of India's development assistance portfolio, India's lead ministry for managing development assistance, the Ministry of External Affairs, announced the establishment of the Development Partnership Administration (DPA) within its ministry in January 2013.

The DPA is tasked with handling "India's aid projects through the stages of conception, launch, execution and completion."<sup>4</sup> Yet despite India's new aid administration structure and the rapidly increasing volume and diversity of its development assistance, the full coordinated weight of India's development assistance has not been systematically analyzed, fully understood, or indeed leveraged. Development assistance as a tool of Indian foreign policy is more likely to have an impact when it is part of a larger coordinated strategy towards bilateral and multilateral engagements. It is also more likely to have an impact when that aid is publically disseminated, discussed, and understood as legitimate. Indian development assistance is already in the process of gathering strength through volume. It now has to work on gathering legitimacy through coordination, evaluation, and dissemination of its development assistance.

<sup>1</sup> OECD (2012). "Development: Aid to developing countries falls because of global recession." Retrieved March 10, 2012, from <http://www.oecd.org/newsroom/developmentaidtodevelopingcountriesfallsbecauseofglobalrecession.htm>.

<sup>2</sup> Chanana, D. (2009). "India as an Emerging Donor." *Economic and Political Weekly*, XLIV(12): 11-14.

<sup>3</sup> Grover, V., Ed. (2000). *Nepal: Government and Politics*. Delhi, Deep & Deep Publications.

<sup>4</sup> Ministry of External Affairs (2013). "About MEA: Development Partnership Administration." <http://mea.gov.in/development-partnership-administration.htm>, accessed September 18, 2013.

## India-Africa Brief

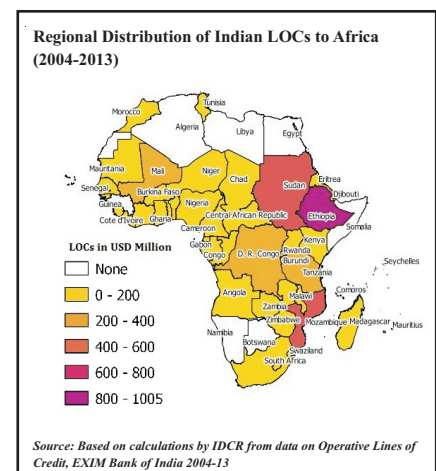
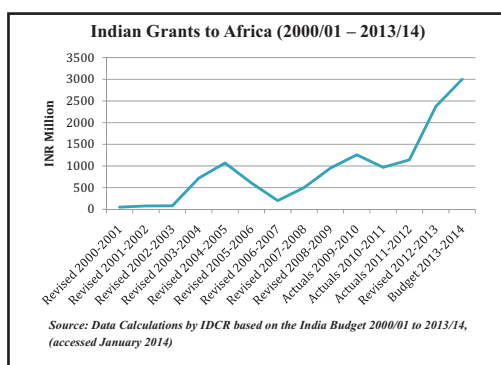
The African continent has moved to the centre of global economic discussions in the last decade and the 'hopeless' continent has turned into the 'hopeful' continent with potential for economic growth. As an extension of this global interest, India has also increased its engagement with the continent. In 2002, India launched the Focus Africa Programme to promote Indian exports. This was followed by the Conclave of India-Africa Project Partnership, a strong business-to-business platform between the two regions launched in 2005. By 2013, there had been 22 Indo-African business conclaves. The investments agreed upon during these conclaves have increased from US\$ 6 billion in 2005 to US\$ 64 billion in 2013, further fueling economic engagement between the two regions. In 2008 India held the first India-Africa Forum Summit in New Delhi - a platform for political leaders from the two regions to interact. The second summit was held in Ethiopia in 2011. The summits have witnessed a combined commitment of over US\$ 8 billion as development cooperation for African countries.

### Lines of Credit

The past decade has seen a sharp increase in Lines of Credit (LOCs) committed to African countries by the Exim Bank of India. Lines of Credit to Africa rose from 32 percent of the total in 2004 to 59 percent in 2012. There has also been a significant increase in the volume of LOCs. In 2004/05, LOCs to Africa were valued at US\$ 304 million while in 2012/13 LOCs to Africa were valued at US\$ 5.1 billion. A majority of these current LOCs are directed towards agriculture and energy based projects at 21 and 32 percent respectively. In 2013, twenty LOCs were made operational and seventeen of these LOCs were directed to African countries. This clear emphasis on Africa demonstrates that India is focused on building closer ties with African countries.

### Grants

The volume of grants committed to African countries has increased from INR 50 million in 2000/01 (approximately US\$ 1 million) to INR 3 billion in 2013/14 (approximately US\$ 50 million). However, the percentage of grants committed to African countries only constitutes an average of four percent of the annual budget of grants between 2000/01 and 2013/14.



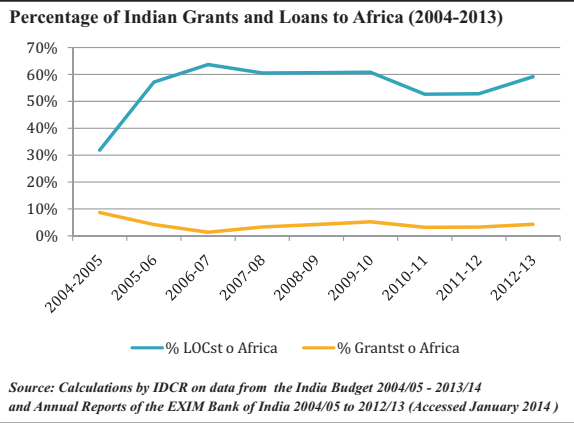
In 2009, the government of India launched the Pan African e-Network in order to help foster digital connections between African countries and India and to support development in Africa. The programme's objective was to provide Indian educational and medical support to the participating African countries, remotely, via satellite technology. Telecommunications Consultants India Limited (TCIL), an Indian public sector company, is implementing the project on a turnkey basis through a US\$ 125 million grant. The project will provide tele-consultations with 12 super specialty hospitals in India to selected hospitals in Africa. Indian medical institutions will also offer separate daily consultations, live and offline, to hospitals in the 54 African countries. As of January 2013, over US\$ 30 million of the US\$ 125

million has been spent. By 2013, 12 super specialty hospitals were connected to 48 African hospitals where 460 tele-consultations and over 2,500 Continuing Medical Education (CME) sessions were conducted. Simultaneously, 47 learning centres were connected to five Indian universities, nearly 10,000 students had signed up for various courses and over 3,500 tele-education sessions had been conducted.

### Indian Technical and Economic Training Programme

One of the first forms of development cooperation offered by the Indian government to African countries and indeed the dominant instrument of development cooperation between India and Africa until the 21st century was the Indian Technical and Economic Training Programme (ITEC), and the corollary Special Commonwealth African Assistance Programme (SCAAP). Africa has received a large portion of ITEC commitments.

By 2012, US\$ 2.8 billion had been spent on the programme since its launch in 1964 of which US\$ 1 billion had been utilized to support training and technical assistance to African countries. The Indian government has increased the number of reserved seats in training programmes for Africa from a total of 531 in 2007/08 to 998 in 2010/11.



In the fifty years since its inception, the ITEC programme has created a network of political, civil and business communities, in Africa, who have links to India.

### Analysis

Indo-African engagement is undergoing a process of revitalization. This has resulted in three prominent shifts in the modalities of development cooperation. First, there has been an increase in the overall volume of development cooperation. Second, there has been a more defined focus on LOCs as the primary tool of development cooperation. Third, development cooperation has expanded to countries and regions of Africa with which India had little previous cooperation, such as West

Africa. The reasons for these changes are manifold.

**New Markets:** The African market is the second fastest growing market in the world and Africa has a rising rate of private consumption that is projected to grow by over US\$ 400 billion in 2020-30. India recognizes the potential of African economies and the provision of LOC commitments, in line with India's dictum that development cooperation should be mutually beneficial, are inextricably tied to the possibility of economic opportunity for India in the continent.

**Resource Security:** India traditionally engaged with commonwealth Anglophone countries in southern and eastern Africa, but there has been a clear movement to deepen ties with Francophone and Lusophone West African countries. This need, to reach out to more African countries and West Africa in particular, is linked to issues of resource security, with a specific focus on oil and gas. India currently imports 75 percent of its oil and this dependence is projected to rise to 90 percent by 2020. India hopes to gain access to Africa's oil and gas resources as the continent currently has 9.5 percent of the world's reserves, to diversify its oil sources. India has already invested in oil projects in various countries like Sudan, Nigeria, Libya and Egypt. India is also interested in minerals, coal, precious metals and other natural resources to support the expanding Indian economy.

**Influence in International Institutions:** By 2013 India was giving grants to 47 out of the 54 recognized African countries, and had open LOCs extended to 42 out of 54 African countries. These development partnerships are helping to create 'generate goodwill' for India in Africa. This goodwill in turn can be utilized by the Indian government to gather support to change the governance bodies of global institutions like the International Monetary Fund (IMF), the World Bank and the United Nations Security Council (UNSC), since these institutions have limited representation of low and middle income countries. India is keen on increasing its influence in these institutions and will require support from other countries to do so, for example through the United Nations General Assembly where each country, regardless of size and influence, has one vote.

### Conclusion

Indian development cooperation efforts in Africa are, on balance, not commensurate with either those of China or traditional donors. The importance of Indian development cooperation, however, lies in the niche it fills and in its complementarity to both Chinese and traditional aid. Chinese aid focuses on large-scale infrastructure projects, while traditional donors focus on social projects. India focuses on infrastructure projects, but on a smaller scale than China, using its knowledge of industrial agriculture, communication and information technology to support projects that may be overlooked by China and traditional donors. Furthermore, Indian ITEC training of civil servants is provided at significantly lower cost than that of traditional donors and has the advantage of providing the training in English.

The relationship between non-traditional and traditional donors in Africa has ensured a unique space for India. India cannot hope to compete with large donors such as the United States or China. Yet the legitimacy it enjoys among many African countries through decades of engagement in technical assistance and training and the expertise it brings in relevant and appropriate technology should not be underestimated. As Indian development cooperation in African countries continues to increase, the nature of its engagement is likely to impact the global development assistance paradigm, thereby further highlighting Indian engagement in the African continent.

## India-Central Asia Brief

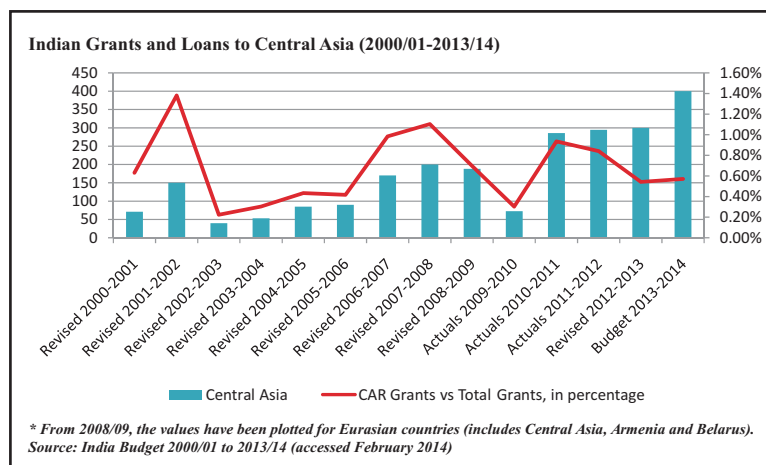
For India, a decade of economic growth and the consequent rise in energy demand has resulted in a considerably wider set of interests in Central Asia. Apart from addressing shared concerns of instability in the border region between Afghanistan and Pakistan, more effective and deeper engagement with the oil and gas rich nations of Central Asia promises to help India diversify its energy imports, which is a priority given India's rising energy needs.

