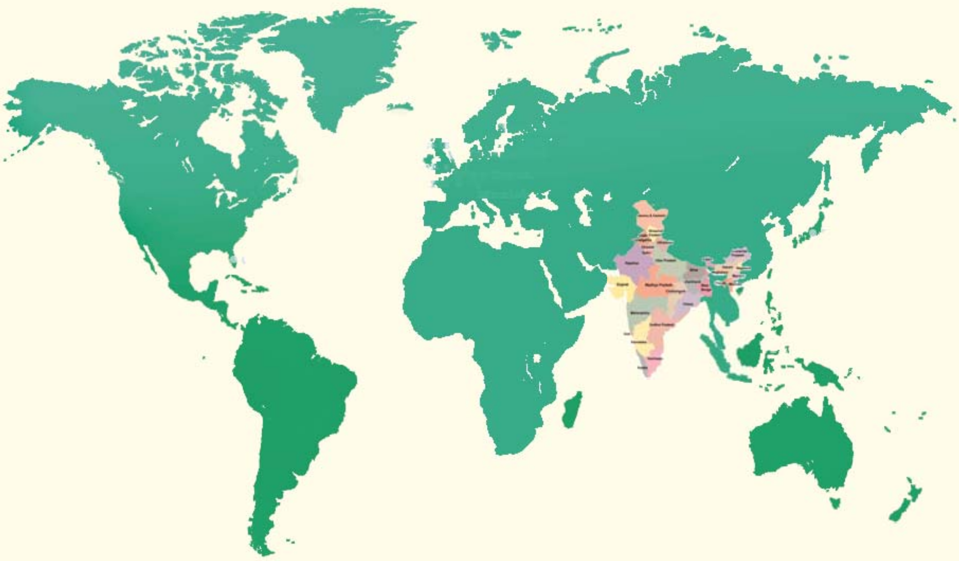
Development Finance and Cooperation in SSC with special focus on India



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Voluntary Action Network India (VANI)

Development Finance and Cooperation in SSC with Special Focus on India

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Preface

Remarkable progress towards the Millennium Development Goals (MDGs) has been made on many fronts since 2000, despite significant setbacks due to recent economic downturn, food and energy crises. However, progress towards the MDGs is highly uneven and disparities among and within countries are a significant cause of concern. This is part of a long term trend of increasing global inequality, which has particularly affected the Least Developed Countries (LDCs). Understanding and tackling inequality will be key to accelerate progress towards the MDGs and foster inclusive growth after 2015.

Amid ongoing formulation of a blueprint for the post-2015 development agenda, diverse positions on aid, climate finance and sustainable development funding and strategies for optimizing relevant proposals have emerged. The adoption of the Sustainable Development Goals (SDGs) is slated for a special summit in September in New York, an event that will mark a new era in the global fight against poverty. Two months earlier, in July, the international community will come together in Addis Ababa under what's known as the Financing for Development (FFD) process. There, a broad spectrum of development actors aims to establish a global financing scheme to pay for the implementation of the SDGs. Achieving the 17 proposed SDGs will require trillions of dollars in new development spending and aid. In particular, SDG 17, which covers the "means of implementation" for the other 16 goals, is seen by industrialized member states as the eventual outcome of the FFD process. In Addis, then, finance ministers, development banks, multinational corporations, major philanthropies and the rest of the multilateral system will determine how to implement the Post-2015 Development Agenda.

It is in this context that we aim to take up this policy brief on issues of financing for development in the south-south framework. The purpose of this paper is to explore the effective development cooperation agenda and the global dialogue on financing for development in the context of the achievement of the sustainable development goals (SDG's) (in the context of south-south cooperation scenario). It is believed that during the Addis summit, the wealthy countries may well ask emerging economies to contribute as a quid pro quo to their own commitments – for example, to reaffirm and set a timeline for meeting the 0.7% Official Development Assistance (ODA) target. It is well known, that the world economic power houses now lay in the global south with emerging economies like BRICS countries. This policy insight tries to understand India's engagements with multilateral financial institutions and its development co-operation. It also focuses on India's development finance institutions and the role development co-operation can play in the context of the newly created NDB. Finally, it gives insights into the power dynamics within BRICS, as well as the rise of China in South Asia and the strategic and security implications of this for India.

I would like to thank Dr. Jyotsna Mohan for writing and finalising the study. I would also like to thank Ms. Edda Kirleis, South Asia Desk Bread for the World - Protestant Development Service for her support and Bread for the World - Protestant Development Service for supporting the entire project.

Harsh Jaitli
Chief Executive Officer

Introduction and Background

What is financing for Development?

The post 2015 agenda builds to address new challenges arising from an evolving and complex landscape. Three major trends are emerging: first, most of the poor live in middle-income countries and many live in high-income countries. Second, the Euro zone crisis and turmoil in MENA (Middle East and North Africa) demonstrate that developed and developing countries alike are confronted with the difficult task of generating growth and creating jobs. Moreover, beyond the financing needs associated with these protracted crises, the impact on a number of traditional donors reduces the volume of available official development assistance (ODA). Third, trade, finance and other links among emerging market and developing economies are growing. This shift offers opportunities for new, mutually beneficial partnerships.

Financing a transformative development agenda will require that available resources be used more effectively and strategically to catalyze additional financing from official and private sectors. Developing countries will need to step up efforts to finance their own development by improving domestic resource mobilization, including by strengthening tax administration, better harnessing natural resource revenue, and curbing illicit financial flows. The public sector has a catalytic role in attracting private sector financing, such as for scaling up infrastructure investments.

Increasing complexity of domestic and international sources of finance for development:

A diverse group of countries has been gaining prominence in the aid landscape, particularly upper middle-income countries. These countries include the BRICS (Brazil, Russia, India, China and South Africa), which account for 25 percent of global gross domestic product (GDP) and 40 percent of the world's population, Saudi Arabia, South

Korea, and Turkey. They are ramping up their development engagements through a broad range of channels and activities. Their increasing ODA is a relatively small part of a larger trend in external financial flows to other developing economies. These new partners may help meet development needs not addressed by traditional donors.

Achieving development goals will require the mobilization of resources from private sources, including FDI, bank loans, capital markets, and private transfers (e.g., remittances). For most developing countries, FDI is the preferred private financing modality given its potential to strengthen productivity and growth, and help diversify the economy. Although many developing economies have enjoyed increased access to international capital markets over the past decade, there is an increasing mismatch between available financing and investment needs. This is partly due to fragile market conditions in the wake of the global financial crisis, which constrain the availability of the type of long-term finance needed to support productivity-enhancing investment. Accessing long-term finance for infrastructure is critical and will require greater attention to investment in project preparation and policies and instruments that can lower risk and strengthen the confidence of investors over a long-term horizon.

