

# INDIA'S DEVELOPMENT COOPERATION: Case of Four Countries



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## India's Development Cooperation: Case of Four Countries

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## Preface

India has historically played an important role as a development partner to other developing and least developed countries. Despite facing huge developmental challenges post-independence, it sought to establish development partnerships across the global South; it was one of the principle architects of the Colombo Plan of 1950 and also established the ITEC in 1964 to facilitate technical and economic exchanges. India's development assistance has always been articulated within the ambit of South-South Cooperation (SSC) which professes respect for national sovereignty and ownership, commitment to non-conditionality and non-interference in domestic affairs, and promotion of equal partnerships and mutual benefit.

Over the past decade, India's development assistance has gained a lot of prominence as it continues to expand significantly in both reach and volume, owing to India's spectacular economic rise and renewed geopolitical importance. Traditional forms of technical cooperation and training are being increasingly supplemented by grant assistance, technical consultancy, disaster relief, humanitarian aid, educational scholarships, lines of credit, and capacity building programmes across Asia, Latin America, Eastern Europe and Africa.

However, domestic interest and conversations surrounding Indian aid have not been reflective of its growing magnitude and global relevance. Since development cooperation is an integral component of India's foreign policy, which is considered as the sole prerogative of the Executive, civil society has largely remained disengaged or excluded from these discussions. But the Development Partnership Assistance and subsequently, the Forum for Indian Development Cooperation have taken commendable initiatives towards opening up this space and fostering a consultative approach on India's development cooperation policies. It is crucial for civil society, in turn, to engage extensively with such platforms and contribute to these discourses.

In this scenario, VANI has attempted to inform and capacitate Indian voluntary organisations on India's global footprints and thus, facilitate their engagement with the larger development paradigm. While an earlier study examined the modalities and implications of India's rising international presence through bilateral relationships and multilateral forums, the present study takes a closer look at India's development

cooperation with vital Southern partners such as Bhutan, Nepal, Indonesia and Cambodia. India has abiding relationships with all four countries and has further intensified its bilateral economic and political relations with them in recent years. The report captures the contours of India's official development assistance to them, probes its strengths and shortcomings, and posits learnings for future action.

Specifically, the report aims to address the lacuna that exists in examining the strategic motives for India's development partnerships as well as in analysing the socio-economic impacts of projects undertaken with India's assistance, in the context of these countries.

I would like to thank Ms. Divita Shandilya for writing this report. I would also like to thank Dr. Mrs. Jyotsna Singh for providing her comments on the earlier drafts and Mr. Rajkumar Sharma for his help on the design and publication of the reports.

I would like to thank Dr. Axel Harneit-Sievers, Director, India Office, Heinrich Boll Foundation and Ms. Shalini Yog, Programme Coordinator, Heinrich Boll Foundation for their unflagging interest in the study and the Heinrich Boll Foundation for supporting the project.

We hope that this report succeeds in generating and sustaining the interest of the voluntary sector and other stakeholders on issues pertaining to India's development cooperation. We also hope that it adds to the much needed deliberations on how the transparency and efficacy of development aid, under the aegis of SSC, can be increased.

Harsh Jaitli,  
(Chief Executive Officer, VANI)

## Abbreviations

ASEAN	Association of Southeast Asian Nations
ASI	Archaeological Survey of India
BHEL	Bharat Heavy Electrical Ltd
BRICS	Brazil, Russia, India, China, South Africa
BTR	Buxa Tiger Reserve
CCC	Cooperation Committee for Cambodia
CEA	Central Electricity Authority
CICELT	Cambodia-India Centre for English Language Training
CIEDC	Cambodia-India Entrepreneurship Development Centre
CLMV	Cambodia, Laos, Myanmar and Vietnam
DAC	Development Assistance Committee
DDC	District Development Committees
DGPC	Druk Green Power Corporation
DPA	Development Partnership Administration
DPR	Detailed Project Report
DUDBC	Department of Urban Development and Building Construction
EIA	Environment Impact Assessment
EOI	Embassy of India
FYP	Five Year Plan
G20	Group of 20
GCSS	General Cultural Scholarship Scheme
GDP	Gross Domestic Product
GLOF	Glacial Lake Outburst Floods
GMR	Grandhi Mallikarjuna Rao Group
GOI	Government of India
HCC	Hindustan Construction Company Ltd
HEP	Hydro-Electric Project
IAI	Initiative for ASEAN Integration
IBSA	India, Brazil, South Africa
ICCETD	India-Cambodia Centre of Excellence in Talent Development
ICCR	Indian Council for Cultural Relations
ICFRE	Indian Council of Forestry Research and Education



ICP	Integrated Check Posts
ICT	Information and Communications Technology
IDS	Institute for Defence Studies and Analyses
INR	Indian Rupee
IORA	Indian Ocean Rim Association
ITEC	Indian Technical and Economic Cooperation
IUCN	International Union for Conservation of Nature
LDC	Least Developed Countries
LEP	Look East Policy
L&T	Larsen and Toubro
LOC	Line of Credit
MEA	Ministry of External Affairs
MGC	Mekong Ganga Cooperation Initiative
MIE	Minimally Invasive Education
MOU	Memorandum of Understanding
NDRF	National Disaster Response Force
NGO	Non-Governmental Organisation
NHPC	National Hydroelectric Power Corporation
NNJS	Nepal Netra Jyoti Sangh
OECD	Organisation for Economic Cooperation and Development
RCEP	Regional Comprehensive Economic Partnership
RIS	Research and Information System for Developing Countries
RVC	Regional Value Chains
SCAAP	Special Commonwealth African Assistance Programme
SDG	Sustainable Development Goals
SDP	Small Development Projects
SJVN	Satluj Jal Vidyut Nigam Ltd
SSC	South-South Cooperation
TCIL	Telecommunications Consultants India Ltd
THDC	Tehri Hydro Development Corporation Ltd
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNSC	United Nations Security Council
VANI	Voluntary Action Network India
WAPCOS	Water and Power Consultancy Services

## Introduction

Over the past decade, common developmental challenges of poverty, inequality, rising extremism and climate change, and a shared vision of economic growth and prosperity have impelled developing countries to forge close partnerships for development and coordinate in global forums. Consequently, India has also placed considerable emphasis on strengthening its relationships with other developing countries based on the tenets of South-South Cooperation (SSC). In particular, India has called for greater political coordination and economic integration between South Asian nations on the one hand, and cultivating mutually beneficial links with Southeast Asian countries on the other.<sup>1</sup>

However, these attempts have been extremely slow and often disappointing, largely due to deep historical divisions, asymmetries and diverging political interests among these countries.

India has had an especially tenuous relationship with its immediate neighbours. There are apprehensions about India's interests and intent amongst them, based on the sheer size and preponderance of the country and exacerbated by unresolved boundary disputes.<sup>2</sup> Furthermore, in spite of a recognition on India's part that regional stability and prosperity is imperative to ensure the country's growth, the fact that South Asia remains one of the least integrated regions in the world<sup>3</sup> has proven to be a major challenge for India.

Similarly, India-ASEAN (Association of Southeast Asian Nations) ties have not fructified as expected despite the fact that India's trade with the ASEAN has been rising steadily. This is due to several factors such as poor connectivity between India and Southeast Asia, China's looming presence in the region and India's seemingly deficient attention to bilateral relations with Southeast Asian countries.<sup>4</sup>

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<sup>1</sup> The largest party in the current ruling alliance, the Bhartiya Janata Party (BJP), committed to nurturing India's bilateral relationships in its neighbourhood, and engaging more pro-actively in regional multilateral platforms such as SAARC and ASEAN in its election manifesto for the 2014 General Elections (Pg. 40, BJP Election Manifesto 2014). Available at: [http://www.bjp.org/images/pdf\\_2014/full\\_manifesto\\_english\\_07.04.2014.pdf](http://www.bjp.org/images/pdf_2014/full_manifesto_english_07.04.2014.pdf)

<sup>2</sup> India has often been criticised for behaving like a regional hegemon with a 'Big Brother' attitude. Conversely, India has also been called a 'Reluctant Power' by many of its neighbours who are disappointed by its response to regional aspirations. For a detailed analysis of regional perceptions of India, refer to: India and South Asia Exploring Regional Perceptions, IDSA (2015)

<sup>3</sup> The World Bank estimates that intra-regional trade accounts for only 5 per cent of the total trade in South Asia. For reference, see: <http://www.worldbank.org/en/region/sar/brief/south-asia-regional-integration>

<sup>4</sup> Refer to "India has to do more to fix its Southeast Asia Relations", The National, August 18, 2014 at <http://www.thenational.ae/opinion/comment/india-has-to-do-more-to-fix-its-southeast-asian-relations>

To offset these challenges to its foreign policy, India has recalibrated its approach in the two regions. It has prioritised mutual economic development<sup>5</sup> and policy coordination on common inter-regional challenges such as terrorism.<sup>6</sup> It has also notably expanded its development cooperation programmes in many South Asian and Southeast Asian countries.<sup>7</sup>

This study focuses on India's assistance to Bhutan, Nepal, Indonesia and Cambodia as they are arguably the most important development partners for India within their respective regions. Bhutan is one of India's oldest and largest grant recipients. The Indian Development Cooperation Research estimates that Bhutan has received nearly 49 per cent of the total grants and loans committed by the Indian government between 2000-2001 and 2013-2014.<sup>8</sup> Similarly, India's development partnership with Nepal extends back to the 1950s and despite their turbulent diplomatic relationship, India runs perhaps its most extensive development programme in Nepal. In contrast, India's development assistance partnerships with Cambodia and Indonesia are comparatively modest. But they have fast assumed significance, keeping in line with India's renewed commitment to an enhanced look east policy.

This report includes country specific chapters which outline the Indian government's development assistance to various infrastructure projects and training programmes in the aforementioned countries\*; lay out the perceived benefits which accrue to India and to each partner country; and look at the major strategic reasons that drive India's continuous developmental support to them. Finally, the report analyses the major trends in terms of changing modalities, shifting priorities and emerging challenges of India's development assistance programmes and provides recommendations on how India's development cooperation can be made more transparent and effective.

<sup>5</sup> Alyssa Ayres, Senior Fellow at the Council on Foreign Relations enunciates the Indian government's recent approach of leveraging economic strength to consolidate its position as a "powerful regional engine", while at the same time boosting its own economic growth. Ayres, Alyssa, "Modi Doubles Down on the Neighbourhood", YaleGlobal Online, June, 2014. Available at: <http://yaleglobal.yale.edu/content/modi-doubles-down-neighborhood>. This 'lift all boats' outlook of Indian foreign policy demonstrates to India's neighbours that they stand to gain from India's rise. Anderson, Ashlyn and Ayres, Alyssa, "Economics of Influence: China and India in South Asia", Expert Brief, Council on Foreign Relations, August, 2015. Available at: <http://www.cfr.org/economics/economics-influence-china-india-south-asia/p36862>

<sup>6</sup> India has called for greater cooperation in counter-terrorism amongst its neighbours and has also signed anti-terrorism pacts with many of them, including Myanmar, Maldives and Bangladesh.

<sup>7</sup> India's foreign aid spending received a massive boost of almost 26 per cent in 2015-2016, and 84 per cent of this was earmarked for South Asia, according to an analysis by Devex International Development. For details, see: <https://www.devex.com/news/india-s-2015-16-foreign-aid-budget-where-the-money-is-going-85666>

<sup>8</sup> IDCR Report: The state of Indian Development Cooperation (2014)

\* Although India does not include humanitarian aid/ disaster relief in the official framework of development assistance, a brief estimation of the same has been provided in the report, as it is managed and administered by the Development Partnership Assistance (DPA) of the Ministry of External Affairs (MEA), Government of India.

## Objective, Scope, Methodology and Limitations of the Study

### Objectives

India has significantly expanded and diversified its development assistance in the past few years, becoming an increasingly relevant development partner for many countries. However, as a non-traditional donor, it does not report its aid flows to the Organisation for Economic Cooperation and Development's (OECD) Development Assistance Committee (DAC), and the publicly available data on its development cooperation is still disparate at best. Also, while the programmes funded by Indian grants, loans and lines of credit are ostensibly demand driven, their socio-economic impacts have not been sufficiently analysed. In this context, the study seeks to fulfil two main objectives:-

- It aims to extrapolate India's political and economic motives for establishing development partnerships with the focus countries.
- It attempts to evaluate India's development programmes through a socioeconomic impact framework.

### Scope

The scope of this study has been limited to four countries, which were selected on the basis of the volume and depth of India's commitments to their governments as well as their centrality to the strategic considerations of the Indian government.

### Methodology

The report is based on secondary desk-based research and was conducted through a review of government reports, budget documents, academic publications and newspaper articles. The data on aid disbursements has been collated primarily from the annual reports and outcome budgets of the MEA, and from websites of the local Indian embassies. The case studies and reports reflecting local perceptions and opinions about the projects undertaken with Indian assistance have been gathered principally from local and international newspapers and supplemented by findings of studies conducted by

government affiliated think tanks such as Institute for Defence Studies and Analyses (IDSA) and Research and Information System for Developing Countries (RIS).

The report has benefitted from inputs provided by VANI's partners, namely Cooperation Committee for Cambodia (CCC), CSO Partnership for Development Effectiveness (CPDE)-Asia Pacific and Reality of Aid Network- Asia Pacific.

### Limitations

The report largely relies on data reported by the Indian government and its counterparts due to the lack of availability of field data compiled by independent organisations. The literature review is also biased towards research done by Indian organisations, as the civil societies in the other countries such as Bhutan and Cambodia are in relatively nascent stages of development and/ or have not worked extensively on this issue. Additionally, documentation related to the implementation phase and the impact of completed projects is extremely lacking which proved to be a constraint in the collection of case studies.

## Bhutan

### Overview

Along with being its largest trading partner, India is also Bhutan's main development partner and has been providing project based development assistance to Bhutan since as early as 1949.<sup>9</sup>

India also financed Bhutan's first two five-year plans (FYP) after Bhutan adopted planning in 1961. India has provided budget support to all subsequent FYPs; although its share in their funding has reduced from almost 100 per cent initially to around 23 per cent in recent years.<sup>10</sup>

Currently, India has pledged INR 4500 crores towards Bhutan's 11th FYP (2013-2018), which will be disbursed through non-plan outlays of the Indian budget. Out of this INR 2800 crores will be used to fund project tied assistance, INR 850 crores will be used as programme grants and development subsidies and INR 850 crores will be used to facilitate various small development projects.<sup>11</sup> The two governments have agreed upon a total of 85 projects to be funded under project tied assistance and 485 projects under the small development projects scheme.<sup>12</sup> India has also committed a grant of INR 500 crores to the Economic Stimulus Package of the Bhutan government.<sup>13</sup>

In addition, India is also providing support for the development of Bhutan's hydropower sector through plan outlays of the 2015-2016 budget.

