

POLICY DIALOGUE ON AID FOR TRADE

TRADE-RELATED SOUTH-SOUTH CO-OPERATION: INDIA



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TRADE-RELATED SOUTH-SOUTH CO-OPERATION: INDIA

1. Introduction

1. The world today has become increasingly integrated and multi-polar. In particular, the dynamism of emerging economies and many developing countries in recent years has sparked a shift in economic power from west to east and north to south. The ‘rise of the South’ has become a stimulus for expanding South-South economic links, most notably in trade, but also in foreign direct investment (FDI), aid and remittances. According to the 2010 OECD report, *Shifting Wealth*, developing countries accounted for 40% of world GDP in 2000. Today they represent 49% and by 2030 they will represent 57% (in purchasing power parity). The contribution of these countries to growth of the international economy over the last five years was 65% of the total. This shift has been most evident in global patterns of trade. “Between 1990 and 2008, world trade expanded four-fold, while South-South trade multiplied by more than 20 times its initial levels over the same period of time” (UN, 2011: 3). South-South trade now accounts for 37% of global trade (OECD, 2010: 18) and more than 50% of all developing country trade.

2. The emergence of a number of large developing countries as major players on the international stage has brought the question of South-South co-operation to centre-stage once again.¹ South-South ties, be it economic or political, are more important now than they have ever been. But within the broader concept of South-South co-operation, there is also a specific development co-operation dimension. It typically combines aid with investment and enhanced market access opportunities. The southern actors are delivering “expertise and financial support to foster the economic and social welfare of other developing countries” (Zimmermann and Smith, 2011: 726). From its inception, the idea of South-South co-operation was very much based on a model of solidarity among developing countries and collective self-reliance through various co-operation agreements to address common development challenges.

3. India, one of the most prominent emerging economies that has attracted much recent global attention, is building its position as a leader in South-South co-operation, much like it played key role in the Non-Aligned Movement. South-South co-operation has traditionally been an important pillar of India’s foreign policy and diplomacy. Indeed, India has been sharing its expertise and development experience with other developing countries in the bilateral, regional or multilateral framework since its independence from Britain in 1947. That said, up until the mid-1990s, India increasingly relied on official development assistance (ODA) from OECD countries, at one point even becoming the world’s largest aid recipient. However, today, as a consequence of its economic rise, foreign aid has become only a marginal feature in India’s overall economic development, accounting for less than 0.3% of the country’s GDP (Agrawal, 2007:3).² India’s economy is growing at 7-8% and the World Bank reclassified India from a low-income country to a middle-income in 2009.

4. The increase in South-South co-operation means additional financial resources and a wider choice for developing countries to address their developmental needs. India, as a member of the developing world, has a good understanding of the challenges faced in other developing countries. It is particularly well placed to share experiences on good practice, and generally provides technical assistance to countries

1. South-South co-operation has a long history which emerged in the 1950s (most notably at the Bandung Conference in 1954), in the post-independence era, and its concept further advanced in the Group of 77 and the Non-Alignment Movement of the 1970s.

2. Some even say that India no longer needs foreign aid (a blog post by Ranjani Iyer Mohanty, “The Fanciful World of Foreign Aid”, 8 February 2012, India Ink, *New York Times*, online edition, <http://india.blogs.nytimes.com> [accessed on 9 February 2012]).

at the same or lower level of development in its neighbourhood, as well as increasingly in Africa, Asia and other regions. South-South co-operation is no longer an isolated mechanism of exchange with limited impacts. It is an effective means to equip developing countries to face the development challenges (especially given the current global financial crisis) and has become an important instrument for achieving the Millennium Development Goals (MDGs) and promoting global interdependence (OECD/WTO, 2011).

5. One characteristic of the Aid-for-Trade Initiative is its emphasis on South-South co-operation among developing countries as “a valuable tool to deliver effective results” in trade capacity building “because of their common experience and understanding of the challenges they face.” India is one of the biggest recipients of aid for trade (see COM/DCD/TAD(2012)7), but has increasingly become an important provider of South-South co-operation in this area (for example, the development of the cotton sector in Africa). Through its various co-operation activities, India has been supporting other developing countries boost their trade capacity and take advantage of the emerging opportunities (GOI, 2012). This paper examines India’s trade-related South-South co-operation in the context of the Aid-for-Trade Initiative. In particular, it analyses, from an OECD perspective, what makes India’s aid distinctive and what some of its strengths and weaknesses are, especially with respect of its aid to trade-related sectors and to Africa. The analysis in this paper is based on and draws a large part from Indian sources that include India’s response to the OECD-WTO survey on aid for trade, policy statements, media reports, as well as existing literature, studies, OECD and WTO documents.

