

FROM AID CONDITIONALITY TO DEVELOPMENT PARTNERSHIP: INDIA'S LINES OF CREDIT IN EAST AFRICA AND THE POLITICS OF SOUTH-SOUTH COOPERATION

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Abstract

Development finance within the post-Second World War international order has been largely shaped by Western donor-led aid regimes characterized by policy conditionality, structural adjustment, and governance prescriptions. These approaches have been widely criticized for constraining national policy autonomy and reproducing dependency in African states. Against this backdrop, India's development engagement with East Africa represents a historically grounded and normatively distinct alternative rooted in post-colonial solidarity, South-South cooperation, and the rejection of hierarchical donor-recipient relations. This study examines India's Lines of Credit (LoCs) in East Africa to analyze how they operationalize a development partnership model and provide an alternative to Western conditional aid frameworks. Anchored in the conceptual framework of the Development Compact, articulated by Arjun Sengupta and further elaborated by Milind Chakrabarti. This paper portrays India's development finance within the political economy of South-South cooperation. It argues that India's LoCs reflect a long-standing post-colonial development philosophy that prioritizes sovereignty, national ownership, and demand-driven cooperation. Extended under the Indian Development and Economic Assistance Scheme (IDEAS) and implemented by the Export-Import Bank of India, LoCs are concessional loans, project-based instruments directed primarily toward productive sectors such as infrastructure, energy, transport, agriculture, and industrial development. Focusing on East African countries including Ethiopia, Tanzania, Kenya, Uganda, Rwanda, and Burundi, the study demonstrates that India has emerged as a significant development partner and an alternative in the region. Substantial LoC commitments aligned with national development strategies such as Ethiopia's Growth and Transformation Plans and Kenya's Vision 2030-underscore recipient-state agency in project selection and implementation. The study also underscores the importance of capacity-building initiatives, particularly the Indian Technical and Economic Cooperation (ITEC) programme, which strengthens development partnerships by focusing on human resource development in tandem with financial engagement.

Keywords: Development finance, Development compact, Post-colonial solidarity, Concessional loans, Recipient-state agency

Introduction

Development finance has long been a contested terrain in the global political economy, shaped by unequal power relations, ideological prescriptions, and competing visions of development. For a significant part of the post–Second World War era, international development assistance remained largely shaped by Western donor countries and Bretton Woods institutions, whose aid practices were closely associated with policy conditionality, governance reforms, and market-oriented restructuring. These conditionalities often embedded in structural adjustment programmes and tied aid regimes have been widely criticized for undermining national sovereignty, constraining policy autonomy, and reproducing dependency in recipient states, particularly in Africa. Against this backdrop, alternative development models emerging from the Global South have gained increasing scholarly and policy attention. India’s engagement with Africa represents one such alternative trajectory.

Unlike Western donors, India has consistently articulated its development cooperation as a development partnership, rather than as aid, rooted in shared colonial histories, South-South solidarity, and the normative principles of mutual benefit and non-interference. Since independence, India has positioned itself as a post-colonial actor that rejects hierarchical donor-recipient relations and seeks to promote horizontal cooperation among developing countries. This orientation has been strengthened by India’s engagement in the Non-Aligned Movement, the legacy of the Bandung Conference, and later South–South cooperation initiatives. Consequently, India’s development engagement with Africa must be understood not as a departure from aid conditionality, but as a sustained critique and alternative to Western conditional aid regimes.

Within this broader philosophy, Lines of Credits (LoCs) have become a key instrument in India’s development cooperation with African states. Extended through the Indian Development and Economic Assistance Scheme (IDEAS) and operationalized by the Export-Import Bank of India, LoCs are concessional financial instruments designed to support infrastructure development, productive capacity, and economic diversification in partner countries. India’s Lines of Credits (LoCs) have been extensively directed toward East African countries such as Ethiopia, Kenya, Tanzania, Uganda, and Rwanda, making the region a significant recipient.

The paper is structured around these central research questions: How do India’s Lines of Credit in East Africa reflect and operationalize the

principles of development partnership within South-South cooperation, and what are their political and developmental implications and how does it provide an alternative to western donor recipient culture?

