



India-EU Cooperation in the SDG Era: Unlocking the Potential of a Development Partnership in Transition

Sebastian Paulo

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Executive Summary

In a changing bilateral and global context, India and the EU are showing growing interest in extracting more strategic value from their partnership. In its recently adopted strategy on India, the EU recommends the negotiation of a broader Strategic Partnership Agreement to promote sustainable modernisation, consolidate the rules-based global order, and address global challenges together. India, too, has become more open to creating new types of global partnerships—including with European partners—on relevant issues of sustainable development. The International Solar Alliance, co-launched by India and France, illustrates this aspect of India’s global engagement. This context provides an opportunity to advance India-EU cooperation in the area of sustainable development.

At the 14th India–EU Summit, held in October 2017, both parties reiterated their commitment to advance dialogue and collaboration for sustainable development as one important aspect of their strategic partnership. India and the EU agreed to cooperate on the implementation of the 2030 Agenda for Sustainable Development, to reinvigorate the EU–India Development Dialogue and to create synergies in their respective cooperation with other countries. Based on new issue-specific partnerships on climate change and energy, urbanisation, water, and resource efficiency, India and the EU have been engaging in a process to transform their relationship as development partners. This transformation comes with a broader perspective, evolving around the shared aspirations expressed in the Sustainable Development Goals (SDGs) and going far beyond development cooperation in a narrow sense.

This study assesses the India-EU development partnership and makes recommendations for the next steps to move it forward during 2020–30. Based on a detailed analysis of the “what” (areas of cooperation), “where” (geographic scope) and “how” (forms of engagement) of cooperation, the study aims to inform strategic choices on the future direction of the partnership. Prospects for a global development partnership between India and the EU often meet with scepticism given differences in their respective approaches to development cooperation (“Northern aid versus South-South cooperation”). However, this perspective is too limited to grasp the full

potential of the India-EU development partnership that is increasingly covering a more comprehensive range of actors, policies and means of implementation.

The changing nature of the India–EU development partnership calls for new ways of working together. Moving the partnership forward, India and the EU can use a broader range of forms of engagement to leverage additional finance, enable inclusive dialogue, and share expertise and knowledge in innovative ways. Achieving significant development impact through the partnership is increasingly less about managing aid or development cooperation and more about shaping new forms of cooperation that mobilise a wider set of actors, policies and means of implementation, including at the sub-national level. India and the EU can further develop their toolbox for cooperation—including political dialogue, financial cooperation, peer-to-peer knowledge-sharing, triangular cooperation, and science and technology cooperation—to achieve their collective development ambitions in the next decade.

While the notion of a global development partnership draws attention towards the growing potential for regional and triangular cooperation, this study emphasises the continued relevance of bilateral cooperation between India and the EU as a basis for achieving global impact. Gradually expanding the India–EU development partnership to include other partner countries—especially in South Asia and Africa—will provide new opportunities. At the same time, the viability of such complex cooperation geometries will depend on how well they ensure ownership of partner countries and limit transaction costs.

The comprehensive scope of this study shows the vast potential of the India–EU development partnership. However, cooperation depends on a realistic understanding of opportunities and limitations. As a coveted rising power, India’s capacity to enter and maintain a growing number of global development partnerships is limited. The India-EU development partnership must, therefore, demonstrate that it is not binding scarce capacity but adding new value. At the same time, a main message emerging from this study is not to underestimate the potential of this partnership. India and the EU are too big to think small and have the combined political and economic weight to shift the SDGs decisively closer to their goalposts. Calibrating the right level of ambition for their development partnership, India and the EU can find more common ground, shedding limiting beliefs while keeping a pragmatic attitude that does not overstretch capabilities.

The study concludes by highlighting 10 recommendations as a possible way forward for the India–EU development partnership. These recommendations

correspond to three stages that the partnership could pass through in the next couple of years:

1. Completing the Foundations

Recommendation 1: Set up an India–EU Platform for Sustainable Development organised around the SDGs rather than only development cooperation in a narrow sense. As a flexible dialogue structure, the platform could comprehensively integrate cooperation on the SDGs throughout all relevant aspects of India-EU relations. India’s NITI Aayog and the EU’s high-level multistakeholder platform on the implementation of the SDGs could inaugurate this new format in 2020.

Recommendation 2: Launch an India–EU Connectivity Partnership to create synergies between India’s and the EU’s emerging approaches to connectivity. Building on related aspects of their bilateral cooperation—e.g. energy connectivity and industrial corridors in India—the partnership can gradually shape a collective regional and Euro-Asian approach to connectivity. A joint declaration in the Asia-Europe Meeting Pathfinder Group on Connectivity can signal mutual commitment to connectivity cooperation and outline a common vision for a multilateral, rules-based model for Euro-Asian connectivity.

Recommendation 3: Establish an India–EU Partnership for Inclusive Economic Transformation to address key challenges of inclusive economic growth, industrialisation, innovation and employment, with a focus on women and youth. In addition to consolidating existing aspects of India–EU cooperation, this partnership could set new priorities, including education and skills in the digital transformation, social protection, and entrepreneurship and innovation.

2. Upgrading the Tool Set

Recommendation 4: Formulate a Memorandum of Understanding on triangular cooperation to reaffirm India’s and the EU’s commitment to working together with other partner countries and outline shared principles for doing so. In creating this document, India and the EU could engage in a conversation on different models of triangular cooperation, their suitability for the India-EU development partnership and their applicability to different geographies and issues.

Recommendation 5: Pilot peer-to-peer knowledge-sharing programmes to develop a cost-effective, demand-oriented method for sharing relevant expertise directly between Indian and European administrations. India and the EU can establish a database to identify interested organisations in India and Europe and test peer-to-peer knowledge-sharing projects.

Recommendation 6: Extend the EU External Investment Plan to upgrade the Asian Investment Facility. The Facility could accommodate a guarantee mechanism and a currency-hedging instrument to help scale up finance in India and South Asia.

Recommendation 7: Create an India–EU Science and Innovation Hub, co-headquartered in New Delhi and Brussels, to facilitate linkages among research institutions in India and Europe and create an Indo-European innovation ecosystem.

3. Going Global

Recommendation 8: Build regular coordination with other countries and regions into the India-EU development partnership. Partners must drive cooperation, with an awareness about the additional benefits of India–EU cooperation and its relevance for their own development strategies. India and the EU can ensure inclusive dialogue through their respective bilateral relationships with partners, regional organisations and other platforms. The organisation of the next India–Africa Forum Summit and the adoption of a post-Cotonou framework for EU–Africa relations in 2020 provide opportunities to advance the conversation on potential cooperation with African partners.

Recommendation 9: Initiate small-scale projects in multimodal cross-border transport infrastructure with partner countries in India’s neighbourhood as a next step to strengthen regional cooperation and build a common practice of connectivity initiatives. Such projects could draw on the EU’s added value in soft aspects of connectivity and relevant experiences, such as the Trans-European Transport Network.

Recommendation 10: Establish a triangular knowledge-sharing fund with African partners to address common challenges related to economic transformation, industrialisation and employment. Building on the proposed India–EU Partnership for Inclusive Economic Transformation, the fund could address specific aspects, such as the sharing of Indian experiences with digital

technology in the areas of financial inclusion, entrepreneurship and social protection. Complementing these efforts, India and the EU could strengthen synergies between the EU External Investment Plan, the Asia–Africa Growth Corridor, the G-20 Compact with Africa, and the International Solar Alliance, with a possible focus on promoting access to clean energy in Africa.

1. Introduction

The 14th India-EU Summit, held in October 2017, gave a strong political mandate to advance dialogue and collaboration in the field of sustainable development, amongst other issues. The summit declaration expresses the commitment of India and the European Union (EU) to enhance cooperation for the implementation of the 2030 Agenda for Sustainable Development, to reinvigorate the EU-India Development Dialogue, and to create synergies in their respective cooperation with other countries, especially in Africa. Sustainable development has clearly emerged as an area that can move the India-EU Strategic Partnership forward through concrete initiatives.

In recent years, India and the EU have initiated a transition process that puts their development cooperation on a new footing. Leaving behind traditional donor-recipient relations, the EU and India have started to redefine their development partnership under the universal framework of the 2030 Agenda for Sustainable Development, the Paris Agreement on Climate Change, and other international agreements. Their active roles in crafting these international frameworks—and advancing domestic policies and initiatives to implement them—provides fertile ground for moving this partnership forward.

The current transition of India-EU cooperation also coincides with a changing geopolitical context in which India has become more open to fostering new types of partnerships beyond its traditional focus on South-South cooperation. The Indo-Japanese Asia-Africa Growth Corridor (AAGC) and the International Solar Alliance (ISA), co-launched by India and France, embody this shift in India's global engagement. Similarly, India has become more visible in the EU's strategic outlook. In November 2018, the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy put forward elements for an EU strategy on India that highlight sustainable development as a pillar of an updated strategic partnership.¹ This context provides new opportunities to address a wide range of regional and global challenges of

¹ European Commission and the High Representative of the Union for Foreign Affairs and Security Policy, Elements for an EU Strategy on India, Joint Communication to the European Parliament and the Council, Brussels, November 20, 2018.

mutual interest in the India-EU development partnership.

Building on this momentum, India and the EU are well positioned to realise the political mandate to strengthen and transform their development partnership. This study aims to provide strategic orientation on the main aspects of this continued transition.² The analysis feeds into discussions about how to implement development-related aspects of the joint India-EU statements made at the 2016 and 2017 summits.³ Relevant commitments include, amongst others, paragraphs 29 and 30 in the joint statement of the 14th India-EU summit (See Box 1). More generally, the study serves as a compendium describing the current state of the India-EU development partnership and analysing its possible future trajectories within the time period of the implementation of the 2030 Agenda's Sustainable Development Goals (SDGs). In addition to secondary sources, the study draws on conversations with various Indian and

Box 1: Excerpt from the joint statement of the 14th India-EU summit

[...]

29. Both sides recalled the adoption of the 2030 Agenda for Sustainable Development, the joint commitment to its implementation with the complementary new EU Consensus on Development and India's "Sabka Saath, Sabka Vikas" policy initiatives, and reaffirmed the importance of global partnerships to achieve the Sustainable Development Goals and poverty alleviation. In this regard, they reiterated their commitment to collaborate on common priorities and looked forward to exploring the continuation of the EU-India Development Dialogue. Both sides also recognised the need to mutually reinforce the Sendai Framework for Disaster Risk Reduction 2015-2030.

30. The EU welcomed India's contribution to peace and development in Africa, including its participation in UN Peacekeeping Missions. The EU and India expressed their commitment to enhancing their consultations and cooperation regarding Africa, with a view to optimising possible synergies between their respective initiatives. They looked forward to India's participation as an observer at the next EU-African Union Summit.

[...]

Source: Joint Statement of the 14th India-EU Summit, New Delhi, 6 October 2017.

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- 2 This report was prepared with the financial support of the European Commission. The views expressed herein are those of the author and do not represent any official view of the European Commission or EU member states.
 - 3 India-EU Joint Statement on the 13th EU-India Summit, Brussels, March 30, 2016; Joint Statement of the 14th India-EU Summit, New Delhi, October 6, 2017.

European experts as well as officials from the EU Delegation, EU member state embassies, and implementing agencies.⁴ The study also benefitted from feedback received at a workshop on the future of the India-EU development partnership organised by the Observer Research Foundation in November 2018.⁵

The study starts with an overview of development cooperation in the context of the broader relationship between India and the EU. The subsequent sections analyse to what extent India and the EU could capitalise on the current momentum and upgrade their development partnership. To this end, the study discusses the ‘what’ (areas of cooperation), ‘where’ (geographic scope), and ‘how’ (forms of engagement) of this partnership.

Areas of cooperation: The study gives an overview of possible areas of cooperation through which the India-EU development partnership could make significant contributions under the shared framework of the SDGs. Although the 2030 Agenda provides a valuable reference point for moving India-EU cooperation forward, the SDGs alone do not provide a clear and actionable list of future priorities. This section therefore advances arguments for areas of cooperation that are likely to gain traction in India-EU relations in the coming years. In several of these areas, India and the EU have already established a strong partnership (e.g. climate change, energy, urbanisation, and water including the research and innovation dimension of these areas). In addition,

4 The author thanks the following persons for having shared their views on the topic: Dr. Niels Keijzer (Researcher, German Development Institute), Mariella di Ciommo (Policy Officer, European Centre for Development Policy Management), Christiane Hieronymus (Head of Division, Economic Cooperation and Development, Embassy of the Federal Republic of Germany in New Delhi), Wolfgang Köster (Deputy Head of Division, Economic Cooperation and Development, Embassy of the Federal Republic of Germany in Delhi), Paul Salvaire (Counsellor for Global Issues, Political Department, French Embassy to India), Maxime Dubois (Counsellor for Sustainable Development, French Embassy to India), Cecilia Costa (Cooperation Manager, EU Delegation to India and Bhutan), Renuka Srinivasan (Project Manager, EU Delegation to India and Bhutan), Nicolas Fornage (Country Director India, Agence Française de Développement), Clémence Vidal de la Blache (Deputy Director, Agence Française de Développement in India), Philippe Serres (Regional Manager, South Asia, Proparco), Dr. Christoph Kessler (Director, KfW Office New Delhi), Prof. Harsh Pant (Director Studies and Head Strategic Studies Programme, Observer Research Foundation), HHS Viswanathan (Distinguished Fellow, Observer Research Foundation), Pinak Ranjan Chakravarty (Distinguished Fellow, Observer Research Foundation), Dr. K. Yhome (Senior Fellow, Observer Research Foundation), Dr. Joyeeta Bhattacharjee (Senior Fellow, Observer Research Foundation), and Aparajit Pandey (Programme Director, Observer Research Foundation). The author also thanks Abhishek Mishra for valuable research assistance. Only the author is responsible for the contents of this paper.

5 The Workshop “India-EU cooperation in the SDG-era: unlocking the potential of a partnership in transition” was held on November 28, 2018 at the Observer Research Foundation. The author thanks Prof. Ummu Salma Bava (*Chairperson and Jean Monnet Chair, Centre for European Studies, Jawaharlal Nehru University*), Ruchita Beri (*Senior Research Associate, Institute for Defence Studies and Analyses*), Constantino Xavier (*Fellow, Foreign Policy, Brookings India*) and Jérôme Pons (Head of Cooperation, EU Delegation to India and Bhutan) for their feedback as speakers. Moreover, the author thanks the participants from research institutes, European embassies, the EU Delegation and implementing agencies for having actively engaged in providing feedback to the draft study.

the study examines to what extent current trends in India's growing regional and global engagement, such as connectivity initiatives, open new opportunities for cooperation. Other issues covered by the study include economic transformation and job creation as well as resilience.

Geographic scope: The study provides elements to define what “global partnership” could mean in terms of geographies of cooperation. Bilateral relations focused on India as a location for achieving global impact will remain the basis of the India-EU development partnership. As possible extension to the bilateral dimension, the study examines the conditions for expanding the India-EU partnership to include cooperation with third countries, notably in India's neighbourhood and Africa. In this context, the study considers the potential for regional cooperation and possible synergies between India's and the EU's respective cooperation frameworks with African countries.

Forms of engagement: The study analyses possible changes and innovations in the forms of engagement (or types of cooperation) available to implement the India-EU development partnership. The study provides an assessment of the main forms of engagement that are likely to gain in importance, and discusses opportunities and challenges of their application in the context of India-EU cooperation. As a common foundation for cooperation, the EU-India Development Dialogue is essential for steering and guiding the partnership. The study offers a reflection on how to structure such a dialogue around two complementary logics: in a narrow sense around closer operational cooperation in development cooperation, and in a broader perspective around the entire spectrum of means of implementation for the SDGs. Subsequently, the section discusses a range of relevant forms of engagement. These include financial cooperation (including blended finance) and different forms of technical cooperation and knowledge sharing, such as peer-to-peer formats (e.g. twinning), triangular cooperation as well as science and technology cooperation. The analysis also takes into account how cooperation supports sub-national efforts in improving human and social development in line with the “leave-no-one-behind” principle of the SDGs.

Finally, the study concludes by giving recommendations on next steps for the India-EU development partnership. The study offers suggestions on how to prioritise and sequence initiatives and actions in view of reconciling higher levels of ambition with persistent constraints in the partnership. The elements proposed in the study can form part of a conversation about how to advance the India-EU partnership in the decade from 2020 to 2030.

2. The India-EU Development Partnership in a Changing Global Context

2.1 The development partnership in the context of India-EU relations

The future trajectory of the India-EU development partnership needs to be considered in the context of the broader relationship between India and the EU. India-EU relations go back to the establishment of diplomatic relations between India and the European Economic Community in 1962. The EU-India Cooperation Agreement, signed in 1994, provides the current legal framework for India-EU relations. With the relationship having traditionally been mainly focused on bilateral economic exchanges, India and the EU have gradually put stronger emphasis on the political dimension of their relationship, starting with the organisation of India-EU summits since 2000. In 2004, India and the EU took the next step in broadening and deepening their relationship by launching a Strategic Partnership. In this context, India-EU relations have seen a substantial expansion beyond the economic realm, covering a broader scope of political and security issues.⁶ As a result, India and the EU now cooperate on a wider range of issues related to foreign and security policy, trade and investment, climate change, sustainable development, research and innovation, people-to-people contacts, and various sectoral partnerships and dialogues.⁷

Given substantial similarities in values and world views—such as adherence to democratic principles, a strong commitment to the rules-based international order, and the similar nature of India and the EU as diverse unions—the Strategic Partnership has raised high expectations. At the same time, transforming common normative ground into strategic thrust has proved a

6 Ummu Salma Bava, "India and the European Union: From Engagement to Strategic Partnership," *International Studies* 47:2-4 (April 2010): 373-386.

7 EU-India Agenda for Action 2020, adopted at the 13th EU-India Summit, Brussels, March 30, 2016.

challenge.⁸ Bilateral trade and investment relations remain the backbone of India-EU relations. The EU is India's largest trading partner. Bilateral trade in goods and services between India and the EU reached over EUR 100 billion in 2016. The EU is the second largest investor in India (after Mauritius) and is an important destination for Indian foreign investment.⁹ However, considering the size of both economies, economic relations have yet to reach their full potential and remain clouded by the stalled negotiations of the Broad-based Trade and Investment Agreement. India and the EU still work towards transforming their mutual perception as natural partners into a truly strategic partnership. Progress in the relationship has never been linear as illustrated by the gap in bilateral summits between 2012 and 2016. The future of the India-EU development partnership will also be subject to challenges and constraints facing India-EU relations in general.

Difficulties involved in sharpening the strategic profile of the India-EU partnership have often been ascribed to a lack of mutual understanding between the two partners.¹⁰ India has shown a preference for dealing directly with the largest EU member states, i.e., France, Germany and the United Kingdom (UK). With regard to the main foreign and security policy issues that preoccupy India, “[p]olicy elites in India do not view the EU as a strategic actor”.¹¹ In addition, the complex nature of policymaking in the EU can be an obstacle to mutual understanding.¹² The unique nature of the EU as an international actor differs from India's “realist” perspective on international relations as being the domain of nation states. Overall, the EU lacks visibility as a strategic actor in India.¹³ The EU, for its part, has tended to see India predominantly through the ‘rising power’ prism. From this perspective, the EU perceives its role to be one of incentivising India to share global responsibilities. This view often underplays the specific domestic and geopolitical context shaping India's foreign policy interests

8 Luis Peral and Vijay Sakhuja, eds., *The EU-India Partnership: Time to Go Strategic?* (Paris: European Union Institute for Security Studies, 2012). Gulshan Sachdeva, *Evaluation of the EU-India Strategic Partnership and the Potential for Its Revitalisation*, Study, Directorate-General for External Policies, Policy Department (Brussels: European Parliament, June 2015).

9 European External Action Service, *EU-India Relations*, Fact Sheet, Brussels, June 20, 2018.

10 Rajendra K. Jain, *India-EU Strategic Partnership. Perceptions and Perspectives*, NFG Working Paper No. 10, Freie Universität Berlin, July 2014.

11 Garima Mohan and Constantino Xavier, “Putting the Strategy Into the EU-India Strategic Partnership”, in: Garima Mohan and Constantino Xavier, eds., *Global Governance, Security and Strategy in the EU-India Partnership* (Berlin/New Delhi: Global Public Policy Institute and Carnegie India, 2017), 4-7, p. 7.

12 Sunaina Kumar, “What India thinks of Europe”, *Commentary*, European Council on Foreign Relations, November 7, 2016, https://www.ecfr.eu/article/commentary_what_india_thinks_of_europe7167 (accessed August 5, 2018).

13 Patryk Kugiel, *EU-India Strategic Partnership Needs a Reality Check*, Policy Paper No. 35, Polish Institute of International Affairs, October 2015, p. 3.

and capabilities. At the same time, the EU has managed to establish deeper relationships with other rising powers, especially China.¹⁴

Notwithstanding these reservations, India-EU relations have regained momentum with the resumption of regular summits in 2016. In the face of US withdrawal from the global stage and China's growing global role, India-EU cooperation has gained in appeal as a partnership that upholds democratic values and the importance of multilateral cooperation to address global challenges. Both India and the EU have been making steps towards each other and have signalled interest in extracting more strategic relevance from this partnership.

On the one hand, India is now becoming more present in the EU's strategic outlook on global affairs. The EU's Global Strategy, its guiding foreign policy document adopted in 2016, highlights the importance of new partnerships with rising powers to address global and regional challenges more effectively. The strategy also calls for stronger EU engagement in Asia.¹⁵ In November 2018, the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy adopted a joint communication on elements for an EU strategy on India.¹⁶ The document recommends the negotiation of a broader Strategic Partnership Agreement through which India and the EU promote sustainable modernisation, consolidate the rules-based global order based on a strong commitment to multilateralism, and address global challenges together. The communication clearly emphasises sustainable development as a pillar of India-EU relations. Overall, the EU's efforts to gain a stronger profile as a foreign policy and security actor could contribute to India and the EU finding more common ground, including on development issues.

On the other hand, India has become more open to strengthening its engagement with the EU. Generally, India's long-term foreign policy shifts since end of the Cold War have opened opportunities for cooperation with like-minded partners across traditional North-South divides. This shift is partly influenced by geopolitical considerations, such as China's global rise and its impact on India's neighbourhood.¹⁷ Navigating this challenging geostrategic

14 See, for instance, Gulshan Sachdeva, "EU-China and EU-India: a Tale of Two Strategic Partnerships", *Strategic Analysis* 38:4 (2014): 427-431.

15 Shared Vision, Common Action: A Stronger Europe. A Global Strategy for the European Union's Foreign and Security Policy, June 2016.

16 European Commission and the High Representative of the Union for Foreign Affairs and Security Policy, Elements for an EU Strategy on India, *op. cit.*

17 For an analysis of India's changing strategic environment, see, for instance: Harsh V. Pant and Yogesh Joshi, *The US Pivot and Indian Foreign Policy: Asia's Evolving Balance of Power* (New York/London: Palgrave Macmillan, 2016).

context, India has been diversifying its partnerships to compensate for capacity constraints in its foreign policy. Building on stronger political and security relations, India has enhanced its relations with key partners such as Japan, the US, Australia and France.¹⁸ In the framework of these relationships, India has also endorsed cooperation on global development challenges as an important subject in several high-level statements issued with these partners. The Indo-Japanese AAGC and the Indo-French leadership to set up the ISA illustrate this change. Although the EU still does not have the same strategic weight in India's perception as these other partners, India and the EU have also managed to expand their dialogue on foreign policy and security issues.¹⁹ In this context, India and the EU have also initiated changes in their development partnership.

2.2 From aid to global partnership: Development cooperation in India-EU relations

Development cooperation has always been an important aspect of India-EU relations. Until recently, the EU's development partnership with India has focused on bilateral cooperation to support India's domestic development and reduce extreme poverty through programmes in education, health, water and sanitation in line with the basic needs agenda of the Millennium Development Goals. The year 2003 marked a first step change in the India-EU development partnership as India decided to limit the number of international donors in the country, ending bilateral programmes with smaller European countries. In 2014, the EU phased out grant-aid under its bilateral cooperation instrument, the Development Cooperation Instrument (DCI), following India's graduation to becoming a middle-income country (MIC).

In the EU's financial framework from 2014 to 2020, India remains eligible for EU thematic and regional programmes under the DCI. EU-funded regional cooperation includes, for example, the South Asia Regional Training and Technical Assistance Centre (SARTTAC) that supports public financial management in India and neighbouring countries. Another example of regional cooperation is the EU's support of capacity building for disaster risk management in South Asia. The DCI's thematic programmes provide resources

18 See joint statements issued at high-level meetings with the respective partners in 2016-2018, e.g.: India-US Joint Statement, "The United States and India: Enduring Global Partners in the 21st Century", Washington D.C., June 7, 2016; India-Japan Joint Statement during the state visit of Prime Minister Narendra Modi, Tokyo, November 11, 2016; India-France Joint Statement during State visit of President of France to India, March 10, 2018.

