



ORF ISSUE BRIEF

JUNE 2013

ISSUE BRIEF # 52

India's Developing International Role¹

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INTRODUCTION

India's growing stature in international politics, particularly within its region, has encouraged Indian policy makers to take a more active role in delivering key global and regional 'public goods' such as poverty reduction, combating the impact of climate change and contributing to global growth. Concerned that developing countries are under represented in those international bodies that define global public goods and finance their provision,² India aims to enhance its engagement with multilateral institutions. At the same time there is an increasing desire on the part of other countries to engage more closely with India on a range of global challenges, not least development.³

In January 2012, India expanded its foreign aid programme by establishing the Development Partnership Administration (DPA), its own foreign aid agency under the Ministry of External Affairs (MEA). With a substantial budget of \$15 billion to be spent over the next five years, the DPA will oversee the management of India's overseas development projects. The creation of a central agency is part of an effort to streamline implementation, lower operating costs, and address other challenges which have long stymied India's international development agenda. The DPA will also assess the impact of the Lines of Credit that India has extended to partner nations in recent years.⁴

India has also enhanced its foreign assistance efforts by engaging in multilateral aid programmes. The IBSA Trust Fund provides an innovative means of delivering assistance to other countries and demonstrates that India is amenable to pooling sovereignty in the provision of assistance. There is

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also a willingness to undertake more substantial assistance programmes, seen most clearly in the Pan-African E-Network project.

The private sector plays a key role in India's overall role as an aid-giver. However, India's programme is likely to be refined in the future. In the early years of the programme, Lines of Credit were used to fund projects of questionable development benefit such as the construction of a presidential palace (in Ghana) and a cricket stadium (in Guyana). In recent years most projects funded have more clear-cut developmental outcomes.

AID PROGRAMMES

India has long approached aid through bilateral grants and assistance. However, Indian policy-makers have begun to see aid, as well as enhanced economic ties with other countries, as a means of positioning India as an emerging power in the eyes of 'recipient' nations and other donors.

Traditionally, India has provided funding to a range of United Nations and World Bank agencies; it recently became a donor to the World Bank's Trust Fund for South–South learning.⁵ It has also offered assistance to other countries through training and capacity-building. The Indian Technical and Economic Cooperation scheme (ITEC) was founded in 1964 and was seen as an important demonstration of India's commitment to South–South cooperation in the 1960s and 1970s. The long-standing scheme has provided for a range of projects, including, most recently, solar-energy plants in Cuba and Costa Rica; a computer system for the prime minister of Senegal; fitting artificial limbs in Cambodia and Uzbekistan; and a vocational training centre for small and medium-sized enterprises in Zimbabwe.⁶

India increasingly coordinates its aid efforts with other donors. India has signed the Paris Declaration on Aid Effectiveness (as a recipient rather than a donor) and joined the Nepal Development Forum, the Afghanistan Reconstruction Trust Fund and the multi-donor fund for Iraq. India, Australia, Japan and the United States jointly coordinated the international response to the 2004 Asian tsunami.

Established in June 2003, the IBSA Dialogue Forum, involving the IBSA grouping of India, Brazil, and South Africa, aims at enhanced cooperation in areas such as agriculture, trade, culture and defence. In 2004, the IBSA grouping established a Trust Fund.

India's contribution to the Trust Fund, while small scale—India, Brazil, and South Africa each contribute US\$1m annually—suggests a potential willingness for greater pooling of sovereignty in India's aid provision. The Fund aims to identify replicable and scalable projects that can be disseminated to interested developing countries as examples of best practices for tackling poverty and hunger. Projects under the IBSA Trust Fund are carried out in collaboration and consultation with partner countries.

Projects include a solid waste collection project in Haiti; the introduction of new seeds and capacity-building in improved agricultural techniques in Guinea-Bissau; and the refurbishment of two local, isolated health units in Cape Verde.

