India’s Foreign Aid Policy Shift During the Covid-19 Pandemic

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ABSTRACT

The Indian government introduced the Foreign Contribution Regulation Act (FCRA) amendment in 2020 to streamline its foreign aid mechanisms and ensure greater transparency and commitment to the state’s long legacy of refusal to aid principles. However, India has proven to be ineffective in implementing new aid regulations, as reflected by its delayed aid distribution system and the reality that it is even harder for Indian nonprofits to receive foreign aid. India’s aid regime then became the highlight of the international community due to millions of aids given to the state, but the FCRA rules made it almost impossible for actors other than the government to distribute them. The stringent rules of the FCRA raised many questions about whether India had genuinely decided to accept foreign aid. Thus, this study aims to qualitatively explain the foreign aid policy shift enacted by India during the Covid-19 pandemic.

Keywords: Covid-19, FCRA, Foreign Aid, India.

I. INTRODUCTION

Covid-19 pandemic marked a time when India experienced a sudden policy shift. After 17 years of independence, India began accepting foreign aid in the midst of its struggle to survive the pandemic. The state had spent years after years refusing to accept assistance for disasters ever since the 2004 Indian Ocean tsunami, as the government felt it could manage relief and rescue operations on its own. Following India’s decisions, the international community raised the assumption that the country is attempting to showcase its economic power. India’s refusal to take aid then became the turning point where the country has shifted from being an aid recipient to an emerging donor, or what India prefers to call a development partner.

Time flies, and a pandemic occurred in 2020. India’s decision to accept foreign aid certainly had something to do with its overwhelmed state in dealing with covid 19 virus. In early 2021, the state declared that it had defeated the Covid-19 pandemic, but then experienced a sudden surge in the virus’s second wave. Death tolls amounted to 344,101, and infection cases skyrocketed to 26,795,549 as of June 5th 2021 (Worldometers, 2021). India’s Covid-19 crisis was infamously apparent because it had been in the news headline worldwide for a few months in the mid of 2021. As medical oxygen became scarce, the health system was pushed to the brink, and patients lying outside the hospital waited for an empty bed. Pressure builds on Prime Minister Narendra Modi, as critics (including those from India) blamed the government for mishandling the Covid-19 crisis.

Although India is now accepting aid, it is more than meeting the eye. To increase transparency, India amended several changes to the Foreign Contribution Regulation Act (FCRA) in 2020. The amended law has added several new administrative regulations to receive foreign funds: charities must get sworn affidavit, notary stamps, and open bank accounts with the State Bank of India (Das, 2021). NGOs, government representatives, and other international community actors who intend to help India stated that this new regulation was becoming a hurdle. The law makes it very difficult for essential supplies to be distributed immediately, as India was in dire need of help. That is, the state also faced another problem in the midst of its crisis, as foreign aid piled up and the logistics sector lagged behind. The headlines did not lie, India was indeed in a catastrophic state.

Remaining firm to its principle has become a characteristic for India. Although it is not wrong to put forth national interests, the way they are executed must also be a priority within the Indian government. Moreover, the fact that India was on the brink of its Covid-19 secondary crisis reflects that there was a need for a system where treatment and assistance could be carried out quickly. It was a multidimensional problem where national interests and systematic perversion were also responsible for the disaster that the state was currently facing. An utmost unfortunate place where foreign aid that was supposed to be of great help to India was being mishandled and leaving people with uncertainty.

