

INDIA'S DEVELOPMENT COOPERATION WITH BANGLADESH

A focus on Lines of Credit



Foreword

South Asia is considered as one of the least integrated regions of the world. Lack of trust among the countries of the region—the long-standing Indo-Pakistan mistrust being the highlight of the region's continually faltering bilateral relations—has also affected economic relations and cultural exchanges. South Asia is home to a quarter of the world's population and forty percent of the world's poor. Women and minorities face stark inequalities on a daily basis leaving pockets of great backwardness in this region. In the light of these challenges, greater economic integration is of prime importance if the people of South Asia are to tackle issues of poverty, corruption, market integration and other issues and emerge as a regional socio-economic power block.

As the largest economy, India has had a role in shaping South Asian regionalism. Yet, over the years, India has struggled to forge strong neighbourhood relations despite its geographical, historical, cultural and economic proximity to the other countries in the region. Historically, India has mostly tried to 'manage' relations, emphasising on bilateralism over a regional framework. The need, however, has been for India to give shape and direction and embark on a journey of proactive diplomacy in its neighbourhood which would foster the necessary confidence among its neighbours. This was reflected in the regional architecture where SAARC (South Asian Association for Regional Cooperation) was the only form of regional collaboration instrument available for the longest period of time. Yet the SAARC accounts for a mere 2 percent the region's global trade and less than 5 percent of regional trade.

A change in the mindset began from the 1990s with the ushering in of India's domestic reforms—the New Economic Policies—which prompted a more generous outlook towards the region. Over the years we have noticed a marked improvement in India's regional relationship with its neighbouring countries currently peaking under Narendra Modi's government. Modi's domestic aspiration of development and rapid economic growth needs a stable and conducive neighbourhood. Thus a new kind of India-led regionalism is emerging which sets its goals on the demand for mutual cooperation and shared prosperity of the region. There are newer regional platforms emerging as well to replace the ineffective SAARC platform such as the BBIN—Bangladesh, Bhutan, India, Nepal Initiative and the BIMSTEC—the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation. The region is abuzz with cooperation in areas related to trade, connectivity, infrastructure, transit facility, energy, security, cultural—people to people contacts—and better commercial linkages in general.

Bilateral relationships between India and Bangladesh have improved markedly as well under the new Neighbourhood First policy of the current government. The Land Boundary Agreement is a milestone achieved and Modi has initiated discussion on the much disputed Teesta Water Sharing pact. These along with three progressive Lines of Credit extended to Bangladesh—the highest (USD 4.5 billion in a single LoC) extended by India to a single country, have helped in bridging the gap and the mistrust that had crept into Indo-Bangladesh relationships over the years.

This forms the subject of discussion in this study report developed jointly by Oxfam India and Society for Participatory Research in Asia (PRIA). The first Line of Credit offered to Bangladesh by India for USD 1 billion in 2010 also focussed on transport and communications sectors apart from railway infrastructure. The proposed rail connectivity between Agartala in India and Akhaura junction in

Bangladesh will add a major boost to passenger and goods movement between the two countries. Lines of Credit have emerged as a preferred instrument for development cooperation with its neighbours by India because it provides a double-sided guarantee both from the borrower country as well as from India's Export-Import Bank (EXIM Bank). The study report assesses the effectiveness of using LoCs for development cooperation.

Our main recommendations emerging out of the study are as follows:

First, there is need to develop local capacity and address issues of sustainability. Currently LoCs are overwhelmingly biased in favour of Indian companies' being granted contracts to deliver in Bangladesh. While that makes sense from India's trade point of view, from the perspective of mutual cooperation, such collaborations should address issues of sustainability and how to empower the local population to handle the new technologies and services.

Second, assessment of projects is severely marred by the lack of adequate public disclosure of information such as environmental assessment frameworks, detailed project reports, quarterly status reports, project completion reports, etc. A more transparent public disclosure policy would allow CSOs, think tanks and policy makers to analyse the benefits of cooperation and document good practices.

Third, civil society organisations in India are a repository of experience and expertise in the field of poverty reduction, women's empowerment, social protection, and community development. According to the 2015 LoC guidelines of the Indian government, the Indian mission in the borrowing country will need to provide inputs to the Indian government on the long-term economic benefits of LoC. In this context, it is recommended that the Indian missions in the partner countries could engage civil society organisations in facilitating citizen participation throughout the project cycle – appraisal, planning, implementation, monitoring, and evaluation. At present development cooperation is carried out largely between the respective governments with very little space for civil society participation. Participation of civil society organisations in project is likely to ensure greater transparency, accountability and public participation.

Finally, as mentioned earlier, there have been rough patches in the journey of Indo-Bangladesh development cooperation over the years. The current upswing in bilateral relations has been received with mixed responses by certain sections of the population in both countries. It is therefore necessary to promote the role of media to bring forward an independent and truthful assessment of the mutual benefits of such ties between countries.



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List of Acronyms

ADR	Aid for Disaster Relief
ADB	Asian Development Bank
AYUSH	Ayurveda, Yoga and Naturopathy, Unani, Siddha & Homeopathy
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BRICS	Brazil, Russia, India, China and South Africa
BR	Bangladesh Railways
BRTC	Bangladesh Road Transport Corporation
CPD	Centre for Policy Dialogue
DPA	Development Partnership Administration
DPP	Detailed Project Plan
DPR	Detailed Project Report
ERD	Economic Relation Division
G20	Group of 20
HIPC	Heavily Indebted Poor Countries
HCI	High Commission of India
IBSA	India, Brazil, South Africa
ICCR	Indian Council for Cultural Relations
IDI	International Development Initiative
IDEAS	Indian Development and Economic Assistance Scheme
IORARC	Indian Ocean Rim Association for Regional Cooperation
ITEC	Indian Technical and Economic Cooperation Programme
IES	Interest Equalisation Support
IMF	International Monetary Fund
IRCON	Ircon International Limited
JICA	Japan International Cooperation Agency
LoC	Line of Credit
LHB	Linke Hofmann Busch
MoF	Ministry of Finance
MoU	Memorandum of Understanding
MEA	Ministry of External Affairs
NLTP	National Land and Transportation Policy
NDB	New Development Bank
NAM	Non-Aligned Movement
NPV	Net Present Value
OECD	Organisation for Economic Cooperation and Development
ODA	Overseas Development Assistance
PRSP	Poverty Reduction Strategy Policy
PMC	Project Management Consultant
RIS	Research and Information System for Developing Countries
RDPP	Revised Development Project Proposal
SDPs	Small Development Projects
SAARC	South Asian Association for Regional Cooperation
SSC	South-South Cooperation
SEZs	Special Economic Zones
TCS	Technical Cooperation Scheme
TPP	Technical Project Plan

Table of Contents

Section 1: Introduction.....	1
Section 2: The Study	4
2.1 Scope	4
2.2 Objectives.....	4
2.3 Limitations/Challenges.....	4
2.4 Methodology.....	5
Section 3: Perspectives on India’s Development Cooperation.....	7
Section 4: Lines of Credit as a Modality in India’s Development Cooperation with Bangladesh	11
Section 5: Case Studies.....	17
5.1 Construction of Second Bhairab Bridge	18
5.2 Supply of 120 Broad Gauge Passenger Carriages to Bangladesh Railways.....	21
5.3 Supply of 10 Broad Gauge Diesel Electric Locomotives	24
5.4 Supply of 290 Double-decker, 50 Articulated and 88 Single-decker air conditioned buses to Bangladesh Road Transport Corporation.....	25
5.5 Observations	27
Section 6: Recommendations	32
Section 7: Conclusions	37

List of Figures:

Figure 1: Indian Development Assistance (US\$ million)	9
Figure 2: India's Development Compact.....	10
Figure 3: Lines of Credit extended by EXIM Bank of India	12
Figure 4: Proportion of LoCs extended by India to Bangladesh vis-à-vis the rest of the world	15

List of Diagrams:

Diagram 1: Project lifecycle of Line of Credit	12
Diagram 2: Flow chart depicting the initiation of Lines Of Credit proposal	13
Diagram 3: Flow chart depicting the procedure followed while extending the Line of Credit	13

List of Tables:

Table 1: Yearly approvals of LoCs since 2009-10	14
Table 2: Ten Top LoC recipient countries, as on 31 March 2016	14
Table 3: Lines of Credit extended to Bangladesh	15

List of Photographs:

Photograph 1: Location of the Second Bhairab Bridge	19
Photograph 2: The bridge under construction (on the left) is the Second Bhairab Bridge	20
Photograph 3: The entire span of the Second Bhairab Bridge.....	21
Photograph 4: Broad gauge passenger coaches supplied by India.....	22
Photograph 5: Prime Minister Hasina on inaugurating the new coaches procured under first LoC from India	23
Photograph 6: Double-decker bus supplied by Ashok Leyland under the first Indian LOC	26
Photograph 7: Buses procured under first Indian LOC at the BRTC depot	27

Introduction

India and Bangladesh share a relationship which comprises civilisational, cultural, religious, social and economic dimensions. The two countries share a common heritage and the tragic history of Partition. The cultural cords that tie these two countries together are strong, as is their peoples' passion for music, food, literature and the arts. Economically, bilateral trade between them is substantial; politically, the current dispensation in both countries is pragmatic and keen to enhance bilateral ties. Instances of regional cooperation between the two countries are manifested through India and Bangladesh's common membership in sub-regional groupings like the South Asian Association for Regional Cooperation (SAARC) and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). According to the Ministry of External Affairs, Government of India (MEA), this commonality is reflected in India's multi-dimensional and expanding relations with Bangladesh.

The relationship between India and Bangladesh has its underpinnings in a long history of enduring economic partnership and bilateral development. This relationship has been one based on mutual trust and cooperation. India was the first country to recognise Bangladesh as a separate and independent State and established diplomatic relations with the country immediately after its independence in December 1971 (Chand 2014)¹

According to Chatterji (2016)² the geographical location of these two countries complement each other and present an opportunity for both nations to strengthen their connectivity. The two countries share a nearly 4,000-kilometre border and this is significant in many ways. Sharing a border places primacy on India's "Neighbourhood First" foreign policy. Given the importance of the relationship between the two countries, the Indian government focused on to its Neighbourhood First policy with Bangladesh. India's External Affairs Minister, Mrs. Sushma Swaraj, made her first stand-alone foreign visit to Dhaka in July 2014, a few months after the NDA government came to power in May 2014. The border is also a vital element for India's "Act East" policy (Anam 2017)³. This policy has been reworked over the last few years and has seen a growing focus on Bangladesh, especially in the areas of energy, transport and security. India's Development Cooperation with Bangladesh though is not disconnected from the growing Chinese influence in South Asia; Bangladeshi-Chinese relations are now robust and comprehensive. Bangladesh is a strategic factor on China's geopolitical agenda and the latter has offered development aid and project loans with the objective of securing better and more accessible sources of energy for itself, and has an interest on the natural gas reserves that Bangladesh can offer.

¹Chand. M. 2014.

²Chatterji. 2016.

³Anam. 2017.

In the last four decades, the two countries have continued to consolidate their political, economic, trade and cultural relations and have built a comprehensive institutional framework to promote bilateral cooperation. Bilateral ties between the two countries in the past have been uneven, but since the early 1990s, India has focused on creating strong economic and commercial ties, exploring investment opportunities, building strategic alliances, and strengthening cultural and historic ties with Bangladesh (Mullen 2014)⁴. India-Bangladesh relations have been on an upswing since 2009, in terms of security and economic cooperation, when Prime Minister Sheikh Hasina took office.

India's history of engaging with Bangladesh as a development partner started as soon as Bangladesh gained independence. According to the MEA, in 1972-73, India allocated about US\$ 369.7 million (in 2000 constant prices) of development assistance to Bangladesh (mostly in the form of grants and concessional loans). In 2011-12 alone, India gave US\$ 100 million to Bangladesh as grant assistance and committed to give a total of US\$ 200 million (Kumar & Sharma 2015)⁵. Of this, US\$ 175 million was released in four instalments for utilisation in priority projects (MEA 2016)⁶.

Since the 1970s, India has provided training to Bangladeshi civilians as well as the country's defence sector employees, primarily through the Indian Technical and Economic Cooperation (ITEC) scheme and the Technical Cooperation Scheme (TCS) of the Colombo Plan. According to Mullen et al. (2014)⁷, as of March 2013, India had offered 185 training fellowships under the ITEC programme and 35 fellowships under the TCS scheme annually, with 414 Bangladeshi civil servants being trained under these two programmes between 2006-07 and 2009-10.

According to the MEA (2014)⁸ India has stood by Bangladesh in its hour of need with aid and economic assistance to help it cope with natural disasters and floods. In the wake of Cyclone Sidr in November 2007, aid worth over US\$ 37 million, including supply of relief materials consisting of medicines, tents, blankets, ready-to-eat meals, portable water-purifiers, 1,000 MT of skimmed milk powder and 40,000 MT of rice was provided to Bangladesh.

