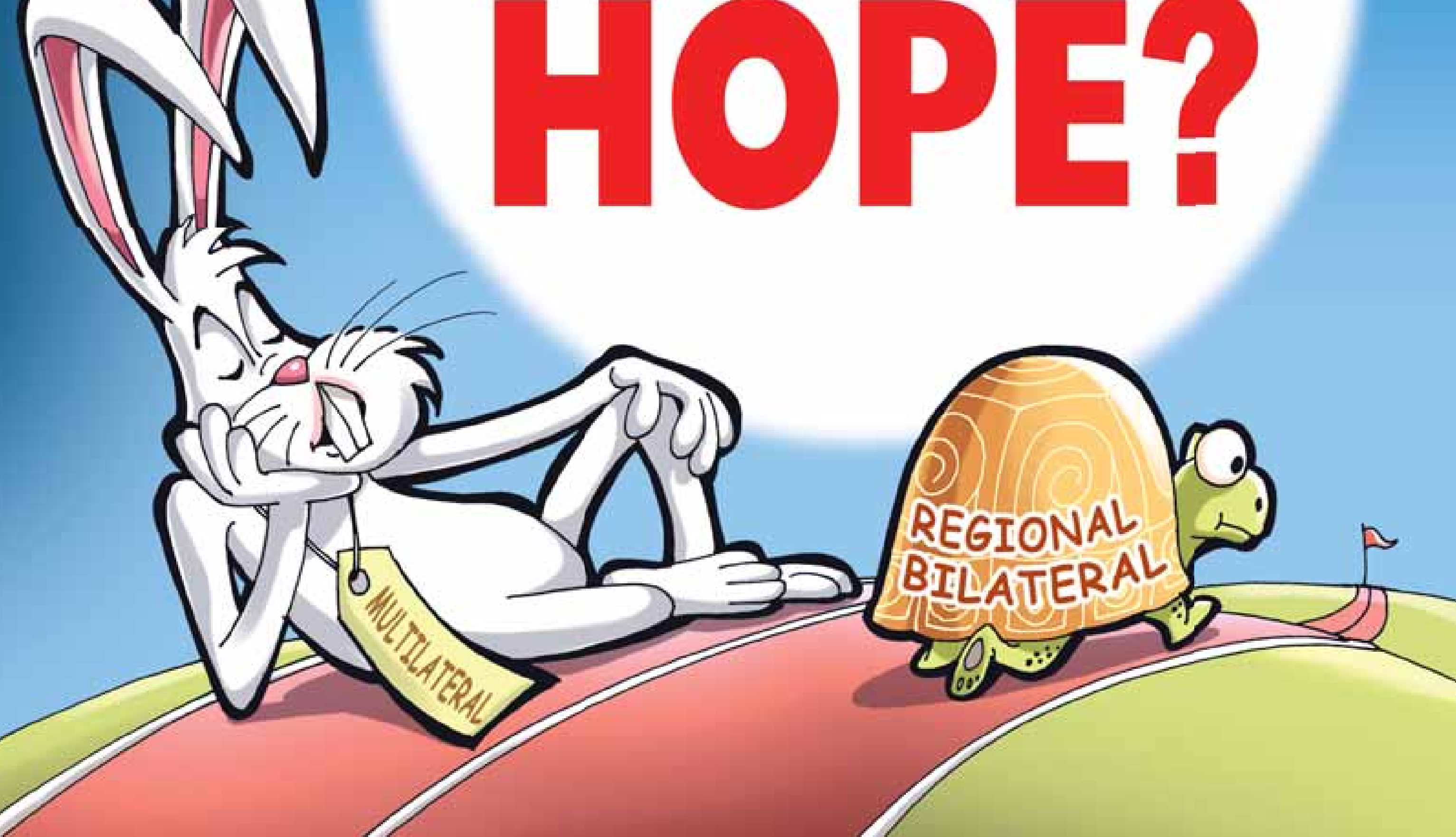
A dialogue on trade and development in South Asia
Vol. 9, No. 3, 2013

TRADE insight

FEATURES ON
COP19/CMP9
UNITED NATIONS
CLIMATE CHANGE CONFERENCE
WARSAW 2013

CAN BALI RENEW HOPE?



