Conditionalities relating to Aid: A case study of India

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The emergence of South- South cooperation has undoubtedly changed the development landscape, with former aid recipients like China and India now increasingly assuming donor roles. Nevertheless, aid conditionality remains a persistent issue for the development prospects of developing countries in Asia Pacific. International financial institutions and multilateral development banks like Asian Development Bank, continue to impose policy conditionalities in the form of market driven, export oriented neoliberal policies that have only undermined domestic democratic processes and resulted in negative social outcomes. Aid conditionalities that now come in complex forms have contributed to the worsening development problems the region faces, exposing the glaring truth about the much hyped Asian Century. The present paper is an effort towards contributing to country case study in the form of study of the development aid architecture in India and its impact on the development prospect of India.

India is a country in contradiction; it being both dispenser as well as receiver of aid. In an effort to strengthen and improve India's rural roads in the states of Uttar Pradesh, Rajasthan, Uttarakhand, Himachal Pradesh, Meghalaya, Jharkhand and Punjab, the World Bank has agreed to provide a $1.5 billion largely interest-free loan. The World Bank's terms are a bargain compared to private capital markets whether in India or abroad. However, accepting such a large loan from an international organization seems to contradict the oft-repeated claim that India is an emerging power, or indeed that it has already "emerged" as contended by U.S. President Barack Obama. It's a strange optic that on the one hand we're clamouring for a permanent seat on the UN Security Council and on the other we approach the World Bank for aid.

India is also a large donor in its own right. For instance, India recently gave a $1 billion loan to Bangladesh for infrastructure development. The argument made by economist Dambisa Moyo in her book "Dead Aid", where she suggests that even sub-Saharan Africa should free itself from reliance on international lending and resort to private capital markets instead. While her critics find this position extreme, when applied to a still poor region, surely her suggestion has merit in a large emerging economy such as India, which has a well functioning capital market and is credit-worthy in international markets.

Evidence on the impact of privatisation in developing countries is not conclusive. "Some privatisations have increased investment in service delivery while others have worsened the standard of service received by the poor -- particularly where governments have limited capacity to define contracts and regulate the behaviour of private sector providers."

The evidence on trade reform is mixed, with some signs that over-rapid liberalisation is preventing poor countries from emulating the strong growth of East Asian nations, where trade barriers were removed only gradually as industrialisation took hold.

Aid strategies are undergoing fundamental reassessment. In recent years, the strengthening of good governance in developing countries has become both an *objective* of and a *condition* for development assistance. Aid conditionality, i.e. conditioning aid on a number of prerequisites and promises of reform, has been extended from the economic realm to the political arena. During the 1980s and 1990s, the scope of these conditionalities both widened and deepened as IFIs attempted governmental and social reengineering. The Bank has significantly stretched its policy frontiers by endorsing 'good governance' as a core element of its development strategy.

The introduction of the concept of governance in the development agenda reflects growing concerns over the effectiveness of aid whose ultimate aim is to reduce poverty and human suffering. Confronted with declining aid budgets and increased scrutiny by civil society, the Bank has given greater consideration to the pervasive effects of mismanagement and endemic corruption. Furthermore, the Bank's involvement in governance work has also upset the traditional division of labour between the United Nations (UN) agencies and the IFIs, questioning their respective roles in global governance. This has resulted in considerable encroachment on other organizations' traditional institutional territory (a trend commonly referred to as "mission creep"). The reform of multilateral development finance is thus an integral component of current efforts at reforming the international financial architecture. Reforming the systems of governance is a politically sensitive endeavour that has traditionally been considered outside its core mandate. The Bank's founding charter prohibits it from taking into account political considerations when designing aid programs.

Notion of Good governance and World Bank:

The notion of good governance is relatively new. It surfaced in 1989 in the World Bank's report on Sub-Saharan Africa, which characterized the crisis in the region as a "crisis of governance" (World Bank 1989). It then represented an important departure from previous policy, prompted in large part by the experience in Africa.

World Bank focuses on the economic dimensions of good governance, which has been equated with 'sound development management'. Consequently, the main thrust of governance-related activities has been public sector management, financial management, the modernization of public administration, and the privatization of state-owned enterprises.

