Government of India
Ministry of Finance
Department of Economic Affairs
Project Monitoring Unit
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POSITION PAPER ON EXTERNAL ASSISTANCE RECEIVED BY INDIA

March 2008

The Position Paper on External Assistance conceptualised and prepared by the PMU Team[1] *is an attempt to document the Government policy on external assistance since independence and to highlight some of the major issues and concerns in this area. The motivation, advice and guidance by Dr.D.Subba Rao, Finance Secretary, Ministry of Finance, has been invaluable in the development of this Paper.*

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POSITION PAPER

ON

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Preamble

1. The Background Note on External Assistance is an attempt to document the Government policy on external assistance since independence and to highlight some of the major issues and concerns in this area. The paper is divided into nine sections. Section 1 summarizes the policy on external assistance since the inception of the First Five Year Plan. Section 2 is an overview on extant policy on development co-operation. Section 3 provides a brief on the major multilateral and bilateral donors while Section 4 gives a summary of the General Terms and conditions of external assistance from various bilateral and multilateral agencies. Section 5 highlights the recent trends in external assistance. Section 6 gives an overview of the overall external debt situation and the policy on external debt. Section 7 is the concluding section, summarizing the final observations and comments on the findings of the Background Note.

2. Section 8 comprises Annexure 1 which contains a concept paper on Concessionality in External Assistance and Section 9 contains tables with various data pertinent to the field of external assistance.

Introduction

3. The Indian economy today is no longer reliant on external assistance for the financing of its plan outlays or for gross capital formation. The change is evident from the changing pattern of external assistance. The reliance on food aid has been done away with and the economy has matured sufficiently to move away from the compulsions of accepting tied aid. External assistance today plays more of a supportive role in financing major infrastructure projects, social sector projects and in building up the institutional capacity. Accordingly, the policy on external assistance has been recast to affirm this changing role of external assistance and to emphasize the reform orientation in India's economic policy. The revised guidelines as issued in January 2006 emphasize the country's reduced reliance on external assistance.

4. As per the extant policy, Government of India does not accept aid in areas where it has substantial control. While bilateral aid is accepted only from G-8 countries, the Russian Federation

and the EC, tied aid is not accepted at all. Channelization of external assistance from smaller partners (other than those mentioned above), is only through multilateral organisations to promote greater aid harmonisation. Further, all countries can provide bilateral development assistance directly to autonomous institutions, universities, NGOs, etc through a simplified procedure. Directing of external assistance of smaller size towards the non government sector allows this sector to remain an effective channel for implementation of development programmes and strengthens the civil society.

Major Findings

Tied aid

5. The disadvantages to the recipient country of credit tying by donor countries are well recognized by India. Tied aid implies that loans from a particular country have to be utilized for imports from that country alone. Though in the initial years of planning, aid to India was mostly tied, India's dependence on aid has reduced with time, and it has affirmed its stand on not accepting tied aid. As of February 4, 2003, India is not availing of any tied external assistance.

Debt servicing

6. One of the major challenges before the policymakers has been the rising burden of debt service charges. This has been largely attributable to the comparatively harder terms of external aid, both in terms of interest rates and maturity periods. Efforts to tackle this problem were made through measures like

a) reducing dependence on external assistance gradually, and

b) shifting the focus towards obtaining loans and credits of longer maturities and with lower interest charges.

Low utilization of aid

7. The problem of low utilization of external assistance was felt from time to time. This was addressed through measures like

i) waiver of DGTD clearance for import of capital goods under all externally aided projects,

ii) formation of standard bid documents and simplification of other procedures, and

iii) the decision taken in the 1990s to pass on to the states the entire external assistance as additional central assistance in respect of all sectors and to release advance central assistance to meet the initial liquidity requirements of state Governments.

8. It is reassuring that the policies on external assistance followed by India have borne fruit resulting in better aid utilisation and harmonisation. Aid utilisation has improved from about 50% in the 1980s to over 90% today.

Shift in sectoral focus

9. There has also been a shift in the sectoral focus. While the emphasis during the early years of planning was on areas like agriculture, food aid and industrial projects, the focus has now shifted, besides infrastructure, towards the social sectors like health and education. This shift is largely in consonance with the commitments to fulfil the Millennium Development goals.

Skewed distribution of external assistance

10. The structure of external assistance in India appears to be skewed in favour of a few states. Central sector/multistate sector projects and seven or eight prosperous states account for nearly 90% of the disbursements. On the other hand, disbursements to states like Bihar and the north eastern and special category states are negligible. States like Andhra Pradesh, West Bengal and Gujarat continue to remain the major absorbers of external assistance. These issues need attention.

Composition of external assistance

11. External assistance is composed of loans and grants. However, most of the assistance in the initial periods of planning was in the form of interest-bearing loans, while only a fraction was in the form of outright grants. Loans accounted for 90% of the aid receipts during the first ten Five Year Plans, while only the remaining 10% were grants. Consequently, the servicing of the external debt claimed a sizeable proportion of the country's foreign exchange earnings. The loan / grant mix became more favorable from the 1980s and the grant component, which was about 11% during the Second Plan Period, increased to 13.39% during the Tenth Plan.

12. Another characteristic feature of external aid in the initial years of planning was the reliance on bilateral sources of funding. In fact, up to the third plan period (31.3.66), loans from multilateral sources - The International Bank for Reconstruction and Development (IBRD) and the International Development Agency (IDA) accounted for only 19% of the authorizations, while bilateral aid

accounted for the remaining 81%. . Multilateral sources of funding began to gain predominance after the 1970s.

Technical co-operation vs. budget support

13. Another area of debate in the international forum is the move of ODA towards specific grants like technical co-operation (TC). Though TC is welcome, it should be complementary in that it should transfer useful knowledge and skills and create enabling conditions which raise the effectiveness of programme and project effectiveness, with the focus on cash/budget support. Untying TC and providing it as budget support could yield savings through the competitive hiring of experts.

Short term Debt Management

14. Policy makers have exercised due caution in keeping short term debt under control. An unduly high proportion of short-term debt in total debt creates a potential hazard for balance of payments management, and in case of an abrupt change in international market conditions or international investor confidence in the country, can lead to a serious depletion in the foreign exchange reserves of a country. Government of India has always kept a vigil on build-up of short-term external debt and consequently short term debt today accounts for only 7.7% of the total debt as against 10.2% in 1991.

15. Prudent debt management not only requires keeping short term external debt by original maturity at manageable levels, but also avoiding bunching of long term maturing obligations, so as to keep the total short term debt by residual maturity at comfortable levels. This has to be kept in mind at the time of approvals.

Pre-payments

16. During the last three-four years, Government of India prematurely repaid a significant part of both multilateral and bilateral sovereign loans raised under external assistance programmes. However, it was observed that some low interest bearing loans were repaid while high cost loans continued to remain in our portfolio. While prepaying low interest loans on one side, we continue to contract high cost loans like those from IBRD and ADB. This defies economic rationale and needs to be kept in mind while formulating future proposals on pre-payment.

Cost effectiveness of ADB/IBRD loans

17. Multilateral assistance today accounts for nearly 70% of the total assistance to India. Of this, 64% comprises non-concessional IBRD and ADB loans which are at market rate. The grant component in both these portfolios is negligible. This has triggered a debate on the cost effectiveness of these loans and the rationale for keeping these loans in our portfolio in view of their implications on external debt management.

18. It is felt that though IBRD and ADB loans are market related and therefore costly, the cost of these external loans is still below that of domestic borrowing. This is for the simple reason that domestic interest rates are ruling higher than the international interest rates. Too much reliance on any one source of bilateral funding can also be dangerous. For instance, Japanese loans account for 25% of our sovereign debt portfolio. Indiscriminate borrowing in yen will scale up our exposure to yen, thereby increasing the currency risk. Therefore, so long as the current external aid policy of supplementing the Government borrowing with borrowing from abroad under external assistance continues, the IBRD and ADB loans cannot be eliminated from our sovereign debt portfolio. *[A concept Paper on Concessionality in External Assistance is at Annex 1]*

Improving aid effectiveness

19. The drive to harmonize, align and manage development assistance for greater development results has been gathering momentum in the international fora. In the Paris High Level Forum on Aid Effectiveness held in 2005, donors and partner countries recommitted themselves to improving aid delivery by systematically leveraging donor resources to help attain concrete development results at the country level. The Paris Declaration set benchmarks for "scaling up" aid both in terms of quality and quantity. India has endorsed the Paris Declaration as an aid recipient and is well positioned to meet the challenges ahead.

Section

1

Policy on external assistance since independence

1. The initial periods of development in India were marked by balance of payments difficulties and the shortage of foreign exchange resources. Planners had to rely on external assistance to make available adequate supplies of foreign exchange for supplementing the existing investible resources in the country. External assistance was received from various countries and international institutions in the form of equipments and commodities, technical assistance in the form of the services of experts and training facilities. Assistance came as loans, grants and deferred payment facilities. (Box 1). Some of the major areas of assistance in the initial years of planning included community development, irrigation and power, industry and mining, transport and communication, social services, assistance for miscellaneous projects, food aid and aid for import of agricultural commodities.

Box 1. Nature of external assistance in the initial years of planning

- Assistance from the IBRD was largely project specific, and was extended both to the public and private sector.
- UK provided both project and non project assistance, but, non project aid was stopped after 1979-80.
- Soviet assistance was largely in the way of export credits for equipments and materials required from the Soviet Union.
- Items of shortages were imported from countries like Australia and USA. The rupee proceeds derived from the sale of these commodities were utilised for financing mutually agreed development projects. Counterpart funds were also generated from the sale of wheat given as emergency food aid.
- Besides food aid under PL480, USA also provided non project assistance that was not designated to a special project, but was used for financing important development sectors.
- Private philanthropic agencies like the Ford Foundation also provided funds for procurement of equipment and for hiring technical experts.
- Other forms of assistance included suppliers credit on deferred terms of payment and debt relief.
- Aid was largely received as tied aid.

2. During the First Plan period (1951-56), India garnered loans and grants of Rs.191.75 crores from abroad to supplement its domestic resources. The focus of the Second Plan (1956-61) was to create an industrial base for the economy. Therefore, most of the external aid received (Rs.1,430 crores) was directed towards industrial projects. As a result, the agricultural sector suffered a setback. Food shortages began to emerge and the demand for food imports increased sharply. To

meet this challenge, India entered into an agreement with the U.S. government for assistance for the import of food grains under the P.L. 480 programme. (Box 2).

Box 2. Food Aid under PL-480

In the initial years of planning, the priority of the policy makers was to create a strong industrial base for the Indian economy. Industrialisation was the keyword of the Second Plan. Therefore, foreign aid received during this period was largely channelled into industrial projects. Consequently, agriculture received a setback. By the mid-1950s, food shortages began to develop and the demand for food imports increased sharply.

To address the problem of food shortage, India entered into an agreement with the U.S. government for assistance for the import of food grains under the P.L. 480 programme. The P.L. 480 Food for Peace programme was the U.S. support programme for overseas food aid formalized in the Agricultural Trade Development and Assistance Act of 1954. The basic legislation establishes the U.S. policy of using the country's abundant agricultural resources and food processing capabilities to enhance food security in the developing world through the provision of culturally acceptable nutritious food commodities.

India received 50 million tons, or nearly 40 percent of all food grains and 25 percent of all commodities given by the U.S. government under P.L. 480 from 1955 through 1971.

Though PL480 addressed the immediate food problem, it was not without costs. The P.L. 480 food imports depressed the domestic price of wheat and other commodities that were imported under the program. Farmers reacted to the lower prices and reduced the acreage planted in both wheat and other competing cereals. This had an adverse effect both on agricultural production and productivity.

3. During the second Plan period, India's foreign exchange reserves depleted rapidly and a balance of payments problem emerged. In this background, the Aid India Consortium was formed in 1958 with 13 countries, IBRD and IDA as its members.

4. India's Third Plan (1961-66) took a more balanced approach to both agriculture and industry. However, this period was beset with droughts and the suspension of aid for some time during the war which aggravated the balance of payments problems. The Third Plan emphasized self reliance and the focus was on progressively reducing the reliance on special forms of external assistance. The industrialisation strategy emulated an import substituting trade regime. The total aid received by India during the Third Plan (including government loans and grants and non government loans) was Rs.2,879.75 crores. Aid utilisation during this period remained high at about 72%. The import substitution programme was further extended during the Fourth Plan (1969-1974) so as to keep maintenance imports within the limits of available foreign exchange. Debt servicing became a major burden and in case of some donors, the repayments even exceeded aid receipts. While aid was received as tied funds, repayments of principals and payments of interest charges were met out of free foreign exchange with the result that a large part of the export earnings had to

be used for debt servicing. The Aid India Consortium provided non project aid as debt relief.[2] The policy objective of the Fourth Plan therefore was to reduce the foreign aid net of debt servicing (inclusive of interest payment) to half of the current level by the end of the Fourth Plan and to eliminate it altogether as speedily as possible thereafter. The scheme of long-term development sought to eliminate dependence on foreign aid by 1980-81. Total aid receipts during the Fourth Plan amounted to Rs.4,183.70 crores. Up to the Fourth Plan, USA remained the largest single contributor of external assistance to India. As the Green Revolution gained momentum, PL 480 was slashed down to just about 9% of total assistance from the earlier level of over 20%.

5. In 1970, the level of current account deficit reached a low of 1.2 per cent, matching the availability of external finance, most of which was contracted from official creditors and at concessional interest rates.

6. The first oil shock occurred in 1973 and India responded well to it, with prudent macroeconomic management. Imports were virtually restricted to the level of exports, and thus the entire inflows of workers' remittances and net aid inflows (after adjusting the gross flows for debt servicing) were ploughed back to build up the reserves.

7. Following the hike in oil prices and a sharp increase in the import prices of certain other important commodities like fertilisers and food grains, India's balance of payments came under heavy pressure during the beginning of the Fifth Plan (1974-1979), necessitating recourse to larger external assistance of Rs.5,725.03 crores. The reserve position improved towards the end of the Plan period and, encouraged by the position, imports were liberalised a little in 1976-77 and 1977-78 through the introduction of Open General License (OGL), but the protective policies for the Indian industrial sector prevented any significant loosening of imports.

8. In 1979, the second oil shock occurred. This time it had a major impact on India's balance of payments, with the prices of POL more than doubling during the course of the year. To relieve the foreign exchange constraints in the aftermath of the second oil shock, India drew a substantial amount of loans from the International Monetary Fund. In 1979-80 alone, external loans on Government account amounted to Rs.973.06 crores.

9. The Sixth Plan (1980-85) envisaged the possibilities of increased aid from world agencies and assumed improvements in the disbursement of aid, amongst other things through speedy project implementation. Aid receipts amounted to Rs.10,902.69 crores during the Sixth Plan, an increase of nearly 90% over the Fifth Plan period.

[2] Debt relief assistance was provided : (i) By way of refinancing credit (ii) by way of cash credit (iii) by way of rescheduling (iv) by way of postponement (v) by way of cash grants and reduction in interest

10. During the Seventh Plan period (1985-90), a balance of payments problem cropped up. The principal mode of balance of payment adjustments undertaken was the managed depreciation of the rupee. However, the effects of devaluation did not work and by 1990, there was a marked deterioration in India's balance of payments position. The current account deficits which were sustained mainly by borrowing from commercial sources and NRI deposits, with short maturities and variable interest rates, resulted in a ballooning of the repayment burden and the size of external debt reached $ 83 billion in March 1991.

11. Another significant development during the 1980s was the relative hardening of the World Bank's IBRD-IDA blend proportion which increased from 25:75 in the World Bank's fiscal year 1981 to 70:30 in 1989. There was some improvement in the ratio of IBRD-IDA loans to 57:43 during 1990. The terms of IDA assistance also became stiffer after 1987 and credits were available with a lesser maturity period of 35 years (from the earlier 50 years). Considering India's requirements of concessional assistance for investment needs, these trends were a matter of concern. From time to time, the need for debt relief and the softening of aid terms was reiterated by the policy makers.

12. The aid receipts amounted to Rs. 22,695.11 crores during the Seventh Plan and debt service payments (principal plus interest) made during this period alone absorbed 56 percent of these aid receipts.

13. The foreign exchange crisis in the early 1990s was exacerbated by the Gulf war that began in August 1990, causing shortfall in exports to West Asia, loss of remittances from Kuwait and Iraq, huge foreign exchange costs of emergency repatriation from the region and, most importantly, additional cost of oil imports due to the oil price increase. The Gulf crisis coincided with recessionary trends in the West that depressed the demand for India's exports. The uncertain political climate at home along with the precarious balance of payments situation led to the erosion of India's credit ratings abroad. Net resource transfers on account of official and private credit were not even adequate to meet the obligations on account of amortization and interest payments. The level of foreign exchange reserves fell to just $ 1 billion in 1990-91. The Reserve Bank of India had to sell 20 tonnes of gold in May 1991 and pledge another 46.91 tonnes in July 1991, for meeting the urgent foreign exchange needs and for financing current account deficits. An imminent foreign exchange crisis loomed large before the Indian economy, with an unsustainable external debt burden.

14. India's approach to the 1990-91 crises was to pursue macroeconomic reforms, and to remain current on debt servicing by borrowing from multilateral sources. As part of the overall macroeconomic reforms, sweeping changes were introduced in the areas of trade and exchange rate

policies and a medium term structural adjustment programme of the IMF was accepted by the Government. This marked the beginning of the new reform era for India resulting in opening up of the Indian economy (Eighth Plan period 1992-97). Foreign aid receipts increased substantially during the Eighth Plan to Rs.56,703.45 crores. The proportion of repayments, which constituted about 45 per cent of the gross external borrowings in the initial year of the Eighth Plan, increased to about 73 per cent by the terminal year of the Plan. A bulk of the receipts was from multilateral sources like the IBRD, IDA and the ADB.