### ITEC

Bhutan was also allotted 200 slots under the ITEC/ SCAAP programme and 60 slots under the Colombo Plan. Over 1100 scholarships were also provided to Bhutanese students for various courses during 2013-2014. The government has also committed to extend INR 55 crores as undergraduate scholarship to Bhutanese students in the 11th FYP of Bhutan.<sup>14</sup>

<sup>9</sup> IDCR Report: The State of Indian Development Cooperation (2014)

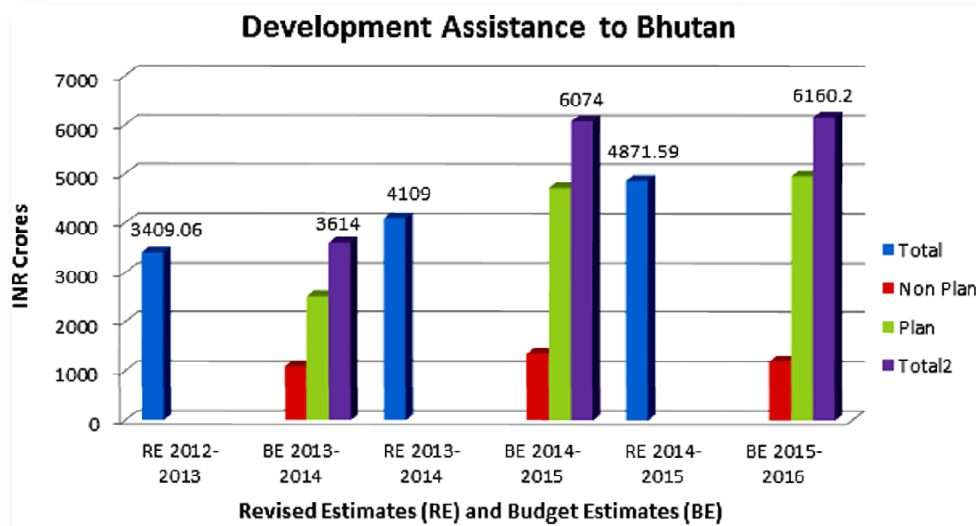
<sup>10</sup> Ibid.

<sup>11</sup> Annual Report (2014-2015), Ministry of External Affairs, Government of India

<sup>12</sup> India, Bhutan review Development Projects, Economic Times, September 02, 2015. [http://articles.economicstimes.indiatimes.com/2015-09-02/news/66143980\\_1\\_developmental-projects-worth-crore-11th-five-year-plan](http://articles.economicstimes.indiatimes.com/2015-09-02/news/66143980_1_developmental-projects-worth-crore-11th-five-year-plan)

<sup>13</sup> Economic Cooperation with Bhutan, Embassy of India, Thimpu. Available at : <http://www.indianembassythimphu.bt/pages.php?id=33>

<sup>14</sup> India-Bhutan Relations, Ministry of External Affairs, GoI, April 2014. Available at: [http://mea.gov.in/Portal/ForeignRelation/Bhutan\\_April\\_2014\\_eng.pdf](http://mea.gov.in/Portal/ForeignRelation/Bhutan_April_2014_eng.pdf)



Source: Ministry of External Affairs, GoI, Outcome Budgets 2013-2014, 2014-2015 and 2015-2016

### Cooperation on Hydropower

Development of the hydropower sector in Bhutan is the cornerstone of bilateral development cooperation between the two countries. India helped Bhutan build its first Hydro-Electric Project (HEP), the Chhukha HEP in 1988, at a total cost of almost INR 246 crores; where 60 per cent of the project was funded through a grant and 40 per cent was funded by loan at a highly concessional rate.<sup>15</sup>

Subsequently, India helped in the construction of two more HEPs, the Kurichu HEP (at a cost of INR 560 crores) and the Tala HEP (at approximately INR 4125 crores).<sup>16</sup> These three HEPs generate a total of 1416 MW of energy, 90 per cent of which is exported to India.<sup>17</sup>

This partnership received a massive boost in 2006, when the Indian government signed an umbrella agreement with Bhutan, expressing its commitment to the development of Bhutan's hydropower sector. The agreement lays down the framework for future bilateral cooperation between the two countries in the field of hydroelectric power and puts forth India's intent to develop and purchase 10,000 MW of power from Bhutan by 2020.<sup>18</sup>

<sup>15</sup> IDCR Report: The State of Indian Development Cooperation (2014)

<sup>16</sup> Development Coordination Report, Second Green Power Development Project (RRP BHU 44444), Asian Development Bank. Available at: <http://www.adb.org/sites/default/files/linked-documents/44444-013-dc.pdf>

<sup>17</sup> "India-Bhutan Power Plant Collaboration in Limbo", Business Standard, June 08, 2013. [http://www.business-standard.com/article/economy-policy/india-bhutan-power-plant-collaborations-in-limbo-113060800661\\_1.html](http://www.business-standard.com/article/economy-policy/india-bhutan-power-plant-collaborations-in-limbo-113060800661_1.html)

<sup>18</sup> India-Bhutan Relations, Ministry of External Affairs, GoI, February 2012. Available at: <http://mea.gov.in/Portal/ForeignRelation/Bhutan-February-2012.pdf>

For this purpose, an ambitious plan of constructing ten HEPs in Bhutan has been undertaken. Three of these HEPs are already under construction and are expected to be commissioned by 2017-2018.

Name of HEP	Power Generation Capacity	Status	Project Finance		Implementing Agency
			Total Cost (INR)	Funding Mechanism	
Punatsangchhu-I	1,200 MW	Under Construction- Expected commission in 2019, after repeated delays	9750 crores	40 per cent grant 60 per cent loan (@ 10 % interest p.a.)	L&T, Gammon India Ltd., HCC, BHEL, Hyosung Corporation, Jyoti Structures Ltd., Sudkabel
Punatsangchhu-II	1,020 MW	Under Construction- To be commissioned in 2017	3777 crores	30 per cent grant 70 per cent loan (@ 10% interest p.a.)	Jaiprakash Associates, Gammon India Ltd, BHEL, L.S. Cables, Hyosung Corporation
Mangdechhu	720 MW	Under Construction- To be commissioned in 2017	3382 crores	30 per cent grant 70 per cent loan (@ 10 % interest p.a.)	Jaiprakash Associates Ltd, Gammon (India), PES Engineers Pvt. Ltd., BHEL, Kalpataru Power Transmission Ltd.

Source: Embassy of India, Bhutan, Mangdechhu Hydroelectric Project Authority and Assessing India's Infrastructure Aid Diplomacy, Gateway House. Available at <http://www.indianembassythimphu.bt/pages.php?id=37>, <http://www.indianembassythimphu.bt/pages.php?id=38>, [http://www.mhpa.gov.bt/page\\_complex.php?cid=6](http://www.mhpa.gov.bt/page_complex.php?cid=6) and <http://www.gatewayhouse.in/assessing-indias-infrastructure-aid-diplomacy/>

India and Bhutan also signed an inter-governmental agreement in April 2014 which established the framework for the construction of four more HEPs, namely, Kholongchhu HEP, Chamkharchhu HEP, Wangchu HEP and Bunakha Reservoir project. These projects will be constructed jointly through public sector undertakings of both the countries.<sup>19</sup> During his state visit to Bhutan in June 2014, the Indian Prime

<sup>19</sup> "Inter-Governmental Agreement between Bhutan and India on development of Joint Venture Hydropower Projects", Ministry of External Affairs, GoI, April 22, 2014. Available at: <http://www.mea.gov.in/press-releases.htm?dtl/23230/InterGovernmental+Agreement+between+Bhutan+and+India+on+development+of+Joint+Venture+Hydropower+Projects>



Minister laid the foundation stone for the Kholongchhu HEP and thereafter work commenced on the project in December 2014.<sup>20</sup>

Name of HEP	Capacity	Estimated Cost (INR)	Joint Venture Partners
<b>Kholongchhu</b>	600 MW	4076 crores	Satluj Jal Vidyut Nigam Ltd (SJVN), India and Druk Green Power Corporation (DGPC), Bhutan
<b>Bunakha Reservoir Project</b>	180 MW	2950 crores	Tehri Hydro Development Corporation Ltd (THDC) and DGPC, Bhutan
<b>Wangchhu</b>	570 MW	4060 crores	SJVN Ltd, India and DGPC, Bhutan
<b>Chamkharchhu</b>	770 MW	3500 crores	National Hydro Power Cooperation Ltd (NHPC), India and DGPC, Bhutan

Source: Asian Development Bank and Central Electricity Authority, India. Available at: <http://www.adb.org/sites/default/files/linked-documents/44444-013-dc.pdf> and <http://cea.nic.in/reports/monthly/hydro/2015/bhutan-08.pdf>

The remaining three projects in the pipeline are Kuri Gongri HEP, Amochhu HEP and Sankosh Reservoir HEP. But amidst reports that India was concerned about the financial viability of Sankosh HEP and Kuri Gongri HEP, agreements on these projects have been delayed considerably.<sup>21</sup> Construction of Amochhu HEP has also been lying in abeyance due to apprehensions about its environmental implications and possible security issues as it is located close to India's tri-junction area<sup>22</sup>, even though the detailed project report (DPR) has been approved by the Central Electricity Authority (CEA) of India.

Despite India's hesitation and the consequent delays, the projects are expected to go through as they are essential to achieving the 10,000 MW target, although it seems more and more unlikely that they will meet the 2020 deadline.

<sup>20</sup> "Bhutan-India Joint Press Statement on the State Visit of Prime Minister of India Shri Narendra Modi to the Kingdom of Bhutan from 15-16 June 2014", Embassy of India, Bhutan. Available at: <http://www.indianembassythimphu.bt/pages.php?id=96>

<sup>21</sup> "Power Ministry Jittery on Bhutan Investments", The Times of India, November 2009. Available at: <http://timesofindia.indiatimes.com/biz/india-business/Power-ministry-jittery-on-Bhutan-investments/articleshow/5221152.cms>

<sup>22</sup> "Amochu Project Status – Down but Not Out", Kuensel, May 2014. Available at: <http://kuenselonline.com/archive/amochu-project-status-down-but-not-out/>

## Mutual benefits to India and Bhutan

Hydropower cooperation between Bhutan and India has often been termed as the best example of win-win cooperation.<sup>23</sup> While it has provided India much needed access to clean electricity, it has allowed Bhutan to expand its rural electrification programme and also generate substantial export revenues.

It is estimated that almost 75 per cent of the electricity currently generated in Bhutan is exported to India (at an average rate of INR 2 per unit) and the revenue thus obtained contributes to over 40 per cent of the total national revenues of the Bhutanese government and a little over 20 per cent of the Gross Domestic Product (GDP). This contribution is expected to go up to 75 per cent of fiscal revenues and 50 per cent of the GDP by 2020.<sup>24</sup>

Bhutan is a landlocked, agriculture dependent country with limited resources and a rugged terrain that makes infrastructure development very costly.<sup>25</sup> In this scenario, the Bhutan government's decision to harness its abundant water resources for hydro power generation has greatly improved the economic outlook of the country.

Bhutan has witnessed rapid poverty reduction in recent years. Between 2007 and 2012, the number of poor in Bhutan was almost halved from 23 per cent in 2007 to 12 per cent in 2012.<sup>26</sup> Moreover extreme poverty (measured as \$ 1.25 or INR 75 per capita per day) has been almost completely eliminated.<sup>27</sup>

The benefits accruing from the construction of mega hydro power projects also include spill overs such as job creation for local populations, stimulation of the local economy due to increased spending by foreign construction workers who live in and around the project sites and infrastructure creation such as roads.<sup>28</sup>

Hydropower is thus, the backbone of the Bhutanese economy. It is also central to Bhutan's plans to grow at an average rate of 8 per cent in the current plan period and achieve economic self-sufficiency by 2020, becoming a middle income country in the process.<sup>29</sup>

<sup>23</sup> The Joint Press Release on the Official Visit of the Prime Minister of Bhutan to India (January 18, 2015) terms hydro power cooperation as a win-win situation for both countries. [http://mea.gov.in/press-releases.htm?dtl/24696/Joint\\_Press\\_Release\\_on\\_the\\_Official\\_Visit\\_of\\_Prime\\_Minister\\_of\\_Bhutan\\_to\\_India](http://mea.gov.in/press-releases.htm?dtl/24696/Joint_Press_Release_on_the_Official_Visit_of_Prime_Minister_of_Bhutan_to_India)

<sup>24</sup> Lean, Hooi Hooi and Smyth, Russell, "Electricity Consumption, Output and Trade in Bhutan", ADB South Asia Working Paper Series, December 2014. Access at: <http://www.adb.org/sites/default/files/publication/152765/south-asia-wp-034.pdf>

<sup>25</sup> "Cooperation in the Hydropower Sector between Bhutan and India", Presentation made by the Druk Green Power Corporation at the International Conference on SAARC@25, September 2010

<sup>26</sup> Bhutan Country Snapshots, The World Bank, March 2014. Available at: <http://www.worldbank.org/content/dam/Worldbank/document/SAR/bhutan-country-snapshot-spring-2014.pdf>

<sup>27</sup> Ibid.

<sup>28</sup> Ibid.

<sup>29</sup> Bhutan Economic Update, The World Bank, September 2011. Available at: <http://siteresources.worldbank.org/BHUTANEXTN/Resources/BhutanEconomicUpdate.pdf>

## Impact of planned HEP projects

The massive projects have invited a lot of criticism and raised many questions regarding their possible environmental, economic and social impacts.

