



Indian Development Cooperation: A Theoretical and Institutional Framework

India's development cooperation efforts began much before the country attained its Independence in 1947. India constantly engaged with freedom struggles of fellow developing countries and supported it with intellectual and material resources. Indeed, the first recorded instance was somewhat earlier, dating from the pre-independence interim government formed in September 1946, when a fellowship programme for trainees from China and Indonesia was first established. Since independence in 1947, India's 'one world' philosophy and historical support for anti-colonial movements, particularly in Africa, shaped its foreign policy and defined the broad contours of economic diplomacy and development cooperation. India has preferred synergistic modalities of engagement, in keeping with the fundamental 'development compact' framework and the largely project-oriented 'mission approach'.

The 'one world' philosophy is so distinct from that of 'traditional' Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD-DAC) donors, that they might suggest a lack of continuity between India's experiences as a donor and as an aid recipient. Few mechanisms seem to demonstrate the lessons gleaned from the latter; India did take part in triangular cooperation with DAC donors in the 1950s and 1960s, but such projects thereafter disappeared from the scene. India worked very hard in multilateral forums to forge an international consensus on the principle that developed countries had an obligation to support development in their former colonies and in newly-emerging countries, not as charity or

a dole-out to the poor but rather as a partnership for peace and prosperity. It is for this reason that India has never accepted the donor-recipient relationship that has come to characterise Official Development Assistance (ODA) in general; instead it has hewed to the idea of development partnership, whether for North-South or South-South cooperation.

Since early years of India's independence capacity-building formed the cornerstone of its cooperation as it realised the need of training and skill-building for fellow developing and newly-decolonised nations, India addressed this challenge by launching fellowship programmes which have now reached an impressive figure of 15000 per year in 2015, starting with a small number of nine scholarships just after the independence. In 1964, these scholarships were formalised to be a part of The Indian Technical and Economic Cooperation Programme (ITEC). At present, under ITEC, India engages with 161 countries through 52 institutions which cover more than 250 courses. It is necessary for developing countries to work together towards an equitable, inclusive, and balanced world order. ITEC capacity development programme may be claimed to have enabled the Southern countries to negotiate and compete more effectively at the global level. Today, ITEC still anchors the whole of Indian South-South Cooperation (SSC) agenda. However, India has come a long way in its efforts of development cooperation. At present, apart from capacity-building, India's development cooperation is manifested through its 'development compact'

on five components: capacity-building and skills transfer, technology and technical assistance, development finance (which includes concessional loans and lines of credit), grants, and trade and investment (which also include credit lines).

This policy brief would inform its readers as to how Indian cooperation has evolved along a parallel track with its recipient experience and, how over time, India has shaped a new understanding of donor and recipient as mutual beneficiaries and equal partners. The evolution of the Indian development cooperation is best understood through gradual progression, starting with the structuralist foundations of India's development cooperation followed by understanding of India's 'Mission Approach' and the 'Development Compact'.

Theoretical Framework for India's Development Cooperation: A Structuralist Foundation

India has formally engaged with development cooperation since the 1960s, and its policies towards specific sectors have evolved significantly over the last five and a half decades. India has a clear vision of the potential for mutual gain in sharing prosperity with fellow developing countries. Towards this end, it seems appropriate to link India's development cooperation approach with existing paradigms of economic thought, to improve its robustness, continuity, and consistency, on the one hand and make it more appealing, acceptable, and relevant for its partners, on the other. Such an approach would also provide a basis for empirical validation of its philosophy of development cooperation. India shares the structuralist view that macroeconomic management should address supply constraints. In developing countries, such constraints persist in agriculture, manufacturing, services, infrastructure, and several social sectors. Individual countries have sector-specific requirements, and therefore it is sector-specific, demand-driven needs that India must address according to its capacity to support. Much of the current literature has consequently focused on assistance volumes of India's development cooperation across different sectors (see e.g. Chaturvedi 2012; Fuchs and Vadlamannati 2013).

The structuralist approach emphasises income redistribution in the recipient economy as an important condition for growth. India's cooperation has been aimed to create income in specific locales, through small projects that may generate local employment. Employing 'appropriate technology' in these projects leads to gainful jobs for local populations. Many of these projects occur in the social sector and other productive sectors, such as agriculture, industrialisation, and services.