The Central Asian Republics (CARs) also have strategic reasons for pursuing deeper relations with India. Greater engagement with India could allay government fears of rising Chinese or Russian influence in the region, reducing a sense of being too dependent on Beijing or Moscow. For Central Asia, an engaged India augurs "a more benign geostrategic partnership for economic and political development in the region than China, Pakistan, Iran or Russia."<sup>1</sup>

### Development Cooperation Overview

India began to provide development assistance to the Central Asian Republics soon after the dissolution of the Soviet Union in 1991, when the independent nations of Tajikistan, Turkmenistan, Kyrgyzstan, Kazakhstan and Uzbekistan emerged.

Development cooperation efforts in the CARs have operated in two phases. The first phase, from the early 1990s until 2004, focused on Lines of Credit that financed development and manufacturing projects. During this phase, grants were utilized primarily to finance drought relief programs and to provide humanitarian assistance. The second phase, which began in 2004, has seen a shift in Indian assistance to the CARs, with grants constituting the bulk of development cooperation and a marked reduction in the commitment of LOCs. Lending to the region as a percentage of India's overall development cooperation has diminished from 1 percent in 2006/07 to about 0.57 percent in 2013/14.

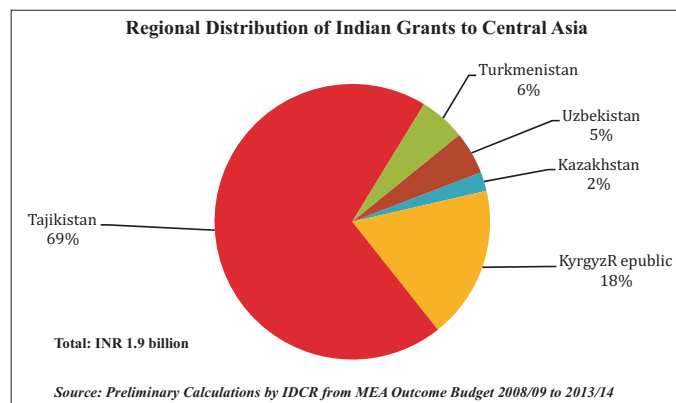


Between 2008 and 2013, grants to the region averaged less than 1 percent of overall grants from India to other countries while Lines of Credit have also averaged less than one percent of India's total LOC commitments between 2004 and 2013. Given that trade between India and CAR countries averaged at 0.1 percent of India's overall trade between 2000 and 2012, it is not surprising that development cooperation efforts between the two regions have remained rather limited.

Development Cooperation efforts between India and the Central Asian countries have also remained limited due to the fact that these countries have significantly better economic and social indicators, including per capita income, literacy rates, poverty rates, and health indicators, than India and indeed other South Asian countries. In 2009-10, the World Bank estimated that nearly 70 percent of India's population lived below US\$ 2 per day (PPP), whereas Tajikistan for example - which has the lowest per capita income among the CAR's - had only 28 percent of its population living under US\$ 2 per day (PPP). The percentage of the population living under US\$ 2 per day in Kyrgyzstan was at 22 percent and at a mere 1.1 percent in Kazakhstan.

Nevertheless, given the geo-strategic location and energy resource potential of the Central Asian Republics, India will continue its development cooperation with the region as illustrated by the Connect Central Asia Policy, unveiled at the first India-Central Asia Dialogue held in June 2012.

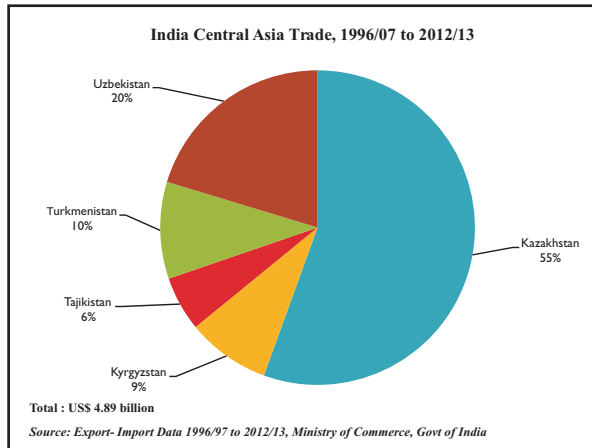
**Grants:** Since 2004, Indian development assistance to the Central Asian Republics has been through limited grant funding and humanitarian assistance. Within the limited funding, grants are not equitably allocated to all five countries. Between 2008 and 2013, 69 percent of the total grants, amounting to INR 1.3 billion, were committed to Tajikistan. These grants included funding to modernize the Varzob-1 Hydro Power Plant, which received about 47 percent of the total committed grants to Central Asia.



<sup>1</sup>Ilan Greenberg 'India and the Silk Road not Taken,' The National Interest, 14th January, 2013.

The remaining Central Asian countries receive grants for relatively smaller projects. Kyrgyzstan has received 16 percent of the grants to the region until 2012, valued at INR 341million and Turkmenistan is the third highest recipient at over INR 103.2 million.

There are now plans to set up a medical and educational E-Network for the five countries in the Central Asian region based on the model of the Pan African e-Network.



*Lines of Credit:* India has not committed significant amounts of Lines of Credit (LOCs) to the Central Asian region. Since 2004 only US\$ 20 million have been extended, comprising about 0.2 percent of overall Indian LOCs. Uzbekistan and Turkmenistan received most of the LOCs to the region.

*Indian Technical and Economic Cooperation:* The CARs have received training through the ITEC programme since the early 1990s. The success of the ITEC programme can be inferred from the fact that over 4,000 people in the region have availed of the programme since its inception. The positive response to the programme has resulted in the Indian government increasing the number of slots allotted to individual countries. Popular programs include IT, management, journalism, diplomacy, entrepreneurial programs and banking.

**India's Trade with Central Asia:** At less than US\$ 800 million in 2012-13, trade between Central Asia and India remains below potential owing largely to the lack of overland access. Nevertheless, India maintains a positive trade balance with Central Asia and more than half of India's trade to the region is with Kazakhstan (55 percent). India's Imports from Central Asia comprise mainly of minerals such as zinc, sulphur and limestone. As of 2013, India was also planning to import uranium from Uzbekistan.

Interestingly, India's largest trading partner among the CAR's – Kazakhstan - also receives the least development assistance from India. Conversely, India's largest development partner in the region – Tajikistan – is India's smallest trade partner among the Central Asian Republics. However, to use this anomaly to suggest Indian development cooperation's limited effectiveness in boosting India's trade with the region would not be entirely justified.

The inverse relationship between India's trade and aid flows to Central Asia stems simply from the fact that Kazakhstan is a bigger, more affluent market than Tajikistan, or indeed most other CARs. With a population over twice that of Tajikistan, per capita income over six-fold greater than per capita income in Tajikistan, and with an import bill that touched US\$ 42 billion in 2012 (versus US\$ 3.7 billion for Tajikistan), a larger Indian trade volume with Kazakhstan should not be surprising. Neither should the fact that the bulk of Indian development assistance in Central Asia goes to Tajikistan. Deeper development partnerships with Tajikistan might not offer much monetary incentive, but the geo-strategic advantages New Delhi stands to reap are perhaps the most promising among all the CARs. Tajikistan shares a 1,200 km border with India's 2<sup>nd</sup> largest development partner, Afghanistan. Stability in the Af-Pak region - especially after NATO troops leave Afghanistan later this year – concerns New Delhi immensely, given that an unstable Afghanistan could lead to an increase in Islamist extremism in India's own borders. Deeper development partnerships with Tajikistan – which shares similar concerns of Islamist extremism – can help India better position itself to address these vital concerns.

**India's Connect Central Asia Policy:** In spite of India's limited trade and investments in Central Asia, this region has gained significance in India's foreign policy over the past decade due to its strategic importance. The region's growing significance was illustrated when India unveiled its strategic roadmap - the 'Connect Central Asia' policy in July 2012. This policy envisions agrarian assistance, use of India's IT knowledge base, closer military ties, infrastructure development, initiatives in higher education and building of hospitals with requisite medical assistance as the key sectors for Indian engagement. Since this policy will be implemented through a project-driven approach, it will likely lead to an increase in the volume of Indian grants to the region.

**Conclusion:** Given India's rising foreign policy interests in Central Asia, Indian development cooperation with Central Asia is likely to grow. Closer development cooperation would prove beneficial to both, since Central Asia could access appropriate technologies and knowledge from India and India could access the rich natural resources and upcoming markets in the region. Further, through projects such as the Turkmenistan Afghanistan Pakistan India (TAPI) pipeline, India can hope for a greater role in tying Central Asia to South Asia.

Enhanced development cooperation also holds geo-strategic benefit for India. Most Central Asian Republics are likely to continue their support for India's bid for full membership in the Shanghai Cooperation Organization and its lobbying for a permanent seat at the UN Security Council (UNSC). It also remains in India's larger strategic interest to maintain close relations with these countries, particularly those bordering Afghanistan, in order to provide India with alternative access into a post- 2014 Afghanistan.

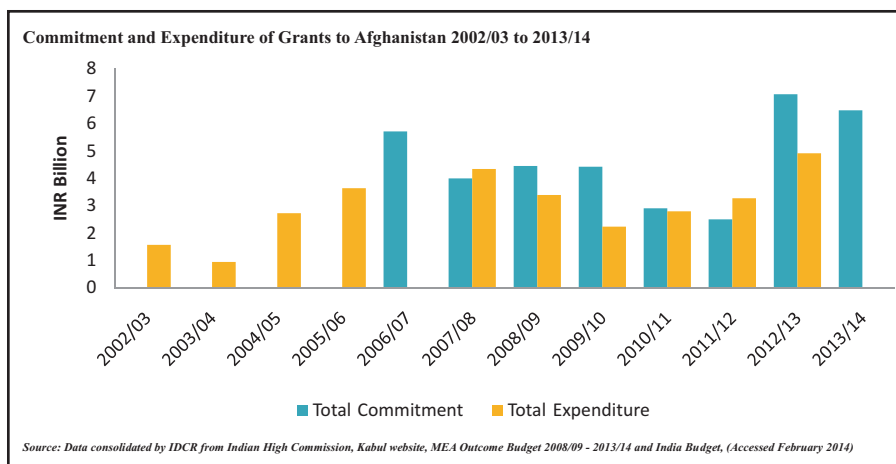


## India - Afghanistan Brief

The Indian-Afghan relationship has drawn closer in the post-September 11, 2001 period. Building on a long history of bilateral relations, the Indian government reengaged with the Afghan government after the 2001 defeat of the Taliban, initially largely on a humanitarian basis.

Over the decade, the importance of Afghanistan to India has increased significantly for political and geo-strategic reasons, as well as for access to natural resources. With the 2014 withdrawal of international troops from Afghanistan looming and rising worries that security concerns might imperil the fragile Afghan democracy and with it, India's carefully reconstructed strategic partnership with Afghanistan, India has augmented its development

commitment. The Indian government has now stated that it has a development assistance commitment to Afghanistan of US\$ 2 billion, though preliminary calculations by IDCR reveals commitments of little over US\$ 1 billion. India has also increased its engagement with some of Afghanistan's immediate neighbours in order to cement its strategy of regional collaboration and economic investment in Afghanistan, thereby hoping to counteract centrifugal militant domestic and external forces.



