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Financing for Agenda 2030: Deepening India-EU Development Cooperation in the Indo-Pacific

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Abstract

As the world confronts multiple challenges which are intricately connected, our path for development stands at a crucial juncture. In the context of the embroiling polycrisis, progress on the sustainable development goals (SDGs) has been steady but fragile with major and persistent challenges. Financing for Agenda 2030 has emerged as a major bottleneck with several developing economies, especially the least developed countries (LDCs), low-income countries and the small island developing states (SIDS) suffering the most. Despite being placed at different tangents of development, both India and the European Union (EU) can effectively address the persistent sustainability challenges and potentially rebalance the global order in the post-2030 world. This policy brief makes a case for a joint India-EU development partnership, in the SIDS to address the sustainability issues- particularly for building capacities in climate resilience, renewable energy and infrastructural connectivity. Combining the best features of the European development policy i.e., standards, norms and finance with India's proven prowess in capacity-building, knowledge sharing and technical assistance can possibly help in finding practical solutions to the sustainability challenges of the Indo-Pacific.

Summary

- In a post-pandemic world characterised by a polycrisis, progress on the SDGs has been steady but fragile with major and persistent challenges. Financing for Agenda 2030 has emerged as a major bottleneck with several developing economies, especially the least developed countries (LDCs), low-income countries and the small island developing states (SIDS) suffering the most.

- Development cooperation can offer possible avenues for innovative and flexible financing mechanisms. It can also prove to be a 'strong lever' for instilling an integrated approach towards implementation of the SDGs.
- As a transformative modality, triangular cooperation brings innovative and flexible solutions to fast-changing development challenges, thereby helping to build synergies and complementarities between the various partnership models.
- The India-EU strategic partnership is a key factor in examining the Indo-Pacific from a broader lens of sustainability, especially in a post-pandemic world.
- Combining the best features of the European development policy i.e., standards, norms and finance with India's proven prowess in capacity-building, knowledge sharing and technical assistance can possibly help in finding practical solutions to the sustainability challenges of the Indo-Pacific.
- A joint India-EU trilateral in a third country, particularly in the SIDS could prove to be a game-changer, considering the need to build reliable cooperation frameworks and scale up long-lasting partnerships.

1. The Challenge of Sustainable Development in the Indo-Pacific

The year 2020 is a landmark of all sorts- marking the 'Decade of Action' to deliver on the sustainable development goals (SDGs) which ironically [coincided](#) with the outbreak of the Covid-19 pandemic unleashing a plethora of global challenges. Evidently, the current world order is under severe stress and strain. Consequently, the international development landscape is in a state of flux. Issues of staggered economic growth, rising debt burden, the triple trouble of 3Fs- food, fuel and fertilizer shortage, the looming threat of climate change along with the growing geopolitical fissures have resulted in a '[polycrisis](#).' In the light of this embroiling *polycrisis*, progress on the SDGs has been [steady but fragile](#) with major and persistent challenges. **Financing for Agenda 2030 has emerged as a major bottleneck with several developing economies, especially [the least developed countries \(LDCs\), low-income countries and the small island developing states \(SIDS\) suffering the most.](#)** For example, as per the estimates by Organisation for Economic Cooperation and Development (OECD), [the gap to finance the SDGs](#) has jumped from USD 2.5 trillion in 2020 to a staggering USD

4.2 trillion in 2023. As observed, a drop in external finance sources (mainly private agencies, remittances and foreign direct investment) and diversion of existing resources towards tackling the pandemic has impacted the capital outflow in developing countries. The Indo-Pacific is not left untouched. Here, sustainability and security have become intertwined- a region that is simultaneously the [engine of global growth](#) and also the location of consequential, even [systemic competition](#). Moreover, it has come to occupy the [new global strategic centre of gravity](#), attaining greater spotlight, owing to the rampant geopolitical tensions. Besides the strategic concerns, there are paramount issues plaguing the region, such as vulnerability to high climatic risks, loss of biodiversity, ecosystem disruptions, cascading natural disasters and an eroding economy. As a hotbed of sustainability challenges, this region is considered crucial for addressing the SDGs puzzle. Increasingly reeling under the acute impacts of climate change, it also lacks the wherewithal for addressing uncertainties concerning the wider sustainability issue. Moreover, the least developed countries (LDCs), Small Island Developing States (SIDS), and low-income economies have been bearing the disproportionate burden of the multiple crises. For instance, the 1.1 billion people of the world's 46 LDCs have [contributed less than 4 per cent](#) to the total greenhouse gas (GHG) emissions, yet they suffer the worst impacts of extreme climate-related disasters.

