

India



Debt summary

India currently owes US\$287.5 billion to external lenders. In 2011 the UK contributed £292 million in Official Development Assistance to the Indian government whilst over 40 times this amount left the country in debt repayments. Despite the vast economic growth in the country over recent decades, the situation in India is unstable, with growth reducing to half the expected figure over recent years. Other emerging economies such as China and Brazil are set to reduce their debt by 12% and 8.5% respectively over the next 5 years, this decrease is only expected to be 3% for India. The debt is considered to be sustainable due to the economic growth, however this prosperity is far from evenly distributed within the country, showing the limited understanding of both sustainability and a successful economy.

Why worry?

Despite India's place as a rising economy, poverty remains a huge challenge and the large country is host to one third of all those in the world living below the poverty line of US\$1.25 a day. The economic progress has largely benefited the minority without filtering to the people, and the country faces huge challenges, for example, 43.5% of Indian children are underweight, the highest proportion in the world. Additionally, women are socially and economically disadvantaged in India and are more likely to be living in conditions of poverty and be victims of exploitation and abuse.

Economic progress in the country mainly benefits a small number of the population, but it has led to a belief that the debt is sustainable. This narrow and economically focused understanding of success has also informed Indian policy, with liberalisation encouraged by international bodies having mainly negative impacts for the majority. The Indian people are paying for massive debts accumulated through irresponsible borrowing which has often only benefited the minority.

Dodgy deals

Often funded projects which contribute to the accumulation of large debt stocks in India have had poor results. An example of one such project is the Dabhol Power Plant on the Western coast of India. The plant faced controversy throughout proposals and construction and the World Bank withdrew funding due to the terms of the project being heavily skewed towards the foreign investors. Despite these warnings, and the projects failure to comply with international law investors, including the UK Export Credit Guarantee Department, extended funding which turned the project into reality.

Those who opposed the power plant faced intimidation, harassment and detention. Human Rights Watch found that critics' of the project were subject to human rights abuses. One peaceful protest in May 1997 resulted in the beating and arrest of 180 protestors. 2000 people were displaced as a result of the project.

Unfavourable purchase agreements led to the local government paying four times the amount charged by domestic power producers, the bills for power exceeded the total education budget in the area. Not only was it overly expensive, it was also highly inefficient, and the company failed to fulfil its obligations and broke its contract in 2001.

The UK Export Credit Guarantee Department is still owed US\$40 million for its investment in the project. It is unclear whether an assessment was carried out prior to the support of British businesses involved in the project but their involvement shows that the critical reports, human rights abuses and corruption were ignored.

Factfile

Population
1.2 billion

Life expectancy
67 years

61%

Total adult literacy rate

63 out of 1000
children die before the
age of 5

29.8%

of the population live
below the poverty line

Human Development
Index rated

134

out of 187 countries

For every

£1

the poorest 10% earn,
the richest get

£9



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