2. How does Indian aid work?

6. India does not see itself as “a regular aid donor” (Price, 2011: 2). The fundamental difference that separates India’s approaches from those by the DAC members is that India regards itself as a peer in mutually beneficial relationships with its partner countries. For India, South-South co-operation is seen as a means to promote partnerships “based on its firm belief that we live in an interconnected world where the global community shares a common destiny” (GOI, 2012). India also takes the view that development co-operation should not interfere in the internal affairs of partner countries, thus does not attach policy conditions to its co-operation. Therefore, the role of India’s aid is to help these countries build up their capacity to strengthen their institutions and human resources for self-development. India’s foreign policy, including its external assistance programme, has been guided by five principles for peaceful co-existence enshrined in the Panchsheel Agreement signed between India and China in April 1954. The Panchsheel principles include the following:

- Mutual respect for each other’s territorial integrity and sovereignty
- Mutual non-aggression
- Mutual non-interference
- Equality and mutual benefit
- Peaceful co-existence

7. In 1955, the five principles were extended and developed into the “Declaration on the Promotion of World Peace and Co-operation” adopted by the 29 countries that attended the Asian-African Conference in Bandung, Indonesia (the Bandung Conference), the conference where the foundations were laid for South-South co-operation. During the early years, Indian aid was strongly ideological and political (Katti *et al.*, 2009) focused on building solidarity among recently independent nations (*i.e.* increasing the number of friendly countries) and playing a leadership role in the Non-Alignment Movement which emerged following the Bandung Conference.

8. Like other countries, India gives aid for a variety of reasons, such as economic, political, security and diplomatic. Aid has been used to consolidate friendly economic and trade relations with other developing countries. As Price (2011: 2) put it, “Indian policymakers understand that both aid and

increased economic interaction with other countries can help to reposition India as an emerging power with ‘recipient’ nations and with other donors.” Key motivations for South-South co-operation can be summarised as follows: i) contribute to economic and social development of developing countries; ii) transfer technology and expertise/knowledge among developing countries; iii) exchange experiences in the areas of mutual interest and benefit; iv) address shared strategic challenges; and v) strengthen and consolidate bilateral relations with beneficiary countries.

9. India’s aid programme is often talked about in the context of “emerging donors.” However, India is neither an emerging nor a new provider of aid. The country has been promoting South-South co-operation since the 1950s, first targeting countries in its neighbourhood, expanding into countries in Africa in the 1960s, assisting – within its limited means – and sharing its expertise, experience and technology with those countries. India, however, operates outside the existing structures and frameworks including OECD norms on terms and conditions and untying aid. India’s development co-operation policy is based on a holistic approach (including trade and investments) and comprised of two main pillars: i) economic co-operation, focusing on trade and technology flows among developing, including the removal of discrimination in institutional and regulatory frameworks; and ii) technical co-operation, focusing on technical capacity building through training, exchanges of experts and sharing of experience and know-how.

10. Among the ministries and agencies involved in the administration of India’s aid and other official assistance, by far the most important are – in terms of both influence and volume – the Ministry of External Affairs (MEA), the Ministry of Finance, and the Export-Import Bank of India (Exim Bank). India does not have a single agency responsible for implementing its development assistance activities but recently created a co-ordinating unit, the Development Partnership Administration, as a division within the MEA. This gives a clear indication of the importance India now places on aid as part of its foreign policy. The Indian Technical and Economic Co-operation (ITEC) programme, the Special Commonwealth Assistance for Africa Programme (SCAAP) and the Technical Co-operation Scheme (TCS) under the Colombo Plan, all administered by the MEA’s Technical and Economic Co-operation Division, form an integral part of India’s development co-operation. The Department of Economic Affairs of the Ministry of Finance also administers India’s development co-operation and oversees the lending programme of the Exim Bank.

