A dialogue on trade and development in South Asia
Vol. 6, No. 3-4, 2010

TRADE insight

WHAT TO EXPECT?

CLIMATE JUSTICE | AGRICULTURAL TRADE AND CLIMATE CHANGE | TECHNOLOGY TRANSFER

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TRADE insight

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editors' note

Events that matter

WHEN the United Nations climate conference in Copenhagen a year ago failed to produce a consensus accord, let alone a legally binding international treaty on climate change as envisioned by the 2007 Bali Action Plan, hopeful sights were set on the next such meeting. The 16th Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC), to be held in Cancun, Mexico, is just round the corner. Yet even before it opens, it has been widely and openly acknowledged that a comprehensive agreement will not materialize this year too.

The critical issue of mitigation remains unresolved. The failure of relatively substantive emissions-cutting legislation to pass through the United States Congress, coupled with the changes in its composition following the mid-term elections in November, has dealt a blow to the prospect of a global emissions reduction deal anytime soon. However, there has been some progress on the issues of finance, technology and adaptation.

The low expectations of the Cancun meet can be used as an opportunity for an early harvest agreement on the mechanisms for finance, technology transfer and adaptation. These issues should not be held hostage to the stalemate in the negotiations on the mitigation front. The fact that the fast-start funding—new and additional—promised in the Copenhagen Accord remains to be delivered even a year after the pledge reflects poorly on rich countries, which are historically responsible for climate change. The developing world, including South Asia, should strongly raise this matter in Cancun. Further, even if mitigation targets cannot be agreed to, the developing world should remain vigilant against the ever-present danger of industrialized countries ditching the Kyoto Protocol, the only existing legally binding climate change agreement.

The Cancun conference also offers an opportunity to repair the damage done to the UNFCCC negotiations process in Copenhagen, where a select group of countries attempted to commandeer the process, throwing transparency to the winds. No wonder, the Copenhagen Accord was only taken note of, and not approved by, the UNFCCC membership. The Mexican government should ensure that talks occur with utmost transparency and inclusiveness. It is also incumbent on emerging economies, including China and India—which were also parties to the secret, exclusive talks in Copenhagen—to resolutely insist on a transparent and inclusive discussion. Procedural sanctity must not be allowed to be sacrificed on the altar of finding an elusive agreement.

Meanwhile, preparations are under way for the Fourth United Nations Conference on the Least Developed Countries (UNLDC IV), to be held in May 2011 in Istanbul, Turkey. Given the current status and the challenges of the 49 least-developed countries (LDCs), the international community has a major role to play in helping them address constraints mainly in the areas of aid, trade and climate change.

Time is ripe to critically assess the Brussels Programme of Action for the Least Developed Countries for the Decade 2001–2010 (BPoA), and draw lessons for a new Programme of Action that, among others, enhances the LDCs' productive capacity; improves their trade performance; advances aid mobilization and effectiveness; and equips them to address climate change impacts. However, since monitoring and evaluation have been weak under the BPoA, adversely affecting its implementation, the UNLDC IV must develop an inclusive institutional mechanism for the implementation of agreed policy measures, and strengthened monitoring and evaluation of a new programme of action. Given the growing importance of South-South development cooperation, the LDCs should develop concrete proposals for tapping into it for the UNLDC IV.

Housing five LDCs, South Asia has an important stake in the preparatory process to the UNLDC IV and its outcomes. ■

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2. Unnayan Shamannay, Dhaka

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2. Law & Society Trust (LST), Colombo

Climate change
Clear and present danger

CLIMATE change is affecting all countries. However, the 49 least-developed countries (LDCs) will suffer disproportionately from its impact, although they have contributed little to climate change. While some LDCs will experience extreme temperature patterns, affecting not only human habitat but also altering the fundamentals of ecosystems, others will be exposed to the risk of floods, loss of livelihoods, and erratic rainfalls. Climate change is expected to affect weather patterns, health, agriculture and fisheries, ecosystem and biodiversity, and coastal zones, among others. Accordingly, since the LDCs generally lack resources to cope with the negative impacts of climate change, they should be assisted with adequate adaptive capacity.

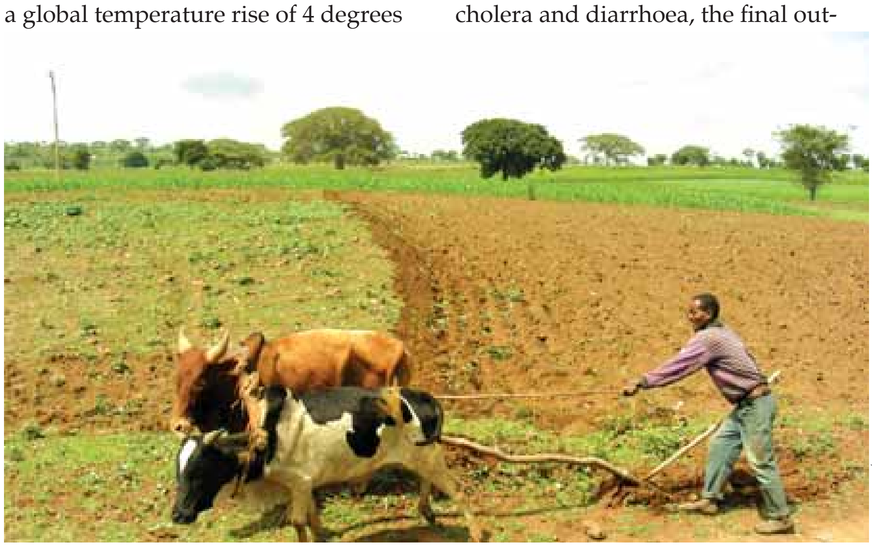
Typically, the LDCs have a three-year average per capita gross national income of less than US$905; low levels of capital, human and technological development; and high economic vulnerability. They have a combined population of around 785 million. At least 470 million are projected to live in extreme poverty by 2015.[1] On top of the existing economic and social vulnerabilities, the LDCs also face increasing levels of climate-related incidents such as droughts, floods, declining agricultural productivity, and unusual weather patterns. A substantial portion of the LDC population that depends on agriculture and forestry for livelihood will experience a higher level of vulnerability.

Note that over 70 percent of the LDC population resides in rural areas and draws its livelihood from agriculture, which employs 68.8 percent of the economically active population. Agriculture alone contributes 28 percent of the LDCs' gross domestic product.[2] Meanwhile, most of the LDCs' consumption, production and exports are not well diversified, exposing them to increased risk from global economic shocks associated with climate change.

The Fourth Assessment Report (2007) of the Intergovernmental Panel on Climate Change (IPCC) states that a global temperature rise of 4 degrees Celsius would raise sea levels to such an extent that it would submerge low-lying island states (and also LDCs) such as Tuvalu, Kiribati, and the Maldives. The LDCs in Africa and Asia would see flooding of low-lying coastal areas, water scarcity, decline in agriculture production and fisheries, and a loss of biological resources. The IPCC estimates that yields from rain-fed agriculture in Africa could be reduced by as much as 50 percent by the next decade. The consequences of water shortages and shrinking of arable land would not only reduce production, but could also trigger social and political disruptions.

Africa, home to 33 LDCs, is the most vulnerable continent to climate change. Agricultural production and food security is most likely to be severely compromised, and water stress heightened. One-third of African people reside in drought-prone areas. Adding the miseries associated with drought and floods to the impact of water-borne diseases such as malaria, cholera and diarrhoea, the final out-

Most of the LDCs' consumption, production and exports are not well diversified, exposing them to greater risk from climate change-induced economic shocks.



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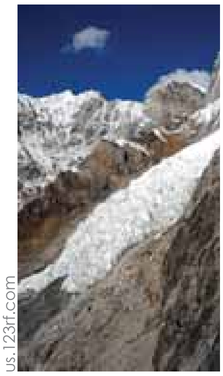
come could be devastating. Furthermore, the geographic distribution of malaria is likely to alter, as regions now favourable to malaria might be unfavourable and vice versa. For instance, relatively malaria-free areas in Ethiopia, Rwanda, Somalia and the Angolan highlands might experience malaria incidences by 2050. This could reach epidemic scale as communities in these relatively malaria-free areas lack immunity to newly intruded communicable diseases.[3]

The IPCC report predicts that South Asia will experience temperatures above the global average. The melting of snow and glaciers in the Himalayas will likely increase flooding and avalanches by 2030. LDCs such as Nepal and Bangladesh are at risk of increasing flood disasters and are expected to be hit by flash floods. Meanwhile, rainfall is expected to increase during summer as well. The increasing frequency of heat waves in Asia might increase elderly mortality, especially among the urban poor population. Arid and semi-arid, and tropical Asian regions will see an increase in patients with respiratory and cardiovascular diseases. As in the case with Africa, communicable water-borne diseases might cause water-related stress in the LDCs in Asia.

Irrigation-fed agriculture in Asia will be impacted as well. Rice-growing areas will see a decline in production, severely impacting economic growth and development goals. Agricultural production and access to food will also be affected, exacerbating malnutrition and hunger in some LDCs. By 2020, there might be a reduction of up to 50 percent of rain-fed agriculture.[4] However, production of certain crops that flourish under relatively higher temperature (such as millet) than normal might increase. Unfortunately, it does not include major staple crops like rice, wheat, corn, bean and potato.

Climate change will also impact land, water ecosystems, and biodiversity. Coral reefs in costal Africa and Asia will be affected. Climate change will also alter the migration of birds, increasing risk of their extinction. By



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The melting of snow and glaciers in the Himalayas will likely increase flooding and avalanches by 2030.

2080, 25–40 percent of African mammals might fall under the International Union for Conservation of Nature's (IUCN) list of critically endangered or extinct categories, assuming that there is no migration of mammals. Similarly, in Asia, climate change will affect the distribution, productivity and health of forests and their inhabitants. It is estimated that with a one-metre rise in sea level, Bengal tigers, estuarine crocodiles and mud crabs might be extinct. With high temperatures and an increasing number of forest fires, Nepal might lose red pandas, leopards, monkeys and other wild animals. Additionally, temperature increases of about 2–3 degrees Celsius and a decrease in rainfall might diminish grassland productivity in Asia by 40–90 percent.[5]

Meanwhile, it is projected that the coastal zones in the Gulf of Guinea will face destruction due to rising sea levels. Massawa, one of Eritrea's port cities, could see inundation of infrastructure and economic installations from a one-metre rise in sea level, causing losses of over US$250 million. In Asia, Bangladesh, Myanmar and Cambodia would be hit hard by a rise in sea level, which will affect not only coastal infrastructure, but also the fishery industry and livelihoods.

The damage to the environment is already done. The world in general and vulnerable countries like the LDCs in particular have to live with the impact of climate change even if emissions are scaled down to 1990 level. This warrants the building of adaptation capacities of the LDCs to help them cope with and mitigate the negative impacts of climate change. For adaptation measures, the LDCs will require substantial funding, both financial and technological (see related news on page 7). Innovative and novel water management strategies are required to help South Asia cope with a rising incidence and intensity of floods during monsoon and decrease in water levels during dry seasons.

Adaptation practices such as diversification of livelihood activities, institutional reforms like rules and governance structures that are geared to address emerging concerns about climate change, adjustment in farming operations, and greater flexibility in labour migration for income purposes, among others, will be helpful to the LDCs. Other adaptation measures include early warning systems, malaria research, promotion of biotechnology especially of seeds for drought- and insect-resistant crops, promotion of appropriate traditional plant breeding practices, creation of national and regional grain stocks/food banks, better and affordable crop insurance mechanisms, conditional/unconditional cash transfers, and food price subsidies. Furthermore, to give increased momentum and weight to adaptation, climate change agenda has to be incorporated into development priorities at the national and regional levels. ■

Notes

1. http://www.unohrlls.org/UserFiles/File/Publications/Factsheet.pdf
2. World Development Indicators, 2010; and Note 1.
3. UN-OHRLLS. 2009. *The Impact of Climate Change on the Development Prospects of the Least Developed Countries and Small Islands Developing States*. Unless cited otherwise, most of the statistics mentioned in this article are sourced from this paper.
4. IPCC. 2007. *Climate Change Impact, Vulnerability and Adaptation, Summary for Policymakers.* http://www.ipcc.ch/pdf/assessment-report/ar4/wg2/ar4-wg2-spm.pdf
5. Note 3.

Independent review calls for IPCC reform

THE process used by the Intergovernmental Panel on Climate Change (IPCC) to produce its periodic assessment reports has been successful overall, but the IPCC needs to fundamentally reform its management structure and strengthen its procedures to handle ever larger and increasingly complex climate assessments as well as the more intense public scrutiny coming from a world grappling with how best to respond to climate change, says the report of an independent review of the processes and procedures of the IPCC.

Climate Change Assessments: Review of the Processes and the Procedures of the IPCC was released on 30 August 2010 by the Committee to Review the IPCC, assembled by the Amsterdam-based InterAcademy Council, at the request of the United Nations and the IPCC.

The Committee's main recommendations relate to governance and management, the review process, characterizing and communicating uncertainty, communications, and transparency in the assessment process.

The Committee recommends that the IPCC establish an Executive Committee to act on its behalf between plenary sessions. The membership of the Committee should include the IPCC Chair, the Working Group Co-chairs, the senior member of the Secretariat, and three independent members, including some from outside of the climate community. It is also recommended that the IPCC elect an Executive Director to lead the Secretariat and handle day-to-day operations of the organization.

The Committee concludes that although the IPCC's peer review process is elaborate, authors do not always consider the review comments carefully due to a tight schedule. It then recommends that the IPCC encourage Review Editors to fully exercise their authority to ensure that reviewers' comments are adequately considered by the authors and genuine controversies are adequately reflected in the report.

The IPCC has been advised to adopt a more targeted and effective process for responding to reviewer comments. In such a process, Review Editors would prepare a written summary of the most significant issues raised by reviewers shortly after review comments have been received. Authors would be required to provide detailed written responses to the most significant review issues identified by the Review Editors, abbreviated responses to all non-editorial comments, and no written responses to editorial comments.

Whereas in the fourth assessment, each Working Group used a different variation on IPCC's guidance to describe uncertainty, the Committee recommends that all the Working Groups use the qualitative level-of-understanding scale in their Summary for Policy Makers and Technical Summary, supplemented by a quantitative probability scale, if appropriate. The rationale is that the level-of-understanding scale is a convenient way of communicating the nature, number, and quality of studies on a particular topic, as well as the level of agreement among studies.

Another related recommendation is that quantitative probabilities should be used to describe the probability of well-defined outcomes only when there is sufficient evidence, and authors indicate the basis for assigning a probability to an outcome or event (e.g., based on measurement, expert judgment, and/or model runs).

Arguing that the communications challenge has taken on new urgency in the wake of recent criticisms regarding IPCC's slow and inadequate responses to reports of errors in the Fourth Assessment Report, the Committee recommends that the IPCC complete and implement a communications strategy that emphasizes transparency, rapid and thoughtful responses, and relevance to stakeholders, and which includes guidelines about who can speak on behalf of the IPCC and how to represent the organization appropriately.

In order to increase the transparency of processes and procedures used to produce assessment reports, the Committee recommends that the IPCC establish criteria for selecting participants for the scoping meeting; for selecting the IPCC Chair, the Working Group co-chairs, and other members of the Bureau; and for selecting the authors of the assessment reports. The Committee also recommends that Lead Authors document that they have considered the full range of thoughtful views, even if these views do not appear in the assessment report *(Adapted from http://reviewipcc.interacademycouncil.net)*. ■

LDCs need improved financing for climate change adaptation

THE world´s 49 poorest countries need more and better-designed financing—rising from an estimated US$4 billion to US$17 billion per annum by 2030—to cope with the difficulties posed by climate change, says the *Least Developed Countries Report 2010.*

The report, published every year by the United Nations Conference on Trade and Development (UNCTAD), says it has been estimated that "for every 1°C rise in average global temperatures, annual average growth in poor countries could drop by 2–3 percentage points, with no change in the growth performance of rich countries". It contends that, because of their lack of social and physical infrastructure, inadequate institutions, and nar-

row economic bases, the least-developed countries (LDCs) may be exposed not just to potentially catastrophic large-scale disasters, but also to a more permanent state of economic stress as a result of higher average temperatures, reduced availability of water sources, more frequent flooding, and intensified windstorms.

The report urges that climate change adaptation and mitigation should be one of the five central pillars of a new international architecture to support the LDCs. It cautions that, while the LDCs have historically contributed little to the greenhouse gas emissions that are now changing the global climate—and while they currently contribute only 1 percent of such emissions—they face much greater economic damage from climate change effects than do long-industrialized countries.

In particular, the LDCs lack the resources to respond to the more frequent natural disasters such as droughts, floods, and severe storms that are predicted from climate shifts, and which already are striking more often, the study says. It says a link between climate change policy and overall development strategies for the LDCs is crucial *(Adapted from www.unctad.org).* ■

South Asia Trade and Human Development Report

MULTILATERAL trade negotiations have largely been a story of unfulfilled promises for South Asian countries, says the report *Human Development in South Asia 2009: Trade and Human Development*, unveiled in October 2010 by the Islamabad-based Mahbub ul Haq Human Development Centre.

The report says that the welfare gains promised under the Uruguay Round of negotiations leading to the establishment of the World Trade Organization (WTO) to some key sectors that were of primary importance to the poor remain unrealized. It argues that South Asian countries have been unable to derive benefit from the implementation of WTO agreements for their farmers, small and medium enterprises and large surplus of unskilled and semi-skilled labour. While trade liberalization in South Asian countries has opened up employment opportunities for women, the terms and conditions of women's participation leave much to be desired, the report says.

It argues that agricultural liberalization has been particularly harmful for most of the poor in South Asia, because the policies and practices of developed-country governments and multilateral trading institutions have not been sensitive to the needs and concerns of the developing countries' poor.

Manufacturing has also suffered. The post-WTO era has seen the deterioration of net manufacturing exports of all South Asian countries, except Bangladesh, with growth rates of manufactured imports exceeding that of exports, the report says.

Developed countries continue to push developing countries to open up sectors such as finance and even to liberalize public services such as water provision but do not reciprocate with a relaxation of the rules that govern the migration of people.

The report emphasizes the need to boost intra-regional trade in South Asia to overcome the obstacles in international trade rules. It concludes that integration with the world economy will only benefit South Asia if its policymakers design strategic and forward-looking policies, undertake liberalization based on an analysis of sectoral competencies, and invest in institutions, infrastructure and human resource development *(Adapted from www.mhhdc.org).* ■

"Final Doha Round countdown has begun"

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POLITICAL leaders want negotiators to deliver them a global trade deal next year and the clock has started ticking on intensified talks, World Trade Organization (WTO) Director General Pascal Lamy said on 30 November.

Lamy said the G20 and Asia-Pacific Economic Cooperation (APEC) summits in November had signalled they wanted the nine-year-old Doha Round concluded and 2011 was a window of opportunity. "We have the political signal, we have the technical expertise and we have the work programme," Lamy told a WTO Trade Negotiations Committee (TNC) meeting called to review the state of the Doha talks. "The final countdown starts now."

The Doha Round, launched in 2001 to open up world trade and help developing countries prosper through increased commerce, has been stalled for two years. But a series of brainstorming contacts among WTO ambassadors in recent months has suggested ways of breaking the deadlock.

In the TNC meeting, Lamy laid out a programme of intensified work for the coming months, starting in December, endorsed by almost all 153 members.

It is unclear whether the leaders of the rich and emerging economies at the G20 summit in Seoul and leaders of Asia-Pacific states at the APEC summit in Yokohama were calling for a deal to be signed and sealed by the end of 2011 or just definitive progress towards an agreement. But most WTO members speaking at the TNC meeting assumed the call was for a done deal, with the possibility of ministers signing it at the WTO's next conference at the end of 2011.

That would imply negotiators producing revised negotiating texts—the basis for any deal—by the Easter holiday in the core areas of agriculture, industrial goods and services as well as other areas such as rules for unfairly priced imports and fisheries subsidies where negotiations have lagged. It would mean the outlines of an agreement being reached by June or July, to leave the rest of the year for the details to be filled in.

The history of the Doha round is a long litany of missed deadlines, and negotiators are aware that the latest plan could simply erode their credibility still further, with another failure possibly marking the end of the ambitious talks *(Reuters, 30.11.10)*. ■

G20 to address global trade imbalances

THE G20 countries, in their summit in Seoul in November, said they would enhance cooperation to promote external sustainability and pursue policies conducive to reducing trade imbalances and maintaining imbalances at sustainable levels.

Leaders of the world's biggest economies agreed to develop indicative guidelines composed of a range of indicators, which would serve as a mechanism to facilitate identification of large imbalances that required preventive and corrective actions.

A joint communiqué said the Framework Working Group, under the G20 leadership, would be responsible for developing these indicative guidelines, with

progress to be discussed by G20 finance ministers and central bank governors in the first half of 2011. The G20 also agreed to implement "structural reforms" to contribute to global rebalancing.

The G20 affirmed commitment to free trade and investment recognizing its central importance for global recovery, and "unwavering commitment to resist protectionism in all forms".

"We will refrain from introducing, and oppose protectionist trade actions in all forms and recognize the importance of a prompt conclusion of the Doha negotiations," the statement read *(Xinhua, 12.11.10, news.xinhuanet.com)*. ■

EU approves "watered-down" trade concessions to flood-hit Pakistan

FOLLOWING internal negotiations, European Union (EU) governments on 11 November approved a package of trade concessions set to boost Pakistani imports to the Union in the wake of the flood disaster in June this year. However, the package originally proposed by the European Commission, the EU's executive body, has been watered down.

The World Bank and the Asian Development Bank have put total losses associated with the damages from the floods at about US$9.7 billion. The original package would have yielded benefits worth US$133 million to Pakistan.

The European Council agreed to grant exclusively to Pakistan, from 1 January 2011, increased market access to the EU through an immediate and time-limited reduction of duties on key imports. The scheme allows duty-free access for 75 tariff lines for two years, with a third year extension conditional on an assessment.

Quotas have been introduced on sensitive tariff lines, such as some fabrics, towels, women's jeans and socks. For these products, duty-free access will be suspended if imports grow by more than 20 percent. For other products, a safeguard mechanism will be put in place to counter any major import surges. The package excludes bed lines, the most important export from Pakistan, for which the country has an advantage over competitors such as China and India.

The textiles manufacturing industries in Pakistan have expressed disappointment. "The EU has diluted its tariff concessions, which will adversely undermine the scheme's importance for Pakistan," said Shahid Soorty, chairman of the Pakistan Denim Manufacturers and Exporters Association. Others have called the concessions "eyewash" aimed primarily at securing EU access to low-cost raw materials.

The package remains to be approved by the European Parliament, and be granted a waiver at the World Trade Organization *(Bridges Trade Weekly News Digest, Vol. 14, No. 41, 24.11.10).* ■

World farming to get US$200 million in climate aid

DEVELOPMENT agencies worldwide are joining forces to spend US$200 million in a 10-year programme to help the agricultural sector adapt to climate change and cut greenhouse gas emissions, farm research groups said on 17 November.

The funding will go to research on how to feed a growing, more affluent world population in the face of expectations of worsening floods and droughts. The programme will use an Australian climate model to look at how rising temperatures and rainfall changes affect 50 major crops worldwide, including sorghum, millet, sweet potato, wheat, rice and maize.

Climate models point to accelerating declines in production of rain-fed wheat worldwide of 2.2 percent by 2020, 4 percent by 2050 and 18.6 percent by 2080, unless climate change is curbed or effective adaptive measures are put in place, scientists said.


globalgiving.co.uk

In India's Indo-Gangetic plains, a major rice and wheat breadbasket that feeds 600 million people, higher temperatures in March would damage wheat crops, reducing harvests. Maintaining adequate food production in the face of climate pressures may require some societies to switch their staple crops, if varieties more tolerant of drought, floods and pests cannot be successfully developed.

In one example of how to increase production and cut greenhouse gases at the same time, herders could curb emissions of methane from their livestock and as much as triple milk and meat production by grazing animals on specialized grass species rather than wild pasture.

Agriculture produces between 20–33 percent of the world's carbon emissions, depending on whether the conversion of forests to farmland is included *(Reuters, 17.11.10, www.reuters.com).* ■

India-EU FTA talks termed non-transparent

TERMING the ongoing India-European Union (EU) Free Trade Agreement (FTA) negotiations "non-transparent" and a threat to the livelihoods of millions of people, Indian and European advocacy groups have warned that any hasty conclusion of the talks will only fuel poverty, inequality and environmental destruction.