19 Samir Saran et al., eds., *Prospects for EU-India Security Cooperation* (New Delhi: Observer Research Foundation, 2016).

for cooperation on global public goods and capacity building with Civil Society Organisations (CSOs) as well as Local Authorities. For instance, the EU supports the capacity of local authorities in India to provide municipal services (e.g., water, sanitation, and solid waste management). Moreover, the European Instrument for Democracy and Human Rights (EIDHR) funds CSOs that promote the rights of vulnerable groups in society. In 2018, the EU funded a total of more than EUR 150 million of projects in India.²⁰

At the same time, the transition of the India-EU development partnership away from traditional aid has involved a broadening of the toolbox for cooperation, which also includes the following:²¹

- Blending (e.g. through the Asian Investment Facility): The EU uses blending to combine EU grants with loans from international financial institutions to leverage additional funding for projects in green housing, urban mobility and other areas supporting India's Smart Cities flagship initiative.
- European Investment Bank (EIB) lending: the EIB opened a regional office in New Delhi in March 2017. EIB loans support urban development projects, such as the Lucknow and Bangalore Metro, and clean energy projects, especially in solar energy.
- The EU Partnership Instrument (PI): the PI provides flexible funding for cooperation on global challenges of mutual interest. In India, the PI has been financing projects in areas such as information and communication technology (ICT), energy, climate change, urbanisation, water, and resource efficiency.
- Science and technology cooperation: the India-EU development partnership has a long history of cooperation in science, research and higher education. Indian research institutes have been among the most active participants in EU research programmes (currently Horizon 2020), student exchange programmes (Erasmus+) and scholarships.

In addition to the EU institutions, EU member states, their implementing agencies and development finance institutions are active development partners. Germany, France and the UK are among the top ten providers of “official development assistance” (ODA) in India.

20 EU-India Cooperation Portfolio in 2017-2018: https://eeas.europa.eu/sites/eeas/files/india-eu_portfolio_2018_-_version_april2018-logos_.pdf (accessed August 12 2018).

21 European External Action Service, EU-India Relations, Fact Sheet, *op. cit.*

The joint statement of the 14th India-EU summit constitutes a strong mandate to continue the transition towards a truly global development partnership. In doing so, India and the EU can build on thematic partnerships on climate change and energy, urbanisation, water, and resource efficiency, which have already been initiated in recent years. The bilateral relationship will continue to be the cornerstone for achieving global impact. In addition, India and the EU have committed to addressing regional and global challenges, including through collaboration with third countries in South Asia and Africa. The continued transition towards such a type of global partnership will depend on how India and the EU will reconcile their different perspectives as development actors.

2.3 Reconciling different perspectives on development cooperation

Ambitions to upgrade India-EU relations to a genuine partnership for global development have usually been met with scepticism. Creating such a partnership has seemed less possible with India than with other rising powers, such as Brazil or China. As one analyst put it: “India has neither a strong inclination nor sufficient incentives to make international development a priority of its strategic partnership with the European Union, whether in third countries or at global fora”.²² Rooted in development policy traditions of Southern solidarity and anti-colonial history, India has had little interest in participating in traditional donor-led initiatives.

In the absence of an explicit policy framework, the principles of South-South cooperation provide the main reference point for India’s development cooperation (i.e. respect for national sovereignty, national ownership and independence, equality, non-conditionality, non-interference in domestic affairs, and mutual benefit). Based on these principles, India has shaped an identity as a development partner that is different from the OECD/DAC²³ model.²⁴ The Indian discourse on South-South cooperation often directly compares India’s role as a demand-orientated partner with criticism of traditional donors, seen as imposing top-down, asymmetric relationships with conditionalities on developing countries.

22 Emma Mawdsley, *Development and the India-EU Strategic Partnership: Missing Incentives and Divergent Identities*, European Strategic Partnership Observatory Policy Brief 14, 2014.

23 The Development Assistance Committee of the Organisation for Economic Co-operation and Development.

24 Saroj Kumar Mohanty, “Shaping Indian Development Cooperation: India’s Mission Approach in a Theoretical Framework”, in *India’s Approach to Development Cooperation*, eds. Sachin Chaturvedi and Anthea Mulakala (London/New York: Routledge, 2016), 1-13.

Representing over two-thirds of OECD/DAC members, the EU and its member states might therefore be seen as an opposite pole to India's approach. The EU's definition of development cooperation is centred on the concept of ODA as defined by the OECD/DAC. The fact that the EU and its member states provide over half of global ODA to developing countries is often mentioned as a main feature of the EU's role as a "global actor".²⁵ As a measure of public development finance, ODA captures flows from official agencies to developing countries on the OECD/DAC list of recipients. ODA is defined by its degree of concessionality and the objective to promote "economic development and welfare of developing countries".²⁶ Article 208 of the Treaty on the Functioning of the European Union, the legal basis for the EU's development cooperation, further specifies that "Union development cooperation policy shall have as its primary objective the reduction and, in the long term, the eradication of poverty." Moreover, Article 21(1) of the Treaty on European Union embeds the EU's development cooperation within a set of values, including democracy, the rule of law, human rights and fundamental freedoms, respect for human dignity, the principles of equality and solidarity, and respect for the United Nations Charter and international law.

The New European Consensus on Development, adopted in 2015, outlines a shared framework for the development cooperation of the European Union and its member states. The New Consensus aligns the EU's development cooperation with the 2030 Agenda for Sustainable Development and stresses poverty reduction as the primary objective. The Consensus also restates that the principles of "development effectiveness [...] should underpin all forms of development cooperation".²⁷ The EU therefore supports the Global Partnership for Effective Development Cooperation (GPEDC) as a platform to promote norms and standards for development cooperation. In contrast, India has kept its distance from the GPEDC, perceiving it to be merely a continuation of the OECD/DAC-led process on aid effectiveness.

The binary distinction between "EU aid" and India's South-South cooperation remains influential in shaping perspectives on cooperation with the EU in

25 Jan Orbie, "The EU's Role in Development: A full-fledged Development Actor or Eclipsed by Superpower Temptations?", in *The European Union and Global Development. An 'Enlightened Superpower' in the Making?* eds. Stefan Gänzle, Sven Grimm and Davina Makhan (Houndmills: Palgrave Macmillan, 2012), 17-36.

26 On the OECD/DAC definition of official development assistance: <http://www.oecd.org/dac/stats/officialdevelopmentassistancedefinitionandcoverage.htm>

27 The New European Consensus on Development "Our World, Our Dignity, Our Future", Joint Statement by the Council and the Representatives of the Governments of Member States Meeting Within the Council, the European Parliament and the European Commission, Brussels, June 8, 2017, para. 18.

India. However, the reality of development cooperation has evolved and is considerably more nuanced than this simplistic dichotomy would suggest.

First, the EU does not represent a monolithic bloc with a single approach to development cooperation. Under the EU's legal competence arrangements, EU member states retain their own development cooperation, with the EU level providing common ground under the non-binding New Consensus. EU member states represent diverse approaches, ranging from former colonial powers like France over Scandinavian donors to relatively new players in Central and Eastern Europe. In addition, the EU acts as a bilateral partner in its own right while pooling development cooperation resources from member states similar to a multilateral agency. This diversity and unique architecture demands a more nuanced view on the EU's approach to development cooperation.

Second, the study of “Northern” and “Southern” approaches to development cooperation points towards greater convergence and cooperation rather than divergence. “Northern” donors like the EU have been moving closer towards certain characteristics of South-South cooperation, stressing mutual interests, economic growth, infrastructure, the role of the private sector, and the use of blended finance.²⁸ Similar to Northern donors, most Southern providers of development cooperation have been adopting institutional architectures for the delivery of their development cooperation.²⁹ Moreover, the same research shows that the general principles of Northern and Southern approaches are not necessarily opposing each other, but show overlaps. For instance, the concept of “development effectiveness”, brought into the GPEDC by Southern actors, is now shared across the North-South divide. Finally, the rapidly growing trend of triangular cooperation shows that cooperation among Northern and Southern providers does not require the elimination of all differences. Instead, the modality emphasises the combination of diverse approaches.³⁰

To be sure, India has remained more reluctant than other Southern providers of development cooperation to seek convergence or engage in triangular cooperation with Northern partners. However, India's development cooperation has never remained static. Building on a long history as a development partner,

28 Emma Mawdsley, “The ‘Southernisation’ of Development?”, *Asia Pacific Viewpoint* 59:2 (2018): 173-185.

29 Elizabeth Sidiropoulos et al., eds., *Institutional Architecture and Development. Responses from Emerging Powers* (Johannesburg: South African Institute of International Affairs, 2015).

30 OECD, *Dispelling the Myths of Triangular Co-operation – Evidence from the 2015 OECD Survey on Triangular Cooperation*, Report Prepared by the OECD Development Co-operation Directorate (Paris: OECD, September 2016).

India's development cooperation has expanded in quantity and geographic scope, especially since the end of the 1990s. In the course of several decades, India's development cooperation has acquired and refined a growing set of tools ("development compact") for engagement with other developing countries (trade and investment; technology exchange; training, human capacity and skills development (ITEC); lines of credit (LoCs); and grants).³¹ Since 2012, India's development cooperation system has been evolving around the establishment of the Development Partnership Administration in the Ministry of External Affairs. Overall, the shift from a recipient to becoming a net provider of development cooperation has increased India's ability to act bilaterally on its own. At the same time, the evolution of its development cooperation has enabled India to shape new types of partnerships, including with Northern donors such as Japan in the AAGC and France in the ISA.

India's and the EU's differences as development actors often trigger a reflex to delve into conceptual and terminological conversations before starting any concrete cooperation. Making progress on finding a common semantics of "development cooperation" should certainly be part of the India-EU development partnership. At the same time, it is important to consider this process as more than purely a theoretical exercise. Shared concepts, be it those of the OECD/DAC or the principles of South-South cooperation, are usually the result of experience and practice. Similarly, Northern and Southern partners engaged in triangular cooperation usually develop shared concepts on the basis of first practical experiences. That is why the best way for India and the EU to develop common conceptual ground is to engage in cooperation and co-create a shared understanding of development cooperation through common practice.

The New European Consensus on Development expresses the EU's interest in working more closely together with middle-income countries (MICs) to shape common approaches to development cooperation. Its predecessor policy document, the "Agenda for Change", had emphasised the phasing out of development assistance in middle-income countries (MICs) to focus ODA on the countries most in need. However, the expiration of traditional ODA-based cooperation with MICs, including in India, has left gaps in the EU's followup of these strategically relevant relationships.³² The New Consensus therefore

31 Sachin Chaturvedi, *The Development Compact: A Theoretical Construct for South-South Cooperation, Research and Information System for Developing Countries (RIS) Discussion Paper #203*, June 2016.

32 Mariella Di Ciommo and Meritxell Sayos Monras, *Sailing New Waters in International Cooperation. On the Way to Framing Future EU Engagement With More Advanced Developing Countries*, European Centre for Development Policy Management (ECDPM) Discussion Paper No. 224, March 30 2018.

stresses the importance of “develop[ing] innovative engagement with more advanced developing countries”.³³ In defining new forms of engagement, previous conceptual differences are losing in importance given that ODA has become less relevant for India-EU bilateral cooperation.

Globally, development cooperation is also moving “beyond aid”, i.e. the centrality of ODA is relatively decreasing compared to other types of development finance. Achieving development objectives also depends to a large extent on stakeholders and policy communities that do not have a primary identity in the field of development cooperation.³⁴ Overall, development cooperation in a narrow sense is a subset of the “means of implementation” for the SDGs. In this context, debating how to reconcile the EU’s approach to development around ODA with India’s South-South cooperation seems too narrow to capture the essence of the India-EU development partnership in the next decade. Trying to combine India’s and the EU’s approach, for instance in the form of triangular cooperation, can certainly be one aspect. However, it is not the only (or even the main) ingredient to the India-EU development partnership.

2.4 The Sustainable Development Goals: Common ground and shared aspirations

The implementation of the 2030 Agenda serves as an excellent reference point for the India-EU development partnership compared to narrower debates around the compatibility of ODA and South-South cooperation. That is why this study argues in favour of building the partnership around goals instead of development cooperation as only one element to achieve them. In many regards, the 2030 Agenda is a more conducive foundation for the India-EU development partnership than any previous global development paradigm. As a universal framework applicable to all countries, the SDGs provide a common framework that overcomes past conceptions of North-South relations and emphasises equal partnership. The UN-based origin and issue-oriented structure of the SDGs also corresponds to India’s cooperation preferences. The Addis Ababa Action Agenda and SDG17 on a Global Partnership for Sustainable Development include a broad range of means of implementation and accommodate a diversity of approaches.

33 The New European Consensus on Development, *op. cit.*, para. 95.

34 Heiner Janus, Stephan Klingebiel and Sebastian Paulo, “Beyond Aid: a Conceptual Perspective on the Transformation of Development Cooperation, *Journal of International Development* 27:2 (2015): 155-169.

Having played an active role in elaborating the 2030 Agenda, India and the EU share a strong commitment towards achieving the SDGs, which they have restated in their joint statement of the 14th India-EU summit. Both India and the EU have endorsed the 2030 Agenda as a framework to guide policies in support of sustainable development domestically and globally. The EU's New Consensus on Development states that the EU and its member states “implement the 2030 Agenda across all internal and external policies”.³⁵ Moreover, the European Commission has outlined an approach to SDG implementation in the EU, which includes the launch of a high-level multistakeholder platform for the implementation of the SDGs.³⁶

Similarly, India has associated the SDGs closely with its domestic development motto of “*Sabka Saath Sabka Vikas*” (“collective effort, inclusive development”). As one of the countries having presented a Voluntary National Review (VNR) at the UN's High-Level Forum (HLPF) 2017, India has stressed that “the country's national development goals are mirrored in the SDGs”.³⁷ India's main flagship initiatives to promote domestic development show close linkages to the SDGs (e.g. Smart City and SDG 11, Skill India and SDG4). NITI Aayog (National Institute for Transforming India), the development think tank of the Indian Government, has produced a three-year plan (2017/18-2019/2020) and is drawing up a 15-year vision in close alignment with the SDGs.³⁸ Beyond India's domestic implementation of the SDGs, the VNR emphasises the importance of international cooperation, aiming to “institutionaliz[e] the concept of ‘one world’ through partnerships based on solidarity, equity and sharing.”

Overall, India's SDG strategy provides the India-EU development partnership with clear opportunities to interface with India's domestic policies as well as its global engagement in shaping relevant international institutions and building development partnerships with other countries (Figure 1).

At the same time, the SDGs as such do not provide a precise roadmap and require operationalisation. The complexity of the SDGs—with their 17 goals and 169 targets—raises concerns that this framework might be too complex for

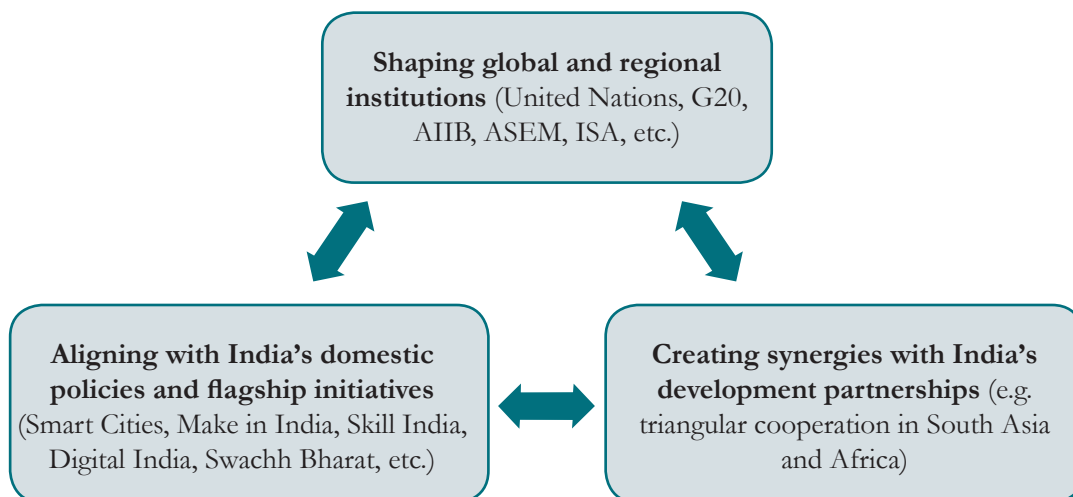
35 The New European Consensus on Development, *op. cit.*, para. 7.

36 European Commission, Next steps for a Sustainable European Future. European Action for Sustainability, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Strasbourg, November 22, 2016.

37 Government of India, Voluntary National Review Report on Implementing the Sustainable Development Goals, presented at the United Nations' High-Level Political Forum in 2017, p. 2.

38 NITI Aayog, India. Three-Year Action Agenda 2017/18-2019/20 (New Delhi: NITI Aayog, 2017).

Figure 1: Main interfaces between India’s SDG strategy and the India-EU partnership



Source: author.

effectively orienting the India-EU development partnership. However, research and policy documents stress the importance of implementing the SDGs as an integrated framework.³⁹ Leveraging linkages across several goals increases the effectiveness of implementation compared to fragmented approaches.⁴⁰ It would therefore be counterproductive to limit the India-EU development partnership in terms of how many goals it should cover. Setting priorities is certainly necessary. However, prioritisation does not mean selecting individual SDGs but rather areas of cooperation through which India and the EU could contribute to the achievement of the SDGs.

39 High-level Political Forum on Sustainable Development, From Silos to Integrated Policy Making, HLPF Issue Brief 5, UNDESA, 2014.

40 Mark Stafford-Smith, Integration: the Key to Implementing the Sustainable Development Goals, Sustainability Science 12:6 (2016): 911-919.

3. Areas of Cooperation

Making pragmatic choices about areas of cooperation in the India-EU development partnership is not a merely technocratic exercise. This section therefore provides a qualitative assessment of possible areas of cooperation based on several factors.

Above all, India's rapidly evolving development challenges are the basis for the selection of pertinent areas of cooperation. India is currently the fastest growing major economy in the world. Poverty projections see India largely on track to achieving SDG1 on ending extreme poverty by 2030, provided that regional and social inequalities are effectively addressed.⁴¹ Despite impressive progress, however, India ranks 130th in the Human Development Index, pointing towards persistent development challenges in traditional sectors such as health, education, nutrition and sanitation.⁴² At the same time, India's rapid development is driving challenging economic, social and environmental transformations. Given the scale and breadth of its development opportunities and challenges, India is a key country for achieving the SDGs globally. Partnership with the EU can make contributions to this process in several areas. Alignment with India's national policies and domestic flagship programmes stands out as a major determinant in the choice of priorities for the India-EU development partnership.

Moreover, India and the EU do not start from scratch. Nor does this study suggest a re-start of the India-EU development partnership. Key issues in which India and the EU already have a track record of successful cooperation are likely to remain important thematic foci of future cooperation. Future priorities are largely about scaling up existing cooperation and selectively adding new elements. Moreover, the joint declarations of the 13th and 14th India-EU summits endorsed priorities for cooperation. The Agenda for Action 2020, issued at the India-EU summit in 2016, provides a roadmap for implementing

41 Geoffrey Gertz and Homi Kharas, *Leave No One Behind. Ending Poverty in the Toughest Places*, Global Economy & Development Working Paper 110, Brookings Institution, February 2018.

42 Human Development Index (HDI) – 2018 Statistical Update: <http://hdr.undp.org/en/2018-update> (accessed November 10, 2018).

these priorities in the near future. As a result of the summits in 2016 and 2017, India and the EU have launched issue-specific partnerships in areas that constitute a core part of the future relationship beyond 2020. These include the Clean Energy and Climate Partnership, the EU-India Water Partnership, the India-EU Resource Efficiency Initiative, and the India-EU Partnership for Smart and Sustainable Urbanisation. Other determinants for the selection of areas of cooperation include mutual interests with regard to global issues, as well as India's and the EU's respective comparative advantages as development actors.

Based on these different factors, this section gives an overview of areas of cooperation through which the India-EU partnership can address major development challenges in the SDG era. These areas have varying relevance for different levels of interaction (bilateral, regional, global). The section contains a more detailed account of possible cooperation for Euro-Asian connectivity as an emerging focus of India-EU cooperation. The remaining sub-sections provide shorter overviews of other relevant areas of cooperation.

3.1 Shaping Euro-Asian connectivity

Connectivity has been emerging as a top priority for India and the EU. The term refers to both hard infrastructure (such as road, rail and sea connections, ports, and airports) and soft infrastructure (including trade facilitation, finance, and institutions). In addition to transport, a comprehensive understanding of connectivity also includes energy networks, digital linkages, and people-to-people contacts (education, culture, research and innovation). Economic and geostrategic considerations explain the growing relevance of connectivity as a potential new focus in the India-EU development partnership.

Economic development and poverty reduction in India and South Asia can benefit from better intra-regional connectivity as well as stronger integration with other markets and growth regions. South Asia is one of the least integrated regions in the world. Intra-regional trade accounts for only five percent of South Asia's total trade; intra-regional investment is smaller than one percent of overall investment.⁴³ Low levels of connectivity are especially a burden for landlocked and Least Developed Countries (LDCs) in the region. Regional connectivity is also essential for the economic integration of Indian states, especially in India's North-East. Moreover, connectivity is relevant

43 Sanjay Kathuria, *A Glass Half Full: The Promise of Regional Trade in South Asia* (Washington, D.C., South Asia Development Forum, 2018).

for India's domestic policy agenda. India has launched plans for a series of industrial corridors,⁴⁴ which are closely related to flagship initiatives such as 'Make in India' and 'Smart Cities' as well as transport schemes, such as *Bharatmala Pariyojana* (roads and highways) and *Sagarmala* (logistics in waterways and coastlines). The corridors aim to better connect India's productive capacities, promote industrialisation and increase the share of employment in manufacturing.⁴⁵

Improving connectivity promises significant developmental gains. The Addis Ababa Action Agenda highlights the contributions that regional integration, connectivity and investments in transport, energy and digital networks make to achieving the SDGs.⁴⁶ In addition to poverty reduction (SDG1), connectivity contributes to growth and employment (SDG8) as well as resilient infrastructure and industrialisation (SDG9). Moreover, connectivity facilitates access to energy (SDG7) as well as ICT and the Internet (SDG9.c). Connectivity also performs a crucial role in reducing inequality (SDG10) between and within countries (e.g. by better connecting landlocked countries to regional and global markets and reducing urban-rural divides). Interlinkages also exist with several other SDGs, such as improvements in urban transport (SDG11.2) and the reduction of deaths caused by road traffic accidents (SDG3.6). Finally, the SDGs provide guidance on standards to be respected in connectivity initiatives to ensure compatibility with global efforts to combat climate change (SDG13) and to protect the oceans (SDG14). India's and the EU's approaches to connectivity establish a clear link with the SDGs as emphasised in the vision document of the AAGC⁴⁷ and the EU's proposed building blocks for a Euro-Asian connectivity strategy.⁴⁸

Achieving better connectivity will require a major leap in infrastructure financing. According to estimates of the Asian Development Bank (ADB), “[d]

44 Planned corridors include: Delhi Mumbai Industrial Corridor, Chennai Bangalore Industrial Corridor, Mumbai Bangalore Economic Corridor, Amritsar Kolkata Industrial Corridor, and the East Coast Economic Corridor, according to the Press Information Bureau of the Government of India (Ministry of Commerce and Industry), <http://pib.nic.in/newsite/PrintRelease.aspx?relid=153692> (accessed December 12, 2018).

45 Shahana Chattaraj, *Infrastructure, Institutions and Industrialisation: The Delhi-Mumbai Industrial Corridor and Regional Development in Gujarat and Uttar Pradesh*, ORF Issue Brief No. 272, Observer Research Foundation, December 2018.

46 Addis Ababa Action Agenda of the Third International Conference on Financing for Development, 13-16 July 2015, para. 87.

47 Research and Information System for Developing Countries (RIS), Economic Research Institute for ASEAN and East Asia (ERIA) and Institute for Developing Economies/Japan External Trade Organization (IDE-JETRO), *Asia Africa Growth Corridor. Partnership for Sustainable and Innovative Development – A Vision Document*, launched at the African Development Bank Meeting in Ahmedabad, India, 22-26 May 2017.

