

**INDIA**

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*Country Strategy Paper*

**2007 – 2013**

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## LIST OF ACRONYMS

ADB	Asian Development Bank
ALA	Asia/Latin America
ANM	Auxiliary Nurse/Midwife
ARV	Anti-Retroviral
ASEAN	Association of South East Asian Nations
BJP	Bharatiya Janata Party
CCIS	Centre for Contemporary Indian Studies
CII	Confederation of Indian Industries
COA	Court of Auditors
COM	Communication from the Commission
COTER	Council Working Group on Terrorism
CSP	Country Strategy Paper
CSS	Centrally Sponsored Schemes
DDA	Doha Development Agenda
DEA	Department of Economic Affairs
DFID	Department for International Development (UK)
DPEP	District Primary Education Programme
EAG	Empowerment Action Group
EC	European Commission
ECCP	EU-India Economic Cross Cultural Programme
EFA	Education for All
EIDHR	European Initiative for Democracy and Human Rights
ESA	European Space Agency
ESC	European Study Centre
ESP	European Studies Programme
EU	European Union
FDI	Foreign Direct Investment
FICCI	Federation of Indian Chambers of Commerce and Industry
GDP	Gross Domestic Product
GOC	Government of Chhattisgarh
GOI	Government of India
GOR	Government of Rajasthan
HDI	Human Development Index
HDR	Human Development Report
IPR	Intellectual Property Rights
ISRO	Indian Space Research Organisation
IT	Information Technology
ITC	Information Technology and Communication
J&K	Jammu & Kashmir
MDG	Millennium Development Goals
MIP	Multi-annual Indicative Programme
MOEF	Ministry of Environment and Forests
MOHFW	Ministry of Health and Family Welfare
MOU	Memorandum of Understanding
NAC	National Advisory Council
NACO	National Aids Control Society
NCMP	National Common Minimum Programme
NDA	National Democratic Alliance

NGO	Non-Governmental Organisation
NIP	National Indicative Programme
NRHM	National Rural Health Mission
NTB	Non-Tariff Barriers
PRI	Panchayati Raj Institution
PRSP	Poverty Reduction Strategy Paper
RCH	Reproductive and Child Health
SAARC	South Asian Association for Regional Cooperation
SAFTA	South Asia Free Trade Area
SC/ST	Scheduled Caste/Scheduled Tribe
SIP	Sector Investment Programme
SPF	Small Project Facility
SPS/TBT	Sanitary/Phyto-Sanitary / Technical Barriers to Trade
SSA	Sarva Shiksha Abhiyan (Campaign for Education for All)
SWAP	Sector Wide Approach
TIDP	Trade and Investment Development Programme
TRTA	Trade Related Technical Assistance
UEE	Universalising Elementary Education
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UPA	United Progressive Alliance
WB	World Bank
WTO	World Trade Organisation

## EXECUTIVE SUMMARY

India has witnessed rapid economic growth in the past decade, and it has now become one of the emerging economies in Asia. As India continues on this path, as most observers expect it to, the **need for development assistance will gradually decrease**, and future EC Country Strategy Papers (CSP) should increasingly focus on other areas of co-operation. This **CSP (2007-2013)** should therefore be regarded as **transitional**, showing a progressive shift from development assistance towards support to pro-poor sector reform policies and other areas of mutual interest, including economic co-operation.

India is occupying two worlds simultaneously. In the first, rapid economic growth and social changes occur. In the other, a percentage of the population appears to be left behind due to lack of good social services, low employment opportunities and few prospects. Bridging this gap will be a major challenge. With more than a **billion people** and **one third of the world's poor**, India needs rapid growth, together with strong employment creation and extended social protection, to reduce poverty and sustain income increases for its very young population. Structural reforms and social cohesion are needed to accelerate growth and substantially reduce poverty. Promoting full and productive employment is also a central objective in this respect. A major effort is still necessary if India is to meet the **Millennium Development Goals** (MDGs).

Therefore, India's two main challenges are:

- Making its development more inclusive, towards an increased social cohesion and a substantial reduction of **poverty**, in line with the MDGs.
- Deepening and widening **structural reforms**, including better governance and infrastructure, in order to improve the investment climate, boost productivity and accelerate growth.

EC cooperation for 2007-13 will address these challenges through a **two-pronged** approach:

- **Assist India in meeting the MDGs by providing budget support to the social sector** (health/education), encompassing best practice models in good governance, decentralised decision-making and development, including innovative methods for improved service delivery to address poverty, gender issues, institutional reforms and public sector management.
- **Implement the EU-India Partnership through an ambitious Action Plan** with a view to supporting India's pro-poor sector reform policies, promote dialogue in areas of mutual interest and enhance economic co-operation.

Under this Action Plan, developed between the EU and India and agreed at the 6<sup>th</sup> EU-India Summit on 7 September 2005, specific dialogues and actions are envisaged for a wide range of areas where the EU and India have jointly identified a scope for enhanced co-operation leading to better governance and policy-making. The Action Plan foresees initiating **economic sectoral dialogues** in a variety of sectors. It also foresees the strengthening of activities in **civil society & cross cultural cooperation**, as well as **academic and education exchanges**.

**This CSP, therefore, will focus on these two priorities**, namely:

1. Support for the social sectors (health and education), and
2. Support to the economic, academic, civil society and cultural activities foreseen in the Action Plan.

## 1. India's Political, Economic, Social and Environmental Situation

### 1.1 The Political Situation

With more than 655 million registered voters out of its one billion population, India is the **world's largest democracy**. For four decades, the Indian political system has been characterised by the dominance of the Congress Party which led the Independence movement in the early 20<sup>th</sup> century. Since the 1990s, Indian democracy has increasingly developed towards a multiparty competition with the two largest national parties, the Bharatiya Janata Party (BJP) and the Congress party, heading multiparty coalitions at the Centre.

Concurrently, in the States, the dominant trend has been the emergence of **strong regional parties**, with genuine bargaining power both at the state and the central level. Both these trends are a testimony to the resilience and vitality of Indian democracy. The increased decentralisation of power – devolution – to the third tier of governance, the Panchayati Raj institutions, is another evolution of the past decade.

As a secular country India has enshrined the right to freedom of **religion** in its Constitution, granting 'equality before the law' for 'all persons'. Around 82% of the population is Hindu, 13% Muslim, 2% Sikh, and 2% Christian, followed by relatively small communities of Buddhists, Jains, Parsis, Jews and Bahai's. Although all religions generally live in harmony, communal violence does occasionally flare up. This diversity is also reflected in the plurality of languages of which 22 are constitutionally recognised.

India is the warrant of stability in the chronically unstable **South Asian region**. Its relationship with Pakistan is evolving positively and the 'composite dialogue' launched in early 2004 has clearly decreased tension, however, it remains a central element of uncertainty. India's relationships with Nepal, Bangladesh and Sri Lanka are closely linked to the domestic situation in these countries as they affect India's own security. The process of integration in the South Asian Association for Regional Cooperation (**SAARC**) is hampered by bilateral disputes but remains a potentially important framework of cooperation.

The **India-EU** relationship has been growing steadily since 1962 when diplomatic relations were established with the European Economic Communities. A regular political dialogue has been boosted through the first Summit held in 2000 and, since the 2004 Summit, is taking the shape of a Strategic Partnership, making India one of the EU's carefully selected main global partners.

The wide-ranging **Action Plan** - to implement the Strategic Partnership in all areas from political, trade and economic to cultural, civil society and development issues - agreed upon at the 6<sup>th</sup> Summit in 2005, provides a further boost to relations. There are regular exchanges of views and ad hoc local Troika dialogues on human rights.

India has increasingly asserted itself on the **international stage**, seeking greater presence in multilateral institutions, for example through its campaign for a permanent seat in the UN Security Council. The role of the powerful Indian Diaspora (US, UK, Gulf) weighs heavily on India's foreign policy.

India shares its commitment to a multi-polar world system with **Russia** and **China**, with whom it shares a common vision on many international issues such as non-interference in domestic affairs. The traditional close friendship with Russia is maintained, and relations with China are growing politically and economically. India is implementing a 'Look East' policy, underpinned by economic considerations, towards its eastern neighbours in **ASEAN**, of which India is a full dialogue partner.

India's relationship with the **United States** has developed strongly since the late 1990s, despite America's good relations with Pakistan. A regular political and strategic dialogue with the US on

bilateral and regional issues is a new feature of India's foreign policy. Defence and security cooperation programmes with the US are on the increase. The US-India Summit of July 2005 attracted strong international attention, notably through their agreement to boost civil nuclear cooperation.

## 1.2 The Economic Situation including Trade

The economic reforms undertaken at the beginning of the 1990s have helped India shift towards an average annual growth rate of 6.5% in the past decade. In moving from its previous socialist policies to a more open market-oriented model, India has become a **fast growing economy**. The main policy shift was initiated in 1991 and this continues to bear fruit. Still, weaknesses and contradictions persist, with a large unfinished agenda that needs to be tackled to maintain India's success.

Despite the strikingly rapid growth in the **services sector** over the last decade, India is still heavily reliant on agriculture and effects of the monsoon. While the share of agriculture in GDP has fallen from nearly 40% of GDP in 1980-1 to less than one quarter of GDP, the sector employs about 65% of the Indian workforce. Therefore, rural reforms are crucial to eradicating poverty.

Another major challenge in poverty reduction is the correction of regional imbalances, since poverty is highly concentrated in the northern and eastern parts of the country. Significantly, long-term prospects for widespread employment generation will depend upon continued economic diversification, and development of the industrial sector. This sector has remained at around 26% of GDP since 1980.

Fiscal management of the economy, notably the **fiscal deficit**, is a major reason for concern, particularly at the state level. The combined fiscal deficit of Centre and States together currently stands at about 10% of India's GDP. Inflation was fairly stable in recent years at around 4%, but has more lately shown a slight upward trend.

India's **Tenth Five Year Plan** (2002-2007) has witnessed an average growth rate of about 7 per cent; the highest achieved in any plan period. The GoI's vision presented in the '**Approach Paper to the Eleventh Five Year Plan**' aims to "restructure policies to achieve a new vision of growth that will be much more broad based and inclusive, bringing about a faster reduction in poverty and helping bridge the divides that are currently the focus of so much attention".<sup>1</sup> India's main challenges and priorities are identified as follows: providing essential public services for the poor; regaining agricultural dynamism; increasing manufacturing competitiveness; developing human resources; protecting the environment; improving rehabilitation and resettlement practices, and improving governance. A sustained economic growth rate of 8 or 9 per cent is an essential part of this strategy, as it is estimated that this would double the real income of the average Indian in ten years.

India's **external balance** has strengthened considerably over the years with the surplus balance of payments. While the **trade deficit** has increased, the current account has been in surplus for the last three years, largely because of remittances from non-resident Indians. Large capital inflows have resulted in further accumulation of **foreign reserves**, to around \$ 142 billion. These foreign reserves should provide an opportunity to deepen **trade reforms** and further liberalise the regulatory framework.

India is already being seen as an upcoming hub for exports of auto parts and other engineering goods and opportunities are expected to open in the textile sector. Outsourcing of IT and IT

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<sup>1</sup> Planning Commission, Government of India: "Towards faster and more inclusive growth; an approach to the 11 Five Year Plan"; June 2006

enabled services (ranging from call centre work to medical transcriptions) to India is growing rapidly.

India's **major trading partners** are the EU, the US and China. ASEAN countries, with which India has a trade deficit, account for around 9% of India's total trade. Prevalence of high international crude oil prices and the consequent gains in terms of trade have increased the share of India's trade with the OPEC region both in imports and exports. Trade with SAARC region countries currently constitutes only 3% of India's total trade.

India's **export growth** has been broad-based, with both commodities and manufacturing goods showing strong growth. The major contributor was the manufacturing sector, accounting for around three quarters of the incremental export growth. Export growth of primary products also rose. Significantly, exports to all major destinations showed record growth in 2004.

As regards **trade in services** India was the world's 20th leading exporter in 2003. Software leads with miscellaneous services (e.g. professional, technical and business service) showing their potential for the future.

Though global **FDI** inflows declined from 2000 to 2003 the FDI inflow to India has recently shown an increase. The highest shares of FDI inflows have gone to the data-processing software sector and consultancy services, followed by the pharmaceuticals and automobile industries.

### 1.3 The Social Situation

During the past two decades, India has made important progress in the process of poverty reduction. Average life expectancy at birth has increased from 49 years to the current 63 years and infant mortality has reduced from 146 in 1950 to the current average of 68 per 1,000 live births. In ten years time, literacy rates have improved with enrolment figures rising from 68% in 1992/93 to 82% in 1999/2000.

However, much still remains to be done and poverty is still widespread. As stated in the 2004 UNDP Human Development Report, India ranks 127 on the human development index and 35 per cent of the Indian population lives on \$1/day and 80% on less than \$2/day. An **increasing gap** has emerged in economic growth between the richer and poorer states in India and between the urban versus the rural areas of the country.

There remains a substantial and persistent **disparity of opportunity**, particularly in the education, health and economic prospects of women and other vulnerable groups such as the Scheduled Caste and Scheduled Tribe populations (17.5% and 8.1%, respectively of India's population).

One symptom of this disparity is the strikingly low (and declining) **female to male ratio**, which, rather than improving with India's development progress, appears to be worsening. India has one of the most distorted sex ratios in the world with 94 women against every 100 men, revealing deep-rooted gender biases.

Following more than a decade of 'jobless growth' (capital intensive, low employment elasticity) India's **unemployment rate** has increased since the mid-1990s. In 2001/02, an estimated 35 million people were unemployed. Disaggregated unemployment figures suggest a decline in employment in agriculture and the limited capacity of rural industry and services to absorb the labour released from agriculture.

The share of employment in the organised sector remains low, and unemployment rates are high among certain population groups, such as urban educated youth. In addition, there are sharp variations in unemployment rates across states. Moreover, a large proportion of the labour force work in the informal sector, where they are subject to low pay, little or no social security, and poor working conditions.



Based on current demographic trends, India will need to generate upwards of **145 million jobs** over the next decade simply to keep the unemployment rate from rising. Generating job intensive growth and reducing the size of the informal economy requires a development strategy focused on labour-intensive sectors, including more labour and product market flexibility and adequate labour market policies. Increasing employment is the best way to make India's economy more productive, socially inclusive and sustainable.

Over the last decade there have been enormous improvements in the **education** sector but issues of concern remain. India still accounts for 25 million children out of school (25% of the world's total), only 59% children reach Grade 5, the average number of years of schooling for females is only 3.7 compared to 6.3 for males and the literacy rate among women of ages 15 and above is only 44.4%. The current low rates of achievement (only 65% literacy rate in 2001), will make this the most challenging MDG -ensuring universal primary schooling for all girls and boys in India- the most unlikely MDG to be reached by 2015.

Though other MDGs will not be easy to achieve, provided the right strategies are implemented, India can still make it by 2015, according to the WB.