The terms of a new deal between the EU and India, negotiations of which have been "hijacked" by big business and vested interests on both sides, will jeopardize the livelihood of millions of small farmers and patients, a joint study by the Belgium-based Corporate Europe Observatory and India-based India FDI Watch has revealed.

The report, *Trade invaders: How big business is driving the EU-India FTA negotiations*, released simultaneously in New Delhi and Brussels in September, gives an insight into how negotiators are working behind closed doors, hand-in-glove with industry to push a big business-first agenda.

Internal European Commission (EC) documents on secret meetings with corporate lobbyists show how European supermarket giants are demanding access to the Indian retail market, threatening the livelihood of street vendors and small retailers.

The study calls for a halt to the negotiations until all positions, draft proposals, stakeholder contributions and government-commissioned studies are made public; comprehensive impact assessments and meaningful and broad consultations with the most affected groups in Europe and India are carried out; the negotiators put an end to making policies in consultation with big businesses; and development, livelihood and food sovereignty and environmental, social and gender justice form the core of the trade policy agenda.

Report co-author Pia Eberhardt of the Corporate Europe Observatory said: "The EC and the Indian government have handed the negotiation agenda over to corporate lobby groups, ignoring the needs of their citizens. It is an outrage that two of the world's biggest so-called democracies should behave in this way." India FDI Watch director Dharmendra Kumar, who co-authored the report, said: "The negotiations could damage the lives and livelihood of millions of India's poorest. Giant retailers such as Carrefour, Metro, Tesco and Bharti Retail are pushing for opening up India for foreign investment in multi-brand retail, which is now banned. The result will push street traders and small farmers into poverty and hunger."

The talks have already triggered mass protests in India, with thousands of small retailers and street-vendors staging protests in cities across the country *(The Hindu, 03.09.10, www.thehindu.com).* ■

UN, IMF say economic crisis has dealt major blow to aid

THE United Nations (UN) and the International Monetary Fund (IMF) said on 16 September that the global financial crisis has dealt a critical blow to aid for poor countries with billions of dollars needed to meet funding shortages. Both institutions said that the world must return to sustainable growth to hope to reach global poverty and health targets.

UN Secretary General Ban Ki-moon said the economic "upheaval has caused further shortfalls on aid, trade and debt, and on affordable access to medicines and technology." The impact has particularly hit Africa, according to a new UN report on the funding gap on reaching the Millennium Development Goals (MDGs).

"Although official development assistance is at an all-time high, we are 20 billion dollars short on commitments made for this year," Ban said.

IMF Managing Director Dominique Strauss-Kahn also said that reaching the MDGs depends on a return to global growth. He said developing countries should invest in infrastructure and create a stronger business environment to create growth, and make their economies more resilient to shocks. IMF first deputy managing director John Lipsky said in a speech in Washington that "years of progress appear to have been lost, and the positive momentum has been derailed. Most important, the lost growth means delayed prospects for poverty reduction" *(AFP, 16.09.10).* ■

Maximum thrust needed to reach take-off stage

H.E. Gyan Chandra Acharya

Ambassador of Nepal to the United Nations, New York, and Chair, Global Coordination Bureau of the LDCs

How do you assess the implementation of the Brussels Programme of Action for the Least Developed Countries for the Decade 2001–2010 (BPoA)?

The implementation of the BPoA has been a mixed success. While it focused on the challenges of the least-developed countries (LDCs), the most vulnerable group with deep and wide structural constraints in the international community, and the need for a strengthened global partnership in a spirit of equity and global solidarity, it could not deliver on many targets.

The mid-term review of the BPoA showed some signs of continuing progress in the LDCs especially with the robust average economic growth rate of about 7 percent, some reduction in extreme poverty and hunger, and gradual progress in human development indicators. However, the food, fuel, financial and economic crises since 2007 and the growing adverse impacts of climate change have had cascading negative impacts on the LDCs. The target set for financing for development, especially official development assistance (ODA), grew somewhat during the period, but has to go a long way to reach the target of 0.15–0.20 percent of gross national income (GNI) as agreed in the BPoA.

Based on the LDC Group's assessment of the implementation of the BPoA, what are the priority issues the Fourth United Nations Conference on the Least Developed Countries (UNLDC IV) should take up?

The UNLDC takes place every 10 years and is dedicated to the LDCs. The UNLDC IV, scheduled for 9–13 May 2011 in Istanbul, Turkey, is taking place against the backdrop of a lot of changes.

The main priority for the LDCs is to ensure continued human development and poverty reduction together with a strong focus on and rebalancing of international support for enhancing productive capacity in agriculture, industry, services, infrastructure and energy. The LDCs call for more resource allocation that promotes pro-poor growth, which alone can sustain even the progress made in social sectors.

Similarly, the LDCs emphasize that they are most vulnerable to exogenous and endogenous shocks and crises because of their lack of inherent capacity to withstand them. Therefore, special and dedicated mechanisms should be put in place to help them deal with both short- and long-term crises related to food, fuel, commodity, finance and economy, and climate change.

While national commitment and leadership are critical, no less important is the need for an enhanced and sustained level of coherent and comprehensive international support measures to attain the common objective of the international community. The LDCs, therefore, look forward to a renewed commitment to reach the goal of ODA of 0.20 percent of GNI with strong elements of its development effectiveness; substantial delivery through effective and quick operationalization of market access such as duty-free and quota-free access, and simplified rules of origin and capacity building on trade; special focus on transfer of technology through targeted programmes; promotion of foreign direct investment (FDI) through specific facilitatory measures; sustained and wider international debt relief measures; and coherent policy framework of all global financial, trade and development institutions to promote broad-based and rapid development of the LDCs.

The LDCs also look forward to addressing the special challenges of particular situations of the LDCs such as those in conflict or emerging from conflict, and landlocked, small island and disaster-affected countries. Similarly, they call for a stronger voice and representation for them in all global economic governance mechanisms.

They also look forward to the enhancement of South-South cooperation. Such cooperation has a great potential in the days ahead, as the South has become an important pole of global growth in recent times.

The LDCs are aware of the shortcomings in the past in the follow-up, accountability and monitoring mechanisms. Therefore, they will be calling for a stronger advocacy campaign and mutual accountability mechanisms to ensure an effective implementation of the outcome of the UNLDC IV. The outcome must be integrated into the national development strategies of the LDCs, bilateral assistance strategies of the development partners as well as the country assistance programmes of the United Nations (UN) and other international agencies for its effectiveness. Similarly, stronger follow-up and monitoring mechanisms through institutionalized efforts would ensure focus on delivery of commitments.

What are the responsibilities of the LDCs and development partners, including developing countries, for the effective implementation of a new plan of action for the LDCs? What mechanisms do you suggest for the mobilization of the required resources, both financial and technical?

A new plan of action that will emerge from the UNLDC IV will be a compact between the development partners and the LDCs as development of the most vulnerable group is the responsibility of all in this globalized world.

Effective strategies and programmes, resource availability and delivery are key challenges to the LDCs. In the UNLDC IV, the LDCs will recommit themselves to do better and more, with pro-poor and inclusive policies and pro-development actions as well as reforms in mobilizing more domestic resources and capabilities for development purposes. However, the challenges facing the LDCs are deep and wide. Capacity and resources are major constraints. The investment-GDP ratio is required to be at least 25 percent in order to have a decent impact on poverty; however, the GDP-savings ratio in the LDCs is around 17 percent, and the tax-to-GDP ratio hovers around 10–12 percent. There thus remains a huge financing gap for development.

Besides, the economic crisis reduced FDI to the LDCs by 14 percent in 2009 alone. Similarly, despite major progress in debt relief measures under the Heavily Indebted Poor Countries initiative and the Multilateral Debt Relief Initiative, last year about US$7 billion was paid for debt servicing by the LDCs. In this context, the LDCs call for robust and sustained international measures to finance their development together with renewed efforts to increase domestic resource mobilization.

The LDCs face a huge gap in terms of capacity to accelerate growth and development by all the national stakeholders. Therefore, technical cooperation and capacity enhancement of the LDCs will be critical. The LDCs call for capacity enhancement of government institutions, the private sector as well as local communities to promote growth and human development.

The LDCs shall focus their attention on follow-up mechanisms to monitor the action plan's implementation. Regular reviews at the national, regional and international level together with development partners for effective implementation and follow-up actions will be crucial. The aim is to make the new action plan a living document so as to constantly direct efforts towards attaining common objectives.

Effective strategies and programmes, resource availability and delivery are key challenges to the LDCs.

In particular, what role do you see of the World Trade Organization's Aid for Trade (AfT) initiative and a proposed global climate change financing mechanism in aiding the LDCs in the aftermath of the global economic and financial crises, and in the context of adverse implications of climate change?

Trade can be made a real engine of growth in the LDCs if there are a favourable and equitable global trading regime and strong international measures in favour of these countries. The AfT initiative is a noble concept to promote and facilitate trade in a focused and holistic manner with international investment. The LDCs are glad that AfT has received wider recognition in the last few years.

However, the LDCs must be given due priority in AfT allocation with some targets together with a coordinated and enhanced level of support for trade-related infrastructure and supply-side capacity. More coordination between the Enhanced Integrated Framework and AfT would be in the interest of the LDCs in order to ensure a coherent support for them.

The proposed global financial fund for climate change must be additional and substantive and it must be delivered quickly. The LDCs are concerned that even the quick-start financing of US$10 billion a year is yet to really start flowing, not to talk of the long-term financing of US$100 billion a year. This fund should have a dedicated percentage going to the LDCs, proportionate to the devastating impact on livelihood, as they are least capable to withstand the negative impacts of climate change and least responsible for climate change as well.

Looking at the sea-level rise,

desertification, constant floods and droughts and glacier melting in the LDCs, no less than an ambitious support mechanism will be enough to mitigate and adapt to such enormous impacts. The principle of fundamental equity and responsibility demands that the LDCs be given due emphasis when the poor are the worst hit.

Given that there is consensus among the LDCs on the need to prioritize agricultural development, what national and international measures does the LDC Group propose to reverse the neglect of investment in agriculture?

Agriculture remains the mainstay of about two thirds of the people of the LDCs. Poverty alleviation and productive capacity building require adequate and sustained priority to the sector in a holistic manner. Agriculture must be looked at from a comprehensive perspective, from poverty alleviation and productivity enhancement and processing, to skill upgradation, seed improvement and focused extension services, to storage and pricing. The LDCs are committed to giving due priority in the allocation of their budget to this sector in their national development programmes with due support for small land holders and farmers and other necessary support measures as per their capability.

The LDCs call for greater focus on agriculture in international development assistance ensuring a greater percentage of allocation to this sector. Since this issue is closely related to the global food crisis and many of the LDCs are net food importers, the new global programmes and assistance mechanisms must be geared towards promoting the agricultural sector with greater research and investment in the LDCs. Development of rural infrastructure, linking it with markets, and some mechanisms to prevent excessive volatility in prices are urgently required to ensure the viability of this sector.

Food cannot be simply equated with other goods. Therefore, food security should be considered as a basic human rights issue and an issue of fundamental interest to all states. Necessary reforms must be made in the global trading regime to help ensure food security to all; more so to the most vulnerable populations of the LDCs.

Necessary reforms must be made in the global trading regime to help ensure food security to all.

The need to create a "developmental State" to effect structural transformation in LDC economies has been consistently emphasized under the aegis of UNCTAD. What kind of national commitments and international support do you believe are necessary for it to take shape?

The state has an important role to play in creating the necessary environment for development in all countries. Because of the underdevelopment of the private sector and huge development challenges in the LDCs, the state has an even greater role to play in these countries. The structural transformation of a country requires forward-looking policies and institutions, capacity building of all agents of governance, infrastructure development, and social safety nets, which are utterly lacking in the LDCs.

The capacity of the state to frame pro-poor but effective development policies, provide essential services and create basic infrastructure requires a strong development orientation and leadership of the state. Therefore, the state structure must be strengthened to respond to these challenges. As such, strong international support is required to enhance the capacity of the state. This is also important as some of the LDCs are emerging from conflict or are in conflict, where the role of the state to give a development orientation to the nation is critical to ensure sustainability of peace and security.

What concrete recommendations for an effective follow-up and monitoring mechanism are to be made at the UNLDC IV?

Even the best outcome will not produce any result in terms of alleviating poverty or rapid development in the LDCs, if it is not backed by constant political will and a follow-up and monitoring mechanism. The existing mechanism of annual reference at the UN General Assembly is not enough to deliver results on the ground.

There has to be an institutional advocacy campaign at the UN headquarters level with resources to keep the political interest going. There has to be on-the-ground monitoring of the impact on the LDCs together with development partners on all the objectives and targets agreed on. There should be a regional review mechanism perhaps every two years to look at it regionally as many LDCs' challenges are regional in nature. To ensure global commitment and engagement, there has to be regular in-depth discussions every two years.

The document that emerges from the UNLDC IV should be treated as a living document that can take care of all the emerging issues and challenges. Mutual accountability by the LDCs and development partners will go a long way towards fulfilling common promises.

With national leadership and ownership backed by sustained international support, the hope is that some LDCs will graduate from the LDC status in the next 10 years. But that hinges basically on effective delivery of the promises made by international partners, combined with strong national leadership and commitment. A maximum thrust is needed now to reach a take-off stage, and that is what the LDC Group is aiming for at the UNLDC IV. ■

Monitoring and evaluation mechanism for Programme of Action for LDCs

Atul Kaushik

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The category of the least-developed countries (LDCs) was created in 1971; they were 25 then. The first decennial conference on the LDCs held in 1981 adopted the Substantial New Programme of Action (SNPA) for the 1980s for the LDCs. The second decennial conference held in 1991 found that the economic situation of the LDCs had worsened as a whole; their numbers had swelled to 42. It adopted the Paris Declaration and the Programme of Action for the Least Developed Countries for the 1990s. The third decennial conference held in 2001 recognized that the objectives and goals set out at the second conference had not been realized although most LDCs on their part had pursued economic reform programmes set out for them. Their numbers had swelled to 49. It adopted the Brussels Declaration and the Brussels Programme of Action (BPoA).

The United Nations (UN) Secretary General has informed the UN General Assembly that the LDCs' impressive 6 percent economic growth in the last decade has made little dent on poverty and even deepened social disparities, especially between rural and urban areas. The fourth conference will be held in Istanbul, Turkey, on 9–13 May 2011, and is likely to adopt another Programme of Action (PoA). Let us call it the Istanbul Programme of Action (IPoA).

PoAs have a component on implementation, follow-up and monitoring and review. The monitoring and evaluation (M&E) is conducted through annual and mid-term reviews at three levels: national, regional and global. The BPoA contained 30 international development goals and related targets apart from 10 cross-cutting priority issues and 5 guiding principles. Learning from the BPoA, this article attempts to identify improvements required in M&E to ensure a better report card this time.

Lessons from BPoA assessments

Assessments of the progress made in the annual and mid-term reviews of the BPoA were made difficult due to various weaknesses in the BPoA itself: some commitments had no goals or targets; specific goals and targets covered only part of some other commitments; where commitments and goals and targets existed, sometimes data was not available to make an assessment; and the merging of the goals with the Millennium Development Goals (MDGs) monitoring exercise sometimes made the assessment generic. In particular, governance-related goals and targets were often not amenable to adequate measurement.

This assessment gives food for thought in developing a robust M&E plan for the IPoA: whether some goals and targets need to be given priority over others and on what criteria; need for additional indicators to make a fair appraisal; factoring LDC heterogeneity into the goal-setting process; making an assessment of shorter duration indicators of success where the goals and targets can only be adjudged on a long-term basis; and separate target setting for the LDCs and their development partners where success is contingent upon action by both.

An initial issue is to determine whether the goals and targets being set are achievable in a 10-year timeline, and whether adequate financial and other assistance necessary to achieve them are provided. This is more an issue of ambition than of M&E, though. A second initial issue is whether the goals and the action programme are aligned. A major cause of the difficulties in the assessment of progress can be the loose conceptual and factual relationship between the socio-economic goals pursued (such as poverty reduction) on the one hand and the action envisaged under the various commitments in the PoA on the other hand.

Towards a robust framework

At the beginning of developing any M&E system, we need to answer the question whether we even know our starting points and baselines in relation to how far we must go to reach our goals.

Many international organizations have developed M&E frameworks that can be used for guidance. Many of them can work equally well for the M&E framework for the IPoA. The key, however, is to deploy the right kind of methods, tools and techniques to support the framework (see Table on next page for some examples).

Monitoring needs to track at each level of the results-based M&E system: input, activity, output, outcome and impact.

M&E tools used in the earlier PoAs were primarily based on those used particularly by multilateral development banks (e.g., linking Poverty Reduction Strategy Papers to development goals over a three-year period with a policy matrix and measurable indicators). An improvement in the M&E adopted in BPoA was its alignment with the results-based M&E for MDGs. A results-based M&E system is essentially a special public management tool used to measure and evaluate outcomes, and then feed this information back into the ongoing processes of decision-making. It provides feedback on the actual outcomes and goals of actions taken.

Results-based monitoring includes the ability to successfully construct indicators; the means to collect, aggregate, analyse, and report on the performance data in relation to the indicators and their baselines; and managers with the skill and understanding to know what to do with the information once it arrives. Monitoring needs to track at each level of the results-based M&E system: input, activity, output, outcome and impact.

Setting up the right indicators is important for a systems-based approach. Indicator development drives all subsequent data collection, analysis and reporting. They should be clear, relevant, economic, adequate and monitorable (CREAM).[1] The MDGs provide some good examples of indicators that are measurable, but more needs to be done.

Let us take an example by paraphrasing an important component of MDG Target 8.B: duty-free and quota-free (DFQF) access for LDC exports. It is supported by two indicators: proportion of total developed-country imports (by value and excluding arms) from developing countries and the LDCs, admitted free of duty; and average tariffs imposed by developed countries on agricultural products, and textiles and clothing from developing countries. This does not answer to what extent would the commitment taken by developed countries in the Hong Kong Ministerial Conference of the World Trade Organization (WTO) on DFQF market access for the LDCs meet the target. Estimates of the impact of moving from 97 percent to 100 percent of tariff lines as part of the Doha Round package suggest that the welfare gains for the LDCs would increase seven-fold, from US$1 billion to US$7 billion.[2] Further, this does not indicate the impact of quotas on duty-free access, a detail most relevant in the United States' preference schemes which are not quota free.

The monitoring aspect of M&E cannot be overemphasized. Monitoring gives information on where you are at any given time (and over time) relative to your targets and outcomes. Once a monitoring system sends signals that the efforts are going off track, good evaluative information can help clarify the realities and trends.

A study[3] by the United Nations Development Programme found that the feedback and monitoring mechanism to provide oversight on the implementation of the action matrices had not been included in the 29 Diagnostic Trade Integration Studies (DTISs) examined. This made it difficult, *inter alia*, to assess whether the assumptions that underline the DTIS and action matrices need to be adjusted. The study recommends that LDCs have a monitoring system to scan and track their own actions in order to be truly in the driver's seat by taking ownership and being ac-

Table
Examples of methods, techniques and tools to support the implementation of M&E systems

	Design of evaluation	Obtaining of data	Analysis of information	Provision of evaluative judgment
Low-medium Cost	Logic models; availability assessment	Statistics; interviews; case studies; focus groups; rapid appraisal methods	e.g., SWOT (Strengths, Weaknesses, and Opportunities Tool)	e.g., Impact evaluation; benchmarking
Medium cost	Mapping of key concepts and ideas	Formal surveys; participatory approach	e.g., Delphi survey	e.g., Panel of experts
Medium-high cost	Stakeholder consultation	Observatory techniques	e.g., Input-output analysis; econometric models	e.g., Cost-benefit and cost-effectiveness analyses

Source: World Bank, European Union, and the author's elaboration.

countable in accordance with the Paris Declaration on Aid Effectiveness. The call for ownership is particularly strident in the civil society in the LDCs. In the African CSO Forum on LDC IV held on 3 November 2010 in Arusha, Tanzania, the gathered civil society organizations called upon the LDCs "to take their destiny into their own hands".

The monitoring of outputs enables the evaluator to make a judgment of implementation (the traditional M&E technique), while tracking impact enables him/her to judge the achievement of goals. Statistical capacity is an essential component of building up such a monitoring system, and that is a challenge in many developing countries, let alone the LDCs. Even discounting the often noticed wariness of many governments, particularly those which are very young democracies, to create or share data, building such a system can be quite resource intensive. Designing the M&E system, therefore, should factor in the additional costs to add robustness to it.

Finally, ownership of M&E model by the larger stakeholder group is increasingly becoming a prerequisite for successful absorption and acceptance of its results by the global community. Due to globalization, there are growing pressures on governments and organizations to be more responsive to the demands of internal and external stakeholders for good governance, accountability and transparency, greater development effectiveness, and delivery of tangible results. While ownership has developed to a significant extent in the developed countries, more needs to be done to develop such ownership in the LDCs.

A study[4] proposes a model for engaging stakeholders in monitoring and evaluating changes in capacity and performance through the following five steps: identifying and involving stakeholders; calibrating the M&E framework based on an assessment of the capacity and performance of the stakeholders; using a variety of collective and individual instruments of enquiry to implement the framework; arriving at the consolidated results of the framework in consultation with the stakeholders and fully factoring in their qualifications or endorsements of the results; and distributing the final report to all stakeholders.

Conclusion

Robust M&E of the IPoA is going to be as important as the goals and targets. Many M&E models are available, but the best fit for a complex 10-year programme like the IPoA may be developed based on the results-based model used in the MDGs with appropriate improvements based on the lessons learnt so far. Highly ambitious targets may be proposed by politicians to satisfy their respective domestic constituencies, but tempering them with realism through an assessment of indicators needed to adjudge performance and keeping to those that are implementable may result in better, albeit fewer, outcomes. The starting points and baselines of the BPoA may be a good beginning to determine what a timeline should capture in terms of target setting.

M&E is a costly exercise if it is to result in better implementation of the IPoA, the right kind of information for mid-term course corrections, and improved realization of targets and goals. Setting the right kind of performance indicators is a key starting point, and the preparatory process for drafting the IPoA should include an assessment of availability of such indicators as the drafting process progresses. Once they are known, a better assessment of the costs involved will also be easier, and then the governments involved in the drafting should make sure that the desired resources are committed too.

Most importantly, M&E has to have local LDC stakeholder ownership and the full support of their development partners. ■

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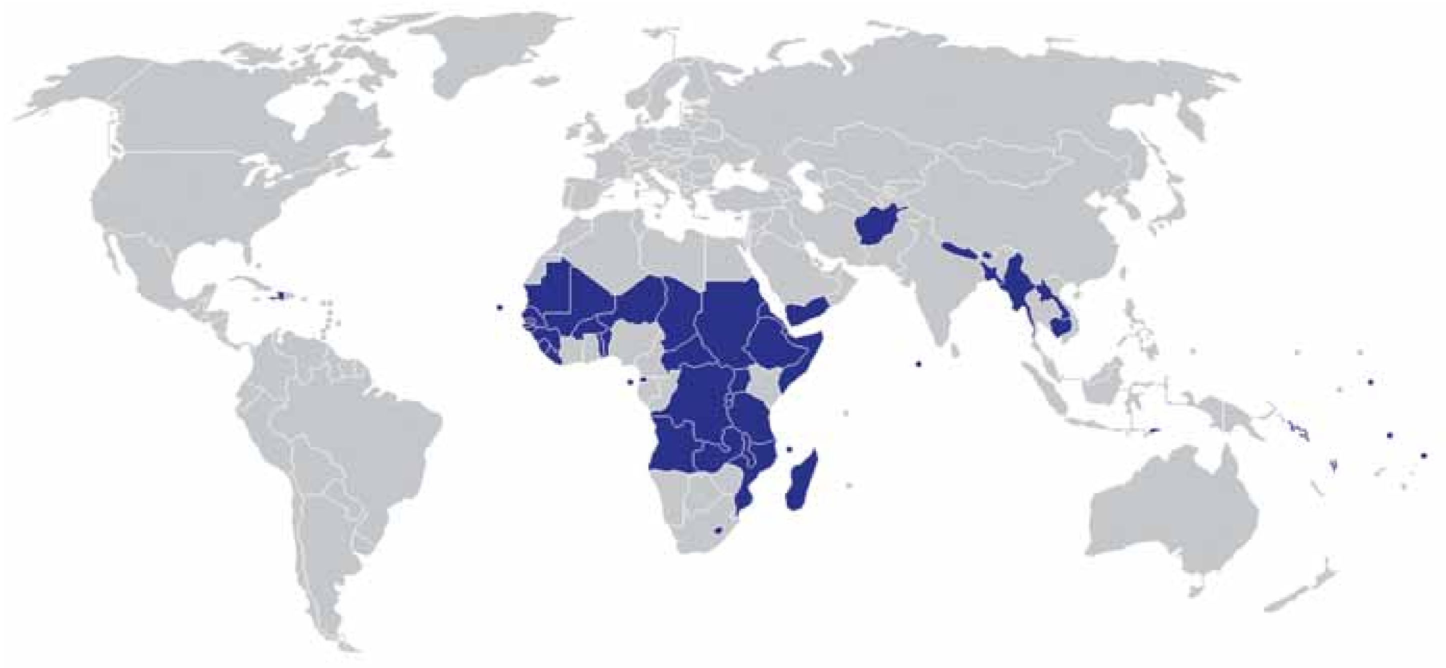
Notes

1. See www.oecd.org/dataoecd/23/27/35281194.pdf, p 68.
2. See, for example, Bouet, Antoine, Simon Mevel and David Orden. 2006. *Two Opportunities to Deliver on the Doha Development Pledge*. IFPRI Research Brief No. 6.
3. See Saner, Raymond, Lichia Yiu and Alka Bhatia. 2009. Commodity Development Strategies in the Integrated Framework, p 2. July. http://content.undp.org
4. www.ecdpm.org



Ten Strategic Considerations for UNLDC IV

Debapriya Bhattacharya

The Fourth United Nations Conference on the Least Developed Countries (UNLDC IV) is to take place in Istanbul on 9–13 May 2011. The preparations for the event, moving on a number of tracks, are gathering momentum.