48 European Commission and the High Representative of the Union for Foreign Affairs and Security Policy, *Connecting Europe and Asia – Building Blocks for an EU Strategy*, Brussels, September 19, 2018.

veloping Asia will need to invest US\$ 26 trillion from 2016 to 2030, or US\$ 1.7 trillion per year, if the region is to maintain its growth momentum, eradicate poverty, and respond to climate change”.⁴⁹ The ADB estimates that South Asia’s investment needs for transport, power, telecommunications, water supply and sanitation amount to 8.8 per cent of regional GDP. Tapping the potential of increased connectivity will also require removing a wide range of non-tariff barriers and regulatory constraints.⁵⁰

Connectivity has further gained geostrategic relevance due to China’s emergence as a major provider of infrastructure and connectivity. China’s investments are filling financing gaps in many developing countries and have the potential to significantly contribute to development. At the same time, China’s expanding global and regional footprint also raises concerns. India is among the most vocal critics of China’s flagship infrastructure and connectivity initiative, the ‘Belt and Road Initiative’ (BRI). India’s concerns relate especially to the BRI’s political and security implications in its neighbourhood. With the exception of Bhutan, all of India’s South Asian neighbours have signed on to the BRI. “India is not opposed to infrastructure development in the region, but is concerned about the strategic implications of certain Chinese-led initiatives,”⁵¹ especially those that run through sensitive border areas, most importantly the China-Pakistan Economic Corridor (CPEC). More generally, India has expressed reservations about the BRI unilaterally determining a connectivity model for the region and undercutting international standards. India is also worried that new economic dependencies towards China might turn into political leverage in neighbouring countries.⁵²

Converging perspectives on Euro-Asian connectivity

India has been lagging behind in offering a connectivity vision for the region, but has been crafting the contours of a policy response. This response aims to provide an alternative narrative to connectivity that stresses the importance

49 Asian Development Bank, Meeting Asia’s Infrastructure Needs (Manila: Asian Development Bank, 2017).

50 Michael G. Plummer, Peter J. Morgan, and Ganeshan Wignaraja, eds., Connecting Asia. Infrastructure for Integrating South and Southeast Asia (Cheltenham, UK, Northampton, MA, USA: Edward Elgar Publishing, 2016). Sagar Prasai, Mapping Barriers to Trade in South Asia, DFAT-TAF Partnership Working Paper Series #4, The Asia Foundation, November.

51 Darshana Baruah, “India’s Answer to the Belt and Road: a Road Map for South Asia”, Carnegie India, August 21, 2018, <https://carnegieindia.org/2018/08/21/india-s-answer-to-belt-and-road-road-map-for-south-asia-pub-77071> (accessed September 14, 2018).

52 Shyam Saran, “Why Regional Connectivity in South Asia Should Be a Strategic Priority for India”, Hindustan Times, 12 April 2018, <https://www.hindustantimes.com/analysis/why-regional-connectivity-in-south-asia-should-be-a-strategic-priority-for-india/story-F54OnZRLWM22kbr2LmS7BM.html> (accessed September 5, 2018).

of cooperation in the framework of the multilateral, rules-based order. Moving this strategy from narrative towards implementation, India is seeking collaboration with partners that can help overcome constraints in the provision of financial and technical resources. Japan is so far India's most significant connectivity partner. The Indo-Japanese partnership builds on experiences of cooperation on domestic infrastructure in India (in the North-East, high speed rail, industrial corridors and urban transport) and is now extending to regional and inter-regional connectivity, especially with the plan for the AAGC.

India's emphasis on connectivity coincides with increasing EU interest in Euro-Asian connectivity. The European Union Global Strategy (EUGS) stresses the relevance of Asian connectivity for prosperity in Europe. The majority of the EU's trade in goods is transported through the Indian and Pacific Oceans. Over 35 percent of EU exports go to Asia, and over 40 per cent of EU imports come from Asia. Four of the EU's top ten trading partners are in the region.⁵³ The European External Action Service and the European Commission have carried out a mapping exercise of Euro-Asian connectivity in view of identifying entry points for a stronger European engagement.⁵⁴ In September 2018, the European Commission proposed "the building blocks towards an EU Strategy on connecting Europe and Asia".⁵⁵ The EU presented its strategy at the Asia-Europe Meeting (ASEM) Pathfinder Group on Connectivity in October 2018.

In recent years, the EU has developed its connectivity engagement with China, with which it has established a connectivity platform and the EU-China Co-investment Fund in view of creating linkages between the EU's investment strategy and the BRI. At the same time, the EU's position on Euro-Asian connectivity shows growing overlaps with India's perspective.⁵⁶ The proposed EU strategy advances a "sustainable, comprehensive and rules-based" approach to connectivity. Similar to the notion of "quality infrastructure" used by India and Japan, the EU emphasises the importance of "economically, socially and environmentally sustainable infrastructure of good quality".⁵⁷ Connectivity

53 European Commission and the High Representative of the Union for Foreign Affairs and Security Policy, *Connecting Europe and Asia*, *op. cit.*, p. 1.

54 European Commission, *Euro-Asian Connectivity Mapping Exercise. Main Findings*, Joint Staff Working Document, Brussels, November 23, 2017.

55 European Commission and the High Representative of the Union for Foreign Affairs and Security Policy, *Connecting Europe and Asia*, *op. cit.*

56 European External Action Service, *European Union Belt and Road Forum – EU Common Messages*: https://eeas.europa.eu/delegations/china/26051/belt-and-road-forum-eu-common-messages_en (accessed September 10, 2018).

57 European Commission, *Euro-Asian Connectivity Mapping Exercise*, *op. cit.*

should therefore be resilient, encompass climate change mitigation and adaptation, adhere to common sets of environmental, social and governance standards, and ensure fiscal sustainability. The notion of comprehensive connectivity encompasses transport, digital and energy networks that should be people-focused and ensure the flow of goods, services and capital. Like India, The EU emphasises the need to integrate the emerging Euro-Asian architecture for connectivity into a multilateral, rules-based framework. Such a framework would be based on “[i]nternationally agreed practices, rules, conventions and technical standards, supported by international organisations and institutions, [that] enable interoperability of networks and trade across borders.”⁵⁸ Another main EU concern is to ensure non-discrimination and to create a level playing field for companies working in connectivity sectors, including transparent and open procurement processes.

As part of the proposed EU strategy, the EU aims to build partnerships through which the EU and Asian partners advance priority transport corridors, digital links and energy cooperation, create common rules and standards, address investment gaps, and share technical and regulatory expertise. India’s and the EU’s views on connectivity have converged sufficiently to provide common ground for an India-EU connectivity partnership.

Towards an India-EU connectivity partnership

The EU’s potential engagement with India would have to be considered in the context of already existing regional initiatives, including those promoted by India. A main thrust of India’s approach has been towards connecting South Asia with the countries of the Association of South-East Asian Nations (ASEAN) in the framework of the “Act East Policy”.⁵⁹ India and ASEAN aim to better integrate the two regions in view of creating an “Arc of Prosperity” underpinned by improved trade and investment relations. India is currently working with ASEAN on multiple land, water and air connectivity projects (e.g the India-Myanmar-Thailand Trilateral Highway and the Kaladan Multi-Modal Transit Transport Project). In view of synchronising India’s connectivity policy with the Master Plan on ASEAN Connectivity (MPAC), India has become a dialogue partner of the ASEAN Connectivity Coordinating Committee (ACCC). In December 2017, India hosted the ASEAN-India Connectivity

58 European Commission and the High Representative of the Union for Foreign Affairs and Security Policy, *Connecting Europe and Asia*, *op. cit.*, p 3.

59 Ministry of External Affairs, *ASEAN-India Connectivity: Mapping Pathways of Shared Prosperity*, New Delhi, January 2018.

Summit (AICS) with the topic of “Powering Digital and Physical Linkages for Asia in the 21st Century”.⁶⁰

In addition to cooperation with ASEAN, India has strengthened its engagement on connectivity with sub- and inter-regional groupings along the arc from South Asia to South-East Asia.⁶¹ Connectivity has become a key aspect of India’s cooperation with the so-called CLMV countries (Cambodia, Laos, Myanmar, Vietnam) and in the BBIN group (Bangladesh, Bhutan, India and Nepal). India’s engagement with sub-regional groupings is a reaction to the stalled momentum in South Asia’s regional architecture. While the political dynamic to promote connectivity within the South Asian Association for Regional Cooperation (SAARC) has largely petered out, India aims to expand the scope of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) to include infrastructure and connectivity.

Beyond the scope of South and South-East Asia, India is also promoting connectivity with other regions. Maritime connectivity is a focus as significant trade routes go through the Indian and Pacific Oceans. Maritime connectivity in the Bay of Bengal is an increasingly relevant issue for India and other partners in the region.⁶² In addition to its narrative around a “free and open Indo-Pacific”, India has begun to recognise Eurasia as a strategically relevant space and has increased its efforts to improve land-based, inter-continental connectivity. India cooperates with Iran (Chabahar Port) to achieve better connectivity with Central Asia. Cooperation with Iran is related to the International North-South Transport Corridor (INSTC), a land- and sea-based network comprising rail, road and water routes aimed at promoting trade between India, Central Asia, Iran, Russia and Europe by reducing costs and travel time for freight transport.⁶³

Potential for increased cooperation between India, the EU and its member states exists with all these initiatives and geographic zones. The EU’s growing dialogue on connectivity with ASEAN provides scope for synergies, possibly also with Japan in the framework of the AAGC. The EU Global Strategy

60 Ministry of External Affairs, ASEAN-India Relations, June 2017.

61 K. Yhome and Rajeev Ranjan Chaturvedy, eds., *Emerging Trans-regional Corridors: South and Southeast Asia*, Global Policy-ORF Series, Observer Research Foundation, 2017.

62 Anasua Basu Ray Chaudhury et al., *India’s Maritime Connectivity: Importance of the Bay of Bengal*, Observer Research Foundation, 2018.

63 Kiran Sharma and Akihiro Sano, “India and China Jostle for Influence in Iran and Central Asia”, *Nikkei Asian Review*, April 24, 2018, <https://asia.nikkei.com/Spotlight/Asia-Insight/India-and-China-jostle-for-influence-in-Iran-and-Central-Asia> (accessed September 12, 2018).

stresses ASEAN as a key partner for Euro-Asian connectivity. The EU has set up a connectivity task force to act as the ACCC's interlocutor and has also launched an ASEAN technical assistance facility for connectivity and urban development to support the implementation of the MPAC. Moreover, the EU supports regional integration through various initiatives, such as the ASEAN Regional Integration Support (ARISE Plus) programme.⁶⁴ Given the prioritisation of landlocked countries and LDCs in the EU's development policy, South and South-East Asia are a relevant focus. Moreover, the EU is a natural partner for promoting India's connectivity towards Europe. India and the EU could explore possible initiatives to improve Eurasian land-based connectivity towards Central Asia and Eastern Europe. Maritime connectivity and blue economy are additional possible focus areas.

The EU's role in Asia's connectivity landscape

Comparisons with India's main connectivity partners could help identify a possible template for EU engagement. As a major provider of development finance and technical expertise, the EU could assume a role that is similar to that of Japan. Like Japan, the EU and its member states have experience in infrastructure development within India (clean energy, urbanisation, urban transport) and could expand this relationship to cross-border connectivity. Compared to Japan, however, the EU is so far perceived as politically less relevant in Asia, which can be a disadvantage in the geostrategically charged issue of connectivity.

The Asian Development Bank (ADB) could also provide an interesting template for the EU's role. The ADB is an important provider of finance and expertise for infrastructure, regional integration and connectivity, and a potential partner for connectivity initiatives in the region. For instance, the ADB serves as the Secretariat of the South Asia Sub-regional Economic Cooperation (SASEC) programme, an initiative that brings together the BBIN countries, Maldives, Sri Lanka and Myanmar. Since 2001, SASEC countries have implemented 49 regional projects amounting to over USD 10.74 billion related to energy, economic corridor development, transport, trade facilitation, and ICT.⁶⁵ In 2016, the SASEC countries approved the SASEC Operational

64 European External Action Service, EU-ASEAN Relations Factsheet 2018, https://eeas.europa.eu/headquarters/headquarters-Homepage/30722/eu-asean-relations-factsheet_en (accessed September 14, 2018).

65 ADB information on SASEC: <https://www.adb.org/countries/subregional-programs/sasec> (accessed September 14, 2018).

Plan 2016-2025, which also provides contact points for European engagement. The Asia Regional Trade and Connectivity Fund (ARTCF), launched by the ADB and the UK, provides another example of partnership with the ADB. The ARTCF assists partner countries in Central and South Asia in identifying and designing projects that improve cross-border transport, energy, and ICT infrastructure. Moreover, the ARTCF provides advice on dealing with regulatory issues, and uses financing to increase poverty reduction and gender impacts of projects.⁶⁶

In the context of Asia's growing financing and cooperation architecture for connectivity, the EU can carve out a role for itself that promises to add value to existing and new initiatives. Based on its available toolbox for financing external policies, the EU could contribute to enhancing the quality and sustainability of investments through a combination of tools involving blending and technical cooperation. As a model for regional integration and a global trade power, the EU is well positioned to provide added value related to soft aspects of connectivity. The EU experience with regional integration, such as with the Trans-European Transport Networks (TEN-T), holds useful insights for India and Asia. The EU has various tools to support trade facilitation, improve institutions for cross-border connectivity and address non-tariff barriers. The EU and its member states combined are the largest provider of Aid for Trade in the world (EUR 13.16 billion in 2015).⁶⁷ According to the WTO, India was the top recipient of total aid-for-trade disbursements in the period from 2006 to 2015.⁶⁸ The EU-India Capacity-building Initiative for Trade and Development (CITD) is an example. The initiative aims to enhance the capacity of India's trade-related regulatory institutions and enforcement systems in order to meet international standards and business needs.

In addition to cooperation on transport and energy networks, digital connectivity is emerging as a promising focus area. India and the EU have established digital connectivity as a priority in their respective domestic initiatives: "Digital India" and the EU's "Digital Single Market". Moreover, the EU has been mainstreaming digitalisation in its development cooperation

66 ADB information on ARTCF: <https://www.adb.org/news/adb-uk-establish-fund-improve-trade-connectivity-asia-pacific> (accessed September 14, 2018).

67 European Commission, *Achieving Prosperity Through Trade and Investment*. Updating the 2007 Joint EU Strategy on Aid for Trade, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Brussels, 13 November 2017.

68 OECD and World Trade Organization, *Aid for Trade at a Glance 2017*, https://www.oecd-ilibrary.org/docserver/aid_glance-2017-en.pdf?expires=1535521185&id=id&accname=guest&checksum=950048C861FA120C7863F36ACCEA593E (accessed September 13, 2018).

(“Digital4Development”), and several member states have adopted similar strategies (e.g. Belgium, Estonia, France, Germany, United Kingdom, Finland, the Netherlands, Sweden).⁶⁹ India and the EU could promote the principles of an “open, free and secure Internet” as a cornerstone of Euro-Asian connectivity. Joint initiatives could support digital infrastructure and enabling policies and institutions that improve access to affordable and secure broadband connectivity and reduce digital divides (e.g. terrestrial networks for cross-border connections to land-locked countries, mobile networks in low-income and low-security countries). The EU has already been supporting a series of infrastructure network projects in the field of research cooperation between Asia and Europe, for instance the Trans-Eurasia Information Network/Asi@Connect, which connects researchers in 18 countries in Asia with counterparts in Europe.

Initiating the connectivity partnership

Given the vast scope of Euro-Asian connectivity, India and the EU require a pragmatic approach towards gradually introducing connectivity into their development partnership. A practical way to start stronger engagement on connectivity issues could be to work bilaterally on connectivity inside India as a continuation of already existing thematic partnerships. For instance, the India-EU partnership on urbanisation already includes urban transport and thus provides linkages with more extensive cooperation on transport connectivity in India. Similarly, the India-EU Water Partnership includes river management, which is related to waterway transport. The partnership on clean energy has clear linkages with energy connectivity (smart grids, etc.). India and the EU can build on processes and networks provided by these already existing thematic partnerships to promote connectivity projects in India. India’s initiatives to establish industrial corridors could be an entry point towards a larger connectivity partnership. India is already cooperating with other external partners, such as Japan and the ADB, on industrial corridors and could explore potential for cooperation with the EU.

Building on experiences and solutions from their bilateral cooperation, India and the EU can subsequently expand the connectivity partnership to other countries. In preparation, India and the EU could engage in a strategic conversation on cross-border connectivity and produce a joint declaration on

69 European Commission, Digital4Development: Mainstreaming Digital Technologies and Services into EU Development Policy, Commission Staff Working Document, Brussels, 2 May 2017.

connectivity in the ASEM Pathfinder Group on Connectivity. The document would outline the contours of a common vision for a multilateral, rules-based model of Euro-Asian connectivity and identify main overlaps in India's and the EU's connectivity strategies. The document would also invite other partners to express their interest and provide for synergies with other initiatives such as the AAGC.

In the nascent stages of the partnership, India and the EU could advance projects on request by partner countries in India's neighbourhood. Road and water transport could provide a concrete and visible starting point in cooperation with Bangladesh, Nepal and Bhutan (see section on Regional Cooperation) to which the EU could contribute finance as well as expertise on standards for interoperable, cross-border multi-modal transport, based on sharing experiences from the EU's TEN-T. As a further step, India and the EU could build on their role as dialogue partners in the ACCC to promote joint initiatives with ASEAN and related to the AAGC. Similarly, India and the EU could work with the ADB to shape new programmes for regional integration and connectivity.

3.2 Other areas of cooperation

Achieving the clean energy transition

Having reduced their historical differences over climate change, India and the EU have managed to turn the issue into a main pillar of their partnership. The signing of the Paris Agreement has further demonstrated growing convergence between India and the EU and broadened the scope for cooperation. Building on this progress, the India-EU partnership holds the promise of providing global leadership at a time when the US is withdrawing from the global climate regime. Achieving the clean energy transition in India and elsewhere is a main objective of the India-EU development partnership to mitigate climate change globally. Accordingly, SDG7 (energy) and SDG13 (climate change) are already major aspects of this partnership.

The promotion of renewable energy is central to achieving India's clean energy transition. Despite progress in recent years, approximately 200 million Indians live without access to electricity.⁷⁰ India's electricity consumption,

70 World Bank data on access to electricity, <https://data.worldbank.org/indicator/EG.ELC.ACCS.ZS> (accessed October 5, 2018).

already third in the world, will skyrocket in the near future.⁷¹ India has set a target of installing 175 GW of renewable energy capacity by 2022, with ambitious plans to generate 40 percent of energy capacity from non-fossil sources by 2030.⁷²

While solar and wind power have been able to achieve cost parity with coal in India,⁷³ there are still obstacles to scaling up renewable power. The issues impeding the uptake of renewables include slow progress in solar rooftop installations, lack of access to finance, and shortcomings in the transmission infrastructure. The EU has already been an important partner in working with India to overcome these obstacles. India is the largest beneficiary of EIB solar lending outside the EU. The EIB has approved EUR 640 million of new investment in solar projects in India with the objective to provide clean energy to around 4.2 million households and to avoid over 4 million tonnes of carbon emissions.⁷⁴

Moreover, France and India have launched the ISA to promote solar energy in developing countries (See Box 2). The EU, its member states and the EIB aim to play an active role to support the ISA. Cooperation with India and other developing countries under the ISA is an important step for the EU to live up to the commitment of developed countries to jointly mobilise US\$ 100 billion of climate finance per year for developing countries.

In 2017, India and the EU launched their Clean Energy and Climate Change Partnership.⁷⁵ The partnership stresses the ISA as a forum for intensified India-EU cooperation where concrete activities on training, affordable finance, and dissemination of best practices for solar deployment can be initiated. In this framework, India and the EU aim to jointly implement projects that promote access to clean energy and climate-friendly technologies, and support research

71 Global Energy Statistical Yearbook 2018, <https://yearbook.enerdata.net/electricity/electricity-domestic-consumption-data.html> (accessed October 5, 2018).

72 Simi Thambi, Anindya Bhattacharya, and Oliver Fricko, India's Energy and Emission Outlook: Results From India Energy Model, NITI Aayog Working Paper, 2018. See also India's Intended Nationally Determined Contributions (INDCs): <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/India%20First/INDIA%20INDC%20TO%20UNFCCC.pdf> (accessed September 23, 2018).

73 Utpal Bhaskar, "Wind Power Tariffs Stay Near Record Low of Rs. 2.44/unit in SECI Auction", *livemint*, February 15, 2018, <https://www.livemint.com/Industry/w1YlI5apaYDLhM4jW5LaAO/Firms-bid-Rs244-per-unit-in-Indias-wind-power-auction.html> (accessed October 5 2018).

74 European Investment Bank (EIB), "More Than One Million Indian Households to Benefit From EIB Backed Clean Energy", Press Release, March 10, 2018, <http://www.eib.org/en/infocentre/press/releases/all/2018/2018-064-more-than-one-million-indian-households-to-benefit-from-european-investment-bank-backed-clean-energy.htm> (accessed October 5, 2018).

75 EU-India Joint Statement on Climate Change and Clean Energy, New Delhi, 6 October 2017.

Box 2: International Solar Alliance (ISA)

The ISA is an intergovernmental organisation headquartered in India. It was announced under the leadership of India and France at the occasion of the United Nations Climate Change Conference in November 2015 in Paris as a platform for cooperation to promote the use of solar energy and reduce dependency on fossil fuels in developing countries. The geographic focus of the ISA's membership is on solar resource rich countries located between the Tropic of Cancer and the Tropic of Capricorn. The ISA aims to address the particular set of challenges these countries face with regard to energy access, energy equity and affordability. The list of prospective members includes 121 countries, of which 48 have so far signed and ratified the ISA Framework Agreement. ISA member countries take coordinated actions through programmes and other activities launched on a voluntary basis. Programmes and activities cover various aspects related to the promotion of solar energy, including access to finance, sharing of solar technologies and innovations, research, and capacity building. To achieve its objectives, the ISA engages with a range of bilateral and multilateral organisations, industry, and other stakeholders.

Source: ISA website

and innovation. The smart integration of renewable energy in the electricity system is a central aspect of the partnership.

Cooperation on the clean energy transition creates fruitful overlaps with other policy goals, including energy security. India and the EU have stepped up their dialogue on low-carbon energy security in the EU-India Joint Working Group on Energy Security. Affordable access to sustainable energy is also likely to contribute to the achievement of social and environmental indicators, such as improved health and reduced pollution. Connecting hard-to-reach populations in India and other partner countries to clean energy makes an important contribution to the “leave no one behind” principle of the 2030 Agenda. Considerable overlaps also exist with regard to cooperation on sustainable urbanisation (e.g. low-carbon mobility).

Promoting inclusive urbanisation

According to UN data, 39 percent of the Indian population lived in urban areas in 2015. This share is set to increase to almost half the population in 2030.⁷⁶

⁷⁶ United Nations World Urbanization Prospects, 2018 revision, <https://population.un.org/wup/> (accessed 17 September 2018).

India, China and Nigeria – together are expected to account for 35 percent of the growth in the world's urban population between 2018 and 2050. India is home to several mega-cities, with Delhi being the second largest city in the world. Moreover, India experiences growth in peri-urban areas, small- and mid-sized cities, and rural areas that get reclassified as urban.

Successful management of urbanisation promises considerable gains in terms of more efficient provision of services, economic transformation and other advantages. At the same time, it is a challenge to scale up basic services, including water, sanitation, energy, waste management and mobility, to reach a growing urban population. Local authorities require increased capacity to plan, finance and implement sustainable solutions for urban problems. According to an estimate, India needs additional capital investments of US\$ 1.2 trillion between 2010 and 2030.⁷⁷ A large share of urban infrastructure in India is yet to be built. Ensuring the quality of investments is essential to avoid lock-in of unsustainable models of urbanisation. Moreover, environmental sustainability is becoming a major concern as urbanisation is affecting the quality of water, air, and soils.

Policy initiatives under India's Urban Rejuvenation Mission (URM), including the Atal Mission for Urban Rejuvenation and Transformation (AMRUT), the Smart Cities Mission and the Housing for All initiative, provide large scope for cooperation with external partners. The EU is already an important partner in addressing urban challenges, making SDG11 another main focus of the India-EU development partnership. The EU supports the capacity of urban local authorities in India to provide basic services such as water, sanitation and waste management. In addition, the EU is backing other initiatives, such as the Ecocities project, which promotes the use of renewable energy in cities, and the EU-Mumbai Partnership, which addresses challenges of mega-cities. Moreover, EIB loans support sustainable urban mobility, such as the Bangalore Metro. Several EU member states cooperate in India's Smart Cities initiative and are partners for selected smart cities in India, for instance in the Sweden-India Smart Cities Platform.⁷⁸

The India-EU Partnership for Smart and Sustainable Urbanisation, launched in October 2017, provides a comprehensive framework for growing cooperation

77 Shirish Sankhe et al., *India's Urban Awakening: Building Inclusive Cities, Sustaining Economic Growth*, McKinsey Global Institute, April 2010, p. 163.