### Environmental problems

There is widespread anxiety that these projects will do irreversible damage to the flora and fauna in the project areas. For example, the two Punatsangchhu projects could potentially destroy the habitat of species such as the white bellied heron and the golden mahseer<sup>30</sup>, both on the red (critically endangered) list of the International Union for Conservation of Nature (IUCN).<sup>31</sup>



*Construction of Punatsangchhu-I HEP, Bhutan*

*Source: [https://www.bauer.de/en/bst/references/cutoffwalls/punatsangchu\\_bhutan.html](https://www.bauer.de/en/bst/references/cutoffwalls/punatsangchu_bhutan.html)*

<sup>30</sup> Mehta, Samir, "Dam Building Spoils Bhutan's Green Image", The Third Pole, March 15, 2013. Access at: <http://www.thirdpole.net/2013/03/15/dam-building-spoils-bhutans-green-image-1/>

<sup>31</sup> The complete list can be accessed here: <http://www.iucnredlist.org/>

Apprehensions about the Sankosh dam, which is expected to have a reservoir running tens of kilometres long, are graver. According to the Environment Impact Assessment (EIA) report prepared by the Indian Council of Forestry Research and Education (ICFRE), the Sankosh dam will adversely affect the biodiversity of the region<sup>32</sup>, and in particular poses a threat to the Buxa Tiger Reserve (BTR) in West Bengal. The BTR is located beside the trans-border Sankosh River and any alteration to the natural flow of the river could lead to submergence of the parts of the forest that lie in its catchment areas.<sup>33</sup>

Similar concerns have been expressed about the Mangdechhu dam with respect to the Manas National Park. In 2012, the Bhutan government was directed by the World Heritage Committee of UNESCO to conduct an EIA with special focus on measures to avoid the sudden release of excess water which can cause floods in the park.<sup>34</sup> But the government has not been forthcoming with this information.<sup>35</sup> Recently, the Assam Chief Minister, Tarun Gogoi also flagged the probable adverse downstream impacts of the Kholongchhu HEP.<sup>36</sup>

Bhutan is located on a major Himalayan fault line, which makes it extremely vulnerable to earthquakes. Its ecological fragility has further intensified in recent years due to climate change.<sup>37</sup> Bhutan's glaciers are rapidly melting, leading to increased incidence of glacial lake outburst floods (GLOFs).<sup>38</sup> These floods and earthquakes put the stability of the HEPs at risk. Furthermore, the melting of the glaciers and changes in weather and snowfall patterns will lead to reduction in river levels making the dams inoperable.<sup>39</sup>

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<sup>32</sup> "Sankosh to have serious implications on environment", Business Bhutan, December 2012. Available at: <http://www.businessbhutan.bt/?p=11108>

<sup>33</sup> "Proposed 2560 MW Indo-Bhutan power project may be a potential threat for Tiger Reserve", the Economic Times, December 2012. Available at: [http://articles.economictimes.indiatimes.com/2012-12-10/news/35726584\\_1\\_2560mw-btr-hydropower-project](http://articles.economictimes.indiatimes.com/2012-12-10/news/35726584_1_2560mw-btr-hydropower-project)

<sup>34</sup> The State of Conservation (SOC) prepared by the Committee on the Manas Wildlife Sanctuary notes that a letter to this effect was sent to the State Party of Bhutan on May 18, 2012.

<sup>35</sup> "Bhutan Mum on Project", The Telegraph, May 12, 2014. [http://www.telegraphindia.com/1140512/jsp/northeast/story\\_18332018.jsp#.VtKZjH197Mw](http://www.telegraphindia.com/1140512/jsp/northeast/story_18332018.jsp#.VtKZjH197Mw)

<sup>36</sup> "Tarun Gogoi concerned about downstream impact of Bhutan project", The Economic Times, June 2014. Available at: [http://articles.economictimes.indiatimes.com/2014-06-19/news/50711060\\_1\\_dam-project-tarun-gogoi-bhutan](http://articles.economictimes.indiatimes.com/2014-06-19/news/50711060_1_dam-project-tarun-gogoi-bhutan)

<sup>37</sup> The country hazard profile prepared by South Asia Disaster Knowledge Network (SADKN) states that Bhutan is located in one of the most seismically active zones in the world. For further information, see: [http://www.saarc-sadkn.org/countries/bhutan/hazard\\_profile.aspx](http://www.saarc-sadkn.org/countries/bhutan/hazard_profile.aspx)

<sup>38</sup> "Will mega dams turn Bhutan's happiness sour?", The Guardian, May 2015. Access at: <http://www.theguardian.com/sustainable-business/2015/may/20/will-mega-dams-turn-bhutans-happiness-sour>

<sup>39</sup> Ibid.

The environment impact studies have done little to assuage these well founded fears. In most cases the studies were carried out by Indian public agencies or consulting firms, and the findings of the reports have not been made public, giving birth to doubts about the veracity of the process.<sup>40</sup>

### Economic Issues

The Bhutanese economy is disproportionately dependent on the hydropower sector. The effect of this over-dependence is being borne by other sectors of the economy, as the construction of HEPs eats into the rupee reserve, making credit unavailable for other sectors.<sup>41</sup> This is especially so for the private sector, which is being stifled in its relative infancy.

The inordinate delays in commissioning of the projects also have serious implications on the Bhutan government's planned development activities as they are almost wholly dependent on hydropower revenue.<sup>42</sup>

### Social Concerns

The HEPs will cause large scale displacement of the local populations. It is estimated that the Sankosh project alone will lead to the submergence of almost thirteen villages.<sup>43</sup>

The Amochhu HEP also threatens to displace the 'Lhops' or 'Doyas' who are considered to be the oldest inhabitants of the country. Three out of five villages of the Doyas, all of which are located along the Amochhu River, will be submerged by the backwater of the Amochhu reservoir.<sup>44</sup>

<sup>40</sup> For example, Water and Power Consultancy Services (WAPCOS) has been assigned to conduct EIAs for major projects in Bhutan but has been criticised for shoddy work on Indian projects. See: <http://www.internationalrivers.org/blogs/328-5> and <https://sandrp.wordpress.com/2014/08/19/sach-khas-hydro-project-in-chenab-basin-another-example-of-wapcos-shoddy-eia/>

<sup>41</sup> "Going hyper on hydro?", Kuensel, January 16, 2014. Available at: <http://kuenselonline.com/archive/going-hyper-on-hydro/>

<sup>42</sup> "Going hyper on hydro?", Kuensel, January 16, 2014. Available at: <http://kuenselonline.com/archive/going-hyper-on-hydro/>

<sup>43</sup> "Proposed 2560 MW Indo-Bhutan power project may be a potential threat for Tiger Reserve", The Economic Times, December 10, 2012. Available at: [http://articles.economictimes.indiatimes.com/2012-12-10/news/35726584\\_1\\_2560mw-btr-hydropower-project](http://articles.economictimes.indiatimes.com/2012-12-10/news/35726584_1_2560mw-btr-hydropower-project)

<sup>44</sup> "Amochhu Reservoir to displace oldest indigenous community", Bhutan Broadcasting Service, December 05, 2012. Accessed at: <http://www.bbs.bt/news/?p=20340>

There are also several short-term problems related to the continuous influx of migrant workers into the country. Firstly, the proclivity of Indian construction companies for hiring Indian workers for the construction activities at HEP sites has led to dissatisfaction among the Bhutanese people.<sup>45</sup> Secondly, the great inflow of foreigners has put a lot of pressure on the limited natural resources, resulting in competition with the local communities settled near the project sites.<sup>46</sup>

## Conclusion

India's trade and development relationship with Bhutan continues to grow stronger. India currently accounts for nearly 60 per cent of Bhutan's exports and 75 per cent of its imports<sup>47</sup>, and the aid budget to Bhutan was increased by almost 50 per cent recently, from approximately INR 4100 crores in 2014 to an allocation of INR 6160 crores in 2015. India presently imports 1.5 GW of hydropower from Bhutan and it is estimated that by 2017-2022, it would be importing 8 GW of energy, primarily from Bhutan.<sup>48</sup>

Along with being important to India's plans for energy sufficiency, Bhutan also holds strategic value for the country. China's claims over the Doklam Plateau in Eastern Bhutan, which lies east of Sikkim and overlooks the Siliguri Corridor, are of grave concern to India; if China were to gain control of it, it could effectively cut off India's access to its north-eastern states.<sup>49</sup> Hence, India's development assistance to Bhutan is expected to keep increasing to provide infrastructural support and ensure India's energy and security interests.

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<sup>45</sup> "Bhutan rejects Indian Cos Employment Proposal", The Economic Times, June 2014. [http://articles.economictimes.indiatimes.com/2009-06-14/news/28416443\\_1\\_bhutan-and-india-bhutanese-head-race-tunnel](http://articles.economictimes.indiatimes.com/2009-06-14/news/28416443_1_bhutan-and-india-bhutanese-head-race-tunnel)

<sup>46</sup> Jacob, Nitya, "Bhutan's Experiments with Happiness", Down To Earth, October 2013  
Accessed at: <http://www.downtoearth.org.in/content/bhutan-s-experiments-happiness?page=0,1>

<sup>47</sup> "Bhutan and the Great Power Tussle", The Diplomat, August 02, 2014. <http://thediplomat.com/2014/08/bhutan-and-the-great-power-tussle/>

<sup>48</sup> Cross Border Electricity Trade (Import), India Energy Security Scenarios 2047, Niti Aayog. Access at: [http://indiaenergy.gov.in/supply\\_eleimport.php](http://indiaenergy.gov.in/supply_eleimport.php)

<sup>49</sup> "Bhutan and the Great Power Tussle", The Diplomat, August 02, 2014. <http://thediplomat.com/2014/08/bhutan-and-the-great-power-tussle/>

## Nepal

### Overview

India has historically had extremely close cultural and economic ties with Nepal. The two countries have a long standing tradition of strong people-to-people contact, aided by open borders and a significant diasporic presence in either country.

India was also one of the first countries to respond when Nepal started accepting foreign assistance to fund its development policies. It set up the Indian Aid Mission in Kathmandu in 1954 for the purpose of channelling aid to large infrastructure projects such as roads, airports, railways, hydropower and irrigation works.<sup>50</sup> In fact, almost 85 per cent of aid provided by India went to infrastructure development for transportation, power and communication until 1989.<sup>51</sup> Since then the focus of India's assistance has shifted to more small-scale, localised projects. These grass roots initiatives are mostly in the health, education and community development sectors.

In the current financial year (2015-2016), India has allocated INR 420 crores to Nepal, under its non-plan outlay.<sup>52</sup>

#### Development Finance to Nepal (2011-2015)

Revised Estimates (INR)	BE (Proposed) (INR)	Actual Disbursement (INR)*
2011-12	2012-13	2011-2012
150 Crores	270 Crores	303 Crores
2012-2013	2013-2014	2012-2013
270 Crores	380 Crores	382 Crores
2013-2014	2014-2015	2013-2014
380 Crores	450 Crores	286 Crores
2014-2015	2015-2016	2014-2015
300 Crores	420 Crores	Not Available

\*As Reported by the Ministry of Finance, Nepal

Source: Ministry of External Affairs, GoI, Outcome Budget (2012-2013, 2013-2014, 2014-2015 and 2015-2016) and Ministry of Finance, Nepal, Development Cooperation Report (2012-2013, 2013-2014)

<sup>50</sup> Adhikari, Monalisa, "Politics and Perceptions of Indian Aid to Nepal", Strategic Analysis, May 2014. 38:3, 325-340, DOI: 10.1080/09700161.2014.895236

<sup>51</sup> Ibid.

<sup>52</sup> Outcome Budget 2015-2016, Ministry of External Affairs, GoI

India also announced a Line of Credit (LOC) of INR 6000 crores during the Indian Prime Minister's visit to Nepal in August 2014.<sup>53</sup> The LOC will be extended at a concessional rate of interest of 1 per cent per annum and will be used towards funding hydropower, irrigation and other infrastructure development projects.<sup>54</sup> India also provided Nepal with an LOC of INR 600 crores in 2007, which was utilised for road projects, rural electrification projects, power transmission and hydro power projects.<sup>55</sup> Another LOC worth INR 1500 crores was extended in 2010 and has been used to fund power transmission and road projects so far.<sup>56</sup>

Foreign assistance contributes nearly 6 per cent to Nepal's GDP annually. For the financial years 2013-2014 and 2014-2015, it constituted 22 per cent and 20 per cent of the national budget respectively.<sup>57</sup> As almost all of the development activities in the country are funded by foreign aid, Nepal is hugely dependent on a diverse set of multilateral and bilateral donors.

India, along with the United States, was Nepal's primary donor for years. But in recent decades, its contribution to Nepal's overall aid budget has fallen significantly. In spite of this, India continues to remain one of the largest donors to the country, and figures in the top five bilateral donors.

## ITEC

Nepal has engaged actively with India under ITEC programmes as well as the Colombo plan. 1270 Nepalese candidates have attended programmes under these schemes till date. Further, 3000 scholarships were provided to Nepalese students in the year 2013-2014 under various schemes.<sup>58</sup> During his recent visit to Nepal, the Indian PM announced an increase in slots provided to Nepal under ITEC. Earlier Nepal could avail 180 slots, which have now been increased to 250.<sup>59</sup>

<sup>53</sup> "PM Modi Announces US\$ 1 Billion Concessional Line of Credit to Nepal", NDTV, August 04, 2014. <http://www.ndtv.com/india-news/pm-modi-announces-us-1-billion-concessional-line-of-credit-to-nepal-608329>

<sup>54</sup> "India may charge 1% Interest on Line of Credit extended to Nepal", Business Standard, August 21, 2014. [http://www.business-standard.com/article/news-ani/india-likely-to-charge-one-percent-interest-on-line-of-credit-extended-to-nepal-114082100734\\_1.html](http://www.business-standard.com/article/news-ani/india-likely-to-charge-one-percent-interest-on-line-of-credit-extended-to-nepal-114082100734_1.html)

<sup>55</sup> Annual Report 2014-2015, Ministry of External Affairs, GoI

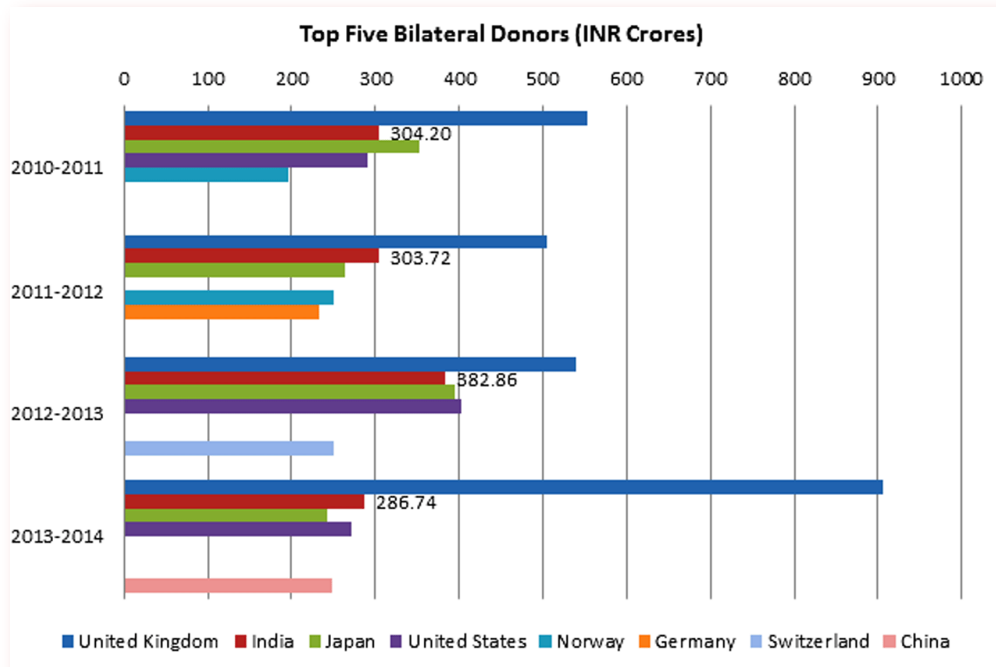
<sup>56</sup> Ibid.

