

**EXTERNAL ASSISTANCE**

This Annex gives in brief, the nature and magnitude of assistance in the form of loans, grants and commodities received from friendly foreign countries and International Organisations. The estimates of receipts of external assistance and repayments of principal and payment of interest during the years 2009-2010 and 2010-2011 are summarised in the following table:-

	<i>(In crores of Rupees)</i>		
	B.E. 2009-2010	R.E. 2009-2010	B.E. 2010-2011
A. Loans	27080.41	27765.93	34735.42
B. Cash Grants	2134.20	3077.59	2060.17
C. Commodity Grant Assistance	2.00	...	...
<b>D. Total(A+B+C)</b>	<b>29216.61</b>	<b>30843.52</b>	<b>36795.59</b>
E. Repayment of loans	11033.84	11230.49	12271.33
<b>F. External Assistance (Net of Repayments) (D-E)</b>	<b>18182.77</b>	<b>19613.03</b>	<b>24524.26</b>
G. Interest Payment on loans	4313.37	3686.08	3745.99
<b>H. External Assistance (Net of Repayments and Interest Payments) (F-G)</b>	<b>13869.40</b>	<b>15926.95</b>	<b>20778.27</b>

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

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

Those bilateral development partners, from whom it has been decided not to receive development assistance at Government level, have been advised to consider providing their development assistance to non-governmental organizations and universities, etc. in India. It has further been suggested that they may also consider routing their development assistance through multilateral development agencies.

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

**I. UNITED KINGDOM (UK)**

The United Kingdom has been providing Bilateral Development Assistance to India since 1958 through the Department For International Development (DFID). The UK is currently India's largest bilateral development cooperation partner in terms of grant assistance.

2. At present, development cooperation assistance of the UK flows to mutually agreed projects mainly in the social sectors such as education, urban development, health and rural livelihood within the overarching framework of poverty alleviation. Around 50% of DFID assistance is provided for Centrally Sponsored Schemes and the rest in State-sector projects. The priority States of the UK assistance are Andhra Pradesh, Madhya Pradesh, Orissa and West Bengal. In June 2008, DFID announced its new Country Plan 2009-15 for India, which will focus assistance to Centrally Sponsored Schemes of Government of India and social sector projects in Madhya Pradesh, Orissa and Bihar.

3. At present 22 projects are receiving Financial and Technical Assistance while 15 projects are receiving Technical Assistance only. During 2008-09, only one new project involving a total grant of pound 18 million (Rs.145 crore) was signed for DFID assistance. The on-going projects involve a total commitment of pound 1218 million (Rs.9,855 crore approximately) from DFID. During the current financial year (2009-10), DFID has disbursed pound 185.59 million (Rs.1405.57 crore) as on 31.1.2010 against Budget Estimate of Rs.1,030 crore.

**II. GERMANY**

Germany is one of the bilateral development cooperation partners of India. Germany has been providing both financial and technical assistance to India since 1958. Financial assistance is provided mainly as soft loan, reduced interest loan, development loan as well as grants routed through Kreditanstalt für Wiederaufbau (KfW), the German Government's Development Bank. The technical assistance is provided in the form of grant through Deutsche Gesellschaft fuer Technische Zusammenarbeit (GTZ), a fully-owned corporation of German Government. Indo-German Development Cooperation Programme focuses on mutually agreed priority

areas like energy including energy efficiency, renewable energy, sector reform, environment including urban and industrial environmental protection, natural resources management and Sustainable Economic Development, including rural financing, social security systems, SME development and financing. Outside the priority area, financial cooperation will be continued to Pulse Polio Immunization Programme. The German ODA shall have pan-India coverage.

2. Main projects/programmes being funded under German assistance are Energy Efficiency Programmes, Rural Water Supply Projects, Pulse Polio Immunization Programme, Financial Assistance to National Bank for Agriculture & Rural Development(NABARD)/ Small Industries Development Bank of India (SIDBI), Railway Signalling, IREDA etc.