India extended a Line of Credit (LoC) worth US\$ 1 billion to Bangladesh in 2010 for developing infrastructure and its communications sector, of which US\$ 200 million was subsequently converted as grant assistance in June 2012. The LoC component was further increased to US\$ 862 million for a range of projects, including railway infrastructure, supply of broad gauge microprocessor based locomotives and passenger coaches, procurement of buses, and dredging projects. At that time, this was the single largest LoC India had ever extended to any country in one announcement (and the single largest that Bangladesh had received from any single donor). 'For both countries, it reflected a new confidence in each other in advancing and expanding their bilateral relations after over four decades of latent mutual suspicion and ups and downs' (MEA 2014)⁹.

⁵Mullen. 2014.

⁶Kumar & Sharma. 2015. P 11.

⁷Ministry of Economic Affairs. 2016.Mullen. 2014.

⁸MEA 2014. p. 2

⁹MEA 2014. p 2

During Indian Prime Minister Narendra Modi's visit to Bangladesh in June 2015, a joint declaration was made by the two heads of state stressing strengthening ties through trade and commerce (MEA 2015)¹⁰. As part of this strategy, the two countries initiated discussions on several travel treaties to enable movement of goods and tourist travel via rail, road and waterways. A second line of credit worth US\$ 2 billion was announced during the same visit. The new LoC would cover projects in areas of roads, railways, power, shipping, Special Economic Zones (SEZs), health and medical care, and technical education. According to Lohiwal and Manogya (2016)¹² the US\$ 2 billion credit line carries one per cent interest rate and 0.5 per cent commitment fee. The repayment period will be twenty years with a moratorium period of five years.

The range and quantum of South-South Cooperation (SSC) has expanded significantly in the decade gone by. India, as an emerging economy, has been an active player in development cooperation efforts with low-income countries in Asia and Africa. According to Chaturvedi et al. (2014)¹¹, India's development cooperation is based on a "development compact". The core principles of this development compact are sustainability, inclusivity, non-conditionality, demand-driven and mutually beneficial to India and the partner country. Development assistance through Indian LoCs and its socio-economic impacts on the partner country has not been sufficiently analysed in a specific country context, creating the need for this study to contribute to the growing literature on India's development cooperation, while trying to understand the nuances of such partnerships through LoCs. Against this backdrop, Society for Participatory Research in Asia (PRIA) with support from Oxfam India embarked on a research initiative to explore the growing prominence of LoCs as a mode of India's development cooperation with Bangladesh.

Following this Introduction, Section 2 will lay out the scope, objective, limitations/challenges and methodology of the study. Section 3 will provide a historical background of India's development cooperation, defining what it means, tracing its historical underpinnings and its current motivations, and will elucidate on its conceptual foundations. Section 4 will delve into LoCs as a medium of development cooperation with Bangladesh, providing a conceptual understanding of how LoCs work within the framework of India's development compact. Section 5 will provide case studies of four Indian LoCs to Bangladesh and try and examine their socio-economic impact. Section 6 sets forth a few recommendations and Section 7 concludes.

¹⁰MEA. 2015.

¹¹Lohiwal & Manogya. 2016.

¹²Chaturvedi et al. 2014. p. 5

The Study

2.1. Scope

This study focuses on analysing the socio-economic impacts of the following four projects under the LoC of US\$ 1 billion extended by India to Bangladesh from 2010. Of these, three projects have been completed and one is close to completion.

- Construction of Second Bhairab Bridge
- Supply of 120 railway passenger coaches
- Supply of 10 broad gauge diesel electric locomotives
- Supply of 290 double-decker buses, 50 articulated and 88 single-decker air-conditioned buses

2.2. Objectives

The study seeks to fulfil the following objectives:

- Analysis of the official discourse emerging from Indian and Bangladeshi governments on development cooperation being driven through LoCs.
- Capture the general perception of Bangladeshi civil society on Indian LoCs.
- Seek to understand the monitoring and evaluation measures adopted mutually by both countries to ensure effective delivery of development projects financed by LoCs.

2.3. Limitations/Challenges

As per initial plans, it was decided that the study would potentially analyse the socio-economic impact of Small Development Projects (SDPs) in the social development areas of health and education. After consultative meetings with the advisory committee members¹³ and upon extensive review of literature, the study had to revisit the scope of analysing the socio-economic impact of SDPs. As the Memorandums of Understanding (MoUs) related to SDPs were signed between the two governments on 11 April, 2013, there were apprehensions about the status of completion of these projects (assuming implementation had commenced).

¹³An advisory committee was set up in October 2016, comprising of the Former High Commissioner of India to Bangladesh, Mr. Pinak Ranjan Chakravarty, Professor Anuradha Chenoy and Professor Gulshan Sachdeva of Jawaharlal Nehru University, and Professor Sachin Chaturvedi, Director General at the Research and Information System for Developing Countries (RIS).

Due to the unavailability of field data compiled by any external independent agency, the report is heavily reliant on data as reported by the Indian and Bangladeshi governments and Export Import Bank of India (henceforth, EXIM Bank). The implementation phase and the impact of completed projects is not well documented, which is a major constraint in accessing data. Availability of Detailed Project Reports (DPRs), quarterly status reports and project completion reports in the public domain would have made identifying and analysing projects far less challenging.

2.4. Methodology

The study adopted a phased approach, which was chosen to gain clarity during the research process.

Phase 1:

a) Formative research to understand the context

During the formative research phase, the study closely examined the secondary sources of data on financial assistance, collated primarily from the annual reports and outcome budgets of the MEA, and from the website of the High Commission of India (HCI) in Dhaka. The formative research served to enhance the understanding of the nature of development cooperation with a specific focus on the development projects commissioned in Bangladesh.

The study has reviewed literatures such as government reports, budget documents, academic publications and newspaper articles to understand the nature, modalities/instruments of financing, and trends in Indian development cooperation with Bangladesh. The key question of how the espoused values of SSC (demand driven assistance, non-interference, non-conditionality, mutual benefit, etc.) are actually practised through development projects supported by India in Bangladesh was explored.

b) Setting up of advisory committee and establishing contact with relevant MEA officials

An advisory committee was set up in October 2016, comprising of the Former High Commissioner of India to Bangladesh, Mr. Pinak Ranjan Chakravarty, Professor Anuradha Chenoy & Professor Gulshan Sachdeva of Jawaharlal Nehru University, and Professor Sachin Chaturvedi, Director General at the Research and Information System for Developing Countries (RIS). The objective was to seek guidance in identifying specific projects in Bangladesh and understanding the challenges in undertaking such a research. Each member of the committee added value to various stages of the research process and dissemination of its findings. Initial meetings were conducted with the advisors individually. It was during this phase that PRIA was advised to revisit the scope of analysing the socio-economic impact of SDPs as implementation had not commenced for any of the projects. On the other hand, seven LoCs had been completed. Hence, on the advice of the committee, it was found to be relevant to analyse the socio-economic impact of LoCs.

Simultaneously, PRIA established contact with Secretary Economic Relations to the MEA, Mr Amar Sinha, the Joint Secretaries of Development Partnership Administration (DPA) I, III and Bangladesh and Myanmar of MEA, HCI in Dhaka, High Commission of Bangladesh New Delhi, civil society organisations (CSOs) of Bangladesh, Bangladeshi scholars, and think tanks of both the countries working on India-Bangladesh relations. Contact was also established with the EXIM Bank, IRCON International in New Delhi. Subsequently, meetings were conducted to seek their guidance and inputs.

Phase 2:

c) *Designing data collection tools*

Since the primary sources of data were qualitative and quantitative, different questionnaires were prepared based on the categories of various stakeholders. The various stakeholders mapped included relevant officials at the HCI in Dhaka, EXIM Bank, IRCON officials and officials of relevant ministries of the Government of Bangladesh and think tanks and civil society of Bangladesh.

d) *Data collection*

Primary data was collected from the mapped stakeholders. The in-depth research included semi-structured interviews with concerned officials and implementing agencies in both India and Bangladesh. In addition, a few Indian and Bangladeshi scholars who have reviewed, critiqued and been involved in various research studies on India-Bangladesh development partnership were also interviewed. Along with this, a few media persons and eminent members of Bangladeshi civil society who have engaged in the development projects were interviewed in Bangladesh. PRIA has respected and maintained all the official protocols as per the prevalent norms in the local culture. Each interview was conducted in a relaxed environment to collect the most authentic and reflective responses.

Phase 3:

e) *Sharing roundtable*

A roundtable to share the draft findings of the study and gather multiple perspectives on implications on the future practice and policies related to India's development cooperation and SSC was held on 24 March, 2017 in New Delhi. The round table was chaired by Dr. Rajesh Tandon, President, PRIA and attended by Former High Commissioner of India to Bangladesh, Mr. Pinak Ranjan Chakravarty, Professor Sachin Chaturvedi the Director General at the RIS and other eminent members of the Indian civil society, academia and think tanks.



f) *Final report*

The relevant feedback received from the sharing roundtable has been incorporated in this final report.

Perspectives on India's Development Cooperation

With the slowdown in developed world after the global financial crisis of 2008, there was a slackening of donor enthusiasm from developed countries, leading to increase in SSC. According to Nataraj (2015)¹⁴, the Sustainable Development Goals (SDGs) have identified international cooperation priorities and set the paradigm for global cooperation. India has been a key contributor laying emphasis on SSC as an important pillar of the post-2015 development agenda. SSC is based on the principles of equality and mutual benefit. Indian development partnerships are guided by shared experiences of years of northern donor support. Since, SSC occurs only when a developing country requests it, SSC assistance should not be treated as Overseas Development Assistance (ODA), but as complementary finance provided on the grounds of solidarity (UNDP 2016)¹⁵. The modalities of SSC include financial and monetary cooperation, technical assistance for infrastructure and long-term projects, and sharing of knowledge and expertise through in-kind contributions, such as training public officials.

Until the dawn of the new millennium, India was viewed predominantly as a poor developing country with low visibility in global polity and economy. Since the last decade, India appears to be writing a dynamic new future not only as an acknowledged leader of the South but transcending to play a larger global role (Bandyopadhyay & Tandon 2016)¹⁶. According to the World Bank (2017)¹⁷ data following the Balance of Payment crisis in 1991, the GDP increased to 5.48 percent in 1992. Between 1992 and 2000 the average GDP was 6.10 percent and between 2001 and 2015, the average was 7.19 percent.

In the global economy, India has increasingly become an influential player and has assumed an important role in shaping norms, governance and institutions (Roychowdhury 2013)¹⁸. Indian business enterprises (both public and private) have been making their presence felt around the world. As a member of the World Bank, International Monetary Fund (IMF) and Asian Development Bank (ADB), India has increased its stakes and influence following the global financial crisis of 2008. In new multilateral mechanisms like G20, IBSA and BRICS, India's influence is being felt. In addition, the launch of New Development Bank (NDB) under the BRICS initiative has the potential to augment as well as challenge the current order of global financial institutions and their governance.

¹⁴Nataraj. 2015.

¹⁵UNDP 2016 p. 15.

¹⁶Bandyopadhyay & Tandon. 2016. p .1

¹⁷World Bank. 2017

¹⁸Roychowdhury. 2013.

India repositioned its stand on both accepting and giving aid in 2002–2003. According to Price (2005)¹⁹, Jaswant Singh, the then finance minister of India, in his budget speech of 2003 announced a new development assistance strategy in which India would become a donor, and would significantly reverse its long-standing image as a poor country and an aid recipient. In June 2003, India announced that only five countries (Japan, the UK, Germany, the US and Russia) and the EU were to be allowed to continue providing assistance. Simultaneously, India started identifying poorer countries as development partners. The Union Budget of 2003–04 gave debt relief to Heavily Indebted Poor Countries (HIPC) for overdue debts. The India Development Initiative was announced, with Rs 2 billion for the year, which was supposed to leverage and promote India's strategic economic interests abroad (Chaturvedi et al. 2014)²⁰. In 2006–07, India made a commitment of US\$ 1 billion for bilateral cooperation, of which more than US\$ 500 million was disbursed.

India's development cooperation efforts began much before its Independence. India supported the freedom struggles of fellow developing countries with intellectual and material resources. The first recorded instance was in September 1946, when a fellowship programme for trainees from China and Indonesia was established. According to Chaturvedi and Mohanty (2016)²¹, since 1947, India's "one world" philosophy and historical support for anticolonial movements, particularly in Africa, shaped its foreign policy and defined the broad contours of economic diplomacy and development cooperation. In 1949, the Indian government provided 70 scholarships to students from Commonwealth and other foreign countries such as Indonesia, China, Nepal Afghanistan, Iran, Egypt, South Africa, East Africa, Ceylon (present day Sri Lanka), Malaya, Burma (present day Myanmar), Mauritius, Jamaica, Trinidad, British Guiana, Fiji Islands, Siam, Bhutan, Ethiopia, Philippines, IndoChina, Tibet, Turkey, Portuguese Colonial Africa, Japan, North Rhodesia, Nyasaland (present day Malawi), Nigeria and Surinam. The main aim was to enhance cultural relations with Southern countries, particularly in Asia and Africa, and to facilitate a suitable environment for higher education purposes (Chaturvedi et al. 2014)²².