<sup>57</sup> Development Cooperation Report 2013-2014, Ministry of Finance, Nepal

<sup>58</sup> India-Nepal Relations, Embassy of India, Kathmandu, Nepal. Accessed at: [http://www.indianembassy.org.np/index1.php?option=e6r5wIVM8od\\_u8Y0CdwsDiTfg0cohLLpEcNS8hphu-0&id=uG6ODD6pDmyQQ2GVuAigr3dw3JsYiyXhalcKLgM4KoQ](http://www.indianembassy.org.np/index1.php?option=e6r5wIVM8od_u8Y0CdwsDiTfg0cohLLpEcNS8hphu-0&id=uG6ODD6pDmyQQ2GVuAigr3dw3JsYiyXhalcKLgM4KoQ)

<sup>59</sup> Joint Press Statement on the Visit of the Prime Minister to Nepal, August 04, 2014. [http://www.mea.gov.in/bilateral-documents.htm?dtl/23807/Joint\\_Press\\_Statement\\_on\\_the\\_Visit\\_of\\_the\\_Prime\\_Minister\\_to\\_Nepal](http://www.mea.gov.in/bilateral-documents.htm?dtl/23807/Joint_Press_Statement_on_the_Visit_of_the_Prime_Minister_to_Nepal)





Source: Ministry of Finance, Nepal, Development Cooperation Report (2012-2013 and 2013-2014)

## Sectors of Bilateral Cooperation

Indian assistance to Nepal has become far less fragmented than before. Indian grants and loans are mostly directed towards infrastructure projects in the fields of hydropower, border linkage and irrigation and water resources, and small development projects (SDPs).

### Infrastructure Projects

#### (i) Border Linkage Projects

India and Nepal are collaborating for border infrastructure development in the form of road networks, railways and integrated check posts (ICPs). It is expected that these projects will lead to faster movement of goods, services and people within Nepal as well as across the border.

The two countries signed a Memorandum of Understanding (MoU) in 2010 for the construction of roads in the Terai region of Nepal.<sup>60</sup>

<sup>60</sup> "About Economic Cooperation", Embassy of India, Kathmandu, Nepal. [http://www.indianembassy.org.np/index1.php?option=e6r5w1VM8od\\_u8Y0CdwsDiTfg0cohLLpEcNS8hphu-0&id=-EGHyaB-CD6junVNwzqyGwQbVOIMxRvkf7iSxvE3Ryk](http://www.indianembassy.org.np/index1.php?option=e6r5w1VM8od_u8Y0CdwsDiTfg0cohLLpEcNS8hphu-0&id=-EGHyaB-CD6junVNwzqyGwQbVOIMxRvkf7iSxvE3Ryk)

The first phase of this project, which includes the construction of postal roads covering a distance of 605 kms at an estimated cost of INR 700 crores, is already under way. The second phase will add a further 854 kms.<sup>61</sup>



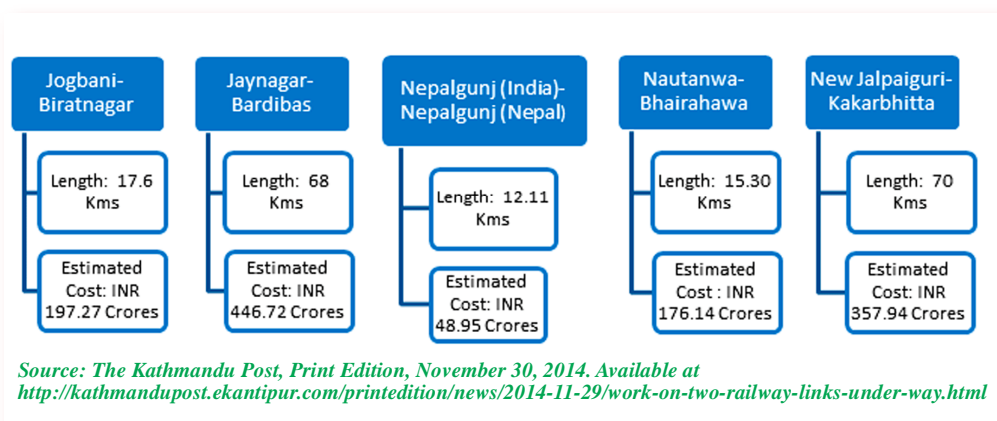
*The Terai Road Project in progress. Courtesy: Observer Research Foundation's Special Report on India's Development Cooperation*

India and Nepal also signed an MoU for ICPs at four major points on the India-Nepal border namely, Raxaul-Birgunj, Sunauli-Bhairhawa,

Jogbani-Birtanagar and Nepalgunj (India) - Nepalgunj (Nepal).<sup>62</sup>

In the first phase of the project, the Raxaul-Birgunj and Jogbani-Biratnagar ICPs will be constructed at an approximate cost of INR 270 crores.<sup>63</sup>

Also, under an MoU signed in 2010, the governments of India and Nepal agreed to construct rail links at five locations along the India-Nepal border.<sup>64</sup>



<sup>61</sup> “About Economic Cooperation”, Embassy of India, Kathmandu, Nepal. [http://www.indianembassy.org.np/index1.php?option=e6r5w1VM8od\\_u8Y0CdwsDiTfg0cohLLpEcNS8hphu-0&id=-EGHyaBCD6junVNwzqyGwQbVOIMxRvkf7iSxvE3Ryk](http://www.indianembassy.org.np/index1.php?option=e6r5w1VM8od_u8Y0CdwsDiTfg0cohLLpEcNS8hphu-0&id=-EGHyaBCD6junVNwzqyGwQbVOIMxRvkf7iSxvE3Ryk)

<sup>62</sup> Ibid.

<sup>63</sup> Ibid.

<sup>64</sup> “Work on Two Railway Links Underway”, The Kathmandu Post, November, 2014. <http://kathmandupost.ekantipur.com/printedition/news/2014-11-29/work-on-two-railway-links-under-way.html>

### (ii) Hydropower projects

India had a pivotal role in the development of hydropower sector in Nepal. The Kataiya powerhouse in the Koshi canal was built with Indian assistance, followed by the Trishuli, Devighat and Phewa hydro projects.<sup>65</sup> Subsequently, India and Nepal signed a power exchange agreement in 1971 which allows for exchange of power through transmission cables along bordering areas.<sup>66</sup>

In 2014, the two countries also concluded a Power Trade Agreement. Under the agreement, Nepal and India have put in place a formal bilateral mechanism which will enable them to develop transmission interconnections, enhance grid connectivity and facilitate power trade and investment through public, private and joint venture enterprises.<sup>67</sup>

One such joint venture is the Upper Karnali project, a 900 MW dam being built by India's GMR group in the Dailekh, Surkhet and Achham districts of Nepal, for an estimated cost of INR 8750 crores. This is one of the largest foreign investments in Nepal till date.<sup>68</sup>

The surplus power from the hydro power plant will be exported to India through a 400 kV double circuit transmission line which will connect to the Power Grid Corporation of India.<sup>69</sup>

### (iii) Irrigation and Water Resources

India is currently assisting Nepal in building over 3700 shallow tube wells in various districts across Nepal. The expected cost of the project is INR 22 crores.<sup>70</sup> India also helped in the installation of 22 deep tube wells in Sunsari, Jhapa, Saptari and Siraha districts for INR 7 crores.

<sup>65</sup> Details on the projects can be accessed here: <http://www.cea.nic.in/reports/hydro/nepal.pdf>

<sup>66</sup> "India-Nepal Relations", Ministry of External Affairs, GoI. [http://www.mea.gov.in/Portal/ForeignRelation/Nepal\\_July\\_2014\\_.pdf](http://www.mea.gov.in/Portal/ForeignRelation/Nepal_July_2014_.pdf)

<sup>67</sup> "Finally Nepal, India sign power trade agreement", Business Standard, October 21, 2014. Available at: [http://www.business-standard.com/article/news-ians/finally-nepal-india-sign-power-trade-agreement-114102101037\\_1.html](http://www.business-standard.com/article/news-ians/finally-nepal-india-sign-power-trade-agreement-114102101037_1.html)

<sup>68</sup> "Nepal approves PDA for 900MW Upper Karnali project", Hindustan Times, September 18, 2014. Available at: <http://www.hindustantimes.com/world/nepal-approves-pda-for-900mw-upper-karnali-project/story-wVSLx8jHO5jOwyjOid38jO.html>

<sup>69</sup> The World Bank has approved a loan for approximately INR 222 crores to Nepal for building the transmission line. Refer to "\$37 mn World Bank loan for India-Nepal transmission line", Business Standard, August 08, 2013 at [http://www.business-standard.com/article/news-ians/37-mn-world-bank-loan-for-india-nepal-transmission-line-113080800776\\_1.html](http://www.business-standard.com/article/news-ians/37-mn-world-bank-loan-for-india-nepal-transmission-line-113080800776_1.html)

<sup>70</sup> India and Nepal: Partnership in Economic Development, presentation prepared by Indian Embassy in Kathmandu, Nepal. Cached version available at: [http://www.indianembassy.org.np/uploaded/economic\\_cooperation/Economic\\_Cooperation.ppt](http://www.indianembassy.org.np/uploaded/economic_cooperation/Economic_Cooperation.ppt).

Another important area of cooperation in water resources is river training, and flood management and control. The Indian government has been providing Nepal financial support for the strengthening and extension of embankments along Kamala, Bagmati and Lalbakeya rivers since 2008.<sup>71</sup> Almost INR 205 crores have been extended for this purpose so far, with INR 22.92 crores being provided in 2014 alone.<sup>72</sup> Additionally, India has committed a grant assistance of INR 14 crores for flood protection works along Gagan, Trijuga, Lakhandei, Sunsari, Kankai and Kaligandaki rivers in Nepal.<sup>73</sup>

Other large infrastructure projects that have been constructed with Indian assistance include an Emergency-cum-Trauma Centre at Kathmandu (at a cost of INR 100 crores) and polytechnic institutes at Biratnagar (at an approximate cost of INR 25 crores) and Hetauda (at a cost of INR 38 crores).<sup>74</sup>

### Small Development Projects (SDPs)

India and Nepal first launched the Small Development Programmes Scheme in 2003. The MoU was then renewed in 2006, 2008 and 2011.<sup>75</sup>

SDPs are projects costing less than INR 3.12 crores (NR 5 crores) and are mainly focused on education, healthcare and community infrastructure. These projects include setting up of schools, libraries, specialised training institutes, primary healthcare centres, hospitals, micro hydro projects, rural drinking water projects and canals. Activities such as gifting of ambulances, medical equipment and conducting of free eye check-up camps are also funded through SDPs.

The projects are based on a model of direct community participation, whereby funds are released to local bodies such as District Development Committees (DDC), municipalities or divisional offices of the Department of Urban Development and

<sup>71</sup> India-Nepal Relations, Ministry of External Affairs, GoI, July 2014. Accessed at: [http://www.mea.gov.in/Portal/ForeignRelation/Nepal\\_July\\_2014\\_.pdf](http://www.mea.gov.in/Portal/ForeignRelation/Nepal_July_2014_.pdf)

<sup>72</sup> "India's assistance of NRS 374.680 million for embankment construction along Lalbakeya, Bagmati & Kamla rivers in Nepal". Press Release by Indian Embassy, Kathmandu, Nepal. December 09, 2013. [http://www.indianembassy.org.np/index2.php?option=Ui3vzctxn5xHZVIBeyayl4Esp\\_mDrgNifomf1lhLMr4&id=szkN9TIHzHvuwU30tbxSNTOP9ynMALcxdIB9QhiWOA4](http://www.indianembassy.org.np/index2.php?option=Ui3vzctxn5xHZVIBeyayl4Esp_mDrgNifomf1lhLMr4&id=szkN9TIHzHvuwU30tbxSNTOP9ynMALcxdIB9QhiWOA4)

<sup>73</sup> Embankment, Embassy of India, Kathmandu, Nepal. Cached version available at: <http://www.indianembassy.org.np/water-resources/Embankment.doc>.

<sup>74</sup> Ibid.

<sup>75</sup> Economic Cooperation, Embassy of India, Nepal. Accessed at: [http://www.indianembassy.org.np/index1.php?option=e6r5wIVM8od\\_u8Y0CdwsDiTfg0cohLLpEcNS8hphu-0&id=-EGHyBCD6junVNwzqyGwQbVOIMxRvkf7iSxvE3Ryk](http://www.indianembassy.org.np/index1.php?option=e6r5wIVM8od_u8Y0CdwsDiTfg0cohLLpEcNS8hphu-0&id=-EGHyBCD6junVNwzqyGwQbVOIMxRvkf7iSxvE3Ryk)

Building Construction (DUDBC) by the Indian embassy. An overseeing committee consisting of the executing agency, concerned district office and local community leaders is then constituted to monitor the implementation of the projects.<sup>76</sup>

As the demand for funds comes directly from local development authorities, the projects are based on local needs and directly involve the principle beneficiaries. This ensures local ownership of programmes and makes the process of implementation more transparent and accountable. The relatively small cost of the projects undertaken ensures their swift and efficient delivery.

The total outlay for SDPs is over INR 500 crores and these projects are spread out over almost all the 75 districts of Nepal. At present, 230 SDPs are being implemented, out of which 14 projects are being funded by additional MoUs worth INR 34.57 crores, signed in 2013-2014.<sup>77</sup>

The Nepal Netra Jyoti Sangh (NNJS) or the National Society for Comprehensive Eye Care in Nepal has been receiving support from the Indian Embassy in Kathmandu through SDPs for several of its pioneer programmes such as Diagnostic Screening and Treatment (DST) camps for cataract and trachoma. In 2014, NNJS conducted 304 DST camps and 13 surgical camps in 40 districts in Nepal, where 97,701 people were screened and 15,043 people were provided free cataract surgeries.