There has been a proliferation of bilateral and multilateral agencies which interact with recipient countries. New donors bring with them more resources to help developing countries reach their MDGs. At the same time, new challenges for harmonization and alignment are created. Non-DAC donors are a heterogeneous group: the degree to which DAC approaches and norms as regards the provision aid finance are applied by non-DAC donors varies from country-to-country. Insufficient data on non-DAC ODA makes it difficult to accurately assess aid volumes and prospects from these sources. Non-DAC OECD countries alone are expected in aggregate to double their current ODA levels to over $2 billion by 2010.

ODA has grown steadily over the last decade, and is expected to continue to rise as donors have committed to significantly scale-up aid to achieve the MDGs. **To make effective use of such scaled-up ODA at the country level, a number of implementation challenges would need to be addressed by donor and recipients.** The most upfront challenges include:

- Achieving complementarity across national, regional and global development priorities and programs; and
- Strengthening recipient countries' ability to make effective use of potentially scaled-up fast-disbursing ODA, such as budget support.

A platform for achieving complementarity across national, regional and global development priorities and programs can be found in the principles and targets of the Paris Declaration.

Aid architecture can be defined as the set of rules and institutions governing aid flows to developing countries. While aid has architecture, it has no single architect. Most of today's aid principles and institutions are the result of over half a century of debate and joint decision-making.

Much of the recent increase in ODA has been due to debt relief, and to a lesser extent to emergency assistance and administrative costs of donors. Debt relief grew steeply since the end of the Cold War, having reached an average annual growth rate – at 2004 prices – of 63 percent between 2001 and 2005. In addition, in real terms, debt relief explains almost 70 percent of the increase in ODA[i] between 2004 and 2005 – most of which (US$19 billion) benefiting Iraq and Nigeria.

The rising importance of non-DAC donors is not fully captured in DAC data: "Data on so-called South-South assistance are incomplete, however, making it difficult to obtain comprehensive information on South-South aid volumes and prospects[ii]".

The recent upward trend in ODA volumes has been accompanied by increasingly concessional ODA terms.11 Almost 90 percent of bilateral ODA is in the form of grants. As a result of an overall consensus reached within DAC in the late 1970s, there has been a marked increase - from less than 60 percent 1975 to almost 90 percent in 2005 – of bilateral ODA being provided as grants. More recently, there has also been an increase in the use of grants by multilateral organizations. The grant element of ODA loans has also increased. Assistance to the social sectors and multi-sector assistance (e.g., environment, women in development) as well as support to NGOs are provided mostly as grants, while ODA to infrastructure is mostly through loans. About 70 percent of ODA flows have been provided through bilateral organizations and 30 percent through multilateral organizations. IDA remains the largest provider of multilateral ODA to IDA-eligible countries.

Development Partnership Administration: India

India laid out its new policy towards aid in June 2003 i.e. it would no longer accept tied aid. Bilateral aid would be accepted only from five countries, namely the United Kingdom (UK), the USA, Russia, Germany and Japan, in addition to the European Union (EU). Bilateral cooperation with other donors would not be renewed after completion of existing projects, although these donors may still channel their assistance through NGOs and multilateral agencies.

Government of India has established its own overseas development aid agency named ***Development Partnership Administration***[iii] under the Economic Relations Division of the Ministry of External Affairs. Major traditional donor countries usually have an autonomous agency to administer their aid, such as USAID and the UK's Department for International Development (DFID). Development Partnership Administration is GOI's effort along that direction. India focuses its development assistance in two geographical regions: its immediate neighbourhood, particularly Bhutan, Nepal, and Afghanistan and the developing countries of Africa. If current trends continue, Afghanistan will shortly overtake Bhutan as the single-largest recipient of Indian development assistance. Since 2002, India has pledged US$750m under the assistance programme for Afghanistan.

India's official development assistance (ODA) is a mix of project assistance, purchase subsidies, lines of credit, travel costs, and technical training costs incurred by the Indian government.

While India's assistance to Bhutan, Afghanistan, and Nepal is devoted mainly to infrastructure and project assistance, aid to other countries (especially in Africa) is focussed on training civil servants, engineers, and public-sector managers in recipient nations. Aid goes to providing loans to enable foreign governments to purchase Indian equipment and services and for project-related activities such as feasibility studies and sending technical experts from India. The country provides very little development assistance in the form of cash grants. Table 1 shows India's grants and loans to foreign governments.

