

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 of repayments of principal and interest payments during the years 2007-2008 and 2008-2009 are summarised in the following table:-

(In crores of Rupees)

	B.E. 2007-2008	R.E. 2007-2008	B.E. 2008-2009
A. Loans	17451.52	17402.60	19209.93
B. Cash Grants	2033.30	2051.16	1755.31
C. Commodity Grant Assistance	101.87	40.02	40.02
D. Total(A+B+C)	19586.69	19493.78	21005.26
E. Repayment of loans	8340.97	7432.59	8220.66
F. External Assistance (Net of Repayments) (D-E)	11245.72	12061.19	12784.60
G. Interest Payment on loans	4316.88	3889.53	4143.17
H. External Assistance (Net of Repayments and Interest Payments) (F-G)	6928.84	8171.66	8641.43

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

As per policy on Bilateral Development Cooperation, Bilateral Development Assistance will be 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 outstanding of CAD 419.941 million against the loans taken by Government of India during 1966-1986.

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

II. FRANCE

Government of France is extending the development assistance to India since 1968 and 144 agreements for Fr. 1103.4 million have been signed upto 31.3.2007. During 2007-08, French development assistance is not significant in amount. French assistance is tied to supply of goods and services. Only four developmental projects including Creation of Freshwater Prawn Hatchery, Maharashtra Digital Mapping Information System, Chembrambakkam Water Treatment Project are under implementation in cooperation with France.

The amount of French assistance disbursed during 2007-08 upto 30.09.2007 is Euro 0.007 million against Euro 0.833 million in RE 2007-08.

III. 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 and 213 agreements for DEM 3773.5 million have been signed upto 31.3.2007. Financial

Assistance has been 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 Efficiency, Environmental Policy, Protection and Sustainable use of Natural resource, Sustainable Economic Development (Financial and Private Sector Development).

In addition, Germany has also intended to provide development assistance in the health sector for financing social health insurance, prevention of pandemic and contagious diseases (HIV/ AIDS, Polio) and support to related health sector reforms.

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

Total disbursement for Government Loans during 2007-08 (as on 30.09.2007) was Rs.57.22 crore against RE of Rs.83.37 crore and Rs.44.51 crore against RE of Rs.68.38 crore for grants.

IV. ITALY

Italy has been providing bilateral assistance to India in the form of concessional credit since 1981 and 21 loan agreements in different currencies have been signed upto 31.3.2007 between Government of Italy and Government of India.

Italy has agreed to provide an interest free loan of Euro 25.82 million for Water Supply and Solid Waste Management Project in 14 towns in the State of West Bengal for which a loan agreement was signed on 10.1.2006. Italy also provides assistance to implement projects by Indian NGOs.

V. JAPAN

Japan is the largest Bilateral donor to India for last 15 years and 197 loan agreements have been signed between Government of Japan/Government of India for JPY 2.275 Trillion upto 31.3.07. Loan Assistance (ODA) from Japan is expected to be of the order of Rs.2617.68 crore during 2007-08 (RE) and Rs.3462.71 crore during 2008-09 (BE).

There has been net decrease of Rs.1902.08 crore from BE 2007-08 to RE 2007-08. This is mainly on account of less than anticipated drawals in Kerala Water Supply, Bakreswar Thermal Power Project, Karnataka Sustainable Forest Management Project, Bangalore Water Supply Phase-II, Purulia Pumped Storage Project and Bangalore Metro Rail Project. As on 30.9.2007 loan assistance of Rs.1158.75 crore have been received from Government of Japan.

During the Financial Year 2007-2008, new loans are expected for-

S.No.	Name of the Project
1.	Maharashtra Transmission System Project
2.	Goa Water Supply and Sewerage Project
3.	Haryana Transmission System Project
4.	Delhi Mass Rapid Transport System Project Phase 2 (III)
5.	Kolkata East West Metro Project
6.	Hyderabad Outer Ring Road Project Phase 1
7.	Uttar Pradesh Participatory Forest Management and Poverty Alleviation Project
8.	Hogenakkal Water Supply and Fluorosis Mitigation Project
9.	Tamil Nadu Urban Infrastructure Project

Besides, above there are 50 ongoing projects being implemented with ODA loan assistance from Japan.

I. **Grant from Japan:** Expected receipts of Grant assistance during the current financial year are as follows:

	(Rs. Crore)
(i) General Grant	4.23
(ii) Debt Relief Grant	4.80
Total	9.03

VI. RUSSIAN FEDERATION

Russia has remained a development partner since 1965. Nuclear Power Corporation of India Limited is constructing Kudankulam Nuclear Power Project of 2000 MW capacity (twin units) using VVER-1000 type Pressurised 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 signed on 21.6.1998 between Republic of India and Government of Russian Federation.