New players in Development in the changing scenario:

Some important global players like, BRIC, G20, private sector and development foundations are here to stay and have a major roles to play in the post 2015 scenario.

Also, the global south has emerged as a major force in the world, although fundamental inequities between developed and developing countries persist. This has several important implications for the new development agenda. First, the governing structures of global development institutions do not yet reflect new political realities, including the role being played by rapidly developing countries. This will have to change, and quickly, if the global south is to retain confidence in the post- 2015 agenda. Second, developing countries, even ones that have achieved high growth rates over the past decade, continue to suffer from poverty, deprivation, hunger, malnutrition, gender inequality, poor education and inadequate healthcare. The rise of the global south, as transformative as it is, in no way diminishes the historic responsibility which the north bears to help overcome the legacy and consequences of underdevelopment. The failure of developed countries to fulfil their pledge to commit 0.7 percent of their gross national income to official development assistance is a disappointment, which developing nations hope will be rectified through the new agenda. At the same time, there should be no misunderstanding about the scope and role of south-south cooperation. This new and exciting form of solidarity is a voluntary partnership, free from externally imposed norms. For the global south, respecting this essential aspect of south-south cooperation in the new development agenda is a priority.

The Post–2015 Sustainable Development agenda currently being drafted is an opportunity for genuine transformation:

This is no ordinary year for the global fight against poverty and a sustainable future. The approaching conclusion of the Millennium Development Goals (MDGs) has stimulated global moves towards crafting a more ambitious successor agenda backed by reinvigorated global partnerships. This new development agenda will emerge from three major international summits that will happen in 2015: (i) the Third International Conference on Financing for Development, (FfD) to be held in Addis Ababa in July, (ii) the General Assembly's special summit in September to define the global Sustainable Development Goals (SDGs), (iii) the 21st Conference of The Parties (COP) on Climate Change to forge new agreement on reducing greenhouse gas emissions to be held in December in Paris.

The emerging post--2015 development agenda demands a vision that is broader, more holistic and more ambitious than the one used for the MDGs:

The SDGs aim to complete the unfinished business of MDG targets that were not met, move beyond half way targets To get to zero on extreme poverty, and seek progress across all three dimensions of sustainable development: social, economic and environmental. The financing of the MDGs was closely associated with issues of ODA management and allocation. However, the achievement of the Sustainable Development Goals (SDGs) will need to mobilize an unprecedented amount of financing and other Means of Implementation (MoI). A much more complex and holistic financing structure of Private and public sources--(both domestic and international--(will be required. Other means of implementation will involve more complex and connected tools and partnerships to address issues Such as debt relief and restructuring, trade, technology transfer, capacity development and greater participation of developing countries in global economic governance.

A more political vision of development: Busan - It is essential to examine the inter-dependence and coherence of all public policies, not just the development policies.

The purpose of this paper is to explore the effective development cooperation agenda and the global dialogue on financing for development in the context of the achievement of the sustainable development goals (SDG's) (in the context of south-south cooperation scenario).

The debate comes ahead at the Financing for Development (FfD) Summit in Addis Ababa in July 2015, where governments will hammer out new commitments to mobilise development finance to achieve the Sustainable Development Goals after 2015. Wealthy countries may well ask emerging economies to contribute as a quid pro quo to their own commitments – for example, to reaffirm and set a timeline for meeting the 0.7% Official Development Assistance (ODA) target.

Jeffrey Sach's Sustainable Development Solutions Network (SDSN)[1] has already made one concrete proposal in this direction for all Upper Middle Income Countries (those with per capita incomes of $12,476 and above, which currently includes China and Brazil, but not India) to commit to providing 0.1% of their national income as development cooperation[2] . This is the best available information on the levels of development cooperation currently provided by the ten largest UMIC economies:

Table 1

Development cooperation as % of Gross National Income

China	0.05%	$4,350 million (2012)
Brazil	0.04%	$900 million (2010)
Mexico	0.002%	$19 million (2009)
Turkey	0.41%	$3,308 million (2013)
Argentina	0.004%	$10 million (2006)
Venezuela	1.37%	$2,500 million (2006)
Thailand	0.04%	$74 million (2006)
Colombia	0.002%	$8 million (2012)
Iran	N/A	N/A
South Africa	0.08%	$194 million (2006)

Source: UN ECOSOC 2008, UNDP 2013, OECD 2015

Two of these countries, Venezuela and Turkey, may have already met the 0.1% target; South Africa, China and Brazil are well on their way to meeting it. However, that still leaves Argentina, Colombia and

[1] *http://unsdsn.org/wp-content/uploads/2013/03/130316-Development-and-Climate-Finance-.pdf*
[2] *http://www.odi.org/comment/9370-emerging-economies-help-finance-development*

Mexico, as well as the other 45 countries in this group – the vast majority of which don't have development cooperation programmes – for whom this target would require a very substantial additional contribution of resources.

Giving these countries a reasonable timeframe in which to meet this target would help to ease fears about implementation – the 0.7% target was first endorsed in 1970 with a deadline of the end of the 1970s. Countries would also not necessarily need to set up development agencies, as they could simply make contributions to multilateral development agencies. But in any case, a 0.1% of GNI target will represent a significant departure from the status quo for most UMICs[3].

India's stand on Development finance in SSC

In the wake of India's economic growth in the past two decades, the country has played an increasingly prominent role in providing foreign assistance to low-income countries, particularly in Asia and increasingly in Africa. The Indian government sees development co-operation as an integral component of its foreign policy, reflected in the growing scope of its assistance in both geographic reach and sectoral terms.

After India's economy underwent liberalisation in the 1990s and moved away from a mixed, state-led economy towards a capitalist and market-oriented approach, its foreign policy became increasingly influenced by geo-economic considerations accompanied by growing aspirations for a bigger say in the international political sphere. India has made numerous calls for greater representation for emerging and developing countries in a number of multilateral forums, including the World Bank and the International Monetary Fund (IMF).

[3] *http://www.odi.org/comment/9370-emerging-economies-help-finance-development*

It was within this context that the BRICS members decided to establish the BRICS New Development Bank (NDB). The launch of the NDB has marked a paradigm shift in the global financial system towards a new economic order in which the voices of developing countries have greater representation. It has also heralded a new dawn in the efforts of BRICS members to carve out their own policy space within the global economic architecture. Given this context, this policy insight tries to understand India's engagements with multilateral financial institutions and its development co-operation. It also focuses on India's development finance institutions and the role development co-operation can play in the context of the newly created NDB. Finally, it gives insights into the power dynamics within BRICS, as well as the rise of China in South Asia and the strategic and security implications of this for India.