AID FOR TRADE | TECHNOLOGY TRANSFER | CLIMATE FINANCE | LOSS AND DAMAGE

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TRADE insight

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editors' note

Save multilateralism

COUNTDOWN to the Ninth Ministerial Conference of the World Trade Organization (WTO), scheduled for 3–6 December, has begun. The world anxiously waits to see whether Bali will result in significant progress towards concluding the infamous Doha Round. As stressed by the newly appointed Director-General of the WTO, the outcome of the Bali Ministerial, and ultimately the Doha Round, will shape public's perception about the future of the WTO.

WTO members have the opportunity to make Bali a success and restore faith in the multilateral trading system. If not on all contentious issues, they can agree on the mini-package that has been tabled, and which covers trade facilitation, agriculture and least-developed country (LDC) issues. If the prospects of agreeing to even these three components of the mini-package are grim, members can at least agree on an LDC package, which probably is the least contentious issue currently. Failure to do so might put the future of the multilateral trading system at risk and cause members to turn more towards preferential trading arrangements—a shift that is already underway—which is not in favour of developing countries and LDCs given the asymmetric power relationship between them and developed countries.

The WTO is not yet broken. Of its major areas of work, namely dispute settlement, monitoring, and negotiation, the first two have been attended well by the WTO. Countries have continued to bring in trade disputes to the WTO, and it has been performing its monitoring function through conducting trade policy reviews of member countries. Furthermore, over the years, it has also taken trade capacity building of developing countries and LDCs as one of its core areas of work. Particularly, the Aid for Trade initiative has been one of the few areas of relative dynamism and progress within the WTO. Nevertheless, since it is the negotiating function based on which success/failure of the WTO will be judged the most, Bali should not let members return home empty handed.

While countries eagerly wait to witness Bali outcomes, they, specifically developing countries and LDCs, are also keen on the outcomes of the 19th Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC COP19) scheduled for 11–22 November in Warsaw. That is because climate change has emerged as a new development challenge, and developing countries and LDCs do not have the wherewithal to address it. Moreover, given that the changing climate is mainly the result of developed countries' historic contribution to greenhouse gas emissions, it is their responsibility to provide developing and least-developed countries all needed support to address the current and ensuing challenges. Therefore, developing countries and the LDCs expect Warsaw to deliver outcomes on climate finance, technology transfer, and loss and damage, among others, in their favour.

On climate finance, although a number of financing mechanisms such as the Global Environment Facility and the Least Developed Countries Fund exist, the scale of funding is inadequate. Therefore, developed countries should commit and act to raise the scale of funding. Regarding technology transfer, it is necessary to ensure that intellectual property rights do not cause hindrance to the transfer of green technologies. Also, it should be borne in mind that developing countries and LDCs' needs are more for adaptation technologies than those for mitigation.

Successfully concluding the mentioned two important global events is in the interest of all countries, whether developed, developing or least-developed, since they all get to benefit from the outcomes in one way or another. It will also send a strong message that countries have not forgotten how to negotiate a multilateral deal. ■

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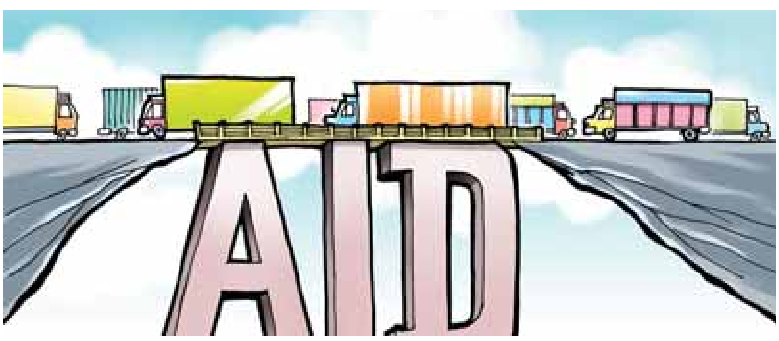


