

Country strategy

India

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Strategy for development cooperation with India 2005–2009

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1 Summary

The objective of Sweden's international development cooperation is to help create conditions that will enable poor people to improve their lives. Within the framework of this objective, development cooperation with India will focus on:

- respect for democracy and human rights
- environmental protection that will benefit the poor
- scientific cooperation in selected areas that will benefit the poor.

Reducing poverty is a great challenge for India. It is estimated that two thirds of all Indians still live on less than USD 2 per day. At the same time, India has one of the fastest growing economies in the world, and an increasingly large middle class. It is a dynamic country where important processes of change are taking place. Rapid economic growth brings with it, however, negative effects on the environment. Pollution of water, soil and air is widespread.

Poverty reduction has a prominent role in India's development policy. The government that came to office after the elections in spring 2004 is placing greater emphasis on promoting more equal social and economic development, and is focusing more strongly on poverty reduction and employment than previously.

Financial contributions from small donors like Sweden are of minor importance in India's development work.. Sweden can instead contribute by supporting and promoting reforms and innovative thinking in areas that are of importance to the poor. One such way is to create and promote cooperation between Indian actors driving change and Swedish actors with relevant knowledge. The term *actors* should be defined in a broad sense: public institutions at different levels, research institutes, the business sector and civil society. New forms of cooperation must be established to promote innovative thinking, knowledge development and dynamic changes benefiting the poor. Cooperation should take place primarily in areas where Sweden has comparative advantages.

During the strategy period, ongoing projects will gradually be completed and, at the same time, new development cooperation projects will begin. For a time, therefore, the volume will temporarily amount to a maximum of SEK 100 million per year. Thereafter the programme will be reduced to a planned disbursement level of SEK 60 million per year. Development cooperation with India is expected to be phased out in the long term. The role of the Swedish International Development Cooperation Agency (Sida) will change and will be of a more limited nature than at present.

2 Country analysis

Reducing poverty is still a great challenge for India. Poverty has decreased during the last ten years, but one Indian in three still lives in extreme poverty and an estimated two thirds

of all Indians have less than USD 2 per day to live on. Almost one quarter of the world's poor live in India.

Deep-rooted structural problems in Indian society marginalise the poor, girls and women in particular. Poverty means that many have difficulty in enjoying their human rights. India is still characterised by a strong link between vulnerability and social identity – factors such as sex, ethnicity, caste and disability – and uneven progress in the different states and regions in the country. The injustices are great and difficult to overcome, particularly regarding access to education, health care and economic opportunities. One example is the low ratio of girls to boys, which seems to be worsening if anything (927 girls per 1 000 boys on average).

Half of all Indian children are undernourished and half of all adult women suffer from anaemia. India accounts for at least 20 per cent of children in the world who do not have access to schooling, 25 per cent of infant mortality in the under-5s, and 25 per cent of the world's maternal mortality. After South Africa, India is the country in the world with the largest number of inhabitants living with HIV/AIDS. HIV/AIDS is increasingly considered to be a potential threat to economic and social development in a medium and long-term perspective. India's progress towards the Millennium Development Goals will have a major bearing on whether these goals can be achieved globally.

But there is also another picture of India. Its economic growth has been good, an average of 6 per cent per year over the last ten years, and India has emerged as one of the ten fastest growing economies in the world. The rapid growth of information technology and other service sectors has been impressive. India's middle class has more than tripled to 250 million and it is estimated that approximately 1 per cent of the poor have been able to cross the poverty line each year.

India is also a dynamic country with a well-developed civil society and important processes of change are taking place in many states. India is the world's biggest democracy. An important next step in the development and deepening of democracy is to transfer more economic and political power to local level (to the Panchayat Raj communities). Democratic elections are thus being held in about half a million villages to appoint local community representatives; a third of them are women. India is a country with many different religions and cultures and has succeeded in managing and solving many serious conflicts within democratic parameters.

