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Learning from the old, preparing for the new: Designing an Institutional Architecture for India's Development Partnerships

URVASHI ANEJA
TANOUBI NGANGOM

ABSTRACT India's increasing economic and political clout has prompted a spurt in the volume and complexity of its overseas development assistance. Looking ahead, the largest incremental capital for global development and infrastructure beyond what exists today will also come from India as the value of its economy grows from $2 trillion to roughly $7 trillion by 2030. However, the DPA – India's development cooperation agency – is yet to assume an authoritative role in steering the country's development partnerships. This paper explores the mechanisms to create an institutional framework that is: (a) well aligned with India's interests; (b) employs accountable and fair processes for allocation, dispersion, and delivery; and (c) ensures the delivery of development priorities of partner states. It examines the models and mechanisms used by a selection of old and new donors, to mine lessons for suitable interventions for India. The paper argues that the success of the Indian development agency will depend on traditional factors like size, role, clarity of mandate, and the staff's level of specialisation, as well as the readiness among leadership to adapt to new environments and structures.

INTRODUCTION

India's growing economic strength combined with its global ambitions will imbue new significance and scale to the country's overseas development partnerships. Currently, India contributes $1.16 billion in grants, loans, and training programmes, representing a four-fold jump in only a decade.[1] At the 2015 India-Africa Forum Summit, India pledged concessional credit worth $10 billion to Africa in the next five years—a doubling of its existing commitments — along with $600 million in grant assistance.[2] India ranks above 11 of the 28 OECD donors

(Organisation for Economic Co-operation and Development) and is one of the largest development partners in certain regions. In Afghanistan, for example, India is the 5th largest provider of development assistance, having extended nearly $2 billion in technical cooperation and export credits to build local infrastructure, and improve police forces, judiciaries and diplomatic services.

Development partnerships between southern states have undoubtedly injected new norms and paradigms into a crumbling global aid architecture. In particular, they have contributed to a global re-alignment of cooperative efforts towards a growth-centric development agenda and galvanised the principles of national ownership and partnership to both normative and strategic imperatives.[3] India is a key actor in this new global development landscape for not only the money it will contribute but also its influence in shaping future global development conversations and forging new southern alliances.

Recent studies on India's development partnerships have emphasised the need for greater strategic clarity and accountability, while noting shortcomings in the delivery and execution of these programmes.[4] Some of these challenges can be explained by the fact that India is a relatively new development partner that still needs to develop its own frameworks and systems for strategic and effective delivery. However, as the scale, scope, and ambitions of India's development partnerships grow, it will need to create more robust and integrated institutional structures to deliver development partnerships that are beneficial for itself and its partners. Institutional design and establishment take time, and it would therefore serve India well to pre-emptively address this question of institutional design. This paper seeks to initiate a conversation on this subject and proposes a series of interventions for the design of such an institutional architecture.

Part 1 of this paper provides an overview of India's existing development partnerships and organisational structures. Parts 2 and 3 then make the case for reforming existing institutional structures and frameworks in line with India's growing political and economic clout. Designing an institutional architecture will no doubt be cumbersome, but a task that should be initiated now for reasons of domestic accountability and global legitimacy. The current framework of south-south cooperation does not adequately complement India's future role in global development nor facilitate the setting of strategic priorities that extend across traditional north-south binaries. A future framework must reflect not only India's differentiated strategic interests, but its comparative advantages as well, based on its domestic strengths. Part 4 then examines the models and mechanisms used by development agencies of the United Kingdom, Germany, China, Japan, and South Korea, to mine lessons for suitable interventions for India. The section draws out the relevance of mandates, organisational structures, policy planning and budgetary processes, human resources and knowledge inputs, delivery mechanisms, and accountability and evaluation frameworks. Part 5 argues that proposals for a new or reformed institutional architecture must be crafted with a view towards future challenges and not only current realities. The development agency of the future will have to be adaptive, resilient, and innovative. The paper concludes with a set of concrete policy recommendations to build an institutional architecture than can support India's development partnerships in the future.

DEVELOPMENT PARTNERSHIPS: AN OVERVIEW

India has been providing overseas development assistance since the late 1940s. In the early years of the republic, this development assistance mainly took the form of small grants and loans, and technical assistance and trainings though the Indian Technical and Economic Cooperation (ITEC) programme. Since 2004, India has been using lines of credit (LoC) to scale up concessional financing for partner states. Apart from an increase in volume, the development partnership programme has taken a more sophisticated and comprehensive form: India's 'development compact' now comprises technical assistance, concessional finance, human resources development cooperation, scholarships and trainings, and grants, bringing together polices across trade, investment, and technology transfer.

Foreign policy priorities play a pivotal role in identifying partners and the modalities to be employed. Partnerships are also initiated by partners' demand, articulated to the Indian government. Partners communicate requests to Indian embassies abroad, or through foreign embassies in India. Requests are then passed on to the Indian Ministry of External Affairs (MEA) which determines the specifics of the programme. Aside from the MEA, the Ministry of Finance (MoF), Ministry of Commerce (MoC) and the Export-Import Bank of India (EXIM Bank), along with the relevant ministries, are also involved in the allocation and delivery of development partnerships. The EXIM Bank raises funds for the LOCs from the international debt market; it is therefore unconstrained by the Indian government's budget lines, and allows the government to mobilise global private financial resourcesto support development partnerships in other developing countries.

The Development Partnership Administration (DPA), housed with the MEA, is responsible for the overall management, coordination and administration of India's development partnerships. DPA I tracks grant projects in Africa and EXIM Bank-backed LoCs; DPA II manages capacity building and training programmes, along with grant assistance in Asia and Latin America, and humanitarian and disaster relief programmes; and DPA III deals with the implementation of grant assistance projects in Afghanistan, Myanmar, Nepal and Sri Lanka.

NEED FOR STRATEGIC CLARITY AND PUBLIC ACCOUNTABILITY

In just over a decade, India has gone from being a net recipient to a net provider of international development assistance. However, it is yet to develop robust institutions and networks to manage this new role. The DPA was created recently, in 2013, and it is unsurprising that it has yet to assume an authoritative role in defining and steering India's development partnerships. Indeed, it will soon become necessary for India to clarify its objectives, modalities, and intended development outcomes, primarily for two reasons: domestic accountability and global influence.