15. As the economy moved ahead with its reform programme, the East Asian crisis occurred in 1997. This also coincided with the beginning of the Ninth Plan period (1997-2002). Total aid receipts during the plan period amounted to Rs.71,680.55 crores. Following India's nuclear test in May 1998, and the subsequent imposition of economic sanctions, most bilateral donors put a freeze on new aid to India and in addition indicated their unwillingness to support new lending from multilateral agencies for other than humanitarian purposes. This had an impact both on World Bank and ADB loans to India. Together with the freeze on bilateral assistance, the drastic decline in multilateral lending to India lowered foreign aid to India substantially in 1998-99. The external lending environment remained stable during the Tenth Plan period (2002-2007) and aid receipts amounted to Rs.69,251.98 crores. (Table 7 at Annexure). As of February 4, 2003, India is not availing of any tied external assistance.

16. Total foreign aid receipts during the ten Five Year Plans were Rs.269,723.55 crores. Loans accounted for 90% of these receipts, while the remaining 10% were grants. Consequently, the servicing of the external debt claimed a sizeable proportion of the country’s foreign exchange earnings. A shift occurred during the 1980s, and there was a gradual softening of the terms of assistance offered by individual donor countries. The assistance from the U.K., Sweden and EEC countries came in the form of grants. The grant component, which was about 11% during the Second Plan Period, increased to 13.39% during the Tenth Plan. In absolute terms, the increase has been substantial. The amount under Grants recorded a remarkable increase from the Eighth Plan onwards.

Box 3. Problems of Tied Aid

Poor countries need aid that is delivered without too many strings attached and in ways that minimise transaction costs and maximize value for money. However, all too often, they get aid that is unpredictable, hedged with conditions, uncoordinated and tied to purchases in donor countries. Recipient countries lose out from tied aid on several counts

The absence of open market tendering means that they are denied an opportunity to get the same services and goods at a lower price elsewhere.

Tied aid can result in the transfer of inappropriate skills and technologies. Also the full extent of tied aid is unknown because of unclear or incomplete reporting by donors.

Procurement policies are often un-transparent and biased towards contractors in the country. Estimating these costs is difficult because of the restricted nature of donor reporting and the exclusion of technical cooperation.

Summary of observations

1. The key issues in the evolution of policy on external assistance are summarized in succeeding paragraphs.

2. One of the major challenges before the policymakers was the rising burden of debt service charges. This was largely attributable to the comparatively harder terms of external aid, both in terms of interest rates and maturity periods. Though the importance of aid could not be undermined, the problem of rising debt service charges was addressed through gradual reduction on dependence on external assistance, shifting the focus towards obtaining loans and credits of longer maturities and lower interest charges.

3. The disadvantages to the recipient country of credit tying by donor countries have generally been recognized by India. (Box 3). For instance, it was realized that though aid in the form of credits contained a genuine element of assistance in so far as it was generally made available on softer terms than similar credits obtainable from the international capital market, and the terms were comparatively favourable as regards both interest rates and maturity periods, however, most of it was country-tied. Loans from a particular country had to be utilized for imports from that country alone. Though in the initial years of planning, aid to India was mostly tied, India's dependence on aid has reduced with time, and it has affirmed its stand on not accepting tied aid. As of February 4, 2003, India is not availing of any tied external assistance.

4. External assistance is composed of loans and grants. However, most of the assistance in the initial periods of planning was in the form of interest-bearing loans, while only a fraction was in the form of outright grants. Loans accounted for 90% of the aid receipts during the first ten Five Year

Plans, while only the remaining 10% were grants. Consequently, the servicing of the external debt claimed a sizeable proportion of the country's foreign exchange earnings. Up to the third plan period, loans and PL480 imports accounted for a major portion of the total authorizations. The loan grant mix became more favorable from the 1980s and the grant component, which was about 11% during the Second Plan period, increased to 13.39% during the Tenth Plan. This is a positive development.

5. Another characteristic feature of external aid in the initial years of planning was the reliance on bilateral sources of funding. In fact, up to the third plan period (ending on 31.3.66), loans from multilateral sources (IBRD and IDA) accounted for only 19% of the authorizations, while bilateral aid accounted for the remaining 81%. . It was only after the 1970s that that the multilateral sources of funding began to gain predominance.

6. The problem of low utilization of external assistance was felt from time to time. (Box 4)

Box 4. Low utilization of External Assistance

The problem of low level of utilization of external assistance resulting in a substantial part of authorized loans being in pipeline has been a cause of concern.

The main factors responsible for under utilization of assistance are believed to be the time lag between commitments and conclusions of specific credit arrangements, time consuming procedures governing procurement of stores and equipment, delays in land acquisition for construction work, rehabilitation and resettlement of displaced persons and domestic budgetary constraints in providing counterpart funds.

High priority was given to utilization of unused external assistance is pipeline. Efforts were made to identify and remove the constraints in aid utilization. The measures taken to improve aid utilization included:

- Waiver of DGTD clearance for import of capital goods under all externally aided projects
- Enhancement of additional central assistance to the States to 100 per cent in the case of social sector projects
- Formation of standard bid documents and simplification of other procedures.
- The decision taken in the 1990s to pass on to the states the entire external assistance as additional central assistance in respect of all sectors (not just in respect of only social sectors as before) and to release advance central assistance to meet the initial liquidity requirements of State Governments were other important steps in the direction of speeding up aid utilization and these bore results after the 1980s as indicated in Table 1 and Figure 1 below.

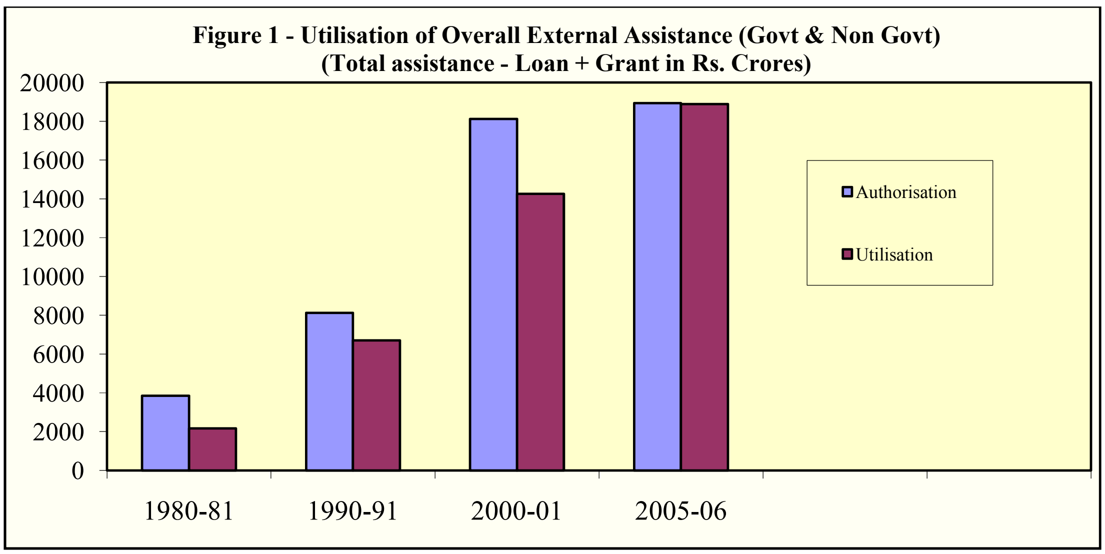
Table 1. Utilisation of Overall External Assistance (Government & Non Govt Account)

(Total assistance : Loan + Grant in Rs. Crores)

Year	Authorisation	Utilisation	% Utilisation
1980-81	3,847.00	2,161.80	56.19
1990-91	8,123.40	6,704.30	82.53
2000-01	18,124.70	14,254.30	78.65
2005-06	18,937.90	18,888.40	99.74
2006-07	31,789.9	19,419.0	61.09

Source: Economic Survey 2007-08, External Assistance Manuals

[Also see Table 2 annexed]



7. The Indian economy today is no longer reliant on external assistance for the financing of its plan outlays or for gross capital formation etc. The change is evident from the changing pattern of external assistance. The reliance on food aid has been done away with; the economy has matured sufficiently to move away from the compulsions of accepting tied aid. External assistance today plays a supportive role in financing major infrastructure projects, social sector projects, building up the institutional capacity and in the managing the balance of payments.

Section 2 Policy on Development Co-operation

Policy announcements on bilateral co-operation

1. Subsequent to the budget announcement made in 2003-04, the Government of India reviewed its policy of bilateral development co-operation in September 2004 to affirm the liberalization and reform orientation in India's economic policy. Revised guidelines were issued in January 2005 that superseded all earlier guidelines in this regard. The highlights of the extant policy are summarized below.

2. As per the extant guidelines, bilateral development assistance (including grants) is not being availed by the Government and its subordinate and attached agencies (societies, trusts, boards, companies, corporations, parastatals, etc) where the Government has substantial control.

3. Bilateral development assistance is being accepted from all G-8 countries, namely, U.S.A., UK, Japan, Germany, France, Italy, Canada and the Russian Federation as well as from the European Commission. European Union countries outside the G-8 can provide bilateral development assistance to India provided that they commit a minimum annual development assistance of USD 25 million to India. The Government of India does not accept tied aid. Despite the change in policy, funding of all the ongoing programs and projects was continued as per earlier provisions until their completion.

4. Bilateral assistance is welcomed if it is in the form of technical assistance programmes that aim at enhancement of knowledge/skills of Indian nationals. A component for provision of equipment/hardware is allowed, if the expenditure on these is insignificant compared to the total project cost. However, the main emphasis is on enhancement of the knowledge and skills of Indians.

5. Bilateral development assistance can also be received by the government, if the assistance is routed through or co-financed with a multilateral agency and the proposed programme/project is to be implemented by the multilateral agency under its own rules and procedures. Such arrangements should be evolved between the participating multilateral and bilateral agencies as part of their policies. Such co-financed programmes or projects would be governed by the procedures applicable to the multilateral agency spearheading the programme/project.

Policy on grant assistance to non-governmental organizations (NGOs), autonomous institutions and other such bodies

6. All countries can provide bilateral development assistance directly to autonomous institutions, universities, NGOs, etc. External development partners may consider directing such bilateral assistance towards projects of economic and social importance only.

7. A simplified policy to facilitate the flow of bilateral development assistance to non-governmental organizations and autonomous institutions has also been put in place. Bilateral development assistance to these organizations is governed by the Foreign Contribution (Regulation) Act, 1976 and only such organizations that are registered under the said Act, may receive bilateral assistance. Organizations that are not registered under Foreign Contribution (Regulation) Act should obtain prior permission from the appropriate authority under the said Act.

8. The recipient NGOs, autonomous organizations etc. are required to fill a prescribed pro forma and submit it through the concerned external development partner along with their proposals. DEA does not entertain any direct proposals from NGOs, autonomous organizations, etc. Department of Economic Affairs receives project proposals for funding of NGOs, etc. throughout the year so that the process does not suffer delays. The bilateral development partner sends project proposals to the concerned credit division in DEA when the project concept paper is ready, accompanied by the pro forma check-list. DEA processes the project proposals expeditiously in a time-bound manner. The bilateral development partner country provides information in pro forma-II to DEA in April and October every year on the extent of funding to various organizations and the status of the project.

9. The bilateral partner may transfer funds directly to the accounts of the recipient organizations, after the proposals are approved by DEA. They may also make their own arrangements for monitoring the physical and financial progress of these projects.

Procedure for Disbursement and release of external aid

10. All external aid disbursed by the external agencies to GOI is first received by the central government in the Ministry of Finance, Department of Economic Affairs, O/o Controller of Aid Accounts and Audit (CAA&A). The funds flow process in case of Central sector projects is as follows:

Central Sector Projects

The line ministry spends money on the project, based on the budget provision

↓

The line ministry sends claims for re-imbursement to CAA&A

↓

CAA&A arranges re-imbursement from the external agency, which gets into the central budget as a receipt

11. The funds flow process in case of state sector projects is as follows:

State Sector Projects

The state government makes a budget provision for the project / programme and the state finance department authorizes the implementing department by releasing funds (Letter of Credit)

↓

The department concerned makes payments and sends re-imbursement claims to CAA&A

↓

CAA&A scrutinizes claims and forwards claims to the external agency

↓

The PMU advises Plan Finance-1 of the Department of Expenditure (DoE) to release funds in the form of ACA to the states. Plan Finance-1 authorises Chief Controller of Accounts, Ministry of Finance to effect the transfer of funds.

↓

Chief Controller of Accounts advises the RBI Central Accounts Section, Nagpur, to debit the central govt. account and credit the state govt. account for the amount.

↓

The external agency makes the payment to the central government. In case of direct payment by the external agency to the supplier / consultant, the rupee equivalent is adjusted by the Department of Expenditure, against the additionality due to the state government on such disbursement.

Additional Central Assistance (ACA)

12. The framework of central assistance for externally aided projects (EAPs) has evolved since 1971. Prior to that, no additionality in central assistance was given for EAPs. In 1971 it was felt that in order to make such projects more acceptable to the states, 25% of credit authorised should be given as additionality to project authorities over and above normal central assistance. Subsequently, it was felt that this was inadequate and therefore in 1979 the proportion of central assistance was enhanced to 70%. In 1990 it was increased to 100% for projects in social and agriculture sector. Since 1992 all sectors were made eligible for 100% additionality.

13. Till recently, external assistance received from various multilateral and bilateral agencies was passed on by the Government of India to states as additional central assistance (ACA) on the same terms and conditions as central assistance for state plans. These were different from the conditions at which external assistance was received from various multilateral/bilateral agencies. For states not falling under the special category status, assistance was given in a 30:70 mix of grants and loans. For special category states such as the seven north eastern states (Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland and Tripura), Sikkim, Himachal Pradesh and J&K the funds were passed on as 10% loan and 90% grant. The exchange risk was borne by the central government. In this transformation of external assistance into ACA, the original terms and conditions of assistance were recast.

14. Government of India accepted the recommendations of the 12th Finance Commission to pass on external assistance on the same terms and conditions on which it was received. Accordingly, in the case of new projects signed on or after April 1, 2005, the external assistance is being transferred on a 'back-to-back' basis. However, under this arrangement, the service cost and exchange fluctuations are now passed on to the states. The special category states had represented and requested for restoration of old arrangement of transfer of external assistance as ACA on a 90:10 grant and loan basis. Their request has been accepted and the old arrangement has been restored in 2006. The ACA release status may be seen in Table 2.

Table 2. ACA Release Status

From 01 Apr 2002 to March 5, 2008 (Rupees)

State	Disbursed Amount
Andhra Pradesh	88,598,433,225
Arunachal Pradesh	311,973,240
Assam	18,282,381,368
Bihar	173,425,580
Chhattisgarh	4,212,176,619
Gujarat	48,490,338,076
Haryana	3,885,119,378
Himachal Pradesh	10,094,279,138
Jharkhand	333,208,733
Jammu & Kashmir	2,558,741,536
Karnataka	48,287,325,460
Kerala	26,473,301,171
Manipur	1,242,692,841
Meghalaya	699,964,364
Maharashtra	25,564,784,280
Madhya Pradesh	35,517,502,052
Multi-states	68,523,072
Mizoram	2,809,154,889
Nagaland	322,979,871
Orissa	33,147,745,272
Pondicherry	180,440,000
Punjab	9,238,695,246
Rajasthan	29,543,786,231
Sikkim	508,014,290
Tamil Nadu	395,008,963
Tamil Nadu	26,717,444
Tamil Nadu	151,801,465
Tamil Nadu	8,532,549
Tamil Nadu	7,730,000
Tamil Nadu	14,101,306
Tamil Nadu	1,626,240,776
Tamil Nadu	23,319,776,763
Tripura	176,674,469
Uttar Pradesh	32,785,926,047
Uttaranchal	5,008,236,782
West Bengal	53,195,593,439
Total	**507,261,325,934**

Data Source: CAA&A

Summary of observations

15. The key policy objectives being pursued presently are as follows:

1) Reliance on external assistance has reduced. Government of India now does not accept aid in areas where it has substantial control. Bilateral aid is accepted only from the G-8 countries, the Russian Federation and the EC.
2) Tied aid is also not accepted.
3) Bilateral development assistance from other sources is being welcomed only if it is routed through or co-financed with a multilateral agency. Channelization of external assistance from smaller partners through multilateral organisations would promote greater aid harmonisation.
4) All Countries can continue to provide bilateral development assistance directly to autonomous institutions, universities, NGOs, etc through a simplified procedure. It is appropriate for small size external assistance to be directed towards the NGO sector as this sector would remain an effective channel for implementation of development programmes and would strengthen the civil society.
5) Priority is given to aid with longer maturity periods and bearing lower interest rates so as to keep the burden of debt servicing within manageable levels.
6) External assistance is passed on to the states on the same terms and conditions on which it is received (i.e. back to back). The service cost and exchange fluctuations are passed on to the states. For the special category states, transfer of external assistance as ACA is done on a 90:10 grant and loan basis.
7) State Governments cannot access external aid directly either through bilateral or multilateral sources. This remains the mandate of the central government.