The NNJS also runs a School Eye Health Programme which is funded by the SDPs programme. In 2014-2015, it is expected that the programme will be carried out in 575 schools where approximately 4,75,000 school children will be screened and 9300 school children will be provided with spectacles free of cost.

*Source: <http://nnjs.org.np/index/page/national-eye-sight-progra>*

<sup>76</sup> Chaturvedi, Sachin, "Indian Development Partnership: Genesis and Evolution", Forum for Indian Development Cooperation, January 2014. Accessed at: [http://ris.org.in/images/RIS\\_images/pdf/FIDC\\_Sachin\\_Jan\\_18\\_2014.pdf](http://ris.org.in/images/RIS_images/pdf/FIDC_Sachin_Jan_18_2014.pdf)

<sup>77</sup> Economic Cooperation, Embassy of India, Nepal. Available at: [http://www.indianembassy.org.np/index1.php?option=e6r5w1VM8od\\_u8Y0CdwsDiTfg0cohLLpEcNS8hphu-0&id=-EGHyAB-CD6junVNwzqyGwQbVOIMxRvkf7iSxvE3Ryk](http://www.indianembassy.org.np/index1.php?option=e6r5w1VM8od_u8Y0CdwsDiTfg0cohLLpEcNS8hphu-0&id=-EGHyAB-CD6junVNwzqyGwQbVOIMxRvkf7iSxvE3Ryk)

## Humanitarian and Disaster Relief Assistance

India undertook a massive relief operation in Nepal in the wake of the devastating earthquake that hit the country in April 2015. The Indian government sent National Disaster Response Force (NRDF) teams and relief and rescue materials to Nepal within hours of the disaster. India also provided Nepal with approximately INR 400 crores as disaster relief.<sup>78</sup>

India has also pledged INR 6000 crores to Nepal's reconstruction programme, of which one fourth will be provided as grant.<sup>79</sup>

## Strategic dimensions of India's engagement with Nepal

Nepal holds great strategic value for India due to its location as a buffer state between India and China. In actuality, India considers Nepal a part of its northern security system and has always been uncomfortable with the presence of external powers in Nepal beyond normal diplomatic activities.<sup>80</sup> This sentiment is intensified due to the presence of an open border between the two countries; which has previously been misused for criminal activities such as money laundering, smuggling and terrorism.<sup>81</sup>

As part of its security calculus, India has placed special emphasis on economic and political stability in Nepal. The Indian ambassador to Nepal, Ranjit Rae, articulated the need to ensure peace, stability, security and prosperity in Nepal in an interview in 2014.<sup>82</sup> He highlighted that since India and Nepal are neighbours with open borders their security concerns are intimately linked and called for greater economic cooperation between the two countries to strengthen their bilateral relationship.

<sup>78</sup> Earthquake Relief, Embassy of India, Nepal. Accessed at: [http://indianembassy.org.np/index1.php?option=e6r5wIVM8od\\_u8Y0CdwsDiTfg0cohLLpEcNS8hphu-0&id=WsFFLrVjbCB3dSIAo0uby5n-OXtH6pvHftQ\\_jzuPvPM](http://indianembassy.org.np/index1.php?option=e6r5wIVM8od_u8Y0CdwsDiTfg0cohLLpEcNS8hphu-0&id=WsFFLrVjbCB3dSIAo0uby5n-OXtH6pvHftQ_jzuPvPM)

<sup>79</sup> "India pledges USD 1 billion aid for Nepal's reconstruction programme", The Indian Express, June 25, 2015. Available at: <http://indianexpress.com/article/india/india-others/india-pledges-usd-1-billion-aid-for-nepals-reconstruction-programme/#sthash.PRNo8plJ.dpuf>

<sup>80</sup> Nayak, Nihar, "Strategic Himalayas: Republican Nepal and External Powers", Pentagon Press, 2014.

<sup>81</sup> The open border has been misused by terrorists and criminals says Das, Pushpita in "Need to Effectively Manage the India-Nepal Border", Idsa Comment, September 2013. [http://www.idsa.in/idsacomments/ManagetheIndiaNepalBorder\\_pdas\\_190913](http://www.idsa.in/idsacomments/ManagetheIndiaNepalBorder_pdas_190913)

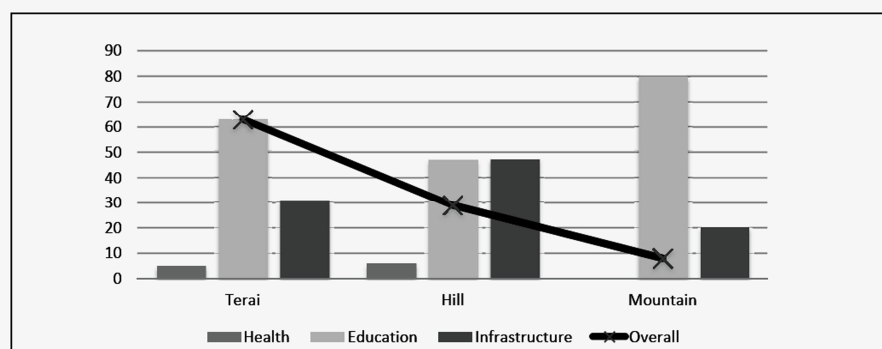
<sup>82</sup> The detailed interview can be read here: <http://kathmandupost.ekantipur.com/news/2014-02-18/nepals-stability-prosperity-indias-strategic-objective.html>

These strategic objectives inform India's development assistance policies towards Nepal, which is evident in the geographical and sectoral distribution of development aid over the years. As mentioned earlier, India's development finance was initially largely channelled to critical sectors such as transportation. India subsequently diversified its aid portfolio to cover other sectors and projects which it deemed strategically important and where it did not want US or Chinese aid deployed.<sup>83</sup>

Similarly, an analysis of the geographical coverage of Indian aid shows that high value projects funded by the Indian government are mainly concentrated in the Terai region of Nepal, a concern which has often been flagged by Nepali elites from the hills.<sup>84</sup> This concern is borne out by the fact that even in the distribution of SDPs, the Terai gets the largest share of projects.

According to a discussion paper published by RIS in 2012, the Terai region had received 63 per cent of the total completed projects under the SDP programme till then. By contrast, 29 per cent of the total number of completed projects were located in the hills and 8 per cent in the mountain region.<sup>85</sup>

**Figure 6: Geographical Distribution of Completed SDPs**



*Source: Balancing State and Community Participation in Development Partnership Projects: Emerging Evidence from Indian SDPs in Nepal, RIS Discussion Paper (2012)*

<sup>83</sup> India scaled up its aid and diversified its aid sectors so as to preclude China from working on strategically important projects and areas. For example, the East–West highway was not a priority for India and the US initially but it became so once the Chinese began to show an interest in the project.

<sup>84</sup> Adhikari, Monalisa, "Politics and Perceptions of Indian Aid to Nepal", *Strategic Analysis*, May 2014. 38:3, 325-340, DOI: 10.1080/09700161.2014.895236

<sup>85</sup> The authors proffer the unequal distribution of population in favour of the Terai region as a possible explanation of this disparity in allotment of projects.

## Perception of Indian Aid in Nepal

Despite India's long standing involvement in Nepal's developmental efforts, there is widespread suspicion regarding India's intentions in Nepal, fuelled by the deep negative perceptions attached to India's development assistance programmes.

Notwithstanding India's stated position<sup>86</sup>, many Nepalese view India's aid as a tool for interference in the country's internal politics and foreign policy formulations. For example, India's focus on the Terai is widely considered to be an attempt at strengthening the Madhesi movement in the region.<sup>87</sup>

This belief was supplemented by speculation in the early 2000s that India was diverting funds for SDPs to Terai to prevent Nepalese Maoists from gaining a foothold there. It is said that India was worried about the potential spill over effects in India, given the close strategic linkages between Nepali and Indian Maoists.<sup>88</sup>

The discretionary power of the Embassy of India (EOI) in allocating funds for the SDPs has thus, time and again come under the scanner. At present, the bilateral agreement allows the embassy to provide funds to the DDCs without approval from the Nepal government.<sup>89</sup> But there is concern related to individuals wielding their connections in the embassy and influencing its decisions, which may not be representational of the peoples' needs or the Nepalese government's priorities.<sup>90</sup>

But given this background, the continuing popularity of the SDPs seems to be a remarkable testament to their effectiveness. In the period 2004-2013, SDPs exhibited a growth rate of 44 per cent, while large and medium projects grew only at 15 per cent; the number of projects under the SDP scheme expanded from 16 to nearly 400 in a decade, while in the same time, the number of large and intermediate projects grew from only 10 to 35.<sup>91</sup> In many cases, locals have reportedly directly contacted the EOI with specific requests to meet their needs.<sup>92</sup>

<sup>86</sup> India claims that it does not intend to interfere in Nepal but to support Nepal in its development. See: [http://www.business-standard.com/article/politics/modis-1-bn-loan-to-nepal-aimed-at-lessening-chinese-influence-114080401017\\_1.html](http://www.business-standard.com/article/politics/modis-1-bn-loan-to-nepal-aimed-at-lessening-chinese-influence-114080401017_1.html)

<sup>87</sup> Adhikari, Monalisa, "Politics and Perceptions of Indian Aid to Nepal", *Strategic Analysis*, May 2014. 38:3, 325-340, DOI: 10.1080/09700161.2014.895236

<sup>88</sup> Nayak, Nihar, "Strategic Himalayas: Republican Nepal and External Powers", Pentagon Press, 2014.

<sup>89</sup> "India seeks extension of its flagship projects in Nepal", *Business Standard*, July 2014. [http://www.business-standard.com/article/news-ians/india-seeks-extension-of-its-flagship-projects-in-nepal-114070300586\\_1.html](http://www.business-standard.com/article/news-ians/india-seeks-extension-of-its-flagship-projects-in-nepal-114070300586_1.html)

<sup>90</sup> "India seeks extension of small dev project deal", *The Kathmandu Post*, July, 2014. <http://kathmandupost.ekantipur.com/news/2014-07-02/india-seeks-extension-of-small-dev-project-deal.html>

<sup>91</sup> Chaturvedi, Sachin; Kumar, Sushil and Mendiratta, Shashank, "Balancing State and Community Participation in Development Partnership Projects: Emerging Evidence from Indian SDPs in Nepal", *RIS Discussion Paper #183*, August 2013.

<sup>92</sup> *Ibid.*



## Conclusion

Nepal and India have had a volatile relationship and the uneasy balance between respecting Nepal's sovereignty while safeguarding its own interests has troubled India for years. Most recently, during the relief and rescue operations in the aftermath of the earthquake in April 2015, the Indian media was criticised for its excessively intrusive and insensitive coverage.<sup>93</sup> Many felt that the almost jingoistic media had lionised the Indian effort at the expense of similarly heroic efforts made by the Nepalese army, police and local officials. Tensions also flared up when India allegedly placed an embargo on Nepal, the day after the new Nepalese constitution was promulgated on September 20, 2015<sup>94</sup>, triggering a serious fuel crisis in the neighbouring country. These incidents have led to a massive backlash against the Indian government, which is already seen unfavourably in many Nepali circles for interfering in Nepal's internal politics. Therefore, it is critical for India to maintain its soft power approach and at the same time, address the growing concerns and animosity of the Nepali people and its political establishment.

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<sup>93</sup> "Why is Indian Media facing a Backlash in Nepal?" BBC News, May 04, 2015. <http://www.bbc.com/news/world-asia-india-32579561>

<sup>94</sup> Baral, Biswas, "India's 'Blockade' Has Opened the Door for China in Nepal", The Wire, March 02, 2016. <http://thewire.in/2016/03/02/indias-blockade-has-opened-the-door-for-china-in-nepal-23042/>

## Indonesia

### Overview

India and Indonesia share a warm bilateral relationship and closely cooperate on various political, economic, technological and defence related issues.

The two countries were integral to the anti-colonial solidarity of the global south and are the founding members of the Non-aligned movement. However, during the cold war, their divergent security interests led to a relative cooling down of bilateral relations.<sup>95</sup>

At the beginning of the 1990s, India reoriented its foreign policy outlook and adopted the 'Look East Policy', which aims to boost relations with South-East Asian countries. Indonesia is extremely important to this shift in India's geostrategic thinking and therefore, relations between the two countries have vastly improved in the past few decades.<sup>96</sup>

India and Indonesia signed the New Strategic Partnership in 2005, during the Indonesian President's visit to India. Under this agreement, the two countries have established a comprehensive bilateral mechanism for closer diplomatic coordination, intensifying technological and educational cooperation and encouraging closer cultural ties. Most significantly, India and Indonesia have boosted their economic relations so much so that Indonesia has become India's second largest trading partner in the ASEAN.

In 2011, trade and investments between the two countries received a fillip when the Indian Prime Minister and the Indonesian President signed intergovernmental agreements and business deals worth nearly INR 90000 crores. They also set a target of increasing bilateral trade to INR 150000 crores by 2015.<sup>97</sup>

In 2013, the India-Indonesian partnership was enhanced further by the adoption of a five-pronged initiative to strengthen the areas of Strategic Engagement, Defence and Security Cooperation, Comprehensive Economic Partnership, Cultural and People-to-people Links and Cooperation in Corresponding to Common Challenges.<sup>98</sup>

<sup>95</sup> "Enhancing the India-Indonesia Strategic Partnership", CogitAsia, November 11, 2013. Available at: <http://cogitasia.com/enhancing-the-india-indonesia-strategic-partnership/>

<sup>96</sup> Ghosal, Baladas, "Indonesia in India's Look East Policy", IDSA Issue Brief, January 2011.

