

INDIA

Country Strategy Paper 2007-2013

Mid-Term Review

April 2010

ACRONYMS

AAP	Annual Action Programme
AFD	Agence Française de Développement (French Development Agency)
CII	Confederation of Indian Industry
CSP	Country Strategy Paper
CSS	Centrally Sponsored Schemes
DCI	Development Cooperation Instrument
DEA	Department of Economic Affairs
DfID	Department for International Development (UK)
EBM	Educationally Backward Minorities
EC	European Commission
EFA	Education for All
EIB	European Investment Bank
EIDHR	European Initiative for Democracy and Human Rights
ESS	European Security Strategy
EU	European Union
FAO	Food and Agriculture Organisation
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
FTP	Foreign Trade Policy
GDI	Gender Development Index
GDP	Gross Domestic Product
GNI	Gross National Income
GoI	Government of India
HDI	Human Development Index
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IfS	Instrument for Stability
IP	Indicative Programme
JAP	Joint Action Plan
JICA	Japan International Cooperation Agency
MDG	Millennium Development Goal
MIP	Multi-Annual Indicative Programme
MoC&I	Ministry of Commerce and Industry
MoEF	Ministry of Environment and Forests
MoF	Ministry of Finance
MoHFW	Ministry of Health and Family Welfare
MoU	Memorandum of Understanding
MTR	Mid-Term Review
NAPCC	National Action Plan on Climate Change
NGO	Non-Governmental Organisation
NHP	National Health Policy
ODA	Overseas Development Aid
PM	Prime Minister
PPP	Public Private Partnerships
RMSA	Rashtriya Madhyamik Shiksha Abhiyan
SPP	State Partnership Programme
SSA	Sarva Shiksha Abhiyan
UNDP	United Nations Development Programme
UPA	United Progressive Alliance
VET	Vocational Training and Education
WB	World Bank

Part 1: Executive Summary

With steady economic growth and integration into the world economy, in the last few years India has moved from the low-income to the lower-middle income group in the World Bank's classification of countries based on 2008 per capita gross national income (GNI). Today India, with its 1.1 billion citizens, makes up one sixth of the world's population, the twelfth largest economy in the world in terms of 2008 GNI but also nearly one third of the world's poor. The UNDP human development index (HDI) for India was at 0.69 in 2006, placing it 132nd out of 179 countries. Therefore, if the millennium development goals (MDGs) are to be met by 2015, considerable efforts remain to be made on poverty alleviation but also on the social sectors to make growth more inclusive.

Along with increasing social disparities, economic growth in India has also been accompanied by increasing degradation of natural resources. Given India's high vulnerability to climate change and the significant share of its economy heavily dependent on natural resources, environmental sustainability and climate change may well be the next greatest challenge along India's development path.

In terms of worldwide commitments with an impact on development policy, the EC has focused in the past on a number of priorities such as climate change, security matters, including the fight against terrorism and organised crime, and migration. On a bilateral basis, a number of agreements have been concluded or are being negotiated between India and the EU, including an EU-India Bilateral Broad-Based Trade and Investment Agreement, also referred to as a Free Trade Agreement (FTA), the revised Joint Action Plan (JAP), the Joint Work Programme on Climate Change, Clean Development and Energy and the Joint Declarations on education, on multilingualism and on culture.

The first three years of EC-India cooperation under the 2007-2013 CSP have brought good progress with support for the social sectors but delays in implementation of the EC cooperation programmes under the second priority, 'JAP implementation'.

A total of **€260 million** was envisaged for the MIP for 2007-2010. The following action is planned in the two main priority areas:

- **Priority 1:** Help India meet the millennium development goals by providing budget support for the social sectors (health and education). Priority 1 received 70% of the MIP 1 funds or €180 million, of which €110 million (61%) went to health sector reform and €70 million (39%) to education sector reform.
- **Priority 2:** Support implementation of the EU-India Joint Action Plan to flank India's pro-poor sector reform policies and dialogue in economic reform, civil society, culture and academic areas. Priority 2 received 30% of the MIP 1 funds or €80 million. Projects under the Joint Action Plan include support for economic sector dialogues and for cultural, civil society and academic exchanges (see Annex 1 for details).

The proposed indicative allocation under the MIP for 2011-13 is **€210 million**, broken down as follows:

Sector	Indicative allocation (as a % of total IP)
Priority 1 — Support for Social Sectors (Education and Health)	€ 150-180 million (70-85 %)
1.1. Support for Primary Education, Secondary Education and Vocational Training/Education	
1.2. Support for Health-related MDGs	
Priority 2 — Support for Implementation of the Joint Action Plan	€ 30-60 million (15-30 %)
2.1. Higher Education — Erasmus Mundus (India Window III)	
2.2. Energy and Environment	
2.3 Trade Related Technical Assistance ¹	

¹ To be revisited in light of the progress made in the bilateral trade negotiations for an FTA.

Recent developments in India combined with the mid-term review (MTR) consultations conducted with the Government, civil society, the donor community and other stakeholders confirm that the EC response strategy for 2007-2013 responds adequately to India's development challenges, that the strategy is still valid and that the fields of activity are still relevant.

It can therefore be concluded that only minor adjustments are required to the Country Strategy Paper (CSP) for India for 2007-2013 and that the Multi-annual Indicative Programme (MIP) for 2007-2010 will continue to respond to India's development challenges by means of a two-pronged approach:

- Priority 1 - Assist India with meeting the MDGs by providing support to the social sectors;
- Priority 2 - Support implementation of the Joint Action Plan (JAP) with a view to supporting India's pro-poor and sustainable development.

The proposal is that the MIP for India for 2011-13 should focus more on priority 1 and support for the social sectors (between 70%-85% of the total allocation), as requested by the Government of India (GoI). Priority 2 should focus on a limited number of sectors such as higher education, energy and the environment, where policy dialogue between the EU and India is in progress in the context of the JAP and which are highly relevant to achievement of the MDGs and the targets set in the 11th Five-Year Plan.

Part 2: Mid-Term Review of the Country Strategy for 2007-2013

1. Main political, economic, social and environmental developments

Political situation

India is a functional multipartite democracy. Its political situation has been remarkably stable over the last decade, punctuated by successful coalition Governments led alternately by the two largest national parties, the Bharatiya Janata Party and the Congress Party, since June 2004. The 2009 general elections, which renewed the mandate of the incumbent Congress-led United Progressive Alliance coalition, ensured the continuity of reform programmes initiated during the UPA's first mandate (2004-2009). In this context, sectoral reforms and allocations to specific target groups were given priority in the 2009-10 budget.

India, like the rest of the world, has not escaped the consequences of the economic and financial downturn, though the slow pace of reforms in the financial sector has insulated the country from the worst of its effects. Security issues are a major concern. Recent years have seen an increase in terrorist attacks on Indian soil, the highest profile attack striking Mumbai in November 2008. Maoist insurgency, instability in the north-east and a volatile situation in Kashmir have also kept security issues high on the agenda of the Indian Government. An island of stability and democracy, India is increasingly called on by the international community to take greater responsibility in South Asia. On the international stage, it plays an influential role in a number of regional and multilateral fora.

As global players, India and the EU both face common challenges. In 2005, the Joint Action Plan (JAP) was formulated to implement the multi-dimensional EU-India Strategic Partnership. Reviewed in 2008, it aimed to cement the political architecture of the existing bilateral relationship by strengthening dialogue and consultation mechanisms. In its present shape the JAP focuses on areas such as democracy and human rights, peace-building and post-conflict assistance, regional cooperation, non-proliferation and the fight against terrorism and organised crime. Institutional and civil society frameworks and mechanisms, including parliamentary, academic and civil society exchanges, the annual EU-India human rights dialogue, the EU-India Civil Society Round Table, cultural cooperation and dialogues on migration and consular issues, are all significant aspects of the EU-India dialogue. New formats for dialogue have been opened up by India's membership of the Asia-Europe Meeting (ASEM) and the EU's observer status at South Asian Association for Regional Cooperation (SAARC) summits.