2.1 Aid volume

11. It is difficult to quantify in totality how much foreign aid India gives to other developing countries as it is “delivered through a myriad of aid channels” (Walz and Ramachandran, 2010: 19). It does not publish data on the financial terms of its foreign aid using the methodology agreed by the DAC for calculating ODA. Nor has India published systematic statistics on its co-operation such as annual amounts provided and detailed breakdown of this aid in terms of recipient countries and sectoral distribution. India’s soft loan aid is also often integrated with trade and investment (e.g. export credits) (Morrissey and Zgovu, 2011: 24), blurring the distinction between aid, trade and investment and framed in a language of mutual benefit.³ Several attempts have been made by scholars to determine the amount of annual aid spending by India. Estimates of India’s foreign aid vary widely due to the different definitions of aid. According to Walz and Ramachandran (2010: 7, Table 1) they range from USD 488 million to USD 2.2 billion, accounting for 0.04% and 0.16% of GNI respectively. According to the annual report of the MEA, the country’s development co-operation and loan programme amounted to USD 618 million in the 2011-2012 fiscal year, up from USD 527 million in 2010-2011 (Table 1).

³. India made huge investments in hydroelectric power generation (Chukha and Tala hydroelectric projects) in Bhutan in return for the guaranteed supply of fixed-price electricity (surplus power) into India’s grid, benefiting both countries (The Economist, 2011).

Table 1. Principal destination of India's aid and loan programmes (excluding lines of credit), current USD million

| Country/region | 2009/2010 | Country/region | 2010/2011 | Country/region | 2011/2012 |
|--------------------------|---------------|--------------------------|---------------|--------------------------|---------------|
| Bhutan | 235.01 | Bhutan | 311.01 | Bhutan | 366.43 |
| Afghanistan | 51.81 | Afghanistan | 55.96 | Afghanistan | 52.35 |
| Nepal | 27.08 | Nepal | 27.08 | Maldives | 49.28 |
| African countries | 22.56 | African countries | 27.08 | Nepal | 27.08 |
| Mongolia | 22.56 | Sri Lanka | 16.25 | African countries | 22.38 |
| Sri Lanka | 14.44 | Myanmar | 16.25 | Sri Lanka | 24.01 |
| Myanmar | 9.93 | Eurasian countries | 5.42 | Myanmar | 20.18 |
| Eurasian countries | 3.61 | Maldives | 1.99 | Eurasian countries | 5.42 |
| Bangladesh | 0.68 | Latin American countries | 0.72 | Bangladesh | 1.44 |
| Maldives | 0.63 | Bangladesh | 0.54 | Latin American countries | 0.36 |
| Latin American countries | 0.36 | Others | 64.32 | Mongolia | 0.09 |
| Others | 37.10 | | | Others | 48.84 |
| Total | 425.77 | | 526.60 | | 617.85 |

Rupee exchange rate USD 1 = Rs 55.4

Source: Government of India, Ministry of External Affairs, Annual Reports 2009/10, 2010/11, 2011/12

12. According to Agrawal (2007: 7), the breakdown of India's aid-related expenditures is as follows: 60% to train civil servants, engineers and public-sector managers of other developing nations; 30% to provide concessional export credits (lines of credit) to enable foreign governments to purchase Indian equipment and services; and 10% for project-related activities such as feasibility studies and deploying technical experts from India. India often delivers aid as part of a larger package of investments and trade deals. Hence, commercial considerations can be an integral component of its development co-operation programme.

13. Founded in 1964 by then Prime Minister Jawaharlal Nehru (who also served as the External Affairs Minister), the ITEC programme is the most important means of channelling India's bilateral technical assistance to over 160 ITEC/SCAAP partner countries. The main component of ITEC comprises the civilian training programme for capacity building, in areas as diverse as information technology, education and enterprise development. Every year around 5,500 participants (7,400 during the 2010-2011 period) from around the world attend over 230 training courses offered by more than 40 select institutions which are considered as India's centres of excellence in their respective fields. India also deploys Indian experts in various fields to ITEC-partner countries. India also facilitates study visits for the nationals of developing countries.

14. With considerable knowledge about its region and greater familiarity with local technological requirements and specific cultural and political conditions, India has historically focused its bilateral assistance on its immediate neighbouring countries, namely Bhutan and Nepal, much of which has been devoted to infrastructure projects but also to health and education. As Table 1 shows, Bhutan has been the single-largest recipient of Indian development assistance, receiving on average 58% of India's aid (excluding lines of credit). However, since 2002, India has significantly stepped up its support for the reconstruction of Afghanistan, where India is the fifth-largest donor. India's emphasis on geographical proximity is also in line with the country's strategic goal of regional leadership and influence (Agrawal, 2007: 7). Strengthening regional integration is an important objective for India's development co-operation.

