

EXTERNAL ASSISTANCE

This Annexure 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 of repayments of principal and interest payments during the years 2003-2004 and 2004-2005 are summarised in the following table:—

(In crores of Rupees)

	B.E. 2003-2004	R.E. 2003-2004	B.E. 2004-2005
A. Loans*	13202.40	13589.61	14946.19
B. Cash Grants	1373.14	2674.26	3437.94
C. Commodity Grant Assistance	87.89	182.87	159.99
(i) Food	...	...	...
(ii) Others	87.89	182.87	159.99
D. Total(A+B+C)	14663.43	16446.74	18544.12
E. Repayment of loans	9620.78	25294.26	6869.67
F. External Assistance (Net of Repayments)	5042.65	(-) 8847.52	11674.45
G. Interest Payment on loans	3288.15	3142.83	2629.84
H. Prepayment Premium for reduction of debt	...	107.85	...
Total (G+H)	3288.15	3250.68	2629.84
I. External Assistance (Net of Repayments and Interest Payments)	1754.50	(-) 12098.20	9044.61
* Includes receipts under Revolving Fund	300.00	500.00	400.00

Two statements, viz. Statement 1 showing the receipts and repayments of external loans and Statement 2 showing the grants and commodity assistance, are appended to this Annexure.

In accordance with the announcement made by the Finance Minister while presenting the Budget for 2003-04, it has been decided by the Government to continue receiving bilateral development assistance only from the European Commission, Germany, Japan, Russian Federation, United Kingdom and United States of America. Government has also decided to pre-pay its outstanding bilateral debt except to Japan, Germany, USA and France.

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-government organizations and Universities, etc. in India. It has further been suggested that they may also consider routing their development assistance through multilateral development agencies.

Guidelines for future development cooperation with bilateral development partners were issued by Department of Economic Affairs on September 12, 2003 to all Central Ministries, State Governments and bilateral development partners. Further clarifications were issued on January 5, 2004.

A brief write-up on the assistance extended by different countries and organisations is given in the following paragraphs.

I. AUSTRALIA**Grant Assistance**

(In crores of Rupees)

RE 2003-04**BE 2004-05**

2.00

5.00

Major projects having assistance from Australia are (i) Primary Education Enhancement Project through UNICEF (Phase-II), (ii) Gangtok & Shillong Urban Water Supply and Sanitation Programme, (iii) HIV/AIDS Prevention and Care Project. The grant projects are normally implemented directly by funding agency and the assistance is not routed through Government of India budget. However, for the HIV/AIDS Prevention and Care Project, part of the Australia assistance will be routed through Government budget on reimbursement basis.

II. CANADA

Canadian Economic Assistance to India started in 1951. Canadian assistance is channelled through the Canadian International Development Agency (CIDA). The assistance extended by CIDA since 1st April, 1986 is in the form of grant.

2. In accordance with our new policy on bilateral loans, the CIDA loans i.e. from Canada have been identified for consideration for pre-payment and Government is currently in the process of repaying all bilateral loans from Canada. Further, all the CIDA on-going

projects for which agreements and other protocol have already been signed have been decided to continue upto their term. The important ongoing projects assisted by CIDA are Tree Growers Cooperative Project, India Canada Environment Facility Project, Capacity Development of Revenue Administration Project, Energy Infrastructure Services Project, Institute Industry Linkage Project, HIV/AIDS Prevention & Control Project and Environment Institutional Strengthening Project. These projects involve technical assistance and funds are not routed through the budget.

III. DENMARK

Denmark has been providing assistance to India since 1963. Presently Danish assistance is received in the form of grants. Danish development assistance is focused on poverty alleviation in the States of Orissa, Madhya Pradesh, Chhattisgarh, Karnataka and Tamil Nadu. Technical assistance is also made available in the form of grants.

IV. FEDERAL REPUBLIC OF GERMANY

Germany is among the six major bilateral development cooperation partners of India with whom further bilateral development cooperation is continuing after the announcement of our new policy to discontinue, fresh bilateral development assistance from countries with smaller aid packages. Germany provides financial assistance as well as technical assistance to India.

