

## MULTIANNUAL INDICATIVE PROGRAMME (2007 – 2010)

<b>Country/Region:</b>	<b>INDIA</b>
<b>Budget Years:</b>	<b>2007 - 2010</b>
<b>Budget Line:</b>	<b>19 10 01</b>
<b>Legal Base:</b>	<b>DCI - Development Co-operation Instrument</b>
<b>Cost of Order:</b>	<b>€260 million</b>
<b>Programming Service:</b>	<b>DG RELEX.H.3</b>
<b>Acting Head of unit:</b>	<b>J.C. Rémond</b>
<b>Co-ordinator:</b>	<b>R. Teerink</b>

## 1. Summary of the MIP 2007-2010

In line with the CSP, the MIP for the period 2007-10 will address EC cooperation with India through a **two-pronged** approach:

- Help India meet the Millennium Development Goals 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 and bilateral economic policy dialogue in areas of mutual interest, including economic co-operation.

This is reflected in the following 2 priorities:

- Priority 1: Social Sector Support
- Priority 2: Implementation of the Action Plan

## 2. Indicative Budget

The financial allocation for the 2007-2010 period is €260 million.

Sector of Concentration	Amounts
<b><u>Priority 1: Social Sector Support:</u></b>	<b>180 million</b>
Health Sector Reforms	110 million
Education Sector Reforms	70 million
<b><u>Priority 2: Action Plan Implementation</u></b>	<b>80 million</b>
<b>Economic Sectoral Dialogues:</b>	<b>30 million</b>
- Economic Policy Co-operation	25 million
- Policy Dialogue Support Facility (PDSF)	5 million
<b>Culture and Civil Society:</b>	<b>11 million</b>
- Civil Society Exchanges including EICCP	8.5 million
- Culture Fund	2.5 million
<b>Academic Exchanges:</b>	<b>39 million</b>
- Erasmus Mundus External Cooperation Window	28.6 million
- EU/Indian Study Centres	10.4 million

## Priorities and Actions:

### 3. Priority 1: Social Sector Support

#### 3.1 Health Sector Reform

##### 3.1.1 Strategy Context/Justification

Improving the health status of the population will continue to be a major challenge for the Government, especially in the context of MDG goals to reduce Infant and Maternal Mortality rates. Despite Government commitments, public expenditure at 0.9% of GDP remains low by regional standards. Lack of community ownership of public health programmes is contributing to low levels of efficiency, accountability, effectiveness and poor access to good quality services.

While reasonable health facilities exist in many urban areas, these are very limited in rural areas and access is often beyond the financial and physical reach of the poorest. The poor suffer disproportionate ill-health with the poorest 20% almost five times more likely to suffer from TB and overall 3 times more likely to suffer from Malaria.

With an estimated 5.134 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. National Aids Control Society (NACO) data indicate a shift in the HIV/AIDS scenario from urban high risk groups to an increasingly rural general population. All states are now considered to be at risk. Young people are considered to have become particularly at risk. HIV associated with injecting drug abuse is increasing. There is an urgent need to mainstream NACO's HIV/AIDS policies and programmes into the wider RCH2/NRHM programmes, particularly with regard to sexual and reproductive rights. The challenge for the Government is how to improve reproductive and child health care and how to improve service delivery in the primary health care sector as a whole.

Since the change in National Government in May 2004, greater stress has been laid on the importance of improving the functioning of the health system and on urgently addressing the gross inequality and unacceptable conditions faced by the poorest segments of the population. The priorities of the government are laid out in the Common Minimum Programme (CMP) with health identified as one of the seven main thrust areas. A **National Rural Health Mission** (NRHM) has been launched to translate Government priorities into a programme/mission.

Within this NRHM is the **RCH2 programme** which has been developed into a sector wide programme encompassing all family welfare activities and bringing together all supporting Development Partners. RCH2 is due to run from April 2005 to March 2010. The main focus of the programme is on holistic programming with **pooled funding**. The objectives are to achieve the Millennium Development Goals. The key aim is to reduce regional inequalities in the provision of services in the areas of Reproductive and Child Health and Population Stabilization through an integrated, focused, participatory programme through the provision of better assured, equitable, responsive and good quality services.

The focus of the NRHM/RCH2 will be on reducing the Maternal Mortality Ratio (MMR), the Infant Mortality Rate (IMR), the Total Fertility Rate and increasing the Couple Protection Rate and the coverage of children through immunization. These are to be achieved through the provision of a common essential package of service delivery mechanisms. Supply side strategies are to be oriented to the demand side sensitivities to bring about assured, equitable, responsive and quality service. Performance bench marks and accountability tools will be used to accelerate implementation.

The European Commission has been closely participating in the design of RCH2. Other development partners, notably the **World Bank and DFID** but also WHO, UNFPA, UNICEF and USAID have also contributed considerably. The Commission has provided international and national consultants, financed out of the existing Health programme to ensure comprehensive and well coordinated inputs.

**Key themes from the current Health and Family Welfare (SIP)** programme have been carried forward into the NRHM/RCH2 programme. These include effective decentralisation, the MoU mechanism, performance based funding, capacity building, integrated planning and management, community participation and public-private partnerships, and strong donor coordination under the leadership of the GoI.

In December 2004, the GoI also announced the merger of the departments of Health and Family Welfare under one Union Secretary. This is a significant step towards integration and will bring improved convergence between these two departments and contribute to more holistic management of the sector, including the response to HIV/AIDS.

The proposed budget for the five-year period (April 2005-March 2010) of RCH2 is **€ 7.3 billion**. DFID and the WB expect to support the RCH2 programme through pooled financing. DFID has indicated a commitment of € 388 million with a further € 7 million for technical assistance. The WB is expected to provide € 275 million, including € 30 million earmarked for polio eradication and retroactive funding. UNFPA has also decided to join the pool, but their contribution is not yet known.

**Since NRHM and RCH2 carry forward several of the central themes of the current EC-supported programme relating to system reform, EC support for NRHM/RCH2 is a natural sequel to the current SIP programme.** RCH2 and NRHM also provide opportunities to mainstream HIV/AIDS and to work further on Sector Wide Support.

The EC mainly responds to the global AIDS epidemic through the thematic budget lines (fight against AIDS, TB and Malaria). At country level this translates into funds channelled through the Global Fund, 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 these weak issues as well as core convergence issues between RCH2 and NACP3 (National AIDS Control Programme).

### **3.1.2 EC Objectives**

The overall objective is to support the Government of India in implementing the RCH2/NRHM programme, to strengthen the system in its decentralisation efforts and assist institutions at different levels to participate fully in the proposed bottom-up approach.

Specific objectives in the Health and Family Welfare programme are: strengthening decentralisation efforts at centre, state and district level; strengthen institutions at different levels to make them more accountable and to provide quality service delivery; increase community participation. Assisting the Government in these efforts will improve the services for the poor and contribute to the achievement of the MDG's, which is in line with the EU policies.

### **3.1.3 Expected results**

The results expected from the EC contribution to the common funding for NRHM/RCH2 will contribute:

- To address the unmet needs of contraception, health care infrastructure, health personnel and provide integrated service delivery for basic reproductive and child health care with

special focus on: EAG<sup>1</sup> states, states facing biggest socio-demographic challenges, and the urban poor.

- To bring the Total Fertility Rate (TFR) to replacement level by 2010 through coordinated implementation of the inter-sectoral linkages.
- To reduce maternal mortality rates; improve immunization rates for children and reduced child mortality rates.

The results correspond with the outcomes as envisioned in the Millennium Development Goals.

### **3.1.4 Activities**

This intervention will have two components:

- 1) Assist the Government NRHM/RCH2 Programme through a budget support modality with funding in tranches for the implementation of NRHM/RCH2. Based on findings of joint monitoring missions with GOI and development partners and through a joint policy dialogue, mid term corrections might be necessary.
- 2) Provide a Technical Assistance component to assist the Government in its efforts towards decentralised planning and implementation.

### **3.1.5 Implementation**

DFID, WB and UNFPA have already signed a MoU with MoHFW for the pooled funding of RCH2. All the funds go to the MoHFW, who sign MoU's with the States for milestones to be achieved. State, District and Village health plans will be developed in a bottom up approach and approved by the MoHFW.

### **3.1.6 Cross cutting issues**

While women are the main beneficiaries of the reproductive health care services, increased efforts will be made in the programme for improved male participation in reproductive health. Adolescent reproductive health and the status of the girl child will also have ample attention.

This will be in line with achievements of the previous Health SIP, namely: (i) health reforms that bring about improved health outcomes for poor women (and children); (ii) constant focus on improving immunisation rates in children, particularly females; (iv) ensuring States promote greater responsibility of men in reproductive health.

Environmental safeguards and a tribal health plan were put as conditions by the WB in order for RCH2 to become eligible for funding.

### **3.1.7 Risks and assumptions**

These main risks and assumptions can be addressed as follows:

- Absorption capacity is a particular concern in the less developed states in the north and east, but the EC can reduce the risk by pressing for the early implementation of key institutional developments (especially through the design of the milestones for funds flow in the NRHM/RCH2 MoUs) and the provision of substantial TA targeted to developing organisational capacity.

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<sup>1</sup> EAG: Empowered Action Group, special emphasis programme for 8 states: Bihar, Jharkhand, Uttar Pradesh, Uttaranchal, Rajasthan, Orissa, Madhya Pradesh and Chhattisgarh.

- A strong EC commitment to NRHM/RCH2 will enable the EC to press for the MoUs between the centre and the states to not only ensure that the states meet their obligations, but also that the centre does not interfere with agreed state plans. A large EC investment will also enable the EC to argue strongly for widening the scope of performance-based funds flow in NRHM/RCH2.
- Ensuring the local councils (Panchayati Raj Institutions) play their natural and prominent role in the decentralised planning and management of health services presents particular problems in terms of knowledge, organisational development and financial probity. Bringing the comparative advantage of the EC to bear on this critical issue would be one of the key EC contributions in NRHM/RCH2 and would be central to the successful implementation of the programme.