Table 1. India's Grants and Loans to Foreign Governments

Year	Grants and Loans to Foreign Governments (in Rs. Crore)	Total Budgetary Public Expenditure in India (in Rs. Crore)	Grants and Loans to Foreign Governments as percent of Total Budgetary Public Expenditure in India (in %)	Total Budgetary Public Expenditure by the Central Government (in Rs. Crore)	Grants and Loans to Foreign Governments as percent of Total Budgetary Public Expenditure by the Central Government (in %)
2003-04	1,749	7,70,618	0.2	3,59,839	0.5
2004-05	1,962	8,34,130	0.2	4,98,252	0.4
2005-06	2,162	9,41,438	0.2	5,05,738	0.4
2006-07	1,729	10,95,167	0.2	5,83,387	0.3
2007-08	1,813	12,49,162	0.1	7,12,671	0.3
2008-09	2,700	15,23,999	0.2	8,83,956	0.3
2009-10	2,401	18,22,561	0.1	10,24,487	0.2
2010-11	3,054	22,05,990	0.1	11,97,328	0.3
2011-12	3,508	23,70,492	0.1	13,04,365	0.3
2012-13	5,536	-	-	14,30,825	0.4
2013-14	7,018	-	-	16,65,297	0.4

Source: Prashant Prakash, "India's Development Cooperation Agenda: An Assessment", forthcoming Discussion Paper, Centre for Budget and Governance Accountability, New Delhi

A strong underlying motivating factor for India's aid priorities is the India-China rivalry for regional supremacy and the quest for natural resources. This competition focuses on three major issues: diplomatic influence, oil reserves, and markets for goods. In the past few years, emerging economies, in particular China and India, have been in the limelight for their enhanced involvement in development partnership projects.

India has worked to create technical capacities, and provided production support. In 2008, the Prime Minister, during the India-Africa Forum Summit, announced the DFTP (duty free tariff preference) scheme for 49 least developed Countries (33 in Africa, 15 in Asia and one in the Americas).

FOR A U.N.-LED INITIATIVE

At the recent 4th High Level Forum on Aid Effectiveness held at Busan, South Korea, India, along with other emerging economies, agreed to the setting-up of a global mechanism to improve the effectiveness of global aid flows. The Organisation for Economic Cooperation and Development (OECD) and its Development Assistance Committee (DAC) were keen to set up a new entity called Global Partnership for managing the global aid architecture.

India's development partnership is based on the needs identified by the partner countries and the effort of the Ministry is geared towards accommodating as many of the requests received from partner countries as is technically and financially possible.

In the last decade or so, the range and quantum of South-South cooperation has expanded significantly. This trend has paralleled disturbing signs of what could be described as a slackening of donor enthusiasm in developed countries, in the background of difficult global economic conditions. It has also inspired spirited multilateral discussions on harmonizing the traditional frameworks of North-South cooperation with the emerging patterns of South-South developmental partnerships.

The Indian Technical and Economic Assistance programme, ITEC, was launched in 1964 with the objective of sharing our knowledge and skills with fellow developing countries. Over nearly five decades, ITEC and its sister initiatives, the Special Commonwealth Assistance for Africa Programme (SCAAP)[iv] and the Technical Cooperation Scheme of Colombo Plan, have contributed substantially to capacity building in many parts of the world[v].

It is a well-established truism that South-South cooperation is on an entirely different footing from North-South cooperation in inspiration, implementation and impact**.** It conveniently overlooks the reality that developing countries even the so called emerging economies continue to confront major economic challenges of their own, exacerbated by the current global economic situation, which place an inherent limitation on their capacity to contribute to international development cooperation. The assistance which developing countries offer to other developing countries should therefore continue to remain voluntary and free from externally imposed norms drawn from North-South Cooperation. Simply put, whereas North-South cooperation is a historic responsibility, South-South cooperation is a voluntary partnership. The fact that the traditional donor community often underplays this distinction does not diminish its validity. In the present global realities, it is self-evident that while South-South Cooperation supplements North-South Cooperation, it is not yet in a position to replace it in any significant measure. The North-South engagement leads the aid process and should continue to do so[vi].

India is not a new donor, having provided its first development assistance in the late 1940s, shortly after its independence. Yet its development assistance remained small compared to traditional DAC donors until the turn of the century. Since then Indian foreign aid has risen significantly. Indian foreign aid today is comparable to that of smaller developed countries such as Austria. Moreover, the growth rate of Indian aid stands in notable contrast to the stagnant or even declining foreign assistance of most developed countries.

