

Reshaping global development finance:

Topic: India and Global South

PYQs linkage:

- Suggest measures so that India's partnership with Africa becomes a true symbol of South-South Cooperation, delivering clear cut economic and political dividends to both sides of the equation. 20 (2017)
- “India's capacity building programmes under the Indian Technical and Economic Cooperation (ITEC) has earned goodwill for it in Africa.” Discuss. 15(2018)
- “India's Research and Information System for Developing Countries” (RIS) is a major initiative in the area of South-South Cooperation. 15(2018)

1) Theory application:

Neo liberal conception of soft power: (India aid produces goodwill and influence through recipients' perceptions) ;

vulnerability interdependence: the concept of vulnerability interdependence captures the power that states can develop over each other by raising the cost of alternatives to a certain transactional relationship such as foreign aid. (Robert Keohane and Joseph Nye).

2) Concepts and keywords:

development cooperation, capacity building programmes, technology transfer, lines of credit, voice of global south summit, Global development compact, market access, concessional finance, modalities of engagement, triangular cooperation,

3) Important facts:

- Development aid by India increased from \$3 billion in 2010-11 to around \$7 billion in 2023-24.
- The collapse of USAID and the decline of the Foreign, Commonwealth and Development Office (FCDO) have highlighted the emerging crisis in development finance

4) Brief analysis and key points from the news or editorial:

A. Global development finance:

- Necessary for global south achieving SDGs and their other development agendas.
- The investment needed to achieve the SDGs by 2030 has surged from \$2.5 trillion in 2015 to over \$4 trillion in 2024.

Why is a seamless flow of development finance necessary?

- Shrinkage of the resource flow is likely to affect several development programmes across least developed economies, (several of them are passing through an unprecedented debt crisis.)
- Without a major increase in financing, progress toward the SDGs will remain elusive.

B. Components of India's development cooperation: (key modalities of development engagement):

- a) Capacity building programmes
- b) Technology transfer
- c) Duty-free access to Indian market
- d) Grants
- e) concessional finance
 - e.g. Extension of lines of credit (LOC) under IDEAS (Indian Development and Economic Assistance Scheme)

C. Challenges:

- (rising geopolitical complexities) A series of overlapping crises and major geopolitical and economic transformations have reshaped the global financial environment, leaving many developing countries struggling to access funding.
- Rising sovereign debts levels across the Global south.
- Rising global liquidity crisis, making schemes like LOCs (line of credit) less relevant as capital market predictability and the repaying capabilities of partner countries have become severely constrained.
- Traditional ODAs (Official development assistance) providers are going through budgetary crisis (Declining trends in ODA)
- The collapse of USAID and the decline of the Foreign, Commonwealth and Development Office (FCDO)
- At OCED, its Development assistance committee has been an elite club of ODA providers, dictating the terms and conditions for the economic and political programmes for the South.

D. Opportunities:

- PM Modi articulated the concept of a Global development Compact, implying a harmonious balance between all the modalities of engagement with the Global south.
- Possibility of evolving a new mechanism of pooling resources with like-minded countries.
- Triangular cooperation has emerged as a powerful mechanism to bridge the divide between the Global North and the Global south.
- Through triangular cooperation countries such as Brazil and Indonesia have evolved a rich global experience with Japan and Germany of working in third countries.

E. Benefits of Triangular cooperation (TrC):

- It brings together a traditional donor from the Global North, a pivotal country from the Global south and a partner country (often from Global south), creating inclusive platforms for shared learning, mutual respect and the co-creation of solutions tailored to local needs.
- TrC mechanisms shown that addressing physical infrastructure can advance social progress. (improving regional energy grids expands digital connectivity and provides access to opportunities in education and health)

India and TrC mechanisms:

- In 2022, India and Germany signed a joint Declaration of Intent on the implementation of TrC projects in third countries with focus on Africa, Asia and Latin America. Implemented TrC projects in Cameron, Ghana, Malawi (Africa) and Peru (Latin America).
- India expanded TrC collaborations with Germany, UK, the USA, the EU and France.
- These partnerships span a variety of sectors and modalities, from grant-based projects to investment-driven initiatives such as the Global Innovation Partnership(GIP) with the UK.
- Conclusion: Such efforts can leverage technical, financial and human resources to deliver results in third countries.