### 3.1.8 Main indicators

While the ultimate impact indicators are described in the MDGs and national policy documents, three specific sets of indicators are envisaged for NRHM/RCH2. These are

- **Indicators reflecting critical institutional processes** that need to be in place for efficient programme implementation, e.g. delegation of financial & administrative powers, improved management performance, etc. to be obtained through a strengthened information system & quality management reviews.
- **State-specific data on programme outputs disaggregated by age, sex, vulnerability,** (e.g. contraceptive use, immunisation rates, institutional deliveries), ethnicity and caste, etc., to be assessed by household surveys and independent studies. Data will be disaggregated in terms of gender-ratio in births, Scheduled Castes and Scheduled Tribes (Dalits and Adivasis) and religious minority groups.
- **Indicators on improved services for the vulnerable to qualify States for a bonus allocation,** e.g. skilled birth attendance among SC/ST groups, immunisation rates of SC/ST groups as overall percentage, etc., to be assessed by the HMIS with appropriate validation systems.

In addition process indicators on establishing voluntarily counselling testing centres and ARV treatment would allow the EC to press in policy dialogue for better integrated HIV/AIDS in the public health care system.

### 3.1.9 Coordination with MS and other donors

A regular donor coordination mechanism under the leadership of the Government is already in place. While WB, DFID and UNFPA will provide pool funding, it is expected that USAID, WHO, GTZ and UNICEF will separately contribute to the same aims of NHRM/RCH2.

### 3.1.10 Indicative timeframe

- Identification mission: February 2006
- Formulation mission: June 2006
- ALA Committee: October 2006
- Commission Decision: January 2007
- Signature of Financing Agreement: February 2007

## **3.2 Education Sector Reform**

### **3.2.1 Strategy Context/Justification**

In recent years, India has witnessed a phenomenal educational development, both in quantitative and qualitative terms. However, the national goals of universal elementary education and total eradication of illiteracy have yet to be accomplished, and challenges remain: almost 46 percent of women and 25 percent of men are illiterate and some 13.5 million children in the 6-14 age group are out of school. 56 % of these out-of-school children are girls, while children from Scheduled Caste and Scheduled Tribe communities, Muslim children, children in migrating households, street and working children, and children with disabilities continue to require special targeting.

To provide a comprehensive policy and budgetary framework for achieving the implementation of the constitutional right to basic education, the GoI launched in 2001 a National Programme for Universal Elementary Education - Sarva Shiksha Abhiyan (SSA). It aims at achieving universal enrolment in and completion of elementary education (grades 1-8) over the period 2001-2010. The goal of SSA is consistent with the Millennium Development Goal for education. In line with the enhanced commitment to financing elementary education, the GoI increased spending to 4.3 percent of its GDP on education (nearly € 14.5 billion), of which 42% went to elementary education. This figure exceeds the 3% average for low-income economies, but is lower than OECD's 5% standard. The GOI intends to further raise public spending on education to 6% of GDP.

The EC, together with DFID and WB, has supported the SSA programme for the period 2002-2006, through budget support and provision of TA, increasing as such the Government's efforts to attain the planned objectives (reduce the number of out-of-school children by at least 9 million; narrow existing gender and social gaps in enrolment; and enhance the quality of education) and to deepen the SSA reform agenda. The EC has been engaged in the Education sector since 1995, playing a catalytic role for other donors to join in the DPEP (District Primary Education Programme), the first sector programme implemented in India. SSA, as revealed through recent Joint Review Missions, is reaching its target faster than foreseen and the Government is already approaching donors for financing of a further phase of SSA. Both WB and DFID intend to continue their support to the SSA programme beyond 2006.

In the context of the preparation of the 11th 5-year plan, the GoI has budgeted € 18 billion for the Education Sector and € 9 billion for the Health Sector. The EU-India Joint Action Plan, agreed at the EU-India Summit of September 2005, proposed to deepen development cooperation in the health and education sectors and to significantly enhance development cooperation to supplement the Indian programmes of SSA and NRHM.

### **3.2.2 EC Objectives**

The overall objective is to support the GoI in implementing the second phase of the universal education programme (SSA II), including in its reform and governance agenda, with a final goal to achieving the MDGs n°2 and 3.

The expected specific objectives in SSA II are:

- Decrease the number of out of school children and conversely increase the enrolment figures, with a special attention to groups with special needs (Girls, SC/ST, Muslim community, urban deprived children, migrant children and children with disabilities).
- Ensure quality education – including through strengthening accountability systems and ensuring availability of trained staffing, and reform in teaching methodologies, teacher training and regular pupils' assessments.
- Increase transition rates from lower primary to upper primary.

### **3.2.3 Expected Results**

The expected results from the EC contribution to the common funding for SSA II are the following:

- Quasi universal enrolment of children in the age group 6-14;
- Delivery of quality education;
- Improved accountability;
- Educational reforms;
- Availability of adequate and trained staffing.

### **3.2.4 Activities**

The EC intervention will assist the GoI SSA II programme through a budget support modality, with funding tranches as described in a pool funding arrangement. Disbursements in variable tranches will be based on Joint Review Missions of GoI and the Development Partners, mid term review and audit reports.

### **3.2.5 Implementation**

SSA will be a centrally sponsored scheme.

SSA II will be implemented through decentralised planning of district plans prepared under the guidance of the State Implementation Societies and on the basis of community participation through the established system of Village Education Committees and parent-teacher associations.

### **3.2.6 Cross Cutting Issues**

One of the main targets of SSA is to reduce the gender gap in education and ensure the enrolment of girls, which in turns contribute to women's empowerment.

Education ensures that citizens are more aware of their basic rights and ensures good governance through enhanced voice and accountability.

Environment protection and awareness are included in the school curriculum.

### **3.2.7 Risks and Assumptions**

The second phase of the GoI SSA programme builds on the achievements of the current phase that needs, however, to be strengthened. In order to reach universal education, the focus needs now to be put on quality education and retention of children in school. Tranche releases will be conditioned to the findings of Joint Review Missions which will assess the programme's progress towards its objectives against agreed indicators. These should also rest on credible available baselines.

Lack of proper training and orientation of local Village Education Committee Members might form a bottleneck in the decentralised planning process.

### **3.2.8 Main Indicators**

- Number of enrolled children, disaggregated in terms of gender, caste and class (with special focus on deprived groups);
- Drop out rates;
- Transition rates;

- Progress in the baselines in terms of pupil's competences (maths, reading, writing) at Grades 3, 5 and 7/8;
- Staffing numbers;
- Increased decentralised monitoring.

### 3.2.9 Coordination with MS and Other Donors

Coordination and monitoring mechanisms will be in-built in the Financing Agreement, ensuring policy dialogue between the GoI and the development partners in the pool funding, carrying forward the effective mechanisms set up under SSA I. The EC will ensure regular information on the status of its support to SSA to MS through regular EC Development Counsellors meetings.

### 3.2.10 Indicative Timeframe

- Identification mission: Second Half 2007
- Formulation mission: End 2007/Early 2008
- ALA Committee: June 2008
- Commission Decision: September 2008
- Signature of Financing Agreement: December 2008

## 4. Priority 2: Action Plan Implementation

### Strategy context/justification

The **EU-India Strategic Partnership** will be supported through the **implementation of the Action Plan** endorsed at the 2005 EU-India Summit in New Delhi, entailing a series of multi-sectoral activities. These activities will build upon the Commission's previous experience in India and result from the most important sectors and actions identified in the Economic, Cultural, Civil Society and Academic sections of the Action Plan.

Although the Action Plan concentrates to a large extent on coordination, cooperation and policy dialogue at political, economic, trade, development and civil society levels, these areas will not only greatly benefit from, but also require funding for a successful implementation.

### Financial support will be earmarked for the following initiatives:

- **Economic Sectoral Dialogues and Co-operation, including:**
  - Economic Policy Cooperation in four priority sectors, and
  - a multi-sector Policy Dialogue Support Facility
- **Civil Society and Cultural Exchanges including:**
  - Civil Society Exchanges including a new and revamped EU-India Cross Cultural Programme, and
  - a Culture Fund
- **Academic Exchanges including:**
  - a continuation of the co-operation in higher education
  - the creation of EU and Indian Studies Centres

## 4.1 Economic Sectoral Dialogues and Co-operation

### Strategy context/ justification

In view of an enhanced cooperation between India and the EU, the following sectors are addressed under this action, as agreed in the EU-India Action Plan:

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

Policy dialogue in some (four) sectors will develop into substantial activities within this time frame and are therefore included under the heading **Economic Policy Co-operation**. These sectors are: 1) Trade, Industry and Business co-operation 2) Transport 3) Environment and 4) Energy. They have all already benefited from intensive cooperation in the past, and are those for which specific new economic policy co-operation initiatives are already foreseen in the Action Plan.

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).

### 4.1.1 Economic Policy Co-operation

This section includes the **four sectors** identified in the Action Plan and the Political declaration of the 5<sup>th</sup> EU-India Summit as priorities for economic cooperation, and for which past/on-going cooperation activities are foreseen to be continued or expanded, namely:

#### a) Trade, Industry, Business and Customs Co-operation

As emphasised strongly in the Action Plan, trade-related and economic aspects are key between the EU and India. Despite impressive ongoing growth, India and the EU continue to be committed to increasing mutual trade and investment, which still lies below potential. Both partners agree that cooperation on trade and trade-related topics can contribute to growth of mutual trade and investment and that this kind of cooperation will continue to become more and more important in the bilateral relationship in years to come. Recognition of the importance of a strengthened multilateral framework for international trade and investment is also a key element.

Technical co-operation and exchanges will be a supporting pillar in the relationship. A principle for all trade-related cooperation will be the promotion of socially and environmentally sustainable private sector-led economic growth.

Issues that are of growing importance to **India's trade-related infrastructure**, and in which the EU has a clear added value, include such themes as intellectual property rights (including Geographical Indicators) and competition policy, statistical cooperation and trade facilitation. Areas of mutual interest also further include Private-Public Partnerships, investment and services. Other important fields where co-operation can be enhanced relate to issues of compliance with both quality and food safety standards, Sanitary and Phyto-sanitary (SPS) measures and Technical Barriers to Trade (TBT). The EU also encourages regional integration in the context of SAARC and welcomes recent initiatives towards the establishment of SAFTA.

Generally, India-EU economic cooperation in the trade-related field should facilitate increased mutual understanding through exchange of information and best practice. A continuous dialogue is necessary between partners and **technical cooperation and exchanges** will be a supporting pillar in the relationship.