Over the past few years, as India's foreign assistance has risen in volume and diversity, increased attention has been devoted to India as an "emerging donor". Yet little is known about India's development assistance program. India is not part of the Organization for Economic Co-operation and Development's (OECD) Development Assistance Committee (DAC), the consortium of the world's large developed countries donors that have been the drivers behind collecting and harmonizing data on their foreign aid and discussing foreign aid policies. India also does not report its development assistance to the Development Assistance Committee. Moreover, while the DAC member countries decided on guidelines on how Official Development Assistance (ODA) is calculated and what it entails, India does not categorize its aid using ODA guidelines nor share its development assistance data, further complicating comparisons of India's foreign assistance program.

India's development assistance has grown dramatically, rising four-fold in the decade between 2003/04 and 2013/2014. By contrast the total of foreign aid from DAC countries decreased in 2011 and is likely to stagnate in 2012.

India's tools for supporting development partnerships:

From its inception in the late 1940s India's development assistance to other partner countries was given in the form of grants and small loans. In 1964 training and technical assistance under the ITEC program was added as a new form of development assistance and quickly became the main avenue for India's development assistance program up until the turn of the century. Ministry of External Affairs decides on the nature of development partnership in respective countries. These partnerships are supported by the following forms of development assistance:

a. Grants: Now managed by the Development Partnership Administration within MEA. DPA also coordinates all assistance.
b. Training: Technical Assistance managed by ITEC within MEA
c. Lines of Credit: Managed by Exim Bank.

One of the three main objectives of Indian aid appears to be a rising focus on securing of natural resources to feed the needs of India's growing economy. Indian development assistance has historically focused on securing energy sources. For example, India has historically been one of the largest foreign aid donors to Bhutan with the Indian Government financing the entire first two Bhutanese Government's Five Year Plans (1961-71) with over 309 million rupees during 1961 to 1971 (Indian Embassy to Bhutan 2012). From the inception of Indian foreign assistance to Bhutan funding was provided also for hydroelectric projects with agreements for the electricity that was produced to be sold to India.

More recent development assistance recipients are also seeing that Indian aid has an energy access component. India now has not only become the fifth largest donor to Afghanistan, the aid it provides to the country increasingly has an access to resources component[vii].

Indian development assistance has also been increasingly used to secure markets for Indian goods and services, particularly through the use of LOCs. In Africa, where the bulk of LOCs are allocated, this form of "tied assistance" is often in the form of LOCs and are often used to not only access, for example, hydroelectric power in the Central African Republic, but also to ensure that the majority of the contractors are Indian. Similarly the Pan-Africa e-network, a project funded through grants by the Indian government, connects 47 African countries with well-known universities and super-specialty hospitals in India in order to provide tele-education and tele-medicine and thereby build a demand for Indian university instructors and doctors. India's foreign assistance particularly to African countries is heavily focused on trade promotion and securing markets for Indian goods – much like China's strategy in Africa. In India's neighbourhood, India provided a $1 billion LOC to Bangladesh in 2010, largely for transportation infrastructure in order to help increase Indian connectivity with its north-eastern states and other countries in East Asia.

The third key focus on Indian development assistance is to undergird India's larger geo-strategic objectives in its neighbourhood and beyond. Afghanistan today continues to retain an important geostrategic location since it borders Pakistan, with whom it has historically had a tenuous relationship, as well as Iran through which India can access Afghanistan. Afghanistan is also the South Asian gateway for accessing Central Asian oil and gas. Similarly, Indian aid to Vietnam has been given with an eye to the oil and gas exploration that an Indian partnership with a Vietnamese company is undertaking in the South China Sea, leading to a turf battle with China which has regarded Vietnam as its backyard.

India: Receiver of funds from World Bank

India is among the largest receiver of the World Bank's assistance. Between 2009 and 2013, the World Bank Group lent around $26 billion to India, according to a statement released by the World Bank here.

In the financial year 2009-10, the World Bank Group's assistance to India increased to $11 billion in the aftermath of the global financial crisis.

The support between 2009 and 2013 includes $12 billion from the International Bank for Reconstruction and Development (IBRD); $8.3 billion from the International Development Association (IDA); and a further $5.2 billion in investments from the International Finance Corporation (IFC).

As of January 2013, total IBRD and IDA net commitments stood at $23 billion (IBRD $13 billion and IDA $9.9 billion) across 77 projects.

