

India's Approach to Foreign Aid

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In a broader perspective, foreign aid is money, materials, and services donated and/or funds provided as soft loans by governments, organisations, and individuals in rich countries to help people in poor countries (www.takepart.com). Thus the most basic definition of the term is "resources given from one country to another". Such aid flows take place mainly through two channels — multilateral and bilateral. In the case of the former, multilateral organisations such as the World Bank pull funds bringing together multiple countries and other entities, while in the case of the latter it is often a rich country directly providing funds to a poorer country. India has continued to benefit from foreign aid channeled through both multilateral and bilateral sources.

Table 1 helps to get us an idea of the ODA (Official Development Assistance) received by India over the period from 1960-2016. However, the data are in current prices, so a time period comparison needs to be treated with caution. In most recent years (2009-2016), India received around \$2.00 billion of ODA. But, given the large Indian population of over 1.3 billion (2016), the ODA received is only around \$1.33 to \$2.62, on average per person.

Table 1: Foreign Aid Received by India, 1960-2016, US\$: current prices

Year	ODA (US\$ billion)	US \$ per capita
1960	0.73	1.62
1961	0.61	1.34
1962	0.68	1.45
1963	0.98	2.05
1964	1.22	2.49
1965	1.28	2.58
1966	1.24	2.44
1967	1.37	2.65
1968	0.92	1.74
1969	0.91	1.67
1970	0.82	1.49
1971	1.00	1.77
1972	0.61	1.06
1973	0.78	1.31
1974	1.23	2.03
1975	1.61	2.58
1976	1.74	2.74
1977	0.99	1.52
1978	1.13	1.70
1979	1.36	2.00
1980	2.89	3.14
1981	1.97	2.77
1982	1.64	2.24
1983	1.83	2.45
1984	1.67	2.18
1985	1.59	2.03
1986	1.99	2.49
1987	1.70	2.08
1988	1.95	2.33

Year	ODA (US\$ billion)	US \$ per capita
1989	1.77	2.07
1990	1.40	1.61
1991	2.74	3.08
1992	2.43	2.68
1993	1.47	1.59
1994	2.33	2.47
1995	1.74	1.81
1996	1.90	1.95
1997	1.65	1.65
1998	1.61	1.59
1999	1.49	1.44
2000	1.38	1.31
2001	1.73	1.61
2002	1.76	1.62
2003	0.72	0.65
2004	0.78	0.69
2005	1.88	1.64
2006	1.38	1.19
2007	1.33	1.13
2008	2.02	1.68
2009	2.48	2.04
2010	2.83	2.30
2011	3.27	2.62
2012	1.68	1.33
2013	2.46	1.92
2014	2.99	2.31
2015	3.17	2.42
2016	2.68	2.02

Source: World Bank, *World Development Indicators 2018*

Apparently, as a percentage of the total ODA disbursed in the world, India is one of the largest recipients of foreign aid, one of the top five recipients, with a share of 6% of the total. However, all those countries which have received more foreign than that of India (Syria, Afghanistan, Pakistan, Vietnam and Jordan) have significantly smaller populations.

Table 2: Top 10 ODA Recipients of the World

Countries	US\$ million	As % of total
Syrian Arab Republic	8 870	20%
Afghanistan	4 064	9%
Pakistan	2 953	7%
Viet Nam	2 893	7%
Jordan	2 739	6%
India	2 679	6%
Bangladesh	2 504	6%
West Bank and Gaza Strip	2 402	6%
Iraq	2 285	5%
Yemen	1 926	4%
Other recipients	10 202	23%
Total	43 516	100%

Source: OECD, *Development Aid at a Glance: Statistics by Region, 2018*

Unfortunately, recent data about the sources of foreign aid received by India are not readily available. However, such information as available for 2012 is shown in Table 3. As may be seen, World Bank has remained the major contributor, with a share of 27.61%, followed by Japan (18.87%), Germany (18.58%), and Asian Development Bank (18.34%). The corresponding shares of foreign aid received from the UK and France were 4.55% and 4.04%, respectively.

Table 3: Foreign Aid Received by India, 2012

Countries	US\$ million	As % of total
World Bank	1,093	27.61
Japan	747	18.87
Germany	736	18.59
Asian Development Bank	726	18.34
United Kingdom	180	4.55
France	160	4.04
Global Fund	118	2.98
United States	108	2.73
European Union	91	2.30
Total	3,959	100

Source: Quora (2018)

However, compared to many other developing countries, India appears to be rather reluctant as far as bilateral aid is concerned, i.e. aid provided on a country to country basis. Indeed, in around 2010, the Government of India took a decision to stop taking foreign aid from the UK (to be effective after 2015). In this case, the main argument on the part of India is its preference to go for trade than for aid, although initially there were some surprises.