In this context, development cooperation or partnership has gained currency in a post-pandemic world. As a fact, it can offer possible avenues for innovative and flexible financing mechanisms. Development cooperation can also prove to be a [‘strong lever’](#) for instilling an integrated approach towards implementation of the SDGs. The Indo-Pacific has naturally witnessed an upswing in cooperation programmes under different modalities i.e., North-South, South-South and triangular development partnerships. Though the region is marred with the growing U.S.-China tensions, shifting alliances and economic ebbs and flows, it also presents great prospects of cooperation and the opportunity for revamping of the North-South cooperation. Hence, the Indo-Pacific region should be viewed both as a geo-strategic and geoeconomic platform. In this context, development partnerships play a pivotal role in building fruitful connections between the global North and the South. **As a transformative modality, [triangular cooperation brings innovative and flexible solutions](#) to fast-changing**

development challenges, thereby helping to build synergies and complementarities between the various partnership models. Although India has been initially quite hesitant towards embracing this modality, it is now utilising this as a [tool for realizing dual objectives](#)- to maintain the strategic balance in global geopolitics and to address the pressing sustainability issues.

Thus, examining the Indo-Pacific from a broader lens of sustainability, beyond the geopolitical contours, becomes essential, especially in a post-pandemic world. Here, the strategic partnership between India and the European Union (EU) is a key factor. As natural and like-minded partners with '[market economies, pluralistic societies and political democracies](#)', India and the EU have vital stakes and interests in this region. Although the partnership spans six decades, it has been quite [slow and fragmented](#) in its uptake. On the other, India's relationship with the individual EU member states has witnessed more momentum and [forward-looking engagements](#). However, the blurring of geopolitical fault lines and the increasing need to [de-risk the global economy](#) for creating reliable and resilient supply chains offer possible common grounds for greater convergence for India and the EU. This policy brief makes a case for a joint India-EU development partnership, in the SIDS to address the sustainability issues- particularly for building capacities in climate resilience, renewable energy and infrastructural connectivity.

2. Why India-EU Development Partnership?

As one of the largest development providers, the EU and its member states offered about [€70.2 billion in 2021](#), thereby occupying almost 43 per cent of the global Official Development Assistance (ODA) share. Although the EU is known for its political, economic and vast geopolitical clout, it has been encountering a number of issues which are often interwoven in nature. The ongoing Russia-Ukraine conflict coupled with rising energy prices and climate change conundrum, to name a few. To the Indian observers, its complex and intricate institutional structure and mechanisms provide [little clarity](#) on its political and strategic dimensions. Also, experts have found [inconsistencies](#) in EU development assistance terming it is as fragmented, resulting in inefficiencies,

gaps and overlaps. Given that the Union has been playing a wider international role by announcing an ambitious climate plan like the European Green Deal or the Global Gateway project on building connectivity and linkages, it has remained somewhat undermined and low-key. For instance, more than a year since the launch of the trade and investment-centric Global Gateway initiative, there is [lack of clarity](#) in its set priorities and delineation of geographical locations. In fact, no visible attempt has been made in fleshing out the strategy to account for the rapidly changing global context. In the aftermath of the growing vulnerabilities to critical supply chains arising from both economic and environmental threats, nations are urgently looking to 'nearshore', 'reshore' or 'friendshore' their facilities to strengthen their resilience for any unprecedented event. This makes it imperative for the EU to respond to the situation promptly by supporting the developmental needs of the global South and facilitating partnerships, in its true sense.

Moreover, according to a joint report [published by a leading Indian and European think tank](#), owing to economic and security considerations, Brussels has kept its focus fixed on China for a long time. This has somewhat limited its potential to engage with other Asian economies, particularly India. These factors are now clearly encouraging the EU to be more open towards the global South. Nevertheless, as the report notes, post-2016 there has been a significant repositioning of the Union's approach towards New Delhi. This has been reflected by the visits of senior European delegates to India and also with the consistently held annual summit-level meetings with the Nordic countries.

On the other, India has been making strong interventions in [representing and strengthening the voice of the global South](#). The inclusion of the African Union (AU) in the grouping is a case in point. Giving precedence to the developmental needs of the LDCs, SIDS and the low-income economies by hosting the 'Voice of the Global South Summit' earlier this year, India is attempting to [create a new institutional platform](#) for garnering solidarity in the developing world. In fact, its G20 Presidency came at a time when the world was experiencing [unparalleled](#) geopolitical, geoeconomic, developmental and social challenges. India's rise as a credible and effective development partner with strong delivery on the ground has also been recognized by

the international community. In this context, fostering robust collaborations and sturdy partnerships has attained utmost importance.

