

## **Different donors and their funding patterns to India with special reference to Health**

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**ABSTRACT:** *External assistance became prominent in the world after the second world war. Since then external assistance has been given to underdeveloped and developing countries for many causes including economic and social development aspects. India is one of the leading recipients of aid and it has received aid for economic as well social development sector since independence. The support for the economic development sector was higher until 2000. After the UNDP's Millennium Development Goals (MDGs) led to the greater attention of multiple donors, especially the new generation donors such as Global Funds –Global Fund to fight against Aids, TB and Malaria (GFATM) and GAVI – the Vaccine Alliance, Bill and Melinda Gates Foundations etc gave funding to India to control communicable diseases such as HIV/AIDS, malaria, TB etc.*

*It is interesting to note that India receives a large amount of funding in spite of it economically being much better than the other underdeveloped or developing countries. This article focuses only on foreign aid given to India. It tries to understand the allocation and utilization status of foreign aid in India, different sectors that have received aid, the different states of India receiving aid, major donors to India and external assistance were given to the health sector is discussed in this paper.*

**KEYWORDS:** *External assistance, foreign aid, health, development, donors*

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### **I. INTRODUCTION**

External assistance is also called as foreign aid or official development assistance (ODA) is an aid given by developed countries to the developing countries. Most of these aids are given in the form of loans, grants and technical assistance.

The concept of external assistance became more popular and evident after the Second World War. In 1944, international institutions like the World Bank and IMF were created to provide loans, grants and technical assistance for the reconstruction and development of the countries that were damaged during the second world war. At the same time George C Marshall, secretary to the United States, gave an emphasis on increasing United States economic cooperation to strengthen the European economy. There are many researchers argued that economic cooperation and external assistance to other countries was the result of fear of Communist expansion and the rapid deterioration of European economies (Fuhrer, 1996). In 1960, OECD - DAC (Organisation for Economic Cooperation and Economic Development – Development Assistance Committee) and European Institutions was established to provide official funding for the developing countries. It is an association of Govt of 23 countries, that provides aid to developing countries. It is estimated that in one year around \$103.6 billion of foreign aid flows to developing countries. In 2010, \$ 128.7 billion foreign aid was flown to the member of DAC. Over the past 50 years, the amount of foreign aid dispersed to developing countries is over \$2.3 trillion dollars (Easterly, 2007). In this huge share of external assistance for the developing countries, India has also succeeded in getting the attention of donor countries and international organisations to get funds for its various development activities. From the beginning of the first five-year plan, India has received external assistance. It is estimated that from 1979 to 2007 India has received 359171.5 crores of external assistance from different developed countries and all these aids are mostly interest-bearing loans and these loans accounted for 90% of the aid receipts (Khullar, Krishna, & Sensarma, 2008).

India's major multilateral donors are World Bank – IDA, IBRD and ADB, UNICEF, WHO, UNFPA, WFP, FAO, UNDP and major bilateral donors are Denmark, France, Germany, Japan, Netherlands, Norway, New Zealand, Sweden, UK and USA. The grants are primarily received for different development works like Health, education, water and sanitation, transport, energy, irrigation, Industry and non-fuel minerals etc. (Narayan, 2001)

Health is one of the important areas, for which India is receiving external aid for a long time, chiefly in the form of debt for more than half a century. This paper tries to analyze the trends in external assistance to India, especially with reference to Health.

## II. METHODOLOGY

This study has largely based on the secondary data, collected from various national and international websites such as Aid account and audit website to understand the funding received by India for various sectors. The other international websites such as OECD – DAC website, donor funding details are extracted from their respective websites.

The analysis of the funding data is largely based on descriptive analysis. Since 1950 onwards data has been collected to understand the trends in aid received by India.