India's participation in the BRICS emerging-nation bloc, comprised of Brazil, Russia, India, China, and South Africa, provides new opportunities for enhanced multilateral cooperation in international development. At the BRICS Summit held in South Africa in March 2013, the BRICS members announced that the establishment of a BRICS development bank was feasible, but the statement fell short of suggesting specific timelines for the bank's establishment. The details of how such a bank would work are still, it would seem, being formulated. Whether the bank is intended to focus primarily on the BRICS countries themselves, or to assist other developing countries, remains unclear.

The proposed BRICS Development Bank has emerged as an alternative to Western-dominated international financial institutions. Unlike the International Monetary Fund (IMF) or the World Bank, which attach political restructuring conditions to low-interest loans, the BRICS Development Bank is expected to offer higher-interest loans without conditions. While some key logistical questions remain unresolved, such as which BRICS nation should host the bank, which currency should be used and the size of the initial contributions, the BRICS Development Bank poses a challenge to existing lending institutions and signals members states' intention to expand economic and trade cooperation.

REGIONAL ENGAGEMENT

Afghanistan (see details below) ,Bhutan, Nepal, and more recently Myanmar are the major recipients of Indian aid today. Much of India's assistance to Bhutan is comprised of grants and loans for a range of hydro-electric schemes. The electricity generated is then sold back to India. The Ministry of Defence's Border Roads Organisation has also undertaken significant road building projects. Most other projects are implemented by the Bhutanese government, which puts them out to tender to Indian or Bhutanese companies.

India, which was responsible for the construction of Nepal's basic infrastructure in the 1950s and 1960s, has recently redirected its efforts towards grassroots social sector projects in education, health and sanitation. Along with the MEA, the Department of Border Management, part of the Ministry of Home Affairs, contributes to the construction of roads in border areas, expecting benefits for neighbouring districts of India. Both Bhutan and Nepal benefit from Indian subsidies on items such as fertilizer, kerosene, cooking oil and some foodstuffs.

CONTRIBUTIONS TO THE UNITED NATIONS AND INTERNATIONAL ORGANISATIONS

Peacekeeping

India's engagement with the United Nations reflects policy makers' efforts to demonstrate that India is a responsible global citizen that deserves to play a leading role among developing nations. In turn, most Indians recognise the domestic benefits of UN assistance on a range of development challenges. Among India's most important commitments is its long-standing contribution to UN peacekeeping operations. Such operations further India's claims to international prominence.

India is currently the third largest contributor to UN peacekeeping missions (after Pakistan and Bangladesh), with 7,889 police and army personnel serving in January 2013.⁷ In addition to contributing peacekeeping troops, India stresses the longevity of its participation in peacekeeping missions which date back to the Korean War, and its friendly relations with a number of countries in Africa and Asia. Approximately 50,000 Indian peacekeepers have served in 30 conflicts in the Middle East, Congo, Namibia, Cyprus, and elsewhere. India has also contributed military observers to monitor borders.

Indian troops had operational responsibility for one-third of Somalia during UNOSOM II (the UN Operation in Somalia). Elsewhere in Africa, Indian peacekeepers have served in Angola, Mozambique and Sierra Leone.

India is happy to undertake peacekeeping operations under a UN mandate; unpleasant memories of sending its peacekeeping force to Sri Lanka in the late 1980s remain strong and limit the options for military action in South Asia. India has undertaken military action without a UN mandate in Sri Lanka and the Maldives; in both cases, however, this was in response to a request for assistance by the host government.

Food security

India went from being a net recipient of food aid in 2000 to becoming the 15th largest donor to the World Food Programme (WFP) in 2005, when its contribution peaked at \$33.7m. In 2012 it provided \$3.39m.⁸ India plays an increasingly important role in providing food security in South Asia, notably to Afghanistan as well as Iraq. Finding its bilateral food assistance programmes ineffective (in 2004 it provided 20,000 tonnes of wheat to Sudan but the impact was undermined by weak reporting structures) India appears to have shifted away from bilateral efforts and towards assistance through the WFP. India is also a member of the Inter-Governmental Working Group (a subsidiary of the Food and Agriculture Organization's Committee on World Food Security) which is formulating voluntary guidelines to address issues of food security and enforce the right to adequate food.⁹

In March 2010, the BRIC countries agreed to cooperate on a common strategy to ensure global food security. The South Asian Association for Regional Cooperation (SAARC) has also sought to enhance cooperation to improve food security; in 2009 the South Asia Food Security Programme was launched, with funding of \$25m (from the Asian Development Bank, the International Fund for Asian Development and the Food and Agriculture Organization) for 10 projects, focusing on scientific advances as a vital means of improving production and nutrition. In 2012 India donated 306,000 tonnes of food to the SAARC Food Bank.¹⁰ This contributes to the SAARC food reserve, intended to provide emergency relief for severe food shortages as well as regional food security during times of more regular food shortages.¹¹ This is likely to remain the primary means by which India contributes to regional food security.

