

TENTACLES OF INTERNATIONAL FINANCE IN INDIA

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Centre for Financial Accountability

March 2018

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Introduction

Ever since the first lending from World Bank in 1949 worth \$34 million to Indian Railways, and the bilateral lending India received from the erstwhile USSR and USA in the early 50's India has been a recipient of large funds from different multilateral and bilateral sources.

While each of these lending came with a baggage, and often conditionalities, much of it was justified in the name of nation-building and critiques of the enormous social, environment and even economic costs were shut their mouth by the oft-repeated rhetoric of 'somebody has to sacrifice for greater common good'. This was true not just for lending from international sources, but any kind of investments.

What the Multilateral Development Banks (MDBs) brought, along with its lending, was a host of policy changes in almost all critical sectors. They often influenced and changed course of development agenda of the country, by providing 'Technical Assistance' to governments, being the knowledge provider and taking the role of a development finance gatekeeper with their Doing Business Reports, Investment Climate Reports and many such.

With India opening up her economy in 1991 India has been a destination of many foreign corporations and by late 90's, with all systems in place for their smooth landing, they started pouring, starting with majors like Enron and Cogentrix. With the foreign corporations came in financial institutions, both private banks as well as Export Import Banks (ExIm Banks). Some of the institutions operating here in the past have deepened their operations. What is witnessing the past decade or so is an influx of these investments majorly in energy, transport, steel, dams, roads, urban projects, industrial zones/corridors, smart cities and other mega projects. The number of financial sources coming in, the pace in which these investments are finalised and the quantum of money pouring in is alarming and often do not give the opportunity to see the investments in toto.

There have been many struggles – small and big – against these investments and the devastation, which caused to the people – their livelihood and natural resources, and the environment. While the yardstick of measuring the successes and failures of these struggles could vary depending on who does it, the reality remains that the struggles have forced MDBs to relook the way they conduct business in this country, compelled them to adopt safeguard policies and compliance mechanisms and didn't shy away from confronting them on the ground, on the streets and even at their doorsteps.

The Indian government, for past few decades, has stressed the need for large infrastructural projects for the country's development and these projects are being seen as stimulus to the growth of India's GDP. This aggressive growth comes at the cost of displacing the lives of people who are dependent on land and natural resources for their livelihood, and devastating the environment. This also often comes at the cost of displacing present dwelling communities who are pushed to a life of poverty and whose life and livelihood cannot be commensurably compensated by money - in most cases not even that.

This document is an effort to compile data of investments coming into India from MDBs, Exim banks and other bi-lateral investments, to help understand the landscape of financing from these institutions and helping to understand the overlaps of international financial institutions in certain key sectors.

The data provided in this document is not comprehensive. While information from MDBs are comparatively easy to access, that of Exlms and bi-lateral sources are difficult to compile. Despite our best efforts there are many we missed. We will keep this as a work in progress and will update the data as and when we get it.

We hope that this data and the larger understanding this document may help provide will strengthen the struggles on the ground as well as critical voices demanding transparency and accountability in financial institutions.

Joe Athialy

Asian Infrastructure Investment Bank

Background

The **Asian Infrastructure Investment Bank (AIIB)** is a multilateral development bank that aims to support the building of infrastructure in the Asia and beyond, with a mission to improve social and economic outcomes. Headquartered in Beijing, it commenced operations in January 2016 and has now grown to 84 approved members from around the world. AIIB offers sovereign and non-sovereign financing for sound and sustainable projects in energy and power, transportation and telecommunications, rural infrastructure and agriculture development, water supply and sanitation, environmental protection, and urban development and logistics. Their core principles are openness, transparency, independence and accountability and the mode of operation is "Lean, Clean and Green".

The authorised capital of the bank is \$100 billion, equivalent to $\frac{2}{3}$ of the capital of the Asian Development Bank and about half that of the World Bank. "India is the second largest shared holder in the bank. China is the largest shareholder with 26.06 per cent voting shares in the bank. India is the second largest shareholder with 7.5 per cent followed by Russia 5.93 per cent and Germany with 4.5 per cent."¹

The bank was proposed by China in 2013. Major economies that are not members include Japan and the United States.

Investments in India

India has emerged as a top borrower from the China-sponsored Asian Infrastructure Investment Bank (AIIB) with more than USD 1 billion worth of loans last year and USD three billion more in the pipeline.

¹ <https://economictimes.indiatimes.com/news/economy/finance/india-a-top-borrower-from-china-sponsored-aiib-in-2017/articleshow/62461954.cms>

Infrastructure- Transport, Power

Approved Projects

Project Name	Sector	Approval Date	Total AIIB Financing (in US\$ million)
Bangalore Metro Rail Project – Line R6	Transport	December 08, 2017	335 ²
Transmission System Strengthening Project	Energy	September 27, 2017	100 ³
Gujarat Rural Roads (MMGSY) Project	Transport	July 04, 2017	329 ⁴
India Infrastructure Fund	Multi-Sector	June 15, 2017	Up to 150 ⁵
Andhra Pradesh 24x7 – Power For All	Energy	May 02, 2017	160 ⁶

Proposed Projects

Project Name	Sector	AIIB Financing (in US\$ million)
India: National Investment And Infrastructure Fund	Multi-Sector	200 ⁷
Madhya Pradesh Rural Connectivity Project	Transport	141 ⁸
Mumbai Metro Line 4 Project	Transport	500 ⁹

Water and Sanitation

Proposed Projects

Project Name	Sector	AIIB Financing (in US\$ mn)
West Bengal Major Irrigation And Flood Management Project	Water	145 ¹⁰

² https://www.aiib.org/en/projects/approved/2017/_download/india/summary/Bangalore-Metro-Project.pdf

³ https://www.aiib.org/en/projects/approved/2017/_download/india-transmission/summary/Indian-PSI-Sep-29-v2.pdf

⁴ https://www.aiib.org/en/projects/approved/2017/_download/India/summary/MMGSY_Project.PDF

⁵ https://www.aiib.org/en/projects/approved/2017/_download/India/summary/India-Infrastructure-Fund.pdf

⁶ https://www.aiib.org/en/projects/approved/2017/_download/India/summary/andhra_pradesh_co-financed_wb.pdf

⁷ https://www.aiib.org/en/projects/proposed/2017/_download/india-infrastructure-fund/national-investment-infrastructure-fund.pdf

⁸ https://www.aiib.org/en/projects/proposed/2017/_download/india-madhya/PSI_Madhya-Pradesh-Rural-Connectivity-Project.pdf

⁹ https://www.aiib.org/en/projects/proposed/2017/_download/mumbai-metro/mumbai-metro-line-4-project.pdf

¹⁰ https://www.aiib.org/en/projects/proposed/2017/_download/india/west-bengal-major-irrigation-flood-management.pdf

Urban Infrastructure

Proposed Projects

Project Name	Sector	AIIB Financing (in US\$ million)
Amaravati Sustainable Capital City Development Project	Urban	200 ¹¹

Concerns:

1. AIIB also has a co-financing model that serves AIIB well, particularly if other institutions, such as the World Bank and Asian Development Bank, do not charge the AIIB all the costs they incur for due diligence and oversight. With low-cost co-financing fees, the AIIB can make significant profits since its own loan charges can easily cover its low administrative expenses. The other institutions, with their full suite of safeguard policies, also protect the AIIB from reputational risks associated with infrastructure projects. Two of the projects, one approved the Transmission System Strengthening Project which it is co-financing with ADB and one proposed project Amaravati Capital City Project being co-financed with World Bank and Andhra Pradesh 24x7 – Power For All project being co-financed with World Bank leaves AIIB absolved of any obligations. The policies, due diligence applicable are the responsibility of the lead financier. There is no clarity on the role and liability of AIIB.
2. Secondly, a number of projects are financial Intermediary projects. One of the approved projects is India Infrastructure Fund and one of the proposed projects being National Infrastructure and Investment Fund both being FI projects. There is no clarity as to which specific projects are these funds going to support. There are serious issues of transparency and non-accountability with FI projects
3. AIIB is in a hurry to fund projects inspite of its policies not being in place. AIIB still does not have its Complaints handling Mechanism in place and has yet gone ahead with approving its projects.
4. Despite having its core principles as clean, green and lean, AIIB has gone ahead to support projects that are environmentally and socially destructive for e.g. Hydro power project in Georgia and proposed investment in Amaravati CCP in Andhra Pradesh. Also, AIIB has supported coal through back door by supporting transmission lines, which are additional facilities for coal based power projects.

¹¹ https://www.aiib.org/en/projects/proposed/2017/_download/india-amaravati/PSI_Amaravati-Sustainable-Capital-City-Development.pdf

Asian Development Bank

ADB's Current Observations about Indian economy as per its Country Partnership Strategy

In the Country Partnership Strategy (CPS) document ADB has made certain observations about Indian economy and have also highlighted some of the challenges. Overcoming these challenges forms the basis of ADB's CPS for India. ADB acknowledged India's efforts in programs and reforms for removing structural bottlenecks and improving the investment climate, such as launching major infrastructure initiatives, liberalizing foreign direct investment (FDI) norms and laws on labour and bankruptcy, and helping states to improve the ease of doing business.

ADB highlighted that a structural transformation toward modern manufacturing and services has not been accompanied by a commensurate employment increase in these sectors. The low employability of labourers resulting from the poor quality of skills programs is also an issue ADB identified. For ADB, **infrastructure bottlenecks** are a major concern even though India has improved its global ranking in the quality of infrastructure index from 87 to 68 during 2014-16. ADB lays importance on efficient connectivity of the road, rail, and port and has called for massive investments in these sectors. Urban transformation is another key area for ADB and it seeks enhancement in building the capacities of Urban Local Bodies (ULB) and strengthening municipal revenue systems. ADB observed that private sector participation in infrastructure has dropped from more than **\$55 billion in 2010** to **\$5 billion in 2015** as nonperforming infrastructure assets of previous public-private partnership (PPP) investments increased.

ADB suggests that states with limited fiscal space need to rationalize expenditures and mobilize revenues, while strengthening investment cost-recovery mechanisms. Additionally, ADB observes that delays in statutory approvals - such as environment, forestry, and land acquisition approvals—continue to affect the implementation of public and private undertakings. ADB has also laid emphasis on environmental sustainability citing that environmental degradation, including air and water pollution, urban congestion, forest degradation, and depleted water resources, has emerged as a major challenge for sustainable growth.

ADB's Country Strategy Framework

ADB will support the government's goal of faster, inclusive, and sustainable growth accompanied by rapid economic transformation and job creation, as well as its pledge to achieve the SDG. The assistance will focus on areas where ADB has a comparative advantage. It will have three strategic pillars:

- boosting economic competitiveness to create more and better jobs
- providing inclusive access to infrastructure networks and services, and
- addressing climate change and increasing climate resilience.

CPS will be driven by **front-end strategic studies** that will identify **high-priority transformative investments, and associated policy advice**. ADB will adopt a **synergic approach beyond sector and thematic boundaries** to address **multi-dimensional development challenges**, such as supporting municipal reforms to leverage private investments in urban infrastructure. ADB will strengthen its **engagement with lower-income states** to help address critical gaps in infrastructure and services, while helping build capacity, especially in inexperienced agencies.

Pillar 1: Boosting Economic Competitiveness to Create More and Better Jobs

Under this pillar, ADB has laid a special emphasis on utilizing the potential of **Economic Corridors**. ADB would pursue a three-pronged approach:

1. **Build trunk infrastructure and competitive cities in the economic corridors:** ADB will continue to support strategic planning studies to develop **economic corridors and coastal economic zones**, such as the East Coast Economic Corridor, in order to drive India's economic transformation. In line with the strategic plans, ADB will support investments in **building trunk infrastructure**—such as **railways, expressways, ports, and logistics facilities**. ADB will support **long-term urban development planning and basic urban infrastructure investments**, including for multimodal public transport facilities and smart transport management.
2. **Improve the investment climate for industrial development:** ADB will provide **policy and strategic advice**, and assist with the implementation of measures to develop the **industrial clusters** particularly in the corridors. Additionally, ADB will provide assistance to **major municipalities**, which will strengthen their capacity to realize the full potential of revenue mobilization through sound land use planning and improved municipal tax systems.
3. **Boost the employability and productivity of the growing workforce** - To boost the employability and productivity of the growing workforce, ADB will continue to support **technical and vocational education and training (TVET)**. ADB will focus on reforming

and scaling up TVET, strengthening industrial engagement, and improving TVET quality.

Pillar 2: Inclusive Provision of Infrastructure Networks And Services

Through **increased partnership with low-income states**, ADB will support the acceleration of regionally balanced and inclusive growth by focusing on market-to-hinterland links and providing inclusive services to cities and hinterlands.