According to OECD estimates, India's total concessional development finance amounted to USD 1.3 billion in 2013, compared to USD 1.1 billion in 2012 (OECD estimates). India channelled 5% (USD 65 million) of its development financing through multilateral organisations in 2013[4].

The Development Partnership Administration (DPA) within the Ministry of External Affairs (MEA) manages grants and the Indian Technical and Economic Cooperation Program (ITEC) as well as co ordinating all of India's bilateral development co operation. The Ministry of Finance manages multilateral assistance and exercises administrative oversight over the concessional loans and lines of credit provided by the EXIM Bank.

India's priority partner countries are its neighbours in South Asia. Between 2000 and 2010, Bhutan received 49% of India's overall

[4] *http://www.oecd.org/india/indias-development-co-operation.htm*

development co operation. The main sectors of India's development co operation are health, education, energy (hydropower) and information technology.

In both 2013 and 2012, India's development co-operation through multilateral organisations was primarily channelled through the United Nations, especially the International Fund for Agricultural Development (IFAD).

Important Sources of Development Finances in India

Domestic Resource Mobilization:

Domestic resources comprise household, corporate and government savings. Some of the factors that influence domestic resource mobilization include the level and growth of per capita incomes, savings preferences of individuals in the society, the degree of development of and confidence in financial intermediation, demographic structure, and fiscal/ monetary policies. Transforming these resources into investment in productive activities depends on the quality of the macroeconomic fundamentals, including fiscal/monetary prudence, the structure of the financial market, including the regulatory and supervisory framework of the banking sector and the size and quality of the securities and bond markets, and the continuity of a consistent investment policy. Other factors, such as the law and order situation, the availability of an appropriately skilled workforce, the state of development of physical infrastructure, and property rights, also weigh on decisions to convert intermediate savings into investment. The promotion of exports allows countries to generate foreign exchange to pay for import needs, many of which are investment-related. Exports are often crucial to pay for the import of new technologies, capital goods and raw materials not produced at home to improve the productivity and efficiency of investment as well as to take advantage of economies of scale.

Unlike some of its BRICS counterparts, India does not have a single institution that oversees its national development finance. After gaining independence in 1947, India nationalised the Reserve Bank of India (RBI) and launched a national development strategy that sought to speed up its industrialisation process. Over the next 50 years, the RBI established development finance institutions (DFIs) with the aim of financing the country's infrastructure needs and reducing the developmental gap that separated it from the world's advanced economies. This saw the establishment of almost 30 national DFIs.

With the advent of financial sector reform in the 1990s, the operating environment for DFIs changed substantially. The supply of low-cost funds was withdrawn and, as time progressed, the intermediary role of DFIs became obsolete as banks and bond markets became increasingly sophisticated in risk management techniques. In the last two decades, India has seen a wave of important DFIs convert to universal banks.

Today, India has 10 national DFIs that perform a combination of financing, regulatory and supervisory roles within their specific sectors, and 40 state-level DFIs that carry the same responsibilities but at a sub-national level. These DFIs still play an important role in the financing of long-term investments within specialised areas. While the number of DFIs has reduced, financial assistance from the remaining national DFIs has been increasing over the past 10 years.

Although there has been a significant increase in domestic infrastructural spending, India still has a large infrastructural deficit. According to its 12th Five-Year Plan (2012–17), the country requires investment of $1 trillion in order to fill this deficit.[5] India's DFIs, as well as regional and multilateral institutions, are crucial in bridging the gap.

[5] *Government of India, Planning Commission, Working Sub-Group on Infrastructure, 'Infrastructure funding requirements and its sources over the implementation period of the Twelfth Five Year Plan (2012–2017)', http://planningcommission.gov.in /aboutus/committee/wg_sub_infrastructure.pdf.*

Even almost the entire tax collection (Rs.1449490 Crores) is being used to meet some or the other expenditure, but not used for any infrastructure or developmental work of this country. Resource of development work – Out of Rs.17.77 lakh Crores, a meager sum of Rs.1.35 Lakh Crores is spent towards new infrastructure, upgradation of existing facilities, etc. This translates to 7.5% of the total estimated revenue.[6]

Foreign Financial Resources:

Foreign investible resources comprise funds from the international banking system (commercial short- and medium-term loans), from international capital markets (foreign private portfolio investments), from corporations (FDI) and ODA from bilateral donor governments and from multilateral financial institutions, such as, the World Bank and ADB.

India was one of the 44 original signatories to the agreements reached at Bretton Woods that paved the way for the formation of the International Bank for Reconstruction and Development and the IMF. India was also one of the founding members of the International Finance Corporation (IFC) in 1956 and the International Development Association (IDA) in 1960. In light of its huge investment needs following independence, India has always viewed its relationship within these multilateral institutions through a North–South prism. In this sense, as a borrower, India has requested greater resources at minimal costs, both in financial and non-financial terms.[7] However, India's engagement and dependence on the multi-lateral institutions has gradually reduced over the time and due to its policy changes and

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[6] *Prasad, CA , How does the government spend tax money, March 2015, http://www.simplified-laws.com/how-does-the-government-spend-tax-money/#comment-1984629477*

[7] *Singh, Surender and Mukamb, Chenai, India's Experience with Multi-Lateral Financial Institutions, Insights for the BRICS and the New Development Bank, BRICS Insight Paper 1, GEG Africa*

its shift in approach from borrower to owner. At the same time, there are contradictions in the approach looking at the fact that it houses one third of the poor population.

The following paragraphs states the role and contributions of some important multi-laterals in India's development programs.

The World Bank:

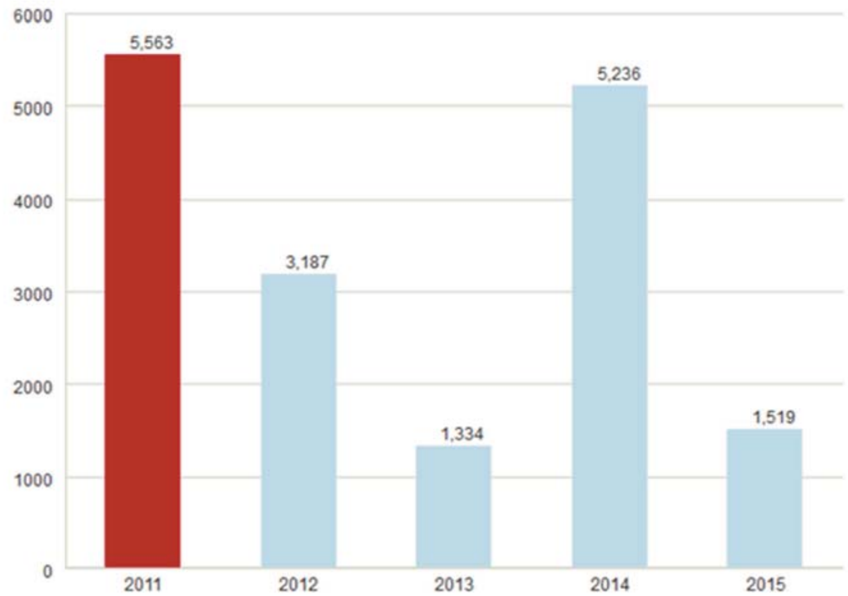
India is a member of four of the five constituents of the World Bank Group viz., International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA). India is not a member of ICSID (International Centre for Settlement of Investment Disputes). India has been accessing funds from the World Bank (mainly through IBRD and IDA) for various development projects.