Afghanistan

While India seeks mutual economic benefit in providing assistance to most of its South Asian neighbours (for example, much of the assistance provided to Bhutan, the largest recipient of Indian aid, is invested in hydro-electric schemes, power from which is subsequently utilised in India), Indian aid to Afghanistan is motivated by specific strategic interests. While assistance to Afghanistan is not dissimilar to the project-based approach adopted in Africa, it is on a much larger scale. Whether India's aid to Afghanistan is likely to form a template for future assistance to other countries may depend on whether the situation in Afghanistan deteriorates (from an Indian perspective), in which case it might well be some years before India attempts a similar large-scale package of bilateral assistance.

India is currently the fifth largest provider of aid to Afghanistan. Since 2001 it has dispersed some \$1billion, having pledged \$2 billion.¹² Unlike China and Pakistan, it has contributed funds to the Afghanistan Reconstruction Trust Fund (although this assistance is small-scale; India pledged just \$200,000 at the fund's inception). Most of India's assistance has gone to traditional developmental projects such as training civil servants, constructing wells, power plants and transmission lines, and building and staffing hospitals. Other projects have clear strategic functions: the construction of a road linking Afghanistan to the Iranian port of Chabahar, and the recent announcement that India would renovate the port itself, has created an alternative route for Indian goods to travel to Afghanistan (between 2002 and 2008 Pakistan had refused access for Indian assistance destined for Afghanistan).

India's strategic concerns in Afghanistan include the promotion of a stable, pro-Indian government. India also recognises that Pashtun areas of Afghanistan will almost certainly look towards Pakistan rather than India for support. India's opposition to talks with the 'moderate' Taliban stems partly from concerns over whether such a group really exists and partly from a fear that it will be presented with an uncomfortable choice if Western troops leave: whether to provide security for its own development projects or for the Afghan state itself.

As in many spheres, India's comparative advantage in terms of security in Afghanistan is likely to be in training. It seems highly unlikely that it would consider sending troops to Afghanistan to train the Afghan National Army; increasing the number of Afghan troops trained in India appears more plausible.

TRADE AND INVESTMENT

The Indian Government has sought to enable its private sector to provide development, allowing some state-owned firms, including oil companies and infrastructure companies (such as RITES, which provides engineering and consultancy services in transport and infrastructure) to play an important role.

Economic interaction between India and other developing countries has increased rapidly in recent years, in part enabled by the introduction of concessional LoCs,¹³ particularly since 2002. The Export-Import Bank of India (Exim Bank) has extended LoCs to over 75 countries with credit commitments of over \$8.69billion.¹⁴ When the policy was introduced it had three clear strategic aims:

- revitalising bilateral relations, not least to increase support for India in the UN;
- improving relations with resource-rich countries; and
- creating economic opportunities for Indian firms.

Subsequently, policy has shifted to spread LoCs more broadly. Although India has made aid a component of its foreign policy agenda, it stresses that projects undertaken with Indian assistance should be led by the needs of other countries and does not impose its own solutions. In providing LoCs, the Exim Bank does not have an overriding sectoral preference since such an approach would involve imposing its own priorities rather than those of the recipients. Nonetheless, given the capacity of Indian firms, many of the projects funded through LoCs provide clear developmental benefits, involving sectors such as rural development and agriculture, education and health as well as infrastructure, notably power, renewable energy, irrigation and railways.

