

RIS A Think-Tank of Developing Countries

RIS is a New Delhi-based autonomous policy think-tank supported by the Government of India and devoted to trade and development issues. Its work programme focuses on policy research and capacity building on multilateral trade and financial negotiations, regional economic cooperation in Asia, South-South cooperation, new technologies and development, and strategic policy responses of developing countries to globalization, among other issues. The work of RIS is published in the form of research reports, books, discussion papers, policy briefs and journals.

RIS has networked effectively with other prominent policy think-tanks, government agencies, industry bodies and international organizations in Asia and other parts of the world for collaborative research and joint activities. It has a consultative status with UNCTAD, and has been accredited to the Summit Meetings of NAM and WTO Ministerial Conferences. It has conducted policy research and other activities in collaboration with other agencies, including UN-ESCAP, UNCTAD, UNU, Group of 77, SAARC Secretariat, Asian Development Bank (ADB), the World Bank, and the South Centre.

For more information about RIS and its work programme, please visit its website: www.ris.org.in.

— Policy research to shape the international development agenda



RIS
Research and Information System
for Developing Countries

Core IV-B, Fourth Floor
India Habitat Centre
Lodhi Road
New Delhi-110 003, India.
Ph. 91-11-2468 2177-80
Fax: 91-11-2468 2173-74-75
Email: dgoffice@ris.org.in
Website: <http://www.ris.org.in>
Website: <http://www.newasiaforum.org>

RIS Discussion Papers

Emerging Patterns in Architecture for Management of Economic Assistance and Development Cooperation: Implications and Challenges for India

Sachin Chaturvedi

RIS-DP # 139



RIS
Research and Information System
for Developing Countries

**Emerging Patterns in Architecture for
Management of Economic Assistance and
Development Cooperation:
Implications and Challenges for India**

Sachin Chaturvedi

RIS-DP # 139

June 2008



RIS
Research and Information System
for Developing Countries

Core IV-B, Fourth Floor, India Habitat Centre
Lodhi Road, New Delhi – 110 003 (India)
Tel: +91-11-2468 2177/2180; Fax: +91-11-2468 2173/74
Email: dgoffice@ris.org.in

RIS Discussion Papers intend to disseminate preliminary findings of the research carried out within the framework of institute's work programme or related research. The feedback and comments may be directed to the author(s). RIS Discussion Papers are available at www.ris.org.in

Emerging Patterns in Architecture for Management of Economic Assistance and Development Cooperation: Implications and Challenges for India

Sachin Chaturvedi*

Abstract: With sharp economic growth, the international focus on 'aid' programmes of emerging economies, including India, has gone up considerably. The timing of Indian announcement, of setting up of a new and specialised agency for international cooperation, has further fuelled global speculations about an ambitious Indian 'commercial agenda.' As most of the traditional donors are trying to achieve harmonisation and transparency under Paris Declaration, OECD has called for global discipline in the aid programmes. China has proposed supporting a UN-led initiative instead of joining OECD. While India has major challenge of putting its house in order, it can no longer overlook international placing of its 'aid' programmes, which so far have been projected as a part of South-South cooperation.

Key Words: India Development Cooperation; South-South Cooperation; IIDCA; Foreign Policy; Economic Partnership; OECD.

INTRODUCTION

The global response to the long-standing debate on different aspects of aid is being deliberated upon at various international fora. This process has further been catalysed by the emergence of large developing economies, which have, many times, multiplied their contributions for development

Author would like to thank Dr. Nagesh Kumar for initiating him in this field. Thank are also due to Prof. Muchkund Dubey; Mr. B. L. Das; Ambassador A. N. Ram; Ambassador Arundhati Ghosh; Ambassador A. Asrani; Prof. Ashok Parthasarthy; Mr. Jens. Sedemund and Dr. S. K. Mohanty for their insightful comments on an earlier draft. The usual disclaimer applies.

* Fellow, Research and Information System for Developing Countries.
Email: sachin@ris.org.in

cooperation. Although entry of emerging economies into the realm of development cooperation is in the framework for South-South Cooperation, it is largely being perceived as a threat to the dominance of traditional donors.¹ In fact, trends are discernible to discredit the programmes from emerging economies as rogue aid² in case of China, etc., or is being described as an instrument for government's foreign and economic policy in case of India.³ Such observations often overlook the historical role the 'aid' had played in the foreign policies of traditional donors.⁴ The related question is: would the development policy be legitimate if it excludes national interest? The current urge among the Development Assistance Committee (DAC) members of the OECD is to bring out their development assistance programmes from the narrow confines of domestic, economic or strategic interests and finally bid *adieu* to the hypothesis that 'today's development cooperation partners are customers of tomorrow'.⁵ This is only of recent origin and there is greater focus on how development aid contributes to economic development, empowerment and sustainability.

It is in this context that there is enhanced interest in the Indian policies and approaches for development cooperation.⁶ The recently announced institutional restructuring for enhancing the effectiveness of outgoing aid from India is being seen in the backdrop of growing trade and investment linkages of India with other developing countries.⁷ In the changed focus, India is being grouped with the other emerging economies, viz. Brazil, China and South Africa, and their economic 'partnership programmes' are being clubbed with the programmes of 'donor' economies and are being targeted at with different perspectives.⁸

Irrespective of the factors, which might have triggered a debate on the development assistance programme of India and other developing countries, it is important to realise that with new economic might these countries may bring South-South cooperation out of its rhetorics to the more substantive operation level.⁹ This is likely to place South-South cooperation in a different context altogether, hitherto largely confined to dissenting voices or group formations at the international negotiations. It is important to acknowledge here that precisely because of these reasons the emerging economies may not prefer to be called as 'donors' since they see themselves as 'development partners'. Therefore, it is not a matter of surprise that the

OECD proposal for enhanced engagement programmes with the view to possible membership to Brazil, China, India, Indonesia and South Africa in the OECD Council meeting of May 17, 2007¹⁰ has met a lukewarm response from these countries.

It is very clear that in the recent past the role of development assistance has re-emerged as an important policy tool as part of poverty reduction strategy (PRS), overcoming the prescriptions of neo-liberal orthodoxy of market forces suggesting a sort of back off for the State. After a major decline of early nineties¹¹ almost all the traditional donors have increased their bilateral assistance programmes and have also enhanced their contributions for the multilateral institutions, thereby delineating the dynamics of global flow of development aid, such as, the objectives or the key driving factors; quantum and direction of the flows; and the national and international institutional mechanisms governing aid flows. It is being expected that the emergence of new actors at the global economic horizon may transform the approach to development assistance. The international dynamics of the aid flows is likely to undergo a major change with marked entry of emerging economies from the developing world. At this point the global assistance from the DAC is around US \$ 116 billion, non-DAC is around US \$ 9 billion and that from private foundations is around US \$ 58-68 billion.¹²

In light of this, it seems the time is ripe to give the current development assistance policy of India a hard look, at least, for placing it in such a way that the proposed institutional consolidation may take off from a sound footing. The consistent and sharp economic growth in India has raised several expectations from the fellow developing countries, particularly from those with whom India was a part of the various initiatives launched for restructuring of global trade, finance and other developmental aspects bothering the developing countries. Several of these countries have already been part of the ongoing development support programmes from India, such as the ITEC and other project-based initiatives.

However, the question is whether new agency would bring a change in the development cooperation strategy of India and if the answer is yes, then

in which direction the programme would go. At the global level the strategy (if there is one) for aid delivery is being amended. For instance, a sectoral or programme-based approach is being preferred over the project-based approach for achieving a long lasting impact rather than short time quick solutions. Similarly, it would be interesting to watch how India and other emerging economies become part of the international donor coordinating mechanisms (at the national level) or would they evolve their own approaches towards the objective of harmonisation, particularly when the established donors are grappling with their renewed efforts for harmonisation, transparency.¹³ It would also be relevant to explore various options available for ensuring alignment with broader governance of aid at the global level.

This paper makes an effort to look into several of the above mentioned issues. The next section provides an overview of the global trends in aid policies while Section III looks into the institutional mechanisms for facilitating aid flows. The Indian development assistance programme is analysed in Section IV. The paper concludes with recommendations in the last section.

II. CONCEPTS AND GROWING TRENDS IN INTERNATIONAL AID POLICIES

Since the resurgence in the bilateral aids from the various DAC members, after a continuous decline in the early nineties, the aid scenario is witnessing several important trends, symbolising a marked departure from the earlier practices both in terms of quantum and direction and criteria of assistance. As discussed earlier, there is a fundamental difference between the aid from North to South and its South-South flow. In the latter, it is basically for mutual growth of each other, and, therefore, the same concept and approaches may not be applied to the transactions under this category. In this section we look into the concepts and definition related issues for development cooperation.

II.1. Concept and Definition of Development Aid

In the last several years, the Development Assistance Committee (DAC) of OECD has worked extensively on developing and defining various concepts related to development assistance (Table 1). The official development

assistance (ODA) comprises of grants or loans provided by the official sector for promotion of economic development and welfare. In this context, a concessional loan is considered for welfare enhancing if it has a 25 per cent of grant as a component. Apart from financial flows, the ODA also include technical cooperation and export credits.¹⁴ A discount rate of 10 per cent is used in calculating the 25 per cent minimum grant element required for a loan to be counted as ODA.¹⁵ The assistance to multilateral organisation/s is also accounted separately as part of the overall development assistance. In most of the DAC publications a distinction is drawn between tied aid and untied aid. All the official grants or loans, where procurement of goods and services is involved and is confined to donor country, are classified as tied aid.¹⁶ However, it is important to define contours of development cooperation to capture various activities in a relevant framework. On the basis of various DAC reports a few key elements for capturing aid flow are identified in Table 1. As discussed, they cover both bilateral loans and bilateral grants. As part of bilateral grants, activities such as technical cooperation, developmental food aid, humanitarian assistance, debt relief grants, aid to NGOs, and project and programme specific support are included. Aid to multilateral institutions particularly to UN organisation is also included.

Table 1: DAC Concept of Development Aid Flow

| Bilateral Grants | Contributions to Multilateral Institutions |
|---|---|
| <ul style="list-style-type: none"> ● Technical Cooperation ● Developmental Food Aid ● Humanitarian Aid ● Debt Relief Grants ● Aid to NGOs ● Administrative Costs ● Project and Programme Aid | <ul style="list-style-type: none"> ● UN and Others <p>The Private Sector</p> <ul style="list-style-type: none"> ● Preferential Access to Markets ● Export Credits |
| <p>Bilateral Loans 25 per cent grant element (calculated at a discount rate of 10 %)</p> | <p>Special Themes</p> <ul style="list-style-type: none"> ● Collaborations in S&T |

Note: As per DAC OECD Definition.

However, this approach seems to be extremely limited when the analysis of development aid from Southern countries is taken into account. For instance, sizeable amount of assistance is provided by major developing countries in supporting peace keeping operations across the world, particularly in their own region. South Africa, for instance, is engaged in similar efforts alongwith African Union (AU) and spends a huge amount of its development assistance for this purpose. This is outside the UN framework, under which most of the developed countries finance peace keeping operations. Similarly, China and India have taken intensive measures for promoting production and trade from least developed countries (LDCs) which are not accounted for if the DAC definition is followed. The efforts by these countries in providing access to regional public goods, which are extremely essential for the neighbouring countries, would also be missed out, if focus is limited to the DAC definition alone. There may also be conceptual differences when aid flows from emerging economies are to be analysed. Some of these countries may stress on usage of specific terminology which may be completely different from the DAC terminology. For instance, many of them may not want to use terms like ‘donor’ and ‘recipient’ but may prefer ‘development partner’.¹⁷ This goes beyond semantics as most of these economies are with limited additional resources and they are keen to share the resource burden (for development) but may need it back or expect some return on the allocation made. Das et. al. (2008) very aptly capture in the expression that, ‘South-South cooperation can not mirror North-South cooperation.’¹⁸ The context is also different from ‘partnership’ which is largely on equal footing. The approach of traditional donors is one in which the donor is on a pedestal while the recipient is a step below.

The current framework of DAC for capturing aid flows focus only on supply side statistics and overlooks the demand side responses. Moreover, this also needs to be extended further for incorporating elements of enabling policies and disabling policies as adopted by various national governments. For instance, in case of the Netherlands, the policy coherence unit within the Ministry of Foreign Affairs and DGIS scans all national policy documents and international negotiations by the Netherlands’s government for ensuring compliance with development aid policy objectives. This is extremely essential as mere account of numbers without policy indicators may not be

Box 1: DAC Guidelines for Evaluation of Development Assistance

The DAC conditionalities incorporates following essential elements:

- Aid agencies should have an evaluation policy with clearly established guidelines and methods and with clear definition of its roles and responsibilities and its place in the institutional aid structure.
- The evaluation process should be impartial and independent from the process concerned with policy-making, the delivery and management of development assistance.
- The evaluation must be as open as possible with results made widely available.
- For evaluation to be made useful, they must be put into practice. Feedback to both the policy-makers and the operational staff is essential.
- Partnership with recipients and donor cooperation in aid evaluation are both essential; they are an important aspect of recipient institution building and of aid coordination and may reduce administrative burdens on recipients.
- Aid evaluation and its requirements must be an integral part of aid planning from the start. Clear identification of the objectives, which an aid activity is to achieve, is an essential prerequisite for ongoing effectiveness in evaluation.