Progress in education has been much greater than in health. Good **health** facilities exist in the urban areas, but in rural areas these are very limited and access is beyond the financial and physical reach of the poor. The current investment in health of 0.9% of GDP remains largely inadequate to address the needs of the population. As a consequence, neither maternal nor under-five mortality rates have improved in the last decade.

With more than 5 million **HIV**-infected persons in 2004, India has the second largest number of HIV cases in the world and, if HIV/AIDS infection rates continue to rise, could soon have the largest number of cases. Levels of awareness are insufficient, stigmatisation and discrimination are widespread.

The poorest States in India (UP, Bihar, Rajasthan and Madhya Pradesh) are at the same time amongst the most populous in the country and have among the worst Millennium Development Indicators and therefore, India's attainment of MDGs will largely depend on the performance of these States.

#### **1.4 The Environmental Situation**

India's rapidly growing population along with increased economic development have put enormous pressure on the country's natural resource base. The fact that India survives on just 2.4% of the world's landmass creates its own population-resource tension. Deforestation, biodiversity loss, land/soil degradation, air pollution, poor management of waste, growing water scarcity, falling groundwater tables and water pollution are some of the key environmental challenges India faces today.

With a long, densely populated and low-lying coastline and an economy tied closely to its natural resource base, India is very vulnerable to the impacts of climate change. Between 1990 and 2002, **India's carbon emissions increased by 70 per cent.** The per capita carbon emissions are expected to increase further due to rapid pace of urbanisation, increased vehicular usage and continued use of older and more inefficient coal-fired plants. These increased carbon emissions are likely to have severe adverse impacts on India's precipitation patterns, ecosystems, agricultural potential, forests, water resources, coastal & marine resources, besides an increase in the range of several disease vectors.

## **2. India's Policy Agenda**

## 2.1 Political agenda

Externally, two main challenges stand out for the successive coalition governments since the beginning of the 1990s. The first is the continuation of economic reforms, external opening and liberalisation to accelerate economic growth, while at the same time keeping promises of social and economic improvement for the majority of the people.

The second is the pursuit of a constructive foreign policy, in particular vis-à-vis the country's South Asian neighbours. Regional stability in South Asia is and will probably remain a priority in India's foreign policy. India's role in the region has been internationally acknowledged. The dialogue with Pakistan and with China and the pursuit of the 'Look East' policy towards its East Asian neighbours will be on the agenda of the next decade.

India is increasingly seeking international recognition as a world player on the global stage and as a strong advocate of multilateralism.

## 2.2 Economy and Trade

Under the recently elected UPA government, and despite elements in the coalition which may slow down the thrust towards more liberalisation, any reversal of reforms seems to be highly unlikely, whatever the pace at which such reforms proceed.

An important aspect of **economic policy** is directly derived from what many observers judged an important reason behind the BJP's election defeat. Delivery of pro-poor policies, including employment guarantees and focus on the promotion of the rural economy as well as good governance –which are high on the new government agenda-, are the UPA's biggest challenge and part of a large unfinished agenda it needs to tackle.

The UPA's **Foreign Trade Policy** (2004-09) aims at doubling India's share of global merchandise trade by 2009 to 1.5 %. Key strategies adopted in the Policy include simplification of procedures, reduction in transaction cost and facilitating development of India as a global hub for manufacturing, trading and services. Special focus areas include rural sectors such as agriculture, handlooms, handicraft, gems and jewellery, leather, and footwear. In addition, export promotion schemes to accelerate the growth of agriculture and service exports were announced.

**Infrastructure** reforms still have a long way to go. If the telecommunications sector is a positive example, the power sector and transport sectors such as ports, airports, rail roadways still need significant investments in order to handle high growth rates and the lack of adequate infrastructure could well become the main bottleneck of the country in the next decade.

Promoting domestic and foreign **investment** is necessary to maintain a high growth rate. Investment as a percentage of GDP has been hovering around 23 - 24% but would need to increase to over 30% to maintain high economic growth rates. FDI, which represents less than 5% of total investment, would need to reach 15%.

While attaching prime importance to a multilateral trading system, India has been continuing the previous trend in launching new initiatives for regional and bilateral **trade agreements**.

India is a key player in the **WTO**. Despite being a somewhat reluctant partner, India is actively committed to the DDA negotiations, is a member of the "Non Group of 5" and co-leader, with Brazil, of the G-20 group.

## 2.3 Social sector/ poverty alleviation

A basic shift in priorities signalled by the new Congress-led UPA Government was the establishment of the **National Common Minimum Programme (NCMP)**, a strategy that, among others, identifies the need to give greater importance to **social sector expenditures** as

part of the effort to promote development with social justice, in particular for the Scheduled Castes and Scheduled Tribes.

**Health** is a major thrust area of the NCMP, which pledges to increase public spending in this sector to **at least 2-3% of GDP** over the next five years with a focus on primary health care. Within the health sector, combating communicable diseases will continue to be the highest priority for public funds. The largest emerging problem in communicable disease control is the increase in HIV infections and AIDS cases, with **prevention** a number one priority.

In 2005, the GoI launched the National Rural Health Mission, which is to contribute to achieving the MDGs through, among other strategies, decentralisation, community participation and capacity building of State and district managers. The WB estimated that, provided the right strategies are put into place, MDGs 4 and 5 will be achieved by 2015.

Another major objective in the NCMP is the provision of universal access to quality basic **education**, while increasing public spending in this sector to **at least 6% of GDP**, with at least half of this amount being spent on primary and secondary sectors. In addition, the Tenth Plan also envisages encouraging more scheduled caste/scheduled tribes students and minorities to pursue higher studies.

**Employment generation** emerged as not only the most important socio-economic issue in India in 2004, but also the most pressing political concern. Indeed, the breakdown of rural employment generation was a dominant cause of public dissatisfaction in the last general elections. The latter part of the 1990s witnessed total rural employment growing at the rate of only **0.58%** per year, at a time when the rural population was growing at around **1.7** per cent per year. The 10<sup>th</sup> Five-year plan foresees an employment strategy focussed on labour-intensive sectors of the economy. Labour policy, including skill development and social security, remains concentrated on the organised sector which constitutes only a small share of the total labour force. Further efforts are needed to promote vocational training schemes, entrepreneurial activity, occupational safety and health and social security of workers.

Under the NCMP, the National Employment Guarantee Act will provide **a legal guarantee for at least 100 days of employment** on asset-creating public works programmes every year at minimum wage for every rural household.

Since 1993, the EC has contributed extensively to improved service delivery and reform in India's social sector, mainly by providing support to Centrally Sponsored Schemes in health and education. The EC's comparative advantage in these two sectors is an important justification for continuing social sector support in this CSP (see section 4.2).

## 2.4 Environment

The 1972 United Nations Conference on the Human Environment in Stockholm was a turning point in the history of environmental legislation in India. After the Stockholm Conference, the Indian Parliament enacted the 42nd Constitutional Amendment Act whereby specific provisions for environment protection were inserted in the form of fundamental duties and the National Committee on Environmental Planning and Co-ordination (NCEPC) was established within the Department of Science and Technology. In 1985 the Council became the Ministry of Environment and Forests (MoEF). The MoEF is the central administrative organisation in India for regulating and ensuring environmental protection.

Over the years India has made significant progress in the field of environmental protection by developing a robust legal and regulatory framework and introducing initiatives such as those that support air quality. India's environmental problems are not due, therefore, to the absence of a sound environmental legal regime but to the lack of effective enforcement at state and local levels. Environmental laws are often regarded as a mere paperwork formality by the states.

Greater effort is necessary to strengthen the capacity of enforcing agencies and to enhance coordination at government levels.

In 2004, the GOI released the Draft National Environment Policy (NEP). The NEP emphasises that what is good for the environment is also good for the economy and that environmental protection cannot be considered in isolation from the development process. The policy recommends bringing in regulatory reforms, enhancing and conserving environmental resources, establishing environmental standards, adopting standard management systems, and promoting environmental certification and indicators.

Existing factors (burgeoning population, increased economic development and limited land mass) mean that India's environmental challenges will require continued commitment.

The EC will be able to cooperate with India in meeting its environmental challenges. The Joint Action Plan provides for initiatives and activities on environment/climate change and will help India develop the institutional capacity and technical responses necessary to tackle climate change, waste, water issues, etc.

### **3. Overview of past and ongoing EC cooperation with India, coordination and coherence**

Since the first EU-India Summit in June 2000 an increasingly strong **political dialogue** has characterised the EU-India cooperation: yearly Troika Ministerial Meetings, Senior Officials Meetings every six months, and regular, de facto, yearly Summits, along with the establishment of political working groups on Consular Affairs and terrorism (COTER Troika) and the adoption of Joint Declarations on Terrorism and Cultural Cooperation. The **EU-India Round Table** adds the civil society component to the EU-India Partnership.

A new dimension was added in 2004 when the 5<sup>th</sup> EU-India Summit decided to implement this Strategic Partnership through an Action Plan and bring concrete domains of collaboration to centre stage. The **Action Plan** defines concrete areas where the EU and India should become active and influential collaborators in global political, economic and social developments.

The pace of **economic reforms and economic development** in India over the last years has generated a strong interest for more cooperation in the field of trade and trade-related matters. The **Trade and Investment Development Programme (TIDP)**, launched under the previous CSP, provides an important element of EU trade-related assistance which will help strengthening investment and trade links between Europe and India. TIDP aims to smoothen impediments to mutual trade and investment flows in various fields through training, technical assistance and provision of equipment.

EC **Development cooperation** activities with India have a long record of success. The Court of Auditors Special Report 10/2003 highlights the successes of more than 20 years of co-operation and the justification for the EC to remain an important donor in this country. The Court concluded that the Commission's management has been reasonably successful in targeting the poor and in addressing sustainability for the majority of the projects/programmes in India. This has been achieved also by a move from 'classical' rural development and infrastructure projects to the establishment of sector support programmes in health and education, thus supporting the Government's reform agenda, good governance and effectiveness, always with a view to assure a more systematic attention to 'targeting the poor' and 'sustainability' of results. The move towards sector support programmes is all the more significant for development co-operation activities in an economy with the size of India, where cooperation impact is only achievable through harmonisation and more coherent policies and strategies within a framework of synergy with other development partners.

Over the last ten years, the EC has financed numerous **Rural Development and Natural Resources Management projects**, but **their multiplicity and geographical dispersion tended to have limited and localised impact**, with little influence over policy. While distinct new project structures with the support of national and international technical assistance were created during project implementation, long term institution building proved much more difficult to achieve, given the predominantly technical focus of the interventions. The sustainability of this 'project approach' is questionable and therefore not continued in the new CSP.

The persistent Indian **inter-State/Regional disparities** are addressed by the "Partnership for Progress"/State Partnerships with € 160 million provided for by the CSP 2002-2006. Rajasthan and Chhattisgarh are the pilot States to welcome this innovative sector-wide approach intervention, moulded into a single partnership package under an overarching agenda of improved governance. Elementary education and basic health are the main core areas. In addition, environment is mainstreamed as an important cross-cutting theme. In Rajasthan, especially, environment will be mainstreamed by addressing the state governance agenda and aiming to contribute to improved management of natural resources, especially water.

The new CSP 2007-2013 will continue on the proven track-record path of sector-wide approach at the central level mainly addressing social sectors (health and education). While the State Partnership programmes will mature, relevant lessons learnt will serve as a basis for the preparation of the post-2013 cooperation activities. The Court of Auditors' Report noted that the Commission could make its new EC-India country strategy more comprehensive by addressing important sector dialogues such as natural resources management. These issues will also be taken up under the implementation of the Action Plan (see Section 4.3).

**Civil society, including NGOs and social partners**, is an integral part of EU-India cooperation, both in the EU and in India offering the possibility of real added value, "particularly with regard to achieving the Millennium Goals, promoting sustainable development and managing globalization" (according to the EU-India Round Table). There is a lively civil society and NGO community in India, with close links to partner civil society organisations in Europe, which provides an added dimension to the sense of democracy in the country. EC Co-operation has aimed at (1) targeting various development related issues such as environment, gender, health, Human Rights, advocacy and governance, and/or (2) enhancing awareness between India and the EU, promoting activities of mutual interest, strengthening existing partnerships or facilitating the creation of new ones, including educational, scientific and cultural exchanges.

Currently, more than 150 projects involving NGOs and civil society actors are ongoing for a combined amount of over € 150 million. Monitoring and review reports have concluded that NGO projects generally perform better than government implemented interventions apparently due to the flexibility of the management structures. We intend therefore to continue this cooperation (Section 4.3).

Foreseen under the current CSP, the **India Window** reinforces the Erasmus Mundus programme with a contribution of € 33 million (2005-2009) earmarked for scholarships to Indian post-graduate students. This scholarship scheme, operational from the academic year of 2005-2006, supports highly qualified individuals to come to Europe to follow Masters Courses. In its first months of implementation, following the signing of the Financing Agreement in March 2005, the Erasmus Mundus India Window is showing positive results, not only through the first batch of Indian students (137) participating in European Masters' courses but also through the interest with which it was received by the Indian student population and media, demonstrating that there is a real need and added value in supporting such cooperation initiatives. A second and third phase will therefore be foreseen in the current CSP (see section 4.3).

The **EU-India Economic Cross-Cultural Programme (EICCP)** has promoted and supported links and partnerships between EU and Indian civil society organisations, with the aim of strengthening and enhancing civil society networks. The EU-India Joint Declaration on Cultural Relations, adopted at the 2004 EU-India Summit, expresses satisfaction with the EICCP, and states the mutual objective to continue this collaboration with “new and articulated forms of co-operation”, believing that it is a significant instrument for reciprocal exchange of experiences and for deeper understanding. EICCP was resumed and extended based on the Joint Communiqué of the second EU-India summit in 2001, in New Delhi.

**Gender mainstreaming** and the achievement of gender equality remain top priorities on the EC development agenda. Gender equality is regarded as a cross-cutting development issue. In particular, caste and gender disparities with respect to equitable access to social services, including public health and education, are addressed as cross cutting issue under the sector programmes.

In order to **enhance coordination and effectiveness of EU cooperation**, the Commission works closely with the EU Member States (MS) while implementing its external assistance. In line with the resolutions adopted by the EU Council of Ministers (GAERC, 22/11/04) and with the aim to enhance the effectiveness of EU cooperation in India, a country-specific “Roadmap” consisting of a menu of options for actions (coordination of policies, joint-multi-annual programming, complementarity and common framework for aid implementation) will be explored together with the GoI and the EU Member States. This should also open-up further prospects in the shift from stand-alone projects towards a more sector-wide oriented approach of the EU cooperation in India, through identification of complementary actions.

## 4. The European Commission’s Response Strategy 2007 – 2013

### 4.1 Justification of the choice of the Focal Sectors

With more than a **billion people** and **one third of the world’s poor**, India needs rapid growth to reduce poverty and create enough jobs to sustain income increases for its young population. Further structural reforms and greater social cohesion are needed for India to accelerate growth and substantially reduce poverty.