Economic situation

While India has become one of the world's fastest growing economies with an average growth rate of 8.8% in the last five years (2003-04 to 2007-08), the global financial crisis has not left the country unscathed: in 2008-09 economic growth decreased to 6.7%. India's growth slowed markedly in 2009, reflecting lower industrial production, decreasing consumer demand, negative exports, a decrease in services activities and diminished business dynamism. However, the Government of India is quite confident that the Indian economy will remain relatively resilient to the global slowdown, with the support of well-functioning financial markets and sound macro-economic indicators such as increasing domestic savings, robust internal demand, lower inflation and comfortable foreign exchange reserves coupled with the impact of the Government's fiscal and monetary action. As highlighted by the Minister of Finance at the presentation of the 2009-2010 budget in July 2009, the GoI will focus on the following short- and medium-term priorities: (1) lead the economy back to the high GDP growth rate of 9% per annum at the earliest opportunity; (2) deepen and broaden the agenda for inclusive development; (3) re-energise government and improve mechanisms for delivering high-quality public services, security and the rule of law to all citizens with transparency and accountability.

The structure of India's economy has changed significantly over the last ten years and the services sector has become a major part of the economy with a share of over 50 %² of GDP. The share of goods trade in GDP increased to over 35 % in 2007-08 from 23.7 % in 2003-04³, reflecting the continuing integration of the Indian economy with the rest of the world. The rapid growth of the economy from 2003-04 to 2007-08 also made India an attractive destination for foreign capital inflows and net capital inflows, which increased from 1.9 % of GDP in 2000-01 to 9.2 % in 2007-08. The GoI's trade policy stated in India's first integrated foreign trade policy (FTP), covering the period 2004-09, focused on two major objectives: (a) to double the country's share of global

² Economic Survey 2008-2009 — See GDP per industry: <http://indiabudget.nic.in/es2008-09/chapt2009/tab13b.pdf>.

³ Economic Survey 2008-2009.

goods trade within five years and (b) to use trade expansion as an effective instrument for economic growth and job creation⁴. Key strategies adopted to implement this policy include trade liberalisation, simplification of procedures, reduction of transaction costs and facilitation of development of India as a global hub for manufacturing, trading and services. In fact, despite the liberalisation process, India's trade arrangements and regulatory environment still remain comparatively restrictive: in 2009 the World Bank ranked India 122nd (out of 181 countries) in terms of ease of doing business, slightly lower than in 2008 (when it was ranked 120th).

A particular feature of India's development has been the rise of technology intensive sectors such as ITC. Building on skills in the English language and a long-standing cultural tradition in mathematics and related areas, Indian ICT became a cornerstone of the innovation system and a key node in a global ICT-related value chain.

Social situation

With this steady economic growth and integration into the world economy, in the last few years India has moved from the low-income to the lower-middle income group in the World Bank's classification of countries based on 2008 per capita gross national income (GNI). Today India, with its 1.1 billion citizens, makes up one sixth of the world's population, the twelfth largest economy in the world in terms of 2008 GNI but also nearly one third of the world's poor. The UNDP human development index (HDI) for India was 0.69 in 2006, placing it 132nd out of 179 countries⁵.

Inclusive growth and poverty alleviation is one of the main objectives of the Government's development strategy. The GoI's poverty rate estimates point to 27.5% of the population living below the national poverty line in 2004–2005 compared with an estimated 36% in 1993–1994⁶. However, poverty alleviation still varies widely from State to State, with some having one third or more of the population below the national poverty line as, for example, in Madhya Pradesh (38.3%), Uttarakhand (39.6%), Jharkhand (40.3%), Chhattisgarh (40.9%), Bihar (41.4%) and Orissa (46.4%)⁷. Despite a steady reduction in the proportion of the population below the national poverty line, the absolute number of poor has increased, in particular due to population growth. The World Bank's latest estimates indicate that the number of poor with an income under US\$1.25 a day increased from 421 million in 1981 to 456 million in 2005 (i.e. 42% of the total population). Therefore, if the MDGs are to be met by 2015, considerable efforts will have to be made on poverty alleviation.

Economic growth has also been distributed unevenly between economic sectors, with rural areas lagging behind and suffering from a structural agricultural crisis. Low incomes and inadequate productivity growth combined with low market prices and lack of access to credit on reasonable terms have increased rural distress, fuelling rural migration and vulnerability and compromising food security in rural areas. With around 60% of India's labour force employed in agriculture, one key challenge for the Indian Government is to support rural development by promoting productivity growth, land distribution and water management/irrigation reform, access to credit and food security in rural areas.

In the field of education, although India has made good progress on extending access to education, the national adult literacy rate (as a percentage of 15 year olds and above) is still only 65.2⁸ and even lower among vulnerable and marginalised groups. Sarva Shiksha Abhiyan, the education for all campaign launched in 2000, has contributed to making elementary education accessible to all. According to the Ministry of Human Resources Development, fewer than 5 million children aged between 6 and 14 now remain out of school, the vast majority of them from marginalised social groups. However, the challenge remains to reduce drop-out rates, improve the quality of education and provide access to universal secondary education. It is estimated that less than 40% of Indian adolescents attend secondary schools⁹, pointing to a high drop-out rate after primary education.

In health, wide gaps remain in areas such as nutrition, maternal and child mortality, HIV/AIDS, access to clean drinking water and basic sanitation facilities. Approximately 60.7% of India's children under 5 years old are stunted¹⁰, ranking India first in the world in terms of undernourished children. MDG indicators show that 89% of the population has access to water, but only 28% to proper sanitation facilities. The GoI estimates that around 50 million people have no access to latrines in urban areas and resort to open defecation, which, together with the lack of drainage/sewage networks and infrastructure to treat wastewater, poses a significant public

⁴ WTO Trade Policy Review — India, 2007.

⁵ UNDP Human Development Report, Statistical Update 2008.

⁶ Poverty estimates for 2004-05, Planning Commission, Government of India, March 2007: the poverty line used is monthly per capita consumption expenditure below Rs 356.35 for rural areas and Rs 538.60 for urban areas.

⁷ Poverty estimates for 2004-05, Planning Commission, Government of India, March 2007.

⁸ UNDP Statistical Update 2008.

⁹ World Bank.

¹⁰ UNICEF – Tracking Progress on Child and Maternal Nutrition, 2009.

health and environmental challenge to Indian society and the Indian economy. The Government has put in place several centrally funded schemes, including the National Rural Health Mission to improve basic healthcare delivery systems by focusing on sanitation, water and nutrition, thus supporting provision of effective healthcare to the rural population with a special focus on 18 States, which have poor public health indicators and/or weak infrastructure. However, substantial efforts are needed to solve the systemic problems in the health and sanitation sector, such as the shortage of trained personnel and medicines, inadequate supervision/monitoring and financing of health services and poor infrastructure.