V. FRANCE

Government of France started extending economic assistance to India in 1968. French assistance is tied to supply of French goods and services. Grant assistance has been restricted to a few low value technical cooperation projects. French assistance is mainly in the form of mixed credit with soft treasury loan and export credit at OECD consensus rates of interest. Mixed credits has been utilised for various sectors like Power, Coal, Railways, Petroleum and Natural Gas, Mining, Agriculture, Health, Water Supply, etc. The total French assistance committed from April 1968 to March 2003 amounted to FF 15443.669 million and Euro 15.201 million.

VI. ITALY

A Water Supply and Solid Waste Management Project in West Bengal is being funded by an Italian loan of about LIT 50 billion. A Note Verbale agreeing to the terms and conditions of the loan was signed with Government of Italy on 05-02-2003.

VII. JAPAN

Official Development Assistance (ODA) from Japan is expected to be of the level as indicated below:

(i) Loan

(In crores of Rupees)

RE 2003-04

BE 2004-05

3364.07

4232.15

During the year 2003, new loans were expected for (i) Renovation and Modernisation of Umiam State-II Power Station (ii) Anpara "C" Thermal Power Project (iii) Institutional Building and Integrated National Resource Development in the Aravali Region, Haryana (iv) Delhi Mass Rapid Transport System Project 5th Tranche (v) Purulia Pumped Storage Scheme Project (vi) Hauliganga Hydroelectric Power Project (vii) Rengali Irrigation Project 2nd Tranche (viii) Jaipur Water Supply and Sanitation Project, Rajasthan (ix) K.C. Canal Modernisation Project 2nd Tranche. Besides, there are 37 ongoing projects being implemented with ODA loan assistance from Japan.

(ii) General Grant:

(In crores of Rupees)

RE 2003-04

BE 2004-05

30.00

41.00

2. Debt Relief Grant Assistance:

RE 2003-04

BE 2004-05

9.00

5.00

VIII. NETHERLANDS

The Netherlands has been extending economic assistance to India since 1962-63 in the form of General Purpose Credits, debt relief assistance, suppliers' credits (Financial Export Credits) and grants. Grant is extended for local expenditure and technical assistance.

The Netherlands assistance has been received for the sectors:

- * Environment
- * Drinking Water Supply
- * Irrigation and Water Transport
- * Agriculture

The Netherlands Government also provides ORET grants to Government of India to subsidise costs of import of selected capital goods from the Netherlands upto 35% of the total cost of individual project.

IX. NORWAY

The Norwegian Bilateral Development Assistance Programme in India began in 1952 with the bilateral development assistance for a fishery development project in Kerala by way of technical assistance and financial support. Bilateral Development Assistance extended by the Norwegian Government is canalized through the Norwegian Agency for Development (NORAD).

X. OPEC FUND FOR INTERNATIONAL DEVELOPMENT

The OPEC Fund for International Development was established by OPEC member countries with the object of reinforcing financial co-operation between OPEC member countries and other developing countries by providing financial support to the developing countries in their economic and social developmental efforts. The OPEC Fund has so far extended fourteen loans for a total sum of US \$ 218.800 million. The total utilisation of credits upto 31st March, 2003 is US \$ 205.456 million.

XI. SAUDI FUND FOR DEVELOPMENT

Saudi Fund for Development, an autonomous legal entity, was set up with the objective of providing loans for developmental projects in developing countries and has so far extended four credits for a total value of Saudi Riyals 769.200 million.

XII. SWEDEN

India has been a recipient of Swedish assistance since 1964, although Sweden joined the Aid India Consortium as a full member only in 1969. The Swedish assistance is channelized through the Swedish International Development Agency (SIDA). The terms of Swedish assistance have become progressively softer over the years. In addition to grant assistance, Swedish Government has extended soft loans to the power sector projects in the past. After 1976, Swedish assistance has been in the form of grants.

XIII. SWITZERLAND

The renovation, modernization and updating of the Neriamangalam Hydro Electric Project of Kerala State Electricity Board, (KSEB) is being funded by Swiss Loans under the Indo-Swiss Mixed Credit Scheme.

XIV. UNITED KINGDOM

The United Kingdom has been providing Bilateral Development Assistance to India since 1958. UK is currently India's largest bilateral development cooperation partner in terms of grants. The UK assistance in the form of consultancy services, experts, training, etc. is provided through the Development for International Development (DFID) which is a part of the Foreign and Commonwealth Office.

The priority areas of UK assistance are health & family welfare, education, rural development, energy reforms, environment & slum development, economic reforms programme, public sector reforms in West Bengal and Orissa.