Source: OECD (2005).

useful for aid receiving countries. These indicators may help in capturing the demand side responses as well.

As most of the emerging economies from the South collaborate with their fellow members under their South-South Cooperation policies, at times, it is difficult to state clearly the precise financial expenditure incurred. As most of the cooperation is ‘in kind’, there is no standard accounting framework to capture this flow. The accounting problem becomes all the more acute when there are more than one focal points within various government departments with different modalities and mechanisms.

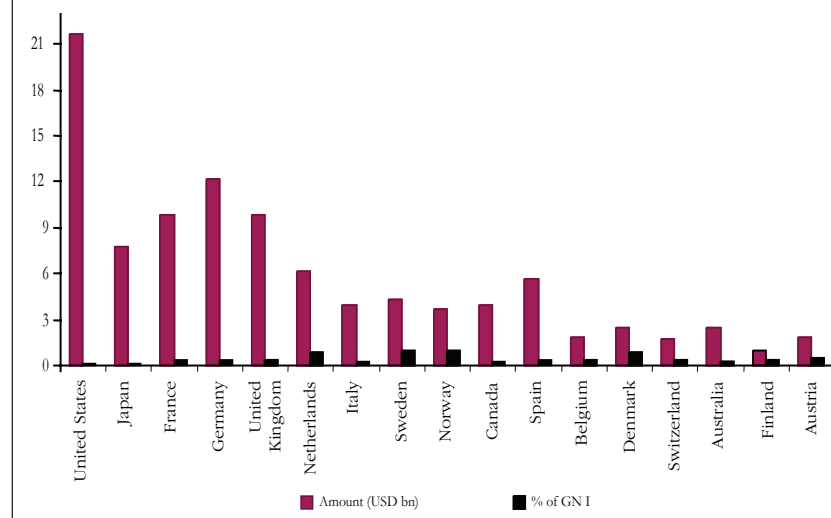
II.2. CURRENT STATUS OF GLOBAL AID FLOW

There are no comprehensive numbers available to provide a full picture of development cooperation at the global level encompassing both DAC and non-DAC donors. At this point, the Development Assistance Committee (DAC) comprising of nearly 22 members of the OECD, annually releases the data on development assistance from the DAC Secretariat (see Figure 1). It also covers details of development cooperation by non-DAC OECD members and some details on non-OECD members. The non-DAC OECD members include Turkey (US \$ 601 million), Korea (US \$ 752 million), Mexico, Czech Republic (US \$ 135 million), Hungary (US \$ 100 million), Iceland (US \$ 27 million), Poland (US \$ 205 million) and Slovakia (US \$ 56 million). The current level of aid from non-DAC OECD members stands somewhere around US \$ 1.8 billion which is expected to be doubled by 2010.¹⁹ At the Gleneagles-G-8 summit in 2005, it was decided that the aid need to go up from US \$ 80 billion in 2004 to US \$ 130 billion in 2010 at constant prices. However, the recently released data indicate that total aid in the last three years has risen by only 15 per cent which actually is expected to go up to 60 per cent in the suggestive time frame of six years by 2010. The current level of DAC development assistance stands at US \$ 116 billion.

Some of the leading non-OECD countries have achieved remarkable contributions towards development cooperation. In 2005, the DAC Secretariat reported data of some of the non-OECD members apart from OPEC, in which the contribution stands at US \$ 1.2 billion. The reported countries include Kuwait (US \$ 547.3 million), Chinese Taipei (US \$ 483 million), Israel (US \$ 95.4 million), Slovenia (US \$ 34.7 million), Cyprus (US \$ 16 million), Lithuania (US \$ 15.6 million), Latvia (US \$ 10.7 million) and Estonia (US \$ 9 million).

Another important group of donors is of OPEC countries which have established OPEC Fund for International Development (OFID). In the recent past, OPEC contribution to development cooperation was close to US \$ 3 billion, mainly in Saudi Arabia²⁰. In the recently launched 17th landing programme in January 2008, OFID announced a fund of US \$ 3 billion over three years in support of social and economic advancement in non-OPEC developing countries. OFID is active in more than 120 countries in

Figure 1: Net Official Development Assistance (ODA), 2007



building infrastructure, utilities, industry and private sector development.²¹ The other set of countries include the new emerging economies from the developing world like Brazil, China, India and South Africa, which will be discussed in more detail in the coming sections.

II.3. Key Trends in Policies

In the last couple of years several donors have changed their policies in a major way. The development assistance programmes have gradually come out of the narrow confines of domestic, economic or strategic interests. The earlier arguments as the one in the case of Germany that, “today’s development cooperation partners are Germany’s customers of tomorrow”²², seems to be giving way to new international commitments. The adoption of the Helsinki Guidelines for OECD and the international Paris Declaration (2005) by most of the major economies finds a growing effort for harmonisation and closer alliance among donors (Box 2).²³ The criteria have been changing very fast among most of the donors particularly in the last couple of years. German donors had predominant focus on economic conditionalities but since early nineties the focus is on issues like human rights, engagement of people in decision making process, rule of law, creation

Box 2: Global Initiatives on Harmonisation

There have been growing efforts, made by OECD countries through Development Assistance Committee (DAC) and other for achieving harmonisation in development assistance. Several initiatives have been launched in this regard

Shaping the 21st Century Report: In 1996, the DAC members adopted this report which had a key component of DAC guidelines on poverty reduction with principles under-pinning modalities like – partnership, ownership, partner country leadership, broad based participation, development effectiveness, and accountability. This later became basis of MDGs.

Task Force on Donor Practices: The DAC also constituted a Task Force on Donors Practices with the objective of evolving multilateral donors, alongwith selected developing countries, to help strengthen partner company ownership of development processes, by identifying and documenting donor practices. The Task Force later released a paper on harmonizing donor practices for effective aid delivery.

Utstein Group (2002): The ‘Utstein Group’, comprising of Canada, Germany, the Netherlands, Sweden, the UK and Norway, has become an important forum for coordinating development cooperation.³¹ This group has assumed a pro-active role in the international donor community and has in particular focused on poverty reduction, anti-corruption, donor coherence and untying aid.

Rome Declaration on Harmonisation: In February 2003, leaders of the major multilateral development banks and international and bilateral organizations, and donor and recipient country representatives gathered in Rome for the High-Level Forum on Harmonization (HLF-Rome). They committed to take action to improve the management and effectiveness of aid. The Rome Declaration on Harmonization proposes to ensure that harmonization efforts are adapted to the country context, and that donor assistance is aligned with the development recipient’s priorities; expands country-led efforts to streamline donor procedures and practices and reviews ways to adapt institutions’ and countries’ policies, procedures, and practices to facilitate harmonization.

Paris High-level Forum (2005): The Paris High Level Forum was hosted by the French Government between February 28 - March 2, 2005 and was attended by development officials and ministers from ninety one countries, twenty six donor organizations and partner countries, representatives of civil society organizations and also the private sector. The participants took stock of progress of the wide range of activities that have taken place since the Rome High-Level Forum (2003).

Source: Compiled by author from various DAC Documents.

of a market friendly economic system and government’s commitment for development.²⁴ However, what is very clear from the changing of criteria is the sharpening of focus on select programmes carved out specifically for poverty reduction, which has both direct and indirect poverty reduction measures. The Programme of Action 2015 for ‘Poverty Reduction’ is an important statement from BMZ.²⁵

The commitment towards the MDGs is another reason for this closer coordination of aid flows. In fact, efforts for coordination are largely driven by what is now known as ‘consensus model’.²⁶ As part of this, strategies for Millennium Development Goals (MDGs) with both the UN, the World Bank and leading DAC members have come together for various programmes. Similarly, the Netherlands has also zeroed down on select themes and has also reduced the total number of recipients. They have brought down the number from 136 to 19 concentration countries and 49 thematic partners (Table 2). There is some overlap in the two categories. The four themes chosen are environment, human rights, peace building and good governance and finally private sector development. The Dutch have decided to focus on 2 to 3 sectors within a country and the aid would be provided preferably under direct budget support. This shows a growing trend among the donors to shift away from project-based approach of allocations.

Table 2: Evidence of Rationalizing of Aid Policies in Germany and Netherlands

| Donor Countries | Germany | Netherlands |
|---------------------|--|--|
| Reduction in | 102 to 37 priority countries | 136 to 19 concentration |
| No. of Recipients | 102 to 33 partner countries | countries 136 to 49 thematic countries |
| Sharpening of Focus | 3 themes for priority countries; for partner country | 23 focus themes |
| Nature of Support | Project to programmes support | Direct budgetary support |

Source: Compiled by author from various DAC Reviews.

(a) Breaking away from Colonial Linkages

Since the fifties or so, colonial linkages have been the major factor driving the flow of development aid. As a result, one finds excessive engagement of Belgium in Congo Rwanda and Burundi. However, this trend is gradually changing because of several factors like dramatic instability among the recipients and growing awareness about aid effectiveness among the policy makers in the donor community; for instance, in the case of Belgium human rights and governance were attached highest priority over other factors like colonial linkages.²⁷ There are countries like Sweden, which have selected their aid recipients on the basis of long standing relations with countries that share Sweden's vision of social democracy. Over the years, Sweden has concentrated on a few select partners.

(b) Encouraging Policy Coherence

Emphasis on policy coherence between different areas of immediate concern to the recipients has also evolved as an important criterion for many donors. Various donors have made efforts to ensure convergence of policy priorities. In fact, recently efforts have also been made to ensure aid coherence among the donors as well. In 2002, the Netherlands took an important step for promoting policy coherence, by setting up a small Policy Coherent Unit within the Directorate-General of Development Cooperation at its Ministry of Foreign Affairs.²⁸ The unit has twin responsibilities of contributing to policy formulation in the non-development areas and addressing instances related to policy incoherence, particularly related to the various activities by EU which may be incoherent in the interests of the developing countries. In such cases the unit takes up the matters with the EU and other like minded European partners. One of the important initiatives of the unit came up in context of the CAP review related to important crops in developing countries like cotton, rice and sugar. The unit suggested various ways for achieving coherence between agriculture, trade and development policies so that the developing countries are not adversely affected by any one of them. In some countries, legislative efforts have been made to bring in coherence. For instance in Austria, the new Development Cooperation Act 2002 provides an explicit legal basis for improvement. The Ministry of Foreign Affairs, which is responsible for enforcing the Act, needs a prioritised coherence agenda and sufficient resources to pursue this task.

(c) Shift from Project to Programme and Sectoral Aid

As part of efforts for policy coherence, pattern of aid shifted from project aid to sector wide programme aid. This is a major effort towards creating and enabling environment for helping out the recipient countries. In programme aid, the objective is to provide financial contribution for general development purposes, such as balance of payment support or budget support which is generally not linked with any specific project activities. This gives enough maneuvering space to the recipient governments. The programme aid is associated with macro-level policy reforms.²⁹ Similarly, Sector Wide Approaches (SWAs) is another strong policy instrument for supporting integrated development of a sector rather than confining to a project alone. The experience is that micro-level interventions, like the project approach, do not yield as much as is noticed through programme or SWAs. It has also been noticed that SWAs also enhance local ownership, strengthen partnerships, and help in coordinating external and domestic resources for establishing conducive institutional environment.³⁰ The DAC has, in various peer reviews, found that sectoral programmes also help in overcoming fragmented and uncoordinated investments.

(d) Changing form of Technical Assistance

There has also been a growing emphasis, among some of the lead donors, regarding the need to reduce their costs of operations resulting in greater reliance on local expertise and resources from the recipient countries. In one case Germany has decided to collaborate with India for third country projects, particularly in Africa. These trends may change the very nature of technical assistance provided so far by the developed countries in which home based resources, including the experts, used to be selected at much higher costs.

(e) Reforms in Delivery Mechanisms

Several donors have adopted strategies to shift decision-making process at the level of their offices at the recipient countries instead of earlier top down approach. This has introduced a major departure from the earlier practice of developing and implementing aid programmes from the headquarters. The experience shows that this has direct implications for effectiveness, cost and institutional procedures. OECD (2001) shows that

though decentralisation has a high cost but it has high returns as well. Although it increases cost of communication, travel and visit between headquarters and the field offices at the same time, it also enhances the effectiveness of the expenditure through enhanced accountability, information flow and local participation.

However, in a decentralised system expertise of field staff is of great significance. If the staff is professional in nature with adequate exposure to development assistance mechanisms and concepts, then it facilitates and ensures better absorption of available aid. In some smaller countries where donors do not have their embassies, effectiveness of aid flow declines drastically. The OECD (2005) case study of Mozambique has brought out how 19 OECD members have 11 field missions, complicating administrative mechanisms for the government of Mozambique, which has limited capacity to address the requirements of these large number of missions. The study found that some countries, like Denmark, have decentralised in Mozambique and other places which has reduced the administrative requirements for the recipient country and for the donor as well.