1. **Inclusive infrastructure in hinterlands and low-income states** - ADB will support **investments in infrastructure and institution building** in states and areas with poor access to transport and energy. In the **transport sector**, ADB projects will focus on improved road connectivity at the state, district, and rural levels. In the **energy sector**, ADB will support the government's target to provide uninterrupted electricity connections to all by connecting villages to the electricity grid.
2. **Inclusive urbanization**: ADB's urban sector program will contribute to inclusive growth by assisting low-income states and supporting investments in **municipal infrastructure** (water supply, sanitation, solid waste management, urban transport and traffic management, tourism infrastructure, and urban health services).
3. **Increased irrigated agricultural productivity and rural incomes**: ADB will target **modernizing major and medium irrigation systems**, which offer greater opportunities to improve water use productivity and improving rural incomes.
4. **Improved public sector management**: ADB will extend assistance to improve the efficiency of public sector resource management at the state, local, sector (including public sector), and project levels.

Pillar 3: Addressing Climate Change and Increasing Climate Resilience

ADB will support government efforts to meet India's INDCs and improve the resilience of the economy to the adverse climate change impacts.

1. **Climate Change Mitigation**: ADB will assist the government in implementing its INDC commitment to increase the proportion of **renewable energy consumption** and will support capacity building to enable the electricity companies to integrate intermittent renewable energy. ADB may also consider financing efficiency improvement and pollution control of thermal power plants.
2. **Sustainable Natural Resource Use**: ADB would provide assistance in large-scale irrigation modernization to improve water use efficiency. ADB would continue support for river basin water resource management integrated flood management, river bank erosion protection and coastal erosion management.
3. **Climate and disaster resilience**: ADB will mainstream **climate change adaptation and disaster risk management** across all sectors, and promote the consideration of **climate proofing** in infrastructure projects. ADB will pay special attention to

increasing **urban climate change resilience**, particularly in environmentally sensitive states and cities.

Apart from the strategic pillar approach, ADB will also provide its support for various crosscutting themes such as:

1. **Private Sector Development:** ADB will continue prioritizing **private sector development** and **private participation in infrastructure investments**. ADB's public and private sector departments will closely collaborate. ADB's private sector operations will support the three strategic priorities of the CPS, explore more innovative and inclusive infrastructure, and catalyze the development of the finance sector.
2. **Private financing of Infrastructure Projects:** ADB will support the government's priority to revive and enhance private financing of infrastructure projects, including PPPs. ADB will continue its long-term partnership to strengthen the PPP policy and institutional framework and PPP capacity. ADB's sovereign operations will also support extending PPPs by enhancing the bankability of infrastructure projects, particularly in the energy and urban sectors, to attract private financing. ADB will also provide assistance to strengthen sector regulations and develop a capital market with innovative financial instruments. Further, ADB will explore opportunities to provide transaction advisory services for more complex and innovative PPP investments.
3. **Regional Cooperation and Integration (RCI):** ADB's RCI operations will implement the South Asia Subregional Economic Cooperation Operational Plan, 2016–2025 and will be guided by the SASEC: Powering Asia in the 21st Century vision document. The formulation and endorsement of the SASEC vision, which India spearheaded, frames the SASEC program to generate greater synergies between countries in order to accelerate sustainable and economic growth.

CPS Strategy Implementation

1. **Indicative Resource Parameters**
 - In order to strategically address India's substantial and complex development challenges, and as requested by the government, ADB will scale up its lending level and would focus it on transformative investments with strategic and policy advice. ADB proposes **annual lending of \$3.00 billion–\$4.00 billion for 2018–2022** including private sector operations, **compared with an average of \$2.65 billion per year in 2012–2016**, subject to resource availability and project readiness.
 - Further, ADB will explore **cofinancing opportunities** through coordination led by the government, particularly when large investment opportunities are identified.
 - **Concessional climate funds** will also be explored for relevant projects. ADB will also explore **diversification of financial instruments**.
 - ADB proposes a 70:30 average cost-sharing ratio for the overall loan portfolio during the CPS period. For individual projects, ADB will follow government guidelines.

2. Implementation Priorities

- **Sector and geographical coverage:** CPS will be broad-based covering the following sectors: **transport; energy; urban infrastructure and services (including urban health); public sector management; agriculture, natural resources and rural development; and education and skills.** Around 85% of the lending program will be devoted to the first three infrastructure sectors. It also envisages progressive enhancement of the annual lending program to low income states, particularly those in the lower group.
- **Strategic advice and capacity development:** While ascertaining country demand, ADB will support front-end strategic studies at the regional level (e.g., economic corridor and logistic parks); and at the state, sector, or thematic levels (e.g., state-level assessments, Smart Cities Mission, and National Water Mission). Such studies will not only help identify major investments, but also provide exemplary pathways and policy advice for requisite reforms to reach the objectives (e.g., labor-intensive industrialization and long-term urban development plans with multiple bankable projects).
- **Use of country systems:** To enhance implementation efficiency, ADB will move towards using **country systems** for **procurement and safeguards**. This will apply to executing agencies with established systems and capacity that are equivalent with ADB policies and harmonized with international standards. The milestones include equivalent legal or regulatory frameworks, acceptable institutional systems, implementation capacity and track record, and an action plan to close any gaps between the country system and ADB policies.

3. Monitoring of Results

- ADB and the government will use the CPS results framework, which focuses on the outcomes in priority areas, to track the achievement of target results. ADB will monitor and update the framework annually during country programming missions, with modification as necessary, and preparation of the country operations business plan. All priority areas and outcome indicators reflected in the CPS results framework are aligned with the SDGs and will be closely monitored.

Major Concerns with ADB's CPS

ADB as an external development partner holds a major influence on Government's key policies around development as reflected in the CPS document. While CPS talks about inclusive growth and reducing regional disparities between high-income and low-income states, but the impetus predominantly lies on further liberalizing the economy and improving the investment climate, which has strong adverse impacts on the marginalized communities, especially dependent on natural resources and the labour workforce. Even though ADB assures that it has framed up its CPS around national development strategy, especially NITI Aayog's 15-year vision, a 7-year strategy, and a 3-year action agenda, but

from various literatures it is evident that framing of Government policies happens with the intention of appeasing international financial institutions like World Bank, ADB, JICA, etc.

ADB sees a much higher role of private sector participation in boosting the economy and calls for scaling up financing from private sector to meet the country's growing infrastructure needs. At the same time, ADB wants the government to exercise tighter fiscal discipline, which would add further stress on government's spending on social sector such as education and health sector. ADB's CPS sees an increasingly important role of private sector not just in infrastructure, but also in agriculture and housing, along with involvement of private sector in implementing large-scale schemes of the government. Giving a boost to Public-Private Partnership (PPP) projects is also a major thrust area for ADB including capacity building of institutions involved with PPPs.

The CPS framework mentions addressing climate change and increasing climate resilience as one of the three strategic pillars, along with showing concerns about worsening environmental degradation and natural resource depletion, though this mainly appears to be an eyewash as the pursuit for higher economic growth through massive industrialization and infrastructure-led projects would add a humongous stress on the fragile eco-systems across the country. The emphasis on scaling up economic corridors and pushing for greater urbanization would come at the cost of further marginalization of the urban poor and may lead to more forced migration with urban cities engulfing the adjacent rural areas in the name of expansion. With ADB's majority lending focusing on transport, energy and urban infrastructure, there would be a debilitating impact on natural resources and sustainability in the long run. ADB has assured that it would help India to achieve India's pledge to UN SDGs, but it needs to be seen as how government's market-based reforms translates into improvement in social indicators such as health and education.

Key Sectors where ADB sees its involvement under the CPS Framework

- Economic Corridors and Industrial Clusters
- Transport (ports, airports, roads, railways, and logistics)
- Power (including clean and renewable energy)
- Urban infrastructure (including sewerage and solid waste management)
- Affordable housing
- Financial inclusion
- Agriculture (including agribusiness and irrigation)
- Manufacturing
- Health
- Education
- Sanitation

Government Flagship Programs highlighted in the CPS

- Make in India Initiative
- Skill India Initiative

- Smart Cities Mission
- Atal Mission for Rejuvenation and Urban Transformation (AMRUT)
- National Solar Mission
- Power for All Initiative
- Swachh Bharat Mission
- National Water Mission
- Pradhan Mantri Gram Sadak Yojana
- Sagarmala Project
- Jan Dhan-Aadhaar-Mobile Initiative
- Digital India Program

ADB's current Investments:

These investments are in line with ADB's strategic objectives and priorities as mentioned in Country Partnership Strategy: India, 2018–2022 that ADB will support India's rapid economic transformation to help the country move from lower towards upper middle-income status; and achieve faster, inclusive, and sustainable economic growth.

According to the Country Operations Business Plan¹²: India 2018-2020;

ADB's non-sovereign operations will focus on innovative and inclusive infrastructure, and catalyzing the development of financial sector. Support will be considered for initiatives in the areas of transport, power, urban infrastructure, agribusiness, health, education, small and medium-sized enterprises, affordable housing, and financial inclusion. In addition to direct funding, private equity funds that operate in ADB's strategic priority areas will be supported. Synergy with sovereign operations will be maintained where possible.

It is also important to note that in his India visit in June, 2017, Takehiko Nakao, ADB's president committed¹³ to investing US\$10 billion in India over the next five years. The newsreport in Mint mentioned that while \$5 billion will be used for creating infrastructure in states such as Uttar Pradesh (UP), Bihar, Jharkhand, Odisha, and Chhattisgarh, the balance \$5 billion will be used for developing the 2,500 km East Coast Economic Corridor, which will ultimately extend from Kolkata to Tuticorin in Tamil Nadu. Of the \$10 billion investment proposed by the ADB, around 90% will be deployed for infrastructure creation in sectors like roads, rail, water supply, smart cities and green energy projects, said Kenichi Yokoyama, ADB's country director.

Currently, ADB has around 124 active projects in India 2005 onwards upto 7th February 2018 to amounting to US\$ 20.75billion. Fig 2.2 clearly shows that the maximum chunk of

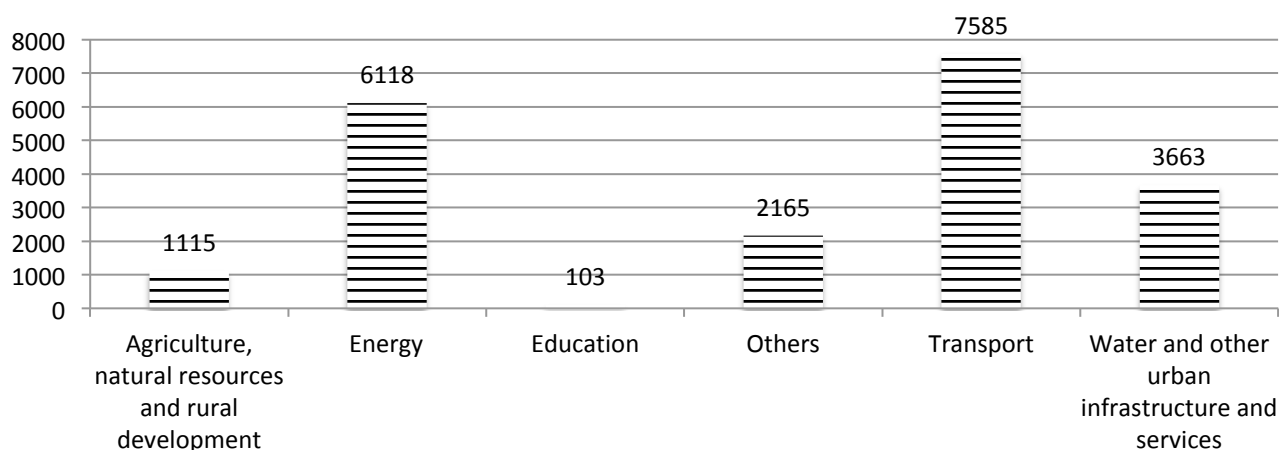
¹² <https://www.adb.org/sites/default/files/institutional-document/363336/cobp-ind-2018-2020.pdf>

¹³ <http://www.livemint.com/Politics/CTTTI4B5VWYVdkh6qOnV4J/ADB-to-invest-10-billion-over-five-years-in-Indian-infrastr.html>

investment has gone to agriculture, natural resources and rural development, followed by transportation and Energy. Energy sector is inclusive of transmission infrastructure, industrial corridors, and renewable energy. Urban development sector also consists of tourism projects and housing projects.

Table 1

Sector-wise share of Active Investments of ADB in India as of February 2018 (US\$ mn)



As for the proposed and approved projects 2017 and 2018:

- **Transport** sector witnessed investments (both proposed and approved) of US\$ 2.12 billions in ten projects. Chunk of this money was spent improving state highways, connecting rural areas to the market etc. Money will also be spent on improving the fuel efficiency of the diesel locomotives and increasing the capacity to meet the traffic demand.
- **Water and other urban infrastructure and services** sector saw investments (both proposed and approved) of US\$ 1.3 billion in six projects. The money will be spent on enhancing the reliability of three existing flood embankment systems; finance water infrastructure. Interestingly one of the sub-sectors is 'Transport policies and institutional development,' under which, the project The Bangalore Cluster City Development Investment Program (the Program) aims to increase the city's competitiveness.
- Sectors **Public Sector Management, Industry and Trade, Health, Finance, and Multisector** saw no projects proposed or approve in the years mentioned.

