



Knowledge Partnership Programme

Trade and Investment

India's Development Cooperation with Africa: The Role of Private Sectors

Background

In the last decade, the role of the private sector in sustainable development has become one of the most prominent themes in the development framework. In the Busan Partnership for Effective Development Cooperation 2011 and other meetings (the Rio+20 Conference on Sustainable Development in 2012, Global Partnership on Effective Development Co-operation (GPEDC) and United Nations discussions on a new global framework for sustainable development post-2015) governments recognized the central role that the private sector plays in economic development and poverty reduction. The private sector can be either the target of development cooperation or a partner in providing it, or both.

This policy brief assesses the role of the private sector in India's development cooperation with African partner countries and recommends various policy measures to increase private participation in India's development cooperation with Africa.

Indian development cooperation with Africa

India's development cooperation with Africa is based on the principle of win-win relationships that help all partners involved in their development. India's development cooperation is very much a demand driven process reflecting the voluntary and less top

down approach of South-South assistance providers. In contrast to traditional donors, India's assistance does not impose policy conditionality ("no strings") and put emphasis

on the importance of sovereignty. In contrast, China's development cooperation reflects a close collaboration between government, financial institutions and state enterprises (Christensen, 2010). The private sector has become increasingly involved in development projects, since China launched the 'Go Out' strategy in 2000 to encourage its firms to invest overseas.

At the institutional level, this increasing importance has been manifested in the establishment of business conclaves and political summits. The annual private sector led India-Africa Conclave, first organised in 2005, represents the prime example of the interconnectedness between business interests and development cooperation.

India's development assistance to Africa

India's development assistance can be divided into two categories: grants and Line of Credit (LOC). Although, grants to Africa increased from less than US\$2 million in 2002-03 to more than US\$40 million in 2013-14 and Africa's share in total grants and loans increased from 0.5% to 4.5 % respectively. Moreover, about a third of Indian grants to Africa were allocated to education initiatives. Further sectors that are prioritised by grants are information technology, multi-sector projects and health accounting for 16%, 14% and 13% of grants to Africa, respectively.

On the other hand, Lines of Credit (LOC) which are concessional loans provided by India's Export Import Bank (Exim Bank) to foreign governments, constitutes major developmental assistance to Africa. LOCs to African countries constitute 60% of all LOCs, which contrasts vividly with the 5% share of

Private Sector in Development Cooperation

The role of the private sector as a partner to ensure sustainable development is being thoroughly discussed in United Nations discussions on a new global framework for sustainable development post-2015.

Nature of Indian development cooperation with AfricaC

India's development cooperation with Africa is based on the principle of win-win relationship and Demand driven. In contrast, China's development cooperation reflects a close collaboration between government, financial institutions and state enterprisesGVC managed by large apparel retailers.

Road Map for LDCs and Way Forward

The road map for LDCs is consist of both long-term and short-term measures. Asian LDCs can seek a 'phase-in' period and simpler and liberal ROOs for adjusting to the new quality standards in the TPP member markets.

Road Map and Way Forward

Steps such as :institutionalizing development cooperation with Africa by putting in place a mechanism, focusing areas of engagement, cooperation beyond the 'LOC framework', improving infrastructure and business climate,

cooperation in trade facilitation and strengthening South-South cooperation are key to India's development cooperation efforts with Africa. Africa in grants. Most of the LOCs go to partner countries in Eastern and Western Africa.

Not surprisingly the geographical allocation of LOCs seems to have a positive correlation with what are seen to be current or future export markets of India. Eastern and Western African partners are not only the top recipients of LOCs, but also the two top export markets for India. In particular, Eastern African partners account for 45% of LOCs and 34% of African imports from India, while Western African partners constitute 29% of LOCs and 23% of African imports from India.

Opportunities for Indian Private corporate sector in Africa

Agriculture and food security, healthcare and life sciences, infrastructure, energy and energy security, mining and SME development were identified as priority areas for future Indian-African partnerships. In 2012, the CII Africa Committee released a report, Infrastructure Requirements in Africa – India's Role (Railways, Roads, Ports, and Construction & Power), highlighting the infrastructure gaps, its effects on trade and investment expansion and the role that India had been playing in this area.

The report also highlights that there are tremendous opportunities in sectors like Power and Renewable energy, transport, Agriculture and agro-processing, health sector, Skills and Capacity Development and project financing.

Further, Indian companies have become the largest source of FDI to Africa among developing countries. For instance, capital investments from India to Africa have steadily grown to US\$ 54.5 billion between 2003 and 2014 with 363 projects. The total number of projects increased substantially during the economic crisis period, with 51 projects in 2010 and 64 projects in 2011. In comparison, total capital investments from China were to

the tune of US\$ 40 billion with 206 projects

The synergies between Indian businesses and India's development cooperation

Under the Common African Position (CAP), the African governments have recognized the need to strengthen South-South cooperation by working with partners to develop frameworks that take into account Africa's specific characteristics and priorities through enhanced public-private partnerships. It is important for India, as an emerging South-South partner as well as a large trading and investment partner, to give credence to the six pillars of CAP. The first India-Africa Forum Summit (IAFS) in 2008 adopted an ambitious Framework for Cooperation, which sought to foster mutually beneficial cooperation encompassing Economic and Political cooperation; Cooperation in Science and Technology Research development; Information and Communications Technology (ICT); and, Cooperation in Social Development and Capacity Building. Therefore there exists significant overlap in terms of designing development interventions under the overall vision of the IAFS and the CAP in the short to medium term.

Road Map and the Way Forward

Some key policy considerations that would be required for India's effective development cooperation with Africa:

- India-Africa Development Consortium: The Government may consider institutionalizing this cooperation wherein the private sector can provide its views and suggestions about the geographical and sectoral focus of development cooperation.
- Focused Areas of Engagement: Infrastructure, agriculture, health and ICT services are four sectors offering great opportunities for Indian firms in Africa.
- Cooperation beyond the 'LOC framework': Indian policymakers might consider further mechanisms and instruments to engage the private sector in development cooperation beyond the 'LOC framework.'

- Improving Trade facilitation: Trade facilitation represents other big areas where India's private sector could help make trade relationships more sustainable. India, while providing such assistance bilaterally, would still be able to declare it as important elements of South-South cooperation under both the global initiative on Aid for Trade, as well as part of the post Bali WTO road map on trade facilitation assistance.

- Enabling Environment: Poor business environment in many African countries have been cited as the most important hurdle in attracting investments. Indian companies operating in Africa will not only be able to highlight these acute problems but given their commercial presence could constructively partner in development efforts aimed at reducing transaction costs.

- South-South cooperation: There is a need to strengthen South-South cooperation by working with partners to develop frameworks that take into account Africa's specific characteristics and priorities through enhanced public-private partnerships.

KPP is a South-South cooperation programme promoting knowledge sharing in the areas of Food Security, Resource Scarcity and Climate Change; Health and Disease Control; Trade and Investment; and Women and Girls. KPP is funded by the Government of UK's Department for International Development (DFID) and managed by a consortium led by IPE Global Private Limited under its Knowledge Initiative. The main objective of KPP is 'Gathering and uptake of evidence on issues central to India's national development that have potential for replication in LICs and impact on global poverty'.

Contact Us: Daljeet Kaur, Senior Programme Manager

IPE Global House; B – 84, Defence Colony, 110 024, New Delhi, India

Phone: 0091 11 4075 5974; 91 93122 41635

E-mail: kpp@ipeglobal.com; dkaur@ipeglobal.com
www.ipekpp.com