An essential part of India's health reform efforts has been establishment of the National Rural Health Mission (NRHM). It promotes vertical integration of health and family welfare programmes, addressing determinants of health, adopting a sector-wide approach and subsuming key national programmes such as Reproductive and Child Health (RCH II), the National Disease Control Programmes (NDCP) and the Integrated Disease Surveillance Project (IDSP). The NRHM also provides a means of mainstreaming traditional indigenous healthcare practices (ayurveda, yoga, unani, siddha and homeopathy or 'AYUSH') and the national HIV/AIDS control programme. The NRHM provides for appointing an accredited social health activist (ASHA) in each village and for strengthening public health infrastructure, including mobile clinics to reach out to the rural poor and marginalised communities. It emphasises involvement of the non-profit sector, especially in under-served areas. Converging the public health approach with primary healthcare has been one of the primary objectives of the NRHM. Another is genuinely to empower and support Panchayati Raj institutions to manage, administer and be accountable for health services at community level. Key aspects of the reform are decentralisation and devolution of budgeting and financial management to the State level, with the role of the national government changing from service-provider to regulator and auditor, and promoting a partnership with the private sector. The 11th Five-Year Plan places the emphasis, first, on integrated district health plans and, second, on block-specific health plans with a view to improving primary healthcare systems. These plans will ensure the involvement of all health-related sectors and emphasise partnerships with NGOs. The NRHM is already looking after the rural areas. The next step should be to extend this to turn it into a 'Sarva Swasthya Abhiyan' that also covers the health needs of the urban poor, especially slum-dwellers.

Another key challenge for the Indian Government is the human resource development required to create employment opportunities for a relatively young working population. Today, India still faces a shortage of skilled labour and a strong mismatch between demand for skills and supply. The workforce is increasing and this labour force entering the labour market needs to be educated and to develop skills in line with the demands of the employers. Presently, nearly 44% of India's labour force is illiterate, only 17% has secondary schooling, enrolment in higher education is about 11% and under 40% of its graduates find employment¹¹. To improve the situation, the technical/vocational training systems need to be reformed to improve access and quality while securing the involvement of the private sector in bringing curricula into line with the needs of the labour market and increasing the chances of placement.

In addition, special attention is required to provide equal opportunities for vulnerable social groups, including women, scheduled castes and tribes and disabled people, who still have the worst indicators in terms of income, health and education and face extreme levels of social exclusion. Discrimination on grounds of sex, ethnic, tribal or indigenous background, religion, social origin and sexual orientation is still a reality in India. The level of integration of some of the most vulnerable groups is dire¹². In this context, the recent establishment of the Ministry for Minority Affairs is a big step forward. In terms of the gender development index (GDI) for 2007/2008, India ranks only 128th out of 177 countries on the basis of their GDI value, with 0.591¹³.

Therefore, the challenges in India remain reducing poverty levels further, making growth more inclusive and expanding the benefits of economic growth to regions, sectors and social groups which are lagging behind. India's 11th Five-Year Plan (2008-2012) provides a comprehensive medium-term strategy to address such challenges and achieve 'faster, more broad-based and inclusive growth'. Key elements of the Government's strategy to promote this fast and inclusive growth are: to provide the vulnerable groups of the population with access to basic public services such as education, health and sanitation; to regain agricultural dynamism; to increase manufacturing competitiveness; to develop human resources; to protect the environment; to improve rehabilitation and resettlement practices; and to improve governance.

¹¹ World Bank.

¹² UN Human Rights Council, Report of the Working Group on the Universal Periodic Review — India, 23 May 2008, UN Doc. A/HRC/8/26.

¹³ 2007/2008 Human Development Report, UNDP, 2008.

Environmental and energy trends

Economic growth in India has been accompanied by increasing consumption and degradation of natural resources (soil, energy, water and forests) and growing pollution. Given the high population density, vulnerable ecology, extreme climate and significant share of the economy heavily dependent on natural resources, environmental sustainability and climate change may well be the next greatest challenge along India's development path. To sustain high economic growth and achieve universal access to electricity, the Government estimates that India would need to increase its primary energy supply by three to four times and its electricity supply by five to seven times. Investment in electrification, infrastructure and industrialisation to sustain economic growth will have a significant environmental impact, unless this is mitigated by relevant environmental policies. Stress on environmental resources will also be exacerbated by India's vulnerability to climate change. With natural resources scarce and climate change jeopardising future development prospects, it is becoming crucial for the GoI to ensure sustainable economic growth in a way that preserves natural resources. Natural resources protection and climate change mitigation and adaptation will not only be a condition to ensure long-term economic growth but also a major factor in reducing poverty and improving public health, by providing citizens and in particular the poor, with better access to electricity and water, improved waste treatment and sanitation, safe drinking water and less contaminated soil for agriculture

The GoI's 11th Five-Year Plan emphasises that the national development agenda should give priority to sustainable development as part of the country's growth strategy. In order to meet the objectives of the 11th Five-Year Plan, the Indian Government has set out a broad strategy to promote sustainable development and efficient management of resources, to mainstream environmental issues and to reform the institutional framework and identified a series of priority measures and policies. One of the latest initiatives to promote a sustainable development strategy is the National Action Plan on Climate Change (NAPCC) released in June 2008 which focuses on eight priorities: (i) solar energy; (ii) enhanced energy efficiency; (iii) sustainable habitat; (iv) conserving water; (v) sustaining the Himalayan ecosystem; (vi) a 'green India'; (vii) sustainable agriculture; and (viii) a strategic knowledge platform for climate change.

2. New EC/EU policy objectives and commitments

Amongst worldwide EU/EC commitments with an impact on development cooperation with India, the following priorities should be highlighted:

- Mitigating **climate change** as a key priority, with the objective of limiting temperature rises to not more than 2°C in comparison with the pre-industrial era. In this context, the EU has made a firm unilateral commitment to reduce its greenhouse gas emissions by at least 20% by 2020 and proposed to go as far as 30% if comparable efforts by other major emitting countries can be shown. Climate change will have a serious impact on India, with about one third of its landmass already prone to drought or flooding. India is home to a number of climate hotspots, such as the fragile Himalayas, the biodiverse Western Ghats, the vast coastal areas and the prolific agricultural lands of the Gangetic plains. Adaptation is a massive challenge. While India is unlikely to make binding commitments as far as emissions are concerned in the short to medium term, the country will have to focus on water management and conservation, controlling demand for groundwater and strengthening support for agricultural research and extension to promote sustainable modes of dry-land farming. In recent years the Indian Government has shown growing awareness of the serious impact of climate change on India. Positive steps have included adoption of a National Action Plan and establishment of a National Council on Climate Change, reporting directly to the PM of India. India was among the countries that negotiated the Copenhagen Accord of December 2009 which commits to provide nationally appropriate mitigation actions and report regularly on progress towards achieving them, as part of the monitoring and verification process.
- Strengthening cooperation on **security** matters, including the fight against terrorism and organised crime: both the European Consensus and the European Security Strategy (ESS) have identified security and development as key complementary aspects of the EU's relations with partner countries. The ESS argues for an integrated and coherent approach to security issues, security being a precondition for development. The fight against terrorism is increasingly shaping the political dialogue between the EU and partner countries. The Mumbai attacks in November 2008 once again exposed India's vulnerability to terrorist attacks and cooperation between the EU and India on counter-terrorism is likely to be stepped up.

- The EU is continuing to foster a comprehensive approach to management of **migration** flows, aiming at striking a balance between security and the basic rights of individuals. In response to the Council Conclusions on migration and development of May 2003, the Commission gave a political commitment to integrate migration issues into the Community's relations with partner countries, including developing countries and transition economies. India remains a major source of highly skilled migrant workers. Much of the country's migration flows to Europe is unregulated, with the UK as the prime final destination. The recent approval of the EU blue card is expected to facilitate access to the European labour market and will be especially relevant to India.
- In the field of **development cooperation**, the EC has also undertaken a number of initiatives and commitments in recent years, which need to be taken into account during the 2011-2013 programming period, including the EU Code of Conduct on Division of Labour, the new ICI+ Regulation and the Backbone Strategy. The new mandate from the European Investment Bank to be active in India also needs to be taken into account.