The preparatory process and the pre-conference events have largely focused on two basic tasks of the conference: undertaking a comprehensive assessment of the implementation of the Brussels Programme of Action (BPoA), which was adopted at the UNLDC III in 2001; and drawing up a new international partnership agreement in favour of the least-developed countries (LDCs), to be endorsed at the UNLDC IV. While recognizing the importance of having an evidence-based review of the efficacy of the existing international support measures in favour of the LDCs, the criticality of designing a fresh and innovative partnership agreement—based on new ideas, new approaches and new tools—between the LDCs and the development partners has to be also underscored.

This article draws attention to 10 strategic considerations for drawing up an innovative outcome document in Istanbul, so as to address the key development challenges of the LDCs.

Interfacing with ongoing global initiatives

The UNLDC IV is not taking place in an international policy void. Indeed, an overwhelming number of the targets of the BPoA have been drawn from the relevant Millennium Development Goals (MDGs). Moreover, since the adoption of the BPoA, a number of global initiatives have been launched, which impinge on the development prospects of the LDCs in a variety of ways. These include the Doha Development Round of the World Trade Organization (WTO), the Paris Principles of Aid Effectiveness, and the Monterrey Consensus on financing for development. Of late, the G20, in its work programme, has been demonstrating certain sensitivity towards the developmental needs of low-income countries. Thus, it will be important for the new partnership agreement to weave in the relevant global initiatives by way of properly sequencing its goals and targets in line with them.

Focusing on productive capacity development

Almost all assessments of the recent economic growth, macroeconomic stability, trade and investment, and resource flows with respect to the LDCs have concluded that the observed robust performance was relatively skewed and fragile, and as such could not catalyze a breakthrough for structural change. Changes have been particularly lagging in the areas of investment in productive sectors that manifested in, *inter alia*, lack of trade diversification, concentration of foreign investment in extractive industries and inadequate infrastructure development. It may be recalled that the BPoA adopted a large number of MDGs and targets relating to human development, but had precious little concrete and explicit objectives and measures relating to gainful employment generation in the LDCs. Thus, the new partnership agreement has to strengthen its focus on the development of productive capacity in the LDCs, particularly in the areas of agriculture, manufacturing, physical infrastructure, and business support services.

Addressing specific vulnerabilities of the LDC Group

The BPoA did not recognize the specific needs of an increasingly heterogeneous group of the LDCs. The new partnership agreement should address this aspect. The LDC Group now includes countries with very large and very small population; some are landlocked, whereas some are sealocked; some are extremely dependent on primary commodity exports, while others specialize in exports of manufactured goods. A number of LDCs have just come out of conflict or are still in a state of internal schisms. Accordingly, recognizing the core and common structural handicaps of all the LDCs, there is a need to develop a menu of support measures for the LDCs having distinctive vulnerabilities.

It needs to be underscored that a number of these specific vulnerabilities in the LDCs have been accentuated by certain adverse global developments, an issue discussed later.

Specific tools for delivery of specific targets

Most of the global initiatives in support of development in the LDCs, while espousing a long list of broad and ambitious objectives, have had very few instruments to achieve them. The BPoA had been no exception as it was basically based on two specific categories of international support measures, namely trade-related preferences; and official development assistance, including technical cooperation. From this perspective, there is a need not only to improve the effectiveness of the existing support measures, but also to introduce new instruments, e.g., meaningful incentives for transfer of technology to the LDCs.

Issues of external economic and environmental shocks

As mentioned earlier, the specific vulnerabilities of the LDCs have been recently aggravated by certain adverse global developments. Climate change has emerged as a serious threat to many LDCs. While the environmental vulnerability of the LDCs has increased dramatically, adaptation efforts so far have been minimal. International measures such as providing adequate financial resources to the special LDC Fund and facilitating access to "green technology" in the face of the international intellectual property right (IPR) regime will be crucial in this regard.

The recent successive crises in the areas of food, energy, commodity markets as well as global finance have also demonstrated how exogenous shocks can jeopardize the development achievements of the LDCs. In fact, the BPoA did not foresee any measure to counteract shocks and shifts emanating from global markets. Therefore, to preempt such negative developments, the new partnership agreement has to earmark additional financial resources and provide policy guidance regarding changes in global economic governance.

Role of new global actors and new cooperation modalities

Since the launch of the BPoA, significant structural shifts have taken place in the global economy. This relates particularly to the rise of the Global

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There is a strong rationale for shortening the time horizon of the new partnership agreement.

South. The emerging economies (particularly the members of the G20) have become the major markets of LDC exports (although mostly primary commodities), key sources of foreign investment (although mostly in extractive industries), and important providers of development assistance (although often tied project aid). It is expected that these Southern powers will take on international development responsibilities (particularly in relation to the LDCs) that are commensurate with their growing prowess.

Technology transfer is a potential area in this regard as many of these Southern powers possess IPRs on a wide range of technologies and know-how. The new partnership agreement also has to reflect South-South cooperation, including regional integration as a promising element of the partnership. Refashioned global partnership for the LDCs needs to tap into new sources of finances, e.g., sovereign wealth funds and public-private partnership.

Positive incentives for graduating LDCs

There is an unarticulated apprehension among the LDCs regarding the possible loss of various preferences due to graduation from the group. However, it is often not recognized that once a country meets the graduation criteria, it has to sustain that status for two consecutive triennial reviews so as to finally leave the group.

Further, once an LDC finally graduates, it still remains eligible for all LDC preferences for another three years. However, in order to ensure smooth and sustainable transition, it is important to create more positive incentives for graduating LDCs in the economic partnership agreement, including extension of the preferences for a more protracted period after graduation.

Articulating collateral domestic reform agenda

While establishing coherence among various elements of international support measures in favour of the LDCs remains a challenge, bringing about collateral changes in the domestic policy and institutional environment in the LDCs is equally challenging. Such changes are to expand LDC ownership of the new global partnership agreement and enhance buy-in to the same by development partners.

Some of the critical areas for such interventions are fortification of fiscal discipline, augmenting domestic resource mobilization, and strengthening financial sector and public administration reforms. However, one has to remain mindful not to encroach, in the process, on the space for autonomous and contextual domestic policy-making in the LDCs.

Reconsidering the time horizon of the new partnership

Any attempt to fix wide-ranging development targets for a diverse group of countries in a very fast changing global economy will be an exercise in futility. Thus, there is a strong rationale for shortening the time horizon of the new partnership agreement.

Since the terminal year for a large number of BPoA targets is 2015 (in line with the MDGs), it may be advisable to set all concrete targets for the new agreement for 2015 (or 2016). These targets may be situated within a decadal Vision Statement 2011–2021. The new partnership agreement may further provide for a "rolling plan" for subsequent five years with the mid-term benchmarks locked-in with the MDG review in 2015.

Strengthening the follow-up mechanism

By now it has been widely accepted that one of the fault lines of the BPoA had been its weak monitoring mechanism. The follow-up process for the implementation of the BPoA was couched in the routine formalism of UN procedures and practices. Even this modality became dysfunctional due to serious lack of relevant real-time information on delivery of the targets. Thus, in order to have a really meaningful monitoring mechanism, the process has to be strengthened


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by way of creation of a more effective platform which is endowed with better information and analytical inputs. The periodic discussion on the status report of implementation of the partnership agreement has to be taken out of New York and organized elsewhere to generate the attention of policy makers, the private sector, civil society and the media. Indeed, the host of the UNLDC IV, Turkey, may be approached to provide support for a regular biennial Istanbul Review Forum for the partnership agreement to be approved at the UNLDC IV.

The final outcome document of the UNLDC IV will essentially contain three types of measures: the unfinished agenda of the BPoA; the incrementally strengthened measures of partly delivered earlier commitments; and new measures addressing the new realities. In this connection, to what extent the Istanbul Programme of Action will not be a "business as usual" will largely depend on the energetic and creative participation of the LDCs in the preparatory process of the UNLDC IV and on the sincere goodwill of development partners towards the LDCs during the run-up to the conference. ■

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LDC Agenda for New Global Partnership

Posh Raj Pandey

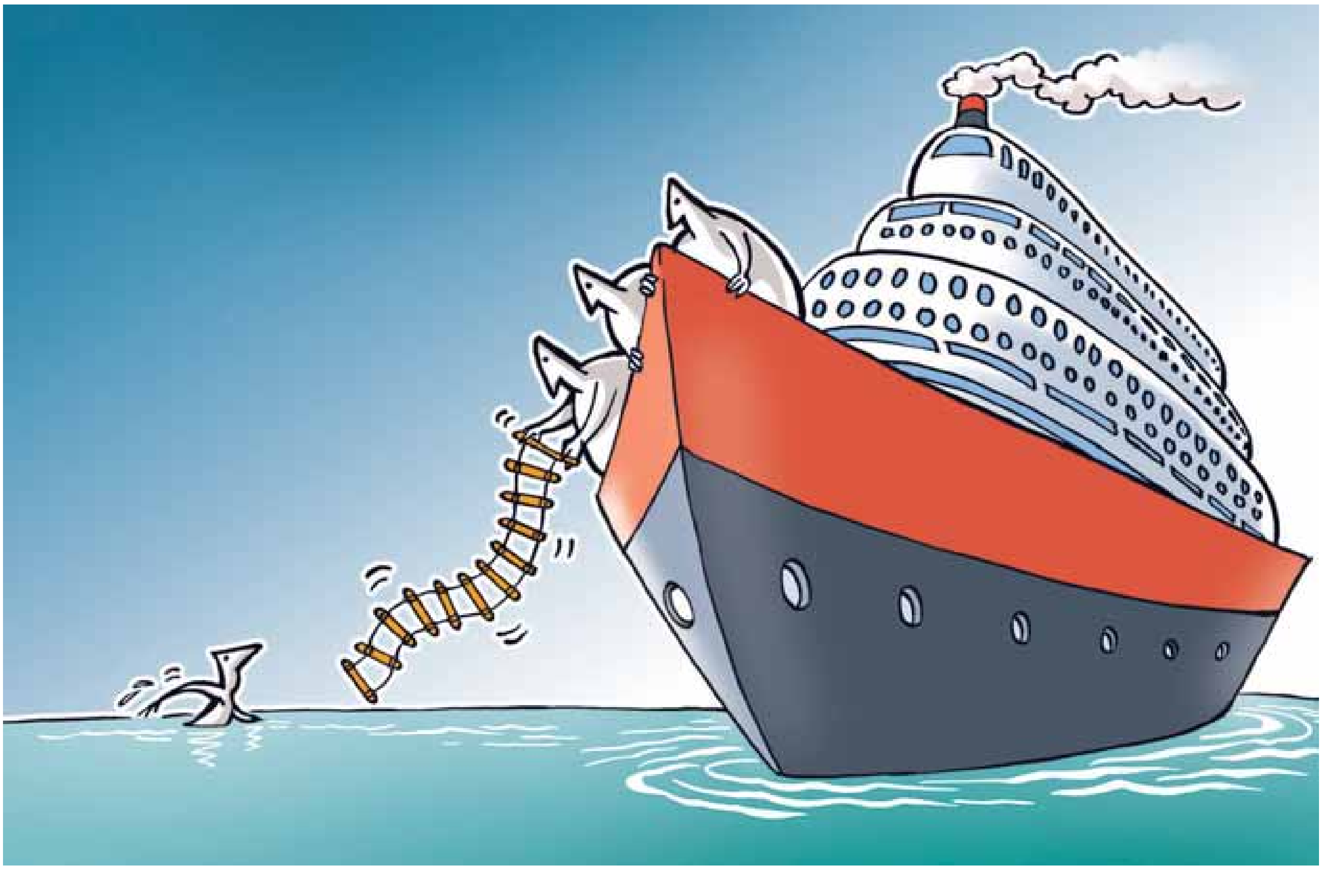
In the early 1950s, economists duly recognized that the structure of production—largely production enclave having limited backward and forward linkages with the rest of the economy—handicapped weaker countries in the dynamic economic transformation of their economies.[1] In 1969, a resolution of the United Nations (UN) General Assembly recognized this fact and the Second International Development Decade was devoted to special measures for such economies. This was followed by the establishment of special categories of countries, the least-developed countries (LDCs) numbering 25, as they had very low levels of industrialization and human capital and were in need of special privileges and support measures.

It was followed by a Substantial New Programme of Action for the 1980s adopted in Paris in 1981. Later on, this new programme culminated in a decadal framework for international cooperation at the First United Nations Conference for the Least Developed Countries (UNLDC I). Subsequently, new decadal frameworks for international cooperation for such countries were agreed at the UNLDC II and the UNLDC III.

Of particular importance was the Programme of Action for the Least Developed Countries for the Decade 2001–2010—commonly known as the Brussels Programme of Action (BPoA)—which was agreed at the UNLDC III in May 2001 in Brussels. The overarching goal of the BPoA was "to make substantial progress towards halving the proportion of people living in extreme poverty and suffering from hunger by 2015 and promote the sustainable development of the LDCs.[2] The BPoA also provided "a framework for a strong global partnership to accelerate sustained economic growth and sustainable development in LDCs, to end marginalization by eradicating poverty, inequality and deprivation in these countries, and to enable them to integrate beneficially into the global economy".[3] It was based on seven interlinked mutual commitments, 30 goals and 5 guiding principles that the LDCs and their development partners undertook to implement.

As the implementation period of the BPoA ends in 2011, the General Assembly of the UN has decided to convene at a high level during the UNLDC IV from 9–13 May 2011 in Istanbul, Turkey. The key mandates of the conference include: undertaking a comprehensive appraisal of the implementation of the BPoA; identification of the obstacles and constraints encountered in its implementation as well as the initiatives to overcome them; identification of effective international and domestic policies in the light of the outcome of the appraisal as well as new and emerging challenges and opportunities and the means to address them; and mobilization of additional international support measures and actions in favour of the LDCs together with renewed partnership between the LDCs and their development partners.

This feature argues that the BPoA could not achieve its stated objectives and desired outcomes because of its faulty design and lacklustre implementation process. Given the current status of the LDCs, changing global



economic landscape, and emerging issues at national and international levels, this feature puts forward some issues for consideration in some crucial areas by the UNLDC IV.

Changing landscape

The contours of the global economy are changing very fast. It will become multi-polar with emerging economies, particularly China and India, accounting for increasing shares in global production and trade, and becoming the centrifugal force in the 21st century.[4] Similarly, along with North-South cooperation, South-South cooperation has been emerging as a new source of economic vitality in the global economy and many argue that such cooperation offers prospects to be a potent instrument to create dynamism in the LDCs.

While old challenges for the LDCs continue to obstruct their development, new challenges such as in the form of shocks and vulnerabilities due to food, energy, financial and economic crises have been posing additional complex and multi-faceted challenges for the LDCs. Such challenges are further exacerbated by climate change, which have compounded the acute vulnerabilities facing the LDCs in all sectors of their economies.

Assessment of the BPoA

The socio-economic and political performance of the LDCs as a group shows that they have made extensive efforts towards the implementation of the BPoA commitments. Most of the LDCs have placed poverty reduction at the centre of their national development strategies; taken bold measures to remove anti-export biases; begun the process of promoting the private sector and addressing supply-side constraints; and initiated political, judicial and administrative reforms.[5] It is encouraging that despite inter-country disparities, most of them have been successful in controlling inflation; narrowing down budget deficits; improving gross capital formation; and achieving progress in health and education indicators.

During 2002–2007, the average annual growth rate of the LDCs as a group was 7.4 percent, almost double the growth rate of 3.9 percent achieved during 1991–2001. During 2005–2007, LDC economies grew not only faster than the BPoA targeted growth rate but also achieved growth rates higher than developing countries (Table 1). However, higher population growth in these countries has been a drag in the growth of gross domestic product (GDP) per capita. Moreover, as their growth was driven by booming world demand and world trade, rising commodity prices, and surging external finances including flow of remittances and debt reliefs, they remained vulnerable to external shocks. For instance, as financial and economic crises hit the global economy in 2008, LDC economies showed contraction and their real GDP growth declined by 1.4 percentage points. In fact, real per capita growth was less than or equal to 1 percent in 16 LDCs, while it actually remained below zero in nine LDCs.[6] Gross capital formation also declined in 2008.

With regard to international trade, the value of LDCs' total merchandise

Table 1
Economic growth and capital formation in LDCs

	Annual growth rate of real GDP (%)			Annual growth rate of per capita GDP (%)			Gross fixed capital formation (% of GDP)		
Groups of LDCs	1991–2001	2002–2007	2008	1991–2001	2002–2007	2008	2000	2007	2008
African LDCs and Haiti	3.0	7.5	7.9	1.3	4.6	5.1	17.5	21.3	21.0
Asian LDCs	5.1	7.3	5.5	0.2	5.4	3.8	20.5	22.9	22.3
Island LDCs	3.8	8.2	4.5	2.8	-1.4	2.1	22.3	19.4	19.8
Total LDCs	3.9	7.4	6.9	3.1	4.9	4.4	18.7	21.7	21.3
Other developing countries	4.8	6.5	5.3	1.9	5.1	4.0	23.2	27.1	29.3

Source : Least Developed Countries Report 2010; and Implementation of the Programme of Action for the Least Developed Countries for the Decade 2001–2010.

exports increased from US$36.1 billion in 2000 to US$178.2 billion in 2008, recording annual growth rate of more than 20 percent during 2000–2008. This impressive export performance was largely due to rising prices of oil and minerals, which have resulted in above average export growth of African LDCs (Table 2). The LDCs, however, could not diversify their exports—their export baskets are concentrated in a few products and their share in global exports remained marginal at less than 1 percent. Vulnerability to external shocks was high and with the collapse of commodity prices, LDC exports drastically declined in 2009, substantially impacting the export performance of African LDCs.

After the launching of the BPoA, several trading partners, including developing countries, announced improved market access for LDC exports. For instance, between 2000 and 2010, 23 countries took 36 such initiatives for the LDCs.[7] However, actual market opening has had virtually no effect on their trade flows. The proportion of LDC imports excluding arms and oil, admitted free of duty into developed-country markets, reached 81 percent in 2008, less than 1 percentage point higher than in 2004. At the same time, developing countries as a whole managed to increase their duty-free access to 80 percent in 2008—about 20 percent export under preferential schemes and 60 percent on a duty-free most-favoured-nation (MFN) basis—at par with the LDCs.[8] It suggests that the preferences accorded to the LDCs have been eroded and preferential market access has ceased to offer any meaningful advantages to them.

Total external financial flows to the LDCs, including debt forgiveness and technical assistance, reached US$44.3 billion in 2008.[9] Official development assistance (ODA) flows to the LDCs have increased from less than US$13 billion in 2000 to a record of about US$37 billion in 2008. The LDCs now receive about 31 percent of all ODA.[10] Total ODA flows to the LDCs have risen from 0.05 percent of the gross national income (GNI) of the Development Assistance Committee (DAC) donors in 2000 to 0.097 percent in 2008, remaining short of the target of 0.15–0.20 percent contained in the BPoA. All donor countries increased or maintained the proportion of their GNI allocated as ODA to the LDCs in 2008 compared to 2007. However, only seven countries met the target of 0.15 percent of GNI and also seven countries, in contrast, allocated less than 0.10 percent of their GNI as ODA to the LDCs in 2008. In addition, there are sharp variations in individual allocations, with, notably, Afghanistan and recipients of debt relief aid such as the Democratic Republic of Congo receiving disproportionately high shares.[11]

There has been a shift in the sectoral composition of the ODA. The share of aid for social infrastructure in total ODA to the LDCs increased, while shares for both economic infrastructure and commodity support (food aid and general budget support for food programmes) remained at an average of 8 percent to 10 percent. Productive sectors came last with an average share of less than 5 percent.[12] The inflows of foreign direct investment (FDI) to the LDCs increased from 3 percent of GDP in 2000 to 9.2 percent in 2008, reaching US$25.8 billion. However, a major chunk of such FDI was directed towards oil and mineral exporting LDCs, of which 12 LDCs accounted for more than three fourths of total inward flows to the LDCs.

On international support on trade-related capacity building, experiences from the implementation of the Integrated Framework (IF) and the Enhanced Integrated Framework (EIF) show that these measures were ineffective in generating required aid for trade in the LDCs. Since 2000, only US$52 million has been allocated to the LDCs through the IF process, on an average amounting to a little more than US$1 million per country. Similarly, the share of the LDCs in aid for trade disbursement to all developing countries fell from 32 percent in 2002–2003 to 27 percent in 2008–2009.[13]

Despite a respectable rate of economic growth and impressive performance in international trade, poverty is, however, pervasive and there is little structural change in LDC economies. Gross fixed capital formation has been tardy; infrastructure deficits persistent; technological development minimal; and productive capacity weak. Consequently, manufacturing growth and per capita food production have been stagnant (Table 2). Although information on poverty estimates for all the LDCs are not available, estimates suggest that there were 421 million people living on less than US$1 a day in 2007—59 percent of the population in African LDCs and 41 percent in Asian LDCs.[14]

Agenda for the UNLDC IV

The UNLDC IV should agree to design national, regional and international policies and strategies, complementing each other, to effectively address social, economic and environmental challenges that the LDCs are facing and are likely to face due to their vulnerabilities. The conference should also recognize that any development package does not fit all LDCs and there is a need to develop strategies and actions based on country-specific economic, social, structural and cultural context, and their institutional and resource endowment.

It should also acknowledge that one of the root causes of the failure of the BPoA is the lack of adequate financial and institutional resources to implement the policy measures agreed within the framework. Therefore, the mechanism of partnership for development needs to be reoriented and should include concrete actions for the availability of sufficient resources that are required to implement a new programme of action. Similarly, reviewing the actions required for the achievement of the Millennium Development Goals (MDGs), the conference should set the development agenda and outline actions required beyond the MDGs. The conference should also commit to establish and implement a systematic and result-oriented monitoring and evaluation system at national, regional and global levels.

Given the current challenges of the LDCs (including in terms of their trade performance), the changing economic landscape, and emerging additional challenges, commitments for actions in the following three areas must receive priority in the UNLDC IV.

International trade

In order to harness their potentials in global trade, the LDCs need to diversify their economic base. For this, they need to develop their productive capacities in areas such as the production of higher value added goods and services, and mainstream the opening up of markets with the pace of domestic economic integration. This requires, in particular, efforts to develop, upgrade and improve energy efficiency, storage and port facilities, road networks at national and regional levels, functional railway systems and air freight capacity.[15]

In this context, the international community needs to ensure an early conclusion of the Doha Round of negotiations under the World Trade Organization (WTO) taking into account food security, livelihood security and rural development needs of the LDCs. In the case of any further delay in WTO negotiations, the LDCs should be allowed to reap quick results in the form of an early harvest and developed countries must honour the commitments made in the WTO's Hong Kong Ministerial Declaration. Duty-free and quota-free market access must be expanded to all exports from all LDCs.