III. EMERGING INSTITUTIONAL FRAMEWORKS

In many donor countries institutional frameworks have gone through major changes as per their respective requirements. There is no uniform pattern in the selection of Ministries to house the development cooperation agencies or for keeping them independent from usual government structures. However, there is uniformity in terms of bringing in development professionals in the concerned departments or agencies. As several DAC peer review reports show, there are consistent efforts by the national governments to professionalise the implementation of development cooperation policies. It is also an emerging trend that instead of duplicating the infrastructure at the ground level, an increasing number of countries are converging responsibilities, for development cooperation related activities, with their missions and embassies. The institutional framework for aid agencies among the DAC members may be classified in five different categories³² viz.:

- Agencies located within the Ministry of Foreign Affairs where development cooperation is grouped together with foreign policy and trade relations in integrated country or regional desks.
- Development cooperation directorate or divisions located within the Ministry of Foreign Affairs.
- Agencies with a lead policy ministry and separate implementing agencies.
- Countries where development cooperation is shared among a range of ministries each of which takes responsibility for a particular aspect of the programme.
- Autonomous agencies.

In this section, we briefly discuss on the emerging institutional structures for formulating aid policies and for their disbursement.

III.1. Integrated Programme with Ministry of Foreign Affairs (MFA)

In most of the countries, Ministry of Foreign Affairs (MFA) plays an important and central role in disbursement of development assistance. In countries such as Denmark, Finland and the Netherlands, MFA has pivotal responsibility of evolving policies and their implementation. In Denmark, the South Group of the MFA is assigned to manage the development assistance while in Finland it is Department for Development Policy in the MFA. In the Netherlands, it is the Directorate-General for International Cooperation (DGIS).

III.2. Agency Placed Outside but Attached with MFA

In some countries arrangement is such that MFA has an agency for development cooperation but unlike the earlier category, is placed out of the ministry. The institutional arrangements are highly dynamic in nature. For instance, the new government elected in the year 2000 in New Zealand came up with a report, 'Towards Excellence in Aid Delivery' which led to the creation of New Zealand Agency for International Development (NZAID) as an autonomous institution under the MFA. In case of Australia, Australian Agency for International Development (AusAID) plays a key role in administering policy and outlining of implementation role. AusAID

has developed a rich policy agenda over the past few years encompassing cross cutting issues, thematic/sectoral policies and implementation approaches.³³

III.3. Development Cooperation Ministry with Separate Implementing Agencies

Different donors have adopted different strategies for implementing development assistance to developing countries. In case of Germany, BMZ is the main arm for extending German ODA, accounting for about 58 per cent of total ODA. Rest is shared by the foreign office; Ministries of Education and Research; Health; and Agriculture and Environment. It is interesting to find that even state governments and municipal corporations also engage in supporting activities particularly related to education of students from developing countries. Bilateral Aid accounts for 68 per cent of Germany's total gross ODA and most of the disbursement comes from the BMZ budget. Its main component is loans managed by the Bank of Reconstruction and Development (KfW), and the technical assistance is managed through the German Agency for Technical Cooperation (GTZ). Apart from these, there are several other agencies with their specific assignments; for instance, InWent has emerged after the merger of CDG (Carl Duisberg Society) and DSE (German Foundation for International Development). This agency looks after advance training programmes for skilled employees, executives and senior civil servants from developing countries. German Academic Exchange Service (DAAD) facilitates cooperation at the university level while German Development Service (DED) grooms volunteer services.

In the early nineties, Germany also reduced the number of aid recipients by streamlining of areas of cooperation. Out of roughly 150 countries, BMZ brought down the number to 37 priority and 33 partner countries in the year 2002.³⁴ It also introduced country assistance strategy papers providing an evaluation of the bilateral assistance programmes. As part of this structural change three focal areas are to be selected for priority countries and one focal area for partner countries. In case of Belgium, the administrative department was spilt/bifurcated into the Directorate-General for Development Cooperation (DGDC) for planning and the BTC for implementation. In Sweden, the MFA went through a major restructuring

in 1996, following the accession to European Union which triggered several changes in the working of development aid policies. In Norway responsibilities of the Norwegian Agency for Development Cooperation (NORAD) have been shifted to MFA as part of the wider review process initiated in 2002, for streamlining the development cooperation programme.

III.4. Autonomous Aid Agency

There are countries in which MFA plays a limited but critical role in implementation of development cooperation programmes. In Italy it is the Directorate-General for Development Cooperation (DGCS) in the MFA while in Switzerland it is the Swiss Agency for Development Cooperation (SDC) which also works with the MFA. Similarly, in US the USAID is the key agency. In 2001, the United States was the largest donor in the OECD's Development Assistance Committee (DAC) in volume terms, reporting net official development assistance (ODA) of US \$ 10.9 billion. The American 'checks and balances' system of government has some important ramifications for United States development cooperation. This approach implicates a wide range of stakeholders for budget making decisions, especially through the Congress.³⁵ An additional window for ODA came through the announcement of President Bush of a bold new proposal, the 'Millennium Challenge Account' (MCA) for additional US \$ 5 billion assistance. However, USAID remains the key agency. Discussed in further details are agencies which have gone through some changes for replacing themselves.

In Japan, since the adoption of the ODA Charter 2003, several changes have been made to strengthen the position of Japan International Cooperation Agency (JICA) as an autonomous agency.³⁶ The former Overseas Economic Cooperation Fund (OECF) and the Export-Import Bank of Japan (JEXIM) merged into the Japan Bank for International Cooperation (JBIC). The Economic Cooperation Bureau of Ministry of Foreign Affairs (MOFA) plays a key role in the development cooperation policy in Japan and MOFA has become the *de jure* coordinating body for the diverse implementing institutions of ODA. The Ministry of Finance also has an ODA role, mainly by passing funds to JBIC and through its liaison responsibilities with the IFIs. In the new provisions, the functions of field missions (primarily

overseas diplomatic missions and offices of implementing agencies) will be strengthened so that they are enabled to play a leading role in the policy-making process and in the implementation process. Collaboration with Japanese NGOs, universities, local governments, economic organizations, labour organizations, and other related stakeholders will be strengthened to facilitate their participation in ODA and to utilize their technologies and expertise. Japan has also introduced Special Terms for Economic Partnership (STEP) programme in 2002 to utilize Japan's exceptional technology and know-how in promoting technology transfers to developing countries. The terms of STEP restrict prime constructors to Japanese companies and serve to further promote the visibility of Japanese aid through project implementation and the use of technology by Japanese companies.³⁷ The year 2008 is going to be a milestone for ODA reforms as the new JICA would be inaugurated in October 2008 which would have more intensive collaboration between MoFA, JICA and JBIC.³⁸

In France, an independent agency called, the French Development Agency (AFD) acts as the principal operator for ODA. It is jointly supported by the Ministry of Foreign Affairs (MAE) and the Ministry of Economic Affairs, Finance and Industry (MINEFI). In order to ensure proper coordination between MAE and MINEFI and other agencies, a new mechanism has been established. This is the Inter-ministerial Committee for International Cooperation and Development (CICID). Though Fricane launched a major reform in 1998 of the ODA structures, still France's stated intention of entrusting the principal role in ODA implementation to the AFD has not been fully translated into action as the latter is responsible for managing only about 10 per cent of total ODA, with MAE and MINEFI responsible for 29 per cent and 40 per cent respectively.³⁹ In 2008, Japan will provide a platform for international debate as it hosts the G-8, Hokkaido Tokyo Summit and the Fourth Tokyo International Conference on African Development (TICAD IV).

III.5. Independent Agencies

There are several leading donors who have independent agencies for development cooperation. Canada has the Canadian International Development Agency (CIDA) which is not a part of any ministry but reports

to the Parliament directly. The United Kingdom is another example of establishing an independent agency for development cooperation. In case of Britain, the switch over from Overseas Development Administration to the Department for International Development (DFID) in 1997 was an effort to consolidate the grant giving process and make it more effective. This framework has enabled the UK to organise strategically around a lean and well managed delivery system. The institutional core of the system is DFID, which has both ministerial (policy and government leadership) and agency (aid delivery, technical expertise) functions. DFID channels almost 85 per cent of British ODA.⁴⁰

III.6. Other International Mechanisms

As part of new mechanisms, several institutions have come up which include OECD's DAC, European Union, World Bank's Strategic Partnership with Africa (SPA) and World Bank's Consultative Group meetings. These institutional measures have helped in consolidation and harmonisation. DAC largely engages itself with authoritative policy guidelines; peer review of members' development cooperation policies and programmes; facilitating exchange of experiences and arriving at a consensus; and publishing statistics and reports on aid analysis. The EU, under the Maastricht Treaty of 1993, coordinates the development cooperation policies of EU members. At present, 15 of the 25 EU members are also members of the DAC. The World Bank, in 1987, launched the Strategic Partnership with Africa programme for coordinating and streamlining requirements at the country level and also to build capacity in the African government for better absorption of aid. In the Consultative Group meeting, apart from national governments and donors, the World Bank also invited members from Parliament, Civil Societies, Private Sector and NGOs.

III.7. Dynamics of Change

In many countries, modifications are often made to cope up with changing requirements. Thus the institutional set up is a highly dynamic framework and has evolved across countries at different points of time. During such changes, specific considerations have largely been confined to the practicality of working and also for enhancing the delivery of aid. In a majority of cases, the activities related to development cooperation are either confined

to the Ministry of Foreign Affairs with a separate earmarked unit or, is established as an independent agency under the Ministry for Development Cooperation. In another setting, as we discussed earlier, there are countries like Germany in which there is a separate development cooperation ministry (BMZ) with a cabinet rank minister who has a long standing experience in the field of development cooperation. There are, however, ongoing discussions to merge BMZ with the Foreign Office for improving efficacy of the system.⁴¹ Several donor countries are engaged NGOs in a major way for extending their aid to different countries. For instance, the Netherlands has encouraged NGOs in specific sectors for disbursing aid to a large extent. The number of such NGOs has multiplied in the last few years.

In the recent past, many established donors have inserted changes in their institutional structures (see Table 3). Austria established a new and independent agency under the Austrian Development Act away from MFA while Norway merged the existing independent agency with MFA, with several provisions for effectiveness and decentralisation.⁴² In the case of Austria, the Austrian Development Agency (ADA), which is the operational unit of the Austrian Development Cooperation and Cooperation with Eastern Europe (ADC), is responsible for the implementation of all bilateral programmes and projects in the ADC partner countries and administers the corresponding budget. The Federal Ministry for European and International Affairs gives a three year programme to ADA which is its strategic framework.⁴³

Norway has undertaken several measures to consolidate governance of development assistance by transferring back several responsibilities from NORAD.⁴⁴ In the new scenario, embassies have been given a prominent role with the disbursement of aid. NORAD, as a technical directorate under the MFA, is to provide advisory services to the ministry and the embassies upon request and also conduct assessment of the ongoing programmes. In Norway, NGOs are important partners in development cooperation. A huge amount of aid (nearly euro 250 million in 2004) is channeled through them. Similarly, in New Zealand, the government had decided to establish an independent agency called New Zealand Agency for International Development (NZAID),⁴⁵ after the efforts to manage development aid by a

Table 3: Dynamics of Changes and Mergers across Aid Agencies

| Portugal Institute (ICP) | Portuguese Cooperation Support Agency (APAD) | Portuguese Development Support (2003) | Portuguese Development |
|--------------------------|---|--|--|
| Austria | Hired off responsibilities from Ministry of Foreign Affairs | - | Austrian Development Agency (2004) |
| Norway | Ministry of Foreign Affairs | NORAD | More responsibilities for implementation with MFA and NORAD for assessment |
| Australia | AusAID | Office of Review and Evaluation (2002) | Office of Development Effectiveness (2007) |
| Ireland | Ministry of Foreign Affairs | Ireland Aid | Development Cooperation Ireland (DCI) 2008 |

Source: Compiled by author from various DAC Reviews.

division from the Ministry of Foreign Affairs and Trade (MFAT) failed to leave any impact. After reflecting on the appropriate institutional framework for delivering Ireland’s ODA, the Ireland Aid Review Committee concluded that a new set-up, called Development Cooperation Ireland, should remain as a division of the Department of Foreign Affairs.⁴⁶ The Ireland government also established a new high-level oversight advisory body.

IV. DEVELOPMENT COOPERATION AND EMERGING ECONOMIES

The emerging developing economies have extensively worked on various contours of their development cooperation policies. They have leveraged various measures for enhancing the effectiveness of their development cooperation policies. Some of them have set up specific institutional arrangements with long-term vision so as to engage themselves more extensively with the partner countries. In this section, we provide a brief overview of various initiatives launched by Brazil, China and South Africa as part of their development cooperation policies (see Table 4). Among these countries, Brazil is the only country with a dedicated agency for development cooperation, and also, is the only country whose development cooperation programme is open to local NGOs and other stakeholders. In most of the countries, covered in this section, Ministry of Foreign Affairs play a key role except in China where the Commerce Ministry has the lead role.

