

Aid for Trade Discourse Reflections from South Asia

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Presentation outline

- ▶ Trade-related challenges for South Asia
- ▶ National level AFT funding
- ▶ Regional level AFT funding
- ▶ Agenda for the near future



Trade-related challenges for South Asia

- ▶ Supply-side constraints
- ▶ Limited competitiveness
- ▶ Low level of regional integration
- ▶ Limited participation in global value chains



Supply-side constraints and competitiveness

- ▶ Productive capacity
- ▶ Availability and quality of infrastructure
 - Electricity
 - Transportation
 - Standard-related
- ▶ Trade facilitation measures (Table 1)



Thickness of border

Table 1: Relative thickness of South Asian borders vis-à-vis ASEAN countries

Detailed cost break up (Per container as percentage of 2011 GDP per capita)	South Asian countries									ASEAN countries		
	AF	BD	BT	IN	MD	NP	PK	SL	MS	SG	TH	
	To export											
Document preparation	105.0	30.3	14.9	27.9	4.1	48.5	9.3	4.8	0.9	0.3	3.5	
Customs and technical control	55.2	20.2	7.7	8.7	0.5	48.5	16.8	10.1	0.6	0.1	1.0	
	To import											
Document preparation	117.9	49.8	10.7	26.9	6.5	43.6	13.0	6.7	0.8	0.2	2.5	
Customs and technical control	55.3	20.2	16.2	13.4	0.5	48.4	16.8	10.1	0.6	0.1	5.1	

Source: Author's calculation based on Doing Business Report (World Bank 2012)



National level AFT funding – I

- ▶ AFT funding has been generally growing in the region
- ▶ While the growth has been linear in the case of other countries in the region, AFT to two countries, namely Afghanistan and India, have grown rapidly (Figure 1)
- ▶ Between 2002 and 2011, AFT disbursement to Afghanistan has increased by 3,579%, while disbursement to Pakistan has decreased by 36% (Figure 2)
- ▶ Average annual growth rate shows a different picture. Barring an outlier Maldives, the growth rate for Afghanistan is still phenomenal (Figure 3)



