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FOREIGN ASSISTANCE POLICIES OF INDIA AND CHINA

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Abstract

This project does a comparative study of the emerging foreign aid programs of India and China, analyzing them in the context of the international aid regime as well as in the contexts of their long-term economic and foreign policy strategies. Emerging donors are a small but diverse and uncoordinated group of non-OECD economies that have emerged over the past decade in particular as foreign assistance providers. The project begins with situating them in the international aid architecture, including addressing critiques of their role. It then focuses on India and China, whose programs are described and analysed in two separate papers based on data collection and fieldwork in those countries. Their programs are analysed in the context of their evolving political, security and economic relationships including their trade and investment profiles and their geographic location, and against their evolving institutional and policymaking frameworks, and how they fit into the global aid architecture or do not. The key questions asked and for which data is gathered and information sought from aid literature and interviews is – how much, to whom, for what, how and why? And lastly, whether there is a discernible aid philosophy and prescribed policy framework for recipients emerging.

Keywords

(Acronyms of the keywords below are also given since they are well-known and used through the text after first use of the full form)

Lines of Credit (LOCs), Development Partnership Administration (DPA), Indian Technical and Economic Cooperation (ITEC), Department of Aid to Foreign Countries (DAFC), Executive Bureau for International Economic Cooperation (EBIEC), Forum on China-Africa Cooperation (FOCAC).

The Research Problem

The foreign assistance programs of India and China are relatively new, rapidly expanding and little understood in terms of basic data like how much aid is given, to whom, for what, the institutions and mechanisms, the motivations, the relationships of such aid to foreign policy and economic relations, and whether there is an emerging philosophy of development. These aid programs need to be researched, analyzed and understood better.

Objectives

As per the Memorandum of Grant Conditions, the preparation of two background papers that provide updated data on India and China's foreign assistance (how much, to whom, for what, and how), and mapping of the institutional actors involved and the philosophy that underpins these policies. These objectives have been achieved to an overwhelming extent subject to some data gap problems which are a relatively small component of the aid programs in the case of India, and some aspects of Chinese data for which information is not available after 2007-09. In addition, the motivations – foreign policy, security (in the case of India), and economic interests (in the case of China) have also been traced and linked to the assistance programs. Specifically, the institutional and policy framework of Indian and Chinese foreign assistance programs and updated data about their aid programs – how much, to whom, for what, how and why, in the context of their foreign policy, security and economic relationships, to understand the motivation behind these programs, and whether these programs have evolved a development philosophy, have been addressed in the two research papers.

Methodology

A literature review of the aid programs of emerging donors, and of China and India, in the context of the evolution of the international aid architecture; detailed gathering and analysis of the largely scattered, incomplete and unsystematic data on the foreign assistance programs of the two countries, and interview-based and official literature-based assessment of the motivations of the aid programs with an attempt to situate them in the context of their foreign policies and economic relationships.

The problems that arose relate primarily to data gaps and to the reluctance of foreign policy makers to open up fully about policy motivations. In the Indian case, data for aid under the Five-Year Plan head are not disaggregated country-wise before 2008. Also, data for the number of trainees and amount spent country-wise for the ITEC program is currently being compiled by the Ministry of External Affairs and not yet available; likewise for other training programs like SCAAP and TCS of Colombo Plan, or for defence training slots. Also, while interest rates are subsidized for Exim Bank loans and hence are considered to be aid, the degree of interest subsidy is not available. For China, aid is often bundled with direct investment and trade and is often not quite separable. We have urged the DPA to collect and collate historical data on ITEC, SCAAP and TCS with respect to the number of countries and trainees covered, budgets, course content, time frames, and alumni networks, and we are given to understand that this is being undertaken, which should result in filling of some of the historical data gaps as well as make available fuller data from future operations. There is also a need to build databases on the

contracting companies that implement the aid-funded projects in recipient countries, and on the recipient organizations in those countries.

Project Activities

The primary project activity was a detailed literature and data survey from academic and official sources, and intensive data gathering from diverse, and often contradictory and incomplete, official sources of the foreign aid programs of the two countries, and their economic relationships broken down geographically. Four research assistants were employed to gather and sift data, and prepare the tables and graphs, on the Indian side, and three research assistants on the Chinese side. The project leader, Eswaran Sridharan, also undertook a visit to China to understand the Chinese aid program, gave a talk on the Indian program at the Tsinghua University's School of Public Policy and Management in May 2013, and with the Chinese consultant, Xue Lan, visited the Department of Aid to Foreign Countries of the Ministry of Commerce, and had a detailed hour-long meeting with the Director of the Department. In India, Eswaran Sridharan interacted extensively with officials of the Ministry of External Affairs' Development Partnership Administration, and had detailed interactions on Indian foreign policy and foreign aid with current and former diplomats, policymakers and academics. This facilitated detailed analysis of the foreign policies and trade and investment relationships of the two countries with respect to the aided countries and regions. A seminar was held in New Delhi on December 7, 2013, where the India and China draft papers were presented by Eswaran Sridharan and Xue Lan, attended by the President of IDRC, and about twenty-five academics, diplomats and policymakers and other experts, to disseminate the findings. The project leader, Eswaran

Sridharan also participated as a commentator in a conference of the Foundation for Indian Development Cooperation on January 18, 2014, and disseminated information about the research done in the IDRC project. Further dissemination is planned in terms of academic publications. The primary lesson learnt from the implementation and management of research activities was that the data on both the Indian and Chinese sides are incomplete, not available from any single source in the governments, sometimes contradictory, and would require extensive fieldwork in the recipient countries and interaction with recipient organizations, for a comprehensive picture of the nature and impact of the aid, something beyond the scope and budget of the present project.

