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**Panel 4**

**India an emerging donor of official development assistance in Africa : the new geopolitics of international cooperation**

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**1. Official Development Assistance : a brief history**

**1.1 A concept in transformation**

Since its origin, Official Development Assistance (ODA) has been in constant transformation. Driven by different rationales from « realpolitik » to ethnic reasoning, its existence is often put to question due to its vulnerability to market forces. Its limited efficiency in attaining development goals is another clog in the wheel. However, criticisms notwithstanding, ODA continue to occupy an important place in international relations, adapting itself to the change in the world order and the geopolitical interests of the donors.

During the cold war, aid was a diplomatic tool used by donor countries to exercise political supremacy over the recipient countries. Hans Morgenthau, a propounder of the realist theory underlines five objectives which drive external assistance: military, economic, prestige, humanitarian and subsistence. During the cold war era, the receivers of aid were obliged to align themselves to the political and strategic ideology of the donor countries, the erstwhile warring super powers.

Reeling under the economic crisis, the 70's saw the rise of multilateral aid given by institutions like the World Bank and the International Monetary Fund. The Bretton Woods system recognizes multilateral aid as an essential tool of world capitalism. Aid is subject to the voting rights of the developed countries especially the right to veto of the United States. Besides, multilateral agencies such as the World Bank favour financing sector specific development programmes conceived at the national level.

During the eighties and the nineties, the grant component in the aid given increased substantially. Marshall Sahlins, the American anthropologist, underlines three essential forms of resource allocation: economic exchange, redistribution and grant. The institutionalization of aid was seen as a moral responsibility of the developed countries towards the underdeveloped countries insuring their welfare and convergence of their economies to those of the developed countries. The same logic justifies the increase in the grant component of aid. The Development Aid Committee of the Organization of Economic Cooperation and Development (OECD) is the apex organization recognized internationally for the harmonization and regularization of bilateral aid. The DAC increasingly favours altruism as the essential characteristic of

aid. Hence, at least 25% of bilateral aid must consist of grants (the grant is generally given in the form of tax concessions) and should have the economic development of the recipient country as its goal. Moreover, the aid should be « untied » i.e. the funding should not be conditioned to the buying of goods and services exported by the donor country.

The late nineties saw the rise of innovative financing for development alongside conventional aid (for example the air-ticket levy announced in August 2005).

With the declaration of the Millennium Development Goals the DAC members adopted the Paris Declaration on 2<sup>nd</sup> March 2005 for the regularization of aid efficiency. The MDGs aim to reduce extreme poverty by half by 2025. The adhering States are committed to double their efforts to improve the efficiency of aid with an emphasis on result based aid allocation. The developed countries are committed to increase their aid to 0.7% of their GDP by 2015. Five countries – Sweden, Norway, Denmark, Luxemburg and Holland have already achieved this objective.

The recent financial crisis revealed the interdependence of the world economies. The countries are unanimous when it comes to redefining ODA but the measures needed to make it more efficient remain undecided. In 2009 the UNCTAD launched its report on the Least Developed Countries (LDC's) highlighting the importance of governance in achieving development. Besides, since the Washington Summit in 2008 the G20 countries are prepared to reform the institutions of Bretton Woods. The growing presence of emerging countries in these forums could mark an increased implication of the countries of the South in international dialogue.

## **1.2 The changing scale and nature of Indian aid**

Engines of growth, the emerging economies (India, China, Brazil, Indonesia and South Africa) have become important players in the field of external assistance. Though the amount of aid given by these countries is inferior to that of the western donors it is far from negligible. Their transformation from recipient to donor is symbolic of their economic development and their growing presence on the global platform.

This hypothesis is particularly true in the case of India. During the eighties India was the primary beneficiary of development assistance. Since the nineties, India's dependence on foreign aid has reduced thanks to a consistent economic growth of 9% in the last five years. Even though India still remains a beneficiary of aid (4.1 billion USD, received in 2007), it has come to occupy an important place as a donor country due to its external assistance programmes in the lesser developed countries (464 million USD allocated in the financial year 2008/09). The fourth largest economy in terms of purchasing power parity, India's aid programme is a symbol of its growing presence in the world economy.