The paper responds to these questions by situating India's Lines of Credit in East Africa within the broader political dynamics of South-South cooperation. It argues that Indian LoCs should be understood as instruments of development partnership rather than as conditional aid. Rather than representing a transition away from conditionality, India's LoC framework reflects a long-standing post-colonial development ethos that prioritizes sovereignty, national ownership, and demand-driven cooperation.

Aid Conditionality as a Western Development Paradigm

Since the post-Second World War restructuring of the global political economy, Western-dominated development assistance has been characterized by the widespread use of aid conditionality. In conceptual terms, conditionality denotes the attachment of development support to the implementation of particular economic, political, or institutional reforms by recipient countries. This approach became formally embedded within the Bretton Woods framework most notably through the International Monetary Fund (IMF) and the World Bank and was subsequently reinforced through bilateral aid practices coordinated under the OECD's Development Assistance Committee (DAC).

The intellectual foundations of aid conditionality can be traced to modernisation theory, which dominated early development thinking in the 1950s and 1960s. Scholars such as Walt W. Rostow (1960) conceptualised development as a linear, staged process through which "traditional" societies could transition to modernity by adopting market-oriented institutions and policy reforms. Within this framework, conditionality was viewed as a technocratic instrument to guide developing countries toward presumed universal models of economic growth.

During the late 1970s and 1980s, aid conditionalities appeared more explicit when the IMF and World Bank introduced Structural Adjustment Programs (SAP). Influenced by neoliberal economic thought, particularly the ideas associated with Friedrich Hayek and Milton Friedman, conditionality emphasized fiscal austerity, privatization, deregulation, and trade liberalisation. As John Williamson (1990) famously summarized in the concept of the Washington Consensus, development was increasingly equated with market discipline and reduced state intervention. Conditional

aid thus functioned not merely as financial assistance, but as a mechanism for enforcing a specific ideological vision of political economy.

Critical scholarship emerging from the Global South and heterodox traditions in development economics mounted a sustained challenge to this paradigm of conditional assistance. Similarly, Samir Amin (1976) argued that development assistance functioned within the logic of unequal exchange and global accumulation. For Amin, policy conditionalities imposed by donor institutions curtailed the sovereignty of peripheral states and reinforced their subordinate position in the global capitalist hierarchy, thereby reproducing structural inequalities between the Global North and the Global South. Rather than enabling autonomous and endogenous development, such conditionalities limited industrial policy choices and reinforced patterns of export dependence, thereby locking developing countries into subordinate positions within the global capitalist system. In this sense, conditionality functioned less as an instrument of development and more as a means of economic regulation and control within an unequal international order.

African political economists provided some of the most influential critiques of aid conditionality. Claude Ake (1996) argued that externally imposed reforms undermined democratic accountability and state legitimacy in Africa, while Thandika Mkandawire (2001) demonstrated how structural adjustment eroded developmental states and weakened domestic policy capacity. Mkandawire's work is particularly significant in conceptualising conditionality as an externally imposed constraint that delegitimised alternative development paths pursued by post-colonial states.

By the 1990s, Western donors expanded conditionality beyond macroeconomic reforms to include political and governance conditions, such as democratisation, human rights, and "good governance." Scholars such as David Dollar and Jakob Svensson (2000) attempted to justify conditionality by arguing that aid was effective only when recipient governments adopted "sound policies." However, critics noted that such arguments masked power asymmetries and selectively applied conditions based on donor strategic interests rather than universal principles.

From a post-colonial perspective, aid conditionality has been understood as a continuation of colonial forms of domination, operating through economic and institutional mechanisms rather than direct political control. Arturo Escobar has argued that Within this framework, development discourse itself is conceptualized as a form of power that produces

knowledge about the Global South in ways that portray it as deficient and in need of external guidance. Such representations legitimize conditional forms of assistance by normalizing asymmetrical donor–recipient relationships and thereby reproducing hierarchies rooted in the colonial past. Similarly, James Ferguson (1990) demonstrated how development interventions depoliticized poverty while expanding bureaucratic control over African societies. Within this framework, conditionality is not merely a policy tool but an epistemic practice that privileges Western knowledge systems and marginalises indigenous development logics.