India is one of the founder members of IBRD, IDA and IFC. World Bank assistance in India started from 1948 when a funding for Agricultural Machinery Project was approved. World Bank resident mission was established in India in 1957. In August 1958, the first meeting of the Aid India Consortium was held at Washington DC under the aegis of the World Bank. First investment of IFC in India took place in 1959 with US$ 1.5 million. India became a member of MIGA in January 1994[8].

The overarching objective of the World Bank Group's Country Partnership Strategy (CPS) for the period FY2013–17 is to support poverty reduction and shared prosperity in India. That objective is closely aligned with the vision for development outlined in the

[8] *India and the World Bank Group, http://finmin.nic.in/the_ministry/dept_eco_affairs/MI/India_WB.pdf*

LENDING
India: Commitments by Fiscal Year (in millions of dollars)*



** Amounts include IBRD and IDA commitments*

country's 12th Five-Year Plan (FY2013–17), which calls for "faster, sustainable, and more inclusive growth". A key feature of the new strategy is the significant shift in support toward low-income states, where many of India's poor and disadvantaged live. This is also the institution's first country strategy to set specific goals for reducing poverty and increasing prosperity for the poorest people. It foresees annual GDP growth of 8.2 percent, with all states growing faster than they did under the 11th Plan. It envisions a reduction of the poverty rate by 10 percentage points, building on the generation of 50 million new work opportunities in the non-farm sector and an increase in the average schooling of the population to seven years. The Plan also targets the elimination of gender and social gaps in schooling, a decline in the infant mortality, and a gradual improvement of the ratio of girls to boys. The World Bank's new strategy proposes a lending programme of $3 billion to $5 billion each year over the next five years, with 60% of this funding going to government-backed projects. Half of this, or 30% of total lending, will go to low-income or special category states, up from 18% of lending under the previous strategy. 'The Bank's India strategy outlines a scenario in which India improves the inclusiveness of the economic growth to that achieved by its best-performing states. This would cut poverty to 5.5% of the population by 2030 from 29.8% in 2010 and increase the share of people living above the threshold where they are at risk of falling back into poverty to 41.3% from 19.1%. If India were to grow as it did from 2005 to 2010 without making that growth more inclusive, poverty would fall to only 12.3% while 33.6% would remain above the vulnerability threshold by 2030[9].

Key focus areas

In the next five years the CPS will focus on three key areas: integration, transformation, and inclusion. A common theme across these areas will be improved governance, environmental sustainability, and gender equality.

Integration:

India's massive infrastructure needs cannot be addressed through public investments alone. The strategy will accordingly focus on improving both public and private investments in infrastructure. For instance, the power sector, vital for economic growth, will need to build greater capacity and improve the reliability of generation, transmission and distribution. A vibrant manufacturing sector—

[9] *http://www.worldbank.org/en/news/feature/2013/04/12/new-world-bank-group-strategy-to-help-india-achieve-its-vision*

especially small and medium size enterprises that are critical for the creation of jobs — will require the reform of labor laws, and improved access to land and finance. Better integration would result in more-balanced growth among Indian states, helping low-income states converge more quickly with their faster-growing neighbors.

Transformation:

By 2031, it is projected that 600 million people will live in India's cities. Well-managed urbanization can bring innumerable benefits; the strategy will focus on supporting the efforts of national, state, and city governments to improve the livability of urban areas, especially secondary cities, while at the same time working toward higher agricultural productivity.

Inclusion:

Economic integration and rural-urban transformation can benefit a large share of India's population only if there is a stronger focus on human development and on policies that help make growth inclusive. The World Bank Group will support the central and state governments in strengthening the nutrition policy as well as systems and capacities to improve nutrition. It will support government efforts to improve education mainly at the secondary and tertiary levels, with a more pronounced focus on quality across all levels of education. Special focus will be placed on ensuring access to education for underprivileged children, retaining girls in secondary education, and opening opportunities in higher education. It will also work to improve access to finance and to enhance social protection coverage for the more than 90% of the labor force that works in the informal sector[10].

[10] *http://www.worldbank.org/en/news/feature/2013/04/12/new-world-bank-group-strategy-to-help-india-achieve-its-vision*

In 2014, the IFC, a private sector arm of the World Bank Group, committed to investing \$4.7 billion in key Indian sectors such as infrastructure, telecoms, energy, education, water management and healthcare. India is the largest client for the World Bank Group, which committed a total of \$ \$5.2 billion (\$2.0 billion in International Bank for Reconstruction and Development (IBRD), \$3.1 billion in International Development Association and \$0.1 billion in CTF or Clean Technology Fund) across 16 projects[11] (July 2013 to June 2014). For its part, the Asian Development Bank will fund a \$7 billion to \$9 billion loan for infrastructure development in the country and will provide additional funding of \$30 million for technical assistance grants and developing institutions and capacity at both the state and local level. Despite this, multinational financial institutions often face multiple roadblocks to implementing infrastructure projects in India, including delays in approvals, land acquisition and environmental clearance issues, and lack of quality manpower[12].

Asian Development Bank

Over the last 25 years, Asian Development Bank (ADB), Government of India and the India as a founding member of the Asian Development Bank (ADB), and is now its fourth-largest shareholder. ADB commenced its operations in India in 1986, and has approved 189 sovereign loans amounting to \$31.3 billion during 1986–2014. As of 31 December 2014, the portfolio included 86 ongoing sovereign loans amounting to \$11.5 billion[13].