At the end of January 2013, IFC's portfolio contained 219 projects, amounting to committed and disbursed exposure of $4.1 billion[viii].

Table 2 shows India's external assistance since 2003-04 to recent years and external assistance as percentage of total public spending.

Table 2. External Assistance Received by Union of India

Year	External Assistance (in Rs. Crore)	Total Budgetary Public Expenditure in India (in Rs. Crore)	External Assistance as Percent of Total Public Spending (in %)	Total Budgetary Public Expenditure by Centre (in Rs. Crore)	External Assistance as Percent of Total Public Spending (in %)
2003-04	19,257	7,70,618	2.5	3,59,839	5.4
2004-05	19,257	8,34,130	2.3	4,98,252	3.9
2005-06	17,559	9,41,438	1.9	5,05,738	3.5
2006-07	18,281	10,95,167	1.7	5,83,387	3.1
2007-08	19,586	12,49,162	1.6	7,12,671	2.7
2008-09	22,326	15,23,999	1.5	8,83,956	2.5
2009-10	25,318	18,22,561	1.4	10,24,487	2.5
2010-11	38,002	22,05,990	1.7	11,97,328	3.2
2011-12	28,996	23,70,492	1.2	13,04,365	2.2
2012-13	21,252	-	-	14,30,825	1.5
2013-14	29,102	-	-	16,65,297	1.7

Source: Prashant Prakash, "India's Development Cooperation Agenda: An Assessment", forthcoming Discussion Paper, Centre for Budget and Governance Accountability, New Delhi

Why do governments accept conditionality?

Governments accept conditionality because these are the terms attached to finances borrowed. They often have little choice but to accept the conditions stipulated because they are desperate for the foreign exchange needed to implement various programmes and usually cannot get this money from private sources. However the conditions are not always implemented. For example in the Karnataka Urban Development and Coastal Environmental Management Project there is a condition that water tariffs must be increased by 100% by 2005. Yet tariffs have not been raised. Whether or not conditions are accepted, and subsequently implemented, depends on the negotiating power of the country – India has significant negotiating power as it provides the Bank with a lot of business. During ADB appraisal missions there is frequent negotiating regarding compliance with conditions.

Reshaping the policies by World Bank:

Over the past three decades, the World Bank has radically re-shaped the policies of developing countries. 'Conditionality[ix]' – stipulating policy changes governments must make in order to receive loans and unlock aid from other donors – has been instrumental in bringing about this change. But the practice of conditionality has also attracted a host of criticism viz, closing down policy space, failing to foster sustainable reform and having negative impact on poverty. Offering homogenous solutions such as privatisation and trade liberalisation have often carried a heavy social and economic cost for the poorest and most vulnerable, and severely undermined the credibility of the Bank in many developing countries.

A growing body of evidence about the failure of conditionality to build ownership or lead to pro-poor reform has started to force a rethink. The Bank's board approved a review in 2005, which committed the Bank to five 'good practice principles' (GPPs):

- Ownership;
- Harmonisation;
- Customisation;
- Criticality; and
- Transparency and Predictability.

World Bank 'conditionality' has long been a serious and contentious issue. There are three main problems with the Bank's current use of economic policy conditionality.

Firstly, it tends to take key decisions away from sovereign governments and put them in the hands of World Bank officials. This can serve to undermine the development of domestic accountability processes in developing countries.

Secondly, the use of conditionality to promote policy changes has proved to be an ineffective, clumsy and politically unsustainable method of bringing about change.

Thirdly, some policies promoted by the World Bank have failed to reduce poverty, or have even made things worse.

Clumsily designed and ill-timed policies to promote the liberalisation of trade, the privatisation of public services and the deregulation of economies have sometimes sparked political crises serious enough to derail a government's commitment to a wider reform programme.

In recent years the pressure for the Bank to change its approach has become intense, from both inside and outside the institution. Citizens across the world have organised themselves through social movements and non-governmental organisations to demand change.

Inside the Bank, pressure for reform has increased as moves have been made to match policies and activities more closely with Poverty Reduction Strategies in developing countries, and recognition has grown that conditionality has been ineffective and contentious.

Responding to this pressure the Bank agreed to undertake a root and branch review of World Bank conditionality at its 2004 Annual Meetings (the 'Conditionality Review'). This was conducted throughout 2005, and was accompanied by extensive examination of World Bank policy and practice, a survey of the views of recipient governments, and consultation, mainly in the developed world. The seriousness of the issue and the extent of the review raised hopes that the Bank would commit to ending its damaging use of conditionality in poor countries.