India's development partnerships are yet to come under public scrutiny. India's overseas development disbursements are yet to be raised in parliamentary hearings nor has the issue entered mainstream public discourse. It seems unlikely, however, that this will remain the case in the years to come. The question is soon going to be asked, as it rightly should, on how a developing country in which a majority still do not have access to basic amenities and services and which ranks at the bottom of the human development index can justify spending public money to further development outcomes in other states. While the amount allocated by India for overseas development partnerships is relatively small compared with numerous other donors, it still far exceeds the budgets of a number of Indian ministries. In 2015-16, ₹ 9,107 crore was allocated by the Ministry of External Affairs as aid in the form of grants and loans; in the same year, the Ministry for Environment, Forests and Climate Change had a budget of ₹ 1,682 crore; the Ministry for Skill Development and Entrepreneurship, ₹ 1,543 crore; the Ministry of Law & Justice, ₹ 3,759 crore; and the Ministry of Labour and Employment, ₹ 5,361 crore.[5] These absolute numbers also tell an incomplete story. For example, India is one of the lowest per-capita spenders on health care globally, even less than Nepal.

Public accountability is then the first reason for India to clarify its objectives, modalities, and outcomes—to define and publicly articulate the framework defining its overseas development spending, prepare and share transparent information on spending and programmes, and develop and institutionalise delivery systems that can convince taxpayers of the value of such spending for India's own strategic and economic objectives.

India is also poised to become a leading provider of global development goods. Looking ahead, the largest incremental capital for global development and infrastructure beyond what exists today will come from India as it grows from a $2-trillion to roughly a $7-trillion economy by 2030. Even if this incremental capital only comprises a modest proportion of the total development finance pie, the fact that India will make the largest new contribution will augment its global agenda-setting power. In absolute terms as well, back-of-the-envelope calculations estimate that the current $1.35 billion earmarked for overseas grants, concessional loans, and technical training will rise to approximately $15 billion by 2030.[6] To put this in perspective, the UK's budget for global development in 2015-16 was $12 billion, a figure likely to come under further stress in the years to come. India is also playing an increasingly prominent role in discussions on development finance, as seen for example at the Financing for Development Conference in Addis Ababa last year. Being a part of key strategic blocs like the BRICS and the G-20, India's position on issues of health, food security and gender equality will also have increasing global implications.

India needs to create institutions to support this global development role, to be able to direct and deliver its development assistance and its function in global institutions in the manner that meets its own strategic interests and contributes to a sustainable global development agenda. Institutions are, necessarily, slow to establish; they are even slower to evolve. Planning for this role and the necessary supporting institutions must therefore begin immediately. The current DPA might be the basis for the new institutional architecture, but in its current form as an administrative agency, it is likely to be overwhelmed by the task at hand.

CRAFTING NEW FRAMEWORKS: FROM SOUTH-SOUTH COOPERATION TO LEADING POWER

For the most part, India frames its development partnerships within the structure for south-south cooperation (SSC), based on the principles of solidarity, sovereignty, mutual benefit, and non-interference. This was the course followed by the recent meeting of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) and BRICS (Brazil, Russia, India, China and South Africa). This SSC framework has clearly redefined 'aid' by introducing new financial and technical ethics and cemented the concepts of 'partnership' and 'national ownership' as normative benchmarks. Its 'ingredient approach' has facilitated a shift towards tangible investments in specific productive sectors of the economy such as infrastructure.[7] Fundamentally, new southern development partnerships have challenged the hegemony of the OECD-Development Assistance Committee (DAC) in defining the terms of, and pathways to, development.

However, framing India's development partnerships as an articulation of south-south cooperation does not reflect India's growing influence, ambition, and capacity,[8] particularly under the Narendra Modi government. Nor does it reflect the particular contributions that India's growth story will make towards global development. India needs a new framework that matches India's new foreign policy priorities and provides guidance on matching priorities, modalities, and outcomes. The framework must equally reflect India's own experiences as a-once-major-recipient of development aid, its unique development journey, and its current domestic priorities and economic realities.

Most analysts of Indian foreign policy agree that in the past two decades there has been a clear shift in the underpinnings of Indian foreign policy—from idealism to pragmatism. This new pragmatism is a reflection of India's interdependence with the global economy as well as its ambition and capacity to shape these interdependencies in a manner that advances Indian interests domestically and globally. New vigour and energy has been injected into this agenda under PM Modi, who has sought to position India as a 'leading power' rather than a balancing force globally. This positioning, as C. Raja Mohan argues, recognises that India's weight in the international system has grown significantly – both economically and militarily – and that these aggregate capabilities do not square with India's persistent defensiveness in international engagements, nor with its historical disposition towards negotiating on a north-south axis in multilateral forums.[9] The framework for India's development partnership should be in line with this new foreign policy orientation. It must be moored in India's economic and development interests and seek partnerships that enable these interests.

An alternative to the south-south cooperation framework can be derived from framing India's strategic priorities as resting in three concentric circles of interest and influence. The first must encompass India's immediate neighbourhood and the big powers; the second would cover its extended neighbourhood, reaching out across Asia and the Indian Ocean littoral with some localities important for what they offer; and the third may include some distant geographies, all global commons and vital global issues and institutions to manage them.[10]

Development partnerships and economic diplomacy in each circle will be driven by a specific set of interests, capabilities and priorities. Development partnerships built around these three concentric circles will allow India to build direction, specificity, and flexibility into its initiatives; to create a differentiated approach across various geographies; to build alliances and institutions that cut across the north and south; to find a balance between its immediate economic and strategic interests and its global responsibilities; and to manage and respond to the complex and multifarious requirements of a global development provider.

The trouble with abandoning a framework for south-south cooperation is that development partnerships are then stripped of the ethical mooring that has so far established their legitimacy. Development partnerships, in other words, can become purely transactional instruments for domestic economic gain. But a history of global foreign aid clearly reveals the same logic: the clear intermingling of national strategic foreign policy priorities and development objectives. In the past decade, traditional OECD donors have also more explicitly re-aligned their development aid programmes around national and commercial interests. The principle of 'mutual benefit' is taking an increasingly important place, as opposed to the discourse of charity and aid, across northern and southern donors alike. One implication of this is that the ethical mooring of India's development partnerships need not lie in lofty moral principles rooted in broader world views, but instead may be derived from sustaining legitimate and accountable processes. In other words, a sustainable ethical mooring for India's development partnerships might be derived from a pragmatic lens of delivering programmes that have value for money, and are delivered through effective, transparent, and accountable delivery mechanisms.