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[11] *http://www.worldbank.org/en/country/india/projects*

[12] *Singh, Surender and Mukamb, Chenai, India's Experience with Multi-Lateral Financial Institutions, Insights for the BRICS and the New Development Bank, BRICS Insight Paper 1, GEG Africa*

[13] *Asian Development Bank and India: Fact Sheet, http://www.adb.org/publications/india-fact-sheet*

ADB operations in India resulted in the construction of all-weather roads in Bathan under the Rural Roads Sector II Investment Program that complements the Government of India's "Pradhan Mantri Gram Sadak Yojana" (PMGSY)[14]. Rural roads have increased people's access to services, such as health, education, and livelihood, which have a long-term positive impact on poverty reduction and standard of living. Between 1986 and 2013, ADB approved loans worth $31.5 billion. Of this, $29.1 billion was through 175 ordinary capital resources (OCR) sovereign loans and $2.4 billion was through 35 OCR no sovereign loans (Table 2).

Table – 2
ADB Loan Approval to India ($ millions)

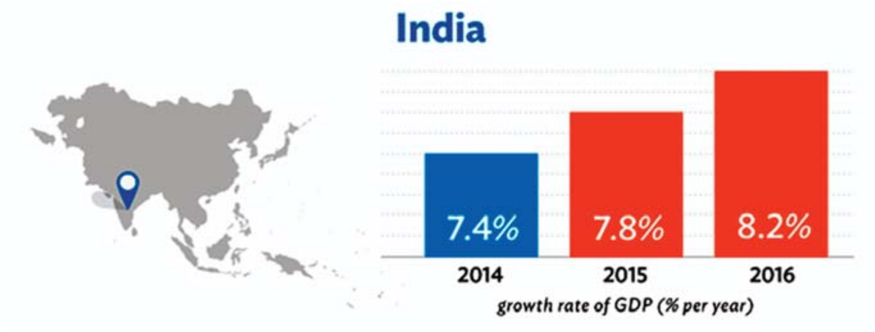
Loan	1986-2007	2008	2009	2010	2011	2012	2013
OCR sovereign	17,117.6	1,777.6	1,711.0	2,119.6	2,324.9	1,952.0	2,111.5
OCR nonsovereign[a]	592.0	705.0	100.0	...	548.0	238.0	248.4
Total	**17,709.6**	**2,482.6**	**1,811.0**	**2,119.6**	**2,872.9**	**2,190.0**	**2,359.9**

a- The Total include private & public sector non-sovereign operations
Source: ADB Estimates

ADB assistance to India has matured over the years to support the Government of India's evolving priorities. ADB's country partnership strategy (CPS), 2013–2017 for India aims to support the government's Twelfth Five-Year Plan priorities of "faster, more inclusive, and sustainable growth." In line with the government's guiding principle that multilateral development partners add value beyond tangible investments, ADB builds in innovations and best practices in project design and implementation.

[14] *The PMGSY (Prime Minister's Rural Road Programme) is the flagship program for the development of rural roads.*

Figure-1



Source: ADB Estimates[15]

ADB’s Strategies and Priorities in India

While continuing to support India’s endeavours to reduce poverty through infrastructure-led growth, ADB's India program has developed and matured over the years in terms of its sector, geographic, and thematic coverage, in line with the government's evolving priorities and increasing focus on inclusive and sustainable growth.

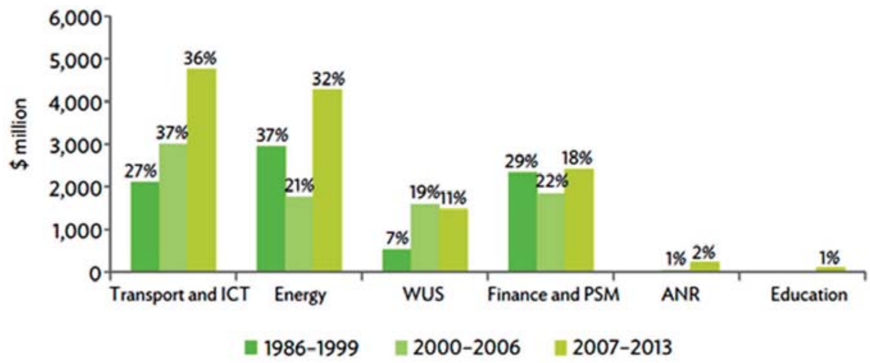
Besides continuing its support for core infrastructure sectors, such as energy, transport, and urban services, ADB is now engaged in innovations in infrastructure finance and improving water resources management, agribusiness infrastructure development, and skills development[16].

ADB supports the government’s vision of faster, inclusive, and sustainable growth and has been a development partner since 1986. Initially, ADB strategies were designed to match the early priorities of the reform agenda, assisting with the infrastructure and foreign exchange requirements for trade liberalization. Over the years, India’s

[15] http://www.adb.org/countries/india/economy
[16] http://www.adb.org/countries/india/main

program has developed and matured in terms of its sectoral, geographic, and thematic coverage. ADB provides India with a mix of lending and non-lending products, including loans, technical assistance (TA), and grants. Investing in institutional strengthening and capacity development, aided by an effective knowledge program focusing on project- and sector specific knowledge, are integral to ADB operations in India[17].

Figure-2 ADB Loan to India by Sector - 1986-2013



ANR = agriculture and natural resources, ICT = information and communication technology, PSM = public sector management, WUS = water and other urban infrastructure and services.

Note: Data labels show sector-wise share in total approvals by period.

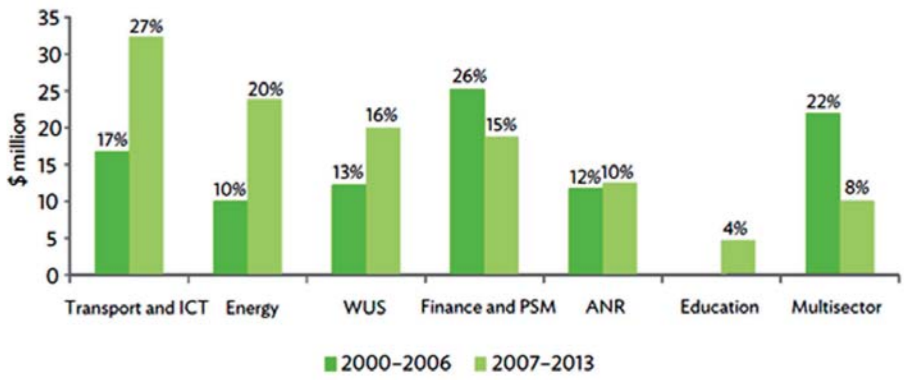
Source: ADB Estimates

ADB's portfolio also includes specific TA projects and grants at national and state levels. TA is provided for capacity development, improved project preparedness and implementation, public–private partnership (PPP) initiatives, and knowledge products (Figure 5).During 2000–2013, ADB approved TA projects worth $218.5 million on a cumulative basis. ADB operations in India have been supported by several development partners who have a similar mandate and vision. The Japan Fund for Poverty Reduction has helped

[17] *Development Effectiveness Brief, India, India–ADB: Partnering for Sustainable and Inclusive Growth (2014), ADB Publication*

strengthen the poverty focus in ADB operations in India, including themes such as entrepreneurship for women's empowerment, improving agribusiness value chains, and promoting participation of vulnerable groups in water user associations (WUAs). About 17 projects and TA grants amounting to $33.1 million were approved for India during 2000–2013.The Department for International Development (DFID) of the United Kingdom has been collaborating with ADB in India since 2001. The ADB–DFID partnership for India (2009–2014) has a total contribution of $22 million, and this has helped leverage ADB's support for projects in the lagging states of Assam, Chhattisgarh, Jharkhand, and Odisha[18].