South - South Cooperation

South–South Cooperation (SSC) emerged from shared historical experiences among developing countries as a distinct mode of international engagement, offering an alternative to development assistance frameworks traditionally shaped by Western dominance. Its origins are deeply embedded in the political economy of decolonization and the collective search by newly independent states for autonomous development pathways outside the hierarchical structures of the post-Second World War international order. According to Walt W. Rostow (1960) and Ian Riddell (2007), the dominant North–South development paradigm that crystallized after 1945 particularly through institutions such as the World Bank, International Monetary Fund, and the OECD’s Development Assistance Committee (DAS) framed development as a linear process guided by Western expertise and financed through aid tied to policy conditionalities. In contrast, SSC arose from the recognition that underdevelopment was not merely a technical problem but a structural outcome of colonial exploitation and unequal integration into the global capitalist system as argued by Prebisch, 1950; and Frank, 1967. South - South cooperation (SSC) had rejected the logic of charity and instead articulated a political–economic vision grounded in solidarity, egalitarian relations, and collective self-reliance among developing countries.

The ideological roots of South–South Cooperation can be located in the 1955 Bandung Conference, where Asian and African states collectively articulated commitments to sovereignty, non-interference, mutual respect, and resistance to colonial and imperial domination. Acharya supported this argument by saying that Bandung did not only produce a formal development cooperation framework, it marked a decisive epistemic rupture from Eurocentric development thinking by asserting that postcolonial states could cooperate horizontally without mediation by Western powers. Political solidarity among developing countries found

organizational expression in the Non-Aligned Movement and later in the Group of 77, which sought to consolidate Southern voices in multilateral forums and advance collective demands for restructuring the international economic order. During the 1960s and 1970s, South-south Cooperation closely associated with calls for a New International Economic Order (NIEO), emphasizing fairer trade relations, technology transfer, and greater policy autonomy for developing countries (UNCTAD, 1987). These demands reflected a structuralist understanding of global inequality and positioned South-south Cooperation (SSC) as a strategy to overcome dependence on Northern capital and markets.

The most significant milestone in the formalization of SSC was the adoption of Buenos Aires Plan of Action (BAPA) in 1978, which provided the first comprehensive operational framework for Technical Cooperation among Developing Countries. The Buenos Aires Plan of Action (BAPA) formally articulated South–South Cooperation as a mode of engagement grounded in principles of equality, mutual benefit, respect for national sovereignty, and non-conditionality, thereby explicitly rejecting the hierarchical donor–recipient logic that had long defined conventional development assistance (United Nations General Assembly, Resolution 33/134, 1978). Conceptually, this marked a shift from aid as a unidirectional transfer to cooperation as a reciprocal process of knowledge exchange, capacity building, and institutional learning. The emphasis on demand-driven cooperation and national ownership positioned SSC as a normative alternative to conditional aid regimes, reinforcing the political autonomy of recipient states while foregrounding shared developmental experiences.

Conceptually, SSC can be understood through multiple theoretical paradigms that collectively distinguish it from Western aid models. Dependency and structuralist theories view SSC as a mechanism for reducing asymmetric dependence on the global North by fostering South-led development strategies and regional integration. Postcolonial theorist Escobar(1955) further conceptualizes SSC as an epistemic challenge to Eurocentric development knowledge, emphasizing the legitimacy of indigenous experiences, context-specific solutions, and alternative modernities. From a normative institutional perspective, SSC is grounded in principles of non-conditionality, non-interference, and mutual benefit, which preserve policy space and resist external governance prescriptions (United Nations, 1978). Acharya (2016) has demonstrated that constructivist approaches in international relations additionally highlight SSC as a norm-generating project that seeks to redefine development

cooperation from paternalistic aid to partnership-based engagement . Contemporary trends in SSC reflect both continuity with its foundational principles and adaptation to new global realities. One significant trend is the increasing emphasis on development finance instruments—such as concessional loans, export credits, and Lines of Credit—rather than traditional grants. These instruments are framed within a development partnership discourse that emphasizes mutual economic benefit, capacity creation, and long-term sustainability. Mawdsley argued that another significant trend is the increasing role of emerging economies as providers of development cooperation, a shift that has expanded both the scale and scope of South–South Cooperation while simultaneously introducing strategic and commercial considerations into its practice. This has led to debates over whether SSC is undergoing a process of “strategic instrumentalization” yet its core principles of sovereignty and non-conditionality remain largely intact.