Moreover, **strengthened regulatory and industrial dialogue** between the EU and India will improve the business environment, leading to strengthened economic relations. Moreover, in the long term, it will help reduce obstacles to bilateral trade and investment. The establishment of a dialogue on industrial policy is envisaged, as well as an enhancement of mutual understanding of regulatory frameworks. These objectives can be achieved by the promotion of exchanges on good regulatory practices and good governance with the reinforcement of bilateral consultation mechanisms and with the analysis of recognised international experiences on better regulation (e.g. OECD).

The full **inclusion of industry and business in EU-India cooperation**, as well as dialogue between businesses from both sides are crucial to achieving the common goal of enhanced trade and investment. Both sides should build on their shared experiences to promote a strategic discussion on improving business links. In view of the growing importance of business to business contacts between the EU and India, both partners shall seek to hold **Business Round Tables**, on a regular basis together with the Business Summits, promote the development of networks for sectoral industrial cooperation and investment promotion, and further discuss strengthening of the existing information dissemination mechanism and explore the need for new instruments for facilitating EU-India trade/investments.

In order to build on the Commissions past activity in this particular field, notably under the **Joint Initiative for Enhanced Trade and Investment**, which provided joint recommendations across a full range of industrial sectors in the EU and India, the Commission shall explore the possibility to launch a **follow up initiative**. In this context, the recommendations and policy advice provided by the CEO Round Table and Business Summits will be taken into account.

Moreover, based on the ongoing Trade and Investment Development Programme that has just started and taking into account future negotiations foreseen in the Action Plan, funds could be required to build on these activities.

**Customs Co-operation:** the EU and India are committed to developing close cooperation in the customs field in order to find joint solutions to problems EU and Indian companies are facing in relation to customs and customs related procedures. To help overcome such obstacles to trade and to improve supply chain security, the EU and India intend to develop activities aiming at facilitating and enhancing trade flows between them, such as harmonisation of regulations and procedures, setting up an active regular dialogue on customs and customs related issues, exchange of best practices and cooperation in capacity building.

## b) Transport

As India's economy strengthens, so too does the risk that its transport infrastructure will not be able to keep pace with its growth. The country's broad-based export expansion is currently receiving additional impetus from the GoI's Foreign Trade Policy which aims to double India's share of global by 2009. The Policy recognises the risk posed by transport infrastructure limitations and emphasises the need for improvements that will deliver reductions in transaction costs for business and at the same time enhance safety and security. This priority is highlighted in the CSP which states that "transport sectors such as ports, airports, rail and roadways still need a lot of investment in order to handle high growth rates." Similarly, the Communication on EU-India Strategic Partnership affirms that the EU should be ready to support India in making substantial efforts to upgrade roads, airports, and ports.<sup>2</sup>

The EU can add significant value to integrated transportation systems in India from its own domestic experience. Past EC-India cooperation in this field has focused on maritime transport and civil aviation with significant success. The **EU-India Maritime Transport Project**, which ended in early 2004, aimed to increase the efficiency and productivity of the Indian port sector and improve its customer-focus. This was achieved by leveraging in European port management expertise and was described by external monitors as 'extremely pertinent to EU-India trade needs.'

Meanwhile, the **EC-India civil aviation project** which will come to an end in November 2006 has facilitated successful cooperation between Europe and India in aviation regulation, safety, infrastructure development and industry collaboration. These are increasingly important topics given the recent liberalisation and expansion of the Indian civil aviation sector and the catalytic effect of this expansion on business and tourism.

Maritime and civil aviation cooperation are particularly useful in that they provide a direct, practical contribution to strengthening the EU-India trade partnership and complement existing EU-India programmes which target the overall trade environment such as the Trade and Investment Development Programme. Future cooperation should build on these successes in aviation and maritime and focus, inter alia, on technical assistance, training, exchanges of best practice and fostering industry links.

To advance our mutual interests in this crucial sector, the EU and India have agreed to work towards the conclusion on a Maritime Agreement as well as an Agreement on Civil Aviation which will be the basis for further going dialogues including closer co-operation in air transport technology, regulation and infrastructure.

To this end both parties agreed in the Action Plan to explore the possibility of **continuing and expanding the scope of the existing Civil Aviation Project**.

## c) Environment

The GoI issued a National Environment Policy (NEP) in 2004. The policy recommends bringing in regulatory reforms, enhancing and conserving environmental resources, setting up of environmental standards, adopting standardized management systems, and promoting environmental certification and indicators. It describes the key environmental challenges facing the country, the objectives of environment policy, normative principles underlying policy action, strategic themes for intervention, broad indications of the legislative and institutional development intended to accomplish the strategic themes, and mechanisms for implementation

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<sup>2</sup> Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee: An EU-India Strategic Partnership (Sec(2004) 768)

and review. Access to information on sustainable solutions in the field of environment, and on environmental sustainability in general, needs to be further developed.

There is a necessity for coherence, complementarities and convergence of information, so as to enhance the development of Private-Public Partnerships and encourage mainstreaming of environmental issues both for the EU and India. Identifying opportunities and possible synergies, raising awareness both within the public domain and the private sector, as well as providing sustainable options is vital in the development of global economies, such as India.

Recent discussions during the **Joint Working Group on Environment** in 2004 and the EU-India Action plan Seminar in 2005, show that there is however broad interest and commitment, from both sides. India has expressed interest in EC cooperation in mutually beneficial areas such as waste management, forestry, renewable energies, research and development of cleaner technologies.

The EU-India strategic partnership, the Action Plan, the **Environment forum**, the major reform of the environment legislation in India, etc. all stress or are focussed on an increased **exchange of information, technical know-how and best practice experience**. Further, developing a dialogue on global environmental issues with a view to building mutual understanding in such issues as the UN Framework Convention on Climate Change and the Kyoto Protocol, the Montreal Protocol and the UN Convention on Biological Diversity, and organise an EU-India environment forum with stakeholders involving business, academia and civil society to exchange views and information.

Notably, the 2005 Summit produced an agreement to launch the **EU-India Initiative on Clean Development and Climate Change**. The initiative forms an integral part of the Action Plan and links the actions undertaken in the Environment and Energy sectors in a coherent manner.

The initiative includes, among other steps, enhanced efforts at introducing clean technologies, a strengthening of the CDM, and enhanced research and development co-operation on technologies and measures to adapt to climate change.

#### **d) Energy**

In the area of energy cooperation with developing countries, and in the context of the Johannesburg World Summit on Sustainable Development, the Commission has adopted a Communication<sup>3</sup> proposing a reference framework and operational recommendations to boost such co-operation through the setting up of an **Energy Initiative**. The Communication takes note of the fact that nearly 2 billion people in the world lack access to basic energy services, and that the security of the EU's energy supply is set to become even more closely linked to that of developing countries given the expected increase in consumption of fossil fuels and the ensuing of environmental problems, in particular climate change. A major challenge for India is to provide electricity to the rural poor. Without it the eradication of rural poverty will be impossible.

The conventional approach to electrification, based on favouring areas where cost per head is lowest, tends to marginalise rural communities who are located far away from the grid. Rural population densities are generally low and the cost of energy supply is high compared with densely populated areas. Electricity companies – public or private – therefore have little incentive to provide services to these areas. The options for decentralised rural electrification are either through diesel or renewable energy sources. Renewable energy has distinct advantages over diesel as it has much lower running costs, uses local energy sources, does not run out, is much cleaner and does not contribute to global warming. Only relatively small investments are needed to

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<sup>3</sup> Communication from the Commission to the Council and the European Parliament - Energy co-operation with the developing countries – COM/2002/0408 final.

produce or improve technologies that are already within the reach of low-income communities in order to transform them into renewable energy sources.

The Communication proposes a reference framework for energy co-operation with developing countries and makes a series of operational recommendations to implement this co-operation, in particular, through:

- Assistance to promote the necessary technical capacity;
- Supporting efforts to establish the necessary regulatory framework and institutional capacity to promote the use of locally available renewable energy sources;
- Providing improved access to renewable energy and energy efficiency technology as developed by EU industry. RTD efforts deployed in the EU should address the constraints to using these technologies in non-industrialised countries or in remote rural areas;
- Developing appropriate financial mechanisms to promote renewables.
- Organise RTD oriented workshops on renewable energy technologies, with the aim to increase scientific collaboration on technology transfer.

Joint efforts in the development of more efficient, cleaner, alternative energy chains will be paramount. The proposal to set up a specific EU–India dialogue on energy was expressed in the Communication of the Commission “An EU-India Strategic Partnership” (2004) and is part of the Action Plan, which also establishes the **EU – India Energy Panel**. Its main objective will be to exchange views and information in the field of energy in order to promote the development of a secure and sustainable energy policy both in India and the EU.

In particular, the energy panel will:

- Assess the energy supply/demand balance over a 20 to 30 year time-frame, which is necessary to achieve the targeted rates of respective economic growth and public energy accessibility;
- Suggest the most appropriate strategy for developing a secure and sustainable energy policy and recommend specific measures, also taking into account the Kyoto Protocol with the aim of reducing greenhouse gas emission levels.

The EU-India Energy Panel met for the first time in Brussels on 29 June 2005 and decided to set up three sub-working groups (on coal and clean coal technology, on renewable energy and energy efficiency, and on fusion/ITER) to take the dialogue further. Co-operation will focus on specific issues as identified by the Energy Panel, notably in the areas of **clean technologies, energy efficiency and renewable energies**. Furthermore, Indian participation in a major European led project, ITER, is now secured.

#### 4.1.1.1 Objectives

The overall objective of the actions foreseen in this section is to further widen and deepen EU relations with India through the further development of EU-India sectoral policy dialogues that are in line with the objectives of the Country Strategy Paper and the Action Plan. The specific purpose is to facilitate and support the current and future implementation of the Policy Dialogues between EU and India, leading to enhanced economic cooperation between public and private entities in those sectors.

#### 4.1.1.2 Expected results

In order to fulfil the set objectives, an environment is to be created where the exchange of know-how, expertise and best practices are promoted in these areas of mutual interest.

Expected results should include:

- Increased common understanding on related issues of the sectors defined above;
- Current and future EU-India dialogues facilitated and enhanced;
- Exchange of best practices and promotion of good governance;
- Enhanced co-operation in the areas of mutual interest.

#### **4.1.1.3 Activities**

Activities will take the shape of exchange of best practice, training, technical assistance, seminars and workshops, conferences, studies and exchange/study visits. Emphasis should be on using European and Indian expertise and coupling this with mechanisms to strengthen transfer of know how. The themes will be relevant to the sector and topic chosen. Activities in the four specific sectors that have been identified under the Economic Policy Co-operation, will lead to more substantial undertakings and joint projects, where elements of services, supplies and/or works could be incorporated. Visibility-related activities through printed and other media will play a large part in the implementation, to ensure the wide awareness of the EU's cooperation work in this field.