The issue of preference erosion due to MFN tariff reduction should be addressed through enhanced support in trade capacity building. The preferential rules of origin should take into account the supply capacity of the LDCs and be simple and transparent. It should also recognize the cumulation of origin among the LDCs. Regarding trade in services, the LDCs should be given "non-reciprocal special priority" in services exports, particularly in the temporary movement of natural persons including unskilled and semi-skilled labour, along with developing countries who are in a position to do so, in the form of a "waiver" from MFN obligations.[16] The resources for the development and improvement of trade facilitation measures, including infrastructure development, should

Table 2
Structure of production of LDCs

	Share of agriculture in GDP (%)		Annual growth rate of agriculture (%)		Annual growth rate of net per capita food production (%)		Share of manufacturing in GDP (%)		Annual growth rate of manufacturing (%)	
Groups of LDCs	1990	2008	1990–1999	2000–2008	1990–1999	2000–2009	2000	2008	1990–2000	2000–2008
African LDCs and Haiti	36.8	28.1	2.5	2.9	1.2	0.2	7.6	7.6	1.1	1.2
Asian LDCs	36.6	25.7	3.4	4.4	1.1	2.7	12.6	13.9	1.2	0.2
Island LDCs	29.3	21.5	2.0	1.6	-0.3	-5.5	7.2	5.9	1.1	2.7
Total LDCs	36.7	27.2	2.8	3.5	1.1	1.2	9.8	9.8	-0.3	-5.5

Source : Least Developed Countries Report 2010.

be increased and new players, such as regional development banks, be endowed with dedicated funds. While providing support for trade facilitation, specific development needs of landlocked, island and climate change-affected countries should be addressed.

Foreign aid

The responsibility for overall development squarely lies with the LDCs concerned. However, efforts and policies by the LDCs alone are not sufficient to effectively address their complex development problems and the international community also has a major role to play in ensuring that international economic relations benefit poor people in poor countries. In this context, realigning and reorienting financial support from development partners, including ODA, play a crucial role.

All developed countries should urgently make a concerted effort towards meeting agreed aid targets of 0.15-0.20 percent of their GNI as ODA, specifically to the LDCs. Similarly, non-traditional donors should also set a target for aid to the LDCs and South-South development cooperation should be encouraged. Development partners should link development aid with national priorities of recipient LDCs and direct such aid to build their productive capacity, including for infrastructure and agricultural development through direct budgetary support. The share of grants should be increased with reduced conditionalities, and increased transparency and predictability.

Climate concerns and the WTO's Aid for Trade initiative should get special consideration in aid flows and these should be additional to regular ODA. At the national level, aid monitoring mechanisms should be established with the participation of development partners and domestic stakeholders.

Climate change

Despite low emissions of greenhouse gases from them, the LDCs are the most vulnerable to the effects of climate change. Changing weather patterns, particularly severe floods and droughts, increased water stress, declining agriculture productivity and depleting biological resources, among others, will increase the exposure of millions of people in the LDCs to the severe impacts of poverty, hunger and disease. The rising sea level, along with other climatic change impacts, may increase environmental refugees from the coastal areas.

Hence, along with added capacity building and technology transfer to meet various adaptation and mitigation needs, intense and concerted efforts towards adaptation to climate change impacts are crucial for the LDCs. In this context, there is a need to integrate climate change concerns into national development strategies to move beyond emission targeting and integrate other development programmes with national climate strategies and policies of the LDCs.

It is imperative that development partners provide financial and technical support to the LDCs to enable them to strengthen their capacity to mitigate and adapt to climate change; and implement their national action plans to support technological development, technology transfer and technology adaptation to local needs. It is also crucial to ensure that support pledged in international forums is delivered.

Conclusion

Persistence of poverty in and marginalization of the LDCs have been reinforced by the lack of adequate productive and supply-side capacities in these countries. Removing supply-side constraints and enhancing productive capacities, and promoting the expansion of domestic markets is the most effective way for a structural transformation of the LDC economies and their graduation from the LDC status. In this context, the role of state and market needs to be rebalanced and redefined. The state should move beyond the minimal task of allocation and distribution of resources to promote economic development; foster investment, entrepreneurship and exports; catalyze structural transformation; and provide public services. National development strategies should adopt a holistic approach aligned with international support measures to promote structural transformation with the creation of a viable, competitive and diversified productive capacity. However, in all these processes, policy coherence and alignment of support measures of the international community are critical. ■

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South-South Development Cooperation

Prospects and challenges

South-South development cooperation has some distinct advantages, but a number of challenges have to be overcome to unleash its potential for achieving the development objectives of the least-developed partner countries.

Ratnakar Adhikari

The history of South-South development cooperation (SSDC) is nearly as old as the history of North-South development aid. However, this issue has come under the scanner of development practitioners only in the recent past due primarily to their increased significance in the backdrop of the global financial crisis, which was feared to result in a global resource squeeze. Although SSDC is not likely to replace traditional development cooperation, it is likely to be of tremendous significance in the days to come—thanks mainly, but not exclusively, to the growing economic prowess of advanced developing countries.

Growing salience

The evolving dynamics of cooperation among Southern countries and its potential to contribute to global prosperity constitute probably the single major reason to discuss the growing salience SSDC. For the least-developed countries (LDCs), handicapped by several supply-side constraints to take advantage of the growing global economic integration, SSDC offers an opportunity over and above traditional official development assistance (ODA).

Although the burgeoning SSDC is often ascribed only to the growing economic clout of the emerging economies, there are several factors that have contributed to this phenomenon, some of which are discussed below.

First, SSDC should be seen in a broader context of the increased economic integration among developing countries. While the LDCs were largely reliant on developed countries for trade in the past, there seems to be a trend towards increased flow of South-South trade. For example, South-South trade has nearly doubled between 1995 and 2008 to reach nearly 20 percent.[1] Similarly, South-South flow of foreign direct investment (FDI) has reached 16 percent, up from 12 percent in the 1990s.

Second, there is an expectation among the partner LDCs to learn from the economic and development success of Southern donors. At a general level, the United Nations Economic and Social Council (ECOSOC), for example, argues that many Southern donors have come up with successful development models or practices, which can be more appropriately replicated in other developing countries.[2]

Third, due to the inability of the traditional donors to live up to their ODA promises, the LDCs have found it necessary to tap into the funding offered by Southern donors. The LDCs find such assistance more practical and efficient in terms of disbursement causing fewer significant delays compared to that of traditional donors.[3] SSDC is also presumed to be based on solidarity,[4] and the principle of equality, as opposed to clientalism that characterizes traditional aid relationship. Some Southern donors are found to be more flexible and responsive to the national priorities of partner countries.[5]

Fourth, Southern donors generally do not attach policy conditionality related to macroeconomic issues and governance to their ODA because of the prevailing ethos that development assistance should not interfere in the internal affairs of recipient countries.[6]

Current status of SSDC

The Reality of Aid Management Committee has compiled the disbursement data of South-South ODA from various sources for 2008 (Table). It is, however, necessary to note that unlike North-South ODA data, which are prepared by the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD), due to several difficulties associated with the collection of South-South ODA data,[7] the data presented below should not be considered as authoritative.

South-South ODA from the top 16 countries for which data were available reached close to US$14 billion. Four major donors, namely Saudi Arabia, Venezuela, China and India, collectively account for over 76 percent. Saudi Arabia, a major aid donor since 1973 as measured by the ODA-gross national income (GNI) ratio, provided more than US$5.5 billion in development assistance representing 1.5 percent of its GNI. This figure is 40 percent of the total development assistance provided by the top 16 developing-country donors.

Although most assistance provided by the major South-South donors is in the form of project aid, there are also components of technical cooperation, budget support and humanitarian assistance. Among the top four donors, Venezuela's case is unique in the sense that its oil deals assume the form of balance-of-payments (BoP) support.[8] However, like Northern donors, the motives behind South-South ODA are not entirely altruistic.

Saudi Arabia's official aid policy has an explicit objective of promoting its non-oil exports. Chinese commercial interests are mainly reflected in the desire to obtain an uninterrupted supply of energy and raw material resources from partner countries. For example, when providing aid to Angola, China does not directly provide funds to the government but mandates a Chinese construction company to build infrastructure and expects the government of Angola to provide Chinese companies operating in the field of oil the right to extract oil through the acquisition of equity stakes in a national oil company or through the acquisition of licences for production.[9] Similarly, India's ODA —particularly for the construction of infrastructure—mainly to Bhutan and to a lesser extent to Nepal is aimed at securing hydroelectricity and energy for itself.[10] India's pledge of US$500 million in concessional credit facilities to resource-rich African LDCs (Burkina Faso, Chad, Equatorial Guinea, Guinea-Bissau, Ivory Cost, Mail and Senegal) and one developing country

Table
Disbursement of selected South-South ODA flows, 2008 (US$ million)

South-South donor	Amount	% of GNI	% of total South-South ODA
Saudi Arabia	5,564	1.5	40
Venezuela	1,166–2,500	0.71–1.52	18
China	1,500–2,000	0.96–0.08	14.4
South Korea	802	0.09	5.8
Turkey	780	0.11	5.6
India	569	0.05	4.1
Taiwan	435	0.11	3.1
Brazil	356	0.04	2.6
Kuwait	283	0.18	2
South Africa	194	0.07	1.4
Thailand	178	0.07	1.3
Israel	138	0.07	1
United Arab Emirates	88	…	0.6
Malaysia	16	0.01	0.1
Argentina	5–10	0.003–0.005	0.07
Chile	2–3	0.003	0.02

Adapted from Reality of Aid Management Committee. 2010. South-South Cooperation: A Challenge to the Aid System? Special Report on South-South Cooperation. Manila: IBON Books.

(Ghana) shows Indian tendency to follow the Chinese model for resource extraction from Africa.

Similarly, geopolitical interests are reflected in the choice of partner countries. Saudi aid is mostly provided to Arab countries. Venezuelan aid mainly goes to Latin American and Caribbean countries. Indian assistance is targeted predominantly at South Asian countries with Bhutan receiving 46 percent of total aid, and the Maldives and Afghanistan receiving 19 and 16 percent respectively. However, China's aid is much more diversified, with Asian countries receiving 40 percent, followed by Africa (25 percent), and Latin and Central America (13 percent).[11]

Saudi Arabia's support predominantly to the Muslim countries in the Arab region (including relatively better-off countries such as Turkey and Egypt, themselves donors, and Morocco compared to poor countries in sub-Saharan Africa) and two Muslim countries in South Asia (Bangladesh and Pakistan and not to Nepal and Bhutan, despite the latter being LDCs) shows the influence of religious and cultural factors in its country-selection process.[12] Similarly, Brazilian technical cooperation programmes in Portuguese-speaking African countries (77 percent of its total assistance to Africa) and East Timor (96 percent of its total Asian assistance) shows the significance of the language factor.[13]

Solidarity interest, together with geopolitical interest, is seen dominant in the ODA provided by Venezuela, a founder member of Alternativa Bolivariana para las Americas (ALBA). This initiative focuses on integration among Latin American countries, through a "socially-oriented trade bloc"[14] proposed as an alternative to the Free Trade Area of the Americas.

Challenges facing LDCs

While the growing importance of SSDC is a reality the LDCs cannot ignore, SSDC is not free of all the problems that have dogged the issue of development aid in general, and also presents additional challenges.

Tied aid

While traditional donors have made significant progress in untying aid, assistance under SSDC, particularly by the major donors, is primarily tied.[15] For example, in the case of Chinese aid to Africa, 70 percent of the infrastructure construction projects have to be awarded to "approved", mostly state-owned, Chinese companies. Although the remaining 30 percent contract can be awarded to local companies, they too are mostly established in joint-venture arrangements with Chinese companies.[16] Even the labour component of the contracts is fulfilled by imported Chinese workers in countries as varied as Mauritius, Nepal and Sri Lanka.[17]

Similarly, at least 85 percent of the value of South-South concessional loans granted by India under its India Development Initiative was meant to be tied to Indian procurement.[18] Examples include a US$40 million credit line for railway reconstruction in Angola, and a donation to Sierra Leone of US$800,000 for the construction of 400 barracks.[19] Similarly, Venezuelan BoP support is primarily tied to oil imports, and Korean bilateral aid is also predominantly tied.[20]

There is a serious lack of accessible and comprehensive information on South-South ODA.


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Lack of transparency

There is a serious lack of accessible and comprehensive information on South-South ODA. This could be because even the major Southern donors do not have central coordinating agencies to manage and monitor development assistance at the national level. The problem is further compounded by the deliberate secrecy on both sides of the partnership.[21] This is particularly so in the case of Arab donors and China. For example, sloppy distinctions between Chinese investment, loan and aid on the one hand, and "proposed", "agreed", "under construction", "concluded", "realized", "(un)confirmed" nature of supports on the other, provided by China under China-Africa technical cooperation make it almost impossible to know the exact nature and magnitude of support extended by China.[22]

The result is, it is difficult to collect data and make an informed analysis for policy purposes. A more maligned outcome is the difficulty in establishing which Southern donor is funding which institution in which country for what purpose. There is also the question of debt-sustainability since it is difficult to ascertain how much the partner country owes to its donors. The democratic ownership of SSDC is also under question, because such aid tends to be mostly government-to-government with little involvement of the parliament and civil society.[23]

Limited ownership

Although SSDC, in theory, tends to promote country ownership at the programme and project development level, it is reported that some Southern donors have preferred to fund the construction of a stadium as opposed to the priority identified by partner countries for the construction of roads. Similarly, the focus of infrastructure development on resource extraction, rather than on building productive capacity at the local level, limited use of local inputs in the process of project implementation, and the lack of a clear mechanism for technology transfer leave much to be desired.

Inadequate monitoring and evaluation

There is little public information available on the monitoring and evaluation (M&E) procedures of Southern donors.

However, country experiences suggest that these donors conduct significantly fewer missions to review project progress than Northern donors. Overall, M&E systems of Southern donors seem to be largely concerned with timely project completion.[24]

Unlike traditional donors, which are bound by the in-built DAC peer review mechanism with a strong M&E component, Southern donors are not subjected to any such M&E mechanism. Although proposals have been made by the Group of 77 countries and non-governmental organizations to strengthen the UN Development Co-operation Forum (DCF) to serve as an alternate platform for aid negotiations to DAC, there is limited progress in this direction, primarily due to the skepticism of the traditional donors and capacity of the under-resourced UN to handle these responsibilities.[25]

Non-applicability of Paris Declaration

In order to enhance the effectiveness of development aid in general, traditional donors as well as partner countries signed on to the Paris Declaration on Aid Effectiveness (in 2005), which defines a number of commitments, and a set of indicators to measure progress towards 2010. The Declaration is based on five common sense tenets of ownership, alignment, harmonization, result management and mutual accountability.

However, the Declaration is not applicable to SSDC, except for a few Southern donors such as Korea and Turkey which have signed on to it in view of their impending admission to the DAC. Although the Accra Agenda for Action, issued in September 2008, recognizes the important role of SSDC in international development cooperation and considers it as a valuable complement to North-South cooperation, it does not exhort Southern donors to become parties to the Paris Declaration. This effectively means that Southern donors are not even obliged to make efforts to overcome the challenges facing traditional development cooperation.

Issues for UNLDC IV

Since development assistance is a core development agenda for the LDCs, the issue of SSDC needs to be extensively deliberated upon both in the run-up to the Fourth United Nations Conference on the Least Developed Countries as well as during the conference itself. It is indeed surprising that this issue has not so far entered the discussions in the run-up to event. Therefore, based on the challenges discussed above, the following issues are worth taking up.

First, as tied aid does not contribute much to the development of the local economy and local human capital and prevents the partner country from sourcing inputs from competitively priced sources, a target—possibly of 2021—should be set, for the gradual untying of aid by Southern donors.

Second, although project financing has been the preferred mode of funding for Southern donors, they should gradually move towards a sector-wide approach and eventually towards budgetary support.

Third, SSDC should be brought under some global process of discussions, negotiations, target setting, coordination, reporting, and monitoring and evaluation. While there is a near consensus on the need for the same, there is a considerable disagreement between developed countries and developing countries on which platform should be used. As a compromise, it is proposed that a two-track mechanism be adopted whereby DAC would continue to coordinate traditional ODA matters and DCF would be assigned the full responsibility of coordinating issues relating to South-South ODA. DCF should begin its activities by preparing a framework like the Paris Declaration for coordinating and monitoring SSDC.

Fourth, partner-country governments, on their part, should commit to use the resources received from Southern donors in a transparent manner and involve all the major stakeholders, including parliament, the private sector and civil society, in the process of programme design, implementation, and monitoring and evaluation. ■

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13. Note 2, p 18.
14. Note 2, p 20.
15. Note 2, p 30.
16. Note 4.
17. The example of Chinese workers' involvement in Mauritius is provided by Paulo and Reisen. 2010: 538. (Note 9). The example of Nepal and Sri Lanka is based on the author's personal observation. See also Note 2, p 32.
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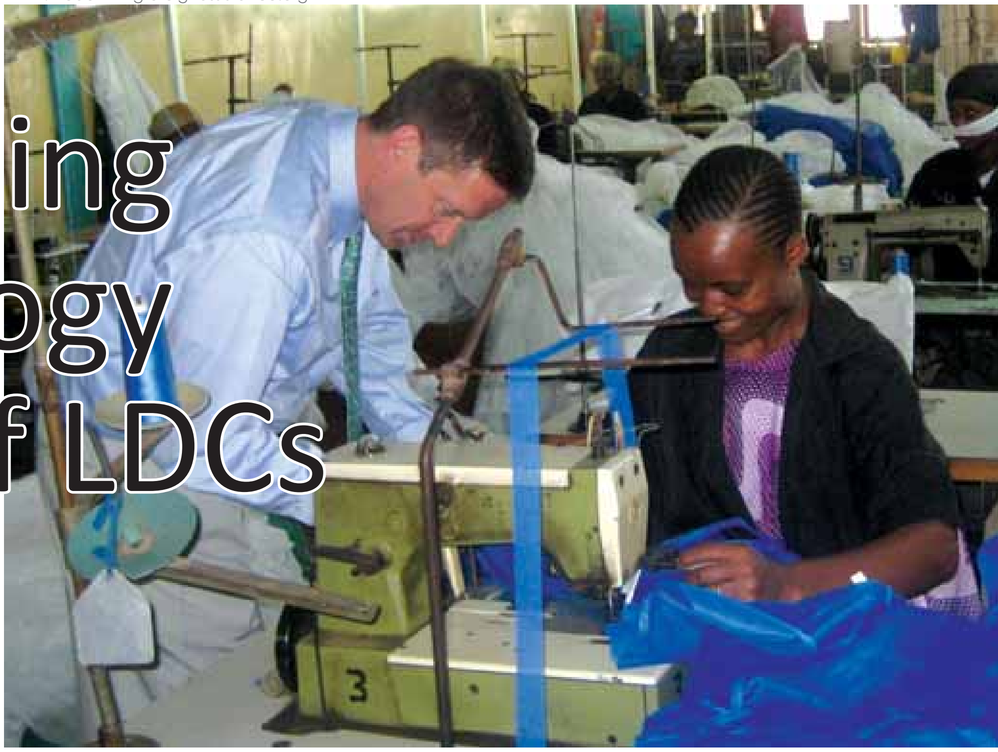

Addressing technology needs of LDCs

Syed Saifuddin Hossain,
Towfiqul Islam Khan and Ashiqun Nabi

The transfer of technologies to the LDCs must be viewed in the context of their pursuit of the Millennium Development Goals.

Perceptions about technology and the process of transferring it have been subject to significant changes during the last three decades. In simple terms, "technology" refers to "knowledge" which is ultimately available as both "hardware" (e.g., capital machinery) and "software" (e.g., formulae, database, design, blueprint).

A transfer or channelling of technology alone bears no significance unless it is adapted to the conditions in the recipient country. Therefore, while installation (or acquisition) of technology is the first step, generalizing it in the context of the host country is of greater importance to ensure efficacy of the transfer. This implies that learning of the technology, adapting it to the local environment and ensuring its progression have to be assured. However, both resource and capacity constraints in the least-developed countries (LDCs) are key impediments in the process of successful diffusion of technology.

LDC-friendly commitments at the multilateral level

The significance of technology transfer (TT) in enhancing economic growth and sustainable human development in the LDCs has been an agenda for discussion and debate for almost four decades. Though the concept of TT was first articulated in 1967, it was only in 1972 that the issue was first discussed at an international level at the Conference on the Application of Science and Technology in Brasilia. Since then, the international community has congregated on numerous occasions and drafted a considerable number of roadmaps to facilitate TT to the LDCs.

Brussels Programme of Action

The Brussels Programme of Action for the Least Developed Countries for the Decade 2001–2010 mentions "technology" 39 times. In particular, under Commitment 4 (Building productive capacities to make globalization work for the LDCs), specific actions are listed for enhancing the technological capacity of the LDCs. Development partners are required to, *inter alia*, consider innovative mechanisms to accord the LDCs special treatment in facilitating acquisition, transfer and development of technology; comply fully with already existing multilateral commitments in the area of technology transfer, particularly by

Table
Technological status in the LDCs and other country groupings

Country groups	R&D		Human capital		Physical infrastructure		
	R&D (% of GDP)	Researchers (per mln)	Tertiary students in science & engineering (% total tertiary)	Adult literacy rate	Cellular & landline phone subscribers (per 1,000)	Internet users (per 1,000)	Electricity consumption per capita (kwh)
	2007	2007	1999–2004	2004	2008	2008	2007
LDCs	0.2	72.2	24	56.5	224.9	22.4	132.5
Developing countries	0.5	870.8	21.5	86.1	732.0	148.7	1,759.9
Developed countries	1.7	3,355.5	24.7	92.2	1,516.4	685.2	9,426.4

Source: Estimated from World Development Indicators 2010 and The Least Developed Countries Report 2007.

providing incentives as provided for and agreed in Article 66.2 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) of the World Trade Organization (WTO); and take concrete measures to facilitate access to or provide technology and equipment, *inter alia*, as part of official development assistance.

Multilateral environmental agreements

The multilateral environmental agreements (MEAs) since the 1992 Rio de Janeiro Earth Summit substantially emphasized LDCs' access to environmentally sound technologies (ESTs). Many MEAs tagged financial support with TT. For instance, Article 4.5 of the United Nations Framework Convention on Climate Change (UNFCCC) states:"The developed country Parties... shall take all practicable steps to promote, facilitate and finance, as appropriate, the transfer of, or access to, environmentally sound technologies and know-how to the parties..."

WTO agreements

A number of agreements under the WTO include provisions highlighting the role of developed members in promoting a sustainable technological base in the LDCs. Article 7 of the TRIPS Agreement states: "… protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology…".

Furthermore, Article 66 of the TRIPS Agreement calls for technical cooperation where developed countries are invited to provide technical and financial cooperation in favour of developing and least-developed countries. Article 66.2 clearly mentions that developed countries "shall provide incentives to enterprises and institutions... for the purpose of promoting and encouraging technology transfer...in order to enable them to create a sound and viable technological base". The issue of TT has also been addressed in the General Agreement on Trade in Services (GATS) which recognizes that further negotiations should be carried out under the ambit of the WTO to ensure LDCs' access to technology on a commercial basis (Article IV).

From digital divide to great digital divide

The state of development in the LDCs regarding technological capabilities is not very promising. According to the Technological Achievement Index (TAI) developed by the United Nations Development Programme, all the LDCs under consideration belonged to the category of worst performers. The LDCs are also ranked at the bottom of the Innovation Capability Index developed by the United Nations Conference on Trade and Development (UNCTAD). The Global Competitiveness Report 2010–2011 also presents a similar disquieting picture. When indicators related to technological capability are considered, the Report shows that only a few LDCs have been able to make their mark within the top 50 positions. Against this backdrop, it is evident that there remains a major technological gap between the LDCs and rest of the world, including developing countries.

Furthermore, as a result of rapid technological advances in the developed countries and in many developing countries, and comparatively slower progress of the LDCs, this gap has grown over the years (Table).

In view of the increasing marginalization of the LDCs in technological preparedness, it is worth looking into the various channels of TT and understanding to what extent these have been (in)effective in contributing to economic growth in the LDCs. The channels of TT can be both formal (e.g., licensing, foreign direct investment–FDI) and informal (e.g., temporary movement of people). Technology can also be transferred through market (e.g., interaction with upstream suppliers or downstream customers) or non-market (e.g., technical assistance programmes of official development agencies or non-governmental organizations) channels.

TT through international market linkages

Import of capital goods, and their effective use, is the main source of innovation for firms in the LDCs. Capital goods imports of the LDCs have been stagnant over the last three decades when compared to their total imports. Moreover, imports of capital machinery and equipment as a percentage of gross fixed capital formation in the 1980s were higher in the LDCs than in developing countries.

