

EXPLORING THE CONCEPT OF 'MUTUAL BENEFIT' IN INDIA'S DEVELOPMENT COOPERATION

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One of the most important principles of South-South Cooperation (SSC) is mutual gain. However, what comes along with intended gains is a whole lot more than just economic benefit. What countries need to focus on is to achieve the intended goals while at the same time maintaining or improving the socio-economic balance along with timely delivery of the projects to the beneficiary country. A detailed study of a case pertaining to SSC between India and Bhutan has been used to draw parallels to other countries facing similar situations. Suggestions that will have a positive impact on future projects relating to India's development cooperation in the global south are offered.

INTRODUCTION

On 24th and 25th March 2010, representatives from almost 130 developing and developed countries came together to discuss the new arrangement of South-South cooperation (SSC), which was formulated as the horizontal partnership. The guiding principles of horizontal partnership to establish long-term relationships are trust, equity and mutual benefit. It has been demonstrated that partners involved in SSC can achieve great development results if they learn from each other, fix their responsibilities in the project/program and identify their mutual benefit. This is one of the most important distinctions between North-South cooperation (NSC) and SSC because the main element in the NSC was that they had a sense of responsibility towards helping countries in global south by providing technical assistance, knowledge etc., however, the main element in SSC is completely different from NSC and it focuses more on win-win partnership.

Over the years, the socio-economic spheres of SSC have been reshaped and transformed, which has strengthened the framework of SSC. The

changes, in the recent times, have created an environment between global south countries in which the aim is to achieve joint development and mutual co-existence. Such partnerships not only provide just material but a certain degree of cost effectiveness, and a relatively free working platform as well due to almost zero conditionality in the cooperation agreement. Conditionalities however, are a regular fixture in NSC schemes.

What makes SSC work?

The principle of solidarity is the main idea which is ingrained in SSC for a mutually beneficial partnership. When one talks about win-win partnerships in SSC, it simply means that we need to address development issues in the less-developed countries of the global south while, at the same time, benefitting the relatively more developing countries. One might ask why we prefer SSC over NSC, the obvious reason behind this is that SSC provides cost-effective material, technology transfer, and mutual gains. However, one of the major reasons behind preferring SSC is that it is free from conditionality, unlike NSC. Many critics oppose the idea of SSC being free of conditionality. They say that the sourcing of materials from one country to another global south country for these projects is conditionality in disguise. However, some people have the opposite view and they say that the sourcing of these materials do not contradict the conditionality principle but they are actually in accordance with the concept of mutual gain in SSC.

What this paper aims to do:

The objective of this paper is to examine whether SSC actually supports mutual gain between the global south countries involved in a project. Apart from that, the paper aims to look at the unintended impacts or collateral damage during the same projects and how the negative impacts can be minimized from India's point of view. What possible changes can be made in the institutional framework of India so that the delivery of development projects can be better, faster, and beneficial for all the parties involved.

A case study is used to establish the pitfalls of the current way of doing things when it comes to assistance projects. The pitfalls will then, as the paper progresses, be addressed individually with specific attention to mutual gain.

Why does attention need to be drawn to SSC?

It is important to study this since cooperation between global south countries has been on the rise consistently but the projects that are undertaken end up falling short of their projected outcomes. This leads to a lot of wastage in terms of time, effort, resources, and most importantly, tax-payers' money.

CASE STUDY: INDIA AND BHUTAN

This case study about India's assistance to Bhutan in building hydropower projects is an ideal example of win-win partnership, whereby India provides assistance to Bhutan in terms of grants, loans, technical support to design and construction material to construct hydropower projects. Bhutan produces and uses electricity from the hydropower projects, but surplus power from these projects are exported to India. This has helped Bhutan to improve the performance of their economy by earning revenue and foreign exchange.

We know that Bhutan is endowed with abundant water, which makes them rely on the hydropower sector to boost their economy. The proportion of Bhutan's revenue is around 40% and GDP is 25% due to the hydropower exports. An agreement was signed between the Governments of India and Bhutan, whereby India promised Bhutan to develop the hydro capacity of about 10,000 MW by 2020.