In short, India could be said to embrace two different worlds simultaneously. In one, change, development, dynamism, innovation as well as economic reform and social change have begun to take place. Growth has had a positive impact on people's lives and opportunities, in urban areas especially. In the other world, extreme poverty, stagnation and absence of basic human rights still prevail. Large groups of people are deprived of their rights for economic, religious or ethnic reasons, or as a result of the caste system, and are

excluded from the dynamism of change. Bridging the gap between these two worlds is perhaps India's most important challenge today.

A deepening gulf has also emerged between rich and poor states, with the result that poverty has become increasingly geographically concentrated. Half of India's poor live in the northern states; some of the states appear to have been totally left out of the major processes of change. These states are extremely poor and could be compared with some of the poorest countries in the world. Other more advantaged states have reached economic and social levels seldom found in other developing countries. Sometimes these dynamic changes can spill over from one state to another; sometimes stagnation and development exist side by side even in the high-growth states.

India's rapid economic development has had an environmental impact that, if allowed to continue, could cause problems in the future. Pollution of water, soil and air are widespread, particularly in the larger cities and other growth centres. Recurring natural disasters, especially floods and drought, affect an average of 50 million people in different parts of the country every year. Many southern Indian states as well as the Andaman and Nicobar Islands were severely hit in the tsunami disaster in December 2004.

Much of the environmental impact has greatly affected the poor, who lack the resources to limit the consequences for their daily lives. Environmental damage restricts the opportunities for poor people to change their lives; it destroys or limits their choices on a day-to-day basis and threatens their long-term livelihood, which in turn has repercussions for the local and national economy. Helping to improve knowledge, to introduce better methods and technology to limit environmental impact in areas of long-term relevance to the poor is therefore another important task for development cooperation.

3 India's development policy and Sweden's development cooperation

India's development policy shows a strong desire to combat poverty. After the elections in spring 2004, a new government was formed comprising the Congress Party and a coalition of 14 small parties called the United Progressive Alliance (UPA). The new government policy, the Common Minimum Programme (CMP), states that growth is not the sole focus; India must redistribute expenditure to health, education and agriculture. Priorities in the government programme include:

- an education tax to finance primary education in the country;
- a national health insurance scheme for the poor, along with increased public spending on health;
- an Employment Guarantee Act as a social safety net for the poor;
- increased investment in the agriculture infrastructure, e.g. irrigation;
- comprehensive programmes for urban renewal;
- one third of local government funds to be earmarked for development projects for women and children;

- modernisation of the public administration system, along with the issuing of a Right to Information Act;
- a corruption-free government which is transparent and accountable;
- state control of national efforts to combat AIDS;
- strengthening of the infrastructure for research and development.

India does not have a Poverty Reduction Strategy (PRS) so the 10th Five-Year Plan (2002–2007) forms the basis of the fight against poverty in the country. The objectives of the plan are:

- annual GDP growth of 8 per cent;
- reduction of poverty by 5 per cent by 2005 and by 15 per cent by 2012;
- all children to attend school by 2003; all children to be enrolled for five years of schooling by 2007;
- reduction in gender gaps in literacy and wage rates by at least 50 per cent by 2007;
- reduction in decadal population growth between 2001 and 2011 to 16.2 per cent;
- increase in literacy rates to 75 per cent by 2007;
- reduction in infant mortality to 45 per 1 000 live births by 2007 and to 28 by 2012;
- reduction in maternal mortality to 2 per 1 000 live births by 2007 and to 1 by 2012;
- increase in forest and tree cover to 25 per cent by 2007 and to 33 per cent by 2012;
- remediation of all major polluted rivers by 2007 and other notified watercourses by 2012.

India is financing a large part of its development costs by loans and grants from the World Bank, the EU, the Asian Development Bank and major bilateral donors such as the United Kingdom. Financial contributions from small donors like Sweden are, in this context, of minor importance. Sweden can instead contribute by supporting and promoting reforms and innovative thinking and by supporting the flow of new ideas in areas of importance to the poor.