In recent years, the situation has completely reversed. During this time, the LDCs imported relatively little agricultural machinery and information and communications technology (ICT) capital goods, indicating limited TT in the area of agriculture and incipient penetration by the wave of ICT-based innovation. UNCTAD reports that among 24 selected value chains relevant for LDC exports, the LDCs achieved upgrading in only 9 of them which accounted for only 18 percent of their total merchandise exports.[1] By contrast, their exports were downgraded in 12 value chains that contributed 52 percent of total merchandise exports.

FDI inflows into the LDCs have increased markedly over the last couple of decades though slower relative to other developing nations. More importantly, there is little evidence that FDI has significantly contributed to technology accumulation in the LDCs. One can hardly blame these countries' insufficient "opening" to foreign investors, given the policy changes since the 1980s and growth of FDI. Rather, the type of integration of trans-national companies (TNCs) into host countries' economies and the sectoral composition of FDI played contributing roles in this context.

The use of licensing as a channel for "soft" technology transfer is usually dependent on the income level and technological sophistication of economies because of its higher requirement of engineering skills and research and development programmes for adaptation and learning compared to other channels such as capital goods imports. Licensing, therefore, is less relevant to the LDCs than to developing countries as a channel for technology diffusion.

TT in the IPR regime

The technical assistance provided to the LDCs generally has focused on formulating intellectual property right (IPR)-related legislation consistent with the TRIPS Agreement without making any significant contribution to capacity building. As a result, they protect the interests of IPR holders compared to the fundamental development which is the key concern for the LDCs.

It is widely recognized that by augmenting knowledge aid, in the form of technical aid, developed countries could improve aid effectiveness in the LDCs. However, till date, knowledge aid has received limited priority from the donor community. Technical cooperation in the LDCs is broadly designed to improve public sector capabilities for governance and development of public service delivery. It ignores private sector capabilities related to production.

International migration of skilled persons

While temporary movement of professionals to advanced countries can benefit the LDCs, permanent out-migration of skilled workers leads to loss of technologies.

However, the reality is that the LDCs have been concentrating more on unskilled migration rather than shifting to the higher end. Though such a trend has helped these countries expand their remittance basket, the process of TT has hardly benefitted from this.

Way forward

Immediate implementation of the flexibilities and preferential provisions under the TRIPS Agreement must be ensured.

Developed countries can play an important role by providing assistance for bringing back skilled emigrants to the LDCs so that the latter can benefit from brain circulation.

TT to the LDCs must take into account both economic and social requirements with a view to enabling this group of countries to achieve the millennium development goals (MDGs).

As innovators in developed countries and the business community in the LDCs are the key stakeholders in the process of TT, governments must ensure that these entities are aware of the outcomes of various negotiations to facilitate their participation in the implementation stage.

TNCs in developed countries should receive adequate incentives from home governments so that they can invest in technologies that address specific development needs of the LDCs.

Public-private partnership in developed countries can result in encouraging the development of LDC-friendly technology. The LDCs should raise and highlight this issue in different bilateral, regional and multilateral dialogues with due urgency.

A meaningful integration into the global economy depends on both trade performance and the degree of industrialization within the country. With a view to attracting TT, the LDCs should promote domestic investment and support export expansion.

The "great digital divide" between the LDCs and developed countries must be addressed with due seriousness. If such differences in access to ICT continue to persist, attainment of the MDGs and implementation of any Programme of Action for the LDCs can never be ensured.

The LDCs must have access to adequate international financing to undertake adaptation measures in the context of climate change. In addition, LDCs' access to ESTs has to be ensured.

In addition to North-South dialogue, the process of South-South consultation must be strengthened and vigorously pursued. ■

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Notes

1 UNCTAD. 2007. *The Least Developed Countries Report 2007: Knowledge, Technological Learning and Innovation for Development*. Geneva and New York: United Nations.

Overcoming trade and investment challenges of LDCs

Matthias Meyer

Since the creation of the category of the least-developed countries (LDCs) in the early 1970s, the LDCs have evolved in a way that makes an analysis of their development status as a group difficult. Their division into five sub-groups is useful, even if frequently countries are in more than one sub-group (Box).

Many LDCs are in a good position today to move towards a sustainable high-growth path and reduce absolute poverty through employment, following the example of more advanced developing countries. In the past decade, development progress in many LDCs has been remarkable. Before the financial crisis set in, growth of investment, gross domestic product (GDP) and exports was typically high. This was not only due to a price boom for agricultural and mineral commodities, but also to foreign and domestic investment in infrastructure and other productive sectors.

The LDCs were struck first by a doubling of food prices (2007), then by a near-doubling of oil prices (2007–2008) and, finally, by the financial crisis starting in September 2008. Confronting these challenges, many LDCs' policy stance was sound and revealed strong economic governance. Many lowered import tariffs on food, increased subsidies and reinforced safety net programs as a reaction to the food crisis. Oil importers absorbed the oil price hike by increasing subsidies or lowering taxes on oil products. Most oil exporters saved the additional revenues in contrast to earlier oil booms.

When the financial crisis turned into an economic crisis, the LDCs were severely affected, although on average less than other developing countries, owing to their low integration into the international economy. Investment inflows and remittances from diasporas slowed considerably. However, reduced commodity prices reversed the earlier shock for oil importers. Overall, the LDCs recovered quite well from the financial crisis.

The GDP of African LDCs, without oil exporters, for 2009 is estimated at 3.5 percent and that of Asian LDCs at 5.5 percent. Foreign direct investment picked up again starting in the second semester of 2009. It is probable, therefore, that investment and growth are likely to recover and that many LDCs should be able to pursue structural

Box

Five categories of LDCs

- A majority of LDCs are countries, mostly African, with a small- to medium-size population and a narrow range of production and exports, mostly limited to the primary sector; part of them are landlocked, which reinforces their vulnerability.
- A few LDCs, mostly Asian (Bangladesh and Cambodia are the most prominent ones) but also some African countries and Haiti, have expanded into textiles and garments, other manufacturing and agro-processing, and occasionally modern services.
- The economy and exports of several countries are driven by the oil sector: Angola, Chad, Equatorial Guinea, Sudan, and to a lesser degree Timor-Leste and Yemen. These countries are prone to the "Dutch disease".
- A group of LDCs comprises small islands or continental mini-states; while their per capita income is typically rather high, they are more vulnerable to external shocks hitting their mainstay sectors.
- Finally, another group of LDCs may be considered fragile states because of volatile governance and civil strife, often owing to unresolved issues of statehood and treatment of minorities.

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change towards more diverse production and exports.

This article[1] proposes a development agenda for the LDCs at the national and international level, focusing on trade competitiveness and investment, with the following assumptions. First, the recovery of the world economy, including a driving role of emerging market economies, will continue on its present path. Second, the focus of international development assistance will shift from social sectors and emergency aid towards strengthening the business environment, trade and investment. Third, trade and investment policies of developed and advanced developing countries will support and not hinder the LDCs' dynamic integration into the world economy.

What the LDCs should do

First and foremost, the LDCs should prepare a strategy for trade expansion and diversification. The strategy should be based on a sound analysis of the country's potential with the participation of all the relevant stakeholders. A manageable group of policy reforms and projects should be selected to create and strengthen an enabling business environment, institutions to lower trade transaction costs, trade-related infrastructure, well-informed trade policies, sustainable domestic and foreign investment policies, and a public-private partnership on trade promotion and information.

Given the heterogeneous nature of LDCs' needs for and sources of growth, trade and investment strategies should be country-specific and adapted to individual cases. For instance, oil- and mineral-producing countries should try to avoid the "Dutch disease" by diversifying exports and revenue sources as well as making investment in enhancing their export competitiveness. Small island LDCs should focus on designing strategies that address vulnerability to climate change and external economic shocks. Fragile states should focus on maintaining and creating jobs whenever possible.

At the World Trade Organization (WTO), the LDC Group has emerged as a negotiating partner with a single and strong voice over the past few years. This role has now to be strengthened to deal with new challenges in the trade agenda. Therefore, a small permanent secretariat will be required which will be able to organize meetings, inform members of the group, and prepare analytical inputs for LDC governments and international negotiations.

These strategies should be supplemented by sound investment governance. Of particular concern are oil, gas and mining investments which are prone to non-transparent business practices. This is why LDC governments, involved in mineral investments, should adhere to the Extractive Industries Transparency Initiative, which ensures that investments are properly appraised and then monitored, tracing payments made by extractive firms to host governments.

Similarly, foreign investment in agriculture has the potential to raise productivity and welfare but only if it respects the rights of existing users of land, water and other resources, associates local communities and improves their livelihoods, and does not harm the environment. To this end, all sizable investments in a country should be screened beforehand to ensure their sustainability. Such appraisal techniques should find their way into international investment treaties and host state-investor agreements, and LDC governments should acquire the skills to appraise and screen projects.

What the international community should do

The trade, investment and technology policies of developed and advanced developing countries that give strong production and export incentives to the LDCs will be of paramount importance. The coverage of duty-free and quota-free (DFQF) market access preferences should be expanded to

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Donors should help each LDC plan and implement a trade and investment strategy.

all products and all the LDCs. Rules of origin should promote trade and investment and allow for inputs to LDC production to come from all developing countries. This should be backed by Aid for Trade (AfT) measures that are enabling, comprehensive, targeted and practical.

For example, AfT targeted at enhancing the trade facilitation status of a country could have a significant payoff. It is uncontested today that a combination of thorough reforms of customs and other border agencies, more efficient trade logistics services and regulations, and improved infrastructure have a good potential to lower export and import costs, often more than reducing tariffs. The positive impact on landlocked LDCs is greater, if efficient trade corridors to ports are organized.

On top of these initiatives, industrialized and emerging economies should put an end to the stalemate of the Doha Round of WTO negotiations and agree to conclude the same to the benefit of the LDCs. If this is impossible, then an "early harvest" should include DFQF market access, agreement on trade facilitation, and more than proportional reduction of cotton subsidies.

Meanwhile, to make trade agreements effective, a new type of North-South and East-South investment agreements should replace the numerous old-style investment agreements that have proved to be of little use. This would give support to a screening mechanism for important investments to ensure that investment projects follow sound practices and take into account the interests of all stakeholders. A model agreement for sustainable investment prepared in 2005 by the International Institute for Sustainable Development could be used to guide the LDCs while entering into such arrangements.

Development cooperation should focus more decisively on supporting trade competitiveness of and economic diversification in the LDCs. Only a small number of the LDCs have been able to obtain adequate support so far to pursue this agenda. Additional demands will have to be addressed keeping in mind issues such as climate mitigation and adaptation.

Donors should help each LDC plan and implement a trade and investment strategy. This is not necessarily the case today. For instance, most bilateral donors in Africa have chosen only a few partners, and often these are the same for many donors.

Multilateral agencies like the World Bank and the African Development Bank are able to give some counterweight to this aid concentration but are limited themselves by tight resource constraints in their field presence in a number of LDCs. Strong technical representation in the LDCs by donors is a must for an enhanced dialogue which will lead to effective assistance.

The Enhanced Integrated Framework (EIF) is a good framework for aid alignment and harmonization to the extent that it becomes operational and down-to-earth. Non-controversial reforms, capacity building and trade infrastructure should make progress even if ideal institutional arrangements have not yet been sorted out. Donors and LDC stakeholders have a shared responsibility to make the EIF work and accelerate its implementation. They should jointly report on progress and difficulties annually, country by country.

Support to this agenda requires the expertise and presence in the LDCs of cooperation agencies as it is often beyond the resources and skills of the LDCs to do it alone. Bilateral agencies should make an effort to build the capacity of their staff to become familiar with trade and investment issues of the LDCs.

Finally, monitoring and evaluation of projects and country programmes are essential tools, but serve their purpose only if institutions learn by heeding the recommendations made. Not many cooperation agencies have established reliable feedback mechanisms into the new programmes they finance. Both cooperation agencies and LDC governments should give more weight to monitoring and evaluation. Particular care has to be taken to ensure a rigorous feedback of the track record into new operations, a function which the EIF could coordinate. ■

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Note

1 This article is based on "LDCs' Trade and Investment Challenges: A report and action plan of a group of NGOs in view of the Istanbul Summit of Least Developed Countries in May/June 2011", prepared by the author. The report was jointly published by three Geneva-based non-governmental organizations, namely, IDEAS Centre, CUTS Resource Centre, and International Centre for Trade and Sustainable Development (ICTSD).


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Energy Cooperation in South Asia

Olivia Gippner

The energy need of South Asia is predicted to be three times that of today within the next 15 to 20 years. Power and energy trade have been identified as part of a solution because the region is unevenly endowed with natural resources and production capabilities. This article assesses the barriers to regional energy cooperation in the South Asian Growth Quadrangle, comprising Bangladesh, Bhutan, India and Nepal.

Cooperation benefits

It is important to acknowledge the region's diversity in terms of timing and location of loads that could be connected. For Nepal, for instance, there are seasonal complementarities. The country could—upon development of those hydropower plants that are currently in the pipeline—export electricity to northern India during the wet season, when Indian demand is highest and not met by domestic production. During the dry season, imports from Indian thermal power production could alleviate load-shedding and make up for the reduced hydropower production in Nepal.

Seasonal and daily complementarities between the other countries also exist (see Table on next page). They are obvious in the Bhutanese case, where hydropower is already being exported to India on a large scale. The natural gas potential for Bangladesh is still debated. While some claim gas reserves to be insufficient for the country's own demand, there remains potential for cooperation in exploration as well as for transit from Myanmar and the Sea of Bengal.

Therefore, the reason why energy trade might be beneficial stems from the fact that till date no country in the world has been able to successfully store large quantities of electricity other than through batteries and water reservoirs. Given the potential complementarities, one country's surplus could be consumed immediately by the neighbouring country's grid.

Specifically, there are benefits in system operation, economies of scale, improved reliability, optimized transmission networks and an overall increased economic efficiency. On a macroscale, there are economic and financial benefits through increased industrial productivity and subsequently higher revenues, faster growth rate of gross domestic product, as well as foreign exchange earnings for the exporting countries, such as Nepal and Bhutan. A new avenue for cooperation could be the Kyoto Protocol's Clean Development Mechanism, which India is participating in. For instance, the Bhutanese 114MW Dagachhu Hydropower project, which is expected to start operation in 2012, was completed under this scheme.

The complementarities that these countries hold for each other in the area of energy security demand a strong legal and institutional framework. However, the current political reality paints a grim picture. It creates a great need to build trust, coordinate legislation and information for the development of utilities network.

Barriers

In recent years, discussions on defining and promoting regional markets have been high on policy agendas. In general, there are two streams of thought, which—to a certain extent—determine the strategy pursued by policy makers to foster cooperation: regional markets evolve naturally when no or few (technical) impediments exist, thanks to market forces; and political support is the main prerequisite for regional integration. If political support is sufficient, then technical and commercial problems will be resolved.

Table
Energy trade prospects in South Asia

Importing countries	Exporting countries					
	India	Bhutan	Nepal	Bangladesh	Sri Lanka	Myanmar
India		Significant quantities of hydropower	Significant hydropower export possible	Significant amounts of gas power possible; some resource uncertainty	Some peak power support possible	Significant gas and power supply possible
Bhutan	Dry season support		Unlikely; similarity of resources and seasonal shortages	Small amounts of thermal power and gas; connection via India	No Scope	Unlikely (far off; too small market)
Nepal	Thermal power support; dry season support	Unlikely; similarity of resources and seasonal shortages		Small amounts of thermal power and gas; connection via Inda	No scope	Unlikely
Bangladesh	Sharing reserves; electricity swaps	Some hydropower; connection via India	Some hydropower; connection via Inda		No scope	Unlikely (although some potential in hydropower)
Sri Lanka	Dry season and thermal power support	Unlikely (far off)	Unlikely (far off)	Unlikely (far off)		Unlikely (far off)
Myanmar	No scope	Uncompetitive	Uncompetitive	Uncompetitive	No scope	

Source: Energy Sector Management Assistance Programme. 2008. Potential and Prospects for Regional Energy Trade in the South Asia Region. Formal Report 334/08. Washington, D.C.: The World Bank.

Technical barriers

While technical reasons such as grid compatibility, technology and knowledge coordination used to make trade impossible in the past, the Bhutan-India model of power cooperation has demonstrated that such barriers can be overcome. Nevertheless, two key technical constraints remain.

Grid synchronization and codes

Connections between Nepal and India still run on radial mode and capacities of 13kV, which only allow for limited exchange in border areas. Without new synchronized transmission lines which would increase transmission speed and volume, no meaningful trade is possible. The same is true for the very limited Bangladesh-India exchange, as well as for connections between Bhutan, Nepal and Bangladesh because the so-called chicken's neck of Indian territory, the Siliguri Corridor, is hindering any direct connection between these three countries.

Expensive technology

Natural gas pipeline technology, for instance, is costly due to transmission lines, disputes over land rights, need for very large compressors, and huge amount of high-strength large diameter pipe, computer modelling techniques, etc. All of these require considerable up-front investment, which so far has held back the construction of large-scale cross-country pipelines.

Currently, Bhutan aside, none of the South Asian countries are energy surplus. While Bhutan and Nepal have an estimated surplus of hydroelectricity potential, Bangladesh's natural gas reserves are deemed insufficient to satisfy the country's local demand, unless further reserves are discovered.

There are several ways through which technical barriers could be overcome. Governments will have to slowly upgrade their national transmission grids—a process which will have to take place in line with a domestic update of formerly radial transmission. Until then, interconnectors, connecting and making compatible two countries' grids, will allow for actual trade to start. In order to create the critical mass which will satisfy local demand and create a basis for export, as in the case of Nepal and Bangladesh, investment in domestic generation becomes key, alongside joint investment projects (as pioneered in the Southern African Power Pool). Finally, common R&D initiatives can incorporate energy concerns with climate change considerations.

Economic efficiency

Economic benefits were the main reason for cooperation in regions such as the Greater Mekong, the Nordic Pool, and Southern Africa. In South Asia, however, politics seem to overshadow the economic benefits of regional integration. Instruments to mitigate the economic barriers to trade and closer cooperation lie at the government level. Through vigorous analysis of the realistic complementarities, national authorities have to extend their transmission networks to cater to new projects. Furthermore, through investment in large scale joint projects, as has been demonstrated in the Southeast European Regional Energy Market, South Asia needs to lay the foundation for increased trust and cooperation. Creating a conducive investment environment is also vital in the case of Nepal and Bangladesh. These countries have not been able to create the regulatory certainty that has been institutionalized in India and

Bhutan, thus helping their private sectors to thrive.

Environmental concerns

Hydropower generation and the construction of multipurpose projects are considered to have significant environmental repercussions. The construction of multipurpose projects, which include large reservoirs, means a disruption of riverine fauna, displacement of human settlements and agriculture—which may negatively impact less developed regions. However, to minimize adverse effects, organizations like the World Bank and the Organisation for Economic Cooperation and Development have advocated their international guidelines of sustainability, which, if adhered to, would render large hydropower projects socially and ecologically acceptable.

In terms of Bangladeshi natural gas, its exploration also has positive effects. The South Asian coal and oil are the dirtiest of the world. Every unit of electricity produced from hydro and natural gas sources will in fact replace a unit produced from coal or oil. In sum, the net environmental impacts will be positive.

Political and social barriers

In Nepal and Bangladesh, local politicians and key stakeholders are heavily opposed to electricity trade with India. For instance, in Nepal, they see it as "one more strategic weapon to the Indians against Nepal in their armory."[1] Recently the Indian Department of Foreign Trade applied an import duty and classified electricity as a "restrictive commodity" for trade. This demonstrates that in projects, which are not carried out through government-to-government agreements as in the Bhutanese case, private investors have no protection against sudden increases in taxes and investors' final costs.

Furthermore, negotiations for trading agreements are affected by unequal starting positions. Both Bangladesh and Nepal face utter power deficits. While India is also facing a shortage, the country's choice of alternative sources of energy supply, through pipelines, domestic coal, liquefied natural gas import and domestic hydropower development, gives it an upper hand at the negotiation table.

In addition, energy security is defined differently by these countries. While most Nepali and Bangladeshi stakeholders define energy security merely as satisfaction of domestic demand, the behaviour by Indian ministries suggests an emphasis on control of energy generation sources as well. In the case of Bhutan, India's provision of defence puts the country in the position to de-facto control the security of Indian power supply originating from Bhutan.

Overshadowing all other aspects is a severe lack of trust between the regional members. A study by United States Agency for International Development in 2002 found that Nepal's and Bangladesh's populations have a relatively strong objection to exporting energy to India. Throughout the countries, all of which are democracies, a strong distrust between populations and citizens influences their actions and voting behaviour. South Asia is the region that trades the least among each other, owing to a history of mutual antagonism. The Energy Working Group of the South Asian Association for Regional Cooperation, which should be the correct platform to facilitate regional cooperation, appears powerless in the presence of a state's attitude that sees energy trade as a zero sum game.

In order to overcome these barriers, there is a need to decouple politics from energy to a certain level, as seen in other regional agreements. This happened in the European Union upon the creation of the European Coal and Steel Community, where authority over the two commodities was surrendered to a regional supranational body. Such a pre-emptive collaborative attitude can, however, not be expected in South Asia in the short run. Instead, the engagement of negotiating partners through regional platforms, joint capacity building and the negotiation of framework agreements to institutionalize the debate are important steps for moving forward. A similar framework agreement set the basis for the Southern African Power Pool in 1955, and most importantly, created the conditions for power trade and the legal certainty needed for private investors to realize their potential.

Way forward

In order to advance beneficial energy cooperation in South Asian Growth Quadrangle, region stakeholders at the government, civil society and private levels need to be willing to cooperate. It is clear that the first step would be for countries to extend and institutionalize their bilateral ties with India. Through informal channels and regional platforms such as the SAARC Energy Working Group, the amount of communication between energy officials can be increased. This will increase the level of trust, in particular at the highest political level. On a technical level, transmission and distribution operators have to synchronize their grids and invest in domestic power generation. These possibilities, however, will remain confined to a mere blueprint, if India does not accept its leadership role on energy cooperation and integration.

Once the circumstances of political stability and commitment to cooperation are established, technical and commercial problems can be resolved. At this point technical problems can indeed be overcome using the tools and measures available in the global market. Political support at the government level, however, remains the predominant condition for regional energy cooperation in South Asia. ■

This article is based on a discussion paper written by the author for SAWTEE.

Note

1 Shrestha, Ratna Sansar. 2009. Article on Electricity Import from India. 7 July. www.ratnasansar.com/, accessed 25.08.10.

From Rio to Cancun

Expectations from the Cancun climate change conference are low. But an early harvest covering, *inter alia*, finance, technology and adaptation is necessary to keep the negotiations going.

Paras Kharel

In the 1992 Rio Earth Summit, governments recognized that climate change was a real problem, as asserted by the first assessment report on climate change of the Intergovernmental Panel on Climate Change (IPCC), and created the United Nations Framework Convention on Climate Change (UNFCCC) to address the same. As stabilization of greenhouse gases (GHGs) in the atmosphere was crucial in the fight against climate change, the Kyoto Protocol (KP), as a first addition to the Convention, was adopted in 1997 and is in force since 2005.

Giving a binding character to the global regime to combat climate change, the KP set binding targets for 37 industrialized countries and the European Community (Annex I countries) for reducing GHG emissions, by an average of 5 percent against 1990 levels over the five-year period 2008–2012. The United States (US) is the only major industrialized country that has not ratified the KP.

Three more assessment reports have been issued by the IPCC, which does not conduct its own research but makes assessments of the causes and effects of climate change by reviewing worldwide research. With each new assessment report, the picture under a business-as-usual scenario gets grimmer.

The commitment of developed countries as a whole to negotiating a successor to the KP so the world will not be without a binding emissions reduction agreement after its expiry has been increasingly questionable since even before the 15th Conference of the Parties (COP) to the UNFCCC in Copenhagen last December. There was an understanding that the US would be provided an exception, so that it could commit itself to emissions reduction even by not joining the KP or its successor. In the run-up to the Copenhagen summit, many other developed countries, including the European Union (EU), gave more than subtle indications that they too wanted to ditch the KP in favour of a "pledge-and-review" regime that is non-binding.

The Bali Roadmap, agreed by UNFCCC parties in December 2007, set a deadline of 2009-end for negotiations under the Ad Hoc Working Group on Long-term Cooperative Action and Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol to be completed, and an internationally binding climate treaty covering mitigation as well as adaptation needs reached in the COP15.