On a bilateral basis, a number of agreements have been concluded or are being negotiated between India and the EU:

- Negotiations on a **Free Trade Agreement (FTA)** are under way between the EU and India and one of the priorities on both sides is to make sure enough capacity is available to implement a future FTA.
- The **Joint Action Plan (JAP)** agreed during the 9th EU-India summit held in Marseille on 29 September 2008 confirms the priorities of the 2005 JAP and expands the cooperation to a number of areas, including peace promotion and security, sustainable development, research and technology and cultural exchanges.
- At the Marseille summit the EU and India also adopted a comprehensive **Joint Work Programme on Climate Change, Clean Development and Energy**, which contains a list of specific cooperation activities covering the key areas of the environment, research and energy.
- The EU and India are currently negotiating agreements concerning the interoperability between the European Satellite Radionavigation Programme **GALILEO** and the Indian Regional Satellite Radionavigation System, IRNSS. The political agreement on this cooperation was proposed to India in November 2009 and a reply is awaited. The technical agreement is likely to be adopted in 2010.
- A number of **Joint Declarations** have been agreed or are being discussed with the Indian Government, including one on education (signed), one on multilingualism (signed) and one on culture (on which full agreement has yet to be reached).
- An **Agreement for Scientific and Technological Cooperation** and a **Cooperation Agreement** between Euratom and India in the field of fusion energy research are under negotiation.

These policy objectives and commitments are, and will continue to be, tackled directly or as cross-cutting issues in action under the DCI or the complementary financial instruments to which India is eligible.

3. Results, performance and lessons learned

The overall objective of the 2007-2013 CSP is to support India in its development process and its efforts to attain the MDGs. To achieve this, the 2007-2013 CSP proposed a two-pronged approach focusing on:

- Priority 1 - Assist India with meeting the MDGs by providing budget support to the social sectors (health and education);
- Priority 2 - Implement the EU-India partnership by means of an ambitious Action Plan with a view to supporting India's pro-poor sectoral reform policies, promote dialogue in areas of mutual interest and enhance economic cooperation.

A comprehensive evaluation of cooperation between the EC and India over the period 1991 to 2005 was conducted in 2005¹⁴. It reached the following conclusions:

1. The project-based approach was gradually replaced by a more strategic process, in which sectoral policies took centre stage. This shift to sectoral support facilitated a qualitative improvement in the

¹⁴ Evaluation of the Commission's Support to the Republic of India, Final Report, September 2008.

ongoing dialogue on development cooperation between the EC and India. However, this sector-specific support did not contribute significantly to the ongoing political, administrative and financial decentralisation and devolution of powers to the locally elected bodies.

2. There is limited but robust evidence of the impact of EC support for social sectors and, hence, of the effectiveness of poverty reduction: enrolment and access to education have improved, albeit with mixed results in terms of governance and gender disparities. EC support for the Health and Family Welfare Programme has been successful in assisting the decentralisation of State and district health services. However, very little attention has been paid to explicit pro-poor planning.
3. The phasing-out of rural development and stand-alone environmental projects (which have a limited impact) was an appropriate policy decision. More recent programmes and projects to promote cross-cultural economic cooperation and academic/scientific exchanges were deemed highly appropriate responses to the increasing diversity and maturity of EU-India relations. These measures have the potential for high and sustainable visibility.

The evaluation recommended that the EC should give priority to improved governance and accountability in its work in the two social sectors granted the majority of the support and use its leverage capacity to facilitate structural reforms. Furthermore, the EC should sharpen the focus on support for public providers of social services since, in both health and education, the private sector is playing a growing role. This issue should be included in the sector-support programmes. Finally, the EC should put more effort into activities that reflect the diversity and maturity of relations between the EU and India beyond the two traditional spheres of development cooperation; intensify efforts to identify niches where the EC can add value (e.g. multicultural exchanges); engage with a wider spectrum of civil society organisations; enhance educational exchanges; and expand the opportunities offered, such as the Erasmus Mundus Programme. Many of these recommendations have been put into action during implementation of the EU-India Joint Action Plan.

Out of the €260 million allocated for the 2007-2010 MIP, €180 million (70% of the total allocation) were earmarked for the social sectors (education and health) in the form of sectoral budget support and €80 million (30%) to support implementation of the Joint Action Plan. The first three years of EC-India cooperation under the 2007-2013 CSP have brought good progress on support for the social sectors but delays in implementation of the EC cooperation programmes under priority 2 - 'Action Plan Implementation'.

Out of the €260 million allocated for the period 2007-2010, €221.1 million had been committed by mid-2009, or 85% of the total budget for the period 2007-2010. The 2007 India Annual Action Programme (AAP) totalled €122.5 million (for health and civil aviation). The 2008 India AAP added up to €98.6 million (for SSA II and the Erasmus Mundus External Cooperation India Window). Hence, the full amount earmarked for the social sectors (€180 million) and €41.1 million to support the action plan have been committed. A sum of €38.9 million under priority 2 - 'Action Plan Implementation' - remains to be committed in the 2010 Annual Action Plan.

Performance in each of the fields of activity can be summarised as follows:

- Implementation of priority 1 ('health and education') has progressed reasonably well, despite some last-minute problems with the signing of the €110 million Health Sector Programme. In the case of education, implementation of the SSA is well underway and a first payment of €20 million has already been disbursed. The €110 million of EC support for health still needs to start being disbursed in 2009 and the implementation phase of the programme will therefore continue throughout most of the period 2011-2013.
- Implementation of the technical assistance and capacity-building projects under priority 2 ('support for the EU-India Joint Action Programme') has not progressed as expected. Delays in identifying projects and in signing financing agreements for them are mainly due to hesitation on the side of the GoI to use ODA funds outside the social sectors. While line ministries have often expressed interest in developing projects with the EC on JAP-related areas, the GoI would prefer to reallocate funds under priority 2 to activities in the social sectors.

The main lessons learned from implementation of projects during 2007-2009 and from the MTR mission can be summarised as follows:

- The priorities set in the 2007-2013 CSP have generally been appropriate for the needs of the country, the priorities of the GoI and the targets of the 11th Five-Year Plan and remain valid, although perhaps too much emphasis has been put on support for the Joint Action Plan (JAP) for which there seems to be limited interest and ownership by the GoI. This argues strongly for revising the current allocations

for priorities 1 and 2 and increasing the percentage for priority 1, with increased emphasis on the nutrition component.

- India has made significant progress on promoting access to primary education. While continuing to support primary education, consideration could therefore be given to focusing EC action more on secondary education and vocational training/education. In this area, a new centrally sponsored scheme is on the anvil: the Rashtriya Madhyamik Shiksha Abhiyan (RMSA). The RMSA aims to provide universal access to and improve the quality of secondary education and integrate elements of vocational training. This could be an interesting successor to the ongoing SSA programme.
- In the case of health, achievement of the MDG targets still requires significant effort. However, the capacity for absorption of further EC funding at federal level seems limited and the programme planned under the 2007-2010 MIP will run through the period 2011-2013. To complement ongoing activities on health and support health-related MDGs, consideration could be given to supporting implementation of national policies at State level in a limited number of States selected in close consultation with the GoI.
- Priority 2 was intended to support implementation of the JAP. It would be appropriate to focus priority 2 on a limited number of sectors, such as higher education, energy and the environment, where the EC would offer added value in providing institutional capacity-building to support achievement of the MDGs and the targets set in the 11th Five-Year Plan for pro-poor and sustainable development.
- Given the limited resources available, in particular in the light of the total budget of the GoI, it is necessary to limit the sectoral and geographical scope of activities as much as possible.
- Use of sectoral budget support/the sectoral approach has proved an effective means of facilitating increased ownership at both central and State level combined with strong alignment with GoI policies and systems and should therefore be continued and expanded to sectors under priority 2, if the conditions exist and the eligibility criteria are fulfilled.
- Complementarity with other financial instruments, such as the thematic budget lines or the EIDHR programme, FP7, and with the EIB operations has proved effective to build synergies with action under the DCI by involving non-State actors as key development partners in EC cooperation with India or taking action in sectors requiring large-scale investment, such as climate change mitigation.
- Coordination and division of labour with other donors in the main fields of activity has been effective and so far has been facilitated by the limited number of donors active in India.
- Dialogue with the GoI needs to continue to solve tax problems encountered by consultants working for the EC-funded programmes.