India’s Development Cooperation Framework

India’s development philosophy is neither an ad hoc foreign policy instrument nor a recent response to the changing global aid architecture. Rather, it represents a historically evolved and conceptually layered approach to development cooperation rooted in India’s anti-colonial experience, post-independence state-building project, and long-standing critique of hierarchical international economic relations. Unlike Western aid paradigms that emerged from post-war reconstruction and Cold War geopolitics, India’s development philosophy evolved from the position of a former colony seeking autonomy, dignity, and equality within an unequal global order. This historical positionality fundamentally shaped India’s understanding of development not as charity or external intervention, but as a sovereign, endogenous, and politically grounded process.

Historical Foundations: Anti-Colonialism and Developmental Sovereignty

The earliest foundations of India’s development philosophy can be traced to the nationalist movement itself. Indian nationalist thinkers such as Dadabhai Naoroji and R.C. Dutt conceptualized underdevelopment as a consequence of colonial extraction rather than internal deficiency, most famously articulated through the “drain theory.” This understanding produced a deep skepticism toward externally driven economic models and established the normative principle that development must be nationally controlled and socially embedded. Consequently, when India

gained independence in 1947, development was framed as an extension of political sovereignty, not merely economic modernization.

In the early post-independence period, India's domestic development strategy anchored in planning, public sector leadership, and industrial self-reliance directly informed its external development outlook. India's engagement with other developing countries during the 1950s and 1960s emerged organically from this domestic experience. The Bandung Conference (1955) and India's leadership in the Non-Aligned Movement articulated a shared political vision: newly independent states would cooperate to preserve autonomy and resist both colonial and neo-colonial domination. Development cooperation, within this framework, was inherently political. It was a tool for collective empowerment rather than dependency management.

Early Practice of Development Cooperation: Solidarity without Aid

India's early development engagements were modest but normatively significant. Technical assistance, training programs, and knowledge exchange preceded large-scale financial cooperation. The launch of the Indian Technical and Economic Cooperation (ITEC) programme in 1964 exemplified this philosophy. ITEC was not conceived as "aid" but as cooperation among peers, emphasizing skills transfer, institution-building, and shared experience. This approach reflected India's belief that development knowledge derived from lived experience in comparable conditions held greater relevance than imported Western expertise.

Importantly, India did not institutionalize its development engagement within a donor framework. There was no equivalent of a foreign aid agency, no standardized conditionalities, and no formal evaluation metrics aligned with OECD norms. This was not an administrative deficiency but a philosophical choice. India consciously resisted the donor identity, viewing it as incompatible with the principles of equality and non-interference that underpinned its South-South worldview.

Conceptual Evolution: From Solidarity to Development Partnership

The conclusion of the Cold War and the intensification of globalization required India to recalibrate its development philosophy rather than discard it altogether. Economic liberalization in the 1990s transformed India's material capabilities, enabling it to engage more substantively in

development cooperation. However, this expansion occurred without a corresponding shift toward Western aid norms. Instead, India conceptualized its growing role through the language of development partnership, explicitly distancing itself from the donor–recipient binary.

India’s approach to development cooperation is conceptually anchored in the notion of the “Development Compact,” a framework first articulated by Arjun Sengupta during the 1990s. Sengupta emphasized that development assistance should be structured as a reciprocal agreement, where both the provider and recipient take on mutual responsibilities, rather than imposing conditions on one side. This compact challenges the top-down, conditional aid flows of the Washington Consensus, which prioritized structural adjustments in recipient countries in exchange for financial assistance. Milindo Chakrabarti (2016) further developed this concept by describing the Indian Development Compact as comprising five interlinked pillars:

- Capacity building
- Development finance
- Trade and investment
- Technology transfer
- Grants

These five pillars form the operational backbone of India’s aid framework, reflecting a commitment to long-term partnerships rather than transactional aid.

This concept was not merely normative but epistemic; it challenged the assumption that development expertise flows unidirectionally from the North to the South. The Development Compact reframed cooperation as a process of joint problem-solving, grounded in mutual interest and political respect.

