

EXTERNAL ASSISTANCE

This Annex gives in brief, the nature and magnitude of assistance in the form of Loans, Grants and Commodities received from friendly foreign countries and International Organisations. The estimates of receipts of external assistance and repayments of principal and payment of interest during the years 2010-2011 and 2011-2012 are summarised in the following table:-

(In crores of Rupees)

	Actuals 2009-2010	B.E. 2010-2011	R.E. 2010-2011	B.E. 2011-2012
A. Loans	22177.20	34735.42	33947.05	26820.13
B. Cash Grants	3095.60	2060.17	2715.63	2172.96
C. Commodity Grant Assistance	45.85	...	40.00	...
D. Total(A+B+C)	25318.65	36795.59	36702.68	28993.09
E. Repayment of loans	11139.64	12271.33	11683.24	12320.13
F. External Assistance (Net of Repayments) (D-E)	14179.01	24524.26	25019.44	16672.96
G. Interest Payment on loans	3629.04	3745.99	3150.86	3572.22
H. External Assistance (Net of Repayments and Interest Payments) (F-G)	10549.97	20778.27	21868.59	13100.74

As per policy on Bilateral Development Cooperation, Bilateral Development Assistance is being accepted from all G-8 countries namely United States of America, United Kingdom, Japan, Germany, France, Italy, Canada and Russian Federation as well as the European Union.

Those bilateral development partners, from whom it has been decided not to receive Development Assistance at Government level, have been advised to consider providing their Development Assistance to Non-Governmental Organizations and Universities, etc. in India. It has further been suggested that they may also consider routing their Development Assistance through multilateral development agencies.

A brief write-up on the assistance extended by different countries and organisations is given below:-

A BILATERAL**I. FRANCE**

1. In 2006, Government of France proposed to provide untied development assistance to India through the French Agency for Development (AfD). An Inter-Governmental Agreement was signed between the two Governments on 25.1.2008 during the State visit of French President to India. In pursuance of this a MoU between the Department of Economic Affairs and AfD was signed on 29.9.2008. The MoU covers the mutual understanding on priority areas, portfolio procedures, financial instruments, concessionality, etc.

2. The AfD portfolio is focussed at projects contributing to the sustainable management of global public goods, interalia (i) Energy Efficiency, Renewable Energy and Public Transport (ii) Preservation of Biodiversity and (iii) Limitation of the Spread of Emerging and Contagious Diseases.

3. During the year 2009-10, AfD had committed a line of credit amounting to 70 Million of IREDA and 50 Million for SIDBI and during 2010-11, the AfD proposed to commit funds of 54 Million and 71.1 Million for 'Assam Forest Management Project' and 'Reorganisation of Urban Water Supply Scheme project in Jodhpur' respectively.

II. GERMANY

Germany is one of the bilateral development cooperation partners of India and it has been providing both financial and technical assistance to India since 1958. Financial assistance is provided mainly as standard loan, reduced interest loan, development loan as well as grants routed through Kreditanstalt fur Wiederaufbau (KfW), the German Government's Development Bank. The technical assistance is provided in the form of grant through Deutsche Gesellschaft fuer Technische Zusammenarbeit (GTZ), a fully-owned corporation of German Government. Indo-German Development Cooperation focuses on mutually agreed priority areas like energy including energy efficiency, renewable energy, sector reform, environment including urban and industrial environmental protection, natural resources management and sustainable economic development, including rural financing, social security systems, SME development and financing. Outside the priority areas, financial cooperation is continuing to Pulse Polio Immunization Programme. The German ODA shall have pan-India coverage.

III. ITALY

Italy has been providing bilateral assistance to India in the form of concessional credit since 1981 and 21 loan agreements have been signed upto 31.3.2009 between Government of Italy and Government of India.

2. At present, only one project 'Water Supply and Solid Waste Management Project' in 16 towns in West Bengal is on-going. Italy is providing interest free loan of Euro 25.82 million for this project.