The estimated utilisation of the assistance for Kudankulam Power Project during 2007-08 and 2008-09 is expected to be Rs.737.12 crore and Rs. 974.71 crore respectively.

VII. 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. The UK assistance is available in the form of Financial Assistance (FA) (routed through Government of India budget) and Technical Assistance (TA) which includes consultancy services, deployment of experts, training, etc.

Development Cooperation Assistance of UK flows to mutually agreed projects mainly in Education, Slum Improvement, Health & Family Welfare and Rural livelihood sectors within the overarching framework of poverty alleviation. Around 50% of DFID assistance is provided for Centrally Sponsored Schemes (CSS), such as Sarva Shiksha Abhiyan and National AIDS Control Programme (NACP), RCH, etc. The priority States of the UK assistance are Andhra Pradesh, Madhya Pradesh, Orissa and West Bengal. DFID also contributes to Civil Society projects through Poorest Areas Civil Society (PACS).

In March, 2004, DFID launched its existing Country Plan for India for 2004-08. DFID is in the process of finalizing the new Country Assistance Plan 2009-15 for India, which will focus assistance in Madhya Pradesh, Orissa and gradual withdrawal from Andhra Pradesh and West Bengal and shift to two new States of Bihar and UP.

At present, there are 27 ongoing projects under implementation with DFID assistance involving assistance of Pounds 1400.45 million. During April-November 2007, five new projects involving a total grant of Pounds 223.7 million were signed for DFID assistance. The total amount of DFID assistance disbursed during 2007-08 is Rs.648.32 crore as on 30.9.07 against RE of Rs.1100 crore.

VIII. 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\$ 27.534 million authorized for US fiscal year 2007 which ended on 30.9.2007 and covers the 8(eight) Agreements/ Amending Agreements for a total amount of US\$ 26.936 million. As on 30.9.2007, Rs.14.05 crore has been received during the current financial year against RE of Rs.81.05 crore, in 2007-08.

Under PL 480 Title II program, commodity assistance of US\$ 31.038 million (including freight) has been obligated by USAID during US Financial Year 2007 (October 2006-September 2007).

IX. EUROPEAN COMMISSION (EC)

The European Commission (EC) has been extending 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.

Initially, EC's development assistance was in the form of project financing. However, with the Support of Health & Family Welfare Sector Programme, EC have shifted their strategy to Sector-based approach. 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, EC committed Euro 225 million for five years allocation in the health, education & environment and State Partnership Programme (SPP) with Chhattisgarh and Rajasthan. EC is providing Euro 160 million for SPP with allocation of Euro 80 million to each Chhattisgarh and Rajasthan. In the CSP 2007-2013 approved by EC on 20.7.2007, a total amount of Euro 260 million has been committed for the period from 2007-2010 under first Multi-annual Indicative Programme (MIP 2007-2010) for assisting upcoming projects in Education Sector, Health Sector and Implementation of Joint Action Plan. MoU for MIP 2007-2010 is likely to be signed in the current year.

There is only one ongoing central project in education sector (Sarva Shiksha Abhiyan) with EC assistance of Euro 200 million. Disbursement of EC assistance for ongoing development cooperation projects during 2006-07 was Euro 67.367 million.

X. INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD)

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

loans is 20 years, inclusive of a grace period of 5 years. The rate of interest on Variable Spread Loans consists of a variable base rate and a spread. The interest rate is reset semi-annually, on each interest payment date, and applies to interest periods beginning on those dates. The base rate is 6-month LIBOR for value at the start of an interest period. The rate of interest is 5.91% as on 15.9.07. There will be no commitment fee for new projects signed after 16.5.07. However, a front-end fee of 0.25% of loan amount would be payable from the effective date of the loan.

The cumulative lending by IBRD by way of loans up to 30.9.2007 is US\$ 29806.26 million. The commitments were against projects in various sectors like irrigation, hydropower, rural cooperatives, roads, economic reforms etc.

During the year 2007 (upto 30.9.2007), eight new projects were approved with commitment amount of US\$ 1666.5 million. Disbursement for Rs.1293.20 crore has been received till 30.9 2007 against RE of Rs.4305.04 crore.

XI. 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. Further, there is an annual commitment charge of 0.2% p.a. on undisbursed balance.

IDA assistance to India began in June 1961 and has been an important component of external assistance programme. As on 30.9.07, IDA's cumulative lending to India is US\$ 31603.16 million for projects in various sectors such as health, economic development, agriculture, poverty alleviation, etc.

During the year 2007(upto 30.9.2007), the eleven new projects were approved with the commitment amount of US\$ 1392.5 million. Upto 30.9.2007 disbursement of Rs.1580.40 crore has been received against RE of Rs.4033.09 crore. The enhancement in RE is mainly attributable to an increased outlay of Rs.150 crore in National HIV/AIDS Control Project.