Rates of unemployment and underemployment are high and **vast disparities** in per capita income level persist between the richer West and South, and the much poorer East and North, as well as within India’s states. **Human development indicators remain poor**, particularly for tribal people and scheduled castes. Promoting full and productive employment and decent work also is a central objective in this respect.

Though the Government has adopted several measures for the welfare and development of these vulnerable categories, more is needed to ensure that their socio-economic level reaches that of the general population. Minimal safety nets are required for the least fortunate, to ensure access to essential public services like elementary education, basic health care, safe drinking water, road transport and sustainable energy. **A huge effort is still needed if India is to meet the MDGs.**

Broadly speaking, India’s two main challenges are:

- Deepen and widen **structural reforms**, including better governance and infrastructure, in order to improve the investment climate, boost productivity, accelerate growth and promote full productive employment.
- Make its development more inclusive, leading to increased social cohesion and substantially reduce **poverty** in line with the MDGs.

EC cooperation for the period 2007-13 will address these challenges through a **two-pronged approach**:

- Help India meet the Millennium Development Goals by supporting government led sector programmes in the **social sector** (health/education), with sector budget support as the preferred financing modality if conditions allow. Social sector support will encompass best practice models in good governance, decentralised decision-making and development, including innovative methods for improved service delivery to address poverty, gender issues, institutional reforms and public sector management.
- Implement the EU-India Partnership through an ambitious Action Plan with a view to supporting India's pro-poor sector reform policies and **dialogue in economic, civil society and culture, and academic areas of mutual interest**.

As pointed out in the Action Plan, it is proposed to provide impetus to India-EU cooperation by **deepening development cooperation in the Health and Education sectors**, under which the EU - working together with the Government of India - will aim to enhance development cooperation to supplement Indian programmes, namely Sarva Shiksha Abhiyan (SSA) and the National Rural Health Mission (NRHM).

Furthermore, **policy dialogues and sectoral** actions are envisaged for a wide range of areas where the EU and India have jointly identified a scope for enhanced co-operation leading to better governance and policy-making, such as trade and industry, energy, environment and transport. The Action Plan, in conjunction with the Cultural Declaration agreed at the 2004 EU-India Summit, will also strengthen activities in Civil Society, academic and cultural cooperation, as well as continuing higher education co-operation. The central theme of the Action Plan is to define concrete areas where the EU and India should become active and influential collaborators in global political, economic and social developments, and intensify their bilateral relationship. As mentioned above, **development and pro-poor sector reform are central elements of this strategy**.

**Governance** plays a cross cutting role in the proposed Action Plan. India's Tenth Plan and the UPA's NCMP underline the importance of improving governance in order to improve development results. This is a particularly important matter for EC assistance, which is modest in size but can have an important leverage role in maximising development impact. The EC is supporting good governance at various levels in India, through budget support programmes, State Partnerships and numerous civil society and economic partnerships. Within the framework of the Action Plan, this can be further enhanced by focussing on dialogues and cooperation with India in the priority sectors. Good governance practices are increasingly a global issue that requires more effective and transparent consultation of civil society/stakeholders and improved dialogue with larger actors such as India. In this sense, the Better Regulation initiative undertaken by the Commission actively since the year 2002 can bring an important added value in our exchanges.

The EC will aim to foster best practice models in good governance, decentralised decision-making and development, including innovative methods for improved service delivery to address poverty, gender issues (including a special focus on gender-ratio in births), the rights of indigenous peoples (Adivasis and Dalits), institutional reforms and public sector management. Progress should include institutional processes required for efficient programme implementation.

In the context of the cooperation with India, alongside with the interventions foreseen under this CSP, the Commission also intends to pursue **thematic interventions** in India in the following areas:

**Democracy and Human Rights:** India has been a beneficiary in the past under this programme, e.g. for successful projects related to the training of elected Panchayat

representatives and training projects for municipal governance; projects for Dalit women, the abolishment of the death penalty and helping victims of torture. There is scope for continued support to well defined projects, especially with regard to Governance issues.

**Migration and Asylum:** under the recently adopted Joint EU-India Action Plan, migration issues are singled out as an important area for future cooperation.

**Human and Social Development:** health and education are key priorities in the CSP, which this thematic programme could usefully complement. In the health sector, these activities could comprise capacity building for policy makers and other stakeholders, supporting advocacy and information activities to increase awareness and improve education of the public and improving access to global public goods. In the education sector, actions could promote secondary education, vocational education and training, including cooperation with employers and workers. Other topics could include AIDS, population, gender equality, decent work<sup>2</sup>, social cohesion and culture and the promotion of related international agendas.<sup>3</sup>

Combating **HIV/AIDS** has been mainstreamed as a cross-cutting issue in the programming process by analysing the government's policy agenda on HIV/AIDS and sexual and reproductive health in particular, as well as the importance of the theme in India. The EC response strategy includes an assessment of the risks and opportunities in the proposed focal sectors for combating HIV/AIDS and other diseases.

The Joint Action Plan also initiates policy dialogues and cooperation in other areas of the social sector, including **employment and social policy** under which the EU and India confirmed their commitment to promote full, freely chosen and productive employment with full respect for fundamental principles, fair wages and rights at work. Both sides will jointly develop responses to this commitment and initiate related development cooperation projects, including through related thematic programmes and exchange facilities.

**Environment and Sustainable Management of Natural Resources including Energy:** energy, environment and climate change are key priorities of the Action Plan and this thematic programme could provide support under the following broad headings:

- Working upstream on MDG7: promoting environmental sustainability.
- Promoting implementation.
- Better integration by the EU.
- Strengthening environmental governance.
- Support for sustainable energy options in India.

**Non-State Actors Development:** India has a vibrant and dynamic civil society with a large number of NGOs active across a whole range of development and social issues, with many actors such as consumer associations, trade associations, researchers and think tanks. Actions could consist of facilitating stakeholders' participation, strengthening capacity development processes, promoting social dialogue, facilitating citizens' active engagement and networking of best practices. The Action Plan foresees a strengthening of civil society aspects, including NGOs and social partners.

These thematic activities are complementary to the strategic objectives pursued by the Commission under the CSP and form part of the policy dialogue with India. These activities are meant to be carried out, inter alia, by actors from civil society, including NGOs and social partners, through calls for proposals. The financing of these thematic activities will be additional to financial resources provided under the MIPs.

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<sup>2</sup> The concept of "decent work" is defined by the ILO. It covers employment, social protection, fundamental rights at work including core labour standards, social dialogue and gender equality.

<sup>3</sup> Commission Communication on external actions through thematic programmes (COM(2005) 324, 03.08.2005)



The Commission will also continue to provide assistance to India for major disasters through its Humanitarian Office.

India has a strong need for investment in various aspects of infrastructure in order to cope with her rapidly growing economy and population. Bearing in mind the **European Investment Bank's (EIB)** mandate of supporting viable public and private sector projects in infrastructure, industry, agro-industry, mining and services (with special emphasis on improvement or protection of the environment), there seems to be substantial scope for the EIB to expand its activities in India. Though foreign investment in India is generally considered to be below potential, partly due to internal restrictions, international interest in the country's economy is rising steadily, both through institutional and direct investment. European companies, an important target group for EIB, play an important role in this respect.

## 4.2 Social sector

The Government of India has put increased emphasis on the importance of reducing poverty and making development more inclusive. This calls for better-functioning social services and on urgently addressing the gross inequality and unacceptable conditions faced by the poorest segments of the population. In this context, one of the most pressing political concerns is employment generation.

In alignment with India's national policy agenda, it is proposed to continue EC support to India's **social sectors** (health and education). As mentioned in sections 2 and 3, the reasons for a continuing commitment to the social sector are as follows:

- In keeping with the current Development strategy (poverty alleviation as overriding objective) the development policies of the European Commission towards India can not yet move away from **poverty alleviation** and will have to contribute towards improving poverty indicators and pro-poor policy formulation and implementation.
- Over the years the EC has built up extensive in-house expertise in both the **health** and **education** sectors in India. The EC has been a pioneer in working through a sector approach in India, thereby creating ownership at the local level.
- **Health:** the gaps towards achieving the MDGs in this sector remain high in India. Population stabilisation is still a challenge, especially in States with weak demographic indicators. HIV/AIDS is on the rise and India will soon become the country with the largest number of infected people. The challenge is how to address these issues through an improved reproductive and child health system, with improved service delivery in the primary health care sector as a whole. In response, the GoI has launched the **National Rural Health Mission (NRHM)**, which translates Government priorities into a concrete programme of action and to which the EC will provide support.
- **Education:** India accounts for one-quarter of the world's 104 million out-of-school children. The problem relates to high drop out rates, low-levels of learning achievement and low participation of girls as well as to various systemic issues like inadequate school infrastructure, high teacher absenteeism, large-scale teacher vacancies and inadequate equipment. The MDGs still to be achieved include reduction of the number of out-of-school children by at least 9 million, the narrowing of existing gender and social gaps and the enhancement of the quality of education. The GoI launched the Sarva Shiksha Abhiyan (SSA) providing a comprehensive policy and budgetary framework for achieving these goals and the EC will continue its support to this programme.

- The EC has consistently reiterated its support to India in helping it achieve the MDGs. A focus on poverty reduction and social and economic exclusion was also proposed in the EC Communication of 16 June 2004.

Against the backdrop of thirty years of engagement between India and EU both sides are committed to achieve progress with regard to the Millennium Development Goals and related international agendas.

With a view to provide impetus to our cooperation it has been agreed in the Joint Action Plan to **continue development cooperation in Health and Education sectors**, under which the EU - working together with the Government of India - will aim to enhance development cooperation to supplement Indian programmes, namely Sarva Shiksha Abhiyan (SSA) and the National Rural Health Mission (NRHM).

One of the important responses to the global AIDS epidemic is the financing of specific projects and programmes through thematic budget lines (fight against AIDS, TB, and Malaria). Through these lines, the EC is also an important contributor to the Global Fund to fight AIDS, Malaria and TB, operationalised through Country Coordinating Mechanisms (CCM). In India, key weaknesses in terms of policy dialogue, programme efficiency and disbursement have been identified. In connection with the future Health Programme, the EC will particularly look at how these issues could be mainstreamed into the sector support for health. The EC also responds to the global AIDS epidemic through the framework programmes for research (funds devoted to fundamental research and to advanced clinical research (e.g. EDCTP programme on clinical trials) projects.

### 4.3 Action Plan Implementation

At the fifth EU-India Summit on November 2004 it was formally decided to upgrade the EU-India relationship to the level of a Strategic Partnership, and to support this partnership through the implementation of an Action Plan. The sixth EU-India Summit on September 2005 endorsed a Joint EU-India Action Plan. The complete text of the EU-India Joint Action Plan can be downloaded from the Commission's external relations website using the following link: [http://ec.europa.eu/comm/external\\_relations/india/sum09\\_05/05\\_jap\\_060905.pdf](http://ec.europa.eu/comm/external_relations/india/sum09_05/05_jap_060905.pdf). Apart from support to the social sectors (see above) sufficient funds should be provided to support the sectors and actions identified in the Economic, Cultural, Academic and Civil Society sections of the Action Plan.

Financial support will be earmarked for the following initiatives:

#### 1) Economic Sectoral Dialogues and Co-operation

- ⇒ **Economic Policy Cooperation** in priority sectors
- ⇒ **Multi-sector Policy Dialogue Support Facility**

#### 2) Civil Society and Cultural Exchanges

- ⇒ **Civil Society Exchanges** including a new **Cross Cultural Programme**
- ⇒ **Culture Fund**

#### 3) Academic Exchanges

- ⇒ **A continuation of the co-operation in the higher education sector**
- ⇒ **EU and Indian Studies Centres**

## 1) Economic Policy Dialogue and Co-operation

Under the **Economic Policy Dialogue and Co-operation** section of the Action Plan, enhanced cooperation and dialogue is envisaged in the following sectors:

Trade, Transport, Environment, Energy, Science and Technology, Space Technology, Information Society, Pharmaceuticals and Biotechnology, Industrial Policy, Customs Co-operation, Dialogue on Economic and Financial Matters, Employment and Social Policy, Agriculture and Business Dialogue & Co-operation.

Among these dialogues there are some sectors (such as trade, industry, business co-operation, energy, environment and transport) that already benefit from intensive cooperation with India and for which specific new co-operation initiatives are already foreseen in the Action Plan.

The proposed initiatives for **Economic Policy Cooperation** include the following actions:

- **Trade, Industry, and Business Co-operation:** reinforce business-to-government dialogue, including through a new initiative based on the work undertaken under the 'Joint Initiative for Enhancing Trade and Investment', and the recommendations of the Business Round Table and Business Summits. A follow-up to the Trade and Investment Development Programme (TIDP) could also be envisaged.
- **Transport:** enhance transport policy dialogue, including by exploring the possibility of expanding the scope of the on-going Civil Aviation Project and by concluding both an aviation and a maritime agreement.
- **Energy:** carry out the various activities to be identified by the Energy Panel, notably in the area of clean technologies, energy efficiency and renewable energies.
- **Environment:** with a view to making sustainable development a reality we will strengthen our dialogue on key environmental challenges (including MEAs), building on the work of the Joint Working Group on Environment and the India-EU Environment Forums, and enhance cooperation on climate change through the India-EU Initiative on Clean Development and Climate Change.

Financial support will also be provided to the other sectors of the Action Plan to enable the progressive development of enhanced cooperation in each of these areas. These sectors will receive funding either through the 7<sup>th</sup> Framework Programme or will be included in the multi-sector **Policy Dialogue Support Facility**. Some of them will also receive funding through the respective thematic programmes for external action. Depending on the progress made in the period of the first MIP (2007-2010), some of these sectors could be considered for more substantial Economic Policy Co-operation actions in the second MIP (2010-2013).

## 2) Civil Society and Cultural Exchanges

Engaging **civil society** has always been an important pillar in the architecture of the EU India relationship; the EU India Round Table and the EC India Cross Cultural Programme (ECCP) are well known examples. The Action Plan stresses the importance of intensifying formal and informal interaction between civil societies. Funds will therefore be provided for continuing demand driven support to India's NGO Community, Civil Society, Think Tanks and non-state actors, including media, journalism and social partners.

The Action Plan also contains an important cultural element which builds on the **EU-India Declaration on Cultural Relations**, adopted at the 2004 EU-India Summit in The Hague. The Action Plan proposals further underline the importance of preserving cultural diversity as part of the EU-India process of dialogue and of expanding people-to-people contacts. It encourages a

strengthening of bilateral cooperation in areas such as education, cultural exchanges, conservation, film, tourism and other related areas.

#### **a) Civil Society Exchanges including EU-India Cross Cultural Co-operation**

It is appropriate to continue this successful initiative by launching a **second phase to the EICCP**. The new EICCP will support activities in the area of media, communication and culture, strengthening of cross cultural linkages among civil society institutions and organisations and promote the understanding of the cultural diversity existing in both regions.