In March 2011 India announced the extension of the India Development and Economic Assistance scheme from 2010/11 until 2014/15, which will allocate \$8.5billion (although previous targets have been missed.) The allocated government spending amounts to Rs18.8billion, reflecting the interest subsidy component of the loan. The government has also suggested that concessional LoCs may be used to supplement assistance from other donors, raising the possibility of triangulation utilising cheaper Indian manufacturers. The press release announcing the move said that the scheme 'will promote India's political, economic and strategic interests besides building a positive image of India abroad'.¹⁵

AFRICA

India emphasises skills and knowledge transfer as central to development in Africa. In contrast to Chinese practice, many Indian firms train local staff for particular projects. Lacking the financial resources of China and the West, India's stature in many African countries derives from its long-standing support for decolonisation. That India and African States shared many problems often makes Indian investors more acceptable than those from more developed countries.

India's interaction does not have a 'heavy governmental footprint'.¹⁶ Instead, the Indian government engages with governments in Africa, the LoCs are then established and companies are left to take advantage of opportunities arising. As of 2011, India had extended \$5 billion in LoCs and \$500m in grants to African nations, and 98 of Exim Bank's 138 operative LoCs were located in Africa.¹⁷

SOUTH ASIA

Indian exports to and investment in neighbouring South Asian states face several roadblocks. India's regional policy is frequently reactive to events and policy shifts in its neighbours, and conducted through a prism of national security or, frequently, insecurity. Each neighbour presents both political and security threats as well as economic opportunities.

Indian exports to other countries in SAARC comprised just 4.1% of total exports in 2011-2012 according to the Reserve Bank of India, and imports from those countries were worth just 0.5% of total imports.¹⁸ Policy-makers recognise the potential benefits from greater trade with India's neighbours, not least as a means of generating benefits for adjacent districts in India. But even when progress on improving localised economic interaction is slow, policy-makers are frequently sanguine given that economic benefits may already stem from informal trade.

As with state-funded assistance projects, Indian investment in neighbouring countries is made with an eye towards mutual economic benefit. Closer economic links with Nepal are of particular use to the neighbouring states of Uttar Pradesh and Bihar, and India's road-building is focused on linking Uttar Pradesh with Nepal's southern Terai districts. Improving infrastructure has also charged up the domestic political agenda.

Northeast India is almost land-locked and would benefit substantially from improved trade with its neighbours. The high costs of formal trade between this region and Myanmar have led to a long history of informal trade and barter. Regional trade agreements such as the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation and the Association of South-East Asian Nations (ASEAN) Free Trade Agreement are intended to enhance regional trade.

The institutional framework intended to improve economic cooperation with ASEAN includes plans to enhance transport links between India, Myanmar, Thailand, Cambodia and Vietnam. India views Myanmar as a gateway to ASEAN, and constructed the Indo-Myanmar Friendship Road, opened in 2001, to increase trade with Southeast Asia. Despite better economic relations over the past 10 years, improving infrastructure on both sides of the border could substantially boost bilateral trade.¹⁹ Other studies have noted the potential benefits for northeast India from enhanced economic interaction with southwest China; these are two geographically isolated regions that would benefit from improved infrastructure links to exploit their complementary resources more fully.²⁰

While economic cooperation with Bangladesh and Pakistan remains limited, enhanced linkages would represent substantial benefits for India, particularly in the northeast. Farooq Sobhan, the President of the Bangladesh Enterprise Institute, has suggested that full economic integration between India and Bangladesh could raise the average growth rate in Bangladesh from 6% to 8%.²¹ India too would benefit from better transport linkages to northeast India, as well as from the potential to import gas from Bangladesh.

India's exports to Pakistan were worth just \$1,535m and imports \$422m in 2011-2012, according to the Ministry of Finance.²² However, in recent years both countries have made significant progress towards normalising trade relations. Pakistan has recently indicated that it will grant India Most Favoured Nation (MFN) status, which would signify the complete normalisation of bilateral trade.

CONCLUSION

India's increased global standing is a common source of pride for its citizens, particularly within the growing middle class. Within a short time it has evolved from a country with a marginal role to a key participant in global decision-making. This is frequently seen as an example of India's coming of age, as are manifestations of its hard power projection (for instance in anti-piracy operations) and the success of its companies.