The future framework of India's development partnerships must also build on the unique lessons and strengths of the country's economy. India's development partnerships should leverage the inherent comparative advantages that the country enjoys. One such area could be augmented process efficiency in public goods delivery – the effective delivery of welfare benefits in a country of 1.3 billion people is a logistically difficult task. Traditionally, this has been carried out through multiple programmes such as subsidies for fertilizers, cooking fuel and the basic food basket. The introduction of a three-step technology-based system, popularly known as the JAM, has already facilitated significant decline in leakages, which previously were a major impediment to India's fiscal consolidation process.[11] The centralised identification programme, Aadhaar, allows easy identification of potential beneficiaries. Jan Dhan Yojana, the national financial inclusion scheme, ensures that direct cash transfers can be made into a beneficiary's bank account. Mobile payment systems will then be used to deliver the last-mile service – of handing over the money to the beneficiary. India's ongoing learning in the delivery of welfare mechanisms – through the use of technology – presents an exportable model that is both efficient and cost-effective. India is already carrying out capacity-building exercises for bureaucrats from partner countries through the Indian Technical and Economic Cooperation (ITEC) programme – the addition of technical expertise in public service delivery could help shape a more well-rounded and better-packaged government capacity-building format.

Another sector where India has vast experience is financing public programmes through the Public-Private Partnership (PPP) model. Indeed, today, India features as the largest market for PPP. For a resource-constrained economy – such as India and many others in the global south – mobilising private capital for public work proves to be one of the most suitable instruments, especially for infrastructure development. There have been remarkable successes in this model, examples of which include not only large construction projects like some of the Indian airports and the Delhi Metro, but also ventures in the health and education sectors like the *Isha Vidhya*, a rural education initiative.[12] However, the Indian PPP model has also highlighted key challenges, such as the need for optimal risk allocation among the stakeholders, given the long-term nature of such investments; clear exit mechanisms; and a mechanism for re-negotiation of unforeseeable conditions.[13] Recognising these issues, the Indian government, in 2015, instituted the Committee on Revisiting and Revitalising Public Private Partnership Model of Infrastructure. India is currently in the process of implementing a PPP model version 2.[14] This experience of inducing, rather than commanding, private investments is a relevant and scalable model in the global south. Further, apart from merely funding infrastructure, the PPP model supports entrepreneurship, which is a key skill in any developing country.

In addition to lessons it can impart based on its past experiences, India's economic model of the future would itself be an exportable product. India faces huge developmental challenges and it will have to create millions of new jobs and provide essential education and skilling in a fossil-fuel constrained world that is rapidly embracing new manufacturing and artificial intelligence technologies. The experiments it undertakes in education, renewable energies, and frugal and hi-technology innovation must comprise the blueprint for its global offerings. The current bias in the global trading architecture for the movement of capital and goods over the movement of services and people is also an opportunity for India to craft new trade arrangements with its development partners that support their 21st-century development trajectories.

LEARNING FROM THE OLD: BEST AND WORST PRACTICES OF GLOBAL DEVELOPMENT AGENCIES

The previous two sections argue for the need to adapt India's development partnership framework to match its foreign policy directives and domestic experiences. In designing an institutional architecture to support India's development partnerships, India would also do well to learn from the best and worst practices of the world's existing development agencies. Some of the development agencies of the industrialised North, for example, have aid budgets larger than those of the line ministries of recipient countries; operating across geographies and issue areas, these agencies have a wealth of knowledge and experience in planning and delivering overseas development assistance. Yet, the extent to which they have been able to achieve stated development objectives is patchy, and many critiques[15] suggest that northern aid programmes have perpetuated the structural causes of poverty and inequality. Rapid economic growth in East Asia over the past two decades has allowed these economies to amplify their global development partnerships, but with frameworks and instruments that reflect their unique development trajectories.

To generate policy insights for India's institutional architecture, these authors conducted primary and secondary research to understand the policies and practices of a selection of old and new donors, across the global north and south, and with varying development approaches and paradigms. This study examined, in particular, the UK Department for International Development (DfID), the German Agency for International Development (GIZ), the Japanese International Cooperation Agency (JICA), the South Korean International Cooperation Agency (KOICA) and China's Department of Foreign Aid at the Ministry of Commerce (MOFCOM). These cases were selected not to indicate an exhaustive list of relevant experiences, but to initiate a conversation about the kinds of insights that can be generated from the experience of India's development peers.

With each of these development agencies, this paper explored the relevance of mandates, organisational structures, policy planning processes, partnerships, delivery instruments, accountability and evaluation, and human and knowledge resources. These categories were derived from a survey of organisational and management literature and studies on effectiveness in international development assistance,[16] along with already documented shortcomings of India's development partnership programmes.[17]

Before elaborating on these themes, it is necessary to first define 'effectiveness' for India's development partnerships. Efficiency frameworks used by OECD-DAC donor groups cannot be readily exported to the Indian conversation because of the differences in stated objectives and instruments in use. The principle of 'mutual benefit', for example, is the first in India's development partnerships; while the explicit mingling of national interest and development initiatives might be frowned upon in northern donor circles, in a country such as India that itself is developing, there is little justification to contribute to development overseas unless there is clear benefit to be derived. It is worth noting, however, that the Paris Agenda for Aid Effectiveness and the Accra Agenda for Action both emphasise country ownership and partnerships as necessary for aid effectiveness; both principles are also central to India's development partnerships.

This study adopts a looser definition, interpreting the effectiveness of India's development partnerships in terms of three parameters, namely:

1. alignment with India's strategic and economic interests;
2. accountable, fair and transparent processes for allocation, dispersion, and delivery; and
3. delivery of development priorities of partner states.

The order of these three parameters is significant. Effectiveness will always involve trade-offs and it would be unrealistic to assume that India will not place its developmental priorities and economic interests first. Beyond this, India has a responsibility to ensure legitimate process, from the point of view of both public accountability and global legitimacy. The question of whether or not India delivers development gains to partner states will ultimately be a combination of numerous other external and changing factors, such as the quality of governance in partner countries. The question of legitimate process is thus a prior priority.