XII. ASIAN DEVELOPMENT BANK (ADB)

The Asian Development Bank (ADB) is a major regional institution. India's subscription to the ADB's capital stock is the fourth largest of all member countries after Japan, USA and the People's Republic of China.

Initially, from the Bank's inception in 1966, India had voluntarily refrained from borrowing from the ADB. Government of India started borrowing from the ADB in 1986, when it was considered desirable to diversify the sources from which Government accessed external financing. The total value of public sector loans approved by ADB upto 31.7.2007 amount to US\$ 18.768 billion. The sectors for which loans have been taken from the ADB are mainly in the Power, Agriculture, Petroleum, Ports, Railways, Roads, Telecommunications, Irrigation, Rural Finance and Urban Development sectors. During calendar year 2007, the five projects for a total amount of US\$ 2013 million have been approved by/negotiated with ADB.

As on 30.9.2007 disbursement for Rs.1910.61 crore has been received from ADB against RE of Rs.5489 crore.

XIII. UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP)

A sum of Rs.149.33 crore is expected to be received during 2007-08.

UNDP channelizes its development assistance through Five Year Country Co-operation Framework (CCF). The First Country Co-operation Framework (CCF-I) ran from 1997-2002 in synchronization with India's 9th Five Year Plan. CCF-II synchronizes with India's 10th Five Year Plan and has two cross cutting themes, of Gender Equality and Strengthening of Decentralization. It covers 4 thematic areas- (i) Promoting Human Development and Gender Equality (ii) Capacity Building for Decentralization (iii) Poverty Eradication and Sustainable Livelihoods (iv) Vulnerability Reduction and Environment Sustainability. UNDP has disbursed a sum of Rs. 77.62 crore (upto 30.9.2007) during the current financial year against RE of Rs.89.24 crore.

XIV. OPEC

OPEC is providing loan assistance to Government of India since 1977. There are 15 loan agreements signed with OPEC upto 31.3.2007 for US\$ 221.6 million. The RE for 2007-08 is Rs.11 crore.

Statement 1
External Loans

(In crores of Rupees)

Name of the Country/ Institutions	Receipts			Repayments		
	Budget Estimates 2007-2008	Revised Estimates 2007-2008	Budget Estimates 2008-2009	Budget Estimates 2007-2008	Revised Estimates 2007-2008	Budget Estimates 2008-2009
Multilateral						
I.B.R.D.	4239.00	4305.04	4101.62	1232.20	1060.18	1321.14
I.D.A.	3808.41	4033.09	4804.42	3217.97	2899.48	3047.25
I.F.A.D.	72.00	101.35	70.50	44.27	41.95	41.52
A.D.B.	2898.92	5489.00	5513.85	287.88	269.43	441.81
E.E.C.(SAC)	...	...	...	6.76	6.16	6.09
O.P.E.C.	...	11.03	10.95	3.85	3.36	3.29
Total (Multilateral)	11018.33	13939.51	14501.34	4792.93	4280.56	4861.10
Bilateral						
Germany	161.15	83.37	236.80	429.29	385.66	384.94
France	6.66	5.04	14.08	222.26	213.39	215.95
Italy	25.00	20.00	20.00	...	...	...
Japan	4519.76	2617.68	3462.71	2361.62	2078.82	2131.41
Switzerland	0.50	...	...	1.74	1.60	2.31
U.S.A.	...	...	...	389.78	338.08	284.14
Russian Federation	1720.12	737.00	975.00	143.35	134.48	340.81
Total (Bilateral)	6433.19	3463.09	4708.59	3548.04	3152.03	3359.56
Grand Total	17451.52	17402.60	19209.93	8340.97	7432.59	8220.66

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

Name of the Country/ Institution	Budget Estimates 2007-2008	Revised Estimates 2007-2008	Budget Estimates 2008-2009
Multilateral			
ADB	...	150.00	150.00
IFAD	...	23.95	25.00
IBRD (USD)	2.00	11.56	3.75
IDA (USD)	...	9.62	2.00
Bilateral			
Germany	187.70	68.38	86.58
Japan	6.20	9.03	...
Netherlands	0.02	0.02	0.02
United Kingdom (DFID)	1080.00	1140.00	1090.00
EEC	152.45	156.91	130.04
U.S.A. Aid	100.56	81.05	67.15
Norway	0.30	...	...
International Bodies			
GEF	61.00	351.42	200.00
U.N.D.P.	492.14	89.24	40.79
UNGFATM	45.00	...	...
W.H.O.	7.80	...	...
TOTAL	2135.17	2091.18	1795.33