IV. JAPAN

Japan has been extending bilateral loan and grant of assistance to India since 1958. Japanese bilateral loan assistance to India, Grant Aid and Technical Cooperation to India is received through JICA (Japan International Cooperation Agency). Japan is the largest bilateral donor to India.

2. Total disbursement during the year 2010-11 (as on 31st December 2010) for Government loans was ₹ 3981.97 crore while the disbursement for Government Grant was ₹ 1.53 crore.

3. During the financial year 2010-11, loan agreement for Dedicated Freight Corridor Project (Phase-2) has been signed on 26.7.2010. The Loan agreements for the following projects are expected to be signed:

S.No.	Name of the Project
1	Himachal Pradesh Crop Diversification Promotion Project.
2	Tamil Nadu Biodiversity Conservation and Greening Project.
3	Yamuna Action Plan Project III.

V. RUSSIAN FEDERATION

Nuclear Power Corporation of India Limited is constructing Kudankulam Nuclear Power Project (KKNPP) of 2000 MW capacity (twin units) using VVER-1000 type Pressurized Water Reactor technology. The project is being implemented with technical co-operation under an Inter-Government Agreement (IGA) signed on 20.11.1988 and a supplement to the same signed on 21.06.1998 between Republic of India and Government of Russian Federation. As per the provisions of the IGA/Supplement, a State Credit upto US\$ 2600 Million has been made available to cover the 85% cost incurred.

2. The utilization of the assistance for Kudankulam Nuclear Power Project during 2010-11 (as on 31st December 2010) for Government loans was ₹ 583.86 crore.

VI. UNITED KINGDOM (UK)

The United Kingdom has been providing Bilateral Development Assistance to India since 1958 through the Department for International Development (DFID).

2. At present, Development Cooperation Assistance of the UK flows to mutually agreed projects mainly in the socio-economic sector such as Education, Health, Urban and Rural Development and Governance Reforms within the overarching framework of Poverty Alleviation. Around 45-50 percent of DFID Assistance is provided for Centrally Sponsored Schemes and the rest in State-sector projects.

3. During the financial year 2010-11 (upto October 2010), 3 new agreements have been signed for Grant Assistance of £ 308.50 Million (about ₹ 2252 crore).

4. In the first phase of the Country Plan (2009-2015), from 2008-09 to 2010-11, DFID has committed to provide £ 825 Million on ongoing projects. Out of this, an amount of £ 582 Million has been disbursed up to 31.3.2010.

VII. UNITED STATES OF AMERICA

The United States of America has been extending economic assistance to India since 1951. Presently the assistance provided by the USA through United States Agency for International Development (USAID) is in the form of grant.

B MULTILATERAL**I. ASIAN DEVELOPMENT BANK (ADB)**

India is a founder member of the Asian Development Bank (ADB) since 1966. The Bank is engaged in promoting economic and social progress of its Developing Member Countries (DMCs) in the Asia Pacific Region. It provides assistance in the form of loans, technical assistance for the preparation and execution of development projects and programmes and other advisory services, guarantees, grants and policy dialogues.

2. India borrows from the ADB within the overall external debt management policy pursued by the Government which focuses on raising funds on concessional terms with longer maturities. India started borrowing from ADB (Ordinary Capital only) in 1986. Although India is eligible to draw partly from the Asian Development Fund (ADF) which provides concessional funding, India has consciously opted out of this facility to allow the Least Developed Countries (LDCs) to avail this facility.

3. As on 30th September 2010, the ADB portfolio included 58 loans with a net loan amounting to US\$ 8.9 billion.

<http://indiabudget.nic.in>

II. EUROPEAN UNION (EU)

The EU has been extending Development Cooperation assistance to India since 1976. This Assistance is entirely in the form of grant and is currently focused on the areas of Health & Education.