Section 3

Major Donors

1. External assistance made available by various multilateral and bilateral agencies to India comprises of loans and grants. The World Bank extends assistance through its concessional lending window, the IDA, and market based lending through the IBRD. The assistance from the Asian Development Bank (ADB) is also market based. These form the principal sources of multilateral external assistance to India. The significant bilateral sources offering external assistance include Japan, Russia, Germany and United Kingdom.

Major Multilateral Donors

ASIAN DEVELOPMENT BANK (ADB)

2. The ADB is a major regional financial institution and India's subscription to the Bank's capital stock is the fourth largest of all member countries after Japan, the USA and the People's Republic of China. Although eligible to borrow under the criteria laid down by the ADB, India voluntarily refrained from borrowing initially. However, in order to broad base its resources, it was decided to commence borrowing from ADB in 1986.

3. The major areas of lending by the Bank include the following sectors:

1) Transport & Communications
2) Energy
3) Financial
4) Multi-sector projects
5) Industry and non fuel minerals
6) Social Infrastructure, and
7) Irrigation.

4. The ADB also provides technical assistance in the form of grants or loans or a combination to facilitate the transfer of resources and technology to developing member countries.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD)

5. IBRD loans though non-concessional, are available on terms that are relatively more favourable compared to commercial loans.

6. The commitments by IBRD are against projects in various sectors like transport, energy, urban infrastructure (including water & sanitation) etc.

7. The repayment period for IBRD loans is presently 20 years, inclusive of a grace period of 5 years. The rate of interest on Variable Spread Single Currency Loans is presently LIBOR + 40 basis points (approximately). The commitment fee on the un-disbursed balance is presently 0.75%. Since the Bank offers a waiver of 0.50% to all borrowers on a yearly basis, the actual payable commitment fee for this year comes to 0.25%. A front-end fee of 1% of the loan amount is also payable on which, presently, a waiver of 0.25% is offered to India for the Bank Financial Year 2006.

INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

8. IDA, the soft loan affiliate of the World Bank, depends largely on contributions made from time to time by the wealthier member countries for its financial resources and on repayments received from earlier credits. IDA assistance to India began in June 1961 and has since then been an important component of external assistance programme.

9. IDA commitments, which are known as "Credits", presently have a 10 years grace period and are to be repaid over 35 years. The credits to India approved up to 30.06.1987 are repayable in 50 years, inclusive of a grace period of 10 years, and those approved after 01.07.1987 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% per annum is levied on the amount disbursed. Further, there is an annual commitment charge of up to 0.5% per annum on the un-disbursed balance.

IFAD

10. The International Fund for Agricultural Development (IFAD) was set up in 1977 to finance agricultural development projects primarily for the expansion of food production in developing countries. 163 countries are members of IFAD and they are grouped in three lists. List A comprises developed countries, List B are oil producing countries and List C are developing countries. India has been re-elected to the Executive Board of IFAD for the period 2006-2008

11. IFAD loans are repayable over a period of 40 years including a grace period of 10 years and carry no interest charges. However, a service charge at the rate of 0.75% per annum is levied on the loan amount withdrawn and outstanding.

Multilateral assistance – Loan/Grant mix of individual donors

12. Table 3 shows the loan/grant mix of external assistance of the individual portfolios of multilateral donors. The loan/grant mix of the total multilateral assistance portfolio stood at 96:4 in 2006-07.

13. The multilateral assistance received from the major donors is shown in Figure 2.

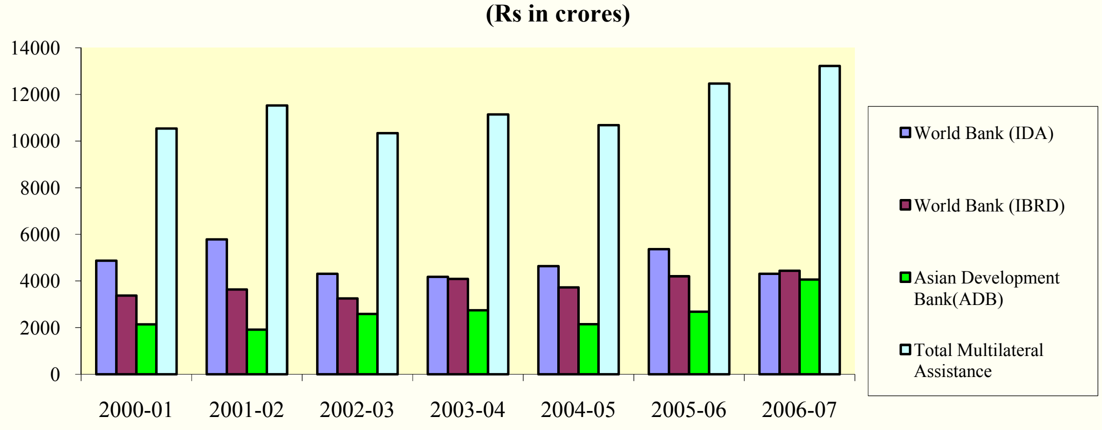
Table 3. Multilateral Assistance (Major Donors)

Loan / grant mix in brackets (Rupees in crores)

Donor	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
World Bank (IDA)	4870.99 (99.53/ 0.47)	5782.09 (99.22/ 0.78)	4303.49 (99.41/ 0.59)	4178.27 (99.37/ 0.63)	4631.61 (99.23/ 0.57)	5363.48 (99.81/0.19)	4306.38 (99.65/ 0.35)
World Bank (IBRD)	3375.82 (95.82/ 4.18)	3636.12 (98.01/ 1.99)	3250.08 (98.48/ 1.52)	4087.42 (98.67/ 1.32)	3725.06 (99.07/ 0.92)	4199.73 (99.23/0.77)	4438.64 (99.66/ 0.34)
Asian Development Bank(ADB)	2145.11 (100/0)	1913.63 (100/0)	2588.04 (100/0)	2744.97 (100/0)	2148.58 (100/0)	2682.30 (99.96/ 0.04)	4060.31 (97.37/ 2.63)
Total Multilateral Assistance	**10540.80 (97.80/ 2.20)**	**11530.20 (98.0/ 2.00)**	**10337.54 (96.87/ 3.13)**	**11137.63 (98.65/ 1.35)**	**10680.74 (98.08/ 1.92)**	**12466.03 (98.28/ 1.72)**	**13221.08 (96.15/ 3.84)**

Note: The loan/grant mix is given in brackets.
The above figures indicate donor-wise total disbursement in respect of govt. as well as non govt. projects.
Data Source: CAA&A

Figure 2 - Multilateral Assistance (Major Donors) (Rs in crores)



Major Bilateral Donors

JAPAN

14. Japan has been extending financial assistance for India's development programme since 1958. Initially Japanese aid to India was channelised through the government owned Export-Import Bank of Japan (J-EXIM). During 1975-76, aid was channelised through the Overseas Economic Cooperation Fund (OECF) of Japan. From 1976-77 onwards, both project and commodity aid was being channelized through the OECF. With effect from 1st October 1999, J-EXIM and OECF have merged and the resulting new agency, Japan Bank for International Cooperation (JBIC) has become the channel for both ODA operations as well as for the international economic operations function of the Government of Japan. Japanese ODA loan assistance to India is received through JBIC and grant aid and Technical Cooperation (TC) is received through Japan International Cooperation Agency (JICA).

15. Japan is the largest bilateral donor to India. Since 2003-04, India has become the largest recipient of Japanese ODA loan. In FY 2006-07, Government of Japan committed Yen 184.893 billion (Rs. 7,025.93 crores approx.) for 11 projects in India. This is the largest ever commitment made by Government of Japan to India in a single financial year. Presently 55 projects are under implementation with Japanese loan assistance. The loan amount committed for these projects is Yen 858.859 billion (i.e. about Rs. 28,342.35 crores at current exchange rate). Cumulative Japanese ODA loan to India has reached Yen 2437.43 billion (Rs. 85,456.3 crores approx. at the current exchange rate) on a commitment basis till 2006-07.

Present Terms and Conditions of ODA loans

16. The Japanese ODA loans to India are "untied loans". These are routed JBIC. ODA loans are mostly project tied with an interest rate of 1.3% per annum for general projects with a 30 years tenure including a grace period of 10 years. For environmental projects, the interest rate is 0.75% per annum with a 40 years tenure including a grace period of 10 years. Apart from these standard terms and conditions, for various types of projects, Japan's ODA to India offers a bouquet of options with rates of interest ranging from 1.3% per annum to 0.5% per annum and repayment periods ranging from 30 to 15 years.

Priority Sectors for ODA loan

17. Infrastructure sectors like power, roads and bridges, water supply and sanitation, urban transport, and environment and forests are the priority sectors for Japanese ODA loans.

Procedure for consideration of proposals

18. The proposals of the state governments have to be routed through the central ministries. These are prioritized through inter-ministerial meetings and proposed to the Government of Japan. JBIC fields a fact finding mission followed by an appraisal mission. Projects for the year are short-listed in the annual consultations between the governments of India and Japan. After appraisal, the Government of Japan makes commitments of yen loans for the projects.

Rolling Plan

19. The concept of a Rolling Plan has been introduced from the year 2006-07 in the system of ODA loans from Japan. This provides a medium term plan of action of a central ministry, according to its sectoral and regional priorities, to produce a roadmap for 3 to 4 years for the critical utilization of ODA. In the long run this helps to optimally and systematically channel ODA funds towards the achievement of national priorities.

Double Track Mechanism

20. Government of Japan have recently introduced a double tracked process for ODA loans to India. This enables DEA to pose proposals to the Government of Japan twice a year instead of the earlier procedure of posing proposals in the month of April/May and getting the loan agreements signed by end March of the next year. The fast track will enable matured proposals to get appraised by JBIC by May/June and for loan agreements to be signed by end of August of the same financial year.

Grant Assistance from Japan

21. Government of Japan through JICA provides grant aid for construction of facilities and procurement of products and services required for development projects. By way of Technical Cooperation, JICA provides approximately Rs. 35-40 crores to India in a financial year. The main components of TC are:

i) Technical cooperation projects,

ii) Development studies,

iii) Dispatch of experts,

iv) Training of Indian government personnel.

22. Government of Japan also provides small assistance to Indian NGOs under its Grassroots Funding Programme through the FCRA route. The Japanese Embassy coordinates this activity and DEA gives clearance for such funding of NGOs as per the existing guidelines. The Grant in Aid Scheme from the Government of Japan was suspended following Pokharan-II in May 1998. This has since been resumed in 2003. Since August 2003, four projects have been implemented with JICA grant assistance. At present there are no ongoing projects under grant assistance.

Technical Cooperation

23. JICA facilitates implementation of grant aid programmes of the government of Japan and implements TC programmes. By way of technical cooperation, JICA provides approximately Rs. 35-40 crores to India in a financial year. The main components of Technical Cooperation are given in paragraph 20 above.

24. Government of Japan, through JICA, have launched the following new TC programmes through NGOs with Government of India's approval:

1) JICA Partnership Programme
2) Community Empowerment Programme
3) Japan Overseas Cooperation Volunteers (JOCV) Programme

GERMANY

25. The government of Germany has been providing bilateral assistance to India since 1958. The Republic of Germany provides both financial and technical assistance to India under the Indo-German Bilateral Development Cooperation Programme.

26. Financial assistance is now being provided as soft loans, Development Loans (long term and reduced interest), Special Facility for Renewable Energy & Energy Efficiency and grants routed through KfW, the German government's development bank. The soft loan is available at an interest rate of 0.75% p.a. with a repayment period of 40 years including a grace period of 10 years. The loan also carries a commitment charge of 0.25% per annum on the un-disbursed amount.

27. Technical assistance is provided in the form of grant through GTZ – a fully-owned corporation of the German government. Germany's cumulative financial assistance commitment up to 2005 is Euro 6.5 billions.

Priority Areas

28. The focus of the cooperation is on the following sectors :

1) Energy (energy efficiency and renewable energy, including related support for power sector reforms);
2) Environmental policy, protection and sustainable use of natural resources (natural resources management and industrial and urban environmental management including urban infrastructure); and
3) Economic reforms {financial systems and services development with special focus on rural financing (micro financing, cooperative banking, etc.), social security financing and SME development and financing}.

29. Even though the health sector will not form a priority area for Indo-German development cooperation, activities in the field of health care financing, social health insurance, prevention of pandemic contagious diseases (HIV/AIDS, polio) and support to related health sector reforms will continue.

30. The existing Indo-German bilateral cooperation is largely focused in the states of Madhya Pradesh, Himachal Pradesh, Karnataka, Maharashtra, Rajasthan, West Bengal and Orissa though the Germans are willing to offer development cooperation in other parts of the country as well, particularly in the states of north-eastern region and Uttaranchal. As of now 51 projects - TC + Financial Cooperation (FC) - involving German development assistance of Rs 48,000 crores are in operation.

UNITED KINGDOM (UK)

31. The Government of United Kingdom (UK) has been providing bilateral assistance to India since 1958. At present UK is the largest external bilateral development partner in terms of grants. The UK assistance is channelled through the Department for International Development (DFID), Government of UK. The bilateral assistance from UK is provided in the form of grants by way of FC (routed through the GOI budget) and TC, which includes direct payment by DFID for consultancy services, experts, training etc.

32. DFID also provides assistance through various multilateral agencies through Trust Funds with World Bank, ADB, UNICEF, UNDP, etc. in the social sector.

33. 45% of DFID's portfolio focuses on major national programmes such as Sarva Shiksha Abhiyan (SSA), National AIDS Control Programme, Polio Eradication, Reproductive & Child Health (RCH-II). The DFID has upscaled their grants for India which will be GBP 300 millions by 2008.

Priority Areas

34. The priority areas of UK assistance are mainly in the social sectors viz. health and family welfare, rural development, environment, slum development, education and programmes relating to achieving the Millennium Development Goals (MDGs).

Priority States

35. DFID has chosen Andhra Pradesh, Madhya Pradesh, Orissa and West Bengal as its priority states. DFID also supports local NGOs/Civil Society Organisations (CSOs) projects through Poorest Areas Civil Society (PACS) and Orissa Civil Society Poverty Programme (OCSPP). The funds for NGO projects are disbursed by DFID to the concerned NGOs.

RUSSIAN FEDERATION

36. No fresh agreement has been done between Government of Russian Federation and Government of India during 2006-07. The utilization of the assistance for Kudankulam Nuclear Power Project during 2006-07 is Rs. 1407.57 crores. [See Box 5]

Box 5 Bilateral Assistance from the Russian Federation

The Government of the former USSR extended financial and economic assistance to India from 1955 to 1989.They committed state credits for an aggregate amount of Roubles 9966.60 million. These credits were used for public sector projects in basic and heavy industries and for other development projects included in the Five-Year Plans. Until April 1977, the credits were repayable in 15 to 16 years, inclusive of a grace period of 3 to 4 years, with interest at the rate of 2.5% per annum. Repayment of credit given after April 1977 is over a period of 20 years, inclusive of a grace period of 3 years, and carries an interest of 2.5% per annum.

USSR and India had signed an agreement in November 1988 for construction of a 2000 MW nuclear power station in India and for this purpose the Soviet Government had agreed to provide credit of 3200 million roubles for the project. A supplement to the main agreement was concluded in June 1998. As per this supplement, the Government of the Russian Federation agreed to provide a dollar denominated credit up to a maximum of US dollar 2.6 billion for the Kudankulam Nuclear Power Station. The loan carried an interest rate of 4% pa. The repayment period of the credit was 14 annual instalments starting 12 months after the scheduled dates of commissioning of the first and second power units of the nuclear power station.

To address the issue of the rupee-rouble exchange rate following the dissolution of the USSR, bilateral arrangements were entered into between India and Russia in 1993. The agreements provided for the principal amount of the Rouble denominated debt as on 1.4.92 being converted from roubles to rupees using the exchange rate prevailing on 1.1.1990 as denominated by the old 1978 Protocol (Rouble 1 = Rs. 19.9169). The amount of the principal debt as on 1.4.92 was also converted from roubles to rupees using the exchange rate on 1.4.92 as determined by the 1978 Protocol (Rouble 1 = Rs.31.7514). The difference in the two rupee amounts as calculated above was rescheduled to be repaid in 45 annual instalments over a period of 45 years. This rescheduled portion carries no interest. It had no protection against any fluctuation in the value of the rupee for a period of 5 years. Thereafter, it was to be indexed to the SDR if the average annual depreciation of the rupee exceeded 3 percent over this 5 year period. A review was to be conducted at the end of every five-year period. The non-rescheduled portion of the debt is the amount in rupees corresponding to the conversion of the rouble debt at the exchange rate as on 1.1.90. This amount is now denominated in rupees and repayments of the principal and interest on this portion of the debt are being effected by India in accordance with the schedule in force for each of the relevant inter- governmental credit agreements. The rupee payments in respect of principal and interest of this non-rescheduled portion of the debt are, however, protected by adjusting the rupee amounts in line with changes in the rupee value of the SDR basket of 5 currencies. The rupee debt is being repaid through the export of goods and services from India to Russia.

UNITED STATES OF AMERICA (USA)

37. US bilateral development assistance to India started in 1951 and till March 2006, the total assistance extended to India has been of the order of approximately US$ 14.7 billion. The assistance mainly comprises development assistance, agricultural commodities and technical assistance. US assistance is mainly administered through the US Agency for International Development (USAID). The assistance extended by USAID at present is entirely in the form of grants, both as grant through budget and technical assistance. The utilization position of US assistance during the last four financial years is shown in Table 4 below:

Table 4. Utilisation of US Assistance

(Rupees in crores)				
Year	**2003-04**	**2004-05**	**2005-06**	**2006-07**
Assistance Disbursed	110.564	99.634	52.657	42.08

(Source: CAA&A)

38. Initially, the main thrust of US bilateral development assistance to India was on projects, which were designed to strengthen key institutions and transfer of resources for infrastructure programmes in agriculture and social forestry. Since mid-1980, however, the priority has been diversified to include science and technology dimensions focusing specifically on the commercialization of technology. Health and Family Welfare and Disaster management have also been included in the top priority areas. USAID assistance to India is not state focused.

