THE LAST MILE

T he U.S.-India development partnership is a robust relationship that has spanned more than five decades. The nature of U.S. assistance in India has changed significantly over time: from sending food to a famine-struck nation 50 years ago to today's cooperative alliance that will help India complete its last mile of development. The U.S.-India relationship is deeper and stronger than ever before.

What began as a loan to India to buy two million tons of wheat in 1951 to alleviate a domestic food crisis has grown into a comprehensive program, led by the United States Agency for International Development (USAID) in close cooperation with Indian partners. In 2004, USAID will invest Rs 610 crore ($135 million) in economic growth, health, disaster management, environment and equity assistance. The U.S. is currently India's third largest bilateral aid donor.

Today, President George Bush and former Prime Minister Vajpayee have committed the countries to a strategic partnership. Cooperation between the world's two largest democracies is expanding. Current development initiatives exemplify the transformation of our bilateral relationship which is one of growing friendship and common vision.

USAID leverages public and private resources to tackle global issues such as climate change, fight HIV/AIDS and other infectious diseases, improve family health care and child survival, expand access to clean energy and water, open financial markets, and create opportunities for vulnerable people, particularly women and girls.

In the long-term, USAID envisions India's civil society working

with American private partners to solve development problems, without the need for U.S. economic assistance. A new model for achieving development goals is being tested: a "partnership fund." The fund would be a private, independent entity that links American and Indian institutions to meet remaining challenges after U.S. assistance finishes in 2015. The timeline coincides with India's primary development goal: to halve poverty by 2015 and eliminate it soon thereafter.

USAID partners with the Indian Government (at the state and national levels), NGOs and private interests to solve continuing social, environmental and health problems: low maternal and child survival rates; a burgeoning population that strains resources; high levels of disease and malnutrition; water and air pollution; and limited opportunities for women and girls.

USAID partners with the Indian Government to improve the quality of life of the Indian people

SANDEEP BISWAS/ COURTESY: UNICEF

USAID FUNDING OVER THE DECADES

■ 1950s: Assistance began in 1951 with a loan to India to purchase 2 million tons of wheat.

■ 1960s: Major support to India's "Green Revolution," an investment in agricultural research, facilities and information-sharing that helped raise food grain production to self-sufficient levels. Assistance also focused on education, power projects and infrastructure development.

■ 1970s: USAID suspended its operations, except for food aid, in the wake of India's war with Pakistan. Assistance resumed in 1978.

■ 1980s: Emphasis shifted to technology transfer. Collaboration on projects included the development of satellite systems. U.S. loan guarantees supported India's development of private sector housing financing systems.

■ 1990s: Focus moved to economic reforms, efforts to mitigate HIV/AIDS and other infectious diseases, and activities to boost reproductive health. U.S. assistance helped to set up India's first securities depository and funded landmark research studies on violence against women.

In keeping with the new tenor of U.S.-India relations, U.S. assistance is also investing in activities that focus on shared interests between the countries, raise India's current capacities to a higher level, and catalyze wider prosperity and sustainable development:

■ expanded capital markets and more fiscally sound state governments;

■ strengthened commercial viability in power utilities and reduced public resources for subsidies (which can be used instead for health and social infrastructure, for example);

■ improved energy efficiencies and cutting-edge technologies that "fuel" growth and conserve resources;

■ revitalized and expanded disaster management systems to handle natural or man-made emergencies;

■ more scientific collaborations to fight public health threats and boost productivity in agriculture;

■ enhanced cooperation with the Government of India to provide nutrition for needy women and children, linking the food aid to family health care and HIV prevention;

USAID funds helped in drought relief

PRAMOD PUSHKARNA/INDIA TODAY

■ augmented use of information technology and new educational methods to boost literacy in women and girls, and improve their quality of life; and

■ well supported HIV/AIDS prevention and care to stem an epidemic on the threshold of exponential growth.