- **Energy** sector witnessed investments (both proposed and approved) of US\$ 3.75 millions in three projects. All the projects were oriented to technical and vocational education and training in Madhya Pradesh, Himachal Pradesh and Odisha.
- **Agriculture, natural resources and rural development** sector witnessed investments (both proposed and approved) of 529 millions in three projects. These investments were made for supporting higher irrigation efficiency and expansion of irrigation in Madhya Pradesh; enhancing the reliability of three existing flood embankment systems in Assam; and coastal protection in Karnataka.

World Bank

Country Partnership Framework

The World Bank Group is in the process of formulating its first Country Partnership Framework (CPF) for India for which consultations are in process to come out with Systematic Country Diagnostic (SCD), which will provide analysis of the principal challenges facing India today. The SCD will provide the analytical base for the WBG's roadmap to determine the Group's engagement with India in the next four years (2018-2021)¹⁴.

Prior to this, the World Bank investments were based on Country Partnership Strategy (CPS). The last CPS for India is for the period FY2013-17. The objective of the CPS was to support poverty reduction. That goal was closely aligned with the vision for development in the 12th Five-Year Plan (FY2013-17). In the past, the five-year plans have heavily borrowed and shaped by the CPS's analysis and plans for the country.

Despite claiming to bring together a wide range of stakeholders for these consultations, as in the past in many other consultations, there was hardly any representation of "all" stakeholders, particularly who are critical of the Bank, and who are representing grassroots movements.

For formulating the SCD, the WBG has scheduled a series of consultations in Delhi, Mumbai, and Bhubaneswar with a broad range of stakeholders. Despite claiming to bring together a wide range of stakeholders for these consultations, as in the past in many other consultations, there was hardly any representation of "all" stakeholders, particularly who are critical of the Bank, and who are representing grassroots movements. The already conducted Delhi consultations saw representation from policy think tanks. Mumbai consultation was exclusively for the private sector. The inputs, ideas, and comments received as part of these consultations will feed into the WBG's final CPF for India.

The Systematic Country Diagnostic ¹⁵ finding till now, which is based on the limited stakeholders' consultations, raises some serious concerns. The findings do not echo the

¹⁴ <http://www.worldbank.org/en/news/feature/2017/09/20/world-bank-group-country-engagement-dialogue-2017-18>

¹⁵ <http://www.worldbank.org/en/news/feature/2017/09/20/world-bank-group-country-engagement-dialogue-2017-18>

view some of the most important stakeholders like civil society organisations and grassroots movements and present a superficial, flawed understanding of the challenges facing India. This understanding almost feeds the private sectors narrative for development challenges in India.

The SCD suggests that India faces three principal challenges to its goal of attaining middle class, middle-income status. They are moving to a more resource-efficient growth path, accelerating inclusion by creating good jobs, building human capital and by strengthening the public sector. The SCD findings suggest that "India's agriculture uses too much water and too much land, and occupies too many people for too little output which implies it as resource intensive. It also suggests that "Land being a scarce resource – will need to be used more productively, harnessing the benefits of agglomeration in urban areas, and increasing the productivity of agriculture in rural areas where poverty is often concentrated." This analysis ignores the problems of current development model and emphasises agriculture being resource intensive. It rules out the role resource-intensive industries. A resource efficient growth path is necessary, but in a predominantly agricultural country analysing agricultural sector as resource intensive and occupying too many people is inherently flawed.

<p>The SCD findings again fall into the trap of envisioning deregulation as a way forward for Indian firms to grow to medium and large scale. It sums that reforms will be needed across four broadly connected policy areas – addressing obstacles in the major factor markets (land and labour); easing access to domestic and global markets; increasing the availability of finance, and creating a skilled workforce that can provide the backbone for productive modern industries. Issues of protection of local markets, small and medium scale industries, self-employed and protectionism for local industry have completely been side-lined in the findings which essentially form the backbone of the Indian economy. Finally, the SCD finding emphasised strengthening the public sector. But, this is looked at primarily from the narrow perspective of efficiency and effectiveness. It also states that the public sector must be adequately resourced and 'right-sized'. The sector being right-sized is a very ambiguous and uncertain finding.</p>	<hr/> <p>A resource efficient growth path is necessary, but in a predominantly agricultural country analysing agricultural sector as resource intensive and occupying too many people is inherently flawed.</p>
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The SCD findings process at this point of time hardly looks an inclusive process with very little presence of broad stakeholders. It is not a surprise then that, the findings till now are hardly reflective of the current challenges facing India today. If this remains the narrative for CPF, this could have grave consequences for our national planning and policies.

Current Investment Status in India

As of February 2018, The WBG program consists of 123 active lending operations with US\$ 28.7 billion in commitments from the Bank. The pipeline lending operations are worth US\$ 5.1 billion.

WBG's engagement in India comprises operations in sectors represented by all but two Global Practices, with the largest proportions accounted for by the roads and highways, water and sanitation, and energy sectors. Spearheaded by Prime Minister Narendra Modi and WBG President Jim Yong Kim, have focussed on bringing financing to eight priority areas: rejuvenating the Ganga river; developing smart cities and improving urban service delivery; improving rural sanitation and ending open defecation; providing 24/7 electricity, including an ambitious push on solar energy; providing youth with training and skills development; modernizing India's massive railway system; and improving the country's business climate. India's desperate push to improve the ranking among in the ease of doing business report of the WB.

Sector wise Investment (Table 2)

Roads and Highways: Currently there are 16 road and highways projects that are supported by the WB that are active. The investment in this sector is to the tune of US\$ 5.2 billion. Currently, there are projects that are active in the North eastern region(Mizoram, Assam); Karnataka, Bihar, Rajasthan, Tamil Nadu and Uttarakhand.

Energy sector: Currently there are 17 energy projects that are supported by the WB that are active. There consist of renewable energy and energy transmission infrastructure. The investment in these projects is US \$ 3.72 billion. Some of the projects include the much-tainted Vishnughad Pipalkoti Hydro Power Project, shared infrastructure for solar parks, and wind energy projects. Though no new project for direct support to coal are active; WB has found a backdoor support for coal through financing transmission lines coal based thermal power projects. Currently there are 4 transmission and distribution projects that are active; one of them being the Fifth Power System Development Project which connects transmission lines to the most tainted Power projects in India namely Sasan Ultra Mega Power Project and Tata Mundra Ultra Mega power Project. Both, the projects have been marred by serious environmental, social and human rights issues.

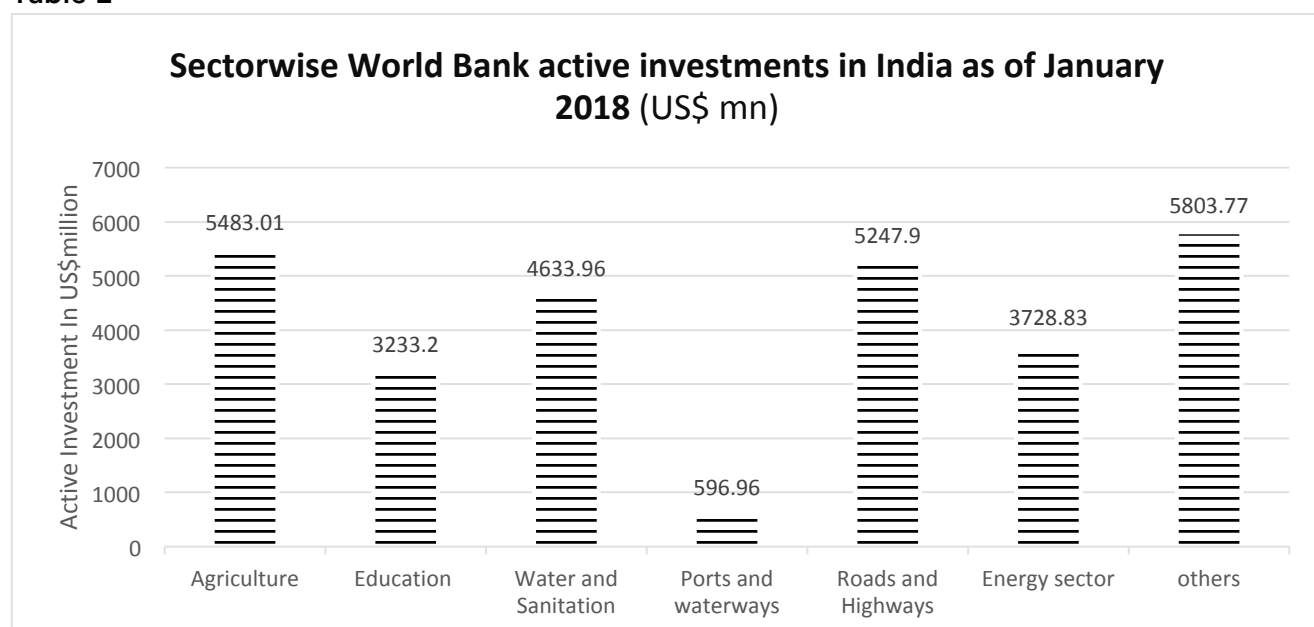
Water and Sanitation: Currently there are 28 projects in water and sanitation sector that are supported by the WB that are active. The projects vary water sector improvement project, to urban water supply modernization project in Karnataka, to sanitation projects. Most of the projects are in Karnataka, Madhya Pradesh, Punjab, Uttarakhand, Tamilnadu, Kerala and Andhra Pradesh.

Agriculture: Currently there are 26 projects in agricultural sector that are supported by the WB that are active. From agri business, to climate change adaptation, rural transformation, higher education in agriculture there are varied projects. The states that get the maximum projects are Karnataka, Uttar Pradesh, Andhra Pradesh, Uttarakhand, Telengana and Bihar.

Education: Currently there are 15 projects in this sector that are supported by the WB that are active. The education projects target elementary education, ICDS strengthening projects, skill based education and higher technical education.

Ports and Waterways: There are currently 2 active projects under this head to the tune of US\$ 596.96 million. Though small in in quantum of investment the integrated coastal zone management project has been one of the most tainted projects. The project has infringed upon the rights of coastal communities and fishworkers.

Table 2



Projects in pipeline as of February 2018

There are around 28 projects that are in pipeline worth US \$ 5.15 billion. Some of the bigger projects that the Bank is funding that are in pipeline are National Groundwater Management Improvement Program (US\$ 500 million), UP Core Road Network development programme (US \$400 Million), Mumbai Urban Transport project 3 (US \$ 500 million) and Amravati Capital City Development Project (US\$ 300 million). Amravati Capital City Development Project has already been under scrutiny due to the serious environmental and social concerns regarding with the Inspection Panel has already received a complaint.

IFC - International Finance Corporation

International Finance Corporation is an agency within the World Bank Group providing financing and technical assistance to the private sector in developing nations.

An institution within the World Bank Group, the International Finance Corporation (IFC) was created in 1956 out of a growing recognition by World Bank member states that development and poverty reduction could be further advanced through the growth of the private sector. In 1961, IFC gained the right to invest equity, now one of its main functions. It gradually expanded from these activities to supporting the operations of local banks and stock markets. In 1982, it created the first of many advisory facilities and, in 1984, became financially independent from the World Bank Group.

Its efforts are focused on the poorest countries in the world, those served by the International Development Agency, through: INVESTMENT SERVICES - Providing loans, equity finance, and risk management products - among other services - to private sector clients. ADVISORY SERVICES- Offering technical assistance to both corporations and governments about best-business practices, creating investment-friendly business climates, accessing financing, and promoting public-private partnerships; ASSET MANAGEMENT SERVICES - Managing funds for large institutions that are interested in increasing their exposure to emerging markets and accessing the returns generated by the IFC's approach to projects. The Asset Management Company invests alongside the IFC, providing even more funds for development work. The IFC targets its financial and knowledge investments in key industries to address investment gaps that hold back otherwise strong opportunities for growth.