IV.1. Brazil

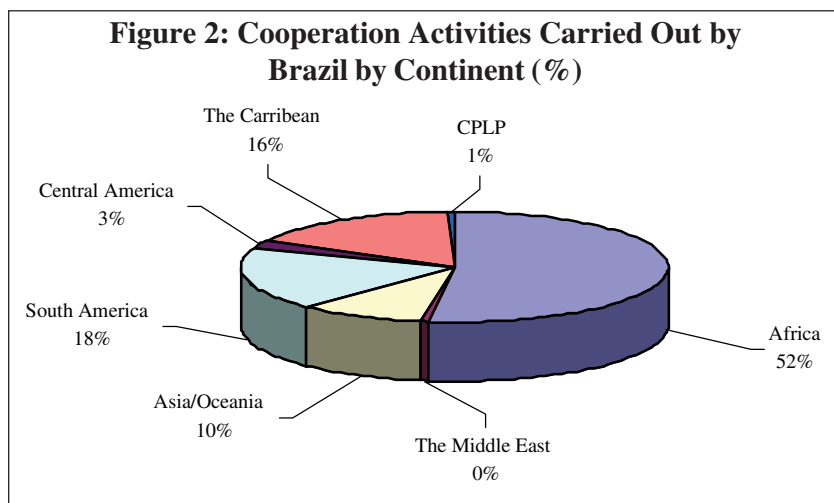
The development cooperation programme of Brazil has been in place for last several years, working mostly in the framework of South-South Cooperation. Largely, it is the Brazilian Foreign Ministry which coordinates the development cooperation programme through its department, viz. Brazilian Cooperation Agency (ABC), which actually carries out most of the responsibilities. The ABC has implemented nearly 246 projects in various contemporary areas broadly covering agriculture, animal husbandry, biofuels (ethanol and biodiesel), health (mainly HIV AIDS), electoral support (e-voting), urban development, trade negotiations and sports. Apart from ABC, the implementation is also ensured through EMPRAPA, FIOCRUZ, FARMANGUINHOS, SENAI, SEBRAE, apart from private sector, civil entities in particular and NGOs.⁴⁷ The programmes are implemented mostly

Table 4: Development Cooperation from Emerging Economies

| Key Agency | Key Ministry | Other Agencies | Projects and activities | Magnitude | Trilateral Cooperation |
|--|--|---|---|------------------|------------------------|
| Brazilian Cooperation Agency (ABC) | Foreign Ministry | EMPRAP; FIOCRUZ/FARM ANGUINHOS; GENAI; SEBRAE | 246 projects and 58 isolated activities | US \$ 21 million | Open |
| Discussions are on but no announcement | Department of Aid in Ministry of Foreign Commerce (MoFCoM) | Ministry of Science and Technology (MOST) Chinese Academy of Sciences (CAS) | | US \$ 10 billion | Open |
| Indian International Development Cooperation Agency IIDCA | MEA | EXIM Bank, Other respective Ministries like DST, etc. | | | Open |
| South Africa No agency so far but proposed is, South African International Development Agency (SAIDA) | Department of Foreign Affairs | Department of Defence (55 per cent) Education (36 per cent) Others are DST; CSIR; Africa Institute of South Africa | | US \$475 million | Open |

Source: Chaturvedi (2007), Chin (2007), Braude (2007), Saravia (2007), Anshan (2007).

as projects and, at times, as isolated activity. The budget for Brazilian development cooperation is somewhere close to US \$ 22 million. Almost 52 per cent of this goes to Africa while 22 per cent goes to Southern and Central America (see Figure 2). The Caribbean's get 16 per cent and Asia almost 10 per cent. Brazil is open to trilateral cooperation. Brazil is working closely with Cuba to develop vaccine for Meningitis, particularly for Africa. Brazil has also announced US \$ 21 million fund for developing malaria vaccine. Brazil and Argentina are working together in Haiti for drilling of water wells and cultivation of vegetables which is an adaptation of their very successful project "Pro-Huerta".⁴⁸ Brazil is also engaged in trilateral cooperation with US for production of ethanol in El Salvador, Jamaica and Dominican Republic. Brazil is also working closely with Indonesia on a re-forestation project in East Timor.



IV.2. China

In China, it is the Chinese Ministry of Foreign Commerce (MoFCoM) which is the lead ministry for providing development cooperation and bilateral aid to other developing countries. The role of MoFCoM is supplemented by the Export and Import Bank of China (EXIM Bank) which manages the concessional loans. MoFCoM also handles incoming aid to China. China

has explored various channels for promoting development cooperation. A zero tariff treatment to LDCs, and expansion of aid to heavily indebted poor countries (HIPC), supplemented by provision for concessional loans and export credit (worth \$ 10 billion), have been extended. The Government of China has also launched special programme for strengthening access to drugs and medicines among poor countries with specific focus on anti-malaria drugs, etc. There are specific programme to train upto 30,000 peoples with various backgrounds so as to create mass base of trained manpower in the recipients countries.

The Chinese Development Bank (CDB), established in 1994, is the main agency to provide loans to fellow developing countries. It accounts for 21 per cent of total Chinese loans.⁴⁹ Most of these loans are for petrochemical explorations (71 per cent) followed by support to financial institutions especially various banks (upto 10 per cent).⁵⁰ The total loan amount stands around \$ 252 billion. China has also announced setting up China-Africa Development Fund with initial investment of US \$ 5 billion.⁵¹ This was launched in March 2007. It would have a life cycle of 50 years for equity investment. China has also announced doubling its 2006 assistance to Africa by the end of 2009. At the China-Africa Summit, President of China announced that in next three years China would trained 15,000 African nationals in China and would send 100 agricultural scientists to Africa for setting up 10 specialised agricultural technology demonstration centers in Africa. Apart from this, with the provision of RMB 300 million, 30 malaria prevention centers would be established across Africa. China has also announced a major support programme for school education in Africa. The number of Chinese scholarships to African students would be increased from 2,000 to 40,000 by 2009 and China would also support opening up of 100 rural schools in various countries in Africa.

IV.3. South Africa

The development assistance programme of South Africa is highly regional-oriented and is largely instrumentalised through the regional initiatives like the New Partnership for Africa's Development (NEPAD) and SADC.

At this point there is no dedicated agency for development cooperation in South Africa. Most aid of South Africa is untied aid and is channeled through the Ministry of Foreign Affairs and the Africa Renaissance Fund. It is proposed that a new agency be established to consolidate the out-going aid which may be called as the South African International Development Agency (SAIDA). Though South Africa is open to trilateral partnership with other major donors but as of now there are no cases to establish this as a trend. Among the focus areas, South Africa has been working primarily on peace-keeping in the region and on skill upgradation through various educational programmes.

V. INDIA'S DEVELOPMENT COOPERATION POLICY

The long-standing development cooperation policy of India went through a major policy change as economic buoyancy transformed the delicate balance in India's dual role as a recipient and as a development partner for other fellow developing countries. The policy changes reflected huge accumulation of foreign exchange reserves and the new self-confidence which emerged out of a greater desire for a larger global role. Most of these policy changes came from the Ministry of Finance. In this regard, 2003 was a landmark year in which several policy challenges were announced. The budget speech on February 28, 2003 had two paragraphs explicitly articulating nuances of India's external development cooperation policy.

“India Development Initiative

117. An initiative to promote India as both a production centre and an investment destination, called ‘India Development Initiative’, shall be established in the Ministry of Finance, with an allocation of Rs. 200 crore for 2003-04. This initiative will also leverage and promote our strategic economic interests abroad” (Budget speech (2003-04), page 21, para 117).

“External Aid

126. Mr. Speaker, Sir, a stage has come in our development where we should now, firstly, review our dependence on external donors. Second, extend support to the national efforts of other developing countries. And, thirdly, reexamine the line of credit route of

international assistance to others. Having carefully weighed all aspects, I propose the following measures:

- (a) While being grateful to all our development partners of the past, I wish to announce that the Government of India would now prefer to provide relief to certain bilateral partners, with smaller assistance packages, so that their resources can be transferred to specified non-governmental organisations (NGOs) in greater need of official development assistance. The current agreed programmes will, however, continue and reach their completion. Of course, there will be no more ‘tied aid’ any longer.
- (b) Having fought against poverty, as a country and a people, we know the pain and the challenge that this burden imposes. For the Heavily Indebted Poor Countries (HIPC), owing overdue payments of substantial sums to India, I am happy to announce that we will be considering a debt relief package. This will be announced shortly in consultation with the Ministry of External Affairs.
- (c) I am also happy to announce that the Government proposes to generally discontinue the practice of extending loans or credit lines to fellow developing countries. Instead, in future, I propose to utilize the ‘India Development Initiative’, which I have already announced, for providing grants or project assistance to developing countries in Africa, South Asia and other parts of the developing world”. (Budget speech (2003-04), pages 22, 23, para 126).

The budgetary announcement was followed by extensive meetings and guidelines in June 2003, delineating various operationalising strategies. As part of this government announced that it would reorient its aid policies.⁵² It would also result in ODA getting released in favour of developing countries in need greater than India of external aid. This objective is also being strengthened by India establishing ‘India Development Initiative’ with which developing countries would be sought to be helped with grants and credits besides a debt write off in favour of highly indebted poor countries. Since

India Development Initiative (IDI) was also focusing on ‘promotion of India’ in the overseas market apart from its mandate for fostering techno-economic and intellectual cooperation, the new government announced reviewing of the initiative.⁵³

Later in the Budget Speech of 2007-08, the Finance Minister announced change in nomenclature of the agency announced earlier. He made following statement on February 28, 2007:

“Development Cooperation

107. In keeping with India’s growing stature in international affairs, we must willingly assume greater responsibility in promoting development in other developing countries. At present, India extends development cooperation through a number of Ministries and agencies and the total sum is about US\$ 1 billion per annum. It is felt that all activities relating to development cooperation should be brought under one umbrella. Accordingly, Government proposes to establish the India International Development Cooperation Agency (IIDCA). The Ministries of External Affairs, Finance and Commerce and other stakeholders will be represented on IIDCA”(*Budget Speech (2007-08), page 13, para 107*).

The setting up of a new agency would play an important role as India has been one of the major development partner for various developing countries for last several years. However, it is worth examining whether Indian aid programmes have played any role in India’s foreign policy and to what extent development cooperation is leveraged for ensuring foreign policy goals.⁵⁴ The focus has largely been on South Asia but in recent past has diversified to cover other countries and other regions. It has also diversified in terms of financing and nature of activities covered through development assistance. It has entered in a new phase where cooperation in frontier technologies has advanced at considerable pace with many developing countries.

India has also expanded development cooperation linkages in various parts of Africa and Latin America. Efforts have been made to consolidate the outflow through effective partnerships. In this context, the Finance

Minister in 2007 announced setting up of India International Development Cooperation Agency (IIDCA) for administering the outgoing development assistance. India has also announced her keenness to participate with other countries to benefit third countries. This trilateral cooperation is likely to play a major role in days to come as professional skills and other necessary inputs as finances and technology are combined for optimizing returns on development expenditure. Recently, it has been proposed that India would partner with Germany in Africa for various infrastructure projects. Indian Council of Medical Research (ICMR) and Helmholtz Association (the largest German scientific organisation) have come together for a Euro 4.5 million project to study various infectious diseases which have affected more than 17 million people across the globe.⁵⁵ Similarly, DFID is also exploring the possibilities for trilateral cooperation with India.⁵⁶

V.1. Bilateral and Multilateral Assistance

As discussed earlier, the Ministry of External Affairs is the nodal agency for extending bilateral and technical assistance programme through its various missions. The Department of Economic Affairs of the Ministry of Finance (MoF) is approached by MEA with country specific request for disbursements. Therefore, while analysing economic assistance data, it is important to analyse data at both the ends (that is MEA and MoF) as there are possibilities of differences between actual recommendation and disbursements. As is clear from the Table 5, the quantum of development assistance since 1991-92 till 2006-07 has shown considerable fluctuations in commitments and actual disbursements. In this table, as per the DAC definition, we have also tried to incorporate concessional loans and credit lines as extended by the EXIM Bank at various points of time.