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II. ANÁLITICO FRAMEWORK

A. Dependency Theory

Dependency theory is a paradigm with several branches. Although it differs from another by its particular focus, the ones that are specifically suited to the context of India’s refusal to aid must be the theory that forms the basis of a state’s development. In this regard, Osvaldo Sunkel defined dependency as the economic development of a state whose national development policies are dependent on external influences (Sunkel, 1969). On the same note, Vincent Ferraro suggests that dependency is a state where exogenous forces are of utmost importance to the economic activities of a particular dependent state (Ferraro, 2008). These include multinational companies, donor aid, and any other means to represent a particular state’s economic interest abroad. Further explaining his view, Ferraro notes the historical dynamics between dominant and dependent states and concludes that dependency is indeed an ongoing process. Notice how both Sunkel and Ferraro enunciated the external factor that created the dependency pattern with the recipient. This is what underlies India’s refusal to aid, in which Prime Minister Manmohan Singh, the one who initiated the decision in 2004, anticipated the possibility of India being dependent on foreign aid as the state regularly experiences natural disasters. Acknowledging the astonished responses of many, PM Manmohan Singh clarified his stance by stating that his government’s decision was to make the most of India’s national will and resources to face further challenges (The Economic Times, 2005). It is a showcase of the power and independence of India’s commitment to standing on its own two feet.

As the context used in this case is a reference to India’s refusal to aid, there are scholars who see a direct connection between foreign aid and the dependency it implies. Pearson and Payasilian proposed dependency theory based on foreign aid schemes in which foreign aid is used to influence the recipient’s domestic and foreign relations, as well as to embrace local elites for the purpose of expansion or exploitation by the donor state (Pearson & Payasilian, 1999). This is in tune with India’s history as a product of British colonialism, which takes into account the politics of colonialism and postcolonialism and is a significant part of India’s foreign policy, though the state’s promotion of idealism and anti-West sentiment has gradually shifted into something more pragmatic and self-interest-based (Chacko, 2007, p.15). In other words, India’s post-colonial identity plays a prominent role in the state’s politics, as it raises inbuilt suspicions of ulterior motives when the state is receiving assistance for disasters or other economic development projects (Chaulia, 2018). Hence, the conditionalities that follow foreign grants and loans remind India of aid imperialism. It is the fear of disaster relief and overall aid capitalization that caused the strict monitoring of foreign aid by the Indian government.

India’s post-colonial identity has eventually resulted in what is called the Nehruvian Strategy, a model of development consisting of four pillars: parliamentary democracy, secularism, economic planning for a welfare state, and a commitment to sovereignty or non-alignment (Sharma, 2013, p.17). The Nehruvian Strategy itself was formed with regard to the state’s history to determine the path of an independent Indian state through the principles of social, political, and economic restructuring of post-colonial India. The realization of the dependency paradigm is especially prominent in the last bit of commitment to non-alignment, in which Nehruvian ideals could not be accomplished with foreign aid or intervention in a way that would make India a junior partner of any advanced state (Mukherjee, 2012, p.7). This particular imperative for maintaining sovereignty was a continuation of non-alignment during the post-Cold War situation, where the world was divided into two blocs. Henceforth, it plays a significant role, as non-alignment continues to become a product of the Indian national movement’s commitment to sovereignty and world peace. In realizing this, complemented by other Nehruvian strategies, political independence is carried out along with economic and intellectual development to ensure India’s complete independence from advanced states in all sectors.

B. Motives of Foreign Aid

To put it simply, aid is a voluntary transfer of resources from one state to another for development purposes. Aid comes in many forms, and it can also be provided by non-state actors such as non-governmental organizations, individuals, and others. For a more detailed explanation of what constitutes aid, the Development Assistance Committee (DAC) of the OECD provided three elements of the term: (a) undertaken by the official sector of the donor state, (b) with the promotion of economic development and welfare in recipient countries as the main objective, and (c) at concessional financial terms, where the grant element is equal to at least 25% (Durlauf & Blume, 2008, p.452). Supposedly intended for development purposes, throughout the years foreign aid or development assistance has also been used as a political tool by the donor state. This reflects the variety of motives that underlie a state’s decision to provide aid to a particular state, as can be seen from the six types of aid: humanitarian, subsistence, foreign, military foreign, bribery, prestige foreign, and foreign aid for economic development (Morgenthau, 1962, p. 301). Apparently, among these types, only humanitarian aid is supposedly non-political. This form of aid is usually given to states that are victims of natural disasters such as famines, floods, and droughts. However, there are also instances when humanitarian aid is used as a political function.
It is apparent after 2001, when former colony status was maintained through aid transfers to maintain influence in former colonies, but on a smaller scale than before the Cold War (Ramakrishna, 2018).