4. Quality improvements

The 2011-2013 IP will continue to emphasise the following aspects:

- Alignment of EU cooperation with the country's policies and systems to promote ownership by using sectoral budget support whenever possible and appropriate.
- Close coordination and harmonisation with other donors, especially with EU Member States, preparing the ground for greater complementarity and division of labour by adopting multi-donor arrangements, such as co-financing or delegated cooperation.
- Greater concentration of EU action by focusing on a limited number of sectors where the EU offers clear added value.
- Promoting further ownership by the GoI by ensuring that a demand-driven approach is adopted for identifying areas of activity and that sufficient resources and capacity exist for implementation of projects/programmes whenever sectoral budget support is not possible.
- Enhancing the role of non-State actors as development partners by means of close cooperation and consultation during the identification, formulation and implementation of projects under the 2011-2013 IP.
- Building on synergies and coordinating closely with action under other financial instruments and by other European institutions.

- Mainstreaming the following cross-cutting issues in all activities wherever appropriate: promotion of good governance, human rights (including caste discrimination), labour standards and decent work opportunities, gender equality, democracy, children's rights (India is one of the pilot countries for implementation of the EU Guidelines on the Rights of the Child) and indigenous peoples, environmental sustainability/climate change and combating HIV/AIDS, taking into account the recommendations made by EU Member States during the universal periodic review of India in the UN Human Rights Council in 2008 and by the Committee on the Elimination of Racial Discrimination and CEDAW. Environmental sustainability will also have to be mainstreamed in action in the social sectors, given the close links between environmental degradation, public health, education and environmental awareness.

5. Conclusion of the MTR process

Given the latest developments in the country's political, economic, social and environmental situation, the EU response strategy for 2007-2013 is considered to respond adequately to India's current development challenges of:

- 1) deepening and widening structural reforms, including better governance and infrastructure in order to improve the investment climate, boost productivity and accelerate growth; and
- 2) making its development more inclusive, leading to increased social cohesion and substantially reducing poverty in line with the MDGs.

In the light of the results of the consultations held and after taking stock of the lessons learned from the first three years of implementation of the CSP for 2007-2013, it can be concluded that only minor adjustments are required in the MIP for 2011-2013. In particular, the MIP for India for 2011-13 should focus more on priority 1 and support for the social sectors (between 70% and 85% of the total allocation), as requested by the GoI. In the education sector, the merits of the new RMSA could be explored, coupled with continued support for primary education and strategic action on vocational training. Priority 2 should focus on a limited number of sectors such as higher education, energy, environment, science, research and innovation, where policy dialogue between the EU and India is continuing in the context of the JAP and which are highly relevant to achieve the MDGs and the targets set in the 11th Five-Year Plan.

Part 3: Indicative Programme for 2011-2013

Summary

In line with the 2007-2013 CSP and as confirmed during the mid-term review process, the MIP for the period 2011-2013 will focus on a two-pronged approach:

- Priority 1 — Assist India with meeting the MDGs by providing support to the social sectors (health and education);
- Priority 2 — Support implementation of the Joint Action Plan with a view to supporting India's pro-poor and sustainable development.

Financial instruments and indicative budget allocation

India's 2007-2013 CSP is financed under the **Development Cooperation Instrument (DCI)** of the European Union. The primary and overarching objective of this instrument is to eradicate poverty in partner countries and regions in the context of sustainable development, including pursuit of the millennium development goals (MDGs), to promote democracy, good governance and respect for human rights and for the rule of law and to support the sustainable economic and social development of partner countries. Under the DCI, the financial allocation for the period 2011-2013 is €210 million, to be allocated indicatively between the priority sectors as follows:

Sector	Indicative allocation (as a % of total IP)
Priority 1 — Support for Social Sectors (Education and Health)	€ 150-180 million (70-85 %)
1.1. Support for Primary Education, Secondary Education and Vocational Training/Education	
1.2. Support for Health-related MDGs	
Priority 2 — Support for Implementation of the Joint Action Plan	€ 30-60 million (15-30 %)
2.1. Higher Education — Erasmus Mundus (India Window III)	
2.2. Energy and Environment	
2.3 Trade Related Technical Assistance ¹⁵	

In addition, India will also be eligible for financing of cooperation projects and action from the following complementary financial instruments:

- 1) The newly adopted **ICI+ Regulation** aimed at financing projects which promote economic partnerships and business in the EU's interest, people-to-people links/education cooperation and public diplomacy, outreach and cooperation projects which do not fulfil the ODA criteria.
- 2) The **European thematic programmes** set up to achieve policy objectives that are not geographically limited with the aid of support for non-State actors (i.e. global call for proposals on the environment and sustainable management of natural resources, including energy; investing in people; migration and asylum; and local calls for proposals for non-State actors and local authorities in development).
- 3) **The European Instrument for Democracy and Human Rights (EIDHR)** designed to strengthen the role of civil society with the aid of local calls for proposals on promoting democracy, human rights, the rule of law and fundamental freedoms.
- 4) The **Instrument for Humanitarian Aid** providing assistance to the victims of natural or man-made disasters.

¹⁵ To be revisited in light of the progress made in the bilateral trade negotiations for an FTA.

- 5) The **Regional Strategy Paper for Asia** (DCI) also providing support for regional integration in South Asia in various sectors.
- 6) The **European Investment Bank** lending for financing operations that contribute to climate change mitigation or support the EU's presence in the form of foreign direct investment, transfer of technology and know-how.

Priorities and action

Priority 1 - Support for Social Sectors

Priority 1.1 - Support for Primary Education, Secondary Education and Vocational Training/Education

Rationale

Universal access to **primary education** has been a key objective of India's development strategy. India has made good progress on extending access to primary education. Sarva Shiksha Abhiyan (the education for all campaign), to which the EC has contributed substantially over the period 2007-2010, has supported this objective. Net enrolment in primary education was estimated at around 94% for 2007 and the completion rate for primary school at 86%. However, challenges remain, namely to reduce drop-out rates and improve the quality of primary education and to ensure the participation and retention of socially excluded groups such as scheduled castes, minorities, etc.

Secondary education is another crucial stage, as it prepares students for higher education and for the world of work. Enrolment rates decline steadily moving up the school cycle: the gross enrolment rate for lower secondary classes IX and X was 52.26 %, whereas by upper secondary classes XI and XII it was down to 28.54 %.

Expanding educational opportunity for young people in India in order to meet the needs of India's knowledge economy thus requires substantial increases in secondary school enrolment and completion. Considering that the imperatives of the country are to reduce poverty and to build an equitable and prosperous society, it is essential that school-leavers acquire higher levels of knowledge and skills than provided in the eight years of elementary education. To support this aim, the GoI has launched the scheme for universal access to secondary education (SUCCESS), also known as Rashtriya Madhyamik Shiksha Abhiyan (RMSA).