The total assistance has expanded from Rs. 1 billion in 1991-92 to Rs. 13 billion in 2006-07. These numbers include both grant and loan but not the EXIM Bank credit lines which are separately mentioned in the Table 5. This also does not include India’s support for multilateral agencies. The major recipients of this programme have been the neighbouring countries and some of the major African economies. In the neighbourhood, Bhutan has occupied prime position in terms of receiving the aid and concessional loans followed by Bangladesh and Nepal at various points of time. The allocations for African countries have increased from Rs. 103 million in

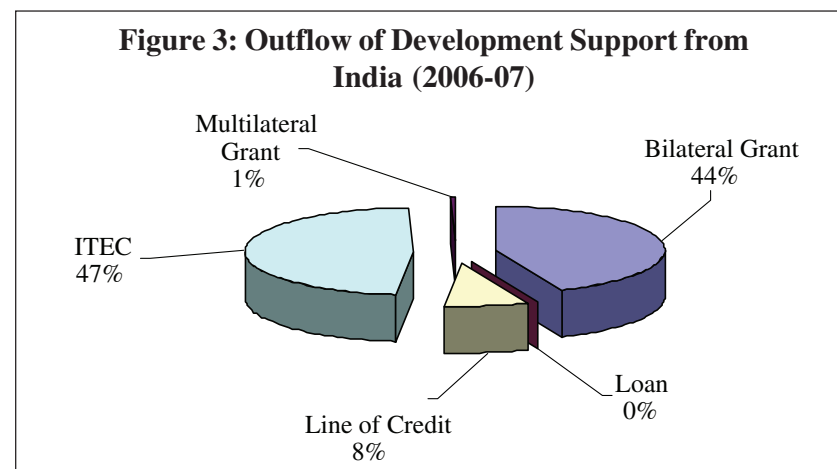
Table 5: Current Outflow of India's Development Assistance (1991-2006)

| | 1991-92 | | 1994-95 | | 2003-04 | | LOC as on 31/08/07 |
|------------|------------|--------------|------------|--------------|------------|--------------|--------------------|
| | Commitment | Disbursement | Commitment | Disbursement | Commitment | Disbursement | |
| Bangladesh | 28.8 | 28.8 | 5 | 5 | 200 | 20 | |
| Bhutan | 630.2 | 630.2 | 690 | 690 | 6960 | 2400 | 200 |
| Nepal | 141.3 | 141.3 | 190 | 190 | 584.8 | 600 | 0.1 |
| Sri Lanka | 82.5 | | 40 | 40 | 139 | 150 | |
| Maldives | 165.5 | | 55 | 55 | 39.4 | 30 | |
| Africa | 103 | 103 | 69 | 69 | 800 | 716.2 | |
| Others | 220 | 602.1 | 286 | 286 | 1533.2 | 1813.4 | |
| Total | 1371.3 | 1505.4 | 1335 | 1335 | 10256.4 | 5729.6 | 200.1 |
| | | | 2005-06 | | 2006-07 | | |
| | | | Commitment | Disbursement | Commitment | Disbursement | |
| Bangladesh | 33 | 33 | 520 | 510 | 200 | 200 | |
| Bhutan | 7686.5 | 3136.5 | 11311.1 | 4121.1 | 5418 | 4872.2 | 0.1 |
| Nepal | 661.7 | 661.7 | 660.1 | 660 | 2100 | 2100 | |
| Sri Lanka | 153 | 153 | 250 | 250 | 280.2 | 280.2 | 155 |
| Maldives | 32 | 32 | 132 | 132 | 60 | 60 | |
| Africa | 1068.4 | 1068.4 | 609.8 | 609.8 | 200 | 200 | 1462.64 |
| Others | 3629.3 | 3629.3 | 5258.3 | 5258.3 | 4852.3 | 5431.9 | 788.16 |
| Total | 13263.9 | 8713.9 | 18741.3 | 11541.2 | 13110.5 | 13144.3 | 2405.8 |

Note: Commitment is from Ministry of External Affairs, Annual Reports, Government of India while Disbursement and Loan is from Expenditure Budget, Vol. 1, Ministry of Finance and LOC is from Exim Bank, various years
 Source: Chaturvedi (2007).

1991-92 to Rs. 1068 million in 2004-05.⁵⁷ The tables show lot of fluctuations across different years in some cases, such as Bangladesh and initial years for Africa, which probably may be because of the funding of specific large infrastructural projects in particular years. Neighbouring countries such as Bhutan, Maldives, Nepal and Sri Lanka have shown consistent increase in Indian development support. The assistance from India is in different forms of training, technical advice, fellowship and scholarships at different levels of education, provision of goods such as medicines and goods. In the recent past, works related to infrastructure construction and maintenance has also increased in a major way.

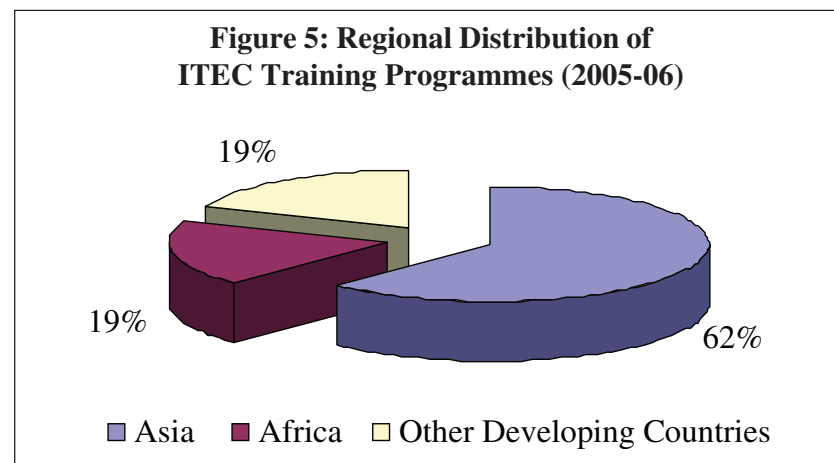
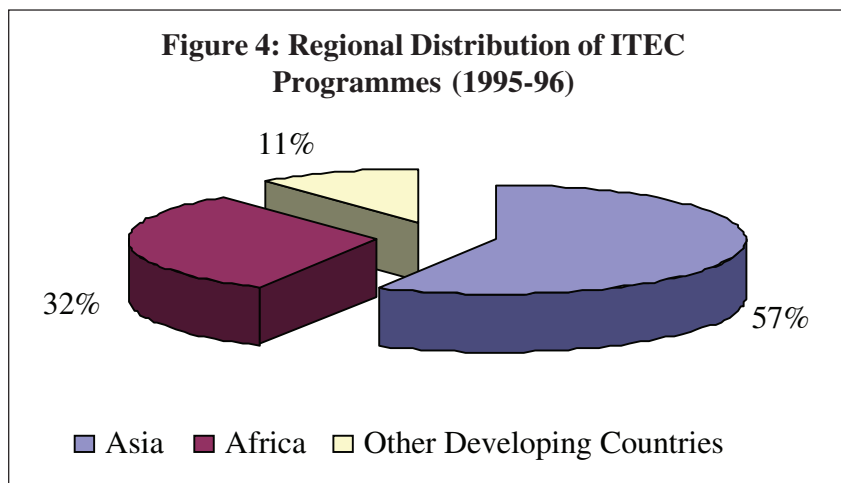
As is clear from figure 3, the outflow of development support from India for the year 2006-07 had its major focus on bilateral grants and ITEC programme which constituted 44 per cent and 47 per cent respectively. The line of credit extended by the EXIM bank is somewhere around 8 per cent. The grant to multilateral institution is almost 1 per cent (Rs 160 million) of the total outflow. There are several multilateral institutions receiving support from the Government of India, which is extended through the concerned nodal ministries. For instance, the Ministry of Commerce and Industry (MoCI) is linked with UNIDO (supporting with Rs. 8.8 million), UNO with the Ministry of Environment and Forest (MoEF) for Rs. 6.2 million and the Ministry of Finance (MoF) with number of organisations like African



Development Bank (Rs. 15 million), IFAD (Rs. 28 million), Afghan Reconstruction Fund (Rs. 1 million), the Ministry of Science and Technology for international collaborations (Rs. 7.45 million)⁵⁸, the Department of Biotechnology (Rs. 18 million) and UNESCO (Rs. 15 million) is linked with the Ministry of Human Resource Development.

V.2. ITEC Programme

The Indian Technical and Economic Cooperation (ITEC) was launched in 1964. It is supplemented by Special Commonwealth Assistance for Africa Programme (SCAAP). The rise in engagement of these economies in the science and technology sector is largely hampered by lack of adequate and trained manpower. India has made concerted efforts for enhancing technical cooperation and capacity building. As part of these training programmes have been the major policy plank. India spends about Rs.500 million annually on ITEC activities. Since its inception in 1964, India has provided over US \$2 billion worth of technical assistance to developing countries through this programme.⁵⁹ There is a considerable increase in the Indian governments allocation for ITEC programme which increased from Rs. 189 million to Rs. 555 million over the period of 1985-86 to 2005-06. During the period 1995-96 to 2005-06 the number of trainees increased from 427 to 2014 as is shown in figure 4 and figure 5, the strategy of the Indian government



seems to be of diversifying the focus of ITEC programme to cover many other developing countries. In Figure 4, the intake from Asian countries was 57 per cent and from Africa was 32 while from other developing countries it was 11 per cent. This changed by 2005-06 when we find more participation of other developing countries (19 per cent) balanced with that of Africa (19 per cent). It shows an increase in case of Asia but if we look at the number of countries participating in the programme, one finds that the number has increased from 26 in 1995-96 to 48 in 2005-06. This includes several LDCs from the Asian region.

The Indian Technical Economic Cooperation has five components, viz. (1) Training in India of nominees of ITEC partner countries (there is a growing focus on new issues in trade, investment and technology); and (2) Projects and their related activities such as feasibility studies and consultancy services. At times, this is also extended to support regional programmes under the Economic Commission for Africa, Group of 77, AARRO (Afro Asian Rural Reconstruction Organisation), G-15 and SADC (Southern African Development Community); (3) Deputation of Indian experts abroad; (4) Study Tours; and (5) Aid for Disaster Relief (ADR).

The project related assistance varies in a long range. For instance, under ITEC programme a donation of US\$ 200,000 solar energy plant to Colombia

was provided in 2002. As is clear from Table 5, allocations for ITEC programmes has expanded from Rs. 189 million in 1985-86 to nearly Rs. 600 million in 2005-06 although the share of ITEC programme in the total allocation for development assistance has declined. This may be because assistance to other developing countries has expanded in a major way, for instance, aid to Nepal has expanded from Rs. 173 million in 1985-86 to Rs. 661 million in 2004-05, almost an increase of 282 per cent. Similarly, in the case of Africa the assistance expanded from Rs. 166 million to Rs. 1068 million (543 per cent) in the same period.

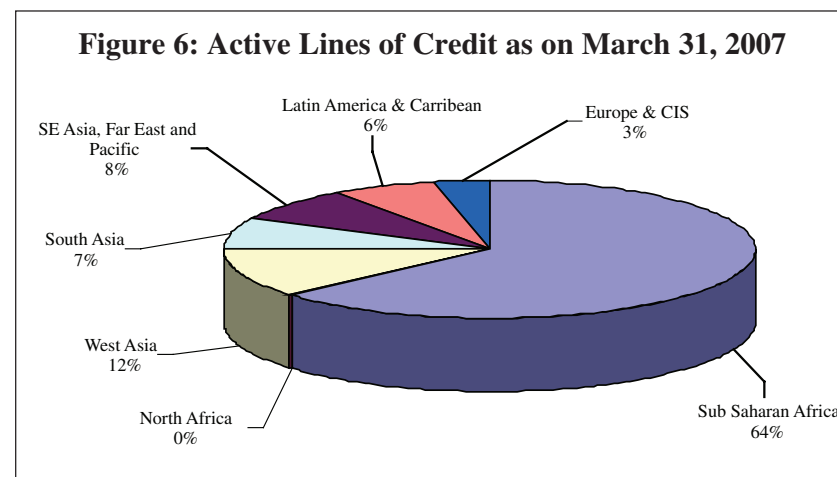
Indian industry organisations are also participating in this effort in a major way. The Confederation of Indian Industry (CII) has been undertaking several measures for capacity building and technology transfer. CII organized an International Training Programme on IT Applications in Manufacturing (ITAM) at Ebene Cybercity, Mauritius in 2006.⁶⁰ The idea was to provide the participants with comprehensive understanding of the processes of IT applications in manufacturing – particularly relevant to automation and semi-automation in Apparel Industry and to upgrade them with abilities to introduce and manage IT applications in manufacturing areas effectively in their organizations so that they could enhance their performance and output at the lowest possible cost. Integration of information technology and communication across functional areas is actually helping companies become more productive and effective as a global competitor.

V.3. Lines of Credit

The Export and Import Bank of India (EXIM Bank) is an apex financial institution to finance, facilitate and promote India’s international trade across various countries. Among various activities of the bank, Line of Credit (LoC) has emerged as one of the key instruments for supporting small and medium enterprises. The bank extends LoCs to overseas financial institutions, regional development banks, sovereign governments and other NTTs to enable buyers in those countries to import projects, goods and services from India on deferred credit terms. Since most of the development cooperation from India is in terms of project, EXIM Bank plays an important role in the implementation of various projects. Besides its own LoCs to overseas entities, since 2003-04 it has been extending and operating at the

behest of and with the support of the Government of India LoCs to various developing countries.

As is clear from Figure 6 EXIM Bank has pre-dominant operations in Sub-Saharan Africa which constitutes almost 64 per cent followed by West Asia (12 per cent) and South-east Asia (8 per cent).⁶¹ The total LoC commitment, as on March 31, 2007, was of US \$ 2.3 billion covering 73 LoCs in 83 countries in Africa, Asia, CIS, Europe and Latin America. In the recently held Africa Summit, India announced enhancement of credit lines for projects from 2.15 billion dollars to 5.4 billion dollars. This would provide further impetus to the implementation of various projects in different countries.