78 Sweden India Smart Cities Platform, <http://swedishchamber.in/sites/default/files/editorfiles/Sweden%20India%20Smart%20Cities%20Platform%20brochure.pdf> (accessed October 11, 2018).

on urbanisation.⁷⁹ The partnership brings together stakeholders from Indian and European institutions, local authorities, businesses and civil society to share knowledge, build capacities and promote investment. India and the EU have established an India-EU dialogue on smart and sustainable urban development, led by the Ministry of Housing and Urban Affairs and the EU Delegation in India. The challenges to be addressed in this partnership include urban planning, waste management, drinking water supply, air quality management, resource efficiency, clean energy, green urban transport, and climate change adaptation.

A growing area of cooperation in the India-EU partnership is city-to-city cooperation. Indian and European cities increasingly cooperate directly and exchange knowledge and experiences (e.g. twinning initiatives). In the framework of the UN-Habitat III Conference of 2016, India and the EU committed to expand city-to-city cooperation as a contribution to the New Urban Agenda. Moreover, Indian and European cities cooperate in the International Urban Cooperation (IUC) programme.⁸⁰ The EU's World Cities Programme is another potential framework for promoting capacity building and knowledge-sharing between Indian and European cities.⁸¹

Protecting the environment and preserving natural resources

Reconciling rapid economic development with environmental sustainability is one of the main challenges for India in the SDG era. As the environment is intricately linked with other aspects of development, such as health and food security, environmental degradation not only could potentially undermine past development successes but also create new challenges. Climate change further compounds the negative externalities of fast economic growth, urbanisation and a growing population. The poorest are likely to be most exposed to the risks caused by environmental degradation as livelihoods in rural and coastal areas rely on economic activities in agriculture and fisheries. Based on their track record of cooperation in this field, India and the EU are well positioned to address several key challenges, notably water management, the protection of oceans and rivers, air pollution, and waste management.

Water: Water and sanitation have traditionally been important sectors of cooperation between India and international partners. However, India's water

79 Joint Declaration between the European Union and the Republic of India on a Partnership for Smart and Sustainable Urbanisation, New Delhi, 6 October 2017.

80 Website of the International Urban Cooperation: <http://www.iuc.eu/about/>

81 World Cities website: <http://world-cities.eu/>

Box 3: India-EU Water Partnership

In 2016, India and the EU launched a Water Partnership to strengthen technological, scientific, and management capabilities in the field of water management. Priorities of the partnership include the sustainable development of river basins, water governance, data management (water accounting), groundwater use, and water use in irrigation, including solar pumping. The partnership aims to enable the exchange of views on regulatory approaches, including procurement, governance, best practices, business solutions, and research and innovation. To this end, the partnership facilitates technical exchanges through study visits on water issues and the Indo-European Water Forum.

Source: Memorandum of Understanding between the Republic of India and the European Union on water cooperation, 7 October 2016.

challenge is acquiring a new quality and urgency. According to NITI Aayog, “India is suffering from the worst water crisis in its history”.⁸² Close to half of the Indian population risks facing acute water shortages. The contamination and depletion of groundwater is a major cause for concern. NITI Aayog warns that 21 Indian cities might run out of groundwater by 2020. Growing cities put pressure on water supply as demand is projected to increasingly exceed supply, which could cost India about six percent of its gross domestic product (GDP) by 2030. Although many states have been making progress in improving the quality of water, states ranking the lowest (Uttar Pradesh, Haryana, Bihar and Jharkhand) are also India’s most populous regions and centres of agricultural production. India and the EU have already established water (SDG6) as a key issue of their development partnership (See Box 3).

Protection of rivers and oceans: India’s domestic policy, notably the Ganga Rejuvenation initiative in which European partners already participate, emphasises the significance of river sustainability. European countries can contribute relevant experience in governing transboundary waterways under major river conventions, such as for the Danube and the Rhine. Moreover, ocean protection can become a growing field of Indo-European cooperation. European countries share interests in the provision of public goods in the Indian Ocean region. Having a coastline of approximately 7,500 km, India has a crucial interest in the sustainable management of maritime spaces. Declining fish stocks and threats to biodiversity pose a significant risk to the livelihoods

82 NITI Aayog, Composite Water Management Index, New Delhi, June 2018.

of coastal communities.⁸³ India has demonstrated a strong interest in the blue economy as exemplified by the priorities of India's engagement with regional partners in the Bay of Bengal and the Indian Ocean.⁸⁴ The India-EU development partnership could contribute to this ambition by promoting an inclusive and environmentally friendly approach to the economic development of the oceans (SDG14).

Air pollution: In response to deteriorating air quality, India has initiated the National Clean Air Programme.⁸⁵ According to the World Health Organization, India is home to 14 of the world's 20 most polluted cities.⁸⁶ Mortality caused by air pollution also severely affects the poor in rural areas where farming practices (stubble burning) and indoor burning of biofuels is undermining air quality. The past years of extreme air pollution are the harbingers of a health crisis in the making, contributing to the already increasing burden of non-communicable diseases. Policy measures to mitigate pollution need to deal with a complex set of causes and implementation hurdles.⁸⁷ In alignment with India's National Clean Air Programme, the EU has launched the Air Quality Initiative.⁸⁸ In this initiative, India and the EU will pilot actions in selected cities to explore effective ways of improving air quality management. As illustrated by the India-Netherlands Clean Air India Initiative, launched in 2018, air pollution is a growing area of Indo-European cooperation. The Indo-Dutch initiative promotes cooperation between Indian and Dutch companies that create innovative solutions to address the causes of air pollution.⁸⁹ For instance, Indian and Dutch companies work on solutions to reduce stubble burning by upcycling agricultural waste as raw material in the construction and packaging industry. Data collection and monitoring of air quality is another objective of the Indo-Dutch initiative. Cooperation to improve air quality makes contributions to several SDGs, including 3.9 (reduce number of deaths and

83 Aparna Roy, *Blue Economy in the Indian Ocean: Governance Perspectives for Sustainable Development in the Region*, ORF Occasional Paper No. 181, Observer Research Foundation, January 2019.

84 Cooperation for the blue economy is, for instance, highlighted in the Fourth BIMSTEC Summit Declaration "Towards a Peaceful, Prosperous, and Sustainable Bay of Bengal Region", Kathmandu, August 30-31, 2018; <http://pib.nic.in/newsite/PrintRelease.aspx?relid=183185> (accessed October 17, 2018).

85 Ministry of Environment and Forest, *National Clean Air Programme*: <http://envfor.nic.in/sites/default/files/NCAP%20with%20annex-ilovepdf-compressed.pdf> (accessed October 22, 2018).

86 "India had 14 out of world's 20 most polluted cities in terms of PM2.5 levels in 2016, says WHO", *The Hindu*, 2 May 2018, <https://www.thehindu.com/sci-tech/energy-and-environment/14-out-of-worlds-20-most-polluted-cities-in-india-who/article23745178.ece> (accessed October 21, 2018).

87 Rumi Ajaz, *The Herculean Task of Improving Air Quality: the Case of Delhi and NCR*, ORF Issue Brief 167, Observer Research Foundation, November 2018.

88 Air Quality Initiative: <https://www.eu-india-air.com/> (accessed October 20, 2018).

89 "Clean Air Initiative launched", *The Hindu*, New Delhi, 24 May 2018, <https://www.thehindu.com/news/national/clean-air-india-initiative-launched/article23980873.ece> (accessed October 20, 2018).

illnesses from air pollution), 11.6 (improve air quality in cities) and 12.4 (reduce chemical releases to air).

Resource efficiency and waste management: In 2017, India and the EU launched the Resource Efficiency Initiative to promote the efficient and sustainable use of natural resources in India.⁹⁰ The initiative supports the Indian Resource Panel in developing strategies in the fields of transport, buildings, renewable energy and waste recovery. Cooperation on waste management corresponds to India's domestic priorities under the flagship Swachh Bharat Abhiyan programme and the EU's Circular Economy strategy. Rising income levels, urbanisation, and population growth are leading to increasing levels of material consumption in India. While India's per capita material consumption is lower than that of other leading economies, India will become the third largest consumer market in absolute terms by 2025. The World Bank predicts total municipal solid waste generation per day to increase more than threefold by 2025. Currently, only about one-fifth of this waste is treated.⁹¹ India-EU cooperation on resource efficiency and waste management therefore makes important contributions to achieving targets mentioned in SDG11 (cities) and SDG12 (consumption and production patterns).

Supporting job creation and inclusive growth

Another main challenge for India in the SDG era will be to create a sufficient number of well-paid jobs for its growing workforce. India's economy has to integrate an estimated 12 million young people into its workforce every year; women are underrepresented in the workforce; and most work is informal, characterised by social insecurity in a context of rapid technological and global change.⁹² India's flagship policy initiatives, such as Make in India, Digital India, Start-up India and Skill India, demonstrate that bringing people into more productive, better paid jobs is high on the policy agenda. In alignment with these initiatives, India and the EU could work more closely together to promote structural transformation in India and other developing countries.

Structural transformation is the process through which countries move up the ladder of economic development by shifting labour from lower to higher

90 European External Action Service, "The European Union and India sign a Joint Declaration on Resource Efficiency", Press Release, Brussels, 5 June 2018.

91 Sunil Kumar et al., "Challenges and Opportunities Associated with Waste Management in India", *Royal Society Open Science* 4:160764, 2017.

92 Terri B. Chapman and Lina Sonne, Conceptualising an Inclusive Future of Work in India, ORF Occasional Paper, Observer Research Foundation, August 2018.

productivity sectors. Historically, the shift from agriculture to manufacturing has been the main driver of this process. However, India and many other developing economies show a different pattern of change. Labour is moving directly into services, often characterised by low productivity, informality and micro-entrepreneurship. At the same time, agriculture continues to be a major employment sector while the share of manufacturing stagnates.⁹³ Advancing innovative solutions to the challenges of structural transformation is necessary for India and other countries, especially in Africa, to reap the demographic dividend of their young societies.

Inclusive, structural transformation represents an area of cooperation where India's and the EU's priorities converge. The EU has shown growing interest in promoting structural transformation in the context of its relations with African countries and the debate about addressing the "root causes of irregular migration". In view of Africa's jobs challenge, the EU's External Investment Plan and the Germany-led G20 Compact with Africa have been launched to attract investment and promote structural transformation on the continent.⁹⁴

India's cooperation with the EU and several EU member states already addresses relevant areas of structural change. Urbanisation, clean energy, trade and other areas of India-EU cooperation, are important building blocks to improve job creation, productivity growth and value addition in economic activities. The EU and its member states are engaged in cooperation to increase productivity growth and earnings in key sectors of India's economy. For instance, Germany's green innovation centres in India and several African countries work towards increasing farmers' incomes, boosting employment and adding value to agricultural activity.⁹⁵ Moreover, the EU's aid-for-trade approach offers large scope for productive capacity building and value chain integration in export-oriented sectors such as agriculture, fisheries, services and manufacturing.

India and the EU could consolidate these and other contributions as part of a Partnership for Inclusive Economic Transformation. Such a partnership would raise the EU's profile and visibility in India. A new bilateral focus on SDG8

93 Carol Newman et al., eds., *Manufacturing Transformation: Comparative Studies of Industrial Development in Africa and Emerging Asia*, a study prepared by the United Nations University World Institute for Development Economics Research (UNU-WIDER) (Oxford: Oxford University Press, 2016).

94 Sebastian Paulo, *The G20 Compact with Africa: overview, assessment and recommendations for India*, ORF Issue Brief No. 188, Observer Research Foundation, June 2017.

95 GIZ, *Green innovation Centres for the Agriculture and Food sectors*, <https://www.giz.de/en/worldwide/32209.html> (accessed September 24, 2018).

(growth and employment) and SDG9 (industrialisation and innovation) would have considerable political traction given its relevance for India's domestic policy agenda. It would also provide opportunities for India-EU cooperation with other countries in South Asia and Africa. The partnership could be structured in a flexible manner with individual modules gradually being added. In addition to previously mentioned aspects, potential new modules could address education and skills, social protection, and entrepreneurship.

Education and Skills (SDG4): India and the EU can build on their track record as development partners in the education sector. As traditional indicators of education performance, such as school enrolment, have improved, quality of education and employability remain challenges.⁹⁶ Moreover, cooperation in the education and skills sectors can support sections of society that are marginalised or underrepresented in the labour market. Female labour-force participation in India, for instance, stands at only 27 percent and has been declining in recent years.⁹⁷ Another potential growth area of India-EU cooperation could be digital literacy and skills to improve employability. The EU's Digital4Development (D4D) strategy highlights the integration of digital skills and literacy in national education systems and the training of teachers as a focus area for cooperation with other countries. Moreover, the EU's digital development strategy stresses the importance of addressing persistent inequalities with regard to digital skills, such as the rural-urban divide and the gender divide.

Social protection is a potential new area of cooperation through which the India-EU partnership could increase the impact of economic transformation on the reduction of poverty and inequality (SDG1 and SDG10). The Indian government has set the goal of universal social security for all Indians. The government has launched several new schemes on contributory pensions, and natural and accidental death risk. Moreover, India's planned Universal Health Insurance Scheme underlines the relevance of social protection for India's domestic policy agenda.⁹⁸ India's Aadhaar scheme, an initiative to allocate unique identification numbers to Indian residents, which has reached over one billion people, has the potential to improve enrolment in social protection,

96 Wheebox, Indian Skills Report 2018: Future Skills Future Jobs, cited in: Chapman/Sonne, *op.cit.*, p 13.

97 Luis A. Andres, et al., Precarious Drop: Reassessing Patterns of Female Labour Force Participation in India, Policy Research Working Paper 8024, World Bank Group, April 2017, p. 2.

98 Gautam Chikermane and Oommen C. Kurian, Can PMJAY Fix India's Health System? Crossing Five Hurdles on the Path to Universal Health Coverage, ORF Occasional Paper 172, Observer Research Foundation, October 2018.

reduce leakages, and address other gaps in India's social protection architecture. So far, this architecture remains fragmented and has limited coverage. Informal workers, for example, who make up over 80 percent of India's workforce, have little protection.⁹⁹ As a model that reconciles social protection and the market economy, the EU has integrated social protection into its development policy to share its expertise with other countries. For instance, India and the EU could cooperate in the EU Social Protection Systems Programme, which supports low- and middle-income countries in Asia and Africa in developing inclusive and sustainable social protection systems.¹⁰⁰ SOCIEUX+ (EU Social Protection, Labour and Employment), a technical assistance facility that promotes peer-to-peer knowledge sharing, could be another platform on which India and the EU could engage together.¹⁰¹

Entrepreneurship: Given the relevance of micro-entrepreneurship in the employment pattern of India and other developing countries, the India-EU development partnership could include cooperation on improving productivity and earnings in entrepreneurial activities. In consonance with India's flagship programmes "Digital India" and "Startup India", India and the EU could promote the use of digital technologies as enablers of entrepreneurship and support early-stage development and incubation of start-ups through capitalisation, mentorship and capacity building. As a contribution to SDG8.3, a thematic focus could be on agribusiness and digital services where considerable untapped potential exists in India. India's Aadhaar-based ecosystem offers new opportunities to develop cost-effective digital solutions that also support entrepreneurship (e.g. access to basic financial services through India's financial inclusion initiative Pradhan Mantri Jan Dhan Yojana). The EU could support knowledge sharing on these Indian success stories with other developing countries. The EU's D4D approach stresses the role of digitalisation to support SMEs by enabling higher productivity and facilitating entry into markets. Moreover, digital solutions can contribute to an improved business and investment climate (for instance, by facilitating company registration, as well as fiscal and administrative procedures).

99 Sananda Satpathy, *Social Protection to Mitigate Poverty: Examining the Neglect of India's Informal Workers*, ORF Issue Brief No. 256, Observer Research Foundation, September 2018.

100 EU Social Protection Systems Programme: <http://www.oecd.org/dev/inclusivesocietiesanddevelopment/social-protection.htm> (accessed on September 3, 2018).

101 Socieux+ EU Expertise on Social Protection, Labour and Employment: https://ec.europa.eu/europeaid/social-protection-eu-expertise-development-cooperation-socieux_en (accessed September 3, 2018).

Strengthening resilience

Sustaining progress in achieving the SDGs will increasingly depend on how well countries deal with complex and interconnected crises and shocks, such as extreme weather disasters, conflicts, famines, refugee flows, and transnational security threats. India and South Asia are hotspots that will be among the regions most affected by the consequences of climate change.¹⁰² Resilience to disasters is therefore high on India's policy agenda as illustrated by the adoption of the first National Disaster Management Plan in 2016. Improving resilience globally also relates to addressing fragility. Most of the world's extremely poor and vulnerable people will be concentrated in fragile and conflict-affected contexts by 2030.¹⁰³ Ensuring that no country is left behind in the SDG era will require new partnerships to strengthen the adaptive capacity of states, societies, communities and individuals to crises and shocks.¹⁰⁴ The India-EU partnership could deal with several issues related to this challenge.

Disaster risk management: The joint statement of the 14th India-EU summit “recognised the need to mutually reinforce the Sendai Framework for Disaster Risk Reduction 2015-2030”, as indicated in SDG11.b. India-EU cooperation can build on India's National Disaster Management Plan.¹⁰⁵ The plan aims to “achieve substantial disaster risk reduction, and significantly decrease the losses of life, livelihoods, and assets – economic, physical, social, cultural and environmental – by maximizing the ability to cope with disasters at all levels of administration as well as among communities.” Synergies with the EU's Action Plan for the Sendai framework offer large scope for cooperation on risk knowledge, risk investments, and disaster preparedness.¹⁰⁶ Moreover, disaster risk management is an area for regional cooperation among India and the EU. The EU-South Asia Capacity Building for Disaster Risk Management programme, launched in 2015 as a five-year initiative, is an example. Implemented by the World Bank and other partners, the programme aims to build resilience to weather and climate-related hazards with a focus on capacity for hydro-meteorological services and disaster risk management.¹⁰⁷ Disaster risk

102 Muthukumara Mani et al., *South Asia's Hotspots. The Impact of Temperature and Precipitation Changes on Living Standards*, South Asia Development Matters (Washington D.C.: World Bank Group, 2018).

103 OECD, *States of Fragility 2018* (Paris: OECD, 2018).

104 European Commission and the High Representative of the Union for Foreign and Security Policy, *A strategic Approach to Resilience in the EU's External Action*, Joint Communication to the European Parliament and the Council, Brussels, 7 June 2017.

105 National Disaster Management Authority (Government of India), *Disaster Management Plan*, 2016.

106 On the EU's contribution to the Sendai Framework: http://ec.europa.eu/echo/partnerships/relation/european-and-international-cooperation/sendai-framework-disaster-risk-reduction_en (accessed September 20, 2018).

107 Programme profile of the EU-South Asia Capacity Building for Disaster Risk Management Programme: <https://www.gfdr.org/sites/default/files/publication/program-profile-eu-south-asia-capacity-building.pdf> (accessed September 20, 2018).

management also provides opportunities to partner with regional organisations. In 2017, BIMSTEC held the first Disaster Management Exercise. The Indian Ocean Rim Association (IORA) also focuses on disaster risk management as an area of cooperation.

Climate-smart agriculture: Agriculture accounts for about 16 percent of India’s GDP and almost half of total employment. India’s Economic Survey 2018 points out the imperative to make agriculture more resilient to climate change.¹⁰⁸ Temperature extremities (the number of very hot days and very dry days) have consistently increased, threatening to reduce yields and incomes that are already low. In the long run, “climate change could reduce farm incomes by 15-18 per cent on average, and by as much as 20-25 per cent in un-irrigated areas”. Spreading irrigation could soften the negative impact of climate change as currently less than half of the cultivated land in India is under irrigation. At the same time, water stress and groundwater depletion make irrigation increasingly difficult. European partners already cooperate with India and other countries in the area of climate-smart agriculture and food security, especially by promoting research and innovation to develop and apply new crop varieties and farming techniques. Germany’s green innovation centres in 13 African countries and India are an example. These centres bring together research institutes and other stakeholders to facilitate innovations that increase the incomes of small farming enterprises, and improve yields and food supply. Strengthening India-EU cooperation in this area could make a major contribution to promoting sustainable and resilient agricultural practices that increase productivity in India and other countries (SDG2.4).

Fragile and conflict-affected states: In the short term, “opportunities for EU-India engagement on fragility are limited”.¹⁰⁹ India’s and the EU’s perspectives and understandings of the challenge would first have to converge more substantially. India rejects the terminology of “fragile states” as being in contradiction to fundamental principles of South-South cooperation, such as non-interference and demand-orientation.¹¹⁰ However, transforming India-EU development cooperation into a genuinely global partnership would eventually require finding some common ground on one of the most important challenges

108 Siddharth Hari, Parth Khare, and Arvind Subramanian, “Climate Change and Indian Agriculture”, VoxDev, 6 August 2018, <https://voxdev.org/topic/agriculture/climate-change-and-indian-agriculture> (accessed September 17, 2018).

109 Clare Castillejo, *Fragile States: an Urgent Challenge for EU Foreign Policy*, FRIDE Working Paper No. 126, February 2015.

110 On India’s approach to fragility see, for example, Urvashi Aneja, *India’s Response to State Fragility in Africa*, ORF Issue Brief No. 204, Observer Research Foundation, October 2017.

in the SDG era. Most SDGs, especially the eradication of extreme poverty and hunger, can ultimately only be achieved if traditional and emerging development partners engage in dialogue and collaboration on fragility and conflict. The EU-India development partnership could be a place to initiate such a dialogue. Both India and the EU have strengths that they bring to cooperation in fragile contexts (e.g. as humanitarian actors and security providers). Some examples of cooperation already exist, such as Germany's training of Afghan security personnel in India. Building on their respective strengths, India and the EU could focus on specific drivers of fragility, for instance lack of education and employment opportunities, including through India's private sector-led engagement. The joint statement of the 14th India-EU summit stresses India's and the EU's shared interest in promoting the development of Afghanistan, which could be a partner country for such cooperation.

Cyber security: India's and the EU's growing cooperation on security issues opens up new opportunities to address matters of resilience. The India-EU Cyber Dialogue is an example. Resilience is a precondition to make digital technology a catalyst for sustainable development. Citizens, businesses and critical infrastructure in developing countries have become more exposed to new risks, including attacks against information systems, online crime, and financial fraud. At the same time, developing countries have less capacity to prevent and counter these threats.¹¹¹ Cyber resilience is an area where India's and the EU's domestic and international agendas overlap. The Global Forum on Cyber Expertise (GFCE), hosted by India in November 2017, illustrates the growing potential for cooperation in this field. The GFCE is a global platform for countries, international organisations and private companies to exchange best practices and expertise on cyber capacity building. The Delhi Communiqué, agreed in 2017, provides a basis to enhance cooperation on cyber capacity building.¹¹² The EU's D4D strategy and its cyber diplomacy strategy provide tools through which cooperation in this area can be expanded.¹¹³ In addition to harnessing the enabling potential of digital technologies, this area of cooperation will contribute to strengthening capacity building and technology sharing as part of the 2030 Agenda's Global Partnership (SDG17).

111 Niels Nagelhus Schia, The Cyber Frontier and Digital Pitfalls in the Global South, *Third World Quarterly* 39:5 (2018): 821-837.

112 Delhi Communiqué on a GFCE Global Agenda for Cyber Capacity Building, Global Forum on Cyber Expertise, Delhi, November 24, 2017.

113 Council of the European Union, Council Conclusions on Cyber Diplomacy, Brussels, February 11, 2015.

Key messages on areas of cooperation

Consolidate and scale up existing India-EU thematic partnerships on energy, urbanisation, water, and resource efficiency. India and the EU could for instance:

- Increase EU engagement in the International Solar Alliance and step up energy cooperation on other technologies with high potential in India (e.g. off-shore wind).
- Support urban governance and planning capacities of local authorities as the basis of the India-EU partnership for smart and sustainable urbanisation, including by scaling up city twinning initiatives.
- Extend the India-EU Water Partnership to cooperation on the blue economy and irrigation for climate-smart agriculture.

Establish an India-EU Connectivity Partnership:

- Leverage connectivity-related aspects of existing India-EU thematic partnerships and develop projects in India (e.g. energy connectivity).
- Expand bilateral cooperation to India's industrial corridors through technical cooperation, blending and EIB loans.
- Present a joint declaration on Euro-Asian Connectivity in the ASEM Pathfinder Group on Connectivity outlining a common vision for a multilateral, rules-based model of Euro-Asian connectivity inviting other countries and organisations to engage in this partnership.
- Implement small-scale connectivity projects to promote multimodal cross-border transport infrastructure with partner countries in India's neighbourhood (Bangladesh, Nepal, Bhutan) to which the EU contributes finance and expertise on soft aspects of connectivity based on relevant experience such as the TEN-T (e.g. environmental standards in mountain and river transport, road safety).
- Develop regional connectivity programmes with key partners, for instance with ASEAN and the ADB.

continued...