15. India is also engaged in infrastructure development through concessional lending and technical assistance. In 2010, India's Exim Bank extended a USD 3 billion new line of credit, of which

USD 1 billion was for Bangladesh alone⁴, the highest one-off amount to any country from India.⁵ In 2011, the Exim Bank approved 12 new lines of credit worth USD 473.30 million to 10 countries to finance various projects, ranging from agriculture and agro-industry (sugar industry, Cassava plantation, milk processing), mining (limestone), energy (rural electrification, solar energy, bio-diesel, power generation) to construction of broadcasting facilities, and a multi-specialty hospital (GOI, 2012). As of 6 June 2012, the Exim Bank reports a total of 157 operative lines of credit worth USD 8.2 billion, most of which finance specific infrastructure projects in developing countries, delivered by Indian companies in sectors such as electricity, energy, irrigation and transport.⁶ Table 2 shows the top 20 recipients of concessional loans. Sri Lanka tops the list with a total of six lines of credit worth USD 1.2 billion. However, Africa, as a regional group, dominates as the largest recipient of India's aid loans, accounting for 53% of the total operative lines of credit.

Table 2. Top 20 recipients of Exim Bank's operative lines of credit (as of 6 June 2012), USD million

| Country/region | USD m |
|------------------------------------|-------|
| 1. Sri Lanka (6) | 1,216 |
| 2. Bangladesh (1) | 1,000 |
| 3. Ethiopia (6) | 705 |
| 4. Africa, multiple countries (12) | 630 |
| 5. Sudan (6) | 567 |
| 6. Nepal (2) | 350 |
| 7. D.R. Congo (4) | 269 |
| 8. Mali (7) | 267 |
| 9. Myanmar (7) | 247 |
| 10. Iran (1) | 200 |
| 11. Mozambique (8) | 173 |
| 12. Ghana (5) | 149 |
| 15. Senegal (8) | 137 |
| 13. Russia (2) | 125 |
| 14. Syria (2) | 125 |
| 16. Lao PDR (3) | 123 |
| 17. Zambia (4) | 115 |
| 18. Cote d'Ivoire (4) | 112 |
| 19. Angola (5) | 108 |
| 20. Chad (2) | 90 |

Figures in brackets are the number of operative lines of credit

Source: Author's own calculation based on the Exim Bank data (<http://www.eximbankindia.com/loc.asp>)

16. India also provides technical assistance through triangular co-operation arrangements under which Indian institutions provide training to candidates from developing countries with funding being made available by donor countries or multilateral institutions. India considers triangular co-operation to be an effective means of fostering development by leveraging the best features of India's co-operation

⁴. The USD 1 billion loan package is "intended for the development of railways and communications infrastructure which would allow the transportation of Indian exports to the Northeast via Bangladesh" (a blog post by Rupa Subramanya Dehejia, "India Journal: Why Does India Give and Receive Aid?", 8 September 2010, *The Wall Street Journal*, online edition, <http://blogs.wsj.com/indiarealtime> [accessed on 9 February 2012]).

⁵. "India setting up foreign aid agency", 17 July 2011, *Hindustan Times*, online edition, <http://www.hindustantimes.com/StoryPage/Print/722089.aspx> [accessed on 25 August 2011].

⁶. Based on the latest operative lines of credit data (updated on 6 June 2012) from the Exim Bank website (<http://www.eximbankindia.com/loc.asp>).

(India's centres of excellence – having technical prowess and human resource capabilities at competitive rates – for providing technical assistance to developing countries) with developed country assistance, complementing over and above what is provided by India on a bilateral basis (GOI, 2009: question 6).

3. India's aid for trade in action

17. Trade is a crucial driver of growth. To integrate and compete effectively, developing countries need better information systems, policies, procedures, institutions and infrastructure. The potential of aid to promote trade has been widely acknowledged since the advent of the Aid-for-Trade Initiative in 2005. It is not only the DAC members who provide such support. Trade-related South-South co-operation is also growing. India has attached great importance to the Aid-for-Trade Initiative from its very inception. India was among the thirteen WTO members of the Task Force on Aid for Trade.⁷ India believes aid for trade is “an effective instrument for addressing the insufficiency of trade-related capacity in many developing countries to allow them to benefit from the opportunities offered by the multilateral trading system” (GOI, 2012). Recently India decided to join the Regional Technical Group on Aid for Trade for the Asia-Pacific (RTG), voluntary body established in 2009 to: i) serve as an informal regional forum for discussing aid-for-trade issues and proposals; ii) build partnerships among key players in the Aid-for-Trade Initiative and share good practices; iii) formulate an integrated approach to operationalise aid for trade over the medium-term; and iv) consider links between future WTO aid-for-trade initiatives in the preparation of the RTG's work plan.⁸