#### **4.1.1.4 Implementation**

A dialogue will take place with the GoI for a possible application of a decentralised implementation system, and if successful, for implementation by the GoI afterwards.

#### **4.1.1.5 Cross-cutting Issues**

As a principle, socially and environmentally sustainable private sector-led economic growth should be promoted. Gender and environment will be mainstreamed in the activities as cross-cutting issues.

Links to other areas which are of relevance should be taken into account, such as legal reforms, land rights, compliance, civil society, access to justice, poverty reduction, and gender mainstreaming.

#### **4.1.1.6 Risks and Assumptions**

Emphasis on cooperation activities on areas of mutual interest and keeping activities on a practical rather than political level should mitigate the risk that the GoI would halt co-operation over any of the sectors.

The second level of risk is of a more practical nature and relates to the particularly fast-changing character of matters pertaining to the sectors above vis-à-vis the average lead time of EU cooperation work. This risk should be mitigated by allowing for flexibility in implementation and possibly seeking cooperation with an international agency, which might reduce the lead time.

#### **4.1.1.7 Main Indicators**

These will vary according to the sector addressed. In general terms, these are:

- Growing coherence between the EU and India in policy development in the relevant fields;
- Continued and increasing support to exchange of knowledge and experience in various fields;
- Support fora to discuss policy issues on sectors of mutual interest;

- Partnerships established between institutions and individuals as a basis for further exchanges of information and best practice;

Specific indicators for each of the above sectors: **(1) Trade, Industry and Business Co-operation (2) Energy, (3) Environment and (4) Transport** are as follows:

### **Trade, Industry and Business Co-operation**

- Level of mutual understanding and shared positions on international trade and trade-related issues, e.g. in WTO context;
- Amount of mutual cooperation on technical international trade-related issues;
- Degree of compliance with mutual requirements for trade related issues;
- Level of mutual trade and investment flows between the EU and India;
- Level of mutually beneficial collaboration in industrial matters;
- Strengthening of EU-India business-to-business co-operation and business-to-government dialogue;
- Strengthening of information dissemination to facilitate two-way trade and investment flows.

### **Transport**

- Degree of coherence in e.g. air safety standards and transport policies;
- Average turnaround times for freight at targeted air ports;
- Average cost of bringing freight through targeted air ports;
- Volume of cargo handled by targeted air ports;
- EU-India flows of trade in goods.

### **Environment**

- Coherence in strategic policy development, e.g. through legislation and international commitments, both in international fora and bilaterally
- Level of awareness of politicians, government officials (especially at state level), industry, and civil society of EU best practice available;
- Uptake of best practice in areas such as waste management, water management, forestry, renewable energies, research and development of cleaner technologies
- Number of Public Private Partnerships in areas like Climate change, with respect to CDM/JI, pollution abatement and conservation of natural resources.

### **Energy**

- Degree of compatibility of Indian policy choices made with EU policies in energy strategy;
- Degree of utilisation of renewable energy and energy efficiency technology;
- Degree of access to energy;
- Coverage and trend of renewable energy uses, in terms of increased use, affordability, uptake of CDM/JI options.
- Number of workshops and degree of joint EU-India scientific publications on renewable energy issues.

#### 4.1.1.8 Co-ordination

Overall responsibility will be with the various DGs and the EC Delegation in New Delhi. These will also jointly plan and organise events and activities.

#### 4.1.1.9 Indicative Timeframe

Identification phase:	second semester 2006
Formulation phase:	first semester 2007
ALA Committee:	second semester 2007
Commitment:	late 2007
Start Implementation:	2008

#### 4.1.2 Policy Dialogue Support Facility

Activities under the section Policy Dialogue Support Facility refer to those sectoral policy dialogues agreed in the Action plan and not included in the previous section. They will include exchange of know how, expertise and best practice, seminars and workshops, conferences, studies and exchange/study visits. Emphasis should be on using European and Indian expertise and coupling this with mechanisms to strengthen transfer of know how. The themes will be relevant to each sector.

Some sectors, such as Science and Technology and Information Society, will mainly benefit from sector specific instruments outside this CSP/MIP, such as the 7<sup>th</sup> Framework Programme or will be included in the multi-sector **Policy Dialogue Support Facility**. Some sectors 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) these sectors could be considered for Economic Policy Co-operation actions in the second MIP (2010-2013).

#### Science & Technology

The Commission Communication (2004) and the response of the GoI highlight the important role that science and technology cooperation can play in furthering EU-India ties. India is one of only 15 countries with which the Commission has a **Science & Technology Cooperation Agreement (STCA)**.

Following the 1st meeting of the **EU-India STCA Steering Committee** (2004), five thematic workshops in areas of mutual interest have been organised in India on:

- Information technology;
- Climate change and natural disasters;
- Automotive research and development;
- Nanotechnology & functional materials and
- Biotechnology for genomics for health).

These have been highly successful in that they have enabled EU researchers to gauge the excellence of Indian research capabilities and facilities and have exposed Indian researchers to the possibilities of participating in European research. Invitations to European groups have already been extended in the last three workshops mentioned above. Several proposals with Indian partners have been submitted to DG Research within the 6<sup>th</sup> Framework Programme. Participation will increase as awareness of DG RTD activities increase in India.

During the 2nd STCA meeting (2005), four new areas for collaboration were added;

- High energy physics;
- Aeronautics research;
- Rail research & development and
- Maritime research & development.

While the first two areas were included at the initiative of the Indian Government, the last two were added at the Commission's request. Joint Workshops and exploratory missions in some of these domains and those mentioned above are foreseen.

Building on the existing awareness in India, it can be expected that co-operation between India and the EU will increase in the **7<sup>th</sup> Framework Programme**. The possible creation of new methods of cooperation with the countries with which the Commission has STCA along with dedicated budgetary provisions, is a possibility currently examined in the design of the 7<sup>th</sup> Framework Programme. This could include participation of Indian organisations in the European Technology Platforms being created to address major economic, technological and societal challenges faced today.

### **Information Society**

With its large pool of talented IT specialists and world class facilities for IT research and development, India is considered an important partner for the EU. ICT researchers and businesses on both sides are keen to strengthen links. By building upon the already extensive information society dialogue, under the umbrella of the **EU-India Information Society Dialogue** they seek to enhance EU-India co-operation in:

- The 7th Framework Programme;
- Exchange views on a wide range of topics such as e-commerce and e-governance;
- Promote joint research in the areas of e-education and e-health;
- Exchange best practices and address issues related to regulatory frameworks;
- Continue IST awareness raising through workshops and seminars;
- Work towards GEANT-ERNET connectivity;
- Exchange views on roaming and interoperability of telecommunication services;
- Language Computing covering machine translation, text to speech, speech to text software across India-EU languages;
- Participation of Indian Scientific Teams to IST related European Technology Platform meetings and Actions (such as Embedded Systems, Mobile & Wireless Communications, etc.)

### **Pharmaceuticals & Biotechnology**

Both India and the EU have a strong competence and competitiveness in biotechnology. Opportunities for partnership in areas such as new discoveries, preclinical/clinical trials and bio-informatics already exist and the potential for collaboration in agro-biotechnology, food safety and pharmaceuticals is growing. Other areas of mutual interest are (a) exchanges on disease genomics, including design and development of new drugs, new diagnostic tests and methods for early diagnosis (b) exchanges in understanding basic biological processes (c) exchanges in infectious diseases (e.g. TB, HIV/AIDS, malaria) and (d) training in Genome Information & Systems Biology. To enhance cooperation of increased interaction between EU and Indian administrations, industry and research institutions, EU and India have agreed to set up a **Working Group on pharmaceuticals and biotechnology**. This Working Group should reinforce the regulatory dialogue, particularly following the implementation of Indian legislation related to IPR issues, such as the Patent Act and the new Data Protection regulation.

## **Space Technology**

Both the EU and India are at the cutting edge of research in the field of Space Technology, and therefore, a wide scope of cooperation exists. Indian participation in a major European led project namely GALILEO is now secured. Further, there is agreement in developing a closer collaboration between EU (Commission and ESA) and Indian space organisations (Dept. of Space and ISRO).

## **Dialogue on Economic & Financial Matters**

In an increasingly interdependent and global economy, EU and India share a common interest to develop an in-depth policy dialogue on global financial and monetary issues. Both parties seek to promote a regular dialogue on macroeconomic and financial matters of common interest and to strengthen dialogue taking place in existing fora.

## **Employment & Social policy**

Employment and social policies are core issues within the EU, and the GoI has put them at the heart of its policy approach. The EU and India are committed to promote full, freely chosen and productive employment with full respect for fundamental principles, fair wages and rights at work. Under the Action Plan, both parties therefore have agreed to develop a structured policy dialogue and enhanced cooperation on labour and employment issues, human resource management and social security to share views, information, experience and best practice. The dialogue covers issues of common interest such as skills, training and employment, social security, occupational health and safety and workers' participation in management, among others, and includes the participation of social partners and the exchange of dialogue partners.

## **Agriculture**

The EU and India share views on the social and economic importance of preserving a dynamic agriculture sector. In order to create the conditions necessary for an efficient, modern and diversified agriculture sector, they both agree to exchange views in relation to respective agriculture policies including rural development, modernisation and other issues of mutual interest.

### **4.1.2.1 Objectives**

The overall objective of this section is to further widen and deepen EU relations with India through the further development of EU-India sectoral dialogues that are in line with the objectives of the Country Strategy Paper and the Action Plan of the Strategic Partnership Agreement.

The specific purpose is to facilitate and support the current and future implementation of the sectoral Policy Dialogues between EU and India agreed in the Action Plan, leading to enhanced economic cooperation between public and private entities in those sectors.

### **4.1.2.2 Expected results**

In order to fulfil the set objectives, an environment is to be created where the exchange of know-how, expertise and best practices are promoted in all areas of mutual interest.

Expected results should include:

- Increased common understanding on related issues of the sectors defined above;

- Current and future EU-India dialogues facilitated and enhanced;
- Exchange of best practices and promotion of good governance;
- Enhanced co-operation in the areas of mutual interest.