Key messages on areas of cooperation

Establish an India-EU Partnership for Inclusive Economic Transformation:

- Consolidate India-EU cooperation on inclusive growth, industrialisation and employment as a coherent cooperation package.
- Leverage linkages with existing aspects of India-EU cooperation such as urbanisation and aid-for-trade.
- Build up the partnership by gradually adding new modules, including especially on:
 - Education and skills for the digital transformation, contributing to vocational training, digital literacy, and the inclusion of women and youth in the labour market
 - Social protection to complement India's domestic reforms with a focus on informal workers and possible linkages with knowledge-sharing platforms, such as the EU Social Protection Systems Programme or SOCIEUX+.
 - Entrepreneurship and innovation: promote key sectors (e.g. agribusiness, digital services) through enabling digital technologies and support for incubation.

Explore the India-EU development partnership's role in strengthening resilience:

- Build on regional capacity building for disaster risk management and strengthen synergies between India's and the EU's strategies to implement the Sendai Framework.
- Engage in a dialogue on potential India-EU cooperation with Afghanistan.
- Increase cooperation on cyber capacity building in the Global Forum on Cyber Expertise.

4. Building a Global Partnership

4.1 Achieving global impact through bilateral cooperation

India and the EU have confirmed their ambition to address regional and global challenges in the framework of their development partnership. However, expanding the India-EU development partnership to address such issues, including cooperation with third countries, should not discount India as a relevant location for achieving global impact. In many cases, cooperation initiatives in India might be likely to bring about global impact in a more cost-effective manner than more complex regional and triangular arrangements that entail larger transaction costs. Achieving progress in India on issues such as the clean energy transition and urbanisation yields considerable positive externalities and makes a contribution to the provision of global public goods. Due to its sheer massive scale, development success in India can push the SDGs significantly closer to their global goalposts.

Transforming India-EU cooperation into a global development partnership therefore does not mean reducing bilateral engagement, even if the EU no longer has a traditional bilateral country programme with India. On the contrary, cooperation with third countries should build on the experiences and achievements of bilateral cooperation between India and the EU. Successful cooperation in other geographies will depend on how well the India-EU development partnership leverages India's development experience and contributes to scaling up solutions found in the bilateral relationship. Accordingly, work on the areas of cooperation presented in the previous section should take the bilateral level and domestic policy frameworks in India and the EU as a starting point. India's interest in building a global development partnership with the EU eventually depends on the close alignment of global objectives with domestic priorities. The bilateral relationship thus remains the cornerstone of a future global partnership, with regional and global cooperation as extensions to be gradually built into this partnership.

At the same time, India and the EU are already important development partners for other countries and regions. India's growing role as a provider

of experience, knowledge and finance in the framework of South-South cooperation has opened new opportunities for cooperation with other partner countries. Moreover, India and the EU can coordinate their approaches in regional organisations and other platforms to shape framework conditions for sustainable development. The remaining parts of this section identify and discuss two key geographies in which India and the EU can strengthen their engagement on development issues: India's extended neighbourhood and Africa.

4.2 Regional cooperation in India's extended neighbourhood

Strengthening regional engagement is the most direct option for expanding the India-EU development partnership beyond the bilateral scope. Regional cooperation would open opportunities to address transboundary challenges. Moreover, triangular cooperation is usually most practicable and cost-effective among countries within the same region that share similarities. In the past, India was generally reluctant to engage with external partners in its priority sphere of influence. However, China's increasing footprint in the region has contributed to India becoming more active in forging partnerships with non-regional actors.

In comparison to other partners such as Japan, the US, Australia and France, the EU's strategic relevance in the region has seemed less clear to India, although the two recent India-EU summits brought issues such as maritime security on the agenda. Strengthening the regional dimension of the India-EU partnership will require further alignment of strategic perspectives. Both India and the EU have a "Neighbourhood First" policy, which limits overlaps between their respective geographic focus. However, as the EU is intensifying its engagement in Asia and India is realising the relevance of Eurasia as a strategically relevant geography¹¹⁴, developing a shared outlook on regional cooperation appears more promising than in the past.

India's and the EU's existing development cooperation in the region provides the basis for enhanced regional cooperation. South Asia has traditionally been the main focus of India's development cooperation. Similarly, the EU and its member states have significant bilateral programmes with countries in India's neighbourhood. Moreover, the EU's regional programmes under the DCI already promote cooperation among India and neighbouring countries. The

114 C. Raja Mohan, "From Indo-Pacific to Eurasia", The Indian Express, June 9, 2019, <https://indianexpress.com/article/opinion/columns/shanghai-cooperation-foreign-policy-nato-russia-china-modi-from-indo-pacific-to-eurasia-5210106/> (accessed October 12, 2018).

EU-funded South Asia Regional Training and Technical Assistance Centre (SARTTAC) is an example. As a model for regional integration, one of the EU's main comparative advantages is to support regional organisations in India's neighbourhood. However, dealing with the unsteady regionalism in India's neighbourhood has proved to be challenging for the EU.

Supporting regionalism in South Asia through cooperation in sub-regions

Working through regional organisations has not proved effective in the past. This section therefore proposes other avenues for India-EU regional engagement. The EU's regional counterpart of choice used to be the South Asian Association for Regional Cooperation (SAARC). The EU has invested into formalising relations with this grouping consisting of Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. The EU has observer status in the organisation. In 1996, the European Commission and the SAARC Secretariat signed a Memorandum of Understanding to promote information exchange, institutional support, training, and technical assistance. The EU's support for SAARC has focused especially on the implementation of the South Asian Free Trade Agreement (SAFTA).¹¹⁵ However, SAARC's performance in implementing agreements has been generally disappointing and political momentum has faded given strained relations between India and Pakistan.

As a consequence of gridlock in SAARC, India has diversified its regional engagement and turned to other regional formats. The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) has emerged as a new priority. Founded in 1997, BIMSTEC has acquired relevance only relatively recently. Although this shift is partly a reaction to deadlock in SAARC, BIMSTEC is not exactly a substitute.¹¹⁶ As an inter-regional organisation bringing together countries from South Asia and South-East Asia (Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand), India considers BIMSTEC an important element in its Act East policy and the development of its North-Eastern Region. The organisation's agenda covers a broad range of sectors that are relevant for the India-EU development partnership, including disaster risk management, climate change, energy,

115 European External Action Service, The South Asian Association for Regional Co-operation (SAARC), 2 May 2015, https://eeas.europa.eu/regions/asia/345/south-asian-association-regional-co-operation-saarc_en (accessed September 23, 2018).

116 Joyeeta Bhattacharjee, SAARC vs BIMSTEC: the Search for an Ideal Platform for Regional Cooperation, ORF Issue Brief No. 226, Observer Research Foundation, January 2018.

trade and investment, fisheries and agriculture. Moreover, connectivity is an increasingly important topic for BIMSTEC.¹¹⁷ India-EU cooperation could draw on BIMSTEC's political momentum to strengthen regional cooperation.

At the same time, EU engagement with BIMSTEC would be challenging in the context of a regional architecture in flux. BIMSTEC is not the silver bullet for effective regionalism as “[t]he fact remains that BIMSTEC, along with other regional initiatives such as [SAARC] and the Bangladesh, China, India and Myanmar Economic Cooperation (BCIM-EC), has remained dysfunctional.”¹¹⁸ The BIMSTEC Secretariat in Dhaka lacks resources and the organisation has yet to prove that it can deliver tangible results. BIMSTEC is generally open to work with extraregional actors, such as Australia, Japan and the EU, to build capacity. However, momentum to consolidate South Asia's regional architecture has to originate from the countries in the region, and requires above all consistent leadership from India. Although the EU could envisage a supporting role in organisations such as BIMSTEC, the example of SAARC shows that having a more formal relationship does not necessarily translate into high impact if the general political context is unfavourable for regional cooperation.

In the short term, the India-EU development partnership could look for more pragmatic approaches to improve the conditions for regional cooperation. Such an approach would be to seek concrete opportunities for cooperation with individual partner countries in the region, e.g. Myanmar and Afghanistan. The “resurgence of ‘sub-regions’ as key loci for regional integration” provides another opportunity for India-EU cooperation.¹¹⁹ The EU could provide support for sub-regional groupings, especially the Bangladesh, Bhutan, India and Nepal (BBIN) initiative. In 2015, the grouping signed a historic Motor Vehicle Agreement (MVA) to facilitate passenger and cargo traffic; the agreement, however, has subsequently suffered delays in implementation due to administrative obstacles. In this context, external actors like the EU could assume a role in capacity building, and addressing institutional and regulatory issues of implementation. Successful sub-regional cooperation could create a positive demonstration effect for regional cooperation in South Asia.¹²⁰ The

117 BIMSTEC Priority Sectors: https://bimstec.org/?page_id=199 (accessed on October 2, 2018).

118 Samir Saran, “For BIMSTEC to Work, Fix BBIN First”, ORF Raisina Debates, 20 August 2018, <https://www.orfonline.org/expert-speak/43735-for-bimstec-to-work-fix-bbin-first/> (accessed October 3, 2018).

119 *Ibid.*

120 K. Yhome, Acting East Through India's Subregions, ORF Occasional Paper, Observer Research Foundation, October 2017.

India-EU regional engagement could focus on building effective regionalism from the bottom up in partner countries and sub-regional groupings.

Towards an EU role in the Indian Ocean Rim Association

EU engagement in regional cooperation seems less sensitive in the Indian Ocean. The Indian Ocean Rim Association (IORA) faces a similar need for additional resources and capacity without the politically charged context of South Asian regionalism. In addition to being an important provider of development cooperation in the region, the EU is also engaged as a security actor, especially through its anti-piracy mission in the Western Indian Ocean (EU Naval Force Somalia/“Operation Atalanta”). IORA consists of 21 member countries of the Indian Ocean rim. France, Germany and the UK are among IORA’s dialogue partners.¹²¹ The India-EU development partnership could contribute to IORA’s mandate to promote regional cooperation and sustainable development in the Indian Ocean Region. IORA’s priority areas correspond to focus areas of India-EU cooperation, including trade and investment facilitation, disaster risk management, blue economy, and women’s economic empowerment. The EU could assume a role in IORA, either as a “dialogue partner” or similar to the African Union’s partner status. Priority should be accorded to supporting existing flagship projects, especially the IORA Sustainable Development Program that supports LDCs in the region. IORA’s diverse membership, including countries of different income levels, makes the organisation a promising platform for triangular partnerships. IORA could, for instance, be an enabling platform for connecting the India-EU development partnership with East African partners.

ASEAN as a key partner

The regional dimension of India-EU cooperation can further be enhanced by collaboration with other Asian organisations. In particular, ASEAN stands out as a key partner. Building on growing trade and investment relations with South-East Asian countries, both India and the EU have been enhancing their cooperation with ASEAN in recent years. India and ASEAN have launched a Strategic Partnership in 2012. ASEAN is at the centre of India’s Indo-Pacific vision of “Security and Growth for All in the Region” and its “Act East Policy”. The EU has stressed that “deeper engagement with ASEAN is key

121 IORA website: <http://www.iora.int/en> (accessed September 14, 2018).

to developing a more rounded Asia strategy.”¹²² The EU is the biggest donor to the ASEAN Secretariat. India’s and the EU’s partnerships with ASEAN move into similar directions, becoming more strategic and oriented towards addressing regional and global issues that are also reflected in the priorities of the India-EU Strategic Partnership.

India and the EU emphasise similar areas of cooperation in their respective action plans with ASEAN, including climate change and energy, disaster risk management, food, agriculture and forestry, environment and biodiversity, and health and pandemics.¹²³ As mentioned above, both India and the EU put connectivity at the centre of their relations with ASEAN. India’s and the EU’s engagement in similar dialogues with ASEAN provides opportunities for interaction among the three partners on several of these issues. Moreover, India and the EU have established cooperation formats with ASEAN that specifically address sustainable development. For instance, the EU and ASEAN held their first high-level Dialogue on Sustainable Development in November 2017 with the objective to promote the implementation of the 2030 Agenda and the Paris Agreement. Similarly, India and ASEAN have created cooperation structures to which the EU could contribute, such as the ASEAN-India Green Fund.

A focus of India-EU-ASEAN cooperation could be on the sub-regional grouping of the Lower Mekong region, the CLMV countries (Cambodia, Laos, Myanmar, Vietnam). Both India and the EU focus their development cooperation in South-East Asia on this group of countries. For instance, India has established a Project Development Fund to develop manufacturing hubs in CLMV countries. Moreover, Indian partners offer a range of training opportunities for CLMV countries, including training of English Language for Law Enforcement Officers and training of Civil Servants in drought management and disaster risk reduction.¹²⁴ Similarly, the EU focuses on the three LDC member countries of ASEAN in the CLMV group. The EU tripled bilateral aid to Mekong countries, from EUR 607 million (2007-2013) to EUR

122 European Commission and the High Representative of the Union for Foreign and Security Policy, *The EU and ASEAN: a Partnership with Strategic Purpose*, Joint Communication to the European Parliament and the Council, Brussels, 18 May 2015.

123 ASEAN-EU Plan of Action 2018-2022: <https://asean.org/storage/2017/08/ASEAN-EU-POA-2018-2022-Final.pdf>; Plan of Action to Implement the ASEAN-India Partnership for Peace, Progress and Shared Prosperity (2016-2020): https://asean.org/storage/images/2015/August/POA_India/ASEAN-India%20POA%20-%20FINAL.pdf (accessed October 10, 2018).

124 Ram Upendra Das, *India’s Strategy for Economic Integration with CLMV*, Department of Commerce, Ministry of Commerce and Industry, 2015.

1705 million (2014-2020).¹²⁵ The EU also supports ASEAN's Initiative for Integration (IAI) that promotes the integration of CLMV countries with other ASEAN economies.

Enhanced India-EU coordination with development finance institutions in Asia

Asian financial institutions are another relevant category of regional partners for the India-EU development partnership. As mentioned earlier, the ADB can be an important partner for regional integration and connectivity. Fourteen EU member states are non-regional members of the ADB and several ADB programmes are (co-)funded by the EU.¹²⁶ The EU can draw on the ADB's regional expertise and learn lessons for its own engagement in Asia. Moreover, India and the EU can coordinate their positions and shape decision-making in the board of directors in view of the objectives of India-EU cooperation. Similar potential for coordination between India and the EU might exist in the Asian Infrastructure Investment Bank (AIIB), in which 18 EU member states participate as non-regional members. With 7.5 and ca. 21 percent, respectively, India and EU member states combined can be influential shareholders and contribute to the formulation of AIIB policies.¹²⁷ Among the European financial institutions, the EIB has established a formal relationship with the AIIB, including through the sharing of technical and financial expertise. The EIB and the AIIB have agreed to broaden cooperation on strategically important projects, seek to jointly finance projects and increase cooperation in countries where both organisations are active.¹²⁸

ASEM as the cornerstone of India-EU cooperation

ASEM is the umbrella forum for regional cooperation in the India-EU development partnership. As the main multilateral platform linking Asia and Europe, ASEM is the best place to identify opportunities and partners for regional cooperation. Building on principles of South-South cooperation, such as equal partnership and mutual benefit, and its informal and flexible format,

125 European External Action Service, EU-ASEAN Relations, Fact Sheet, 31 July 2018, https://eeas.europa.eu/headquarters/headquarters-Homepage/30722/eu-asean-relations-factsheet_en (accessed on October 10, 2018).

126 ADB members: <https://www.adb.org/about/members> (accessed October 20, 2018).

127 AIIB members: <https://www.aiib.org/en/about-aiib/governance/members-of-bank/index.html> (accessed October 20, 2018).

128 European Investment Bank, "EIB and Asian Infrastructure Investment Bank Agree to Strengthen Cooperation, Press Release, 30 May 2016.

ASEM is well adapted to India's preferences. The joint statement of the 14th India-EU summit highlights ASEM as the platform for connecting Asia and Europe and tackling global challenges. ASEM has established several structures that provide relevant dialogue platforms for the India-EU development partnership, such as the Sustainable Development Dialogue and the ASEM Pathfinder Group on Connectivity.¹²⁹ ASEM members have agreed to mainstream connectivity in all its dimensions into all relevant activities. ASEM is therefore a platform from which India and the EU can promote a multilateral narrative for Euro-Asian connectivity.

Next steps towards increased regional cooperation

Given the slow progress of regionalism in India's neighbourhood, expectations for regional cooperation between India and the EU need to be managed realistically. Any steps towards more regional cooperation should be based on specific requests from partner countries. Communicating the regional dimension of the India-EU development partnership to potential partners is therefore the first step. As discussed above, ASEM could provide the basis for launching a conversation with other partners. Efforts to engage more strongly in regional cooperation could be located within a possible India-EU Connectivity Partnership.

Connectivity projects with individual partner countries, based on India's bilateral cooperation in the region, could set the most concrete and visible precedents for increased regional cooperation. In alignment with existing priorities of India and neighbouring countries, the EU could be a valuable partner for multimodal transport connectivity among India, Bangladesh, Nepal and Bhutan. The EU could draw on regional programmes, EIB loans and the Asian Investment Facility to provide technical cooperation and promote investments. In preparation of regional programmes for the next multiannual financial framework, the EU could involve India and other partner countries in the planning process. EU involvement in regional projects should focus on the EU's added value as a model of regional integration and could include its experiences with the T-TEN. In this context, a specific EU contribution could be the support of standards that regulate cross-border mobility and transport in environmentally sensitive terrain (e.g mountains and rivers) as well as road safety. Building on cooperation with individual partner countries, the India-EU

¹²⁹ European External Action Service, ASEM Factsheet, 12th ASEM Meeting, Brussels, 18-19 October 2018: https://cdn4-eeas.fpfis.tech.ec.europa.eu/cdn/farfuture/g0lt8g_P6pKUAsKa2k0Pt9P3mxd5f5019roMHxwVBZk/mtime:1519810559/sites/eeas/files/fact_sheet_9_web.pdf (accessed October 25, 2018).

partnership could move towards establishing more strategic programmes for regional cooperation with partners such as ASEAN and the ADB.

4.3 Cooperation with African countries

In the joint declaration of the 14th India-EU Summit, “the EU and India expressed their commitment to enhancing their consultations and cooperation regarding Africa, with a view to optimising possible synergies between their respective initiatives.”¹³⁰ Both India and the EU emphasise Africa’s significance for global development as a continent of opportunity. The India-EU development partnership could make significant contributions to achieving the SDGs by working with African countries to overcome persistent development challenges. According to current projections, almost nine out of every ten people living in extreme poverty will be in Africa by 2030. Of 31 countries considered severely off-track to reaching the goal of ending extreme poverty, 25 are in sub-Saharan Africa.¹³¹ Achieving synergies between India’s and the EU’s cooperation with African countries will require closer coordination between their distinct, historically grown cooperation frameworks.

The India-Africa partnership

The India-Africa partnership is anchored in the traditions of Afro-Asian solidarity and anti-colonialism. In the context of a strong reengagement of major powers in Africa since the turn of the century, India has rapidly expanded its development partnerships with African countries.¹³² India plans to open new missions in 18 African countries to increase the number of resident Indian missions from 29 to 47.¹³³ During his visit to Rwanda, Uganda and South Africa in July 2018, Indian Prime Minister Narendra Modi restated Africa’s significance in India’s foreign policy.

Capacity-building and human resource development are traditionally at the heart of India’s Africa engagement.¹³⁴ From 1964 onwards, African individuals

130 Joint Statement of the 14th India-EU Summit, *op. cit.*, para. Para. 30.

131 Gertz and Kharas, *op. cit.*

132 Sanusha Naidu, “Upping the Ante in Africa: India’s Increasing Footprint Across the Continent”, in *India in Africa. Changing Geographies of Power*, eds. Emma Mawdsley and Gerard McCann (Cape Town, Dakar, Nairobi and Oxford: Pambazuka Press, 2011), 48-68.

133 Press Information Bureau, Government of India (Cabinet) “Cabinet Approves Opening of Missions in Africa to Implement Commitments of India-Africa Forum Summit (IAFS-III)”, <http://pib.nic.in/newsite/PrintRelease.aspx?relid=177821> (accessed October 23, 2018).

134 Ruchita Beri, “India’s Evolving Blueprint for Cooperation with Africa, in *India’s Approach Development Cooperation*, eds. Sachin Chaturvedi and Anthea Mulakala (London/New York: Routledge, 2016), 125-140, p. 132.

have been among the main participants in training and scholarships provided in the Indian Technical and Economic Cooperation (ITEC) programme and its sister programme, the Special Commonwealth African Assistance Programme (SCAAP). India became a full member of the Africa Capacity Building Foundation (ACBF) in 2005. India has also been supporting the creation of educational and training institutions across the continent. The Pan-African e-Network, one of India's flagship programmes, connects much of Africa through a fibre optics and satellite network to promote e-learning, tele-education and tele-health.

In the framework of its financial cooperation with African partners, India provides grants, loans and lines of credit (LOCs). India's 'Focus Africa' programme, launched in 2002, has led to an increasing share of government-backed LOCs going to African countries, amounting to more than half of the total number of LOCs.¹³⁵ Under the third India-Africa Forum Summit in 2015, India announced an US\$ 10 billion in concessional credit and a grant assistance of US\$ 600 million, supporting various projects in water, energy and productive capacities related to agro-business and pharmaceuticals. The launch of the ISA has further increased the number of LOCs extended to African countries for solar energy projects. Overall, India has extended a total of 166 LOCs, with a committed credit amount of ca. 9.3 billion to over 40 countries and regional organisations in Africa since 2002.¹³⁶

Trade, investment and private sector engagement are another main feature of India's presence in Africa. Trade grew from US\$ 967 million in 1990/91 to US\$ 68 billion in 2013/14.¹³⁷ Since 2008, India offers preferential trade access to Africa's LDCs. India is the eighth largest investor economy in Africa by Foreign Direct Investment (FDI) stock.¹³⁸ Moreover, India is actively promoting the role of the private sector, including through the Federation of Indian Chambers of Commerce and Industry (FICCI) and the Confederation of Indian Industry (CII). A number of private initiatives have been launched, such as the EXIM Bank-CII Conclave on India Africa Project Partnership in 2005 and the India-Africa Business Council in 2012.

135 India EXIM Bank LOC Databank, <https://www.eximbankindia.in/lines-of-credit> (accessed December 10, 2018).

136 *Ibid.*

137 Beri, *op.cit.*, p. 126.

138 UN Conference on Trade and Development (UNCTAD), World Investment Report 2018. Investment and New Industrial Policies (Geneva: UNCTAD, 2018), p. 38.

India's development partnerships with African countries are predominantly bilateral, complemented by growing ties with African regional and continental frameworks. India and Africa have institutionalised their relations through the India-Africa Forum Summit (IAFS) (of which three versions have taken place so far, in 2008, 2011, and 2015). The Delhi Declaration, agreed at the third IAFS, provides the current guiding document for the India-Africa partnership.¹³⁹ Cooperation with traditional bi- and multilateral development actors has become a more visible aspect of India's developmental footprint on the African continent more recently. Examples include triangular cooperation with the support of the United Nations Office for South-South Cooperation, such as in the case of the IBSA Fund and the India-UN Development Partnership Fund. Indian partners also cooperate with traditional bilateral donors like USAID and DFID in African countries (See section on triangular cooperation). The announcement of the AAGC signals India's willingness to cooperate more closely with Northern donor countries in Africa. Moreover, the ISA has a strong focus on cooperation with African member countries. In this context, the scope for expanding the India-EU development partnership to include cooperation with African countries is growing.

Africa-EU relations at the crossroads

The current impetus to strengthen coordination between India and the EU in Africa comes at a time when African countries and the EU are redefining their relationship. EU-Africa relations have traditionally been part of the cooperation framework between the EU and the African, Caribbean and Pacific (ACP) countries that is rooted in post-colonial history. Starting with the association of former colonies with the European Economic Community, successive international agreements, from the Yaoundé Conventions (1964-1975) over the Lomé Conventions (1975-2000) to the Cotonou Partnership Agreement (CPA) (2000-2020), have been shaping Africa-EU relations to the present.¹⁴⁰

The CPA constitutes the world's largest legally binding North-South partnership framework and comes with an elaborate institutional architecture through which ACP countries and the EU manage their relationship. Cooperation under the CPA is based on three main pillars: political dialogue, trade, and development

¹³⁹ "Partners in Progress: Towards a Dynamic and Transformative Development Agenda," Delhi Declaration of the Third India-Africa Forum Summit, New Delhi, October 29, 2015.