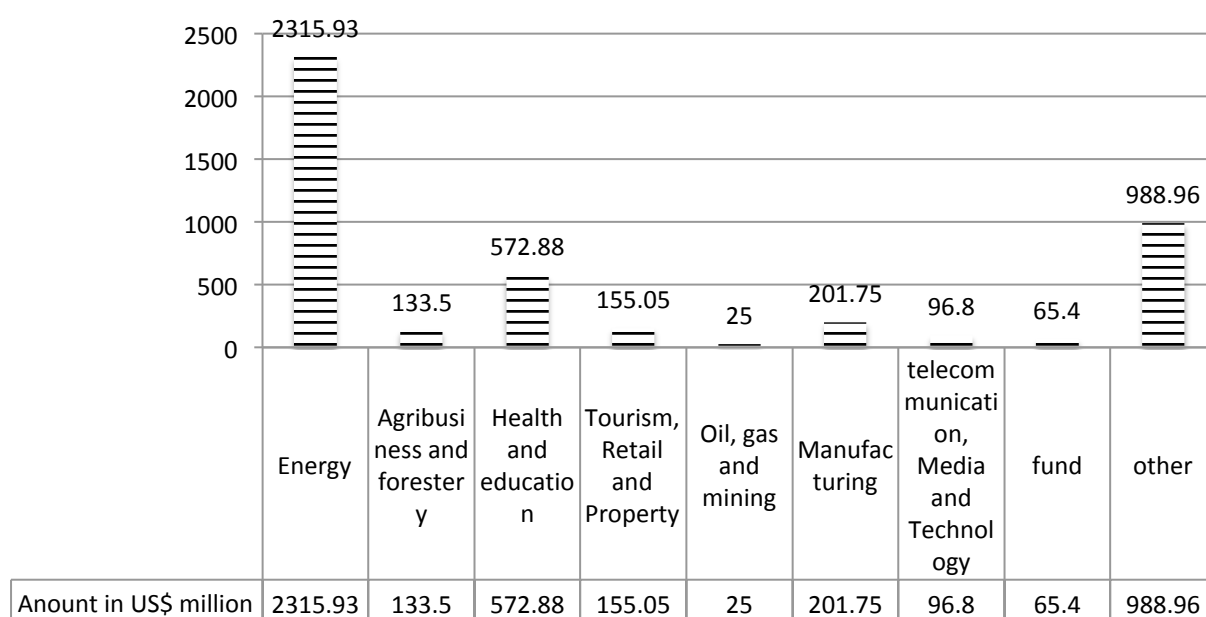
IFC Investments In India – Latest And Major Updates

Since 1956, IFC has invested in nearly 400 companies in India, providing almost \$15 billion in financing from its own account and mobilization from external resources. IFC has a total India exposure of just under \$5 billion, nearly a tenth of its committed global portfolio. During the 12-month period ended on 30 June 2016, IFC's portfolio in India rose by \$187

million, even as its exposure to China declined by \$745 million¹⁶. As of February, 2018 IFC has 344 active investments and advisory services projects in India amounting of US \$ 4.55 billion.

Sector wise Investment

IFC investment in active Projects in India From 2005 to Feb 2018



Energy: IFC investment in energy is close to US\$ 2.31billion. Energy sector includes solar, wind energy projects, coal energy and large hydro.

Agribusiness and forestry: IFC investment in this sector is close to US\$ 133.5 million. This is inclusive of dairy and agriculture processing industry.

Health and education: IFC investment in health and education is close to US\$ 572.88 million. It's inclusive of support to pharmaceutical industry and hospital industry.

Retail and Property: IFC investment in infrastructure is close to US\$ 155.05 million. It includes loan and equity support to supermarkets, ports, hotels and constructions and real estate companies.

Oil, gas and mining: IFC investment in infrastructure is close to US\$ 25 billion.

¹⁶ <https://www.vccircle.com/charts-how-ifc-betting-big-india/>

Manufacturing: IFC investment in manufacturing sector is close to US\$ 201.75 billion iron and steel forging, photovoltaic equipment, cement industry, agriculture machinery and textile etc.

Telecommunication, Media and Technology: IFC investment in this sector is close to US\$ 96.8 billion. This includes mobile and internet services, cable and broadband industry and wastewater utility facilities.

Fund: IFC investment in funds is close to US\$ 65.4 billion. These are all equity investments and are all financial intermediary investments.

Other: IFC also invests close to US\$ 988.96 million in microfinance, mortgage institutions, mobile companies, computer industry, motor vehicle industry, waste management companies etc.

IFC's investment Future road map for India:

IFC focus priorities for South Asia are in infrastructure and energy, capital markets and financial inclusions etc. In fiscal year 2017, IFC Invested about \$2.8 billion in financing for businesses in South Asia, including \$817 million mobilized from other investors, expanding our portfolio in the region to more than \$7.5 billion for its own account.

In the 2018, renewable energy projects will continue to be a priority for IFC, and a special focus will be on waste water projects. Affordable housing, SME finance, financial inclusion and healthcare are other focus areas for India. IFC is planning to invest up to \$6 billion in India over the next five years to support initiatives in renewable energy and green buildings. Jun Zhang, India country head, IFC has stated that over the next five years until 2022, we will be investing \$5 billion to \$6 billion on climate change-led initiatives¹⁷. Out of this proposed investment, 20% will be invested in efforts towards green buildings initiatives, while rest will be in climate change-led and sustainable development projects.

IFC will also continue to back venture capital (VC) firms and invest in Indian start-ups directly. IFC said it will continue to scout for bets in consumer internet, education-tech, health-tech, clean-tech, B2B (business-to-business) e-commerce, and e-logistics. IFC is already reviewing proposals from start-ups engaged in healthcare devices, genomics and deep data science areas. It can deploy anywhere from \$5 million and \$20 million as its first investment in a new company¹⁸.

¹⁷ <https://economictimes.indiatimes.com/industry/energy/power/ifc-plans-6-billion-investment-in-india/articleshow/59656158.cms>

¹⁸ <http://www.livemint.com/Companies/MHTWsaW6BfOJXSdxR4yRPI/IFC-to-increase-focus-on-India-by-backing-earlystage-ventur.html>

New Development Bank

New Development Bank (NDB), formerly called the BRICS Bank, “is a multilateral development bank established by Brazil, Russia, India, China and South Africa with the objective of financing infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries, complementing the efforts of multilateral and regional financial institutions toward global growth and development.” (Official website) The treaty was signed in July 2014 and came in force in July 2015. It funds both the public and private projects. It was promoted as an alternative to the World Bank, which has traditionally been controlled by the United States, Europe and Japan.

The initial authorized capital of the bank is \$100 billion. Currently, the shareholding and voting rights are divided equally amongst all the founding members. The bank is headquartered in Shanghai, China.

Shares Distribution and Voting Powers

Table 3

Country	Number Of Shares	Share Holding (% Of Total)	Voting Rights (% Of Total)
BRAZIL	100,000	20	20
RUSSIA	100,000	20	20
INDIA	100,000	20	20
CHINA	100,000	20	20
SOUTH AFRICA	100,000	20	20
UNALLOCATED SHARES	500,000	–	–
GRAND TOTAL	1000,000	100	100

Investments in India

In India, NDB’s investments have gone in the sectors of agriculture, irrigation, water and sanitation, rural development, road and renewable energy. The loans have gone to the

states of Rajasthan and Madhya Pradesh, and Canara Bank (being a financial Intermediary) with the sovereign guarantee by the Government of India. Loans have been in the range of USD 250 million to USD 470 million with the total investment close to US\$ 1.4 billion.

Table 4

Project	Loan Amount	Borrower	Guarantor	End-User/ On-Lendee	Target Sector	Development Impact
Rajasthan Water (India)	USD 345 m	Government of India	-	Govt of Rajasthan	Irrigation, Agriculture	- Additional 1.25 million acre feet of water available for land cultivation - 33,312 hectares of water-logged area rehabilitated for cultivation - Water use efficiency improved by 10%
MP Water (India)	USD 470 m	Government of India	-	Govt of Madhya Pradesh	Water supply and sanitation, rural development	- Project covers more than 3,400 villages and will benefit over 3 million rural population
Madhya Pradesh (India)	USD 350 m	Government of India	-	Govt of Madhya Pradesh	Upgrading major district roads	- About 1,500 km of MDRs will be upgraded
Canara (India)	USD 250 m	Canara Bank	Government of India	Sub-projects	Renewable energy (wind, solar etc)	- 500 MW renewable energy - Avoided 815,000 t CO2/year

Although the NDB has already begun financing projects, it is still in the process of developing the internal rules that will govern project selection and implementation. In August, the Bank disclosed a set of policies, including an Interim Information Disclosure Policy and an Environment and Social Framework. Despite repeated calls to engage with civil society, these important policies were developed without civil society input or consultation. While the framework sets out laudable principles, it lacks meaningful requirements to ensure that projects are sustainable and do not harm communities or the environment. There are also concerns that the framework does not provide affected communities sufficient access to information and input into NDB-financed activities or the ability to hold the bank accountable.

Exim Banks

Exim bank of any country play very significant role in the economy along with other institutions. Apart from the promoting it's country's goods and service outside of the country. India is a recipient of loans from Exim banks of many countries especially in energy projects, infrastructure projects like road and rail network, ports, industrial corridors, mega projects etc.

Germany

Germany is the largest national economy in Europe and the fourth-largest by nominal GDP in the world. It is also the third largest exporter in the world and its exports account for more than one-third of national output. Among other countries, India is one of the important market for Germany. **Moreover, Germany is India's largest trading partner in Europe and among India's top ten global trade partners. Bilateral trade between Germany and India in 2016**

- Germany also becomes the 7th largest foreign direct investor in India since January 2000.
- Germany's total foreign direct investment in India from 2000 until 2016 amounted to approx. 11250 USD million.
- There are more than 1600 Indo-German collaborations and over 600 Indo-German Joint Ventures in operation. Various programs have been set up in order to facilitate the realization of business opportunities in India such as the Fast-Track-System for German companies or the Make-in-India Mittelstand-Programme.
- 1700 German companies are active in India.

The Export Import Bank of Germany is playing a very significant role in the trade between Germany and India in various sectors including **renewable and non-renewable energy projects, manufacturing, sustainable urban development through loan and guarantee**. Germany Exim bank officially also known as Euler Hermes Aktiengesellschaft (<https://www.agaportal.de/en>). **In India the total investment by Exim Bank of Germany in last eight year is 9866.656 USD million in various sector focusing mainly in the energy sector.**

KfW is also one of the German owned Development Bank which also playing very important role in India, the export financing is one of *its* oldest *business areas*. KfW signed numbers of agreements to facilitate and support various project mostly in solar sector.

In 2015, German Federal Chancellor Angela Merkel visited India to establish relation with India to expand bilateral trade and investment.

- An Indo-German Solar Partnership was agreed by both countries. A commitment of investments about 1100 million USD for solar parks and rooftop solar generation was made under the Indo-German flagship project "Green Energy Corridors" and at the same time to facilitate the integration of renewable energies into the power grid. KfW is further supporting the connection of solar, wind and hydropower generation facilities to the Indian grid.¹⁹
- Over the past ten years, the total commitments of KfW in the energy sector in India have been about 3840 million USD, while that in the financial sector has been around 2048million USD.²⁰
- In the environment and efficient use of resources, the commitments have been about 768 million USD. Though it focus area is energy sector, however it is going sift toward sustainable urban development and infrastructure.
- Germany has funded 404 million USD in urban development sector in 2015²¹. In last two year it's commitment in urban infrastructure was about 896 million USD. Under the urban development sector, KfW is working on developing urban transport projects and urban infrastructure. The three partner cities of Germany under the Smart City Project are Kochi, Bhubaneswar and Coimbatore. In the years between 2014 and 2016, KfW has disbursed 2006 million USD of promotional funds for development cooperation projects with India.²²

India is the biggest partner of Germany's development cooperation programme worldwide. In 2015, this collaboration reached a new record level of 1661.58 million USD (INR: 11000crore).²³

¹⁹ <http://www.mea.gov.in/bilateral-documents.htm?dtl/25887>

²⁰ http://smartinvestor.business-standard.com/market/story-468646-storydet-Germans_KfW_shifts_focus_to_urban_development.htm#.WpUN2a6WbIU

²¹ <http://pib.nic.in/newsite/PrintRelease.aspx?relid=176740>

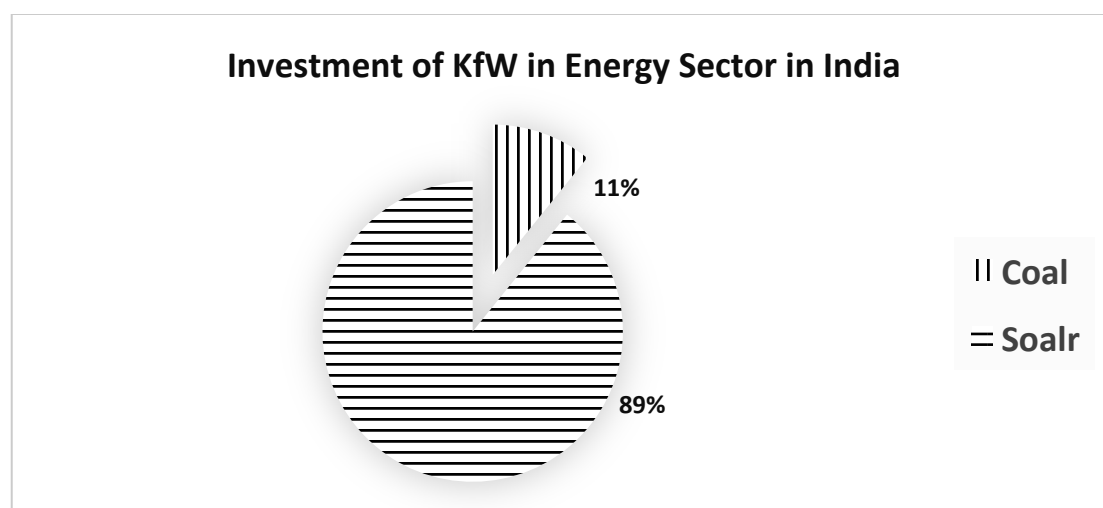
²² http://www.business-standard.com/article/economy-policy/germany-s-kfw-shifts-focus-to-urban-development-117070300513_1.html

²³ <http://www.india.com/travel/articles/germany-is-all-set-to-invest-1-5-billion-euros-in-indian-smart-cities/>

Table: 5 KfW Major Investment in India In Energy Sector

Year	Ministry/Agency/Company	Sector/Purpose	Amount in USD million
2011	Indian Renewable Energy Development Agency (IREDA)	Solar Plant both PV and Thermal	280.85
2013	National Thermal Power Corporation Limited (NTPC)	Coal Power Plant - Emissions Control	123.60
2013	National Thermal Power Corporation Limited (NTPC)	Mouda Thermal Power Plant in Maharashtra	75.70
2015	Indian Renewable Energy Development Agency (IREDA)	Renewable Energy Project	112.98
2016	Ministry of New and Renewable Energy (MNRE)	Solar (Maharashtra and Kerala)	44.89
2016	Power Grid Corporation of India Ltd. (PGCIL)	Green Energy Corridors	1598.60
Total			2236.61

Project data clearly indicates that KfW focus area has been energy sector, both renewable and coal in India. Though in past few years its major emphasis within energy sector has been solar. Like its investment through IREDA in solar sector was 280.84 USD million in 2011 which has increased in 2016 and stood at 1598.6 USD million for solar and Power Grid Corporation of India Ltd.²⁴. The below figure shows that its investment in solar sector stood at 89 percent and 11 percent in coal.