Swedish initiatives should continue to build on and strengthen the dynamism that already exists in Indian society. They should be implemented in close cooperation with actors working to reduce poverty and should help to create considerable added value in relation to the limited resources available. One way of achieving this is to create and promote cooperation between experienced Indian actors for change and dynamic actors with relevant knowledge in Swedish society. Such actors could be part of a dynamic exchange of experience within the framework of the development of democratic local administration. As far as possible, long-term relations should be based on mutual interests. The term *actors* should be defined in a broad sense: public institutions at different levels, universities/colleges and research institutes, the business sector and civil society.

The challenge is to create added value that is relevant to the poor. This cannot be achieved solely by supporting growth in the modern sector; such a course of action would primarily

benefit the Indian middle class. But neither can this added value be created in the long term by restricting development cooperation to short-term projects for particularly vulnerable groups of poor people. This would be a mere drop in the ocean.

One major challenge facing Swedish development cooperation is therefore to establish new forms of cooperation to promote innovative thinking, knowledge development and dynamic changes benefiting the poor. At the same time, cooperation must not be limited to short-term, poverty-reducing measures that are too detailed and could lead to a loss of dynamism.

Other donors in the same category as Sweden, i.e. mainly the other Nordic countries, the Netherlands and Canada, are in the process of phasing out their traditional forms of development assistance to India. A number of these countries, however – the Netherlands, Canada and Norway for example – still have various kinds of financing for bilateral cooperation, similar to the kind Sweden envisages with this country strategy.

4 Experience of cooperation to date

Experience of development cooperation over the past five years constitutes an important basis for the new programme. Since 1998, Sida has been developing new partnerships between Swedish and Indian non-governmental organisations (NGOs), and with multilateral organisations such as the United Nations Children's Fund (UNICEF) and the World Bank in strategically selected areas such as environmental protection, social development, democracy and human rights.

Sida has actively supported poverty reduction initiatives containing innovative thinking, reforms and development of knowledge, and Swedish expertise and experience has gradually assumed an increasingly important role in these initiatives.

Cooperation projects have been built up around broad areas such as policy change, enhancement of democratic governance, reform of parts of the public service sector and capacity building. The projects have been based on a human rights perspective and the overall objective has been to support processes which can help build up a favourable social, political and economic climate.

5 Objectives and fundamental criteria for development cooperation

Within the framework of the overall objective of Swedish development cooperation, which is to create conditions that will enable poor people to improve their lives, development cooperation with India will focus on:

- respect for democracy and human rights
- environmental protection that will benefit the poor
- scientific cooperation in selected areas that will benefit the poor.

A new framework for this cooperation will be drawn up and new content formulated. Ongoing programmes will gradually be completed and phased out, with the possible exception of a few selected areas where the results have been good and where it can be clearly shown that the projects fit in with the new development cooperation framework..

The strategic basis for future development cooperation will be, firstly, India's 10th Development Plan (which may be regarded as India's Poverty Reduction Strategy), the government's Common Minimum Programme and the future 11th Development Plan and, secondly, the international conventions adopted by India, its national regulations as well as its commitments regarding human rights and the environment.

Supporting India in its progress towards the Millennium Development Goals is a point of departure in all initiatives.

The main focus of development cooperation should be to support innovative thinking for human rights and poverty reduction, reforms and knowledge development at local level. This should take place primarily in areas where Sweden has comparative advantages. Sida should make use of skills and experience from the Swedish resource base, country priorities permitting.

For each area of cooperation – democracy and human rights, environment and scientific cooperation – indicators should be established to provide a framework for the analysis of proposals in terms of their potential for promoting dynamic change which may help achieve the goal of strengthening individuals' rights and reducing poverty. Poverty reduction need not necessarily relate to measures aimed directly at the target group, but could in many cases involve the support of reform processes, innovations and knowledge development which are relevant to the poor.