Figure-3 Technical Assistance Projects by Sector, 2000-2013



ANR = agriculture and natural resources, ICT = information and communication technology, PSM = public sector management, WUS = water and other urban infrastructure and services.

Notes: Data labels show sector-wise share in total approvals by period. Multisector includes technical assistance projects across themes such as knowledge, capacity development, gender, and so on.

Source: ADB Estimates

ADB's partnerships with civil society organizations in India have been very useful in providing a grassroots perspective for the design and implementation of projects, in ensuring community engagement and mobilization, and in imparting technical trainings.

[18] *Development Effectiveness Brief, India, India–ADB: Partnering for Sustainable and Inclusive Growth (2014), ADB Publication*

Improving roads that connect vulnerable and isolated communities to schools, services, and markets is key to development in India.

ADB has been contributing to development initiatives in India for about 3 decades now. ADB's operational strategies and geographic focus have, however, changed in line with government priorities over these years. While in the first decade of its operations ADB's initiatives were focused largely on national-level entities with some presence in states, the present scenario is considerably different with ADB having a presence in 23 Indian states. ADB's investments in basic infrastructure and services, such as electricity, roads, and water supply, have benefited millions of people (Table 2). These benefits are of particular significance for people living in isolated rural areas, the urban poor, and women, as this opens up new opportunities for mainstreaming[19].

During 2010–2013, ADB assisted in the construction and/or upgrade of around 35,000 km of roads in India, with 65% of these roads in the rural areas and the remaining being highways or priority roads connecting rural areas to urban centers. More than 80% results are concentrated in the lagging states[20].

Country Operations Business Plan (2015-2017)[21] :

The strategic thrust of the India country operations business plan (COBP), 2015–2017 is aligned with the India Country Partnership Strategy (CPS) 2013–2017 strategic objectives and priorities.

The COPB contributes to the three strategic pillars of the CPS, namely: inclusive growth; environmentally sustainable growth; and regional cooperation and integration.

[19] *Development Effectiveness Brief, India, India–ADB: Partnering for Sustainable and Inclusive Growth (2014), ADB Publication*

[20] *Development Effectiveness Brief, India, India–ADB: Partnering for Sustainable and Inclusive Growth (2014), ADB Publication*

[21] *http://www.adb.org/documents/india-country-operations-business-plan-2015-2017*

Table 3:
Development Results of ADB-Supported Operations in India

Sector	Results Achieved, 2010–2013
Transport	
Use of roads built or upgraded (average daily vehicle-km in the first full year of operation)	9,321,000
Roads built or upgraded (km)	35,000
Expressways and national highways	3,000
Provincial, district, and rural roads	32,000
Energy	
Greenhouse gas emission reduction (tCO_2-equivalent per year)	837,000
New households connected to electricity (number)	850,000
Installed energy generation capacity (MW equivalent)	9,000
Renewable	200
Transmission lines installed or upgraded (km)	7,000
Distribution lines installed or upgraded (km)	66,000
Water and Other Urban Infrastructure and Services	
Households with new or improved water supply (number)	3,611,000
Rural	416,000
Urban	3,195,000
Households with new or improved sanitation (number)	1,164,000
Wastewater treatment capacity added or improved (cubic meters per day)	1,339,000
Water supply pipes installed or upgraded (length of network in km)	9,000
Households with reduced flood risk (number)	170,000
Finance	
Microfinance loan accounts opened/end borrowers (number)	491,000
Female	442,000
Male	49,000

tCO_2 = ton of carbon dioxide, km = kilometer, MW = megawatt.

Notes: Results are rounded off to the nearest 1,000. The above table provides information for closed and ongoing projects. Green highlighted indicators are gender indicators.

Source: Project completion reports, tripartite portfolio review meeting briefing sheets; ADB results online

For the first time, the CPS 2013–2017 carved out a strategy for the human development sector in India. ADB entered the sector in 2013 through the $100 million project Supporting Human Capital Development in Meghalaya. The project will enhance the employability of about 60,000 youth (40% women) in Meghalaya by improving the quality, access, and delivery of its secondary and higher secondary education, and technical and vocational skills development programs.

Other significant recent initiatives include the Rajasthan Renewable Energy Transmission Investment Program, which marks the first loan to India with a Clean Technology Fund component; Karnataka Integrated Urban Water Management Investment Program, which aims to promote climate-resilient development; and Uttarakhand Emergency Assistance Project worth $200 million in response to the devastation caused by a cloudburst in 2013.

Apart from physical outputs, ADB operations have helped build the institutional capacities of its clients. ADB will continue its endeavour to mainstream thematic priorities, such as gender, climate change, capacity development, and promotion of private sector development. Further emphasis will be on strengthening of knowledge management to develop evidence-based products toward improved project management, better sharing of domestic and international best practices, and replication and/or up-scaling of successful projects. ADB, in sync with the government focus on expanding regional cooperation, will strengthen its initiatives and further support special cross-border infrastructure and trade facilitation projects. To leverage upon their experiences and technical expertise, collaboration with other development partners will be strengthened, especially in lagging states.

International Monetary Fund (IMF)

India joined the IMF on December 27, 1945, as one of the IMF's original members. The country accepted the obligations of 'Article VIII'[22] of the IMF Articles of Agreement on current account convertibility on August 20, 1994. India subscribes to the IMF's Special Data Dissemination Standard. Countries belonging to this group make a commitment to observe the standard and to provide information about their data and data dissemination practices.

[22] *Articles of Agreement of the International Monetary Fund, http://www.imf.org/external/pubs/ft/aa/#art8*

Financial Assistance

While India has not been a frequent user of IMF resources, IMF credit has been instrumental in helping India respond to emerging balance of payments problems on two occasions. 'In 1981-82, India borrowed SDR 3.9 billion under an Extended Fund Facility, the largest arrangement in IMF history at the time. In 1991-93, India borrowed a total of SDR 2.2 billion under two stands by arrangements, and in 1991 it borrowed SDR 1.4 billion under the Compensatory Financing Facility'[23] .