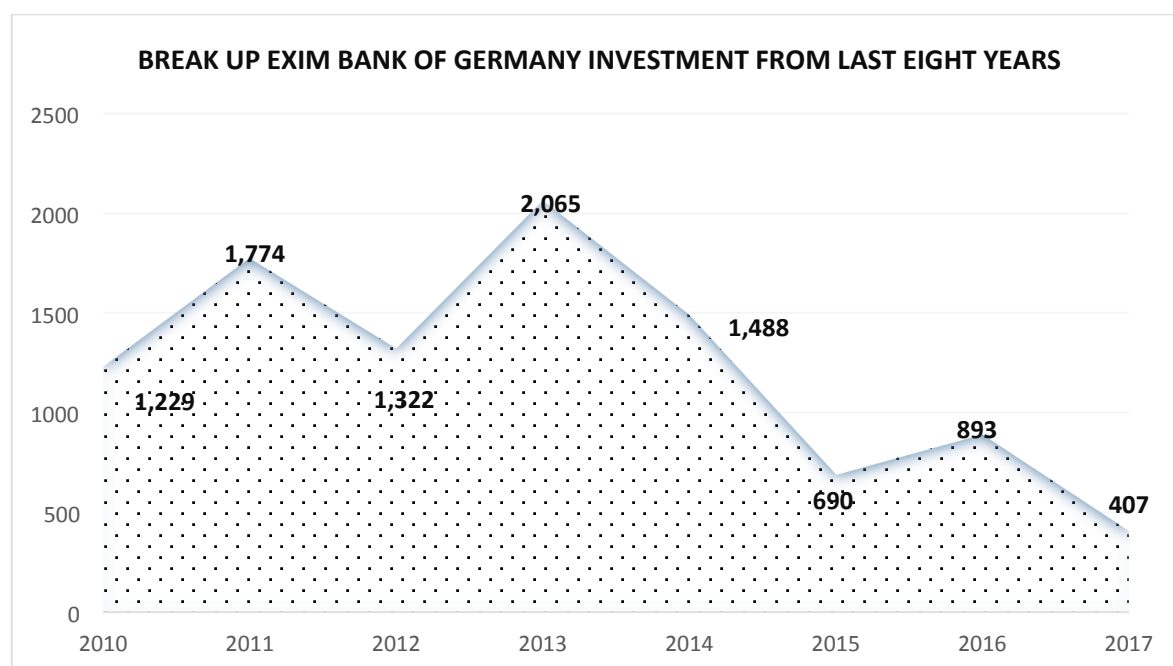
Fig. 1 % of Investment of KfW in Energy Sector

²⁴ <https://www.reuters.com/article/us-india-solar-kfw/india-eyes-1-1-billion-solar-loan-from-german-bank-kfw-idUSKBN0NX1KY20150512>

Exim bank of Germany is also playing important role in development sector in India. Last eight data from their annual report indicates that its investment in 2010 was 1228.52 USD million which has increased in 2013 stood at 2064.69 USD million. However between 2014 - 2017 it has declined.

EXIM Bank invested 2064.69 million USD in the year 2013 (though investment dropped to around 800-900 USD million in 2016) which was huge amount (see fig.1.). But the issue is that only one project/sector's data amounting to 81.7 million USD is available or traceable out of 2064.69 USD million investments. It is the same case for the following year also. Despite the less data available it is clear from the following table that EXIM Bank of Germany is investing heavily in power, coal and manufacturing sector and so is KFW.

Fig. 2 Investment of EXIM Bank of Germany from 2010-2017* (in USD million)



Source; Annual Report of particular year. 2017* investment as of June 2017

The project data (Table 2) shows that Exim Bank of Germany's focus area is coal power projects. Though the investment list is not complete, there is a consistent interest in coal investment. Data collection period was kept 2010-17. In 2010, in its annual report show that the investment was 1228.52 USD million, though its project list shows only 210.14 USD million worth investment due to non-availability of data.

Table 6: Project-wise Investment of EXIM Bank of Germany in India

Year	Sector/ Project	Amount in USD millions
2010	Steel and Mechanical Engineering (For Railway)	210.14
2012	Barh Super Thermal Power Station (Stage II) (supercritical) Bihar	87.90
2013	Coal-fired power plants: steam turbines/generators for a coal-fired power plant	81.74
2014	Coking plants: coke oven machines including spare parts	40.82
2014	Kudgi Super Thermal Power Project	20.23
2014	Ford India private Limited)	0.00
Total		440.82

Both EXIM Bank of Germany and KFW are owned by Federal Government of Germany both of which are playing a significant role in the bilateral investments India. However, the pattern of investment has been different. KFW has been emphasising on solar sector and EXIM Bank of Germany is mostly putting money in coal sector. The manufacturing sector is one of their interest area however the investment is less than other two areas.

US Exim Bank

Indian is a largest emerging economy in BRICS countries for US market. It is 9th biggest goods and service trading partner worth \$42 billion USD and 18th largest goods export market for United States of America for in 2016. **The bilateral investment of US has been increasing in India, US goods exports to India in 2016 were \$21.7 billion that was up 1.1% (\$237 million) from 2015 and up 124.2% from 2006.**

According to the US Bureau of Economic Analysis, America's direct investments in India were estimated at about \$28 billion in 2014. As per India's official statistics, the cumulative FDI inflows from the US from April 2000 to September 2014 amounted to about \$13.19 billion, accounting for nearly 6 per cent of the total FDI into India, making US the sixth largest source of foreign direct investment into India.²⁵

²⁵ <https://economictimes.indiatimes.com/news/economy/finance/us-investment-in-india-has-outpaced-china-since-narendra-modi-government-came-to-power/articleshow/51623188.cms>

In September 2014, during Prime Minister Modi's visit to the US, An India-US Investment initiative took place, with a special focus on facilitating FDI, portfolio investment, capital market development and financing of infrastructure and a US-India Infrastructure Collaboration Platform to deploy cutting edge US technologies to meet India's infrastructure needs²⁶.

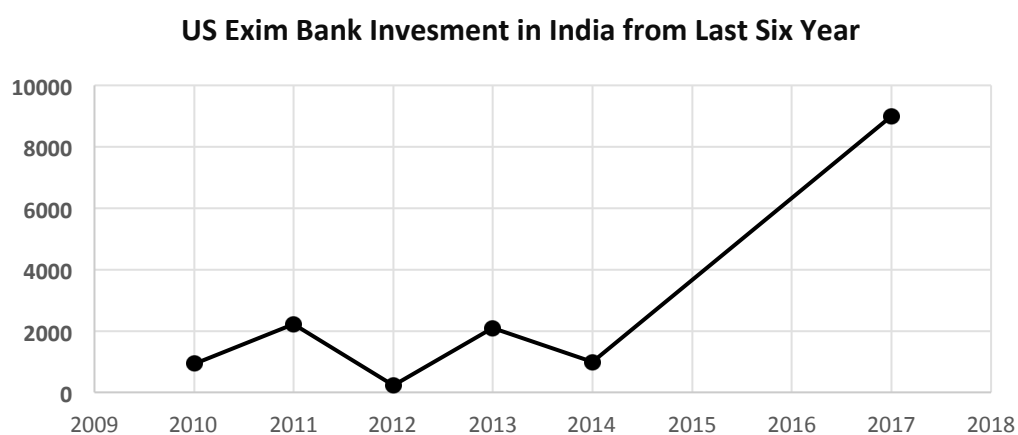
In 2016, India and United States signed the Logistics Exchange Memorandum of Agreement and India was declared a Major Defence Partner of the United States.

Increasing bilateral trade & investment, cooperation on global security matters, and joint-manufacturing through technology sharing arrangements have become key milestones and a measure steps on the path to closer US India relation.

In the bilateral relation US Exim bank is playing crucial role, its investment in India is growing in many major sector like power including coal, solar hydro, and wind and nuclear, commercial aircraft, defence.

U.S. exports of services to India were an estimated \$20.3 billion in 2016, 12.3% more than 2015, and 211% greater than 2006 levels. Leading services exports from the U.S. to India, in 2015, were in the travel, transport, and intellectual property (computer software, audio and visual related products) sectors.

Chart No: 1



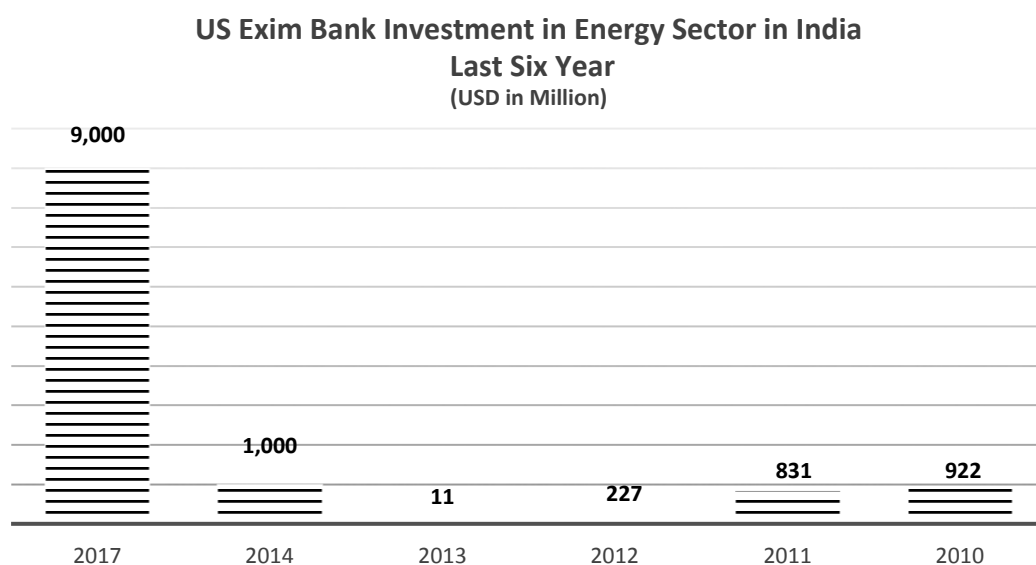
The above chart shows the last eight years investment of US Exim bank in India. The investment by US Exim bank in 2010 was \$936 million which includes Coal, Solar and aviation sectors eg., Sasan UMPP Reliance Power Limited, Applied Solar Technologies LTD and Suniva INC, L&T Aviation Service LTD. Hawker Beechcraft INC. In 2011 it went up

²⁶ <https://economictimes.indiatimes.com/news/economy/finance/us-investment-in-india-has-outpaced-china-since-narendra-modi-government-came-to-power/articleshow/51623188.cms>

worth 2213 million USD to 9 different projects including 8 energy sector, mostly in solar and one in telecommunication projects.

In 2012 it goes to six energy project mostly solar in which two project including Samalkot Power Ltd Rajasthan and Sun Technique Energy Private got their second investment in this year. However 2013 it pick up with 2213 million USD and invested in three major sector including energy (Mostly Solar), petrochemical and manufacturing. Similarly this also Mahindra Suryaprakash Private Ltd and Solar field Energy Private Ltd received their second investment. In 2014 it has fund to Indian Renewable Energy Development Agency (IREDA) worth 1000 million USD to support solar, hydro and wind energy project in India.. There were no investment in 2015 and 2016. In the NDA regime it's going up and breaking its all previous record due to India is negotiating with US Export-Import Bank for an \$8-9 billion loan to finance six Westinghouse Electric nuclear reactors. The mega-project, the result of warming US-India ties in recent years, could open up billions of dollars of further investment in India's nuclear power sector, which was for decades shut out of the global market.