#### **4.1.2.3 Activities**

In the first instance, activities under the section Policy Dialogue Support Facility will take the shape of exchange of best practice, seminars and workshops, conferences, studies and exchange/study visits. Emphasis should be on using European and Indian expertise and coupling this with mechanisms to strengthen transfer of know how. The themes will be relevant to the sector and topic chosen. Visibility-related activities through printed and other media will play a large part in the implementation, to ensure the wide awareness of the EU's cooperation.

#### **4.1.2.4 Implementation**

The action will be implemented by the European Commission on the basis of the “centralized model” through the EC Delegation in India using the following instruments:

- Services contracted via the Commission framework contract;
- Services contracted via a full tender procedure;
- Tendering for a variety of measures.

At the same time, a dialogue will take place with the GoI for a possible application of a decentralised implementation system, and if successful, for implementation by the GoI afterwards.

#### **4.1.2.5 Cross-cutting Issues**

As a principle, socially and environmentally sustainable private sector-led economic growth should be promoted. Gender and environment will be mainstreamed in the activities as cross-cutting issues.

Links to other areas which are of relevance should be taken into account, such as legal reforms, land rights, compliance, civil society, access to justice, poverty reduction, and gender mainstreaming.

#### **4.1.2.6 Risks and Assumptions**

Emphasis on cooperation activities on areas of mutual interest and keeping activities on a practical rather than political level should mitigate the risk that the GoI would halt co-operation over any of the sectors.

The second level of risk is of a more practical nature and relates to the particularly fast-changing character of matters pertaining to the sectors above vis-à-vis the average lead time of EU cooperation work. This risk should be mitigated by allowing for flexibility in implementation and possibly seeking cooperation with an international agency, which might reduce the lead time.

#### **4.1.2.7 Main Indicators**

These will vary according to the sector addressed. In general terms, these are:

- Growing coherence between the EU and India in policy development in the relevant fields;

- Continued and increasing support to exchange of knowledge, best practices and experience in these sectors;
- Support of fora to discuss issues on sectors/areas of mutual interest;
- Partnerships established between institutions and individuals as a basis for further exchanges of information and best practice;

#### 4.1.2.8 Co-ordination

Overall responsibility will be with the various DGs and the EC Delegation in New Delhi. These will also jointly plan and organise events and activities.

#### 4.1.3.9 Indicative Timeframe

Identification phase:	second semester 2006
Formulation phase:	first semester 2007
ALA Committee:	second semester 2007
Commitment:	late 2007
Start Implementation:	2008

## 4.2 Culture and Civil Society Exchanges

Support to **culture** is essential to complement a balanced strategic alliance with India, in addition to a strong trade, political and social relationship. The need to widen and deepen both bilaterally and multilaterally co-operation in the field of culture has been established through the **EU-India Declaration on Cultural Relations** (2004). In this respect, experience has been gained through EC supported initiatives in the areas of film and documentary production, archiving and conservation, cultural exchange, art exhibition and other related fields. In view of the existing potential in both regions, a more intensive exploitation of the vast possibilities is desirable.

A strategic partnership between two democratic international players cannot be complete without enhanced informal and formal **interaction with and between civil societies**. Civil society is an integral part of any cooperation plan, to provide an additional impetus to the development of relations between the European Union and India. Civil society, including NGOs and social partners, in both the EU and India offer the possibility of real added value, “particularly with regard to achieving the Millennium Goals, promoting sustainable development and managing globalization”.<sup>4</sup> Since 2000 the EU-India Round Table was established in order “to reinforce the civil society dialogue between the two geographic entities”.

### 4.2.1 Civil Society Exchanges including EU-India Cross Cultural Programme (EICCP)

#### 4.2.1.1 Strategic Context/Justification

The Commission has in the past successfully implemented programmes covering the areas of civil society and culture spanning across a wide spectrum of projects and sectors. The €30 million EU-India Economic Cross-Cultural Programme was re-launched in June 2002 to promote and support links and partnerships between EU and Indian civil society organisations, with the aim of strengthening and enhancing civil society networks. The EU – India Small Projects Facility with an EC contribution of € 4 million promotes dialogue, facilitates interaction and encourages networking between EU and Indian civil society organisations

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<sup>4</sup> 8<sup>th</sup> meeting of the India-EU Round Table, London – 6 to 7 December 2004

The Commission Communication on the EU-India Strategic Partnership underlines cooperation for mutual understanding in the areas of cultural and civil society contacts and exchanges. The Action Plan stresses the importance of intensifying formal and informal interaction between civil societies. Engaging civil society has always been an important pillar in the architecture of the EU India relationship and as such, the continuation of demand driven support to India's NGO community and civil society, including media, journalism and social partners, must be assured. The EU-India Joint Declaration on Cultural Relations, adopted during the 5<sup>th</sup> EU-India Summit in Hague, specifically mentions and expresses satisfaction with ECCP, conveys the mutual desire 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. ECCP was resumed and extended based on the Joint Communiqué of the second EU-India summit in 2001 in New Delhi..

Both the **EU-India Economic Cross Cultural Programme (EICCP)** and the **EU-India Small Projects Facility (SPF)** have, after reaching programme maturity, identified a niche within EU-India political, economic, social and environmental cooperation, especially by addressing support for media, communication, culture and entrepreneurial networking. Programme demand has been steady and EU visibility has increased. This action is the direct outcome of the experience accrued from ECCP and SPF. In addition, as a follow-up to earlier EU-India Think Tank networking activities, funds could also be required to build on EU-India Think Tank related activities.

Based on the positive feedback from civil society programmes implemented up-to-date, EICCP will continue contributing towards greater visibility of the EU in India and of India in the EU, while providing an enhanced understanding of the EU and its institutions in India.

The EICCP aims at continuing (i) the support for activities in relevant and appropriate areas and in particular **media, communication, academia and culture**, (ii) the strengthening of cross cultural linkages among civil society institutions and organizations and (iii) the better understanding of the cultural diversity existing in both regions. It will also unlock to participating institutions the inherent possibilities for co-operation.

The EICCP should be viewed as a tool for mutual knowledge between the European Union and India through the appreciation of economic, social, cultural and political diversity and characteristics. This is possible due to the character of the action in supporting cross cutting interactions among a diverse body of civil society institutions of excellence in areas of common interest and through cross-sectoral partnerships.

#### 4.2.1.2 Objectives

The programme's **overall objective** is to strengthen and enhance civil society interactions and cross cultural cooperation between India and the EU, as well as help raise awareness of India in the EU and vice versa, by supporting innovative EU-India partnerships and exchange of know-how.

The **specific objectives** are:

- To attract institutions of excellence as participants to the programme;
- To develop networks and create sustainable links between Indian and EU civil society;
- To support enhanced academic and cultural exchanges between the two regions, including in the context of the areas of economic policy dialogue and cooperation identified in the Action Plan;
- To strengthen a dynamic cultural, economic and academic presence in both regions.

#### 4.2.1.3 Expected Results

The immediate results envisaged under the EICCP are:

- A system of networking created or expanded among Indian and EU civil society organizations in a multitude of areas;
- A relevant number of EU and Indian organizations successfully participating in the programme;
- An increased awareness and visibility of India in the EU and of the EU in India, through a variety of means such as media coverage, the organization of events, and dissemination of specific outputs through articles, books, etc.;
- A mutual recognition of the possibilities offered through such collaboration among EU and Indian civil society.

In addition to the above, the longer term results expected are:

- The reinforced strategic partnership between India and the EU on the basis of the added dimension of collaboration with a vibrant civil society from both regions;
- The enhanced awareness of the importance of cross cultural understanding and cultural diversity;
- The strengthened exchange of information, technology, know-how, joint research and pooling of experience between the two regions;
- The long-term impact of poverty reduction through the programme's activities in business and trade promotion.

#### 4.2.1.4 Activities

The action will continue the multi-disciplinary approach of EICCP and will include a range of actions that are sector-specific and relevant to economic and cultural linkages in a broad term and contain, in principle, the following components:

- Among other, dimensions of **cultural, academic, and economic** co-operation previously addressed by EICCP including film, audiovisual production and distribution, the promotion of cooperation between the respective audio-visual industries, as well as issues of governance addressed by SPF, and allowing for a greater flexibility of interaction along cross-cutting themes and cross-sectoral partnerships;
- A series of accompanying activities, such as events, workshops, exhibitions, cross-sectoral round tables, etc., with the purpose of enhancing collaboration **between industries (private sector), universities, think tanks, journalists, social partners, decision makers**, etc.;
- A series of supportive common actions and multiplier effects, such as contacts between **cities and regions** covering various subjects and cultural and technological events, to disseminate the content of the activities and other project outputs.

#### 4.2.1.5 Implementation

The EICCP will be implemented along a two-pronged approach, whereby a large part of the funding will be devoted to the provision of grants, in principle, through a procedure of Calls for Proposals for individual actions to be published in the EU and India, whereas a smaller part will be tendered for the provision of services, workshops, conferences, etc. Regarding the grants, projects that meet the requirements of the Calls for Proposals will be funded on a shared-cost basis. In addition, some events may be sponsored and/or initiated directly or through the award of service contracts on a competitive basis. The EICCP will be generally open to non-profit,

profit institutions and organizations and shall comply with the requirements established by the EC procedures.

The EICCP should be complementary to, and supportive of, other EC and Member States' programmes and optimise synergies with other relevant EC funded activities.

The size of grants must take into consideration concerns such as: being commensurate to the duration of the individual projects, accommodate activities that may be complex and costly (especially for media/communication projects) and assure for sufficient partner interaction (in the form of visits/meetings in both regions). The duration of individual projects shall be at least one year or longer to allow for partnership dynamics to develop, guarantee mature outcomes and assure sustainability.

#### **4.2.1.6 Cross-cutting Issues**

The programme shall ensure that **gender** requirements as per the Commission Communication for Mainstreaming Gender Equality in EC Development Co-operation are taken into consideration in the formulation of all documents. EICCP shall also ensure the same for **environmental** concerns.

#### **4.2.1.7 Risks and Conditions**

Since this is a demand driven co-operation tool, sufficient demand among institutions of excellence from Indian and the EU civil society to participate in the programme is vital.

The programme's impact may be reduced if the necessary conditions at the macro level to the individual projects are not sufficiently assured. Project linkages must be provided to achieve expanded networks. Exploitation of synergies will allow for enhanced cross-cultural linkages. Good coordination and support in the dissemination of results is a must.