VI. EMERGING POLICY OPTIONS FOR INDIA AND WAY FORWARD

So far the western writings on aid from developing world have not shown pragmatism and reconciliation to their disappearing monopoly. What is very clear now is the fact that the development cooperation spectrum has emerged as a more heterogeneous entity with the entry of new actors. Any effort to brush this development aside or dismiss the process on the pretext of its objectivity and modalities would in no way help in the wider efforts of ameliorating the state of affairs in the recipient countries, most of which

are struggling below the poverty line. The variety of agencies would enable recipients with more choices and options. Though it may not be linked but the lukewarm response to OECD membership proposal from OECD by the emerging economies, in this context, is no surprise. Unless efforts are made to address mutual distrust things may not move. These and many other global initiatives like Extractive Industries Transparency Initiative and Equator Principles require participation of emerging economies or so called 'new donors' to make them more representative and successful. Moreover, these statements loose relevance, particularly in light of the fact that often the conditionalities from traditional donors are judged as 'overly and increasingly intrusive, infringing national sovereignty, undermining domestic democratic processes and institutions and ineffective in bringing about the desired outcomes'.⁶²

However, at the same time there is more to be desired on the part of the emerging economies including India as well. Even if they do not accept OECD conditionalities for data reporting and its classification but they must at least consider mechanisms for impact assessment. For instance, though India has accepted Paris Declaration on aid⁶³ but it is perceived that this 'acceptance' is only as a recipient and not as a donor. This probably might be true for other emerging economies as well. The DAC has developed robust methodologies for data collection and analysis, which may be developed in specific context of developing countries. As discussed, the very definition of development assistance, as perceived by developing countries and the one followed at DAC, is very different propositions. In context of certain developing countries, foreign assistance encompasses not only grants and loans but also commercial investments, trade related concessional financing and educational and cultural programmes.⁶⁴

In this context, emergence of new initiative, viz. Development Cooperation Forum (DCF) at the ECOSOC is an important development, which may provide fora for bringing in new and old actors together, alongwith recipients and other international agencies. Wider efforts are required to ensure that the DCF goes in the direction it was established for.⁶⁵ This forum may help in enhancing scope for dialogue between various donor agencies and development partners which may eventually help in

enhancing the aid effectiveness. There are several areas which need detailed discussion and may help in substantive contribution to this dialogue; such as, how the partnership of new emerging economies may help in making aid more predictable. According to the OECD, only 65 per cent of the aid arrives on schedule. Zambia was due to receive \$930 million in 2005 but ended with just \$696 million and Vietnam, which was expecting \$ 400 million, received more than \$2 billion.⁶⁶ Similarly, clarity is also required on the trilateral cooperation which may bring in some sort of division of labour as part of an effort to tap on the complementarities that may be there among various agencies.

VI.1. Redefining National Goals for Development Cooperation

Over the years it is the Ministry of External Affairs (MEA) which has administered the outgoing development cooperation.⁶⁷ There is a rich global experience from most of the traditional donors, suggesting that foreign ministries with their missions may play a key role in effective coordination of development aid. The presence of one ministry makes the whole exercise more appropriate and feasible as coordination hassles at inter-institutional levels may be avoided. The recent institutional changes in Norway, Japan, South Korea and the Netherlands are clear examples of this growing trend. In case of US also, USAIDS is responsible for managing strategy, policy and feedback and also for its full implementation.

India should draw lessons from these experiences and consider placing IIDCA with MEA. However, India also has experience (though only in Nepal) of setting up of a separate agency, viz. Indian Cooperation Mission (ICM), which was later wound up. These instances may impose major responsibilities with MEA, particularly when there is widespread feeling for improving the current state of affairs of India's development cooperation programme. The major concerns relate to lack of focus, visibility and ad-hocism.⁶⁸ Moreover, strategic foreign policy goals have played a marginal role in the selection of recipients for the development cooperation programme with India. In the initial years, there was excessive focus on very few countries but in the last couple of years, the development cooperation programme has spread too thin. In this context, the Japanese efforts for improving quality of aid may worth be taking note of. The

recent policy statement (MOFA 2007) suggested that it would aim for establishing PDCA (PlanàDoàCheckàAct) cycle in ODA.

The future institutional arrangement should be set in the context of the newly emerging requirements involving multiple organisations in the donor and beneficiary countries. The future course is going to be much more complex than that of the past as it appears from the earlier sections; hence the past success of the institutional machinery should not be the sole guideline for the future. It needs consideration in depth. In an earlier section, the paper has listed out various alternatives that are being used by several countries. It may be useful to do some examination as to what are the pros and cons of the main alternatives in respect of the emerging role of India in the field of development cooperation. IIDCA would have to establish transparent and participative mechanisms for identifying actual requirements of the recipient countries. In the light of earlier experience of established donors, it is important that India engages various stakeholders so as to have demand driven development cooperation policy rather than one led by availability of resources and related expertise. So far, some of the Indian projects taken up in various locations have not come upto the expectations as their implementation and completion have disappointed various recipients.⁶⁹ IIDCA would have to address this inept implementation and related impediments on a priority basis, which would have to be done in close collaboration with local missions.⁷⁰ In this context, India's own experience as aid recipient country, which stretches for several decades, may also provide several useful lessons.⁷¹ In the fields, IIDCA would have to ensure how best missions may balance their diplomatic roles with their responsibility for development cooperation. In this context, one example comes from Kenya where Sweden appointed five locally hired National Programme Officers (NPOs) to work professionally as a Swedish counterpart would have worked.

The government may consider having an inter-ministerial group with IIDCA on development cooperation either in advisory position, or at the operational end. This would help in setting the international cooperation policies in a broader perspective and would also be useful in bringing in policy coherence. Since several ministries such as DST, DBT, HRD, MoEF,

MoCI etc. are now engaged with their respective international collaboration programmes with other developing countries, a group of this kind would help in assessing the criteria and nature of assistance required at the recipient countries' end. A group of this nature would also facilitate continuation of objective approach in the process of selection.

VI.2. Need to Shift from 'Project' to 'Need based' Support

As has emerged in the text of the paper, development cooperation is an important tool for advancing strategic foreign policy goals. India has yet to evolve mechanisms for ensuring effective use of development cooperation for strategic goals. In the current format, the development cooperation policy rests on two pillars, viz. ITEC fellowships and project based support programmes. During this study, while we were interviewing several experts and practitioners, it has come out very clearly that not only linkages between foreign policy objectives and development cooperation are missing, but the two pillars also do not have any clear linkages. IIDCA should make efforts towards establishing these linkages. There may also be need to bring in other elements of development cooperation like the extension of credit lines by EXIM Bank and activities of various NGOs. The focus should not only be on geographical regions but should also address sectoral priorities, taking due care of Indian expertise and relative strengths. At present, ER and respective divisions are implementing development projects. Once, IIDCA takes off, it may be expected that various measures would be required for implementing integrated frameworks for policy planning and formulation so that gradually India may move from project based approach to sectoral policy based approaches. For example, as of now, India's support for establishing ICT centres in Kenya and Ethiopia are not part of a wider framework for promotion of ICT's linkages with sectoral development across the board. The sine qua non should be to support need based projects as articulated by the recipient countries.

At this point, India is one of the leading economies which has fully automatised customs related operations through indigenously developed packages (recently this was transferred to Mongolia and South Africa) which has contributed in trade facilitation to a great extent.⁷² Now a days several

developing countries are spending millions of dollars for buying ASYCUDA and other packages which are not only expensive, but are also not fitting the exact requirements of developing countries. If there is a central coordinating agency then it may be easier to link up these divergent but correlated requirements which, in any case, India is providing to various countries. It is often observed that project based funding, at best, provides isolated and temporary relief to the recipient and often fails to establish upward linkages for influencing systemic changes. On the basis of long-standing experience of traditional donors, there is a strong rationale in favour of tackling overall governance problems and in appropriate sector policy frameworks rather than focusing on local isolated projects.⁷³ This is a further extension of the long standing argument that aid works only in countries with sound economic management or good governance (World Bank 1998), which largely implies that aid should be allocated by selecting recipient countries according to their policy environment.⁷⁴ The programme-based approach precisely contributes towards building up of such an environment which may sustain several projects and eventually may overcome the need of having externally funded isolated projects.

With this new approach India may also be able to shed off peculiar colonial mindset of importing raw material from other developing countries. India, through development cooperation should help in setting up of units which may contribute in value addition. For example, India is importing Potassium from Senegal in large quantities; possibilities may be explored for supporting construction of fertilizer unit close to the mines so that more local employment may be generated. This may require merging of several small programmes into one broad umbrella programme for development cooperation.

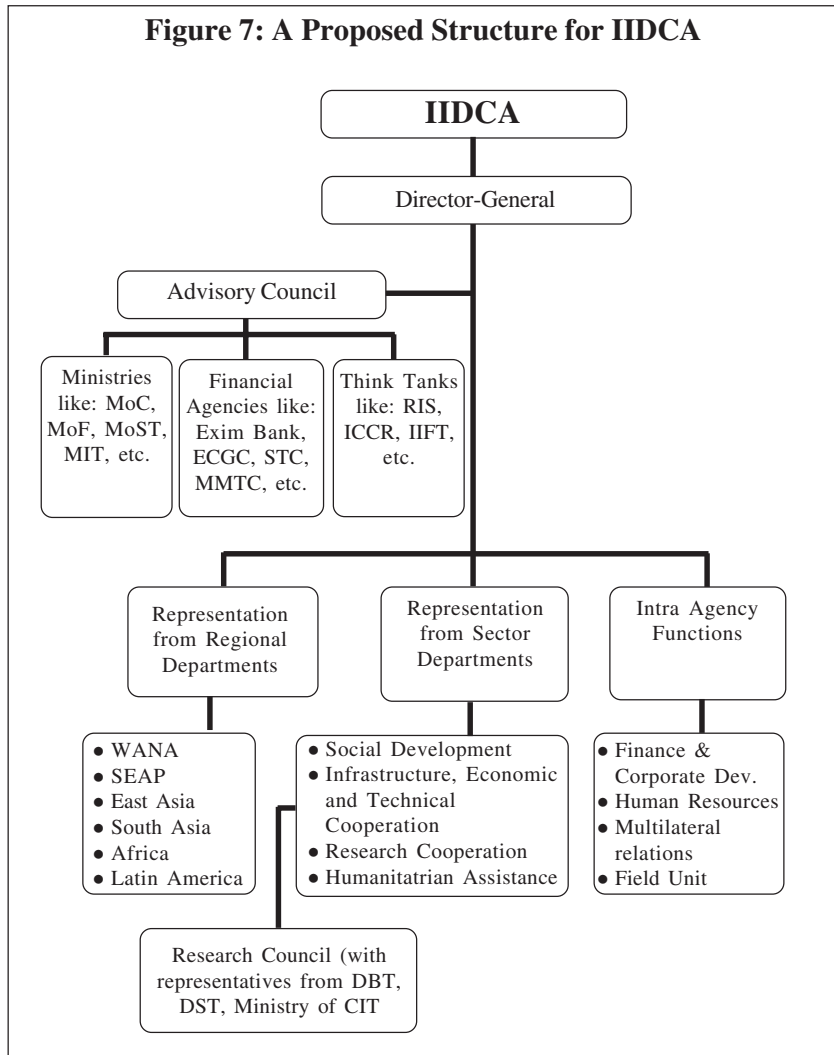
The exercise for identification of strategic goals should be carried out in the light of India's basic philosophy for international cooperation policies. In this context, the MEA would have to come up with a policy statement enumerating such objectives. This may require wide public consultation and detailed debates on international cooperation. An advisory council may also be conceived to consolidate and institutionalize various specialised expertise and view points.

VI.3. Restructuring Institutional Framework

As has been discussed earlier, more and more traditional donors are trying to decentralise operations at the local level. Some of them have succeeded in shifting up to 60 per cent of the staff in the fields. DFID has come up with a business principle, 'closeness to client',⁷⁵ as a part of which, one-half of its staff resources in the 67 overseas offices, which come up with their own Country Assistance Plan (CAP). The CAP comes to headquarters for ensuring cohesion with national strategies and programmes. The new reforms at JAICA have also ensured greater influx to field offices. The Swedish SIDA launched three major decentralisation projects with the idea of finding a balance between an empowered and strengthened field organisation and a supportive organisation at the headquarters so as to create the best possible pre-requisites for fulfilling the development cooperation goals. At present, India already has a highly decentralised development cooperation framework as most of the development cooperation projects are being implemented through various missions and only challenge is to bring them under a broader programmatic framework so as to ensure coherence, synergy and consistency. In order to bring in greater coherence and for setting desired priorities the following structure may be considered.