The resulting paper, 'Review of World Bank Conditionality' (World Bank, 2005), committed the Bank to five 'good practice principles for conditionality':

1. Ownership: Reinforce country ownership.

2. Harmonisation: Agree up-front with the government and other financial partners on a coordinated accountability framework.

3. Customisation: Customise the accountability framework and modalities of Bank support to country circumstances.

4. Criticality: Choose only actions critical for achieving results as conditions for disbursement.

5. Transparency and predictability: Conduct transparent progress reviews conducive to predictable and performance-based financial support.

The good practice principles could, in theory, apply to any Bank operation, but they are mainly supposed to improve the Bank's performance in development policy lending. Development policy lending accounts for around a quarter of all Bank lending (World Bank, 2006). It is a kind of direct budget support, financing government budgets directly without earmarking money for specific projects. Direct budget support is regarded as a more efficient and effective tool for supporting poverty reduction than traditional project-style lending. It reduces transaction costs and has encouraged improvement in public financial management and budgeting systems. It could in theory support the development of stronger systems of accountability of governments to citizens, by both increasing the funds available to the government to implement poverty reduction programmes, and by making it clearer to citizens that it is their government who is responsible for such programmes. Bank's main kind of development policy lending – the Poverty Reduction Support Credit or PRSC[x].

Ownership is the key principle. Country ownership should mean that policies are home grown, developed by countries themselves, with strong systems of participation by, and accountability to, citizens. Ownership is critically important because it is the bedrock of development itself.

The extensive use by the Bank of conditionality has, in the past, reduced the effectiveness of its aid for the following reasons:

- it has undermined country ownership and focused government attention on reporting back to donors rather than to their citizens
- it has introduced complexity and confusion, often blurring the picture for recipient governments about which conditions are the most important, and which are the crucial ones needed to access the funds
- it has focused attention on unnecessarily technical issues, or lead to the introduction of inappropriate solutions, when conditions are specific about the kinds of reforms that need to be undertaken
- it has increased the administrative burden for developing countries.

Governments that have a policy agenda with which the Bank agrees get a greater amount of higher quality, more flexible development policy lending; those with 'weak' policy agendas get less and can only have project loans. This gives the Bank and the International Monetary Fund (IMF) great power over developing countries' whole macro-economic policy framework for two main reasons:

- the decision over what kind of loans to give to a country is a clear signal to markets, investors and others about how the Bank IMF rates the economic policy of that country
- There is a large incentive for countries to follow Bank and IMF macro-economic prescriptions, as it will lead to higher levels of more flexible funding.

Harmonisation should mean aligning all forms of aid around a country-led strategy, within a framework of mutual accountability that allows for the assessment of both donors and governments and the participation of other stakeholders, including civil society and parliaments. The Bank recognises the need to harmonise around country-led frameworks, but does not emphasise the importance of mutual accountability or the involvement of other stakeholders. In practice, however, donors often harmonise around Bank frameworks, which reinforces the importance of the Bank and IMF rather than the developing country.

Customisation implies that there is a 'correct' set of policies which just need to be customised so that they will be more effective and acceptable in local circumstances. There is still clear evidence that the Bank uses conditionality to leverage reform that is not part of a government strategy.

Past experience has shown that the Bank has used non-binding conditions as a way of pushing policies which are either not high on the government's agenda or where it is likely that they will be dropped because there is widespread public opposition. Very often, inappropriate or non-critical conditions are used.

Transparency is required throughout the process of development of Bank operations and strategy. At present the public is usually informed about conditions once they have been agreed. Instead there should be full, open transparency and involvement of civil society and parliaments throughout the process of negotiation, and progress and positions of the various parties should be publicly reported. In fact, improving transparency, with the Bank and other stakeholders making their concerns known publicly on a regular basis, is likely to be a far better method to encourage reform than using conditionality. The lack of transparency creates serious problems, making it extremely difficult for citizens to hold accountable the institutions that affect their lives. It also creates confusion among different stakeholders as to what is actually happening. Improved transparency is an excellent route towards improving accountability relationships – critical for development – and is an area where the Bank could make rapid progress.