The new EICCP aims at continuing (i) the support for activities in relevant areas and in particular **media, communication, academia and culture**, (ii) the strengthening of cross cultural linkages among civil society institutions and organizations and (iii) better understanding of the cultural diversity existing in both regions. In addition, as a follow-up to earlier EU-India Think Tank networking activities, funds could be required to build on EU-India Think Tank related activities.

#### **b) Culture Fund**

The **creation of a Culture Fund** aims to increase awareness and visibility of India in the EU and of the EU in India, through a variety of activities - such as the organisation of events, media coverage and other activities. There will be an exchange of know-how and expertise in a variety of fields directly related to the culture-oriented events and actions, closer collaboration among institutions, government agencies and other civil society interlocutors. A wide array of cultural activities are foreseen in the Action Plan, such as EU-India Cultural weeks; support to film festivals; promotion of dialogue between the respective audio-visual industries to stimulate cooperation and co-production and the circulation of cultural works, development of cooperation programmes in preservation and restoration techniques, support to meetings, seminars, conferences, cultural weeks and thematic cultural years to increase awareness of European culture in India and vice-versa, as well as twinning between European and Indian cities.

### **3) Academic Exchanges**

The **EU-India Declaration on Cultural Relations** underlines that cooperation between institutions of higher education and the exchange of scholars and students play a significant role in enhancing mutual knowledge.

#### **a) Higher education**

The main objective of EC cooperation in higher education with India is to enhance international cooperation capacity of Indian universities by facilitating transfer of know-how and good practices in the field of student and academic staff mobility. The European Commission will contribute to financing a mobility scheme between European universities holding an Erasmus Charter and Indian universities that will complement existing programmes in the field of higher education. The types of mobility to be funded are:

For students: master, doctorate and post-doctorate mobility opportunities;

For academic staff: exchanges for the purposes of teaching, practical training and research. Higher cooperation activities will be funded under the regional programming facility for Asia and Latin America.

## **b) EU and Indian Studies Centres**

In view of the mutual aim to enhance visibility and knowledge about the European Union in India and vice versa, it is proposed that **European Study Centres** and **Centres for Contemporary Indian Studies** would be created in India and the EU, aimed at developing and intensifying academic links, promoting knowledge on both regions and mutual understanding. These Centres could support joint research, including on topics of common interest as identified in the Joint Action Plan, as well as teach courses on contemporary political and economic themes in the EU and India. Support could also be provided to already existing initiatives and entities set-up with similar aims and objectives.

## ANNEX I: Overview of CSP for the period 2007-2013

<b>PRIORITIES</b>
<b>Social Sector Support</b>
- Health Sector Reform
- Education Sector Reform
<b>Action Plan Implementation</b>
- Economic Sectoral Dialogues
- Culture and Civil Society Exchanges
- Academic Exchanges

## ANNEX II: EC CO-OPERATION OBJECTIVES

### 1. The EU Treaty Objectives for External Cooperation

In accordance with **Article 177 of the Consolidated Treaty Establishing the European Community**,<sup>4</sup> the Community's development cooperation policy shall foster the sustainable economic and social development of the developing countries, the smooth and gradual integration of these countries into the global economy and the fight against poverty. The Community's policy in this area shall contribute to the general objective of developing and consolidating democracy and the rule of law, and to that of respecting human rights and fundamental freedoms.

On the basis of **Article 179** of the same Treaty, a new Development Cooperation Instrument (DCI) was adopted in December 2006. India is eligible to participate in cooperation programmes financed under the Regulation (EC) No.1905/2006 of the European Parliament and of the Council of 18<sup>th</sup> December 2006, establishing a financial instrument for development cooperation.<sup>5</sup>

### 2 Objectives set out in Other Applicable Documents

a) The **Commission Communication on an EU-India Strategic Partnership**<sup>6</sup> of June 2004 proposes that the new strategy be guided by the following objectives:

- Promoting peace, stability, democracy, human rights, the rule of law and good governance, *inter alia* by fighting terrorism and illicit trafficking;
- Cooperating on fighting poverty, inequality and social exclusion, and on sustainable development, environment protection, and climate change; and
- Enhancing economic interaction and securing a strengthened international economic order.

At the fifth **EU-India Summit** of 8 November 2004 it was formally decided to upgrade the EU - India relationship to the level of a **Strategic Partnership**, and to support this partnership through the implementation of an **Action Plan** agreed at the September 2005 Summit. India is one of only six countries of such strategic importance for the EU.<sup>7</sup> The 2004 Summit also witnessed agreement on a **Cultural Declaration**, aimed at developing and intensifying bilateral cultural and academic links.

b) The **1994 Cooperation Agreement**<sup>8</sup> between the EC and India *inter alia* provides for respect of human rights and democratic principles as the basis for EC-India cooperation. Development cooperation shall focus on the poorer sections of the population and calls for mutually agreed priorities in pursuing project and programme efficiency, sustainability and respect for the environment. It puts considerable emphasis on economic cooperation.

c) The institutional basis for EU-India political dialogue is the **Joint Political Statement** signed simultaneously with the Cooperation Agreement.

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<sup>4</sup> OJ C 325 24/12/2002

<sup>5</sup> OJ L 378 27/12/2006, p. 41

<sup>6</sup> [http://europa.eu.int/comm/external\\_relations/india/news/2004\\_comm.pdf](http://europa.eu.int/comm/external_relations/india/news/2004_comm.pdf)

<sup>7</sup> The others being Canada, China, Japan, Russia, and the United States.

<sup>8</sup> [http://europa.eu.int/comm/external\\_relations/india/intro/agree08\\_94.pdf](http://europa.eu.int/comm/external_relations/india/intro/agree08_94.pdf)

d) In the **Asia Regional Strategy Paper**<sup>9</sup> the EU emphasises its realisation of the difficulties SAARC has in discussing political issues. However, the EU can help consolidate the ongoing integration process through its economic influence in the region, its own historical experience in dealing with diversity, and its interest in crisis prevention. The EU remains convinced that SAARC could play a useful role in strengthening regional co-operation and dialogue.

### 3. The 2000 Statement on Development Policy

In their statement on the **European Community's Development Policy**<sup>10</sup> of 10 November 2000, the Council of the European Union and the European Commission recalled that development policy is grounded on the principle of sustainable, equitable and participatory human and social development, and that the promotion of human rights, democracy, the rule of law and good governance are an integral part of it. They further determined a number of areas selected on the basis of their contribution towards reducing poverty and for which Community action provides added value:

- link between trade and development;
- support for regional integration and cooperation;
- support for macro-economic policies and promotion of equitable access to social services;
- transport;
- food security and sustainable rural development;
- institutional capacity building, particularly in the area of good governance and the rule of law.

The Statement also specifies that the Community must continue its support in the social sectors (health and education, particularly with a view to ensuring equitable access to social services).

### 4. The 2005 Communication on Speeding up Progress towards the Millennium Development Goals

In its 12 April 2005 Communication on Speeding up progress towards the Millennium Development Goals,<sup>11</sup> the Commission takes stock of the EU's contribution to development and identifies the necessary measures to accelerate achievement of the MDGs. The Commission aims at (a) setting new intermediate targets for growth in official aid budget by 2010 for both EU and Member States, ultimately achieving the 0.7% target of gross national income (GNI) by 2015, (b) speeding up reforms to improve aid quality, (c) re-evaluating EU's influence on the conditions for development and (d) ensuring Africa's primacy as the beneficiary of these approaches with a re-renewed impetus of partnership between the two continents. The proposals on Development Financing and Policy Coherence are set out in detail in two other communications. Together these contribute to the three pillars of sustainable development (economic, social and environmental).

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<sup>9</sup> [http://europa.eu.int/comm/external\\_relations/asia/rsp/rsp\\_asia.pdf](http://europa.eu.int/comm/external_relations/asia/rsp/rsp_asia.pdf)

<sup>10</sup> [http://europa.eu.int/comm/development/body/legislation/docs/council\\_statement.pdf](http://europa.eu.int/comm/development/body/legislation/docs/council_statement.pdf)

<sup>11</sup> COM 2005/0132 final



## **5. The 2005 Communication on Financing for Development and Aid Effectiveness**

In its 12 April 2005 Communication on Financing for Development and Aid Effectiveness,<sup>12</sup> the Commission outlines means of achieving interim targets of increased ODA volumes by 2010 and move towards the UN target of 0.7% GNI by 2015. It suggests new aid modalities, innovative finance sources and includes proposals in addressing the remaining post-HIPC debt problem of low income countries. It suggests redefining EU commitment regarding GPG. The main challenge on co-ordination and harmonisation is the credible implementation of the EU framework and results of the High Level Forum on aid effectiveness and complementarity in aid delivery. Commitment on reforming the International Finance System must be strengthened.

## **6. The 2005 Communication on Policy Coherence for Development**

In its 12 April 2005 Communication on **Policy Coherence for Development**,<sup>13</sup> the Commission has defined coherence commitments in the overall framework of the EU sustainable development strategy and identified the following priority areas with high potential of attaining synergies with development policy objectives: trade; environment; security; agriculture and fisheries; social dimension of globalisation, employment and decent work; migration; research and innovation; information society; transport and energy. These commitments were endorsed by the Council (GAERC) on 24 May 2005. The Communication further calls on non-development policies to respect development policy objectives and on development cooperation to also contribute, where possible, to reaching the objectives of other EU policies.

## **7. The Joint Statement on EU Development Policy ('The European Consensus')**

In its meeting on 22 November 2005, the General Affairs and External Relations Council adopted the EU Development Policy Statement, also known as "the European Consensus". The "European Consensus on Development" provides, for the first time, a common vision that guides the action of the EU, both at its Member States and Community levels, in development cooperation. The Statement identifies the eradication of poverty in the context of sustainable development, including pursuit of the MDGs, as the primary and overarching objective of EU development cooperation. The Statement also emphasises that EU partnership and dialogue with third countries will promote common values of respect for human rights, fundamental freedoms, peace, democracy, good governance, gender equality, the rule of law, solidarity and justice and the EU's commitment to effective multilateralism.

## **8. The 2005 UN Summit Conclusions on Human and Social Development**

The importance of strengthening the social dimension of globalisation and of promoting productive employment and decent work opportunities was highlighted in §47 of the UN Summit conclusions of September 2005 regarding human and social development. UN member states committed themselves in particular to "*strongly support fair globalisation and resolve to make the goals of full and productive employment and decent work for all, including for women and young people, a central objective of our national and international policies as well as our national development strategies, including poverty reduction strategies, as part of our efforts to achieve the MDGs.*"

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<sup>12</sup> COM 2005/0133 final

<sup>13</sup> COM2005/0134 final



### **ANNEX III: EC Cooperation with India, CSP 2000-06 Period**

The CSP 2002-2006 was approved by Commission Decision PE/2002/1642 dated 26 August 2002 and amounted € 225 million over a five year period. The first NIP, covering the years 2002-2003 was the subject of Commission decision PE/2002/2082 dated 31/10/2002, and amounted to € 28 million euro. The second NIP, covering 2004-2006 amounted to € 193 million and was approved by Commission decision PE/2004/210, dated 12/02/2004. Because of the fact that the second NIP contained the bulk of the CSP funds, the commitments for India in fact only effectively occur at the end of the programming cycle.

The **NIP 2002-2003** consisted of the following:

- **Priority 1:** Contributing to the elimination of poverty by helping communities at risk to be better prepared for natural disasters. Action: EC-India Disaster Preparedness Support Programme in India, € 10 million.
- **Priority 2:** Creating an enabling economic environment. Action: EC-India Trade and Investment Development Programme, € 15 million.
- **Priority 3:** Supporting civil society. Action: EU-India Think-Tank Network, € 3 million.

Outside the NIP, an **ad hoc Order for Services** was launched (ref.: 113905, dated 6<sup>th</sup> June 2003) for the project with Save the Children Fund to address educational services and development needs of children in 10 districts in Jammu and Kashmir, for a total EC contribution of € 680,000. Because of procedural difficulties, the EU-India Think Tank Network was not committed.

The **NIP 2004-2006** consists of:

- **Priority 1:** To assist India in eliminating poverty and building its 'human capital' Action: 'State Partnership for Progress', € 160 million.
- **Priority 2:** Facilitating academic exchanges. Action: EU-India Scholarship Programme, € 33 million.

Both of these programmes were committed in the course of 2005 and 2006.

### Ongoing EC cooperation projects in India

Title	Date of commitment	Planned date of completion	Amount	Comments
<b>Development Cooperation</b>				
<i><b>Education</b></i>				
SSA	16/11/2000	30/06/2008	200,000,000	Sector support MDG of GoI for primary education
PESLE	15/10/1998	30/06/2007	11,000,000	Enrichment of School Level Education
Development of Tibetan Transit Schools in India	27/12/2001	01/01/2006	563,775	
Improving Quality Education & Learning Environment in Jammu & Kashmir	12/12/2003	31/03/2007	684,612	
<i><b>Environment</b></i>				
Haryana Community Forestry Project	22/12/1995	30/06/2012	23,300,000	Reforestation activities
Conservation & sustainable utilization for MAPs in cold deserts of India Himalayas	01/11/2002	01/11/2007	1,042,598	Community bases conservation and sustainable use of MAPs resources
Community Based Natural Resource Management	01/01/2002	31/12/2006	1,000,000	Soil & water conservation; health awareness
CLEAN	15/10/2002	14/10/2007	905,000	Promoting community led environmental actions
Protection & Promotion of Forest for Economic Security among Tribes	29/07/2003	28/07/2006	654,798	Empower local panchayats for collective action
Policy Research & Awareness Creation in Environmental Health	01/01/2000	30/03/2006	723,765	Promote adoption of policies in environmental health
Integrated Watershed Management for Sustainable Village Ecosystem Development	01/01/2002	31/12/2006	557,025	Soil & water conservation; Afforestation and farming
<i><b>Health and HIV/AIDS</b></i>				
Sector Support to Health & Family Welfare	09/12/1996	31/12/2005	240,000,000	Support MDG of GoI for health
HIV/AIDS prevention & Care Programme	04/12/2003	30/11/2006	3,002,503	For rural and tribal youth
Reproductive & Sexual Health of Vulnerable Communities	29/12/2001	31/03/2007	1,074,091	
Prevention of Mother/Child Transmission of HIV/AIDS	25/12/2001	28/02/2007	1,015,650	
Improved Health of Vulnerable Groups	25/02/2003	01/07/2006	730,294	In Jharkand and Chhattisgarh
Strengthening Health Structures	05/03/2003	01/01/2008	750,000	For TB, malaria & leprosy
Inter-state & Cross-border STD/HIV/AIDS Prevention	18/05/2004	01/08/2008	637,142	Control for Poverty Reduction