US Exim bank focus area was energy sector special solar energy. In last eight year it has fund worth of 11990 million USD in 21 energy project in India in which one coal project worth 917 million USD and one 9000 million nuclear projects. Energy sector has been seen significant investment by US Exim Bank in India. Especially after the US President and Prime Minister of India have been promoting the nuclear deal, which was stuck for years because of an Indian law that made nuclear equipment suppliers liable in case of an accident, and not just the plant operators as is the global norm.

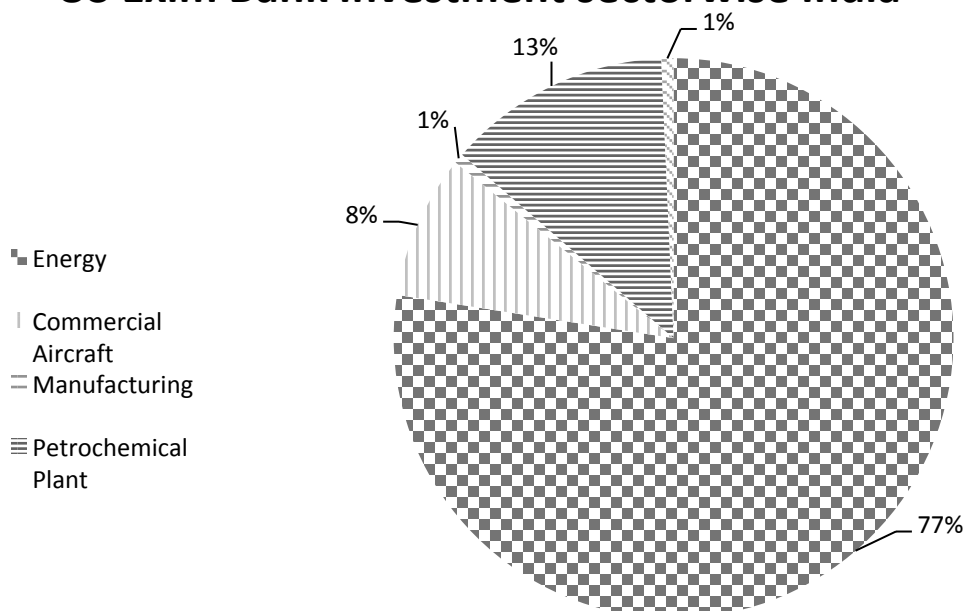


According to data from US Exim bank has funded five major sectors being energy, commercial aircraft, manufacturing, petrochemical and telecommunication.

- The US Exim Bank major chunk in India is going into energy sector it stood at 77% (worth 11990 million USD),
- Second largest sector is petrochemical. It has received 13 percent fund worth 2000 million USD,
- Third major sector is commercial aircraft which received 8 percent fund from US Exim Bank worth 1288 million USD.

US Exim Bank's major focus has been in these three sectors in last eight years. In terms of public and private ratio, a large number of projects were fund in private sector. 22 out of 26 projects were from private sector.

US Exim Bank Investment sectorwise India



List of US Exim Bank Supported Major Project from 2010- 2017

Year	Project/ Institution Name	Sector	Amount (USD Million)
2017	India with Nuclear Power Corporation of India Limited (Westinghouse Electric nuclear reactors)	Nuclear	9000.00
2014	Indian Renewable Energy Development Agency (IREDA)	Renewable Energy	1000.00
2013	Reliance Industries Ltd.	Petrochemical Plant	2000.00
2013	Mahindra Suryaprakash Private Ltd.	Solar	1.51
2013	Solarfield Energy Two Private Ltd	Solar	0.51
2013	Sai Maithili Power Company Ltd.	Solar	8.97
2013	Ford India Private Ltd	Manufacturing	90.01
2012	Solar Field Energy Two Pvt Ltd	Solar	23.00
2012	Samalkot Power Ltd	Solar	2.18
2012	Rajasthan Sun Technique Energy Private	Solar	80.33
2012	Azure Solar Private Ltd	Solar	63.97
2012	Mahindra Suryaprakash Private Ltd	Solar	34.36
2012	Solarfield Energy Two Private Ltd	Solar	22.98
2011	Dahanu Solar Power Pvt. Ltd.	Solar	84.30
2011	Tatith Energies of Gujarat, Crystalline Power Project	Solar	18.90
2011	Gail (India) Ltd	Power and Energy	74.33
2011	Dalmia Solar Power Ltd	Solar	30.00
2011	Tata Communication (Bermuda) Ltd.	Telecommunication	108.95
2011	Acme Solar Technologies (Gujarat) Pvt. Ltd	Solar	17.98
2011	Universal Solar System	Solar	3.72
2011	Azure Power Rajasthan Pvt. Ltd.	Solar	15.78
2011	Samalkot Power Ltd	Solar	585.60
2011	Air India	Commercial Aircraft	1273.41
2010	Sasan UMPP Reliance Power Limited.	Energy	917.00
2010	Applied Solar Technologies LTD and Suniva INC.	Solar Panel	4.99
2010	L&T Aviation Service LTD. Hawker Beechcraft INC	Commercial Aircraft	14.36

Sources: Annual Report of US Exim Bank

Country Investments Portfolios

Korea

The trade and economic relations between India and South Korea have gathered momentum from the UPA time in 2009, when Korea and India signed the Comprehensive Economic Partnership Agreement in Seoul on 7 August 2009. The CEPA is Korea's first free trade agreement with a member of the BRICS nations. This agreement lead to phase reduce tariffs on 90 percent of Indian exports in Korea and cut tariffs on 85 percent of Korean exports in India.²⁷ The bilateral trade in 2016-17 increased to \$16.82 billion from \$16.57 billion in the previous fiscal.²⁸ India's relations with South Korea have strengthened following Prime Minister's South Korean visit in 2015. India and South Korea have agreed to work together in the fields of energy, electronics, and shipbuilding. Korean companies such as Hyundai Motors, Samsung Electronics, LG, and others have invested around \$ 4.43 billion till March 2017 and have plans to expand further.

According to statistics of Korea Trade Investment Promotion Agency (KOTRA) and Korean Exim Bank, Korean investment in India is concentrated mainly in the

- manufacturing sectors accounting for 83.8%,
- with wholesale and retail trade at 5.9%,
- financial and insurance activities at 1.9% and
- Electricity, gas, steam and water supply at 1.5%.²⁹

According to KOTRA, about 88% of all Korean subsidiaries established in India are wholly-owned while approximately 11.3% are joint ventures. The joint ventures are mostly between Korean companies themselves, and joint ventures with Indian companies are rare.³⁰

²⁷ <https://www.indembassy.or.kr/pages.php?id=23>

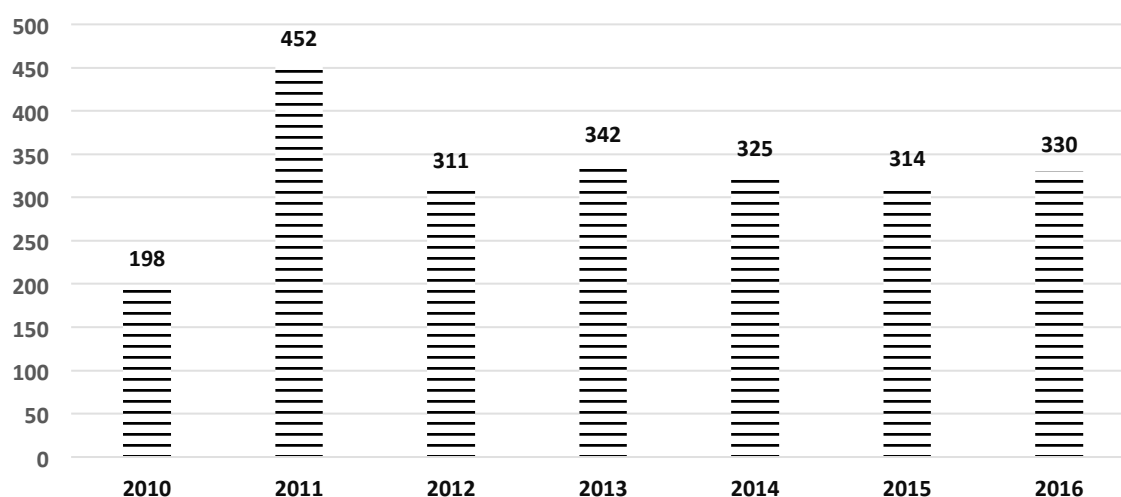
²⁸ http://economictimes.indiatimes.com/articleshow/60793873.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

²⁹ <https://www.indembassy.or.kr/pages.php?id=23>

³⁰ <https://www.indembassy.or.kr/pages.php?id=23>

Korean FDI to India (up to March 2017) stood at \$4.43 billion, as per the Export-Import Bank of Korea, of which \$198 million was received in 2010, \$452 million in 2011, \$311 million in 2012, \$342 million in 2013, \$325 million in 2014, \$314 million in 2015 and \$330 million in 2016.³¹

Yearwise Korean Foreign Direct Investment In India



Korean Investments in various sectors:

Defence sector: Recently a MoU have been signed between Department of Defence Production, Ministry of Defence of India and Ministry of Defense Acquisition Program Administration of ROK to partner in naval ship building on April 21, 2017. State-owned Hindustan Shipyard Ltd. (HSL) will collaborate with Hyundai Heavy Industries Co. Ltd. of ROK for defense production under 'Make in India' program. They will build five fleet-support ships costing about \$1.5 billion as well as two strategic operating vessels, or midgets, costing about \$448 million. In addition to this a major shipbuilding project, Kangnam Corporation of South Korea will help India's state-owned Goa Shipyard Limited build 12 mine countermeasures vessels for more than \$5.5 billion. Kangnam Corporation will provide consultancy, design and technological assistance to the Indian shipyard for \$1 billion. Same day, Indian private sector defense major Larsen & Toubro and South Korean defense technology company Hanwha Techwin signed a contract worth about \$650 million to manufacture the K9 Vajra-T, a 155mm, 52-caliber self-propelled howitzer for the Indian Army.

³¹ <https://www.indembassy.or.kr/pages.php?id=23>

Infrastructure Projects: The Export-Import Bank of Korea (Korea Exim bank) signed a Memorandum of Understanding (MoU) with India Infrastructure Finance Company Ltd. (IIFCL), a wholly-owned Indian government subsidiary that specialises in providing long-term finance to viable infrastructure projects, in January 2014. According to the Korea Exim bank, the agreement included a clause that requires the Korea Exim Bank to provide a tied loan of US\$ 200 million to Indian domestic companies that import goods and services from Korea via IIFCL.

Korean Exim Bank: The Joint Statement issued in 2015 during the visit of the Prime Minister to the Republic of Korea stated that Korea intends to offer USD 10 billion of infrastructural development in India. **The package was subsequently prepared to comprise of USD 1 billion from the South Korean Economic Development Cooperation Fund (EDCF) as government to government funding and USD 9 billion as export credit from KEXIM.** During the Annual Financial Bilateral Dialogue in Seoul Korea the countries have signed a deal with these two bank during the finance minister recent visit in June 2017 to Seoul Korea in June 2017. The decision is expected to promote the country's international exports, and deepen political and financial ties between India and Korea. The export credit will be utilized through lending by EXIM Bank for promoting projects for priority sectors, including smart cities, railways, power generation and transmission etc., in India and for the supply of goods and services from India and Korea as part of projects in third countries.³²

In early 2016, Korean Exim Bank have given loan of 3300 crore (\$500 Million) to State Bank of India to help fund companies from the Korea. This Line of Credit purpose to help State Bank of India arrange long term foreign currency funds to finance Korean Companies setting up manufacturing unit here³³.

Similarly, in the early 2014 India's largest lender State Bank of India (SBI) and the Export-Import Bank of Korea (Korea Exim bank) signed a loan agreement under which SBI would avail a \$ 200 million revolving line of credit from it. This line of credit will help SBI to arrange long term foreign currency funds to support financing needs of Indian corporates importing equipment and technical services from Korea.³⁴

Possible Korean investment in various States

Andhra Pradesh and Telangana

Apart from these, there are number of bilateral investment has been announced by Korean Government in India. In end of 2017, a South Korean diplomat Mr. Kim Hyung Tae, the

³² <http://pib.nic.in/newsite/mbErel.aspx?relid=164476>

³³ <https://economictimes.indiatimes.com/industry/banking/finance/banking/sbi-secures-rs-3300-crore-credit-line-from-korean-exim-bank/articleshow/50562754.cms>

³⁴ <http://netindian.in/news/2014/01/16/00027591/sbi-export-import-bank-korea-sign-agreement-line-credit>

consul general of South Korea has praised the Make-in-India program, and said this has enabled companies from his nation invest a 25,000 crore. He also stated that around 100 Korean companies are coming to invest in Andhra in the next six months.³⁵

In a major boost to the backward Rayalaseema region, South Korea has come up with a big plan by promising to pump 4,000 crore and provide 7,000 jobs. Around 37 Korean companies expressed interest to invest in and around Anantapur district.