In spite of a change in nature and scale, India's external assistance programme is not new. Till the eighties, India's external assistance was rather limited to its neighbouring countries like Nepal and Bhutan, its traditional allies. The Colombo Plan (1951) was a

precursor of India's foreign aid programme. This programme for cooperative economic and social development in Asia and the Pacific was conceived at the Commonwealth Conference on foreign affairs held at Colombo, Sri Lanka in 1950. Nepal was the first beneficiary of India's external assistance under this programme. In 1964 India created the ITEC (*Indian Technical and Economic Cooperation Division*).

Recently, India's ODA has been extended to new destinations, Africa in particular; India enjoys a positive image in this continent due to its historical support to the war against apartheid. It also has an important Diaspora in Africa especially in the south and the east coast of the continent. However, commercial ties between India and Africa have been far from important in the last decades.

Today, Africa occupies a prominent place in India's foreign aid policy given the political and energy considerations of the country. Competition with China which has recently become Africa's third largest trading partner is another reason for India's scramble to Africa. In April 2008, during the first Africa-India Summit the Indian government committed to double its aid to Africa to 5.4 billion USD in the next five years.

## **2 The Indian aid programme and the structural allocation of aid :**

**2.1 Ministry of External Affairs :** The Ministry of External Affairs is the apex organization for the allocation of Indian aid in the form of grants. Out of a total budget of 554 MUSD in 2010/11, 32 MUSD were allocated to Africa. The rest of the budget was essentially allocated as project assistance in the neighboring countries of Bhutan, Nepal and Afghanistan. The Ministry of External Affairs also allocates aid through the ITEC and ICCR.

**i) ITEC :** Created in September 1964, the Indian Technical and Economic Cooperation (ITEC) programme is an important part of Indian aid. Conceived by Jawaharlal Nehru, the first Prime Minister of India, the Indian Technical and Economic Cooperation is the flagship programme of India's cooperation with other countries of the global south in the domain of technical exchange and vocational training. Essentially a bilateral assistance programme, it is driven by demand and is response-oriented. The programme covers 158 countries in Asia and the Pacific, Africa, Latin America, the Caribbean, East and Central Europe. With an aim to enhance human resource development and capacity-building the programme has six components which include training of defence personnel and civil servants, consultancy services and project based feasibility reports, nomination of Indian experts abroad, gift/donation of equipment at the request of ITEC partner countries, conducting study tours and aid for disaster relief.

There are 42 institutions in India which impart around 200 short, medium and long term courses. The most solicited courses are in the field of information technology and linguistics (English). There is an annual allocation of 5000 slots for ITEC partner countries to attend civil service courses in India.

**ii) SCAAP :** The Special Commonwealth African Assistance programme is a branch of the ITEC dedicated especially to 19 African countries of the commonwealth.

**iii) ICCR:** The Indian Council of Cultural Relations allocates aid in the form of scholarships to students. Created in 1950 by India's first Education Minister it promotes cultural exchange. It offers 249 scholarships annually to students from Africa under the Africa scholarship programme.

**2.2 The Ministry of Finance and the EXIM Bank :** The Ministry of Finance has the portfolio of allocating aid to the UNDP mission and certain conflict ridden countries. In the section "grants and loans to foreign governments" of the budget 2010/11 it allocated aid to Sri Lanka.

**EXIM Bank :** A large part of Indian assistance is allocated in the form of lines of credit by the EXIM Bank of India which works under the Ministry of Finance. The lines of credit are tied to the purchase of Indian goods and services. In 2009, out of 99 lines of credit 66 were allocated to Africa. The lines of credit are allocated under the IDEA (India Development and Economic Assistance) scheme initially known as the India Development Initiative. Started in 2003/04, the scheme had the objective of extending grants and project assistance to developing countries in Africa, South Asia and other regions of the developing world. Currently, the scheme is scheduled to operate till 2014/15. The grant component in the LOCs varies from 41.25 % for the HIPC (Highly Indebted Poor Countries) to 17.11% - 24.56% for MILD (Middle and Low Income Countries as recognized by the Paris Club). Besides, the ECGC (Export Credit Guarantee Corporation of India Limited) periodically reviews and upgrades African countries based on risk perception.

