



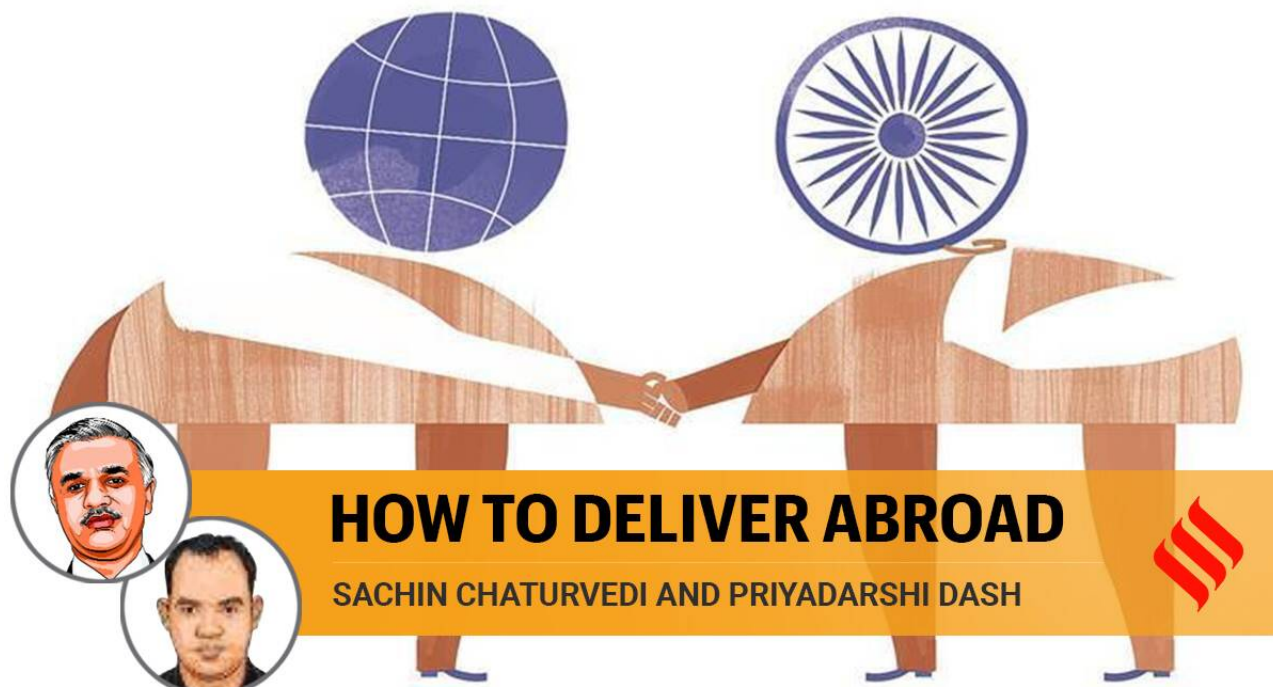
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Why India needs an international development cooperation agency

Sachin Chaturvedi, Priyadarshi Dash write: It will help with deeper and more effective engagement and will address the rapidly-evolving competitive development financing landscape



Written by **Sachin Chaturvedi** |
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India has been supporting the developmental endeavours of several partner countries in Africa and Asia, even before Independence.

Also written by Priyadarshi Dash

Enhancing the efficacy of India's development cooperation endeavours has been a challenging issue for the past several decades. The rapid evolution of geopolitics

country's USP. The country, therefore, needs to expedite work on a specialised agency for proficient delivery of outcomes.

In the last couple of years, India's assistance to other developing countries has multiplied several times. On average, India provides development assistance of \$6.48 billion and receives assistance of \$6.09 billion annually from key partners as Official Development Assistance (ODA).

India has been supporting the developmental endeavours of several partner countries in Africa and Asia, even before Independence. However, this process lacks a firm institutional foundation. India was amongst the first nations in 1952 to launch the India Aid Mission (IAM) in Nepal, years before USAID was born. It was soon made the Indian Cooperation Mission (ICM) — India partners for development cooperation and does not give aid like OECD members.

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The first effort by India to shape a framework was in 2003 with the announcement of the India Development Initiative (IDI). Subsequently, the Indian Development and Economic Assistance Scheme (IDEAS) was launched in 2005 for managing credit lines. Later, a new development partnership division was created within the Ministry of External Affairs. In 2007, the then Finance Minister P Chidambaram suspended IDI and announced the setting up of the India International Development Cooperation Agency (IIDCA), which never took off. The irony is that India could have gained the first-mover advantage much ahead of its competitors. Meanwhile, in 2018, China founded its international development cooperation agency.

Interestingly, India's development cooperation has converged to an all-encompassing integrated framework, a development compact that has five modalities — capacity building, concessional finance, technology sharing, grant and

or some combinations thereof.

There are a few instances where all five have been deployed. In Mozambique, for instance, support for solar panel production was through three modalities — capacity building of scientists through training at Central Electronics, a line of credit for infrastructure support and a grant element. Similarly, for reviving sugar units in Ethiopia, India provided better quality germplasm, new technology for processing and access to markets, apart from support for packaging for better access to European markets.



At this point, concessional financing in India's development cooperation portfolio is close to 70 per cent. So any major change would require alterations in the way LOCs (Line of Credit) have been working. In 2020-21, the bank extended 20 LOCs, aggregating \$ 2.23 billion. It has a portfolio of 272 LOCs.

In 2015, the government made efforts to bring in operational changes in the way credit lines work. These reforms have strived to block fly-by-night operators and promote the most competitive Indian firms that are being identified with a transparent bidding and tendering process. However, the time is ripe for introducing new ways to raise resources. As of now, the EXIM Bank raises global resources and the Government of India absorbs the interest differential.

Countries have sovereign and non-sovereign windows for promoting infrastructure financing abroad — both have their own place. The DEG (German Development Finance Institution) and KfW Development Bank in Germany, the Japan International Cooperation Agency and Japan Bank for International Cooperation in Japan, the UK Export Finance and CDC (a development finance institution) in the UK, the International Finance Corporation and the World Bank and the private sector windows of Asian Development Bank and the African Development Bank are notable examples. Such a non-sovereign window would provide greater flexibility and bandwidth. In addition to greenfield projects, the fund may take up incomplete projects and prepare future timelines for their execution. To become a leading



Africa with support from leading Indian firms.

The proposed new entity may also provide handholding to select performing Indian social enterprises to operate in other countries as well. Besides making an immediate economic impact, these enterprises can facilitate development partnerships between India and other countries. It can support partner countries in combating natural disasters (Nepal), political and humanitarian crises (Maldives, Afghanistan), and in building social infrastructure (Kenya, Madagascar).

Post-pandemic, countries worldwide are exploring ways to reinvigorate their development cooperation efforts. This gels well with the increase in the scope of development cooperation following higher economic growth and rising trade and investment flows to emerging markets and developing economies. The official development assistance from the OECD and other donor countries is seemingly inadequate and ineffective in addressing myriad developmental concerns in recipient countries.

It is high time India restructures its development finance apparatus for deeper and effective engagement and to address the rapidly evolving newer competitive development financing landscape. India's own development experience is also evolving with programmes like the JAM trinity, Ayushman Bharat and other initiatives like Gati Shakti — the learnings from which should be absorbed in the portfolio to be shared with fellow developing countries.

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This column first appeared in the print edition on October 21, 2021 under the title 'How to deliver abroad'. Chaturvedi is Director General, RIS and Dash is associate professor, RIS. Views are personal