Community Empowerment & Advocacy for Sustainable Health Care	23/07/2004	31/08/2009	580,680	For people in extreme need in Orissa
TB Control	15/09/2004	01/12/2007	356,239	Capacity building of government staff
Basic Reproductive Right of Maternal Health Care	26/12/2001	30/03/2007	777,586	
Development aid to Sanitary Actions	03/04/2002	01/07/2007	117,980	
Women Empowerment through Self-Help	03/04/2000	03/10/2005	718,694	
Children's' Right to Protection & Education	11/01/2002	01/04/2006	600,044	
<b>Community Development/Livelihoods</b>				
SCALE	20/12/2001	31/01/2012	28,500,000	Poverty reduction; community-based natural resource management
EC-India Disaster Preparedness Support Programme	17/12/2003	31/12/2007	10,000,000	Strengthening community capacity
Income Generation Activities for Rural Population of the Indian Himalayas	24/11/2004	23/11/2008	1,208,352	Set-up & support of NGO network; capacity building activities
Sustainable Livelihood Development	01/01/2002	31/12/2005	480,384	Research & development on appropriate technologies
Participatory Rural Livelihood Development Programme in drought prone regions	01/07/2004	31/06/2008	431,960	Increase food security; livelihood opportunities
Food Security & Livelihood for Tribal Communities	20/05/2004	19/05/2009	442,786	Establish community organizational structure & people participation
Integrated Rural Development of Dalits	30/11/2000	29/11/2005	190,585	Community organization; non-formal education
Rebuilding the livelihoods of older people in the State of Gujarat after the Earthquake	07/03/2002	07/02/2006	1,310,651	
Multi-sector rehabilitation and reconstruction initiative in the State of Gujarat after the Earthquake	30/03/2002	29/03/2006	1,600,000	
Rehabilitation of Earthquake affected families in Kutchh and Rajkot district of Gujarat	24/04/2002	23/12/2005	1,612,000	
Rehabilitation of Handicraft Artisans	05/08/2002	04/08/2005	1,196,000	
STEP	15/10/1998	17/05/2006	13,000,000	Sustainable Tribal Empowerment
<b>NGO Co-Financing</b>				
Geographically Based Programme	16/12/2003	01/01/2009	5,700,000	
Sustainable Income Security for Rural Poor	17/12/2003	01/04/2006	5,559,000	
Community Empowerment for Total Development	23/12/2002	01/06/2006	2,126,992	
Elimination of Child Labour	11/03/2003	01/01/2006	1,500,000	
Support to Local Social &	02/01/2002	01/03/2006	998,171	Urban Development

Economic Actions				
Small Credit Support to Women's Joint Committees	19/12/2001	01/01/2006	999,373	Self-help groups in Rural Maharashtra
Block Grant 2002	19/02/2003	01/01/2006	980,000	
ADOPT	09/05/2003	01/07/2008	749,201	Assimilated development of older people
Community Based Livelihoods & Disaster Preparedness Programme	18/03/2003	01/05/2006	750,000	
Urban Slum Outreach Programme	24/02/2003	01/01/2008	648,275	
The Peace Project	27/12/2001	15/09/2005	565,348	Poverty alleviation project
Community Empowerment	14/01/2000	14/07/2005	500,000	
DDP	25/05/2004	26/05/2009	408,000	Dalit development programme
Development Project for Tibetans in Exile	20/02/2003	01/01/2006	286,004	
PLANET	11/05/2004	01/04/2009	299,340	Participatory learning for Socio-economic Empowerment
Multi-sector Rehabilitation & Reconstruction Initiative	30/03/2002	29/03/2006	1,600,000	
Rehabilitation of Earthquake affected families	24/04/2002	23/12/2005	1,612,000	
Integrated Watershed Development & Sustainable Rural Livelihood Development	11/06/2002	10/06/2006	1,460,000	
Rebuilding the Livelihoods of Older People	07/03/2002	07/02/2006	1,310,651	
Shelter, Protection, Education and development for youth in India	22/12/1999	13/07/2005	219,235	
Integrated rural development programme in desert areas of Rajasthan and Gujarat, India	01/02/2000	01/08/2005	500,000	
Aide au développement et à l'action sanitaire dans le village de Seliamedu, (Pondicherry)	03/04/2002	01/07/2007	117,980	
Integrated watershed management for equitable, productive and sustainable village ecosystem development in Vedasandurblock (Tamil Nadu)	17/12/2001	01/01/2007	557,025	
Appui aux dynamiques locales dans les bidonvilles de trois villes (Mumbai, New Mumbai, Pune)	02/01/2002	01/03/2006	998,171	
Children's right to protection and education (Theni district, Tamil Nadu)	11/01/2002	01/04/2006	600,044	
Sustainable livelihood development – Ladakh, Jammu & Kashmir	27/12/2001	01/01/2006	480,384	
Community empowerment for total development of poor families in Lesliganj and Panki blocks of	23/12/2002	01/06/2006	2,126,992	

Palamau, Bihar				
Projet de développement de populations tibétaines en exil de Karnataka	20/02/2003	01/01/2006	286,004	
Social and economic rehabilitation project (SERP)	20/07/2004	01/10/2007	115,380	
Income generation activities for the rural population in the cold desert of the Western Indian Himalayas	23/11/2004	24/11/2008	1,208,532	
Enabling people's action for sustained improvements in water supply, sanitation and hygiene in India	14/10/2004	01/04/2007	750,000	
Food security and livelihood for tribal communities in Karnataka	19/05/2004	20/05/2009	442,786	
Hasten the process of implementation of tuberculosis (TB)	15/09/2004	01/12/2007	356,239	Control under dots by the existing government health system through capacity building of government staff

## Economic Cooperation

<b>EU-India Economic Cross Cultural Programme</b> (41 on-going projects)	<b>04/12/1995</b>	<b>31/12/2006</b>	<b>30,000,000</b>	<b>Culture, media/communication, entrepreneurial networking, higher education</b>
The EU-India Maritime History Project	08/12/2004	07/12/2006	499,999	Culture
Developing Durable Peace Processes & Partners	23/12/2004	22/12/2006	435,790	Kashmir / Pakistan issues
Ethics & Stereotypes: Towards an EU-India Media Response to HIV/AIDS	05/12/2004	04/12/2006	435,790	Journalist/media training
EU-India Media Initiative on HIV/AIDS	24/12/2004	23/12/2006	499,699	Journalist/media training
Focus on the Environment: Developing Media Capacity for Environmental Issues in India	01/01/2004	31/12/2006	500,000	Journalist/media training
Efficiency, Equity & Access in Indian Infrastructure: Blending Competition & Regulation	18/12/2004	17/12/2006	486,797	
Strengthening Micro-Health In-surance Units for the Poor in India	18/12/2004	17/12/2006	496,360	
EU-India River Bank Filtration Network	01/01/2004	31/12/2006	432,384	Environment
Networking Forest Plantations in a Crowded World	29/12/2004	28/12/2006	496,018	Optimize ecosystem services
Cross Cultural Learning Styles	01/12/2004	31/12/2006	329,755	Higher education
Fair Trade Quality Improvement & Sustainable Design Network	21/12/2004	20/12/2006	475,230	Trade Promotion
EU-India Innovative Network for SME Learning	10/12/2004	09/12/2006	427,013	
International Virtual Laboratory on Mechatronics	09/12/2004	08/12/2006	380,501	
Network for Renewable Energy Research in Built Environment & Technology between EU/India	10/12/2004	09/12/2006	298,546	
POROS: Establishment of EU Law Units, Cooperation in Legal Studies	01/01/2004	31/12/2006	499,433	
Two-way communication between Rural Communities in India & Knowledge Centres & Experts in India & EU	2005	31/12/2006	386,326	Agriculture & natural Resource management
EURINDIA	09/01/2004	31/12/2006	500,000	Culture
BE!SHARP	29/03/2004	28/07/2006	462,919	Built environment
EU-India Documentary Initiative	29/01/2004	28/07/2005	499,433	Media training
Import/Export	04/04/2004	03/10/2005	499,599	Cultural transfer
iLearn	31/03/2004	30/12/2005	500,000	Journalists training
Building Paths to Equality in Journalism	11/01/2004	10/01/2006	497,986	Media
In the News; EU-India Media Programme	07/01/2004	06/01/2006	442,561	Creation of a news "hub" in Brussels
Towards a Culture of Open Networks	21/03/2004	20/12/2006	488,642	Bridging the Information Society in India & EU
EU-India Business Association's Cross Cultural Network for Business & Trade Promotion	17/03/2004	16/05/2006	322,800	
EIWEN	15/01/2004	31/12/2006	382,284	Wind energy collaboration
EU-India Cross Cultural Logistic Network	27/01/2004	26/01/2006	491,142	
EU-India Network for Sustainability; Dialogue, Management, Training;	13/01/2004	12/07/2006	468,832	Corporate Social Responsibility



Exposure in the Automotive Industry				
Industrial Clustering for Social Growth	01/03/2004	31/08/2006	410,370	Business incubators in food, textiles, mechanics & tourism
Exchange of Knowledge & Know-how on Solar Technologies	04/03/2004	03/09/2006	444,012	Capacity building
ERRIS	03/03/2004	02/03/2006	393,163	Environmental risk reporting system
Building a Business Case for Corporate Social Responsibility in the Indian Tea Industry	18/03/2004	17/09/2006	372,938	Drafting a national "Code of Conduct" document
EU-India Rice Districts Network Promotion through Agro Economical, Cross Cultural & Technical Actions & Studies	15/03/2004	14/03/2006	500,000	Cross cultural studies
Circles of Support for people with Disabilities & Autism in India/EU	16/01/2004	15/01/2006	430,965	Developing university qualification modules
Improving Seismic Resistance of Cultural Heritage Buildings	20/01/2004	31/12/2006	448,592	Heritage
Production of High Added Value Products for Environmental Applications from Agricultural by-products in India:	19/01/2004	31/12/2006	499,768	Activated Carbon Production from Bagasse & Rice Husks
Cultural Dimensions in Digital Multimedia Security Technology	30/12/2003	29/12/2006	534,989	ITC issues
Development of an Intelligent Cognitive System for Sanskrit based on Indian Logic	15/03/2004	14/12/2006	314,172	Higher education
Protection of Historical Monuments: Indo-European Exchange & Knowledge Transfer on Required Basics in Building Climatology	19/01/2004	31/12/2006	392,076	Heritage
ICT for EU-India Cross Cultural Dissemination	12/01/2004	31/12/2006	320,089	
Participatory Assessment of the State of Democracy in India	08/03/2004	31/12/2006	499,845	National survey; articles
<b>EU-India Small Projects Facility Programme</b> (20 on-going projects)	<b>18/12/2001</b>	<b>28/12/2007</b>	<b>4,044,000</b>	<b>Good governance, business development, administrative reforms</b>
Business incubators network development platform for know-ledge sharing & business incuba-tion partnerships in EU/India	11/04/2005	20/07/2006	150,000	
Labour Regulation in Indian Industry: A Study of its Impact on Growth Investment & Employment	2005	20/07/2006	120,000	
Capacity Building for Local Self Governme Institutions in Punjab	11/04/2005	20/01/2006	99,770	
EU-India Network of Women Entrepreneurs	21/12/2004	20/07/2006	149,576	
Capacity Building of SMEs & facilitation of business develop-ment collaboration in EU/India	21/12/2004	20/01/2006	111,753	
Beyond Kyoto	30/12/2004	20/07/2006	79,248	EU/India CDM partnerships
Developing Health Accounts for Selected Indian states	2005	20/07/2006	111,488	
Towards healthier & smarter work environments	2005	20/07/2006	130,015	Safety & health determinants for improving work relationships
Fermented Foods, Health Status & Social Wellbeing	29/12/2004	20/07/2006	149,243	
Uncommon Solutions for a Common Good	2005	20/07/2006	149,243	Local Leadership through Global Cooperation

EU India Dialogues on Bio-diversity, Biotechnology and IPR in the context of Globalisation	07/04/2005	20/01/2006	105,150	
EU-FICCI Biotech Resource Centre in Gujarat	2005	20/07/2006	150,000	
Enterprising Ladakh: prosperity, youth enterprise and cultural values in peripheral regions	25/12/2004	21/07/2006	95,329	
Institutionalizing Strategic Environmental Assessment in India: Learning from International Experience through Research & Capacity Building Initiatives	14/12/2004	21/01/2006	125,000	
Financial and Accounting Reforms, Capacity Building and Related Strategies	1/1/2005	21/07/2006	150,000	
Business process outsourcing as strategic partnering	22/12/2004	21/07/2006	96,491	Win-win relationship between customers & service providers
Setting up of an Advertising Standards Regulatory Commission through Enactment of Law modeled on EU lines	21/04/2005	21/07/2006	111,462	
Globalisation & Opening Markets in Developing Countries & its Impact on National Firms & Public Governance: The Case of India	23/12/2004	24/01/2006	129,000	
Legal & Administrative Frame-work for Development Regulation in Gujarat	11/04/2005	28/01/2006	59,844	
Indo-EU dialogue on Government, Public & Private partnership	14/12/2004	14/06/2006	108,453	Developing a sustainable health care system
<b>Higher Education</b>				
<b>Higher education activities</b>	<b>01/03/2005</b>	<b>01/03/2010</b>	<b>33,000,000</b>	<b>Scholarship programme</b>
<b>Transportation</b>				
<b>EU-India Civil Aviation Programme</b>	<b>30/11/2001</b>	<b>30/11/2006</b>	<b>18,000,000</b>	<b>Transfer of standards and best practices</b>
<b>Trade</b>				
<b>Trade &amp; Investment Development Programme</b>	<b>25/11/2003</b>	<b>31/12/2009</b>	<b>13,400,000</b>	<b>Facilitating processes on trade and investment</b>
<b>Asia wide Programmes</b>				
<b>Asia Urbs II</b> (3 on-going Projects)				<b>Urban management with local governments / municipalities</b>
EcoBudget Asia	23/12/2004	22/12/2007	733,060	
Urban Sustainability Management in Indian Ecocities	21/12/2004	20/12/2006	293,345	
Innovative Urban Water & Sanitation Programme	31/12/2004	30/12/2006	320,687	
<b>Asia Pro-Eco</b> (8 on-going projects)				<b>Environmental initiatives and collaboration</b>
The way forward for use of Wood & Agricultural Waste for Energy Production in South-East Asia	21/12/2004	20/06/2006	411,514	
Integrated Wastewater Management concept for the Ecoelectroplating Park in Karaisalkulam	29/12/2004	28/12/2006	292,590	
Recycled Building Materials for a Sustainable Environment & Poverty	22/12/2004	21/12/2005	124,147	