The Ministry of Commerce on its part launched the "Focus Africa programme" in 2002 to enhance trade between India and 7 countries in Sub-Saharan Africa. From 2003 onwards this programme was soon extended to other Sub-Saharan countries and practically the whole of the African continent. The Indian and African trade ministers decided to meet annually prior to every Africa-India forum Summit in a joint declaration released on 21<sup>st</sup> May 2011. From the African side India received delegation from Zambia, Zimbabwe, Mozambique, Angola and Eritrea.

### **3 Characteristics of Indian aid in Africa :**

**3.1 Multilateral aid, regional cooperation :** Due to historical reasons, relations between India and Africa were limited to the countries on the east coast. The east African countries like India were part of the British colonial empire. Recently, India Africa relations have taken larger dimension both geographically and economically. This is but a reflection of India's expanding economy and its growing geopolitical ambitions. With the liberalization of the economy during the 90s, India's relations with Africa have been more than limited to the anti-colonial and non-aligned movement. In 2004

India launched the TEAM 9 (*Techno Economic Approach for Africa-India Movement*) programme with eight African countries on the west coast, rich in natural resources. Besides, in 2009, in Brazzaville, Congo, India for the first time organized the India Central Africa Trade Forum with countries in central Africa. The « *Pan African e-network* », highlight of the first Africa-India Summit will connect India to the 53 countries in the African continent. All this programmes are an indication of India's growing ambition to reach out to the entire African continent beyond the historical policies rooted in anti-clonization and non-alignment. Moreover, India does not want to limit its relations with Africa to the state and public sector. In 2008, Anand Sharma, Indian minister for commerce inaugurated the conference « Engaging with Resurgent Africa » co-organized by the Delhi based think-tank Observer Research Foundation and the Rosa Luxemburg Foundation, a public organization based in Germany. The conference was organized to analyze the economic growth of Africa, its role in international affairs and the effects of different partnerships on the Africa and the domestic affairs of the continent.

Evidently, India Africa relations are not limited to bilateral dialogue alone. Right after independence India engaged in dialogue with other countries of the south with the creation the non-aligned movement in 1960 and the G77 of which India was one of the founding members. Keeping the multilateral tradition alive, India with South Africa (the most recent member of the BRICS) and Brazil created the IBSA forum to promote south-south cooperation in the 21<sup>st</sup> century. Moreover, India is the only Asian member of the *Capacity Building Foundation* of the African Union India has always expressed great interest in collaborating with the member countries of the OECD-DAC for triangular cooperation to promote development in Africa.

**i) India and the ECOWAS :** The 10th February 2010, The Federation of Indian Chambers of Commerce and Industry (FICCI) signed a Memorandum of Understanding (MoU) with the Economic Community of West African States (ECOWAS). The multi-sector cooperation sector include cooperation in banking, food and agro-based industries, building and construction of roads, railways, communication, metallurgical, mechanical, energy, textile, leather, transport, electronics and biotechnology industries. Trade between India and West Africa during the year 2009-2010 stood at US\$18.04 billion, an increase of 9.7% over the previous year. In 2006 the government of India approved lines of credit worth 250 million USD to be disbursed to the ECOWAS Bank for Infrastructure and Development for infrastructure projects in the ECOWAS member countries.

**ii) India and COMESA :** Created in 1994, the Common Market for Eastern and Southern Africa (COMESA) signed a MoU with India in February 2003 for long term economic and technical cooperation. The first ministerial level meeting of COMESA and India cooperation programme was held in 2006. Indian experts under the ITEC programme were deputed to the COMESA secretariat in the field of drugs and pharmaceuticals, energy, ICT and industrial development. The region accounted for approximately 10% of India's overseas investment with an investment of 5.2 billion

USD in 2007. Mauritius was the major destination of the Indian investment accounting for 3.5 billion USD. The major FDI flow from COMESA to India between April 2000 and June 2010 was by Mauritius (49.1 billion USD) followed by Seychelles (16.68 million USD) and Kenya (15 85 million USD). The major Indian companies operational in the COMESA region include Vedanta Resources in Zambia in copper mining, Tata Africa Holdings in Zambia in the field of hydroelectricity and copper mining and Bharati in Zambia in the field of telecommunications with the launch of its brand Aitel Zambia in November 2010.

