



**INDIA’S APPROACH TO DEVELOPMENT PARTNERSHIP:
From Recipient to Donor**

‘A Society that cannot help many who are poor cannot save the few who are rich’--John Kennedy

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Developing countries have often tended to accept uncritically the proposition-typically advanced by developed country economists, taught in all university development courses, and supported by reference to success cases like Taiwan, Israel and South Korea- that aid is crucial and essential ingredient not only as a transfer of productive power but also an ‘Engine of Growth’.

The phenomenal success of the famous Marshal-plan in the late 1940’s and 1950’s led many to believe that Foreign Aid to Less Developed Countries (LDCs) / developing countries would permit their spectacular transformation. The belief had two intellectual underpinnings. The first was Harrod-Domar model (1948), which extended the Keynesian emphasis on investment to include its capacity increasing effects. The Second was the Colin Clark’s (1950) emphasis on physical capital and the view that the shortage of capital largely accounted for poverty of developing countries.

LDCs / Developing countries, are mostly, caught in the vortex of what is known as ‘Vicious Circle of Poverty’ in which poverty begets poverty. Colin Clark’s scheme divided the world into those countries which had excess savings and those with deficient saving capacities.

Arthur Lewis (1955) spoke of the need to transform developing nations from low to high saving societies, Rostow (1960) in his “The stages of Economic Growth” wrote that take-off would be achieved by increasing the share of investment in national income from 5 to 10 percent.

Inspired by the above theories of Growth, the economists worked out formal foreign/external aid models which were based on the crucial role of capital in the development process and aim at transforming the economies structurally, supplement scarce domestic resources and contribute in the achievement of the LDCs/ developing countries’ take-offs into self-sustaining economic growth by the recipients at some target rate of increase in output per capita. These theories are known as Saving-Investment Gap approach, Foreign Exchange Gap approach and Capital-Absorption approach.

More importantly, these theories provided an analytical framework for ascertaining the quantum and timing of aid and the policies which the aid-recipients must follow to achieve the desired rate of growth. History is replete with examples of countries benefitting immensely through resource inflows. Some have put much aid to good use: others have done less well. Some recipient Governments have learnt faster than others to create an efficient policy framework for aid. Aid has worked badly in Africa, better in South-Africa, played a significant role in Latin America, and made rapid strides in India and have helped to lay the foundation for their growth.

India’s encounter with Foreign Aid /External Assistance firstly as recipient and now as a donor is believed to contain useful lessons for aid to other countries. Donors and Recipients have a long way to go in ensuring that the fruits of development reach the needy. Many problems now arising in aid to the



developing countries, have already been successfully met in India and the country is no longer living on others' charity and evolved a model which symbolises the spirit of a proud and resurgent India, trying to seek an identity as an emerging economic power. It is anticipated that by 2024, the Indian Economy would surpass \$ 5 trillion Economy. India's refusal to accept financial assistance during the Asian tsunami in 2004, Kashmiri earthquake in 2005, the destructions caused by severe monsoons in Mumbai in 2006, exemplifies the statement of what Swami Vivekananda had said "you must not depend on any foreign help, nations like individuals must help themselves". It is heartening to note that, in the last three years, unlike in the past; Government has not borrowed \$ 1 from the World Bank (Morgan Stanley Research).

As is well known, between 1951 and 1992, India received massive doses of foreign aid extending up to \$ 5 billion. India was a largest recipient of foreign aid in 1980's and was a star patient of the World Bank. No other country in the world received so much of aid as India did.

On the eve of India's independence, not more than 40 people could be fed in a wedding house, but today money is the only limit to the number of people that could be fed in a wedding. 'Too much money chasing too few goods. During the early years of planning, the country was producing only 10 million tonnes of food-grains and was the largest importer of food aid under PL-480 programme and the country was branded as a nation living from 'Ship-to-Mouth' existence. Thanks to Green Revolution, which facilitated in producing more than 290 million tonnes of food grains, and the Food Security Act of India is a novel social protection programme of the Union Government where 68% of the population have legal entitlements for food. We have moved towards Gandhiji's dream of making India a "Hunger Free India" by demonstrating "Food is the Pathway to Peace". The country thus transited itself into a booming economy creating a 'Paradox of Plenty'.

From being one of world's largest recipients of foreign aid up till 1992, the country has transformed itself as a net donor to its neighbours and beyond. In other words, from being a chronic beneficiary to significant provider of Development Co-operation. Sharing of India's experience, expertise and resources with other developing countries, our policy makers call these activities as "Development Partnership".