In addition, there is an increasing need to focus on vocational training/education in order to achieve the 11th Five-Year Plan's objectives of employability, inclusive growth and development. According to the latest statistics (CII, 2008), 90 % of the jobs on the Indian labour market are skill-based (requiring vocational training). By contrast, only 6 % of the Indian workforce have received any form of vocational training. Between 2007 and 2010, an estimated 71 million youths will have entered the working-age population without sufficient employable skills.

Support for primary and secondary education and for vocational training/education would contribute directly to:

- MDG 1 - Eradicate extreme poverty and hunger: Education will have a positive impact on individual earnings, the distribution of income and economic growth. Support for secondary education and vocational training/education will also help to achieve target 1B — Achieve full and productive employment and decent work for all, including women and young people — by breaking the vicious circles of poverty produced by the lack of skills for the labour market.
- MDG 3 - Promote gender equality and empower women: The GoI's programmes on primary and secondary education focus sharply on increasing attendance and completion of secondary school by girls (the drop-out rates are much higher for girls than for boys at upper primary and secondary school levels).
- MDG 5 - Improve maternal health: It is universally acknowledged that there are significant non-market benefits from girls' secondary education such as delayed marriage and greater spacing of children, greater participation in the organised labour market, improved awareness of health and nutrition for women and children and so on.
- MDG 2 - Achieve universal primary education: The rapid expansion of elementary education has increased demand for secondary education which needs to be met in order to yield sustainable benefits.

Opportunities to complete the school cycle determine girls' participation in upper primary education. The GoI intends to ensure that the next steps towards universal secondary education consolidate the gains from elementary education.

There is a risk that progress towards the MDGs could be severely hampered if challenges relating to climate change remain unaddressed in development cooperation. For instance, climate change leading to loss of infrastructure providing livelihoods reduces the ability of children to participate in full-time education (by forcing children to work and displacing families) and, thus, has a negative impact on achieving universal education. Similarly, significant climate risks to the other MDGs listed above have also been identified.

In view of India's evident exposure to the negative impact of climate change, of the awareness-raising potential of education in this area and of the associated multiplier effect for increasing preparedness, modules on climate change, adaptation, responsible management of natural resources and disaster preparedness should be incorporated systematically in national education planning, teacher training and primary, secondary and vocational education curricula.

Objectives

The objective of EU action will be to support implementation of the national policies to promote access to and enhance the quality of the education system in India, thus contributing to employability, inclusive growth and poverty alleviation. To achieve this objective, the EU will provide financing to:

- support improvement of the quality of primary education by continued financing of the SSA; and/or
- support universal secondary education by financing the RMSA.

Expected results

- Progress towards universal primary and secondary education;
- Bridging gender and social gaps in education at all levels by gradually phasing out gender disparity in secondary education and promoting adequate access to education in backward areas and communities, particularly scheduled castes, scheduled tribes, other backward castes and educationally backward minorities, thus improving their employability and increasing employment opportunities for vulnerable populations;
- All children should remain at school and complete secondary schooling;
- Education of satisfactory quality should be provided to all children;
- Increased access to vocational education and training by expanding the vocational education component in the secondary education system and establishing stronger links between formal school education and vocational education and skill training and higher education;
- Improved opportunities for employment, including more decent work opportunities, from education for livelihoods, reducing mismatches between skills and the job market by enhancing the quality of vocational education and training with particular focus on employability and involving various social partners in managing and financing the vocational training system;
- Improved governance in the sector and quality and relevance of education.

Indicative action

- Provide physical facilities, staff and supplies in accordance with prescribed government standards;
- Provide means of access to education in the form of safe transport arrangements/residential facilities, depending on local circumstances, including open schooling;
- Carry out awareness-raising and mobilisation activities based on people's participation to address deprivation due to gender, socio-economic factors, disability and other barriers;
- Train teachers and instructors and reform the curriculum and textbooks;
- Improve the quality and relevance of education/training imparted in eligible schools, training institutes and skills development training programmes;
- Improve involvement of the private sector in management of the vocational training system and implementation of reforms by training and raising the awareness of policy planners, managers and administrators;
- Improve governance in the sector, especially school performance.

Performance indicators

- Increase in gross and net enrolment rates in elementary and secondary education;
- Gender and social parity in enrolments;

- Increase in retention rates and grade completion rates for elementary and secondary education;
- Learning levels of children in selected grades (say V, VII and X) are increased to x% above baseline levels;
- Increase in percentage of youth acquiring vocational qualifications based on marketplace skills;
- Increase in percentage of youth gaining productive employment after vocational education/skill training.
- Increase in retention rates of children belonging to minority groups, reflecting the caste/ethnic/religious composition of the population.

Implementing procedures

Support for centrally sponsored schemes on primary and secondary education will be funded following a sector approach, in the same way as the support provided for the SSA up until now at the elementary level. In addition, the EU could provide financing for projects owned and supported by the Indian Government, such as in the vocational training/education sector. The possibility of pooling funds with other donors beyond the primary and secondary education sectors needs to be explored.

Cross-cutting issues

Gender parity is clearly a key priority of the programme, which takes equally into account that India is one of the pilot countries for implementation of the EU Guidelines on the Rights of the Child. Governance of the education system, increased participation by stakeholders and greater accountability to the beneficiaries will be included in the design of programmes. Environmental sustainability will need to be considered since the education system is one of the main vehicles to promote environmental awareness among young generations. Specific modules to address the challenges of climate change adaptation, mitigation and risk management should be incorporated systematically in the education curricula and teacher training at all levels. Moreover, the fact that an efficient vocational training system could enhance the take-up capacity for the new technologies required to achieve the technology transfer necessary to tackle climate change needs to be taken into account. Lastly, there is a need for proactive supervision of enforcement of the existing earthquake-resistant building codes for construction of schools.

Risks and assumptions

It is important that current national policies and schemes on primary, secondary and vocational education/training maintain their political relevance in the years to come. Levels of capacity for rapid, high-quality expansion of the secondary school and vocational training system are currently weak in the government system. A strong component of capacity-building for institutions would therefore be required. This will be a huge challenge for which innovative answers would need to be found. Expanding vocational education with a successful link to employability is another challenge requiring the active participation of the private sector. Pilot projects will be conducted on these approaches.

Estimated EU contribution: To be decided at the programming/identification stage.

Coordination with Member States and other donors

Up until now donor coordination has been very effective in the primary education sector. The World Bank and the DfID have already been discussing support for secondary education with the GoI for about a year. The WB is planning a contribution of US\$ 1.5 billion and the DfID a contribution of £100 to 150 million to the secondary education programme — RMSA. The EC has been kept informed of ongoing discussions between the WB, DfID and the GoI and is well-placed to join this familiar donor consortium for secondary education. In the field of vocational training and education, the main donor involved is the World Bank, which approved a US\$280 million credit to help the Government of India improve the vocational training system by making the design and delivery of training more demand-responsive.

Priority 1.2 - Support for Health-related MDGs

Rationale

Starting in the late 1990s, reforms were launched in the health sector, leading to the National Rural Health Mission, a framework for reform and vertical integration of the various health and disease prevention programmes. By 2009, strategic planning for meeting health needs and health systems management had greatly improved and become participatory to some extent. Although much progress can be observed in an improving health sector, India still leads the world with a very high maternal mortality rate (MMR) of 254 per 100 000 live births in 2008 and a very high infant mortality rate (IMR) of 53 per 1 000 live births (2006). At the same time, the

rate of people suffering from malnutrition, particularly children and women, is very high, leading to high vulnerability to illness, disease and death plus high economic costs.