One possible way of creating added value for the poor may be to look for opportunities for direct institutional, co-financed partnerships between Indian and Swedish actors.

The readiness of Indian (and where appropriate also Swedish) actors to finance a share of the programmes out of their own funds will be considered a great advantage when a project is being assessed. In this way, priority will be given to partnerships which are able to survive in the long term without financing from development assistance.

Sida should act both as active intermediary and broker in the cooperation between Swedish and Indian actors, and also as sponsor. Sida will cooperate actively with Swedish and Indian partners, for example in training experts and arranging seminars. Particularly in the initial phase of the new programme, Sida will play an active role which will then be gradually reduced to evaluations at pre-determined intervals, possibly once every two or three years.

Within the framework of the Swedish Policy for Global Development, Sweden will also take an active role in pursuing a dialogue with India and Indian society at different levels in

selected dialogue areas, including democracy and human rights, the environment and science and technology. The possibilities for coordination with multilateral organisations where Sweden is one of the funders will be examined. Such bodies include, for example, the EU, UN organisations, the Asian Development Bank and the World Bank. This dialogue will normally – but not exclusively – relate to the same areas as for bilateral cooperation, thereby creating synergy effects and an adaptation to the limited staff and other resources available. The possibility of direct financing of projects dealt with by multilateral bodies and falling within the framework of the new cooperation framework will be examined.

Direct support to Indian actors without the involvement of a Swedish cooperation partner may also be considered in some cases if the project can be shown to be of strategic importance.

6 Areas of development cooperation 2005–2009

Most of the ongoing agreements with multilateral and non-governmental organisations in India expire before 2008. New projects may be considered under Expenditure Area 7, appropriation 8:1, Development assistance, item 6, Asia, Middle East and North Africa, in the following areas:

- democracy and human rights
- environment
- scientific cooperation.

6.1 Democracy and human rights

Within the framework of multidimensional poverty reduction, the key aspects of future cooperation should be human rights and gender equality, including the empowerment of women and girls.

Emphasis will be on the following areas:

- democracy and economic and political rights, particularly for women and girls;
- sexual and reproductive health and rights, focusing on young people;
- children's rights;
- prevention and combating of HIV/AIDS;
- right to a culture and to freedom of expression.

Sweden has comparative advantages, for example in the area of sexual and reproductive health, which has been of benefit in networking and institutional cooperation with Indian NGOs targeting young people. Possibilities for such cooperation, exchange of experience and partnerships also in the other areas mentioned above could be examined with a view to increasing knowledge and skills and as a step in the development of the organisations both in Sweden and India.

Cooperation in the field of democracy and human rights can be linked together in many of the areas mentioned in order to create synergy effects.

6.2 Environment

In the environmental field, Sweden could support cooperation and partnerships that aim to create environmental awareness in civil society, public authorities and the private sector. This could be achieved through exchanges of ideas, information, experience and strategies regarding access to and use of cutting edge technology that offers alternative and environmentally sound solutions. Other strategic measures in the environmental field may also be considered.

An environmental fund could be set up to facilitate technical cooperation through mutual exchange of experience and knowledge between public institutions, the private sector, the voluntary sector as well as research institutes and universities and colleges. Such cooperation could take place in the following areas:

- environmental infrastructure including water supply, treatment of waste water, water recharge, water conservation and reuse, and effective management of all types of solid and liquid waste;
- sustainable urban development;
- promotion of innovative technologies in water and waste management and their adaptation to local conditions;
- environmental legislation reform;
- environmental advocacy;
- the use of information and communications technology in environmental governance;
- environmental infrastructure and governance.

6.3 Scientific cooperation

Areas for scientific cooperation and other knowledge-based development measures will include development programmes such as biotechnology, information and communications technology, environment and health issues, including HIV/AIDS. There is a strong Indian research community in several of these areas. The choice of areas for scientific cooperation projects will be made in consultation with the Swedish Research Council. Research projects in the environmental field will be selected in consultation with the Swedish Research Council for Environment, Agricultural Sciences and Spatial Planning and for projects in the field of research and development, in cooperation with the business sector and the Swedish Agency for Innovation Systems.