In recent years, the volume and diversity of Indian development cooperation, under the broad rubric of SSC, has grown exponentially. According to MEA annual reports, between 1992 and 2009, official foreign assistance provided under the umbrella of the Ministry amounted to US\$ 4.47 billion. The Ministry allocated US\$ 444 million to aid-related activities in the 2009 financial year alone (Fuchs & Vadlamannati 2012)²³.

According to Mullen (2014)²⁴, India's development assistance programme has grown more than twelve-fold between 2001 and 2014 (from Rs 11.86 billion to Rs 147.59 billion). As of 2014–15, Indian assistance through grants and loans was US\$ 1.4 billion. India's increased commitment to providing development aid is reflected in the government's decision to set up Development Partnership Administration under the MEA in 2012 in order to oversee the aid allocation process (Patel 2011)²⁵.

¹⁹Price. 2005.

²⁰Chaturvedi et al. 2014. p. 9.

²¹Chaturvedi & Mohanty. 2016. p 1.

²²Chaturvedi et al. 2014. P. 11–15.

²³Fuchs & Vadlamannati (2012).

²⁴Mullen. 2014. P. 3.

²⁵Patel. 2011.

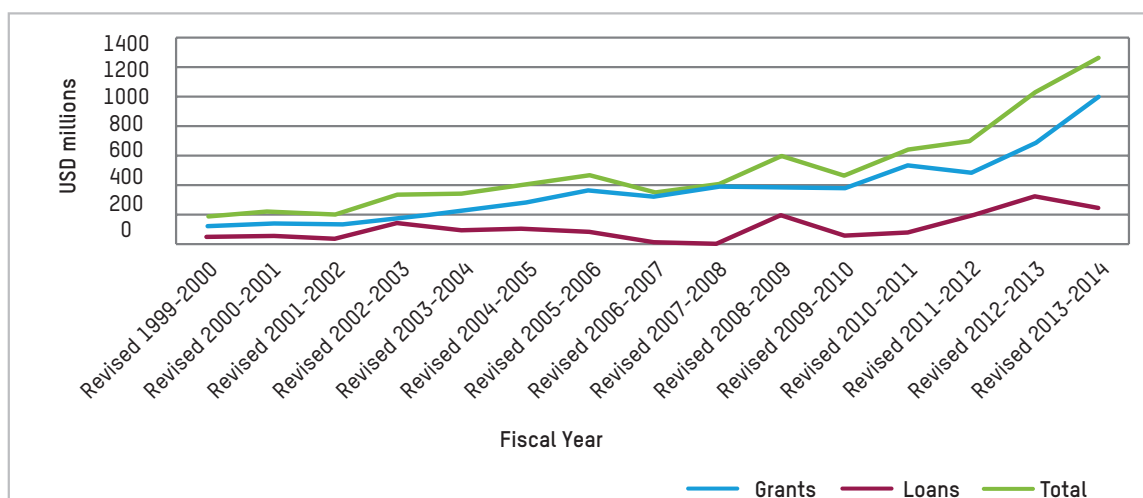


Figure 1: Indian Development Assistance (US\$ million)

Source: Indian Development Cooperation Research at the Centre for Policy Research, New Delhi

According to Price (2005)²⁶, three ideas permeate India's attitude towards aid:

- that assistance is extended for political or economic purposes, as India sees it as a highly effective means of improving relations;
- that the wrong type of assistance can be counter-productive; and
- that conditional or tied bilateral aid, in particular, can be degrading for the recipient.

According to Mawdsley (2012) in Chaturvedi (2014)²⁷, India's development cooperation post-Independence was motivated by, first, a need for energy²⁸; the desire to create a buffer zone between itself and China (which lead to infrastructure development in Nepal); and second, the desire to be an international player, exemplified by its leadership of the Third World through the Non-Aligned Movement (NAM). Since the early 2000s, India's natural resource, security and leadership aspirations are echoed in the shift in its development assistance. India's current assistance strategy is determined by political factors (strengthening relations with other developing countries, for example, to gain support for India's bid to gain a permanent seat on the UN Security Council) and economic factors (such as gaining access to markets or raw materials).

According to Bandyopadhyay & Tandon (2016)²⁹, over the last decade, India has emphasised strengthening its relationships with other developing countries based on the tenets of SSC. According to Chaturvedi & Mohanty (2016)³⁰, India's development assistance programme has two objectives: (a) mitigating poverty and (b) revitalising economic growth in recipient countries. Like other emerging countries, India emphasises poverty alleviation as a means to achieving long-term growth. India's approach to development cooperation has theoretical underpinnings in India's experience as an aid recipient, which stresses on win-win partnerships that embody shared challenges but distinct

²⁶Price. 2005. P. 3

²⁷Chaturvedi. 2014.

²⁸A need for energy, which took the form of investing in hydropower projects.

²⁹Bandyopadhyay & Tandon. 2016. p 3-8

³⁰Chaturvedi & Mohanty. 2016. p 2.

national priorities. Hence, India's development assistance mission centres on empowering developing countries and supporting them in efforts to come out of deprivation and engage in long-term, sustained development. This long-term development cooperation strategy has often been referred to as the "mission approach" (ibid)³¹.

According to Chaturvedi et al. (2014)³², the discourse on the uniqueness of Indian development cooperation is premised around 'six main conceptual pillars: (1) sustainable and inclusive; (2) based on India's own developmental experience; (3) without conditionalities; (4) demand driven; (5) based on mutual gains; and (6) contributing to India's soft power'. India frames its development cooperation with business and commercial interests in terms of a development compact, based on mutual gains without conditional ties – a win-win strategy.

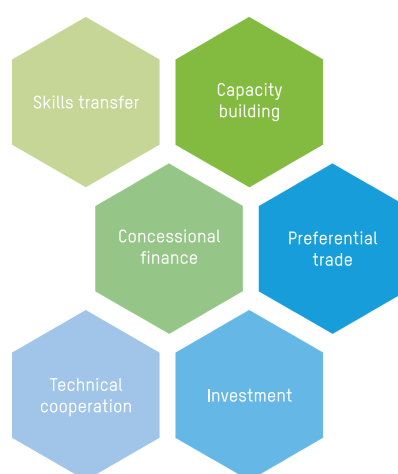


Figure 2: India's Development Compact

The development compact rests on five action pillars:

- capacity building and skills transfer
- concessional finance (further divided into grants and LoCs)
- preferential trade
- investment
- technical cooperation

Loans, grants and concessional credit form part of mutual cooperation and benefit. The resulting Indian development cooperation package is a mix of LoCs, concessional loans, debt relief, subsidised credit and technical assistance, which forms the bulk of such cooperation. This broad portfolio of modalities which India offers allows for flexibility that makes it a much more attractive option for partner countries in the South. Given the growing importance of LoCs as a modality of India's SSC, the next section will study Indian LoCs in further detail.

³¹Ibid.

³²Chaturvedi et al. 2014. p. 4.

Lines of Credit as a Modality in India's Development Cooperation with Bangladesh

India's development cooperation with fellow developing countries of the South has come a long way. Capacity building is still the key focus of Indian development cooperation, but of late, extension of LoCs on concessional terms through the EXIM Bank has become one of the main instruments of India's development assistance to least developed and developing countries of Africa, Asia and Latin America. The Indian government, through the EXIM Bank, raises capital from the international financial market and extends the collected capital to other developing countries at concessional rates.

The first instance of a LoC being extended by India can be traced back to 1948, which took the form of a Rs. 75,000 loan to Indonesia. In 1955-56, a loan of US\$ 42 million was extended to Burma (Myanmar) [Saxena 2016]³³. Over the years, India would sign credit agreements with the borrowing country, and these agreements popularly came to be known as LoCs. The relevant LoCs were directly charged to the budget and disbursed through the State Bank of India. According to Saxena (2016), until 2003, India extended 83 government-to-government LoCs to 23 countries, totalling US\$ 498.56 million (US\$ 1466.64 million, PPP). In case of 31 LoCs, payments were made in US\$, while US\$ 88.37 million for 52 LoCs were paid in Indian rupees (Rs. 5,862.1 million).

With the change in the government's stand on bilateral aid to India in 2003, and subsequent opening up of Indian development cooperation, a second phase of the LoC programme was launched. The International Development Initiative (IDI) programme was renamed as the Indian Development and Economic Assistance Scheme (IDEAS) in July 2005. With SSC in the background, the IDEAS programme had several objectives for mutual gain. This allowed India's EXIM Bank to extend LoCs to friendly foreign countries on behalf of the Indian government [Samuel & George 2016]³⁴. Under the LoC scheme, the EXIM Bank offers two types of programmes. One is on commercial terms while the other is on non-commercial, concessional terms. Regarding the latter, the Indian government bears the Interest Equalisation Support (IES), that is, the difference between the actual interest charged and EXIM Bank's normative commercial interest rate.

³³Saxena. 2016. p. 2-3.

³⁴Samuel & George. (2016) p 19.

In order to create socio-economic benefits in the partner country, LoCs are routed through the EXIM Bank and extended to developing partner countries with the objective of sharing India's development experience through:

- capacity building and skills transfer,
- trade, and
- infrastructure development.

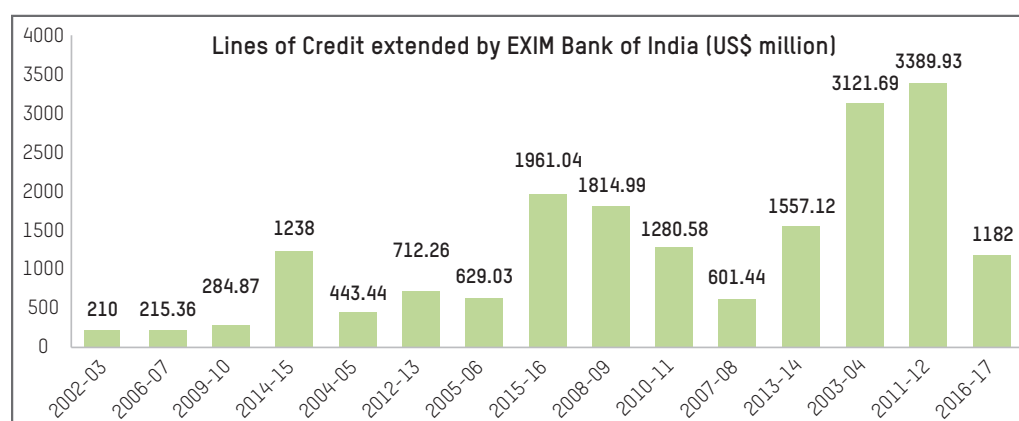


Figure 3: Lines of Credit extended by EXIM Bank of India

Source: EXIM Bank of India 2016-17

According to the EXIM bank, assistance through LoCs follows a sequence of standard procedures for all borrowing countries including Bangladesh.

- Project identification and preparation of DPR by the Project Management Consultant (PMC) appointed by the borrowing government.
- Review and approval of the project proposal by MEA and EXIM Bank.
- Offer of the loan, acceptance and execution of loan agreement between EXIM bank and the borrowing country.
- Preparation of the DPR, prequalification of Indian companies, selection of the Indian contractor through bidding process by the LoC recipient, and coverage of contract under the LoC.
- Project implementation, monitoring and supervision.
- Socio-economic impact assessment after project completion.

The lessons learnt from the impact assessment/evaluation act as feedback to the preparation, review and implementation of future projects. This process forms the 'project cycle'.

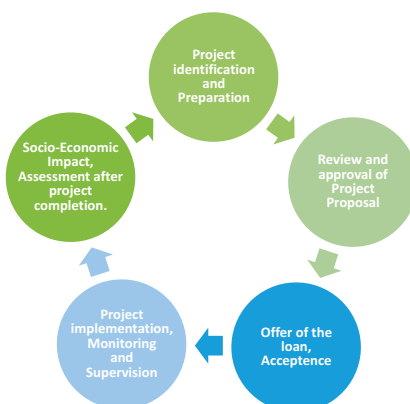


Diagram 1: Project lifecycle of Line of Credit

Source: EXIM Bank of India 2016-17

Given the growing importance of LOCs, it is important to understand the procedure followed by EXIM bank in extending credit to the borrowing government.