Priority Areas

39. The main priority areas for development assistance from the US are:

1) Economic Growth - Financial market reforms, state fiscal reforms, urban financial management;
2) Health**:** Fertility reduction, reproductive health, family health, prevention of HIV/AIDS and infectious diseases, child nutrition;
3) Environment & Energy - Better access to clean energy and water, power distribution;
4) Disaster Management - To increase capacity in the Indian public and private sectors in all phases of the disaster cycle and thereby support the initiatives and efforts of the Ministry of Home Affairs to usher in a new culture of disaster prevention**.**

40. Under the PL 480 line of commodity assistance, the US has been

- providing concessional sales of food commodities to India;
- providing agricultural commodities to be used in schools' mid-day meals, pre-school child feeding and nutrition programmes,
- assisting oilseeds grower cooperative development; and
- depositing revenues generated from sale of certain grant commodities in the National Renewal Fund (70%) and to the ICICI (30%) for supporting its Agricultural Commercialization and Enterprise (ACE) credit programme.

EUROPEAN COMMISSION (EC)

41. The EC has been extending development cooperation assistance to India since 1976. This assistance to India is entirely in the form of grant and is currently focused on the areas of environment, public health and education. Education has the largest outlay – Euro 150 millions for the District Primary Education Programme (DPEP) and Euro 200 millions for the SSA. EC provided Euro 240 millions for the recently concluded Health & Family Welfare Sector Development Programme (H&FWSDP).

42. In the initial stages, EC's development assistance was in the form of project financing. However, by extending support to the H&FWSDP, EC have shifted their strategy to a sector-based approach. EC, under their Country Strategy Paper (CSP) for India for 2002-2006, again made a change in their strategy by adopting a partnership approach with one or two Indian states in order to deploy the bulk of their resources in these states for health, education and environment programmes. Under a new state partnership programme, EC is providing Euro 80 millions each to Chhattisgarh & Rajasthan. Some of the on-going EC-assisted development cooperation projects are:

- Sarva Shiksha Abhiyan
- Health & Family Welfare Sector Development Programme
- Haryana Community Forestry Project
- Erasmus Mundus-India Window Programme

43. Under their CSP for India for 2007-13, EC would be providing an assistance of Euro 470 millions. The new CSP will focus on achieving MDGs in the health and education sectors and on implementing a Joint Action Plan for an India-EU Strategic Partnership.

FRANCE

44. The Government of France has been extending development assistance to India since 1968. French assistance is provided as Treasury Loans for which the signing of a Financial Protocol (FP) is of importance. Signing of an FP between the two Governments shows the commitment for a certain period as well as for prospective projects to be funded under the protocol. French assistance is tied to the supply of goods and services from France. As of 04-02-2003, India is not availing of tied external assistance.

45. Prior to 2002, French assistance was available as a mix of 50% Treasury Loans and 50% commercial loans. The Treasury Loan carried an interest of 0.47% and was repayable over 30 years including a grace period of 10 years. The commercial credit was available at the OECD consensus

rate ranging from 5.5% to 7.5% p.a. Apart from the high interest rate on commercial credit, the drawback with French assistance is that it is tied to supply of goods and services from France. France does not support local cost financing.

46. Since 2002 the French have discontinued the commercial loan window. French assistance is now provided only in the form of Treasury Loans. The Treasury Loan is repayable within a period of 23 years including a grace period 5 years at an interest rate of 2.6% per annum.

Bilateral Assistance – Loan/grant mix of individual donors

47. Table 5 shows the loan/grant mix of external assistance of individual portfolios of bilateral donors. The loan/grant mix of the total bilateral assistance portfolio was 65:35 in 2006-07. For countries like Japan the loan component was as high as 98%, while for UK, EEC and USA, assistance has come only in the way of grants.

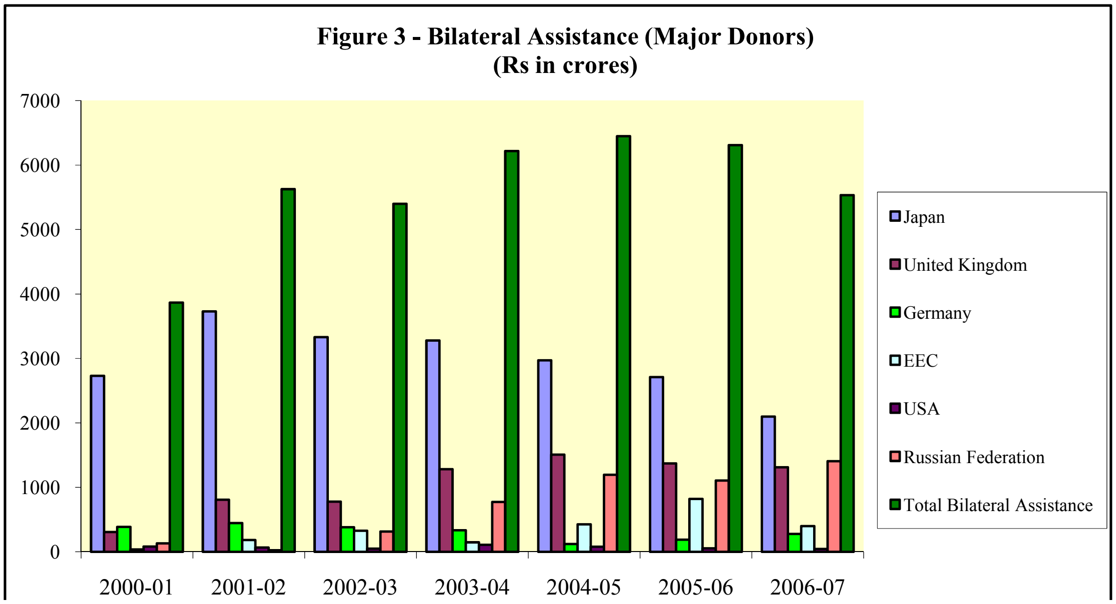
Table 5. Bilateral Assistance (Major Donors)

(Rupees in crores)

Donor	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Japan	2729.78 (99.4/0.6)	3728.95 (100/0)	3328.88 (99.7/0.3)	3277.64 (99.84/0.16)	2971.18 (98/2)	2710.36 (97.92/2.08)	2097.62 (98.28/1.72)
United Kingdom	307.30 (0/100)	808.37 (0/100)	778.73 (0/100)	1279.94 (0/100)	1506.93 (0/100)	1371.94 (0/100)	1310.32 (0/100)
Germany	386.69 (82.5/17.5)	444.66 (65.9/34.1)	381.16 (50.83/49.17)	333.41 (59.21/40.79)	121.18 (14.87/85.12)	188.24 (18.25/81.75)	278.32 (36.48/63.52)
EEC	36.28 (0/100)	181.89 (0/100)	326.03 (0/100)	147.54 (0/100)	426.31 (0/100)	820.51 (0/100)	397.88 (0/100)
USA	81.11 (0/100)	66.18 (0/100)	49.86 (0/100)	110.56 (0/100)	80.17 (0/100)	52.66 (0/100)	44.56 (0/100)
Russian Federation	130.09 (100/0)	23.03 (100/0)	316.06 (100/0)	771.71 (100/0)	1194.82 (100/0)	1106.83 (100/0)	1404.41 (100/0)
Total Bilateral Assistance	**3866.18 (83.5/16.5)**	**5624.77 (72.4/27.6)**	**5399.46 (71.94/28.06)**	**6218.05 (68.97/31.03)**	**6446.38 (64.84/35.05)**	**6309.14 (60.52/39.48)**	**5531.26 (64.60/35.40)**

Note: The loan/grant mix is given in brackets.
The above figures indicate donor-wise total disbursement in respect of govt. as well as non govt. projects.
Data Source: CAA&A

48. The bilateral assistance received from the major donors is shown in Figure 3.



Summary of Observations

49. Given the large number of institutions providing development assistance, improving the effectiveness of the system as a whole will depend crucially on assessing the actual value added of each one of them in terms of contributing to the stated goals of sustainable development and poverty reduction in developing countries. In order to increase economic efficiency and maximise output, each agency should focus on the areas where it has a relative comparative advantage in terms of cost or capacity. For example, while multilateral institutions may have a clearer development-oriented focus, bilateral donors could have a comparative advantage in specific sectors where they have developed a particular competence, and rely on historical ties with a particular country for engendering trust and cooperation.

[See also Table 6 in Section 8 - Annexure]

Section 4

General Terms and Conditions of External Assistance

1. The general terms and conditions of external assistance both for bilateral and multilateral sources are in Table 6 below.

Table 6. General terms and condition of external assistance

As on 31.10.2007

S No.	Source	Currency	Type of Loan	Grace period (in years)	Period of repayment after grace period (in years)	Rate of Interest (%)	Commitment charges (%)	Remarks
Multilateral								
1	A.D.B.	US Dollars	Bank Portion	3 to 5	12 to 20	Variable*	0.75	**
2	I.B.R.D	US Dollars	Bank Portion	5	15	Variable*	0.75	***
3	I.D.A.	SDR	Concessional	10	25	0.75	0.3	****
4	I.F.A.D.	SDR	Concessional	10	40	0.75		The Payment of 0.75% shown under interest column is termed as Service Charges.
5	O.P.E.C	US Dollars	Concessional	5	12	3		
Bilateral								
1	E.E.C. (SAC)	UK Pounds	Concessional	10	40	0.75		
2	France	Euro	Mixed	5	17	2.8		
3	Germany	Euro	Govt. portion	10	30	0.75	0.25	
4	Germany	Euro	Bank Portion	2	10	5.07 to 6.79	0.25	
5	Japan	Yen	Concessional	10	30	1.3		Interest is charged at a fixed rate indicated in each loan agreement.
6	Russian Federation	US $	Concessional	6	14	4		

7	Switzerland	S.FR	Export Credit	3	8.5	Variable		Interest payable is 0.5% over the Swiss Export base rate plus an annualised export risk guarantee. The interest payable ranges from 4% to 8.38% linked to the period of utilisation.
8	USA	US $	Concessional	10	30	2.5		

Notes:

* The interest rate is variable every six months.

** The interest rate is determined on LIBOR + 0.40% based average cost of borrowings in their respective currencies. Commitment charges of 0.75% on the undisbursed amount are reckoned on a graded basis in respect of loans approved upto 31.12.2006 and on a flat basis @ 0.35% for agreements signed thereafter. However, a waiver of 0.10% has been given initially and effective rate would be 0.25% on the undisbursed amount upto June 2008.

*** (i) US $ Floating rate Single Currency

The interest rate is determined based on 6 months LIBOR rate plus a variable spread.
The rate applicable for interest payment date beginning 10.7.2007 to 14.01.2008 is as follows:

- Where the negotiation was issued prior to 31.7.1998 - 5.41% p.a. (with a spread of 0.14 basis points)
- Where negotiation was issued on or after 31.7.1998 - 5.41% p.a. (with a spread of 0.38 basis points)

Interest waiver for prompt payment as notified by Bank, the waiver applicable for 2007 is as under:-

- Loans for which invitation to negotiation was issued prior to 31.7.1998 - 0.05%
- Loans for which invitation to negotiation was issued on or after 31.7.1998 - 0.25%

(ii) Commitment charges payable on the undisbursed loan amount at 0.75% p.a.
The Bank have been notifying waiver of 0.50% since July 1991.

**** (i) In respect of credits finalised till July 1998, the repayment period was 50 years including a grace period of 10 years. IDA credits presently enjoy a grace period of 10 years with a repayment period of 25 years.

(ii) Commitment Charges is payable at 0.1% w.e.f. 01.07.2007 to 30.06.08.

(iii) 0.75% shown under column is termed as service charges.

Data Source : ***CAA&A***

Summary of Observations

2. Multilateral assistance today accounts for nearly 70% of the total assistance to India. Of this, IBRD and ADB loans, which are at market rate and are not concessional, alone account for 64%. The grant component in both these portfolios is negligible. Though, on an average, the degree of concessionality of external assistance to India continues to remain high by international standards, it is not so in the case of IBRD and ADB loans as these are market related and relatively costly. This has triggered a debate on the cost effectiveness of these loans and the rationale for keeping these loans in our portfolio in view of their implications on external debt management.

(A concept paper on Concessionality in External Assistance is at Section 8 - Annexure 1)

Section

5

Recent Trends in External Assistance

Trends in Bilateral & Multilateral assistance

1. The assistance received from multilateral and bilateral agencies during the last three years is given in Table 7.

Table 7. Total External Assistance

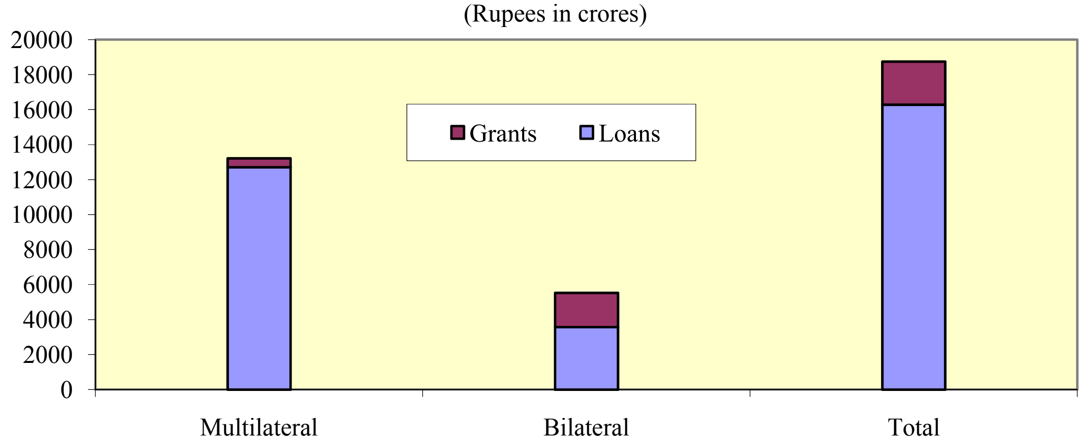
(Rupees in crores)

Sl. No.	Source	2004-05			2005-06			2006-07		
		Loans	Grants	Total	Loans	Grants	Total	Loans	Grants	Total
1.	Multilateral	10476.18	204.56	10680.74	12251.35	214.67	12466.02	12712.69	508.38	13221.09
2.	Bilateral	4186.39	2259.99	6446.38	3818.59	2490.59	6309.14	3573.45	1957.80	5531.26
	Total	**14662.57**	**2464.55**	**17127.12**	**16069.94**	**2705.26**	**18775.16**	**16286.14**	**2466.18**	**18752.35**

Data Source : CAA&A

2. The breakup of total external assistance received as multilateral and bilateral aid and in the form of loans and grant aid for the year 2006-07 is shown in Figure 4 below.

Figure 4 - Total External Assistance - 2006-07
(Rupees in crores)



3. Table 8 shows that bilateral assistance accounted for 26.84% of total external assistance in 2000-01 which increased to 29.5% in 2006-07, implying that nearly 3/4th of the external assistance

is currently being tapped from multilateral sources. International debate today is also focused on the advantages of multilateralism as it facilitates greater aid harmonization.

Table 8. Total Bilateral Assistance (%)

Year	Loans (as % of the total loans)	Grants (as % of the total grants)	Total (as % of the total external assistance)
2000-01	23.85	75.37	26.84
2001-02	29.06	87.33	32.79
2002-03	27.95	82.41	34.31
2003-04	28.07	92.8	35.83
2004-05	28.55	92.7	37.64
2005-06	23.76	92.06	33.6
2006-07	21.94	79.39	29.5

Data Source : CAA&A

4. It is also seen from Table 8 that bilateral assistance has mostly come by way of grants. Bilateral grant assistance accounted for nearly 80% of the total grants in 2006-07 whereas bilateral loan assistance accounted for merely 22% of the total loans contracted. On the other hand, multilateral assistance largely comprises of loan component which in 2006-07 stood at nearly 78%. The trends at the global level are summarized in Box 6.

Box 6 Global trends in international aid

In recent years, aid flows have seen significant shifts:

i) Overall ODA levels are increasing after having dropped during the 1990s.

ii) 70 per cent of the total ODA is in the form of bilateral ODA and 30 per cent is from multilateral institutions. This 70-30 ratio for bilateral and multilateral ODA has remained virtually constant since 1995.

iii) Over time, bilateral ODA has moved towards a stronger emphasis on grants, with the amount of bilateral grant aid rising from 89 per cent in 1995 to 98 per cent in 2002. In contrast, thirty years ago, grants were only 66 per cent of bilateral ODA.

iv) There has also been a change in the composition of these grants. Bilateral ODA has shifted further towards special purpose grants such as technical cooperation or emergency and debt relief which often carry less flexibility in their use and/or do not necessarily transfer real resources of equivalent value.

v) As per the 2004 Global Monitoring Report only a third of bilateral ODA goes for "structural" development programmes and project expenditures. These areas are dominated by multilateral assistance.

vi) Multilateral institutions provide almost the same amount of programme and project aid as bilateral donors. The bulk of multilateral ODA flows through the UN system, MDBs like IBRD, IDA and Regional Development Banks (RDBs) such as the African Development Bank (AfDB), ADB and IDB.

vii) In terms of the sectoral distribution of ODA, recent years have witnessed a shift away from productive sectors such as industry and agriculture, and an increased focus on the social sectors. Social infrastructure and services have been an important area for all donors, given that the needs are immense, and the objective of attaining MDGs all too imminent. IDA devotes 40 per cent of its resources to this area, with the RDBs, UN and bilateral donors providing upwards of 30 per cent of their support in this category.