While traditionally India has provided assistance to countries bilaterally, it has recently demonstrated a greater willingness to pool sovereignty in multilateral structures such as IBSA. While Western countries may not be ideal partners from an Indian perspective, there is greater openness, particularly in the private sector, to ideas such as triangulation, whereby Western governments could utilise Indian capacity in third countries.

In keeping with efforts to show itself to be a good global partner and push for permanent Security Council membership, India is committed to UN peacekeeping operations and food aid. However, India remains constant in its championing of state sovereignty and unwillingness to impose values on other countries. Consequently, it is difficult to envisage India demonstrating strong support for democracy promotion. However, in this field India already provides practical assistance for other

countries—training election monitors, for instance—and this is more likely to increase than be scaled back.

India can and will gradually play a more significant role in global development, through training and through the capacity of its private sector and NGOs, but a significant escalation of India's global role is unlikely until its domestic development challenges are better addressed. Until it is clear that the country has found a model that makes more progress in tackling domestic issues such as poverty, there will remain reluctance to attempt exporting an Indian model of development. However, the process is likely to be speeded up by the increasing (and overdue) attempts by other countries at engagement with India on tackling a host of global challenges.

APPENDIX 1

Technical and economic cooperation with other countries and advances to foreign governments (Rs m)

	2005-06 ^a	2006-07 ^b	2007-08 ^c	2008-09 ^d	2009-10 ^e	2010-11 ^f	2011-12 ^g
Bangladesh	520	200	600	60	38	30	30
Bhutan	11,311	5,995	7,310	12,059	13,020	17,230	12,490
Nepal	660	2,100	1,000	1,130	1,500	1,500	1,500
Sri Lanka	250	280	280	300	800	900	2,900
Maldives	132	60	195	5,047	35	110	100
Myanmar	220	446	200	350	550	900	1,900
Aid to other developing countries	4,948	5,916	1,801	510	366	344	350
Aid for disaster relief	-	-	-	700	400	1,550	400
ITEC Programme	-	-	600	650	850	1,200	1,200
SAARC Programme	-	-	-	200	220	80	100
SCAAP Programme	-	-	-	60	90	150	150
Aid to African Countries	610	200	500	950	1,250	1,500	1,500
Multilateral Economic Relation (MER) Programme	-	-	-	30	80	130	80
Investment Promotion and Publicity Programme	-	-	-	8	50	42	41.1
Eurasian Countries	90	170	200	188	200	300	300
Aid to Afghanistan	-	-	4,340	4,185	2,870	3,100	2,900
Aid to Latin American Countries	-	-	15	20	20	40	40
Mongolia	-	-	-	-	1,250	-	20

Source: Ministry of External Affairs. <http://indiabudget.nic.in>

a <http://indiabudget.nic.in/ub2006-07/eb/sbe30.pdf> Revised 2005-06, Total (plan and non-plan)

b <http://indiabudget.nic.in/ub2007-08/eb/sbe31.pdf>. Revised 2006-07, Total (plan and non-plan)

c <http://indiabudget.nic.in/ub2008-09/eb/sbe30.pdf> Revised 2007-08, Total (plan and non-plan)

d <http://indiabudget.nic.in/ub2009-10/eb/sbe31.pdf> Revised 2008-09, Total (plan and non-plan)

e <http://indiabudget.nic.in/ub2010-11/eb/sbe31.pdf> Revised 2009-10, Total (plan and non-plan)

f <http://indiabudget.nic.in/ub2011-12/eb/sbe31.pdf> Revised 2010-2011, Total (plan and non-plan)

g <http://indiabudget.nic.in/ub2011-12/eb/sbe31.pdf> Revised 2011-2012, Total (plan and non-plan)

Technical and economic cooperation with other countries and advances to foreign governments (US\$m)