The IIDCA would have to draw on respective divisional expertise, available within MEA and would also have to draw upon sectoral strengths for various concerned ministries, individual professionals and other specialised agencies. A broad organisational structure is presented in Figure 7. The work of regional departments and sectoral departments would have to be further synergized in what is described in the flowchart as intra-agency coordination. As per the existing division in MEA, the regional departments may cover West Asia and North Africa (WANA), South-east Asia and Pacific (SEAP), East Asia (EA), South Asia (SA) and Africa (South of Sahara). Among the sectoral departments four major areas may be delineated, viz. social development, infrastructure, economic and technical cooperation (largely covering ITEC), research cooperation and humanitarian assistance. Since science based ministries like Department of Science and Technology (DST), Department of Biotechnology (DBT), Ministry Communication, Information Technology and their specialised agencies like Council for Scientific and Industrial Research (CSIR) have strong international

Figure 7: A Proposed Structure for IIDCA



cooperation programmes, their representatives may be engaged through a research council attached with department of research cooperation. There are several Indian NGOs, who have established their credentials, when it comes to humanitarian assistance.⁷⁶ The department on humanitarian assistance should work closely with NGOs. Although several Ministries work very closely with NGOs within India, but there have been no ground

rules clearly defined for engaging NGOs outside India. Some work is required in that direction as well.

In order to avoid a completely top-down approach, there are suggestions to have concerned field units involved when development cooperation programmes for their region is being discussed. The operational linkages between the field offices and the headquarters may be set right from the beginning, with such sophisticated systems that scope for undue systemic delays are completely avoided and a balance is there in foreign policy goals and the desire to have expectations of the recipient countries (as coming from field offices) on board.

VI. 4. Creating Databases on Outgoing Aid

India has a long history of receiving development aid from various countries. In the last couple of years, a detailed and robust database has been created which may help in terms of identifying precise areas of focus at various donor agencies. However, the same is missing when we look into the outgoing development assistance from India. At best, some details are available either in the Annual Reports of MEA or on the respective websites of various Indian missions. There is an urgent need for putting these details together so that analysis of broad trends becomes easier which would help in terms of looking further into the aid effectiveness. This may also be useful for aid recipients as it would bring in the dimension of predictability in the aid flows for instance, SIDA has introduced a regional development programme at Lake Victoria Basin in Kenya with a timeframe of twenty years. This kind of long-term time focus helps in ensuring predictability and transparent assessment.

This would also contribute towards India's wider responsibility and commitment for aid harmonisation and inflow coordination. The incorporation of monitorable indicators would help in terms of assessing the impact of outgoing development assistance. At some stage, the government may also consider bringing in the provisions for external peer reviews for ensuring effectiveness and for that also a database would be an extremely essential starting point. There are several traditional donors who have evolved different mechanisms to have information on outputs and

outcomes like the DFID which has developed Performance Reporting Information System for Management (PRISM). GTZ has established 20 regional sector centers with principles like exchange of experience between field staff and headquarters thematically focused documentation and dissemination of cross sectoral policies.

VI.5. Emerging Economies and Global Public Goods

IIDCA may also play an important role in context of initiatives related to development cooperation programme of emerging economies which may consider engaging themselves in various exercises related to the creation of global public goods. For example, cooperation between Brazil and Cuba could lead to the development of vaccines for meningitis is a case in point. This could provide an option for African economies to buy vaccine for mass immunisation in Africa at cost effective prices.⁷⁷ Similarly, India announced setting up of pan-African e-network for improving connectivity in various parts of Africa. South Africa and Brazil have joined other major economies to support the International Finance Facility for Immunisation (IFFIm), which was established in 2006 to accelerate the availability of funds to be used for health and immunisation programmes through the GAVI Alliance (formerly the Global Alliance for Vaccines and Immunisation) in 70 of the poorest countries around the world.⁷⁸ South Africa has pledged a total of US\$20 million over 20 years and Brazil has announced that it will also pay \$20 million over 20 years.

VI.6. International Placing of IIDCA

Establishing linkages with other developing economies may be equally useful for IIDCA, as over the last few years they have enhanced their allocations for fellow developing countries and have also extended debt relief. These developments have already triggered a major international debate on the aid assistance policies as established by the traditional donors. The group of other developing countries is also not a homogenous unit. If China is a major bilateral donor, most of the assistance of Brazil goes for multilateral institutions. The ODA for most of the countries is a matter of bilateral policy. There are very few DAC donors in whose case multilateral assistance crosses 50 per cent of total ODA extended by them.

There have been debates in India about the utility and relevance of ECOSOC, including on issues like what reforms are exactly needed at the Economic and Social Council (ECOSOC) and who could be the drivers of change. In context of proposed Development Cooperation Forum (DCF), India may consider a clearly defined policy not only about placing support with DCF but also identifying precise work agenda for DCF⁷⁹ and its linkages with IIDCA. The UN led institution, DCF is likely to have greater participation of members where emerging economies may also play an equal role, viz. a viz. others and the institution is also likely to have neutrality in its character. It is important to ensure that instead of posing DCF as an alternative to DAC, India should take lead to tap synergies between the two organisations, particularly in terms of reporting, analysing and publication of development cooperation related details. There are already some efforts to tap strengths of DAC and potential gains from DCF. Special unit for South-South Cooperation in UNDP and OECD/ DAC organized a meeting in February 2005 between DAC and 15 emerging economies to discuss aid efficiency and effectiveness.⁸⁰ Similarly, OECD also launched Global Forum on Development 2008 to improve the dialogue further. During the 2006-09, the Forum would address issues related to architecture and functioning of international development finance system.

ENDNOTES

- ¹ Chahoud (2007); Jobelius (2007).
- ² Naim (2007). In fact in context of China, the author has observed, “what’s behind this sudden Chinese drive to do good around the world? The three short answers are money, access to raw materials and international politics”. In this context, following quote from Perry (2008) is worth noting: ‘If there is a formula for foreign companies operating in Africa’s extractive industries, it has been this: Pay the government millions of dollars for concession rights, dig, pump, pick or chop what you seek; and export. Don’t worry too much about the country or its people. These days, you’ll increasingly have to make some effort to control pollution and balance profits with corporate social responsibility. But many Western multinationals would still balk at demands to create enough jobs in the host country to offset the corruption, inequality and social unrest their operations can sometimes fuel.
- ³ Jobelius (2007).
- ⁴ In 1987, almost \$9 billion in aid was provided by the OECD DAC members for construction projects of which 63 per cent was tied to purchase from the donor countries. See Kumar et. al (1994) for detailed analysis of how overseas operations of design and construction companies from the industrialised countries are extensively

promoted by the home governments through tied aid.
5 Ashoff (2005).
6 For instance, see Price (2005), Kharas (2007), Chaturvedi (2007), Jobelius (2007)
and Agrawal (2007).
7 Budget Speech by the Indian Finance Minister on February 28th 2007 while laying
the 2007-08 Budget in the Parliament announced the establishment of India International
Development Cooperation Agency (IIDCA).
8 Altenburg (2007); Naim (2007); Kharas (2007).
9 Though it is not very clear when flows between developing countries be looked as
‘South-South cooperation’ and when it falls in the category of ‘development assistance’.
10 O’ Keefe (2007).
11 OECD (2005).
12 Kharas (2007) but it is not very clear whether these are stock or flows. Also see
Serageldin (1995).
13 See text of Rome Declaration on Aid Harmonisation (2003) and Paris Declaration on
increasing the Aid effectiveness (2005). India would also have to strengthen
mechanisms for bringing in elements of parliamentary debate for an enhanced
parliamentary accountability.
14 OECD (2006).
15 Manning (2008).
16 ibid.
17 Li (2007).
18 Das et. al. (2008).
19 Manning (2006).
20 ibid
21 OPEC (2007).
22 Incidentally Germany has made efforts to bring down the share of tied aid from 52.6
per cent to 15.4 per cent in 2001. Ashoff (2005).
23 However, O’Keefe (2007) points out that on an average a recipient county use to have
12 donors in 1960s but by 2003-05 they get nearly 33.
24 Ashoff (2005).
25 BMZ (2001).
26 O’ Keefe (2007).
27 Hoebink et.al. (2005)
28 OECD (2005).
29 OECD (2001).
30 ibid.
31 OECD (2001).
32 DAC (2004b).
33 Ashoff (2005).
34 DAC (2002).
35 Government of Japan (2003).
36 MOFA (2007).
37 ibid.
38 DAC (2004a).

40 DAC (2006).
41 ibid.
42 OECD (2005).
43 This programme is based on the new Development Cooperation Act, in which
sustainable economic and social development in line with the principle of environmental
protection is enshrined as the central goal.
44 DAC (2004).
45 DAC (2005).
46 DAC (2003).
47 Nogueira (2008).
48 ibid.
49 Gu (2007).
50 ibid.
51 Jintao (2006).
52 MOF (2003).
53 Iyer (2004).
54 There are studies like Abraham (2007) which have observed that India has not used
this instrument effectively.
55 *The Financial Express*, April 4, 2007.
56 *MINT*, June 14, 2007.
57 The subsequent years of 2005-06 and 2006-07, though show a decline but there is
abnormal increase in category of others like from Rs. 3 billion to Rs. 5 billion in
2006-07.
58 Incidentally, technology cooperation has been one of the strongest areas for
development cooperation. For historical account of this see Banerjee (1982).
59 Annual Report, Ministry of Finance, 2005-06. See Kumar (1987) for an early account
of the programme. In 2007-08 42 institutions offer 200 courses to 4000 students with
different time frames.
60 Personal communication with CII.
61 EXIM Bank, Annual Report 2006-07.
62 Gallart (2008).
63 Sharma (2006).
64 Chin et. al (2007).
65 Fues (2007).
66 *The Economist*, April 7th 2007
67 Srinivasn, G. (2007).
68 Personal communication with various subject experts and practitioners
69 ibid.
70 Discussions are already on to restructure the missions see Rana Kishan S (1997).
71 See Lipton et. Al. (1990) and World Bank (2001).
72 Chaturvedi (2006).
73 Altenburg (2007a).
74 However, the econometric evidence on this are non-conclusive. Dalegaard and Hansen
(2001) observe that claims emphasizing importance of policy environment for the
effectiveness of aid are fragile, since the econometric investigation backing this claim
is strongly data dependent.

- ⁷⁵ DFID has adopted a one point reference book called Blue Book to guide on rules and procedures.
- ⁷⁶ For instance, Ramakrishna Mission bypassed Government support in Nepal during the recent earthquake.
- ⁷⁷ TWN (2006).
- ⁷⁸ IFFIm has been designed By investing the majority of resources up front—”frontloading”—this innovative funding programme will increase significantly the flow of aid to ensure reliable and predictable funding flows for immunisation programmes and health system development during the years up to and including 2015.
- ⁷⁹ See General Assembly Resolution 60/1(2005) and 61/16 (2007).
- ⁸⁰ Das et.al (2008).

REFERENCES

- Abraham, Itty (2007). ‘The Future of Indian Foreign Policy’, *Economic and Political Weekly*, October 20th
- Altenburg, Tilman (2007). ‘Trilateral Development Cooperation with “New Donors”’, *Briefing Paper No.5*, German Development Institute, Bonn
- Altenburg, Tilman (2007a). ‘From Project based Development Cooperation to Policy Reform: Introduction and Main Findings’ in Altenburg (ed.) *From Project to Policy Reform: Experiences of German Development Cooperation*, German Development Institute, Bonn.
- Agrawal, Subhash (2007). ‘Emerging Donors in International Development Assistance: The India Case’, IDRC-CDI, Canada.
- Anshan, Li (2007). ‘Emerging Powers and their Development Policies: Case of China’, presentation made at the workshop on Emerging Powers and their Development Aid Policies organised by SAIIA, 30 October, Johannesburg.
- Ashoff, Guido (2005) ‘Germany’s Development Cooperation Policy since the Early 1990s: Increased Conceptual Ambitions in Times of Severe Financial Constraints’, in Hoebink and Olav (eds) *Perspectives on European Development Cooperation: Policy and Performance of Individual Donor Countries and the EU*, Routledge, London and New York.
- Banerjee, Brojendra Nath (1982). *India’s Aid to Its Neighbouring Countries*, Select Books, New Delhi.
- Braudes, Wolfe (2007). ‘Emerging Powers and their Development Policies: Case of South Africa’, presentation made at the workshop on Emerging Powers and their Development Aid Policies, organized by SAIIA, 30 October, Johannesburg.
- Broadman, Harry G. (2007). *Africa’s Silk Road: China and India’s New Economic Frontier*, The World Bank.
- Chahoud, Tatjana (2007). ‘Talking of Rogue Aid: Mirror, Mirror on the Wall... Moises Naim and the new donors’, *World Economy and Development in Brief*, Issue 3, May-June.
- Chaturvedi, Sachin. (2006). An Evaluation of the Need and Cost of Selected Trade Facilitation Measure in India: Implications for the WTO Negotiations. ARTNeT Working Paper No. 4. Asia-Pacific Research and Training Network on Trade (ARTNeT), United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP), Bangkok.
- Chaturvedi, Sachin (2007). ‘Development Aid Policies: Emerging Experience from India’, presentation made at the conference on, Emerging Powers and their Development Aid Policies, October 29, SAIIA, Johannesburg, South Africa.
- Chaturvedi, Sachin (2008). ‘The Role of Emerging Powers in Development Cooperation: Issues and Future Perspectives’, presentation made at the conference on Reshaping the Global Development Cooperation Architecture: The Role of the Emerging Powers, April 17, InWent and DIE, Bonn, Germany.
- DAC (2002). ‘DAC Peer Review of United States of America’, Development Assistance Committee, OECD, Paris.
- DAC (2003). DAC Peer Review of Ireland, Development Assistance Committee, OECD, Paris.
- DAC (2004). DAC Peer Review of Norway, Development Assistance Committee, OECD, Paris
- DAC (2004a). DAC Peer Review of France, Development Assistance Committee, OECD, Paris
- DAC (2004b). DAC Peer Review of Australia, Development Assistance Committee, OECD, Paris
- DAC (2005). DAC Peer Review of New Zealand, Development Assistance Committee, OECD, Paris.
- DAC (2006). DAC Peer Review of United Kingdom, Development Assistance Committee, OECD, Paris.
- Das, Siba K. Leelananda De Silva and Yiping Zhou (2008). “South-South Development Cooperation: A Major Force on the International Scene”, Background Note for High Level Symposium on, “Result-oriented Development Cooperation: Pursuing National Interests”, January 19th 20th, Cairo.
- Dalgaard Carl-Johan and Henrik Hansen (2001) On Aid, Growth and Good Policies, *Journal of Development Studies*, Vol. 37, No. 6, August.
- DFID (2001). ‘Untying Aid’, DFID Background Briefing, September.
- Fues, Thomas (2007). ‘The Role of Europe and China in the Global Development Architecture’, presentation made at the conference on “Emerging Powers and their role in Global Economic Governance: Impetus for reform”; organised by the South African Institute of International Affairs (SAIIA), 30 October, Johannesburg.
- Fues, Thomas, Li Dongyan and Martina Vatterodt (2007). ‘The Role of the United Nations in the Global Development Architecture: Steps towards Greater Coherence’. Paper presented at the Annual meeting 2007 of the Academic Council on the United Nations Systems (ACUNS), June 6-8, New York City.
- Government of Japan (2003). Japan’s Official Development Assistance Charter, August 29, Ministry of Foreign Affairs Economic Co-operation Bureau, Tokyo
- Gu, Yang (2007). Role of Regional Initiatives in Reshaping the Architecture of Global Economic Governance, paper presented at Emerging Powers and their Role in Global Economic Governance Impetus for reform, conference organised by South African Institute for International Affairs, Johannesburg, October 30th