India has subscribed to the eight millennium development goals, of which the first five are directly or indirectly related to health. The European Commission has supported the initiatives of the Indian Government to improve the health sector, first with a sectoral investment programme from 1998 to 2005 and currently, from 2009 to 2012, with a budget support programme that addresses MDGs 4 and 5, respectively reduction of child mortality and improvement of maternal health. This, in addition to many smaller-scale projects of the European Commission and funds provided by the EU-supported Global Fund against AIDS, Tuberculosis and Malaria, addresses the indirectly health-related MDGs, i.e. MDG 1 on eradication of extreme poverty and hunger, MDG 3 on promotion of gender equality and empowerment of women and MDG 6 on combating HIV/AIDS, malaria and other diseases. Action in the health sector will continue to contribute to those MDGs.

Objectives

The objective of the EU action on health will be to support implementation of relevant national policies to promote access to healthcare and enhance the quality of healthcare services in India. The aim will be to support India's efforts and programmes to reduce child mortality, improve maternal health and link the activities to eradication of extreme poverty and hunger and promotion of gender equality.

Expected results

- Improved delivery of healthcare services in India, in particular in remote areas and to vulnerable groups;
- Increased efficiency and capacity of the health system and of the institutional framework for health;
- Improvement in indicators concerning health-related MDGs, in particular the maternal mortality rate, the infant mortality rate and nutrition.

Indicative action

- Technical cooperation with a view to improving management of healthcare, mainly for programme and financial management, maintaining and improving the health management information systems;
- Support for development, implementation and enforcement of existing healthcare regulations;
- Capacity-building for HR training and continued (e-)learning systems and, eventually, infrastructure and development of appropriate HR deployment systems in rural areas. Proactive supervision of enforcement of the existing earthquake-resistant building codes for construction of hospitals and clinics should be taken into account. Nursing and midwifery, in particular, will be addressed;
- Development of public health faculties and, eventually, infrastructure to support health and nutrition related research.
- Interventions and strengthened support for nutrition, with particular emphasis on the reduction of underweight children.
- Prevention and control of communicable and non-communicable diseases, in particular through facilitating the implementation of international health treaties to which India is a party.

Performance indicators

- Decrease in infant and child mortality (with a focus on inclusion of disadvantaged groups from a caste/ethnic/religious perspective);
- Decrease in the maternal mortality rate (with a focus on inclusion of disadvantaged groups from a caste/ethnic/religious perspective);
- Decrease in child malnutrition (with a focus on inclusion of disadvantaged groups from a caste/ethnic/religious perspective);
- Increase in utilisation rates and capacity at public health facilities (with a focus on inclusion of disadvantaged groups from a caste/ethnic/religious perspective).

Baseline: India's 11th Five-Year Plan, Volume II, Social Sector.

Implementing procedures

Support for centrally sponsored health schemes may be funded following a sector approach at central or State level, probably in pool funding with other development partners.

Cross-cutting issues will be considered as appropriate, in particular:

- Gender balance and access for women to healthcare services;
- Governance of the healthcare system;

- Community participation to support reduction of risk factors and prevention of diseases and of malnutrition, especially among vulnerable groups of society.
- Users of health care services reflect the caste/ethnic/religious composition of the population.

Risks and assumptions

Low capacity to carry out preventive and curative tasks, weaknesses in crucial programme management and severe gaps in capacity for monitoring and using data will reduce the effectiveness of improvements to health systems. One challenge in the NRHM reform process is use of flexible funds allocated to States, along with preparation of their plans and agreements with States for performance-based disbursement of funds. As implementation proceeds, legal frameworks and coherent policies need to be strengthened; standards, rules and regulations need to be laid down and providers' compliance monitored and audited. Knowledge-based leadership has to be provided to States and the private sector concerning technical competence and regulatory roles. Assuming that these areas will be reinforced successfully with a strong technical cooperation component that is expected to start in the last quarter of 2010 as part of the current programme to support health sector policy, players in the health and related sectors will be able to improve maternal health, reduce child mortality and malnutrition and provide quality healthcare.

Estimated EU contribution: To be decided at the programming/identification stage.

Coordination with Member States and other donors

Donor coordination is important, with many development partners involved in the health sector in different ways, including in some cases (EC, WB/IDA and DfID) in a pool fund for RCH II, whereas others remain outside the pool and/or have activities covering programmes other than RCH II. The RCH II pool fund arrangement in the health sector is being renegotiated and is likely to continue until 2012, with the DfID ending its actual disbursements to RCH II in 2010, but continuing to support India's health system with technical assistance. The World Bank/IDA has indicated future support, though the areas in which it will be provided have not yet been decided. The UNFPA's plans run until 2012 and no further indications have been given as yet.

Priority 2 — Support for Implementation of the Joint Action Plan

Priority 2.1 — Support for Implementation of the Joint Action Plan in the area of Higher Education — Erasmus Mundus II (India Window)

Rationale

The support to facilitate partnerships between European and Indian higher education institutions, including scholarships for mobility at all academic levels, will be continued with the objective of contributing to India's economic, scientific and social development and thereby alleviating poverty. The problem addressed is two-fold: on the one hand, the deficit, in the Indian national system, of absorption capacity for higher education studies, especially at post-graduate level, and the subsequent need to find alternatives offering excellence abroad. On the other, the limited access to European higher education for Indians. The 'India Window' will be instrumental in creating academic partnerships and funding scholarships for Indian students and will be implemented over the period from 2011 to 2013. The funding will be in addition to the general Erasmus Mundus II allocation.

The action will contribute directly to MDG 1 — Eradicate extreme hunger and poverty — and in particular to target 1B — Achieve full and productive employment and decent work for all, including women and young people — by breaking the vicious circles of poverty produced by the lack of skills in India. It will also contribute to MDGs 3, 4 and 7.

Objectives

The overall objective is to contribute to greater progress towards MDGs with the aid of political, economic and cultural link-ups between the EU and India and exchanges of students and sustainable partnerships between EU and Indian academics.

Expected results

- Indian students, scholars and universities able to participate in higher education schemes meeting world standards of excellence;
- Educational and intercultural exchanges promoted in the context of EU-India relations;

- Academic standards raised and internationalisation processes improved at universities, science, research and higher education institutions in India;
- Sustainable partnerships and networks established between European and Indian universities and science and research institutions;
- Upward trend of Indian students in Europe ensured.

Indicative action

- Mobility schemes for students and academics; scholarships will follow the pattern and implementing arrangements of the scholarships offered under Erasmus Mundus II - Action 2: Partnerships;
- Networking and transfer of best practice between EU and Indian universities;
- Workshops, higher education fairs, stakeholders' meetings and steps towards mutual recognition of qualifications.

Performance indicators

- Proportion of Indian EM students, scholars and academic staff benefiting from EM scholarships out of the total EM students worldwide, as compared with previous years;
- Proportion of Indian students, scholars and academic staff participating in a higher education scheme meeting world standards of excellence in fields relevant to India's defined needs, as compared with previous years;
- Increased proportion of students from disadvantaged (caste/ethnic/religious) groups gaining access to higher education thanks to an EM scholarship, as compared with previous years;
- Gender balance of Indian students, scholars and academic staff gaining access to European higher education thanks to an EM scholarship;
- Percentage of Indian EM alumni acquiring academic qualifications based on marketplace skills and gaining productive employment within one year of completion of their degree, as compared with non-EM graduates in the same field and from the same university;
- Number of additional international MoUs signed between Indian partner universities and other international players.

Implementing procedures

The India Window funding will be managed in accordance with the structures, systems and implementing rules for Erasmus Mundus II - Action 2: Partnerships.

Cross-cutting issues

Socio-economic and gender issues will need to be closely monitored in order to maintain a relative balance between recipients of scholarships.