Institutionalization

India’s development philosophy underwent further transformation in the 2000s as its cooperation expanded in scale, geography, and sectoral scope particularly in Africa and South Asia. This expansion necessitated institutional consolidation, leading to the establishment of the Development Partnership Administration (DPA) within the Ministry of External Affairs in 2012. Crucially, the DPA was designed not as an

autonomous aid agency but as a diplomatic and partnership-oriented body embedded within foreign policy structures.

This institutional choice is revealing. By locating development cooperation within the MEA rather than creating a separate aid bureaucracy, India reinforced the idea that development cooperation is an extension of diplomatic partnership, not technocratic intervention. Chaturvedi has noted that this model privileges political dialogue and flexibility over standardized aid management, reflecting India's continued resistance to donor-style governance.

India's increasing reliance on development finance instruments, particularly Lines of Credit (LoCs), represents not a departure from its philosophy but an adaptation to contemporary development needs. Infrastructure financing through concessional credit reflects India's structural understanding of underdevelopment as a consequence of productive and connectivity deficits rather than governance failure. Unlike Western aid, which often prioritizes social sector spending and institutional reform, India's development philosophy emphasizes economic infrastructure as a prerequisite for sovereignty and growth.

While LoCs are frequently criticized for being tied to Indian procurement, this feature must be understood within India's partnership logic rather than donor conditionality. Mawdsley (2012) has argued that India does not impose macroeconomic reforms, political benchmarks, or governance templates. Instead, it negotiates project-specific arrangements that align with both partners' development priorities. This reflects a political economy approach to development cooperation rather than a technocratic one.

India's Lines of Credit and Developmental Investment in East Africa

A Line of Credit (LoC) is a concessional or semi-concessional financial arrangement through which a government or a financial institution extends a predetermined amount of credit to another sovereign government or its designated agency for financing specific development-oriented projects, typically in infrastructure, productive sectors, or capacity building. Unlike grants, an LoC is a loan-based instrument that is repayable over a defined period, often at below-market interest rates and with extended maturities. In development cooperation practice, Lines of Credit function as project-focused financing mechanisms, negotiated on a bilateral basis and guided

by the development priorities set by the recipient country, rather than as forms of general budget support.

Origin and Evolution of India's Lines of Credits (LoCs)

- India's Lines of Credit (LoC) originated as an integral component of its development assistance architecture, reflecting the country's gradual transition from a postcolonial aid recipient to an emerging development partner. While India's engagement in development cooperation dates back to the early post-independence period most notably through technical assistance and capacity-building initiatives such as the Indian Technical and Economic Cooperation (ITEC) programme launched in 1964 the use of concessional credit as a structured development finance instrument is a relatively recent phenomenon. Early concessional lending was largely ad hoc and politically driven, aimed at supporting friendly developing countries in Asia and the Indian Ocean region, without a standardized institutional framework.
- A major institutional turning point occurred in 2003, with the formalization of India's concessional lending under the Indian Development Initiative (IDI). The IDI marked the first systematic attempt to use Lines of Credit as a policy instrument to finance infrastructure and productive capacity projects in developing countries. Unlike grants, LoCs were designed as concessional "soft loans", extended to foreign governments or state-owned entities, primarily to support infrastructure projects such as power generation, transport, irrigation, and industrial development. These credits were implemented through the Export-Import Bank of India (Exim Bank) and backed by sovereign guarantees from the Government of India, ensuring financial credibility while maintaining concessional terms.
- In 2015, the IDI framework was rebranded and consolidated as the Indian Development and Economic Assistance Scheme (IDEAS), reflecting both the expansion in scale and the growing strategic coherence of India's development finance. With the establishment of the Indian Development and Economic Assistance Scheme (IDEAS), Lines of Credit emerged as a core instrument of India's development cooperation, closely integrated with the country's broader foreign policy objectives. A defining feature of this framework is the requirement that a substantial proportion of goods and services financed under LoCs be procured from India. This tied-procurement

mechanism explicitly links development cooperation with the promotion of Indian exports, industrial capacity, and overseas market access, reinforcing the idea of mutual benefit rather than unilateral aid.