Copenhagen Accord

The COP15 produced the Copenhagen Accord (CA), which was not adopted

by the membership due to opposition from quite a few developing countries both to its contents and the secretive process through which it came into being. The CA was hammered out by a select group of 26 developed and developing countries led by the US and including China and India in a closed meeting. Procedural matters aside, the CA also came in for sharp criticism for the absence of emissions reduction targets, even those already on offer in the run-up to the COP15.

As a half-hearted gesture towards mitigation, the CA required Annex I countries to submit their quantified economy-wide emissions reduction targets for 2020 to the UNFCCC secretariat by 31 January 2010, and non-Annex I countries, including Brazil, South Africa, India and China (the "BASIC" countries), to submit their voluntary mitigation actions to the secretariat by the same deadline. Major polluters, including both developed and developing countries, submitted their mitigation actions as called for by the CA, although these are not binding commitments.

Among developed countries, the US has offered to cut emissions by about 17 percent by 2020 from 2005 levels while the EU has said it would cut emissions by 20 percent by 2020 from 1990 levels unconditionally and by 30 percent if other nations deepened their reductions. The BASIC countries, which are among the fastest-growing emitters of greenhouse gases, have also announced their mitigation targets. China, the world's largest emitter of GHGs accounting for 17 percent of global emissions, has declared that it will aim to reduce its "carbon intensity"—the amount of carbon dioxide emitted for each unit of gross domestic product—by 40–45 percent by 2020 compared with 2005 levels. India has announced its plan to reduce its own by 20–25 percent compared with 2005 levels. Brazil plans to reduce its growth of carbon emissions by 36–39 percent below business-as-usual levels by 2020. South Africa plans to reduce emissions growth below business-as-usual levels by around 34 percent by 2020 and by around 42 percent by 2025.

Though it is encouraging that major emitters have submitted their planned mitigation actions to the UNFCCC, the commitments are well below what is required in the aggregate for keeping global rise in temperature at 2 degrees Celsius above pre-industrial levels, a goal set in the CA. The IPCC has estimated that developed countries have to cut their emissions by 25–40 percent by 2020 compared to 1990 levels to avoid the worst effects of climate change.

A team of US researchers has

found that the pledges submitted under the CA are in line with a global temperature rise of 3.9 degrees Celsius, which is a level that scientists consider to be disastrous for the environment and human life.[1] An analysis done by researchers from the Sustainability Institute, the MIT Sloan School of Management, and Ventana Systems concludes that "emissions reduction pledges submitted under the Copenhagen Accord process fall short of the level of greenhouse gas emissions reductions required to limit temperature increase to 2 degrees Celsius, relative to pre-industrial temperatures. Instead, the proposals, if fully implemented, would allow global mean temperature to increase approximately 3.9 degrees Celsius."[2] Analysing the pledges by countries that were submitted to the UNFCCC secretariat till 2 February 2010, the researchers concluded that to reach the CA goal—limiting global warming to 2 degrees Celsius—global emissions must peak within the next decade and fall to at least 50 percent below 1990 levels by 2050.[3]

What the United States offers by way of mitigation measures is key to the fate of global climate negotiations yielding a meaningful climate change treaty.

Mitigation divide

The developed world wants advanced developing, and major polluting (in absolute terms), countries, including China and India, to offer more in the area of mitigation actions and subject the same to international monitoring, reporting and verification. The argument is that fast-developing countries' contributions to the new additions to the stock of GHGs in the atmosphere are rising rapidly, even if their historical contributions pale in comparison with those of the industrialized countries. On the other hand, the coalition of developing countries in climate change negotiations, the G77 plus China, emphasizes the "historical responsibility" of developed countries (the stock as opposed to flow concept), the per capita emissions of developed countries being higher than those of developing countries, and the need for assistance from developed countries to developing countries to enable the latter to take mitigation actions.

A balanced approach is needed. There are several proposals towards that end. One is the Greenhouse Development Rights framework (GDRs), a proposal for "a fair division of the burdens of emissions reductions and adaptation to climate change" based on an assessment of capacity (ability to pay) and responsibility (contribution to the problem).[4] The GDRs consider both inequality within countries and inequality between countries: national obligations are based on the exemption of poor individuals (under a "development threshold") from global burdens.[5]

While fast developing countries should contribute to mitigation efforts, the KP should not be abandoned on the pretext that they are not doing enough. Developed countries should make deep reduction commitments in line with their historic responsibility. The Bali Action Plan says national appropriate mitigation actions by developing countries should be supported and enabled by technology, financing and capacity building in a measurable, reportable and verifiable way. Developed countries are stressing the monitoring, reporting and verification part while developing countries are stressing the support part. Both are important. Technology transfer and financing, both for mitigation and adaptation, will be crucial for any binding agreement on mitigation to be reached.

What the US offers by way of mitigation measures is key to the fate of global climate negotiations yielding a meaningful climate change treaty.


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Political divide over responding to climate change is huge in the US. In June 2009, the House of Representatives narrowly passed a climate and energy bill that would cap emissions from most sectors of the economy and establish a nationwide carbon market. It would reduce US emissions by 28 percent below 2005 levels by 2020 (16 percent below 1990 levels) and 40 percent below 2005 levels by 2030 (30 percent below 1990). This bill included an economy-wide cap-and-trade programme and additional "complementary policies," including mandated reductions through efficiency standards.[6] However, a bill similar to the one passed by the House of Representatives was rejected by the Senate in September last year, followed by rejections of weaker versions too. Moreover, with the results of the mid-term Congressional polls in November 2010 that saw Republicans retake the House and increase their numbers in the Senate, the prospects for a significant nation-wide legislation to curb emissions being enacted within the next two years have dimmed.

Caught in-between

The least-developed countries (LDCs) and other vulnerable countries which have and are contributing little to climate change but are bearing the brunt of its effects and are most vulnerable to future impacts are caught in-between the bickering between the rich world and fast developing countries. The CA contained a pledge by developed countries to provide fast-start new and additional funding amount-

ing to US$30 billion for adaptation and mitigation for the three-year period 2010–2012 with a focus on the LDCs, small island vulnerable states, and African countries. Despite the non-transparency of the process that gave birth to the CA and its lack of binding emissions targets, the part on financing was a saving grace for the accord. The developed countries pledged that the funding would be new and additional. Also, developed countries committed to a goal of mobilizing jointly US$100 billion dollars a year by 2020 for mitigation efforts in developing countries. UNFCC Executive Secretary Christiana Figueres says the funding issue is the "golden key" to convincing poor nations that developed countries are serious about addressing climate change. But a number of serious issues are yet to be resolved.

The first is the funding mechanism. The CA called for the establishment of a Green Climate Fund to support developing countries, but it provides no details on the fund's governance structure and how it should operate. While developed countries want the fund to flow through mechanisms under the World Bank, developing countries want a financial mechanism devoid of the defects of the World Bank or the Global Environmental Facility. They want the new finance to flow through existing funds under the UNFCCC such as the LDC Fund, the Special Climate Change Fund, or the Kyoto Protocol Adaptation Fund.

If the most vulnerable countries are to be the priority for the funding, the allocation ought to favour adaptation over mitigation, and the CA overlooks this aspect. While the three-year funding of US$30 billion is meant to be allocated for adaptation and mitigation in a balanced manner, the US$100 billion annual long-term funding is envisioned for mitigation only, although long-term funding is equally needed for adaptation.

The scale of damage wrought by the recent floods in Pakistan indicates that a far greater funding than pledged in Copenhagen is required. By one estimate, at least US$600 billion a year is needed for mitigation and another US$600 billion a year for adaptation.[7] The fund pledged in Copenhagen is only one-sixtieth of what is required for adaptation and one-sixth for mitigation. The allocation for adaptation is particularly low although the urgency of funding is greater for adaptation for poor countries since some impacts of climate change are unavoidable and such countries are least equipped to cope with the impacts.

The fast-start funding has been very slow to flow, though total commitments as of 2 October 2010 amounted to US$28 billion for three years.[8] Moreover, although the CA calls on developed countries to provide "new and additional resources" for the fund, some countries—notably the United Kingdom—have said that fast-start funding would not be additional to the usual official development assistance.

There was some progress on technology in Copenhagen. The Accord reads: "In order to enhance action on development and transfer of technology we decide to establish a Technology Mechanism to accelerate technology deployment and transfer in support of action on adaptation and mitigation that will be guided by a country-driven approach and be based on national circumstances and priorities." Now details of the mechanism have to be agreed. Intellectual property rights and finance are the sticking points in negotiations on technology transfer.[9]

The CA also called for an immediate establishment of a mechanism to enable the mobilization of financial resources from developed countries for enhancing the role of reducing emissions from deforestation and forest degradation (called REDD), including REDD plus, which includes the role of conservation, the sustainable management of forests and the enhancement of forest carbon stocks. Currently, forest loss is estimated to contribute between 12–17 percent of annual global GHG emissions. This is an area where developing countries can potentially contribute to climate change mitigation. Methodological issues, setting of rules, funding, definition and measurement of success, accountability, and scope of REDD plus remain to be sorted out. Negotiators in Copenhagen were close to agreeing on language on social and environmental safeguards, that is, how to ensure the reductions from reduced deforestation and degradation are undertaken in a socially responsible and environmentally sound way.[10]

> Least-developed and vulnerable countries are caught in-between the bickering between the rich world and fast developing countries.

In Copenhagen, negotiators were also very close to agreeing a text on adaptation.[11] Debate centred around semantics, with developed countries pressing for a "framework" for adaptation while developing countries for a "programme" for adaptation with specifics about projects and funding sources.[12] The CA mentions adaptation prominently in several places, particularly with respect to climate finance, including the Copenhagen Green Fund created by the Accord.[13] However, the accord refers to adaptation not only as a response to climate change, but also as a response to "the potential impacts of response measures"[14], at the insistence of oil-rich countries which fear loss of revenue due to mitigation actions across the world.

Tianjin conference

The last climate change meet in the run-up to the COP16 (Cancun, Mexico, 29 November–10 December 2010) was held on 4–9 October in Tianjin, China. Climate finance and the procedures for monitoring, reporting and verifying countries' actions on their obligations to cut GHGs were at the centre of discussions in Tianjin. On the latter issue, the US has made it clear that if the biggest developing countries do not agree to monitor, report and verify all of their mitigation actions, then the US will not agree to any of the cherry-picked standalone decisions on, say, finance and technology.[15] On the other hand, developing countries, including BASIC countries, called for speedy transfer of funding from developed countries for enabling them to take adaptation and mitigation. They also stressed establishing a mechanism for monitoring, reporting and verifying whether developed countries live up to their funding pledges.

> An issue of great concern is the proposal for imposing trade restrictions on goods produced by countries which do not agree to binding emissions reduction targets.

The Tianjin discussions considered the possibility of establishing a Technology Mechanism, the option to create Technology Networks and Information Centres, and establishing a committee that would continue working on details for how an eventual mechanism or agreement might work.[16]

On adaptation, developing countries continued debating over who should receive priority for adaptation funding. Many oil-producing states continue to insist that funding for adaptation also be available to cover the adverse effects of response measures, that is, provide compensation and support to fossil fuel-producing countries when their revenues plummet as a result of a climate agreement.[17] The current draft text on adaptation includes options for a new Adaptation Protocol, and the establishment of a more robust Adaptation Fund.

Discussions on REDD, on which there was considerable progress in Copenhagen, ran into trouble in Tianjin. A workshop and technical meeting on the policy on REDD plus, planned for October in Japan, was canceled. Countries were reluctant to agree to binding emissions reductions also because of the uncertainty about REDD plus rules.

An issue of great concern is the proposal by the US and European countries for imposing trade restrictions or border adjustments on goods produced by countries which do not agree to binding emissions reduction targets. BASIC countries in particular see it as a protectionist measure. In Tianjin, officials from the BASIC pushed for the introduction of a text to "reject the use of unilateral protectionist measures" by developed countries.[18]

Cancun prospects

The prospect of Cancun delivering a legally binding treaty has been dismissed by major official statements and actions. UNFCCC Executive Secretary Figueres has had to admit that "Mexico will not deliver a comprehensive agreement on climate change this year." Hopes for such an agreement are now set for the COP17 to be held in South Africa at the end of 2011.

European Commissioner for Climate Action Connie Hedegaard also conceded that the COP17 in Cape Town would be a more realistic goal. Earlier, Xie Zhenhua, one of China's top climate change officials, had confirmed that China had set its sights on the COP17 for sealing a deal.

Even if a full-fledged treaty does not seem a possibility in Cancun, an early harvest covering areas where negotiations are said to be relatively positive, such as finance, technology, and adaptation, should emerge from the COP16 to keep skepticism over climate change negotiations from thwarting the same altogether.

It is equally important that the negotiations in Cancun take place in a completely transparent and inclusive manner. The secret, small-group meetings in Copenhagen last year, which were responsible for the non-adoption of the Copenhagen Accord, must be strictly avoided. The document that may emerge from the COP16 must be a consensus one. ■

Notes

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Climate change, agriculture and poverty

South Asian agenda

Upali Wickramasinghe

"Most severe flooding the country has seen in over 100 years", is a heading that appeared in newspapers across the globe several times in the recent past. Two most vivid recent examples are the floods in October 2009 in India and in mid-2010 in Pakistan. The number of such floods has quadrupled between 1980 and 2006. The intensity of other natural disasters such as heat waves and severe cold spells has increased manifold.

The Fourth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) states that climate change will have severe impacts on South Asia. The 2010 Climate Change Vulnerability Index, compiled by the British firm Maplecroft on the basis of 42 social, economic and environmental factors, corroborated this recently. Of the 16 countries listed as being at "extreme" risk over the next 30 years, five are from South Asia, with Bangladesh and India in the first and second places, Nepal in fourth, Afghanistan in eighth and Pakistan in 16th. These disasters disproportionately affect the poor, as they depend on agriculture for livelihoods—an activity heavily dependent on nature.

South Asian countries, individually as well as regionally, have made significant efforts towards tackling the challenges posed by global warming. The Thimpu Statement on Climate Change issued on 28–29 April 2010 during the 16th Summit of the South Asian Association for Regional Cooperation (SAARC) covers most of the critical concerns on climate change and the environment, and proposes an action-oriented programme. However, it does not explicitly recognize the impact of climate change on agriculture and food security although adaptation and mitigation are mentioned.

Vulnerability of South Asia

According to the IPCC's Fourth Assessment Report, the future impacts of climate change on South Asia include the following: the glacier melting in the Himalayas causing increased flooding and affecting water resources; increased pressures on natural resources and the environment; increased mortality due to diarrhoea primarily associated with floods and droughts; and increased threats from sea-level rise resulting in inundation, storm surge, erosion, and other coastal hazards.

The Himalaya ecological system, comprising the upper Himalaya glaciers and the Ganges, Indus, and Meghna river systems, was the cradle of civilization in South Asia. It allowed some 1.5 billion people to cultivate lands, rear animals and prosper. With climate change, this seemingly endless cycle of life is likely to transform itself. The Himalayan-Hindu Kush glaciers have been receding since 1800, but the pace has accelerated in recent years. If this trend continues, melting ice will increase flood risks in the short term and threaten water supplies in the long run. The effects are magnified due to the fact that 75 percent of the poor live in rural areas and 60 percent of the labour force relies on agriculture for livelihood.

Other areas projected to face severe impacts include the Terrai grasslands and forests of the southern Himalayas, the Western Ghats biosphere of western India; and the Sundarbans wetlands of West Bengal and Bangladesh. A decrease in wet rainforests and an increase in dry rainforests, prompting more forest fires in places like Sri Lanka, are projected to occur.

The availability of water for human consumption and agriculture is a major concern. It is predicted that a 2–4 percent rise in temperature will expose up to 924 million people to water stress. If climate-induced glacial retreat happens at the predicted rate, the water available from the Himalayan glaciers in South Asia will decline from the current level of 85 percent of total water consumption to 30 percent over the next 50 years.

By 2020, South Asia will have five of the world's mega cities: Mumbai, Delhi, Dhaka, Karachi and Kolkata. A majority of the people in those cities will also be living in slums with little infrastructure and poor sanitation. Supplying water to these mega cities while allocating enough for agriculture will be a challenge.

Coastal ecosystems, particularly low-lying mega deltas, coastal regions and small islands, are at severe risk from climate change. Land loss due to sea flooding, seawater intrusion into freshwater sources and increased salinity will have a significant impact on economic activities, including fisheries. A one-metre rise in sea level can displace several million people in the region's coastal zones. The social and economic impact will be severe in densely populated areas such as Bangladesh and east India.

Intricacies of climate change and poverty

Climate change, agriculture, poverty and food security are intricately linked, and thus removing constraints for economic development and human well-being will certainly require careful scrutiny of the global environment.

Agriculture contributes a quarter of South Asia's national income and over 50 percent of employment. South Asia's population is estimated to exceed 2.2 billion from the current level of 1.5 billion by 2050. Over 600 million people live on less than US$1.25 a day and mostly rely on agriculture and forest resources. It needs only a minor change in the economy for the millions languishing just above the poverty threshold to fall back into poverty, as happened during the 2007–2008 food and financial crises.

Detailed projections based on simulation models[1] suggest a 15–30 percent decline of cereal productivity on average across the region by the middle of the century, but the declines will be higher in arid zones and flood-prone areas where agriculture has reached tolerance limits. Rice yields are expected to decline by 0.75 tons/ha if temperature rises by 2–4 degrees Celsius. If these models include the possible impacts of diseases, pests and microorganisms, crop yields and production will face steep declines. As crops respond to climate change differently, the impact on food security will depend on crop intensity.

Supplying water to five mega cities in South Asia while allocating enough for agriculture will be a challenge.

Food consumption is determined by the interaction of individual preferences, incomes, prices and other social characteristics, whereas prices are determined by the interaction of demand, supply and the market structure. From 2000 to 2050, population and income growth would push global food prices up by as much as 62 percent for rice, 63 percent for maize, 72 percent for soybeans and 39 percent for wheat.[2] Climate change expects to raise food prices by 32–37 percent for rice, 52–55 percent for maize, 94–111 percent for wheat, and 11–14 percent for soybeans.

The predicted rise in food prices, particularly cereal prices, due to climate change will further reduce the amount of food that the poor can consume as the share of food expenditure among the poor is already high. They often switch to cheaper food alternatives and give up nutritious food. It should be noted that South Asia will have 52 million undernourished people even under a no-climate-change scenario. Another group of victims will be female children in societies where female children are less likely to get the same amount of food as male children when faced with shortages.

One silver lining is that South Asia has the potential for further gains in agricultural productivity. If productivity can be increased by the introduc-

tion of better technology and institutional innovations, the above scenarios could substantially be altered. Agricultural gross domestic product (GDP) growth is more effective in reducing poverty, compared to non-agricultural GDP growth.

The crucial test will be on how much technology can be transferred and investment is carried out to improve critical infrastructure in rural areas. According to available estimates, South Asia can counter the effects of climate change on nutrition with an additional annual investment expenditure of US$1.5 billion, covering irrigation efficiency, irrigation expansion, agricultural research and rural roads. This should also extend to investment in biodiversity conservation, as in the rice seed bank maintained by the International Rice Research Institute in the Philippines.

Agenda for action

The Thimpu 16-point agenda provides a useful framework to think through how SAARC member states can collaborate to thwart the potential disastrous consequences of climate change on agriculture and food security, although it does not mention agriculture and food security explicitly.

A key concern is how to feed close to 2.2 billion people who will inhabit South Asia by 2050 while also meeting the challenges of climate change. This is in addition to the higher demand for food generated by higher income. The answer lies in investment in adaptation, enhancing productivity of agriculture and science-based technology such as the development of plant varieties with higher adaptability under severe weather conditions and capacity to perform in a broad set of climate conditions.

Regional investment will help the most vulnerable nations with capacity limitations. Mechanisms such as the SAARC Development Fund should be fully exploited towards this end. In line with other regional development banks, South Asia should also establish a regional bank to mobilize resources for economic development.

Adaptation to climate change is easier when individuals have better options to cope with disasters. The best way to ensure that is through the implementation of a pro-agricultural development policy with climate mitigation and adaptation as key components. While efforts towards adaptation are carried out, South Asia should also be ready with sufficient funds to pay for resettlement, rehabilitation and provision of services to climate refugees.

Similar to the proposal made elsewhere (e.g., in the Association of Southeast Asian Nations) to create a fund to pay for efforts towards adaptation, it would be in the interest of South Asia to set up a fund for such an eventuality. This could perhaps be part of the negotiating agenda along with a fund for agricultural adaptation. Among others, the fund could be used for technology transfer, a key component in the struggle against global climate change.

Collective action plays a significant role in adaptation and mitigation. Farmers who are willing to adapt to changes are outnumbered and thus forced to follow outdated techniques and farming cycles for fear of pest attacks, if faming activities are not synchronized with the rest. The extent of collective decisions taken and the use of community adaptation strategies will determine the success of adaptation. South Asian countries have both the capacity and resources to help one another in developing adaptable crop varieties. Expansion and support for using the already available advanced technology for monitoring the impact of climate change on agriculture and food security, e.g., remote sensing, will be needed urgently. Developing countries need support from regional and international organizations for new technology and training.

As South Asia is recognized as the worst affected region from climate change, it is legitimate to call for more assistance as committed by the Annex I industrialized countries for developing countries under the United Nations Framework Convention on Climate Change. Such a fund can assist communities or regions that have shown remarkable success in adapting to new situations and still protect the environment.

As climate change has no political boundaries, it is in the best interest of all in South Asia to collaborate both within the region and in international forums. Emissions targets need to be specified in quantitative terms with time-frames, rather than mere commitments to making "deep cuts" in the future, to ensure binding agreements rather than vague statements and commitments. The voice in international forums on climate change will have added strength if it is also in line with the commitments and actions taken within the region to address climate change concerns. ■

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Agricultural trade and climate change in South Asia

Chandan Sapkota

There is a consensus among scientists that climate change is real and will variably affect the world we live in and our livelihoods. With nearly 600 million people living below US$1.25 a day, high population density, low-lying areas, and high dependence on agriculture for livelihood, South Asia is one of the most vulnerable regions to climate change. More than 75 percent of South Asia's poor people live in rural areas and bank on rainfed agriculture, livestock and fragile forests.

Climate change affects agricultural yield, which in turn has a strong bearing on economy and livelihoods. It alters comparative advantage in the trade of agricultural goods. Due to an expected decline in yields, potential restrictions on food trade and food-price inflation, food insecurity might increase. Against such a backdrop, apart from attempts to reduce agricultural as well as non-agricultural emissions and smoothen trade flows, adequately funded and concerted adaptation measures have to be implemented in South Asia.

Agriculture and emissions

The emissions level of developed countries with respect to their population is higher than that of developing countries. Yet, the developing countries disproportionately bear the burden of climate change. High-income countries, with one sixth of the world's population, are responsible for nearly two thirds of the greenhouse gases in the atmosphere.[1]

Methane and nitrous oxide produced by the agricultural sector account for about 10 percent of anthropogenic warming. Most of it comes from the guts of cattle and sheep.[2] Globally, agriculture and land-use change and forestry contribute 14 percent and 17 percent of CO_2 emissions, respectively.[3]

In terms of CO_2 emissions (kg per PPP$ of gross domestic product–GDP), the Maldives comes ahead of India and Pakistan in South Asia. Over this decade, CO_2 emission is decreasing in India, but is pretty much stable in other countries. Meanwhile, agricultural methane emissions were decreasing until 1995, compared to 1990 levels, but increased by over 10 percentage points in 2000 in all countries except Sri Lanka (Figure). India emitted the highest amount of agricultural methane in 2000. Fortunately, agricultural methane emissions are now again decreasing in all South Asian countries.

Trade and production

Since most of South Asian countries are net importers of food and all except India are consistently running agricultural trade deficit (Table 1), climate change will not only impact yields but also alter trade flows by affecting prices and volumes of agricultural goods traded within and beyond South Asia.

A country's supply of food is usually a function of total domestic yield, and prices of imports and exports of food. Hence, trade in agricultural goods is essential to satisfy demand in countries with deficit food production. They will suffer heavily if import prices go up due to a decline in regional or global production triggered by climate change. Climate change also alters temperature and precipitation patterns, directly affecting crop yields and indirectly affecting water availability for irrigation. Its impact on the economy will be reflected through fluctuating prices, production, productivity, agricultural investment, food demand and consumption, and human well-being. It will decrease per capita calorie availability, potentially increasing childhood malnutrition.