- Exim Bank signs agreement with borrower and announces when effective.
- Exporter checks procedures, service fee payable, if any, with Exim Bank, and negotiates contract with importer.
- Importer consults borrower and signs contract with exporter.
- Borrower approves contract.
- Exim Bank approves contract and advises borrower, exporter, and his negotiating bank, in India.
- Importer establishes line of credit in favour of exporter.
- Exporter ships goods.
- Exim Bank/commercial bank negotiates shipping documents and pays exporter.
- EXIM Bank reimburses commercial bank on receipt of claim and debits LoC account of the borrower.
- Borrower repays EXIM Bank on due dates.

INITIATION OF LOC PROPOSAL

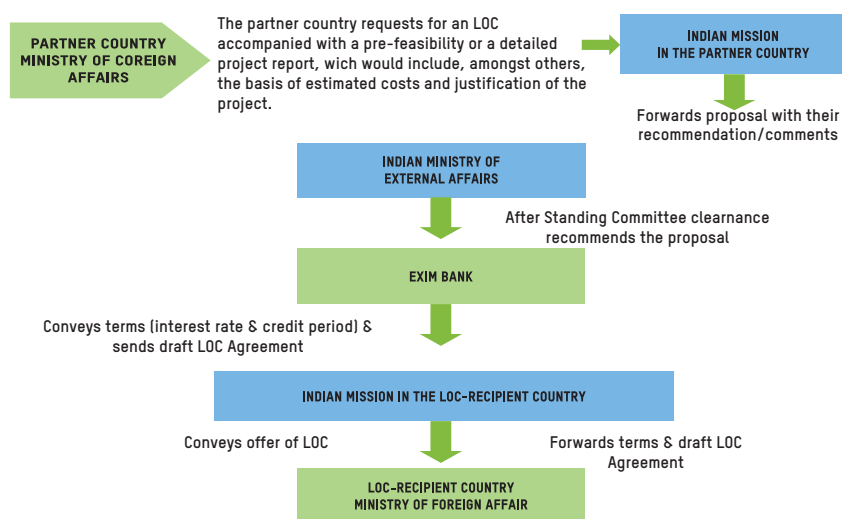


Diagram 2: Flow chart depicting the initiation of Lines Of Credit proposal

Source: EXIM Bank of India

LINES OF CREDIT PROCEDURAL FLOWCHART

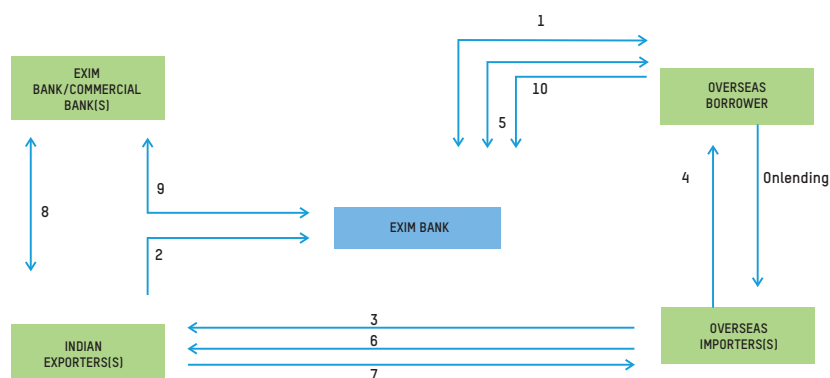


Diagram 3: Flow chart depicting the procedure followed while extending the Line of Credit

Source: EXIM Bank of India

According to Chaturvedi (2012)³⁵, LoCs carry double guarantees: a sovereign one from the borrowing government and a counter-guarantee provided by the Indian government for loan repayment. LoCs are one of the main instruments used by EXIM Bank which helps facilitate and promote India's international trade with other countries. Such credit is intended to boost India's exports (especially of industrial goods), open new markets for Indian companies, establish India's reputation for high-quality goods and services, and increase India's political influence and gain goodwill among partner countries. Of late, India's domestic requirements for natural resources, food and energy security have also become important considerations.

Over the last few years, the quantum of the LoC portfolio has grown exponentially. As on 31 March, 2016, the Indian government has approved 234 LoCs aggregating US\$ 17.94 billion (US\$ 70.08 billion in PPP); of these, 202 LoCs aggregating US\$ 14.47 billion (US\$ 56.52 billion in PPP) have been signed.

Table 1 makes it evident the pace of approvals for LoCs has multiplied since 2014. Financial assistance from India and China are alike in some ways. However, Indian LoCs to developing countries were found to be concessional more often across cases than Chinese LoCs. According to UNDP (2016)³⁶ the LoCs from China are attached to different forms of repayment arrangements, such as loans for oil or service-tied loans.

Table 1: Yearly approvals of LoCs since 2009-10	
Financial Year	Amount (US\$ billion)
2009-10	1.96
2010-11	1.81
2011-12	1.30
2012-13	0.61
2013-14	1.56
2014-15	3.57
2015-16	3.39
Total	14.20

Source: RIS Discussion Paper #204 (2016)

It is interesting to look at the top 10 development partners to whom India extends LoCs.

Table 2: Ten Top LoC recipient countries, as on 31 March 2016			
Sl. No.	Country	No. of LoCs	Credit amount (US\$ million)
1	Bangladesh	2	2862.00
2	Nepal	4	2100.00
3	Sri Lanka	8	1734.16
4	Ethiopia	7	1004.54
5	Mauritius	6	868.80
6	Sudan	8	737.07
7	Myanmar	11	678.90
8	Mozambique	12	639.44
9	Tanzania	5	615.22
10	West Africa (ECOWAS Bank for Investment & Development)	3	500.00
	Total	66	11100.69

Source RIS Discussion Paper #204 2016

³⁵Chaturvedi. 2012. p. 12.

³⁶UNDP. 2016. p. 44.

More than 64 per cent credit among the top 10 borrowers is deployed in Bangladesh, Nepal, Sri Lanka and Myanmar, keeping in tune with India's Neighborhood First policy. As evident from Table 2, the highest recipient of Indian LOCs has been Bangladesh.

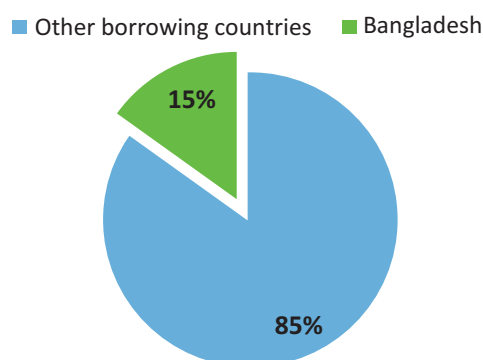


Figure 4: Proportion of LoCs extended by India to Bangladesh vis-à-vis the rest of the world

Source: EXIM Bank of India

As specified in the LoC Operational Guidelines of the Indian government, economic and infrastructural projects receive priority, followed by specific sectors that may create bridgeheads for bilateral trade (MEA 2015)³⁷. Power accounts for a quarter of the portfolio. Rural electrification is 5 per cent of project allocation, closely followed by railways, one of the most efficient modes of transport and connectivity. India's experience in running a massive railway network is a real value addition. Additionally, 5 per cent of the project allocation is towards roads and transport. Power and transport together account for almost 58 per cent of credit commitment. Capital formation must stimulate employment potential as well.

GOI LOC STATISTICS

Country : Bangladesh

Sr. No.	Year	Region	Country	Borrower	Amount of Credit (in USD mn)	Purpose	Date of signing of LOC by the recipient with Exim Bank	Value of contracts (in USD mn)	Disbursements (in USD mn)
1	2009-10	Asia	Bangladesh	Govt. of Bangladesh	862.00	Financing export of goods and projects including development of railway infrastructure, dredging, construction of bridges, procurement of buses, locomotives coaches and rehabilitation of Saidpur Workshop.	07/08/2010	646.34	325.94
2	2015-16	Asia	Bangladesh	Govt. of Bangladesh	2000.00	Financing various social and infrastructure development projects in Bangladesh (such as power, railways, road transportation, information and communication technology, shipping, health and technical education sectors)	09/03/2016	0.00	0.00
				Total				646.34	325.94

Table 3: Lines of Credit extended to Bangladesh

Source: EXIM Bank of India

It is to be noted that India has been providing significant amount of finance for building railway and road transport systems in neighbouring countries, which may reflect its interest in reducing costs to promote regional trade of goods and services. This policy is clearly reflected in the purpose of LoCs extended to Bangladesh. India had extended a line of credit worth US\$ 1 billion to Bangladesh in 2010 for developing

³⁷MEA. 2015.

infrastructure and communications sector. The Indian government has subsequently converted US\$ 200 million out of the US\$ 1 billion LOC as grant assistance in June 2012 which was used by Bangladesh to commence ground breaking work on its ambitious Padma Bridge project, designed to exponentially facilitate east-to-west connectivity across Bangladesh. The remaining 80 per cent was increased to US\$ 862 million. This was entirely used on rail/road connectivity upgradation and modernisation. At that time, this was the single biggest LoC India had ever extended to any country in one announcement (and the single largest that Bangladesh had received from any single donor). 'For both countries, it reflected a new confidence in each other in advancing and expanding their bilateral relations after over four decades of latent mutual suspicion and ups and downs' (Balaji 2016)³⁸.

The US\$ 2 billion credit agreement signed in March 2016 is being used to implement socio-economic development projects in Bangladesh and strengthen bilateral relations. The new LoC will cover projects in areas of Roads, Railways, Power, Shipping, SEZs, Health & Medical Care and Technical Education.

The following section examines four cases of Indian LoCs to Bangladesh, out of which three are in the railways sector and the fourth in road transport.

³⁸Balaji 2016 p 3.

Case Studies

The Sixth Five Year Plan (2011-15) and Ten Year Perspective Plan (2011-20) of Bangladesh emphasises the importance of effective regional connectivity and better trade facilitation (Planning Commission 2011, Strinivasan 2012)³⁹ Bangladesh is a member of regional trade arrangements and initiatives such as the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), Free Trade Agreement and South Asia Trade in services. These agreements include cooperation in trade, investment, trade facilitation and connectivity.

The Sixth Five Year Plan sets out a strategy for market integration through developing transport network at the domestic and regional levels. This plan includes the development of inter-modal transport networks linking seaports with neighbouring countries such as India by increasing the capacity to handle expected cargo flows. The Chittagong and Mongla seaports will be developed and linked with Dhaka and neighbouring countries; railway lines will connect the east and southwest with investment in rolling stock, modernisation of traffic and safety equipment; converting narrow to broad gauge tracks to harmonise with neighbouring countries and allowing cross-border movement of trains. The plan emphasises Bangladesh's participation in global and regional transport connectivity initiatives to develop land routes between South Asia and East Asia through Bangladesh (Plummer et al 2016)⁴⁰

A regional multimodal study conducted by the SAARC Secretariat put forward suggestions to develop transport and transit agreements between India and Bangladesh. The study proposed standardising technologies including track, rolling stock, signalling and coordination (Kumarage 2006)⁴¹. The BIMSTEC Transport Infrastructure and Logistics Study suggested strategies for the development of integrated regional rail networks between Bangladesh and India, which would facilitate access of both countries to Myanmar and Thailand. The study also suggested the development of rail links between Dhaka and Chittagong, improving railway freight services, and a container service network linking Kolkata, Siliguri/ New Jalpaiguri, Tongi and Chittagong (ADB, 2008)⁴².

Bangladesh Railways (BR), the State-owned rail transport agency, operates and maintains the whole railway network of the country. Nearly 32 per cent of the total area of Bangladesh is covered by railways (Bhattacharjee 2017)⁴³. According to the World Bank, Bangladesh has a railway network of 2,835

³⁹Planning Commission. 2011. p 4; Strinivasan. 2012.

⁴⁰Plummer et al. 2016.

⁴¹Kumarage. 2006.

⁴²Asian Development Bank. 2008.

⁴³Bhattacharjee. 2017.

kilometres, which facilitates the transportation of 710 million tons (per kilometre) of goods each year (2013)⁴⁴. The railway sector has potential for regional connectivity if gauge size, track structure and signal constraints are addressed. The broad gauge rail corridors between Bangladesh and India are not active (Rahmatullah 2009)⁴⁵. The Bangladesh railway sector faces other challenges including non-utilisation of available capacity in India owing to trade on one side, and restrictions on the movement of commodity-specific rolling stock including open freight wagons, oil tanks and containers.

In order to strengthen connectivity between India and Bangladesh, joint communiqués were signed by the heads of both States in 2010 and 2011. According to the 2010 communiqué, Bangladesh will allow the use of Mongla and Chittagong seaports for movement of goods to and from India through road and rail. India is building rail links from Akhaura to Agartala and an inland river port in Ashuganj to promote trade linkages between the two countries. The Rohanpur–Singabhad broad gauge railway link will be available for transit to Nepal.