¹⁴⁰ Dieter Frisch, *The European Union's Development Policy. A personal View of 50 Years of International Cooperation*, ECDPM Policy Management Report 15, European Centre for Development Policy Management (ECDPM), April 2008.

cooperation.¹⁴¹ Under this framework, the EU and its member states combined have continued to be Africa's main trade partner and provider of ODA. In 2016, the EU was Africa's top trading partner (EUR 227.2 billion), amounting to 35.2 percent of Africa's total world trade.¹⁴² In 2015, the EU and its member states collectively allocated EUR 21 billion of ODA to African countries, equivalent to 50 percent of total ODA to Africa. At the same time, relations between Africa and the EU are in a process of change as the CPA is set to expire in 2020 and the successor framework is currently being negotiated.

The relationship is heading towards a stronger focus on continent-to-continent partnership outside the ACP framework. This trend started in 2000 and was reinforced when African countries and the EU adopted the Joint Africa-EU Strategy (JAES).¹⁴³ The objective of the strategy was to open a new track in EU-Africa relations making the partnership more strategic and overcoming the donor-recipient based model of cooperation. Although the JAES process has been lacking traction and financial clout, a stronger focus on a continent-to-continent partnership seems to be a likely scenario. In its common position ahead of the negotiations of the successor framework for the CPA, the African Union (AU) has recommended "that the new agreement with the European Union should be separated from the ACP context and based on a strong and sustainable continent-to-continent partnership that revolves around the AU and the EU."¹⁴⁴ In general, the appeal of EU-ACP relations has been waning and the successor framework is likely to refocus around AU-EU relations.¹⁴⁵

A second main feature of current EU-Africa relations is the emphasis on moving beyond traditional forms of engagement centred around the role of the EU and member states as ODA donors. With migration from Africa high on the European policy agenda, the EU aims to promote economic opportunities through innovative financial instruments that support investment, trade, domestic resource mobilisation, and good governance. In addition to its traditional financing instrument for the ACP group, the European Development

141 The Cotonou Agreement, signed in Cotonou on 23 June 2000, revised in Luxembourg on 25 June 2005, revised in Ouagadougou on 22 June 2010.

142 Nicoletta Pirozzi, Nicolo Sartori and Bernardo Venturi, *The Joint Africa-EU Strategy*, Study, Directorate General for External Policies, Policy Department, European Parliament, Brussels, November 15, 2017, p. 11.

143 *The Africa-EU Strategic Partnership. A Joint Africa-EU Strategy*, launched at the Africa-EU Summit in Lisbon, December 8-9, 2007.

144 African Union, "The African Union Executive Council Adopts a Common Position for Negotiations of a New Cooperation Agreement with the European Union", Press Release, 27 March 2018.

145 Alfonso Medinilla and Jean Bossuyt, *Charting the Course to 2020: Fundamental Choices for the Negotiation of a Future ACP-EU Partnership*, European Centre for Development Policy Management (ECDPM), January 2018.

Fund, the EU has launched new financing tools such as the EU Emergency Trust Fund for Africa.¹⁴⁶ In September 2017, the EU External Investment Plan was launched with the objective to leverage EUR 44 billion of investments in Africa and the EU neighbourhood by 2020.¹⁴⁷ In his 2018 State of the Union speech, Jean-Claude Juncker, the President of the European Commission, proposed a new ‘Africa-Europe Alliance for Sustainable Investment and Jobs’¹⁴⁸ which aims to boost strategic investments and strengthen the business environment. Overall, current trends in EU-Africa relations to overcome aid-driven patterns of cooperation and build a continent-to-continent partnership based on the notion of mutual interests might favour greater commonalities with India’s approach.

Aligning India-EU cooperation with Africa-led development

Before searching synergies between India’s and the EU’s respective cooperation frameworks, alignment with African priorities is the primary requirement for stronger India-EU cooperation with African countries. Africa’s development process is marked by aspirations to be an international actor and establish partnerships with external actors on equal terms. These aspirations are reflected in Africa’s Agenda 2063 that strives for an “integrated, prosperous and peaceful Africa, driven by its own citizens and representing a dynamic force in the international arena”.¹⁴⁹ India-EU cooperation therefore needs to be designed in a way that respects African ownership and policy space. Cooperation should be closely aligned with important frameworks for African development, especially the Agenda 2063 and other African initiatives, such as the African Continental Free Trade Area (CFTA), the Comprehensive African Agriculture Development Programme (CAADP), the African Initiative on Renewable Energy (AREI) and the Programme for Infrastructure Development in Africa (PIDA).¹⁵⁰ In addition

146 Roland Blomeyer, Sebastian Paulo and Elsa Perreau, *The Budgetary Tools for Financing the EU External Policy*, Study for the Budget Committee of the European Parliament, Directorate General for Internal Policies of the Union, Brussels, January 2017.

147 European Commission, ‘Towards Stronger EU-Africa Cooperation’, September 12, 2018, Brussels, https://ec.europa.eu/info/news/towards-stronger-eu-africa-cooperation-2018-sep-12_en (accessed October 15, 2018).

148 European Commission, *State of the Union 2018: Towards a New ‘Africa-Europe Alliance’ to Deepen Economic Relations and Boost Investments and Jobs*, Brussels, 12 September 2018, http://europa.eu/rapid/press-release_IP-18-5702_en.htm (accessed October 2, 2018).

149 The seven main aspirations of the Agenda 2063 (para. 4) are: 1) A prosperous Africa, based on inclusive growth and sustainable development; 2) An integrated continent, politically united based on the principles of Pan-Africanism and the vision of Africa’s Renaissance; 3) An Africa of good governance, democracy, respect for human rights, justice and the rule of law; 4) A peaceful and secure Africa; 5) An Africa with strong cultural identity, common heritage, shared values and ethics; 6) People-driven development, relying on the potential of African people, especially its women and youth, and caring for children; 7) Africa as a strong, united, resilient and influential global player and partner.

to continental frameworks, specific triangular initiatives would also have to be seen in the context of the domestic development strategies of individual African countries.

The most pragmatic approach for linking the India-EU development partnership with African priorities would be to pilot concrete initiatives on the request of interested African partner countries. The basis for launching cooperation is therefore the possibility to receive and discuss concrete requests and integrate preferences of African partners for cooperation on their own terms. To this end, India and the EU could draw on their regular summit interactions with African partners. The simultaneous adoption of a new framework for EU-Africa relations and the next IAFS in 2020 offer the opportunity to involve African partners. Moreover, African partner institutions, especially the African Union and the African Development Bank could be key partners to ensure African ownership in initiatives of the India-EU development partnership.

Identifying synergies and potential for triangular cooperation

A way to identify areas where India and the EU could combine their comparative advantages is to look at the overlaps that already exist between the Delhi Declaration and the stated priority areas of the 2017 EU-AU summit.¹⁵¹ These declarations highlight areas in which African partners have already expressed interest for cooperation with either India or the EU. Possible priorities for India-EU cooperation with Africa could be discussed in the IAFS and AU-EU framework. India and European partners have already initiated steps to consult each other more closely and to explore opportunities for cooperation with African countries. The EU invited India to participate as an observer in the EU-African Union Summit in 2017. Moreover, India and France initiated regular consultations on Africa in 2017 and expressed their willingness to implement common projects.¹⁵²

A main priority emerging from the overlaps between the Delhi Declaration and the joint statement of the AU-EU summit in November 2017 is economic transformation, industrialisation and job creation. Half of Africa's population

150 HHS Viswanathan, Africa's 'Agenda 2063': A Document of Hope, ORF Issue Brief No. 237, Observer Research Foundation, April 2018.

151 See footnote 142 for the Delhi Declaration. "Investing in Youth for Accelerated Inclusive Growth and Sustainable Development", Joint Declaration of the AU-EU summit, Abidjan, 29-20 November 2017.

152 India-France Joint Statement during State visit of President of France to India, March 10, 2018, *op. cit.*

is under the age of 25 and its population is set to double by 2050. “[J]obless growth is the most serious concern for African policy makers” as Africa’s labour force is projected to grow from 620 million in 2013 to nearly 2 billion in 2063.¹⁵³ Slow job growth is affecting especially women and the youth. India and the EU could support African countries in exploring new growth paths that absorb labour into sectors with higher productivity and wages. India and the EU could combine their comparative advantages as development actors in several areas to support Africa’s push towards structural change.

Education and skills: Africa’s development path is more skill-intensive than predominantly manufacturing-led growth trajectories. Decent and well-paid jobs in services, including the use of digital technologies, require higher levels of education. India and the EU could promote job creation and employability by combining their strengths in human capacity building, education and skills, with technical and vocational education and training as a potential focus. Such collaboration could be closely connected with India’s many initiatives in human capacity building.

Digital technologies as enablers of sustainable development and economic transformation: As the region with the lowest share of internet users, Africa faces many challenges in reaping the benefits offered by digital technologies. Overall, a great deal of uncertainty still exists over the question whether the digital transformation will be a boon or a bane for African economies. Capitalising on the enabling potential of digital technologies in Africa requires considerable improvements in infrastructure, skills and policy frameworks.¹⁵⁴ India’s experience with digital technologies could offer valuable insights to challenges faced by African countries. Establishing a triangular knowledge sharing facility could contribute to sharing these experiences (See Box 4).

Investing in job creation and value addition: India and the EU could leverage European and Indian investments and support their developmental impact in sectors with the highest potential for sustainable job creation. Indian investments have started to be more diversified beyond investments by large public companies in the extractive sector. An increasing number of private small and medium-sized enterprises is investing in various sectors

153 African Development Bank, African Economic Outlook 2018 (Abidjan: African Development Bank, 2018), p. xv.

154 World Bank, Digital Dividends, World Development Report 2016 (Washington D.C.: World Bank, 2016).

Box 4: Sharing India's digital experience with African partners

India has initiated a range of initiatives around its flagship programme “Digital India”. Most importantly, India’s unique identification number (Aadhaar), the largest biometrics based identification system in the world, has provided new opportunities to develop cost-effective digital solutions for social protection, financial inclusion and other developmental objectives. For instance, the use of Aadhaar as a proof of identity in India’s financial inclusion initiative Pradhan Mantri Jan Dhan Yojana has enabled the opening of over 200 million saving accounts, allowing the poor and especially women to access basic financial services.

India’s experience has frequently been mentioned as an interesting example on how to promote the Identification for Development Agenda. SDG 16.9 states the goal to “provide legal identity for all, including birth registration” by 2030. In Africa, 502 million people, or 41 percent of the total population, are without proof of legal identity, corresponding to nearly half of the global total. Identification systems contribute to poverty reduction and the achievement of other development outcomes. For instance, they enable access to basic financial, health, and social services, strengthen good governance and the effectiveness of public administration, and support gender equality and female entrepreneurship (e.g. by facilitating women’s proof of identity to secure property rights). In this context, African countries, India and the EU can also share knowledge on broader issues around digital solutions, such as social protection systems and regulatory frameworks for data protection.

Source: World Bank, Identification for Development, Africa Business Plan, IDA FY18-20.

of African economies.¹⁵⁵ With India and the EU emphasising cooperation in agriculture and food security, a focus could be on projects to transform agriculture, promote agro-business, and explore the potential of the blue economy. Moreover, the EU could support India’s experience in promoting pharmaceutical industries in Africa as a promising avenue to diversifying the manufacturing base of African economies.

Clean energy: Sustainable energy is emerging as an area of potential triangular cooperation between India, Europe and Africa. African countries constitute the largest regional group in the membership of the ISA. While African countries, especially in East Africa, have been making progress in improving access to

¹⁵⁵ Malancha Chakrabarty, Indian Investments in Africa: Scale, Trends, and Policy Recommendations, ORF Occasional Paper, Observer Research Foundation, February 2018.

energy, 60 percent of people in the world without access to electricity live in Sub-Saharan Africa, especially in rural areas.¹⁵⁶ At the same time, Africa has the largest share of people using off-grid solar energy and Indo-European cooperation can support the strong growth that already exists in this area.

Connectivity and infrastructure: India and the EU could cooperate to reduce Africa's infrastructure financing gap of US\$ 68 to 108 billion per year.¹⁵⁷ In addition to transport and clean energy, digital connectivity could be a focus area. Synergies are possible with regard to the digital networks that India and the EU have been supporting separately to support research, education and health in Africa (Pan African e-Network and AfricaConnect). India and the EU could also support project development, such as in the Indo-African Kukuza Project Development Company that facilitates early stage design and preparation of African infrastructure projects. To support investment into infrastructure, India and the EU could promote synergies between the EU's External Investment Plan, the G20 Compact with Africa and the Asia-Africa Growth Corridor.

156 Tracking SDG7: The Energy Progress Report 2018 (Washington D.C.: World Bank, May 2018).

157 African Development Bank, *op. cit.*, p. XV.

Key messages on building a global partnership

Build on experiences and success stories of the bilateral partnership:

- Bilateral cooperation remains the basis for achieving global impact in the India-EU development partnership. Expanding the partnership to other partner countries should directly build on experiences and solutions from the bilateral relationship. Regional and global cooperation constitutes an add-on to this partnership that could be gradually introduced while carefully managing transaction costs.

Align the India-EU partnership with priorities of partner countries:

- The global dimension of the India-EU development partnership should be closely aligned with national development strategies of partner countries. Requests for cooperation by partner countries are the necessary starting point. Global and regional cooperation requires awareness among partners about the specific added value they can expect from the India-EU development partnership. The partnership should ensure spaces for dialogue on possible India-EU cooperation, including through India's and the EU's bilateral relationships with partners, interaction in regional organisations and other platforms such as ASEM, the IAFS and the EU-AU summit. Regular participation of partner countries could also be built into the India-EU development dialogue (section 5.1)

Prepare next steps towards increased regional cooperation:

- Pilot small-scale initiatives in multimodal, cross-border transport with partner countries in India's neighbourhood. This cooperation could eventually be expanded to support momentum in sub-regional cooperation, such as the BBIN.
- Expand and innovate the use of EU regional programmes by adapting to the requirements of triangular cooperation in South Asia, including a stronger emphasis on cross-border challenges and knowledge sharing among neighbouring countries.
- Include the EU as a dialogue partner in the Indian Ocean Rim Organisation and use the organisation as a platform for triangular initiatives in areas such as blue economy and disaster risk reduction.
- Develop joint India-EU positions in ASEM (e.g. on connectivity) and leverage overlaps in India's and the EU's engagement with other partners in Asia, especially ASEAN.

continued...

Key messages on building a global partnership

Cooperation with African countries:

- Emphasise common challenges faced by India, African countries and the EU in terms of economic transformation, industrialisation and employment as a strong rationale for expanding the India-EU development partnership to Africa.
- Launch a triangular knowledge-sharing fund that directly builds on the proposed India-EU Partnership for Inclusive Economic Transformation. As one specific aspect, this fund could promote the sharing of India's digital experiences in areas such as financial inclusion, entrepreneurship and social protection.
- Create synergies between the EU's External Investment Plan, the Asia-Africa Growth Corridor, the G20 Compact with Africa and the ISA to leverage additional finance and expertise for infrastructure, connectivity and clean energy in Africa.

5. Forms of Engagement

Transforming the India-EU development partnership has implications for how both partners engage with each other. India and the EU will be increasingly drawing on new forms of engagement that reflect fundamental principles of equal partnership. Moreover, addressing regional and global issues, including through cooperation with other partner countries, requires corresponding innovation in the toolbox of cooperation. Although the EU has phased out its bilateral programme with India, the scope for cooperation between India and the EU is broadening and can potentially include a wide range of different types of cooperation. The EU’s New Consensus on Development expresses the need to develop “innovative engagement with more advanced developing countries [...] to promote the implementation of the 2030 Agenda through a broader range of cooperation”.¹⁵⁸ At the same time, India’s growing role as a development actor increases the scope for jointly developing new types of partnerships.

This section explores the main forms of engagement available to the India-EU development partnership and makes suggestions on how to expand the existing toolbox for cooperation. To this end, the section covers the whole range of possible forms of cooperation, including political dialogue, financial cooperation and different forms of technical cooperation and knowledge sharing. The section discusses to what extent these forms of cooperation are suitable to address relevant development challenges in the India-EU development partnership and to what extent they are aligned with India’s perspectives, needs and approaches as a development partner. Although the section discusses individual forms of engagement separately, addressing complex development challenges will require combining these different types of cooperation comprehensively.

5.1. Political dialogue

At the 14th India-EU summit, India and the EU agreed to explore “the

¹⁵⁸ New Consensus on Development, *op. cit.* p. 47.

continuation of the EU-India Development Dialogue”.¹⁵⁹ The current dialogue format is the India-EU Sub-Commission on Development Cooperation, which was last held in 2014 and is planned to be relaunched. A regular dialogue on development is the basis for moving the India-EU development partnership forward. This section provides some reflections on the possible scope, structure and purpose of such a dialogue.

Options for reviving the India-EU development dialogue

In principle, two (complementary) options are possible, depending on whether the dialogue is conceived from the perspective of development cooperation in a strict sense or more broadly as a dialogue to discuss the implementation of the SDGs.

- **First option:** *a dialogue on development cooperation in a narrow sense.* In that case, the dialogue would provide a platform to share the EU’s and India’s respective approaches to development cooperation. This format would provide room for mutual learning, as well as a conversation around best practices, norms and standards. Such a dialogue might also be a useful platform to identify synergies and decide on concrete initiatives for triangular cooperation.
- **Second option:** *a dialogue on SDG implementation as a whole.* The India-EU development dialogue could be structured more broadly around the SDGs as a shared framework to guide the development partnership. This format would build the dialogue around the development goals that India and the EU want to achieve together, not primarily around development cooperation as only one element used to achieve them.

Both the narrow and the more comprehensive option have strengths and weaknesses. The narrow version could be more manageable and avoid unnecessary overlaps with already existing dialogues. However, this version of the dialogue could also risk being unattractive for India. So far, India has not signalled willingness to turn its own development cooperation into the subject of a regular bilateral dialogue with a partner of the OECD/DAC. Moreover, the narrow perspective might have little impact on the overall implementation of the SDGs as it leaves out other relevant policy areas and actors from outside the sphere of development cooperation.

159 Joint Statement of the 14th India-EU Summit, *op. cit.*, para. Para. 29.

The more limited version of the development dialogue would therefore fall short of addressing the most relevant development challenges comprehensively. Relying solely on the narrow definition of the dialogue would also make less sense as the India-EU development partnership is moving beyond traditional forms of development cooperation to encompass new forms of engagement with a broad range of stakeholders across different policy areas and types of finance. Focussing on a dialogue around EU aid and India's South-South cooperation (including possible triangular cooperation) would only cover a fraction of what the India-EU development cooperation can be about.

A more comprehensively defined dialogue would clearly be more relevant. However, it is also more complex and difficult to establish. A broader dialogue would carry the risk of duplication with the ca. 30 other existing and planned dialogues in which India and the EU can already discuss specific sectors relevant for the SDGs. For instance, the India-EU partnerships on climate change and energy, urbanisation and water, which were launched in the past two years, have already established or plan to establish separate dialogues on these core areas of the SDGs.

Establishing an India-EU Platform for Sustainable Development

A solution could consist in the combination of the two options. Given the more extensive scope and the wide range of possible functions of such an arrangement, the EU-India Development Dialogue could be conceived more broadly as an India-EU Platform for Sustainable Development.

A regular conversation and information sharing about the EU's and India's respective development cooperation could constitute the foundation for such a platform. This interaction could move forward the identification of joint initiatives for regional and triangular cooperation. The dialogue could elaborate recommendations for concrete, pragmatic steps to implement the India-EU development partnership by piloting specific initiatives. The dialogue could also provide room for mutual learning and assessing the impact of the India-EU development partnership.

At the same time, the India-EU Platform for Sustainable Development could be conceived as a flexible structure, cutting across various other sector dialogues in the India-EU partnership. Instead of being an additional dialogue next to others, the platform could mainstream the SDGs across the whole range of India-EU cooperation. This design would take into account the integrated nature of the SDGs and provide ways to manage interlinkages between

different sector dialogues. A cross-cutting dialogue could also integrate key SDG principles into the work of other relevant dialogues (such as the “leave-no-one-behind” principle). Finally, the comprehensive version of the dialogue would serve to develop coordinated positions on issues of mutual interest that India and the EU could promote together in regional and international fora. For instance, India and the EU could use the dialogue to engage in regular consultations on global development issues ahead of international meetings seeking to find common positions in the UN, the G20, and other international institutions.

Stakeholder mapping

As a flexible, cross-sectoral platform, the India-EU Platform for Sustainable Development would have to work across policy communities and include a diversity of stakeholders. The circle of participants could vary depending on the issues and the specific function expected from the dialogue. For instance, bilateral cooperation in India is usually discussed on the basis of interactions between India’s Ministry of Finance and EU counterparts, notably from the European Commission’s Directorate General for International Cooperation and Development (DG DEVCO). In contrast, initial interlocutors for India-EU cooperation on global issues would be the Indian MEA (with its DPA) and the European External Action Service. More generally, the platform would provide an interface for India’s and the EU’s domestic actors engaged in the implementation of the SDGs.

Domestically, NITI Aayog performs a pivotal role in providing guidance for India’s SDG implementation. Moreover, the Ministry of Statistics and Programme Implementation is responsible for tracking and reporting progress. Implementation in the various issue areas related to the SDGs is driven by the responsible line ministries (i.e., health, agriculture, and others). Indian states also have their own strategies and implementation frameworks. Similarly, the EU side would include sector DGs from the European Commission and, depending on the competence arrangements between the EU and member states, ministries from member states and specialised agencies. Moreover, the EU has established a High-level multistakeholder platform on the implementation of the SDGs. A meeting between India’s NITI Aayog and the EU’s High-level multistakeholder platform could launch the India-EU Platform in 2020.

Overall, the India-EU development partnership will have to draw more extensively on the expertise and collaboration of organisations in India and the EU that have domestic roles and do not perceive themselves primarily as actors

of development cooperation. Beyond intergovernmental relations, the dialogue platform should also reflect the important role of sub-national and non-state actors in India's and the EU's domestic, regional and global role as development partners. Therefore, it should provide room for inclusive participation of cities, municipalities, states and regions, Civil Society Organisations (CSOs), the private sector and research institutions. To achieve this, the dialogue can build on existing platforms in India and the EU to reach out to a wide range of actors, such as the Forum for Indian Development Cooperation (FIDC) or India's global policy think tanks. Finally, the platform should also be open for regular interaction with actors from other partner countries to identify and discuss opportunities for cooperation.

5.2 Development finance

The Addis Ababa Action Agenda has emphasised the mobilisation of development finance as a means of implementation to achieve the SDGs. However, current financing falls short of realising the required shift from “millions to trillions” and fill the estimated global SDG financing gap of USD 2.5 trillion a year.¹⁶⁰ India's financing needs alone amount to at least USD 565 billion annually.¹⁶¹ As a leading provider of development finance, the EU plays a central role in addressing global financing needs. At the same time, India has been emerging as a provider of development finance contributing resources to address global challenges and support developing countries.

The EU and its member states combined are the largest provider of ODA. In India, the EU institutions, Germany, the UK and France are among the top 10 providers of ODA.¹⁶² In 2016, the EU institutions accounted for US\$ 304 million dollars in ODA to India, ranking as the fourth largest donor. During the same period, Germany, France and the UK provided US\$ 906 million, US\$ 206 and US\$ 127 million of ODA, respectively. ODA commitments from the EU and its member states seem to indicate increased investment into the India-EU development partnership. These trends involve growing lending activities by European finance institutions (EIB, KfW, AFD) towards economic infrastructure in India (for instance related to renewable energy, energy

160 UNCTAD, World Investment Report 2014. Investing in the SDGs: an Action Plan (Geneva: UNCTAD, 2014).

161 Anshul Bhamra, Harshini Shanker and Zeenat Niazi, Achieving the Sustainable Development Goals in India. A Study of Financial Requirements and Gaps, report submitted to the Ministry of Environment, Forest and Climate Change, Technology and Action for Rural Advancement, August 2015.

162 OECD – DAC, Aid at a glance, <http://www.oecd.org/dac/financing-sustainable-development/development-finance-data/aid-at-a-glance.htm> (accessed October 25, 2018).

efficiency and urban transport). At the same time, the relative importance of ODA as a type of development finance has been declining relative to the size of India's economy and compared to other types of development finance, such as remittances.