### Objectives

- To analyze the trends in external assistance given to India
- To analyze the external assistance given to India for health
- To analyze the major donors and their funding patterns

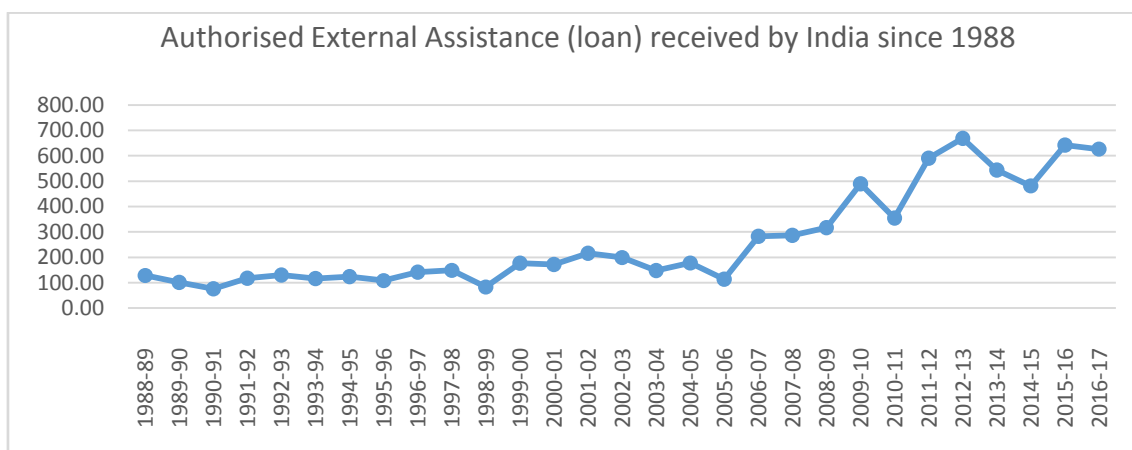
## III. DISCUSSION

India had received a large amount of funding from a bilateral donor only after 1970's the multilateral donor's assistance to India increased. Even today this assistance is largely based on interest-bearing loan and a very small proportion of it is given on a grant basis. The economic policy of India, the shift in the international funding patterns and the donor and their philosophies has influenced the external aid funding patterns of India. the below discussion shows the detailed analysis of external assistance to India and patterns of funding by different donors.

## IV. FINDINGS

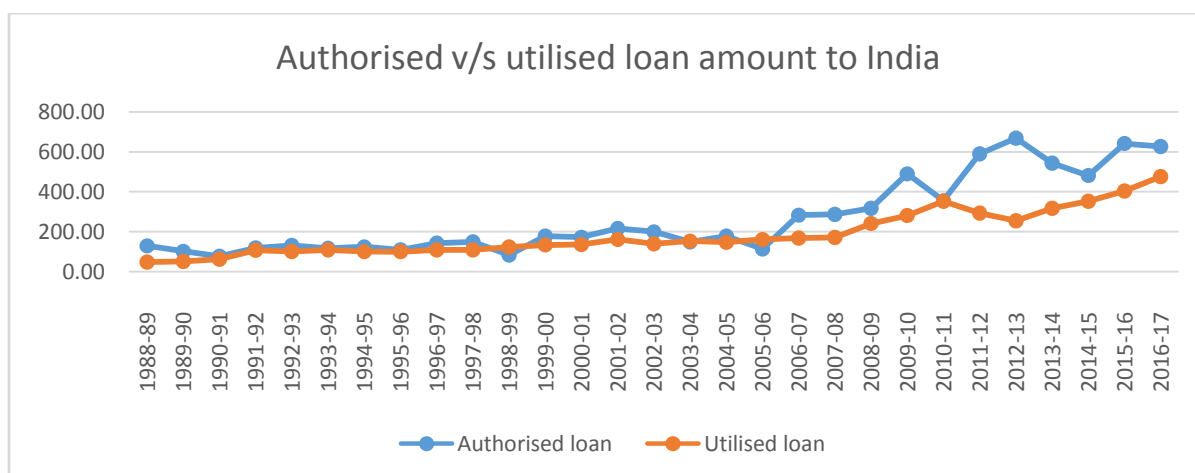
### External assistance to India

External assistance in the form of a loan to India: As per the data published by RBI, it shows an increasing trend in external assistance received by India from the time period of 1988-89 to 2016-17. Average external assistance in the form of loan given to India in these 29 years is 268 billion rupees. Until 2005, the assistance has remained less than 200 billion rupees. During the initial years of globalization, India received decreasing levels of external assistance, which got better only after 2006.