Bangladesh showed interest in converting the Radhikapur–Birol railway line to broad gauge and requested that a railway transit link be established with Bhutan as well. India extended a LoC worth US\$ 1 billion to Bangladesh for a range of projects, including the development of railway infrastructure, supply of broad gauge locomotives and passenger coaches. This agreement was in the spirit of mutual benefit; India would benefit from the transit of goods through Bangladesh to the Northeast and Bangladesh's cross border trade with India, Bhutan and Nepal would grow due to the enhanced connectivity.

5.1 Construction of Second Bhairab Bridge

According to Plummer et al. (2016)⁴⁶, Bangladesh's National Land Transport Policy of 2004 sets out the plan for the development of the rail sector and has particularly promoted the development of international rail networks and services. The Government of Bangladesh has undertaken a long-term plan to invest US\$ 15 billion by 2030. A large share of the required financial resources is to be underwritten by development partners. At present, 44 projects are planned for implementation, which are supported by India, the Japan International Cooperation Agency (JICA) and the Asian Development Bank (ADB).

One of the projects, being constructed by India as part of the \$1 billion LoC to Bangladesh, is the Second Bhairab Bridge over the Meghna River. This double-line bridge will be an important link in the Dhaka–Chittagong rail route. It will connect Ashuganj in Brahmanbaria district, close to Bangladesh's border with Tripura, and Bhairab Bazaar.

⁴⁴World Bank. 2013.

⁴⁵Rahmatullah. 2009.

⁴⁶Plummer et al. 2016.



Photograph 1: Location of the Second Bhairab Bridge

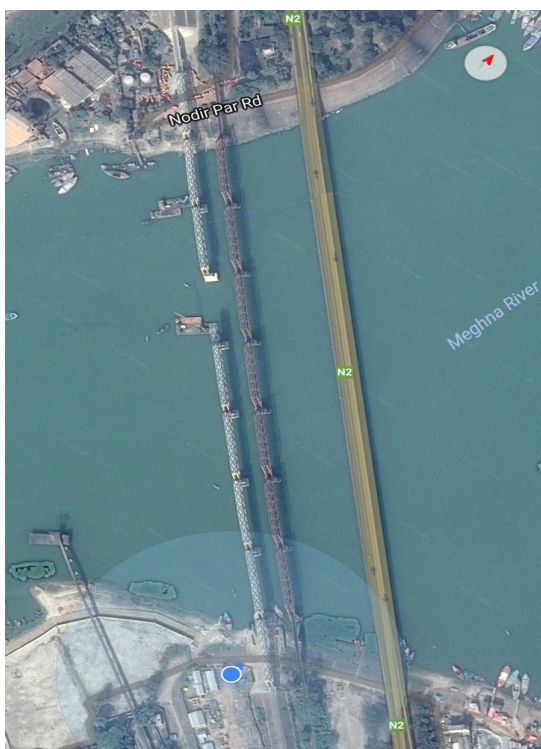
Source: *The Independent, Dhaka*

The Second Bhairab Bridge will significantly reduce travel time between Dhaka and Chittagong. The entire railway corridor is being upgraded to double lines. About 196 kilometres of the 320 kilometre route from Dhaka to Chittagong is single track. The single track over the River Meghna at Ashugunj creates congestion while crossing, which leads to delays. According to BR and IRCON officials, the Second Bhairab Bridge will reduce congestion in the line at Ashugunj, thereby reducing travel time and enabling faster movement of passengers and freight. The single track is also a factor in the cause of accidents along the line. Moreover, when an accident occurs, rescue operations are seriously hampered as the relief train cannot reach the accident spot due to lack of an alternative track.

Railways Minister M Mazibul Haque was quoted as saying, “The 982.20-meter railway bridge over the Meghna River will ease rail communication between Dhaka and Chittagong [The Independent 2017]⁴⁷. The Bhairab railway bridge will connect Ashuganj in Brahmanbaria district, close to Bangladesh’s border with Tripura, and Bhairab Bazaar. According to the Minister, the government is working to upgrade the 320 km Dhaka-Chittagong railway corridor to double lines, of which the work on a 124 km stretch of the railway has been completed. The government will construct the remaining 196 km with funds from JICA and the ADB (The Daily Star 2016)⁴⁸. In an interview with PRIA, Mr. B.N. Singh the General Manager of IRCON said, “the construction has been completed and trial runs are being conducted. It is expected that the project will be handed over in April 2017.”

⁴⁷The Independent. 2017.

⁴⁸The Daily Star . 2016.



Photograph 2: Location of the Second Bhairab Bridge

As it is part of the LoC, only Indian firms were allowed to participate in the tendering process. The contract was awarded to a joint venture between IRCON International and AFCONS Infrastructure Ltd. Texmaco Rail and Engineering Ltd. got the order to build the bridge's infrastructure. After the tendering process, BR signed an agreement on September 10, 2013 with IRCON International and AFCONS Infrastructure Ltd. The agreed contract value of the project was US\$ 72.90 million. Construction began on December 25, 2013. On November 12, 2013, the DPA under the MEA conveyed approval of relaxation of Indian content from the existing 75 per cent to 65 per cent. The remaining 35 per cent was procured from local vendors in Bangladesh. This comprises mostly raw materials for construction and unskilled labour.

According to the progress report submitted by STUP Consultants, the PMC appointed by the Government of Bangladesh, on October 31, 2016 the physical progress was 84.5 per cent against a target of 97.5 per cent. STUP

submitted that there were pre-construction delays in the detailed feasibility study, detailed design and tender preparation due to:

- a. delays in prequalification of Indian contractors,
- b. prolonged strikes, and
- c. delays in finalisation of civil works contracts with Indian contractors.

Such delays have pushed back the handing over date by 9 months with some cost overruns.

In an interview with PRIA in Bangladesh, Mr. Ameyanshu Das the project in-charge of IRCON, mentioned that the initial delays in the project were due to delays in alignment finalisation. It was also reported that local political unrest during the central elections of 2014 and the terror attacks of 2016 delayed the progress of construction.

According to status update reports of the projects covered under the US\$ 862 million LoC to Bangladesh, US\$ 56.56 million had been disbursed towards this project by November 28, 2016. The PMC (STUP) appointed by Bangladesh completed the detailed drawings of the project on January 29, 2013, but the contract was finally approved and conveyed by the EXIM Bank and MEA on November 11, 2013. BR records that there have been no delay in disbursals of funds. However, Mr. S. Bahar, Economist, BR in an interview with PRIA, said there were some delays in approvals from the EXIM Bank after signing of the contracts between Bangladesh and the Indian contractors/consultants.



Photograph 3: The entire span of the Second Bhairab Bridge

Source: IRCON

When operational, the Second Bhairab Bridge will make the railways a more attractive mode of transport along the route, increasing coaching and freight revenues. The second Bhairab bridge will play a crucial part to reduce the travel time between Dhaka and Chittagong. At present, the train route from Dhaka to Chittagong is a single line over Meghna at Ashugunj and this creates congestions while crossing which leads to delays. According to BR and IRCON, the second Bhairab Bridge will reduce the congestion in the line at Ashugunj and reduce the time of travel, enabling faster movement of passengers and freight. The entire section will be dual gauge, allowing for integration with broad gauge lines as and when they get built along the Dhaka-Chittagong route. In the long run, this allows for better mobility of passengers and goods between Kolkata and Agartala through Dhaka and Akhaura. This line will allow for easier movement of goods through Chittagong port to Agartala through Akhaura. Such regional integration will allow Bangladesh to trade with Bhutan, Nepal, India and Myanmar. Hence, in the spirit of SSC, both India and Bangladesh will reap mutual benefits through this project.

5.2: Supply of 120 Broad Gauge Passenger Carriages to Bangladesh Railways

Out of a total of 2,877 kilometres of railway tracks in Bangladesh, 659 kilometres is broad gauge, 1,808 kilometres is meter gauge and 410 kilometres is dual gauge railway track. In an interview, Mr. Kalikanta Ghosh the Deputy Director, Operations, BR informed that ever since the meter gauge and broad gauge sections of the West Zone have been connected to the East Zone, and direct trains connecting Dhaka were introduced, there has been an exponential growth in the demand for seats. Given this situation, the government faces a massive supply shortage of coaches.

As per the DPR, the present demand for broad gauge passenger carriages in BR is 549 and the Railways face a shortage of 225 carriages to meet the ever-increasing demand. This shortage is due to non-replacement of decommissioned coaches over time. Currently, the train rake is formed with 9 or 11 carriages. As per officials of BR to meet the present demand, at least 15 coaches are required for inter-city, mail and express trains. The present stock of carriages is unable to meet the demand and consequently trains run with passengers beyond their total seating capacity. Moreover, the construction of the Bangabandhu multipurpose bridge and connecting double gauge rail links provide

an opportunity to introduce additional broad gauge trains from Khulna, Rajshahi and other parts of the West Zone to Dhaka. A proposed project for the construction of broad gauge rail link connecting Dhaka and Jessore over the proposed Padma Bridge (for which Indian grants of US\$ 150 million is being utilised towards construction) will also see an increase in demand for coaches.

In these circumstances, the procurement of 120 broad gauge passenger coaches has become very important. Hence, the Government of Bangladesh signed up to import 120 Linke Hofmann Busch (LHB) coaches which include 17 air-conditioned first class coaches, 17 air-conditioned chair car coaches, 34 non-air-conditioned chair car coaches with pantry, 33 non-air-conditioned chair car coaches with prayer room, and 19 power car coaches.

In consonance with the procurement norms, BR signed the contract agreement worth US\$ 79.946 million on January 21, 2015 to procure 120 broad gauge coaches from RITES Ltd., a public sector undertaking in India. According to the Daily Star (2016) a leading national daily of Bangladesh, a high-level delegation from BR, comprising secretary of the Bangladesh Railways ministry and other top officials visited the Kapurthala factory in Punjab, India, for inspection of the coaches prior to dispatch⁴⁹.

In tune with the objectives of the Sixth Five Year plan to renew and modernise the rolling stock of its railways, Bangladesh's procurement of 120 broad gauge coaches under the Indian LoC will serve the following purposes:

- Provide modern, safe and improved quality carriages for passenger service.
- Substantial reduction in travel duration.
- Replace over-aged/obsolete broad gauge passenger carriages to provide safe, speedy and comfortable journey to passengers.
- Meet shortage of passenger carriages and cope with present and future traffic demands.
- Increase the coaching revenues of the railways.
- Potential increase in commercial and economic activities.



Photograph 4: Broad gauge passenger coaches supplied by India

Source: Exim Bank of India

⁴⁹The Daily Star. 2016.

As reported by the Daily Star on March 30, 2016, Md. Feroz Salah Uddin, Bangladesh's Railways Secretary said, "The first consignment has been tested by our experts...everything is satisfactory as agreed with the Indian company. Our rail coaches are old and can't be repaired properly due to the shortage of coaches. Once new carriages are added, we will be able to repair the old ones thoroughly and then the service will increase significantly"(ibid)⁵⁰. According to the status report on Indian LoCs, until December 2016, 100 out of 120 coaches were received by BR and 80 have been commissioned.

As reported by Times of India, an inter-city train with these Indian coaches was flagged off in Dhaka by the Prime Minister of Bangladesh Ms. Sheikh Hasina in June 2016 (Singh 2016)⁵¹. Twenty coaches are being used in the Khulna-Dhaka line, 24 coaches between Rajshahi and Dhaka and twelve coaches are already plying in the Shirajgunj-Dhaka route. The remaining 20 coaches have been kept as spares. According to HCI in Dhaka and officials of BR the remaining 20 coaches were supplied by RITES in February 2017, thus ensuring timely delivery.



Photograph 5: Prime Minister Hasina on inaugurating the new coaches procured under first LoC from India

Source: Focus Bangla

The railway is the cheapest mode of long distance transport in Bangladesh. Growth in the railways will lead to an increase in the employment opportunities of the local population and contribute towards reducing poverty in Bangladesh. It is expected that the 120 broad gauge coaches will replace outdated coaches, increase availability of broad gauge coaches, carry more passengers and increase the revenue of BR. The new coaches will also ensure safe and smooth passenger travel with reduced incidents of accidents and technical faults. In addition, the new coaches will be more environment friendly. As reported to PRIA by the interviewed official of BR, the project has a provision of foreign trainings of BR engineers. There is also a provision of after supply services by RITES Ltd., which would help in the operation and maintenance of project assets.

⁵⁰Ibid.

⁵¹Singh. 2016.

5.3: Supply of 10 Broad Gauge Diesel Electric Locomotives

This project aimed to replace old and deteriorated broad gauge diesel electric locomotives for BR. It was undertaken to improve regional trade, improve the performance of railway operation and increase railway coaching and freight revenue. The project has relevance with the National Land and Transportation Policy (NLTP) and Poverty Reduction Strategy Policy (PRSP). The project is consistent with the development programmes of the transport sector in general and BR in particular. As railways is the cheapest and easiest mode of transport in Bangladesh, this project will provide socio-economic benefits as well.

