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India's Development Grants Increases

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This editorial is based on the article '[India's development grants more than double in 5 years](#)' which appeared in "The Live Mint" on 29th April, 2019. The article talks about how increasing India's development grants is important for improving its status in the comity of nations.

When a country provides 'grants' to another country, it means that the country providing the grants is economically better positioned than the one receiving it. For a developing country like India, being able to provide development grants is a matter of pride because in the past India has itself been the recipient of such grants, especially from western economies.

In the last 5 years, India's development grants more than doubled! This is definitely a sign of India's progress (and power) in this century.

What made the news?

India's development partnership assistance, extended to countries through concessional loans, has more than doubled in the past five years. India, as the world's fastest-growing major economy, is trying to sustain its influence in Asia, Africa and Latin America amid growing Chinese presence in these regions.

The Short Gist

A key reason for the rise in India's lines of credit is greater availability of resources at its disposal.

The size of India's economy is estimated at \$2.69 trillion in 2019 (taking the rupee/dollar exchange rate as 70) with its GDP clocking more than 7% growth per annum.

- India's development assistance has risen from \$11 bn in 2013-14 to \$28 bn in 2018-19;
- India extended 278 lines of credit totalling about \$28 billion to 63 countries—most of them in Africa and Asia during 2018-19; This is a sharp increase from 195 lines of

credit worth \$11 billion in 2013-14;

Opinions from the editorial

A former foreign secretary opined that 'there is a conscious effort by India to increase its lines of credit portfolio in recent years because of the increased penetration of China in areas and regions seen as India's traditional strongholds'. Intention of the government is to position India as a *'leading power'* (internationally) and this requires gaining a *'footprint'* in countries friendly with India.

- **The current projects may not propel India into the league of China**—known for its signature infrastructure projects such as ports, roads, airports and bridges across Africa and other parts of the world. **But the potential of Indian companies to execute such projects and deliver according to agreed timelines and internationally accepted quality standards is being recognized.**
- **India scaling up its lines of credit also comes as China embarks on its ambitious Belt and Road Initiative (BRI)**—that involves building ports, airports, roads and railways across Asia, Africa and Europe.
There have been warnings from countries such as the US in recent years that signing up for BRI may mean countries falling into a "debt trap" as the terms favour Chinese companies and inability of recipient nations to repay Chinese loans on time would undermine their sovereignty.
- **In contrast, India's lines of credit and other forms of development partnership are projected as unique as they are demand-driven; they respond to felt needs of people; and they do not impose unacceptable burdens such as debt traps or long-term dependency.**

What are lines of credit?

Lines of credit are loans extended to foreign governments at concessional rates from money borrowed at market rates by India's EXIM Bank from the international market.

- Analysts say that lines of credit – one of the major components of India's development partnership that includes grant assistance as well as scholarships – helps India bolster its image as a credible development partner besides **aiding the creation of political influence and constituencies.**
- **It also helps India shed the tag of being an aid recipient – something common in the 1950s and 1960s.**

Some of the big-ticket projects completed by India in the past few years include:

- The presidential office in Ghana, the National Assembly building in Gambia;
- A cricket stadium in Guyana;

- The Kosti Power plant in Sudan;
- India has also helped refurbish a steel plant in Hama in war-torn Syria, scaling up its annual capacity from 70,000 million tonnes to 300,000 million tonnes.

To Conclude

1. India may want to spread its development grant packages to countries outside Asia and Africa. Like Western Europe and Latin America for example.
2. India should maintain its goodwill by continuing to not exploit borrowing countries. This will serve India's and the recipient countries interests in the long run.
3. India's progress as an economy should also reflect India's ambitions as a global trustworthy power, and continuing and increasing development grants is only going to put India in that position. As such, this method of engaging with the world is definitely a very good strategy for India.

What makes this topic important for UPSC?

In the past UPSC has asked questions such as this one: *"The question of India's Energy Security constitutes the most important part of India's economic progress. Analyze India's energy policy cooperation with West Asian Countries."* [GS II - 2017]

Now, if we replace 'energy' with 'grants', we can end up with a question like this: *"India's ability to provide development grants to other developing countries is an important sign of India's economic progress. Discuss."*