Partner States: DFID priority States are Andhra Pradesh, Madhya Pradesh, Orissa and West Bengal.

At present, there are 30 on-going projects under implementation with DFID assistance. During March-October 2003, two new projects involving a total grant of £37.6 million were signed for DFID assistance.

XV. UNITED STATES OF AMERICA

The United States of America have been extending economic assistance to India since 1951. The assistance provided by the USA through USAID is in the form of grant.

2. The total assistance referred to above includes USAID development assistance of US \$ 34.020 million authorised for US fiscal year 2003 which ended on 30th September, 2003 and covers the following 9 (Nine) Amendatory agreements, namely:

Sl. No.	Project	Grant Amount obligated (US \$)	Date of Agreement
1.	Energy Conservation and Commercialisation (DRUM)	3,650,000	23-06-2003
2.	AIDS Prevention & Control Project (APAC)	700,000	04-08-2003
3.	Program for Advancement of Commercial Technology (PACT)	2,000,000	11-08-2003
4.	IFPS	4,880,000	11-08-2003
5.	Green House Gas Pollution Prevention (GEP) Project	1,880,000	21-08-2003
6.	Energy Conservation and Commercialisation	7,700,000	21-08-2003
7.	REFORM	3,000,000	21-08-2003
8.	Financial Institutions Reform and Expansion Project (FIRE).	6,500,000	12-09-2003
9.	DMS	3,715,000	30-09-2003
Total		34,025,000	

Under PL 480 Title II program, commodity assistance of US \$ 34.059 million (approximate) (including freight) has been disbursed by USAID during US financial year 2003 (October 2002-September 2003).

XVI. INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD)

The IBRD raises most of its money from bonds and other debt securities issued in the world financial markets, based on the guarantee of share capital subscriptions from its members. Other sources of Bank Funds are shareholder's capital and retained earnings. IBRD loans, though non-concessional, are available at relatively favorable terms than commercial sources. The repayment period for IBRD loans is at present, 20 years, inclusive of grace period of 5 years. The current rate of interest on variable spread single currency loans (VSLs) is 1.62% (as on 15-10-2003). The commitment fee on undisbursed balance is at present 0.75%. Unconditional commitment fee waiver of 0.50% is available to all borrowers on a yearly basis. An upfront fee of 1% of loan amount is also payable. Presently, interest waiver of 0.25% is offered to borrowers paying on a timely basis.

The cumulative lending by IBRD by way of loans up to 30-06-2003 is US\$ 30,526.4 million. The commitments were against projects in various sectors like Highways, Economic Restructuring, Power, Agriculture, Transport, Urban Development, Irrigation, Water Supply, Railways, etc.

During the year 2003 (upto 31-10-2003) the following projects were approved by the World Bank with a loan amount of US\$ 588 million.

Sl. No.	Name of the Project	Amount of Assistance (US \$ million)	Date of approval
1.	Tamil Nadu Road Sector Project	348.00	17-06-2003
2.	Allahabad Bypass Project	240.00	14-10-2003
Total		588.00	

XVII. INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

IDA, the soft loan affiliate of the Bank, depends largely on contributions made from time to time by the wealthy member countries for its financial resources and repayments from earlier credits.

2. IDA commitments which are known as "Credits", presently have a 10-year grace period and are to be repaid over 35 years. The credits to India approved upto 30.6.1987 are repayable in 50 years, inclusive of a grace period of 10 years and those approved from 1.7.1987 are repayable in 35 years inclusive of a grace period of 10 years. IDA credits carry no interest charge but a service charge of 0.75% is levied on the disbursed portion of the credit. Commitment charges on undisbursed balances are fixed every year upto a minimum of 0.50%, however, commitment charges are being waived fully since 1989-90.

3. IDA assistance to India began in June 1961 and has been an important component of external assistance programme. Upto 30.6.2003, IDA's cumulative lending to India is US\$ 29,531.20 million for projects in various sectors such as Education, Health, Nutrition, Water Supply & Sanitation, Poverty Alleviation, Agriculture, Energy, Technical Education, Watershed Development, Forestry, Environment, etc.