Blended finance

In view of mobilising development finance, the EU and other international development actors have been increasingly drawing on ODA as a catalytic tool to leverage other types of finance. In this context, blended finance has gained traction as a method to crowd in private capital through strategic deployment of public funds. In a narrow sense, blended finance is a structured instrument, a grant that allows an investor or developer to commit less equity and/or debt, reducing the risk of a project. The term is also used more broadly for credit enhancement measures, risk mitigation instruments, or guarantees. Blended finance aims to improve the risk-return profiles of investments in order to facilitate growing investment of better quality in developing countries. India is among the leading destination countries for blended investments¹⁶³ and receives blended finance amongst others from the Asian Investment Facility (AIF), one of the EU's regional blending facilities.

In 2016, the EU introduced a new structure to its framework for the promotion of innovative finance by launching the External Investment Plan (EIP). The plan provides an integrated framework combining measures to support an enabling environment, technical cooperation, and blended finance. As its first pillar, the EIP includes a guarantee mechanism, the European Sustainable Development Fund (EFSD). Overall, the EU aims to mobilise EUR 44 billion of additional public and private investment through the EIP.¹⁶⁴ However, the EIP is so far geographically limited to the EU's neighbourhood and Africa. In view of the regional and global challenges to be addressed in the framework of the India-EU development partnership, it could be considered to extend the remit of the EIP, especially the guarantee mechanism of the EFSD, to also cover South Asia. This could be achieved by including the AIF under the umbrella of the EFSD.

163 Rob Tew and Cecilia Caio, *Blended Finance: Understanding Its Potential for Agenda 2030*, Report, Development Initiatives, November 2016.

164 Erik Lundsgaarde, *The European Fund for Sustainable Development: Changing the Game?*, Discussion Paper 29/2017, German Development Institute.

Upgrading the role of the Asian Investment Facility

Blending can be useful in attracting investors to projects that would not be profitable without the grant. However, even profitable projects can be hindered by various types of risk, including political, currency, and off-taker risk. This is especially the case with infrastructure and energy projects. Yet, there are only a few currency hedging facilities available to investors looking to invest in India. Another area in which more opportunities could be utilised are guarantee elements. Globally, multilateral development organisations have allocated only five percent of their funding to guarantees, although they have been responsible for procuring 45 percent of their private sector commitments.¹⁶⁵ Reluctance to use these instruments can be attributed to their unfavourable treatment under the Basel norms and the restrictions on what can qualify as ODA.

In this context, the India-EU development partnership could address domestic and international framework conditions and examine hurdles for the mobilisation of development finance. As a concrete measure, the EU could diversify the instruments of the AIF. In addition to providing guarantee instruments, the AIF could also cover currency risk with financial instruments. The cost for currency hedging in South Asia is currently prohibitively high. The AIF could in principle support this type of instrument and decrease the cost of hedging. Overall, the AIF could increase its support for experimentation and scaling up of technological innovations with high social impacts in areas such as solar, off-shore wind, and the digital sector.

Another specific focus could be to enable the local banking sector to provide better access to finance for municipalities. Municipal finance is already an aspect of European financial cooperation with India. For instance, the Government of India and the German development bank KfW have established a blended finance scheme to support municipalities in Tamil Nadu to tap capital markets and finance local infrastructure projects. In this project, KfW has extended a concessional loan to the Indian government to pay the subordinate tranche (35 percent) of a special purpose vehicle, the Water and Sanitation Pooled Fund, designed to disburse loans to urban local bodies.¹⁶⁶ With regard to municipalities, India-EU cooperation could also support the use of and share experiences on municipal bonds.

165 Valerio Micale, "Blending Finance for Risk Mitigation", Climate Policy Initiative, April 2018, <https://climatepolicyinitiative.org/2018/04/18/blending-finance-for-risk-mitigation/> (accessed September 14, 2018).

166 OECD, Making Blended Finance Work for the Sustainable Development Goals (Paris: OECD, 2018).

Finally, India and the EU could address a range of other hurdles to investment. For instance, framework conditions could be improved for institutional investments (pension funds, insurance companies, mutual funds), which could provide half the estimated amount of the global infrastructure financing gap.¹⁶⁷ More generally, the combination of financing, political dialogue and technical cooperation in the India-EU development partnership could make a useful contribution to addressing regulatory and capacity constraints and expand the pipeline of bankable projects in India and other countries.

Creating synergies with India's growing role as a provider of development finance

Beyond considerations about EU financing in India, the India-EU development partnership should create more synergies with India's growing role as a provider of development finance. India's development finance to other countries increased more than five-fold between 1990 and 2010.¹⁶⁸ In 2016, India's total concessional finance reached US\$ 1.7 billion.¹⁶⁹ Moreover, the Indian government backs LOCs extended by the India Exim Bank to partner countries. Starting with a traditional focus on South Asia, LOCs have markedly increased, especially towards African countries. The launch of the ISA has further led to an increase in Indian LOCs with a focus on supporting solar energy in African countries. At the launch of the ISA, India announced projects with a total value of over US\$ 1 billion.¹⁷⁰ Moreover, India-EU cooperation could involve common initiatives to strengthen the development impact of India's growing private investment, especially in Africa where India has become the 8th largest investor economy by FDI stock.¹⁷¹ In this context, India and the EU could explore synergies between the EIP and Indian-led initiatives like the Asia-Africa Growth Corridor.

Finally, the India-EU development partnership presents an opportunity for enhanced coordination in multilateral finance institutions. India has been

167 Aaron Bielenberg et al., *Financing Change: How to Mobilize Private-Sector Financing for Sustainable Infrastructure*, McKinsey Center for Business and Environment, January 2016.

168 Saroj Kumar Mohanty, *op. cit.*, p. 6.

169 Government of India, Annual Report 2016-17, Ministry of Finance, New Delhi.

170 Ministry of External Affairs, Press Release on Announcement of the First General Assembly of the International Solar Alliance, 21 September 2018, https://mea.gov.in/press-releases.htm?dtl/30420/Press_release_on_announcement_of_the_first_General_Assembly_of_the_International_Solar_Alliance_ISA (accessed October 28, 2018).

171 UNCTAD, World Investment Report 2018, *op. cit.*

shaping new multilateral finance institutions, such as the AIIB. In this context, India and the EU could envision a broadening of participation in the EIP by including non-EU DFIs. In turn, India is already assuming a stronger role in European finance institutions, having become the 69th stakeholder of the European Bank for Reconstruction and Development (EBRD).¹⁷²

5.3 Technical cooperation and knowledge sharing

India and the EU have a long history as partners in technical cooperation and knowledge sharing, including cooperation in science and research. This section explores how this aspect of India-EU cooperation can be further developed according to the changing requirements of the India-EU development partnership. The section focuses on three forms of technical cooperation and knowledge sharing that could acquire increasing relevance: peer-to-peer knowledge sharing, triangular cooperation, and science and technology cooperation.

Peer-to-peer knowledge sharing

Peer-to-peer knowledge sharing, without intermediation by traditional aid-based development cooperation, would reflect the central idea of equal partnership in India-EU relations. Line ministries, administrations, specialised agencies, cities and municipalities, and other public institutions could increasingly exchange expertise and best practices directly with each other. Existing EU instruments, especially twinning and the Technical Assistance and Information Exchange (TAIEX) instrument, provide examples of how this type of cooperation can be supported. However, such peer-to-peer approaches would have to be adapted to the specific context of the India-EU development partnership.

Existing EU examples of peer-to-peer knowledge sharing include:

- **Twinning:** The term is defined as an “institution building instrument based on partnership cooperation between public administrations”.¹⁷³ The European Commission launched this instrument in 1998 to support administrative and judiciary capacity in countries applying for EU membership. Therefore, the main objective of twinning originally was to prepare candidate countries for EU accession by supporting their ability

172 Olga Aristeidou, “India Becomes EBRD’s Newest Shareholder”, 11 July 2018; <https://www.ebrd.com/news/2018/india-becomes-ebdrs-newest-shareholder.html> (accessed November 2, 2018).

173 European Commission, *Twinning Manual*, 2017 Revision.

to adopt the EU's body of rules, the so-called *acquis communautaire*. The instrument has subsequently been expanded to cover countries in the EU's neighbourhood. Twinning projects connect public sector expertise from EU member states and partner countries. The secondment of a full-time EU member state expert (Resident Twinning Adviser – RTA) to a partner administration is a core aspect of twinning projects. The RTA is seconded to the partner administration for a minimum of 12 months up to 36 months. Other activities include workshops, training sessions, expert missions, study visits, and internships. Alternatively, “Twinning Light” offers a more flexible, short-term approach (six to eight months) without the permanent presence of a seconded expert.

- **Technical Assistance and Information Exchange (TAIEX):** TAIEX provides short-term advice and expertise to public administrations on the request by partner countries.¹⁷⁴ Eligible participants are civil servants in central public administrations, judiciary and law enforcement authorities, parliaments, and representatives of social partners (trade unions and employers' organisations). The instrument draws on a network of experts that share best practices with partners through workshops, expert missions, and study visits. It is employed in a broad range of issues, including agriculture and food safety, environment, energy, transport, telecommunications, and justice and law enforcement. The main focus of TAIEX has been on Europe and the EU's neighbourhood. More recently, the instrument has acquired a global reach covering countries under the EU's Partnership Instrument. For example, TAIEX has supported expert missions for the EU-Mexico dialogue on security and justice and to South Korea to promote exchanges on phytosanitary regulations and safety standards.¹⁷⁵
- **Other peer-to-peer platforms:** The EU and partner countries have launched several new initiatives that follow a peer-to-peer approach to knowledge sharing. SOCIEUX+ (Social Protection EU Expertise in Development Cooperation), for instance, is a facility that provides expertise on social protection and employment policy.¹⁷⁶ Another example is the Covenant of Mayors in Sub-Saharan Africa (COM SSA) through which the EU supports African cities by increasing their planning capacities and

174 European Commission website on TAIEX: https://ec.europa.eu/neighbourhood-enlargement/tenders/taix_en (accessed November 16, 2018).

175 Di Ciommo, *op.cit.*, p. 29.

176 Socieux+ EU Expertise on Social Protection, Labour and Employment: <http://socieux.eu/> (accessed November 15, 2018).

177 Covenant of Mayors for Climate and Energy: <https://www.covenantofmayors.eu/> (accessed November 15, 2018).

providing them with a platform to share knowledge and best practices.¹⁷⁷

The peer-to-peer approach could offer a cost-effective and demand-driven method to share relevant knowledge directly between Indian and European organisations and experts. However, this approach would have to be adapted to the specific context of the India-EU development partnership. First, such an instrument would have to clearly define an objective that is relevant for India. Especially twinning and TAIEX come from a context that initially focused on the goal of aligning partner countries with EU policies. In the case of India, such an instrument would have to be oriented towards India's domestic priorities and use the SDGs as a shared framework to set objectives. Second, a peer-to-peer instrument would have to be adequately communicated to raise awareness among partner organisations. The language of existing EU instruments about the “transfer” of EU expertise to “beneficiaries” lacks appeal in the Indian context. Third, it would be necessary to gauge the appetite for this type of cooperation and to ensure that a critical mass of interested partner organisations with sufficient staff and absorption capacity is available. Similarly, the EU would have to ensure the availability of staff in European public administrations for cooperation with Indian partners.

A short-term solution could be to test simple forms of peer-to-peer knowledge sharing. India and the EU could identify a limited number of partner organisations to pilot these instruments. Building on this experience, India and the EU could prepare the ground for a more extensive use of such an instrument. Ideally, India and the EU would shape an original, tailor-made approach to peer-to-peer knowledge sharing. A first step would be to acknowledge similar approaches that already exist in India. For instance, the Ministry of Housing and Urban Development has published guidelines for the twinning of cities that could feed into the development of a shared approach towards twinning.¹⁷⁸ Advancing twinning between city administrations, as is already underway in the International Urban Cooperation programme, could be a starting point for developing a more comprehensive twinning instrument. Another option could be to develop thematic facilities similar to SOCIEUX+ or COM SSA with India. Such facilities could have a regional scope and integrate new forms of cooperation, especially triangular cooperation, which recognise expertise from developing countries and the need to adapt EU expertise to local contexts.

¹⁷⁸ Ministry of Housing and Urban Affairs, “Guidelines for Twinning of Cities”, <http://mohua.gov.in/upload/uploadfiles/files/Twinning%20Guidelines%20-%20Copy05.pdf> (accessed September 28, 2018).

Triangular cooperation

The India-EU summits in 2016 and 2017 called for exploring the possibility of closer cooperation with third countries. As indicated in the EU-India Agenda for Action 2020, triangular cooperation can be a modality to implement this commitment. Although the India-EU development partnership has great potential for triangular cooperation, as discussed above with regard to India's extended neighbourhood and African countries, realising this potential has proved challenging so far.

Triangular cooperation is a modality that supports knowledge sharing among developing countries. Although many different definitions exist, the term generally refers to partnerships involving three different types of actors (not necessarily just three partners). A conventional understanding of the term would differentiate between the roles of “facilitator(s)” (e.g. traditional bilateral donors from the OECD/DAC or multilateral organisations), “pivotal country” (or countries) (e.g. emerging countries and other middle-income countries that share knowledge about their development experience), and partner country (or countries) where projects or programmes are to be implemented.¹⁷⁹ The main added value of triangular cooperation is the mix of comparative advantages that these different actors bring to the partnership. Pivotal countries provide cost-effective, relevant development experience; facilitators contribute additional funding, know-how in managing development cooperation, and extensive networks of embassies and implementing agencies; partner countries possess local knowledge, take ownership and ensure the sustainability of results. Overall, the practice of triangular cooperation is characterised by a great diversity of models. Within this broad spectrum, triangular cooperation is also moving increasingly beyond cooperation among governmental agencies to shaping multistakeholder partnerships in which non-state actors play a central role.

Offering a wealth of development experience and innovative solutions to be shared with other countries, India has long been coveted as a pivotal partner in triangular cooperation. However, India has been reluctant to be co-opted into Northern donor-led initiatives given a lack of clear incentives.¹⁸⁰ India's focus on bilateral partnerships in the framework of South-South cooperation has also limited stronger engagement in triangular partnerships. More recently, India has gradually become more open to engaging in this modality. Since 2014, India

179 OECD, *Dispelling the Myths of Triangular Cooperation*, *op. cit.*

180 Cheryl McEwan and Emma Mawdsley, “Trilateral Development Cooperation: Power and Politics in Emerging Aid Relationships”, *Development and Change* 43:6 (2012): 1185-1209, p. 1198.

has endorsed the idea of cooperating in third countries in high-level statements with like-minded partners (e.g. US, Japan, UK, EU). India's active leadership in shaping new global and inter-regional platforms that cut across traditional North-South divides, such as the AAGC and the ISA, signals growing potential for triangular initiatives.

India's openness for triangular cooperation creates new opportunities for India-EU cooperation with other partner countries. To what extent this momentum can be used depends on two main factors. First, India-EU triangular cooperation depends to some extent on convergence in the broader political relationship. Triangular cooperation will be more likely in countries and regions where the EU is perceived by India as a strategically relevant actor. Second, India and the EU will have to find a functioning model of triangular cooperation that is adapted to their respective approaches to development cooperation.

A viable method for identifying such a model could be to look at India's experience with triangular cooperation that consists so far largely of two approaches: fund mechanisms and brokering mechanisms.

- **Fund mechanisms:** India's preferred mode of triangular cooperation has so far been the establishment of permanent funds within the UN system. The two main examples are the India-Brazil-South Africa Facility for Poverty and Hunger Alleviation (IBSA Fund)¹⁸¹ and the India-UN Development Partnership Fund, which are managed by the UN Office for South-South Cooperation (UNOSSC).¹⁸² European countries also have experience with setting up triangular funds. Germany, for instance, has supported the establishment of the Latin America Triangular Cooperation Fund and the Triangular Cooperation Fund with South Africa.¹⁸³ Triangular cooperation funds provide a permanent structure to receive and process proposals from partners. This model could be well adapted to the EU's comparative advantages around managing calls for proposals and disbursing funds. India and the EU could establish, for instance, a triangular cooperation fund or facility that focuses on a specific region (e.g. Africa) and/or specific challenges.

181 The India, Brazil and South Africa Facility for Poverty and Hunger Alleviation (IBSA Fund): <http://www.ibsa-trilateral.org/about-ibsa/ibsa-fund>.

182 The India-UN Development Partnership Fund: <https://www.unsouthsouth.org/partner-with-us/india-un-fund/> (accessed October 16, 2018).

183 Federal Ministry of Economic Cooperation and Development, Triangular Cooperation in German Development Cooperation, Position Paper, 2013.

- **Brokering mechanisms:** An alternative model is illustrated by the Department for International Development's (DFID) and the United States Agency for International Development's (USAID) triangular cooperation with Indian partners. The two development agencies have been acting as brokers of partnerships among actors from India and other developing countries. Their programmes focus especially on leveraging the innovative potential of India's diverse landscape of non-state actors (the private sector, civil society, research institutions). DFID's Innovative Ventures and Technologies for Development (INVENT) programme, which promotes and shares pro-poor business solutions from India in low-income countries, is an example.¹⁸⁴ To perform their role as facilitators, DFID and USAID have also adopted more flexible organisational structures, such as the Global Partnership Team in the DFID India office. For the moment, such a model might be less feasible in the India-EU development partnership and would require giving the EU Delegation in India similar capacities. Acquiring such capacities would mark a significant shift towards new ways of working that are less about managing aid and more about brokering partnerships.

In the absence of a clear demand from India to pursue any of these options, it could be more promising to envisage solutions that entail less start-up costs. Alternative models could rely on the EU's regional programmes or on experience of India and some EU member states in triangular cooperation:

- **Incorporating triangular cooperation into EU regional and other programmes:** The EU's regional programmes can already provide a framework for testing triangular cooperation. Regional programmes usually cover several neighbouring partner countries, such as in the case of the South Asia Regional Training and Technical Assistance Center. Similar formats could be used for triangular cooperation provided that they put a stronger emphasis on sharing knowledge and experiences that originate from participating countries. The above mentioned thematic peer-to-peer instruments could also be used as platforms for triangular cooperation. SOCIEUX+, for instance, is moving from focusing mainly on the transfer of EU expertise towards sharing knowledge that already exists in partner countries. The EU research programmes also allow for cooperation among participants from all over the world and could accommodate triangular forms of cooperation, e.g. an international flagship call for research proposals focused on India and Africa.

¹⁸⁴ Sebastian Paulo, *India as a Partner in Triangular Development Cooperation: Prospects for the India-UK Partnership for Global Development*, ORF Working Paper, Observer Research Foundation, March 2018.

- **A decentralised approach to India-EU triangular cooperation:** A decentralised approach could be driven by EU member states that are already well positioned to engage in triangular partnerships with India and other developing countries. In contrast to some member states, the EU as such has not yet been a major actor in triangular cooperation and acts predominantly as a (co-)funder of such initiatives. Some EU member states are among the most active users of triangular cooperation. Germany and Spain top the list of EU member states engaged in triangular cooperation. Larger EU member states are well positioned to move triangular cooperation with India forward as they have the necessary experience and implementing agencies. In particular, France and Germany have been preparing the ground for triangular cooperation with India. The EU could act as a co-funder, coordinator, and facilitate participation by other EU member states.

These and other options could be discussed in the development dialogue. Building on this conversation, India and the EU could work towards a convergence of perspectives and elaborate some form of joint document that outlines the scope and main objectives of possible triangular cooperation. However, the effectiveness of triangular cooperation will depend most importantly on the ownership of partner countries. India's approach to triangular cooperation is closely aligned with the core principles of South-South cooperation, especially a clear demand-orientation. Potential partner countries should therefore be involved in India's and the EU's consultations on the potential of triangular cooperation. A further challenge for the implementation of triangular cooperation would be the lack of systematic coordination between India and the EU at the level of partner countries as India does not participate in donor coordination forums. EU Delegations and Indian embassies/High Commissions in third countries will have to find alternative ways to improve coordination.

Science and technology cooperation

Science and technology cooperation is a firmly established pillar of India-EU cooperation that can make significant contributions to addressing global challenges. Cooperation includes collaborative projects through participation in the EU research funding programmes and the support for the mobility of researchers and innovators. India and European countries also have experience as research partners in the framework of the European Atomic Energy Community (Euratom) and in big science projects, such as the International Thermonuclear Experimental Reactor (ITER) and the European Organization

for Nuclear Research (CERN).¹⁸⁵ Leveraging the strengths of the Indian and European science and research landscape also contributes to SDG17, which stresses the role of science and technology cooperation as a means of implementation for the SDGs.

Science and technology cooperation between India and the EU is based on the Agreement on Scientific and Technological Cooperation, signed in 2001 and subsequently renewed in 2007 and 2016. The India-EU Science and Technology Steering Committee currently provides the main platform to shape cooperation and set priorities. At their summit in 2017, India and the EU “agreed to scale-up cooperation under the renewed India-EU Science and Technology Cooperation Agreement in frontier areas of science and technology and in addressing current global challenges in particular in areas of health, water and clean energy.”¹⁸⁶ India and the EU also plan to enhance the innovation dimension and support networking among incubators and start-ups. The latter have an important mission in achieving the SDGs, providing affordable, inclusive technologies. In addition to cooperation at the EU level, cooperation on science and technology also takes place at the bilateral level with most EU member states being associated to the EU’s research programme. EU member states also have created joint research establishments such as the Indo-French Centre for the Promotion of Advanced Research and the Indo-German Science and Technology Centre.

Joint collaboration in research funding programmes will continue to be an important element in fulfilling this commitment. Indian research institutions have a good track record under cooperation with the EU in its framework programmes FP6 and FP7 (until 2014), under which Indian participation was automatically funded.

Under the EU funding programme Horizon 2020 (2014-2020) Indian participants need to finance their own participation. To facilitate the participation of Indian institutions, the EU has negotiated with the Government of India (more particularly with the Department of Science and Technology (DST), the Department of Biotechnology (DBT) and Ministry of Earth Sciences (MoES)), a so-called Co-Funding Mechanism (CFM).¹⁸⁷ This has resulted so far in three co-funded projects, of which two are in the area of health. In 2017, India and the EU also launched a Joint Call (each side

185 European Commission, Roadmap for EU-India S&T Cooperation, Brussels, October 2017.

186 Joint Statement of the 14th India-EU Summit, *op. cit.*, para. Para. 45.

187 European Commission, Roadmap for EU-India S&T Cooperation, *op. cit.*

contributing EUR 15 million) on research and innovation for water with a focus on improving drinking water and waste water management.

Mobility of researchers is another main pillar of India-EU science cooperation. India and the EU have committed to working towards a reciprocal opening of their respective research programmes. The 14th India-EU Summit also called for an “intensified two-way mobility of researchers”.¹⁸⁸ Indian students are the largest participants of the Erasmus+ programme that promotes student exchanges in higher education and cooperation among universities. Indian scholars also participate in the *Marie Skłodowska-Curie* fellowships programme for post-doctoral research. Moreover, Indian researchers can apply for European Research Council (ERC) grants. In 2017, India and the EU signed an Implementing Arrangement between the Science and Engineering Research Board (SERB) and the ERC that supports Indian researchers to join research teams in Europe for a period of 6-12 months.¹⁸⁹

“Horizon Europe” is the EU’s next research funding framework under the proposed financial framework for 2021-2027.¹⁹⁰ In addition to research funding programmes and mobility, plans for the new funding programme include a pillar on global challenges and industrial competitiveness. Focus subjects under this pillar (health, digital and industry, climate, energy and mobility, food and natural resources) show relevant overlaps with existing and potential priorities under the India-EU development partnership. Moreover, India and the EU could envisage to cooperate under the proposed third pillar of the new programme (Open innovation) to shape an Indo-European innovation ecosystem with growing networks of innovators, start-ups, and incubators.

To orchestrate such a broad-based collaboration, India and the EU could set up an Indo-European Science and Innovation Hub. The Hub could facilitate cooperation among Indian and European research institutions. Moreover, the Hub could serve as a crucial intermediary between science and policy practice translating innovations from India-EU science cooperation into knowledge used in joint projects. Beyond academic research institutions, the Hub could promote the emergence of an Indo-European innovation ecosystem with start-ups, innovators and incubators from India and Europe. In addition to cooperation

188 Joint Statement of the 14th India-EU Summit, *op. cit.*, para. 45.

189 “Implementing Arrangement Between the European Commission and the Science and Engineering Research Board (SERB) for Indian Researchers Hosted by the European Research Council Grantees in Europe: <https://erc.europa.eu/sites/default/files/document/file/Agreement-EU-SERB.pdf> (accessed October 4, 2018).

190 European Commission, EU Budget for the Future, 7 June 2018; https://ec.europa.eu/commission/sites/beta-political/files/budget-may2018-research-innovation_en.pdf (accessed October 5, 2018).

in bilateral research programmes, the Hub could also facilitate integration of India-EU science and technology programmes into global research initiatives and networks. This is already illustrated by the joint participation in the Global Alliance for Chronic Diseases and the Joint Programming Initiative on Anti-Microbial Resistance. Overall, the Hub could gather input from science and innovation actors and make recommendations on improving framework conditions for funding, mobility, administrative procedures and harmonisation of regulatory issues such as patent systems. As a bridge for science and innovation actors in India and the EU, the Hub could be co-headquartered in New Delhi and Brussels.