The current state of things

The rate at which these projects are progressing is extremely slow. By the end of 2015, Bhutan's hydropower capacity was 1,606 MW, which is 8% of the estimated 10,000 MW by 2020. On securitizing these figures, Bhutan's economic affairs minister, Norbu Wangchuk said that achieving the target of 10,000 MW by 2020 was not possible and there was a need to review the target and then, the target was set to be 5,000 MW of electricity by 2021. As evident by the figures above, these projects are lagging behind by a great amount of estimated hydropower capacity. Delay in these projects also spillover to the costs of these projects. The total cost escalation for the hydropower projects in Bhutan stands at Rs. 3,512.82 crores in 2016.

One of the reasons behind a steep rise in Bhutan's debt burden is these hydropower projects in the recent years. In the latest annual report (July 2015-June 2016) of Bhutan's Central Bank, there was an increase

of 24.9% in external debt from July 2015 to July 2016 taking it to USD 2.3 bn. The proportion of external debt during the period July 2015 – June 2016 is 111% of the GDP of Bhutan in 2015 Indian Rupee debt has reached USD 1.78 bn. Therefore, we can say that rupee debt constitutes 77% of the total debt. As of June 2016, 88% of the rupee debt is actually because of the hydropower projects.

One of the reasons why the proportion of the rupee debt in hydropower projects has been increasing is due to the consideration of up-gradation of Bhutan from least developed country status for the year 2018-21 by the Committee for Development Policy of the United Nations. Due to this, the proportion of grant and loan component has changed. Earlier, Grant had 60% component whereas loan had 40% but now it has loan component of 60-70%. Hence, they end up paying more because of higher loan component and interest rates attached to it.

Due to the increasing debt burden and being considered for up-gradation from the least developed economy, Bhutan is among one of the top 14 countries, moving towards a debt crisis.

What's in it for Bhutan?

- Due to these projects, people in rural areas have switched from the traditional sources i.e. fuel wood and kerosene to using electricity. Hence, there has been a growth in the rural electrification program.
- As mentioned above, hydropower projects generate 40% of the export revenues of Bhutan. Hydropower is the first major export sector of Bhutan, whereas second is metal-based projects, which are again highly dependent on cheap electricity. Therefore, hydropower projects have given the second major export a push.
- Hydropower projects account for 25% of the GDP of Bhutan and another 25% of the GDP comes from hydropower infrastructure construction.
- Job creation for local population occurs due to these projects. Hydropower sector employs almost 7,400 locals.
- Since the beginning of these projects, poverty has almost halved.
- Due to the increase in the exports, export revenue, GDP, employment etc., there has been a stimulation of the local economy and economy as a whole.

The Indian Point of View

- India gets access to clean electricity. 75% of the hydropower generated in Bhutan through these projects is being exported to India.
- Electricity exported to India through these hydropower projects is relatively cheaper.
- Laborers from India are getting employed. Since educated people from Bhutan don't take up jobs of unskilled labor, people from India migrate to Bhutan to work on these projects.

Win-Win?

- Irreversible damage to flora and fauna to both the countries: Many endangered species, for example, white-bellied heron and golden mahseer, have been reduced by a large amount due to the construction of these projects. Aquatic animals are also facing the consequences of these projects and coming under threats.
- Even the World Heritage sites are facing severe impacts due to these projects. For example: In Manas Wildlife Sanctuary, a large amount of the forest land was washed away due to the excessive release of water.
- There is heavy air and noise pollution due to the dust at the construction place and equipment used during the construction.
- Due to global warming, glaciers will melt at a higher pace causing rivers to overflow and hence causing disasters such as floods, landslides etc. At the on-going rate of global warming, it has been predicted that Bhutan will have an average loss of 1.4% of GDP every year by 2050.
- There are economic issues in Bhutan due to high dependence of Bhutan on the hydropower sector, which will expose Bhutan to trade shocks and if any problem occurs to the hydropower sector, there is a great threat to country's economy.
- There are social concerns attached to these projects too, namely the relocation of communities is limited, loss of cultural heritage etc.
- The reason behind the environment-related problems is that there are hardly any assessments and even when there are, it happens at a much later stage, which has reduced impact analysis, regulatory

processes, and consents and clearances from the ministries to become inconsequential proceedings. Environmental, economic and social concerns surrounding these hydropower projects can only be addressed by the Government of Bhutan.