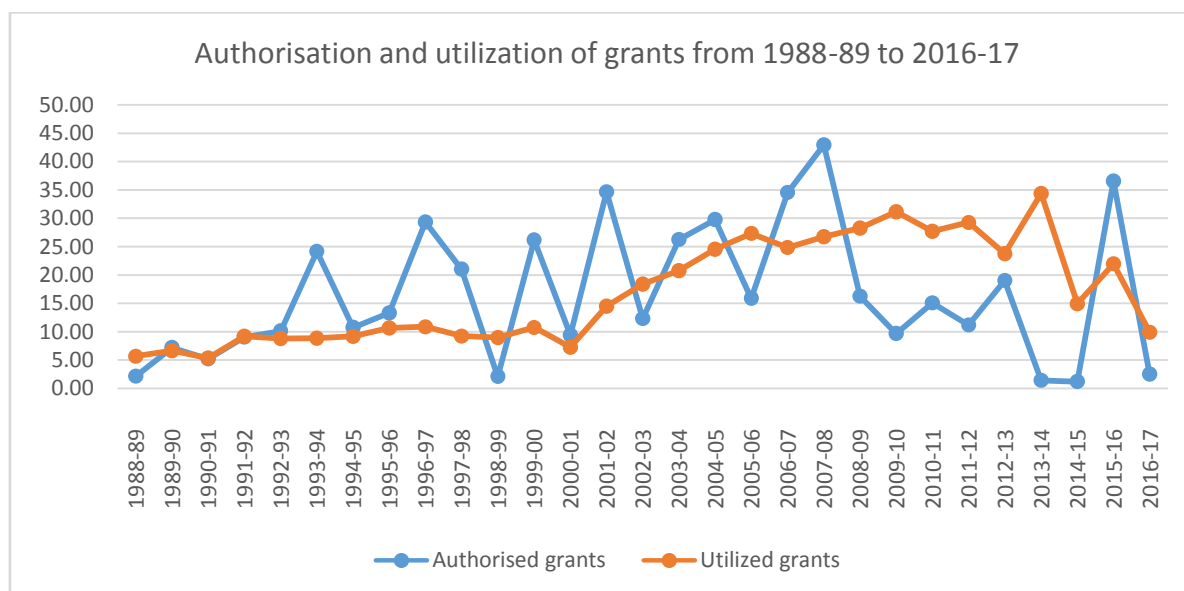
**Figure 1** Source: Data from Reserve Bank of India

Among the overall authorized external assistance (loan), the utilization rate of external assistance is only 69.02%. As since 2006 external assistance inflow increased to India, but the utilization rate specifically in this time period has remained low. In the year 2012 when India received the highest external assistance, the utilization rate remained the poorest (38%) among all other years. This shows that India had a challenge in effectively utilizing external assistance.



**External assistance in the form of Grants:** The RBI data on the authorization and utilization of grants includes the accounts of both Govt as well as NGOs. India has received 479.10 billion rupees as total authorized grants from 1988 to 2016. Out of the total external assistance<sup>1</sup> given to India, grants consist of 5.8%. Unlike loans, there is a huge fluctuation in the disbursement of grants to India. The lowest amount of grant was given in the year 2014-15 with 1.20 billion rupees. So there is no relationship between the amount of loan and amount of grant given to India.

The overall utilization rate of grants is higher than authorized grants i.e., 102.2%. But the utilization of grants remained low from 1992 to 2007 (except three years when there was more utilization of grants than the authorized amount) and from 2008 to 2014 the utilization rate is higher than the authorized grants, as a result this reflects on the overall higher utilization of grants over a period of 29 years.