- A significant institutional turning point occurred in 2000, when India extended a concessional credit line under the New Partnership for Africa's Development (NEPAD) framework. While Africa later became the largest recipient region, this moment is better understood as part of a broader policy shift rather than a region-specific initiative. Around the same period, India formalized its credit-based development cooperation under what later became the Indian Development and Economic Assistance Scheme (IDEAS), with the Export-Import Bank of India (Exim Bank) designated as the principal implementing agency. Under this framework, Exim Bank raises funds from international markets, supported by sovereign guarantees and interest equalization from the Government of India, to provide concessional loans to developing countries for specific projects.

India's line of credits (LoCs) in East Africa

The origins of India's LoC deployment in East Africa can be traced back to the early 2000s when India began formalizing its development cooperation instruments beyond technical assistance and training. India's first major credit engagement with Africa took place in 2000 within the framework of the New Partnership for Africa's Development (NEPAD), marking an early indication of India's commitment to supporting infrastructure development on the continent. Over the next decade, LoCs expanded in number and geographic reach, driven by India's belief in demand-driven cooperation and mutual benefit rather than conditional aid. By 2011, LoCs to Africa had reached approximately US\$ 4.3 billion, up from around US\$ 304 million in 2004, with the balance of disbursement across sectors varying by country need.

Within East Africa specifically, LoCs began to materialize as individual bilateral commitments negotiated with partner governments. Ethiopia quickly became one of the largest recipients, benefiting from multiple LoCs totaling over US\$ 1 billion by the mid-2010s, financing high-impact projects including sugar mills, power transmission, energy infrastructure, and the Ethio-Djibouti railway link. Other East African countries such as Tanzania, Kenya, Rwanda, Uganda, and Burundi also began negotiating LoC agreements, with projects ranging from water supply and irrigation to agricultural modernization and power distribution.

India's Lines of Credit (LoCs) form a central pillar of its external development cooperation and economic diplomacy, especially across the Global South. While LoCs are extended globally under the Indian Development and Economic Assistance Scheme (IDEAS) through the Export-Import Bank of India (Exim Bank) to partner governments on concessional terms, their deployment in East Africa reflects both historical engagement and evolving strategic priorities.

By August 2024, India had provided nearly 196 Lines of Credit amounting to around US\$12 billion to 42 African countries, spanning sectors such as infrastructure, energy, transport, agriculture, and capacity building, with East African states emerging as prominent beneficiaries.

Table 1: India's Lines of Credit to East African Countries (Indicative)

Country	Approx (USD)	Major Sectors Financed
Ethiopia	1,000+ million	Power transmission, railways, industrial projects
Tanzania	1,100 million	Water supply, irrigation, transport infrastructure
Kenya	250 million	Agriculture, energy, SME development
Uganda	200+ million	Electricity transmission, dairy & agriculture
Rwanda	120–180 million	Irrigation, rural infrastructure
Burundi	80–85 million	Hydropower, agro-processing

India's Lines of Credit as a South-South Cooperation Alternative

East African countries have increasingly demonstrated a strategic departure from the traditional donor-recipient aid model toward a framework centered on development partnerships that integrate infrastructure finance, productive investment, technology transfer, and capacity building. This shift is visible in the policy orientations of Ethiopia's Growth and Transformation Plans, Kenya's Vision 2030, Rwanda's Vision 2020, and Tanzania's Development Vision 2025, all of which emphasize industrialization, infrastructure-led growth, and skills development rather than aid dependence. The Exim Bank of India's Working Paper on India's Investments in Select East African Countries clearly documents that East African governments actively seek long-term development finance and investment partnerships aligned with their national development strategies, rather than short-term humanitarian or budgetary aid.

From a postcolonial theoretical perspective, this transition reflects an effort by East African states to reclaim developmental agency that was historically constrained by colonial legacies and post-independence aid regimes dominated by OECD-DAC donors. Scholars of postcolonial political economy argue that traditional aid frameworks often reproduced asymmetrical power relations, policy conditionalities, and external control over domestic economic priorities. In contrast, East African engagement with India is structured around sovereign choice and negotiated cooperation, where recipient governments identify priority sectors such as transport infrastructure, energy, agriculture, and manufacturing and seek finance and expertise accordingly. The Exim Bank study shows that Indian Lines of Credit are overwhelmingly directed toward productive sectors, including power transmission in Ethiopia, road and rail infrastructure in Kenya and Tanzania, agro-processing in Rwanda, and industrial manufacturing across the region, indicating a clear departure from consumption-oriented aid.