Development Policy Mandate

A clearly articulated policy mandate for development cooperation with defined objectives, modalities and outcomes is relevant for three sets of reasons: for signalling legitimacy and accountability; for facilitating coordination and intra-governmental cooperation; and, for establishing continuity and strategic direction across changes in domestic political leadership.

DfID provides an instructive case. The UK's International Development Act of 2002 defined DfID's mandate into law. This legal articulation has been fundamental in giving and sustaining DfID's legitimacy as a leading development organisation. The policy mandate also helps anchor DfID's coordination with other relevant UK ministers, and provides a guiding principle to navigate competing interests across multiple actors.[18]

China's articulation of its development partnership objectives in an official white paper also played an important global signalling role. MOFCOM has also regularly updated the rules and regulations guiding specific policies. In 2014, it issued Measures of the Administration of Foreign Aid and in 2016, it updated regulations for the management of complete projects, goods and material aid and technical cooperation.[19]

Similarly, the German development assistance programme is regulated by a well laid out list of objectives under the Coalition Treaty – 'Shaping Germany's Future' – which was formulated in 2013. The mandate of the treaty is further supported by the policy document issued by the German Development Ministry (BMZ), titled 'Charter of the Future: New Development Goals'. The document, drawn up through a consultative process, outlines distinct development priorities for the German government.[20]

A policy mandate also adds to a country's negotiating leverage at international platforms and allows it to contribute more effectively to the process of setting the global development agenda. The Japanese experience is a case in point. In the 1990s, for a whole decade, Japan featured as the world's largest ODA contributor.[21] However, it had little say in defining the global development debate, arguably because it rarely articulated a development cooperation strategy or a concrete goal. For instance, when the Washington Consensus was being developed, rather than engaging at the international scale, Japan chose to express its critique much later, and in the form of a White Paper.[22]

With the introduction of the ODA Charter 2002, and recently the 2014 edition, Japan has been able to successfully articulate its strategic interests in providing development assistance. Similar to the DfID experience, the formulation of the charters have performed the additional function of enhancing policy-coordination and facilitating the formulation of a comprehensive foreign policy agenda. Through the National Security Council, the Japanese government aligns its overall foreign policy agenda or what is known as the 3Ds: development, diplomacy and defence.[23]

A clear mandate also helps ensure consistency in the country's development diplomacy programme. This, in turn, augments its effectiveness and facilitates greater value for money and credibility of the donor country. For example, the South Korean development model has often been criticised for constant policy fluctuations with each election cycle. With a more top-down approach, the executive branch of the government dictates the agenda for Korea's aid.[24] Thus, aid policies, and those in other sectors as well, are driven by the short-term objectives of each president, and his/her desire to leave a legacy behind.

While the mandate must capture the impetus for development outreach, and the country's current and future priorities, it must be flexible enough so that it can be adapted to changing requirements at the domestic and international levels. This is a lesson that India can learn from the UK, where aid spending is increasingly becoming a controversial issue as citizens want to know that aid is squarely in their country's national interest.

The global development architecture is also witnessing certain fundamental shifts as emerging southern donors operate under the principal of mutual benefit. Interaction between DAC members and southern actors has meant that the representation of national interests in global economic diplomacy activities/discourses has become more mainstream. Responding to these trends, there is an ongoing re-orientation to facilitate more overt and strategic alignment of UK's national interests, and in this regard, the government recently introduced the 2015 UK Aid Strategy.[25]

Organisational Structure

One of the main questions investigated by this paper is the relevance of having a standalone ministry for development cooperation. The UK experience clearly shows that the existence of a standalone ministry helps ensure that development remains high on the country's agenda. The DfID, for instance, is headed by a ministerial-level appointee – the Secretary of State for International Development – who sits in on all Cabinet proceedings. She/he is also a member of the National Security Council, one of the most influential and powerful committees in the UK government.[26] The German development assistance programme, too, is routed through an independent ministry, the German Federal Ministry for Economic Cooperation and Development (BMZ). Like the DfID, the BMZ has a Cabinet seat, ensuring that issues of development are brought up before Parliament.[27]

A broader review of DAC donors conducted by the OECD, however, argues that a separate ministry alone is not sufficient. While autonomous ministries can help protect the integrity of the development agenda in the face of countervailing national policy interests, such ministries are only adequately effective when complemented by organisational features such as senior Cabinet representation or special parliamentary committees.[28]

In contrast, the Korean experience highlights the inherent weaknesses of a fragmented system. As per the South Korean policy for development, the inter-ministerial Committee for International Development Cooperation (CIDC) is the highest body responsible for all decision-making related to ODA. However, in practice, development cooperation is steered by two primary ministries, namely, the Ministry of Foreign Affairs for Korea International Cooperation Agency (KOICA) and the Ministry of Strategy and Finance for Economic Development Cooperation Fund (EDCF). This means that both short-term and long-term strategy documents are developed in a parallel and unconnected fashion.[29] Commentators on the Korean development model generally describe the country's aid architecture as a "rivalry" between the two ministries. The Japanese model has traditionally functioned in a similar arrangement. JICA is now undergoing a major consolidation process. The two main bodies—the soft-loan Japanese Overseas Economic Cooperation Fund (OECF) and the hard-loan Export-Import Bank of Japan (JEXIM)—are being merged into one. The JICA, which used to be an exclusively technical assistance delivery agency, has been expanded to incorporate a loans and grants component.[30]

Fundamentally, organisational structure has to facilitate some degree of policy coherence, or at least coordination, to avoid creating hydra-headed development programmes which then reduce the effectiveness of outcomes and rationalisation of resources. Studies indicate that the key factors relevant for cross-government work in the UK appear to be strong leadership from the centre; goodwill and flexibility; a clear cross-governmental strategy; effective inter-departmental board; a dedicated secretariat; a series of programme boards on different topics; and specialised in-country teams. The UK has also evolved cross-governmental platforms to facilitate such policy coherence. The DfID Secretary is a member of the National Security Council, which discusses all issues on national security. The UK also has in place the One HMG Team Overseas programme, aimed at facilitating greater collaboration among UK staff posted oversees. There are also various cross-government funds – such as the Conflict Pool shared with FCO and the Ministry of Defence and the NSC-led Prosperity Fund – aimed at employing complementary inter-ministerial skills to enhance effectiveness.[31] DfID also has a specialised policy division, the Policy & Global Programmes, charged with crafting overarching policies.