In accordance with the donor states, developing countries accept foreign aid for several reasons. Todaro states that there are three primary reasons for this: economic, political, and moral (Todaro, 1992). Politically, this is due to the recognition gained from the donor state or the international community that supports the ruling regime in the recipient state. It is the belief that donor states have a moral obligation to the developing states in order to pay back colonial times when they exploited human and natural resources of the third world. Economically, it is more of a perception of the donor state that the recipient state needs to grow. In reference to India’s post-colonial identity from the British and its national commitment to the non-alignment principle, it can be understood that India understands these various foreign aid motives and is attempting to ensure that anything aside from humanitarian reasons is kept to the barest minimum.

C. Foreign Contribution Regulation Act (FCRA)

PM Manmohan Singh may have declared in 2004 that India is refusing aid, but there is actually a way for external entities to provide assistance to India. Any sort of funding should be given to the state’s charitable groups, which is further explained in the Foreign Contribution Regulation Act (FCRA), amended in September 2010. FCRA is primarily a law that regulates the flow of foreign contributions to the state. The FCRA is applicable to all entities that intend to receive foreign contributions, and it is required for such entities to register themselves under the FCRA, which is valid for five years and should be subsequently renewed in compliance with all norms (Singh, 2020). It was first enacted in 1976, and the new rules introduced in September 2020 further tightened the strict regulations. Key changes in the 2020 FCRA include the Council on Foundations (2020):

1. Re-granting relationships are not permissible, meaning that Indian nonprofits may no longer send funding to other entities after receiving it.
2. Widened the categorization of persons who are not allowed to accept foreign contributions, which is public servants.
3. The creation of FCRA accounts through the State Bank of India is required for Indian non-profits to receive foreign funding.
4. Administrative expenses are now capped at 20% (from 50%), and nonprofits can utilize a maximum of 20% foreign funding for administrative necessities.
5. Indian nonprofits can now voluntarily forfeit their FCRA account and, to do so, they should transfer the remaining assets to the government.

The amendment aims for greater transparency, accountability in receipt, utilization of foreign contributions, and seeking to streamline FCRA provisions by strengthening compliance procedures for annual returns, account maintenance, and others (Law Street India, 2020). In regards to the revisions, many critics have responded stating that the 2020 FCRA Amendment makes it even difficult for Indian nonprofits to receive foreign funds. Although it was amended to ensure that foreign funding is not used for purposes detrimental to national interests, critics raised the question of whether it is necessary for the Indian government to bring such reforms despite the fact that foreign aid was already under strict regulatory controls. Moreover, it has been reported that the government did not consult any nonprofits before amendments were introduced in parliament (Tully, 2020). With this in mind, it is no wonder that nonprofit organizations, lawyers, activists, and government representatives, including Michelle Bachelet from the United Nations’ High Commissioner, have a say in this particular case (Roy, 2020). India’s 2020 FCRA Amendment has become a trending topic in the international community, especially when the state is struggling to face its secondary Covid-19 crisis.

III. Method

In this study, a qualitative research method was used along with a literature study and a case study approach. This type of qualitative research supports the author by focusing on individuals and explaining the complexity of a situation. The author will focus on the discussions of how India’s foreign aid policy shifted during the Covid-19 pandemic and probe the issue further by analyzing the underlying aspects and dynamics that arise. Data collection techniques in this study will use literature studies based on secondary data that the author obtained from relevant books, articles, journals, websites, and news, both online and in print, in which the data are considered to be able to support the discussion of this research. The literature selected by the author was also chosen based on the linkages with the author's research problems.
IV. ANALYSIS

The world has been ravaged by the Covid-19 pandemic for more than two years. It impacts a multidimensional crisis in almost every state, leaving each state a challenge to tackle the virus on their own. After two years, it is apparent that some states have managed to survive and maintain a low infection rate. Although it was not as successful as South Korea or Vietnam, India was able to manage a consistently low curve from early January to March 2021. The state was initially confronted with a spike in cases from July to December 2020, and the decreasing curve from early this year was happily greeted by the Indian government as health protocols gradually eased and events after events were held ever since then.