Climate change will alter the existing pattern of comparative advantage in agricultural trade. It will either increase or decrease trade flows depending on the biophysical determinants of relative advantage and socioeconomic determinants of demand. A sudden rise in prices either due to a fall in supply or an increase in demand might disturb agricultural trade flows, and ultimately production, as farmers tend to shift production to those crops that fetch high prices in the market. Partly because of high food and commodity prices, South Asia, on a net basis, suffered an income loss equivalent to about 9.6 percent of GDP between January 2003 and April 2008.[4] Climate change is expected to affect prices of major crops such as rice, wheat, maize, soybean, and lentil. It will have a strong bearing on the vulnerability and livelihood of South Asian people.

The expected changes in monsoon—which alone carries over 70 percent of South Asia's annual precipitation in just a four-month period—will affect agricultural yields. The melting of glaciers will increase flooding in the low-lying areas and might induce water scarcity in high altitudes from where glaciers recede. Rising sea levels will affect coastlines and intrude agricultural plains with saltwater, thus jeopardizing production potential of arable land.

The most severe climate change scenario predicts that the Maldives will be submerged and Bangladesh will lose 18 percent of its land. There will be an increase in pressure on natural resources due to rapid urbanization and industrialization. The impact on agriculture and production will cost the economy dearly. Even a temperature rise by 2 degrees Celsius above preindustrial level, which is the minimum the world is likely to experience, could result in a permanent reduction in annual per capita GDP by 4–5 percent in South Asia.[5]

Table 1
Agricultural trade balance (US$ million)

Country	1994–1996	1999–2001	2005	2006	2007
Afghanistan	-103.92	-201.55	-708.64	-824.99	-722.82
Bangladesh	-847.27	-1,619.12	-2,078.89	-2,706.83	-3,611.82
Bhutan	-4.89	-8.33	-13.18	-6.34	-5.86
India	2,649.02	1,351.74	3,659.15	4,190.59	8,974.28
Nepal	-120.83	-151.07	-257.96	-135.27	-200.32
Pakistan	-992.77	-800.79	-1,195.89	-1,449.75	-1,697.70
Sri Lanka	29.10	215.23	389.08	-354.75	-398.91

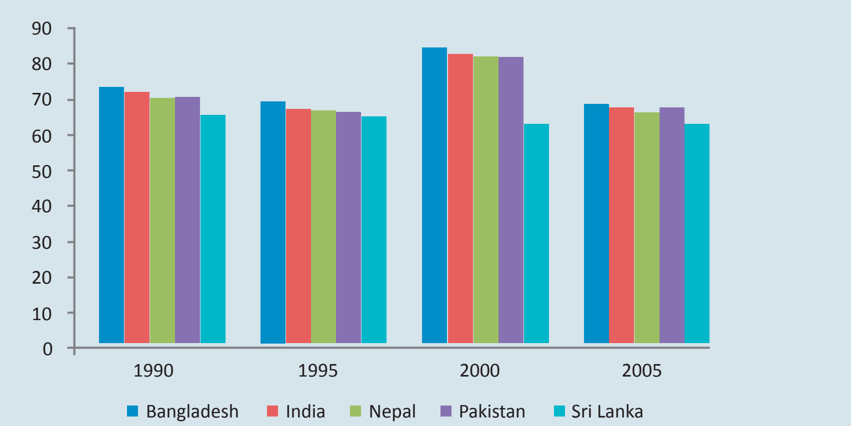
Source: Author's computation using FAO Statistical Year Book 2009/10.

Compared to a no climate change scenario, various models show that, under a climate change scenario, production of maize, millet, rice, and wheat is expected to decline by 6–23 percent, 9–19 percent, 15–22 percent, and 48–53 percent, respectively, by 2050 in South Asia.[6] Meanwhile, net cereal imports are expected to increase by 66.32–87.20 percent by 2050 compared to 2000 levels in South Asia under all climate change models. Note that all South Asian countries except India and Pakistan have a deficit in cereal trade (see Table 2 on next page). Only Afghanistan has a trade surplus in pulses. Afghanistan, Bhutan, India, and Pakistan have a surplus in potato and fruits trade. Except for India and Pakistan, all other South Asian countries have a deficit in meat trade. The trade deficit in major crops reflects production shortages.

Food demand for cereals will decline by 3 percent while demand for meat consumption will increase by 150 percent in South Asia in 2050.[7] The decline in per capita cereal demand will be a result of high cereal prices, while the shift to meat consumption will be the result of an increase in incomes of South Asian people. Overall, per capita food consumption will decline by 19–22 percent in the same period.[8]

Reliable trade in agricultural commodities might help countries effectively cope with food shortages resulting from unexpected weather patterns. More predictable production, supply and trading regimes will help countries manage food stocks and agricultural trade flows. This will also help tame a rapid rise in food prices, as in mid-2008. South Asian countries should work towards creating a framework on not only increasing production, but doing so in an environmentally and economically sustainable way so that there is adequate production and supply for trade to take place unhindered.

Figure
Agricultural methane emissions (% of total)



Source: World Development Indicators 2010.

Food security

Climate change is expected to increase the frequency and intensity of floods, droughts, storms and heat waves—all of which will negatively impact agricultural production and increase food insecurity. It will not only impede the flow of agricultural goods within and across borders, but also put the already vulnerable people at risk.

With climate change, the price of rice is expected to increase by 29–37 percent when compared to a no climate change price scenario by 2050.[9] Rice and soyabeans will see the highest jump in prices by 2050. The total number of malnourished children in South Asia will increase by 2.54–2.82 percent in 2050. Prices of other food items such as maize and wheat are also expected to increase. This will further affect the already vulnerable people and potentially push many below the poverty line.

Furthermore, yield of wheat—a critical crop for regional food security—is expected to drop drastically by 2030. Given the existing agricultural practices and crop varieties, agricultural yields will decrease by almost 18 percent in South Asia.[10] Clearly, South Asia will be one of the most affected and vulnerable regions in the world.

Table 2

Agri-goods trade balance, 2007 (US$ '000)

Country	Cereal	Potato	Meat	Fruits
Afghanistan		752	-14,696	2,381
Bangladesh	-613,509	-2,953	-586	-29,592
Bhutan	-2,676	349	-1	2,227
India	2,938,739	10,991	897,461	159,962
Nepal	-83,549	-6,784	-284	-23,212
Pakistan	1,267,348	20,863	27,631	83,726
Sri Lanka	-292,116	-13,677	-6,954	-14,875

Source: Author's computation using FAO Statistical Year Book 2009/10.

Adaptation and mitigation

Even with the best efforts, global temperature will rise to some extent. Such rise will negatively impact agricultural production, human development and agricultural trade flows. So, there has to be serious and substantial efforts aimed at both mitigation and adaptation. Developed countries should primarily focus on mitigation, while developing countries should focus on both mitigation and adaptation.

The adaptation costs in South Asia are estimated to be around US$ 1.5 billion per year, in addition to costs for increased agricultural research and irrigation efficiency. However, there is lack of sufficient financial and technical capacities to manage increasing climate risk. There should be national, regional and global efforts to help South Asian economies adapt to climate change.

At the national level, countries themselves should initiate better agricultural practices such as zero tilling, irrigation efficiency, preservation of forests and afforestation, and protection of biodiversity, among others. Furthermore, crop production per drop of water and per hectare of land should be increased. Smart cultivation techniques geared towards preserving soil moisture, maximizing water infiltration, increasing carbon storage, minimizing nutrient run-offs and raising yields have to be adopted.

Countries should also invest in rural roads so that there is smooth flow of agricultural goods from production sites to markets. Switching to a low-carbon world through technological innovation and easing access to them along with instituting complementary institutional reforms will be important to mitigate vulnerability.

At the regional level, South Asian countries should cooperate on areas such as facilitation of agricultural trade, technology and knowledge sharing, effective management and utilization of rivers that cut through multiple nations, among others. Innovative and novel water management strategies are required to help South Asia cope with rising incidence and intensity of floods during monsoon and decrease in water level during dry seasons. It should especially be a combined effort of the members of the South Asian Association for Regional Cooperation that have the same sources of water, i.e., the Himalayas. Additionally, to facilitate agricultural trade, regional infrastructural networks should be built.

At the global level, South Asian countries should seek funds for better adaptation to climate change. Along with putting a proper carbon financing mechanism in place, donors should increase the share of official development assistance for agriculture as it has the highest number of poor people directly dependent on agriculture.

There should be greater collaboration on technology, knowledge transfer and funding for agricultural trade facilitation. Since the right price of agricultural products sends a good signal to famers, trade- and production-distorting subsidies in the agricultural sector in developed counties have to stop. To counteract the negative impact of climate change on nutrition intake, an estimated annual investment of around US$2,311million to US$2,963 million is needed in South Asia. Specifically, under different climate change scenarios and models, agriculture research will need US$239 million to US$347 million, clean water US$46 million, education US$737 million, irrigation expansion US$310 million to US$403 million, irrigation efficiency US$823 million to US$889 million, and roads US$62 million to US$532 million.[11] Developed countries and donors should provide adequate funding to meet these costs.

In the case of high vulnerability in the short run, social safety nets should be introduced. For example, Bangladesh has safety net programmes—such as vulnerable-group feeding programme, food-for-work programme, and employment guarantee programme—to reduce vulnerability to cyclones and floods. ■

Notes

1 World Development Report 2010.

2 *The Economist*. 2009. A Special Report on Climate Change and the Carbon Economy. 3 December.

3 IPCC Change Synthesis Report 2007.

4 World Bank. 2009. South Asia Climate Change Strategy.

5 Note 1.

6 ADB. 2009. Building Climate Resilience in the Agriculture Sector of Asia and the Pacific. [7] *ibid.* [8] *ibid.* [9] *ibid.* [10] *ibid.* [11] *ibid.*

Upholding Justice in Climate Negotiations

Paras Kharel

S. Rizwana Hasan

It is an established fact that the saga of climate change is a classic instance of environmental injustice as the disproportionate burden of climatic threats are being and shall be borne by those who had little to contribute to the cause. South Asian countries have among the lowest per capita emissions of greenhouse gases (GHGs), yet the threat for some of them is as grave as "disappearance". The per capita GHG emission of Nepal is 0.1 metric ton, which is the lowest in South Asia, while the Maldives has the highest level, at 3 metric tons per capita. The emission rate of Bangladesh is 0.3 metric ton, while Sri Lanka, Bhutan, Pakistan and India have per capita emission rates of 0.6, 0.9, 0.9 and 1.4 metric tons, respectively. Such rates of emission are insignificant compared to the emission rate of 24.1 metric tons by a United States (US) citizen and 10.6 metric tons by a European.

Fortunately, the legal debates at the international arena over fixing climate change-related responsibilities and entitlements recognized these disproportions and reflected the same in the legal documents. While underscoring the necessity of protecting the climate system for the present and future generations of humankind, the United Nations Framework Convention on Climate Change (UNFCCC), in Article 3, has required the state parties to act on the basis of "equity" and in accordance with "common but differentiated responsibilities and respective capacities". Article 3.1 of the Convention has put definite legal obligations on developed-country parties to take the lead in combating climate change and the effects thereof.

Such provisions have brought in equity considerations at the centre of climate change negotiations. The concept of "historical responsibility" coupled with various other equity considerations has made climate change negotiations extremely political, complicated and tense. Negotiations now require the settlement of issues regarding "responsibility", "capacity and needs", "right to development vis-à-vis right to emit and claim over atmospheric space", "comparable action", "representation" and "intergenerational trust".[1] As countries strive to reach agreements on these contentious issues, science is warning against the rise of global temperature beyond 2 degrees Celsius from the pre-industrial level. This requires a commitment to cut GHG emissions by 40 percent by 2020 by developed countries compared to 1990 levels, and by 80–95 percent by 2050.

Developed countries need to commit to new emissions reduction targets beyond the Kyoto timeline that expires on 31 December 2012. However, the failure of the 15th Conference of the Parties (COP15) to the UNFCCC in setting legally binding targets and the likelihood of a similar fate of the upcoming COP16 has made the situation quite fragile and uncertain. The debate over "comparable action" has undermined the legitimate claims of the vulnerable states and the global community for what is popularly branded as "climate justice" for the poor against "climate debts" of the rich.

While the developed countries are yet to legally commit themselves to emissions targets and assisting developing countries with finance and technology, emerging developing economies are also reluctant to compromise their "right to development" and agree to be bound by specific emissions targets.

The prime negotiation point for South Asia must be to demand legally binding mitigation targets. The fast developing economies of South Asia, still having low per capita emissions,[2] should not be weighed equal to those who have a "historical responsibility" towards the crisis and have much higher per capita emissions. Nonetheless, it is important for these countries to appreciate that reckless development has its own cost and, hence, choosing the lawful, as opposed to the mindless and fast path of development, is always the right choice. If the same requires resources and technologies that are not within the current capacities of these countries and shall mean compromising the rightful aspirations of their citizens to cross the poverty line, the negotiators should be assertive in demanding financial and technological assistance.

As climate negotiations have placed "equity" at the centre, demanding lawfulness at the global level perhaps requires a righteous attitude at the national level, not ignoring of course the hard realities of poverty and aspirations and demands for prosperity. In this regard, the commitment of the President of the Maldives, which is at the risk of submersion, in favour of a low-carbon path is worth noting. While the President has reasserted the urgent need to cut global GHG emissions drastically to protect countries such as his, he has also pledged to wean Maldives off fossil fuels altogether by 2020 to demonstrate that a low-carbon development strategy is possible.[3]

The core negotiation point for a South Asian country like the Maldives is thus to assert its right to territorial integrity and sovereignty, and the right of survival of its 300,000 people. South Asia as a region must express solidarity with the people of the Maldives and the inhabitants of the other low-lying coastal areas of the region to demand time-bound and adequate mitigation measures from developed countries as the first preferred action in combating climate change.

While climate negotiations are increasingly demanding "comparable actions", balancing between the different sets of realities, even among the South Asian countries, remain a major challenge. Recognizing the different realities in which the rich and the poor operate, what should form definite legal obligations for the prosperous and the extravagant may only be encouraged voluntarily for those who are yet to break the circle of poverty. This should be a common position for South Asian countries, whether they are fast developing or least developed.

Given their current poverty eradication and development challenges, allowing the mitigation standards and targets to be raised any higher than voluntary commitments for South Asian countries shall mean injustice to their poor people. Moreover, apathy and contradictions in the stands of developed countries in addressing climate injustices may lead to virtual collapse of international legal processes and global institutions. As this may prove dangerous to poorer nations, the negotiators may do well by articulating the concerns of their vulnerable populace, and by tabling for negotiation peoples' demands as country demands.

They must not be swayed by the sweet promises of money and market mechanisms. Instead, the negotiators representing extremely vulnerable countries like Bangladesh, Nepal and the Maldives should expose the "false" market-based solutions and join other negotiating blocks in demanding concrete and effective domestic measures by developed countries. Instead of subjecting their native forests to carbon trading with the companies of the North, South Asian negotiators should demand a change in the exploitative lifestyle of the northern people that continues at the cost of the atmospheric balance and the rights of the downtrodden millions.

> Developed-country apathy towards addressing climate injustices may cause collapse of international legal processes and global institutions.

While it took eight years for the Kyoto Protocol to come into force and the global community has seen the lack of leadership in the US and the European Union in committing to ambitious emissions reduction targets at the domestic level, the demand for effective mitigation measures, however justified, may yet take years to be legally shaped, articulated and made binding.

South Asian countries, meanwhile, cannot just wait and see. Just as the disproportions in emissions are strikingly high between developed and developing nations, so are the disproportions in bearing the burden of climate change impacts. While mitigating climate change is a real priority, not getting the same done as expected shall require South Asian countries to adapt to the following crisis: a decrease in freshwater availability in large river basins by the year 2050s; increased flooding in heavily populated mega deltas; compounded pressures on natural resources and the environment associated with rapid urbanization, industrialization and economic development; and a rise in endemic morbidity and mortality due to diarrhoeal diseases primarily associated with floods and droughts.[4]

Studies assessing the preliminary climatic dangers for the region have shown a rather gloomy picture for the low-lying and coastal areas of Bangladesh, the Maldives, India, Pakistan and Sri Lanka, and the glacier-linked economy and production systems of Nepal and Bhutan. While the countries need to have appropriate adaptation strategies to tackle these dangers, they also will have to strategize against shortages of fresh-water supply, increased frequency of natural hazards, reduced agricultural production, and increased diseases.

Given the inter-linkages of the water and food production systems of the region, the United Nations Development Programme (UNDP) and the World Bank are fully justified in calling the climatic risks "regional" in nature requiring substantive regional cooperation.

As every crisis can be converted into an opportunity, the climatic threats for South Asian countries can also be utilized to foster increased regional cooperation and solidarity. The Thimpu Statement on Climate Change, adopted at the 16th Summit of the South Asian Association for Regional Cooperation (SAARC), has rightly called for a coordinated regional approach to combat the negative effects of climate change on the livelihood of 1.6 billion people of the region and is a move in the right direction, although the envisaged common SAARC position for the COP16 is yet to be formulated.

Nevertheless, the commitments for adaptation in the UNFCCC (Articles 2, 3 and 4) and in its subsequent processes and documents, including the Bali Action Plan and the Copenhagen Accord, create scope for South Asian countries to work together in building resilience in their peoples, systems and infrastructure against climate shocks.

Given that some of the predicted climatic risks shall materialize even if the best mitigation measures are adopted today by the global community and that these will create some common challenges and additional burdens for South Asian countries in achieving their development goals, they should consider exploring ways to derive maximum benefits from adaptation-related provisions in the UNFCCC. South Asian negotiators should come together in pressing for adequate adaptation support for the protection of interlinked ecosystems and coastal zones, water resources and agriculture against changing and extreme climatic events.

While the advisory groups of economic experts set by the UN Secretary General has just concluded that the goal of raising US$100 billion a year for developing countries is feasible if the political will is there,[5] South Asian countries will do well to unite and reach political consensus in setting the "rules for negotiation" to gain the most for meeting the common adaptation challenges of the region.

South Asia must resist any negotiation process that is non-transparent, dubious, inequitable and unjust.

It is important to remind developed countries of their obligation to take the lead in combating climate change and the adverse effects thereof and to meet the costs of adaptation, and provide financial resources and technological support, as required under the UNFCCC. The countless brackets in the negotiating text of the Ad-hoc Working Group on Long-Term Cooperative Action under the Convention shows how big the gap is in reaching consensus on the adaptation needs of developing countries.

Given its vulnerability, South Asia must dominate the process of defining the "vision" for adaptation and must negotiate vigorously on notions and issues of "compensation", "historical ecological debts" and "prioritization of assistance for countries with least capacity and the most vulnerable to climate change".[6] It should emphasize the issue of migration for appropriate legal protection of people displaced by climate change.

Further, South Asian negotiators shall have to set and agree on a "rule of competition" that will be most equitable and just for the region to tackle the common challenges and for each country to deal with problems that may be unique to it. Thus, prioritization of regional and national needs, defining eligibility and equitability for adaptation support, linking events to climate change and addressing uncertainty over contribution to the crisis and corresponding contribution to adaptation support shall be some of the negotiation challenges for South Asians. All these require common regional positions.

Given the extreme vulnerability of the region to climate change, which is a justice issue, South Asian negotiators should demand support for adaptation "as of right". As stated in the UNDP Human Development Report (2007/2008), the world's poor cannot be left to swim with their own resources while rich countries protect their citizens behind climate-defence fortifications. South Asia should start working to define the objectives and guiding principles of adaptation to make it "right" based as opposed to "resilience" based, particularly when there appears to be no limit on demanding resilience from the poor!

If the reluctance for climate mitigation continues, leading to additional adaptation challenges for the region, it may explore the scope of pressing for a separate protocol for adaptation and for a clear and accessible institutional and financial mechanism at the global level to make the same functional.

In negotiating against climate injustices, the democratic nations of South Asia must stand together in defending the political, social, economic and environmental rights of their populace and must resist any negotiation process (as that in COP15) that is non-transparent, dubious, inequitable and unjust. ■

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Notes

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5 *The Guardian*, November 2010.

6 FCCC/AWGLCA/2010/14, Tianjin climate change meet, 4–9 October 2010.

Foreign acquisition and access to medicines
Case of India

K M Gopakumar


manolobig.com

A new threat to access to affordable medicines in India was unfolded when Ajay Piramal announced the sale of his flagship company Piramal Healthcare to Abbott, a global pharmaceutical multinational, for US$3.7 billion (IRs 17,000 crores). Abbott paid almost nine times more than the sales revenue of Piramal Healthcare. This acquisition made Abbott the number one pharmaceutical company in the Indian market. Now there are only two Indian companies among the top five pharmaceutical companies in the country. Considering the history of pharmaceutical multinational companies (MNCs) in overpricing medicines, such a dominant role of them in the Indian market is a matter of grave concern.

Access to affordable medicines is a critical concern to India. Unlike developed countries, out-of-pocket (OOP) expenditure constitutes the substantial percentage of health expenditure in India. According to the National Health Accounts 2004–2005, private expenditure accounts for 78.05 percent of the total health expenditure in India. Out of this, 71. 13 percent is categorized as spending by households. It means that this health expenditure is from household savings or borrowed money, i.e., OOP. The 2005 report of the National Commission on Macro Economics and Health, based on National Sample Survey data, states that 70 percent of OOP health expenditure in urban India goes for buying medicines and it is as high as 77 percent in rural India. It is estimated that 2.2 percent of healthcare users In India are being pushed into poverty due to healthcare payments. Therefore, availability of low-cost medicine is critical for countries like India to maintain affordable healthcare. Achieving self-sufficiency in pharmaceutical production is the logical step in providing affordable medicines.

The Government of India undertook a series of policy measures to achieve self-sufficiency in pharmaceutical production in the early 1970s. The first step was to revamp the colonial patent legislation and abandon product patent protection. Hence, the Patents Act 1970 allowed only process protection to pharmaceutical inventions. As a result, Indian companies could produce new medicines, which were introduced in the international market but not available to the Indian people. It made possible the production and sale of new medicines at affordable price.

Second, the government introduced controls on the foreign ownership of pharmaceutical companies. Thus, foreign companies were not allowed to hold more than 50 percent of equity. Third, approximately 380 medicines were put under price control. Fourth, pharmaceutical MNCs were forced to start production of both formulation and bulk drugs in India. Lastly, public sector production of bulk drugs encouraged the small and medium enterprise (SME) sector to start formulation. Within a span of 20–22 years, these policy initiatives cumulatively made India not only self-sufficient in, but also a net exporter of pharmaceuticals.

Post-1991, all these policy initiatives were withdrawn. One of the important incentives, i.e., the freedom to produce new medicine, was eliminated in 2005 through the introduction of product patent protection. Under the product patent protection, only the patent holder can produce the drug; no one can produce the patented medicine without the permission of the patent holder. This was done to comply with the obligations under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) under the World Trade Organization. Thus, the pharmaceutical sector was "opened" up to competition from pharmaceutical MNCs, thereby undermining the health needs of the people. The MNCs are buying up major Indian generic companies by paying hefty sums (Table).

These acquisitions threaten access to affordable medicines by the people of India. Historically, MNCs have refused to sell medicines at an affordable price. For instance, they refused to slash down the prices of antiretroviral (ARV) drugs for the treatment of HIV/AIDS even when hundreds of people were dying in Africa everyday. Hence, government should not allow a situation where one billion people of India are at the mercy of pharmaceutical MNCs for life-saving medicines.

While introducing the TRIPS patent regime and product patent protection, the government also incorporated many public interest safeguards to prevent the abuse of patent monopoly. Indian pharmaceutical companies are supposed to use these safeguards to meet the health needs of the people. For instance, the Patents Act contains a provision that allows the production of a patented article (medicine), if the patented article is not available at an affordable price, after obtaining permission from the government authority. There should be an Indian pharmaceutical company, which has the technological and economic capability, to use this safeguard. One cannot expect that a foreign company, especially an MNC, would invoke this safeguard to meet the health needs of the people. The foreign acquisition of large Indian companies has the potential to eliminate the possibility of use of safeguards against abuse of patent monopoly.

Some of these high-priced acquisitions are said to obtain control over the well-established marketing network of Indian companies. MNCs want to use the same to distribute their own high-priced, patented products and replace the existing products. This would result in the non-availability of low-priced medicines from the acquired companies.