Year	2004	2010
Exports to India (million USD)	517.71	2326.33
Imports from India (million USD)	1473.9	5364.74

The major exports from COMESA to India consist of petroleum products and cotton and the major imports from India to COMESA consist of rice, refined petroleum products, pharmaceuticals and steel. The major export destinations were Kenya and Egypt attracting more than half of India's total exports to the region.

The COMESA region enjoys preferential trade schemes with the USA, Canada and the European Commission with duty and quota free market access. Indian companies see a potential to export their goods to these markets via the COMESA states.

**iii) India and the East African Community :** The East Africa Community (EAC) is a regional intergovernmental organization created in July 2000. Its 5 members include Kenya, Uganda, Tanzania, Rwanda and Burundi. India signed a MoU with EAC in April 2003 to enhance economic cooperation. The Secretary General of the EAC visited Indian in November 2010 and identified 9 areas for future cooperation : railways, e-network, energy, agriculture, investment in agriculture, capacity-building, allocation of 10 scholarships for the EAC region, tourism and the creation of a trade and investment framework agreement.

**iv) India-Southern Africa Development Community Cooperation (SADC) :** The SADC was created in April 1980 by 9 southern African countries of Angola, Tanzania, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Zambia and Zimbabwe. India signed a MoU with SADC in 1997 for economic cooperation. The first India SADC Forum meeting was held in April 2006. Priority projects were submitted in 2007 for which LoCs were released by India. However, the projects did not take off because the LoCs were not backed by a guarantee from either side. Following the Africa India Summit, two coal related institutes would be set up in Mozambique, a diamond polishing center in Botswana and human settlement institute in Zambia.

As for India and the African regional economic communities (RECs), their first meeting was held in November 2010. Out of the 8 RECs recognized by the African Union, 6 attended the meeting. The move intends to institutionalize and coordinate the commitments made during the Africa-India Summit.

**v) The TEAM 9 programme :** Started in 2004, the Techno Economic Approach for Africa India movement involves India and 8 other West African countries : Burkina Faso, Chad, Ivory Coast, Equatorial Guinea, Ghana, Guinea Bissau, Mali and Senegal. India has extended credit lines worth 500 million USD for various projects identified in these countries. The ministers of the 9 countries agreed to meet regularly and a MoU was signed to pledge the same. The cooperation mechanism would operate not just between governments but at institutional and private sector level as well. The West African region is rich in minerals and energy resources and India is one of largest consumers of energy in Asia and the world. Sub-Saharan Africa has been identified as the region with 7% of world's oil reserves. Besides, oil produced in the region is of superior quality with low sulfur content. Moreover, apart from Nigeria the rest of the oil producing countries of the region are not members of OPEC and are hence, free of output limits. Specific projects would be identified in sectors of agriculture, small-scale industries, rural development, pharmaceuticals, telecommunications and energy involving technology transfer.

**3.2 Trade, Cooperation, Aid in 'kind' – The Africa-India Forum Summits:** New Delhi has shared close relations with Africa based on the 'nehruvian' principles of non-alignment and cooperation. Since the 1990s trade between India and Africa (excluding petrol) has doubled from 967 MUSD to 11.8 MUSD in 2005/06. Following the exponential growth in trade, the first India Africa Forum Summit was held in New Delhi in 2008.

**The 1<sup>st</sup> Africa-India Summit, April 2008, New Delhi :** The two parties signed the Delhi Declaration and the Framework of Cooperation during this forum. Based on mutual interests the Delhi Declaration advocates the collective representation and voicing of issues common to India and Africa in international and multilateral organizations. Besides, it seeks reform based on equal and fair representation of organizations like the Security Council of the United Nations in accord with the Ezulwini Consensus (2005). The Framework for Cooperation seeks to promote cooperation and exchange in the fields of agriculture, SMEs, information technology, commerce and energy. This landmark forum was attended by 14 African countries and representatives of 8 regional forums. India engaged to allocate 500 MUSD for the development of Africa over the next five years. On the 8<sup>th</sup> of April 2008 during the forum the Indian Prime Minister Mr. Manmohan Singh launched the « Duty Free Tariff Preference Scheme » (DFTP) for 50 Least Developed Countries of which 37 are in Africa (Department of Commerce, Press Release, 29 october 2008). The DFTP scheme offers a duty free access to 94 tariff lines over the next five years. More precisely, the latter offers a preferential access to 92.5% of the global exports of the LDCs. The products of immediate interests to Africa include cotton, coco, aluminum

ore, leather, fish filets, non-industrial diamonds, ready-made garments, sugarcane and cashew nut. The scheme makes it obligatory for the interested countries to submit a letter of intention to the government of India in order to have access to preferential tariff schemes. Till October 2008 seven LDCs demanded access to the DFTP scheme including Cambodia, Tanzania, Ethiopia, Mozambique, Malawi, Samoa and Laos.