BANGLADESH
1. Bangladesh Environmental Lawyers' Association (BELA), Dhaka
2. Unnayan Shamannay, Dhaka

INDIA
1. Citizen consumer and civic Action Group (CAG), Chennai
2. Consumer Unity & Trust Society (CUTS), Jaipur
3. Development Research and Action Group (DRAG), New Delhi

NEPAL
1. Society for Legal and Environmental Analysis and Development Research (LEADERS), Kathmandu
2. Forum for Protection of Public Interest (Pro Public), Kathmandu

PAKISTAN
1. Journalists for Democracy and Human Rights (JDHR), Islamabad
2. Sustainable Development Policy Institute (SDPI), Islamabad

SRI LANKA
1. Institute of Policy Studies (IPS), Colombo
2. Law & Society Trust (LST), Colombo

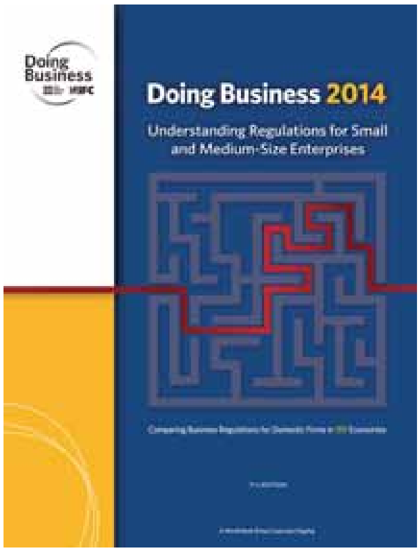
South Asia implements regulatory reforms

THERE is no denying that the private sector is the engine of economic growth of any world economy. A business-friendly environment that enables entrepreneurs to build their businesses and reinvest in their communities is key to local and global economic growth. Governments play a critical role in supporting and facilitating the growth of the private sector; they set the rules and regulations, and create an environment that is ideal for doing business and fostering entrepreneurship.

According to *Doing Business Report 2014: Understanding Regulations for Small and Medium-Size Enterprises*, 114 economies around the world significantly stepped up their pace of improving business regulations in 2012/13. The report states that if economies around the world were to follow best practices in regulatory processes for starting a business, entrepreneurs would spend 45 million fewer days each year satisfying bureaucratic requirements.

The *Doing Business Report* benchmarks the regulations that affect private sector firms, in particular small and medium-size enterprises. It looks at how countries have performed on 10 indicators—starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency.

Singapore tops the global ranking on the ease of doing business. In the case of South Asia, six of the eight economies in the region completed 11 reforms simplifying the process of starting a business, strengthening access to credit, or easing the process of paying taxes. According to the report, Sri Lanka is one of the 29 economies



in the world that improved the most in the ease of doing business. It is also the regional leader in implementing regulatory reforms and is ranked 85th out of 189, followed by the Maldives (95th), Nepal (105th), Pakistan (110th), Bangladesh (130th), India (134th), Bhutan (141st) and Afghanistan (164th). Sri Lanka took steps to simplify access to electricity for firms, reduce fees in construction permits, and implement electronic system for filing taxes and paying for port service.

Unfortunately, India—South Asia's largest economy—has slipped two positions and is behind most of its South Asian neighbours. Despite being the only South Asian country with a complete online system for filing and paying taxes, India lags behind many regional counterparts in terms of paying taxes. Moreover, it is the worst performer in South Asia in three indicators: starting a business, dealing with construction permits and enforcing contracts.

Afghanistan and Bhutan are the two worst performers in the region. Nevertheless, they have implemented some regulatory reforms. Afghanistan strengthened access to credit by implementing a unified collateral registry, and aims to reduce the time and cost to obtain a business license by eliminating the requirement of inspecting premises of newly registered companies. Bhutan improved access to credit information by passing regulations that govern the licensing and operation of its credit bureau, and made starting a business easier by reducing the time required to obtain security clearance certificate.

