

Forum for Indian Development Cooperation (FIDC)

Budget 2016 and Indian Development Cooperation

Quick Comment

The proposed Union budget of 2016-17 has seen the sharpest increase in assistance to Myanmar as compared to other regions of the world. The budgetary allocation has seen a jump from INR 165 crore in 2013-14 to INR 400 crore in 2016-17. This is major support from India to CLMV countries under growing linkages with ASEAN. African countries are another beneficiary of the recent allocation. The proposed increase is 15.11% as compared to the figure of INR 251.92 crores in 2013-14. This Budget has kept a provision of INR 290 crores.

Bhutan continues to be the major recipient of India's assistance with more than 70% of India's foreign assistance budget earmarked for the last Shangrila. The budgetary allocation for Bhutan for 2016-17 stands at INR 5490 crores.

Unlike earlier, in case of Bangladesh operative quantum is coming more from lines of credit. Bangladesh has an existing LoCs of USD 862 million and another USD 2 billion are in the pipeline. In the current budget Bangladesh has been given Rs. 150 crores. Bangladesh would continue to enjoy duty free tariff preference access under the existing provisions.

Interest of PM Narendra Modi in the Latin American (LAC) countries is also visible in the budgetary allocations. Assistance to LAC stands at INR 15 crores which is a major jump from Rs 5 crores in 2013-14. Central Asia and Mongolia also seems to be new priority areas. Mongolia sees a CAGR increase of 35.12% from 2013-14 figures apart from LoC of USD 1 billion.

As it seems Lines of Credit has emerged as a major instrument for India's development cooperation programme, where Government of India, through EXIM Bank raises the international capital and extends the collected capital to other developing countries at concessional rate. The government absorbs the difference. This year a new line of expenditure has emerged under which INR 500 crores has been earmarked for 'interest equalization support for Indian companies is mentioned. Overall outflow of India's development assistance to other southern partners increased from INR 7450.55 crores in 2013-14 to INR 8970.40 crores as proposed in the Budget presented by the Finance Minister on the 29th February, 2016.

Most of India's development assistance to countries goes to her neighbours. In terms of quantum, the highest proposed flow of assistance during 2016-17 is earmarked for Bhutan (INR 5490 crores – 72.5% of total development assistance given to countries), followed by that to Afghanistan (INR 520 crores, around 7%) and Myanmar (INR. 400 crores, a little more than 5%). The annual growth of flow of development assistance to Bhutan between 2010-11 and 2016-17 is more than 22%, while that to Afghanistan and Myanmar have been around 14% and 20% respectively.

While most of the assistances are for non-plan activities, Afghanistan, Bhutan and Myanmar have been receiving considerable support from India for planned activities to generate productive assets. The highest flow of assistance goes to Bhutan, growing at an annual rate of 44%. Those to Afghanistan and Myanmar grew annually at 10.7 and 23% respectively.

The extent of assistance through ITEC support also increased significantly through these years – from INR 120 crores in 2010-11 to INR 180 crores in 2015-16, while the interest equalization support for credit arranged by EXIM Bank increased from INR 127.77 crores in 2010-11 to INR 577 crores in 2016-17.

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The FIDC aims to encourage detailed analysis of broad trends in South-South cooperation and contextualise Indian policies by facilitating discussions across various subject streams and stakeholders based on theoretical and empirical analysis, field work, perception surveys and capacity building needs. It is an initiative based at RIS.

At the domestic level, the FIDC has worked towards raising the awareness about various dimensions of the development cooperation policies through seminars, discussion meetings and publications and focused on sectoral analysis in the areas of agriculture, health, education, HR development, infrastructure projects, environment and other social areas including gender and humanitarian assistance.