Alleviation				
Enhancing the Competitiveness of Small Scale Lime Kilns in India	24/12/2004	23/12/2005	236,374	
Pro:Bios	24/12/2004	23/12/2006	401,093	Promotion of bio-fuels
TIPOT	07/04/2004	06/07/2006	438,906	Treatment of ground water
INDUS	01/07/2003	01/07/2005	486,700	Industrial water efficiency
<b>Asia Invest</b> (14 on-going project)				<b>Promotion of business partnerships</b>
Technical Assistance Business Capacity of Business Service Organisations	13/07/2004	14/01/2006	81,075	
WINEBAR	31/12/2004	01/07/2006	181,520	Wine India Europe
Establishing Food Safety Systems in India	20/12/2004	21/12/2006	119,406	
Silk Avenue	13/12/2004	14/10/2006	291,165	New Trade routes between Asia & Europe
Preparedness for Implications of Pertinent EU Environmental Directives	28/12/2004	29/12/2006	199,983	Textiles & Clothing, Electrical & Electronics, Automotive Components
Fashion Know-how & Business Development for Euro-Indian Partnerships	20/12/2004	21/06/2006	154,035	
MAXCROP 3	2005	17/04/2006	199,980	Access to higher value EU markets of food products
Socially Responsible Business	2005	17/04/2006	127,107	
ICQ	2005	18/10/2006	192,543	Italy-India construction
Enterprise for SME match making for cooperation in textile & clothing industry	2005	19/12/2006	147,630	
Gem & Jewellery Institute	2005	19/12/2005	139,658	
The Golden Path	2005	16/04/2007	149,644	Training of NGOs in developing product prototypes
ANUGA 2005	2005	14/09/2006	95,667	
EuroIndian Asia Enterprise in Agrifood & HighTech Sectors	2005	18/06/2007	139,857	
<b>Asia Link</b> (12 on-going projects)				<b>Cooperation in Higher Education</b>
EAGER NetWiC	28/03/2003	28/03/2006	300,000	Wireless mobile curriculum development
InterGIS	16/04/2003	01/05/2005	245,754	Networking & tools
ED-WAVE	11/04/2003	01/06/2005	300,000	IT tools for Human Resource Development
MOVE	09/03/2004	10/03/2006	299,873	Curriculum Development transfer of International Technologies

Development of Human Resource Capacity for Teaching & Research on Restoration of Degraded Tropical Ecosystems	18/04/2003	01/07/2006	291,001	Human Resources Development
Sustainable Commodity Chains	13/05/2004	14/05/2007	298,282	Curriculum Development
Urban & City Design Curriculum	13/05/2004	14/05/2007	300,000	Curriculum Development
Development of textile/apparel oriented research/training co-operation network between EU & Asia	31/08/2004	01/09/2007	300,000	Network training Young teachers & post graduate students
Politics of Democratisation: European-South Asian Exchanges on Governance, Conflict & Civic Action	15/06/2004	01/09/2007	299,629	Networking
EEES	14/12/2004	15/12/2007	285,708	Energy & Environmental Engineering for Sustainability
Managing Cultural Diversity in Educational Contexts	13/12/2004	14/12/2007	300,000	Human Resource Development
“Sustainable Humane Habitat in developing contexts”	13/12/2004	14/11/2006	299,509	Curriculum Development
Innovation Management and Technology Transfer	2005	31/12/2007	299,966	Human Resource and Curriculum Development
Human resource Development in Law and Economics for India and Europe	2005	/05/2008	213,050	Human Resource Development
<b>Asia ITC</b> (8 ongoing projects)				<b>Promotion of ITC partnerships</b>
Shada	15/12/2003	01/03/2006	199,994	Sustainable habitat design
Marco Polo	08/11/2003	01/06/2006	377,485	Intelligent manufacturing
OSCAR	18/12/2003	19/06/2006	199,927	Bringing ICT to rural areas
USER MIND	20/02/2004	20/08/2005	199,740	Manufacturing supply chains
For an ITC Archeology of Ancient Asian Texts	23/12/2004	02/12/2005	213,936	
Tech-link	31/12/2004	01/01/2008	199,288	Localisation technology training
emGIS	15/12/2004	02/01/2007	199,999	Environmental management
WEBOPT	17/02/2003	30/04/2006	400,000	Create a network of research scientist; integrated optimization software environment

<b>ECHO</b>				
Shelter, Livelihood; psycho-social support	01/02/05	31/01/06	997,770	Shelter for 700 families: Livelihood for 3,000 families: Psycho-social support for 3,500 families:
Livelihood support; psychological support; water & sanitation	15/01/2005	14/01/2006	1,073,183	2,572 fisher families & 300 women headed families. Psychosocial support & sanitation for 4,565 families
Health, psycho-social, education, water-sanitation	01/02/05	31/01/06	661,290	Mobile health clinics, trauma counseling, child care centres, primary schools, water systems, latrines. 24,000 people
Psycho-social support	15/04/05	14/04/06	280,000	54,600 children 8-18 years. Training for volunteers Formation of children's groups & child protection systems in 91 villages.
Psycho-social and health support (J&K)	15/10/2004	14/10/2005	244,514	4,000 beneficiaries: Psychosocial counseling & livelihood restoration for 1,500 persons in 60 villages; Livelihood support for 450 families; Basic trauma management of children in 15 orphanages in the valley;
Psycho-social support (J&K)	01/03/2005	30/09/2005	250,000	Private psychosocial counseling for 1,920 people & psychosocial outreach for 4,800 audience members.
Protection (J&K)	01/04/2005	30/09/2005	505,486	Promotion of humanitarian rules and principles through civil and military institutions

## ANNEX IV: Donor Matrix

The **World Bank** is the most important donor and the World Bank Group Country Strategy for India, envisages an increased lending programme of up to US\$3 billion a year over the 2005-2008 period. The challenges, as the Bank sees it, is to help India move closer to achieving the Millennium Development Goals (MDGs), because India is still home to over one quarter of the world's poor people, there has been little improvement on some critical social indicators, HIV/AIDS is spreading quickly, and there also remains a substantial disparity of opportunity between Indian states and vulnerable groups. The World Bank strategy has identified 3 programme priorities: (1) To help improve government effectiveness; (2) To support investments in people and empowering communities; and (3) To promote private sector-led growth. In line with these priorities, the Bank's program and lending will be expanded in the following sectors: Infrastructure: roads, transport, power, water supply and sanitation, irrigation and urban development - to underpin both accelerated growth and improved service delivery; Human Development: education, health, social protection; and Rural Livelihoods: with an emphasis on community-driven approaches.

An important shift is the greater recourse to co-financing with other development partners under common arrangements for national programmes in the areas most critical to meeting the MDGs (in the form of SWAPs, i.e. Sector Support programmes). The World Bank, after the experience with SSA in the Education sector, where it agreed to a system of pooled funding with DFID and the EC, is very actively participating in the design of the next SWAP in the Health sector. The Bank's Country Strategy proposes some important shifts in the approach to India's States. Instead of concentrating on "focus states," investment lending will be channelled more broadly to states on the basis of guidelines for each sector, where the guidelines attempt to set out the sector-specific conditions that experience has shown to be necessary for project success.

The **Asian Development Bank's** Country Programme 2005-2007 foresees loans up to \$ 6.5 billion (excluding subregional projects), amounting to annual lending of more than \$2.1 billion. Final lending allocations will depend on country performance and resource availability and are subject to ADB Board approval. Of the total amount, allocations by sector include 37.8% for transport, 15.5% allocated for each of energy and urban infrastructure, 12.4% for the financial sector, 11.5% for agriculture and water management, and 7.3% for governance and public resource management. There are 29 firm loans programmed for the three-year period, with three to four standby projects each year. The most important are:

### **Agriculture and natural resources**

- Chhattisgarh Irrigation Development Sector Programme – (\$ 50 million)

### **Energy**

- Power Grid Development – (\$ 400 million)
- Madhya Pradesh Power Sector Development Programme – (\$ 300 million)

### **Finance**

- Rural Finance Sector Restructuring and Development – (\$300 million)

### **Law, economic management and public policy**

- Assam Governance & Public Resource Management – (\$ 150 million)

### **Multi-sector**

- Kerala Sustainable Urban Development – (\$ 250 million). Note that a similar project is already underway also in Rajasthan
- Jammu & Kashmir Infrastructure Rehabilitation Project – (\$ 250 million)

### **Transport and Communications**

- National Highways Sector – (\$ 400 million)

ADB is heavily investing in the North-east and the North following a request from the GoI, since it was found that these states had been neglected.

**DFID** published a **new country strategy** in 2004. India is now DFID's largest recipient of grant aid in the world and DFID is the most important grant aid provider to India. DFID has projects and programmes in many states in India with a core programme at the national level, and close partnerships with the states of Andhra Pradesh, Madhya Pradesh, Orissa and West Bengal.

DFID has refined its national programme to fund significant shares of programmes in health and education, complemented with policy dialogue and partnership with implementing agencies. Support to civil society will receive more attention at national and state level. DFID priorities are:

- More integrated approaches to tackling poverty in **focus states**:
  - Budgetary support to these and possible other states will continue
  - As will large projects of financial and technical support focusing on transforming government systems to service people better
  - Civil society will be supported to promote pro-poor change
- Improving the enabling environment for sustainable and equitable **economic growth**:
  - Provide support to sub-sectors that reward poor people's labour and sustainable growth, e.g. agriculture and the unorganised sector;
  - Support poor to better access labour, capital and other markets
  - Work with government to enhance investment
- Improving the access of poor people to **better quality services**
  - Promote equity, sustainability and accountability in services supply
  - Support new models of service delivery, including through private sector, NGOs and IT
  - Promote lesson-learning between state and central governments
  - Support civil society advocacy work

In 2003/4, DFID spending was **£ 205 million** but this will go up to £ 280 million in 2005/6. Biggest expenditures in 2002/3 were budgetary support to Orissa (£ 30 million), national polio eradication programme (£ 21 million), energy efficiency in Andhra Pradesh (£ 14 million) and district primary education in West Bengal (£ 8 million). DFID is an important donor, together with the EC and the World Bank, in SSA and intends to provide a significant amount in the upcoming SWAP for Health.

**UNDP** is an important player in India not so much for the amount of funding that it can provide as for the **coordinating role** that it plays. All UNDP projects are executed nationally by the concerned Ministry of the Government of India. Total outlay is around **\$250 million**, of which UNDP will finance around 25-30%. The five main themes of the new Country Programme (2003-2007), with their most important projects, are:

#### **Promotion of Human Development and Gender Equality**

- Capacity Building for State Human Development Reports (UNDP \$5m, others \$1m);
- Promoting Gender Equality (UNDP \$1m, others \$0.5m) and initiatives aimed at mainstreaming HIV/ AIDS (UNDP \$2.7 m, others \$2.5 m)

#### **Pro-poor Urban and Rural Livelihoods**

- National strategy for Urban Poor (UNDP \$5m, others additionally)
- Culture and Craft-based Eco-tourism (UNDP \$2.5m, others additionally), and renewable energy for rural livelihoods (UNDP \$2.5m, others \$4m)

### **Community-centred Natural Resource Management**

- Natural Resource Management (UNDP \$6m, others \$14m)
- Promoting Conservation of Medicinal Plants and Traditional Knowledge (UNDP \$3m, others \$17-22 m) and Biodiversity Conservation (UNDP \$3m, others \$7m)
- Joint UNDP and Global Environment Facility Programme (UNDP and others \$25 mln, GoI \$ 25m)

### **Decentralisation and participatory planning**

- ICT for development (UNDP \$5m, others \$25m), and
- Projects for capacity building of civil service for decentralisation, district and urban governance, as well as elected women representatives (UNDP \$12m, others \$15+m)

### **Disaster Management and Vulnerability Reduction**

- National Disaster Risk Management Programme (UNDP \$7m, others \$27m), and
- Drought Risk Management Programme (UNDP \$3m, others \$9m)

**Germany** aims to reinforce the efforts that India is already making to stabilise its economy by initiating structural reforms, creating employment and improving public services such as in education, technical training, health, public infrastructure and industrial promotion. Non-governmental groups and organisations are an integral part in many of the projects that GTZ supports. GTZ works together (and co-funds) with the central government and some state bodies, especially in Himachal Pradesh, Rajasthan, Maharashtra, West Bengal and Karnataka. Total funding available for 2004 and 2005 is approximately **€ 11 million per year**.

The following thematic priority areas are likely to receive funding from GTZ:

**Economic Reform and Development of the market system** (€1.7m): projects include an Indo-German export promotion project; a micro credits scheme; supporting vocational training; and setting up an insurance system for women in the informal sector.

**Health, Family Planning, HIV/AIDS** (€3.3m): GTZ runs Basic Health Care Programmes in Maharashtra, West Bengal and Himachal Pradesh, and a programme for drug-users in Delhi.

**Energy** (€3.9m): GTZ has a project for Cooperation with Pollution Control Boards to control industrial pollution; a Hazardous Waste Management project in Karnataka; and an Energy Efficiency and Environment Project for energy generators, distributors and consumers.

**Environmental Policy, Protection and Sustainable use of Natural Resources** (€2.2m): GTZ provides Advisory Services for Environmental Management in industrial and urban environments; and a number of projects in Watershed Management.

In the case of **Japan**, JICA has annual budget allocations. For 2004, the amount earmarked is **\$20 million**. All projects are executed nationally by the concerned Department of the GoI. There are 3 main sectors addressed: (a) Poverty Alleviation; (b) Infrastructure & Economic Development and (c) Environment with the following distribution and most important projects:

### **Agriculture and Rural Development**

- Phase III of Bivoltine Sericulture Project
- Expert on Soy Food Quality & Crop Improvement
- Follow-up Cooperation – Indian Agriculture Research Institute (IARI) Seeds



## **Health**

- Phase II of the project for Prevention of Diarrhoeal Diseases & Proposed Grant Aid at National Institute of Cholera & Enteric Diseases (NICED); In Country & Third Country Training
- Grant Assistance: Sir. JJ Hospital Project, Mumbai – Equipment Procurement
- Follow-up Cooperation: Osmania Hospital Equipment Repair
- Preliminary Need Survey – West Bengal, Meghalaya & Orissa

## **Conservation and protection of natural resources and environment**

- Ganga River Pollution Control
- CGWB Drilling Rigs
- Water Quality Analysis Equipment

## **Support for economic development**

- Power Distribution in Andhra Pradesh – Development Study Complete

## **Assistance to grassroots level organisations**

- Construction of a Sewing Workshop in Ambakkam Village (Andhra Pradesh)
- Community Empowerment Programme: Gujarat Environmental Health Improvement Programme implemented by the Aga Khan Foundation
- JICA Partnership Programme - Technical Cooperation Programme

The **Japan Bank for International Cooperation (JBIC)** has an annual funding of activities of **\$ 1 billion** per annum of soft loans mainly in the infrastructure and environment sectors.