3. Total disbursement during the year 2009-10 (as on 31st January, 2010) for Government Loans was Rs.165.84 crore while the disbursement for Government grants was Rs.29.04 crore.

### III. ITALY

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

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

### IV. JAPAN

Japan has been extending bilateral loan and grant of assistance to India since 1958. Japanese bilateral loan assistance to India, Grant Aid and Technical Cooperation to India is received through JICA (Japan International Cooperation Agency). Japan is the largest bilateral donor to India. Since 2003-04, India has become the largest recipient of Japanese ODA loan.

2. In the financial year 2009-10 (till 31.01.2010), ODA loan disbursement to India is JPY 59,199 billion (Rs.3,207.58 crore). Official Development Assistance (ODA) from Japan is expected to be on the level as indicated below:

Loan from Japan:

RE 2009-2010	-	Rs.5893.10 crore
BE 2010-2011	-	Rs.8860.91 crore

Grant from Japan:

RE 2009-2010	-	Rs.1.00 crore
BE 2010-2011	-	Rs.2.00 crore

3. During the financial year 2009-10, loan agreement for Dedicated Freight Corridor Project (Phase-I) has been signed on 27.10.2009. The loan agreements for the following projects are expected to be signed:

S.No.	Name of the Project
1	Delhi Mass Rapid Transport System Project Phase 2(V)
2	Kolkata East West Metro Project (II)

4. Besides, there are 56 ongoing projects being implemented with ODA loan assistance from Japan.

### V. RUSSIAN FEDERATION

Nuclear Power Corporation of India Limited is constructing Kudankulam Nuclear Power Project (KKNPP) of 2000 MW capacity (twin units) using VVER-1000 type Pressurized Water Reactor technology. The project is being implemented with technical co-operation under an Inter-Government Agreement (IGA) signed on 20.11.1988 and a supplement to the same, signed on 21.06.1998 between Republic of India and Government of Russian Federation. The latter has agreed to extend a State Credit of US \$ 2600 million for the construction of the above project.

2. The expected utilization of the assistance for Kudankulam Nuclear Power Project during 2010-11 would be Rs.33.18 crore.

### VI. UNITED STATES OF AMERICA

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

2. Total assistance that would be disbursed in 2009-10 (till 31<sup>st</sup> March, 2010) will be of the order of US \$ 24.28 million for the 8 agreements.

3. Under PL-480 Title II program, commodity assistance of US \$ 11.0 million has been obligated by USAID during 2009-10 (till 31<sup>st</sup> March, 2010).

4. RE 2009-10 is Rs.113.73 crore and BE 2010-11 has been kept at Rs.122.99 crore.

**VII. ASIAN DEVELOPMENT BANK (ADB)**

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

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

3. As on 30<sup>th</sup> September 2009, the ADB portfolio included 53 loans with a net loan amount of US\$ 9.144 billion.

4. ADB also provided one special grant of US\$ 100 million for Tsunami and 3 JFPRs (Japan Fund for Poverty Reduction) for US\$ 10.3 million as emergency relief to the States of Tamil Nadu and Kerala.

5. During the calendar year 2009, the following projects have been signed/negotiated:-

Sl. No.	Name of the Project	Amount US\$ in million
1.	North Eastern Region capital cities development investment program (MFF) (tranche-1)	30
2.	National Power Grid Development Investment Program (tranche-2)	200
3.	Madhya Pradesh Power Sector Investment Program (tranche-5)	166
4.	Assam Power sector Enhancement Investment Program (MFF)	200
5.	Mizoram public resource management and development program (regular loan)	100
6.	National Highway Corridor-1 (Suppl. Financing) (regular loan)	100
7.	Rural roads sector II Investment Program (tranche 4)	185
8.	India Infrastructure Project Financing Facility (IIPFF-II)	210
9.	Jharkhand State Roads Development Project	200
10.	Inclusive Tourism Infrastructure Development Project	21
	<b>Total</b>	<b>1412</b>

**VIII. EUROPEAN COMMISSION (EC)**

The EC has been extending Development Cooperation assistance to India since 1976. This assistance is entirely in the form of grant and is currently focused on the areas of environment, public health & education.