#### **4.2.1.8 Main indicators**

- The number of proposals received for every Call for Proposals launched by the programme;
- The number of proposals funded by each Call for Proposals launched by the programme;
- The percentage of funded projects successfully completed;
- The number and nature of networking between Indian and European Union civil society organizations;
- The quality and quantity of outputs produced by the funded projects;
- The visibility received of the programme, of the projects, and of the individual participating civil society organisations in India and the European Union.

#### **4.2.1.9 Coordination**

Co-ordination with Member States will continue, as under the ongoing EICCP: their support will be requested for the programme's dissemination in the EU among the relevant institutions, especially during the launch of the Calls for Proposals.

#### **4.2.1.10 Indicative Timeframe**

Evaluation of the SPF:	first semester 2006
Evaluation of the ECCP:	first semester 2007
Formulation phase:	first semester 2007
ALA Committee:	second semester 2007
Commitment:	late 2007
Start Implementation:	first semester 2008

## **4.2.2 Culture Fund**

### **4.2.2.1 Strategic Context/Justification**

As per the EU-India Joint Declaration on Cultural Relations, as well as the Action Plan, the deepening of bilateral co-operation in areas such as education, cultural exchanges, conservation, film, tourism and other related areas is to be provided. A wide array of culture-related activities is covered under this action.

### **4.2.2.2 Objectives**

The overall objective of the action is to increase awareness of European culture in India and of Indian culture in the European Union.

The specific objectives are to:

- Support cultural events;
- Support the promotion of co-operation between cultural and related organisations in India and the EU;
- Widen contributions in the field of cultural diversity,
- Support effort to increase awareness of the two regions' cultures,
- Capture the potential of increased synergies among actions and activities and other existing EC programmes in the field,
- Support a greater dialogue among the relevant institutions of India and the EU, including in the context of the areas of economic policy dialogue and cooperation identified in the Action Plan.

### **4.2.2.3 Expected Results**

The creation of the Culture Fund foresees an increased awareness and visibility of India in the EU and of the EU in India, through a variety of means that are direct outcomes of the supported activities - such as the organisation of events, media coverage and the dissemination of specific news items, reports, etc. through articles, magazines, and other. There will be an exchange of know-how and expertise in a variety of technical fields directly related to the culture oriented events and actions, closer collaboration among institutions, government agencies and other civil society interlocutors.

### **4.2.2.4 Activities**

This action is to provide assistance to a wide range of culture related activities that include, but are not exclusive to the:

- Regularisation of events that have occurred irregularly, such as the Cultural Week, the European Film Festival, etc., which should take place in India and the EU.
- Development of co-operation programmes in preservation & restoration techniques.
- Promotion of tourism, interaction between youth, interaction in sports.
- Organisation and support to meetings, seminars and conferences on a variety of culture-related topics.
- Twinning between European and Indian cities.
- Promotion of dialogue between the respective audio-visual industries.
- Circulation of cultural works.
- Thematic EU-India cultural years (cinema, literature, music, dance, etc).

#### **4.2.2.5 Implementation**

The action will be implemented in principle, through a combination of Calls for Proposals procedure for individual actions, while some events may be sponsored and/or initiated directly or through the award of service contracts on a competitive basis. The relevant event initiators (such as the EC, an Indian government agency or other) will also be responsible for the management aspects of the various activities. The EC will ensure continuity, coherence, avoidance of overlapping and maximisation of synergies with other activities organised by other EC programmes and bilateral activities by the Member States.

#### **4.2.2.6 Cross-Cutting Issues**

Issues of gender and environment will be observed where appropriate.

#### **4.2.2.7 Risks & Assumptions**

The scant participation and attendance and/or lack of interest in the organised events – both in India and the EU – can be a risk and this will be mitigated by dissemination and timely information of the scheduled events.

#### **4.2.2.8 Main Indicators**

A wider audience, both in the EU and India being exposed and becoming more familiar with the cultural diversity of the two regions. More interest generated in understanding, recognising and appreciating culture and cultural cues from the diversity of cultures existing in India and the EU. The action will contribute to the declining of stereotyping, and improve mutual knowledge.

#### **4.2.2.9 Co-ordination**

This action will complement the well established activities of Member States and particularly from those institutions that are active in bilateral co-operation in the fields of culture and education. The Member States' participation and inputs will be vital.

#### **4.2.2.10 Indicative Timeframe**

Formulation phase/ALA Committee:	end 2006/beginning 2007
Commitment:	first semester 2007
Start Implementation:	second semester 2007

### **4.3 Academic Exchanges**

The strong emphasis given in the EU-India Declaration on Cultural Relations to promoting cultural understanding and enhancing mutual knowledge is reflected in the weight assigned to this section of academic exchanges, which includes two initiatives: the continuation of the co-operation in higher education and the creation of **European Study Centres** and **Centres of Contemporary Indian Studies** in India and the EU. These actions will contribute towards an enhanced visibility and awareness of the EU in India and vice versa.

#### **4.3.1 Erasmus Mundus External Cooperation Window**

##### **4.3.1.1 Strategy Context/Justification**

This action is in line with the CSP 2007-2013 as it continues to promote the strengthening of EU-India ties while providing a stronger cultural and economic cooperation by reinforcing EU-India cultural understanding and the “meeting of minds”.

The problem addressed higher education co-operation is two-fold: on the one hand, the existing deficit, in the Indian national system, with regard to absorption capacity for postgraduate studies and the subsequent need to find alternatives of excellence abroad; and, on the other hand, the still reduced awareness of, and access to, EU postgraduate education<sup>5</sup> among Indians.

In addition, this action is in line with the Council regulation 443/92 as it aims at “an increasing dialogue on political, economic and social issues conducted in the mutual interest” of both development partners. Co-operation in the sector is instrumental in assisting EU universities to gain international visibility and improve the profile of the European higher education. This is in line (i) with the Bologna Declaration (19 June 1999) which stated the necessity to ensure that Europe's higher education sector acquires a degree of attractiveness in the wider world equal to Europe's major cultural and scientific achievements, (ii) with the European Ministers of Education meeting in Prague, 19 May 2001, which emphasised the importance of enhancing the attractiveness of European higher education to students from other parts of the world and (iii) with the Barcelona European Council, 15-16 March 2002, which affirmed the opening-up to the wider world as one of three key goals for EU education systems.

The Erasmus Mundus External Cooperation Window aims to continue to facilitate linkages between the EU and India in higher education and therefore to continue enlarging the spectrum of Indian students who have completed postgraduate studies in Europe. This will in turn contribute to the ongoing improvement of political, economic and cultural linkages between the EU and India and the strengthening of the EU-India Strategic Partnership.

#### **4.3.1.2 Objectives**

The aim of the higher education cooperation programme will be:

- 1) Consolidating EU-ALA countries cooperation in the area of higher education and increasing their employment prospects and skills for students and professionals in particular in their own countries;
- 2) Capacity-building for universities and exchange of teachers and researchers as well as university partnerships;
- 3) To promote mutual understanding through scholarships and university partnerships and cooperation in higher education.

#### **4.3.1.3 Expected Results**

The envisaged results of co-operation in higher education sector are:

- Master Courses completed by Indian postgraduates
- Increased growth trend of Indian postgraduate studying in the EU

Possible indirect results would be:

- Increased number in partnerships between EU and third country higher education institutions
- Enhanced attractiveness of EU higher education in third countries.

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<sup>5</sup> ‘Postgraduate education’ in the sense of the Erasmus Mundus External Cooperation Window refers to Masters Courses Degrees

The above is expected to contribute to longer-term results such as increased future demand from India for European higher education, and, via the personal links created between Indian students and their European counterparts, fostered EU-India Cooperation links.

In the longer term, Indian alumni will naturally occupy decision-making positions at various academic or political levels when returning to their country of origin and are expected to relay information and eventually create links that will strengthen the EU-India strategic partnership.

#### **4.3.1.4 Activities**

The Project funds scholarships for Indian students.

Scholarships will cover tuition fees, travel and living costs. The duration of the Scholarships will depend on the duration of the course concerned. Scholarships will be granted across the operational implementation period.

Information activities may be envisaged in order to improve visibility of EC funding and to promote participation of Indian applicants. Selection procedures will aim to respect a social and gender balance among the selected students.

#### **4.3.1.5 Implementation**

The Erasmus Mundus External Cooperation Window funding will be managed in accordance with the structures, systems and implementing rules of the Erasmus Mundus Programme. With a financial Contribution allocated to the DG EAC, the Erasmus Mundus External Cooperation Window will be implemented by the Education and Culture Executive Agency, established by the European Commission in 2006.

#### **4.3.1.6 Cross-cutting Issues**

Socio-economic and gender issues will need a close monitoring system in order to ensure a relative balance among scholarship recipients.

#### **4.3.1.7 Risks and Conditions**

The risk of applications with forged academic credentials is mitigated by the fact that applications are scrutinised by the consortia of EU universities. These have extensive experience in verifying the authenticity of documents submitted by foreign students.

The risk of brain drain is mitigated by the issuing of visas by EU Member States covering only the period of study concerned and measures, which the Indian authorities are at liberty to take when authorising an individual's departure on a scholarship. In addition, while the India Window will contribute to a reinforcement of the level of academics in India, there will be a tendency to impact in the national system thus improving the national capacities and raising the level of attractiveness of returning to the country of origin.

The Erasmus Mundus External Cooperation Window aims to reinforce the image of the EU as a high quality contender in the market for postgraduate education provision. Erasmus Mundus Masters Courses should ensure that new Indian graduates view EU universities as a competitive option for their postgraduate education. Combined with GDP growth in India and an increasing number of graduates, this is expected to lead to sustained growth in the number of Indian postgraduates studying in the EU in the future.

#### **4.3.1.8 Main Indicators**

- Number of scholarships granted to graduate students of Indian origin.
- Number of scholarships granted to Indian nationals.

#### 4.3.1.9 Coordination with MS and other donors

The EC in general and in particular the EC Delegation in India will ensure coordination with EU MS and other donors in meetings of general nature and, if and when relevant, in specific meetings organized to discuss higher education issues.

The EC will ensure a transparent flow of information with the Member States with regard to the India Window Implementation.