**USAID** has increased its aid to India considerably over the last few years. The USAID Country Programme 2003-2007 foresees a budget of between \$ 930 million to \$ 1.2 billion in the areas of economic growth, health, energy and the environment, humanitarian assistance, and equity. Projects are executed nationally, except the two South Asia (regional) activities of \$ 15 million. USAID works with annual appropriations. The 5 main sectors of the current Country Programme, with the most important projects are:

### **Economic growth** (for 2004 \$ 10 million)

- Financial Institutions Reform & Expansion
- US-Asia Environmental Partnership

### **Energy and environment** (for 2004 \$ 10.5 million)

- Energy Conservation and Commercialisation
- Energy Management Consultation & Training
- Greenhouse Gas Pollution Prevention Project
- Trade in Environmental Services & Technologies/Clean Technology Initiative
- SARI/Energy
- WENEXA

### **Equity and Opportunity** (for 2004 \$ 11.2 million)

- USAID/India Child Labour/Human Rights Programme
- South Asia Regional Initiative on Women's & Children's Equity
- Combating Child Labour in India

### **Health** (for 2004 \$ 95 million)

- USAID/India Food Assistance Programme
- Innovations in Family Planning Services
- AIDS Prevention & Control
- AVERT

### **Disaster management support** (for 2004 \$ 4.2 million)

- Incident Command System

- Early Warning
- National Support for Local Emergencies
- Community Preparedness & Response - \$ 4 mi. in collaboration with UNDP

**Southern Asia Regional Initiative**

- Energy \$ 7.5 million
- Equity \$ 7.8 million

## ANNEX V: Country Environment Profile (summary)

### ***Main environmental issues***

The environmental problems in India are more health and livelihood threatening in nature. Air pollution, soil degradation, deforestation, desertification, shrinking wetlands, inadequate public health and sanitation, indoor pollution in rural areas, growing water scarcity, falling groundwater tables, lack of minimum flow in rivers, and over extraction of water for irrigation purposes are some of the environmental problems that need to be addressed first before any poverty alleviation programme can be truly successful.

The country can be classified into four broad geographical areas including the Himalayas (East & West), Indo-Gangetic Plains, the Thar Desert and the Southern Peninsula flanked by the Western and Eastern Ghats. In addition there are also the island systems of Lakshadweep & Minicoy Islands in the Arabian Sea and the Andaman & Nicobar Islands in the Bay of Bengal. The country has fourteen major river systems, besides a number of smaller water bodies.

Environmental health risks emanate from a combination of complex factors. Poverty, among others, is perhaps the most crucial that puts populations at risk. Other factors include access to safe drinking water and sanitation in rural and urban areas, air quality (especially in urban areas), indoor air pollution (especially in poor rural and urban households), solid waste management and agro-industrial pollution.

The ambient air quality has deteriorated all over the country, especially in the semi-urban and urban areas. Anthropogenic activities result in air pollution on account of 3 major sources: stationary sources (use of fossil fuels in industries and thermal power plants) mobile sources (vehicles) and in-door sources (burning of bio-mass). The relative contribution of the 3 sources varies across the country depending upon various factors.

The level of urban wastes being generated in different cities poses a serious threat to the environmental quality and human health. Approximately 36.5 million tonnes of solid waste is generated annually. Many cities generate more solid wastes than they can collect or dispose off effectively. Even when there are adequate resources available by way of public provisions to the municipal authorities, the safe disposal of urban solid wastes often remains a major problem.

Vehicular traffic is the main source of noise pollution. In most Indian cities, noise levels in residential, commercial and sensitive areas (hospitals, educational institutions and courts) exceed the prescribed standards set by the CPCB.

### ***Policies, strategies and the international agreements***

According to the Draft National Environment Policy 2004 of the Ministry of Forests and Environment, Government of India, the key environmental challenges that the country faces relate to the nexus of environmental degradation with poverty in its many dimensions, and economic growth. These challenges are intrinsically connected with the state of environmental resources such as land, water, air, flora and fauna.

India is a signatory to six important conventions that have a direct bearing on environment protection and conservation. These are: a) The Convention on International Trade in Endangered Species (CITES); b) The Convention on Wetlands of International Importance (the Ramsar Convention); c) The Convention on Climate Change; d) The Convention for

Conservation of Biological Resources; e) The Vienna Convention/Montreal Protocol on substances that deplete the ozone layer; f) The Rio Declaration on Environment and Development and the Agenda 21, which is the operational programme for sustainable development.

On account of its backward and forward linkages with other economic sectors, changes in agricultural performance have a multiplier effect on the entire economy. Its performance is therefore crucial in the task of reduction and eventual elimination of poverty in India.

Despite the existence of a robust legal and regulatory framework as well as an elaborate institutional set up, a number of concerns persist with regard to forests and biodiversity. Some of the critical factors are: deforestation, over-cutting beyond silviculturally permissible limits, unsustainable fuel wood and fodder extraction, shifting cultivation, forest fires, over grazing and diversion of forest land for non-forestry purposes etc. However efforts to mitigate some of these pressures have also shown encouraging results.

Though a wide-ranging framework of environmental management is already in place in India, the challenge lies in improving the efficacy of these interventions. It is important to complement the existing laws with the introduction of economic instruments such as charges on industrial emissions, effluents and wastes and incentives for clean technologies etc.

Even though numerous measures for reducing emission levels of vehicles, in India, were initiated during the '90's, the targets for emission reduction have not been fully met. Poor quality of fuels and low turn around of vehicles are primarily responsible for the high emission levels that characterize Indian vehicles. The renewed strategy for reducing vehicular pollution should revolve around mandating stricter emission standards coupled with stricter periodic certifications for 'in-use' vehicles; tightening the fuel quality standards and adhering to accepted 'world-class' technologies mandatory for newer vehicles.

India's energy sector is primarily characterized by low levels of per capita energy consumption, which leads to the question of equity; high dependence on bio-mass and drought power especially in rural areas emphasizing the need for improved access to modern sources of energy; significant share of coal as a source of primary energy with related environmental consequences and heavy reliance on petroleum and petroleum products' imports.

Strategies have also been formulated to augment power supply in short to medium run by increased generation through Renovation and Modernization (R&M) of old stations; utilization of the surplus capacity of the captive power plants into the grid; demand Side Management (DSM) to flatten the demand curves (introducing time of day tariffs and metering); introduction of a new system of matching time and load profiles for different zones in the country; energy Conservation and improved efficiency; evacuation of power from the surplus to deficit regions and carrying forward liberalization of power sector from earlier reforms that were confined to generation to further reforms in transmission and distribution sectors.

On one hand, the energy requirements of agriculture, industry, trade and domestic consumers need to be met in a cost-effective and environmentally benign manner. On the other hand, the capital-intensive energy sector faces a greater degree of risk that is related to the investment becoming unviable due to changes on account of international prices, technology and demand shifts. In order to meet these twin objectives, India looks forward to new international partnership for concrete action.

93% of the available water resources are used for agriculture while only 4% is for industrial purposes. The total water requirement is projected to grow to 1,180 billion cubic meters by the year 2050. The national average of annual per capita availability of water is about 1,829 cubic meters. However this is likely to decline to about 1,557 cubic meters by the year 2015, primarily due to an increase in population.

Concerns in the water resources sector include groundwater depletion, degradation of water quality, inefficiency in water use and management, unrealistic water pricing policies, and inappropriate institutional framework and legislation etc.

A variety of specialized marine ecosystems like mangroves, coral reefs, salt lakes and mud flats form the habitat for a number of endangered marine species and commercially important marine flora and fauna. 3,960 sites of coastal wetlands have been mapped covering an area of 40,230 sq. km of which 97 major estuaries, 34 major lagoons and 241 creeks are reported to be important for conservation.

In the poor states of India like Chhattisgarh and Rajasthan (with which the EC concluded a partnership agreement) there is always a cross cutting influence of environment issues in industries, agriculture, rural development, public health and infrastructure. In India in general and in the States of Chhattisgarh and Rajasthan in particular, attention would be required in water-land resource interface, participatory irrigation management, conversion of agricultural land for non-agricultural purposes, migration due to soil degradation, stake of landless communities in local water bodies for fishing, community participation and ownership in forestry, preservation of rare species and indigenous knowledge on useful species etc.

### ***Challenges and plans***

A major set of challenges arises from emerging global environmental concerns such as climate change, ozone depletion and biodiversity loss. India is of the view that multilateral regimes and programmes responding to these global environmental issues must not adversely impact its development opportunities. India also emphasizes that sharing of global natural resources must proceed only on the basis of equal sharing per-capita across all countries.

According to the Country Plan, DFID will support reforms in sub-sectors that can reward poor people's labour and promote sustainable and pro-poor growth: for example, the segments of the agricultural and unorganized non-farm sector where poor people are concentrated; provide support to enable the poor to access markets, better returns on their assets and improved opportunities from the labour market; work with governments to enhance public and private investment; and analyze the context-specific opportunities and constraints facing the poor and how they can participate more fully in growth.

ADB will also continue to increase its portfolio in environmentally oriented projects by seeking opportunities for leveraging concessional funds through co-financing, including from the Global Environment Facility.

USAID-India's Environment Strategic Objective (SO) is consonant with the Agency's Economic Growth, Agriculture, and Trade pillar and consistent with the GoI's Tenth Five-Year Plan. Environmental benefits will also be realized, both in terms of improved water resource management and reduced greenhouse gas emissions from the use of cleaner, more efficient technologies in the power sector.

The EC's co-operation strategy with India for the period 2007-2013 will be firmly based on the Action Plan adopted at the EU-India Summit in September 2005 and environment is likely to emerge as an important sector of co-operation in the future.

## ANNEX VI: India at a Glance

The status of the country as to the likely achievement of the Millennium Development Goals at a glance

In October 2006, *United Nations Economic and Social Commission for Asia and the Pacific UNESCAP*, the *United Nations Development Programme UNDP* and the *Asian Development Bank ADP* have issued a report “Millennium Development Goals: Progress in Asia and the Pacific 2006”. This report is the latest update on the progress towards MDGs in Asia and the Pacific. It highlights the region's achievements and exposes issues on which much work remains to be done. The report looks in a more holistic way at overall country progress by assessing absolute MDG indicators in addition to MDG targets.

The report classifies the progress made by each country into 4 categories

- *Early achiever* — Has already met the target
- ▲ *On track* — Expected to hit the target by 2015
- *Off track – Slow* — Expected to hit the target, but after 2015
- ▼ *Off track – Regressing* — Slipping backwards, or stagnating

Goal	1	2	3	4	6	7
	\$1/day poverty Underweight children Primary enrolment Reaching grade 5 Primary completion rate	Gender primary Gender secondary Gender tertiary	Under-5 mortality Infant mortality HIV prevalence TBC prevalence TBC death rate	Forest cover Protected area CO <sub>2</sub> emissions ODP CFC consumption	Water urban Water rural Sanitation urban Sanitation rural	
India	▲ ■ ▲ ▲ ▲	▲ ▲ ▲ ▲ ▲	■ ▲ ▲ ▲ ▲	■ ▲ ▲ ▲ ▲	▲ ● ● ● ● ● ●	▼ ▲ ● ● ● ▲ ▲

## Excerpts from “Country Fact File for India, 2004”

### 1. Introductory statement and basic data

India is the second largest country in the world population-wise and the largest with a democratic system of governance. In a territory slightly smaller than the EU live around one billion people, a third of which below poverty level, making India the host of the largest number of poor in the world. The economic challenges posed by the needs to tackle poverty and inequality in distribution is accompanied by the need to improve relations with neighbouring Pakistan, which like India owns nuclear weapons. The EU is the largest provider of development assistance (EC+MS) and the largest trade partner. Nonetheless, trade is limited in scale due to difficulties in accessing India’s huge but highly protected market and to the lack of proper infrastructures. A reform oriented approach of governments in recent times and the more than 7% growth of the last three years leave hope for India’s economic future.

Population (millions)	1071.2
GNI/capita (USD)	470
Exports to ( India ) from EU (millions €)	14208
Imports to EU from ( India ) (millions €)	13288
Total EC Develop. assistance (million €)	54.19
Total EC Development assistance/capita	0.050588
Total EU Development assistance (million €)	458.64
Total EU Development assistance/capita	0.428155
FDI/capita	2.8
Illiteracy rate (%)	38.7
Life expectancy (years)	63.7
1. Human Development Index	2. 127
3. Corruption Perception Index	4. 83
5. Total number high-level visits	6. 44

(Source: WB reports, GOI reports, etc.)

### 2. Indicators related to the Millennium Declaration

Indicators	1999	2000	2001	2002	2003
1. Proportion of population below \$1 per day	xxx	xxx	34.7%	xxx	xxx
2. Prevalence of underweight children (under-five years of age)	xxx	xxx	46.7%	xxx	xxx
3. Net enrolment ration in primary education	xxx	xxx	83.3	xxx	xxx
4. Primary Completion Rate	xxx	xxx	59%	xxx	xxx
5. Ratio girls to boys in primary, secondary and tertiary educat.	xxx	xxx	78.6%	xxx	xxx
6. Under 5 mortality rate (per 1000)	xxx	xxx	94	93	xxx
7. Proportion of 1 year old children immunised against measles	xxx	xxx	56	67	xxx
8. 8Proportion of births attended by skilled health personnel	xxx	xxx	42.5	43	xxx
9. HIV prevalence among 15-24 year old pregnant women	xxx	xxx	0.7%	xxx	xxx
10. Prop. of pop. with sustainable access to improved water	xxx	84	84%	xxx	xxx

7. Source: World Bank, April 2004 Census of India is conducted every 10 years, last one in 2001, so figures for other years not easily available.



### 3. Economic situation (please specify which countries constitute the regional average)

Macro indicators	India	South Asia	Public expenditure indicators	India	South Asia
Growth of GDP %	<u>8.1(2003)</u>	<u>4.3</u> (2002)	Government Expenditure/GDP %	18.29	N.A.
Investment/GDP %	<u>22.8</u>		Expend. Surplus/deficit/GDP %	<u>-4.8</u>	<u>-4.9</u>
Exports/GDP %	<u>15.2</u>	<u>16.9</u>	EU Aid/Total Gov Expenditure %	<u>0.50</u>	
Imports/GDP %	<u>15.6</u>	<u>18.3</u>	Total Aid/Total Gov Expend. %		
FDI/GDP %	<u>0.62</u>	<u>0.64</u>	Health exp/Total Gov Expend. %	<u>1.61</u>	<u>N.A</u>
Debt service/GDP	<u>20.6</u>	<u>24.5</u>	Education exp/Total Gov. Expend.%	<u>1.71</u>	<u>N.A</u>
Rate of Inflation %	<u>4.5</u>	<u>4.5</u>	Defence exp./Total Gov. Expend. %	<u>15.84</u>	<u>N.A.</u>
Unemployment %	<u>7.3%</u>	<u>3.4</u>	Debt service/Total Gov Expend. %	<u>62.8</u>	<u>N.A</u>
Living less 2 \$/day %	<u>79.9</u>	<u>76.9</u>	Total revenue/Total Gov. Expend. %	<u>71.98</u>	<u>N.A.</u>

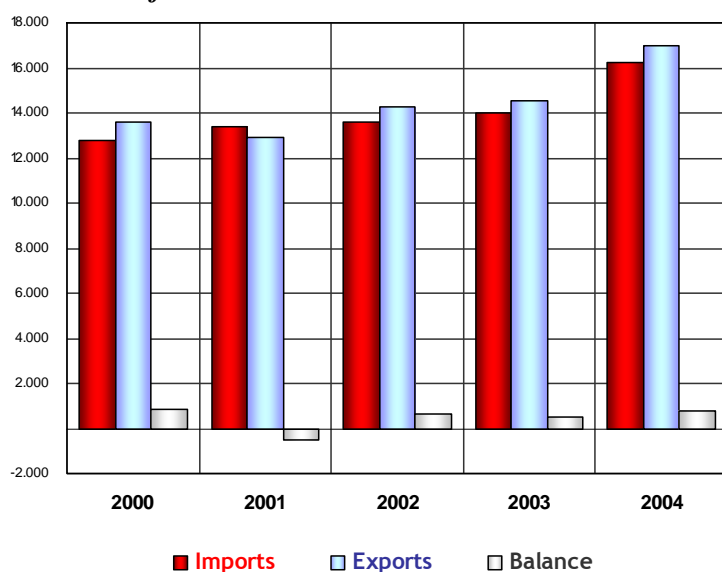
Source: World Development Indicators Database, April 2004; Indian Govt Budgets; other HDR sources.