As a consequence of the first summit India had put in place 50 post graduate and 25 doctoral scholarships for African students to study agriculture in India.

During the first Africa-India Summit, India announced to allocate 500 million USD as grant to Africa. The training slots under ITEC from African countries were increased from 1100 to 1600 a year.

The Pan Africa e-network project : Implemented by TCIL, a government of India undertaking, the pan Africa e-network project aims to connect the 53 African countries by fiber optic network. The network will provide tele-medicine, tele-education and satellite connectivity to the African countries. Currently 47 countries have signed the agreement for the e-network and in 34 countries the project has already been implemented.

**The 2<sup>nd</sup> Africa-India Summit, May 2011, Addis Ababa** : During the second India Africa Forum, the Indian Prime Minister Manmohan Singh announced the allocation of 5 billion USD in the form of loans to Africa over the next three years. Another 700 million USD would be allocated for the establishment of institutions for academic and professional training of Africans. Out of the previous announcement of 5 billion USD made during the first forum held in 2008, 2 billion USD have already been allocated according to Mr. S.M. Krishna, India's foreign minister. India hopes to increase its current 46 billion USD trade with Africa to 70 billion USD by 2015. India imports 70% of its oil from Africa.

Amongst various other announcements include the establishment of an information technology institute in Ghana, an educational planification institute in Burundi, a diamond processing facility in Botswana and a training center for global business strategies in Uganda. The MoUs (Memorandum of Understanding) for the same have already been signed by the two parties according to the African Union. These institutes are a reflexion of India's strategy in Africa based on trade, technical transfer and training. But this is not all. The slew of institutes announced include India-Africa Food Processing Cluster, Integrated Textiles Cluster, Centre for Medium Range Weather Forecasting, University for Life and Earth Sciences and an Institute of Agriculture and Rural Development.

Besides, during the Africa-India summit, India once again strongly advocated the economic and political reform of major international organizations. The Indian Prime Minister spoke of these reforms addressing the current challenges related to food and energy concerns of the developed and the developing world. Both the sides backed their claims to have a permanent seat in the Security Council.



The Summit was attended by 15 African countries chosen by the African Union in accord with the “Banjul agreement” signed between India and Africa in 2006 in Banjul, Gambia. These 15 countries include Burundi, Chad, Kenya, Senegal, Swaziland, Egypt, Libya, Malawi, South Africa, Mauritania, Namibia, Nigeria, Ethiopia, Algeria and Equatorial Guinea. The Summit was jointly chaired by the Indian Prime Minister and the President of Equatorial Guinea.

The Addis Ababa Declaration adopted during the Summit emphasized the need to strengthen international cooperation to combat cross border terrorism in tandem with the UN Security Council’s conventions on counter-terrorism.

Agriculture is an important domain of cooperation between India and Africa. Farm experts from the Indian Council of Agriculture Research (ICAR) would visit South Africa, Ethiopia, Zambia and other African countries during the next month to study the agriculture sector in Africa and to train manpower involved in the sector. Currently 49 African students are studying in various agricultural universities in India. The Prime Minister has announced that from 2011 onwards 75 students would be enrolled every year to study in agricultural universities in India. Besides, according to a recent agreement the state of Andhra Pradesh would be sending 500 farmers to Kenya, Uganda and Ethiopia to become farm entrepreneurs. A cooperative society of Indian farmers from Andhra Pradesh has in the past bought large acres of land on lease from the government of Uganda and Kenya. The Uganda Investment Authority accorded 20,000 acres of land on a 99 year old lease basis at 3.75 \$ per acre. India also announced the construction of a railway line between Ethiopia and Djibouti involving an investment of 300 million USD. In a bid to facilitate trade and exchange between India and Africa, the Prime Minister also invited African airlines to fly to Indian cities. Currently, there are no direct flights between India and Africa and no Indian Airline flies to Africa. However, recently in the beginning of 2011 a direct flight between Kenya and Sri Lanka was announced which could be opportune for Indian businessmen.