Although the contemporary western-led models, such as the EU's and [USA](#), emphasise on helping the 'partner countries on their own development journey to achieve self-reliance', they arose in the [context](#) of late colonialism and the Cold War. In spite of overtly focussing on poverty alleviation and pushing for economic growth, the western development models failed to yield positive results in reality. This was a major reason behind the prominence gained by non-DAC actors, especially during late 1990s and beginning of the 2000s. Interestingly, the [existing literature](#) suggests the notion that the South is the 'disciplinary subject' and the North is the 'benevolent provider' was challenged with the rise of the southern donors. Here, India's development partnership model stands out from the rest. **Driven by a vision of '[shared prosperity](#)', India's model of development partnerships is unique and demand-driven in nature.** As observed by experts, its [partnership model is organic](#) and need-based, unlike the Chinese or the West. Evidently, India is also [emerging as a leader](#) in forging innovative forms of cooperation and partnerships, which the international development cooperation ecosystem should integrate. Offering low-cost development solutions, it has been observed that several of its programmes have been [organically](#) inclined towards the SDGs, way before these targets came into the picture in 2015.

Moreover, India's foreign policy considerations are now progressively being structured around the notion of 'diplomacy for development', as pointed out by External Affairs Minister, Dr. S. Jaishankar. This 'India Way' of foreign policy fits well for the larger Global South. During the [2021 BRICS Academic Forum](#) in New Delhi, the Indian Foreign Minister underlined the necessity of putting in place 'human-centric globalisation' as a hallmark of the post-pandemic world order. There, he stated: "India is a constructive contributor to the efforts to create such an international order by sharing the developmental experience with partner countries in the Global South; undertaking humanitarian assistance and disaster relief operations, particularly during the pandemic; through initiatives such as the International Solar Alliance (ISA) and the Coalition for Disaster Resilient Infrastructure (CDRI); and by acting as a first responder (through

Vaccine Maitri) and net security provider in its diplomatic environment.” Till 2020, India’s development cooperation [touched US\\$8.7 billion](#) covering almost 160 countries and training more than 20,000 individuals annually. Also, it is important to note that India’s flagship Indian Technical and Economic Cooperation (ITEC) programme was initiated in 1964, way before the [UN’s Technical Cooperation for Development](#) came into the scene in 1978. In this context, [PM Modi’s address](#) at the Parliament of Uganda in 2018 is important: “Our development partnership will be guided by your priorities. It will be on terms that will be comfortable for you, that will liberate your potential and not constrain your future... We will build as much local capacity and create as many local opportunities as possible.” Through its partnership programmes, India has been expressing solidarity and responsiveness to the priorities of partner countries. As a developing nation with limited resources, India has willingly offered its development experience to countries that wished to engage. Initiatives such as Solar Mamas Project in Africa, [setting up centres of excellence in information and technology](#) in Fiji, Cook Islands, Nauru, Samoa and Niue, [the Youth Farm Initiative \(YFI\)](#) in Fiji to promote sustainable livelihoods and food security, Jaipur Foot Camp in the health sector in the SIDS etc. prominently highlight the technical assistance offered by India. Despite India’s development partnership model reflects a demand-driven approach, it is looking to ramp up its diplomatic outreach in the neighbourhood and beyond with an underlying strategic intent. Owing to the geopolitical competition coupled by the need to secure critical supply chains, development diplomacy is certainly emerging as one of the vital aspects of its partnerships programme.

Despite being placed at different tangents of development, both EU and India can effectively address the persistent sustainability challenges and potentially rebalance the global order in the post-2030 world. In fact, Agenda 2030 provides an important reference framework for development cooperation, which in turn is instrumental for achieving the global common good, as reiterated by [several analysts](#). **Combining the best features of the European development policy i.e., standards, norms and finance with India’s proven prowess in capacity-building, knowledge sharing and technical assistance can possibly help in finding practical solutions to the sustainability challenges of the Indo-Pacific.**

3. Policy Recommendations

As mentioned earlier, India has been maintaining strong bilateral ties with several of the EU member states, such as France, Germany and Italy. For example, [India-France](#) expressed their commitment to strengthen cooperation towards sustainable development by recently setting up the Indo-Pacific Triangular Cooperation (IPTDC) Fund (supporting SDG-focused projects) under the 'Horizon 2047 Roadmap'. On the other, [India and Germany](#) have been leveraging trilateral projects in renewable energy, agroecology and sustainable management of natural resources in regions of Asia, Africa and Latin America. These initiatives signal the positive prospects of triangular development partnerships as a viable modality in the coming years. It also gives a significant push to India's idea of development diplomacy. In this context, a joint India-EU trilateral in a third country, particularly in the SIDS could prove to be a game-changer. The time is ripe and right for such an initiative, considering the need to build reliable cooperation frameworks and scale up long-lasting partnerships. However, it is vital to keep in mind the socio-political impediments and the local sensitivities while implementing a project in these regions.