#### External assistance by source

The below table shows the loans and grants received from different donors from the year 2010 to 2017. Bilateral countries like Japan, Germany, Russia Federation, France have given the highest amount of loan whereas the multilateral institutions such as ADB, IDA, IBRD, European Investment Bank, other international institutions, International Fund for Agricultural Development have given the highest loans to India over a period of 7 years. On the contrary, the utilization of loan amount is lesser than the authorized amount. On average, the utilization rate has been 63%. The highest rate of utilization is 83% in the case of a loan received from France. The lowest utilization rate is 8.4%, the loan received from the Russian Federation.

<sup>1</sup> In this analysis, the total external assistance consists of loans and grants. RBI data doesn't specify about technical assistance. So only loans and grants are taken as total external assistance

*Different donors and their funding patterns to India with special reference to Health*

Where are in case of Grants, the highest amount of grant is given by the International institutions, followed by France, UK, European Economic Community, IBRD, USA and Japan. Germany, IDA and ADB Grants are lesser than 100 crores from the last 10 years.

The Grant utilization rate of grant is very high. Infact, the utilization rate shows more than 100% in most of the cases (check). The lowest utilization among all the grants is from ADB with 16% of utilization rate.

Source and type of assistance	Authorized loan	Utilized Amount (2017)	Loan (2010-2017)	Authorized grant	Utilized Grant Amount (2010-17)
<b>I. Consortium Members</b>	<b>275754</b>	<b>185358.6</b>		<b>5876.8</b>	<b>7829.22</b>
France	2762.34	2283.37		3238.14	-0.16
Germany	26850.82	14216.72		71.84	673.98
Japan	94883.94	62740.93		132.23	114.45
U.K.	0	0.0		1829.66	6345.85
U.S.A.	0	0.0		156.62	157.38
I.B.R.D.	74612.13	55556.47		439.66	523.97
I.D.A.	76644.75	50561.08		8.65	13.75
<b>II. Russia Fed. &amp; East European Countries</b>	<b>22839.28</b>	<b>1929.69</b>		<b>0</b>	<b>0</b>
Russia Fed.	22839.28	1929.69		0	0
<b>III. Others</b>	<b>89356.98</b>	<b>57880.22</b>		<b>6046.83</b>	<b>8354.52</b>
European Economic Community	0	0		564.17	1561.59
O.P.E.C. Fund	0	144.7		0	0
IFAD (International Fund for Agricultural Development)	1773.31	1200.7		0	9.5
IMF Trust Fund	0	144.72		0	0
ADB	81947.15	55659.37		57.66	9.41
European Investment Bank	3285	730.72		0	0
Other International Institutions	2351.52	0		5425	6774.02
<b>Total</b>	<b>387950.2</b>	<b>245168.5</b>		<b>11923.63</b>	<b>16183.74</b>

**Table 1** Source: OECD data (only the donors to India has taken for consideration)

External assistance to different states of India

As per the Additional Central Assistance status data released by Aid Account & Audit division of the Department of Finance shows the status of different states of India that have received aid to implement developmental projects. Tamil Nadu is the highest aid receiving state in India with the absorption of 10.42% of the total cash released for additional central assistance. Madhya Pradesh is the second highest (9.17%) external assistance receiving states in India followed by Andhra Pradesh (8.64%), Karnataka (8.58%) and Rajasthan with 7.88% is the fifth highest external assistance receiving state in India. the smaller and northeastern states such as Mizoram, Meghalaya, Tripura, Sikkim, Nagaland, Arunachal Pradesh received less number of projects supported by external assistance.

State	% of cash released out of total cash to each state (2002-2019)
Tamil Nadu	10.42
Madhya Pradesh	9.17
Andhra Pradesh	8.64
Karnataka	8.58
Rajasthan	7.88
Bihar	6.28
West Bengal	5.59
Odisha	5.41
Uttar Pradesh	4.97
Kerala	4.71
Himachal Pradesh	4.24
Uttarakhand	4.09

Gujarat	3.78
Maharashtra	3.17
Punjab	2.66
Assam	2.56
Chhattisgarh	1.75
Telangana	1.43
Jammu & Kashmir	1.28
Haryana	1.07
Jharkhand	0.80
Mizoram	0.66
Meghalaya	0.24
Tripura	0.19
Manipur	0.13
Sikkim	0.12
Goa	0.10
Nagaland	0.04
Arunachal Pradesh	0.02

The major donors of India have been discussed in detail below

#### External aid by World Bank

World Bank including both IDA and IBRD has been the highest donor for India since its independence. The below table shows the information of all projects supported by World Bank that includes active, closed, pipeline and dropped projects details.