## ANNEX VII: EU-INDIA TRADE AND INVESTMENT, KEY FACTS AND FIGURES

### 1. Trade in Goods

- **Bilateral trade** in goods reached €33.2 billion in 2004, up from €26.4 billion in 2000 (a 25.8 % increase)
- In general (albeit 2001), the EU has recorded a **small positive balance in goods trade** with India: EU exports to India totalled €7 billion in 2004, whilst EU imports from India totalled €6.2 billion in 2004
- **Growth in trade in goods** between the EU and India has been strong:
  - Annual growth of EU goods exports to India averaged 5.7% between 2000 and 2004 (compared to a 3% average annual increase in EU goods exports to the world as a whole).
  - Annual growth of EU goods imports from India averaged 6.1% between 2000 and 2004 (compared to a 0.8% average annual increase in EU goods imports from the world as a whole).

*Evolution of EU-India Trade in Goods*



- The **EU remains India's most important trading partner**: in 2004, the EU accounted for 22.8% of India's goods exports, 23.3% of its goods imports, and 21.6% of its total trade in goods.

### India's major trade partners

Partners	Mio euro	%
<b>World</b>	<b>114.345</b>	<b>100,0</b>
<b>1 EU</b>	<b>24.745</b>	<b>21,6</b>
<b>2 USA</b>	<b>13.305</b>	<b>11,6</b>
<b>3 China</b>	<b>5.700</b>	<b>5,0</b>
<b>4 United Arab Er</b>	<b>5.681</b>	<b>5,0</b>
<b>5 Hong Kong</b>	<b>3.937</b>	<b>3,4</b>
<b>6 Japan</b>	<b>3.660</b>	<b>3,2</b>
<b>7 Singapore</b>	<b>3.380</b>	<b>3,0</b>
<b>8 Switzerland</b>	<b>2.627</b>	<b>2,3</b>
<b>9 Indonesia</b>	<b>2.624</b>	<b>2,3</b>
<b>10 Korea</b>	<b>2.611</b>	<b>2,3</b>
<b>11 Australia</b>	<b>2.528</b>	<b>2,2</b>
<b>12 Malaysia</b>	<b>2.435</b>	<b>2,1</b>
<b>13 South Africa</b>	<b>1.953</b>	<b>1,7</b>
<b>14 Saudi Arabia</b>	<b>1.551</b>	<b>1,4</b>
<b>15 Bangladesh</b>	<b>1.411</b>	<b>1,2</b>

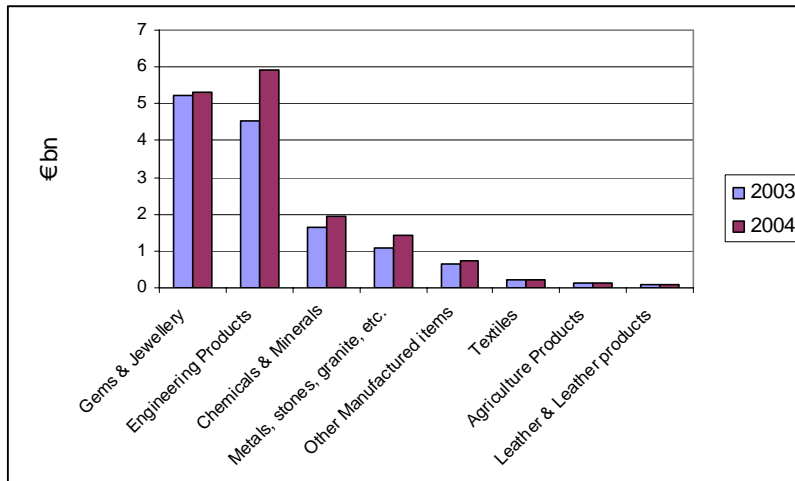
- **India is the EU's 12<sup>th</sup> most important trading partner:** India is the destination of 1.8% of the EU's total exports and the source of 1.7% of its total imports. Likely to see India rapidly scaling the 'ladder' in coming years...

The EU's major trade partners		
Partners	Mio euro	%
<b>World</b>	<b>1.990.541</b>	<b>100,0</b>
<b>1 USA</b>	<b>391.355</b>	<b>19,7</b>
<b>2 China</b>	<b>174.776</b>	<b>8,8</b>
<b>3 Switzerland</b>	<b>136.369</b>	<b>6,9</b>
<b>4 Russia</b>	<b>126.203</b>	<b>6,3</b>
<b>5 Japan</b>	<b>116.603</b>	<b>5,9</b>
<b>6 Norway</b>	<b>86.642</b>	<b>4,4</b>
<b>7 Turkey</b>	<b>68.931</b>	<b>3,5</b>
<b>8 Korea</b>	<b>47.997</b>	<b>2,4</b>
<b>9 Canada</b>	<b>38.148</b>	<b>1,9</b>
<b>10 Taiwan</b>	<b>36.422</b>	<b>1,8</b>
<b>11 Brazil</b>	<b>35.207</b>	<b>1,8</b>
<b>12 India</b>	<b>33.236</b>	<b>1,7</b>
<b>13 Singapore</b>	<b>33.016</b>	<b>1,7</b>
<b>14 Romania</b>	<b>32.051</b>	<b>1,6</b>
<b>15 South Africa</b>	<b>31.848</b>	<b>1,6</b>

### Sectoral structure of goods trade:

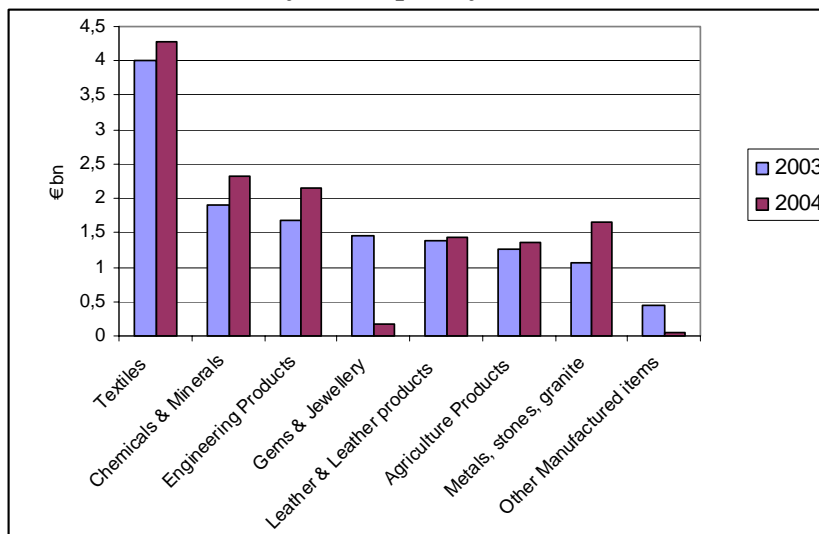
- In 2004, EU's main exports to India consisted of:
  - Engineering products (€9 billion or 36% of total)
  - Gems and jewellery (€5.3 billion or 32% of total)
  - Chemicals and minerals (€2 billion or 12% of total)
- Exports of engineering products to India registered the strongest growth - grew by nearly 29% between 2003 and 2004

### *Sectoral Breakdown of EU Exports to India in 2003 and 2004*



- In 2004, EU's main imports from India consisted of:
  - Textiles (€4.2 billion or 27% of total)
  - Chemicals and minerals (€2.3 billion or 15% of total)
  - Gems and jewellery (€2.2 billion or 14% of total)
- Imports of metals, stones and granite products grew by 31% between 2003 and 2004, closely followed by engineering products, which grew by 30.5%

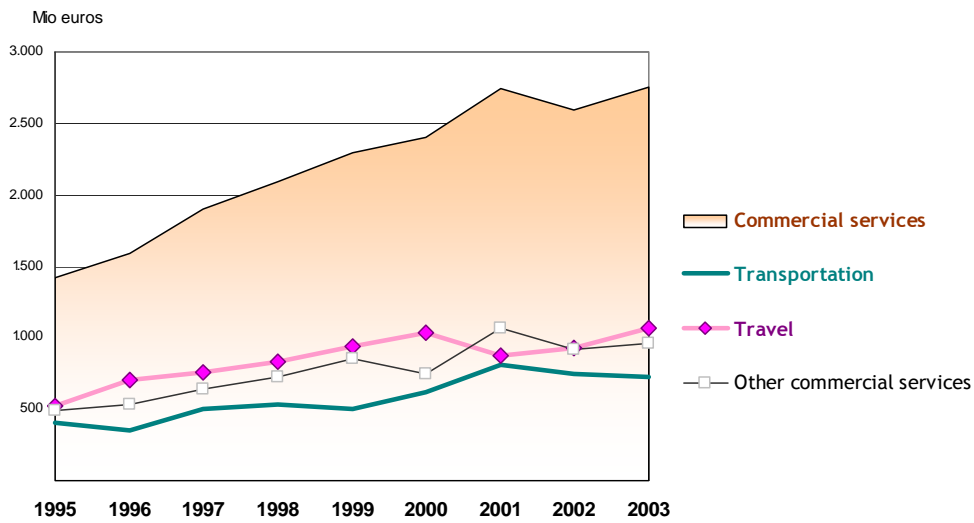
### *Sectoral Breakdown of EU Imports from India in 2003 and 2004*



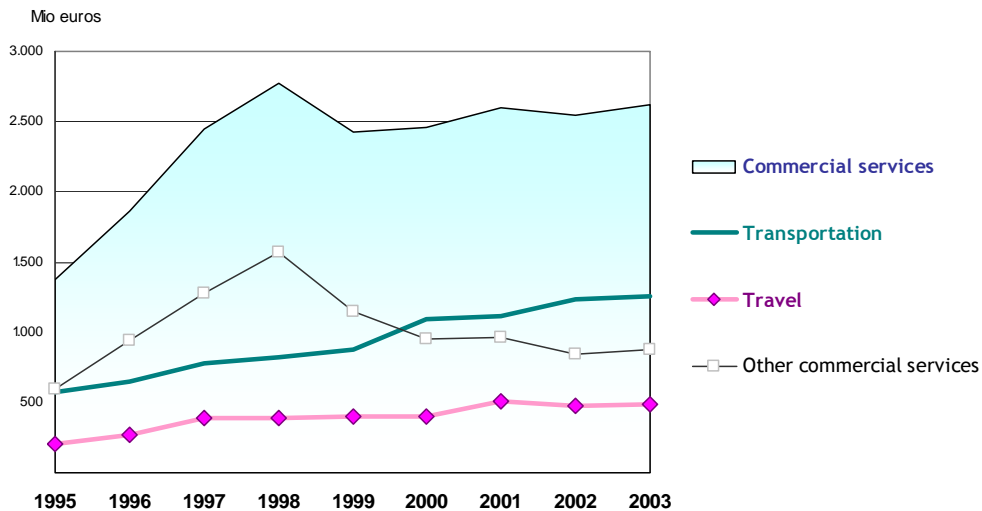
## **2. Trade in Services**

- **Bilateral trade** in services reached €5.4 billion in 2003, up from €2.8 billion in 1995.
- **Growth in trade in services** between the EU and India has been particularly impressive:
  - Annual growth of EU services exports to India averaged 8.3% between 1995 and 2003.
  - Annual growth of EU services imports from India averaged 8.7% between 1995 and 2003.

### *Evolution of EU Imports in Commercial Services from India*



### *Evolution of EU Exports in Commercial Services to India*



- The EU's **trade balance in services** with India has deteriorated in recent years: whilst our trade balance in transportation services with India has been positive and growing, and our balance in travel services persistently negative, interesting to note that since 1998 our trade balance in other commercial services with India has sharply declined, largely due to India's success in offshore outsourcing.

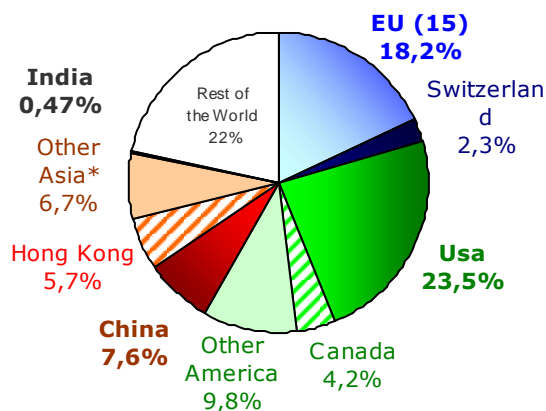


## Foreign Direct Investment

### EU Investment in India

- The EU is a major source of FDI for India.
- The investment approvals from the EU have risen substantially, from €78 million in 1991 to over €2.3 billion in 2001.
- During this period, actual FDI inflows from the EU amounted to €4.9 billion, which represents around 13.6% of total FDI inflows into India (€30.2 billion).
- India's share of EU FDI outflows has been increasing since 2000 and now represents 0.6% of the EU's total.
- EU investment has mainly taken place in the fuel sector (approximately 23% of total FDI approved for the EU), telecommunications (16%) and transport sectors (8%).
- EU FDI stock in India totalled €6.2 billion in 2003 – only to the US has a larger stock of FDI in India.

### India's inward stock of FDI in 2003



### India's Investment in the EU

- Also interesting to note that Indian investment into the EU has been increasing in recent years:
  - Indian FDI flows into the EU totalled €0.6 billion in 2003, up from €0.1 billion in 2001;
  - India's FDI stock in the EU totalled €1.3 billion in 2003, up from €0.5 billion in 2001
  - The EU is home to nearly 30% of India's total outward stock of FDI

### India's outward stock of FDI in 2003