India is on the last mile of its development journey and the two countries are committed to walking the last mile in partnership.
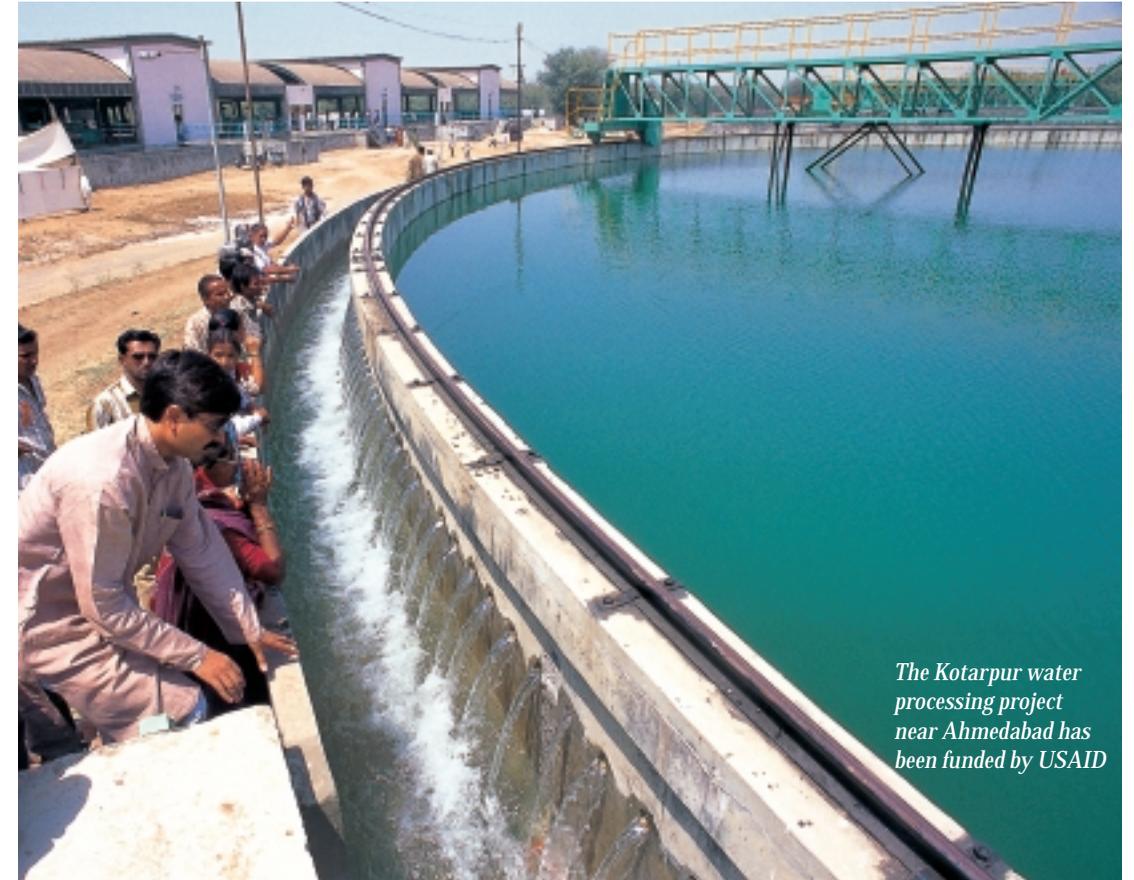
BRIDGING THE FINANCING GAP

One-third of India's one billion people live in urban areas, and the country continues to urbanize at a rapid pace. Fewer than one-third of households have sanitation systems, an obvious threat to public health. There are not enough public resources to devote to roads and public facilities, as only Rs 45 crore ($100 million) of a needed Rs 2,700-3,600 crore ($600-800 million) per year is available.

Issuing municipal bonds is one way of tapping into private finances to help India bridge the gap between capital markets and infrastructure development. Developing debt markets helps the

The Kotarpur water processing project near Ahmedabad has been funded by USAID

SHAILESH RAVAL/INDIA TODAY

country become more independent in addressing its growth agenda.

In January 1998, the Ahmedabad Municipal Corporation (AMC) reached a turning point in municipal government finance: it issued bonds worth Rs 100 crore ($21 million) to raise money to fund infrastructure projects. For the first time in South Asia, municipal bonds were issued without a state government guarantee. Not only were part of the AMC bonds quoted on the stock exchange, they were also oversubscribed. The success of the experiment showed that issuing municipal bonds to finance infrastructure projects works in India and that the model could be replicated in other parts of the country. Money raised from the AMC bond partially financed a water supply and sewerage project.

U.S. assistance played an important role in creating conditions for India's first issue of municipal bonds. Five years earlier, AMC was in debt, its deficits reaching Rs 35 crore ($6 million). That is when USAID and its partners stepped in and helped the AMC restructure its financial

■ 2000 onwards: USAID supported financial reforms at the state and national levels. Reproductive health and infectious disease work continued. New areas of investment include energy sector reforms, disaster management systems, anti-trafficking and anti-child labor through education, and access to justice for women.