Source: Inputs derived from the Human Development Report 2005

State-wise trends in disbursement of external assistance

5. Table 9 indicates the state-wise trends in disbursement of external assistance. In 1997-98, central sector projects accounted for 40% of the total disbursed external assistance. Andhra Pradesh received the highest amongst the states which amounted to 9.8% of the total amount of Rs.8498.38 crores. Andhra Pradesh was followed by Maharashtra, West Bengal, UP and Tamil Nadu. In 2000-01, though central sector projects continued to absorb the highest disbursements, their share declined from 40% in 1997-98 to 34.6%. Andhra Pradesh continued to remain the top taker amongst the states at 13.63% of the total disbursed amount, followed by UP, Gujarat, Tamil Nadu and West Bengal. Multistate projects lost their share over the years. In 2005-06, Central sector projects continued to absorb the maximum disbursed amount at 50.4% of the total. However, the top position amongst the states was taken by West Bengal absorbing 6.8% of the disbursements, followed by Gujarat, Karnataka, Andhra Pradesh, Rajasthan and MP. Andhra Pradesh's share has declined significantly as compared to earlier years.

Table 9. Highest State-wise disbursements in external assistance

(Rs in crores)

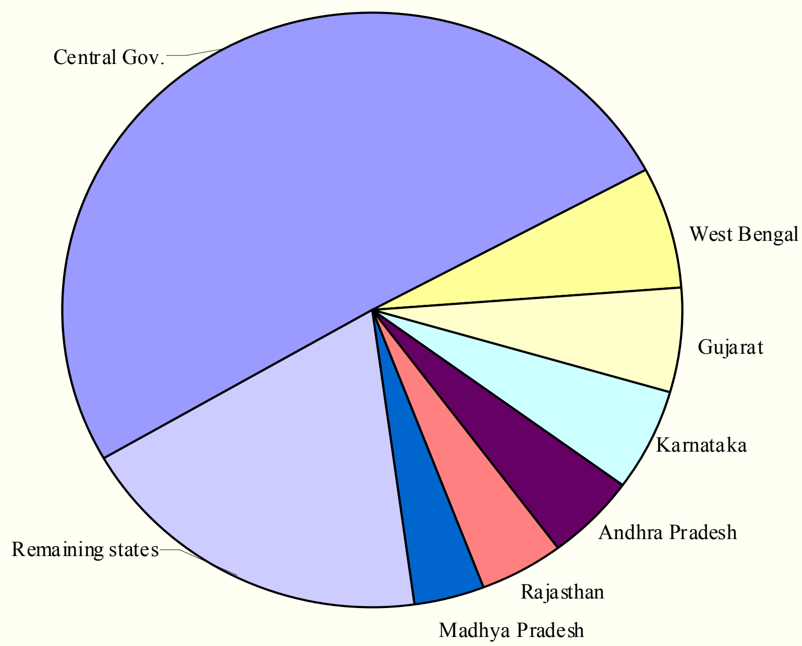
1997-98		
State	**Disbursements**	**% of total**
Central Government	3402.19	40.03
Multistate	1054.34	12.41
Andhra Pradesh	832.53	9.80
Maharashtra	646.11	7.60
West Bengal	560.46	6.59
UP	540.98	6.37
Tamil Nadu	305.42	3.59
Total	**7342.03**	**86.39**
Remaining states	1156.35	13.61
Grand Total	**8498.38**	**100**

2000-01		
State	**Disbursements**	**% of total**
Central Government	4323.78	34.55
Andhra Pradesh	1706.08	13.63
UP	1644.43	13.14
Gujarat	1030.02	8.23
Multistate	626.19	5.00
Tamil Nadu	591.24	4.72
West Bengal	464.82	3.71
Total	**10386.56**	**82.98**
Remaining states	2129.67	17.02
Grand Total	**12516.23**	**100**

2005-06		
State	**Disbursements**	**% of total**
Central Government	8778.97	50.42
West Bengal	1177.1	6.76
Gujarat	979.65	5.63
Karnataka	970.82	5.58
Andhra Pradesh	828.31	4.76
Rajasthan	779.48	4.48
MP	586.58	3.37
Total	**14100.91**	**80.99**
Remaining states	3309.83	19.01
Grand Total	**17410.74**	**100**

6. The disbursements of external aid for the major states are shown in Figure 5.

Figure 5 - Disbursements in 2005-06



Summary of observations

7. Central sector projects account for the major absorption of disbursement of external assistance. This is a positive indicator as it implies that the benefits of external assistance can be spread more uniformly across the states compared to the case of state specific projects where the benefits remain restricted to that particular state.

8. While central sector projects and a handful (six or seven) of prosperous states account for over 80% of the disbursements, disbursements to states like Bihar have been negligible since 2001-02 and were nil in 2005-06.

9. The north eastern and special category states account for just a little over 3% of the total disbursements. In 2001-02, this percentage was even lower at 1.16%.

10. Data shows that the spatial distribution of external assistance in India is skewed. States like West Bengal, Gujarat, Karnataka and Andhra continue to remain the major takers. (Table 2 above)

Trends in sector-wise disbursement

11. Table 10 below shows the sector-wise disbursement of external assistance. In the mid 1990s, the power sector received largest amount of the disbursement of external assistance (33.4% of the total). This was followed by the social sector, water resource management, agriculture and urban development. The top 5 sectors absorbed nearly 70% of the disbursed external assistance in the Government sector. With the beginning of the current century, the top position was taken over by the social sector which in 2000-01 received 23.6% of the disbursed amount and maintained the top position in 2005-06 receiving 19% of the total. The social sector was followed by roads, urban development, power and agriculture. The top 5 sectors received 63.5% of the disbursed assistance.

Table 10. Top 5 Sector wise disbursement of Government Loans and grants

(Rs.in crores)

12. Figure 6 shows the sector-wise disbursements of external aid for the year 2005-06.

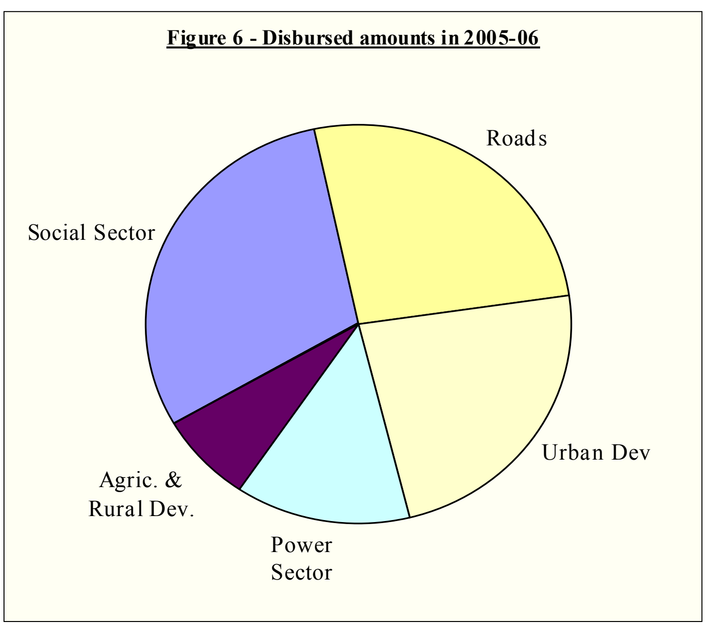


Figure 6 - Disbursed amounts in 2005-06

Summary of observations

13. The sector-wise disbursement figures indicate that right up to the mid 1990s, infrastructure remained the focus of external assistance. With the turn of the century, priorities have shifted towards the social sectors like health and education. This shift is largely in consonance with the commitments to fulfill the MDGs that commit nations to raise the poor out of poverty and hunger, get every child into school, empower women, reduce child mortality, improve maternal health, combat HIV/AIDS, malaria, and other diseases, and ensure environmental sustainability.

14. As per the Management for Development Results (MFDR) approach, it is well recognized that project objectives should form a part of the sectoral strategy, which in turn should be a part of the larger development framework. This philosophy has been well imbibed for externally aided projects. (Box 7). The shift in focus to the social sector is in line with the sectoral plan priorities. This does not undermine the importance of infrastructure development as projects in areas like road, urban development and power are also being given due importance. Simultaneously, the infrastructure sector is also tapping alternative sources of funding through public private partnerships.

Box 7 Management for Development Results (MFDR)

Management for Development Results (MFDR) emphasizes on how global development assistance can be made more effective by:

- Enhancing country ownership
- Aligning assistance with country priorities
- Harmonizing development agency policies and procedures
- Focusing on achievement of development outcomes
- Simple reporting, and
- Managing for and not by results and using results for learning and decision making.

Section 6

External Debt

1. Till the 1980s, India resorted to external assistance mostly on concessional terms from multilateral and bilateral sources. However, the repayments to IMF in the late 1980s, large fiscal deficits, balance of payments crisis in 1991, subsequent economic reforms in 1990s and inadequate domestic resource mobilization for growing socio-economic and infrastructure development needs of the country called for more external debt on commercial terms. Consequently, external debt stock, which was US $ 83.8 billion in 1990-91, increased over the years to reach US $ 155 billion at end-March 2007.

2. However, the seriousness of a country's indebtedness situation should not be gauged by the absolute level of its debt. The structure and composition of debt in terms of maturity structure, currency composition, creditor and borrower classification, and concessionality are as important as the absolute amount of debt in determining the problem of indebtedness. Thus, a nation's debt-bearing capacity can better be assessed by the ratio of debt to GDP. India's external debt as a proportion of GDP which was as high as 28.7% in 1990-91 has fallen to 16.4% in 2006-07.

3. The problem of indebtedness basically arises from difficulties associated with meeting debt-service obligations. The debt-service ratio, which expresses debt-service payments as a proportion of current receipts, is one of the standard measures for judging the debt problem of a country. For India, because of a prudent debt management policy and buoyant export growth, the debt-service ratio has declined steadily from 35.3 per cent in 1990-91 to 4.8 per cent in 2006-07(QE). These are positive signs.

Trends in External Debt

Government and non-government debt

4. Debt may be classified into government and non-government debt. Government debt includes multilateral and bilateral borrowing on government account under external assistance programmes as well as borrowings from IMF, defence debt and FII investment in government securities. All others including short-term debt are part of non-government debt.

5. The proportion of government debt to total external debt, which was showing an increasing trend during the first half of the 1990s, has declined steadily thereafter as compared to non-government debt. The share of government debt in total debt, which was 59.6 per cent at end-March 1991, gradually declined to 29.9 per cent in end March 2007. Correspondingly, non-government debt expanded from 40.4 per cent at end-March 1991 to 68.6 per cent in end March 2007.

Short term debt

6. According to international convention, debt of up to one year maturity is classified as short-term debt. An unduly high proportion of short-term debt in total debt, because of the short redemption period associated with such debt, creates a potential hazard for balance of payments management, and in case of an abrupt change in international market conditions or international investor confidence in the country, can lead to a serious depletion in the foreign exchange reserves of a country. Government of India has always kept a vigil on the build-up of short-term external debt.

7. India's stock of short-term debt declined from US $ 8.5 billion in 1991 to $ 11.97 billion at end March 2007 (QE). Although short-term debt at end-March 2007 is higher than that at end-March 1991 in terms of volume, the ratio of short-term debt to total debt, which measures the sensitivity of short-term debt, recorded a sharp decline from 10.2 per cent in 1991 to 7.7 per cent as at the end of March, 2007. In consonance with this trend, short-term debt as a percentage of Gross Domestic Product that was recorded at 3.0 per cent in 1990-91 declined to 1.3 per cent in 2006-07.

8. Recognising its volatile nature and characteristics, short term debt has been permitted in the post-reform period by India only for trade related purposes under normal terms. Besides, generally no roll over of short term credits is allowed beyond six months and RBI monitors the stock of short-term debt on an on-going basis. Consequently, the short-term debt is maintained in India well within a permissible level. Some increase has been recorded during the last two years as trade credits expanded particularly under oil trade. Trade credit includes buyers' credit of all maturities and suppliers' credit of 180 days to one year.

Long term debt

9. In total long-term debt, the proportion of long term debt to total debt rose from 89.8% in 1991 to 92.3% in 2007. This is indicative of reduced reliance on short term debt which is more volatile.

Multilateral and bilateral debt

10. At end-March 1990, the share of multilateral debt was 28 per cent. The share of bilateral debt (excluding rupee debt to Russia) in total long-term debt was 19.8 per cent at end-March 1990. In 2007, the share of multilateral debt fell to 23% and bilateral debt to 10.4%.

Concessional debt

11. Debt from some multilateral institutions, such as IDA, International Fund for Agriculture Development (IFAD), and Organisation of Petroleum Exporting Countries (OPEC), which has long maturity and relatively low interest, is treated as concessional. The loans from some of the other multilateral sources, such as the IBRD, ADB etc., however, are on terms close to market rates, and are classified as non-concessional. All Government borrowings from bilateral sources are on concessional terms. Rupee debt, which is serviced through exports, is also treated as concessional.

12. External debt stock has shown a structural change in terms of the decline in concessional debt (which is mainly on account of the shrinking shares of official creditors and of Government debt, which are mostly on concessional terms) from 45.9% of total debt in 1991 to 35.4% in 2001 and 25.7% in 2007. Despite the declining trend, India's share of concessional debt continues to be high by international standards.

Currency composition of external debt

13. The currency composition of India's external debt is weighted in favour of the US dollar. The share of US dollar debt has also increased over the years and accounted for 49.1 per cent of the total debt at the end of March 2007 as against 41.4 per cent at end-March 1994.

Policy on external debt management

14. As the balance of payments crisis of 1991 was triggered by an unsustainable level of external debt, the policy pursued by the Government of India with regard to external debt since then reflects a cautious approach of keeping external debt within manageable limits. The policy emphasis has been on concessional and less expensive loans with longer maturity profiles, monitoring of short-term debt, premature retirement of high-cost external loans and relying less on debt-creating capital flows to finance the external current account deficit. Some of the important policy measures undertaken during the last few years to consolidate external debt portfolio are summarised below:

i) Premature repayment of high-cost external loans

15. During the last three-four years, Government of India prematurely repaid a significant part of both multilateral and bilateral sovereign loans raised under external assistance programmes except those of Japan, Germany, USA and France. A Japanese loan of US$61.1 million was prepaid in 2006-07.

ii) Policy on Non-Resident Indian Deposits

16. In the pre-reform period, the policy initiatives were aimed at attracting non-resident deposits by offering a number of incentives including exchange guarantees and a higher rate of interest. Since 1991, such deposits have been streamlined by withdrawing the schemes with exchange guarantees, eliminating short-term components in a phased manner, revising the maturity structure of the deposits to encourage long-term deposits, allowing banks to decide the interest rates on foreign currency deposits subject to a limit based on LIBOR/Swap rates for the corresponding maturities, discontinuing non-repatriable schemes and rationalisation of the interest rate structure on Non-resident External Rupee Accounts.

iii) Policy on ECBs

17. Loans raised by the private sector from international capital markets with maturity of more than three years are classified as ECBs. While those with a maturity of less than one year fall under the category of short term credits, loans with a maturity of 1 to 3 years are categorised as trade credits. ECB proposals are approved within an overall annual ceiling fixed by the Ministry of Finance keeping in view the sectoral requirements and outcome of balance of payments in the medium term.

iv) Policy on short term debt

18. The policy with regard to short-term debt is essentially to strike a balance between the twin objectives of providing enough short term credits to meet import requirements, and to keep the level of such credits under control to prevent any payments problem. In the Indian context, short term debt comprises short-term trade credits and NRI deposits of one year or less. While NRI deposits of one year or less have been completely eliminated since April 2003, short-term trade credits are allowed only for import purposes. Short-term trade credits are under strict surveillance of the RBI. (Box 8)

deposits

- Discouraging roll-over of short term liabilities beyond six months

Source: India's External Debt –A Status Report (various publications)

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Sovereign External Debt Management

19. In terms of organisational structure of sovereign external debt management, the Front Office negotiates all new loans, while the measurement, monitoring and policy formulation of external debt are undertaken by the Middle Office. The Back Office looks after auditing, accounting, data consolidation and the working of the dealing office.

20. The Finance Minister is the final authority for granting approval for raising both internal and external debt. All loan negotiating divisions in the Ministry of Finance viz., Fund Bank, ECB Division, ADB Division, EEC Division, Japan Division, etc. as also the Reserve Bank of India (for IMF loans) perform the Front Office role. The External Debt Management Unit (EDMU) in the Ministry of Finance carries out Middle Office functions. The office of the Controller of Aid Accounts & Audit (CAA&A), Ministry of Finance acts as the Back Office for external debt.

21. Sovereign external debt in India takes two forms namely, 'external debt on Government account' and 'other Government external debt'. While the former, being a major component, comprises outstanding loans raised by the Government of India from multilateral and bilateral sources under the external assistance programme, 'other Government external debt' includes debt from the IMF, defence debt and FII investments in Government securities.