<sup>97</sup> Manners, Andrew, "Moving Forwards, Slowly: India-Indonesia Relations in the Twenty-First Century", Future Directions International, August 2014. Accessed at: [http://www.futuredirections.org.au/files/sap/Moving\\_Forwards\\_Slowly\\_-\\_India-Indonesia\\_Relations\\_in\\_the\\_Twenty-First\\_Century.pdf](http://www.futuredirections.org.au/files/sap/Moving_Forwards_Slowly_-_India-Indonesia_Relations_in_the_Twenty-First_Century.pdf)

<sup>98</sup> India-Indonesia Bilateral Relations, Embassy of India, Indonesia. Available at: <http://www.indianembassyjakarta.com/index.php/2013-05-20-10-02-04>

## Technical and Education Cooperation

Indonesia is one of the largest recipients of technical support from India under the ITEC programme. In 2014, the ITEC slots to Indonesia were increased from 75 to 105.<sup>99</sup> Indonesia is also a Colombo Plan partner country and receives 15 scholarship slots.<sup>100</sup> Additionally, the Indian Council for Cultural Relations (ICCR) offers 20 scholarships to Indonesian students every year under its General Cultural Scholarship Scheme (GCSS) for the purpose of pursuing higher education at the under-graduate, postgraduate, doctoral and post-doctoral levels in India.<sup>101</sup>

India established a vocational training centre in Jakarta in 2005. Another such centre was established in Aceh in 2010 at an approximate cost of INR 5.31 crores.<sup>102</sup> The Indian government also set up an IT lab in Magelang, West Java in 2011.<sup>103</sup>

The construction of an Indian Cultural centre of the ICCR is currently underway in Bali for an estimated cost of INR 0.50 crores.<sup>104</sup>

## Infrastructure Development

Until recently, India's development assistance to Indonesia was predominantly focussed on technology and education. However, this relationship has now diversified to include other components; most significantly infrastructure.

The Indian government extended a soft loan of INR 3000 crores to the Indonesian government for developing infrastructure in the power sector in 2015.<sup>105</sup>

<sup>99</sup> "India-Indonesia Development Programme Lauded – Golden Jubilee of ITEC Celebration", Press Release, Embassy of India, Indonesia, December 2014. Accessed at: <http://indianembassyjakarta.com/index.php/25-news-and-events/343-press-release-india-indonesia-development-programme-lauded-golden-jubilee-of-itec-celebration>

<sup>100</sup> India-Indonesia Relations, Ministry of External Affairs, India, January 2014. Available at: [http://www.mea.gov.in/Portal/ForeignRelation/Indonesia\\_January\\_2014.pdf](http://www.mea.gov.in/Portal/ForeignRelation/Indonesia_January_2014.pdf)

<sup>101</sup> Ibid.

<sup>102</sup> "Handing over Equipments with Vocational Training Centre for Construction Sector", Country News, Ministry of External Affairs, GoI. Available at: [http://mea.gov.in/Portal/CountryNews/1322\\_HANDING\\_OVER\\_EQUIPMENTS\\_WITH\\_VOCATIONAL\\_TRAINING\\_CENTRE\\_FOR\\_CONSTRUCTION\\_SECTOR.pdf](http://mea.gov.in/Portal/CountryNews/1322_HANDING_OVER_EQUIPMENTS_WITH_VOCATIONAL_TRAINING_CENTRE_FOR_CONSTRUCTION_SECTOR.pdf)

<sup>103</sup> Ibid.

<sup>104</sup> Non Plan budget Outlay, 2015-2016, Ministry of External Affairs, GoI

<sup>105</sup> "India and Indonesia agree to expand the scope of economic engagement at the meeting of the Ambassador of India with the Vice President of Indonesia", Press Release, Embassy of India, Indonesia, January 12, 2015. Accessed at: [http://mea.gov.in/Portal/CountryNews/3426\\_India\\_and\\_Indonesia\\_agree\\_to\\_expand\\_the\\_scope\\_of\\_economic\\_engagement\\_at\\_the\\_meeting\\_of\\_the\\_Ambassador\\_of\\_India\\_with\\_the\\_Vice\\_President\\_of\\_Indonesia.pdf](http://mea.gov.in/Portal/CountryNews/3426_India_and_Indonesia_agree_to_expand_the_scope_of_economic_engagement_at_the_meeting_of_the_Ambassador_of_India_with_the_Vice_President_of_Indonesia.pdf)

Private Indian investment in infrastructure development has also increased manifold over the past few years. Under the business deals signed in 2011, several Indian companies have been enlisted to supply equipment and/or build infrastructure such as airports, ports, railways, toll roads, river navigation projects and power plants in Indonesia.<sup>106</sup> These companies include IRCON, WAPCOS, TCIL, Punj Lloyd and STUP Consultancy India Ltd.<sup>107</sup>

### Humanitarian Aid and Disaster Relief

India has offered humanitarian assistance to Indonesia during various natural disasters. It was among the first countries to provide relief supplies to Indonesia after the Tsunami disaster in 2004. The Indian navy sent two ships carrying 40 tonnes of relief supplies and 3 tonnes of medical supplies, the total cost of both was estimated to be around INR 6 crores.<sup>108</sup>

India also donated INR 12 crores as relief assistance to Indonesia in March 2005 after a major earthquake struck Northern Sumatra. In May 2006, Indonesia was again struck by a major earthquake and India provided almost INR 12 crores worth of relief assistance.<sup>109</sup>

Along with financial assistance and relief supplies, India also provided human resource assistance in the form of medical teams and Indian air force choppers for ease of carrying out relief operations.<sup>110</sup>

In October 2010, India extended INR 60 lakhs as relief assistance to those affected by natural disasters such as volcanic eruptions and tsunami in Mt. Merapi and Mentawi islands respectively.<sup>111</sup>

<sup>106</sup> India-Indonesia Relations, Ministry of External Affairs, India, December 2012. Available at: [http://www.mea.gov.in/Portal/ForeignRelation/Indonesia-Brief\\_for\\_MEA\\_website\\_decem\\_2012.pdf](http://www.mea.gov.in/Portal/ForeignRelation/Indonesia-Brief_for_MEA_website_decem_2012.pdf)

<sup>107</sup> Ghosal, Baladas, "Indonesia in India's Look East Policy", IDSA Issue Brief, January 2011.

<sup>108</sup> Price, Gareth, "Diversity in donorship: the changing landscape of official humanitarian aid", HPG Background Paper, Humanitarian Policy Group, September 2005. Accessed at: <http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/416.pdf>

<sup>109</sup> India-Indonesia Relations, Ministry of External Affairs, GoI, July 2013. [http://www.mea.gov.in/Portal/ForeignRelation/India-Indonesia\\_Relations.pdf](http://www.mea.gov.in/Portal/ForeignRelation/India-Indonesia_Relations.pdf)

<sup>110</sup> Joint Media Briefing by Foreign Secretary Shri Shyam Saran and Vice Admiral Shri Raman Puri, Chief of Integrated Service Command, January 05, 2005. Available at: <http://www.mea.gov.in/media-briefings.htm?dtl/3470/Joint+Media+Briefing+by+Foreign+Secretary+Shri+Shyam+Saran+and+Vice+Admiral+S+hri+Raman+Puri+Chief+of+Integrated+Service+Command>

<sup>111</sup> Ibid.

## Recent Strategic Developments

Indonesia, by virtue of being the largest country and one of the fastest growing economies of the ASEAN, has immense influence in the region. India's bid to foster closer ties with the ASEAN countries is thus contingent on a strong bilateral relationship with Indonesia.<sup>112</sup>

India and Indonesia have also deepened their engagement on maritime security in the Indian Ocean. India views Indonesia as a key partner in balancing China whose recent assertiveness in the South China Sea has not only antagonised and worried many ASEAN states, but also created suspicions and uncertainty about China's intentions in the Indian Ocean.<sup>113</sup>

India also envisages an operational role of security provider for itself in the Strait of Malacca and has previously offered assistance to the littoral states of Singapore, Malaysia and Indonesia.<sup>114</sup> India, in fact, views the Malacca Strait as an essential part of its strategic calculus.<sup>115</sup>

In a speech delivered at IDSA on the "Role of Indian Navy in Maintaining Peace in Indian Ocean Region", the then Chief of Naval Staff, Admiral D.K. Joshi said that, "The Indian Navy is viewed by some of the littorals as a suitable agency to facilitate regional maritime security in the IOR as a Net Security Provider."<sup>116</sup> He added that, "India's standing as a benign power provides credence to this perception, making us a preferred partner for regional security." However, Indonesia has so far remained ambivalent to a more active security role for India in the Strait.<sup>117</sup>

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<sup>112</sup> Indonesia has been important to India in developing stronger institutional links with the ASEAN. In fact, it played a leading role in supporting India's membership in the ASEAN Regional Forum (ARF) as far back as 1996. Read more at: <https://digitalcollections.anu.edu.au/bitstream/1885/13065/2/Brewster,%20D.%20The%20Relationship%20Between%20India%20and%20Indonesia%202011.pdf>

<sup>113</sup> Ibid.

<sup>114</sup> In June 2006, the then Indian Defence Minister Paranab Mukherjee reaffirmed India's offer, subject to the desire of the littorals. See: [http://www.futuredirections.org.au/files/sap/Moving\\_Forwards\\_Slowly\\_-\\_India-Indonesia\\_Relations\\_in\\_the\\_Twenty-First\\_Century.pdf](http://www.futuredirections.org.au/files/sap/Moving_Forwards_Slowly_-_India-Indonesia_Relations_in_the_Twenty-First_Century.pdf)

<sup>115</sup> In the Prime Minister's Address to the Combined Commanders' Conference, Dr Manmohan Singh said that India's strategic calculus has long encompassed the waters from the Gulf of Aden to the Strait of Malacca. October 19, 2012. Text of Address available at: <http://pib.nic.in/newsite/PrintRelease.aspx?relid=88528>

<sup>116</sup> Speech delivered at IDSA on March 05, 2013. Full Text available at: [http://www.idsa.in/keyspeeches/RoleofIndianNavyinMaintainingPeaceinIndianOceanRegion\\_CNS](http://www.idsa.in/keyspeeches/RoleofIndianNavyinMaintainingPeaceinIndianOceanRegion_CNS)

<sup>117</sup> Brewster, David, "The Relationship between India and Indonesia: An Evolving Security Partnership?", Pg 240. Accessed at: <https://digitalcollections.anu.edu.au/bitstream/1885/13065/2/Brewster,%20D.%20The%20Relationship%20Between%20India%20and%20Indonesia%202011.pdf>

## Conclusion

Indonesia has established itself as a donor country in recent years, and as a result, development partnership between the two countries is mostly limited to technical cooperation. Both India and Indonesia are large developing countries that wield considerable influence in their regions and are also members of international forums such as the G20 and IORA. They also share similar aspirations to make the international order more equitable through a reform of international organisations such as the WTO and the UN.<sup>118</sup> Furthermore, India's desire to be a regional security provider in the IOR, which would bring with it substantial international prestige and legitimacy to India's benign regional power image,<sup>119</sup> is incumbent on Indonesia's support. It is, therefore, likely that India will continue to pursue close relations with the country.

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<sup>118</sup> India, Indonesia should work together at UN, WTO: Hamid Ansari, IBN Live, November 02, 2015.  
<http://www.ibnlive.com/news/india/india-indonesia-should-work-together-at-un-wto-hamid-ansari-1159820.html>

<sup>119</sup> Ibid.

## Cambodia

### Overview

India and Cambodia have a close relationship, with religious and cultural exchanges dating back centuries. India was one of the first countries to recognise the new government of Cambodia in 1981 after the fall of the Khmer Rouge.<sup>120</sup>

The two countries have since then deepened their political and economic engagement and expanded development cooperation to cover diverse areas such as institutional capacity building, human resource development, infrastructure projects and security and defence.

### Bilateral Assistance

India provides bilateral support to Cambodia for various infrastructure projects in the field of agriculture, power transmission and water management. It has also extended assistance for capacity building programmes in the field of education and entrepreneurship. These programmes are funded by a combination of grants and LOCs.

### LOCs

India has extended multiple LOCs to Cambodia for the construction of water resources and irrigation systems. An LOC worth INR 60 crores was given in 2002 for the West Baray irrigation project at Siem Reap. Another LOC was signed between the Cambodian government and the Exim bank for approximately INR 211 crores in 2007. Under this LOC, funds have been provided for a transmission line from Strung Treng to Kratie and a water development project on Stung Tassal River.<sup>121</sup>

An additional INR 90 crores was extended for the transmission line through an LOC signed in 2010. Cambodia also requested additional funds for the Stung Tassal dam, which was provided through an LOC for INR 90 crores. The LOC was signed in 2010 during the Indian president's visit to Cambodia.<sup>122</sup>

<sup>120</sup> Interview of Indian ambassador to Cambodia, H.E. Dinesh K. Patnaik. Available on YouTube at: [https://www.youtube.com/watch?v=nYg3\\_IbWn9w](https://www.youtube.com/watch?v=nYg3_IbWn9w)

<sup>121</sup> India-Cambodia Relations, Ministry of External Affairs, GoI, January 2013. Available at: [http://mea.gov.in/Portal/ForeignRelation/Cambodian\\_Bilateral\\_Relations\\_-MEA\\_Website.pdf](http://mea.gov.in/Portal/ForeignRelation/Cambodian_Bilateral_Relations_-MEA_Website.pdf)

<sup>122</sup> Ibid.

### Grants-in-aid Projects

India has provided INR 50 crores in grants for the installation of 1500 hand pumps in the Kampong Cham and Banteay Meanchey provinces of rural Cambodia.<sup>123</sup>

An additional grant of INR 18 crores was allocated to Cambodia in 2014. Under this grant, a study on ground water resources of Kampong Speu province and another one on developing a master plan for Siem Reap river basin will be conducted.



*Restoration Work at the Ta Prohm Temple. Courtesy: Frontline, Volume 29, Issue 18*

The Indian government is also providing financial assistance for restoration work in the Ta Prohm temple. The conservation and restoration is being carried out by the Archaeological Survey of India (ASI) since 2003 and the total approved budget for the project is INR 34.16 crores.