> **Disaster management and reforms in the fiscal and energy sectors are USAID's latest concerns.**

management and accounting systems. AMC ended its losses in three years and earned an investment grade of "AA" from CRISIL (Credit Rating Information Services of India). Since then, eight other municipal corporations have raised money by accessing capital markets. Under a "pooled financing scheme," introduced by USAID, smaller local bodies in Tamil Nadu have jointly issued bonds to upgrade their water and sanitation systems, and a similar approach is underway in eight municipalities in the Bangalore Metropolitan area.

LIGHTING THE WAY

Expanding access to clean energy is a core area for U.S. assistance. The centerpiece of energy reform work is better electrical power distribution, building on achievements in cleaner energy generation and use of renewable technologies. The Noida Power Company Limited (NPCL), a USAID-funded partner, has become a model for more efficient and commercially viable rural

SHARAD SAXENA / INDIA TODAY

The Noida Power Company Ltd, a partner in providing reliable power

power distribution. With an initial loan of Rs 2.8 crore ($600,000), USAID has helped support rural power reforms undertaken by the company.

With the rural power supply system plagued by power theft, inefficient use of energy-losing power lines, indiscriminate subsidies, and rampant use of energy-wasting agricultural water pumps, Prabir Neogi, CEO of NPCL, says his company tries to reduce energy losses in rural areas through new technology and management approaches. The net effect is more reliable power service coupled with expanded economic and social progress.

NPCL created a reliable power system by extending high voltage lines and introducing low-voltage insulated wires. It made customer service a trademark of the company by improving billing and metering systems. Then, NPCL engaged an NGO to create awareness among villagers of the "real costs" of unreliable power and the benefits of energy conservation.

The result: for the first time villagers in Uttar Pradesh opted for metered connections and uninterrupted power supply instead of erratic supply under the subsidized regime. In addition, new, energy-efficient irrigation pumps that also boost water conservation were installed for use by farmers.

Experience is showing that Indian customers will pay for unsubsidized power when it is reliable and coupled with commercial services, and they see how quality of life increases. Development analysts say this shift in mindset is essential if the country is to rid itself of the burden of a subsidized economy that limits public investments in other essential social needs, such as health and education.

SAFEGUARDING INDIA

The Orissa cyclone in 1999 and the Gujarat earthquake in 2001 were major catastrophes for India. Over 22,000 lives were lost, and more than 3 million homes were damaged. The international response to the calamities was a starting point for broad cooperation in disaster management.

A Rs 72 crore ($16 million) bilateral agreement between the U.S. and India expands cooperation between the two democracies in disaster management science, technology and systems to safeguard India's people and the country's development process. It is another

U.S. and India cooperate to mitigate the impact of natural calamities such as the drought in Rajasthan (below) and the Gujarat earthquake (bottom)

milestone in the transformation of the U.S.-India relationship.

The initiative expands and revitalizes India's disaster management systems at the national, state and local levels. With USAID in the lead, it pairs U.S. experts with Indian counterparts to share methods, tactics and technologies, and draws in new U.S. partners, including the Federal Emergency Management Agency, the U.S. Forest Service, the National Oceanic and Atmospheric Administration, and the U.S. Geological Survey.

USAID and the Government of India Ministry of Home Affairs are working as partners to set priorities and carry out improvements. Major elements of the collaboration include: adapting elements of the U.S. Incident Command System to boost Indian rapid response capabilities; better climate forecasting to reduce the impact of weather-related events (such as floods, cyclones or droughts); stronger Indian Federal Government support for local emergencies through preventive planning; and targeted community preparedness in high-risk districts of the country.

An HIV-AIDS counselling center in Tamil Nadu

PROGRESS IN THE BATTLE AGAINST AIDS

In 1986 the first case of AIDS was reported in Tamil Nadu. Today there are 4.5 million Indians who are infected with HIV, second only to South Africa. A sobering situation, but with some good news—Tamil Nadu, an HIV/AIDS "hot spot," is seeing infection rates plateau due to prevention efforts.

USAID began its AIDS Prevention and Control (APAC) Project in Tamil Nadu in 1992. It is a U.S.-India bilateral initiative that is administered by Voluntary Health Services. HIV prevention is focused on high risk groups (truckers and commercial sex workers) in urban areas. It includes care and support for infected people.

Mass media campaigns, intensive support to NGOs, research and close collaboration with the state government of Tamil Nadu have raised awareness about HIV and safe behaviors that prevent its spread. The effort is showing results: overall HIV infection rates are moving slightly downward; and condom use among truckers jumped from about 50% to nearly 84%, and was even higher among sex workers (nearly 88%).

First funded for Rs 48 crore ($10 million) from 1992 to 2002, additional U.S. assistance of Rs 70 crore ($15.5 million) was awarded through 2007.

The relationship between the U.S. and India has matured into a dynamic alliance.