4. During the year 2003 (upto 31.12.2003) the following projects were approved with a credit amount of US \$ 497.62 million:

Sl. No.	Name of the Project	Amount of Assistance (US \$ million)	Date of approval
1.	Andhra Pradesh Rural Poverty Reduction Project	150.03	20-02-2003
2.	Chhattisgarh District Rural Poverty Project	112.56	24-04-2003
3.	Food and Drugs Capacity Building Project	54.03	05-06-2003
4.	Maharashtra Rural Water Supply and Sanitation Project	181.00	26-08-2003
Total		497.62	

XVIII. ASIAN DEVELOPMENT BANK (ADB)

The Asian Development Bank (ADB) is a major regional institution and India needs to play a significant role in it. To this end, India's subscription to the ADB's capital stock is the fourth largest of all member countries after Japan, USA and the People's Republic of China.

2. Ever since its inception in 1966, India had voluntarily refrained from borrowing from ADB. However, it was considered desirable to diversify the sources from which the country receive external assistance, and India started borrowing from ADB in 1986. The total value of loans upto 31.12.2003 approved by ADB for public sector loans amounted to US \$ 13.36 billion. The sectors for which loans have been extended by ADB are mainly Power, Petroleum, Ports, Railways, Roads, Telecommunications, Social (Urban Development). During the year 2003, the following projects have been negotiated with the ADB and these projects are tentatively to be approved by the ADB Board.

Sl.No.	Name of the Project	(In US \$ million)
1.	Assam Power Sector Development Programme	150.00
2.	Assam Power Sector Development Project	100.00
3.	Rural Roads Sector-I Project	400.00
4.	Urban Water Supply and Environment Improvement in M.P.	200.00
5.	National Highways Sector-I	400.00
6.	Chhattisgarh State Roads	180.00
Total		1430.00

XIX. RUSSIAN FEDERATION

No fresh agreement has been made between Government of Russian Federation and Government of India during the last year. However, the utilisation of the assistance for Kudankulam Nuclear Power Project during 2003-04 and 2004-05 is expected to be Rs.1027 crore and Rs.1654 crore respectively.

XX. EUROPEAN COMMUNITY (EC)

EC has been extending economic assistance to India since 1976. The EC assistance to India is entirely in the form of grants and can be used to finance the Rupee as well as foreign exchange cost of identified projects. In the area of Development Cooperation, the cumulative total of EC's financial and technical assistance since 1976 is around Euro 2.00 billion.

2. Priority sectors for EC are education, health and environment. Presently, EC assistance is being provided for projects in the sectors of irrigation, forestry, education and health. There are two ongoing Central Projects in Education Sector (Sarva Shiksha Abhiyan) and Health Sector (Health and Family Welfare Sector Development Programme) with EC assistance of Euro 200 million and Euro 240 million respectively.

3. EC is currently in the process of shifting its bilateral development cooperation focus from project-based and sector-based approach to partnership approach with one or two Indian States. Accordingly, the States of Chhattisgrah and Rajasthan have been mutually identified for EC's "State Partnership Programme".

4. EC has forwarded preliminary draft document on its National Indicative Programme (NIP) for 2004-2006, which foresees projects in the following priority areas:

(i) State Partnership with Chhattisgrah and Rajasthan	Euro	160 Million
(ii) EU-India Scholarship Programme (SPINOZA)	Euro	33 Million
(iii) Small Projects Facility, Phase-II	Euro	7 Million
Total	Euro	200 Million

5. During 2003-2004 (upto 31-10-2003) the disbursement was Euro 2.308 million. A new commitment of Euro 25 million has been made during the year 2003-2004 - Euro 15 million for the EU-India Investment Development Programme and Euro 10 million for Disaster Preparedness Support Programme.

XXI. UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP)

Cash grant assistance of Rs.29.47 crore is expected to be received during 2004-2005.

2. The new Country Programme (CCF-II) (2003-2007) synchronizing with India's 10th Five year plan having two cross cutting themes of Gender Equality and Strengthening of Decentralization has been launched. It will look at 4 thematic areas- (1) Promoting Human Development and Gender Equality (2) Capacity Building for Decentralization (3) Poverty Eradication and Sustainable Livelihoods and (4) Vulnerability Reduction and Environment Sustainability.