India has articulated a model grounded in solidarity, mutual benefit, capacity-building, and respect for sovereignty. This alternative vision was first systematically conceptualized by Arjun Sengupta through the idea of the Development Compact, and later refined and operationalized by Milind Chakrabarti, who identified five core pillars of India's development cooperation.

Together, these frameworks provide the intellectual foundation for understanding India's development finance, particularly Lines of Credit (LoCs), project-based assistance, and technical cooperation as a South-South alternative to the conventional aid regime. India's development finance does not seek to reproduce donor dominance or dependency structures; instead, it aims to foster productive capacity, infrastructure-led growth, and policy autonomy in partner countries, especially in Africa, Asia, and the Indian Ocean region.

Development Finance

India has deliberately designed its development finance framework around concessional Lines of Credit (LoCs), extending them on mutually

agreed terms that prioritise partner countries' development goals rather than unilateral donor conditionalities, thereby presenting a viable alternative to the traditional donor–recipient culture long associated with Western aid.

Under the Indian Development and Economic Assistance Scheme (IDEAS), India has extended over 200 LoCs aggregating to more than US \$12 billion to 42 African countries, including many in East Africa, to support socio-economic infrastructure, industrial development, agriculture, and energy projects.

In East Africa specifically, LOC funding has been directed to countries such as Tanzania (about US \$1.1 billion) and Ethiopia (about US \$704 million), and Rwanda (around US \$670 million) for infrastructure development, power generation, and water projects.

LoCs are demand-driven, aligned with national priorities of partner states, and focus on capacity creation and long-term asset building. These finance flows have encouraged East African states to seek development partnerships based on shared growth objectives and co-ownership of outcomes, rather than relying on grant-based or conditional aid. The outcome is a shift in strategic development cooperation, with nations increasingly choosing partnership frameworks that enable infrastructure expansion and economic transformation while reducing dependency on traditional Western aid paradigms. These funds are used for infrastructure, energy, agriculture, manufacturing, and connectivity projects.

Key characteristics:

- a. Demand-driven (projects proposed by partner countries)
- b. Project-tied but not policy-conditioned
- c. Focus on productive and revenue-generating sectors

This contrasts sharply with Western aid, which often emphasizes social sector spending without building economic capacity.

Capacity Building and Technical Cooperation

The second pillar of Milindo Chakrabarti's Development Compact Capacity Building and Technical Cooperation constitutes a central normative and operational departure from the traditional Western donor–recipient aid paradigm by prioritising long-term human capital formation, institutional strengthening, and knowledge co-creation over short-term financial assistance

This pillar is institutionalized primarily through India's Indian Technical and Economic Cooperation (ITEC) programme, which has functioned since 1964 as one of the earliest and most enduring frameworks of South–South cooperation. ITEC operates on a demand-driven basis, whereby partner countries themselves nominate candidates and identify priority sectors aligned with their national development strategies. Through this mechanism, India offers fully funded training programmes, technical courses, study tours, and executive capacity-building modules across more than 400 specialized courses conducted in over 100 premier Indian institutions, covering sectors such as public administration, infrastructure planning, ICT, renewable energy, agriculture, water resource management, disaster resilience, and entrepreneurship.

In the East African context, this pillar has translated into tangible development partnerships. For instance, Tanzania has emerged as one of the largest beneficiaries of ITEC in the region, with over 1,000 Tanzanian professionals, civil servants, and youth trained in India in areas such as digital governance, human resource management, engineering, and rural development, thereby strengthening domestic administrative and technical capacities rather than fostering aid dependency. Similarly, Ethiopia has extensively utilized ITEC training opportunities, with more than 3,000 Ethiopian nationals participating in short-term and specialized programmes that enhance skills relevant to agriculture, ICT, management, and renewable energy, including community-level solar engineering initiatives that directly contribute to rural electrification and local economic activity.

Consequently, East African states increasingly perceive India's capacity-building engagements as development partnerships based on mutual respect and shared growth, complementing development finance under Lines of Credit and reducing reliance on conditional Western aid.