World Bank has supported the highest number of projects with 805 projects since independence with the financial support of US \$ 130864910000 and a total grant received of US \$ 6103600000. The support of the World Bank has been diverse in nature by providing support to a wide range of areas of different sectors ranging from social/ Humanitarian area to economic development areas. Since the time of independence, of India has received support to accomplish the highest number of projects in the agricultural sector. Out of the total aid by the world bank, the agricultural sector has received 7.64% of the loan and 0.53% of the grant. Energy is the sector that received the highest aid – highest loan amount and second highest grant amount is given to this sector. So this is clear that World Bank largely supported the economic development activities such as energy to India. 109 projects were funded by the World Bank under this sector. This is one of the largest economic development sectors that the World Bank has supported. This sector has received 16.43% of the total loan and 5.09% of the total grant given by World Bank till now. Transportation, primarily the construction of road and highways are another aspect of economic development that received the second highest amount for this sector. The social development sector such as Health has received 5.64% of the total budget whereas water and sanitation projects have received 10.25% of the total aid and education sector has received 6.45% of the total aid.

The other sectors such as financial reforms, irrigation, railways, aid to improve sub-national government, Industry trade and services, oil and Gas industries etc have received the highest aid followed by the above-mentioned sectors.

The sectors such as Railway, energy, industry, trade & services, irrigation, forestry, agriculture have received highest aid. Sectors such as Law and Justices were least focused and only one project was implemented with the support of the World Bank in India by receiving grants.

#### Repayment and interest rate

As per the external assistance manual of India states that the IBRD repayment loan period is 20 years that includes 5 years of grace period. Whereas IDA gives 10 years of the repayment period and maximum period to repay the loan is 35 years. The project approved before 1987 had the repayment period of 50 years inclusive of 10 years grace period. Projects approved after 1987 has the repayment period of a maximum of 35 years. The rate of interest in the projects funded by IBRD is around 6.94%. the commitment charges on undistributed balance are 0.75% added with 1% of loan amount as front end fee. A rebate of 0.5% is permitted for timely repayment of World Bank loans and interest waiver of 0.25% is available. On the other hand, there is no interest in IDA loan but there is a service charge of 0.75% on the disbursed loan amount. Commitment Charges on undisbursed balance are fixed every year upto a maximum of 0.5%.

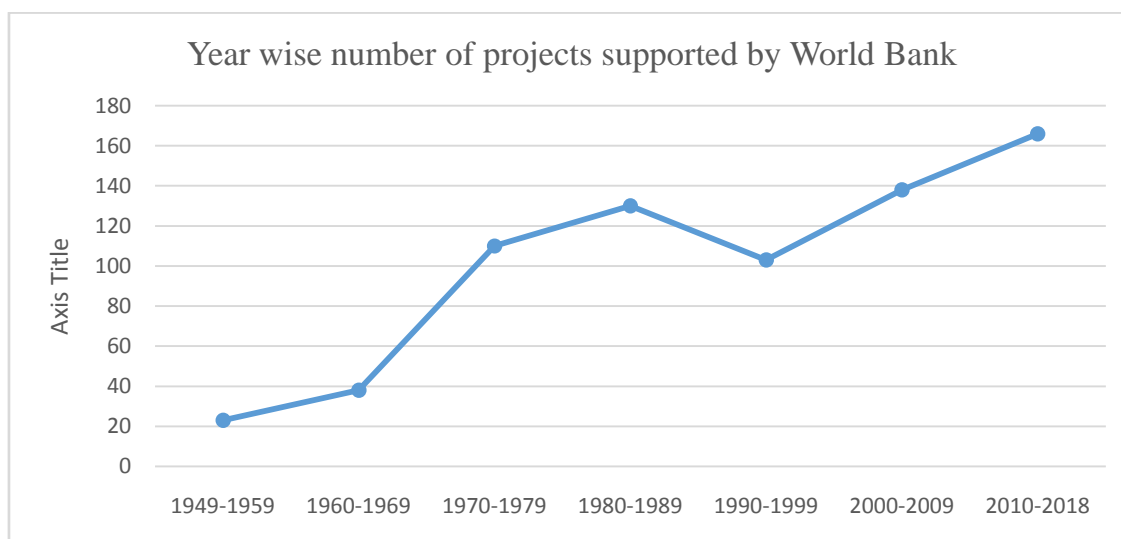
#### Trends in the projects supported by the World Bank