Similarly, Bangladesh and Nepal made business start-up faster by reducing administrative processing. Specifically, Bangladesh automated the registration process and reduced the time required to obtain a trading license and to complete the tax and value added tax registration, while Nepal reduced the administrative processing time at the company registrar by establishing a data link between agencies involved in the incorporation process which reduced registration time from 15 to 7 days.

The island nation of the Maldives also implemented reforms and made paying taxes easier for companies by introducing electronic filing systems for corporate income tax, sales tax and pension contributions. Moreover, the report states that the Maldives has advanced the furthest in narrowing the gap with the most efficient practice and regulations in registering property since 2009.

In the case of Pakistan, like India, it too slipped three positions in global ranking in the ease of doing business. Its performance deteriorated on almost all indicators, mainly on getting an electricity connection and paying taxes *(Based on Doing Business Report 2014)*. ■

Private sector participates in pre-COP19 meeting

www.cop19.gov.pl

FORTY ministers and their representatives; Secretariat officials of the United Nations Framework Convention on Climate Change (UNFCCC); Co-chairs of the Ad Hoc Working Group on the Durban Platform for Enhanced Action, the Subsidiary Body for Implementation, and the Subsidiary Body for Scientific and Technological Advice; and, for the first time, representatives of the business sector, gathered in Warsaw on 2–4 October to present their views and discuss a number of issues ahead of the 19th session of the Conference of the Parties (COP19) to the UNFCCC taking place in Warsaw on 11–22 November.

The pre-COP meeting focused on business involvement and climate finance, the proposed 2015 universal climate agreement, ambition of action, and loss and damage. It was agreed that clarification is needed on the incorporation of mitigation commitments into the 2015 agreement; the nature of the consultation phase; how to capture differentiation of the commitments; and how the "legally binding" concept will work in practice.

Business sector representatives emphasized the need for a simple and stable regulatory framework that would limit investment risk, and provide clarity and a long-term perspective for investments and initiatives. On finance, discussions focused on swift capitalization and operationalization of the Green Climate Fund and how public finance can leverage private investments.

Similarly, on the 2015 agreement, ministers agreed that mitigation, adaptation and means of implementation must be addressed in a balanced manner. Moreover, they emphasized the need to have a decision at COP19 on a timeline for negotiations until COP21. They also urged for progress in Warsaw on loss and damage. Views converged on recognition of link among mitigation, adaptation and loss and damage; the need for advancing collective understanding of the effective approaches towards loss and damage; and risk management, enhanced cooperation and coordination, access, sharing and use of existing data.

The incoming COP19 President confirmed his intentions to take up, among others, the issue of climate finance and of the new agreement at the High Level Segment in Warsaw *(climate-l.iisd.org, 10.10.13)*. ■

Poorer regions most at risk from disasters and climate extremes

A RECENT report, *The Geography of Poverty, Disasters and Climate Extremes in 2030*, states that extreme weather linked to climate change is increasing and may cause disasters that nullify the progress made in poverty reduction. It adds that without concerted international action, up to 325 million "extremely poor" people, mainly in South Asia and sub-Saharan Africa, will be living in 49 hazard-prone countries in 2030.

According to the report, Nepal and Pakistan are among the 11 nations most at risk of disaster-induced poverty. It argues that if the international community is serious about eradicating poverty by 2030, it needs to put disaster risk management at the heart of poverty eradication efforts. More importantly, the report stresses that the post-2015 development goals must include targets on disasters and climate change, recognizing the threat they pose to the goal of eradicating extreme poverty by 2030 *(www.climatecentre.org, 24.10.13)*. ■

Wages in Bangladesh to rise, but not to meet expectations

businessinsider.com

ROCK bottom wages and trade deals with Western countries have propelled Bangladesh's garment sector to a US$22 billion industry, accounting for four-fifths of the country's exports, and making it the world's second largest apparel exporter. However, according to the latest data of the International Labour Organization, the minimum monthly wage for garment workers in Bangladesh is 3,000 taka, which is around half of what their counterparts in rival Asian countries Vietnam and Cambodia earn, and just over a quarter of that in China.