22. The Government of India also provides guarantees for external borrowings by public sector enterprises, developmental financial institutions and few private sector companies. Besides, it raises external loans on its own account under the external assistance programme. Loans raised under the external assistance programme also comprise a non-government portion. All loans raised by the non-government sector under the external assistance programme from multilateral and bilateral creditors carry a guarantee by the government. In addition, commercial borrowings by some public sector enterprises and financial institutions are also guaranteed by the Government of India. Such guarantees given by the government form part of the sovereign liability as the guarantees could be invoked in the case of default by the borrower in which case the government will have to honour the payment obligations. Thus, guarantees are a *contingent liability* of the Government.

Summary of observations

23. An unduly high proportion of short-term debt in total debt creates a potential hazard for balance of payments management, and in case of an abrupt change in international market conditions or international investor confidence in the country, can lead to a serious depletion in the

foreign exchange reserves of a country. Due caution has to be exercised to keep short term debt under control.

24. Prudent debt management not only requires keeping short term external debt by original maturity at manageable levels, but also to avoid bunching of long term maturing obligations, so as to keep the total short term debt by remaining maturity at comfortable levels. This has to be kept in mind at the time of approvals.

25. During the last three to four years, the Government of India prematurely repaid a significant part of both multilateral and bilateral sovereign loans raised under the external assistance programme. However, some low interest bearing loans have been repaid while high cost loans continue to remain on our portfolio. Simultaneously we continue to contract high cost loans like those of IBRD and ADB. This defies economic rationale and needs to be kept in mind while formulating future proposals on pre-payment.

Section

7

Concluding Remarks

Debt servicing

1. It is reassuring that the policies on external assistance followed by India have borne fruit resulting in better aid utilisation and harmonisation. Aid utilisation has improved from about 50% in the 1980s to over 90% today. Our position as regards debt servicing has also shown a marked improvement over the years. Table 11 (Figure 7) below indicates that during the last three years, India has been a net borrower implying that debt servicing has not resulted in making us net re-payers of debt. A large outgo on account of debt service in the form of principal and interest payments pre-empts a significant part of foreign exchange earnings, reducing the availability of foreign exchange for other essential payments.

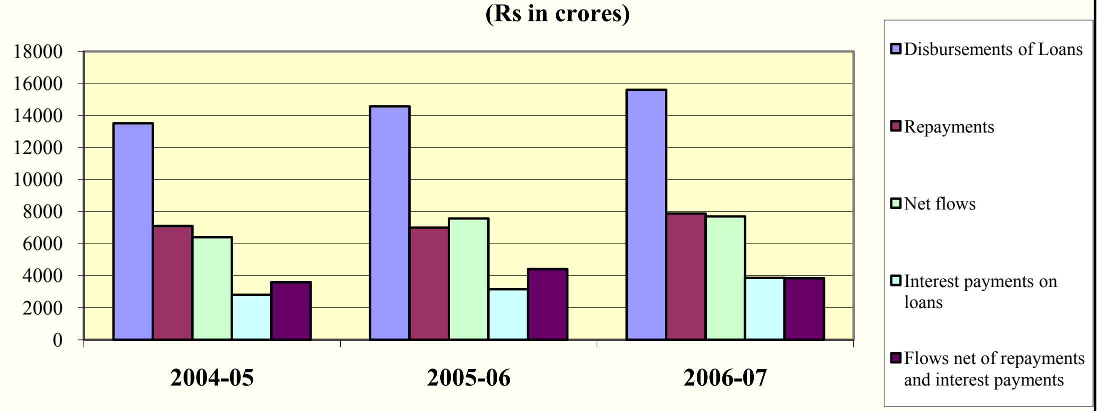
Table 11. Flows net of repayments and interest payments

(Rupees in crores)

Item	2004-05	2005-06	2006-07
Disbursements of Loans	13512.06	14574.17	15591.32
Repayments	7101.51	6997.85	7885.63
Net flows	6410.55	7576.32	7705.69
Interest payments on loans	2808.41	3156.32	3866.24
Flows net of repayments and interest payments	**3602.14**	**4420.00**	**3839.45**

Data Source : CAA&A

Figure 7 - Flows net of repayments and interest payments (Rs in crores)



Short term Debt Management

2. Further, policy makers have exercised due caution in keeping short term debt under control. An unduly high proportion of short-term debt in total debt creates a potential hazard for balance of payments management, and in case of an abrupt change in international market conditions or international investor confidence in the country, can lead to a serious depletion in the foreign exchange reserves of a country. Government of India has always kept a vigil on build-up of short-term external debt and consequently short term debt today accounts for only 7.7% of the total debt as against 10.2% in 1991.

3. Prudent debt management not only requires keeping short term external debt by original maturity at manageable levels, but also avoiding the bunching of long term maturing obligations, so as to keep the total short term debt by residual maturity at comfortable levels. This has to be kept in mind at the time of approvals.

Pre-payments

4. During the last three to four years, Government of India prematurely repaid a significant part of both multilateral and bilateral sovereign loans raised under the external assistance programme. However, it was observed that some low interest bearing loans were repaid while high cost loans continued to remain on our portfolio. While prepaying low interest loans on one side, we continue to contract high cost loans like those from IBRD and ADB. This defies economic rationale and needs to be kept in mind while formulating future proposals on pre-payment.

Cost effectiveness of ADB/IBRD loans

5. Despite the fact that IBRD and ADB loans are market related and therefore costly, the cost of these external loans remains below that of domestic borrowing. This is for the simple reason that domestic interest rates are ruling higher than the international interest rates, though a part of the advantage in interest rates was offset by the depreciation of the rupee. Whether external loans remain cost effective in the years to come as compared to domestic borrowing hinges on the difference in interest rates between the domestic and international markets as well as on the movement of the exchange rate of the Indian rupee vis-a-vis major foreign currencies. While the current external aid policy of supplementing the Government borrowing with borrowing from

abroad under external assistance continues, the IBRD and ADB loans cannot be dispensed with from our sovereign debt portfolio.

Shift in Sectoral focus

6. There has also been a shift in the sectoral focus. While in the mid 1990s, basic infrastructure sectors like power and railways got more focus for externally aided projects, there has been some shift now towards the social sectors like health and education. This shift is largely in consonance with the commitments to fulfill the Millennium Development Goals.

Skewed Distribution of external assistance

7. The structure of external assistance in India appears to be skewed in favour of a few states. While central sector/multistate sector projects and 7-8 prosperous states account for nearly 90% of the disbursements, disbursements to states like Bihar have been negligible since 2001-02. North eastern and special category states account for just a little over 3% of the total disbursements. States like Andhra Pradesh, West Bengal and Gujarat continue to remain the major absorbers of external assistance. These issues need attention.

Multilateralism

8. The importance of multilateralism is today gaining ground in the international forum on grounds that too much proliferation and fragmentation of aid agencies imposes an undue burden on recipient Governments confronted by a large number of donors. Multilateral agencies not only allow a channel for collective action, they are better balanced, provide economies of scale, reduce costs and result in better aid harmonisation. Although internationally the multilateral/bilateral mix of external assistance has stagnated since 1995 at about 30:70, in the case of India, bilateral assistance accounts for just 30% of the total external assistance while the rest of the external assistance is provided by multilateral sources.

Technical co-operation vs. budget support

9. Another area of debate in the international forum is the move of ODA towards specific grants like technical co-operation. Technical co-operation (TC) should be complementary to the extent that it transfers useful knowledge and skills, thereby creating enabling conditions which raise programme and project effectiveness. Though TC is welcome, the focus should be on cash/budget support. Untying TC and providing it as budget support could yield savings through the competitive hiring of experts.

Improving Aid Effectiveness

10. The drive to harmonize, align and manage development assistance for greater development results has been gathering momentum in the international fora. In the Paris High Level Forum on Aid Effectiveness held in 2005, donors and partner countries recommitted themselves to improve aid delivery by systematically leveraging donor resources to help attain concrete development results at the country level. The Paris Declaration set benchmarks for "scaling up" aid both in terms of quality and quantity. India, is well positioned to meet the challenges ahead. (Box 9)

Box 9 Improving Aid Effectiveness

There is a consensus in the global economy on the need to improve aid effectiveness. More aid, of better quality and more effectively used are important goals for improving the international aid system. The problems relating to aid quantity and aid quality undermine aid effectiveness and impose huge transaction costs on recipient governments.

Improving aid effectiveness - What needs to be done?

- Without a sustained increase in aid, the Millennium Development Goals (MDGs) will not be achieved. If donor countries are serious about tackling global poverty, reducing inequality, the targets of delivering 0.5% of their national income in aid by 2010 and 0.7% by 2015 have to be met.

- Higher aid volumes need to be matched by improvements in the quality of aid. Several factors influence aid quality and effectiveness, like harmonization and alignment of aid, the modality through which assistance is delivered, the allocation of aid, and the volatility and predictability of aid flows.

- There is a need for sharing of information on planned donor activities. Better coordination among aid delivery channels—bilateral funds, multilateral funds, global funds, and private funds is essential for delivering aid effectively. Donor harmonisation is essential for reducing transaction costs.

- Predictable aid flows are especially critical in low-income countries where aid flows are large relative to government revenues and budgets.

- All donors stress the virtues of "country ownership", of giving recipients more control over how aid is spent. Yet most link aid to stringent conditions which need to be done away with.

- There is need for a shift away from tied aid as it often raises transaction costs for recipients. Some donors apply restrictive procurement rules to meet their own requirements, creating multiple procurement structures and weakening coordination.

- Aid is most effective when it is channelled through budgets and expenditure frameworks that reflect priorities set out in poverty reduction strategies.

- Innovative financing mechanisms could augment aid flows and development investment and also improve the predictability and flexibility of aid. Several of these mechanisms are in early stages of implementation, for example the International Finance Facility for Immunization (IFFIm) is being established as a pilot.

- Senior managers of donor agencies need to work with politicians and civil society to build broad and effective support for moving forward on the Paris framework.

- Technical cooperation (TC) continues to be a key donor tool for supporting capacity building, although there are issues surrounding its effectiveness. Untying TC and providing it as budget support could yield savings through the competitive hiring of experts.

Source: Inputs derived from Human Development Report 2005

Section

8

Annexure 1

Concept Paper on Concessionality in External Assistance

Understanding Basic Terms

Grace period is the period during which only interest payments are made. No repayments of the principal amount are made during this period.

Repayment period is the period during which the loan is repaid.

Maturity period is the sum of the grace and repayment periods.

The nominal (face) value of a loan equals the loan amount borrowed and is defined as the sum of principal payments outstanding. It is unrelated to the interest rate of a loan.

The present value (PV) of a loan is the sum of all future debt service obligations (principal and interest) on existing debt, discounted at an appropriate interest rate.

Concept

1. The concessionality of a loan is measured by its ***grant element***. This is defined as the percentage difference between the nominal value (face value) of the loan and its present value (the discounted future debt-service payments).

2. Whenever the interest rate charged for a loan is lower than the market-related discount rate, the resulting present value of the debt is smaller than its face value, with the difference reflecting the grant element of the loan.

3. The grant element of the loan is the portion of the loan that, at a given time, is not expected to be repaid, i.e. the shortfall of the above mentioned present value relative to the amount disbursed.

Measuring concessionality

4. Different 'prevailing market rates' or 'discount rates' are used by the various international institutions or donors to calculate grant element. Therefore, which discount rate should be used is a moot point.

5. The concept of concessionality was first introduced in 1969 by the Development Assistance Committee (DAC) of the OECD. It entailed a minimum 25 percent grant element calculated on the basis of a flat 10 percent discount rate. That definition is still used by the OECD for ODA. Over time the OECD refined the definition of concessionality for export credits and discount rates calculated on the basis of currency-specific commercial interest reference rates (CIRRs) replaced the 10 percent rate. A margin is added to the CIRR to reflect the maturity of the loan. This definition, which reflects more accurately the opportunity costs to lenders, has been in place since 1996.

6. Discount rates should evolve over time with market conditions prevailing at the time the aid content of loans is estimated. The discount rate should also follow the currency in which debt service is payable. The fixed 10 percent discount rate utilized in ODA fails the test of time and currency.

Defining concessionality

7. For the purposes of Official Development Assessment (ODA), loans are classified as concessional if their grant element exceeds 25 per cent, and as non-concessional (and hence ignored) otherwise.

8. The concessionality of a loan, i.e. its grant element, increases:

- the lower the interest rate
- the longer the grace period
- the longer the maturity period
- the more back-loaded the repayment profile.

9. Three exercises have been carried out to calculate the grant element in a loan. The broad results are summarized below:

EXERCISE 1

a. **Using a flat 10% discount rate**

b. **Using a CIRR+margin approach**

a. Using a flat 10% Discount rate

The grant element is calculated on the basis of a flat 10 percent discount rate. The results are given in Table 1.

Table 1. Grant element at discount rate 10%	
Source	**Grant element w.r.t. 10 per cent discount rate**
IBRD	39.40
IDA	79.98
ADB	42.50
Germany (Bank portion) Germany (Govt. Portion)	21.20 86.10
Japan	72.67

Results

As per this criteria all loans are concessional. Even the IBRD and ADB loans are concessional as per this analysis which shows that the 10% discount rate tends to over estimate the grant element.

b. <u>Using CIRR +margin approach</u>

Discount rates specific to the currency prevailing at the time of raising the loan are used. OECD publishes these discount rates or the Commercial Interest Reference Rates3 (CIRRs) on a monthly basis. These CIRRs stipulate the minimum interest rates that are applicable to the official financing support for export credits.

The discount rate, depending on the maturity of the debt is the CIRR rate plus the margin, when calculating the grant element of a loan so as to identify a non-concessional loan.

Additional costs like a frontal fee, commitment charges and service charges have also been taken into consideration for calculating the grant element of an external loan.

Results

Table 2. Grant element at CIRR plus margins		
Source	**Currency specific discount rate (CIRR) plus margins**	**Grant element w.r.t. currency specific discount rate**
IBRD	8.05	28.00
IDA	6.71	67.13
ADB	8.05	31

- 3 "Commercial Interest Reference Rates" means the monthly CIRRs for debt denominated in the relevant currency with a maturity exceeding 8.5 years, which are published by the Organisation for Economic Cooperation and Development (OECD).

Germany (Govt. Portion) Germany (Bank Portion)	7.25 6.25	77.67 3
Japan	4.95	45.32

The result of this analysis as indicated in Table 2 above show all the ODA from development partners except from Germany (Bank portion) provides concessional lending with varying elements of concessionality.

A detailed analysis of the different financial loans from Germany (Bank) shows (Table 3) that all the loans will not fall into the category of being concessional ODA if calculated at a currency specific discount rate CIRR and for maturity of twelve years, as the Grant Element will be less than 25%. However, for loans with maturity of 20 years the grant element is greater than 25%.

Table 3. Germany (commercial loan) with CIRR 6.25 for M=12 and CIRR7.05 for M=20 with varying interest rates

Maturity Period (M) (Grace + repayment)	Interest Rates	Present Value	Grant Element (%)
2+10	6%	972.56	3
	3.18%	820.08	18
	3.36	829.81	17
	2.4 + EURIBOR	777.90	22
5+15	2.89	630.45	37
	2.71	618.16	38
	2.4 EURIBOR	597.00	40

However, if the same Grant Element is calculated at currency specific interest rates CIRR adjusted with margins and averaged according to the period of maturity, provided by OECD, which stipulates the minimum interest rates that shall apply to the official financing support for export credits, the result shows that highest concessional loans are of Germany (Govt. Portion), followed by IDA, Japan, ADB, IBRD, Germany (Bank), in descending order.

The interest rates of external development loans are generally lower than the domestic cost of borrowings, even after taking into account exchange fluctuations, but the grant element varies significantly across the development partners.

EXERCISE 2

Using a 5% uniform discount rate

Concessionality has been worked out using a 5% uniform discount rate. (Table 4).

Table 4. Grant element comparison amongst external donors	
Source	**Grant element w.r.t. 5 per cent discount rate**
IBRD	6.69
IDA	57.52
Germany (Govt. Portion)	62.97
Germany (Bank portion)	(-)8.56
Japan	47.00
ADB	6.48

Results

Only the IDA, Germany (Government portion) and Japan loans emerge as concessional.

EXERCISE 3

Using a weighted average interest cost

In Exercise 3, to quantify the interest rate difference between domestic and external borrowings the weighted average interest for the past 3 years in respect of external borrowings as well as domestic borrowing of the GOI, excluding the impact of exchange rate fluctuations, has been worked out. The results are shown in Tables 5 and 6.

Table 5. Comparative analysis of debt service liability on external as well as domestic borrowings

	Domestic	**External****	**Total**
Debt on disbursement (DOD) as on 1.4.2004	707,965.23	183,088.90	891,054.00
Interest paid	105,330.00	2,808.44	108,138.43
Weighted average interest cost	14.87%	1.53%	12.14%
DOD as on 1.4.2005	758,995.00	191,077.61	950,071.81
Interest paid	115,199.00	3,156.30	118,355.32
Weighted average interest cost	15.17%	1.65%	12.46%
DOD as on 1.4.2006	862,370.00	194,075.86	105,646.00
Interest paid	121,566.00	3,866.32	125,432.00
Weighted average interest cost	14.09%	1.99%	11.87%
DOD as on 1.4.2007	973,323.00	201,210.00	1,173,533.00
Interest (BE 2007-08)	127,986.00	4,317.00	132,303.00
Weighted average interest cost	13.5%	2.15%	11.26%

Table 6. Weighted interest rate on external borrowings (%)

	Weighted interest cost of External borrowings (%)			
Source	**2004-05**	**2005-06**	**2006-07**	**2007-08 (BE)**
ADB	3.76	4.49	6.28	6.85
IDA	0.87	0.79	0.82	0.80
IBRD	2.14	4.13	5.78	6.01
Russia	3.03	3.42	3.44	3.48
Germany	0.89	0.74	0.84	0.78
Japan	2.57	2.35	2.37	2.44
France	2.57	2.21	2.49	2.27
USA	2.88	2.89	2.92	3.10
Others	1.05	1.03	1.03	1.05

Results

External borrowings are helping in reducing the interest cost of borrowings of the GOI.