Hoebink, Paul and Olav Stokke Ed. (2005). "Perspectives on European Development Cooperation: Policy and Performance of Individual Donor Countries and the EU", *Routledge*, London and New York.

Iyer, P Vaidaynathan (2004). 'Chidambaram Shelves Aid Initiative', June 26, available on <http://rediff.co.in/cms/print.jst?docpath=/money/2004/jun/26bud.htm>. Last accessed on July 7, 2008.

Jintao, Hu (2006). "Address at the Opening Ceremony of the Beijing Summit of the Forum on China-Africa Cooperation", November 4. Beijing.

Jobelius, Matthias (2007). 'New Powers for Global Change? Challenges for the International Development Cooperation: The Case of India'. Dialogue on Globalization, *FES Briefing papers* 5, March. FES Berlin. Friedrich Ebert Stiftung.

Kharas, Homi (2007). "Trends and Issues in Development Aid", Wolfensohn Centre for Development, Working Paper 1, November.

Kumar, Nagesh and Sandeep Waslekar (1994). "Developing Countries in the International Division of Labour in Design Engineering and Construction Services: The Case of India", *RIS Occasional Paper No. 45*, RIS, New Delhi

Kumar, Nagesh (1987). 'India's Economic and Technical Cooperation with the Co-developing countries,' in Agrawal et. al. *South-South Economic Cooperation*, Radiant Publishers, New Delhi.

Li, Anshan (2007). "Emerging Powers and their Development Policies: Case Study of China", presentation made at Emerging Powers and their Development Aid Policies, organised by SAIIA at Johannesburg, 29 October 2007.

Lipton, Michael and John Toye (1990). "Does Aid Work in India? A Country Study of the Impact of Official Development Assistance", Routledge, London

Manning, R. (2008). "The DAC as a Central Actor in Development Policy Issues: Experiences over the Past Four Years", *DIE Discussion Paper 7*, German Development Institute.

Manning, R. (2006). "Will Emerging Donors change the Face of International Cooperation?" Lecture delivered at Overseas Development Institute, London, March 9.

MEA (2007). "ITEC: Civilian Training Programme 2007-08", Indian Technical and Economic Cooperation, Ministry of External Affairs, Government of India

MEA Annual Reports: various years, New Delhi Ministry of External Affairs, Government of India.

MOFA (2007). Japan's Official Development Assistance White Paper 2007, Japan's International Cooperation. Ministry of Foreign Affairs, Tokyo.

MOF (2003). 'Finance Ministry to Formulate New Guidelines for Bilateral Aid in Consultation with Development Partners', Press Release, June 6. Ministry of Finance, Government of India. Available on <http://pib.nic.in/archieve/lreleng/lyr2003/rjun2003/06062003/r060620039.html>.

MOF (2007-08). Speech of P. Chidambaram, Minister of Finance, February 28, 2007, Ministry of Finance, Government of India.

MOF (2003-04). Speech of Jaswant Singh, Minister of Finance, February 28, 2003, Ministry of Finance, Government of India.

Molina-Gallart, Nuria (2008). 'Conditionality VS Ownership: A Resolvable Paradox', paper presented at High Level Symposium on "Result-oriented Development Cooperation: Pursuing National Interests", January 19th 20th, Cairo.

Naim, Moises (2007). 'Rogue Aid', *Foreign Policy*, Washington DC, March/April.

Nogueira, Ruy (2008). "Trends in Development Cooperation: South-South and Triangular Cooperation and Aid Effectiveness: The Brazilian Experience", a paper presented at the High-level Symposium at Cairo, 19-20 January.

OECD (2001). The DAC Guidelines Poverty Reduction. Organisation for Economic Cooperation and Development, France.

OECD (2002). Development Cooperation Review: United States, Development Assistance Committee, OECD.

OECD (2003). 'Peer Review: A Tool for Cooperation and Change'. *OECD Policy Brief*, December.

OECD (2005). "Managing Aid: Practices of DAC Member Countries", Development Assistance Committee, OECD, Paris.

OECD (2007). *OECD Journal on Development*. Development Co-operation Report 2006. OECD, Paris.

O'Keefe, Joseph (2007). "Aid – From Consensus to Competition?", paper presented at 'Global Impact: Philanthropy Changing Development', Brookings Blum Roundtable Agenda, August 3, Friday.

OPEC (2007). "OFID to Scale up Assistance Delivery, 2008-2010", Address delivered by the Director-General, November 22, Vienna, Austria.

Parthasarathi, Ashok (2000). "India's Experience with TCDC". *Cooperation South*, Number 1, UNDP, New York.

Perr, Alex (2008). 'Global Business', *Time*, May 26.

Price, Gareth (2005). 'Diversity in Donorship: The Changing Landscape of Official Humanitarian Aid: India's Official Aid Programme'. *Humanitarian Policy Group Background paper*, ODI, UK, September.

Price, Gareth (2004). 'India's Aid Dynamics: From Recipient to Donor?', *Asia Programme Working Paper*, September. Chatham House, UK.

Rana, Kishan S (1997). 'Promoting India's Economic Objectives Abroad: The Main Tasks Ahead,' in Lalit Mansingh et.al., in *Indian Foreign Policy Agenda for the 21st Century - Volume-I*, Foreign Service Institute and Konark Publishers, New Delhi.

Saravia, E. (2007). 'Emerging Powers and their Development Policies: Case of Brazil', presentation made at the workshop on Emerging Powers and their Development Aid Policies organised by SAIIA, 29 October, Johannesburg.

Serageldin, Ismail (1995). "Nurturing Development: Aid and Cooperation in Today's Changing World", World Bank, Washington D.C.

Sharma, Shantanu Nandan (2006). 'India Finally Agrees to Paris Declaration on Aid', *Economic Times*, December 3.

Srinivasan, G. (2007). 'Ministry Keen to Create Agency for Providing Development Aid', *Hindu Business Line*, December 31.

TWN (2006). "Cuba: Conquering Vaccines - and their Markets". *TWN Info Service on Health Issues (December 06/06)*. Third World Network.

World Bank (2001). "India: The Challenges of Development – A Country Assistance Evaluation", World Bank Operation Evaluation Department, Washington D.C.

World Bank (1998). 'Assessing Aid: What Works, What doesn't and Why', Washington, DC: The World Bank.

RIS DISCUSSION PAPERS

Available at http://www.ris.org.in/risdiscussion_papers.html

- DP#138-2008 *Rise of BICS and the World Economy: Implications of India's Recent Expansion on Developing Countries* by S K Mohanty
- DP#137-2008 *BICS as Sources of Investment and Appropriate Technology: Case Study of India* by Sachin Chaturvedi
- DP#136-2008 *Potential of Asian Economic Integration: A Perspective from the Strategy of Japanese Enterprises* by Tetsuji Kawamura
- DP#135-2008 *East Asian Infrastructure Development in a Comparative Global Perspective: An Analysis of RIS Infrastructure Index* by Nagesh Kumar and Prabir De
- DP#134-2008 *India-Africa Economic Partnership: Trends and Prospects* by S. K. Mohanty and Sachin Chaturvedi
- DP#133-2008 *Towards An Asian "Bretton Woods" for Restructuring of the Regional Financial Architecture* by Ramgopal Agarwala
- DP#132-2008 *The WTO's Doha Negotiations: An Assessment* by Bhagirath Lal Das
- DP#131-2007 *Regional Cooperation and Integration Prospects in Asia* by Rajat Nag
- DP#130-2007 *Deepening India-Bangladesh Economic Cooperation: Challenges and Opportunities* by Prabir De and Biswa N. Bhattacharyay
- DP#129-2007 *Intellectual Property Regime, Indigenous Knowledge System and Access and Benefit Sharing: Drawing Lessons from Kani Case* by Sachin Chaturvedi
- DP#128-2007 *WTO and Trade in Electronically Delivered Software (EDS): Emerging Challenges and Policy Options - An Indian Perspective* by Sachin Chaturvedi and S. K. Mohanty
- DP#127-2007 *Economy: Recent Evolution and New Perspectives for South-South Cooperation* by Maria Lúcia L.M. Pádua Lima
- DP#126-2007 *Welfare Gains from Regional Economic Integration in Asia: ASEAN+3 or EAS* by S.K. Mohanty and Sanjib Pohit
- DP#125-2007 *Investment Provisions in Regional Trading Arrangements in Asia: Relevance, Emerging Trends, and Policy Implications* by Nagesh Kumar
- DP#124-2007 *Indian Innovation Systems and Emergence of Biopharmaceutical Sector: Issues and Prospects* by Sachin Chaturvedi

- DP#123-2007 *Regional Economic Integration, Foreign Direct Investment and Efficiency-Seeking Industrial Restructuring in Asia: The Case of India* by Nagesh Kumar
- DP# 122-2007 *Community-based Rights and IPR Regime: Revisiting the Debate* by Srividhya Ragavan and Jamie Mayer
- DP#121-2007 *India's Rising Role in Asia* by Mukul G. Asher
- DP#120-2007 *Relevance of 'Policy Space' for Development: Implications for Multilateral Trade Negotiations* by Nagesh Kumar and Kevin P. Gallagher
- DP#119-2007 *India-Sri Lanka Bilateral Free Trade Agreement: Six Years Performance and Beyond* by Saman Kelegama and Indra Nath Mukherji
- DP#118-2007 *Trade Facilitation Measures in South Asian FTAs: An Overview of Initiatives and Policy Approaches* by Sachin Chaturvedi
- DP#117-2006 *Emerging Multinationals: Trends, Patterns and Determinants of Outward Investment by Indian Enterprises* by Nagesh Kumar
- DP#116-2006 *Addressing Global Growth Asymmetries through Regional Trade Integration: Some Explorations* by Ram Upendra Das and Ramaa Sambamurty.
- DP#115-2006 *Trade Facilitation and Customs Valuations in India : Identifying the Gaps* by Sachin Chaturvedi
- DP#114-2006 *India's Regional Trading Arrangements* by Rajesh Mehta and S. Narayanan
- DP#113-2006 *FDI and Spillover Effects in the Indian Pharmaceutical Industry* by Annika Bergman
- DP#112-2006 *Regional Cooperation for Asian Energy Security* by Vipul Tuli
- DP#111-2006 *Demographic Complementarities and Outsourcing: Implications and Challenges for India* by Mukul G. Asher and Amarendu Nandy
- DP#110-2006 *Reinventing UNCTAD: Some Proposals for the UNCTAD Mid-term Review* by Muchkund Dubey
- DP#109-2006 *Trade Facilitation Priorities in India and Commitments at WTO: An Overview of Current Trends* by Sachin Chaturvedi
- DP#108-2006 *Towards Comprehensive Economic Co-operation between India and Central Asian Republics* by Dr. Ramgopal Agarwala