After a string of fatal factory accidents that thrust poor working conditions and pay into the spotlight, Bangladesh is going to announce a new minimum wage soon, bowing to international pressure and as part of its efforts to address the garment industry's image problem. Factory bosses have formally offered 3,600 taka, but workers want the minimum wage, which was last raised in 2010, to go up to 8,000 taka a month.

Wages have not kept up with inflation, which, on average, is nearly 9 percent since the last hike in July 2010. The wage would need to hit 3,877 taka just to keep pace with inflation, which is more than what factory owners have offered. Factory bosses counter that they would like to pay workers more but can only cover this cost by charging Western retailers more, which could jeopardize Bangladesh's sole appeal—its bargain basement rates.

Some factories are already struggling with higher costs due to retailers demanding stricter safety standards after the accidents. According to an exporter based in Dhaka, he would have to charge retailers 30 percent more if wages went up to 4,500 taka.

Many workers say they will go on strike again if their demands for a pay hike are not met. While some of them would accept an offer below the 8,000 taka their unions are demanding, anything under 6,000 taka is likely to spark widespread protests.

According to a survey carried out by the Centre for Policy Dialogue, a Dhaka-based think-tank, garment factory workers need around 6,450 taka a month just to meet their basic living costs. Given the predicament, the wage negotiations must somehow strike a balance between Western fashion giants, politically-connected factory owners and protesting staff *(in.reuters.com, 21.10.13)*. ■

SAFE "rule book" launched

THE South Asian Federation of Exchanges (SAFE) has announced the completion of the first version of its "rule book". It details uniform model of regulations for adoption by all member countries of the South Asian Association for Regional Cooperation (SAARC) to financially integrate South Asia.

The proposed regulations are related to market operations, market integrity and enforcement regulations. All SAFE members in Pakistan, India, Sri Lanka, Bhutan, Maldives, Bangladesh and Nepal would be encouraged to adopt the provisions of the "rule book" to promote market integrity, efficiency and transparency.

According to SAFE, there is a need to increase cross-border financial activities within South Asia to create strong intra-regional links and an integrated economic region *(dawn.com, 02.08.13)*. ■

Greater trade liberalization called for from SAARC members

ADDRESSING the 7th South Asian Free Trade Area (SAFTA) Ministerial Council meeting in Colombo, Mr. Ahmed Saleem, Secretary General of the South Asian Association for Regional Cooperation (SAARC) called for greater reduction of sensitive lists, elimination of non-tariff barriers and aligning of customs procedures, to boost intra-regional trade in South Asia—one of the most populous regions in the world.

Trade under the SAFTA Agreement has crossed the US$2.5 billion mark, which is largely due to reduction in the sensitive lists by at least 20 percent by all member states except Bhutan. However, SAARC is still often criticized because its regional trade is low compared to other similar regional organizations such as the Association of Southeast Asian Nations and Latin American Free Trade Association.

"One of the reasons cited is that the number of trade items in the region is still in the sensitive lists of the member states such as agricultural commodities. I am happy however to note that the Phase II exercise to further reduce sensitive lists and liberalize those lists have been undertaken and two meetings in this regard have already been held", Mr. Saleem told delegates.

He acknowledged that larger volumes of trade within the region are taking place via bilateral free trade agreements inked between SAARC members than under SAFTA, but insisted that both forms could be integrated for common growth. He also appealed SAARC leaders to fast track the implementation of the SAARC Agreement on Trade in Services *(www.business-standard.com, 23.08.13).* ■

Better border infrastructure for India-Bangladesh trade

3.bp.blogspot.com

INDIA is developing border infrastructure with Bangladesh to boost bilateral trade between the two countries. Indian companies are showing keen interest to invest in such infrastructure projects.

According to an Indian official, the Indian government has given highest priority to developing various infrastructures along the 4,096-km India-Bangladesh border in West Bengal, Tripura, Assam, Meghalaya and Mizoram. Dhaka and New Delhi are also trying to simplify the travel documents, including visas, of various types so that people of the two countries can travel easily and in large numbers. Moreover, for the benefit of the people on both sides of the border, the two countries have started setting up of "border haats" (markets) along the India-Bangladesh border. "These would boost local trade and people-to-people contact between the two countries," stated the official.