Our aid policy which is an effective foreign policy can be explained in terms of a democratic nation attempting to aid its less fortunate neighbouring and some other developing countries, achieve and observe democratic principles in the region, raise growth potential to the desired level, alleviation of socio-economic conditions, improving the welfare of women and children, promoting environmentally sustainable development and raising levels of living for the masses. This approach is seen as stemming from either a sense of noblesse oblige or a sense of genuine humanitarian 'Goodwill Gesture' which in the long run serve India's strategic and security interests.

Opportunities have now opened up for India through economic diplomacy especially in the light of its huge requirements for energy, growing financial resources and increasingly global ambitions.

The aid programme in India began in 1950s focussing initially to its immediate Asian neighbours and later expanding to other countries particularly Africa. India has always been a keen participant in multi-lateral groupings, including the Common Wealth, G-77, NAM and many other developing country blocks. The country also advocated and strengthened United Nations played a pivotal role in W.T.O



negotiations and leveraged for the sanctity of International law. As a result, India has occupied a significant position in the 'South-South Co-operation' with its leadership and advocacy for the development discourse and knowledge generation.

Notably, in 2003, India emerged as a net creditor to IMF and the World Food Programme, after been a borrower from these organisations for a number of years. By 2007 the celebratory mood was captured in a popular phrase 'the rise of the rest'.

How is India's Development Co-operation different from Official Development Assistance (ODA)? ODA is a commitment by developed countries, members of OECD to extend development assistance to developing countries up to 0.7% of their G.D.P and follow monetarist principles.

The External Assistance which India extends to developing countries is untied and voluntary in nature and follows closely the philosophy of structuralisms. It is demand-driven and does not attach any conditionalities. It does not substitute or supplant but only supplements North-South Co-operation.

Unlike ODA levels, which have remained static or even declined, due to 'Donor Fatigue' and 'Lack Lustre Response' by recipients, India supports and responds directly to national priorities and common development objectives of partner countries.

Current Indian Development activities include bilateral loans and grants, Line of Credit (LOC), Indian Technical and Economic Cooperation (ITEC) and Capacity Building Training Programmes. Focussing on how India has been playing an important role in support of development efforts of the partner countries, a number of new initiatives have been envisaged, heralding an era of true renaissance based on its wisdom and experience. To name a few: the Pan-Africa e-network initiated by late Dr.Abdul Kalam(2007), Development Partnership Administration (2012), Act East Policy (2014), Neighbourhood First Policy in India,(2015)(Security and Growth of all in the Region), Act Far East Policy (2019), Agency for Partnership in Development (2019), Triangular Co-operation with few Western Partners and U.N.Agencies(2017).

Development Partnership Administration has been consolidating its efforts to sharpen policies in several areas by co-ordinating bilateral development, co-operation and managing Loans, Grants, Line of Credit(LOC),Indian Technical and Economic Co-operation (ITEC) programmes: aid effectiveness, choice of sectors for assistance, setting modalities for accountability and so on.

India's development partnership extended to countries saw both continuity and expansion, over the last decade, rising from Rs.1,822 crores in 2008-09 to Rs.7, 517 crores in 2019-20. Number of LOCs increased from 195 in 2013-14 to 278 in 2018-19 in 63 countries. Most of them in Africa and Asia.

The curve below shows fluctuations in the foreign grants and loans which is 0.3% of the country's overall budget. From a high of 0.49% in 2015-16, it dropped to a low of 0.27% in 2017-19 and rose slightly to 0.33% in 2019-20 budget.



Share of foreign grants and loans in India's overall budget



Source: MEA reports

Largest Aid Recipient Countries

2019-20	2018-19	Largest aid recipients over the last decade (Incrores)
Bhutan 2,802	Bhutan`2,510	Bhutan 32,280
Mauritius 1,100	Nepal 1,100	Afghanistan 4,855
Nepal 1,050	Mauritius 660	Nepal 4,156
Maldives 576	Afghanistan 470	Mauritius 2,520
Africa 450	Maldives 440	Africa 2,368
Myanmar 400	Myanmar 370	Sri lanka 2,317
Afghanistan 400	Africa 330	Maldives 1,787
Source: The Business Standard		

Bhutan has remained the biggest beneficiary-by amount and share- of India's financial assistance for the past 17 years, but over the last 9 years, Afghanistan has made it to a distant second, preferred over traditional recipients Nepal and Bangladesh.



Despite our strained relations with China, China was the largest recipient of COVID aid from India totalling up to Rs.6.1 Crores during 2019. To allocate and disburse aid to our extended neighbours such as Seychelles and Mauritius, changes in the standard and new patterns of aid are being evolved.

