

Country Assistance Policy for India

March, 2016

1. Relevance of assistance

India is the world's largest democracy and young generation accounts for more than half of its population. 15 million youth is said to be added every year to the productive population for which skills must be provided and employment created. Meanwhile, massive poverty persists and a middle-class continues to expand aspiring for higher living standards. To meet these challenges and demands, the nation requires inclusive, sustainable and rapid growth. Against this background, Japan's ODA is expected to continue to play an important role in India to build critical infrastructures for ensuring continued investment and high economic growth as well as to address the social and environmental issues resulting from rapid growth and urbanization in order to realize poverty reduction and inclusive growth.

India is one of Japan's oldest and most important development partners. Japan's contribution to the development of India is based on our shared values of democracy, human rights and market economy. Japan's cooperation is predicated on the complementarity of our strengths and gaps in financial, technological and human resources. Development cooperation between the two countries is an important component of "Japan-India Special Strategic Global Partnership."

2. Basic Policy: Long-term objectives; Cooperation toward realizing faster, more inclusive and sustainable growth based on the shared values between Japan and India.

Japan will promote development cooperation to support realization of faster, more inclusive and sustainable growth, which is also in alignment with the Twelfth Five Year Plan of FY2012-2016, building up on the outcomes achieved in the past cooperation between Japan and India. Japan's cooperation will be based on the shared values such as democracy, human rights and market economy.

3. Priority areas: medium-term objectives

(1) Enhancing connectivity

With a view to de-bottleneck the infrastructure constraints to investment and growth, Japan will support development of transportation hub and network infrastructure in the areas of railways (including high speed railways and metros) and national highways (including express ways) as well as electricity and other infrastructure to strengthen connectivity among major industrial cities and economic zones as well as regional connectivity. Realization in concrete terms of regional economic development initiatives such as the Delhi-Mumbai Industrial Corridor (DMIC) and the Chennai-Bengaluru Industrial Corridor (CBIC) will also be promoted. In addition, Japan will promote cooperation on the enhancement of regional connectivity including in the Northeast region, which has been confirmed at the bilateral summit meeting.

(2) Strengthening industrial competitiveness

Strengthening of the industrial competitiveness, especially in the manufacturing sector, is the key to secure sustainability of India's economic growth.

Manufacturing will create new jobs to absorb the young productive population, enhance the technological foundation of the economy and increase productivity. From such viewpoint, Japan will support key infrastructure development including power generation, transmission and distribution, energy efficiency, quality highways, port and water supply and sewage in order to contribute to strengthening industrial competitiveness including manufacturing sector.

Japan will also provide assistance to promote foreign direct investment and to strengthen human resource development in such areas as business management, higher education and practical skills.

(3) Supporting sustainable and inclusive growth

Although high growth is an imperative, it has to become sustainable and the fruit of growth needs to be shared and enjoyed by the society on a broad and equitable basis. Japan will work on the provision of assistance which contributes to poverty reduction and social sector development such as improvement of basic social services (including health, sanitation, water supply

and sewage), infrastructure development addressing urbanization, and income generation programmes for the poor (including improvement of small-scale infrastructure, enhancement of agricultural productivity and establishment of food value chain). Japan will also promote cooperation in such areas as water supply and sewage, afforestation, and disaster management to tackle environment and climate change issues.

4. Other considerations

- (1) Under the “Japan-India Special Strategic Global Partnership,” ODA cooperation aims for a win-win (mutually beneficial) solution as partners on an equal footing instead of simply positioning the relationship as a donor and a recipient.
- (2) Japan is cognizant of India’s basic stance regarding non-acceptance of tied-aid and the imperative of international competitive bidding in its procurement policy. At the same time, we will work to promote incomparable Japanese technologies and expertise to be introduced and transferred to India through development cooperation projects and programmes.
- (3) Under the programme-based approach, policy matrices are mutually agreed through close and continuous policy dialogue; monitoring and review are conducted; and projects are guided by its progress. This will allow greater flexibility in the management of projects, and enhance sense of ownership by the recipient country, and ensure accountability on quantitative targets, concrete steps and outcomes. Japan will gradually promote the programme-based approach, as appropriate.
- (4) It is noted that close people-to-people exchanges will be promoted in various areas through development cooperation.
- (5) The gender equality will be noted in formulating projects in order to achieve equal and inclusive society.