India is also setting up 13 integrated check posts (ICPs) along its borders with Bangladesh, Myanmar, Nepal and Pakistan. The ICPs are envisaged to facilitate effective and efficient discharge of sovereign functions such as security, immigration, customs and quarantine, while providing support facilities for smooth cross-border movement of people, goods and transport *(www.mizonews.net, 11.09.13).* ■

Talks on SAARC visa liberalization begin

MEMBER countries of the South Asian Association for Regional Cooperation (SAARC) began deliberations on one of the much touted issues of the region—visa liberalization within member states—in Kathmandu on 13 August.

During the fourth SAARC Summit held in Islamabad in December 1988, leaders realized the importance of people-to-people contacts in member countries and decided that certain categories of dignitaries should be entitled to a special travel document, which would exempt them from visas while travelling in the region. Subsequently, the fifth SAARC Summit held in November 1990 in the Maldives decided to launch the scheme with a view to putting in place a visa-free regime in South Asia. Accordingly, the SAARC visa exemption scheme was launched in 1992.

The recent two-day meeting of a "core group" of immigration and visa experts from all the member countries held at the SAARC Secretariat aimed to expand the scope of the visa exemption scheme. The scheme currently entitles only a limited number of people to travel visa-free within the region. It includes 24 categories of persons, including dignitaries, judges of higher courts, parliamentarians, senior officials, businessmen, journalists and sportspersons.

Visa stickers issued by the respective member states to these persons are generally valid for one year. The guidelines and procedures governing the visa scheme provide for annual meetings of immigration authorities of member countries in order to facilitate its smooth functioning.

The fifth meeting of immigration authorities held in Male on 24 September 2012 had recommended holding a "core group" meeting to see if new categories of persons could be included in the visa list.

In the past, India and Pakistan were cagey over the several visa liberalization proposals due to security concerns. To give momentum to the process, the Asian Development Bank and the SAARC Chamber of Commerce and Industry have prepared a draft proposal to expand the visa scheme in the grouping *(www.ekantipur.com, 14.08.13)*. ■

WTO urges India to resolve food security issues

AMID concerns being raised by developed countries over the Government of India's food security programme, new WTO chief Roberto Azevêdo has asked India to work out a solution to the vexed issue ahead of the Bali Ministerial Conference of the WTO in December. The United States, Canada and Pakistan, among others, have raised concerns about India's new food security legislation which entitles around 67 percent of the country's population to 5 kilogram of subsidized foodgrain every month.

The WTO Agreement on Agriculture (AoA) allows so-called "market distorting subsidies" up to a limit on 10 percent of total production. However, if the new food legislation is fully implemented, India's subsidies will breach the 10 percent mark. A group of developing countries at the WTO, including India and China, is lobbying hard to ensure that the AoA is amended at the Bali Ministerial to remove limits on public stockholding and food aid *(www.thehindubusinessline.com, 03.10.13)*. ■

LDCs table draft decision on services waiver

THE Least Developed Country (LDC) Group at the World Trade Organization (WTO) has tabled a draft decision on the operationalization of the waiver concerning preferential treatment to services and service suppliers of the LDCs. The draft decision has been put forward by Nepal, on behalf of the LDC Group, for consideration as part of the outcome of the Ninth WTO Ministerial scheduled for 3–6 December in Bali.

The draft decision, among others, proposes that the operationalization of the services waiver be a standing item on the agenda of the Council for Trade in Services, and that an annual review be undertaken to assess the status of operationalizing the waiver. It also proposes that the General Council convene a Signaling Conference in July 2014, with a view "to accelerating the process of securing meaningful preferences for LDCs' services and service suppliers and to fully operationalize the waiver". The draft decision also highlights the issue of lowering, ideally removing, market access barriers, domestic regulatory as well as administrative barriers, and other relevant measures that may impede current or potential LDC services exports. Furthermore, it urges donors and international institutions to increase financial and technical support aimed at overcoming these constraints. It also proposes that the Ministerial Conference reaffirm that the waiver granted by Members constitutes an important positive effort to help increase the participation of LDCs in world services trade *(www.twnside.org.sg, 18.10.13)*. ■

Climate Change and Migration

some policy options

A multi-pronged strategy is necessary to address climate change-induced migration as it can either be an adaptation strategy or a result of climate change-induced calamities.