### India-Afghanistan Development Partnership

India's development partnership with Afghanistan dates back to the years shortly after Indian independence. India remained engaged with Afghanistan during the civil war that followed Soviet withdrawal in 1989 despite significant domestic economic pressures, providing Afghanistan with several million U.S. dollars in grants and humanitarian assistance through the United Nations during the 1990s. India's development partnership with Afghanistan since 2001 should be understood within this historical context, while keeping in mind India's changing regional and global economic and geopolitical perceptions and needs. India is today the fifth largest provider of development assistance to Afghanistan with its total commitment for 2013/14 at approximately US\$ 108 million.

#### *Humanitarian assistance*

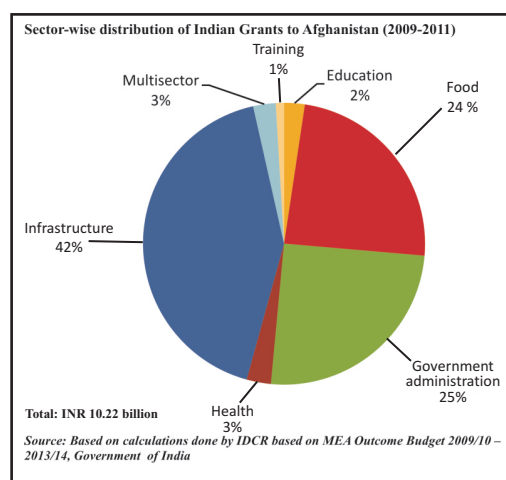
The history of friendly bilateral relations has undoubtedly contributed to India's continued willingness to provide humanitarian assistance to Afghanistan since 2001. India currently supports a daily distribution of high protein biscuits through school feeding programs managed by the UN World Food Program for nearly two million Afghan children and has also periodically supplied emergency food assistance to tide over food shortfalls. Indian humanitarian assistance has also included medical services and equipment through the reconstruction of the Indira Gandhi Institute of Child Health in Kabul and the provision of free medical consultations and services to over 30,000 Afghans every month, through Indian Medical Missions in five Afghan cities.

#### *Development cooperation*

While humanitarian assistance has formed a continuous part of India's development engagement with Afghanistan, the vast majority of India's commitments between 2002 and 2013 are in the form of grants. These grants have spanned a variety of sectors identified by the Afghan government and the Afghan National Development Strategy as priority areas, particularly infrastructure, small and community-based development projects, and education and capacity building projects. The majority of India's development financing in Afghanistan is committed to infrastructure projects. Some high-profile projects have included construction of the Afghan parliament building in Kabul, the Zaranj-Delaram road which links Iran's Chabahar port and roads to Afghanistan, a power transmission grid to bring additional electricity to Kabul, the Salma Dam in Herat, and telecommunications infrastructure in 11 Afghan provinces. In 2014, India also began constructing an agricultural university in Kandahar.

Small and community-based development projects have focused on socio-economic development in border areas, while education and capacity-building projects have included provision of over 1,500 annual ICCR scholarships for Afghan students to study at universities in India, 500 annual scholarships for Afghan civil servants to receive training in India, and vocational training programs in Afghanistan.

## Economic Diplomacy



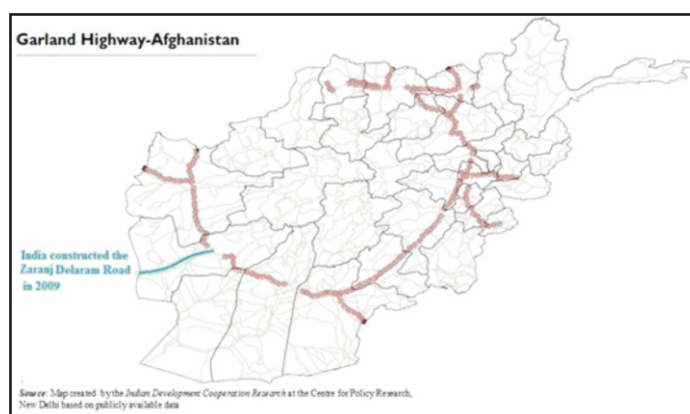
India's development cooperation with Afghanistan increasingly has a second goal of economic diplomacy. Indian companies and services are significantly cheaper than their western counterparts and entry into the Afghan market thus offers opportunities for the Indian private sector. For example, India has provided significant development assistance in the field of health care, funding the construction and upgrading of Afghanistan's only children's hospital and supplying the hospital's infrastructure and training of its medical personnel along with a telemedicine project that links it with Indian hospitals. India also provided ambulances to the Afghan Ministry of Public Health and built numerous basic health clinics in border areas.

The government's development assistance has helped pave the way for India's private sector to find a market for its goods and services in Afghanistan. As Afghanistan seeks to shift the foundation of its economy from aid to trade, this economic diplomacy angle of India's

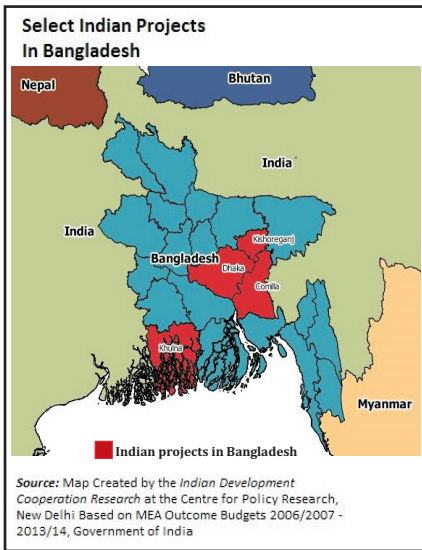
development cooperation will further increase in significance. To this end, India has tried to use its development projects to build the capacity of the Afghan government and its democratic institutions. It has done so through significant allocations to training and scholarship programs in India and by financing the construction of Afghanistan's parliament. India is keen to establish itself as a dominant regional partner of Afghanistan and in 2011 India pledged, through the signing of a wide-ranging strategic agreement, to train and equip Afghan security forces. This promise was followed up by promises by India in December 2013 to deepen its development as well as its security cooperation with Afghanistan. Indian development assistance is also used to tie Afghanistan closer into the economy of Iran and the neighbouring Central Asian Republics in the hopes that this will provide greater economic integration and prospects for the Afghan government beyond 2014.

## The Partnership Beyond 2014

Since 2000, Afghanistan has been the second largest recipient of Indian development assistance, with its official US\$ 2 billion dollar commitment far exceeding Indian commitments to any other country except Bhutan. In addition to humanitarian reasons, India also provided assistance in order to establish access to natural resources, used economic diplomacy to spearhead the entry of Indian private sector companies and services, and supported larger geo-strategic objectives of investing in a democratic Afghanistan as a counter-weight to extremist forces in Afghanistan or neighbouring countries. The Afghan government has requested India to make more and tangible commitments to Afghanistan's long-term stabilization and reconstruction, including specifying planned investments in the country and being a more vocal supporter of Afghanistan against regional threats common to both countries. However, the Indian government in the spring of 2014 was a fragile coalition government preoccupied with a looming national election, while the Indian bureaucracy charged with formulating and implementing development cooperation policies is notoriously understaffed. Both of these factors do not bode well for a more engaged and holistic development cooperation policy towards Afghanistan during the critical year of transition. However, India's ability to step up and deliver on its commitments to Afghanistan and to do so in a more timely manner will be crucial to determining the extent to which India's development cooperation objectives as well as its larger foreign policy objectives in Afghanistan are achieved.



## India - Bangladesh Brief



India has a long history of engaging with Bangladesh as a development partner. India was the first country to officially recognize Bangladesh and provided it with development assistance worth INR 500 million in the form of grants and loans. (The current value of this aid is equivalent to approximately INR 1.029 billion). Over the past 15 years, Indian development assistance to Bangladesh has ranged from INR 20 million to INR 5.8 billion annually, and to over US\$ 1 billion if one were to include the Line of Credit India extended in 2010. India's development partnerships with Bangladesh are channeled through three main avenues.

### Training

India has provided training to civilian as well as defense sector employees of the Government of Bangladesh primarily through the Indian Technical and Economic Cooperation (ITEC) scheme and the Technical Cooperation Scheme of the Colombo Plan (TCS) every year since the 1970s. As of March 2013, India offers 185 training fellowships under ITEC and 35 fellowships

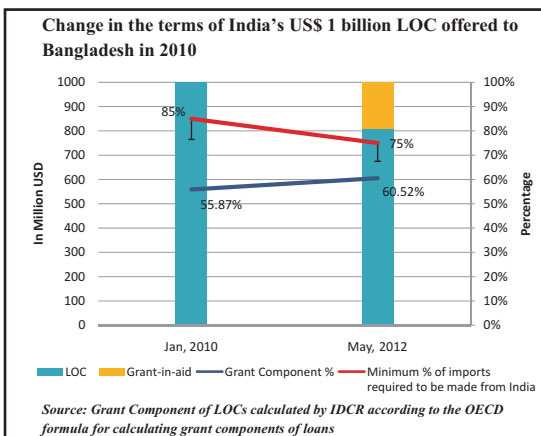
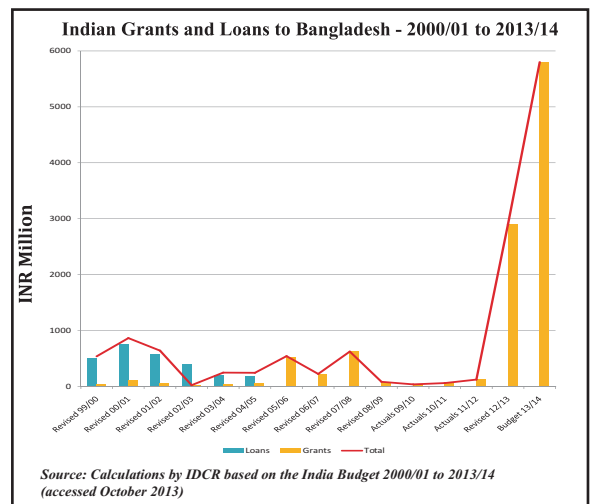
under the TCS scheme annually, with 414 Bangladeshi civil servants being trained under these two programs between 2006-07 and 2009-10.

### Grants

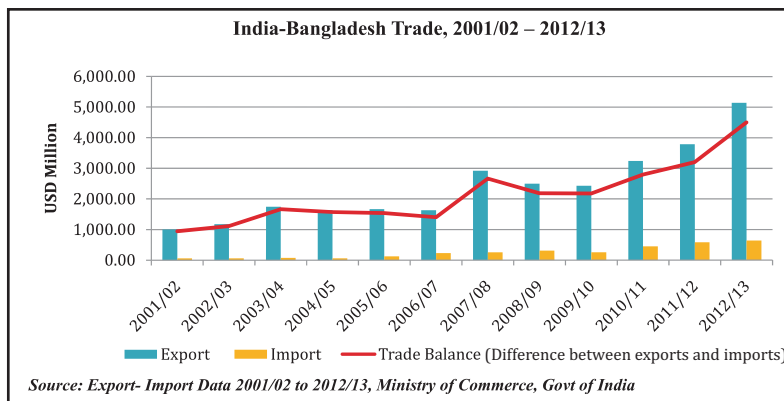
India's second main channel for engaging with Bangladesh as a development partner is through traditional grant assistance. This includes humanitarian assistance in the form of food aid and emergency shelter construction. For example, in response to the natural disasters and floods in Bangladesh during 2007-08, the Government of India provided aid worth over US \$37 million to Bangladesh that included 1,000 tons of skimmed milk powder, 40,000 tons of rice, and the construction of 2,800 core shelters for over 1,600 families in southern Bangladesh.