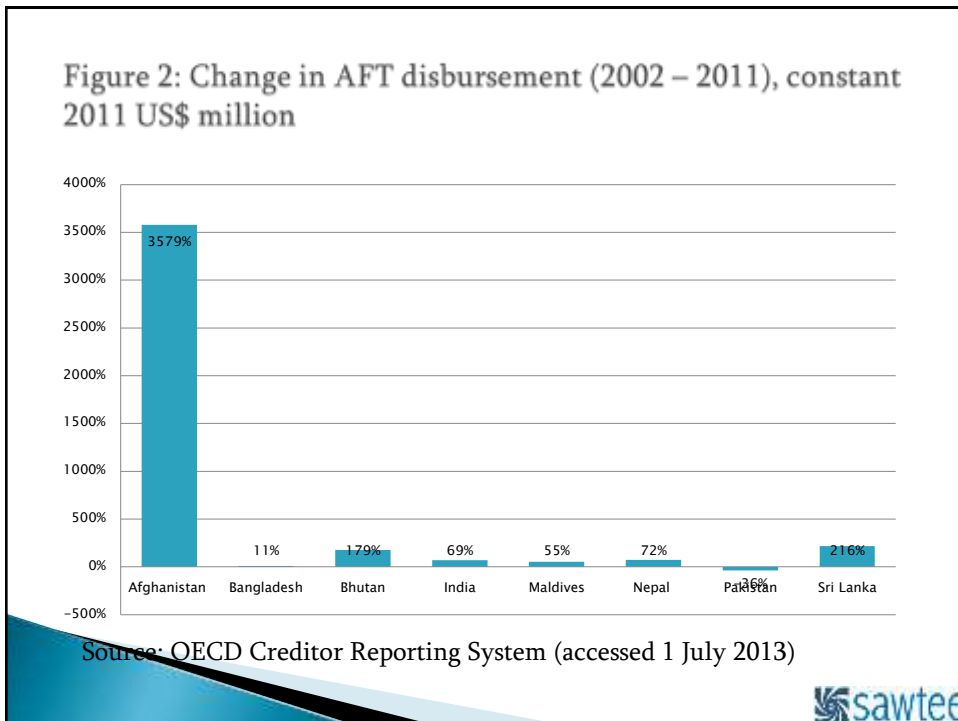
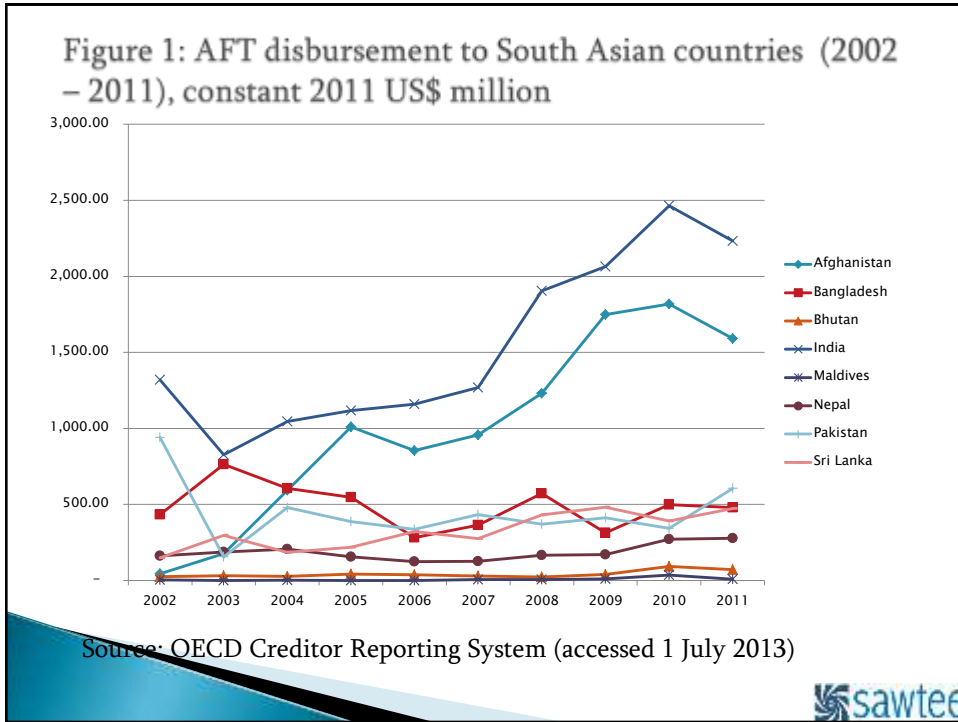
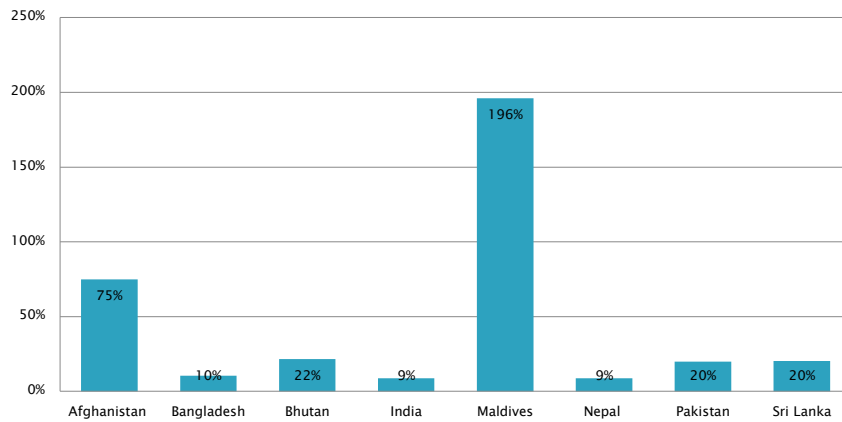


Figure 3: Average annual growth rate of AFT disbursement (2002 – 2011), constant 2011 US\$ million



Source: OECD Creditor Reporting System (accessed 1 July 2013)