However, this celebration did not last long. It is known that India has eased its lockdown too quickly. As the curve decreased, crowded events began to be organized again, including President Modi’s election rallies and a series of India’s religious festivals. Large groups and the reopening of public spaces took place gradually throughout 2020, reaching its peak in December 2020, when restrictions were completely loose (Khan, 2021). However, there was also a warning about the emergence of new coronavirus strains; eventually, a new double mutant virus was detected on March 25 in India. These, along with the eventual overwhelmed health system and overall lack of preparedness, have confronted India with a drastic surge in cases starting in April 2021. With this in mind, India’s too-early complacency has become a reminder to other states, despite the fact that the state itself is one of the biggest manufacturers of vaccines.

Having said that, India was experiencing a secondary Covid-19 crisis. As stated in various news headlines, India was in dire need of medical supplies. Patients lined up outside the hospital to wait for an empty bed, which left many dying as the empty bed never came. In light of this evidence, the international community has focused on India and the much help it needed. Given how bad the situation was, the Indian government was finally willing to accept foreign aid after 16 years of refusal. However, there were more than meets the eyes. Millions of aid given to India must go through PM Narendra Modi tough new rules before it gets to be distributed, although there was also a case regarding the Indian logistics system in the midst of the Covid-19 pandemic.

As previously mentioned, the new rules that became a hurdle for entities who wanted to help India was actually the 2020 FCRA Amendment. The law, first amended in 2010, was revised to adapt to the current Covid-19 situation. In order to receive foreign funding, Indian nonprofits must ensure compliance with all norms required in the amendment. The law itself is used by the Indian government to serve its national interest, ensuring greater transparency, and that no foreign funding is misused for anything against the state’s political interest. Instead of strengthening compliance, critics, including those from India and the international community, have expressed concerns over regulatory changes. Many mentioned that the laws introduced by the PM Modi government increased the limit for entities to access and distribute crucial foreign aid, while India is currently looking for all possible help to fight the crisis. Evidently, there are hundreds of nonprofits in India with health as their primary focus, who want the government to ease new regulations. In this regard, organizations want to effectively use their networks to fight the pandemic and allow larger groups to distribute foreign aid they receive to smaller ones (Yamunan, 2021). However, it is apparent that these laws have become a hurdle for nonprofits to do so.

In light of this case, history has shown that India is not experiencing hurdles in receiving aid for the first time. In fact, after the 2004 Indian Ocean tsunami, PM Manmohan Singh declared that India would no longer receive bilateral aid or relief operations. The decision sparked great surprise to the international community, as many figures immediately responded to PM Singh's decision with critics and questions. Some see it as a display of arrogance, and some portray it as India’s showcase of independence. Following the amendment, India has spent years recovering from natural disasters on its own. From the 2004 tsunami in Tamil Nadu, the Uttarakhand flood in 2013, the 2014 Kashmir floods, the Kerala flood in 2018, and eventually in dealing with the Covid-19 crisis India began accepting aid from foreign states after 16 years. However, the Indian government refused to acknowledge the change in policies and insisted that this was not an aid. They assert that the state has made no request for assistance, and if any government or other entities want to provide India with a donation as a gift, it will be gratefully accepted (Dutta, 2021).

