KATHMANDU, NOV 26 - Creation of a Saarc investment area is imperative in enabling the regional members to take advantage of each other’s credit rating, says a report released in Kathmandu on Tuesday. The report, prepared by New Delhi-based think-tank Research and Information System for Developing Countries (RIS) under the India’s Ministry of External Affairs, states that creation of such area was necessary given the supply constraints in the region. The RIS launched the report “South Asia Development and Cooperation Report 2014” in conjunction with South Asia Watch on Trade, Economics and Environment (Sawtee), the Kathmandu based think-tank, on the eve of the 18th Saarc Summit.

The report has supported the creation of proposed Saarc Development Bank given that financing in big infrastructure projects in the region has been a bottleneck for enhanced regional trade. The proposed bank aims to finance infrastructure projects in the region.

India had proposed establishing such bank during the eighth meeting of the South Asia Free Trade Area (Safta), Ministerial Council held on July 23 and 24 in Thimphu, Bhutan. The World Bank’s recent report suggests the South Asia’s infrastructure sector faces a funding gap of $2.5 trillion during the period between 2020 and 2011. Given the poor economic integration of South Asian members with just six percent of trade among them, the report has called for increasing the economic content in the Saarc process.

Sawtee Chairman Posh Raj Pandey said that Saarc should create a conducive environment to scale up economic integration in the region.

“Regional prosperity would only be possible if we act together to integrate our economies—trade, growth process, investment opportunities, harmonize policies and institutions.”

It has also called for mutual recognition of academic degrees under the service trade agreement. Although the member nations have already signed Saarc Agreement on Trade in Services, they are yet to finalise the areas to be opened under it.