- Building climate resilient and robust societies

Considering several of the SIDS are severely prone to disasters and climatic risks, there is [limited capacity](#) in post-disaster reconstruction, remoteness to international markets and trade partners, weak economic diversification impacting their ability to recover. Here, India and EU should focus on building 'multi-dimensional resilience' of these island nations, ranging from environmental to economic challenges to ensure long-term relief and recovery. In fact, disasters also lead to heavy debt burdens compounding the sustainability challenges. Also, greater access to reliable modes of financing, disaster debt management and attracting viable investments in the region can possibly provide pathways for creating robust societies.

- Addressing the need for energy transition

It has been observed that many of the island nations in the Indo-Pacific are quite over dependent on fossil fuels for meeting their energy needs. Moreover, given the rising energy prices amidst geopolitical tensions, diversifying and scaling up alternative sources of energy is essential. This requires upfront heavy financial investment which can fall under a joint India-EU development modality. According to the International Renewable Energy Agency (IRENA), some of the SIDS need an investment of around US\$5.9 billion annually to achieve their renewable energy targets by 2030. With low borrowing capacity from the market, the island nations face a uphill task to finance their energy transition projects. Considering the EU has been using the tool of *blending* for attracting long-term investments from both public and private sector, the SIDS can greatly benefit from this. Also, India's capacity to leverage finance through multilateral bodies like the ISA and India-UN Development Partnership Fund could also come handy.

- Bolstering infrastructural connectivity, from physical to digital

Connectivity has undoubtedly emerged as a key aspect of international developmental landscape, particularly in a post-pandemic world. In fact, [experts observe](#) that triangular partnerships are best suited for infrastructural initiatives given its complex investment requirements, long project duration and the dire need for technical expertise. In fact, there exists a [massive fiscal gap](#) amounting to almost US\$ 6.3 billion to meet the infrastructure deficits. As per the [OECD estimates](#) released in 2020, green infrastructure can be achieved by an increase of 10 percent in yearly investment—i.e., from US\$ 6.3 billion to US\$ 6.9 billion. For SIDS, this is a major challenge. Moreover, the Covid-19 pandemic starkly brought out the significance of digital technologies and communications infrastructure in an ever-growing globalized world. Given their limited or rather the lack of access to digital connectivity, the pandemic exhibited 'how poorly prepared were the SIDS for a digital world'. This further intensified the divide between them and the rest of the world. With the need to bolster connectivity in all forms, physical to digital, India and EU can team up their capital, technical expertise and human resources to help the SIDS in bridging the gap.

- Fostering dialogue and consensus on Agenda 2030 and beyond

Though the issues encountered by SIDS are oft-repeated and discussed consistently, one of the concerns raised is lack of or rather the absence of their involvement in a project. It has been observed that many of the island states feel left out when solutions are devised for them without taking into account their actual demand and the onground narrative. Furthermore, the development providers fail to contextualize their projects as per the prevailing socio-economic and political conditions, the local and cultural sensitivities and the governance deficits. These factors play a vital role in project conceptualisation, decision-making, and smoother implementation. Hence, dialogue between partners in a trilateral set up needs to be strongly encouraged to meet the sustainability targets. This is also helpful for both India and EU while identifying and responding to the developmental demands of the developing countries. In fact, building consensus will play a long-term role in shaping the future beyond Agenda 2030.

4. Conclusion

Evidently, the international community is looking urgently for effective and efficient development cooperation. As natural partners sharing common values and ideas, India and the EU have a converging vision when it comes to the Indo-Pacific. Although the EU is a late entrant as far as releasing its Indo-Pacific Strategy is concerned, it has been significantly working towards the SDGs through its international partnerships. India, too has emerged as a vocal voice from the global South making its presence felt via development cooperation programmes in various parts of the Indo-Pacific, especially the SIDS. Given that Brussels is capable of bringing three crucial elements to the table i.e., norms, finance and standards, India can possibly partner with the Union to bolster the sustainability narrative in the SIDS thereby deepening the strategic cooperation in the long-run. This also gains further momentum in the light of the growing geopolitical tussles unfolding in the Indo-Pacific, owing to the freefall of multilateralism, slow progress on the SDGs and the larger need for creating sustainable and resilient supply chains in a post-pandemic world.