The increase in weighted cost of external borrowings (**) is due to an increase in lending from ADB and IBRD in US dollars.

The weighted interest cost on external borrowings on the sovereign account is far lower than the weighted interest cost on domestic borrowings.

Conclusions drawn from Exercises 1, 2 & 3

1) The grant element needs to be calculated from the policy angle by comparing the interest rate charged on a particular loan by the donor with the rate at which funds could be raised by the Government from alternate sources in the same currency. As the Indian Government does not borrow from international capital markets, the benchmark rate or discount rate or the cost of funds in the same currency from alternate sources, is not available. Therefore, the use of any other discount rate is a mere approximation.

2) **Reasons for the sharp increase in the interest rates of IBRD and ADB loans with the cost of JBIC loan being nearly flat -** The interest rates used are derived effective interest rates which represent the total amount of interest paid during the year as a percentage of total debt outstanding at the beginning of the year. IBRD and ADB loans are at variable interest rates and therefore interest amounts paid during the year were influenced by the recent gradual upswing in international interest rates which affected alike all the IBRD loans in the debt portfolio. Japanese loans, on the contrary, are at fixed exchange rates and therefore a major part of interest amount paid during the last few years continued to be governed by the old rates at which the loans were contracted and the recent movement in interest rates did not have much impact on total debt service payments.

3) **Are ADB and IBRD loans cost effective?**

   - IBRD and ADB loans bear market-related interest rates. Although IBRD and ADB charge market related interest rates, there is some concessionality, albeit relatively small, in IBRD and ADB loans as illustrated by the exercise carried out. In the absence of any benchmark rate available for Indian sovereign borrowing abroad, since Indian Government does not access international capital market, the exact measurement of benefits from borrowing from the above institutions becomes difficult. Nevertheless, if the surrogate Government borrowings are any indication, it can be pointed out that the IBRD and ADB loans are still worthy of consideration as their ‘loading factor’ is relatively small and even after adding their margin, their loans remain a shade cheaper.

The IBRD currently imposes an effective spread of 0.14 per cent (0.39 minus a rebate of 0.25) and ADB charges 0.2 per cent (0.4 minus a rebate of 0.2). A scrutiny of a few surrogate Government borrowings contracted abroad recently reveals that the minimum spread charged on our prime foreign borrowing is not less than 0.3 per cent. The Shipping Corporation of India raised a US dollar loan from the international capital market amounting to US $ 92 million in March 2007 with a ten year maturity at an interest rate of LIBOR plus 0.3 per cent. Similarly, Indian Oil Corporation raised a yen loan amounting to US $ 205 million at an interest of LIBOR plus 0.3 per cent.

- The IBRD and ADB are able to keep their margins low as compared to those on commercial loans since these institutions can borrow from donors or raise funds from the international capital market at a very competitive rate because of their sound 'credit standing'.
- It is quite often argued that the loans from bilateral sources, especially from Japan, carry a greater element of grant as Japanese interest rates are lower and therefore we must borrow from Japan on a larger scale substituting US dollar loans from the multilateral institutions. This argument does not appear to be tenable from the risk management point of view. Japanese loans already account for more than 25 per cent of our sovereign debt portfolio and indiscriminate borrowing in yen would only scale up our exposure to yen, thereby increasing the currency risk.
- The continuance of borrowing from IBRD and ADB assumes special importance from the point of view of the possibility of India being kept out of IDA loans. IDA loans are extended only to low income countries. At present, India, though a low income country, is at the border line. With the strengthening of the rupee and continued higher GDP growth, it is only a matter of time (maximum one or two years) before India is disqualified for IDA loans.
- If the current external aid policy of supplementing the government borrowings with borrowings from abroad under external assistance is continued, then IBRD and ADB loans need to stay in our sovereign debt portfolio. On the contrary, if the policy decision is to shrink the size of external borrowing, perhaps the loans from these institutions can be dispensed with. The latter does not seem to be a prudent policy choice at this juncture as India still has resource constraints, though not of foreign exchange, for sustained economic development.
- Compare the cost of domestic and foreign borrowings, the cost of external loans, particularly from IBRD and ADB, remained far below that of domestic borrowing for the simple reason that domestic interest rates have ruled higher than the international

interest rates, even though a part of the advantage in interest rates was offset by the depreciation of the rupee. Whether external loans remain cost effective in the years to come as compared to domestic borrowing will depend on the difference in domestic and international interest rates as well as on the movement in the exchange rate of the Indian rupee vis-a-vis major foreign currencies.

[This Concept Paper has been compiled on the basis of inputs from Project Monitoring Unit, Office of Controller of Aid , Accounts & Audit (CAA&A) and External Debt Management Unit (EDMU) in the Department of Economic Affairs][4]

[4] The numerical Exercise 1 was carried out Ms. Ritu Jain, Deputy Director (Bilateral Cooperation), DEA. Exercise 2 & 3 were undertaken by officers from the Office of CAA&A, DEA. Inputs in analyzing the results of Exercise 1, 2 & 3 were provided by Mr.S.V.S.Dixit, OSD, External Debt Management Unit, DEA.

Section

9

Tables

1. The tables in this section contain data pertaining to external assistance received.

Aid receipts, repayments and interest payments arranged by Plan period

Table 1. Plan period-wise aid receipts, repayments and interest payment

(Rupees in crores)

S. No	Category	Value of agreements concluded	Receipts	Repayment of principal	Repayment of interest
1	**First Five Year Plan: 1951-1956**				
	Government loan	243.79	121.57	10.50	13.30
	Non-government loan	0.00	0.00	0.00	0.00
	Government grants	137.96	70.18	0.00	0.00
	Total	**381.75**	**191.75**	**10.50**	**13.30**
2	**Second Five Year Plan: 1956-1961**				
	Government loan	2,409.68	1,186.32	55.20	64.00
	Non-government loan	0.00	83.24	0.00	0.00
	Government grants	121.46	160.64	0.00	0.00
	Total	**2,531.14**	**1,430.20**	**55.20**	**64.00**
3	**Third Five Year Plan: 1961-1966**				
	Government loan	2,666.13	2,772.60	305.60	294.54
	Non-government loan	0.00	0.00	0.00	0.00
	Government grants	132.58	107.15	0.00	0.00
	Total	**2,798.71**	**2,879.75**	**305.60**	**294.54**
4	**Yearly Plan: 1966-1967**				
	Government loan	1,426.80	1,034.30	159.70	118.58
	Non-government loan	0.00	0.00	0.00	0.00
	Government grants	79.70	97.10	0.00	0.00
	Total	**1,506.50**	**1,131.40**	**159.70**	**118.58**
5	**Yearly Plan: 1967-1968**				
	Government loan	702.00	1,073.03	177.37	153.47
	Non-government loan	0.00	61.87	33.33	0.00
	Government grants	16.80	60.70	0.00	0.00
	Total	**718.80**	**1,195.60**	**210.70**	**153.47**

S. No	Category	Value of agreements concluded	Receipts	Repayment of principal	Repayment of interest
6	**Yearly Plan: 1968-1969**				
	Government loan	878.40	728.64	167.67	127.65
	Non-government loan	0.00	108.76	68.53	0.00
	Government grants	68.40	65.20	0.00	0.00
	Total	**946.80**	**902.60**	**236.20**	**127.65**
7	**Fourth Five Year Plan: 1969-1974**				
	Government loan	3,976.00	3,139.94	1,006.66	880.48
	Non-government loan	0.00	890.96	577.54	0.00
	Government grants	196.20	152.80	0.00	0.00
	Total	**4,172.20**	**4,183.70**	**1,584.20**	**880.48**
8	**Fifth Five Year Plan: 1974-1978**				
	Government loan	6,153.90	4,615.03	1,431.59	776.58
	Non-government loan	0.00	226.25	221.60	90.24
	Government grants	1,354.20	883.75	0.00	0.00
	Total	**7,508.10**	**5,725.03**	**1,653.19**	**866.82**
9	**Yearly Plan: 1978-1979**				
	Government loan	1894.60	822.76	469.70	245.65
	Non-government loan	0.00	81.35	54.97	25.67
	Government grants	441.10	273.36	0.00	0.00
	Total	**2,335.70**	**1,177.47**	**524.67**	**271.32**
10	**Yearly Plan: 1979-1980**				
	Government loan	1,295.10	973.06	453.15	267.98
	Non-government loan	0.00	75.60	50.69	28.93
	Government grants	564.40	304.53	0.00	0.00
	Total	**1,859.50**	**1,353.19**	**503.84**	**296.91**
11	**Sixth Five Year Plan: 1980-1985**				
	Government loan	15,197.20	8,713.43	2,592.27	1,686.97
	Non-government loan	0.00	409.12	313.58	206.28
	Government grants	1,564.10	1,780.14	0.00	0.00
	Total	**16,761.30**	**10,902.69**	**2,905.85**	**1,893.25**
12	**Seventh Five Year Plan: 1985-1990**				
	Government loan	41,325.20	18,998.88	6,409.98	5,158.98
	Non-government loan	0.00	1,123.49	754.87	327.85
	Government grants	2,739.50	2,572.74	0.00	0.00
	Total	**44,064.70**	**22,695.11**	**7,164.85**	**5,486.83**
13	**Yearly Plan: 1990-1991**				
	Government loan	6,795.28	5,638.58	2,233.59	1,863.36
	Non-government loan	806.02	531.46	94.95	90.24
	Government grants	522.08	534.25	0.00	0.00
	Total	**8,123.38**	**6,704.29**	**2,328.54**	**1,953.60**

S. No	Category	Value of agreements concluded	Receipts	Repayment of principal	Repayment of interest
14	**Yearly Plan: 1991-1992**				
	Government loan	9,785.01	9,116.25	3,495.30	2,762.52
	Non-government loan	2,657.25	1,579.56	155.15	243.36
	Government grants	1,119.08	918.98	0.00	0.00
	Total	**13,561.34**	**11,614.79**	**3,650.45**	**3,005.88**
15	**Eighth Five Year Plan: 1992-1997**				
	Government loan	49,157.59	43,451.57	28,097.08	20,000.13
	Non-government loan	13,016.97	8,421.44	2,530.64	2,748.27
	Government grants	8,821.56	4830.44	0.00	0.00
	Total	**70,996.12**	**56,703.45**	**30,627.72**	**22,748.40**
16	**Ninth Five Year Plan: 1997-2002**				
	Government loan	65,011.71	51,919.93	42,588.30	21,675.33
	Non-government loan	14,854.67	14,192.14	5,895.03	4,476.53
	Government grants	9,071.28	5,280.29	0.00	0.00
	Non-government grants	781.96	288.19	0.00	0.00
	Total	**89,719.63**	**71,680.55**	**48,483.33**	**26,151.86**
17	**Tenth Five Year Plan: 2002-2007**				
	Back to Back loan	6,737.35	506.19	0.00	18.00
	Government loan	58,922.44	53,042.64	63,829.18	13,762.03
	Non-government loan	4,273.66	6,428.27	11,041.51	2,335.06
	Back to Back grants	474.91	1.05	0.00	0.00
	Government grants	7,351.20	8,978.62	0.00	0.00
	Non-government grants	26.57	295.21	0.00	0.00
	Total	**77,786.12**	**69,251.98**	**74,870.69**	**16,115.09**
	Grand Total Loans	**310,186.75**	**242,068.23**	**175,275.23**	**80,441.99**
	Grand Total Grants	**35,585.04**	**27,655.32**	**0.00**	**0.00**
	Grand Total	**345,771.79**	**269,723.55**	**175,275.23**	**80,441.99**

Notes:

1) In the grand total, loans on both government and non-government accounts are included
2) Exchange rates adopted:
   a. Authorisation – average exchange rates of previous years
   b. Receipts & debt service payments – current exchange rates at the time of transaction
   c. Figures under Interest Payments include Commitment Charges.

Source: CAA&A

Year-wise details of overall external assistance from 1979 onwards

Table 2. Overall external assistance

(Rupees in crores)

Year	Loans		Grants		Total	
	Authorisation	Utilisation	Authorisation	Utilisation	Authorisation	Utilisation
1979-80	1295.1	1048.6	564.4	304.5	1859.5	1353.1
1980-81	3771.2	1765.3	75.8	396.5	3847.0	2161.8
1981-82	2766.5	1519.4	207.4	345.5	2973.9	1864.9
1982-83	2549.4	1909.2	423.3	342.8	2972.7	2252.0
1983-84	1700.8	1962.4	386.9	303.4	2087.7	2265.8
1984-85	4409.3	1962.2	470.7	397.2	4880.0	2359.4
1985-86	5337.0	2493.1	313.4	442.9	5650.4	2936.0
1986-87	5730.0	3175.7	429.5	429.3	6159.5	3605.0
1987-88	8203.1	4574.4	1062.2	477.5	9265.3	5051.9
1988-89	12855.6	4738.6	214.2	565.8	13069.8	5304.4
1989-90	10105.8	5137.8	720.2	664.7	10826.0	5802.5
1990-91	7601.3	6170.0	522.1	534.3	8123.4	6704.3
1991-92	11805.8	10695.9	901.8	919.1	12707.6	11615.0
1992-93	13082.1	10102.2	1011.7	879.6	14093.8	10981.8
1993-94	11618.8	10895.4	2415.1	885.6	14033.9	11781.0
1994-95	12384.3	9964.5	1075.8	916.0	13460.1	10880.5
1995-96	10833.2	9958.6	1330.0	1063.6	12163.2	11022.2
1996-97	14208.8	10892.9	2932.6	1085.6	17141.4	11978.5
1997-98	14865.0	10823.4	2101.0	921.3	16966.0	11744.7
1998-99	8320.8	12343.4	209.8	895.5	8530.6	13238.9
1999-00	17703.7	13330.7	2615.3	1073.9	20319.0	14404.6
2000-01	17184.1	13527.1	940.6	727.2	18124.7	14254.3
2001-02	21630.0	16111.7	3465.0	1447.6	25095.0	17559.3
2002-03	19875.7	13898.3	1296.1	1835.8	21171.8	15734.1
2003-04	14754.4	15271.0	2350.7	2073.4	17105.1	17344.4
2004-05	22746.1	14660.9	3071.1	2490.7	25817.2	17151.6
2005-06	17309.1	16097.8	1628.8	2790.6	18937.9	18888.4
2006-07	28271.0	16890.6	3518.9	2528.4	31789.9	19419.0

Notes:

1) Figures of authorisation have been arrived at by applying the average exchange rate of the rupee with individual donor currencies. Figures of utilisation are at current rates applicable on the date of transaction
2) Figures of authorisation and utilisation include loans and grants on both government and non-government accounts

Source: Aid Accounts and Audit Division, Deptt. Of Economic Affairs, Ministry of Finance

Details of external assistance (authorisation and utilisation) arranged by source - 1980 onwards

a. Authorisation

Table 3. Authorisation of external assistance by source

(Rupees in crores)

S. No	Source & type of assistance	1980-81	1990-91	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
I.	*Consortium members*										
	a. Loans	2614.9	6787.8	4155.1	11918.5	14735.0	16052.7	11212.7	14329.7	13059.0	21150.1
	b. Grants	68.8	516.8	2603.8	923.0	2610.0	913.4	2147.3	2764.1	943.8	2596.4
	Total	**2683.7**	**7304.6**	**6758.9**	**12841.5**	**17345.0**	**16966.1**	**13360.0**	**17093.8**	**14002.8**	23746.5
	Country-wise distribution										
(i)	*Austria*										
	-- Loans	1.7	-	-	-	-	-	0.0	0.0	0.0	0.0
(ii)	*Belgium*										
	a. Loans	-	-	-	-	-	-	0.0	0.0	0.0	0.0
	b. Grants	-	-	-	-	-	-	0.0	0.0	0.0	0.0
	Total	**-**	**-**	**-**	**-**	**-**	**-**	**0.0**	**0.0**	**0.0**	**0.0**
(iii)	*Canada*										
	a. Loans	65.8	-	-	-	-	-	-	0.0	0.0	0.0
	b. Grants	4.9	-	41.7	20.6	-	0.9	-	0.0	0.0	0.0
	Total	**70.7**	**-**	**41.7**	**20.6**	**-**	**0.9**	**-**	**0.0**	**0.0**	**0.0**
(iv)	*Denmark*										
	-- Grants	-	7.4	47.7	15.6	-	11.3	15.4	0.0	0.0	0.0
(v)	*France*										
	-- Loans	182.0	1.3	-	-	-	21.9	-	0.0	0.0	0.0
(vi)	*Germany*										
	a. Loans	215.2	1069.3	268.7	187.7	343.0	73.6	-	0.0	0.0	116.1
	b. Grants	-	11.4	171.5	5.5	69.0	51.4	44.3	137.4	0.0	152.6
	Total	**215.2**	**1080.7**	**440.3**	**193.2**	**412.0**	**125.0**	**44.3**	**137.4**	**0.0**	268.7
(vii)	*Italy*										
	-- Loans	-	57.1	-	-	-	-	-	0.0	139.1	0.0
(viii)	*Japan*										
	a. Loans	46.6	1640.9	-	784.1	2053.0	4794.3	4717.4	4958.0	4150.1	7009.1
	b. Grants	15.0	61.6	5.7	2.2	5.0	2.8	6.2	7.7	53.1	2409.4
	Total	**61.6**	**1702.5**	**5.7**	**786.3**	**2058.0**	**4797.1**	**4723.6**	**4965.7**	**4203.2**	9418.5
(ix)	*Netherlands*										
	a. Loans	67.7	101.0	111.0	-	-	-	-	0.0	0.0	0.0
	b. Grants	22.1	126.2	-	6.5	332.0	361.2	-	3.4	0.0	0.0
	Total	**89.8**	**227.2**	**111.0**	**6.5**	**332.0**	**361.2**	**-**	**3.4**	**0.0**	**0.0**
(x)	*Sweden*										
	-- Grants	-	19.4	-	-	-	-	-	0.0	0.0	0.0
(xi)	*U.K.*										
	-- Grants	-	253.2	2041.1	474.7	1944.0	361.8	1693.4	2581.9	872.8	0.0
(xii)	*U.S.A.*										
	a. Loans	135.0	-	-	-	-	-	-	0.0	0.0	0.0
	b. Grants	26.8	37.6	287.8	0.8	122.0	96.8	381.4	0.0	0.0	0.0
	Total	**161.8**	**37.6**	**287.8**	**0.8**	**122.0**	**96.8**	**381.4**	**0.0**	**0.0**	**0.0**