18. Trade-related activities, such as trade preferences for the LDCs, funding of infrastructure, concessional lines of credit and provision of technical co-operation, are implemented as part of India's overall co-operation policy with the aim of fostering sustainable development through knowledge and technology transfer. A significant proportion of India's aid activities – such as in the areas of transport, power and information technology – appears to fall within the scope of aid for trade. The Government of India identifies the following factors as most important when considering trade-related co-operation activities: i) relevance to ongoing bilateral, regional and multilateral trade negotiation and agreements; ii) regional proximity or support to regional integration; iii) economic, cultural, linguistic or historical ties; and iv) requests for assistance from recipient countries (GOI, 2009: question 4).

19. Although the data on precise quantities of aid for trade from India is relatively poor, studies and reports show India is engaged in a wide range of initiatives and areas of activity. Still India has historically focused on economic infrastructure and the productive sectors. Concessional loans are mainly used to finance projects that may qualify as aid for trade. India also emphasises human resource development (capacity building) in areas which are relevant to and have a bearing on trade: organisational entrepreneurship; entrepreneurship and small business promotion; business development service providers for micro enterprise and micro finance; industrial and infrastructure project preparation and appraisal and business research methods; small business planning and promotion; business advisors' training; intellectual property rights and implications for SMEs. The training programmes being offered for the period of 2011-2012, for example, include a course for developing countries which are at various stages of accession to the

7. Other members included Barbados, Brazil, Canada, China, Colombia, the European Union, Japan, Thailand, the United States, and the coordinators of the ACP, African and LDC Groups of WTO Members (at that time Mauritius, Benin and Zambia respectively). The Task Force was jointly chaired by the Swedish Ambassador to the WTO and the Deputy Director-General of the WTO.

8. Other RTG members include Australia, Cambodia, the European Union, Japan, Korea, Pakistan, Tonga, Vietnam, the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), the United States, and the WTO. The RTG is jointly chaired by Cambodia and Japan. The Asian Development Bank serves as its Secretariat.

WTO⁹, a capacity building programme for policymakers and negotiators, a three-month regional trade policy course for Asia-Pacific countries (in collaboration with the WTO), and a specialised course on select WTO issues such as agriculture, services, trade-related aspects of intellectual property rights (TRIPS) and regional trade agreements (GOI, 2012).

20. Feedback (expressed appreciation of its assistance) received from participants on completion of their training courses in India constitutes important inputs (and is the primary yardstick) to assess the programme in all its dimensions. Two of the most important factors that India considers when defining success of its trade-related co-operation programmes are: i) enhanced understanding of the role of trade in economic development; and ii) increased profile of trade in development strategies of partner countries (GOI, 2011: question 9). That said, India also recognises that setting quantifiable objectives, establishing a baseline, and obtaining in-country data and suitable indicators are some of the major challenges India is faced with when evaluating its trade-related co-operation programmes and projects (GOI, 2011: question 12).

21. India reports in the recent OECD/WTO survey that demands for its technical and capacity building assistance, as well as regional trade-related co-operation programmes have increased since the advent of the Aid-for-Trade Initiative, particularly from African countries, including the LDCs. As part of its continued commitment to South-South co-operation, India commits to further deepen and diversify its aid-for-trade activities in the coming years, *inter alia*, expanding the scope and size of the ITEC programme for capacity building (GOI, 2011: question 6).

4. Emerging trends

22. India does not appear to have a specific regional policy or approach to its South-South co-operation (GOI, 2011). That said, in recent years, India has become an important actor in promoting regional integration through, *inter alia*, strengthening trade relations and increasing investment in regional infrastructure (Katti *et al.*, 2009). In terms of the supra-regional cooperation, the India-Brazil-South Africa Forum (IBSA) is a unique trilateral initiative agreed between India, Brazil and South Africa in 2003 to promote South-South dialogue, cooperation and exchange of information, good practices, technologies and skills, with the overarching goal of strengthening collective synergies and forming common positions on issues of international importance.