This was the first ever visit of Indian Prime Minister to Ethiopia. After the summit the Prime Minister would be visiting Tanzania where India has an investment of 1 billion USD.

- 3.3 Slow and steady with an eye on the future, a ‘soft’ aid policy in tandem with India’s ‘soft power’ :** India shares a close proximity with Africa, geographic as well as cultural. Even though an emerging economy more than a quarter of India’s population lives below the poverty line and 65% of its population is rural and agricultural. The development conditions in some of India’s federal states are similar to certain regions in Sub-Saharan Africa. Given these proximities India is probably better placed to comprehend and empathize with these nations facing the same problems and sharing the same needs. It could hence, be more in line with the concept of « development state » as proposed by the UNCTAD report published in 2009 in the wake of the economic crisis. Besides, India is the largest contributor to the

peacekeeping mission of the United Nations in Africa. Indian initiative in Africa is based on long term partnership rooted in history with its foundation laid by anti-colonization and anti-apartheid movement. With an eye on future and learning from its own experience it concentrates on capacity-building initiatives in Africa.

India could play an important role in promoting the democratic model of governance in Africa given the stability of its democratic system after years of colonial rule. Being the largest democracy it however maintains the democratic nature of its negotiations with Africa whether on commercial or political matters respecting their sovereignty according to the principles of non-alignment. However, having commercial relations with countries like Zimbabwe and Angola, India cannot shy away from its political responsibilities especially given its ambitions to secure a seat in the Security Council of the United Nations. The commercial and economic platform could be a channel to engage political dialogue with these nations suffering from economic insufficiency and often banned from the international community.

Indian activist Bunker Roy's Barefoot College has imparted training to some 140 African women in "solar engineering" in six-month-long training courses. The training was imparted by Indian women in rural Rajasthan. The African trainees on returning home provided solar power to over 9,100 homes in 21 African countries. This is just an example of the multi-faceted India Africa cooperation at grass root level favored by complementarities and similar geographical conditions.

Since the end of the eighteenth century Africa has housed a large Indian diaspora especially towards the east coast in countries like Kenya and Uganda which like India have been old British colonies. Between 1896 and 1901, 31,983 workers were sent to Kenya for the installation of railway lines. Currently, RITES a public Indian enterprise lends its expertise to railway projects in countries like Malawi and Sudan. A large project is underway in Mozambique for the transport of coal from the port of Beira through the Indian Ocean.

According to the UN report published in 2010, Indian diaspora in Africa is one of the most integrated in the local society. This finding is not surprising. From Nehru's times, Indian politicians have always encouraged Indians in Africa to integrate themselves with the local population of their adopted homeland.

**3.4 A private initiative :** The private sector has a major role to play in the Indian initiative to Africa. Africa is host to a large number of big Indian private companies like Tata, Mahindra, Bharati, Kiloskar, Mittals and Dr. Reddys. These companies are active in a large domain varying from public transport, tractors, hand pumps and other agricultural equipment, mining, telecommunications and pharmaceuticals.

For a major part due to historical linkages South Africa has been the entry point for Indian companies venturing in Africa. But recently, due to a concentrated effort of the Indian government in West Africa, Dakar has emerged as a gateway for Indian companies looking to trade with West African countries. With India as its major

trading partner Dakar is home to the offshore office of the EXIM Bank of India as well.

The Indian chambers of commerce have been active in their engagements with Africa. The 6<sup>th</sup> CII (Confederation of Indian Industry) -Exim Bank Conclave on India Africa Project Partnership was held in New Delhi in March 2010. The Conclave had 4 sub-themes : India Africa partnership, Rural Economies, Africa Tomorrow and Going Green. The conclave was attended by over 400 delegates from 34 African countries. The conclave had an agenda of 145 projects worth 9 billion USD. The 5<sup>th</sup> conclave had 193 projects worth 7.2 billion USD on its agenda with 45 MoUs signed in the field of SMEs, IT training and agriculture. The 7<sup>th</sup> conclave was held in March 2011.