#### 4.3.1.10 Indicative Time Frame

Evaluation:	2006/2007	
Formulation Erasmus Mundus External Cooperation Window:		end of 2007
Commitment:		beginning of 2008
Signature of Financing Agreement:		January 2008
Starting of Implementation:		academic year 2008/09 (Sept. 08)

### 4.3.2 European Study Centres & Centres for Contemporary Indian Studies

#### 4.3.2.1 Strategy Context/ Justification

The European Commission has given support for European Studies Programmes (ESPs) in several Asian countries, as such programmes are an effective manner to enhance the EU's profile and strengthen higher education links. Such ESP Centres have been initiated in China, Thailand, the Philippines, Malaysia, Pakistan and Vietnam. An earlier attempt to establish ESPs in India failed to materialise due to bureaucratic problems, with the exception of the only existing such Centre in **JNU, New Delhi**. The importance and validity of creating ESPs is however unchanged. As per the EU-India Joint Declaration on Cultural Relations (2004), access to academic institutions and the promotion of chairs in select universities to study each other's contemporary politico-economic systems, is strongly supported.

This action foresees establishing European Study Centres in India and Centres for Contemporary Indian Studies in the EU, aiming at developing and intensifying academic links, promoting knowledge on both regions and mutual understanding. These centres would support joint research, and teaching courses on contemporary political and economic themes in the EU and India.

#### 4.3.2.2 Objectives

The overall objectives of the action are to:

- Raise the profile of the European Union in India and vice versa;
- Promote better understanding of the European Union in India and of India in the EU among academics, and public and private sector decision-makers, leading to stronger economic ties;
- Strengthen linkages among European and India institutes of higher education, leading to a greater student flows in both directions.

The specific objectives are to:

- Provide access in India to post-graduate university courses in European Union Studies, as well as access in the EU to post-graduate university courses in Indian modern Studies;
- Ensure that a body of teaching expertise in European Union Studies exists at universities in India and of Indian Studies in the EU;
- Provide access to information on contemporary European Union issues to a wide range of individuals and organisations in the Indian public and private sectors and that of India in the EU;
- Make available, at universities in India library materials on contemporary European Union issues and vice versa.

#### **4.3.2.3 Expected Results**

The India component foresees support to the establishment and running of **European Study Centres (ESC)** at different locations in India. Each ESC could include a European Documentation Centre, provide training to faculty in the teaching of different aspects of European Studies, offer a Master's course in European Studies, make available scholarships and research grants and organise out-reach courses. It would also ensure the integration of European studies components into existing courses. Each Centre will be hosted by a specific institute of higher education, but will closely involve others in its activities.

The EU component foresees that **Centres of Contemporary Indian Studies (CCIS)** are created at interested institutes of higher education in the EU, which will offer a Master's course in Indian Studies, will enrich and up-date their documentation with an appropriate collection of publications (books and periodicals), ensure integration of Indian studies components into existing courses and organise reach-out courses. As in India, each centre will closely involve others in its activities.

#### **4.3.2.4 Activities**

The action could foresee an array of activities some of which are the following:

- European/Indian Fellows-in-Residence;
- EU Professors' Visits to India and vice versa;
- European Union and India Studies Chairs;
- Masters on EU and Indian Studies
- Post-graduate Scholarships;
- Faculty Fellowships;
- Senior Research Grants;
- Training Programmes;
- Seminars, Lectures and Workshops;
- European/Indian Documentation Centres;
- Publications.

#### **4.3.2.5 Implementation**

Through call(s) for tenders, the EC will recruit a consortium of European universities to provide technical assistance and to deliver other necessary inputs vital to the proper management of the action and comprised of different EU Member States. Various committees will be appointed to oversee management and academic matters of the action.

#### **4.3.2.6 Cross-cutting Issues**

The action shall ensure that gender requirements as per the Commission Communication for Mainstreaming Gender Equality in EC Development Co-operation are taken into consideration. Regarding Scholarships and Fellowships it will be important to ensure a balanced gender representation.

#### **4.3.2.7 Risks and Conditions**

Since a great part of the action is demand driven, sufficient demand among students to pursue the offered Masters' degree and courses in European Studies is crucial. Interest in EU studies in India is ultimately linked to subsequent employment possibilities. These same risks apply, to a lesser extent, to the Indian Studies component offered in the EU.

Brain drain issues will be eased through visa requirements. Also, expatriate Indian academics may be attracted by the assignments offered in India;

The action aims to reinforce the image of European Studies as a preferred and alternative choice among other area studies offered currently in Indian higher education institutions.

#### **4.3.2.8 Main indicators**

A number of students in India will have received tuition in European Union Studies and a percentage of these will have obtained or will be studying for an academic degree in European Studies. A number of students, faculty and representatives of the Indian public and private sector will have participated in training courses, seminars and workshops.

#### **4.3.2.9 Coordination**

The action will complement well established relations of the various institutions of different Member States in Indian in the field of cultural and academic co-operation. For the required language training, Member States' cultural centres could be able to provide appropriate service. Information flow and dissemination will be channelled accordingly.

Coordination between other EU activities of similar nature will be ensured (e.g. Jean Monet Actions, Asia Link, etc.) in order to avoid overlapping and maximise synergies.

#### **4.3.2.10 Indicative Timeframe**

Identification phase:	second semester 2006
Formulation phase:	first semester 2007
ALA Committee:	second semester 2007
Commitment:	late 2007
Start Implementation:	2008

## **5. Alignment, Harmonisation and Consultation**

### **5.1 Dialogue with the Government and alignment to national policies (PRSP)**

This MIP is fully coherent with the Government's Poverty Reduction Strategy contained in India's Tenth Five Year Plan (2002-2007) which defined national development objectives in broad terms. The Tenth Plan aims to reduce the poverty ratio to 21%, provide drinking water to all villages, enrol all children in schools by 2004 and increase the literacy rate to 75%. It also aims at creating 50 million jobs by 2007 and providing shelter to every citizen by 2012. To ensure environmental sustainability, the Tenth Plan targets to increase forest cover to 25% by 2007 and 33% by 2012 and the cleaning of all major rivers by 2007. It foresees a target economic growth rate of 8% annually. The MIP and in particular the actions envisaged under the first priority of support to the Social Sector, and under the Economic Policy Dialogue and Co-operation have a strong link to the Government of India's own priorities over the Ten Year Plan, spanning across a range of sectors.

A review of the Tenth Plan is currently being undertaken and the results are being awaited. The gist of the Plan has been accentuated by the ideas, targets and objectives put forward by the **National Common Minimum Programme (NCMP)**.

**Employment generation** emerged as the most important socio-economic issue in India and the most pressing political concern. Indeed, the complete collapse 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** (of all kinds – that is self-employed and wage labour, principal or subsidiary occupation, full-time or part-time) **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**. It was for this reason that the ruling **United Progressive Alliance (UPA)** led by the Congress party made the issue of employment a major plank in their electoral campaigns and their manifestos. Therefore, it was only to be expected that the promise of generating rural employment through public works programs would find major expression in the declared programme of the new government. The new government recognised the importance of this issue, and the need to do something to regenerate rural economic activity in particular.

The NCMP enunciated **six basic principles** for governance:

- *To preserve, protect and promote social harmony and to enforce the law without fear or favour to deal with all obscurantist and fundamentalist elements seeking to disturb social amity and peace.*
- *To ensure that the economy grows at least 7-8% per year in a sustained manner over a decade and more and in a manner that generates employment so that each family is assured of a safe and viable livelihood.*
- *To enhance the welfare and well being of farmers, farm labour and workers, particularly those in the unorganised sector, and assure a secure future for their families in every respect.*
- *To fully empower women politically, educationally, economically and legally.*
- *To provide for full equality of opportunity, particularly in education and employment for the Scheduled Castes, Scheduled Tribes, OBCs and religious minorities.*
- *To unleash the creative energies of our entrepreneurs, businessmen, scientists, engineers and all other professionals and productive forces of society.*

## **National Employment Guarantee Act**

One of the first sections of the NCMP: "The UPA government will immediately enact a National Employment Guarantee Act. This will provide **a legal guarantee for at least 100 days of employment** on asset-creating public works programs every year at minimum wage for every rural household." While not a new idea – the United Front government in 1991 had floated such a scheme, and it has already been sought to be implemented in some form by state governments

such as those of Maharashtra over several decades -- such a commitment by the central government was indeed new, firstly because it promised to make this a legal right of all citizens, and secondly because the onus of finding the funds for such a programme (if not the actual implementation) rested squarely with the central government rather than with the states. In the overall context of India's development goals, and especially in light of the **Millennium Development Objectives** laid down by the UN, this is indeed a very important commitment. In order to implement the NCMP, the Government also appointed a National Advisory Council (NAC) headed by Mrs. Sonia Gandhi, President of the Congress Party and comprising of experts in various fields to advise the Government of how to go about meeting the objectives laid down in the NCMP. The NAC drafted a National Employment Guarantee Bill and recommended it to the Government for taking suitable legislative measures.

**Other aspects of the NCMP and the progress so far are as follows:**

### **Education and health**

A major objective in the Common Minimum Programme is the provision of universal access to quality basic education and health. The pledge is made to raise public spending in education to at least 6% of GDP with at least half of this amount being spent on primary and secondary sectors, and to raise public spending on health to at least 2-3% of GDP over the next five years with a focus on primary health care. In the Finance Minister's Budget Speech of 8 July 2004, the PM confirmed these pledges and introduced a 2% education special tax to generate extra dedicated funds for education. A national scheme for health insurance for poor families was also proposed, as well as the availability of life-saving drugs at reasonable prices. However, even with this political commitment, the size of the current massive fiscal deficit will limit the actual funds available to pursue sector reforms and better service delivery in education and health.

### **Trade and Investment**

The goal to achieve a sustained GDP growth of 7-8% over the Plan Period rests on a number of pillars. Boosting trade and investment are among the key pillars in the strategy. The UPA's Foreign Trade Policy (2004-09) aims at doubling India's share of global merchandise trade by 2009 to 1.5 %. The Government of India has laid down an ambitious trade target of US\$ 500 bn by 2008.

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. Expanding exports in a number of key sectors such as textiles, IT, pharmaceuticals, and engineering have been given top priority. 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.

However, expanding exports will require an upgrading of India's infrastructure, a modernisation of its customs administration, and the removal of other bottle-necks if projected growth is to be achieved and indeed sustained.