The future group executive said that this proposed mill would come up at the 2,000-acre Warangal mega textile park, being touted the largest in the country. The state government has already signed agreements with Korea-based Youngone Corporation, Welspun Group and Chirpal Group, who have agreed to invest Rs 1,000 crore, Rs 750 crore and Rs 70 crore, respectively, on facilities at the Warangal textile park.

Recently held 2nd *India–Korea Business Summit* on Tuesday, 27 February 2018 New Delhi, A leading Korean textile firm, **Youngone Corporation**-largest investor in Bangladesh, has signed a MoU with Telangana Government to establish a \$ 300 million factory in Warangal with capacity of 10,000 jobs.³⁶

Rajasthan

Rajasthan State Industrial Development and Investment Corporation (RIICO) and South Korean Trade Promotion Agency (Kotra) had signed a MoU in March 2013 to set up the country-specific zone Ghilot in the lines of Japanese zone where currently more than 50 companies are operating. But after four years also the Korean companies did not take any decision, though 300 acre land have been blocked for them. Korea held its annual caravan in Rajasthan that was attempt to reopen it.

West Bengal

South Korea has shown a keen interest in West Bengal. Tai Sik Lee, Senior Executive Vice President, KOTRA recently visited the Kolkata to inaugurate a KOTRA office. He stated, "Opening up a KOTRA office in Kolkata had been a strategic choice of the Korean government. India is one of the foremost economies of the world and eastern India holds great promise. We are confident that KOTRA along with local governments in eastern and north eastern India will strengthen India-Korea Special Strategic Partnership." **Korean companies are looking to invest in the areas of electronics, food processing and mining**

³⁵ <https://www.thehindubusinessline.com/news/100-cos-to-invest-in-andhra-pradesh-in-next-6-months-korean-diplomat/article9964807.ece>

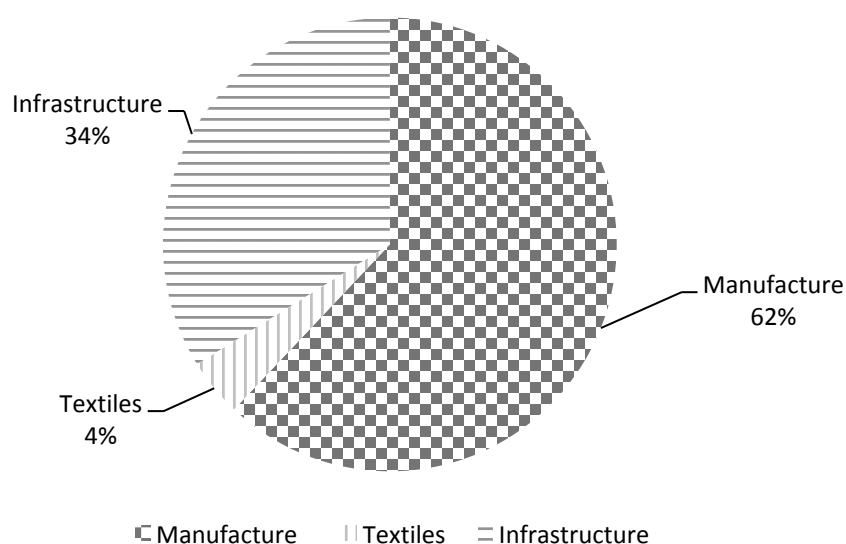
³⁶ <http://www.indiantextilejournal.com/News.aspx?nId=23Y0P1kP/I/F0dCGq5ymWw==&NewsType=Future-Group-plans-textile-mill-in-Telangana-India-Sector>

and machinery in West Bengal. KOTRA in India plays a crucial role to support trade and investment activities between India and Korea.³⁷

Major Bilateral Investment by Korea

Korean bilateral investment in India stood at \$13857 million dollar, as per the information given above. Its investment focus has been in manufacturing sector as Korean company rarely do partnership with Indian counterpart. They wholly own company and manufacture the good. Therefore their major investment is in the manufacturing sector which stood at 62 percent of the total investment in India which includes in defence sector like building vessel, ship building, and arms.

Major Investment by Korea



Japan

The Economic relations between India and Japan have vast potential for growth, given the obvious complementarities that exist between the two Asian economies. Japan's interest in India is increasing due to variety of reasons including India's huge and growing market and its resources, especially the human resources. The signing of the historic India-Japan Comprehensive Economic Partnership Agreement (CEPA) and its implementation from August 2011 has accelerated economic and commercial relations between the two countries. During the visit of Prime Minister Modi to Japan in September 2014, PM Shinzo Abe pledged \$35 billion in investment in India's public and private sectors over the next five years. The two countries also set a target of doubling Japanese FDI and the number of Japanese firms in India by the year 2019.

³⁷ <http://businesseconomics.in/bilateral-trade-relations-between-india-and-south-korea>

- Bilateral trade between the two countries more than doubled between 2006-07 and 2012-13. However, total trade has come down to \$ 14.51 billion in 2015-16 from a peak of \$ 18.5 billion in 2012-13. In 2015-16, India's exports to Japan were \$ 4.66 billion while imports were \$ 9.85 billion. In 2016-17, India's exports further fell by 17.38% to \$3.85 billion and imports by 2.2% to \$9.63 billion. The negative or slow growth in trade with Japan is a matter of concern for India in view of the fact that there is high potential for faster progress on goods and services trade.
- Japan has invested more than \$25 billion in different sectors across the India during the period from 2000-2017. Currently, Japan is the third biggest investor in India, and investment from Japan increased substantially during 2016-17. Japanese investments in India during this period reached \$4.7 billion, an 80 percent increase over the \$2.6 billion of 2015-16³⁸.
- Most importantly Japan has pledged investments of around \$35 billion for the period of 2014-19 to boost India's manufacturing and infrastructure sectors. The Japanese government even specially tasked Mizuho Financial Group with finding investment opportunities in India.

Japan's Investment in India

Regarding investment, India has been ranked as the most attractive investment destination in the latest survey of Japanese manufacturing companies, conducted by the Japan Bank for International Cooperation (JBIC). Japanese FDI in India has increased in recent years but it still remains small compare to Japan's total outward FDI.

- In terms of cumulative FDI inflows into India, Japan is now India's third largest source of FDI. Japanese FDI in India grew exponentially from US\$ 139 million in 2004 to all time high of US\$ 5551 million in 2008 due to mega deals particularly acquisition of Ranbaxy by Daichi Sankyo.
- In the last two years, Japanese FDI into India increased from US\$ 2.08 billion in 2014-15 to US\$ 2.61 billion in 2015-16 and further to US\$ 4.24 during the first nine months of FY 2016-17.
- The amount of Japan's cumulative investment in India since April 2000 to December 2016 has been US\$ 25.215 billion, which is nearly 8 per cent of India's overall FDI during this period. Japanese FDI into India has mainly been in automobile, electrical equipment, telecommunications, chemical and pharmaceutical sectors.

Year	Japanese FDI in India (million US\$)	% Change
2001	150	(-) 14.3
2002	146	(-) 2.7
2003	124	(-) 15.1

³⁸ <https://economictimes.indiatimes.com/news/economy/finance/japans-investments-in-india-getting-diverse/articleshow/58863341.cms>

2004	139	12.1
2005	266	91.4
2006	512	92.5
2007	1506	194.1
2008	5551	268.6
2009	3664	(-) 34.0
2010-11	2864	(-) 21.8
2011-12	2326	(-) 18.8
2012-13	2786	19.8
2013-14	1718	(-) 38.36
2014-15	2084	21.3
2015-16	2614	25.4
2016-17	4709	80.15

The number of Japanese affiliated companies in India has grown significantly in recent years. As of October 2016, there were 1,305 Japanese companies that are registered in India, an increase of 76 companies (6%) compared to 2015. These companies had 4,590 business establishments that are operating in India, which is an increase of 173 establishments (3%) compared to 2015.

Japanese Official Development Assistance (ODA)

4. Japan has been extending bilateral loan and grant assistance to India since 1958. Japan is the largest bilateral donor to India. Japanese ODA supports India's efforts for accelerated economic development particularly in priority areas like power, transportation, environmental projects and projects related to basic human needs. A noticeable positive trend in these years is that even as amount committed has stabilized or gone down somewhat, actual disbursement has increased.

- From 2007-08, Japanese side has introduced a Double Track Mechanism for providing ODA loans which allows us to pose project proposals to the Japanese side twice in a financial year. The interest rates applicable from April 2013 are : 1.4% per annum of general projects with a 30 years tenure including a grace period of 10 years. For environmental projects, the interest rate is 0.30% per annum with a 40 years tenure including grace period of 10 years.
- From April 2013, JICA has abolished levy of commitment charges and has introduced Front End Fee payable one time at the rate 0.2% at the beginning of the project. On the 0.2% Front End Fee, 0.1% will be reimbursed if the project is implemented within the stipulated time.

Commitments and Disbursements of ODA loan from Japan for last several years has been as follows:

Year	Commitment	Disbursement
	Yen Billion	Yen Billion
2002-03	120	81
2003-04	125	80
2004-05	134.466	68.85
2005-06	155.458	68.68
2006-07	184.893	55.47
2007-08	225.13	94.65
2008-09	236.047	122.56
2009-10	218.2	128.95
2010-11	203.566	123.84
2011-12	134.288	139.22
2012-13	353.106	113.964
2013-14	365.059	144.254
2014-15	71.39	74.36
2015-2016	400	390*

* highest ever ODA loan disbursement in a financial year in Yen terms.

Specific Projects and Industrial Corridors

- On the infrastructure front Japan had agreed to collaborate on the USD 100 Billion Delhi–Mumbai Industrial Corridor (DMIC) project in 2006. The core focus of the DMIC project is the development of 24 investment regions, 8 smart cities, 5 power projects, 2 airports, 2 Mass Rapid Transportation Systems (MRTS) and 2 logistics hubs. The programme has been conceptualised in partnership with the Government of Japan.
- Implementation of this project is in progress. In addition to new manufacturing hubs, DMIC will envisage development of infrastructure linkages like power plants, assured water supply, high capacity urban transportation and logistics facilities as well as important interventions like skill development programme for providing employment opportunities of youth.
- Shareholders' Agreement (SHA) has been executed with the State Government of Madhya Pradesh, Uttar Pradesh, Maharashtra and Gujarat. Accordingly, SPVs for the Integrated Industrial Township Project at Greater Noida, Uttar Pradesh; Vikram Udyogpuri near Ujjain in Madhya Pradesh, Phase-I of Shendra Bidkin Industrial Park in Maharashtra and Dholera Special Investment region in Gujarat have been incorporated. The equity of the State Government and DMIC Trust has been released/transferred to the SPVs.

- DMICDC has also commissioned a 5MW Model Solar Power Project at Neemrana, Rajasthan with latest cutting edge Japanese technology and the power is being supplied to the grid.
- DMICDC is also implementing a smart solution for Logistic sector by creating a Logistics Databank for near to real time tracking of the movement of the containers so as to bring in efficiency in logistics value chain in partnership with NEC Corporation of Japan. The regulatory and statutory approvals have been obtained and the trial operations will start shortly.
- DMICDC has prepared the DPRs for MRTS projects for Ahmedabad- Dholera in Gujarat and Manesar- Bawal in Haryana, awaiting approval from State Govts. States to start Land acquisition process for taking the projects forward.
- In Principle Approval has been obtained for Greenfield International Airport at Dholera (Gujarat) and Site clearance has been obtained for the Greenfield Airport at Kotkasim (Rajasthan).
- Japan has also planned to set up around 12 industrial parks across the India in different states, including Tumkur in Karnataka, Ghilot in Rajasthan, Mandal in Gujarat, Supa in Maharashtra, Ponneri in Tamil Nadu, Neemrana in Rajasthan, Jhajjar in Haryana, and the Integrated Industrial Township in Greater Noida.³⁹
- Japan is also investing heavily in infrastructure in the northeast. In April 2017, the Japan International Cooperation Agency (JICA) signed an agreement with the Union government in New Delhi to provide over 67 billion yen (\$610 million) for Phase I of the North East Road Network Connectivity Improvement Project.
- Japan Bank for International Cooperation (JBIC) had earlier collaborated on the first phase of the Delhi Metro. For the second and third phase as well, the Japan International Cooperation Agency (JICA) has provided support to India.
- The project for India's first bullet train, a 505-km line, which will run from Mumbai to Ahmedabad, will be completed by 2023. In a landmark move, Japan has offered to invest USD 15 Billion in the project.
- JBIC signed, on September 11, 2017, a loan agreement for project finance with SBG Cleantech Project Co Private Limited ("SBG Cleantech"), an Indian corporation in which SoftBank Group Corp. ("SBG") has an equity stake, for a solar power generation project in India. The loan is co-financed with Mizuho Bank, Ltd. Under this project, SBG Cleantech will construct, own and operate a solar power generation plant with a total generation capacity of 350MW at the solar park to be built in Kurnool district, the state of Andhra Pradesh. SBG Cleantech also sells the generated electricity to NTPC Limited, India's state-owned power generation

³⁹ 1<http://trak.in/tags/business/2015/05/07/japan-make-india-industrial-townships-investments/>

company, for 25 years.