The argument for strong leadership is further supported by the German experience. Much like the Japanese and South Korean cases, the German model has two primary implementing agencies – the GIZ (for technical cooperation) and the KfW (for financial cooperation) – carrying out a significant portion of the development assistance activities. However, clear delineation of responsibilities between the two ensures policy coherence, along with strong policy directives from the BMZ. For instance, GIZ and KfW are generally co-located in partner countries to ensure operational coordination between the two agencies, allowing them to harness synergies where these may exist.[32]

In China, in order to strengthen coordination among ministries, MOFCOM, MOFA and MOF officially established a foreign aid inter-ministerial liaison mechanism in 2008. In 2011 this was upgraded to an inter-ministerial aid coordination mechanism. This mechanism plays a significant role in setting up China's foreign aid strategy, but any major change in foreign policy or practice has to be submitted to the Central Working Group for approval. Currently, the mechanism has 33 members with MOFCOM as the director minister and MOFA and MOF as deputy director ministries.[33]

Programmes and Budgets

Development partnerships must be built around the interests and priorities of partner countries. This follows from OECD DAC principles of aid effectiveness, and is also reflected in the principles of mutual benefit and demand-driven that characterise the policies of emerging southern development partners. This study was thus interested in understanding the processes through which partner requests and demands were filtered into programme choices and budget allocations.

All cases under study—MOFCOM, GIZ, JICA, DfID, BMZ, and the Korean system—employ the practice of preparing country strategies for each country. DfID develops specific country strategies based on an integration of DfID's policy objectives and outcomes of consultations with recipient governments. For countries of strategic importance to DfID, the National Security Council meets to articulate the country plan.

Since 2013, MOFCOM has developed medium- and long-term foreign aid strategy and five-year country strategies for all partner countries. In the country strategies, China sets out a broader strategic framework of its foreign aid, including the identification of modalities based on the partners' demand and development needs, as well as China's capacities and comparative advantages on the ground.[34]

JICA similarly prepares plans for all countries in which it has an overseas office. Plans are prepared by first, confirming the country's priority sectors through policy dialogues at the government level and then, establishing concrete goals for each country along with preparing input plans for each operational modality to achieve these goals. Thematic Request survey evolved from surveys of partner country requests for technical cooperation are then used to implement each operational scheme. They are expected to match the country-specific thematic approach that JICA is trying to promote under the Regional Departments system, and align with the operational programme planning process that addresses development issues.[35]

The Korean agencies—KOICA for grants and technical assistance, and ECDF for loans—also prepare country assistance strategies (CAS). These articulate mid-term objectives for the particular country and outlines priority sector. However, reflecting the fragmented structure, each agency formulates its own CAS – meaning that instruments of the two apparatuses may in fact contradict each other, and therefore blunt aid effectiveness. Further, KOICA country evaluations reveal that there is a lack of coherence even among the KOICA projects. They resemble a collection of high-performing stand-alone initiatives, rather than the mutually complementing projects they are meant to be.[36] This illustrates two lessons: first, the need for strong leadership to ensure comprehensive planning; and second, to go beyond the mere identification of priorities to more detailed directives on project coordination.

Budget planning should be pre-emptive, consultative and flexible. For instance, in the case of DfID, the budget is calculated through a five-year cycle typically around election seasons. This is carried out through a bottom-up approach. Every country office sets out plans for five years and priorities decided at this level. These priorities are decided generally in consultation with the local national government and based on what other partners or donors are focusing on. A business case must be written for every project and business plans add up to the five-year strategy. Country offices must also defend their proposed budget. The systematic nature of the budget formulation means that the process is democratic and transparent, and the development programme has a higher chance of success. The BMZ, too, conducts consultations with partner countries every two years to identify priorities for engagement. In countries such as in India where the BMZ has a large number of projects running, these consultations take place annually.

Budgets must also be flexible enough to respond to changing requirements of partner countries. Part of the JICA reform process, for example, has involved the creation of Thematic Departments and theme-based budgets. Budgets for related projects are clubbed under a single head, permitting greater flexibility and responsiveness. Thematic budgeting, however, must be supported by a systematic approach to aid allocation across themes, countries, modalities and instruments – an aspect that JICA currently lacks.[37]

The need for flexibility is also highlighted in the 2015 OECD Review of the German development assistance programme. The practice of calculating independent budgets for GIZ and KfW has been pointed out as a potential obstacle to realising more efficient development outcomes in recipient countries. However, BMZ's practice of multi-year budgeting provides valuable lessons for India. For most developing countries, such long-term commitments mean larger potential development outcomes owing to greater stability and predictability. For instance, in India, GIZ has been working with the NABARD (the National Bank for Agriculture and Rural Development) for more than 25 years.

Delivery Mechanisms

In the long run, development partnerships can only be as effective as their delivery mechanisms and instruments. There are two aspects to this discussion—the strategic partnerships that can leverage comparative advantage and coordinate their actions, and the specifics of technical instruments that deliver on quality and value for money.

Of the donors reviewed, DfID and GIZ have the most mature and well-developed relationships with the private sector and civil society, both domestically and in partner countries. The UK's CDC, formerly the Commonwealth Development Corporation, for example, is a development finance institution that is intended to provide flexible and patient investments to stimulate the growth of businesses in Africa and South Asia. The CDC then becomes a way of incentivising further investments by the private sector in these countries and sectors. DfID also develops active partnerships with civil society organisations in partner countries, such as think tanks and NGOs.

The CDC's provision of funds to projects that generally have higher risks, but greater development impact as well, makes sense from a poverty alleviation argument. As the organisation's mission statement suggests, such investments—either directly to businesses or towards pooled funds—are meant to enhance job-creation and facilitate overall economic development.[38] For instance, CDC funds helped create the DCFU Bank in Uganda, which provides long-term finance to SMEs in the country. Another example is the CDC's support for commercially viable businesses in politically unstable environments of the global south. In Bangladesh, for instance, the CDC invested in garment export company, Ananta Apparels, through a private equity fund.[39] The returns from these investments are then re-invested into a new cycle of projects.[40]

The UK experience, however, should also caution against the dangers of excessive privatisation, especially given the UK's recent proposal to raise the cap on official support to the CDC from £1.5bn to £6bn.[41] The CDC has been criticised for a pivot in its mandate from direct poverty reduction to wealth creation.[42] The selection of commercial projects with little developmental value—most recently, for example, its decision to invest in luxury residential communities and shopping malls in Kenya and gated complexes in El Salvador—has been described by many observers as stretching too far the logic of growth for development.[43] Others note that one of the dangers of relying on private sector investments is that they tend to be concentrated in middle-income countries like India, where returns on investments are likely to be high, rather than the least developed countries or fragile states.

