

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 interest payments during the years 2008-2009 and 2009-2010 are summarised in the following table:-

| | <i>(In crores of Rupees)</i> | | |
|---|------------------------------|-------------------|-------------------|
| | B.E. 2008-2009 | R.E. 2008-2009 | B.E. 2009-2010 |
| A. Loans | 19209.93 | 19578.35 | 27080.41 |
| B. Cash Grants | 1755.31 | 2745.52 | 2134.20 |
| C. Commodity Grant Assistance | 40.02 | 2.49 | 2.00 |
| D. Total(A+B+C) | 21005.26 | 22326.36 | 29216.61 |
| E. Repayment of loans | 8220.66 | 9975.15 | 11033.84 |
| F. External Assistance (Net of Repayments) (D-E) | 12784.60 | 12351.21 | 18182.77 |
| G. Interest Payment on loans | 4143.17 | 4158.80 | 4313.37 |
| H. External Assistance (Net of Repayments and Interest Payments) (F-G) | 8641.43 | 8192.41 | 13869.40 |

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

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

I. CANADA

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

In accordance with our policy on bilateral loans, Government of India, in October 2003, had prepaid the entire Canadian Loan of CAD 419.941 million against the loans taken by Government of India during 1966-1984.

In the recent past no new project has been started with bilateral assistance from Government of Canada.

II. GERMANY

Federation Republic of 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 KfW, the German Government's Development Bank. The technical assistance is provided in the form of grant through the 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.

Main projects/programmes being funded under German assistance are Energy Efficiency Programmes, Rural Water Supply projects, Pulse Polio Immunization Programme, Financial Assistance to NABARD/SIDBI, Railway Signalling, etc.

Total disbursement during the year 2008-09 (as on 31.08.2008) for Government Loans was Rs.231.44 crore while the disbursement for Government grants was Rs.21.28 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 31.3.2008 between Government of Italy and Government of India.

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 Pound 25.82 million for this project. The total amount disbursed as on 31.12.2008 during the current financial year is Rs.1.85 crore against RE of Rs.4 crore.

IV. JAPAN

ODA from Japan is expected to be on the level as indicated below:

| | | |
|-----------------|---|------------------|
| Loan from Japan | | |
| RE 2008-09 | - | Rs.3916.85 crore |
| BE 2009-2010 | - | Rs.7575.54 crore |

New loans are expected for the following projects:-

| S.No. | Name of the Project |
|-------|---|
| 1 | Chennai Metro Project |
| 2 | Hyderabad Outer Ring Road Project (Phase 2) |
| 3 | Capacity Development for Forest Management and Personnel Training Project |
| 4 | Micro, Small and Medium Enterprises Energy Saving Project |
| 5 | Guwahati Water Supply Project |
| 6 | Kerala Water Supply Project III |
| 7 | Hogenakkal Water Supply and Fluorosis Mitigation Project II |
| 8 | Delhi Mass Rapid Transport System Project Phase 2 (IV) |

Besides, there are 57 ongoing projects being implemented with ODA loan assistance from Japan for total amount of JPY 985499 million.

V. RUSSIAN FEDERATION

Nuclear Power Corporation of India Limited is constructing Kudankulam Nuclear Power Project 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 estimated utilisation of the assistance for constructing Kudankulam Nuclear Power Project during 2008-09 and 2009-10 is expected to be Rs.960.34 crore and Rs.603.62 crore respectively.

VI. 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 grants.

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.

At present, there are 31 on-going projects under implementation with DFID assistance involving assistance of Pounds 1660.45 million. During 2007-08, nine new projects involving a total grant of Pounds 506.7 million (Rs.4055 crore) were signed for DFID assistance. The total amount of DFID assistance disbursed during 2007-08 was Pounds 198.15 million (Rs.1600 crore). Against BE of Rs.1090 crore, an amount of Rs.1030 crore is expected to be received in 2009-10.

VII. UNITED STATES OF AMERICA

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

The assistance referred to above includes USAID's development assistance of US\$ 30.165 million authorized during US fiscal year which ended on 30.9.2008 and covers the 9(Nine) Amendatory Agreements signed during 2008-09 financial year for US\$27.534 million. It is estimated that during the current financial year Rs.84.21 crore would be received under USAID.

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.

The EC conceptualizes multi-annual economic and development cooperation programme for partner countries through their Country Strategy Papers (CSP). Under the CSP for India for 2002-2006, the EC had allocated Euro 225 million in the health, education & environment sectors and the State Partnership Programmes (SPP) with Chhattisgarh and Rajasthan. The EC has committed to provide Euro 160 million for six years (Euro 80 million each for Chhattisgarh and Rajasthan).

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 2007-2010 and a MoU was signed between India and EC on 30.11.2007. The EC has agreed to allocate Pound 110 million for health, Pound 70 million for education and Pound 80 million for implementation of the Joint Action Plan.

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.

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 LIBOR for funding (recalculated twice a year), and the IBRD's contractual lending spread. As on July 2008, the lending rate for IFL is LIBOR-2. There is no commitment fee and the Front End Fee is 0.25% of the loan amount.

The cumulative lending by IBRD by way of loans up to 30.9.2008 is US\$ 30712.26 million. The commitments were against projects in various sectors like irrigation, hydropower, rural cooperatives, roads, economic reforms etc.

During the year 2008 (upto 30.9.2008), three new projects were approved with commitment amount of US\$ 906 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 World's 81 poorest countries, to which it provides interest-free Loans (known as "credits") and other non-lending services. IDA depends on contributions from its wealthier member countries - including some developing countries- for most of its financial resources.