Cooperation will be directed towards promoting cooperation and contacts between Swedish and Indian actors in the field. The following options should be explored:

- to extend and strengthen the Swedish-Asian research programme Swedish Research LINKS by particularly welcoming proposals from the fields of biotechnology, information and communications technology and environment. In general, the programme is open to all areas of research.

- to encourage cooperation and contacts between Indian and Swedish research councils.

- to explore the possibilities for other types of research cooperation in the above-mentioned areas, environment protection for example. Possible areas of joint research cooperation in the environmental field might include the sustainable use of renewable natural resources and ecosystems, strategies to reduce air pollution, and the development of biological pesticides in order to replace the use of traditional, environmentally hazardous chemicals in agriculture.

7 Cooperation between civil society actors in Sweden and India

Both Sweden and India recognise the importance of a strong civil society and widespread citizen participation in order to achieve development objectives. Over the last ten years, the number of NGOs in India has increased and their scope has widened. In many cases, NGOs have been more successful than the public sector in reaching local communities and empowering the poor. A number of NGOs have also assumed the important role of watchdogs of government, with increasingly strong influence on the formulation of policies as a result.

Cooperation between Swedish and Indian NGOs already exists in the fields of socioeconomic development, human rights and youth issues. This cooperation should be developed further. Sida should also continue to stimulate and initiate new partnerships and cooperation between all kinds of Swedish and Indian civil society actors.

Opportunities for exchange of experience between non-governmental actors in Sweden and India, and actors in other countries (triangular cooperation), may be explored and promoted in different ways.

8 Forms of cooperation

All instruments at Sida's disposal should be considered and the extent to which they are applicable in cooperation with India should be assessed. However, budget support will not be granted during the strategy period. Sida will also use the revised instruments that are being developed in connection with Sweden's new Policy for Global Development (PGD). Special mention should be given to some of the instruments that could be used:

i) Contract-financed technical cooperation (CFTC)

Contract financed technical cooperation could be introduced into the Swedish-Indian development programme.

ii) Twinning and institutional cooperation

This may include cooperation between municipalities, local administration structures and/or public institutions, based on peer training and opportunities for a mutually beneficial exchange of knowledge and experience.

Twinning cooperation is generally broad, encompassing a wide variety of activities. Institutional collaboration, networking and partnerships could be used as methods for promoting mutual exchange, skills development and organisational development.

iii) Funds

The possibility of establishing one or more funds to promote strategic partnerships between Sweden and India could be explored. Funds provide opportunities for cooperation between different Swedish and Indian actors. All measures that are financed by the funds must be relevant for reducing poverty, in accordance with special criteria that will be set up.

Funds could be used in areas such as environment, information and communications technology, social development, human rights, and water and sanitation.

A fund could be used, for example, in the environmental field to facilitate technical cooperation through exchange of experience and mutual learning between public institutions, the private sector, civil society, as well as universities and colleges and research institutes.

If funds are established, they should be designed in a way that limits the scope of Sida's follow up and control procedures. Decisions should be preceded by consultation with the Government Offices.

9 Volume

During the period 2005–2008, ongoing projects will gradually be completed and, at the same time, new development cooperation projects will begin. During this period, the volume will temporarily amount to a maximum of SEK 100 million per year. As from 2008 the programme should be reduced to a planned disbursement level of SEK 60 million per year. Development cooperation with India is expected to be phased out in the long term.

10 Administrative considerations and follow up

New instruments and new actors will gradually come into play in development cooperation. Sida's role will change. Sida will be supporting processes and initiatives taken by other stakeholders. Sida's role will be more limited than at present. Its work will focus on evaluation, the start-up phase of new programmes and projects with new actors and on a small number of selected dialogue issues.

Follow up and evaluation will take place in accordance with the new guidelines for country and cooperation strategies.



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