IMF and the Government of India will co-host a high-level Regional Conference, Advancing Asia, in March 2016 in India. The aim of this conference will be to bring together leaders from across Asia to explore ways to accelerate growth, build the region's resilience to shocks, and share the benefits more widely among all the populations.[24] At the same time IMF prepares to help build policy capacity in India through additional training initiatives and enhanced technical assistance.

India's International Development Cooperation

While India spends a considerable amount of development finance internally, it is also engaged in a substantial number of international development activities. In the past 20 years, it has progressed from being one of the world's largest recipients of donor aid to one of the largest emerging economy providers of development assistance. The increasing scope of India's international development assistance over the past few years mirrors the country's expanding political and economic influence within the global community.

The nature of India's development assistance has also changed in the years following its independence. In the 1950s and early 1960s, the country's development assistance consisted mostly of grants and loans

[23] *http://www.imf.org/external/country/ind/rr/glance.htm*
[24] *https://www.imf.org/external/np/sec/pr/2015/pr15118.htm*

offered by the Ministry of Economic Affairs (MEA). In the early 1990s, India sought an alternative means of extending development assistance. It established lines of credit (LoCs) that enabled the government to raise more resources through the private sector and subsidise the interest rate through the Ministry of Finance. LoCs remain one of the primary channels for India's development assistance and are a core component of its development co-operation in Africa, Asia and Latin America. They allow recipient countries to import goods and services and undertake projects for infrastructure development and capacity building. In the past 10 years, African countries have been the major beneficiaries of India's LoCs, accounting for $6.659 billion of the total $11 billion allocated to developing countries. The bulk of the remaining balance has gone to India's South Asian neighbours[25].

Due to the increasing amount of development assistance flowing out of India, the need for a centralised co-ordinating structure became acutely apparent. In a final effort to streamline the country's overseas investments, the Development Partnership Administration was established in 2012 under the MEA. The structural framework covers the effective handling of India's aid projects through the stages of concept, launch, execution and completion. India has identified that development partnership should be centered on the needs identified by the partner country where DPA's role would be to accommodate as many requests received that are both technically and financially possible. In its current state, the DPA has three divisions: 1) DPA I deals with project appraisal and lines of credit; 2) DPA II deals with capacity building schemes, disaster relief and Indian Technical and Economic Cooperation Program; and 3) DPA III deals with project implementation. With close cooperation with its development partner countries, through DPA, the Indian government expects effective and efficient handling of all aid projects from conception to completion.

[25] *Singh, Surender and Mukamb, Chenai, India's Experience with Multi-Lateral Financial Institutions, Insights for the BRICS and the New Development Bank, BRICS Insight Paper 1, GEG Africa*

The development assistance is directed primarily at the country's neighbours in the South and South-East Asian region. Bhutan is currently the largest recipient of Indian financial assistance. India sees development co-operation as a means to share its developmental experiences with other countries along the same developmental path. This aid is said to strengthen its geopolitical influence and is driven primarily by strategic interests. India uses this type of development assistance, premised on the principle of mutual benefit, to differentiate itself from other emerging economies, particularly China. India cannot compete with China in terms of the amount of disbursements into the region; therefore it makes use of its comparative advantages in technology, industrial agriculture, education, and information and communication technologies.

The New Development Bank- BRICS

The $100 billion development bank launched at the sixth BRICS - Brazil, Russia, India, China and South Africa - summit in Brazil is aimed at funding infrastructure projects in developing nations. The BRICS also set up a $100 billion currency reserves pool to help countries forestall short-term liquidity pressures. The bank will be based in Shanghai, China, and India will preside over its operations for the first six years, followed by five-year terms for Brazil and then Russia, leaders of the five-country group announced at the 6th BRICS - Brazil, Russia, India, China and South Africa - summit.

The bank will begin with a subscribed capital of $50 billion divided equally between its five founders; China, the world's number 2 economy, had argued that the economic strength of a member nation should be the criteria for contribution to the bank - a higher contribution would automatically mean greater control[26] . But in intense negotiations that delayed the bank for two years, India and Brazil fought China's attempts to get a bigger share in the lender than

[26] *India To Head BRICS' $100 Billion New Development Bank, (16July, 2014) http://www.ndtv.com/india-news/india-to-head-brics-100-billion-new-development-bank-588975*

the others. The BRICS were prompted to seek coordinated action following an exodus of capital from emerging markets last year, triggered by the scaling back of US monetary stimulus. The new bank reflects the growing influence of the BRICS, which account for almost half the world's population and about one-fifth of global economic output.

The bank is scheduled to start lending in 2016 and be open to membership by other countries, but the capital share of the BRICS cannot drop below 55 percent. China, holder of the world's largest foreign exchange reserves, will contribute the bulk of the contingency currency pool, or $41 billion. Brazil, India and Russia will chip in $18 billion each and South Africa $5 billion. If a need arises, China will be eligible to ask for half of its contribution, South Africa for double and the remaining countries the amount they put in.

Challenges and Opportunities

India’s economic and human development is one of the most significant global achievements of recent times. Between 2005 and 2010, India’s share of global GDP increased from 1.8 to 2.7 percent, and 53 million people were lifted out of poverty. Growth has steadily accelerated over time, showing resilience even in the aftermath of the global crisis. In the last decade, India’s economy expanded at an average annual rate of 7.6 percent, placing it in the top 10 of the world’s fastest growing nations. Exports account for 21.5 percent of GDP, three times more than in 1990, and net inflows of foreign direct investment (FDI) make up another 1.6 percent[27]. India is home to globally recognized companies in pharmaceuticals, steel, and space technologies, and the country is a leader in the use of information technologies for e-government purposes and public service delivery. In line with these transformations, India is now among the top 10 percentile of fast growing nations and has become a prominent global

[27] *Country Partnership Strategy for India, for the Period 2013-17, The World Bank*

voice. Progress on human development has been remarkable; life expectancy more than doubled from 31 years in 1947 to 65 years in 2012 and adult literacy more than quadrupled, from 18 percent in 1951 to 74 percent in 2011.

Although India has done better than many economies in economic growth, the degree of poverty reduction is less than many East and Southeast Asian economies. 'Furthermore, 68.8% of Indians continue to live below $2 per day and remain at risk of falling back into poverty in the event of economic shocks'[28]. Despite unemployment declining from 4.3% in 1994 to 3.5% in 2011, skills gaps, especially in high growth sectors such as telecommunications, finance, insurance, transport, and real estate, remain high. The negative employment elasticity in manufacturing between 2005 and 2010, indicating movement of people out of the sector, is a cause of concern. Moreover, about 57% of India's youth suffer from some degree of unemployability[29].