The magnitude of the support by the World bank is seen with the number of projects funded to India. Since 1949 India has received support for 708 projects (both active and closed projects). In the initial year of funding i.e., from 1949 to 1955 one project each year was supported. Post-1970 World Bank extended its support for more number of projects with average projects of 11 per year. This rate increased much higher after

2000 with a larger emphasis on UNDP’s Millennium Development goals with an average of 16 projects per year supported by the World Bank.

Overall we could see an increasing trend in the number of projects supported by world Bank except for the period of 1990-1999 the number of projects supported by World Bank reduced to some extent.

Among the social development sectors such as Education, Health, Water supply, sanitation & waste management have been continuously receiving support from world Bank since 1950. The number of projects has increased since 1990 onwards.



### World Bank support for Health

Health has been the 8<sup>th</sup> largest sector to receive aid from the World Bank. Since independence, there have been 54 health specific projects for which world Bank has lent its support with the aid amount of US\$ 7374320000 and grant of US\$ 4550000.

Among the 54 projects, 4 were focused on targeted health programs, 3 were about reforming the health system, 1 project was about health promotion on the reproductive health system and 1 project was to address tuberculosis. There are 45 projects that were primarily focused on public administration, construction of health facilities, developing ICT etc.

Health management	45	4550000	6034450000
Targeted health	4	0	199000000
health system reforms	3	0	719670000
Primary health; including reproductive health; child health and health promotion	1	0	21200000
Tuberculosis	1	0.00	400000000
Total	54	4550000.00	7374320000.00

**Table 2** Source: World Bank website

Among the 54 health programs, World Bank has taken the different lending instrument to support the project. adaptable program loan for 2 projects, investment project finance for 7 projects, program for result financing for 2 projects and sector investment and maintenance loan was provided for 4 projects, specific investment loan was provided for 39 projects.

### External aid by ADB

Asian Development Bank is one of the important donors to India since its independence by extending its support for 653 projects spread across 11 sectors that include both economic as well as social development sectors. the total aid given to India is US\$ 39,688.88 million.

The highest number of projects supported by ADB is for energy and transportation sector followed by Water and Other Urban Infrastructure and Services and finance. ADB has given highest aid to the transportation sector followed by energy, finance, Water and Other Urban Infrastructure & Services.

As per the external assistance manual of India states that ADB gives 20 years of time for the repayment of debt including the grace period of 5 years. The rate of interest varies from project to project but it is largely seen that the rate of interest is between 6-7%. Along with the interest rate, the borrower is entitled to pay a front end fee of 1% and a commitment fee of 0.75% on undisbursed loan on a graded scale.

Even though ADB has supported for health project, but it is very negligible. Largely it has funded for economic development projects. Education and health sector have received very less aid with 0.53 and 0.79% of the total aid given by ADB.

The type of loans provided by ADB is largely in the form of LIBOR based loan <sup>2</sup>followed by pool based loan (both multi-currency and single currency), transformed PSIL to Libor based loan and market-based loan.