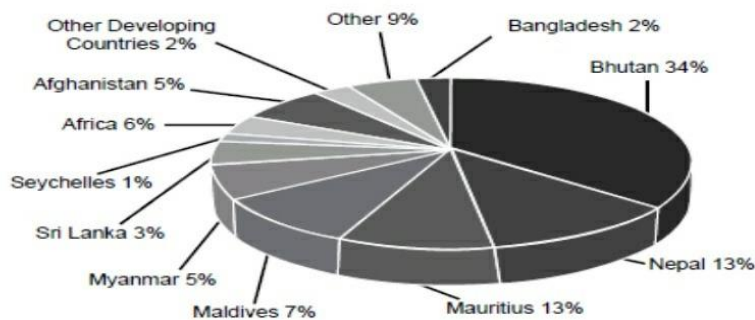
African countries are also significant beneficiaries. India’s aid has grown 57 times between 2000-01 to 2016-17 rising 4.38 percentage points over the same period. Prime Minister Modi in his address to the African Countries in 2018 had said “Africa will be at the top of our priorities. We will build as much local capacity and create as much local opportunities as possible.” Apart from this, an extraordinary and novel gesture of Modi was the gifting of 200 cows to a farm in Rwanda.

The ITEC programmes, fully-funded by the Government of India, and its corollary SCAAP (Special Common Wealth African Assistance Programme), 158 countries are invited to share the country’s experience in various fields.

Technical Co-operation continues to account for India’s bulk of foreign assistance. In 2019-20, India spent an amount of Rs.842 crores on technical co-operation activities.

The largest allocation in the Ministry’s budget is for Technical and Economic Cooperation (TEC) with foreign countries through assistance as grants and loans. In FY 2019-20, of the total budget of Rs. 17,884.75 crores, the TEC outlay is 45.71% or Rs.

8175.79 crores, of which Rs. 7333.79 crores (41%) is for grant programmes and Rs. 842 crores (4.7 %) is for loans. The head-wise distribution of the TEC outlay in FY 2019-20 is given below:



MEA Reports

By placing highly qualitative factors such as improved technology, machinery, qualified technicians, civilian and military training, feasibility studies, consultancy services and aid for disaster relief, have proved to have beneficial impact on the recipients’ by, what Roy Harrod called ‘fertilising the productivity of common labour’.

Over the years the various programmes of the Ministry of External Affairs (MEAs), has generated immense good will and substantive co-operation among the developing countries and has shown to the world India’s competence, ingenuity and the ability to perform.

It is essential to mention a few critical challenges encountered in the aid implementation. Some of them being:



- India's concern to secure its vast coast lines
- Growing rivalry with China
- Desire to act as powerful, self-reliant and responsible in international politics forces it to increase the volume of aid.
- Maintain transparency and fiscal integrity to ensure that the funds allocated are not diverted for illegitimate purposes.

To attain flexibility approach for the optimum utilisation of aid and to make aid programme effective, a progressive policy is required to counter the recurrence of old and new challenges. Government needs to energise possibilities and to make sure that partner countries are on equal footing- “Promoting Partnership among Equals” – No undue domination by one partner over another.

Special emphasis needs to be paid to boost already existing Small Development Projects (SDPs) which would result in lucrative socio-economic benefits in the long run. India as a donor needs to strengthen its capacity to understand the institutional, political and social environment in which aid activities are set. Aid should not cause distortions in its consumption, production and resource allocation.

Aid involves a learning process albeit a slow one. There are many areas where today's aid is likely to be more effective than yesterdays, because past failures and successes have been assimilated.

Good governance, a change in the mind set, hard work and creativity in making the aid process work for an inclusive and sustainable economic development and to address a variety of transnational problems including the present pandemic induced gloom, terrorism and other crimes and destruction of the environment, and to a future in which no country will depend on aid should be emphasised upon. Utmost care has to be exercised to ensure that such activity by India will not intrude into the sovereignty of the borrowing countries. A recipient country ought to ensure that aid is used in conformity with its social and economic objectives.

India being spiritually an affluent country always believed, that, when good things happen, we must share with others and serve. Doing service to mankind through aid or otherwise, would bring the best in us. It helps to refine the country's good qualities, develop compassion, become stronger and confident and make this world a far peaceful and better place to live. We have human resources, administrative skills, abilities and development experience to move forward, that is precisely what India practises and this is our inspiration.

- Where there is no aid, there is no Economic Development
- Where there is no Economic Development, there is no Peace,
- Where there is no Peace, there is no Abundant Life.

Ikeda, Prime Minister of Japan

References

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