### Loans (Advances and Lines of Credit)

India's third main channel for deepening development partnerships with Bangladesh is through loans and credits lines. In 2010, India extended a US\$ 1 billion Line of Credit - its largest ever - to the Government of Bangladesh. This LOC was provided primarily for infrastructure and communication development projects such as railway infrastructure, the supply of locomotives and passenger coaches, the supply of buses and port dredging projects. The terms of the 2010 LOC included an interest rate of 1.75 percent and a requirement that 85 percent of the project's goods and services be imported from India. When the Government of Bangladesh found that these terms made it difficult to draw on the LOC, in May 2012



India changed a part of the LOC into a grant and modified the conditions attached to the LOC. The initial US\$ 1 billion LOC was divided into a US\$ 810.86 million LOC and a US\$ 200 million grant, to be used at the discretion of the Government of Bangladesh for urgent development projects. The US\$ 810.86 million LOC had a reduced interest rate of one percent and the percentage of the Line of Credit sub-projects tied to procurement from Indian providers was reduced to between 65 and 75 percent. Based on the difference between the average market rates for loans and the rate offered by this LOC, the grant element offered by the 2012 LOC to Bangladesh had a grant component of approximately 61 percent.



### India-Bangladesh Relations: In Line with India's Larger 'Look East' policy

Since the early 1990s, India has focused on creating strong economic and commercial ties, exploring investment opportunities, building strategic alliances, and strengthening the cultural and historic ties between India and her eastern neighbours, and Bangladesh in particular. The India-Association of Southeast Asian Nations (ASEAN) and Bay of Bengal Initiative for

Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) are all motivated by the Look East Policy. This policy has been reworked over the last few years and has seen a growing focus on Bangladesh, especially in the areas of energy, transport and security.

### Energy and Transportation

Both India and Bangladesh need each other to meet their national energy deficits. The energy deficit is particularly acute in India's north-eastern states and, because of its location, Bangladesh is key to India's access to its north-eastern states. To this end, both states have been exploring several avenues for cooperation through both traditional, Government of India funded development projects, as well through public and private joint ventures.

India and Bangladesh are also working to improve surface transport networks between both countries and within Bangladesh - including road and rail transport - in order to streamline movement of goods between the countries and within South Asia. For India, improved rail transport through Bangladesh would mean better connectivity to its northeastern states, since it currently has to move all rail traffic through the 'chicken neck' portion of West Bengal; while the improved transport for Bangladesh would result in better connectivity with India and Nepal. An MOU towards the Bangladesh-Nepal Transit Rail through India was signed in 2011. This could foster greater connectivity in India's north-eastern states. India and Bangladesh are also working more closely in the road transport sector, as seen in the July 2012 renewal of the Transit and Trans-shipment Rights to India by Bangladesh, which enabled the continuation of trans-shipment of bulk cargo through March 2014. Over the past years both Bangladesh and India have been working more closely in the fields of energy and transportation - a convergence of interests which is likely to benefit both countries.

### Regional and Global Considerations

India's increased development assistance to and commercial engagement with Bangladesh is driven by three overarching considerations: the need to access energy supplies and commercial markets for its growing economy, domestic security considerations, and its rising importance as a regional and global power. For India, a closer relationship with Bangladesh is key to building greater linkages with India's eastern neighbors and beyond. The larger regional competition with China also looms in India's development partnership with Bangladesh, since China has recently increased its efforts at building ties with South and East Asian countries, including Bangladesh.

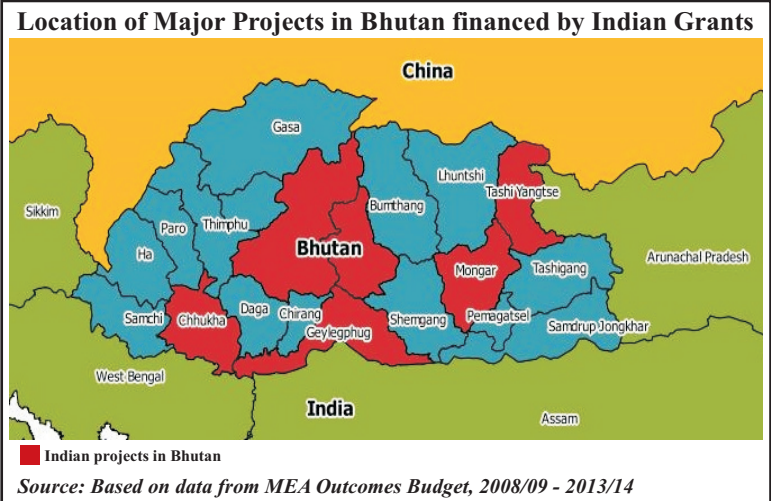
### Conclusion

India views its development partnership with Bangladesh as a means for strengthening South-South development experiences and general development cooperation. Over the past few years, development cooperation between the two countries has grown significantly. The US\$ 1 billion LOC and its subsequent transformation into a US\$ 810.86 million LOC and US\$ 200 million grant demonstrates that development cooperation is an iterative process with the two nations constantly reassessing the terms and conditions that could help build stronger ties of trust and cooperation between the two nations. The recent reductions in trade barriers, relaxation of visa regulations, improvement of transnational rail connectivity and the enhancement of energy security between the two countries have further strengthened the partnership between Bangladesh and

## India-Bhutan Brief

The development partnership between India and Bhutan has benefited both nations and in the process brought them together on a number of key areas ranging from security and commerce to energy.

The bilateral relationship between the two countries dates back to colonial times when the Sinchula Treaty was signed between Bhutan and British India in 1865. This treaty annexed part of Bhutan in exchange for an annual compensation paid to Bhutan by British India. A subsequent treaty in 1910 increased the compensation paid to Bhutan in return for allowing the British to determine Bhutan's foreign affairs. After both countries attained independence, they signed the 1949 Treaty of Perpetual Peace and Friendship, returning the Bhutanese territory annexed by the British. The treaty also allowed India to guide Bhutan's foreign and defense policy (a clause removed in 2007) and guaranteed non-interference in Bhutan's internal affairs in exchange for monetary assistance to Bhutan. The first such assistance to Bhutan in 1949 marked the beginning not only of Indian development cooperation to Bhutan, but also of the beginning of India's development assistance program itself.



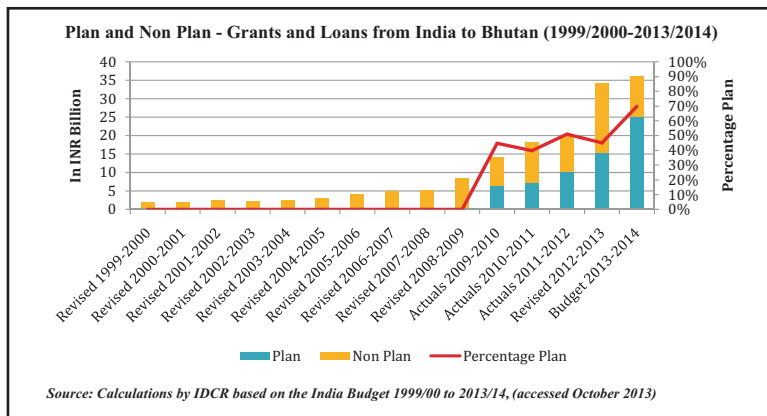
While a historical precedent set the stage for cooperation between the two countries, mutual co-dependence and geo-strategic concerns vis-à-vis China propelled it forward. China's aggression in Tibet compounded by its claim over territories within the borders of Bhutan and India created a common concern between India and Bhutan and was a catalyst for the symbiotic bilateral relationship. Being geo-strategically located between India and China, Bhutan chose Indian support in order to maintain its territorial integrity. India also gained Bhutanese support in maintaining its hold over the Siliguri corridor – a tiny sliver of land at the confluence of China, Bhutan, Bangladesh and Nepal that connects India to its Northeast.

**Indian Development Assistance to Bhutan:** Indian development cooperation with Bhutan during the 1950s and 1960s consisted largely of budgetary support, but changed during the 1970s when India helped Bhutan develop its large hydroelectric potential. In return, India's Northeast received electricity. This close development partnership has led Bhutan to be India's largest development partner, receiving nearly 54 percent of total Indian grants disbursed between 2007-14. Between 2006-13, India provided approximately INR 141.5 billion (US\$ 2.82 billion) in grants to Bhutan while assistance from the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) during the same time period amounted to a little over US\$ 750 million. Of the total grants given to Bhutan between 2006 and 2013, hydro-electric projects received nearly 50 percent.

In the 1960s, Indian grants to Bhutan were in the form of budgetary support. Indian involvement in Bhutan was so significant, that the Planning Commission of India created the first two five year plans for Bhutan commencing in 1961, which were also completely funded by the GOI at a total cost of INR 309.4 million. A key feature of these plans was to make Bhutan's economy self-sustaining by focusing on infrastructure, human resource development, health and education. Industrial growth was also promoted by creating the requisite physical and human capital by investing, for example, in vast road networks, educational institutions to produce a skilled workforce and setting up directorates for agriculture, animal husbandry, health and education.

Due to Bhutan's abundant natural resources and geo-strategic position, Indian development assistance initially promoted industries such as forestry and agriculture and built roads to facilitate transport of goods and increase market access for remote rural populations. Since 1964, India also started training Bhutanese civil servants and policy makers in finance, information technology, agriculture and energy under the ITEC (Indian Technical and Economic Cooperation) programme – largely in areas that would later export to the Indian market. As a testament to the success of the ITEC program in Bhutan, India increased the annual ITEC slots it offered to Bhutan from 20 in 2000 to 210 in 2013.

Supporting Bhutan's hydroelectric generation capacity has been the mainstay of Indian development assistance to Bhutan since the 1970s. The Chhukha power station, the first of its kind in Bhutan, was inaugurated in 1988 at a total cost of INR 2.46 billion and was capable of generating 336MW of power.



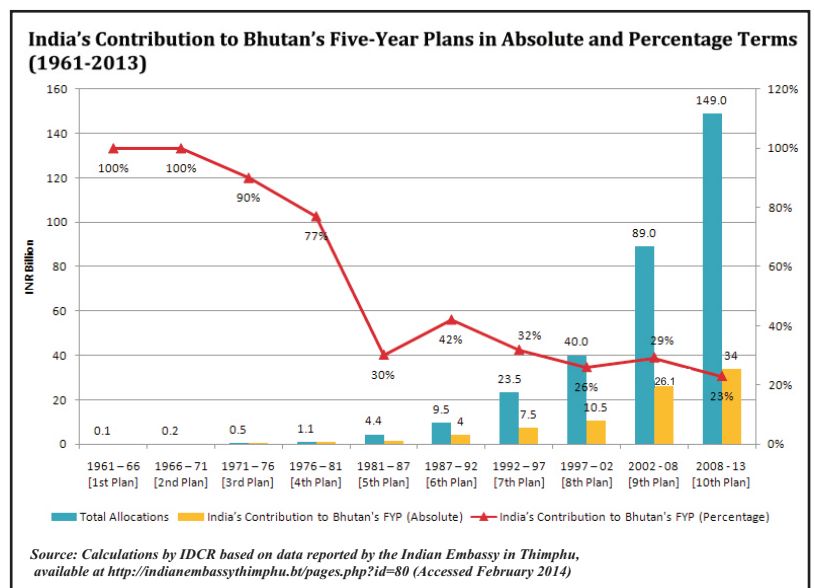
The Indian government completely funded the project, with a 60 percent grant component and a 40 percent loan component repayable at an interest rate of 5 percent over 15 years. The arrangement with respect to these power stations is that after meeting the local demand for energy, the entire surplus is exported to neighboring Indian states at the recently revised rate of INR 2.25 per unit. Based on its success and the socio-economic benefits to the peoples of India and Bhutan, the GOI increased its outlays to similarly fund other such projects, including the Tala Hydropower plant that was

completed in 2007 and cost INR 41.26 billion.