#### External aid by USAID

Among the bilateral donors, the US has been one of the major donors for India since independence. Till 2018 US has supported India to implement 3325 projects. Health and populations sector is the highest support for the sector by the US. Since the pre-independence period, we could see the references of the Rockefeller foundation giving support to British India to improve its health status. USAID has funded for 913 health projects in India. In spite of more number of projects supported by the Health sector, only 4% of the assistance out of total US Aid to India is allocated to health. 36% of the projects focused on **basic health care** largely focused on reducing fertility rate in a targeted area, polio eradication, global disease detection and emergency response program, influenza research activities, strengthening the health system. The next largest area to receive more project is HIV/AIDS (34%), 15% of the projects focused on maternal and child health, family planning programs, 12.16% of the projects were about water supply and sanitation and 4% of the projects focused on general health largely focused on health policy and administration.

The second highest sector to receive a number of projects is environmental projects and multi-sectoral projects that fall under another category. 730 projects were supported under the Others category of project. This is the sector that has received the highest % of aid (84.8%). Commodity assistance is the third largest sector to receive support to implement 521 projects. Commodity assistance consists of food aid or food security assistance. Commodity assistance has received 7% of the total aid by USAID. Governance is the 4<sup>th</sup> largest sector with 209 projects. The total aid given to this sector is 0.63% of the total assistance. Defence is another sector that has received support from the US. 120 projects were implemented with the financial support of 1.4% of total aid.

Among the 3325 projects supported by USAID 616 projects received technical assistance from the USA. The sectors that have received the highest technical assistance are economic growth (23.38%), governance (20.94%), infrastructure (12.99%), defence (11.04%).

#### External aid by Japan

Japan is another prominent bilateral donor to India since 1976. Until 2018 Japan has given aid to India to implement 279 projects focusing on different developmental sectors. Transportation and electric power & Gas are the major sectors for which Japan has given the highest aid 40% and 24% of aid respectively.

Social service is the third largest sector to receive aid from Japan which mainly consists of projects on issues such as water supply, sewage & sanitation, public health and medicine, education, rural/ urban community infrastructure, tourism, environmental conservation. Among the social service sector, the highest number of projects were focused on water supply, sewage & sanitation with 81% of the social sector funds devoted to this activity. Urban/Rural Community Infrastructure received the second largest funds (7.08%), public health and medicine received the third largest funds under social service sector with 4.08% of the total funds to this sector. Tourism, education, environmental conversation, strengthening administrative management received funds with 3.63%, 2.81%, 0.86% and 0.19% respectively.

Out of 279, JICA supported projects to India 27% of projects are fully and partially tied whereas 72% of the projects are un-tied in nature. The sectors such as telecommunication, mining & manufacturing, electric power & gas, commodity loans are the projects that have received higher % of tied aid. All the projects supported by JICA under telecommunication was received as tied aid. 44.4% of the mining and manufacturing sector were tied in nature. 43.21% of the projects under electric power and gas was given as tied aid. 30% of commodity loan projects, 18.75% of irrigation & flood control projects, 16.64% of the transportation projects are tied in nature. Only one project under the social service sector was tied in nature.

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<sup>2</sup>Libor stands for London Interbank Offered Rate. LIBOR is a benchmark rate that represents the interest rate at which banks offer to lend funds to one another in the international interbank market for short-term loans. LIBOR is an average value of the interest-rate which is calculated from estimates submitted by the leading global banks on a daily basis. It indicates how much does it costs to the banks to borrow from each other.

The sectors such as Agriculture, Forestry and Fisheries and others are fully un-tied in nature. So largely all the sectors were tied in nature under JICA's aid to India.

When it comes to the tied aid project amount, 10% of the total aid that is given in the form of tied aid. As mentioned above the telecommunication sector has received 100% of the amount in a tied aid form. sectors such as electric power and gas have received 36.17% of the aid as tied aid. Followed by mining and manufacturing with 26% of the amount being tied aid, commodity loan has 21% of tied aid and transportation has 17% of tied aid.