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.

IDA assistance to India began in 1961 and has been an important component of external assistance programme. As on 30.9.08, IDA's cumulative lending to India is US\$ 32862.56 million for projects in various sectors such as health, economic development, agriculture, poverty alleviation, etc.

During the year 2008 (upto 30.9.2008), four new projects were approved with the commitment amount of US\$ 1259.4 million.

XI. 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.

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.

As on 15th July 2008, the ADB portfolio included 36 loans with a net loan amount of US\$ 7.3 billion, and undisbursed amount of US\$ 4 billion.

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.

During Calendar year 2008 (upto October 2008), the following projects have been approved by/ negotiated with ADB:-

| SI. No. | Name of the Project | Amount US\$ in million |
|---------|---|------------------------|
| 1. | MFF - National Power Grid Development Investment Program | 600 |
| 2. | MFF - Himachal Clean Power Development Investment Program | 800 |
| 3. | Khadi & Village Industries Development Program | 150 |
| 4. | Assam Governance and Public Resource Management II | 100 |
| 5. | MFF - Orissa Integrated Irrigated Agriculture and Water Management Investment Program | 189 |
| 6. | Bihar State Road I | 420 |
| 7. | Madhya Pradesh Urban Sector Development Project (Supp) | 71 |
| 8. | MFF - Uttarakhand Urban Sector Development Investment Program (UUSDIP) | 350 |
| | Total | 2680 |

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. The assistance provided by the UNDP is in the form of grant.

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.

XIII. OPEC

OPEC is providing loan assistance to Government of India since 1977. There are about 15 loan agreements signed with OPEC. An amount of Rs.9 crore is likely to be received in 2009-10 towards strengthening the infrastructural facilities of the 'Central Institute of Plastics Engineering and Technology'.

Receipts Budget, 2009-2010

Statement 1
External Loans

(In crores of Rupees)

| Name of the Country/ Institutions | Receipts | | | Repayments | | |
|--------------------------------------|----------------------------------|-----------------------------------|----------------------------------|----------------------------------|-----------------------------------|----------------------------------|
| | Budget Estimates 2008-2009 | Revised Estimates 2008-2009 | Budget Estimates 2009-2010 | Budget Estimates 2008-2009 | Revised Estimates 2008-2009 | Budget Estimates 2009-2010 |
| Multilateral | | | | | | |
| I.B.R.D. | 4101.62 | 3194.26 | 5325.87 | 1321.14 | 1549.31 | 1827.28 |
| I.D.A. | 4804.42 | 5032.53 | 5769.86 | 3047.25 | 3531.45 | 3850.89 |
| I.F.A.D. | 70.50 | 81.62 | 130.10 | 41.52 | 47.30 | 51.05 |
| A.D.B. | 5513.85 | 6016.19 | 7352.38 | 441.81 | 491.35 | 621.05 |
| E.E.C.(SAC) | ... | ... | ... | 6.09 | 6.93 | 6.99 |
| O.P.E.C. | 10.95 | 13.50 | 9.00 | 3.29 | 3.88 | 4.06 |
| Total (Multilateral) | 14501.34 | 14338.10 | 18587.21 | 4861.10 | 5630.22 | 6361.32 |
| Bilateral | | | | | | |
| Germany | 236.80 | 336.73 | 294.04 | 384.94 | 443.61 | 453.74 |
| France | 14.08 | 22.33 | ... | 215.95 | 250.52 | 239.22 |
| Italy | 20.00 | 4.00 | 20.00 | ... | ... | ... |
| Japan | 3462.71 | 3916.85 | 7575.54 | 2131.41 | 2862.61 | 3115.34 |
| Switzerland | ... | ... | ... | 2.31 | 2.83 | 2.97 |
| U.S.A. | ... | ... | ... | 284.14 | 335.38 | 282.57 |
| Russian Federation | 975.00 | 960.34 | 603.62 | 340.81 | 449.98 | 578.68 |
| Total (Bilateral) | 4708.59 | 5240.25 | 8493.20 | 3359.56 | 4344.93 | 4672.52 |
| Grand Total | 19209.93 | 19578.35 | 27080.41 | 8220.66 | 9975.15 | 11033.84 |

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

| Name of the Country/ Institution | Budget Estimates 2008-2009 | Revised Estimates 2008-2009 | Budget Estimates 2009-2010 |
|-------------------------------------|-------------------------------|--------------------------------|-------------------------------|
| Multilateral | | | |
| ADB | 150.00 | 100.00 | 42.36 |
| IFAD | 25.00 | 15.00 | 10.00 |
| IBRD | 3.75 | 5.84 | 2.00 |
| IDA | 2.00 | 12.69 | 10.25 |
| Bilateral | | | |
| Germany | 86.58 | 36.27 | 76.00 |
| Japan | ... | 4.80 | 50.00 |
| Netherlands | 0.02 | ... | ... |
| United Kingdom (DFID) | 1090.00 | 1676.00 | 1030.00 |
| EEC | 130.04 | 246.44 | 350.00 |
| USAID | 67.15 | 84.21 | 83.81 |
| International Bodies | | | |
| GEF | 200.00 | 505.00 | 407.00 |
| UNDP | 40.79 | 58.11 | 67.78 |
| UNFPA | ... | 3.65 | 7.00 |
| TOTAL | 1795.33 | 2748.01 | 2136.20 |