Following hydropower, the second largest portion of Indian grants go towards 'multisector' projects that usually focus on infrastructure development. These include a number of 'flagship' projects such as the construction of the Paro airport, Bhutan's Supreme Court and even commissioning Bhutan's very first University of Medical Sciences (UMSB)- that has been modeled along similar lines as India's All India Institute of Medical Sciences (AIIMS). A number of these large projects are financed through 'planned' expenditure sanctioned by the Indian Planning Commission. India also funds smaller, community oriented projects in Bhutan, which are disbursed to local authorities and are referred to as SDPs (Small Development Projects).

**Recent Trends in Indo-Bhutan Development Cooperation:** From a macro perspective, Indian development cooperation to Bhutan has been increasing dramatically and has seen a larger than eighteen-fold increase since the turn of the millennium, from INR 2 billion in 2000 to INR 36.14 billion in 2013. There has also been a change in the composition of Indian development cooperation, with a steady rise in the proportion of budgetary loans as a percentage of total budgetary grants and loans, most of which are for hydropower projects. By 2013, forty percent of India's total assistance to Bhutan was in the form of loans. Another significant change in India's development cooperation with Bhutan has been that Indian support to Bhutan's five-year plans has declined from 100 percent in 1961 to 23 percent in 2013.

While dependence on Indian budgetary support has declined, the value of trade between the two countries has risen; from US\$ 55.76 million in 1996 to US\$ 397.22 million in 2012 with India receiving on average, 86.8 percent of Bhutan's exports between 2005 and 2011. Subsequently the Free Trade Agreement between the two nations was renewed for a further 10 years in 2006. Apart from being the predominant market for Bhutanese exports, India has also facilitated third country trade by providing 16 entry and exit points to otherwise land-locked Bhutan.

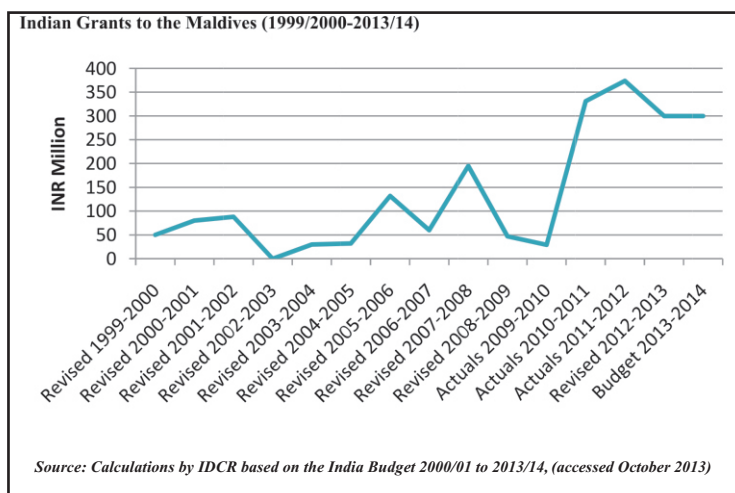


**Conclusion:** India's efforts to help support the modernization of Bhutan's economy through its development program have been largely successful. While the Bhutanese economy, with a GDP of US\$ 1.78 billion in 2012, is significantly smaller than India's or any other South Asian nation's, its GDP per capita of US\$ 2,399, it is over 60 percent higher than the Indian figure of US\$ 1,489. As can be expected however, investments by the Government of India in Bhutan's industries has been informed by India's own needs and hence Bhutan's economy has turned into an export focused one with India as its main market. This has meant that over time the interests of both nations have continued to converge, creating increased incentives for deepening development cooperation. This confluence of interests has closely tied the fortunes of Bhutan to that of India. It is perhaps in light of this realization that India willingly accepted the amendment to the treaty of Perpetual Peace and Friendship in 2007

## India - Maldives Brief

India was one of the first countries to establish diplomatic relations with the Maldives after it gained independence in 1965 and the two settled their maritime border in 1976. Today, both nations are members of the South Asian Association for Regional Cooperation (SAARC) and signatories to the South Asian Free Trade Agreement (SAFTA). However, bilateral relations took their first major step forward following India's intervention to crush a coup against the Maldivian government in 1988. The Indian armed services quickly restored order in the archipelago and the Indo-Maldivian relationship reached a new high. Since then, India has provided considerable economic assistance and training in the fields of health, civil society development, infrastructure development, disaster relief and telecommunications.

### Grants and Loans



### Educational infrastructure

In 1986, India agreed to establish and finance entirely a medical complex in the capital of Male. At an estimated cost of INR 425 million (US\$ 33.7 million) the 200-bed Indira Gandhi Memorial Hospital was finished in 1995. At present, the hospital provides the most sophisticated tertiary care in the Maldives. In November 2011, India financed a major renovation of the hospital at a cost of INR 372.4 million (US\$ 7.7 million).

In 1996, India established in Male the Faculty of Engineering Technology, an institute of technical education. The facility can train at least 200 students each year in various technical and

vocational areas. At present, India is also establishing the India-Maldives Friendship Faculty of Hospitality and Tourism Studies as well as a police academy in Male.

### Disaster relief

Disaster relief and management has been a second key part of Indian assistance to the Maldives. Following the tsunami that hit in December 2004, India was the first country to provide disaster relief. Within 24 hours of the wave's impact, the Indian Coast Guard and Air Force arrived with relief materials. India continued to provide assistance throughout the crisis at a total cost of INR 363.9 million (approximately US\$ 8 million). Over the next three years, India's rebuilding assistance continued, with two budgetary support grants of INR 10 million each in 2005 and 2007 (totaling approximately US\$ 0.5 million).

### Credit Facility and Lines of Credit

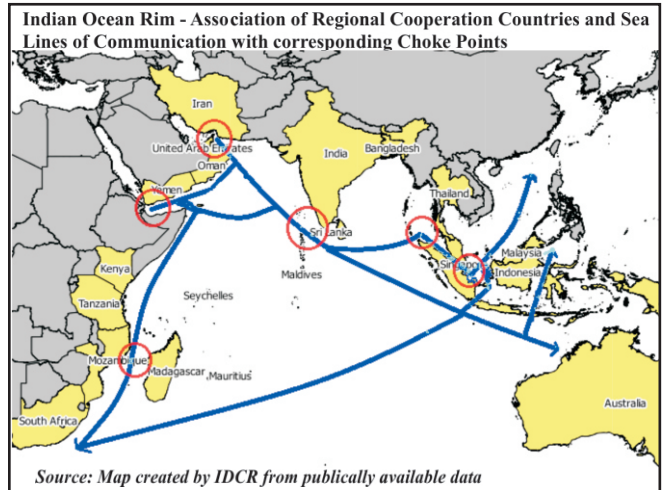
During a visit of the newly elected President Nasheed to India in December 2008, India extended a Standby Credit Facility (SCF) of US\$ 100 million to the Maldives. US\$ 50 million was assigned for imports from India, while the remaining US\$ 50 million was designated as budgetary support. Following this, in December 2010, the Export Import Bank of India announced its first Line of Credit (LOC) to the Maldives worth US\$ 40 million for the construction of 500 housing units. The LOC has a two percent concessional interest rate with a repayment period of 20 years, putting it in the same interest rate category as loans provided to low income countries by the International Development Association of the World Bank.

A second SCF of US\$ 100 million was extended when Indian Prime Minister Manmohan Singh visited the Maldives in November 2011. This SCF of US\$ 100 million, along with another loan of US\$ 51 million, was equal to over 25 percent of the Maldives annual budget for 2011. Following the change in government in Male during the 2012 soft coup, India has remained committed to its development assistance to the Maldives, even increasing its support by adjusting the terms of the 2011 SCF such that US\$ 75 million would be for budgetary support, while US\$ 25 million would remain earmarked for Indian imports.

## Security

Since the early 2000s, major increases in development cooperation have correlated closely with new security agreements. These agreements cover every sector of security, from environmental protection to terrorism. However, while some arrangements on climate change and disaster relief have been signed, Indian defense cooperation has primarily focused on strengthening traditional security agreements. This increase in development cooperation policy, beginning in the early 2000s, but accelerating in 2006-2007, follows increased Chinese presence in the region.

In 2006, rumors reached New Delhi that the Maldives was considering leasing an island to Beijing for a naval base. In response, India signalled that it would continue providing the island's security, offering Male a state-of-the-art 260 ton fast-attack craft to aid in guarding coastal waters. New Delhi did not waste time in taking initiatives to strengthen defense cooperation with the newly elected democratic government either, positioning two helicopters for better surveillance, setting up new radar systems on all 26 atolls, and training the Maldivian security forces to operate the new equipment. Moreover, in 2009, the Indian Coast Guard began carrying out regular sorties over Maldives to look for suspicious vessels, while the Southern Naval Command is incorporating the islands further into the Indian security grid.



The November 2011 agreement that established a second Standby Credit Facility also enhanced the level of security cooperation between India and the Maldives. The two states agreed to cooperate on piracy, maritime security and terrorism, and to establish coordinated patrolling of the area. India concluded the twentieth DOSTI, literally meaning "friendship," naval exercise with the Maldives in April 2012, even adding Sri Lanka to the two-decade bilateral engagement. In July 2013, the three countries signed an agreement to advance maritime domain awareness in the region. Additionally, in October 2012, India announced that it would station a defense attaché in Male and increase training of Maldivian helicopter pilots and defense personnel.

The geostrategic significance of the nearly 1,200 islands of the Maldives as a "most important interstate," underlines the importance for New Delhi of positive bilateral relations with Male. At present, India is dependent on oil for more than 90 percent of its energy needs, and over the next few decades, 90 percent of that oil will come from the Persian Gulf by way of the Arabian Sea. Moreover, coal imports from Mozambique, are set to increase dramatically, augmenting the coal that India already imports from around the Indian Ocean from countries such as South Africa, Indonesia, and Australia. Beyond refuelling stations, by maintaining access to these ports, the expanding Indian Navy can safeguard its interests by providing security for the sea lines of communication and ensuring vital resources reach India's coasts. Moreover, such access provides strategic depth in any potential conflict with China, wherein India could attempt to restrict the flow of oil through the Indian Ocean to the Malacca Strait.