In terms of human development, significant gains are discernible, but India still lags on several MDG indicators, including infant mortality rate, maternal mortality rate, and access to sanitation facilities. India stood 135th among 187 countries in 2014 on the Human Development Index, and interstate disparities in development indicators are high, warranting greater investments in physical and social infrastructure in lagging states. Gender disparities continue as manifested in the declining child sex ratio[30], unfavourable labour market segmentation, and low ownership of productive assets. As urbanization grows, there is an increasing demand for gender-sensitive urban planning for ensuring personal security. Environmental sustainability, while boosting growth, is a major challenge in the country. Depleting groundwater, water scarcity in urban as well as in rural areas, growing air pollution levels,

[28] *ADB. 2014. Key Indicators for Asia and the Pacific 2014. Manila*
[29] *Team Lease Services, India Labour Report 2007, Mumbai*
[30] *A total of 914 girls per 1,000 boys in the 0–6 age group in 2011.*

and poor waste management systems are challenges that require long-term integrated measures.

Addressing these gaps requires large-scale investments toward developing commercial hubs and a strong network of economic corridors for creating better jobs. More importantly, to meet the overall development targets, the regional disparities in infrastructure development need to be addressed. The key challenge in this regard is mobilizing private sector investments. During the 12th plan period (2012–2017), the government is aiming to mobilize nearly half of the required infrastructure investment of $1 trillion through the private sector[31]. This calls for enhancing institutional capacities of public institutions to attract investments and manage reforms. Above all, there is need to expand and consolidate structural reforms, including streamlining regulations and the business process for efficient infrastructure development.

Thus, overall the issue of India’s development finance strategy is based on two factors. 1) India needs huge investment to fight its own poverty and other challenges mentioned in the above paragraphs and at the same time 2) reiterating its own position as a next economic power not only on the Asian platforms but also on the global arena by continuing its role as a development aid/finance donor. Making serious attempts towards repatriating the black money back into the country will cause Reserve Bank adding substantial foreign reserves to its kitty. Such a scenario will give a big boost to the economy as India runs a current account deficit. ‘A study by industry body Assocham says nearly $2 trillion or Rs 120 lakh crore of Indian black money is stashed overseas, which is roughly the size of our economy. Assocham's black money estimate is more than the country's nominal GDP, which stood at Rs 114 lakh crore or $1.9 trillion in 2013-14’[32].

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[31] *Development Effectiveness Brief, India, India–ADB: Partnering for Sustainable and Inclusive Growth (2014), ADB Publication*

[32] *Black Money Stashed Abroad Seen at Rs 120 Lakh Crore: Assocham (June 20, 2014), http://profit.ndtv.com/news/economy/article-black-money-stashed-abroad-seen-at-rs-120-lakh-crore-assocham-545276*

Tax evasion is another area that needs to be looked into. India loses 14 trillion rupees ($314 billion) from tax evasion annually, depriving it of funds for investment in roads, ports, and power, says Arun Kumar, author of The Black Economy in India. General government tax revenue is an estimated 18 percent of India's $1.5 trillion in gross domestic product, the lowest among the four BRIC nations, International Monetary Fund data show[33].

India must work harder to attract more foreign investment. The prevailing economic situation being favourable - lower oil prices, a slowdown in inflation and nascent recovery in growth - seemed to provide an ideal platform. Perhaps the single biggest challenge of economy policy for the government over the Budget session is to outline an approach to increase the rate of investment in the economy. All strands of economic theory emphasise the role of investments in accelerating growth and employment generation. The Indian economy at present needs to achieve these twin objectives; any divergence between them would nullify the positive gains realised from the other. The role of foreign multi-lateral financial institution have also played an important role in India's development arena at the same time the launch of New Development Bank (BRICS) will have a major role to play to balance the two imperatives. It will allow the country to contribute to the region's development via financing disbursed through the NDB's structures, thereby pursing its own strategic objectives and financing its own infrastructure deficit.

[33] *http://www.bloomberg.com/bw/magazine/in-india-tax-evasion-is-a-national-sport-07282011.html*

LIST OF VANI PUBLICATIONS

- Civil Society Accountability Principles and Practice (India Toolkit) (English)
- Enabling environment for Voluntary Organisations A Global Campaign (English)
- Model Policies for International Good Governance in Voluntary Organizations
- The Hand Book in Good Governance for the Voluntary Sector
- Status of the Voluntary Sector in India A Study Report
- Status of the Voluntary Sector in India (Primer) English & Hindi))
- Civil Society Engagement in Aid Effectiveness Discourse
- Changing Dynamics Between VOs and Private Sector
- Involving Voluntary Organizations in Governments Plans and Projects
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About Bread for the World

Introduction

Bread for the World is the globally active relief and development agency of the Protestant Churches in Germany. In almost 100 countries all across the globe they empower the poor and marginalised to improve their living conditions by themselves. Key issues of their work are food security, the Promotion of health and education, respect for human rights as well as the integrity of creation.

Guiding principles

Bread for the world is rooted in the faith that bears witness to the world as God's creation, in the love that encounters the Loard precisely in our disenfranchised and poorest neighbour, and in the hope that acts in accordance with God's will in expectation of a just world. Bread for the World considers itself part of the blobal Christian community. They seek cooperation with churches and church agencies throughout the world and assume our responsibility in ecumenical networks.

Work

Bread for the World primarily focuses on the support of projects in the countries of the Global South. An essential feature of their projects is the close and continuous cooperation with local, often church-related partner organizations. Upon request, Bread for the World provides them with specialists and volunteers. Through lobbying, public relations and education in Germany and Europe, we week to influence political decisions in favor of the poor and to raise awareness for the necessity of a sustainable way of life

About VANI

Voluntary Action Network India (VANI) is an apex body of the Voluntary Organisations.

- Founded in 1988 to act as a promoter/Protector and collective voice of the voluntary sector.
- Base of 10000 non-governmental organisations spread in 25 states of India.
- Resource Centre for publications, research work, articles, important documents and information about and related to the voluntary sector.

Objectives:

- As a platform, to promote voluntarism and create space for voluntary action.
- As a network, attempt to bring about a convergence of common sectoral issues and concerns for building a truly national agenda of voluntary action in India. In addition, facilitate linkages of various efforts and initiatives of the Indian voluntary sector, which succeed in strengthening a united and sustainable movement of change.
- An association, work towards fostering value based voluntary action and long term sustainability especially amongst our members.

Areas of work

- Promoting practices of good governance in the voluntary sector.
- Strengthening networks
- Articulating independent voices of the sector.
- Research and advocacy of policies and law effecting the voluntary sector.

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