- **Nuclear energy support:** Japan and India in 2016 also signed the highly controversial civil nuclear deal as Japan agreed to sell India civil nuclear power equipment and technology, as the Japanese nuclear industry seeks markets overseas because of shrinking business at home since the 2011 Fukushima disaster. The pact allows India to reprocess fuel and enrich uranium, though highly enriched uranium that can be used to make nuclear weapons is not permitted without written agreement by Japan⁴⁰.
- **Coal support:** In 2015, NTPC Ltd, had received finance worth 25.8 billion yen from JBIC and JICA. Piyush Goyal, then minister for power, coal and renewable energy confirmed Japanese willingness by stating his meetings with Japanese institutions made it clear that they are keen on helping India's coal-based thermal power plants, stated the report.
 1. **Srikakulam Thermal Power Station** is a proposed 4,000-megawatt (MW) coal plant in Andhra Pradesh(decision to build has been deferred to 2022)
 2. **Meja Thermal Power Project** is a 1,320-megawatt (MW) coal-fired power station under development in Uttar Pradesh(under construction).In 2014 SBI and JBIC signed a loan agreement to set up an export credit line for Meja thermal power plant. The loan will be co-financed by the Bank of Tokyo-Mitsubishi UFJ Ltd. (BTMU). It will bring the total co-financing amount to JPY 13.5 billion (\$21 million), the statement issued by SBI said. This credit line will be utilised by Meja Urja Nigam Private Ltd. (MUNPL) to finance procurement of steam turbine generator equipments from a Japan company and its subsidiary in India.
 3. **Kudgi Super Thermal Power Project** is a proposed 4,000 megawatt coal-fired power station under development in Kudgi, Bijapur District in Karnataka(1st phase operational). JBIC has provided a US\$155 million loan and a US\$55 million loan directed toward purchase of steam turbine generators from Toshiba and boiler water feedpumps from Ebara. In addition to the JBIC portion, Sumitomo Mitsui Banking Corporation was also provide co-financing for each facility, bringing the total financing for steam turbine generators to US\$259 million and the financing for boiler water feedpumps to US\$ 91 million.

All the three projects are marred by issues of displacement, environmental destruction and protests by local population.

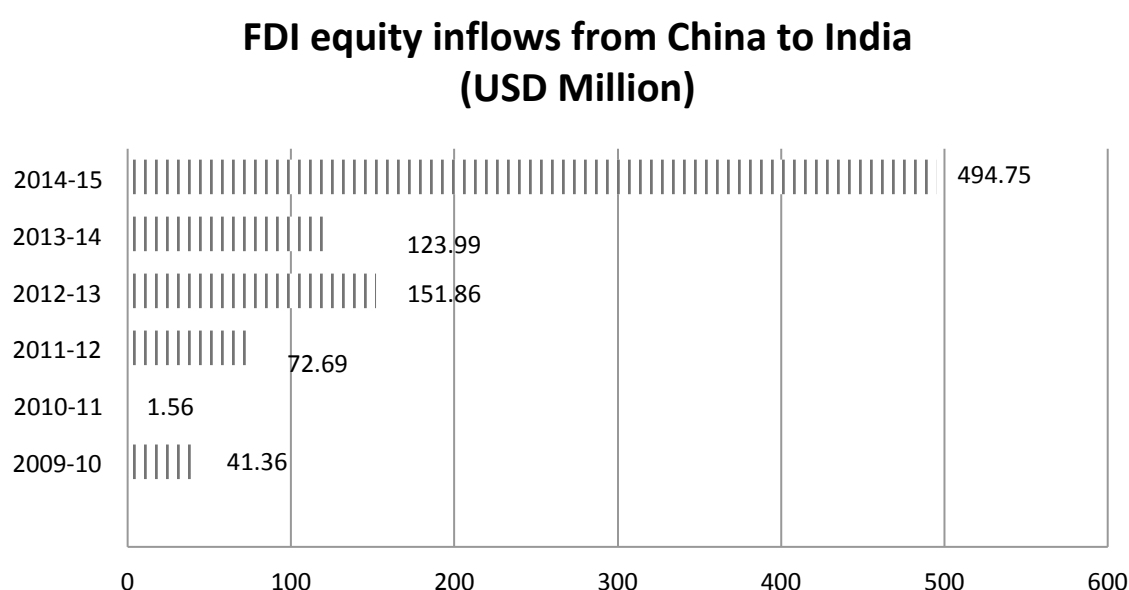
⁴⁰ <http://www.latimes.com/world/la-fg-japan-india-nuclear-20161111-story.html>

China

India and China have had cultural and economic relations since ancient times. The silk route facilitating not just trade but also cultural exchange. Despite being in constant tug of war over territories China is India's largest trading partner, from whom India imports over 60 percent.

In 2012 Mamohan Singh and Wen Jiabo agreed to bring the trade relations between the two countries to a hundred billion US dollars. The investment pattern have steadily increased since then and today China ranked 17th in the list of foreign Direct Investments. The ties are not just in terms of FDIs but companies from each country has taken keen interest in operating in the other's territory. In India there are over 100 chinese companies that have a regional office. Sinosteel, Shougang International, Baoshan Iron & Steel Ltd, Sany Heavy Industry Ltd, Chongqing Lifan Industry Ltd, China Dongfang International, Sino Hydro Corporation, etc are all state owned Chinese companies that have got projects in India in the sectors of infrastructure and machinery.

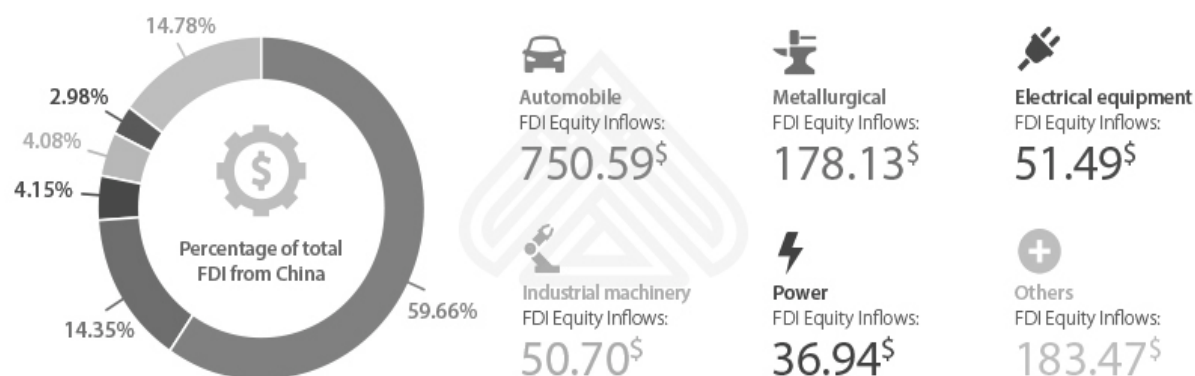
The following table is the pattern of FDI over the years:



FDI equity inflows from China to India from 2000 to 2009 was minor. However, it picked up in 2010 which stood at 41.36 USD million, in 2011 it has gone down up to 1.56 USD million. In 2012 Indian PM and Premier of the State Council of the People's Republic of China, Wen Jiabo agreed to increase the bilateral trade relations between India to a hundred billion US dollars, since then it again picked up and in 2012 it was 72.69 USD million which has increased to 494.75 USD million in 2015. This is the same period when India has increased its FDI investments upper limit. This figure clearly shows that FDI investment of China is increasing in India. They are not putting only money but also capturing the small

and medium enterprises market, killing the lots traditional sources of livelihood and traditional market in India

China's top sectors for Investment Into India from April 2000 to September 2015 (US\$ million)



Graphic©Asia Briefing Ltd.

The above sector-wise data of FDI investment from 2000 to 2015 from China to India shows that it has put the money in five major sectors including automobiles, metallurgical, electrical equipment industrial machinery and power. Automobile sector got the largest amount stood at 750.59 USD million lowest was power sector which got 36.94 USD million.

The Sino-Indo bilateral agreements on various sectors have increased since 2014. Cooperation on Industrial Parks in India' was signed on June 30, 2014, between the ministries of commerce of both countries. A Joint Working Group was formed in order to facilitate investments in industrial parks under the 'make in India' project. As on Sep 2017, there is a plan to build one in Maharashtra and another in Gujarat at an estimated cost of 6237.9598 USD million

Chinese banks have been expanding their business dealings with Indian companies. In 2014, budget carrier IndiGo had entered into an agreement with ICBC for a \$2.6-billion funding to finance purchase of over 30 aircraft⁴¹. Also, One of China biggest banks, the Industrial Commercial Bank of China (ICBC), had set up a special team in its Mumbai branch in 2015 to provide its Chinese clients with consultation services for mergers and acquisitions (M&As) in India.

Reliance Power and Reliance Communication were one of the first companies to go for Chinese funding. In 2012, the State Council of Government of China has granted the final approval for Chinese banks to finance the Sasan project of Reliance Power in Madhya Pradesh in India in which Chinese Banks gave them long-term loans of \$ 1.1 billion. These loans were provided by Bank of China, China Development Bank and The Export-Import Bank of China, along with Standard Chartered Bank. The insurance cover has been given by

⁴¹<http://indianexpress.com/article/business/banking-and-finance/foreign-banks-make-a-beeline-for-india-lenders-include-china-iran-5018342/>

China Export & Credit Insurance Corp. this was the largest finance by Chinese Banks to an Indian project across all sectors. This loan was given to financial support for import of Boiler-Turbine Generator (BTG) from Shanghai Electric Group Company Ltd which is also from China.

Also, Over 60 per cent of India's coal power equipment ordered by private developers in the past decade has come from Chinese vendors, commonly with the financial backing of Chinese state banks, amounting to over 100 GW of coal power installed or in the pipeline involving Chinese firms. After, Reliance Power signed a billion MoU in 2011 with a consortium of Chinese state banks intending to build coal power in India, it led to a rush for Chinese financing among other power developers seeking low-cost financing packages for large coal schemes, including Lanco Infratech, Adani and Jindal⁴².

Similarly, China Fortune Land Development Company (CFLDC) is looking for a 5000 USD million township project in Haryana and other projects in Mumbai. The company is looking at competitive residential complex space and is in talks with Wadhwa group. Chinese Harbour Engineering is looking to buy in Engineering, Procurement and Construction (EPC) in various sectors, the recent one being the keen interest shown by the company in Sagarmala and Bharatmala projects. Similarly China Datang Corp has shown keen interest in buying stressed assets in power sector.

Similarly Trina Solar of China which has been selling in India for a long time has plans to build a 422.95 USD million plant in Visakhapatnam. A few other solar companies are also eyeing India as a key exporter due to restrictions and anti-dumping policies in EU and US.

A huge surge in investments can be seen in digital start – ups in just the last couple of years, The following image shows the investments in digital start-ups:

Profile of Large Chinese Investments Into Digital India			
Chinese investor	Indian startup	FDI (US million)	Year
Beijing Miteno Communication Technology	Media.net	900	2016
Alibaba	Paytm	680	2015
Alibaba (with Foxconn Technology and Softbank)	Snapdeal	500	2015
Ctrip	MakeMyTrip	180	2016
Tencent	Hike	175	2016
Tencent	Practo	90	2015
ByteDance	Daillyhunt	25	2016

Graphic © Asia Briefing Ltd.

⁴² <https://www.thehindubusinessline.com/opinion/china-holds-key-to-indias-energy-future/article7271640.ece>

With India opening up her economy in 1991 India has been a destination of many foreign corporations and by late 90's, with all systems in place for their smooth landing, they started pouring, starting with majors like Enron and Cogentrix. With the foreign corporations came in financial institutions, both private banks as well as Export Import Banks (Exim Banks). Some of the institutions operating here in the past have deepened their operations. What is witnessing the past decade or so is an influx of these investments majorly in energy, transport, steel, dams, roads, urban projects, industrial zones/corridors, smart cities and other mega projects. The number of financial sources coming in, the pace in which these investments are finalised and the quantum of money pouring in is alarming and often do not give the opportunity to see the investments in toto.

There have been many struggles – small and big – against these investments and the devastation, which caused to the people – their livelihood and natural resources, and the environment. While the yardstick of measuring the successes and failures of these struggles could vary depending on who does it, the reality remains that the struggles have forced MDBs to relook the way they conduct business in this country, compelled them to adopt safeguard policies and compliance mechanisms and didn't shy away from confronting them on the ground, on the streets and even at their doorsteps.

This document is an effort to compile data of investments coming into India from MDBs, Exim banks and other bi-lateral investments, to help understand the landscape of financing from these institutions and helping to understand the overlaps of international financial institutions in certain key sectors.

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