The Federation of Indian Chambers of Commerce and Industry (FICCI) on its part engages with apex chambers in the African countries through joint business councils to facilitate regular business interactions.

#### **4 The political economy of aid**

There is a large literature dedicated to north-south ODA. Jean-Michel Severino and Olivier Charnoz in their work « *Les mutations impromptus : Etats des lieux de l'aide publique au développement* » state that aid has been primordial in framing the north-south relations. According to these authors aid emanating from the north to the south is driven by five principal objectives : strategic interests (neorealism), market forces (neoliberalism), emancipation of the south (neomarxism), private interests (liberalism) or a sense of moral responsibility (idealism).

Aid being non reciprocal on an immediate time scale we could analyse it using the « gift theory » of Marcel Mauss (Essai sur le don, 1924). Aid given in the form of gift being unreciprocal the donor and receiver are tied by an imbalanced relationship. However, there is always an implicit reciprocity where a return gift is expected but deferred in the future (Mauss, Sahlins, Godelier). This hypothesis leads us to study of the implicit expectations of the donor and his act of giving.

Carol Lancaster (2007) underlines that aid flows from a government or an international organization is symbiotic of its power to give. Aid allocation is seen as a nation building exercise. In the same line we could quote Mika Aaltola « ...*the act of gift-giving extends the donor's sovereignty beyond its territorial borders, making its presences felt at the international level, and thus increases its sovereignty and viability* »<sup>1</sup>. Pierre Bourdieu (Raisons Pratiques, 1994) identifies the gift as a symbol of domination which reinforces the superiority of the donor on the receiver. The recipient is indebted by the donor to have initiated the act of giving. An aid which does not demand a return on behalf of its recipient suggests a relationship of social and economic dependence between the donor and the recipient. Tomohisa Hattori indicates

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<sup>1</sup> Cited in *The Postcolonial Politics of Development*, KAPOOR Ilan, p.87

that the stability of aid given (as a part of GDP) during the last 35 years reflects and maintains the stability of the north-south hierarchy<sup>2</sup>.

In this context the south-south cooperation could potentially be an alternative to the existing north-south paradigm and a means for the emerging countries to cross this barrier. In our thesis we propose to study the global implications of south-south cooperation in the field of aid and development. Indian aid to its neighbouring countries is far from recent but it is the recent upsurge of Indian cooperation with Africa which has raised the eyebrows of the international donor community.

Could India's current relationship with Africa be a vector of change in the existing model of international cooperation? If yes, could this change be of benefit to Africa ?

An aid which refuses to adhere to the norms of the international donor community (DAC), could this be an advantage for the two partners seeking to fortify their relationship independently? Or, could this hinder their integration in the international community?

#### *4.1 An aid which refuses the constraints of ODA*

Traditional ODA has achieved less than expected results. Since last one decade, the relative success of aid has made the international community think and rethink the causes behind its failures in achieving development results and the reformulation of rules governing aid disbursement.

The arrival of the emerging countries amongst the traditional donors might challenge these rules. India for example refuses to adhere to the donor policies of the DAC. As in other multilateral questions especially environment India maintains that its status as an emerging country liberates it from complying to the rules and obligations attached to developing countries. This includes the rules defined by the DAC and other subjects for example coordination related to debt repayment (a reticence to align with the Paris Club). With this research we intend to question this position which may appear paradoxal and contradictory to the western mind but a legitimate argument for an emerging country seeking its worth on the international scene. .

The OECD has proposed "enhanced engagement to the large emerging countries (Brazil, India, China, Indonesia and South Africa) with a possibility of membership. We seek to find whether this initiative could lead the emerging countries like India to align their policies to those of the developed countries or would this implicate a policy change on behalf of the developed countries themselves. In an article published in the french daily "*Le Monde*" in 2010, Jean Michel Severino, the ex-director of the French Agency of Development calls for an end to the patronizing attitude of the government in favour of a more honest and realistic relationship between France and Africa. He asks for a frank discourse based on trade to replace the one based on loft ideals and

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<sup>2</sup> *The Moral Politics of Foreign Aid*, HATTORI Tamohisa, p. 234

morals. Since the beginning of the 21<sup>st</sup> century French investments in Africa have increased five times from 500 million € to approximately 2.5 billion €.