From the structuralist perspective, imposing conditionality does little to influence the growth prospects

of a programme country. According to structuralists, a certain level of inflation is a natural phenomenon in developing countries, which tend to experience long-term supply bottlenecks. Since the structuralist framework sees convergence between inflation and development as a long-term policy objective, it imposes no strict adherence to conditionality. Though this approach is too simplified to address short-term imbalances in the economy, it has long-term implications for allowing macroeconomic stability to go hand-in-hand with economic growth. Therefore, India's current practice — development cooperation programmes without conditionality — is very much consistent with the structuralist approach.

Furthermore, India's external economic engagements and integration strategies provide an important backdrop for analysing its development cooperation. India has adopted a multi-pronged strategy, connecting with these recipient countries through trade and investment as well as cooperation policies. In order to enhance mutual gains, India seeks to bolster trade activities with improved bilateral cooperation, and further engagement with partner countries through free-trade agreements. Other trade engagement enhancements include improved trade financing, lines of credit, and easier terms for bilateral cooperation (Chaturvedi 2013). The engagement in trade cooperation differs from one emerging country to another, and further demonstrates assumptions closer to the structuralist position than the monetarist one. For example, China finances infrastructure projects in recipient countries, but uses barter-trade in settling loans with these countries. Instead of recovering loan elements in monetary terms, China prefers to accept equivalent amounts in goods such as minerals.

India's Objective and SSC

India's development assistance programme has the twin objectives of (a) mitigating poverty and (b) revitalising economic growth in recipient countries. This is unlike the Heavily Indebted Poor Countries (HIPC) initiatives of the Bretton Woods Institutions (BWIs) and industrialised countries, which focused on debt relief to poor countries. This type of programme aims to terminate their debt burden and alleviate poverty, but may not prove effective enough to boost economic development (Chaturvedi 2015). Like other emerging countries, India emphasises on poverty alleviation as a means to achieve long-term growth. India's development cooperation, we would argue, therefore, prioritises the resumption and sustainability of Southern growth.

Apart from India being the staunch proponent of SSC, other developing economies like China and Brazil have also grown at a rapid pace in the past few years, with a consequent multiplication of SSC volumes. The

Task Team on South-South Cooperation, supported by the OECD-DAC, has signalled the end of the era of one-way cooperation, as countries of the South engage in collaborative learning models and share innovative, adaptable, and cost-efficient solutions for development. The Task Team also mentioned that new arrangements among Southern countries have revolutionised the delivery and administration of assistance in socially relevant sectors, including health (TT-SSC 2011).

Mission Approach and Development Compact

As mentioned before, India's approach to development cooperation has distinct characteristics of its own. Its theoretical underpinnings strongly reflect its experience as an aid recipient, and have stressed 'win-win' partnerships that embody shared challenges but distinct national priorities. As mentioned earlier, India's mission centres on empowering developing countries and supporting them in efforts to come out of deprivation and engage in long-term, sustained development. This long-term development cooperation strategy has often been referred to as the 'mission approach' (Mohanty 2015). Conceptually, the mission approach aims to identify a set of growth drivers that support partner development efforts, setting them on a high-growth path. Technically, an understanding of economic conditions (based on macroeconomic paradigms) in partner countries would help identify these economic drivers and key growth sectors. This might also help in devising a 'road map' for providing consistent and predictable resources to selected areas, without conditionality and in the spirit of the 'partnership' principle.

Some of the salient features of the 'Mission Approach' draw from various past Indian initiatives to support developing countries in securing independence, in their post-independence reconstruction efforts, and their specific attempts to resume steady progress during Plan periods (Chaturvedi 2015; Mohanty 2015). For example, India has been engaged with Bhutan since 1955 and began extending yearly financial support to that country in 1960. In 1972, India also supported the establishment of two industrial estates, namely Nepalganj and Dharan, in Nepal and provided financial support to promote Nepalese cottage industries between 1968 and 1973. As a follow up action, India also agreed to fully support these countries' national five-year plans (Chaturvedi 2015). The 'mission' thus looks beyond debt servicing and undoubtedly, faces challenges in constantly raising resource flows – a pressing issue for Indian development cooperation in its present form.