The Indian Prime Minister announced a financial grant of INR 6 crores for setting up of the Museum of Traditional Asian Textiles under the Mekong Ganga Cooperation Initiative (MGC) in 2002. The museum was finally set up in Siem Reap

at a total cost of INR 10 crores in 2011.<sup>124</sup>

### Capacity Building Programmes

Cambodia is a major recipient of India's ITEC programme and has utilized around 1000 civilian training slots and about 100 defence training slots till date. For the year 2015-2016, Cambodia was allotted 80 civilian training slots and 20 defence slots (12 slots for Army courses, 4 slots for Navy courses and 4 slots for Air Force courses).<sup>125</sup>

<sup>123</sup> India-Cambodia Relations, Ministry of External Affairs, GoI, January 2013. Available at: [http://mea.gov.in/Portal/ForeignRelation/Cambodian\\_Bilateral\\_Relations\\_-MEA\\_Website.pdf](http://mea.gov.in/Portal/ForeignRelation/Cambodian_Bilateral_Relations_-MEA_Website.pdf)

<sup>124</sup> Outcome Budget 2015-2016, Ministry of External Affairs, GoI

<sup>125</sup> Indian Technical and Economic Cooperation Programme, Embassy of India, Phnom Penh, Cambodia. <http://www.indembassyphnompenh.org/projects/itec.html>



Along with ITEC, 15 education scholarships are offered to Cambodian nationals every year under MGC and the GCSS.<sup>126</sup>

The Indian government also announced an amount of INR 1.47 crores for the up-gradation of infrastructure and facilities at the Kampuchea-India Mithapheap (friendship) school, Khum Khanasor in 2010.<sup>127</sup>

The Cambodia-India Entrepreneurship Development Centre (CIEDC) was set up in 2006 in Phnom Penh under the Initiative for ASEAN Integration (IAI). Another capacity building centre, the Cambodia-India Centre for English Language Training (CICELT) was established in 2007.<sup>128</sup>

India has collaborated with Cambodia in spreading computer literacy and providing access to Information and Communications Technologies (ICT). For this purpose, five Minimally Invasive Education (MIE) IT kiosks were set up in Siem Reap, Kandal, Takeo and Phnom Penh. These kiosks provide free internet access to the public.<sup>129</sup>

In 2007, the government of India proposed setting up of a talent development centre which would capacitate people in using ICTs. Finally in 2012, an agreement was signed for establishment of the Centre of Excellence in Talent Development (ICCETD) and the project is now under way.<sup>130</sup>

### Humanitarian Aid and Disaster Relief

India has often provided disaster relief and humanitarian assistance to Cambodia. In 2002, India gifted medicines and 10,000 tonnes of rice to Cambodia during a period of severe drought.<sup>131</sup>

The Indian government provided a cash donation of INR 60 lakhs as disaster relief to Cambodia when the entire South East region was hit by intense flooding in 2011.<sup>132</sup>

<sup>126</sup> Indian Technical and Economic Cooperation Programme, Embassy of India, Phnom Penh, Cambodia. <http://www.indembassyphnompenh.org/projects/itec.html>

<sup>127</sup> Kampuchea-India Mithapheap (Friendship) School, Project Detail, Embassy of India, Cambodia. Available at: <http://www.indembassyphnompenh.org/projects/friendship-school.html>

<sup>128</sup> Cambodia - India Centre for English Language Training (CICELT), Project Detail, Embassy of India, Cambodia. Available at: <http://www.indembassyphnompenh.org/projects/cicelt.html>

<sup>129</sup> Minimally Invasive Education (MIE) IT Kiosks, Project Detail, Embassy of India, Cambodia. Available at: <http://www.indembassyphnompenh.org/projects/it-kiosks.html>

<sup>130</sup> India-Cambodia Center of Excellence & Talent Development, Project Detail, Embassy of India, Cambodia. Available at: <http://www.indembassyphnompenh.org/projects/it-centre.html>

<sup>131</sup> India-Cambodia Relations, Ministry of External Affairs, GoI, January 2013. Available at: [http://mea.gov.in/Portal/ForeignRelation/Cambodian\\_Bilateral\\_Relations\\_-MEA\\_Website.pdf](http://mea.gov.in/Portal/ForeignRelation/Cambodian_Bilateral_Relations_-MEA_Website.pdf)

<sup>132</sup> Ibid.

India was also the first country to pledge a cash contribution to Cambodia's national share for setting up the court of the Khmer Rouge Tribunal, eventually making a bilateral contribution of INR 60 crores in 2005.<sup>133</sup>

### Cambodia and India's Look East Policy

Cambodia is a vital partner for India's look east policy (LEP). In the past, it has played an instrumental role in pushing for the enhancement of ties between India and ASEAN. In November 2002, the first ever ASEAN-India summit was held in Phnom Penh and Cambodia was indispensable to institutionalising this process. Cambodia also supported India's participation in the first East Asia Summit in 2005.<sup>134</sup> In 2009, Cambodia became the Country Coordinator for India in the ASEAN for a three year period, during which time interaction between the two increased substantially.<sup>135</sup>

Cambodia also holds a special place in India's LEP as part of the CLMV (Cambodia, Laos, Myanmar and Vietnam) cluster. It has been observed that as the newest members of the ASEAN, production networks and regional value chains (RVC) between ASEAN and CLMV are comparatively weaker than the rest of the ASEAN region.<sup>136</sup> At the same time, India is also not well integrated into the RVCs in its neighbourhood. Therefore, it has been suggested that greater economic integration between India and the CLMV would allow for mutual benefits in terms of greater trade and development,<sup>137</sup> and also provide India with a better negotiating position in regional economic initiatives such as the Regional Comprehensive Economic Partnership (RCEP).<sup>138</sup>

<sup>133</sup> Aid Projects, Project Detail, Embassy of India, Cambodia. Available at: <http://www.indembassyphnompenh.org/projects/aid-projects.html>

<sup>134</sup> India-Cambodia Relations, Ministry of External Affairs, GoI, January 2013. Available at: [http://mea.gov.in/Portal/ForeignRelation/Cambodian\\_Bilateral\\_Relations\\_-MEA\\_Website.pdf](http://mea.gov.in/Portal/ForeignRelation/Cambodian_Bilateral_Relations_-MEA_Website.pdf)

<sup>135</sup> Ibid.

<sup>136</sup> Das, Ram Upendra, "India's Strategy for Economic Integration with CLMV", Ministry of Commerce and Industry, GoI, 2015.

<sup>137</sup> Ibid.

<sup>138</sup> The RCEP is a FTA negotiation that has been developed among 16 countries: the 10 members of ASEAN (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam) and the six countries with which ASEAN has existing Free Trade Agreements (FTAs) – Australia, China, India, Japan, Korea, and New Zealand. Read more at: <http://www.mfat.govt.nz/Trade-and-Economic-Relations/2-Trade-Relationships-and-Agreements/RCEP/>

The focus on CLMV over the past few years has led to the formation of a CLMV desk in the MEA, which is responsible for initiating and executing special programmes of assistance and cooperation in diverse fields in these countries.<sup>139</sup>

Under the new government, the LEP has been articulated in the form of the 'Act East Policy'. At the ASEAN-India Summit in November 2014, Prime Minister Modi unveiled his action oriented policy towards widening engagement with the region.<sup>140</sup>

In order to fulfil the objectives of this policy, it is imperative to strengthen ties with the CLMV countries even more.

The Indian government has already taken steps in this direction. For example, the government is currently finalising a mechanism for setting up special purpose vehicles to bolster private Indian investment in manufacturing hubs in the CLMV. The Finance Minister, Arun Jaitley, announced this decision during the union budget (2015-2016) and added that the government of India "endeavours to cultivate extensive economic and strategic relations in Southeast Asia."<sup>141</sup>

### Impact of India-Cambodia partnership

Indian training programmes such as the ITEC have been very well received in Cambodia. Their demand has markedly increased over the years; in 2011-2012, for example, ITEC slots for Cambodia were increased to 100 from 85<sup>142</sup>, and then to 120 in 2012-2013.<sup>143</sup>

The Indian government has also signed an MoU with the Cambodian government for the implementation of five Quick Impact Projects, which are small projects with a budget of INR 30 lakhs each, intended to provide immediate benefits to local communities.<sup>144</sup>

<sup>139</sup> Muni, S.D., "India's Look East Policy: The Strategic Dimension", February 2011

<sup>140</sup> "Modi Unveils India's 'Act East Policy' to ASEAN in Myanmar", The Diplomat, November 17, 2014. Available at: <http://thediplomat.com/2014/11/modi-unveils-indias-act-east-policy-to-asean-in-myanmar/>

<sup>141</sup> "Act East policy: Centre finalising mechanism to invest in CMLV countries", Business Line, March 23, 2015. Available at: <http://www.thehindubusinessline.com/economy/act-east-policy-centre-finalising-mechanism-to-invest-in-cmlv-countries/article7024795.ece>

<sup>142</sup> India-Cambodia Relations, Ministry of External Affairs, January 2012. Available at: <http://www.mea.gov.in/Portal/ForeignRelation/Cambodia-January-2012.pdf>

<sup>143</sup> India-Cambodia Relations, Ministry of External Affairs, GoI, July 2014. Available at: [http://mea.gov.in/Portal/ForeignRelation/Cambodia\\_July\\_2014.pdf](http://mea.gov.in/Portal/ForeignRelation/Cambodia_July_2014.pdf)

<sup>144</sup> "India, Cambodia sign two MoUs", The Hindu, September 17, 2015. <http://www.thehindu.com/news/national/india-cambodia-sign-two-mous/article7660338.ece>

The projects include two in healthcare, one on agriculture, one on women's empowerment and one for the upgradation of the Entrepreneurship Development Centre.

The Vice-President of India, Mr Hamid Ansari addressed Cambodia's Council of Ministers after signing the MoUs and expressed hope that the projects would contribute to the improvement of public welfare.<sup>145</sup>

Despite the progress made by these programmes, Indian aid has not met Cambodia's expectations so far. The amount of development finance remains small and the implementation of projects has also been slow.<sup>146</sup>

### Conclusion

There is a realisation that better connectivity and enhanced economic integration with the CLMV countries is crucial for India in order to increase two-way trade and commerce.<sup>147</sup> However, problems related to land connectivity, banking, and the movement of people and goods and services persist. To counter this, the Indian government is planning large investments in the region.<sup>148</sup> As a result, India's technical and financial assistance to Cambodia, along with facilitation of private investment, is expected to grow.

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<sup>145</sup> "India, Cambodia sign two MoUs", The Hindu, September 17, 2015. <http://www.thehindu.com/news/national/india-cambodia-sign-two-mous/article7660338.ece>

<sup>146</sup> Sato, Jin; Shiga, Hiroaki; Kobayashi, Takaaki and Kondoh, Hisahiro, "Emerging Donors from a Recipient's Perspective: An Institutional Analysis of Foreign aid in Cambodia", World Development, December 2011.

<sup>147</sup> Connectivity, cooperation to boost India-CLMV ties: Nirmala Sitharaman, The Economic Times, January 13, 2016. [http://articles.economictimes.indiatimes.com/2016-01-13/news/69735036\\_1\\_connectivity-countries-industry-minister-nirmala-sitharaman](http://articles.economictimes.indiatimes.com/2016-01-13/news/69735036_1_connectivity-countries-industry-minister-nirmala-sitharaman)

<sup>148</sup> Ibid.

## Key Observations

- 1) Based on the review of the four countries in the previous chapters, the following can be summarised as the major motives behind India's development cooperation:-

### Power Projection

An examination of the development of India's aid programme seems to suggest that prestige has always been an important motivator for India's policies. Despite the crippling underdevelopment within the country at the time of independence, India made bilateral aid commitments and initiated multilateral programmes like the Colombo Plan, as the then Prime Minister Nehru envisioned a leadership role for India in the post-colonial world.<sup>149</sup>

This idea has since shaped India's aid programme. In the last two decades, India's foreign aid programme has expanded to reflect the confidence that India has in its own inevitable rise as a superpower in the new multipolar world.<sup>150</sup>

### Soft Power

India's development assistance programme is intrinsic to advancing its interests through soft power influences. India hopes to build good will and generate reciprocal benefits such as support for it to play a larger role in multilateral fora, especially when it comes to its bid to gain a permanent seat in the UNSC.<sup>151</sup> The fact that there are more than 40,000 alumni of the ITEC programmes around the world gives India the strategic advantage of having a favourable dispensation, especially the bureaucracy, in many countries.<sup>152</sup> The hope is that this will be translated into beneficial policies and relationships.<sup>153</sup>

India also apparently leverages development relationships to maintain its influence in its neighbourhood and ensure that neighbouring countries do not drift away to possibly hostile countries such as China and Pakistan.<sup>154</sup>

<sup>149</sup> In the Oxford Handbook on Indian Foreign Policy, Rohan Mukherjee refers to Nehru's speech where he articulates this vision. Pg 181, The Oxford Handbook on Indian Foreign Policy, OUP, 2015.

<sup>150</sup> Pg 182, Ibid.

<sup>151</sup> Fuchs, Andreas and Vadlamannati, Krishna C., "The Needy Donor: An Empirical Analysis of India's Aid Motives", June 2012.

<sup>152</sup> Ramachandran, Vijaya, "India Emerges as an Aid Donor", May 2010. Accessed at: <http://www.cgdev.org/blog/india-emerges-aid-donor>

<sup>153</sup> Ibid.

<sup>154</sup> Sridharan, Easwaran, "The Emerging Foreign Assistance Policies of India and China: India as a Development Partner". March, 2014. <https://casi.sas.upenn.edu/sites/casi.sas.upenn.edu/files/upiasi/E.%20Sridharan%20-%20IDRC,%20India%20as%20an%20Emerging%20Donor,%20June%202014.pdf>

### Access to Energy sources and Markets

The Indian economy is growing at an accelerated pace, leading to a rise in energy demand which India is ill equipped to handle at the moment, given the status of resource availability and harnessing capability within the country. Therefore, India is increasingly looking abroad to fulfil its energy requirements by providing assistance to power sector projects, from where it can import electricity. Almost 23 per cent of the total LOCs (amounting to approximately INR 13800 crores) that India committed between 2004 and 2013, and over 35 per cent (approximately INR 3300 crores) of the total grants and loans that India provided between 2006 and 2013 were towards the energy sector.<sup>155</sup>

Another major thrust of the Indian aid programme appears to be a rising focus on securing natural resources and access to markets for the growing Indian economy.<sup>156</sup>

### Competition with China

Another critical factor in determining the course of India's development assistance has been its rivalry with China. This can be traced all the way back to the early post-independence years when China's growing influence amongst other developing countries became a cause for concern for the Indian leadership.<sup>157</sup> Over the years, this competition has intensified as China has augmented its economic footprint in countries where India is also vying for space. This is especially bothersome for the Indian establishment when it comes to its own neighbours, where China is becoming an important foreign investor as well as provider of infrastructure loans.<sup>158</sup>

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<sup>155</sup> Indian Development Cooperation Research Initiative "Trends in Indian Development Assistance in the Energy Sector," India Development Cooperation Research (IDCR) Project, News Brief no. 4, 1st February, 2015 (last updated 1st February, 2015). Available at <http://idcr.cprindia.org/blog/trends-indian-development-assistance-energy-sector>

<sup>156</sup> Development Cooperation in South Asia: Reality Check, The Reality of Aid, November 2014  
<http://www.realityofaid.org/wp-content/uploads/2015/01/RealityCheck-2014.pdf>

<sup>157</sup> Prime Minister Nehru highlighted the China factor with relation to Nepal in 1950, when he stated that "Our interest in the internal conditions of Nepal has become still more acute and personal, because of the developments across our borders, to be frank, especially those in China and Tibet": The Oxford Handbook on Indian Foreign Policy, OUP, 2015.