23. India's bilateral South-South co-operation efforts are supplemented and complemented by its regional co-operation efforts, notably within the context of the SAARC/SAFTA framework, but also increasingly in its proactive engagement in various regional and multilateral co-operation groupings and forums. India, for example, is involved in a number of sub-regional co-operation programmes, such as the Mekong-Ganga Co-operation (MGC) with Cambodia, Lao PDR, Myanmar and Vietnam (CLMV) as well as Thailand, and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Co-operation (BIMSTEC) with South Asian countries, Thailand and Myanmar. As part of the multifaceted ASEAN-Indian co-operation, India has also set up training centres for entrepreneurship development in CLMV, as well as offering places for training in India (Kumar, 2008: 11). In its response to the 2011 OECD/WTO survey on aid for trade, India indicated its plan to put more emphasis on the regional dimension (geographic focus) in its trade-related co-operation. There has been a shift towards African countries and regional bodies in recent years, most notably through the use of concessional loans by India's Exim Bank to finance various infrastructure projects implemented by Indian companies. These countries have long-

⁹ A special course, "Training Programme to familiarise on the pitfalls and rewards of WTO", was organised for 13 WTO acceding countries in March 2011. A similar course was also conducted for CIS countries, Lao PDR and Yemen in March 2009.

standing ties and are “where India has a tradition of political engagement that is linked to its leadership in the post-colonial movement and active role in the Commonwealth” (Agrawal, 2007: 6).

4.1 *India in Africa*

24. Economic ties between India and African countries have strengthened in recent years. For example, India is now a key trading partner for Sub-Saharan Africa, importing almost USD 21 billion worth of goods and commodities and exporting over USD 10 billion to Africa in 2010 (UN, 2011: 3). In order to facilitate the integration of the poor countries into the global trading system, India launched a Duty Free Tariff Preference (DFTP) scheme for the least-developed countries (LDCs) at the occasion of the first India-Africa Forum in April 2008. With the aim of expanding LDC exports, this scheme offers duty-free and tariff preference market access to goods and services originating from the LDCs. The DFTP scheme is kept under review based on feedback received from the LDCs and studies to determine, *inter alia*, whether the list coverage needs to be expanded, or the Rules of Origin need to be modified. At the same Forum, India pledged to provide USD 5.4 billion in loans and USD 500 million in grants to Africa over the following five to six years (Zimmermann and Smith, 2010: 728). India’s emphasis on building economic and trade ties with the LDCs appears to be bearing fruit in terms of increased volume of trade between the two (Table 3).

Table 3. Imports from LDCs by major emerging market and product group, USD million, 2000-2009

| Market | All commodities | | | Agricultural products | | | Fuels and mining products | | | Manufactures | | |
|--------------|-----------------|--------|-----------------|-----------------------|-------|-----------------|---------------------------|--------|-----------------|--------------|------|-----------------|
| | Value | | Annual % change | Value | | Annual % change | Value | | Annual % change | Value | | Annual % change |
| | 2000 | 2009 | 2000-2009 | 2000 | 2009 | 2000-2009 | 2000 | 2009 | 2000-2009 | 2000 | 2009 | 2000-2009 |
| China | 4,007 | 27,448 | 24 | 274 | 1,576 | 21 | 3,650 | 25,574 | 24 | 83 | 298 | 15 |
| India | 1,202 | 8,540 | 24 | 617 | 2,114 | 15 | 293 | 5,583 | 39 | 287 | 838 | 13 |
| South Africa | 174 | 2,739 | 36 | 50 | 148 | 13 | 47 | 2,389 | 55 | 78 | 200 | 11 |

Source: Adapted from OECD/WTO (2011: Table 5, p.27)

25. Africa is also attracting increasing volumes of Indian development co-operation. The Government of India stresses that “[t]he destinies of India and Africa are linked both by history and culture. The relationship between India and Africa is one of fraternal solidarity. Given the tremendous amount of political goodwill and understanding existing between the peoples of India and Africa it is but natural that the ideas of South-South cooperation and collective self-reliance are gaining firm ground” (GOI, 2007). India has a special aid programme for Africa called the Special Commonwealth African Assistance Programme (SCAAP) under which 19 African countries¹⁰ benefit from India’s assistance (Agrawal, 2007: 8).

26. Under the India-Africa partnership, several initiatives have been taken to promote capacity building, skill transfer and infrastructure development in Africa. These include the establishment of an Institute of Foreign Trade in Uganda and a Diamond Institute in Botswana. An initiative to bridge the digital divide, the Pan African E-Network Project using Indian expertise in information technology links academic institutions and hospitals in 47 African countries with their counterparts in India through satellite network to provide “tele-education” and “telemedicine” connectivity. India launched another new initiative called the Techno-Economic Approach for Africa-Indian Movement (TEAM-9) in 2004, a special credit facility for eight West African countries (Burkina Faso, Chad, Cote d’Ivoire, Equatorial Guinea, Ghana, Guinea Bissau, Mali and Senegal) with an earmarked USD 500 million in credit lines. The aim is to promote socio-economic development through access to Indian technology.