The other side of the privatisation of development interventions is the reliance on private sector consultants that leads to a 'booming aid consultancy' phenomenon. A large portion of the development cooperation activities is being contracted out to private companies. According to the Independent Commission for Aid Impact (ICAI), UK's aid watchdog, UK aid channelled through private consultants grew by 12 percent from £900m in 2012-13 to £1.4bn in 2013-14.[44]

In Germany, following the trend of increased private sector participation, the country's development cooperation model employs multiple instruments to engage the private sector through either PPPs, concessional loans, blended finance, investment funds, or equities.[45] Given Germany's emphasis on green growth, the country provides targeted development finance for green investments through the KfW. The KfW also has a dedicated agency, the Deutsche Investitions- und Entwicklungs gesellschaft mbH (DEG), which provides financing and technical know-how to German and local businesses and financial institutions in developing countries. For instance, it is currently co-financing a project by the German-based company, Membran Filtrationstechnik GmbH (Mft), in Colombia. This project deals with the construction of a sea water purification plant to increase the availability of drinking water.[46]

The Japanese case showcases a similarly increasing role of the private sector in development assistance delivery, albeit with moderately better outcomes. Taken up again in 2012, JICA's Private Sector Investment Finance (PSIF) scheme provides loans or equities towards development-friendly projects in partner countries. These could be PPP-led infrastructure projects, BoP initiatives, or certain SMEs.[47] For instance, the PSIF funded the first microfinance institute in Pakistan through equities. Through loans, it supported the development of a new school for skill development in Vietnam.[48] While there is merit in private-sector investments for development, the OECD Development Co-operation Peer Review for Japan rightly stresses on the need to “protect and promote development objectives” – a lesson that can be drawn from the DfID engagements as well.

Multilateral groupings and financial instruments are another viable delivery mechanism. China, for example, has established a new South-South Aid fund to support developing countries in implementing the 2030 Agenda for Sustainable Development, along with a China South-South Climate Cooperation Fund to support other developing countries in combating climate change. These indicate that China has introduced a new foreign aid modality. Another trend in China's foreign aid is the growing inclination towards regional and multilateral arrangements. At the 2015 UN Sustainable Development Summit and the Johannesburg Summit of FOCAC, China committed to providing development finance for projects related to people's livelihoods, and knowledge exchange in fields of climate change, capacity building and peacekeeping. Group consultations at the international and regional levels have become important channels for China's foreign aid commitments, namely, UN High Level Meetings, FOCAC, China-ASEAN leaders meetings, and China Pacific Island Countries Economic Development & Cooperation Forum.

Increased engagement with multilateral bodies alone, however, is not enough. For instance, Japanese ODA contributes to more than 57 multilateral agencies every year, making it one of the most prominent development actors at the multilateral level. Gaining greater strategic influence and playing a larger role in the process of agenda setting of these organisations requires articulating a clear set of objectives, which Japan is yet to carry out.[49] In contrast, the German government has in place the Guiding Principles for Multilateral Development Policy, its strategic plan for all its interactions with multilateral bodies. Further, to ensure effective communication on priority issues of the German development cooperation – such as climate change and green growth – the government ensures strict coherence in funds provided to multilateral agencies from all associated German line ministries. This, in turn, helps enhance impact and negotiating leverage.[50]

On the technical front, Indian projects are often criticised for their poor quality and delays. In Africa, the bulk of projects also go to a limited number of Indian contractors and private-sector firms. Here, there are lessons to be learnt from DfID's procurement process. The Indian procurement system is based solely on price competitiveness, often leading to under-performance or delay in projects which, in turn, means higher economic costs and less development impact. Thus, India could consider the incorporation of the technical competitiveness aspect – a criterion that DfID bids generally evaluate on. The DfID also has in place the PrG, a dedicated team specialising in technical expertise for procurement. The procurement group at DfID maintains a pool of qualified contractors, reducing bidding time and facilitating efficient contract allocation.[51]

Human Resources and Knowledge Inputs

Institutional structures and processes must be accompanied by adequate investments in human resources and capacities. Officials will need to be entrepreneurial, to understand what is politically feasible and discover smart ways to make headway. This is likely to be easier to achieve where more significant levels of responsibility are devolved to those closest to the problems that can result in more appropriate policy, effective practical solutions and greater public accountability.[52]

Such delegated authority was found to be a key feature of DfID's organisational structure. DfID Heads of Office in most overseas offices are higher in rank than even the high commissioners. The elevated authority assigned to the country head means that individual country offices do not necessarily need to seek permission for day-to-day decisions, and thus, manage to respond more effectively when faced with an emergency or an alteration in a project. They are responsible for formulating country programmes and budgets in coordination with host governments and their priorities.

Such delegated authority must be supported by expertise and competence in international development. DfID, for example, is supported by a team of specialists trained in different aspects of development cooperation. Given the multifaceted nature of international development, this team consists of staff hired through different cadres, this including disciplines such as economics, livelihoods, education, health, evaluation, climate, infrastructure, and trade. There are also certain generalists hired under this system. Globally, the DfID employs more than 3,000 people who go through periodic reviews to ensure that their skills are up-to-date. Further, through on-the-job training, they have the option of transferring to another expertise area. Following from the current trend of fluid employment, DfID bureaucrats generally go through a lateral hiring process. This allows experts from various other agencies to join the ministry lending expertise gained in an earlier place of employment.

The German system, too, has one of the highest number of staff members – including locally hired and German experts – in the three primary institutions, BMZ, GIZ and KfW. In 2014, the combined strength stood at a little more than 17, 200; more than half of the staff in the implementing agencies, GIZ and KfW, are locally hired.[53] They go through regular training programmes based on independently developed talent management plans. The strategy of not only recruitment but also distribution of HR across partner countries could be a potential lesson for India. The strategy of allocating the right staff – in terms of numbers as well as skills – in country offices would be an issue that India will have to take up in the future, and strategies adopted by the larger agencies such as GIZ and the DfID could prove to be instructive.