	2005-06 ^a	2006-07 ^b	2007-08 ^c	2008-09 ^d	2009-10 ^e	2010-11 ^f	2011-12 ^g
Bangladesh	11.7	4.7	14.9	1.3	0.8	0.7	0.6
Bhutan	255.5	141.9	181.6	262.2	274.6	378.6	260.8
Nepal	14.9	49.7	24.8	24.6	31.6	33.0	31.3
Sri Lanka	5.6	6.6	7.0	6.5	16.9	19.8	60.6
Maldives	2.9	1.4	4.8	109.7	0.7	2.4	2.1
Myanmar	5.0	10.6	5.0	7.6	11.6	19.8	39.7
Aid to other developing countries	111.8	140.0	44.7	11.1	7.7	7.6	7.3
Aid for disaster relief	-	-	-	15.2	8.4	34.1	8.4
ITEC Programme	-	-	14.9	14.1	17.9	26.4	25.1
SAARC Programme	-	-	-	4.3	4.6	1.8	2.1
SCAAP Programme	-	-	-	1.3	1.9	3.3	3.1
Aid to African Countries	13.8	4.7	12.4	20.7	26.4	33.0	31.3
Multilateral Economic Relation (MER) Programme	-	-	-	0.7	1.7	2.9	1.7
Investment Promotion and Publicity Programme	-	-	-	0.2	1.1	0.9	0.86
Eurasian Countries	2.0	4.0	5.0	4.1	4.2	6.6	6.3
Aid to Latin American Countries	-	-	0.4	0.4	0.4	0.9	0.8
Aid to Afghanistan	-	-	10.78	91.0	60.5	68.1	50.1
Mongolia	-	-	-	-	26.4	-	0.4

Source: Ministry of External Affairs <http://indiabudget.nic.in>

a Rs 44.273 per \$

b Rs 42.25 per \$

c Rs 40.261 per \$

d Rs 45.993 per \$

e Rs 47.42 per \$

f Rs 45.5 per \$

g Assuming Rs 47.89 per \$

APPENDIX 2

Indian Trade with Sub-Saharan Africa (US\$m)

	Exports	Imports
2000/01	1,429	845
2001/02	1,716	1,018
2002/03	1,819	1,165
2003/04	2,128	3,197
2004/05	5,362	3,741
2005/06	5,584	3,857
2006/07	8,401	11,380
2007/08	11,540	14,928
2008/09	11,391	18,904
2009/10	10,308	20,715
2010/11	16,291	16,062

ABOUT THE AUTHOR

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Endnotes:

1. This paper represents an updated version of an earlier publication by Gareth Price, “For the Global Good: India's Developing International Role”. See http://www.chathamhouse.org/sites/default/files/public/Research/Asia/r_indiarole0511.pdf. The author would like to thank Anna Feuer for her assistance in updating and revising the text.
2. The classic definition of public goods is that they are 'non-rival' in consumption – that is, consumption by one does not reduce the availability to another – and 'non-excludable' – no one can be excluded from their benefits. The domain of global public goods has extended to a range of fields that do not necessarily meet these tests but are seen as public goods because of public choice; thus the UN Millennium Development Goals are regarded as global public goods.
3. See C. Lata Hogg (2007), *India and its Neighbours: Do Economic Interests Have the Potential to Build Peace?*, *Chatham House Report*; G. Price (2004), 'India's Aid Dynamics: From Recipient to Donor?', *Asia Programme Working Paper*, Chatham House; G. Price (2005), 'Diversity in donorship: the changing landscape of official humanitarian aid India's official aid programme', *ODI*; G. Price (2009), <http://www.odi.org.uk/resources/details.asp?id=3279&title=states-crisis-india-humanitarian-action>; Elizabeth Sidiropoulos (2011), *India and South Africa as Partners for Development in Africa*, *Chatham House Briefing Paper*.
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6. Appendix 1 sets out recent spending on technical and economic cooperation with other governments
7. UN, http://www.un.org/en/peacekeeping/contributors/2013/jan13_2.pdf
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12. Government of Afghanistan, Ministry of Finance, 'Donor Financial Review', November 2009. www.undp.org.af/Publications/KeyDocuments/Donor'sFinancialReview%20ReportNov2009.pdf.
13. The terms of Exim Bank loans vary depending on the income of the country involved and their level of external debt. While the concessional element is broadly similar for loans under Team-9 Initiative and for most heavily indebted poor countries (HIPCs), they vary substantially for some other low-income countries.
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