2. The EC conceptualizes multi-annual economic and development cooperation programme for partner countries through their Country Strategy Papers (CSP). The EC issued the new Country Strategy Paper for India 2007-2013 on 20.7.2007. The CSP would cover two Multi-Annual Indicative programmes (MIPs). Under the first MIP, a total amount of Euro 260 million has been committed for the period 2007-10 and a Memorandum of Understanding (MoU) was signed between India and EC on 30.11.2007. Under MIP-I, the EC has agreed to allocate Euro 110 million for health, Euro 70 million for education and Euro 80 million for implementation of Joint Action Plan. For MIP-II, a total of Euro 210 million has been earmarked by EC for the period 2011-13.

**IX. INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD)**

IBRD aims to reduce poverty in middle-income countries and credit-worthy poorer countries by promoting sustainable development, through loans, guarantees, non-lending services, which include analytical and advisory services.

2. From February 12, 2008, the IBRD has consolidated its loan offerings, the Fixed Spread Loan (FSL) and Variable Spread Loan (VSL), into one product line - the IBRD Flexible Loan or IFL. FSLs and VSLs are no longer variable base rate (6 month LIBOR) plus a spread. The lending rate is reset on each interest payment date and applies to interest periods beginning on those dates. The spread may be 'fixed' or 'variable' depending upon the option exercised by the borrower. For 'variable' option the spread consists of the IBRD's weighted average cost margin relative to 6-month London Inter Bank Offered Rate (LIBOR) for funding (recalculated twice

a year), and the IBRD's contractual lending spread. The maximum final maturity is 30 years including grace period (during which only interest is paid). There is no commitment fee and the Front End Fee is 0.25% of the loan amount.

3. The cumulative lending by IBRD by way of loans up to 31.9.2009 is US\$ 36,217.26 million. The commitments were against projects in various sectors like Power, Small & Medium Enterprises Development, Banking Sector Restructuring, Infrastructure Finance etc.

4. During the year 2009 (upto 31.3.2009), six projects were approved with commitment amount of US\$ 5105 million.

#### **X. INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)**

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

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

3. IDA assistance to India began in 1961 and has been an important component of external assistance programme. As on 31.3.09, IDA's cumulative lending to India is US\$ 33,309.56 million. During the year 2009 (1<sup>st</sup> April to 30<sup>th</sup> September 2009), three projects were approved with the commitment amount of US\$ 447 million. The commitments were for projects in sectors such as rural water supply, poverty alleviation and agriculture development.

#### **XI. INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD)**

International Fund for Agricultural Development was set up in 1977 as the 13<sup>th</sup> specialized agency of the United Nations. 165 countries are members of the IFAD and these are grouped into three lists: List - A: Developed Countries, List - B : Oil Producing Countries and List - C: Developing Countries. India is in List - C. IFAD is headed by an elected President and has Governing Council and an Executive Board.

2. India is one of the original members of the IFAD. Since inception, India has contributed US\$ 79 million towards the resources of IFAD. For 8th Replenishment, India has pledged to contribute an amount of US\$ 25 million to the IFAD's resources. Total contribution of US\$ 250 million will be deposited in 3 instalments of US\$ 9 million in FY 2009-10 and US\$ 8 million each in the financial year 2010-11 and 2011-12.

3. Upto 31.3.2009, IFAD has assisted in 23 projects in the agriculture, rural development, tribal development, women's empowerment, natural resources' management and rural finance sectors with the commitment of US\$ 636.4 million (approximately). Out of these, 15 projects have already been closed. Presently, eight projects with a total assistance of US\$ 254.35 million are under implementation.