Before the procurement, BR had 78 broad gauge diesel electric locomotives. Of these, 65 broad gauge locomotives had crossed the normal economic life of diesel electric locomotives, which is 20 years. The service and performance of these locomotives had significantly reduced. Maintenance of these locomotives had become very difficult and expensive, and spares had become almost obsolete and unavailable. Reliability of these locomotives was questionable and they had an adverse effect on the safety and convenience of passengers. So, immediate replacement of these locomotives was warranted. Hence, BR proposed the procurement of 10 broad gauge diesel electric locomotives at a cost of US\$ 31.83 million.

As per the original plan, the project was started on August 1, 2010 and it should have been completed by June 30, 2013. However, after revising the project, it was finally completed on June 30, 2015. RITES have supplied the 10 broad gauge diesel electric locomotives, capital and maintenance spares, and completed the requisite training.

Actual project implementation period was from August 1, 2010 to June 30, 2015. Time and cost overruns mentioned by the completion report were 90.70 per cent and 57 per cent respectively. The project cost increased due to increase in locomotive and spare parts prices in the international market and increase in exchange rate. Previously, the exchange rate was US\$ 1 = Taka 69.73 (as on November 2011). When the Revised Development Project Proposal (RDPP) was approved in October 2013, the exchange rate had increased to US\$ 1 = Taka 77.76.

The induction of 10 broad gauge diesel electric locomotives has increased the reliability and availability of locomotives for train operations. These locomotives have been integrated into the fleet seamlessly. This has ensured the reduction of locomotive failure. As informed in the interview with Mr. Kalikanta Ghosh, the Deputy Director of Operations of BR, the induction of these locomotives has increased the agency's freight-carrying capacity and inter-city passenger traffic. Indirectly, large numbers of passengers have the opportunity to avail of safe, speedy and smooth travel as compared to when BR was solely reliant on its stock of outdated locomotives.

According to the project completion report, economic and commercial activities are expanding and this will have an impact on improving regional trade. RITES Ltd. has facilitated transfer of technology and institutional building through training on these locomotives for BR personnel, and transfer for knowledge and technology. Eight BR engineers had completed a two-months training in India at the supplier's factory.

5.4: Supply of 290 Double-decker, 50 Articulated and 88 Single-decker air conditioned buses to Bangladesh Road Transport Corporation

During 2009-2015, the Bangladesh Road Transport Corporation (BRTC) procured 958 vehicles, including 275 from China, 225 from South Korea and 428 from India under various credit agreements. Over 700 vehicles are in operation while 192 are inoperative.

Under the US\$ 1 billion Indian LoC, BRTC procured 290 double-decker buses, 50 articulated buses and 88 single decker air-conditioned buses and spare parts. The cost of US\$ 36.85 million was included in the LoC on August 7, 2010.

Dhaka, one of the most densely populated cities in the world, faces acute traffic congestion. The BRTC had taken various initiatives in the past to raise the number of its passenger buses to meet the growing demand for public transport, but it could not cope with the demand for vehicles. It is essential to strengthen the mass transport in the capital to assuage public suffering (Prothom Alo 2014)⁵². This prompted the BRTC to order double-decker buses, which would allow more passengers to travel and reduce congestion. The new buses would also be environmental friendly.

The contract for procurement of 290 double-decker buses for BRTC, amounting to US\$ 23.32 million, was awarded to Ashok Leyland Ltd., India, and came into effect in September 2011. "The delivery of the 290 double-decker buses started in March 2012 and was completed by November 2012. Presently 180 buses are plying on the roads of Dhaka and 110 buses are at the depot ready for distribution," said a press release issued by HCI in Dhaka. With more buses added to its fleet, the double-decker buses imported under the first LoC will pave the way for improving BRTC services.

According to Pakistan Defence (2012)⁵³, along with the 290 buses, two truck-loads of spare parts were supplied. These buses have a warranty period of one year or 40,000 kilometres, whichever is earlier. Ashok Leyland has set up six workshops in Dhaka, including one at the Chaitipur Depot. The BRTC depot at Chaitipur also houses a training centre for drivers. So far, 100 drivers have been trained to drive the double-decker buses.

Apart from the procurement of double-decker buses, Ashok Leyland delivered 50 articulated buses on April 2013, according to HCI in Dhaka. The contract value of the deal was US\$ \$5.96 million. The supply of spare parts was completed by October 2013.

⁵²Prothom Alo. 2014.

⁵³Pakistan Defence. 2012.



Photograph 6: Double-decker bus supplied by Ashok Leyland under the first Indian L0C
Source: EXIM Bank of India

Procurement of 88 single decker air-conditioned buses and spares was the last component of the project. As per the status report of projects covered under the first Indian LoC, the supply of these buses was completed by October 2013. The demand for these buses was felt as more than half the 50 Volvos which were procured earlier by Bangladesh, have remained out of service.

Case of Chinese Buses:

In 2006, BRTC procured 30 CNG-run buses from China through Progati Industries. Most of them are reportedly lying out of order now.

In May 2010, BRTC launched 100 new CNG-run buses for city service imported from Dongfeng Motor Company in China. These buses have come under considerable criticism over quality and durability of the vehicles. Quality of the fibre body of the buses is substandard and these buses are not fit for Dhaka roads, BRTC bus depot officials told The Daily Star requesting anonymity ("100 BRTC buses hit road", 2010).

In a ceremony held at Gonobhaban on July 13, 2013, Prime Minister Sheikh Hasina inaugurated the 88 single decker air-conditioned buses supplied under the first Indian LoC (The Daily Star 2013)⁵³. According to Jagran Post, a senior communication ministry official said the delivery of the buses ahead of the Eid-ul-Fitr festival came as a timely asset to tens of thousands of Muslims as these vehicles were used to ferry them to their homes across Bangladesh during the festival (2013)⁵⁴.

⁵⁴The Daily Star. 2013.

⁵⁵Jagran Post. 2013.



Photograph 7: Buses procured under first Indian LOC at the BRTC depot
Source: EXIM Bank of India (2017)

The benefits of these buses as reported by BRTC are as follows:

- Convenient and comfortable mode of public transport
- Reduction in traffic congestion
- Increase in the number of inter-city buses improving connectivity

In an interview, Ajay Rana the chief manager of EXIM bank of India mentioned that these new buses comply with the latest emission standards which will help in reducing the greenhouse gas emissions.

Although there has been criticism of the maintenance of these buses by BRTC, officials feel that the buses supplied under the Indian LoC are hardy and have high durability. In an interview, an official from BRTC who requested to be anonymous mentioned that the cost of spare parts for the buses supplied by Ashok Leyland is comparatively cheap as compared to other buses that have been procured. He also mentioned that it is easier to locally reverse engineer spare parts for these buses reducing the need for BRTC to keep importing spares. This makes the option of procuring Indian buses an attractive one. Such has been the impact of these buses procured that BRTC will import 300 double-decker buses, 200 single-decker air-conditioned buses and 100 single-decker non-air-conditioned buses under the new LoC of US\$ 2 billion.

(The routes where the buses have been deployed are available in Annexure 1.)

5.5: Observations

The study on concessional financial flows among Southern countries, conducted by Centre for Policy Dialogue (CPD) and UNDP found that “from the recipient’s perspective, the Indian LoC is more attractive than concessional loans from the World Bank” (UNDP 2016)⁵⁶, even though the LoC has a much shorter maturity period (20 years) as compared with the 40-year maturity loans from the World Bank, and the conditions for repaying the LoCs are tighter.

⁵⁶UNDP. 2016. p 36

As mentioned by Professor Mustafizur Rahman, former Executive Director and currently a Distinguished Fellow at the CPD in an interview with PRIA, the Indian LoC fills the necessary investment gap in Bangladesh's transport sector which traditional donors like the World Bank and JICA had been sceptical of. Moreover, project selection and fund disbursements from the traditional providers require lengthier appraisal procedures. Therefore, the constraints of a shorter maturity period and tighter repayment conditions are insignificant given the other benefits of acquiring relatively more cost-effective, speedy processing of funds and no attached conditions regarding governance and macroeconomic policy reforms (UNDP, 2016)⁵⁷.

While concessional LoC from India in line with South-South principles, horizontality and non-conditionality for infrastructure financing is welcome, it is important to analyse these LoC projects according to the espoused values of SSC.

a) Solicited or unsolicited development cooperation

In the spirit of SSC, the demand for the projects analysed in this report was generated by the Government of Bangladesh. As reflected in the UNDP report on concessional financial flows among Southern countries, the Bangladesh government was autonomous in identifying the projects and India did not interfere with the selection process (ibid)⁵⁸. Projects under Indian LoCs to Bangladesh were targeted according to the country's national development priorities under the Sixth Five Year Plan for market integration through developing transport networks at the domestic and regional levels with India and other neighbouring countries. This way, development cooperation extended by India to Bangladesh through LoCs lives up to the normative aspect of non-interference in domestic affairs of the recipient country.

b) Terms and conditions

The LoC extended by the EXIM bank of India does not have any privatisation-related conditions similar to the kind attached to the development credit/finance extended by the World Bank or IMF. Eurodad (2006) found that just under one third of all the conditions levied by the World Bank for its second Development Support Credit granted in 2005, 18 out of 53 conditions privatisation-related. Bangladesh, a country where 50% of the population lives under the poverty line, is subjected to direct conditions calling for privatisation of its banks, electricity and telecommunication sectors and additional reforms to the gas and petrol sector that will facilitate private sector involvement⁵⁹. In 2006 CPD organised a policy seminar on effectiveness of the aid extended by multilaterals and DAC member countries which was attended by senior civil servants, economists, the media, and business leaders. It was found that donors have little direct impact on poverty reduction. According to Quibria (2010)⁶⁰ the participants had the following opinions:

- Multilateral aid is extended with a variety of conditionalities which curb the policy autonomy of the government.

⁵⁷ibid.

⁵⁸ibid.

⁵⁹Eurodad. 2006. p. 3

⁶⁰Quibria. 2010. p. 31-33.

- The disconnect between the financial contributions and the policy influence of donors leads to a policy agenda which is not relevant to the local aspirations and needs of the citizens.
- Reforms in the Bangladesh were mostly superimposed as a part of the aid package. This leads to a lack of ownership as the proposed reforms are not contextual and are not discussed with the civil society, neither are they vetted by the parliament

Unlike the conditionalities mentioned above, the 1st Indian LoC extended does not have any policy related conditions attached. As per the guidelines of the 2010 LoC extended by the Indian government to various countries under IDEAS, goods and services (including consultancy services) for a minimum of 85 per cent of the value of contracts covered under these loans must be sourced from India. In May 2012, the terms were revised and a relaxation of 10 per cent was provided. Sixty-five per cent of construction materials have to be procured from India. This made the LOCs a service-tied loan, with the main construction work being contracted to Indian firms. In this case, even if there is an inherent transfer of knowledge from the Indian firms during infrastructure building, there is limited capacity development and improvement in expertise for Bangladeshi officials regarding the management and implementation of major infrastructure projects, potentially causing them to stay dependent on foreign firms for major projects.

The repayment period is generally 20 years and the interest rate is very low. For Bangladesh, the LoC carries an interest rate of 4 per cent, with the Indian government providing a subvention of around 3 per cent. The interest rate charged to Bangladesh is just 1 per cent (EXIM 2017)⁶¹. The grant element component is built into the terms of credit. It is defined as the difference between Net Present Value (NPV) of the loan repayment and the actual amount of loan. The grant element is not offered separately. The LoC is provided at a fixed interest rate of 1 per cent. As reflected in the UNDP report on concessional financial flows among Southern countries, 'the LoC has an approximate grant element of 61 per cent (traditional OECD method), 48 per cent (modernised OECD method), or 55 per cent (World Bank/IMF method)' (UNDP 2016)⁶². It is therefore concessional.

c) Promoting capacity building, skill & technology transfer

It is known that technological pursuit can catalyse social development and economic growth as it empowers not only the individual being trained but the society and country at large. There is an acknowledgement and agreement among economists that in the emerging global knowledge economy, returns on science and technology are likely to be the single greatest cause of long-term rise in economic advancement of countries. Policies that lead to broad investments in science education and innovation can thus help reduce inequality while expanding economic opportunity through empowerment and job creation.

Through its development compact, India not only provides concessional finance to Bangladesh through LoCs, but there is also a component of capacity building, skills and technology transfer. Financial assistance through LoCs provides Bangladesh with much needed investment in infrastructure as well as an avenue for training to build the capacity of Bangladeshi personnel to operate and maintain the assets procured under the supply projects. The three case studies of supply projects to BR have

⁶¹Export Important Bank of India. 2017.