<sup>158</sup> "Modi Doubles Down on the Neighborhood", Yale Global Online, June 10, 2014. Accessed at: <http://yaleglobal.yale.edu/content/modi-doubles-down-neighborhood>

- 2) India is not part of the DAC; neither does it report its development assistance to the DAC, as certain other non-DAC donors such as Turkey and Saudi Arabia do. Moreover, India does not prescribe to the DAC formulated guidelines on how official development assistance (ODA) is to be calculated and categorised.<sup>159</sup> India maintains that since it is a developing country, its development assistance must be closely linked to its own commercial and strategic interests, while being cognizant of partners' priorities.<sup>160</sup>

India has also, on occasion, rejected formal processes in partner countries, which are commonly adhered to by the DAC donors. For example, in both Nepal and Cambodia, India has previously refused to attend donor meetings and disclose information regarding its aid activities.<sup>161</sup>

- 3) Trade and investment have become intrinsic components of India's development cooperation in partner countries. The Indian government has in the past used foreign aid to lubricate the recipient country's economy in order to create demand for its own goods<sup>162</sup> or smoothen the entry of various private companies into regional supply chains.

The government follows a model of public private partnership whereby it undertakes the initial investment to give impetus to complementary private investment, or make way for private ownership and management of projects.<sup>163</sup>

- 4) Concessional LOCs have become the most widely used instrument of development assistance today. They have enabled India to dramatically expand its development partnerships as the EXIM bank raises the funds for LOCs from the international debt market and is not limited by the Indian budget like before.<sup>164</sup>

LOCs also serve as a tool for securing markets for Indian goods and services, keeping in line with India's emphasis on facilitating trade and investment in

<sup>159</sup> Mullen, Rani D., "India's Development Assistance: Will it Change the Global Assistance Paradigm", April 2013. Available at: <http://www.iilj.org/newsandevents/documents/mullen.pdf>

<sup>160</sup> Talk by Shri PS Raghavan, SS (DP) on Development Partnership Administration (DPA), July 2013, IDSA

<sup>161</sup> Indian aid officials often ignore meetings organized by the Nepal Planning Commission. Refer to Adhikari, Monalisa, "Politics and Perceptions of Indian Aid to Nepal", Pg. 334, Strategic Analysis, May 2014. 38:3, 325-340, DOI: 10.1080/09700161.2014.895236. Similarly India also does not attend tradition donor meetings in Cambodia. Refer to Sato, Jin; Shiga, Hiroaki; Kobayashi, Takaaki and Kondoh, Hisahiro, "Emerging Donors from a Recipient's Perspective: An Institutional Analysis of Foreign aid in Cambodia", World Development, December 2011.

<sup>162</sup> Adhikari, Monalisa, "Politics and Perceptions of Indian Aid to Nepal", Strategic Analysis, May 2014. 38:3, 325-340, DOI: 10.1080/09700161.2014.895236

<sup>163</sup> Chaturvedi, Sachin; Chenoy, Anuradha M.; Chopra, Deepta; Joshi, Anuradha and Lagdhyan, Khush Hal S., "Indian Development Cooperation: The State of the Debate", Evidence Report No 95, Institute of Development Studies, September 2014.

<sup>164</sup> Mullen, Rani D., "India's Development Assistance: Will it Change the Global Assistance Paradigm", April 2013. Available at: <http://www.iilj.org/newsandevents/documents/mullen.pdf>

recipient countries.<sup>165</sup> The extension of LOCs is tied to the procurement of a minimum of 75 per cent of goods and services from Indian companies.<sup>166</sup> (The government may provide a relaxation not exceeding 10 per cent on a case to case basis according to the Ministry of Finance Guidelines).

- 5) Indian projects abroad face a number of challenges, most of which are related to implementation. According to Mr P S Raghavan, former Special Secretary, Development Partnership Administration (DPA), MEA, India routinely struggles with myriad host country problems such as delays in statutory approvals, lack of existing infrastructure, political instability or other security risks and local protests.<sup>167</sup>

The Indian government is also grappling with certain internal issues such as unpredictability of budget allocations, delays in project appraisal and approval procedures, and excessive dependence on a narrow pool of companies for project delivery.<sup>168</sup> The DPA is also widely believed to be suffering from an acute shortage of staff which compounds these problems.<sup>169</sup>

- 6) While the large infrastructure projects being implemented by India or with Indian assistance face frequent hurdles, India's small development projects (SDPs) are comparatively implemented and managed better.<sup>170</sup> They are very popular among India's neighbouring countries and after being first introduced in Nepal, they are now being replicated in other countries such as Sri Lanka, Bhutan and Afghanistan.<sup>171</sup>

Similarly, the technical programmes and capacity building trainings being conducted by the Indian government under its ITEC programme have been able to generate a much better response from partner countries. Since its inception ITEC has trained more than 50,000 people; from training 80 officials in the year 1964-1965, it has expanded to training more than 10,000 candidates from 161 countries in the year 2014-2015 alone.<sup>172</sup>

<sup>165</sup> Ganguly, Sumit and Mullen, Rani D., "The Rise of India's Soft Power", *Foreign Policy*, May 08, 2012. [http://foreignpolicy.com/2012/05/08/the-rise-of-indias-soft-power/?wp\\_login\\_redirect=0](http://foreignpolicy.com/2012/05/08/the-rise-of-indias-soft-power/?wp_login_redirect=0). Ganguly and Mullen note that LoCs help create new markets for Indian goods and workers.

<sup>166</sup> Mullen, Rani D., "Lines of Credit", *Indian Development Cooperation Research*, April 28, 2013. Accessed at: <http://idcr.cprindia.org/blog/lines-credit>

<sup>167</sup> Talk by Shri PS Raghavan, SS (DP) on Development Partnership Administration (DPA), July 2013, IDSA

<sup>168</sup> Ibid.

<sup>169</sup> "India's foreign aid program catches up with its global ambitions", *Devex*, May 10, 2013. Available at: <https://www.devex.com/news/india-s-foreign-aid-program-catches-up-with-its-global-ambitions-80919>

<sup>170</sup> Srinivasan, Sharmadha, "Assessing India's infrastructure aid diplomacy", March, 2015. <http://www.gatewayhouse.in/assessing-indias-infrastructure-aid-diplomacy/>

<sup>171</sup> Chaturvedi, Sachin, "Aid from India coming to a Country near you", *the Hindu*, September 05, 2012. <http://www.thehindu.com/opinion/op-ed/aid-from-india-coming-to-a-country-near-you/article3859607.ece>

<sup>172</sup> "50 Years of Indian Technical and Economic Cooperation: A Report", IDCR, January 2015.



## Recommendations and Conclusion

India's foreign assistance programme was conceptualised within the SSC framework. As such, India maintains that its assistance policies respond to the developmental needs of developing countries and are free of binding riders; case in point, the Ministry of External Affairs (MEA) describing the ITEC as "an earnest attempt by India to share the fruits of its socio-economic development and technological achievement with other developing countries."

Nevertheless, the priority countries and sectors for India's development cooperation programmes are clearly determined by key Indian political and economic objectives, as evidenced by budgetary allocations for previous years. For example, as per the 2015-2016 Outcome Budget of the MEA, the Ministry allocated approximately INR 7235 crores to aid-related activities in the 2014 financial year and almost 90 per cent of these grants and loans were directed towards six of the SAARC nations, Bhutan, Afghanistan, Nepal, Sri Lanka, Bangladesh and Maldives alone.<sup>173</sup> Also, between the years 2005-2010, almost three-quarters of the INR 12000 crores committed by the MEA as bilateral assistance was spent on strategic sectors such as energy, water, transport, communications and industry, as opposed to sectors such as health, education and social services.<sup>174</sup>

The size and scope of India's development cooperation, which has catapulted it to being one of the major providers of development assistance amongst emerging economies today, is only getting bigger. Apart from helping in the attainment of India's foreign policy objectives, India's development assistance can play a critical role in influencing and accelerating the development trajectory of another country. Therefore, it is extremely important to ensure that the policies and modalities of development cooperation are formulated with a people-centric approach and carried out in the most transparent and accountable manner. This responsibility is higher in the cases of countries like India, who have been large aid recipients and still have domestic constituencies suffering due to poverty and inequality.

<sup>173</sup> Calculated on the basis of data provided in Outcome Budget (2015-2016), Ministry of External Affairs, GoI.

<sup>174</sup> Indian Development Cooperation Research Initiative "Trends in Indian Development Assistance in the Energy Sector," India Development Cooperation Research (IDCR) Project, News Brief no. 4, 1st February, 2015 (last updated 1st February, 2015). Available at <http://idcr.cprindia.org/blog/trends-indian-development-assistance-energy-sector>

In order to make India's development assistance programme more effective, the study makes the following recommendations: -

### 1. Need for sustained dialogue with recipients

India ascribes to a recipient driven model of development assistance which aims to meet the aspirations of local populations. This model is contingent upon the establishment of mechanisms for institutionalising continuous dialogues with recipients and for carrying out independent reviews and impact assessments. It is also important to ensure that the intended beneficiaries are involved in the planning process, especially in countries with weak state institutions or protracted conflicts. Such processes can be led by the local Indian embassy with voluntary organisations as partners, since they usually have extensive linkages with local communities. Moreover, development NGOs can also play a critical role in assisting the local governments in formulating monitoring frameworks and carrying out evaluation studies on the ground.

### 2. Better policy coordination and implementation

The MEA set up the DPA in 2012 with the objective of "effectively handling India's aid projects through the stages of conception, launch, execution and completion." Despite this step towards a more coordinated approach to development cooperation, many projects still face operational roadblocks and planning delays which may lead to cost overruns. Recipient countries, especially Least Development Countries (LDCs), are adversely affected by this as they are sometimes entirely dependent on aid flows for their development. The government needs to work on removing such bottlenecks and also ensure that development projects are not subject to knee jerk responses to diplomatic falling outs.

### 3. Increasing accountability of private stakeholders

As seen already, trade is closely tied with Indian development cooperation and the government often extends development assistance as part of a larger package which includes trade deals and investments. But there have been concerns about Indian

companies being involved in land acquisition and extractive industries which are antithetical to the nature of India's development cooperation. Therefore, the government and other stakeholders such as private sector and voluntary organisations should evolve a code of conduct or charter of ethical practices. The government also needs to adopt a more open and equitable process for bidding and awarding of projects.

#### 4. Greater involvement of Civil Society

The government has not been too forthcoming in sharing information about its development partnerships with the public at large and in turn, the media and civil society have also taken little interest in critically engaging on this issue. But at a time when the development discourse is moving towards development effectiveness through open governments and data revolutions, it is essential for the government to engage voluntary organisations through platforms such as the Forum for Indian Development Cooperation (FIDC). This will provide greater legitimacy to India's development assistance programmes.

Indian voluntary organisations also have considerable expertise and knowledge which can be used to bring transformative, sustainable changes in other countries with similar development contexts. Indian organisations can also help in building capacities of local voluntary organisations in partner countries, thereby reducing chances of corruption.

#### 5. Aligning development cooperation with the global development agenda

The global development discourse has moved from an emphasis on unfettered growth to a more sustainable and holistic approach to development. The newly adopted Sustainable Development Goals (SDGs), for instance, aim for poverty elimination, inclusive growth, sustainable institutions, and peaceful and just societies. India should make sure that its bilateral development funding as well as development financing through multilateral institutions such as the New Development Bank enables developing countries to achieve these goals. For example, India could ensure that the infrastructure projects funded by its LOCs and grants focus on creating green infrastructure and clean energy.

## 6. Shaping the broader development agenda

India is part of several important multilateral groupings such as the IBSA, BRICS and G20 which are today in a position to determine the flow of development finance. This assumes further importance when we consider that the required level of infrastructure investment in developing countries is estimated to be US\$ 1-1.5 trillion a year for the next 20 years,<sup>175</sup> and that developing countries, especially lower income countries, will increasingly look towards donors within the South to finance their developmental needs.

Furthermore, these forums are expected to play a more decisive role in formulating policies on economic and political issues such as taxation and migration, which may impact the future of generations to come. India should strive to inform and shape the discussions in these platforms on the basis of the principles of SSC.

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<sup>175</sup> Chandrasekhar, C.P., "Development Banking in Comparative Perspective", Development Finance in the BRICS Countries, HBF.

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- Enabling environment for Voluntary Organisations A Global Campaign (English)
- Model Policies for International Good Governance in Voluntary Organizations (English & Hindi)
- The Hand Book in Good Governance for the Voluntary Sector (English)
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### About Heinrich Böll Foundation

The Heinrich Böll Stiftung / Foundation (HBF) is the Green Political foundation from Germany, affiliated to the "Greens/Alliance '90" political party represented in Germany's federal parliament. Headquartered in Berlin, and with 30 international offices today, HBF conducts and supports civic educational activities and projects worldwide.

HBF understands itself as a green think-tank and international policy network, working with governmental and non-governmental actors and focusing on gender equity, sustainable development, and democracy and human rights.

With a presence in New Delhi since 2002, the HBF India office coordinates interaction with stakeholders and partners in the country. Its programme focus areas include climate and resource policy, socio-economic policy from a gender perspective, the dynamics of democracy, and India's role in the new global order.

### About Voluntary Action Network India (VANI)



Voluntary Action Network India (VANI) is an apex body of Voluntary Organisations.

- Founded in 1988 to act as a promoter/protector and collective voice of the voluntary sector.
- Base of 10000 non-governmental organisations spread in 25 states of India.
- Resource Centre for publications, research work, articles, important documents and information about and related to the voluntary sector.

#### *Objectives:*

- As a platform, to promote voluntarism and create space for voluntary action.
- As a network, attempt to bring about a convergence of common sectoral issues and concerns for building a truly national agenda of voluntary action in India. In addition, facilitate linkages of various efforts and initiatives of the Indian voluntary sector, which succeed in strengthening a united and sustainable movement of change.
- As an association, work towards fostering value based voluntary action and long term sustainability especially amongst our members.

#### *Areas of work*

- Promoting practices of good governance in the voluntary sector.
- Strengthening networks
- Articulating independent voices of the sector.
- Research and advocacy of policies and laws affecting the voluntary sector.

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