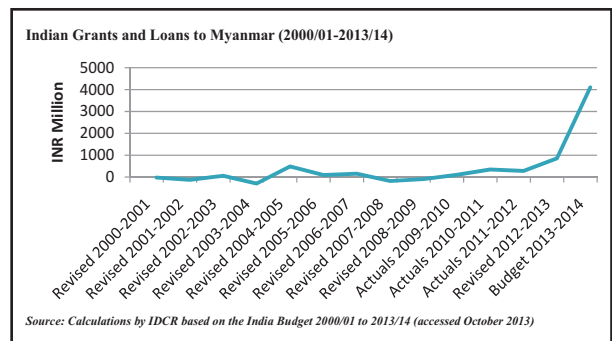
By increasing the weight of its developmental assistance, India is aiming to not only maintain, but also expand its leverage over Indian Ocean Rim states to preclude a more permanent Chinese presence in the waters around the Indian Ocean littoral. However, China's increased presence may not be all bad news for India. While New Delhi is naturally wary of Beijing's motives in the region, until it can commit an increased level of investment in regional infrastructural and port development, China's projects will serve to improve regional trade and connectivity, benefitting the entire Indian Ocean region. Success in the Indian Ocean, and consequently the 21st century global economy, will center on increased access to global resources. This access will principally be a response to the strength of bilateral relationships. India's development cooperation adds a dynamic quality to the strength of the relationship by emphasizing cultural heritage, developing economic engagement, and integrating cooperative security networks. As these imperatives drive India's development cooperation, New Delhi will do well to maintain its engagement with Male while looking to accommodate the growing interests of states that will lay in the wake of the Indian Navy.



## India-Myanmar Brief

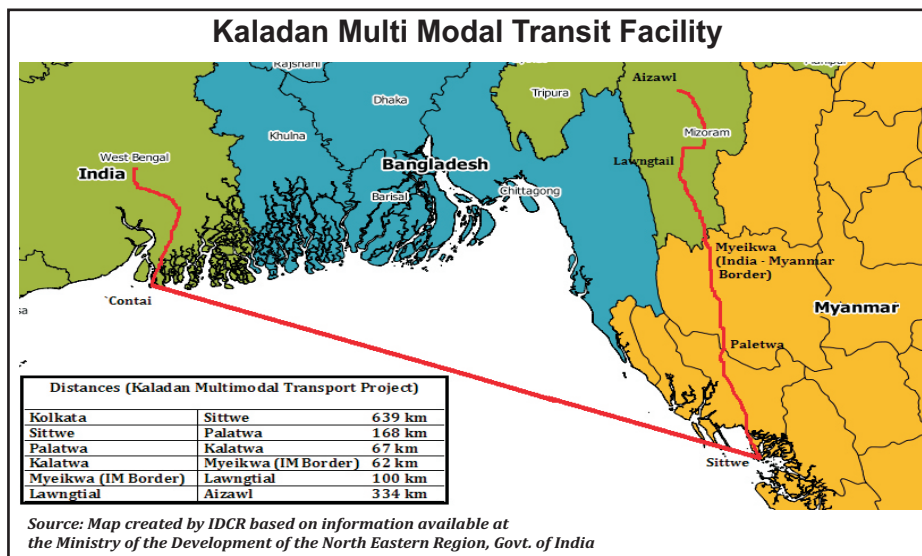
As India moved away from economic protectionism in the early 1990s, a desire to forge closer ties with the vibrant economies of South East and East Asia gave Myanmar renewed strategic significance. As India's only land bridge to the growing economies of South East Asia, New Delhi recognized that closer relations with Myanmar were essential if India wanted to deepen its Look East Policy - a policy unveiled in 1991 that aimed to refocus India's eastward engagement. Closer ties with Myanmar would also bode well as India sought stability in its northeastern region, where Indian separatist groups often used the bordering Kachin and Sagaing regions of Myanmar as training camps. In addition, the economic opportunities offered by oil, gas and mineral rich Myanmar, the need to counterbalance China's growing regional presence, and India's own geo-strategic and economic ambitions gave New Delhi further impetus to deepen its engagement with Myanmar.

Despite the hard power interests at stake, India's support for the democratic movements in Myanmar during the late 1980s and the 1990s significantly limited New Delhi's ability to make inroads into an autarkic, military Junta ruled Myanmar. However, by the onset of the 21st century, recognizing China's growing influence in Myanmar and unwilling to risk totally alienating this vitally important neighbor, India began cautiously engaging the Junta, with New Delhi sending a shipment of arms to Myanmar in 2002, and hosting the Burmese leader General Than Shwe in 2004. As a reciprocal gesture, in 2006, Myanmar hosted the Indian President Abdul Kalam.



As bilateral relations grew warmer over the next years, India intensified its efforts to forge deeper ties with Myanmar. In 2004/05, the apex chambers of commerce of both countries agreed to set up a joint task force to promote trade. India and Myanmar also signed a Double Taxation Avoidance Treaty in 2008. In addition, Myanmar signed the India-ASEAN Free Trade Agreement in 2009. Partly as a consequence of these agreements, bilateral trade between India and Myanmar grew from approximately US\$ 468 million in 2003/04 to US\$ 1.96 billion in 2012/13.

### Development Cooperation

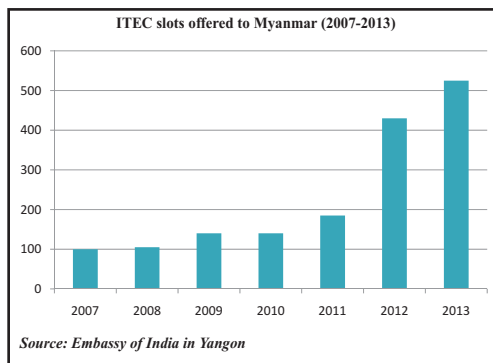


India's growing development assistance program proved beneficial to New Delhi as it sought deeper engagement with Myanmar. Between 2000-12, India committed INR 11.28 billion in grants and US\$ 307 million in Lines of Credit (LOCs) to Myanmar. Notably, since the Burmese rulers made efforts to steer Myanmar towards a path of inclusive governance through political reforms enacted in 2011, India's engagement with Myanmar increased markedly. Grants committed by New Delhi rose from INR 213.2 million in 2007-08 to INR 674 million in 2011-12 and to INR 4.5 billion in 2013-14.

India's development partnerships with Myanmar have been in the following sectors:

**Infrastructure:** As a crucial land bridge that connects India to wider parts of the US\$ 2.3 trillion GDP economic block of ASEAN (the Association of South East Asian Nations), cooperating with Myanmar to build better roads, railways and inland water ways is clearly in India's interest. In addition to providing both India and Myanmar greater economic opportunities, transportation and infrastructure projects would greatly benefit India's northeastern states, where infrastructure is often woefully underdeveloped. Unsurprisingly, 73 percent of the grants and nearly 40 percent of the LOC's committed to Myanmar between 2006-13 have been in the transportation and infrastructure sector.

Among India's most ambitious infrastructure projects in Myanmar is the Kaladan Multi Modal Transit Facility (KMMTF). With a grant of US\$ 50 million extended between 2007-13, it is also among India's largest projects in Myanmar.



When completed, the KMMTF should provide the northeastern region of India an alternate trade route, alleviating pressure on the narrow Siliguri transport corridor that India's northeastern states presently rely on to transport goods. It would also help India become less dependent on Bangladesh to provide transit rights for Indian goods through its territory.

Apart from the KMMTF, between 2008-13, India also committed US\$ 20 million towards the trilateral highways project, which aims to link the town of Moreh in the Indian state of Manipur to Mae Sot in Northern Thailand by a 3,200 Km road passing through Myanmar. With additional funding from Thailand and the Asian Development Bank, the highway is expected to become operational in 2016. Between 2007-09, India also

committed LOCs worth US\$ 116 million to help Myanmar modernize its railway network.

**Education:** Under the Human Resource Development (HRD) scheme implemented in 1996, India has deepened ties considerably with Myanmar in the education sector. India offers Burmese nationals training courses in English, information technology, agriculture among many other subjects. India also offers Myanmar training in satellite-based remote sensing (that is analyzing information relayed from satellites to make more accurate meteorological and topographical assessments of given landmass). New Delhi also offers specialized training courses for diplomats from Myanmar under the HRD project.

As of 2013-14 India has also allotted 525 training slots for Burmese civil servants through the program on Indian Technical and Economic Cooperation (ITEC) – a marked increase over the 30 slots offered in 1999-2000. India also presently extends 70 scholarships to Myanmar under the Technical Cooperation Scheme (TCS).

**Information Technology (IT):** New Delhi's efforts to upgrade Myanmar's IT capabilities began before Myanmar's 2011 political reforms, when the nation was far more autarkic, and the economic benefits of India's investments in Myanmar's IT sector would have been less certain.

Despite the uncertain economic benefits India sought to provide tele-medicine and tele-education services and to develop human resources in Myanmar as early as 2007 when India provided e-governance training to Burmese officials. India also helped construct the India-Myanmar Centre for Enhancement of IT skills (IMCEITS) at Yangon with a grant of over INR 20 million (approximately US\$ 0.5 million) in 2009. The IMCEITS has a tele-medicine lab, a state of the art data center, hi-tech computer labs and lecture theaters with video conferencing facilities. With technical assistance from India's Centre for Development of Advanced Computing (CDAC) between 2008-13, the IMCEITS, has trained nearly 1,500 IT professionals. Further upgrades to the Center are underway, with India committing INR 26 million towards up-gradation in 2013. In addition, New Delhi allocated INR 35 million for constructing an IT institute in the city of Mandalay in 2012 and INR 326.8 million towards the establishment of Myanmar Institute of Information Technology (MIIT) in 2013-14.

**Agriculture:** Between 2011-13, India committed INR 740 million to help Myanmar develop its agricultural sector. Indian assistance in this sector includes a grant totaling INR 250 million extended between 2011/12 and 2013/14 to set up the Agricultural Research and Educational Centre (ACARE) at the Yezin University of Agriculture in Naypyidaw. India will provide technical assistance through the Indian Agricultural Research Institute and will also provide laboratory equipment for the Centre.

In 2012, India also extended a INR 125 million (approximately US\$ 2.3 million) grant to set up a Rice Bio-park, where Myanmar's farmers will be able to see first-hand the potential of using rice for a wide variety of purposes such as manufacturing paper or ethanol extraction. The Bio-park will also demonstrate methods of rice milling that can help Burma's farmers more efficiently separate rice from the paddy.

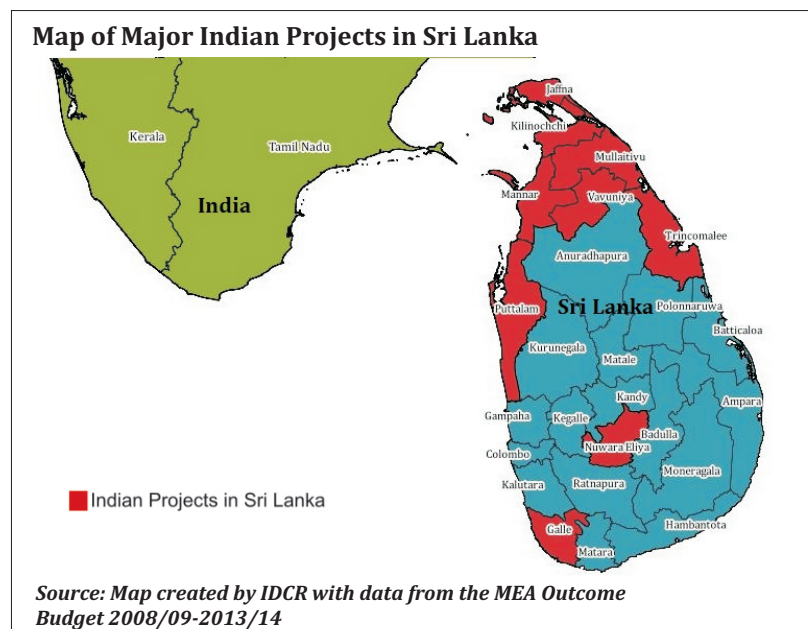
**Conclusion:** Over the past decade, New Delhi has committed over US\$ 220 million in grants and US\$ 307 million in LOCs to help Myanmar build capacity across sectors ranging from education to e-governance, manufacturing and agriculture. As India aspires to greater strategic and economic relevance in the Asia-Pacific, deepening these development assistance based ties with Myanmar – India's only land bridge to the geo-strategically important South East Asian region – could prove considerably advantageous. Apart from checking separatist movements in India's Northeastern region, a politically transparent, economically vibrant Myanmar that is better connected to broader parts of South East Asia will have welcome implications for development in India's under-developed northeast. And of course, closer ties with Myanmar could help India check China's growing influence in the region.