#### *4.2 India aid : multiple interests, multiple ambiguities*

If aid is considered as a gift not seeking immediate return, Indian aid could not be called a gift. Indian aid to Africa is often accompanied by an increase in trade and commerce. The lines of credit extended by the EXIM bank seek to promote Indian exports and hence, favour Indian companies. It could also be linked to the exchange of natural resources for example an access to mines in Africa or hydro electricity in Bhutan. Hrush Sethi and D.N. in their respective articles « *Doing Without Aid* » and « *Aid : Old Morality and New Relations* » criticize the ambiguous and immoral nature of Indian aid. As a recipient India refuses to accept tied aid but does not hesitate to give the same to countries less developed than itself.

The thesis proposes to study the motivation behind the aid and how are they decided on within the Ministry of Finance.

However, the economic rationale behind Indian aid has its own limitations. Contrary to China India is highly dependent on foreign capital. Foreign investments in the form of aid could further exacerbate the current account deficit of the Indian economy. It soon seems to find its limits. Il semble toutefois que la logique économique de l'aide indienne trouve vite ses limites, surtout si on considère que l'Inde, contrairement à la Chine, est fortement dépendante des capitaux étrangers. Importateur net de financements, les investissements à l'étranger dans le cadre de l'APD viennent compliquer encore un peu plus le financement du large déficit de la balance courante indienne. On the other hand, Chinese aid represents the surplus available to the Chinese economy.

The Indian aid policy though seems to find gains in its diplomatic relations with foreign governments and certain international organizations. This is evident in India's aid being concentrated in the regional neighbours for several decades. A shift in the Indian aid policy from moral to strategic is evident in Africa. The economic and political gains from this aid policy cannot be ignored. It is also a means for India as an emerging economy to decompartmentalize itself from the north-south boundaries.

The thesis proposes to study the motivations behind the Indian aid policy and the criteria framing it especially relative to the aid policies of the developed world. The emerging donors in Africa do not have one but multiple aid policies as highlights Sandrine Perraut in her article « *Afrique, la globalisation par les Suds* ». The African continent has 54 countries and the India's relations with each of these countries have their own individual characteristics. India's relation with East Africa has its roots in the English colonization and today, these countries have a large Indian diaspora. The relations between India and West Africa are comparatively recent and were initiated mostly during the 90s. Besides, India with Brazil and South Africa created the IBSA

forum in 2005 to increase the visibility of south-south cooperation in international organizations.

#### *4.3 Aid emanating from the south to the south could it be more efficient ?*

According to the theory of cooperation by Robert Axelrod (1984), in case of a well defined strategy the two actors adapt to the strategy of the other. The only information available to the actors is the history of past interactions and the only way to find and assure the efficiency of future interactions is to continue them in the present. Based on reciprocity cooperation could even exist between antagonist actors. However, a prolonged durability of interactions could lead to the creation of new hierarchies.

India shares a close proximity with its recipients. During the 1980s India was still the biggest receiver of ODA. An ancient colony, a young democracy with a large rural population certain parts of the country have a level of development similar to that of certain countries in sub-Saharan Africa. India's cultural ties with its neighbours cannot be ignored. Those with Africa though less evident go back to India's role as precursor of decolonization and the non-aligned movement. Ilan Kapoor (2008) underlines the homogenization of the development discourse defined on the single and unique criterion of economic growth as seen by the donors of the north. Economic growth is taken as something objective and universal deprived of cultural and local specificities. We intend to analyse the impact of cultural proximity on aid receivers.

In 2004 India refused to accept aid following the tsunami disaster. This refusal was symbolic of India's desire to reduce its dependence on foreign aid and of its economic prowess. Considering the economic vulnerability of aid recipients we would analyse the efficiency of south-south cooperation with Indian aid in Africa taken as the case study.

The current system has the donor countries as the decision makers of aid policy. The conditionalities and the recipient choice is exercised by the donors. The aid policy is decided by the donors but the failure of the policy is attributed to the aid consumers the recipients as precised by Stephen Browne (2006) in *Aid and Influence*. Paolo De Renzio and Andrew Rogerson (ODI, 2005) state that the emergence of donors from the south could lend a « bottom-up » approach to aid reform. The increase in the number and the diversity of donor profile increases the choice and negotiating power of the recipients.

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