⁶²UNDP. 2016. P. 35

a component of capacity building where personnel have been trained in India. In the fourth project, 100 drivers have been trained to drive the double-decker buses supplied. Building capacities through trainings has a long-term impact on employment generation, economic growth and poverty reduction. Such trainings reduce the dependence of Bangladesh by capacitating the local population not only to maintain the assets but also to reverse engineer the spare parts, thereby reducing the overall loan component in the long run. Hence, it not only builds the capacity of the local professionals but also facilitates the transfer of skills and technology.

d) Mutual gains/benefits

Development cooperation between Bangladesh and India is based on the spirit of mutual gains, one of the espoused values of SSC. For Bangladesh, the LoC fills a necessary investment gap in its transport sector which traditional donors had been reluctant to finance. Infrastructure projects such as construction of the Second Bhairab Bridge generate local employment of skilled and unskilled labour. Additionally, the supply projects under LoCs also contribute to local employment generation.

For India, such development cooperation is not philanthropic. It allows for an increase in bilateral trade, where Indian contractors supply 75 per cent of goods and services and 65 per cent of construction materials from India.

e) Timeliness in project implementation

There have been minor delays in the implementation of the analysed projects. The progress reports suggest that there has been a delay in the construction of the Second Bhairab Bridge due to delay in mobilisation of equipment and machinery, and procurement of materials by the IRCON contractor. According to the IRCON, the initial delays were due to finalisation of the alignment and inevitable delays due to political unrest. Nevertheless, there has been no cost overrun in this particular project. There have been some delays reported in other projects (under the US\$ 1 billion LoC) in the construction of the 3rd and 4th dual gauge rail track between Dhaka and Tongi and doubling of the dual gauge rail track between Tongi and Joydevpur. According to Prothom Alo, an official of the Economic Relation Division (ERD) estimates the cost of the LoC portion for the doubling of the dual gauge track in the Tongi-Joydevpur section increasing to US\$ 123 million from US\$ 88.38 million because of delay in project implementation (Prothom Alo 2014)⁶³.

According to Prothom Alo, two other projects – rehabilitation of the Kulaura-Shahbazpur section of BR worth US\$ 54.41 million under the first Indian LoC and replacement and modernisation of signalling and interlocking systems of three stations of Ashuganj-Akhaura section in the East Zone of BR worth US\$ 3.63 million under the first Indian LoC – also hit snags (ibid)⁶⁴.

In case of delays, no additional finance is provided to the borrower if there is no change in the scope of work (addition to the work). According to EXIM Bank, these were fixed price contracts. As reflected by scholars of CPD, unless projects are completed on time, the recipient country bears the cost in terms of delayed project implementation and other associated externalities, such as disturbance to local livelihoods in areas where construction work is planned.

⁶³Prothom Alo. 2014.

⁶⁴Ibid.

f) Selection of project contractor and project management consultant

According to the 2010 guidelines, only Indian entities registered in India and/or incorporated/ established under law in India are eligible to participate in the competitive tender bidding for projects under Indian LoCs. In an interview with PRIA, scholars of CPD mentioned that the prices of products or services to be procured from the lender country are always higher than local market rates. They felt that the LoCs should have an open tendering system like those of loans from other eminent multilateral and inter-governmental financial institutions.

g) Accountability and reporting mechanism

In case of delays in project execution, representatives of EXIM Bank, HCI in Dhaka and the relevant line ministry in Bangladesh may undertake a joint site visit. This lives up to the values of mutual accountability and transparency as espoused under SSC. According to CPD, the provision of quarterly reports is required to monitor the status of implementation, calculate the rate of return on investments and assess the socio-economic impacts of the project.

Officials at HCI in Dhaka are required to submit a project completion report to the Indian government and EXIM Bank, capturing the present and future benefits of the project and its socio-economic impact on the region where the project is being implemented. In an interview with PRIA, members of CPD and Wave foundation of Bangladesh felt by that it is very difficult to carry out economic analysis because feasibility studies, which include analysis of the environmental impact of these projects, as monitoring reports are not shared with concerned policymakers and stakeholders. This also impedes the ability to make suggestions vis-à-vis the economic and social implications of projects under bilateral South-South credit.

Recommendations

During Prime Minister Sheikh Hasina's visit to India in April 2017, the Prime Minister of India Narendra Modi reiterated India's abiding commitment to support Bangladesh in its efforts to build infrastructure and develop human resources capacity. In this context, he conveyed India's readiness to meet Bangladesh's future needs in all spheres, including education, health, skill development, energy, infrastructure, science and technology, information technology, e-governance, emerging high technology areas, etc. The two prime ministers noted with satisfaction the excellent progress made in the utilisation of the first LoC of US\$ 862 million. Many of the projects under the first LoC have already been implemented, which have helped enhance capacities in transport and infrastructure in vital areas such as roads, railways, bridges, inland waterways, etc.

The two heads of state also noted the identification of specific projects for the second LoC of US\$ 2 billion. A number of projects in the areas of port construction, railways, roads, airports, power and energy, telecommunications, shipping, etc., have been identified in Bangladesh to be implemented under the third LoC of US\$ 4.5 billion.

Given the growth of India's development cooperation with Bangladesh and the growing importance of LoCs as a modality, the study puts forth the following recommendations:

a) Collaboration to build local capacities and generate local employment

Indian LoCs facilitate developing substantive individual, institutional and infrastructural capacities in partner countries. However, the existing conditionalities allow only Indian organisations to participate in the bidding process and, thereby, implementation of projects. This arrangement limits the scope of organisations and firms from the partner countries to participate and enhance their capacities through "learning by doing". In the spirit of mutual benefit, knowledge transfer can be achieved if these LoC conditionalities can be modified to allow Indian organisations to collaborate with organisations from the partner countries or preference can be given to those proposals which contribute to developing local capacities by partnering with local organisations.

Under the 2015 guidelines on LoC extended by the Indian government to various countries under IDEAS, one of the priorities of India would be to support in setting up adequate network of servicing facilities by exporters through LoCs. As highlighted in the case studies, the BRTC has come under a lot of criticism for the poor maintenance of the buses procured under the US\$ 1 billion LoC. It might be relevant to set up local spare parts manufacturing facilities while training modules can be designed to provide

regular trainings to technicians and mechanics to enable them to repair and maintain procured vehicles with ease. Similar initiatives can be envisioned, if the need arises, for BR to maintain coaches and locomotives. This would reduce the loan component for the borrowing government and simultaneously generate local employment and facilitate knowledge transfers.

b) Transparency in South-South cooperation

Most of the information regarding the implementation phase and the impact of completed projects is not well documented. This is a major constraint in accessing data as much of this information regarding the LoC is not readily available form in the public domain. Availability of Detailed Project Reports (DPRs), quarterly status reports and project completion reports in the public domain would make identifying and analysing projects far less challenging. This makes it very difficult to carry out economic analysis because feasibility studies, environmental impact assessment of projects, and also the monitoring reports, are not shared with the concerned policy makers and stakeholders. This prohibits CSOs and think tanks to make suggestions vis-à-vis the economic and social implications of projects under bilateral South-South credit as opposed to those under North-South finance. According to the 2015 guidelines on LoC extended by the Indian government to various countries under IDEAS the borrowing government is supposed to prepare and submit a comprehensive project completion report to the Indian mission, highlighting the benefits derived/to be derived from the project, and its socio-economic impact MEA (2015)⁶⁵. If such reports are made public, it will allow civil society, think tanks and other stakeholders to analyse the benefits of such partnerships and document the good practices.

The guiding framework of South-South development finance is evolving and it is flexible while the financial transfers take place bilaterally. The terms of LoC from India, is at first negotiated by the ERD under the MoF, Bangladesh. Following which the project-wise allocation is made directly to the concerned ministries under which the selected projects are to be implemented. There is no single central agency/authority supervising such financial transfers between ministries. EXIM Bank of India provided funds from the USD 1 billion LoC directly to the project ministries or the contractors according to the allocation decided from the development project proposal (DPP) and technical project proposal (TPP). According to CPD, in this context, there is a concern as regard consistency and quality assurance of the projects undertaken with the funds as there is no binding rules and regulations guiding the financial flows. Hence, it is advisable to make it mandatory for the borrowing government to follow the 2015 guidelines which warrant the borrowing government to make public the information on projects sought to be undertaken under the Indian LoC.

One of the major limitations as reported by the EXIM Bank of India to PRIA in an interview is that the report submitted by Bangladesh are made on an ad hoc basis which does not provide an analytical insight into the accrued benefits and shortcomings of the project. This can be attributed to the fact that there are no clearly defined central reporting system in the borrowing country. The guidelines of 2015 warrant that quarterly monitoring and evaluation reports should be prepared. These will help monitor implementation status of the projects, calculate the rate of return on investment and assess the socio-economic impacts of the project. In order to maintain such reporting and information, there is a need to set up a central reporting system.

⁶⁵Ministry of Economic Affairs. 2016. p 4.

These steps will serve well in enhancing transparency and accountability in projects under South-South cooperation through LoC and create a favourable perception of Indian development cooperation amongst the citizens of Bangladesh, this was corroborated by CPD – one of the think-tanks in Bangladesh (CPD 2016)⁶⁶.

c) Civil society engagement in India's development cooperation

Civil society organisations in India are a repository of experience and expertise in the field of poverty reduction, women's empowerment, social protection, and community development. According to the 2015 LoC guidelines of the Indian government, the Indian mission in the borrowing country will need to provide inputs to the Indian government on the long-term economic benefits of LoC. In this context, it is recommended that the Indian missions in the partner countries could engage civil society organisations in facilitating citizen participation throughout the project cycle – appraisal, planning, implementation, monitoring, and evaluation. The civil society organisations with impeccable capacities and experience can be involved in the necessary studies (including cost benefit analysis and environmental impact assessment) and appraisal at the project planning stage as well as assessing the post implementation impact assessment of LoC projects. Participation of civil society organisations in project is likely to ensure greater transparency, accountability and public participation.

There were mixed opinions among civil society organisations and citizens of Bangladesh about the benefits accrued due to the projects financed through the Indian LoC. Noting the growing scepticism around the mutual benefit derived by Bangladesh, there is a growing need to capture the benefits and good practices of India's development cooperation with Bangladesh. In the case of LoCs, civil society organisations can be engaged to document, collate, and analysis the socio-economic benefits accruing to the community. This can be a powerful advocacy tool in strengthening ties both at the bilateral level and between the people of both countries. It is relevant to study the impact of India's development cooperation given the development compact and closely examine in future the benefits accrued through the following modalities:

- capacity building and skills transfer
- concessional finance (further divided into grants and lines of credit)
- preferential trade
- investment
- technical cooperation

d) Strengthen ties with the media (in both countries)

There seems to be a mixed perception about the India–Bangladesh bilateral relationship amongst the general population in Bangladesh. Development cooperation has become one of the key instruments to strengthen bilateral ties. Hence, it is important to further strengthen engagement with the media to disseminate the good practices and benefits accrued under India's development cooperation.

⁶⁶Centre for Policy Dialogue. 2016.

In a joint statement issued by the MEA during Prime Minister Sheikh Hasina's visit in April, the prime ministers of both countries welcomed the growing people-to-people contact and agreed to further increase exchange between the two populations. They also expressed satisfaction with the ongoing cultural exchanges, the implementation of the Cultural Exchange Programme (2015-17) and at the signing of an MoU on Cooperation in the Field of Mass Media and Agreement on Audio-Visual Co-production.

e) Future research

Apart from LoCs, India has extended its development cooperation with Bangladesh through Small Development Projects (SDPs), ITEC and various scholarship programmes.

According to a press release by the HCI in Dhaka dated April 11, 2013, quoted by Pakistan Defense (2012), India and Bangladesh have signed an MoU on implementation of SDPs. The MoU provides for the implementation of projects through Indian grant assistance via local bodies and educational and vocational institutions. Project proposals, not exceeding Taka 250 million, will be routed through Bangladesh's Ministry of Finance. The MoU is intended for small infrastructure projects in the areas of livelihood activity, education, health, or community development. Conservation of environment, empowerment of women and child welfare are expected to be the primary focus areas of such projects. According to the same press release, the underlying ethos animating these India-aided development projects is the transformation of the lives of ordinary Bangladeshis. Prime Minister Sheikh Hasina expressed appreciation for the assistance provided by India under the bilateral MoU on SDPs for city improvement projects being undertaken in Rajshahi, Sylhet, Khulna and Narsingdi. MEA (2015)⁶⁷.

The most important and popular initiative in terms of skills training in development cooperation is the ITEC programme, which was launched in 1964. It provides technical cooperation and capacity building facilities to other developing countries, thereby enabling them to overcome their limitations in science and technology. ITEC gives project-based support (including feasibility studies and consultancy services), deputed Indian experts abroad, arranges study tours to India and provides Aid for Disaster Relief (ADR).