The World Bank should:

- Stop attaching any economic policy conditions (prior actions and benchmarks) to its aid
- Move to outcome-based conditionality, linking aid to a few mutually agreed poverty reduction targets, based on the Millennium Development Goals or national poverty targets
- Ensure that all country analytical work is driven by recipient governments' agendas, is made public, and examines a wide range of policy options, assessing each in the light of its poverty impact.

[i] ODA is defined as "grants or loans provided by official agencies (including state and local governments, or by their executive agencies) to developing countries (countries and territories on the DAC List of Aid Recipients) and to multilateral institutions for flows to developing countries. In addition to financial flows, Technical Co-operation is included in aid.

[ii] IMF and World Bank (2006). *Global Monitoring Report*, p. 75.

[iii] DPA is expected to help in the consolidation of outgoing aid and streamline all administrative matters related to this process. It will also help in assessing the effectiveness of credit lines that India is extending to its partners, which has grown in the last few years. It was first mooted in the Budget speech of 2003 when then Finance Minister Jaswant Singh announced an agency in his budget speech. He had called it "India Development Assistance (IDA)." Nothing much happened on this proposal until 2007 when Mr. P. Chidambaram announced the government's intention to establish the "India International Development Cooperation Agency (IIDCA)" to provide unified administration of the country's outgoing development assistance. DPA has started to create in-house, specialized technical, legal and financial skills in order to fast-track all stages of project implementation. DPA has three Divisions. Currently, DPA I deals with project appraisal and lines of credit; DPA II deals with capacity building schemes, disaster relief, Indian Technical and Economic Cooperation Programme and DPA III deals with project implementation.

[iv] Under ITEC and later its corollary SCAAP (Special Commonwealth African Assistance Programme) India expanded its foreign relations with other developing countries, eventually encompassing not only Asia and Africa, but also Latin America and Pacific Island countries, 158 countries in all. Through the ITEC program India provided technical assistance through six main channels: 1. Training of workers from state-owned enterprises, bureaucrats, and policy makers nominated by the partner countries; 2. Feasibility and consultancy services related to specific development projects; 3. The sending of Indian experts to the requesting country; 4. Study tours in India for individuals and groups suggested by partner countries; 5. Donation of hardware to partner countries; and 6. Humanitarian aid for disaster relief (Ministry of External Affairs 2012). From its beginnings when the ITEC program funded training to just a few countries, the program has grown to one that annually offers two hundred different short to longer-term training programs at over forty Indian institutes for up to 5,000 individuals from other countries (Ministry of External Affairs 2012).

[v] An earlier example is from our agricultural Green Revolution, when we shared with Vietnam our research on high-yielding rice varieties through exchanges of scientists and the establishment of a Rice Research Institute in southern Vietnam. Today, Vietnam is a major rice exporter and in fact competes with India in world markets.

[vi] It is therefore a matter of great satisfaction that several donors have come forward to declare their continued commitment to their 1970 UNGA pledge of achieving an ODA level of 0.7 per cent of their GNP. Japan, Germany, Australia and UK have targeted attainment of this goal by 2015.

[vii] Aid for hydroelectricity in Herat Province and power transmission lines in Afghanistan have largely benefitted the Afghan population, but investment in roads to natural resource site production will ultimately also benefit India. For example, in 2011 a corsortium on private and state-owned Indian companies won the rights to mine the Hajigak iron-ore mines in Bamiyan, while in spring of 2012 Indian firms also bid and were short-listed for mining rights on copper and gold mines in Afghanistan. In order to extract, transport and receive the potential iron mined, India also built a 135 mile highway between the Afghan cities Delaram and Zaranj, thereby connecting the Afghan – Iranian border with other

major cities in Afghanistan through the A01 ring road and on the Iranian side with roads leading to the port of Chabahar, which India also help build and expand in order to have another route of accessing land-locked Afghanistan. Indian public sector oil and gas companies have also been investing in new partner countries such as Sudan as well as older partner countries such as Iran to secure such access to natural resources.

[viii] http://www.hindustantimes.com/business-news/WorldEconomy/World-Bank-to-give-India-3-5-bn-assistance-annually/Article1-1025811.aspx accesed on Sep 22, 2013

[ix] 'Conditionality' – stipulating policy changes governments must make in order to receive loans and unlock aid from other donors

[x] The PRSC was introduced in 2001, and was intended to supply direct budget support to countries that had strong poverty reduction strategies. PRSCs are either cheap ('concessional') loans, or grants, and are normally given in a series of three or more annual tranches.