S. No	Source & type of assistance	1980-81	1990-91	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
(xiii)	*I.B.R.D.*										
	a. Loans	362.2	2219.0	367.8	6816.8	8036.0	5836.1	3207.0	3328.3	5997.4	6842.6
	b. Grants	-	-	-	391.7	1.0	27.4	2.1	20.1	10.1	11.5
	Total	**362.2**	**2219.0**	**367.8**	**7208.5**	**8037.0**	**5863.5**	**3209.1**	**3348.5**	**6007.5**	6854.1
(xiv)	*I.D.A.*										
	a. Loans	1538.7	1698.4	3518.6	4129.9	4303.0	5326.8	3288.3	6043.4	2772.5	7182.3
	b. Grants	-	-	8.3	5.4	137.0	-	4.6	13.6	7.7	23.0
	Total	**1538.7**	**1698.4**	**3526.9**	**4135.3**	**4440.0**	**5326.8**	**3293.0**	**6057.0**	**2780.2**	7205.2
II.	*Russian Federation and East European Countries*										
	-- Loans	485.7	-	11250.3	-	-	-	-	0.0	0.0	0.0
	Country-wise distribution										
(i)	*Russian Federation*										
	-- Loans	485.7	-	-	-	-	-	-	0.0	0.0	0.0
III.	*Others*										
	a. Loans	670.6	813.5	2298.2	5265.6	6895.0	3823.0	3541.7	8416.4	4250.1	7120.9
	b. Grants	7.0	5.3	11.6	17.6	855.0	247.6	203.4	307.0	685.0	922.5
	Total	**677.6**	**818.8**	**2309.8**	**5283.2**	**7750.0**	**4070.6**	**3745.1**	**8723.4**	**4935.1**	8043.4
(i)	*Switzerland*										
	-- Grants	-	5.3	11.6	-	-	-	-	0.0	0.0	0.0
(ii)	*European Economic Community*										
	-- Grants	-	-	-	-	855.0	-	-	186.5	0.0	844.3
(iii)	*O.P.E.C. Fund*	39.8	11.6	-	-	-	-	-	0.0	0.0	0.0
	-- Loans										
(iv)	*Saudi Arab Fund for Development*										
	-- Loans	-	-	-	-	-	-	-	0.0	0.0	0.0
(v)	*Kuwait Fund for Arabic Economic Development*										
	-- Grants	7.0	-	-	-	-	-	-	0.0	0.0	0.0
(vi)	*International Fund for Agricultural Development*										
	a. Loans	13.9	-	134.7	-	170.0	-	233.6	0.0	64.2	186.7
	b. Grants	-	-	-	-	-	0.4	-	0.0	0.0	64.5
	Total	**13.9**	**-**	**134.7**	**-**	**170.0**	**0.4**	**233.6**	**0.0**	**64.2**	251.2
(vii)	*IMF Trust Fund*										
	-- Loans	534.0	-	-	-	-	-	-	-	-	-
(viii)	*International Sugar Organisation*										
	-- Loans	-	-	-	-	-	-	-	-	-	-
(ix)	*A.D.B.*										
	a. Loans	-	801.9	2163.5	5265.6	6725.0	3823.0	3308.1	8416.0	4185.9	6934.2
	b. Grants	-	-	-	-	-	242.0	-	0.0	442.4	0.0
	Total	**-**	**801.9**	**2163.5**	**5265.6**	**6725.0**	**4065.0**	**3308.1**	**8416.0**	**4628.4**	6934.2
(x)	*Spain*										
	a. Loans	-	-	-	-	-	-	-	-	-	-
	b. Grants	-	-	-	-	-	-	-	-	-	-
	Total	-	-	-	-	-	-	-	-	-	-

S. No	Source & type of assistance	1980-81	1990-91	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
(xi)	*Norway*										
	a. Loans	-	-	-	-	-	-	-	0.0	0.0	0.0
	b. Grants	-	-	-	-	-	-	-	0.0	0.0	0.0
	Total	-	-	-	-	-	-	-	0.0	0.0	0.0
(xii)	*Australia.*										
	a. Loans	-	-	-	-	-	-	-	0.0	0.0	0.0
	b. Grants	-	-	-	-	-	-	-	0.0	0.0	0.0
	Total	-	-	-	-	-	-	-	0.0	0.0	0.0
(xiii)	*Other International Institutions**										
	-- Grants	-	-	-	-	-	5.2	203.5	120.5	242.6	13.7
	Grand Total	**3847.0**	**8123.4**	**20319.0**	**18124.7**	**25095.0**	**21036.7**	**17105.1**	**25817.2**	**18937.9**	**31789.9**
	a. Loans	**3771.2**	**7601.3**	**17703.7**	**17184.1**	**21630.0**	**19875.7**	**14754.4**	**22746.1**	**17309.1**	**28271.0**
	b. Grants	**75.8**	**522.1**	**2615.3**	**940.6**	**3465.0**	**1161.0**	**2350.7**	**3071.1**	**1628.8**	**3518.9**

- Nil

* Other International Institutions include UNDP, UNFPA, Global Fund, IDF (WB) & UPU (Universal Postal Union).

Notes:

1) Figures of authorisation of external assistance include agreements signed on government and non-government accounts
2) Figures may not tally due to rounding off.

Source: Aid Accounts and Audit Division, Deptt. Of Economic Affairs, Ministry of Finance

b. Utilisation

Table 4. Utilisation of external assistance by source

(Rupees in crores)

S. No	Source & type of assistance	1980-81	1990-91	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
I.	*Consortium members*										
	a. Loans	1687.1	5383.5	10620.2	11168.6	14131.5	11457.6	12463.0	12466.0	13366.8	122468.4
	b. Grants	311.9	413.0	751.2	634.0	1371.2	1258.3	1857.2	1906.7	1716.2	1650.9
	Total	**1999.0**	**5796.5**	**11371.3**	**11802.6**	**15502.7**	**12715.9**	**14320.2**	**14372.8**	**15083.0**	124119.4
	Country-wise distribution										
(i)	*Austria*										
	a. Loans	2.0	18.7	-	-	-	-	-	0.0	0.0	0.0
	b. Grants	0.6	-	-	-	-	-	-	0.0	0.0	0.0
	Total	**2.6**	**18.7**	-	-	-	-	-	**0.0**	**0.0**	**0.0**
(ii)	*Belgium*										
	-- Loans	5.5	-	-	-	-	-	-	0.0	0.0	0.0
(iii)	*Canada*										
	a. Loans	21.3	-	-	-	-	-	-	0.0	0.0	0.0
	b. Grants	-	15.8	6.4	2.9	-	1.5	1.3	2.0	0.2	2.0
	Total	**21.3**	**15.8**	**6.4**	**2.9**	-	**1.5**	**1.3**	**2.0**	**0.2**	2.0
(iv)	*Denmark*										
	a. Loans	2.9	0.1	-	-	-	-	-0.4	0.0	0.0	-
	b. Grants	-	57.1	53.8	49.5	34.7	54.8	49.4	15.7	0.0	-15.4
	Total	**2.9**	**57.2**	**53.8**	**49.5**	**34.7**	**54.8**	**48.9**	**15.7**	**0.0**	-15.4
(v)	*France*										
	a. Loans	70.1	164.2	79.9	65.2	26.6	51.7	37.8	51.3	23.2	4.4
	b. Grants	-	-	-4.4	-	-	-	-	0.0	0.0	-
	Total	**70.1**	**164.2**	**75.6**	**65.2**	**26.6**	**51.7**	**37.8**	**51.3**	**23.2**	4.4
(vi)	*Germany*										
	a. Loans	142.3	422.3	307.4	318.9	294.7	367.4	196.3	18.0	34.4	180.3
	b. Grants	1.2	0.4	103.3	67.8	90.0	187.4	133.0	108.9	157.0	213.3
	Total	**143.5**	**422.7**	**410.7**	**386.7**	**384.7**	**554.8**	**329.3**	**127.0**	**191.4**	393.5
(vii)	*Italy*										
	-- Loans	-	10.6	-	-	-	2.2	0.2	0.0	0.0	-
(viii)	*Japan*										
	a. Loans	62.0	861.3	3706.5	2714.0	4277.6	3319.4	3272.3	2907.9	2688.7	2125.3
	b. Grants	28.2	33.6	35.8	15.8	23.0	9.6	2.8	63.4	56.4	53.5
	Total	**90.2**	**894.9**	**3742.3**	**2729.8**	**4300.6**	**3529.0**	**3275.1**	**2971.3**	**2745.1**	2178.8
(ix)	*Netherlands*										
	a. Loans	72.5	125.3	77.5	49.5	-	-	-	0.0	0.0	-
	b. Grants	33.8	67.8	84.2	70.3	278.2	101.5	195.1	49.2	35.6	4.5
	Total	**106.3**	**193.1**	**133.7**	**70.3**	**278.2**	**101.5**	**195.1**	**49.2**	**35.6**	4.5
(x)	*Sweden*										
	a. Loans	-	164.8	-	-	-	-	-	0.0	0.0	-
	b. Grants	52.9	34.2	30.8	-	-	-	-	0.0	0.0	-
	Total	**52.9**	**199.0**	**30.8**	-	-	-	-	0.0	0.0	-
(xi)	*U.K.*										
	a. Loans	1.5	-	-	-	-	-	-	0.0	0.0	-
	b. Grants	195.2	181.7	295.0	307.3	836.7	778.7	1279.9	1506.9	1371.5	1318.2
	Total	**196.7**	**181.7**	**295.0**	**307.3**	**836.7**	**778.7**	**1279.9**	**1506.9**	**1371.5**	1318.2
(xii)	*U.S.A.*										
	a. Loans	82.4	34.5	-	-	-	-	-	0.0	0.0	-
	b. Grants	-	22.4	74.5	81.1	66.2	49.9	110.6	99.6	52.7	44.6
	Total	**82.4**	**56.9**	**74.5**	**81.1**	**66.2**	**49.9**	**110.6**	**99.6**	**52.7**	44.6

S. No	Source & type of assistance	1980-81	1990-91	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
(xiii)	*I.B.R.D.*										
	a. Loans	138.8	2184.6	2797.8	3222.4	3766.0	3123.0	4033.2	3690.6	4168.0	4459.4
	b. Grants	-	-	22.1	24.5	7.2	49.4	58.8	34.5	32.6	15.3
	Total	**138.8**	**2184.6**	**2819.9**	**3246.9**	**3773.2**	**3172.4**	**4092.0**	**3725.1**	**4200.6**	4474.6
(xiv)	*I.D.A.*										
	a. Loans	522.0	1388.6	3635.2	4848.1	5737.0	4277.9	4151.9	4603.0	5345.3	4291.4
	b. Grants	19.0	-	30.3	14.8	35.4	25.6	26.4	26.6	10.4	15.0
	Total	**541.0**	**1388.6**	**3665.5**	**4862.9**	**5772.3**	**4303.5**	**4178.3**	**4629.6**	**5355.6**	4306.4
(xv)	*International Fund for Agricultural Development*										
	a. Loans	7.3	8.5	43.9	40.1	63.9	56.7	55.0	32.0	49.5	111.9
	b. Grants	-	-	19.5	-	-	-	-	0.0	0.0	-
	Total	**7.3**	**8.5**	**63.4**	**40.1**	**63.9**	**56.7**	**55.0**	**32.0**	**49.5**	111.9
(xvi)	*IMF Trust Fund*										
	-- Loans	537.5	-	-	-	-	-	-	-	0.0	-
II.	*Russian Federation and East European Countries*										
	-- Loans	32.9	312.8	27.5	130.1	29.7	316.1	771.7	1195.2	1107.3	1407.7
	Country-wise distribution										
(i)	*Russian Federation*										
	-- Loans	32.9	295.3	27.5	130.1	29.7	316.1	771.7	1195.2	1107.3	1407.7
(ii)	*Reps of Czech and Slovak* -- Loans	-	17.5	-	-	-	-	-	0.0	0.0	-
III.	*Others*										
	a. Loans	45.3	473.7	2683.0	2228.5	1980.2	2541.6	2808.0	2194.9	2731.0	4422.2
	b. Grants	84.6	121.3	322.7	93.2	76.4	578.4	216.1	583.9	1074.4	877.4
	Total	**129.9**	**595.0**	**3005.7**	**2321.7**	**2056.6**	**3120.0**	**3024.2**	**2778.8**	**3805.4**	5299.7
	Country-wise distribution										
(i)	*Abu Dhabi Fund*										
	-- Loans	2.0	-	-	-	-	-	-	0.0	0.0	-
(ii)	*Switzerland*										
	a. Loans	0.3	18.6	-	-	-	1.1	6.5	14.3	0.3	1.5
	b. Grants	13.9	1.1	-	-	4.3	0.7	4.4	12.1	0.0	1.0
	Total	**14.2**	**19.7**	-	-	**4.3**	**1.8**	**10.9**	**26.4**	**0.3**	2.6
(iii)	*Other International Institutions**										
	-- Grants	-	48.9	33.5	50.0	32.6	128.1	64.2	144.3	252.8	375.1
(iv)	*European Economic Community*										
	-- Grants	63.7	51.2	281.8	36.3	36.3	326.0	147.5	426.3	820.5	394.4
(v)	*Oil Producing & Exporting Countries* -- Loans	3.4	9.8	34.3	41.5	4.6	16.0	2.8	0.0	0.0	-
(vi)	*Saudi Arab Fund for Development*										
	-- Loans	13.0	29.7	6.2	-	-	-	-	0.0	0.0	-

S. No	Source & type of assistance	1980-81	1990-91	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
(vii)	*Norway*										
	a. Loans	-	-	0.1	-	-	-	-	0.0	0.0	-
	b. Grants	-	20.1	7.4	6.9	3.3	3.3	-	1.2	0.0	-
	Total	**-**	**20.1**	**7.5**	**6.9**	**3.3**	**3.3**	**-**	**1.2**	**0.0**	**-**
(viii)	*Spain*										
	-- Loans	-	33.2	-	-	-	-	-	0.0	0.0	-
(ix)	*Kuwait Fund for Arabic Economic Development*										
	a. Loans	8.6	1.3	0.7	-	-	-	-	0.0	0.0	-
	b. Grants	7.0	-	-	-	-	-	-	0.0	0.0	-
	Total	**15.6**	**1.3**	**0.7**	**-**	**-**	**-**	**-**	**0.0**	**0.0**	**-**
(x)	*A.D.B.*										
	a. Loans	-	381.1	2641.7	2146.9	1911.7	2467.8	2743.8	2148.6	2681.3	4308.8
	b. Grants	-	-	-	-	-	120.3	-	0.0	1.1	106.9
	Total	**-**	**381.1**	**2641.7**	**2146.9**	**1911.7**	**2588.1**	**2743.8**	**2148.6**	**2682.4**	4415.7
(xi)	*Australia.*										
	-- Loans	-	-	-	-	-	-	-	0.0	0.0	-
	Grand Total	**2161.8**	**6704.3**	**14404.5**	**14254.3**	**17559.3**	**15835.9**	**17344.4**	**17151.6**	**18888.4**	**19419.0**
	a. Loans	**1765.3**	**6170.0**	**13330.7**	**13527.1**	**16111.7**	**13999.2**	**15271.0**	**14660.9**	**16097.8**	**16890.6**
	b. Grants	**396.5**	**534.3**	**1073.9**	**727.2**	**1447.6**	**1836.7**	**2073.4**	**2490.7**	**2790.0**	**2528.4**

- Nil

* Other International Institutions include UNICEF, UNDP, ILO, WHO, UNFPA, UNESCO, UPU, WFP, Global Fund, IDF (WB), and Ford Foundation.

Notes:

1) Utilisation figures are exclusive of suppliers' credit and commercial borrowings.
2) Utilisation of assistance is on government and non-government accounts.
3) Authorisation figures include agreements signed on government and non-government accounts
4) Figures may not tally due to rounding off.

Source: Aid Accounts and Audit Division, Deptt. Of Economic Affairs, Ministry of Finance

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***Note**: Inputs have largely been derived from various publications including Annual Economic Surveys, Annual Documents on External Debt, Manual on External Assistance by CAA&A and Five Year Plan documents.*