2. The EU conceptualizes Multi-annual Economic and Development Cooperation Programme for partner countries through their Country Strategy Papers (CSP). The EU issued the new Country Strategy Paper for India 2007-2013 on 20.7.2007. The CSP would cover two Multi-Annual Indicative programmes (MIPs). Under the MIP-I, a total amount of 260 million was committed for the period 2007-10 which includes 110 million for health, 70 million for education and 80 million for implementation of Joint Action Plan. For MIP-II, a total of 210 million has been earmarked by EU for the period 2011-13 of which 100-130 million will be for support to the Education Sector, 50 million for Health Sector and 30-60 million for Joint Action Plan.

III. INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD)

IBRD aims to reduce poverty in middle-income countries and credit-worthy poorer countries by promoting sustainable development, through loans, guarantees, non-lending services, which include analytical and advisory services. For the IBRD Flexible Lending (IFL)'s variable spread option for lending rate of the Bank consists of a variable base rate (6 months LIBOR) plus a spread. The lending rate is reset on each interest payment date and applies to interest periods beginning on those dates. There is no commitment fee and the Front End Fee is 0.25% of the loan amount.

2. The cumulative commitment by IBRD by way of loans up to 30.9.2010 is US\$ 44,371 Million. The commitments were against projects in various sectors like Irrigation, Urban Development, Power, Transport, Economic Reforms, etc.

3. During the year 2009-2010 (upto 31.3.2010), 10 projects were approved with commitment amount of US\$ 5880.93 Million.

IV. INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

IDA is the concessional arm of the World Bank and plays a key role in supporting the Bank's poverty reduction mission. IDA assistance is focused on the 79 poorest countries, to which it provides interest-free loans (known as credits) and other non-lending services. IDA depends on contributions from 45 wealthier member countries - including some of the developing countries- for most of its financial resources.

2. IDA credits approved upto 30.6.1987 are repayable in 50 years, inclusive of a grace period of 10 years and those approved after 1.7.1987 are repayable in 35 years, inclusive of a grace period of 10 years. IDA credits carry no interest, but a service charge of 0.75% p.a. is levied on the amount disbursed.

3. IDA assistance to India began in 1961 and has been an important component of External Assistance programme. As on 30.9.10, IDA's cumulative lending to India is US\$ 39,144 million for projects in various sectors such as Health, Education, Rural Development, Agriculture, Poverty Alleviation, etc.

4. During the year 2009-2010 (upto 31.3.2010), 7 projects were approved with commitment amount of US\$ 1,616 Million.

V. INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD)

International Fund for Agricultural Development (IFAD) was set up in 1977 as the 13th specialized agency of the United Nations. 165 countries are members of the IFAD.

2. India is one of the original members of the IFAD. India has so far contributed US\$ 96 Million to IFAD's resources. India had pledged to contribute an amount of US\$ 25 Million to the 8th Replenishment of the IFAD's resources and has paid US\$ 9 Million in December 2009 as the first instalment and US\$ 8 Million in October 2010 as the second instalment of the 8th Replenishment.

3. Since 1979, IFAD has assisted in 24 projects in the agriculture, rural development, tribal development, women's empowerment, natural resources' management and rural finance sectors with the commitment of US\$ 656.4 Million (approx.). Out of these, 15 projects are closed. Presently, 9 projects with a total assistance of US\$ 274.35 Million are under implementation.

4. IFAD loans are repayable over a period of 40 years including a grace period of ten years and carry no interest charges. However, a service charge at the rate of three-fourth of one per cent (0.75%) per annum is levied on loan amounts outstanding.

VI. UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP)

United Nations Development Programme (UNDP) is the largest channel for development cooperation in the UN System. The overall mission of the UNDP is to assist the Programme countries through capacity development in Sustainable Human Development with priority on Poverty Alleviation, Gender Equity, Women Empowerment and Environmental Protection. All Assistance provided by the UNDP is Grant Assistance.

2. UNDP derives its funds from voluntary contributions from various donor countries. India's annual contribution to the UNDP is US\$ 4.5 Million, one of the largest from developing countries.