Risks and conditions

The risk of applications with forged academic credentials is mitigated by the fact that applications are scrutinised by 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 issuing visas to EU Member States covering only the period of study concerned, combined with measures which the Indian authorities are at liberty to take when authorising an individual's departure on a scholarship. In addition, the India Window will contribute to raising the level of academics in India and will have an impact on the national system by improving the national capacity and making it more attractive to return to India.

Estimated EU contribution: To be decided at the programming/identification stage.

Coordination with Member States and other donors

The EC in general and the EC Delegation in India in particular will ensure coordination with EU Member States and other donors in meetings of a general nature and, if and when relevant, in specific meetings organised to discuss higher education issues. The EC will ensure a transparent flow of information to and from the Member States on implementation of the India Window.

Priority 2.2 - Support for Implementation of the Joint Action Plan

Rationale

The need to adopt a comprehensive sustainable development strategy is gaining increasing importance in India due to the country's future vulnerability to climate change and the challenge of sustaining high economic growth with the associated threat to energy and environmental resources. Protection of the environment as part of the overall sustainable inclusive growth strategy of the country is strongly anchored in India's 11th Five-Year Plan which underlines the importance of afforestation, improving air quality, controlling water pollution, waste management, urban sanitation, preservation of biodiversity and climate change mitigation and adaptation. In addition, in June 2008 the Prime Minister's Council on Climate Change released the National Action Plan on Climate Change (NAPCC). This key policy document sets eight national priorities to ensure sustainable development of India and defines roles and tasks to implement them.

In line with the Joint Work Programme for the EU-India Cooperation on Energy, Research, Clean Development and Climate Change, signed in September 2008 and reiterating India's and the EU's commitment to closer cooperation in the relevant fields, support in the fields of energy and the environment will contribute to the objectives of the 11th Five-Year Plan and to achieving:

- *MDG 7 — Ensure environmental sustainability* — and in particular target 1: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources;
- *MDG 1 — Eradicate extreme hunger and poverty* — since sustainable management of natural resources is the key to improving, over the long term, the livelihood assets and resources of poor people, in particular in rural areas where most of the poor in India are concentrated.

Objectives

The overall objective is to support India's sustainable development by supporting implementation of India's national policies in the fields of energy and the environment.

Expected results

- Progress towards achieving safe, secure, affordable and sustainable energy supplies;
- Energy efficiency, including the demand-side and supply-side energy efficiency, and environmental protection promoted;
- Enhanced institutional framework and capacity to support achievement of objectives of national policies;
- Raised awareness of environmental issues amongst different sectors of society;
- Improved environmental performance of selected sectors of society, including opportunities for sustainable consumption and production/green economy development;
- Increased capacity of Indian civil society to adopt sustainable livelihoods and practices.

Indicative action could include support in fields relevant to India's 11th Five-Year Plan, in particular energy efficiency, renewable energy sources, forestry and sustainable habitats¹⁶, in order to:

- Support implementation of national policies on sustainable development, including low-emission development strategy, with the aid of institutional capacity-building at central, State and local levels;
- Technical assistance and capacity-building to share relevant international knowledge, experience and best practice;
- Pilot projects, best practice exchanges and technical demonstration of components / systems / applications of energy efficiency and renewable energy technologies, including feasibility and environmental impact assessments;
- Promotion of policy-oriented research, conferences and seminars to enhance development and implementation of environmental policies, low-emission technologies and eco-innovation practices, including the exploitation of business opportunities in the green sector;
- Policy advice and dialogue to improve implementation of the national policy and regulatory framework.

¹⁶ Specific activities, sectors and implementing procedures will be fine-tuned after finalisation of the NAPCC and consultation with the GoI.

Consideration could be given to opportunities for the green economy or sustainable production and consumption, which would also build on the results from other programmes in India. Similarly, the promotion of research on low emission technologies and eco-innovation practices could be considered.

Performance indicators

- Increase in the proportion of energy produced from renewable sources;
- Increase in energy efficiency rates in most energy-intensive industries and sectors;
- Decrease in air, water and soil pollution;
- Decrease in rate of deforestation;
- Improvement in enforcement and effectiveness of policies and laws along with industrial and public initiatives to promote green, sustainable and low-carbon practices.

The baseline will be decided at the identification stage.

Implementing procedures

EU support will be provided preferably in the form of sectoral support or funding with other donors. As an alternative, the EU could provide financing under programmes or projects owned and managed by the Indian Government. The possibility of replicating the success of the Haryana Community Forestry Project could also be explored.

Cross-cutting issues

Measures to promote education, health, decent work, gender equality, good governance and human rights will be integrated as appropriate.

Risks and assumptions

It is assumed that national policies in the field of the environment and energy and the National Action Plan on Climate Change will lose none of their political relevance in the years to come. The success of the action will depend on continued willingness on the part of the Indian Government to engage in the policy dialogue under the EU-India cooperation on energy, research, clean development and climate change and to implement the commitments made in the Joint Work Programme.

Estimated EU contribution: To be decided at the programming/identification stage.

Coordination with Member States and other donors

Up until now the energy and environment sector has been marked by a high level of fragmentation. Several initiatives have been taken by the EU and the UN to enhance coordination and avoid duplication. The EU Environment Counsellors Group provides a good channel for coordination with Member States. Whenever possible, a multi-donor approach should be sought in the relevant areas of activity.

Priority 2.3 - Support for Implementation of the Joint Action Plan in the area of Trade Related Technical Assistance

Rationale

As emphasised strongly in the Action Plan, trade-related 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. Accordingly, both sides launched negotiations for a bilateral Free Trade Agreement (FTA) in June 2007 with the overall aim to increase trade and investment flows between both parties. Technical co-operation and exchanges would be a supporting pillar in the relationship, in particular should the FTA be concluded and implemented. Recognition of the importance of a strengthened multilateral framework for international trade and investment is also a key element, notably in the context of the WTO and the Doha Development Agenda. A principle for all trade-related cooperation will be the promotion of socially and environmentally sustainable private sector-led economic growth.

Issues that remain important relate to India's trade-related infrastructure. Themes in which the EU has a clear added value, include areas like intellectual property rights (including Geographical Indicators) and competition policy, statistical cooperation and trade facilitation. Areas of mutual interest 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, i.e. 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.

Objectives

The overall objective is to support India's sustainable development by making trade and investment work for the creation of income and better employment opportunities in India.

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.

Expected results should include:

- Enhanced co-operation in the areas of mutual interest;
- Increased trade, investment and business links between Europe and India;
- Enhanced capacity of relevant actors in the public and private sector on trade and investment;
- An improved framework for trade and investment, coupled with a more competitive environment and higher employment generation.

Indicative Actions

- 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;
- Visibility-related activities through printed and other media will play a part in the implementation, to ensure the wide awareness of the EU's cooperation work in this field.

Performance Indicators

- Level of mutual understanding and shared positions on international trade and trade-related issues;
- 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 understanding amongst Indian exporters of import requirements and compliance with relevant standards and procedures;
- Strengthening of information dissemination to facilitate two-way trade and investment flows.

Implementation Modalities

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. Activities should focus on those areas identified as key priorities. The overall need for this TRTA programme should be revisited nearer the time including in light of the progress made in the negotiations for a bilateral FTA.

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.

Risks and Conditions

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 identified.

The needs arising from the Free Trade Agreement should become clearer over time but cannot yet be fully predicted. Flexibility in implementation would thus be desirable.

The opportunities in promoting green economy in the context of the EU-India Free Trade Agreement will need to be maximised, to ensure the environmental, as well as social and economic sustainability of trade-related assistance.

Estimated EU contribution: To be decided at the programming/identification stage.

Coordination with Member States and other donors

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 for the various stages of implementation.