Though the placement of in-country ODA Task Forces, the Japanese development model also demonstrates a fair degree of decentralisation. Task Forces in each country comprise both embassy and JICA staff, allowing Japan to carry out a cross-government strategy even at the country level. This, in turn, ensures not only the formulation of coherent programmes but also their implementation.

The MOFA and the JICA staff – placed oversees or the HQ – go through training exercises to ensure that their skills are up-to-date and in line with international standards. However, the DAC review of JICA shows that the training programmes often lack depth and are conducted at irregular intervals. Given that particularly the MOFA staff are not development specialists – and yet are closely involved in the economic diplomacy process – there is an argument to be made for a more systematic approach to training.[54] As Indian development cooperation matures, many more diplomats will be working on development policy formulation and implementation – perhaps, then, India must devise a training programme to build the required capacity.

DfID also spends a large portion of its budget on research and knowledge creation. They have also developed a query service generally in collaboration with a university. Every five years, the DfID contracts out this service to a university and through this arrangement, DfID staff are able to benefit from the expertise of the universities. Understanding the importance of a dedicated research staff, the JICA has also recently established the JICA research centre to improve capacity for development research.

Accountability and Evaluation

To ensure optimal value for money and, ultimately, legitimacy among both domestic and international audiences, a development agency must create a comprehensive accountability structure that carries out periodic, internal and independent, assessments in both project and macro levels. For instance, the DfID has instituted the ICAI, an independent body tasked to conduct regular evaluations on DfID's processes and projects. The DfID also conducts a range of reviews such as those for bilateral and multilateral aid. These reviews feed into the design of DfID's aid priorities and programmes. At the individual project level, too, evaluations are conducted not only following completion, but at regular intervals running parallel to the project and allowing for mid-course corrections to be made with ease. These assessments are generally carried out by an independent M&E expert, lending the system increased legitimacy.

Especially from a legitimacy argument, it is essential that the reviews are made accessible. Transparency through an online portal – such as the Development Tracker for DfID – allows easy access and consumption of information. Further, the DfID, for example, has in place a system that mandates the organisation to reply to queries from UK citizens within 48 hours. This ensures the ministry's responsibility towards its taxpayers.

Japan, too, employs a rigorous evaluation process through the P (Plan) – D (Do) – C (Check) – A (Act) structure under which it operates. Based on the DAC format, evaluation guidelines are outlined in detail and clearly articulated. The Japanese results and accountability framework, however, suffers from an inherent weakness of a lack of strategic evaluation structure. Because all projects above $ 2 million must go through a protracted evaluation process, a significant chunk of the ODA budget goes into the evaluation step. This highlights the need for selective evaluations, which could lead to a more meaningful and cost-effective results framework. Further, while the primary objective of the evaluation process is enhanced project effectiveness, communication of these results helps enhance legitimacy, as earlier stated. Currently, due to the lack of communication, there is little visibility of the vast bank of evaluations carried out.[55]

In contrast, Korea's evaluation structure suffers yet again from the dual governance structure at the top – highlighting the importance of a well-synchronised operational structure. The sub-committee on Evaluation under the CIDC is tasked with overseeing all evaluations for Korean development cooperation. The sub-committee reviews about 20 self-evaluated reports and conducts three thematic studies every year.[56] Because self-evaluations are based on the individual evaluation criteria of the KOICA and the EDCF, the reports lack standardisation. Moreover, the rivalry between the two bodies means that underplaying their failures works in their respective interests – leading to misalignment of incentives and creating a hurdle to increased aid effectiveness.

Similarly, while the GIZ and the KfW, individually, have rigorous results and evaluation systems in place, the BMZ does not currently have an aggregate reporting mechanism. The recently established German Institute for Development Evaluation (DEval) – an overarching independent evaluation body – could perhaps help create a comprehensive reporting system. This, in turn, would help build a coordinated framework that can optimise impact by consolidating inputs from both GIZ and KfW. This highlights a key issue: as the Indian development framework develops further, the country must not only look at creating effective evaluation systems for each instrument, but also design an overarching results management system that draws lessons from across instruments.[57]

Cultural Diplomacy

Development cooperation is a pathway to augmenting soft power and thus, it must be well aligned with other such channels to ensure effectiveness. One such tool is cultural diplomacy. Most countries generally have in place bodies that promote its cultures in other countries. The UK, for instance, carries this out through the British Council, centrally located to facilitate easy access. The British Council offers local citizens multiple courses in the English language, and organises art exhibitions and other cultural events. It usually houses a library of British books and movies. Similarly, the Japan Foundation was created to promote a better understanding of Japanese values and culture. India's own great-power aspirations call for a similar, effective agency to deploy cultural diplomacy that will leverage the country's multiple cultural strengths like yoga, Bollywood and Ayurveda.

PREPARING FOR THE NEW: DEVELOPMENT AGENCY FOR THE FUTURE

Designing and building new institutions is necessarily a slow process. It is therefore important that India designs the institutional architecture for its development partnerships and economic diplomacy with a view to the future, not only the present. The challenges for future development cooperation are immense—from rising growing inequality amidst high rates of economic growth to the growing duration of protracted crises in fragile contexts. At the same time, multiple new pathways to achieving equitable development outcomes have been created through new ICT technologies, new sources of development finance in the global south, and new levels of engagement by the private sector and individual philanthropists. Transnational risks, whether climate change, pandemics, or cyber-crime, can jeopardise global developmental progress, and existing global governance arrangements lack the legitimacy and capacity for effective and inclusive response. The global development landscape will no doubt be characterised by both complexity and uncertainty in the years to come.