The good news for New Delhi is that Myanmar's reforms of 2011 highlight the country's eagerness - after decades of isolation - to become more politically inclusive, and to economically integrate itself with the neighborhood. By capitalizing on Myanmar's political and economic aspirations through building deeper development partnerships, India could enhance its own geo-political aspirations.

## India-Sri Lanka Brief

Complemented by historic and cultural links and underpinned by growing economic relations since the turn of the 21st century, India's development partnership with the island republic of Sri Lanka has gathered momentum, particularly since the termination of the Sri Lankan civil war in 2009.

### India's Development Partnership with Sri Lanka



The end of the Sri Lankan civil war in 2009 offered India vital political space to reconfigure and deepen bilateral relations with the island nation. New Delhi scaled up its development partnership efforts with Sri Lanka on three fronts: Lines of Credit (LOCs), grants for development projects, and scholarships and training. While LOCs focused on rail line reconstruction and water resource development, grant assistance covered housing and human resource development. Educational scholarships are offered at the undergraduate and postgraduate levels. India also offers Sri Lanka 150 ITEC slots annually to train civil servants, particularly in commerce and information technology.

heavy infrastructure reconstruction, particularly in the Tamil-majority areas of northern Sri Lanka. Between 2005 and 2013, Sri Lanka received the highest amount of Indian LOCs in South Asia, valued at more than US\$ 1 billion. India's LOCs are geared towards transport reconstruction, largely in the northern provinces where rail and road networks were extensively damaged during the Sri Lankan civil war. India also has political interests in these northern areas of Sri Lanka, which are driven by its domestic constituents from the southern Indian state of Tamil Nadu. Just over 30 kilometers separate an island belonging to India from Sri Lanka.

In 2010, India's EXIM bank agreed to fund an LOC worth US\$ 416 million for railway track laying activities in Sri Lanka's northern provinces. It was followed by another LOC of US\$ 382 million to establish telecommunication and signaling networks for the rail lines in the same areas. Furthermore, under two separate LOCs of US\$ 100 million and US\$ 67 million, India is upgrading the Colombo-Matara line for the Southern railway sector in Sri Lanka.

In addition to the railway reconstruction, India is also engaged in restoring the strategically important Kankesanthurai (KKS) harbour, situated at the northern tip of the Sri Lankan peninsula in an area still considered by the government to be a high security zone. Extensively damaged during Sri Lanka's civil war and rendered unusable due to the 2004 tsunami and cyclone NISHA in 2008, the KKS harbour was taken up for a six-phase restoration by India in 2009, since this port is vital to decreasing transit time between India and Sri Lanka and therefore also holds great potential for reviving the economy of northern Sri Lanka. The first four phases were completed by May 2013 with Indian grant assistance of around US\$ 20 million. Work on the final two phases will be undertaken by the Sri Lankan Port Authority with an Indian LOC.

Altogether, India's LOC commitments to Sri Lanka stand at a cumulative US\$ 1.21 billion between 2005 and 2013. Of this, around US\$ 1 billion was committed between 2007 and 2012.

**Grants:** Indian grant assistance to Sri Lanka has a focus on housing, livelihood development, social welfare, health and human resource development. India's grants are also aimed at rehabilitating the Indian-origin Tamil population, which endured formidable hardships during the Sri Lankan civil war.

**Housing:** After the May 2009 defeat of the Liberation Tigers of Tamil Elam (LTTE) by Sri Lankan forces, Sri Lanka was left facing a humanitarian crisis of rehabilitating around 300,000 Internally Displaced Persons (IDPs).

**Lines of Credit:** India's LOC engagements with Sri Lanka are largely geared towards

India subsequently drew up an ambitious plan for constructing 49,000 houses in the war-ravaged northern and eastern provinces. With a grant of US\$ 250 million, a flagship housing project is India's largest grant-based project assistance in the world. The grant operates under a unique ownership scheme where the grant amount is released in tranches to bank accounts of beneficiaries identified by the Sri Lankan government. Four implementing agencies: UN-HABITAT, International Federation of Red Cross and Red Crescent Societies (IFRC) in partnership with the Sri Lankan Red Cross, National Housing Development Agency (NHDA) of the Government of Sri Lanka, and Habitat for Humanity, Sri Lanka are undertaking this project. The project is expected to be completed by 2015.

**Health:** India has undertaken numerous short-term relief and long-term health projects in Sri Lanka. In 2009, India dispatched a team of 27 doctors and paramedics with medical supplies to replenish stores at the Indian field hospital in Pulmoddai in northern Sri Lanka to support and treat IDPs.

In 2013, India was also building a 150-bed hospital at Dickoya in central Sri Lanka. The Dickoya hospital will be a multi-specialty hospital catering largely to the Indian-origin Tamils living in the hilly areas at Hatton in the Central Province. The project entered its last phase of construction in August 2013, with another four-storey, 200-bed ward complex expected to be completed in 2014.

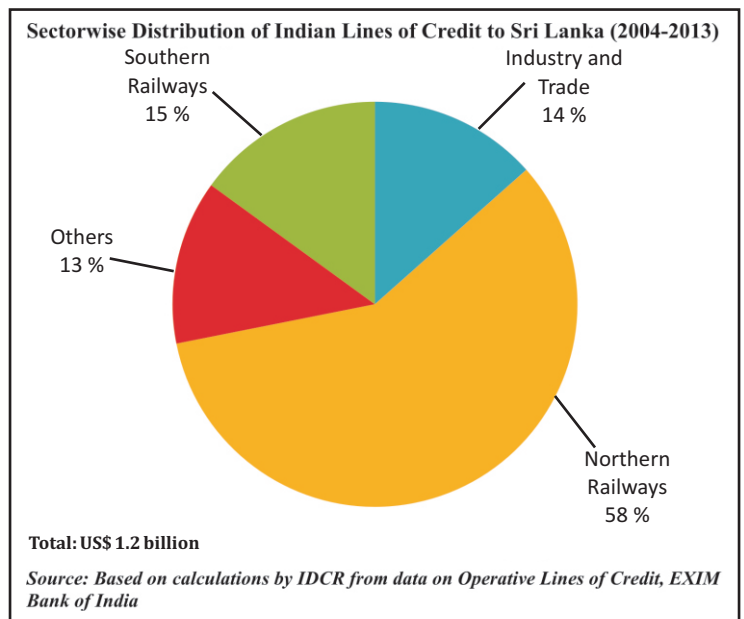
**Power:** After a decade of negotiations that began in 2003, India's National Thermal Power Corporation (NTPC), a public sector company, entered into an agreement with the Ceylon Electricity Board to construct a 500 MW thermal power station. The thermal plant is expected to cost around US\$ 600 million and approximately 60 percent of this project will be funded by an LOC from India.

**Humanitarian Assistance:** In 2004, when Sri Lanka was hit by a powerful tsunami, India airlifted 600 kg of medical supplies to Sri Lanka. The Indian Air Force also helped with search and rescue operations. Additionally, in 2008, when cyclone NISHA damaged several areas in the northern provinces of Sri Lanka, India dispatched more than 1,000 tons of food supplies through the International Committee of the Red Cross (ICRC), one of the few instances where India has supported the operations of the ICRC in another country. The bulk of India's humanitarian assistance to Sri Lanka however is earmarked for long-term post-conflict rehabilitation projects such as housing and transport infrastructure construction.

**Educational Scholarships:** Indian development assistance also supports the development of human resources in Sri Lanka through the provision of educational scholarships. Over 300 undergraduate, postgraduate, technical short-term scholarships are offered annually to Sri Lankan students to study at Indian universities. In addition, as of 2013-14, India offers around 150 ITEC slots annually for training Sri Lanka's civil servants and students at Indian institutions. An increase in overall development assistance has correlated with an increase in educational scholarships and ITEC slots, similar to India's efforts in Afghanistan and Bhutan.

## Conclusion

Indian development cooperation has emerged as a major force reinforcing India's ties with Sri Lanka, especially over the last five years. Ensuring a smooth political and economic post-conflict transition for the Tamilian population of Sri Lanka will be India's main challenge in the short-term. However, as India deepens development partnerships with Sri Lanka, the benefits New Delhi stands to reap are considerable. Stronger ties with Sri Lanka would help India's economy by increasing trade with and through Sri Lanka. A deeper development partnership with Sri Lanka will also help India to field a stronger presence in the wider Indian Ocean Region, help further South Asian integration, and boost India's image as a strong Asian power.

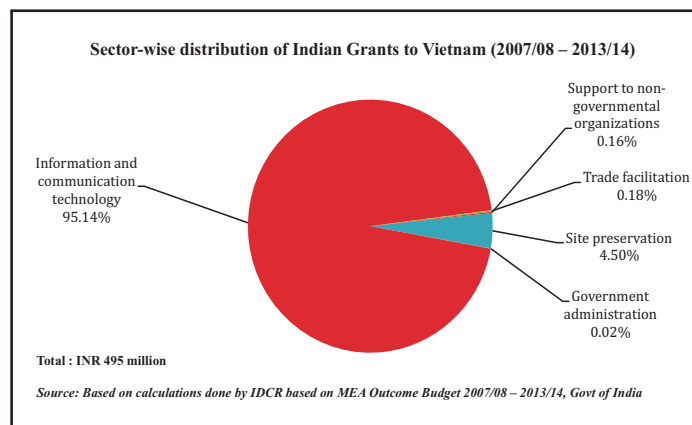


## India - Vietnam Brief

With the global focus shifting to the Asia-Pacific, deeper development partnerships in South East Asia will help India strengthen cultural relations, increase opportunities for trade, and facilitate greater strategic access to a region that promises to grow considerably in importance. As with Indian development assistance elsewhere, in engaging with Vietnam, India has sought to boost trade as well as the prospects for geo-strategic access. With Vietnam, these efforts are not particularly recent. The first instance of New Delhi extending a Line of Credit (LOC) to Hanoi predates India's Look East Policy by about 15 years. And since 1976, India has extended 17 LOCs, totaling US\$ 164.5 million, apart from grants and loans which have totaled approximately INR 495 million between 2007 and 2013.

India's efforts in Vietnam, which could generate considerable goodwill, have taken diverse forms.

### Development Cooperation:



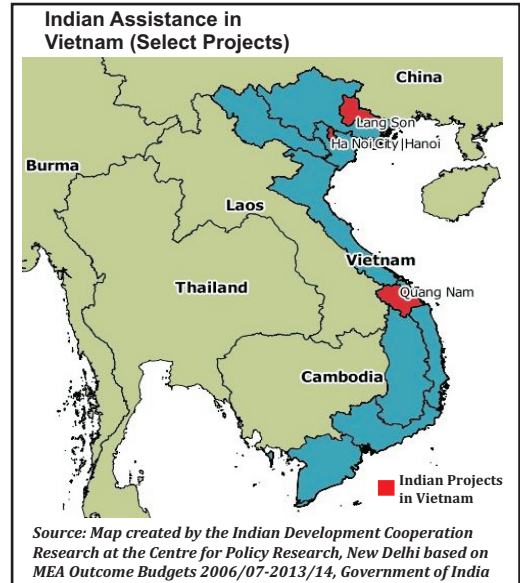
nearly 80 training centres across Vietnam. Additionally in 2008, a gift of INR 1 million (approximately US\$ 230,000) was given to the Vietnam People's Navy to set up a computing facility.