#### Review of External assistance for health in India

The below table is extracted from the Aid Account and Audit website, shows the disbursed loan/grants/ credit from different donors to India since 1986 to 2016. As per the data, there have been 15 donors to support the health sector of India and 132 projects have been funded. As largely these 15 donor currencies differ and its value differs from time to time, it is difficult to sum the total amount and put it in one currency.

Donors	Number of projects	Total disbursed amount
EEC [European Union ]	1	226801900
GLF [Global Fund ]	13	1042768959
GOCA [Canada ]	1	1340329.78
GODE [Germany ]	28	372517805.7
GODK [Denmark ]	7	180364931.5
GOES [Spain ]	2	22515087.31
GOJP [Japan ]	3	1729342280
GONL [Netherlands ]	3	103776340.5
GOUK [United Kingdom ]	16	583331606.1
GOUS [United States of America ]	5	40244565.16
IDA	37	2913603380
OPEC	3	22904216.12
UNDP	3	4478183.82
UNFPA	9	31586563.8
UNICEF [UNICEF ]	1	41333.13
<b>Grand Total</b>	<b>132</b>	<b>7275617482</b>

**Table 3** Source:Aid Account & Audit website

Among the different donors, IDA has been the highest donor to support 37 health-related projects in India. the major projects that received loans/ grants are: India population project (IPP), RCH, immunization, Leprosy, HIV, blindness control program, TB, Malaria control program, health system development projects etc were supported by IDA with the loan/grants/ credit of US\$ 2913603380

Govt of Germany is the second highest donor and first highest bilateral donor to give support to implement 28 health projects in India. the major projects supported by Germany are – Pulse polio immunization, basic health, upgradation of health facilities etc were supported by Germany. The

Govt of UK is the third largest donor by giving aid to implement 16 health projects in India. The projects such as Pulse polio, HIV/AIDS prevention, TB control programmes, health system development initiatives are funded through Govt of UK. The total aid amount is 583331606.1 British pound sterling is given to India.

The Global Fund is the recent development donor to India since 2003 onwards India has received fund from GLF. 13 projects supported by GLF focusing on preventing the diseases such as malaria, TB, HIV/AIDS. The total funds received is US \$ 1042768958.76.

Other multilateral donors such as UNFPA, OPEC, UNDP, UNICEF and bilateral donors such as Denmark, Spain, Japan, Netherland, US, Canada have supported India to implement various health projects.

## V. CONCLUSION

India is the highest aid receiving country in the world by receiving support to implement 2611 projects since 1987 to 2016. Today World Bank has been the leading donor to India with its diverse focus on both economic and social development sectors. The other multilateral donors such as ADB, and health-specific multilateral institutions such as WHO, UNICEF and UNDP have been very prominent in India. Among the Bilateral donors US, Japan, Germany, France have been evident in the history of India's aid architecture. Only after 1970's the multilateral donors' aid increased in India and hence more thrust for the social development sector is seen after that. The sectors such as education, health, basic amenities improvement projects such as water sanitation, drainage system development have received attention by these donor agencies.



In spite of health is one of the important aspects of development, only 5% of the total foreign aid projects were supported for health with 0.7%. external assistance contribution to the total health expenditure of India. In the past 10 years (2004-05 to 2014-15) external assistance has reduced from 2.3% to 0.7%. With this decreasing trend, it is evident that health has not been an area of priority for donors.

It is very interesting to note here that in spite of socio-cultural, political and economic diversity of every region, the areas of funding for health remains the same. Funding at the world level for health shows that diseases specific programs such as HIV/AIDS, malaria, TB receives the highest attention followed by support to improve the RCH facilities and reduce the fertility rate and finally enhance the health administration system. All these areas of support have been the same for health in India as well. Does this mean that the health needs of the countries around the world remain the same? No. It could only mean that the funding is largely based on the area of interest of the donor. In India HIV/AIDS received more importance than death due to cardiovascular diseases. In spite of the fact that death caused by HIV adds to only 0.2% of the total death whereas cardiovascular disease causes 23.3% of the total death. Whereas there are no projects specially supported to address non-communicable diseases such as cardiovascular diseases in India. Hence funding for health is not all about need-based.

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