¹⁰. They include Botswana, Cameroon, Gambia, Ghana, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Nigeria, Seychelles, Sierra Leone, South Africa, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe.

27. Building on its know-how¹¹, India has also been extending support to the development of cotton sector in the Cotton Four (C-4) countries (*i.e.* Benin, Burkina Faso, Chad and Mali) and, since May 2010, Nigeria and Uganda. More recently, Malawi has been added to this list of partner countries. India's assistance includes: i) assessing the requirements of partner countries in the areas of capacity building, technology transfer, research and development (R&D) in the cotton sector; ii) sharing the expertise developed in Indian R&D; and iii) formulating an effective co-operation programme and exploring business and investment opportunities in these countries. According to the Government of India, a new technical assistance programme for the C-4 countries, Nigeria, Uganda and Malawi has been approved to help them develop their cotton sector through enhanced productivity, R&D, training and setting up value chains. (GOI, 2012)

28. Moreover, at the second India-Africa Forum Summit, held in May 2012 in Addis Ababa, Ethiopia, the Indian Prime Minister Manmohan Singh announced a number of co-operation initiatives to help Africa achieve its development goals, which included, *inter alia*, a new credit line of USD 300 million for the development of the Ethiopia-Djibouti Railway; a proposal to establish new joint institutions to support Africa's food processing, cotton, agriculture and fisheries sectors; and a proposal to establish an India-Africa Business Council to bring together Chief Executive Officers of major corporations from both sides.¹²

29. More recently, India has identified four African LDCs – *i.e.* Ethiopia, Lesotho, Malawi and Zambia – as its focus partner countries for training and other assistance (GOI, 2011: question 4). Based on the Diagnostic Trade Integration Study (DTIS) reports of these countries, prepared by the multi-donor Enhanced Integrated Framework (EIF) programme, India intends to proceed for needs assessment and project formulation in co-ordination with the governments of these countries (*ibid*).

5. Looking ahead

30. The growing economic and financial potential of India and other emerging economies has strongly impacted and changed the existing aid architecture. This is felt both in terms of their bilateral relationships with developing countries and at multilateral levels, including within the G20. On the one hand, India's emergence and development as a major player in the world economy as well as its international development co-operation goes hand-in-hand with a growing sense of responsibility for shaping global public policy, including in foreign aid. The DAC, on the other hand, is aware that improving the quality and impact of foreign aid requires active engagement of all actors including India. For this to happen, it is important to promote practical and tangible co-operation with an emphasis on sharing experiences and good practices with each other to enhance the impact of collective efforts. The DAC is stepping up its efforts to accelerate engagement with actors beyond its membership, in support of the common objective of reducing poverty, promoting sustainable economic growth and responding to global development challenges, such as those embodied in the MDGs.

31. The DAC is now actively seeking opportunities to work with India and other providers of South-South co-operation to learn from their experiences and improve the quality and collective impact of aid. It

¹¹. India is second only to China as the world's largest producer and consumer of cotton and hence the cotton sector plays a critical role in India's economy, in particular, the textile industry which roughly employs 7 million people, accounts for 60% of total fibre consumption and 38% of the country's export (making it a ten-billion-dollar business). India is said to be self-sufficient: *i.e.* the overall cotton production in the country has outgrown the demand which is growing at 4% per annum. The country is now expanding into key niche market frontiers such as production of biotech hybrids and organic cotton.

¹². "India unveils comprehensive programme of co-operation with Africa", 24 May 2011, *All Africa*, online, <http://allafrica.com/stories/201105241626.html> [accessed on 9 July 2012].

is for this reason the DAC issued a statement in 2011 welcoming the “contribution of all providers of development co-operation resources and expertise” and indicating its readiness “to forge new relationships with these new partners through open dialogue without preconditions.”

32. Furthermore, the Fourth High Level Forum on Aid Effectiveness, held from 29 November to 1 December 2011 in Busan, South Korea, marked a turning point in the international discourse on aid and development. Its outcome document, the “Busan Partnership for Effective Development Cooperation” was negotiated among all key development stakeholders – developing nations, the DAC members, providers of South-South co-operation, international organisations, civil society and private sector organisations – participating in the Forum. The document sets out a number of actions and commitments in areas such as transparency, accountability and results that have implications for all participating actors. More importantly, Busan has shifted the discussion away from the nuts and bolts of how aid is delivered (*i.e.* the Paris agenda) and pushed much of the specific discussion of aid effectiveness to the country level (and managed by the recipient countries).