It seems there is complacency among the government and policy circles regarding the threat of MNC acquisitions. Even though the health minister has expressed concern regarding the implications of MNC acquisitions of Indian pharmaceutical companies, one is yet to see any concrete action from the government. The immediate step the government can take is to invoke Section 5 of the Competition Act, which empowers the Competition Commission to examine the implications of both mergers and acquisitions (M&As) on competition as well as on economic development. Recently, the South African Commission used a similar provision of the South African Competition Act to force the pharmaceutical MNC Glaxo SmithKline (GSK) to provide licence to other generic companies to produce generic versions of ARV medicines.

A group of civil society organizations—All India Drug Action Network (AIDAN), Centre for Trade and Development (Centad), Drug Action Forum, Karnataka (DAF-K), Delhi Network of Positive People (DNP+), International Treatment Preparedness Coalition – India (ITPC – India), Initiative for Health Equity & Society (IHES) and International People's Health Council (IPHC- South Asia)—wrote to the prime minister requesting the intervention of the government. The letter made the following demands:

- Scrutinize all the M&A activities that have taken place in the last five years within the Indian pharmaceutical industry and their implications for access to medicines.
- Invoke the M&A provisions of the Competition Act at the earliest to facilitate the scrutiny of the Competition Commission on acquisition of Indian pharmaceutical companies by MNCs.
- Appoint a parliamentary committee to examine the threats of patents and acquisitions to access to medicines of the people of India and provide suggestions to address those threats.
- Review the investment policy of approving 100 percent foreign direct investment in the pharmaceutical sector, with an objective of curtailing the control of MNCs on the Indian pharmaceutical market.
- Introduce policy measures to promote local production and research and development by MNC pharmaceutical companies operating in India.

Urgent initiatives are required to protect the self-sufficiency in the pharmaceutical sector, which is a critical element to fulfil the obligations of the government to protect the right to health guaranteed under Article 21 of the Constitution of India. ■

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Table
Acquisition of Indian pharmaceutical companies

Target company	Acquirer	Country of origin	Year	Amount (US$)
Matrix Lab	Mylan Inc	US	August 2006	736 million
Dabur Pharma	Fresenius Kabi	Singapore	20 April 2008	219 million
Ranbaxy Laboratories Limited	Daiichi Sankyo	Japan	11 June 2008	4.6 billion
Shantha Biotech	Sanofi Aventis	France	27 July 2009	783 million
Orchid Chemicals (injectable business)	Hospira	US	16 December 2009	400 million
Piramal Healthcare (domestic formulation)	Abbott Laboratories	US	21 May 2010	3.72 billion

Source: Civil Society Letter to the Prime Minister.

Saving biodiversity

The COP10 Convention on Biological Diversity took historic decisions for biodiversity conservation.

Kamalesh Adhikari

Some 18,000 participants representing the 193 Parties to the Convention on Biological Diversity (CBD) and their partners closed the 10th Meeting of the Conference of Parties to the Convention (COP10) on 29 October in Nagoya, Aichi Prefecture, Japan. Though several concerns have been raised over the meeting's failure to address the issues of some related stakeholders, mainly indigenous groups, the meeting has been regarded as being an important initiative since it adopted historic decisions to meet the unprecedented challenges of the continued loss of biodiversity compounded by climate change.

According to the CBD Secretariat, the meeting achieved its three inter-linked goals: adoption of a new 10-year Strategic Plan to guide international and national efforts to save biodiversity through enhanced actions to meet the objectives of the Convention; a resource mobilization strategy that provides the way forward to a substantial increase to current levels of official development assistance in support of biodiversity; and a new international protocol on access to and sharing of the benefits from the use of the genetic resources of the planet.

The Strategic Plan of the Convention on Biological Diversity or the "Aichi Target" includes 20 headline targets, organized under five strategic goals that address the underlying causes of biodiversity loss, reduce the pressures on biodiversity, safeguard biodiversity at all levels, enhance the benefits provided by biodiversity, and provide for capacity building. Among the targets, it is important to note that the Parties agreed to:

- at least halve and where feasible bring close to zero the rate of loss of natural habitats, including forests;
- establish a target of 17 percent of terrestrial and inland water areas, and 10 percent of marine and coastal areas;
- through conservation and restoration, restore at least 15 percent of degraded areas; and
- make special efforts to reduce the pressures faced by coral reefs.

The Parties also agreed to a substantial increase in the level of financial resources in support of implementation of the Convention.

The "Aichi Target" will be the overarching framework on biodiversity not only for biodiversity-related conventions, but for the entire United Nations system. The Parties agreed to translate this overarching international framework into national biodiversity strategies and action plans within two years.

Actions in support will also take place at sub-national and local levels. The Parties endorsed a plan of action on cities and biodiversity adopted by the Nagoya Biodiversity City summit attended by more 200 mayors. A total of 122 legislators from around the world attending the GLOBE meeting on parliamentarians and biodiversity agreed to support the implementation of the new Strategic Plan.

The importance of acting to conserve biodiversity also received support from the donor community. Representatives of 34 bilateral and multilateral donor agencies agreed to translate the plan into their respective development cooperation priorities.

The Multi-Year Plan of Action on South-South Cooperation on Biodiversity for Development adopted by the 131 members of the Group of 77 and China was welcomed as an important instrument. Financial support for the Strategic Plan will be provided under the framework of the resource mobilization strategy. The Parties will work to define in time for the COP11 in 2012 in India the targets and mechanisms through which financial resources can be identified, unleashed and channelled.

The Parties adopted the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from Their Utilization (See Box for negotiation history). The historic agreement creates a framework that balances access to genetic resources on the basis of prior informed consent (PIC) and mutually agreed terms with fair and equitable sharing of benefits while taking into account the important role of traditional knowledge. The Protocol, while trying to set a transparent mechanism for access and benefit sharing (ABS) and PIC, also proposes the creation of a global multilateral mechanism that will operate in transboundary areas or situations where PIC cannot be obtained.

The Nagoya Protocol is expected to enter into force by 2012, with support from the Global Environment Facility of US$1 million to support its early entry into force *(Adapted from press releases of the CBD Secretariat; and Adhikari, Kamalesh. 2008. Protection of Farmers' Rights over Plant Varieties in Southeast Asian Countries. Kuala Lumpur: SEACON).* ■

Box

Negotiation history of the international ABS regime

Despite the conflicting positions of governments on how to regulate access to genetic resources and implement a global fair and equitable benefit sharing mechanism until the end of the meeting, Parties attending the COP10 were able to adopt the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization to the Convention on Biological Diversity. This protocol is intended to ensure that biodiversity-rich developing countries obtain a fair and equitable share of benefits arising out of the use of genetic resources originating from their territories. While the CBD was opened for signature at the Earth Summit in Rio de Janeiro in 1992 and entered into force in December 1993, the Parties, at the COP4 in 1998, had established a Panel of Experts on Access and Benefit Sharing to clarify concepts and principles related to ABS issues such as PIC and mutually agreed terms.

Taking into account the work of the Panel of Experts, in 2000, the COP5 had established the Ad Hoc Open-ended Working Group on Access and Benefit Sharing with the mandate to develop guidelines and other approaches to assist the Parties and stakeholders with the implementation of the ABS provisions. The Bonn Guidelines on Access to Genetic Resources and the Fair and Equitable Sharing of the Benefits Arising from their Utilization, developed by the Working Group, had been adopted by the COP6 in 2002. These guidelines are voluntary and meant to assist the Parties when establishing administrative, legislative or policy measures on ABS and/or when negotiating ABS agreements.

At the World Summit for Sustainable Development in 2002, in Johannesburg, South Africa, governments called for the negotiation of an international ABS regime. Further to this call for action, at the COP7 in 2004, the COP had mandated the Working Group on Access and Benefit Sharing to elaborate and negotiate an international ABS regime with the aim of adopting instrument(s) to effectively implement the provisions in Article 15 (access to genetic resources) and 8(j) (traditional knowledge) of the CBD, and the three objectives of the Convention. The COP had also agreed on the terms of reference for the Working Group, including the process, nature, scope and elements for consideration in the elaboration of the regime.

The mandate of the Working Group was extended at the COP8, where the COP had requested the Working Group to complete its work as soon as possible and no later than 2010. It had also designated two Co-chairs to lead the negotiation process: Timothy Hodges from Canada and Fernando Casas from Colombia. Further to the COP8, two meetings of the Working Group on ABS, as the negotiating body of the international regime, were held prior to the COP9. The Working Group on Access and Benefit Sharing held its fifth meeting in Montreal, Canada, from 8 to 12 October 2007, and its sixth meeting in Geneva, Switzerland, from 21 to 25 January 2008.

At the COP9 in Bonn, Germany in 2008, the Parties had agreed on a firm process towards the establishment of international ABS rules. The global gathering also produced a plan for the negotiations that not only set out a clear roadmap leading up to 2010, but also provided a short list of options as to which elements should be legally binding and which not.

Uruguay Round Decision on Measures in Favour of LDCs

After the end of the Second World War, when efforts to establish the International Trade Organization (ITO) along with the International Bank for Reconstruction and Development (IBRD), which is now a part of the World Bank, and the International Monetary Fund (IMF), could not materialize, governments, mainly of today's developed world, came up with the General Agreement on Tariffs and Trade (GATT). The coverage of the GATT was limited to trade in goods, but not in its entirety. The Agreement was not perceived to be good enough to address the problems of distortions in agriculture, and textiles and clothing trade, among others. It also did not cover other important areas such as trade in services. Therefore, at a ministerial meeting of GATT members in Geneva in November 1982, the seeds of a new round of trade negotiations were sown. Although the ministers had intended to launch a major new negotiation at that time, they could not succeed due to differences on various issues related to agriculture. However, the work programme that the ministers agreed upon formed the basis for what was to become the Uruguay Round negotiating agenda.

It was only in September 1986, in Punta del Este, Uruguay, that GATT members agreed to launch the major trade negotiations round. The talks were going to extend the trading system into several new areas, notably trade in services and intellectual property, and to reform trade in the sensitive sectors of agriculture and textiles. All the original GATT articles were up for review. It took almost eight years and seven rounds of negotiations to complete the Uruguay Round.

The culmination of the Uruguay Round negotiations was not only the establishment of agreements that covered almost all aspects of trade policy. It also realized the need to put in place some important measures to help developing and least-developed countries integrate well into the global economy. The adoption of "Decision on Measures in Favour of Least-Developed Countries" was one of such important measures.

The Decision

The Uruguay Round Decision on Measures in Favour of Least-Developed Countries was adopted recognizing the plight of the least-developed countries (LDCs) and the need to ensure their effective participation in the world trading system, to take further measures to improve their trading opportunities, and to meet the specific needs of these countries in the area of market access. The adoption of the decision was also a reaffirmation of the commitments of member countries to provide differential and more favourable treatment to the LDCs and to not seek reciprocity from them.

With these recognitions and reaffirmations, member countries decided that the LDCs would only be required to undertake commitments and concessions to the extent consistent with their individual development, financial and trade needs, or their administrative and institutional capabilities. They agreed that:

- Expeditious implementation of all special and differential measures taken in favour of LDCs, including those taken within the context of the Uruguay Round, should be ensured through, inter alia, regular reviews.
- To the extent possible, most-favoured nation (MFN) concessions on tariff and non-tariff measures agreed in the Uruguay Round on products of export interest to the LDCs might be implemented autonomously, in advance and without staging. In doing so, consideration

Table
List of LDCs

Africa (33)	
Angola	Madagascar
Benin	Malawi
Burkina Faso	Mali
Burundi	Mauritania
Central African Republic	Mozambique
Chad	Niger
Comoros	Rwanda
Democratic Republic of the Congo	São Tomé and Príncipe
Djibouti	Senegal
Equatorial Guinea	Sierra Leone
Eritrea	Somalia
Ethiopia	Sudan
Gambia	Togo
Guinea	Uganda
Guinea-Bissau	United Republic of Tanzania
Lesotho	Zambia
Liberia	
Asia (15)	
Afghanistan	Nepal
Bangladesh	Samoa
Bhutan	Solomon Islands
Cambodia	Timor-Leste
Kiribati	Tuvalu
Lao People's Democratic Republic	Vanuatu
Maldives	Yemen
Myanmar	
Latin America and the Caribbean (1)	
Haiti	

Source: www.unohrlls.org

would be given to further improve the generalized system of preferences (GSP) and other schemes for products of particular export interest to the LDCs.
- The rules set out in the various agreements and instruments and the transitional provisions in the Uruguay Round should be applied in a flexible and supportive manner for the LDCs. To that effect, sympathetic consideration should be given to specific and motivated concerns raised by the LDCs in the appropriate Councils and Committees.
- In the application of import relief measures and other measures referred to in paragraph 3(c) of Article XXXVII of GATT 1947 (Box) and the corresponding provision of the GATT 1994, special consideration should be given to the export interests of the LDCs.
- The LDCs should be accorded substantially increased technical assistance in the development, strengthening and diversification of their production and export bases including those of services, as well as in trade promotion, to enable them to maximize the benefits from liberalized access to markets.
- The specific needs of the LDCs should be kept under review and the adoption of positive measures which would facilitate the expansion of trading opportunities in favour of these countries should continue to be sought upon.

Plan of Action for LDCs

At the first ministerial meeting of the WTO in Singapore in 1996, ministers agreed on a Plan of Action for the LDCs. It was put in place to offer a comprehensive approach by including measures relating to the implementation of the Decision on Measures in Favour of Least-Developed Countries, as well as in the areas of capacity-building and market access from a WTO perspective. The Plan of Action also envisaged a closer cooperation between the WTO and other multilateral agencies assisting the LDCs.

The Plan of Action included, among others, the following provisions:

- Capacity building of the LDCs so that they could meet their notification obligations in the WTO.
- Invitation to the WTO Bodies to identify means to assist the LDCs in implementing their WTO commitments.
- Institutional capacity building of the LDCs in the area of trade by working in close cooperation with other relevant agencies such as the United Nations Conference on Trade and Development (UNCTAD), the International Trade Centre (ITC), the United Nations Development Programme (UNDP), the World Bank, the IMF, and Regional Banks.
- Both developed and developing countries (the latter, however, on an autonomous basis) to explore the possibilities of providing preferential duty-free access to LDC products, but with the possibility of providing exceptions.
- Decisions by members to extend unilaterally and on an autonomous basis, extension of certain benefits to LDC suppliers.

Integrated Framework

Pursuant to the Plan of Action for LDCs, the Integrated Framework for Trade-Related Technical Assistance to Least-Developed Countries was officially inaugurated by six multilateral institutions, namely the IMF, ITC, UNCTAD, UNDP, World Bank and the WTO in October 1997. The major aim of establishing the Integrated Framework (IF) was to support the LDCs in trade capacity building and integrating trade issues into their overall national development strategies.

The autumn 2005 meeting of the Development Committee of the World Bank and the IMF endorsed the establishment of an Enhanced Integrated Framework (EIF), not as a new initiative, but with the aim of enhancing the operations of the current IF mechanism to ensure that its overall goal is achieved. At the WTO Hong Kong Ministerial Conference in December 2005, WTO Ministers welcomed the establishment of a Task Force by the Integrated Framework Working Group (IFWG) and the Integrated Framework Working Committee (IFSC) as well as an agreement on the three elements of the EIF:

- Increased, additional, predictable financial resources to implement Action Matrices.
- Strengthened in-country capacities to manage, implement and monitor the IF process.
- Enhanced IF governance.

The LDCs can channel their demand for Aid for Trade through the EIF process. The supply of resources is coordinated local EIF institutions, such as the EIF Focal Point, the National Implementation Unit and the Donor Facilitator.

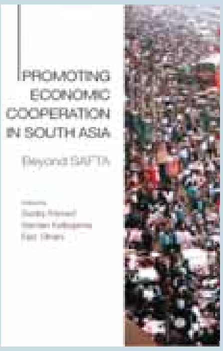
The EIF's Trust Fund, however, is not sufficient on its own to fund many of the activities that the LDCs need to boost up their trade capacity. Additional funds sought through the EIF process over and above the EIF Trust Fund represent a significant proportion of Aid for Trade. The EIF, therefore, forms the key pillar within the much larger edifice of Aid for Trade. ■

Adpated from www.wto.org; www.integratedframework.org

Box

Paragraph 3(c) of Article XXXVII of GATT 1947

The developed contracting parties shall have special regard to the trade interests of less-developed contracting parties when considering the application of other measures permitted under the Agreement to meet particular problems and explore all possibilities of constructive remedies before applying such measures where they would affect essential interests of those contracting parties.



Economic cooperation in South Asia

Title: Promoting Economic Cooperation in South Asia: Beyond SAFTA
Editors: Sadiq Ahmed, Saman Kelegama and Ejaz Ghani
Published by: The World Bank jointly with SAGE publications, New Delhi
ISBN: 978-81-321-0311-0 (HB)

Rajan S Ratna

Promoting Economic Cooperation in South Asia: Beyond SAFTA is based on the deliberations made during the First South Asian Economic Summit held in August 2008 in Colombo. Edited by Sadiq Ahmed, Saman Kelegama and Ejaz Ghani, it comprises selected papers which deal with diverse topics in the context of South Asia. Given the challenges that are faced by South Asian nations, it is perhaps for the first time that a book like this has come out in recent years which first identifies the impediments to economic cooperation in South Asia, deals comprehensively with issues ranging from economic cooperation both at the government and private sector levels to the need for collaboration at the political level by examining the political economy, and then gives the private sector's perspectives.

Against the backdrop of the South Asian Association for Regional Cooperation being in existence for more than 25 years and the Agreement on South Asian Free Trade Area (SAFTA) having come into force in mid-2006, the book is timely in that it presents future prospects for regional cooperation and suggests easily doable actions. The book tries to find a balanced solution to the two distinct faces that exist in South Asia—one, fast growing, highly urbanized and well-linked to global markets, and the other a very slowly growing rural face which is isolated from the global economy.

The book has contributions from authors who have done substantial work related to regional cooperation and integration in South Asia. It is divided into four parts and 17 chapters. Each part deals with specific issues related to regional integration and cooperation in South Asia. The contributions are on issues ranging from fostering economic cooperation and peace in South Asia to making regional cooperation work for the poor people to the existing status of SAFTA, bilateral agreements, trade and transit issues, harmonization of regulatory mechanisms, and managing food crisis. Moreover, issues such as labour migration, employment and poverty alleviation, and cooperation in tourism promotion in South Asia are also explored.

The efforts for regional cooperation should not end with efforts from the government side. The role of private sector is also crucially important in fostering regional cooperation and investment. Accordingly, the book gives due space to private sector perspectives on regional cooperation. Private sector perspectives on regional cooperation from Bangladesh, India, Pakistan and Sri Lanka are highlighted by various contributors. It would have been better to include private sector perspectives of the landlocked nations of South Asia—Afghanistan, Bhutan and Nepal. Finally, contributors have highlighted the political economy of regional cooperation, shedding light on issues and concerns of weaker economies, and the need to properly access, monitor and evaluate various aspects of regional cooperation.

The fact that South Asia will immensely benefit from cooperation is well recognized at all levels. This book has analysed the cost and consequences of non-cooperation and has provided policy prescriptions for all—academia, policy makers, donor institutions and the private sector. The problems of landlocked least-developed countries of South Asia have been identified, and private sector perspectives in country-specific case studies have also been presented.

Among others, the discussion about lagging and leading regions in South Asia in terms of human development indicators and their relationship with trade and regional integration is quite interesting. Raising the level of infrastructure and reducing regulatory barriers to trade are identified as two major strategies to integrate lagging regions with not only the leading regions, but also to national and global economies.

The book looks at the many policy and institutional constraints that contribute to the present state and have made South Asia one of the least integrated regions of the world. It is a unique effort as it brings together perspectives not only from academics, but the private sector, civil society and policy makers as well by using solid empirical evidence and sound analysis. Though there are many publications about globalization, comprehensive studies on regional cooperation in South Asia are lacking. This book is a valuable contribution in that regard. It will be useful for, among others, policy makers, academia, private sector, and civil society working in this region. ■

The author is Professor, Centre for WTO Studies, Indian Institute of Foreign Trade, New Delhi.

CGE Modelling Training

IN view of the growing use and potential of computable general equilibrium (CGE) modelling in trade and development policy research, SAWTEE and South Asian Network on Economic Modelling (SANEM) organized the Third South Asian Training Programme on CGE Modelling from 2–6 August 2010 in Kathmandu. Two dozen researchers, academics and policy makers participated in the training.

The training built the capacity of researchers in South Asia, providing them with basic knowledge of CGE modelling using GAMS software. At the end of the training, participants viewed that this type of training contributes to rigorous research, and informed policy-making and implementation. SAWTEE and SANEM had organized two such training programmes, in 2008 and 2009. ■

Trade, Climate Change and Food Security Programme

FOLLOWING extensive consultations with stakeholders in three events, held in the last two years, SAWTEE and Oxfam Novib have launched a two-year Trade, Climate Change and Food Security Programme in South Asia, beginning 1 October 2010. The programme's broad vision is to contribute to making trade and climate change negotiations and outcomes fair, inclusive, equitable and mutually supportive for ensuring food security in South Asia.

The programme aims to monitor trade liberalization and climate change adaptation and mitigation initiatives; lobby at national, regional and international levels for appropriate strategies and measures to make trade and climate negotiations and outcomes supportive of food security goals; strengthen the capacity of governments and non-governmental organizations, including community-based organizations, and farmer and consumer groups in addressing trade, climate change and food security issues; and expand and strengthen networking and partnership with relevant stakeholders, including policy makers.

The programme includes action and policy research, including country case studies, on issues such as effective operationalization of the food bank in South Asia; regional seed bank; and regional trade in food and agricultural products, and environmental goods and services. ■

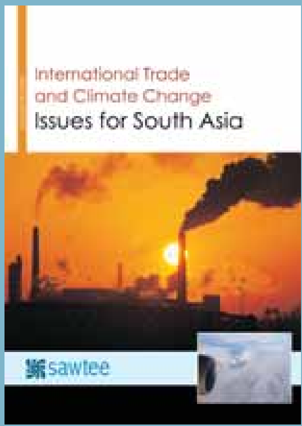
Role of non-state actors in the WTO

ON 15 September 2010, CUTS International organized a session "Role of non-state actors in the WTO" at the WTO Public Forum 2010, in Geneva. The event identified ways in which different groups of non-state actors (NSAs) influence the ongoing discussions at the World Trade Organization (WTO); discussed whether NSAs are successfully influencing WTO negotiations; and came up with suggestions to optimize the role of NSAs in the WTO.

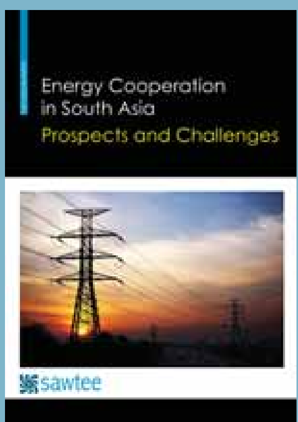
More than 60 participants from different country missions to the WTO, inter-governmental organizations, non-governmental organizations, and other institutions attended the event. Participants viewed that NSAs have been playing crucial roles in creating better informed societies. However, the acceptance and the effectiveness of NSAs, especially in the developing world, are debatable and need to be strengthened. ■

SAWTEE has new address and logo

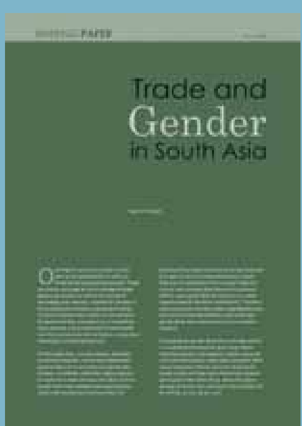
SAWTEE has moved to its own premises. With inputs from its member institutions, it has also changed its logo reflecting its mission of strengthening partnership on trade, economic and environmental issues in the eight countries of South Asia. ■



Discussion Paper: International Trade and Climate Change: Issues for South Asia
Author: Nitya Nanda
Publisher: SAWTEE



Discussion Paper: Energy Cooperation in South Asia: Prospects and Challenges
Author: Olivia Gippner
Publisher: SAWTEE



Briefing Paper: Trade and Gender in South Asia
Author: Aparna Shivpuri
Publisher: SAWTEE

sawtee

South Asia Watch on Trade, Economics and Environment (SAWTEE) is a regional network that operates through its secretariat in Kathmandu and member institutions from five South Asian countries, namely Bangladesh, India, Nepal, Pakistan and Sri Lanka. The overall objective of SAWTEE is to build the capacity of concerned stakeholders in South Asia in the context of liberalization and globalization.

www.sawtee.org