**FDI** will continue to be encouraged and actively sought, particularly in areas of infrastructure, high technology and exports and where local assets and employment are created on a significant scale. The Government has recognised the need to scale up the level of actual inflow of FDI, which it is considered has not been commensurate to the level of policy changes and the potential of the Indian market. According to its own estimates, the needs are in the range of US\$ 10-15 bn per year over the next 10-15 years. Clearly, in order to attract such large amounts, further policy changes are required, as is investment in infrastructure, and education.

Linked to the expansion of trade and investment, is the country's ability to create higher value added products, provide a world class pool of skilled labour and world class research institutes. Clearly, India is already in the fore-front in many areas of research and development, but the Government is keen to expand further the scope and quality of its capabilities. The Government is seeking to expand joint ventures and joint research projects with its foreign partners, notably in areas such as Science and Technology, Biotechnology and Pharmaceuticals, Information Society Technologies and Space Technology. The UPA Government has stated in its NCMP that "Science and Technology development and application missions will be launched in key areas, covering both global partnership and local transformation".

## **Industry**

**Industrial growth** is to be revived and to be put on a robust footing through a range of policies, including deregulation, where necessary incentives to boost private investment will be introduced. The Indian government will be concentrating on giving a big push to making India a manufacturing hub in the years ahead. A National Manufacturing Competitiveness Council will be set up to provide a continuing forum for policy dialogue to energise and sustain the growth of manufacturing industry like food processing, textiles and garments, engineering, consumer goods, pharmaceuticals, capital goods, leather, and IT hardware. Manufacturing in households and by artisans will be given greater technological, investment and marketing support. Competition in the financial sector will be expanded. Public sector banks will be given full managerial autonomy. Interest rates will provide incentive both to investors and savers, particularly pensioners and senior citizens.

## **Infrastructure/Transport**

The NCMP attached the highest priority to the development and expansion of physical infrastructure like roads, highways, ports, power, railways, water supply, sewage treatment and sanitation. For example, in the Civil Aviation sector, an extensive modernisation programme has been adopted for the International Airports and which envisages public-private partnerships.

Public investment in infrastructure will be enhanced, even as the role of the private sector is expanded. Subsidies will be made explicit and provided through the budget. A review of the Electricity Act, 2003, is expected to be undertaken in view of the concern expressed by a number of States. The mandatory date of June 10, 2004, for unbundling and replacing the State electricity boards has been extended, as per NCMP commitment. With regard to railways, reform and public investment in technology has been proposed. Special attention was given to augmenting and modernizing rural infrastructure, consisting of roads, irrigation, electrification, and cold-chain and marketing outlets and the management of water resources.

## **Energy and Environment**

The Indian President has called for efforts to make "energy independence" and "energy security" India's first and highest priority. The UPA Government has called for policies to enhance its energy security. Overseas investment in the hydro-carbon industry will be actively encouraged as in other renewable energy sources.

The government talks of adding 100,000 megawatts (MW) of new generating capacity over the next ten years - a virtual doubling. India wants electricity to reach every village by 2008 - demanding the electrification of 110,000 villages - and every household by 2012. At present, 56% of India's households, and just 44% of those in rural areas, have connections to the grid. This represents a big challenge for the Government. The Planning Commission has pointed out that more than 90% of the investment in the power sector goes into generation and transmission rather than distribution. The capital requirements needed for new generating capacity is huge—estimates range between \$10 billion and \$15 billion a year. Although steps have been taken to

modernise the Power Sector, results have not been very successful in dealing with the growing gap between demand and supply. Only two states—Orissa, and Delhi—have privatised distribution.

More generally, if India is to sustain growth rates of 7-8% with manufacturing and services growing rapidly, attract FDI on a large scale and meet the demand of a growing and more prosperous population, the Indian Government will need to start revamp its State Electricity Boards and modernise the Energy sector so as to attract adequate investment.

Linked to the rapidly growing demand for energy, are also environmental concerns. The commitment of the Government to environmental issues is clearly reflected in the targets that have been set for the Tenth Five Year Plan. The 2004 National Environment Policy presents a new direction to environmental policy and conservation strategy, by emphasising the need for economic instruments. Support to this policy will be enhanced by facilitating economic valuation of environmental resources and services. The Government has also reiterated in international fora its commitment to collaborate with its global partners on climate change and how to effectively address global warming.

### **Agriculture**

Stepping up public investment in agricultural research and extension, rural infrastructure and irrigation in a significant manner and irrigation was accorded the highest investment priority. The rural cooperative credit system would be nursed back to health. This was to be attempted through the doubling of the flow of rural credit in the next three years and the substantial expansion of coverage of small and marginal farmers by institutional lending. The delivery system for rural credit will be reviewed. Immediate steps will be taken to ease the burden of debt and high interest rates on farm loans. Crop and livestock insurance schemes will be made more effective. The NCMP further emphasises:

- dry land farming in the arid and semi-arid regions of the country, watershed and wasteland development programmes as well as water management in all its aspects;
- implementation of minimum wage laws for farm labour and a comprehensive protective legislation for all agricultural workers;
- adequate protection to all farmers from imports, particularly when international prices fall sharply.

### **State Finances**

Alleviating the burden of debt on States to enable them to increase social sector investments, reduction of interest rates on loans to States and the enhancement of the share of States in the single, divisible pool of taxes are the major highlights of the NCMP. It further emphasises redressing regional imbalances through physical infrastructure development of the poorest and backward districts and improving the credit-deposit ratio in regions where they are lagging behind the national average.

### **Administrative reforms**

An Administrative Reforms Commission will be set up to prepare a detailed blueprint for revamping the public administration system. E-governance will be promoted on a massive scale. The Right to Information Act will be made more progressive, participatory and meaningful. The Lok Pal bill will be enacted into law. The UPA Government will take the leadership role to drastically cut delays in High Courts and lower levels of the judiciary. Legal aid services will be expanded. Judicial reforms will be given a fresh momentum. As part of its commitment to electoral reforms, the UPA will initiate steps to introduce State funding of elections at the earliest.

## **Public sector**

The NCMP has committed itself to a strong and effective public sector whose social objectives are met by its commercial functioning. Generally, profit-making companies will not be privatized. All privatization will be considered on a transparent and consultative case-by-case basis.

## **Fiscal policy**

The NCMP has committed itself **to eliminating the revenue deficit of the Centre by 2009**, so as to release more resources for investments in social and physical infrastructure. All subsidies will be targeted sharply at the poor and truly needy, like small and marginal farmers, farm labour and the urban poor. Measures will be introduced to increase the tax- GDP ratio by undertaking major tax reforms that expand the base of taxpayers, increase tax compliance and make the tax administration more efficient. Tax rates will be stable and conducive to growth, compliance and investment. Special schemes to unearth black money and assets will be introduced.

## **Economic reforms**

The NCMP has committed itself to economic reforms with a human face that stimulate growth, investment and employment. Further reforms are needed and will be carried out in agriculture, industry and services.

## **5.2 Consultations with Civil Society, EU Member States and the GoI**

**Civil Society:** On 26 October 2005 a fruitful meeting was held with representatives from key Indian NGOs and Civil Society at the EC Delegation's premises in New Delhi. The Delegation made a Power Point presentation, outlining the strategic priorities for 2007-13. The general thrust of the CSP was very well received. The following topics were discussed:

- Gender focus: was there room for mainstreaming gender in the CSP? The EC clarified that gender was a cross-cutting issue permeating all sectors and would be given due attention in the CSP-MIP. In fact, both the education and health sectors have a strong gender component as they deal with universalising education with a special emphasis on girls' education and on (women's) reproductive and child health.
- HIV-AIDS: would this be mainstreamed in the CSP?: the EC explained that the fight against HIV-AIDS would be mainstreamed under the NRHM but that individual pilot projects could also be taken up under the thematic budget line for human and social development (see also page 11). All participants congratulated the EC for this approach and saw an important role for the NGO sector in operationalising the rhetoric on health and HIV-AIDS.
- The Culture Fund was welcomed considering India's huge needs for restoration and maintaining cultural heritage sites.

**EU Member States:** consultations were held on 27 October at the EC Delegation in Delhi. Strategic priorities were positively received. MS had the following questions/remarks:

- **UK** welcomed the CSP's strong emphasis on the social sectors, in view of the fact that, according to DFID, India is 'under-funded' and there is a strong need to continue aid. UK also welcomed the policy shift in India's stance on development cooperation.

- **D** shared the EC analysis and the idea of a paradigm shift, in tandem with supporting the economic development of the country. CSP priorities are right and budget support is an important cooperation instrument.

Furthermore, the CSP-MIP was discussed at the EC Development Counsellors' meeting of 1 December 2005, where its general thrust and priorities were well received.

**Government of India:** in a consultation meeting with the Ministry of Finance and the relevant line Ministries (Human Resources Development, Health and Family welfare, Environment and Forests) on 24 October in New Delhi, the GoI reiterated that it was grateful for the EC's attention to the social sectors. The Ministry of Finance stressed that, rather than the filling of resource gaps, the Government was looking to the EC for transfer of best practices and managerial guidance.

The GoI welcomed the CSP priorities and stressed that both the NRHM and the SSA programmes were the ideal mechanism through which the **social sector** in India could be significantly strengthened through decentralised, pro-poor interventions. The GoI also informed the EC of its preferred option of distributing the funds for health and education sector support equally over the two MIPs. Finally, the GoI welcomed the proposed mechanisms for implementing the **Action Plan**.

### 5.3 Harmonisation and coordination with Member States and other donors

This MIP is fully coherent with the strategy of other donors in India and has been coordinated with the Member States.

As regards **Priority Number 1** (support to the Health Sector) regular donor coordination mechanism under the leadership of the Government is already in place. While WB, DFID and UNFPA will provide pool funding, it is expected that USAID, WHO, GTZ and UNICEF will separately contribute to the same aims of NHRM/RCH2.

In this respect, the World Bank is undoubtedly 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 programme 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 now convinced that this is the way forward in India and is very actively participating in the design of the planned RCH II Programme in the Health Sector (MIP Priority 1).

**DFID's new country strategy** puts India now as 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 will be up to **£ 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 2005 in the upcoming SWAP for Health** (MIP Priority 1).

With regard to **MIP Priority 2** (Implementation of the Action Plan), the Joint Action Plan has been elaborated in close consultation with the Member States in relevant Committees and Fora. The EC-India Joint Commission will constitute the main institutional body to oversee the implementation of the Joint Action Plan and to which Member States are invited. In addition, close coordination will take place in Delhi with the MS missions, in order to review progress with regard to the implementation of the JAP.