Considering India’s previous situation, it is apparent that medical supplies have remained low. The health system has also been overwhelmed by hundreds of thousands of daily Covid-19 cases. To top off Modi’s tough rules, India also has a problem with its logistics system. A plethora of aid pours into the state, but because of unnecessary bureaucracy, human error, or time-consuming protocols, it takes time for those aids to be distributed. It has been reported that there is a lack of transparency from the central government in India’s foreign aid distribution system. Supposedly, aid sent to India is received by the Indian Red Cross, which will be handed over to the Ministry of External Affairs. Subsequently, the Ministry of Health and Ministry of Home Affairs will handle domestic distribution, coordinating with the ‘Empowered Group’ formed by the Transport Secretary. However, it has also been reported that no ministry can clarify details regarding aid consignments (Mohan, 2021). As a result, it takes even more time for patients to receive the treatments they need, despite the state already having the supply, but it is not yet distributed to hospitals.
The Indian Government is persistent with their new rules. Although the state was working to increase its domestic oxygen supply, oxygen shortages remain an issue in India. The government claimed that the state had enough supplies to meet the state's demands, but doctors, authorities, and desperate patients had proven otherwise. It is apparent that India is firm with its independent principles even during the state of Covid-19 crisis, as the government has repeatedly stated that the state can handle its recovery on its own. With this in mind, India's old political interests still play a significant role in determining its policies. The main priority for India here is to make the most of its national capabilities and not be dependent on aid given by foreign entities. However, the curve showed that India still had to manage hundreds of thousands of new cases daily. At such alarming rates, it is safe to say that the Indian government was not wise to not take advantage of every opportunity available during the crisis. Although the state is trying to recover on its own, the government was not doing enough to curb the virus.

Being firm to its principles is one thing, but it is pertinent to remember that the context is no less important. Although India's aid regime must have something to do with its state’s philosophical and historical basis, its aim is nevertheless for the sake of Indian welfare. In this case, it is evident that these laws made it difficult for Indians to receive foreign aid. Whichever motives other states may have towards India by sending assistance during its crisis, it is safe to say that the lives of Indian people are more important than continuing the 16 years legacy of aid refusal. In addition, it is not as if India received aid from other states (in the peak of its crisis) that it is betraying the state’s political priorities. However, it is for India that it would not be wrong if they committed to its aid refusal principles, but also implemented regulations and measures that complement the law and actually work to curb the virus. In reality, the 2020 FCRA Amendment and the way it is actually implemented with such a delayed logistics system are actually detrimental to Indians. Having said that, if India is to remain committed to refusing aid, the government should immediately fix the aid distribution system and consider easing the 2020 FCRA Amendment, as some of the regulations make it even harder for Indians to use the aid received. For instance, how it is now not permissible for nonprofits to distribute the aid they receive to other nonprofit organizations. Through this new regulation, nonprofits that are located remotely cannot receive donations or funding from larger nonprofits that are based in bigger cities, as usually those who have better access to foreign aid, are larger nonprofits and are usually headquartered in New Delhi. This, along with other regulations that have tightened the already strict aid regime in India and how it is implemented, should be a reflection to the Indian government to acknowledge its ineffectiveness and the Indian people's needs that are not accommodated well enough through the new policies.

V. Conclusion

After 16 years of continuing the legacy of refusing aid, India finally opened up to the international community and started accepting aid during its battle against the Covid-19 pandemic. In doing so, the Indian government introduced the 2020 Foreign Contribution Regulation Act (FCRA) Amendment, which streamlines foreign aid mechanisms and ensures that no funding is used against the state’s national interest. However, the implementation has been shown to be ineffective as India was facing another issue of delayed aid distribution system, and the fact that Indian people are in dire need of medical supplies is not accommodated by the recent law that makes it even harder for Indians to receive that much needed supplies. Supposedly wanting to remain strict with foreign aid, India should have carried the law along with a decent and working logistics system as well as sufficient medical supplies to treat Indian patients. However, other states' intentions may have been feared by the Indian government; it seems pertinent to remember that the welfare of the Indian people is more important. On the other hand, it is apparent that India’s current aid regime is actually the one that is being detrimental to the Indian people as it is proven to be ineffective. India’s Covid-19 crisis was the moment when the essence of aid could be fully utilized. It is a matter of how India can carry both its principles and accommodate state needs in the midst of a crisis and actually do it properly. Hence, as it was proven to be otherwise, it is safe to say that India should have adjusted its new aid regulations to better suit its needs and overall recovery.

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Conflict of Interest

Authors declare that they do not have any conflict of interest.
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