As a recent addition to India-EU research cooperation (and outside the scope of science and technology cooperation), the Delegation of the European Union to India launched the ‘EU India Think Tanks Twinning Initiative’ in 2015.¹⁹¹ The initiative brings together think tanks from India and the EU to provide policy advice on how to strengthen the strategic partnership through cooperation in the fields of foreign and security policy, global governance and international affairs. The initiative funds joint projects involving research publications and events to stimulate policy conversations on important global, regional and bilateral issues. Leveraging the diverse and dynamic think tank communities in both India and Europe, the initiative can also contribute to promoting joint knowledge production and developing a shared perspective on global development issues.

5.4 Leaving no one behind: Localising India-EU cooperation at the sub-national level

As much as the India-EU development partnership is acquiring a stronger regional and global dimension, adapting cooperation to the local context is equally relevant. Within India, development challenges are very diverse both in terms of regional inequalities between states and districts as well as with regard to specific groups within society. While India is considered on track towards effectively eradicating extreme poverty¹⁹², its VNR on the implementation of the SDGs stresses the need to ensure that “no one is left behind” in that process.¹⁹³ Achieving inclusive development success requires addressing pockets of poverty and inequality in a targeted manner. Moreover, the nature

191 EU-India Think Tank Twinning Initiative: <https://euindiathinktanks.com/> (accessed October 2, 2018).

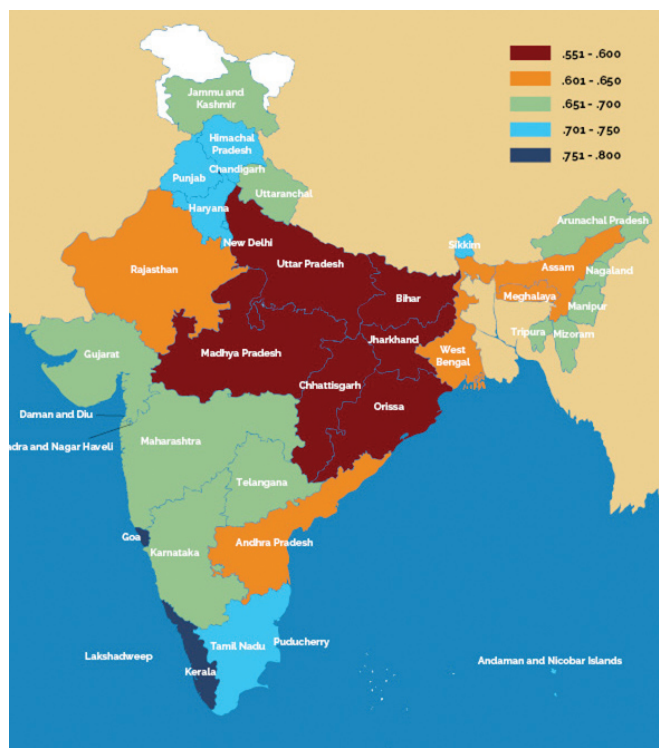
192 Gertz/Kharas, *op. cit.*

193 Government of India, Voluntary National Review, *op. cit.*, p. 8.

of most areas of cooperation discussed in this study calls for some degree of localisation (e.g. urbanisation) and attention towards the needs of the bottom 40 per cent of the population (e.g. ensuring gender equality in the workforce, reaching rural populations with clean energy).

Differences between states and districts are an important dimension of unequal development progress in India. Rankings such as the Social Progress Index¹⁹⁴ and the Human Development Index (Figure 2) show considerable variation in the development of Indian states. The World Bank lists Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Odisha, Rajasthan and Uttar Pradesh as low-income states that lag behind in basic development indicators, such as health, nutrition and education.¹⁹⁵ India's poorest states are also the least attractive for investment due to concerns about the business environment and infrastructure. Moreover, poorer states struggle more to keep up with adapting skill levels to rapidly changing requirements.¹⁹⁶ Stark inequalities also exist with regard

Figure 2: The Human Development Index of Indian states



Source: Subnational Human Development Index, Global Data Lab, Radboud University.

194 Amit Kapoor, Social Progress Index 2017: States of India. Eleven Years of Progress. Report Findings, Institute for Competitiveness, 2017.

195 World Bank, Indian States Briefs, 1 February 2018; <http://www.worldbank.org/en/news/feature/2016/05/26/india-states-briefs> (accessed November 18, 2018).

to districts on the sub-state level, with especially rural areas facing persistent development challenges in health, nutrition, education and infrastructure.¹⁹⁷

The integration of a sub-national perspective into the India-EU development partnership would have to be led and steered by the central government. The Indian government's approach to the SDGs accords an important role to sub-national actors. India's VNR of the SDGs stresses that "states and local bodies will be at the frontline of operationalising the SDG strategy in India".¹⁹⁸ Moreover, the India-EU development partnership should also closely align with the SDG strategies and implementation frameworks adopted by individual Indian states, such as the SDG Vision Document published by the Government of Bihar.¹⁹⁹

In doing so, the partnership should also respect the characteristics and ongoing evolution of India's federalism. The relationship between Centre and States has been undergoing a paradigm shift towards "cooperative federalism".²⁰⁰ The main idea of this concept is to empower states to play a stronger role in India's growth and development process. At the same time, states and districts face growing demand for accountability and the need to demonstrate development outcomes through performance rankings and monitoring of SDG progress on the state level.

Similar to India's cooperation with other international partners, such as the World Bank and the UK, the India-EU development partnership could focus on supporting the capacity of low-income states in India to actively play their part in India's development story. Indian states are already present as stakeholders in the India-EU partnerships on water and urbanisation. As part of the proposed connectivity partnership, the EU could engage in the development of industrial corridors with a focus on low-income states in India. The EU could also support India's strategy to support "aspirational districts" identified by NITI Aayog.²⁰¹ The EU's current toolbox is already well equipped to engage directly with sub-national partners, for instance through the thematic programme for local authorities and non-state actors.

196 National Council of Applied Economic Research, The NCAER State Investment Potential Index, New Delhi, March 2016.

197 Institute for Competitiveness, 2018 Social Progress Index: Districts of India (Gurgaon: Institute for Competitiveness, 2018).

198 Government of India, Voluntary National Review, *op. cit.*, p. 27.

199 Department of Planning and Development/Government of Bihar, Bihar SDG Vision Document: <http://planning.bih.nic.in/Documents/SDG-Vision-Doc-2017.pdf> (accessed October 2, 2018).

200 Niranjan Sahoo, Centre-State Relations in India: Time for a New Framework, ORF Occasional Paper No. 62, Observer Research Foundation, March 2015.

CSOs represent another relevant group of actors that is instrumental in localising the SDGs. The India-EU development partnership has traditionally emphasised the importance of CSOs as development partners. India's approach to SDG implementation recognises that “[a]n important role is being played by Civil Society Organizations that have been working on SDG-related issues from the grassroots to the national level”.²⁰² In this role, CSOs provide education, capacity building and awareness on SDGs, support states with integrating SDGs into the planning and implementation process, and conduct research and documentation on the SDGs. CSOs also provide a crucial link to reaching vulnerable sections of society. “Targeted and adequately financed initiatives to promote inclusion and gender empowerment and addressing the special needs of vulnerable groups are key to India’s development strategy.”²⁰³ CSOs are at the forefront implementing this aspect of India’s SDG strategy.

India and the EU can build on existing networks of CSOs in India and create new platforms for cooperation among Indian and European CSOs. A main focus of this cooperation could be SDG5 on achieving gender equality and empowering all women and girls, as one of the priorities stressed in India’s VNR. In view of increased CSO participation in possible regional and global cooperation, it has to be noted that the current policy and legal framework is still designed for CSOs to act as recipients and domestic partners within India. Going beyond their role as domestic recipients, the role of Indian CSOs for global development could significantly increase with a policy framework that acknowledges the great potential of India’s diverse and rich civil society landscape.

Overall, similar considerations about sub-national actors, including state governments, local authorities and CSOs, should be part of India-EU cooperation with other countries in Africa and South Asia. Localising cooperation for the SDGs and differentiating cooperation along geographic and socio-economic criteria requires statistical reporting and monitoring to broaden the basis of disaggregated data on SDG progress. Statistical cooperation among India, the EU and other countries could therefore be another element in the India-EU development partnership.

201 NITI Aayog, Deep Dive. Insights from Champions of Change. The Aspirational Districts Dashboard, June 2018, http://niti.gov.in/writereaddata/files/document_publication/FirstDeltaRanking-of-Aspirational-Districts.pdf (accessed December 2, 2018).

202 Government of India, Voluntary National Review, *op. cit.*, p. 4.

203 *Ibid.*, p. 27.

Key messages on forms of engagement

Establish an India-EU Platform for Sustainable Development:

- Build a dialogue platform organised around the SDGs rather than development cooperation in a narrow sense. A more limited dialogue on development cooperation could be part of this broader structure (e.g. to identify potential for triangular cooperation).
- Provide a flexible structure, cutting across other dialogues to mainstream the SDGs, manage interlinkages, and integrate key principles such as the “leave no one behind”-principle.
- Ensure inclusive participation beyond traditional development cooperation actors, including key actors working on domestic SDG implementation in India, the EU and other partner countries. The composition of the dialogue could vary according to issues and the specific function expected from the dialogue.
- The India-EU Platform for Sustainable Development could be launched in an opening session with NITI Aayog and the EU’s High-level Platform on SDG implementation in 2020.

Formulate a Memorandum of Understanding on triangular cooperation:

- Translate general commitment to cooperation with other partner countries into a guiding document that outlines parameters and principles for possible triangular cooperation.
- Consult with potential partner countries to include their views and clarify the value added of triangular cooperation with India and the EU.
- Engage in a conversation on possible models of triangular cooperation (e.g. fund mechanisms, EU regional programmes as vehicles for triangular cooperation, the EU as a facilitator of triangular cooperation between India and EU member states).

continued...

Key messages on forms of engagement

Pilot peer-to-peer knowledge-sharing formats between Indian and European organisations:

- Align EU models of peer-to-peer mechanisms with India's domestic policies and the SDGs. Indian partners could also participate in existing peer-to-peer platforms such as SOCIEUX+.
- Shape an original and tailor-made approach to peer-to-peer knowledge sharing as a cost-effective, demand-oriented method to share relevant expertise directly between Indian and European actors. Draw on Indian experiences with similar instruments, such as the guidelines for city twinning of the Ministry of Housing and Urban Development.
- Create a database of interested organisations in India and Europe and test short-term peer-to-peer knowledge sharing formats.

Scale up financing:

- Upgrade the Asian Investment Facility by extending the EU's External Investment Plan to South Asia, including guarantees from the European Fund for Sustainable Development. Enable the Asian Investment Facility to accommodate currency hedging instruments.
- Scale up municipal financing, e.g. by enabling the local banking sector and promoting municipal bonds.
- Enhance India-EU coordination in multilateral finance institutions such as the AIIB and broaden Asian participation in the EU External Investment Plan.

Establish an India-EU Science and Innovation Hub co-headquartered in New Delhi and Brussels with the objective to:

- Strengthen cooperation on science and technology in close alignment with the SDGs
- Facilitate linkages of India-EU science and technology cooperation with development practice.
- Build an Indo-European innovation ecosystem for research institutions and start-ups co-creating solutions to development challenges.
- Promote integration of India-EU science and technology cooperation into global research initiatives and networks.
- Provide advice to improve framework conditions for science and technology cooperation in India and the EU

continued...

Key messages on forms of engagement

Localise cooperation and operationalise the “leave no one behind” principle:

- Factor sub-national considerations into areas of cooperation, e.g. industrial corridors in low-income states as part of connectivity cooperation
- Scale up city-to-city cooperation
- Facilitate Indo-European CSO networks
- Strengthen statistical cooperation

6. Conclusions and Recommendations

2019 presents an opportunity to take stock of the India-EU development partnership and set the stage for a new phase in the decade from 2020 to 2030. While politics in India and at the EU level are marked by general elections, this year will also see other important decisions that are likely to shape the context of India-EU cooperation. The UK's exit from the EU has implications for the EU's relationship with India given the UK's historical ties with India and its role as a leading development partner in South Asia. Moreover, the EU will decide on a new multiannual financial framework determining how the EU finances external action from 2021-2027. Within this fast-paced political environment, this study aims to inform a strategic perspective on how India and the EU can advance their development partnership in a changing bilateral and global context.

Based on a comprehensive overview of the “what”, “where” and “how” of India-EU cooperation, the study highlights potential next steps to implement the shared commitments expressed in the joint declaration of the 14th India-EU summit in 2017. In addition, the proposed EU strategy on India puts new levels of ambition for a broader strategic partnership on the table. Sustainable development represents a main aspect of this evolving relationship. Moving forward, India and the EU do not start from scratch, but build on a long history of bilateral engagement, including a growing number of issue-specific partnerships and initiatives launched in recent years. The comprehensive scope of this study illustrates that there is no dearth of new possibilities in the India-EU development partnership.

At the same time, the future of the development partnership requires a realistic understanding of limitations in India-EU relations. Willingness to move the partnership forward has grown on both sides. However, India is still the more cautious partner. As a coveted rising power, India's capacity to enter and maintain a growing number of global development partnerships is limited, especially given the more complex cooperation structures with a supra-national entity like the EU. India is also more sensitive to transaction costs arising from triangular or regional cooperation arrangements beyond the bilateral

scope. Indian observers therefore advocate a more prudent approach piloting concrete projects on a smaller scale and gradually adding new elements to the partnership.

Given these constraints, the future of the India-EU development partnership depends on how well it can demonstrate that it is not binding scarce capacity, but adding value. Tangible results that are relevant for India's domestic development have the potential to create more political traction for global cooperation. Moreover, examples such as the ISA show that Indo-European cooperation does not need to be trapped in small thinking provided that initiatives are born out of genuine co-creation and co-leadership. India's and the EU's cooperation structures are not static, but can adapt to changing requirements if the benefits of doing so are clear.

Sharpening the EU's profile as a bilateral partner would help to clarify the value of the partnership for India. The EU could gain a stronger role as a facilitator between India and EU member states in a more complex global development landscape. In this role, the EU could serve as a gateway offering broader access to a diversity of European partners beyond bilateral relations with the big member states. This role as an intermediary would give the EU a unique profile compared to EU member states and other countries. Demonstrating the value of interaction with the EU as a privileged partner in its own right would improve the prospects for the India-EU development partnership.

Despite the mentioned caveats, a main message emerging from this study is not to underrate the potential of the India-EU development partnership. India and the EU are too big to think small and have the combined political and economic weight to decisively shift the SDGs closer to their goalposts. Despite scepticism that the 2030 Agenda might be too complex to be a practical framework for action, this study indicates that the existing cooperation plus the addition of a limited number of recommendations following below would cover the SDGs fairly comprehensively. Calibrating the right level of ambition for their development partnership, India and the EU could meet somewhere in the middle, shedding limiting beliefs while retaining a pragmatic focus that does not overstretch capacities.

The remaining part of the conclusion presents ten recommendations selected as priority measures from the larger number of suggestions made throughout the study. To avoid an innovation overdose, these recommendations are sequenced according to three steps that the India-EU development partnership could take to prepare the next decade of cooperation. These steps do not necessarily have

to follow strictly one after the other. They suggest one way of thinking about sequencing and gradually introducing additional elements into the partnership.

Completing the foundations

The foundation of the India-EU development partnership for the period from 2020 to 2030 could be completed by two main measures. First, the establishment of a regular dialogue structure is a requirement for moving the partnership forward in a consistent manner. Second, the partnership should cover the most important issues that have political traction and in which the India-EU partnership can add value. This could be achieved by consolidating and adding new elements to existing issue-based partnerships on climate and energy, urbanisation, water and resource efficiency. For instance, strengthening the EU's involvement in the ISA is a relevant addition to the existing energy cooperation. Moreover, the creation of two new partnerships around connectivity and economic transformation would significantly bolster the relevance of the India-EU partnership. By adding a distinct focus around SDG8 and SDG9 through these two themes, the India-EU development partnership would comprehensively cover the 2030 Agenda and leverage important interlinkages across the SDGs. Initially, the partnership could focus on demonstrating tangible results through bilateral cooperation that could be achieved without major innovations in the partnership's toolbox.

Recommendation 1: Set up an India-EU Platform for Sustainable Development

India and the EU could build a dialogue platform organised around the SDGs rather than development cooperation in a narrow sense. The dialogue platform could provide a flexible structure, cutting across other existing and planned dialogues to mainstream the SDGs, manage interlinkages, and integrate key principles such as the “leave no one behind”-principle. A more limited dialogue on development cooperation could be part of this broader structure (e.g. to identify potential for triangular cooperation). This platform would involve a diversity of stakeholders beyond traditional development cooperation actors, including key actors working on SDG implementation in India, the EU and other partner countries. Rather than having a fixed line-up, the composition of the dialogue could vary according to issues and the specific function expected from the dialogue. The platform could be inaugurated by a meeting of NITI Aayog and the EU's high-level multistakeholder platform on the implementation of the SDGs in 2020.

Recommendation 2: Launch an India-EU Connectivity Partnership

India and the EU could bring together their simultaneous efforts to advance their approaches to connectivity by launching a thematic partnership. Initially, India and the EU could build on connectivity-related aspects of existing India-EU partnerships and develop projects in India (e.g. energy connectivity). Bilateral cooperation could be expanded to include EU participation in India's industrial corridors, with a potential focus on corridors going through low-income states. Looking beyond the bilateral scope, India and the EU could present a joint declaration on Euro-Asian Connectivity at the next ASEM Pathfinder Group on Connectivity in which they outline a common vision for a multilateral, rules-based connectivity model and invite other countries and organisations to engage in this partnership. At the beginning, India and the EU could implement small-scale projects in multimodal cross-border transport infrastructure with partner countries in India's neighbourhood (e.g. Bangladesh, Nepal, Bhutan). Subsequently, the connectivity partnership could establish more comprehensive programmes with partners such as ASEAN and the ADB as well as related to the AAGC.

Recommendation 3: Establish an India-EU Partnership for Inclusive Economic Transformation

Achieving inclusive economic growth, industrialisation, and employment for its young population is one of the main challenges for India in the coming decade. The India-EU development partnership already contains many elements that align with India's domestic policy initiatives such as Make in India, Smart Cities and Skill India. These aspects of India-EU cooperation could be consolidated as a coherent and visible cooperation package that would significantly raise the EU's profile as a development partner. India and the EU could gradually add new cooperation modules, with potential priorities being:

- **Education and skills in the digital transformation:** vocational training, digital literacy, and the inclusion of women and youth in the labour market.
- **Social protection:** support of India's domestic reforms with a focus on informal workers.
- **Entrepreneurship and innovation:** digital technologies as enablers of entrepreneurship as well as business incubation (e.g. in agribusiness, the healthcare sector and digital services).

Upgrading the tool set

The changing nature of the India-EU development partnership calls for new ways of working together. India and the EU have been engaging on a path beyond traditional development assistance towards forms of engagement that better reflect principles of equal partnership. In order to make significant progress on the SDGs globally, India and the EU will have to comprehensively use a broad range of types of cooperation that leverage additional finance for sustainable development, enable inclusive dialogue on development issues, and share expertise and knowledge in innovative ways. Achieving significant development impact in the India-EU development partnership is increasingly less about managing aid or development cooperation per se and more about shaping new forms of cooperation that mobilise a wider set of actors, policies and means of implementation, including sub-national and non-state actors. This complexity also creates growing demands for adaptation on India's and the EU's cooperation structures.

Recommendation 4: Formulate a Memorandum of Understanding on triangular cooperation

India and the EU could translate their general commitment to cooperation with other partner countries into a guiding document that outlines general parameters and principles for triangular cooperation. The elaboration of such a document would be an occasion to carefully analyse different models of triangular cooperation and their suitability for the India-EU development partnership as well as for different geographies and issues (e.g. fund mechanisms, EU regional programmes as vehicles for triangular cooperation, the EU as a facilitator of triangular cooperation between India and EU member states).

Recommendation 5: Pilot peer-to-peer knowledge-sharing formats between Indian and European administrations

Peer-to-peer knowledge sharing offers a cost-effective, demand-oriented method to share relevant expertise directly between Indian and European organisations. India and the EU could shape an original and tailor-made approach that is fitting to the context of the India-EU development partnership. Although the EU's toolbox offers experience with similar instruments (e.g. twinning and TAIEX), such an approach would have to be more closely aligned with India's domestic policies and the SDGs. India and the EU could also draw on Indian experiences with similar instruments, such as the guidelines for city twinning of the Ministry of Housing and Urban

Development. As a first step, India and the EU could create a database to identify interested organisations in India and Europe and test short-term peer-to-peer knowledge-sharing formats. Indian partners could also participate in existing peer-to-peer platforms such SOCIEUX+.

Recommendation 6: Upgrade the Asian Investment Facility

The EU could envisage to upgrade the Asian Investment Facility by extending the EU's External Investment Plan to South Asia. The Asian Investment Facility could accommodate a guarantee mechanism and currency hedging instruments that would make a useful contribution to scaling up finance in India and South Asia. The Asian Investment Facility could also be used more actively to leverage investments for experimentation with developmentally relevant technologies and their upscaling.

Recommendation 7: Create an India-EU Science and Innovation Hub

Co-headquartered in New Delhi and Brussels, the India-EU Science and Innovation Hub could facilitate linkages among research institutions and innovators in India and Europe. Among its objectives, the Hub would strengthen the linkages of India-EU science and technology cooperation with a focus on technological deployment for development. In addition to cooperation among academic research institutions, the Hub could contribute to building an Indo-European innovation ecosystem that would support start-ups and other companies to create and distribute solutions to sustainable development challenges. Moreover, the Hub could serve as a platform to integrate the India-EU science and technology cooperation into global research and innovation initiatives and networks. Finally, the Hub would provide advice on shaping conducive framework conditions for research cooperation in India and the EU.

Going global

Ideas about regional and triangular cooperation attract considerable attention in the conversation on the future India-EU development partnership. However, expanding cooperation to other countries and geographies requires preparation and management of transaction costs. Above all, this aspect of the India-EU partnership does not only depend on the relationship between Delhi and Brussels. Partner countries must drive this process, exert ownership over their development processes and express concrete requests for cooperation. Regional and triangular cooperation is a final step that builds on India's and the EU's bilateral engagement.

Recommendation 8: Build regular coordination with other countries and regions into the India-EU development partnership

Requests for cooperation by partner countries are the necessary starting point for expanding the India-EU development partnership. Global and regional cooperation presupposes awareness among partners about the specific added value they can expect from the India-EU development partnership. The partnership should therefore ensure spaces for dialogue on possible India-EU cooperation, including through India's and the EU's bilateral relationships with partners and interaction in regional organisations and other platforms such as ASEM. The next India-Africa Forum Summit and the adoption of a post-Cotonou framework for EU-Africa relations in 2020 provides an opportunity to start a conversation on potential cooperation with African partners. Regular integration of partner countries could also be built into India's and the EU's development dialogue.

Recommendation 9: Initiate small-scale projects in multimodal cross-border transport infrastructure with partner countries in India's neighbourhood

India and the EU could increase their regional engagement by first implementing small-scale connectivity projects in India's neighbourhood as part of the proposed connectivity partnership. Such projects could promote multimodal cross-border transport infrastructure with partner countries such as Bangladesh, Nepal and Bhutan. The EU could contribute finance and expertise on soft aspects of connectivity based on relevant experience such as the TEN-T (e.g. environmental standards in mountain and river transport, road safety). This cooperation could then be expanded to support momentum in sub-regional cooperation, such as in the framework of BBIN. This cooperation could contribute to gradually building a common practice of regional cooperation as a necessary preparation for more comprehensive endeavours in the future.

Recommendation 10: Establish a triangular knowledge-sharing fund with African partners

Common challenges faced by India and African countries in terms of economic transformation, industrialisation and employment constitute a strong rationale for expanding the India-EU development partnership to Africa. India, the EU and African partners could launch a triangular knowledge-sharing fund that directly builds on the proposed India-EU Partnership for Inclusive Economic Transformation. The fund could focus on specific aspects of India-EU

cooperation, such as the sharing of Indian experiences with digital technology in the areas of financial inclusion, entrepreneurship and social protection. At the same time, India and the EU could complement cooperation in the area of economic transformation by strengthening synergies between the EU External Investment Plan, the AAGC, the G20 Compact with Africa and the ISA, for instance with a focus on promoting access to clean energy in Africa.

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