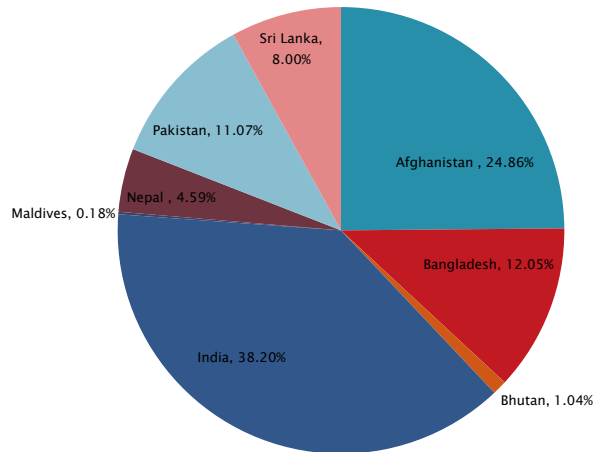


National level AFT funding – II

- ▶ During the decade (2002 – 2011), disbursement to top two countries (Afghanistan and India) accounted for 63%, while other six countries received a total of 37% (Figure 4)
- ▶ These provide reasons to suspect if donors are guided by their foreign policy and commercial objectives
- ▶ Out of these resources two categories (economic infrastructure and building productive capacity) account for more than 95% funding in all the countries
- ▶ Definition of AFT is a major problem



Figure 4: Distribution of AFT resources in South Asia (2002 – 2011), constant 2011 US\$ million



Source: OECD Creditor Reporting System (accessed 1 July 2013)



AFT for regional projects - I

- ▶ AFT funding for regional public goods (such as regional infrastructure, creation of regional testing facilities, regional research and development bodies), are extremely limited in South Asia
- ▶ Regional funding only constitutes less than 0.5% funding received by South Asian countries put together – several times lower than the global average of regional funding – which is nearly 20% according to a paper commissioned by OECD (see Plummer 2013)
- ▶ This is not even commensurate with the level of trade integration in the region

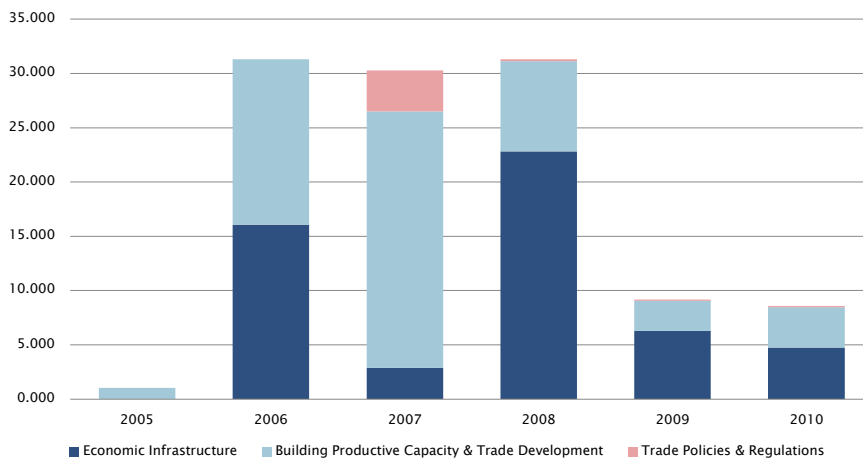


AFT for regional projects – II

- ▶ What South Asia has received so far in the form of regional funding between 2005 and 2010 (Figure 5) is a paltry 2% of the requirement of one single country (Bangladesh) for which investment requirement for enhanced connectivity has been calculated at US\$ 5.2 billion (Rahmatullah 2010)
- ▶ The fact that the above mentioned OECD report does not even mention “South Asia” even once in the entire 60 page text speaks volume of the priority accorded to the region for financing regional AFT projects



Figure 5: AFT commitment for regional projects in South Asia (constant 2011 US\$ million)



Source: OECD Creditor Reporting System (accessed 8 April 2013)



Agenda for the near future

- ▶ Two important events (4th Aid for Trade Global Review and 9th Ministerial Conference of the WTO) are taking place in the near future
- ▶ South Asian countries should bring forward the following issues in these events:
 - Skewed delivery of resources – both nationally and regionally
 - Definitional issues
 - Some form of special treatment to LDCs that have not received the share of AFT they deserve. For example:
 - One-third of the total AFT should be received by LDCs
 - Raise the grant component of AFT to four-fifth of total AFT disbursed to LDCs
 - Provide preferential access to financing for such regional projects in which at least two LDCs are involved and/or from which at least an equal number of LDCs are expected to benefit.



Thank you