3. India has recently established an "India Development Initiative", with an allocation of US\$ 40 million for 2003-2004. The objective of such an initiative is to promote India as both a production centre and an investment destination, besides leveraging and promoting India's strategic economic interests abroad. The "Initiative" will also be utilized for providing grants or project assistance to developing countries in Africa, South Asia and other parts of developing world. The "Initiative" unfolds exciting opportunities for greater cooperation in Southern region; particularly for UNDP, as a major multi-lateral partner responsive to countries' development priorities and its vast experience in South-South Co-operation.

XXII. UNITED NATIONS INTERNATIONAL CHILDREN'S EMERGENCY FUND (UNICEF)

The New Master Plan of operation for the period 2003-07 has been signed between the Government of India & UNICEF on 13.1.2003 and an amount of \$ 400 Million has been allocated by the UNICEF.

Statement 1**External Loans***(In crores of Rupees)*

Name of the Country/ Institutions	Receipts			Repayments		
	Budget Estimates 2003-2004	Revised Estimates 2003-2004	Budget Estimates 2004-2005	Budget Estimates 2003-2004	Revised Estimates 2003-2004	Budget Estimates 2004-2005
Multilateral						
I.B.R.D.	2865.50	3696.33	3427.93	2361.28	7842.04	502.50
I.D.A.	4645.27	3940.09	4109.99	2522.12	2424.34	2589.16
I.F.A.D.	63.36	91.75	60.72	32.65	32.21	34.14
A.D.B.	1787.86	1906.29	1818.90	431.72	5491.81	81.36
E.E.C.(SAC)	...	...	...	5.81	6.04	6.23
O.P.E.C.	16.00	2.75	5.00	19.99	76.18	...
Total (Multilateral)	9377.99	9637.21	9422.54	5373.57	15872.62	3213.39
Bilateral						
Australia	...	...	...	7.99	29.17	...
Austria	...	...	...	11.42	142.61	...
Belgium	...	...	...	23.83	164.97	...
Canada	...	...	...	62.39	1486.94	...
Czech & Slovakia	...	...	...	4.28	4.28	4.28
Denmark	...	...	...	30.09	413.67	...
Germany	41.50	20.10	67.40	469.16	515.09	532.13
France	18.20	29.30	21.00	196.72	214.82	205.58
Italy	...	...	...	89.87	455.29	...
Japan	3426.00	2876.00	3781.24	1881.03	2217.14	2164.52
Kuwait Fund	...	...	0.01	134.95	126.09	...
Netherlands	...	...	...	211.16	2170.12	...
Saudi Fund	...	...	...	34.30	31.63	...
Sweden	...	...	...	184.60	510.74	...
Switzerland	...	...	...	37.37	17.73	12.19
Spain	...	...	...	19.78	118.06	...
U.S.A.	...	...	...	608.55	564.03	516.60
Russian Federation	338.71	1027.00	1654.00	239.72	239.26	220.98
Total (Bilateral)	3824.41	3952.40	5523.65	4247.21	9421.64	3656.28
Grand Total	13202.40	13589.61	14946.19	9620.78	25294.26	6869.67

Statement 2**Grants and Commodity Assistance from Friendly Foreign Countries and International Bodies***(In crores of Rupees)*

Name of the Country/ Institution	Budget Estimates 2003-2004	Revised Estimates 2003-2004	Budget Estimates 2004-2005
Multilateral			
IDF Grants	...	508.85	1186.88
IBRD (USD)	...	5.55	...
IDA US Dollars	0.58	7.40	...
Bilateral			
Australia	4.00	3.00	6.00
Canada	0.35	12.12	18.75
Denmark	33.50	29.50	13.50
France	1.00	1.00	1.00
Germany	158.50	115.18	133.55
Japan	150.00	39.00	46.00
Netherlands	111.17	140.71	63.02
Norway	9.03	0.47	0.17
Switzerland	21.43	0.03	...
U.K.	612.00	561.22	611.05
UK (DFID)	9.00	213.15	291.60
U.S.A.	74.36	171.31	208.40
E.E.C.	150.00	293.61	627.00
International bodies:			
ADB	...	452.80	...
UNFPA	...	36.90	27.00
UNDP	84.12	69.99	100.71
UNICEF	...	159.17	130.00
UNGDF	11.00	9.29	11.00
UNGFATM	9.00	15.50	20.00
UNUS AID	6.19	10.27	...
W.H.O.	15.80	...	9.80
Universal Postal Union	...	1.11	2.50
GEF	...	...	90.00
GRAND TOTAL	1461.03	2857.13	3597.93