In this context, we should address the prevalent understanding of other dominant approaches to development cooperation. Japanese economist T. Yanagihara has evolved a comparative analysis to distinguish different cooperation

modes. He identifies two broad types of engagement, the 'framework' approach and the 'ingredient' approach. According to his definition, the framework approach represents the 'rules of the game': economic agents make decisions and take action in a given economy, itself conceived in terms of the functions of institutions and mechanisms, thereby underscore the need to enforce conditionalities. By contrast, the ingredient approach refers to tangible organisational units such as enterprises, official bureaus, and industrial projects, along with their aggregations in industries, sectors, and regions. Wonhyuk Lim ascribed the framework approach to North-South engagements and the ingredient approach to South-South ones (Lim 2012).

India's 'mission approach' differs distinctly from the 'framework approach,' but it has some elements similar to those of the 'ingredient approach'. It favours defining development cooperation as demand-driven, impelled by aid-recipient requests and needs. In this view, development cooperation should adopt sectoral-support programmes, based on specific projects, rather than providing broader budgetary support. These projects may not be highly capital-intensive in nature, but should cover several desired sectors, depending upon the request of the partner country. These projects should also aim at improving supply conditions in these countries. The mission approach thus emphasizes sectors such as agriculture and manufacturing, which create large forward and backward linkages in the partner country (Mohanty 2015).

With the detailing of delivery modalities at the practical level, the broad goals of the 'mission approach' dovetail with what Chaturvedi terms the 'development compact'. As mentioned earlier, this 'compact' rests on five action pillars: capacity-building and skills transfer, concessional finance (further divided into grants and lines of credit), preferential trade, investment, and technical cooperation. It implicitly depends on the principle of 'equitable accesses to trade, investment, and technology in SSC initiatives. India's deployment of a broad portfolio of modalities allows for flexibility that makes it much more attractive and appropriate for partner countries in the South. As Chaturvedi (2015) argues, India and other emerging (BRIC) donors have a broader concept of aid that goes beyond giving hand-outs, and generates economic activities in the recipient country. Significantly, this 'compact' rests solidly on the concept of mutual gain. 'Development Compact' is, therefore, something less than the articulated policies of the DAC members, but more than a string of unrelated aid programmes, and intimately related to broader economic strategies of the recipient country.

In short, we can see the 'mission approach' as articulating the broad theoretical basis of Indian development cooperation, while the 'development compact' represents the broad strategies flowing from that approach.

Conclusion

Despite the progress, India has a long way to go towards confirming a self-contained policy framework for development cooperation. India's programme requires further restructuring as it enters a new proactive phase of dialogue with developing countries. This is evident from India's increased engagement with partner countries, backed by the aim of playing a larger global role in promoting Southern development. Unlike many industrialised countries that possess a separate Ministry for Development Cooperation, India has evolved a consolidated department, Development Partnership Administration (DPA), within the Ministry of External Affairs (MEA) to oversee its cooperation initiatives in a coordinated manner. India also lacks any evaluation mechanism for its cooperation programmes (notably, for gauging long-term ITEC effectiveness) and may well need to develop one specific to its experiences and aims. As resources and coverage of programmes have risen rapidly in recent years, the DPA has also consolidated its efforts to sharpen policies in several areas: choice of sectors for assistance, setting modalities for accountability, evaluation methodology and so on. To make suitable changes in these areas, India should collaborate with and learn from other donor countries; at the same time, the Indian core mission remains unchanged — empowering developing countries under the SSC umbrella, continuing to play the role of a 'partner' as opposed to 'donor' in development assistance initiatives.

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Forum for Indian Development Cooperation

The Forum for Indian Development Cooperation (FIDC) is a platform launched to explore various facets of Indian development cooperation policy with its partner countries. The objective is to encourage debate and analytical research on all the broad constituents of India's development partnership spectrum in order to bolster policy making process in this field of critical importance. Thrust of the forum would be to substantially contribute in facilitating an informed debate on policy framework of India and other developing countries.

The FIDC would also try to follow broad trends in South-South cooperation and analyse contributions and impact of Indian policies. The Forum will establish dialogue with the relevant government agencies and academia with a focus on South-South cooperation. The FIDC would also establish linkages and dialogue with international agencies, experts from the partner countries and advanced countries with a view to meet its comprehensive multi-faceted objectives. The FIDC is housed in RIS, New Delhi.

Strengthening Indian development cooperation policy towards promoting greater South-South cooperation



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