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

#### **XII. UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP)**

United Nations Development Programme has been India's partner in development, with a presence in the country since 1951. The overall mission of the UNDP is to assist the programme countries through capacity development in Sustainable Human Development (SHD) with priority on poverty alleviation, gender equity, women empowerment and environmental protection. All assistance provided by the UNDP is a grant assistance.

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

3. The total resource requirement for the new Country Programme adopted in September 2007 is estimated at US\$ 150-200 million, out of which one third would be Core, one third Non-Core and remaining mobilized from UN Trust Funds etc.

4. The Country Programme Action Plan (CPAP) which will guide the UNDP programmes during the period 2008-12, was signed between Government of India and UNDP on 27.2.2008, which will remain in force till 31st December 2012.

5. Projects worth US\$ 194 million approximately have been approved so far under the CPAP.

**Statement 1**  
**External Loans**

(In crores of Rupees)

Name of the Country/ Institution	Receipts			Repayments		
	Budget Estimates 2009-2010	Revised Estimates 2009-2010	Budget Estimates 2010-2011	Budget Estimates 2009-2010	Revised Estimates 2009-2010	Budget Estimates 2010-2011
<b>Multilateral</b>						
International Bank for Reconstruction & Development	5325.87	5174.26	14820.85	1827.28	1755.96	2161.95
International Development Association	5769.86	7387.35	4102.82	3850.89	3849.12	4055.35
International Fund for Agricultural Development	130.10	129.28	165.12	51.05	50.99	54.10
Asian Development Bank	7352.38	7760.71	5230.36	621.05	605.54	935.65
Eastern European Community (SAC)	...	...	...	6.99	7.38	7.30
Organisation of the Petroleum Exporting Countries	9.00	20.00	...	4.06	3.96	8.49
<b>Total (Multilateral)</b>	<b>18587.21</b>	<b>20471.60</b>	<b>24319.15</b>	<b>6361.32</b>	<b>6272.95</b>	<b>7222.84</b>
<b>Bilateral</b>						
Germany	294.04	685.13	1442.64	453.74	488.02	498.66
France	...	...	...	239.22	257.28	249.50
Italy	20.00	23.22	79.54	...	...	...
Japan	7575.54	5893.10	8860.91	3115.34	3210.25	3241.94
Switzerland	...	...	...	2.97	3.22	3.39
U.S.A.	...	...	...	282.57	274.61	218.14
Russian Federation	603.62	692.88	33.18	578.68	724.16	836.86
<b>Total (Bilateral)</b>	<b>8493.20</b>	<b>7294.33</b>	<b>10416.27</b>	<b>4672.52</b>	<b>4957.54</b>	<b>5048.49</b>
<b>Grand Total</b>	<b>27080.41</b>	<b>27765.93</b>	<b>34735.42</b>	<b>11033.84</b>	<b>11230.49</b>	<b>12271.33</b>

**Statement 2**

**Grants and Commodity Assistance from Friendly Foreign Countries and International Bodies**

(In crores of Rupees)

Name of the Country/ Institution	Budget Estimates 2009-2010	Revised Estimates 2009-2010	Budget Estimates 2010-2011
<b>Multilateral</b>			
Asian Development Bank	42.36	75.00	...
International Fund for Agricultural Development	10.00	19.10	2.00
International Bank for Reconstruction and Development	2.00	12.20	11.94
International Development Association	10.25	2.70	6.35
<b>Bilateral</b>			
Germany	76.00	38.60	56.40
Japan	50.00	1.00	2.00
United Kingdom (Department For International Development)	1030.00	1580.49	1192.00
Eastern European Community	350.00	400.00	450.00
United States Agency for International Development	83.81	113.73	122.99
<b>International Bodies</b>			
Global Environment Fund	407.00	704.15	82.50
United Nations Development Programme	67.78	85.76	84.99
United Nations Population Fund	7.00	44.86	49.00
<b>TOTAL</b>	<b>2136.20</b>	<b>3077.59</b>	<b>2060.17</b>