33. The Busan outcome document symbolised “an expression of shifting geopolitical realities”¹³ which strongly embraces diversity and recognises the distinct roles these providers of South-South co-operation can play “on the basis of common goals, shared principles and differential commitments.”¹⁴ It is no longer about convergence of donor practices but the emphasis is on complementarity. Although with the proviso that implementation is “on a voluntary basis,” India – along with China and Brazil – agreed that the principles, commitments, and actions agreed in the Busan Partnership are a reference point for South-South co-operation. In this spirit, India has also signalled its readiness to support the new Global Partnership for Effective Development Co-operation, which has been mandated to support and ensure accountability for the implementation of the commitments made in Busan and to provide a forum for knowledge exchange.

34. Moreover, in terms of where the global discussion on development is going, it is actually becoming more consistent with the Indian approach. In Busan, there was widespread recognition of the need to view ‘ODA’ alongside all of the other available resources for development (*e.g.* other official and private flows), and to focus on its unique contribution within that wider context. The international community, especially the African nations, called for a shift from aid effectiveness to development effectiveness, focusing more on non-aid policies and talking more about development outcomes. It is clear that many of the old modalities for delivering aid are no longer considered preeminent, something that the Rwandan President Paul Kagame referred to as “structural and attitude-related barriers.”¹⁵ Even the Chairman of the DAC, J. Brian Atwood has concluded in his post-Busan commentary that “Mercifully, even the word ‘aid’ will bite the dust as Busan created development partnerships in the widest sense.”¹⁶ The merits of looking ‘beyond aid’ and leveraging other resources to achieve development results have

^{13.} A Blog post by Jonathan Glennie (2 December 2011), “Busan has been an expression of shifting geopolitical realities”, available at: <http://www.guardian.co.uk/global-development/poverty-matters/2011/dec/02/busan-shifting-geopolitical-realities> [accessed on 19 December 2011].

^{14.} Paragraph 14 of the “Busan Partnership for Effective Development Cooperation” available at: http://www.aideffectiveness.org/busanhlf4/images/stories/hlf4/OUTCOME_DOCUMENT_-_FINAL_EN.pdf.

^{15.} The Rwandan President Paul Kagame speaking at the Fourth High Level Forum on Aid Effectiveness, 30 November 2011, http://www.aideffectiveness.org/busanhlf4/images/stories/President_Paul_Kagame_-_Keynote_address-HLF4.pdf [accessed on 19 December 2011].

^{16.} A Blog post by J. Brian Atwood (8 December 2011), “Brian Atwood (OECD-DAC Chair) Reflects on Busan Progress”, available at: <http://blogs.cgdev.org/globaldevelopment/2011/12/brian-atwood-oecd-dac-chair-reflects-on-busan-progress.php> [accessed on 9 December 2011].

gained much ground within the international development community and are strongly embraced in the Busan outcome document.

35. As noted earlier, one characteristic of the Aid-for-Trade Initiative is its emphasis on trade-related South-South co-operation. The Busan outcome document, which also recognises the importance of aid for trade as an engine of sustainable development (§32d), now provides the common framework to strengthen the alliance between the providers of South-South co-operation and the DAC in delivering more and better aid for trade, but without diminishing the distinctiveness of Indian aid. The Global Partnership can be used as a platform for an active knowledge-sharing, including lessons from the success of South-South trade-related cooperation.

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POLICY DIALOGUE ON AID FOR TRADE

TRADE-RELATED SOUTH-SOUTH CO-OPERATION: INDIA



SOUTH-SOUTH CO-OPERATION: INDIA

This paper examines India's trade-related South-South co-operation in the context of the Aid-for-Trade Initiative. In particular, it analyses, from an OECD perspective, what makes India's aid distinctive and what some of its strengths and weaknesses are, especially with respect of its aid to trade-related sectors and to Africa. Finally it examines the relationships between India and DAC donors and what the implications are for the current aid effectiveness agenda. The analysis in this paper is based on and draws a large part from Indian sources that include India's response to the OECD-WTO survey on aid for trade, policy statements, media reports, as well as existing literature, studies, OECD and WTO documents.