India has provided training to civilian as well as defence sector employees of the Government of Bangladesh primarily through this programme and the TCS of the Colombo Plan every year since the 1970s. As of March 2013, India offered 185 training fellowships under ITEC and 35 fellowships under the TCS scheme annually, with 414 Bangladeshi civil servants trained under these two programmes between 2006-07 and 2009-10. Scholarships and training programmes under ITEC, TCS of Colombo Plan, Indian Council for Cultural Relations (ICCR), AYUSH, Commonwealth, SAARC and IORARC scholarship/fellowship schemes are being offered to Bangladeshi nationals. Mukti Joddha Scholarship Scheme was extended by the Indian government to higher secondary-level students (200 scholarships) and graduate-level students (478 scholarships). Bangladeshi diplomats were also trained at the Foreign Service Institute, New Delhi, in 2011.

⁶⁷Ministry of External Affairs. 2015.

As part of its development assistance programme, India also provides assistance for disaster relief through ITEC (IDCR, 2015). The Government of India worked with the Government of Bangladesh to rehabilitate 10 cyclone-affected villages in the southern part of Bangladesh in 2007. India has also completed and handed over 2,800 core shelters in affected villages in Bagerhat district in southern Bangladesh, and 2,800 solar lamps have been handed over to the beneficiaries of these core shelter houses. Taka 230 million in the form of relief goods comprising clothing, water purification equipment and dry food was also supplied to Bangladesh after the 1991 cyclone which killed more than 135,000 Bangladeshi nationals.

Future study on India's development cooperation with Bangladesh needs to focus on the impacts of development cooperation being extended through ITEC programmes, grants and SDPs.

Conclusions

In India, Bangladesh finds its biggest geographic and economic neighbour. India has a responsibility to promote and develop cooperation with Bangladesh based on mutual interest of growth of bilateral and multilateral trade and for peace and stability in the region as a whole. This will economically benefit the landlocked north-eastern region of India and enhance connectivity with East Asia, thus supporting India's Act East policy. India's neighbouring countries will benefit economically as well and the region will progress if India promotes interdependencies and cooperates with smaller countries from a sharing point of view. Furthermore, Bangladesh also fares well for India's South-South model of development cooperation.

India and Bangladesh are engaged in regional cooperation through multilateral forums such as SAARC, BIMSTEC and IORARC. In pursuance of the direction given by the prime ministers of India and Bangladesh, both sides have also commenced implementation of sub-regional cooperation initiatives along with Nepal and Bhutan.

Bangladesh is considered an important country within India's sphere of influence, and successive Indian governments have stepped up partnership with Bangladesh. An important avenue of partnership between the two countries is that of development cooperation. India's increased development assistance to and commercial engagement with Bangladesh is driven by three overarching considerations: the need to access energy supplies and commercial markets for its growing economy, domestic security considerations, and its rising importance as a regional and global power. For India, a closer relationship with Bangladesh is key to building greater linkages with India's eastern neighbours and beyond. The larger regional competition with China also looms in India's development partnership with Bangladesh, since China has recently increased its efforts at building ties with South and East Asian countries, including Bangladesh.

In the spirit of mutual benefit as espoused under SSC, India's development cooperation through capacity building and skills transfer, concessional finance (grants and LoCs), preferential trade, investment and technical cooperation will have a profound impact on the growth and development of Bangladesh and as well as the eastern and north eastern regions of India. India's development assistance may seem marginal if regarded in absolute figures, yet it is effective within the wider framework of social, economic and political cooperation that India offers Bangladesh.

It is widely recognised that China has accelerated its foray into Bangladesh through loans worth over US\$ 24 billion, and its footprint is increasing in South Asia. Although it does not seem like Bangladesh is keen on being a party to the growing competition between India and China, it is looking for investments for its enormous infrastructural development needs. It is of key importance to remember that China is still a relatively new player in the region.

On the contrary, India has multi-pronged ties with Bangladesh, rooted in culture and history. India also seems intent on playing a crucial role in Bangladesh from an economic point of view. India does not need to match China in terms of financial assistance to Bangladesh. India should build on its historical connections to capitalise on its own strategic and economic ventures in Bangladesh. India can bring its experience of being a recipient of development cooperation and extend its development partnership based on the principles of SSC through the development compact strategy. The benefits accruing to Bangladesh due to the LoC must be put into context given the volatile nature of Bangladeshi politics and the fact that prickly issues like the Teesta water pact are key factors in the run-up to elections in Bangladesh.

The growing interest from China necessitates India to push forward its own model of development cooperation, incorporate the learnings of extending the first LoC to Bangladesh into its future development assistance packages, and smoothen the process of disbursements of LoCs and implementation of related projects. Civil society has a major role to play in this process where it can collaborate with the Indian government to augment the socio-economic benefits accruing to the local community and gauge local perceptions in Bangladesh.

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Annexure – 1

(Bus Routes)

Ashok Leyland- Double Decker Bus

S. No.	Route name	Bus allocated
1	Mirpur-Motijhil	10
2	Mirpur-Motijhil-Bodobajar	9
3	Gabtolli-Motijhil-Abdullahpur	9
4	Chandra-Motijhil	8
5	Dhaka-Madan	10
6	Mugda-Motijhil-Baipail	8
7	Motijhil-Notunbajar-Vishwa road	3
8	Khilgaon-Tatala-Gulistan	3
9	Notunbajar-Rampura-Motijhil	12
10	Banashri-Motijhil	7
11	Tongi-Motijhil	11
12	Chaurasta-Motijhil	12
13	Ipijeu-Motijhil	12
14	Shabhar-Motijhil	9
15	Mohammadpur-Kudil-Vishwa Road	15
16	Mongpur-Motijhil	8
17	Ghatarchor-Abdullahpar (kamarpada)	4
18	Narayanjpur-Rajendrapur	8
19	Gajipur-Motijhil	12
20	Bhairav-Dhaka	5
21	Kalurghat-Patengo	4
22	Newmarket-kathgarh	9
23	Rupsha-Phultala	13
24	Staff Bus	112
		313
Ashok Leyland Articulated bus		
1	Chandra-Motijhil	15
2	Gajipur-Gabtolli	21
3	Balughat-Motijhil	7
		43

Ashok Leyland A/C bus

1	Dhaka- Bhandariya	2
2	Dhaka-Phulna	2
3	Dhaka-Nalitabadi	1
4	Dhaka-Tungipada-Phulna	11
5	Dhaka-Benagopal	4
6	Dhaka-Pirojpur	2
7	Dhaka-Chattogram	2
8	Dhaka-Chattogram	2
9	Dhaka-Roumari	2
10	Chattogram-Rangamati	4
11	Chattogram-Companyganj	4
12	Chattogram-Khagrachori	2
13	Barishal-Chanpai	2
14	barishal-Rongpur	2
15	Barishal-Kaurakandi	10
16	Phulna-Kishorganj	2
17	Pirojpur-Benapol	1
18	Kudigram-Gopalganj	2
19	Panchagarh-Gopalganj	2
20	Panchagarh-Borishal	2
21	Panchagarh-Chanpai	2
22	Panchgarh-Chapai	2
23	Bhurungarmadi-Gopalganj	2
24	Panchgarh-Pirojpur	2
25	Rongpur- Gopalganj	2
26	Pabana-Chanpai	2
27	Netrakona-mangla	2
28	Silet-Ghatail	2
29	Denajpur-Khepupara	2
30	Denajpur-Rajshahi	2
31	Denajpur-Benagopal	2

83

Annexure 2: Questionnaire

1.1> HCI Dhaka

1. What is the process adopted by the High Commission of India in declaring various instruments for Development Cooperation? How is such information disseminated?
2. Since India's Development Cooperation is Demand Driven. Whose demand takes precedence (govt/cso/ pol)? What are the parameters in prioritisation of projects?
3. For what? What are the purposes to which this aid is directed? Is there a discernible aid philosophy regarding economic development in Indian aid policy? What are the other motivations other than South-South Cooperation?
4. What are the sectors and types of projects being aided?
5. Who participates in the planning of these projects?
6. Who gets impacted by these projects?
7. Are there any measures taken to ensure the sustainability of the initiative? If so what?
8. Who monitors and ensures the timely delivery of the project?
9. What has been the perception of the implementing partners in Bangladesh? Has it changed over time?
10. Is there a feedback procedure once the project is complete? If so specify it?
11. Which projects have had the most impact on the community (LOC/SDPs)?
12. What is the purpose of conducting SDPs?
13. How does the HCI ensure accountability and transparency of the implementing partner?
14. Are the Bangladesh media and the CSOs informed about India's Development Cooperation? Visibility measures taken, if any?
15. How does the HCI communicate the impacts of LOCs and SDPs in Bangladesh?

1.2> Relevant Ministry of GOB

1. What is the process adopted by the High Commission of India in declaring various instruments for Development Cooperation? How is such information disseminated?
2. Is the process of applying for LOC/ SDPs cumbersome? If so, how?
3. Who participates in the planning of these projects?
4. Who gets impacted by these projects?
5. How many projects have been completed till date?
6. What is the mechanism adopted to ensure sustainability?
7. What is the frequency of the disbursements? Are they on time?
8. Who monitors and ensures the timely delivery of the project?
9. What has been the perception of the implementing partners in Bangladesh? Has it changed over time?
10. Is there a feedback procedure once the project is complete? If so specify it?
11. Which projects have had the most impact on the community (LOC/SDPs)?
12. Since India's Development Cooperation is Demand Driven. Whose demand takes precedence?

13. What is the purpose of conducting SDPs? What are the other motivations other than South-South Cooperation?
14. How does the HCI communicate the impacts of LOCs and SDPs in Bangladesh?

1.3> Implementation Agency/ CSOs

1. Is the Bangladesh media and the CSOs informed about India's Development Cooperation?
2. What is the general notion amongst the Bangladeshis about India's development cooperation?
3. How accessible are these to the Bangladeshi CSO and media
4. Is the process of applying for LOC/ SDPs cumbersome? If so, how?
5. Who participates in the planning of these projects?
6. Who gets impacted by these projects?
7. How many projects have been completed till date?
8. What is the mechanism adopted to ensure sustainability?
9. Who monitors and ensures the timely delivery of the project?
10. What has been the perception of the implementing partners in Bangladesh? Has it changed over time?
11. Is there a feedback procedure once the project is complete? If so specify it?
12. Which projects have had the most impact on the community (LOC/SDPs)?

Annexure 3: List of Advisors

Name	Organization	Contact details
Ex Amb Pinak Ranjan Chakravarty	ORF	pr.chakravarty@gmail.com
Dr Sachin Chaturvedi	RIS	dg@ris.org.in
Professor Anuradha Chenoy	JNU	chenoy@gmail.com
Professor Gulshan Sachdeva	JNU	gulshanjnu@gmail.com

Annexure 4: List of Interviewees

Sr. No	Name	Designation
1	Pinak Ranjan Chakravarty	Distinguished Fellow ORF, Former Secretary MEA & Former High Commissioner of India to Bangladesh
2	Dr. Anuradha Chenoy	Professor, in the School of International Studies, Jawaharlal Nehru University [JNU], New Delhi
3	Dr. Gulshan Sachdeva	Professor of European Studies and Director, Europe Area Studies Programme at the Centre for European Studies, Jawaharlal Nehru University [JNU], New Delhi
4	Dr Sachin Chaturvedi	Director General at the Research and Information System for Developing Countries (RIS), a New Delhi
5	Pratibha Parkar	Director BM, MEA, GOI
6	Ajit V Gupte	JS [DPA-I], MEA, GOI
7	M. Subbarayudu	JS [DPA-III], MEA, GOI
8	Mr. Dibbanjan Roy	Railway Advisor, High Commission of India, Dhaka
8	Mr. Salahuddin Noman Chowdhury	Deputy High Commissioner of Bangladesh to New Delhi.
9	Mr. Kalikanta Ghosh	Deputy Director (Operations), Executive (Sales & marketing), Bangladesh Railways.
10	Mr. S.M Salimullah Bahar	Economist, Bangladesh Railways.
11	Mr. Mohsin Ali	Executive Director, Wave Foundation.
12	Ms. Shaheen Anam	Executive Director, Manusher Jonno Foundation.
12	Professor Mustafizur Rahman	Executive Director, Centre for policy dialogue (CPD).
13	Dr. Debapriya Bhattacharya	Distinguished Fellow at the Centre for Policy Dialogue (CPD).
14	Mr. Ashish Kumar Soni	Resident Representative, Bangladesh. Export- Import Bank of India.
15	Mr. Varun Talwar	Manager, Line of Credit Group, Export- Import Bank of India.
16	Mr. Ajay Rana	Chief Manager, Line of Credit Group, Export- Import Bank of India.
17	Mr. Amiyansu Das	Project Manager, 2nd Bhairab Railway Bridge Railway Project. IRCON.
18	Mr. BN Singh	General Manager/DFC, Civil, IRCON.