The success of development agencies will depend on traditional factors like size, role, clarity of mandate, and the staff's level of specialisation. But, these conditions of complexity and uncertainty will also require development agencies to be adaptive, resilient, and innovative. Institutional design must be flexible enough to be able to adapt to changing circumstances; this will also require a readiness among leadership to adapt to new environments and structures, and a balance between staff speciality and cross-functionality to manage new contexts. Development agencies must fundamentally be learning organisations, i.e., organisations that facilitate the learning of its members and continuously transforms itself. Resilience is further supported by forging multiple knowledge alliances and partnerships. A culture of innovation that generates new ideas, methods, solutions, and partnerships will be essential for responding to complexity and uncertainty, while leveraging the skills of the new menu of developmental pathways and actors. Internal processes must be nimble and efficient for timely response and directional pivots.[58]

POLICY RECOMMENDATIONS FOR INDIA

This paper has argued that India needs to start designing the institutional architecture that will complement its global development role. This architecture must reflect India's strategic ambitions and domestic strengths, creating mechanisms that enable effective and accountable development partnerships, and that cut across traditional north-south divisions. As India prepares to do so, it should learn from the policies of other established development agencies as well as create structures suited to respond to future complexity and uncertainty. This paper concludes with a set of policy recommendations to initiate and steer the process of institutional design. As this paper has argued, the effectiveness of India's development partnerships can be measured across three parameters, stated in order: alignment with India's strategic and economic interests; accountable, fair and transparent processes for allocation, dispersion, and delivery of programmes; and delivering on the development priorities of partner states. The recommendations below follow this logic:

i. **Articulate a clear policy mandate that directs India's development partnerships and economic diplomacy.** This could take the form of a formal white paper. This will facilitate domestic accountability along with global legitimacy and agenda-setting power, as well as establish strategic direction and consistency.

ii. **Re-articulate India's development**

partnership framework to reflect more closely India's strategic priorities and domestic successes. This would entail moving on from a narrative of south-south cooperation and traditional north-south divisions, to positioning itself as a leading global power with differentiated strategic interests that extend across traditional north-south divisions. The framework should also help India distinguish itself from other southern powers, based on India's inherent strengths, such as its experiences with governance as the world's largest democracy, its economic comparative advantages, and domestic development successes.

iii. **Create cross-governmental strategies and platforms for policy coordination and information sharing.** This can facilitate policy coherence for effective development gains and facilitate the rationalisation of resources. A clearer articulation of roles is also required between the various engaged government ministries, to streamline and distribute responsibilities. An inter-ministerial liaison mechanism for the short-term might also be incorporated, transitioning into a formal coordination mechanism and secretariat as India's development partnership grows in size and scope.

iv. **Develop systematic region – if not country – strategy plans in line with India's strategic priorities and global ambitions.** Ideally, these should include a consultative element with inputs from relevant governmental, civil society, and private sector stakeholders domestically and in partner countries. Budgets should be developed accordingly for each country, and may permit flexibility by also creating thematic budgets.

v. **Invest in human capital and create a Development Partnership Knowledge Bank.** Effective development partnerships will require a certain amount of delegated authority to Indian missions abroad, combined with domain expertise. For this, India will need to invest in human resources and knowledge capital, by hiring development specialists and regional experts. Stronger institutionalised linkages with universities and think tanks in India and in partner states will be essential for India to create a learning organisation that can facilitate mutually beneficial development partnerships. In the medium to long term, India should consider creating a Development Partnership Knowledge Bank which would document domestic development successes and challenges to generate insights and interventions for global development partnerships; create institutionalised knowledge to facilitate learning; and provide inputs into India's positioning in global development platforms. The Knowledge Bank could also provide inputs into the New Development Bank (NDB). Creating such a learning organisation can facilitate both resilience and adaptiveness.

vi. **Create a platform for sustained private sector and civil society engagement and collaboration.** The Indian private sector will potentially play a significant role in development partnerships. A platform for private-sector engagement can help leverage complementarities, sensitise private-sector actors to development priorities, and enable the private sector to co-design guidelines for their engagement. The Forum for Indian Development Cooperation (FIDC) which consists of a small selection of civil society actors could be expanded to include private sector players as well as wider civil society participation. The FIDC might create its own secretariat to enable systematic civil society and private sector inputs into India's development partnerships. Similar platforms might be created with private sector and civil society actors in partner countries to enable the co-design of projects and their evaluation.

vii. **Develop a comprehensive accountability and evaluation framework** that carries out periodic assessment at the project level as well as broader strategic goals. Monitoring and evaluation could be conducted through peer review processes or through consultative processes engaging multiple stakeholders in partner countries. Crucial to such a framework will be easy and transparent access to information on programmes and budgets.

viii. **Engage more strategically with multilateral bodies,** not only through the contribution of funds but better articulation of Indian positions on development issues. This would also require better coordination between DPA and UNES. The NDB should also be leveraged to raise and direct new resources and shape global debates.

ix. **Create in-depth guidelines to improve project delivery.** This will require refining procurement processes to include a technical component alongside a price component. The quality of projects could also be improved by creating a roster of pre-approved private sector contractors, gathering and sharing reliable information with partner countries on contractors, and improving private sector knowledge of available opportunities and tenders.

x. **Develop a communication and outreach strategy** to create broader awareness and understanding of India's contributions to global development. This will enhance the legitimacy of Indian development partnerships and augment its soft power. Improved documentation of existing programmes—for example, the Barefoot College's interventions around solar power in Africa—will help create trust and credibility. It would bode well for India, as an IT superpower, to make use of available digital technologies to facilitate such communication. It might create an interactive digital platform for information sharing, feedback and peer-review.

xi. **Create an innovation hub** that explores and experiments with new frugal technologies that can be shared with development partners. The innovation hub can serve as a learning and collaboration platform between India and its global development partners, allowing India the opportunity to import and co-develop innovative interventions that address domestic development challenges. ORF

ABOUT THE AUTHORS

Urvashi Aneja is Fellow, and **Tanoubi Ngangom** is Junior Fellow, at Observer Research Foundation (ORF), New Delhi.

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ANNEXURE

INTERVIEWS CONDUCTED

- GIZ India
- Global Partnerships Team, DFID India
- Governance Adviser, DFID India
- Inclusive Growth Adviser, DFID India
- India Trade Policy Unit, DFID India
- International Policy, Confederation of Indian Industry
- Private Sector Adviser, DFID India
- Professor, Institute for East Asian Studies, Sogang University, Korea
- Professor, University of Cambridge, UK

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20, Rouse Avenue Institutional Area, New Delhi - 110 002, INDIA
Ph. : +91-11-43520020, 30220020. Fax : +91-11-43520003, 23210773.
E-mail: contactus@orfonline.org
Website: www.orfonline.org