Project Outputs

Two detailed research papers on the foreign assistance policies of India and China submitted to IDRC in mid-March 2014.

1. The Emerging Foreign Assistance Policies of India and China: India as a Development Partner (Working Paper) by Eswaran Sridharan, University of Pennsylvania Institute for the Advanced Study of India, March 2014.
Accessible at:
UPIASI website: <https://casi.sas.upenn.edu/upiasi/whatsnew>
IDRC's Digital Library: <http://idl-bnc.idrc.ca>
2. China's Foreign Aid Policy and Architecture (Working Paper) by Lan Xue, School of Public Policy and Management Tsinghua University, March 2014.
Accessible at:
UPIASI website: <https://casi.sas.upenn.edu/upiasi/whatsnew>
IDRC's Digital Library: <http://idl-bnc.idrc.ca>

An international seminar for academics, policy makers and other experts was held in Delhi, for discussion and dissemination of the results on December 7, 2013, and the two papers are planned

to be published in academic journals and disseminated electronically to a mailing list of relevant persons internationally. A joint and comparative paper for later publication is also planned as a post-project output.

Four research assistants, two of whom are women, have been trained and familiarized with the data sources on the subject of the Indian foreign aid program on the Indian side, and three on the Chinese side. This project's data gathering and training and exposure of research assistants has enhanced and reinforced related capacities in the recipient institution, UPIASI, which conducts research on India's international relations as part of its research agenda. The three research assistants on the Chinese side were graduate students, two of them currently in the United States. Of the four research assistants on the Indian side, one is an employee of UPIASI, and the activity directly contributed to his capabilities as well as the capacity of UPIASI, one is an MA Economics student who gained valuable exposure to the data and to research experience including with government sources of economic data. The same can be said for the other two research assistants, both fresh BA Economics graduates, one of whom was working alongside in a company job but wants to go to graduate school, and one of whom leveraged the experience to successfully apply to and go on to Oxford University for a Master's degree in development studies (from Fall 2013).

Project Outcomes

The project's research has generated a greatly improved and updated understanding of the political economy of the foreign assistance programs of India and China, and where they stand in relation to the existing international aid architecture and their own foreign policies and economic relations. The project has taken the subject to beyond the narrowly defined aid literature to the large international political economy literature. The persistent demand from the project for data of various types on the Indian government has, we think, encouraged the Development Partnership Administration to re-examine and improve its database. The setting up of the DPA has for the first time integrated foreign assistance implementation in the Indian government and our demands on them for data have partly catalysed their ongoing integration of past and current data, including attempts to fill data gaps such as on training programmes by country, numbers of personnel trained, types of training and budgets, and alumni of such programmes, as well as data on companies contracted to implement projects in recipient countries, which are mainly public sector enterprises as of now though the attempt to move away from the dominance of such enterprises is on. The DPA and the small Indian aid community also showed great interest in the project's paper on the Chinese aid programme and data, something that they have not had institutional interaction with but are aware of. As outlined in the next section, the aid programmes of India and China are largely recipient request-driven and lack a macroeconomic development philosophy, being non-prescriptive. However, as they grow in size and gather momentum with longer-term loans and grants, they would move away from ad hocism to streamline and rationalize their operations, and hence to develop a philosophy or at least a management strategy from the donor's point of view. Comprehensive overview and analysis papers like the two this project has produced can help to develop such an overall aid strategy.

Overall Assessment and Recommendations

The overall assessment that emerges with respect to India and China is rather similar as of now, despite the larger size of the Chinese program. That is, both programs are recipient request-driven, partly driven by security considerations, particularly as regards geographical neighbours in the case of India, partly integrated with trade and investment, and energy and resource relationships, in the case of China, with both lacking as yet an aid philosophy or a development philosophy and prescriptive framework. However, there is potential, post-Busan 2011, for a productive division of labour with DAC aid programs in that a number of aid activities could be more cost-effectively be done by emerging donors like India and China, particularly labour-intensive activities and training and human resource development programs.

This project has been of great value and importance in complementing the research agenda and capacity of the recipient institution, UPIASI, in its work on international relations/foreign policy, and also helped us get a sense of directions for future and further research on the subject of India's and China's aid programs. A full picture would need, with a larger budget, field trips to assess the functioning of the aid program and specific aid projects in the recipient countries and organizations, something beyond the scope of the present project, which research the aid programs in their home bases. This would be a vast undertaking but would be necessary for a complete picture of how effective the programs are in the field. Perhaps IDRC could pioneer such studies as regards emerging non-DAC aid programs and their effects and recipient perceptions.