**Agriculture:** Development assistance in this sector began soon after Vietnam's reunification in 1976. India provided technical expertise and equipment to set up among Vietnam's first rice research institutes – The Cuu Long Delta Rice Research Institute (CLRRI). The efforts of the CLRRI and other institutes have helped Vietnam become the second largest global exporter of rice. India continues to offer agricultural assistance to Vietnam, especially in the form of M.Sc and PhD scholarships to promising CLRRI researchers.

**Education :** Vietnam has benefited considerably from the Indian Technical and Economic Cooperation (ITEC) program and the General Cultural Scholarship Scheme (GCSS). The utility of these scholarships can be inferred from the marked increase in the number of slots offered under the two programs. In 2013 the Indian government offered 166 slots to Vietnam - a significant increase from the 90 offered in 2011. In addition, Vietnam has been offered 14 scholarships under India's Education Exchange Programme and 10 undergraduate scholarships under the Mekong Ganga Cooperation (MGC).

**Hydropower:** Hydropower plants generate over 30 percent of Vietnam's electricity. Among these, the 200 MW Nam Chienplant, for which New Delhi opened a US\$ 45 million Line of Credit in 2008, is among the largest projects India is currently financing in Vietnam.

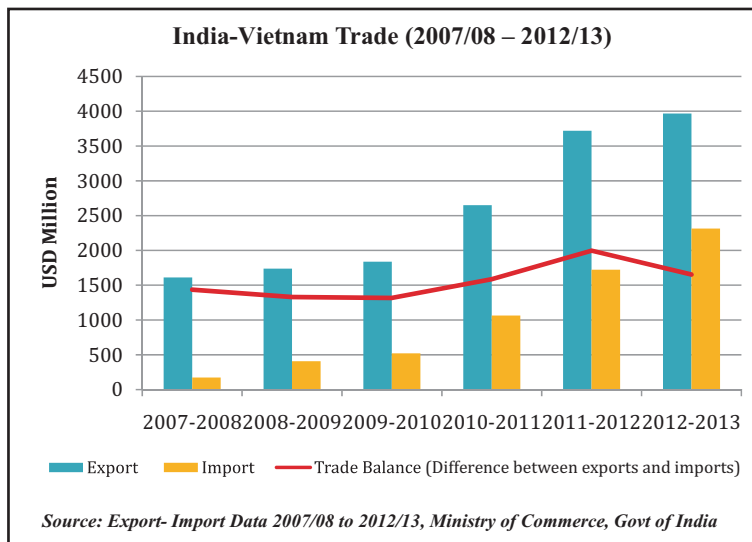
Executed by the public sector company Bharat Heavy Electricals Limited (BHEL), the dam is expected to generate 814 million kwh of electricity per year that will be fed into to the national grid.



**Computing :** There is a clear interest in seeing Vietnam benefit from India's strength in the information technology sector and since 2007, 11 of the 15 grants extended to Hanoi have focused on boosting High Performance Computing (HPC) capabilities. This includes a INR 130 million grant to set up a PARAM Supercomputer facility which will assist with bioinformatics, climatology and seismic studies.

A series of grants totaling INR 230.8 million were also extended to set up the Vietnam-India Advance Resource Centre in Hanoi and is operational since 2011.

A number of Indian IT companies have also set up



## Trade

Diverse development partnerships have considerably strengthened India's relations with Vietnam. And it remains a positive sign for stability in the region that the relationship has not been exclusively geared towards countering Chinese assertiveness, but is driven more by a desire to foster trade and energy flows, while keeping Indo-China free from the influence of any one actor.

That both nations view closer ties as mutually advantageous can be inferred from the burgeoning bilateral trade, which went from US\$ 120 million in 1996 to US\$ 2.3 billion in 2010, and to US\$ 6.28 billion in 2013. India is

now among the 20 top importers of Vietnamese goods and among the top 10 suppliers of goods to Vietnam. Additionally, granting market economy status to Vietnam in 2009 has begun to redress the trade balance, which was largely skewed in New Delhi's favor. And with the India-ASEAN Free Trade Agreement in place, both nations seem to be on track to realizing the 2011 pledge to boost bilateral trade to US\$ 7 billion by 2015.

## Conclusion

A shared history can on occasion provide a solid foundation for a lasting bilateral relationship. This has certainly been the case with India and Vietnam. In India's relationship with Vietnam that has, for the latter half of the 20th century, been marked by fiercely independent foreign policies and by a shared commitment to anti-colonialism and pan-Asian nationalism, makes for an unusually strong foundation for deepening bilateral ties. Unsurprisingly, as the causes for mutual concern, namely China's investments in the vicinity of both nations, the tensions in the South China Sea, the need to access natural resources for their growing economies, and the need to ensure free and safe shipping lanes have grown, New Delhi and Hanoi seem to recognize that deeper development partnerships can be of considerable mutual benefit. In engaging with New Delhi, Hanoi can hope for a greater degree of strategic independence since a deeper relationship with India could provide a measure of balance with China, as well as help Vietnam hedge against the conflicting pressures from the US and Russia.

For India, closer ties with Vietnam could allow it to boost trade with ASEAN and East Asia. It could also allow New Delhi to better assist in countering attempts to assert dominance in the South and East China seas. In addition to this, cultivating deeper ties have benefitted India in a host of ways. Vietnam continues to support New Delhi's position on Kashmir being an integral part of India, its status as a nuclear weapons state, and its bid for inclusion in the Asia-Europe Meetings (ASEM). Vietnam also supports a permanent seat on the Security Council for India. And though a host of considerations – not all centred on India's interests – likely influenced Vietnam's decision to block Pakistan's membership to the ASEAN Regional Forum, this too proved beneficial for New Delhi.

Additionally, in 2011 India and Vietnam signed an agreement for a joint oil and gas exploration project in the increasingly tense South China Sea. India's Oil and Natural Gas Corporation won a 45 percent stake in exploring blocks 127 and 128 in Vietnam's Exclusive Economic Zone. Despite Beijing's objections to perceived infringements on its sovereignty, New Delhi chose to partner with the state-owned Petro Vietnam, considerably boosting ties between the two nations.

Given that 50 percent of India's trade with the Asia-Pacific passes through the South China Sea area, it is a positive sign that Vietnam and India have been able to use convergent commercial interests to address larger strategic objectives in the region. Moreover, if such bilateral engagement is indicative of a future trend in Indian foreign policy, New Delhi will likely find it easier to cultivate deep development partnerships beyond its immediate neighbourhood.

## Facts about Indian Development Cooperation

- ✧ India first provided development assistance in 1949 to Bhutan, soon after independence.
- ✧ Bhutan has received 49 percent of the grants and loans committed to foreign countries from the Indian Budget between 2000-01 to 2013-14.
- ✧ Grants and Loans to foreign governments from the Government of India have increased from 0.24 percent of India's expenditure budget in 2009-10 to 0.42 percent in 2013-14.
- ✧ Indian development assistance can play an important role in the budgets of other countries. For instance, India provided Maldives with development assistance amounting to INR 2.86 billion (approximately US \$ 59.52 million) from the Indian Budget in 2011. If we take into account the Standby Credit Facilities of US\$ 100 million also provided to the Maldives by India, this would amount to development assistance that was 27% of Maldives budget in 2011.
- ✧ US \$ 2.8 billion dollars have been spent on ITEC programmes since its launch in 1964, and of this amount, US \$ 1 billion has been routed to African countries.
- ✧ In 2013-14, over 8,280 civilian training slots were offered to ITEC partner countries for programmes supported by the Indian government.
- ✧ To date, 161 countries in Asia, Eastern Europe, Central Asia, Africa, Latin America, the Caribbean as well as Pacific and Small Island countries are invited to share the Indian developmental experience in various fields under the Indian Technical and Economic Cooperation (ITEC) programme and its corollary SCAAP (Special Commonwealth African Assistance Programme).
- ✧ In 2004, India saw a policy shift that led to a stop in direct budgetary assistance from the Ministry of Finance. India began to route Lines of Credit through the Export Import Bank of India. By 2014, India had approximately US\$ 10 billion as open Lines of Credit.
- ✧ In 2010, India committed a Line of Credit worth US \$ 1 billion to Bangladesh. This was the single largest committed Line of Credit from India offered to another country. The Line of Credit was later changed to a grant of US \$ 200 million and a Line of Credit of US \$ 810 million.
- ✧ In January 2012, India formed the Development Partnership Administration within the Ministry of External Affairs to guide its growing development cooperation agenda.

## About IDCR

The project on Indian Development Cooperation Research (IDCR) is based at the Centre for Policy Research (CPR). With funding from the Asia Foundation, IDCR is developing a comprehensive database of Indian development assistance and publicly disseminating narratives on Indian bilateral development partnerships through their website at [www.idcr.cprindia.org](http://www.idcr.cprindia.org).

## IDCR Team

**Rani D. Mullen** is Associate Professor of Government at the College of William & Mary, USA, a Senior Visiting Fellow at the Centre for Policy Research, India and the Director of the Indian Development Cooperation Research. Her research focuses on democratization and development in South Asia, India and Afghanistan in particular. Her current research focuses on Indian foreign aid. She is the author of *Decentralization, Local Governance, and Social Well being in India: Do Local Governments Matter?* (Routledge, 2011). Dr. Mullen has worked for the World Bank, U.S.A.I.D., and for a German parliament member. She has a M.A. and Ph.D. from Princeton University's Woodrow Wilson School and a M.A. from SAIS, The Johns Hopkins University.

**Hemant Shivakumar** is a Research Associate with the Indian Development Cooperation Research at the Centre for Policy Research, where he catalogues and analyses India's development cooperation, investments and its impact on India's external relations.

**Kailash K. Prasad** is a Research Associate with the Indian Development Cooperation Research (IDCR) program at the Centre for Policy Research. His work at IDCR focuses on Indian foreign aid and on the impact Indian development cooperation has had on New Delhi's bi-lateral relations with its extended neighborhood.

**Sanjana Haribhakti** is a Research Associate at the Indian Development Cooperation Research group at the Centre for Policy Research. Her work involves a qualitative assessment of India's foreign aid program and its role in shaping India's strategic interactions within the international community.

**Sanskriti Jain** is a Research Associate for the Indian Development Cooperation Research at the Centre for Policy Research. She set up the initial database and she focuses on the quantitative analysis of India's development assistance programs and its impact on India's foreign relations.

**Cody Poplin** was a Henry Luce Scholar at the Centre for Policy Research. His work focused on the geostrategic analysis of Indian development cooperation with a specific focus on the Maldives and Bangladesh.

**Persis Taraporevala** was a Research Associate with the India Development Cooperation Research, within the Centre for Policy Research, India where she worked as a qualitative researcher, analyzing the changing form of development cooperation in India and the ramifications of these changes on the global aid sector.

Contact:

## Indian Development Cooperation Research (IDCR)

Centre for Policy Research,

Dharam Marg, Chanakyapuri,  
New Delhi - 110021

e: [idcr@cprindia.org](mailto:idcr@cprindia.org)

p: +91 11 2611 5275 | Ext: 219 or 225