India's Development Compact and the Future of Global Development Cooperation

The evolving landscape of global development finance has increasingly exposed the limitations of the traditional donor recipient model, particularly its hierarchical knowledge structures, conditionalities, and normative dominance. Within this context, India's Development Compact and its engagement through South-South Cooperation represent not merely an alternative set of financing instruments but a deeper reconfiguration of development thinking and practice. While existing scholarship has largely focused on the empirical outcomes of India's Lines of Credit and sectoral interventions, there remains a need to advance the conceptual, epistemological, and systemic dimensions of this paradigm. This section therefore moves beyond project-level assessments to outline key areas for further improvement in how India's development finance can be theorised, positioned, and analysed within the evolving global development order.

Conceptual Consolidation of India's Development Finance as a Distinct Paradigm

A key improvement for future research and practice lies in conceptual consolidation. While India's development finance is often discussed empirically through Lines of Credit and project data, it requires clearer theoretical articulations and a distinct paradigm within global development studies. The Development Compact framework should be further refined to position India's approach not merely as an alternative practice, but as a coherent development philosophy grounded in reciprocity, sovereignty, and mutual benefit. This would allow Indian development finance to be analysed not as an exception within the aid system, but as a structurally different model shaping the evolving global development order.

Advancing South-South Cooperation from Practice to Theory

Globally, South-South Cooperation remains under-theorised despite its growing empirical relevance. A major improvement lies in elevating SSC from a descriptive category to a theoretical framework capable of explaining changing power relations in development finance. India's

experience provides a crucial empirical base for theorising SSC as a post-hierarchical model that challenges donor recipient binaries. Future research should systematise SSC principles such as horizontality, non-conditionality, and shared developmental learning into analytical tools that can be applied across regions and comparative contexts.

Reframing Development Finance in Global Governance Discourse

At the global level, development finance is still normatively dominated by OECD-DAC standards and Bretton Woods institutions. An important way forward is to reposition India's development finance within debates on global governance reform. Rather than evaluating Indian LoCs against Western aid benchmarks, research should interrogate how these instruments contribute to redefining legitimacy, accountability, and effectiveness in development cooperation. This reframing would shift analytical focus from compliance with existing norms to the emergence of plural standards in global development governance.

Integrating Post-Development and Pluriversal Perspectives into Development Finance Analysis

A further improvement lies in explicitly integrating post-development and pluriversal perspectives into the analysis of development finance. India's Development Compact aligns with critiques of universal development models by emphasising context, negotiation, and policy autonomy. Future research should more systematically draw on thinkers such as Arturo Escobar to analyse how development finance can accommodate multiple rationalities of development. This epistemological expansion would strengthen the proposal's contribution by linking empirical finance mechanisms with broader debates on knowledge, power, and development.

Conclusion

The findings of this study underscore a significant transformation in the global development landscape, particularly across Africa and the wider non-European world, where states are increasingly moving away from

hierarchical donor–recipient aid relationships toward partnership-based models of development cooperation. This shift reflects long-standing critiques of Western aid conditionality, which has historically constrained policy autonomy, imposed external reform agendas, and reproduced structural dependency in post-colonial states. Within this evolving context, India has emerged as one of the most credible and normatively consistent alternatives to the traditional aid paradigm.

This study has demonstrated that India’s Lines of Credit (LoCs), embedded within the broader framework of the Development Compact conceptualised by Arjun Sengupta and further operationalized by Milind Chakrabarti, are firmly situated within the normative and institutional logic of South-South Cooperation. Rather than functioning as instruments of conditional aid, India’s LoCs operationalize development finance as a form of partnership grounded in demand-driven cooperation, national ownership, and respect for sovereignty. The experience of East African countries particularly Ethiopia, Tanzania, Kenya, Uganda, and Rwanda illustrate how African states increasingly engage with India as a development partner, aligning LoC-supported projects with national development strategies focused on infrastructure-led growth, productive capacity, and long-term economic transformation.

Importantly, India’s development engagement extends beyond concessional finance to encompass capacity building, technology transfer, and institutional strengthening through initiatives such as the Indian Technical and Economic Cooperation (ITEC) programme. Together, these instruments constitute a coherent development cooperation architecture that integrates finance with human capital formation, reinforcing the principles of mutual benefit and co-development that underpin South-South Cooperation. While India’s development cooperation is not devoid of strategic and commercial considerations, these are embedded within a framework that avoids macroeconomic conditionality and preserves policy space for partner states.

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