Another special feature is that India is not only a recipient of aid but also is an aid donor. In fact, Indian engagement in delivering foreign aid goes back to the 1950s, the primary task being to provide development assistance to neighbouring countries. Traditionally, Indian foreign aid has focused on technical assistance, however over the last few years, aid from India has become diversified. During 1992-2000, official foreign assistance provided under the umbrella of the Ministry of External Affairs (MEA) amounted to Indian Rs 18,950 Crores (US\$4,473 million) (MEA 1993-2000). According to Manning (2006: 375, as quoted in Fuchs and Vadilamannati, 2012), India and China are the two 'heavyweights' among the non-DAC donors.

India's development cooperation owes its inspiration to its first Prime Minister, Pandit Jawaharlal Nehru. Soon after independence, Nehru had put forward the view that despite India being a poor country with limited resources, it had an international responsibility to share its modest resources and capabilities with others which were then emerging from the yoke of the colonial rule. Such cooperation was an expression of India's solidarity with countries of the South. Indeed, Nehru thought that India's

own rich experience in social and economic development could provide some lessons traversing a similar path. In turn, India could also learn lessons from the experience of other developing countries. In particular, he had put great emphasis on education and capacity building as drivers of economic growth.

Thus viewed, India finds no contradiction in being a major beneficiary of ODA for its own development effort, even as it shares its modest capacities with other developing countries in a spirit of South-South cooperation. Specifically, India sees that in course of time the development assistance can help enlarge its own prospects by creating bigger trade and investment opportunities. Table 4 shows the amount of money provided by India from 2005-06 to 2015-16. However, as the data are in current prices, one should be cautious in making a time period comparison.

Table 4: Indian Aid Programmes, 2005-06 to 2015-16

Year	Amount (in Indian Rs: Crores)
2005-06	1,874.23
2006-07	1,311.05
2007-08	1,879.57
2008-09	2,644.69
2009-10	2,358.79
2010-11	2,917.35
2011-12	3,422.87
2012-13	-
2013-14	5,411.65
2014-15	6,268.81
2015-16	5,708.22

Source: Govt. of India, Ministry of External Affairs, *Annual Reports 2005-2016*.

In its delivery of aid, India's development cooperation is based on the priorities prescribed by the partner country coming up with concrete projects/proposals. The delivery of assistance, it is thought, can be made in a most economic manner and the motive of the development assistance is to enhance economic and human capacity in a partner country. In particular, capacity building and skills development have been the centre-piece of India's development cooperation programmes, although the nature and scope of such cooperation have undergone important changes over the years.

The Indian Technical and Economic Cooperation (ITEC) programme launched in 1964 along with its sister initiatives, the Special Commonwealth Assistance for Africa Programme (SCAAP) and the Colombo Plan, have emerged as some key drivers.

A Development Partnership Administration (DPA) has been set up in the Ministry of External Affairs, the aim of which is to coordinate India's Development Cooperation activities and also to ensure effective and timely implementation and evaluation. Some 47 Indian institutions in 2012 had conducted training programmes with about 9,000 civilian personnel from over 160 countries of the world. The programme covers entrepreneurship development, business management, information technology, vocational training and foreign service training, among others. India also offers over 2,000 scholarships annually for degree courses in Indian Universities including in the field of science and technology, medicine and engineering.

As may be seen from Table 5, India's development assistance has largely been to less developed countries of Asia and Africa in general and to its neighbours in particular, with Bhutan receiving over 50% of the total in 2012.

Table 5: Distribution of Indian Aid by Recipients, 2015-16

Region / Country	Amount (Indian Rs: Crores)	% of Total
Bhutan	2,919.40	51.14
Afghanistan	676.00	11.84
Sri Lanka	500.00	8.76
Nepal	420.00	7.36
Myanmar	270.00	4.73
Bangladesh	250.00	4.38
African Countries	200.00	3.50
Maldives	25.00	0.44
Eurasia	20.00	0.35
Latin American Countries	15.00	0.26
Mongolia	2.50	0.04
Others	410.32	7.19
Total	5,708.22	100.00

Source: Government of India, *Annual Report, 2015-2016*, Ministry of External Affairs.

Conclusions

Let us draw some brief conclusions.

First, the Indian case of foreign aid helps us to see how a developing country such as India can be a recipient as well as a donor of such aid.

Secondly, the Indian foreign aid programme provides a very important case of the South-south co-operation.

Thirdly, In the light of India's recent decision to stop taking any aid from the UK, one is keen to ask how soon India will stop taking any bilateral aid.

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