It's everywhere!

Taking Bhutan as a base point, these problems can be witnessed in other less developed global south countries. There are many ways on paper which claim to have the ability to resolve these problems. At the grass root level though, the picture presented is very different. In order to solve the problem of not evaluating projects in other global south countries effectively, India needs a detail-oriented and to-the-point set of guidelines for better assessment of potential projects. As of now, India is spending a huge amount of finances to help less developing countries in the global south and at the same time, incurring a huge amount of losses when it comes to other socio-economic factors pertaining to the beneficiary country.

WHAT CAN INDIA DO TO MAKE THE MOST OF THE PARTNERSHIPS IN SSC?

As of this moment, India provides a huge amount of financial aid to other less developed global-south countries and if it continues the same without any follow-up, problems will escalate. India as a nation needs to evolve its policies in order to achieve what is required:

India and the other country involved during a project need to strengthen their evidence collection and analysis. During recent years, the need for a structured data collection system adept at information analysis has grown so as to support the impact and growth of SSC while focusing on developing corresponding support institutions.

- *Change in approach:* India should shift from their input-based approach to output-based approach. I strongly believe that India's part in the trade doesn't end by giving other countries assistance. They should go much beyond just conceiving the projects; India should pay attention to the delivery of the projects. They should constantly be informed about the progress of the projects. However, this can be done only through improved evidence collection and analysis.
- *Institutional framework:* The structure of institutions of the participating countries is immensely important. The DPA needs

major strengthening in order to be able to evaluate plans and collect evidence effectively while at the same time being able to overcome the hurdles that arise out of an asymmetric and imperfect flow of information. Many providers of assistance in the south have been instituted or are planning to be instituted by development cooperation agencies which specialize in specific divisions across their respective Ministries. As the scope and context of SSC grow, beneficiary nations are beginning to recognize the need to incorporate dedicated units to manage cooperation.

In order for points (a) and (b) to work, another point needs to be considered. It is important to design new and improved systems of evaluation and analysis to work effectively and for which the requirements for trained professionals arise. These people who possess job skills specific to the various stages of data collection and analysis can look at the performance of the projects between 2 parties and in particular, to determine what worked out well for them and what can be done differently the next time these parties get involved in any other project. This will help India in improving the effectiveness of programs in development cooperation.

Most of the time, governments provide their own inputs and opinions on programs and projects. However, free and frank opinions should be invited, which is possible only when a third party is involved in collecting and providing analytical and forward-looking reports. This can be done by the involvement of civil society. If CSOs, from both the parties of SSC, are involved in the project/program then they can do field work in order to find out the unintended impacts on the people, environment etc., and can bring it forward to their respective government. Governments can then take measures to control these impacts. This will help both the countries to minimize the impacts of the unintended/negative impacts.

India should also incorporate success policies of similar nations in order to identify pitfalls and the advantages of projects. Some of them could be taken from countries like:

- *Japan's high-tech strategy*: Japan International Cooperation Agency has a rule whereby photographs of the construction sites are uploaded with progress marked in them. India can also incorporate this policy but to manage such a system, people who are comfortable with technology are needed. Hence, to incorporate this policy, India would need higher investment in areas such as infrastructure, skills and organizational structures.

- *China's study group strategy*: China has a study group, called China-DAC Study group, whereby they gather together to discuss each other's projects and success stories on those projects. This makes them learn from experiences of other projects in beneficiary countries so when you provide assistance to them, you can keep the problems and success stories of the beneficiary country. If India also makes a similar group, this will help India to improve the impact and effectiveness of aid.

CONCLUSION

Although we see that development cooperation projects tend to invariably have a lot of economic benefits, what we also see is that it comes at a high cost of degrading various socio-economic factors as evident by the case of India and Bhutan. We can minimize the incurring of losses from India's point of view by changing the approach, improving institutional framework, involving more professionals, and taking success stories from all over the world and implementing them in India. If steps are not taken to improve India's future development cooperation, we would be wasting our country's finances and at the same time, resources.

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