Jagannath Adhikari

Internal as well as cross-border migration has grown rapidly over the years. For example, in 2010, there were about a billion migrants globally, of which 214 million were international migrants and 740 million internal migrants.[1] Asia is the primary source of migration to most of the world's immigrant-receiving countries, and has a 30 percent share in the world's total migrant population.[2] Of the total migrants in 2010, the estimated number of people displaced due to sudden-onset of natural disasters was over 42 million, a large majority (38 million) of which were displaced by climate change-related disasters—primarily flooding and storms.[3] The Internal Displacement Monitoring Centre (IDMC) has estimated that over the last two decades, the number of natural disasters has doubled from about 200 to over 400 per year. Accordingly, the number of people displaced due to disaster has been higher than that of people displaced due to conflict.[4] Thus, climate change, which has added to natural disasters, is increasingly recognized as one of the major drivers of migration across the world.

Number of climate change-induced migrants

It is projected that possible impacts of climate change such as frequent extreme events of floods, typhoons, cyclones and desertification; water scarcity; salination of irrigated lands; and depletion of biodiversity will likely increase the number of displaced people in the world. Over the last 30 years, the number of storms, droughts and floods has increased threefold with devastating effects on vulnerable communities, particularly in the developing world.[5] Specifically, in the Asia-Pacific region, climate change-induced migration is emerging as a major challenge, and is likely to impact many development areas, including disaster risk management, infrastructure investment, regional integration and cooperation, and urban development.[6]

The Asia-Pacific region is considered as one of the hotspots in terms of climate change-induced migration and displacement. There are no reliable estimates of climate change-induced migration per se, but according to IDMC, more than 42 million people were displaced in the Asia-Pacific region during 2010 and 2011, which includes those displaced by storms, floods, heat and cold waves, drought and sea-level rise. Within the Asia-Pacific region, the number of people displaced by climate-related and extreme weather events in 2011 were 3.8 million in East Asia, 3.4 million in Southeast Asia, 3.5 million in South Asia and 0.9 million in Central and West Asia.[7]

Claims about the extent of human migration caused by climate change are often debated since migration is linked not only to climate change, but also to other complex processes of environmental, socio-economic and political changes.[8] Thus, it is often difficult to estimate the impact of climate change on migration. However, as early as 1990, the Intergovernmental Panel on Climate Change (IPCC) had declared that one of the main consequences of climate change would be migration.[9] According to estimates, by 2050, the total number of climate change-induced refugees and migrants[10] would be roughly 200 million[11], which in itself is a ten-fold increase over today's entire documented refugees and internally displaced people.

Nevertheless, there are uncertainties in the understanding of how people will actually react to long-term environmental change, including climate change.[12] Gradual changes in the environment tend to have a greater impact on the movement of people than extreme events. For instance, over the last 30 years, twice as many people have been affected by droughts (1.6 billion) than by storms (718 million).[13]

Rise in urbanization and increase in the density of settlements are emerging challenges in the face of global climate change. This has been mainly so in the Asia-Pacific region, which, by 2020, will host 13 of the world's 25 mega cities, most of them situated in low-lying coastal areas. Moreover, more than half the population will live in densely populated areas that are at risk due to flooding, and which lack basic protective infrastructure.[14]

3.bp.blogspot.com

Effects on South Asia

Within the Asia-Pacific region, along with a few Pacific countries, climate change is expected to take the heaviest toll on South Asia. Four of the 10 countries most vulnerable to climate change in the world are located in this region.[15] The region has traditionally been an important source of migrants—both within the region and outside—and climate change is expected to contribute to the numbers.

Sea level rise due to climate change will be a major contributing factor to human displacement in South Asia. Low-lying coastal areas of Bangladesh, India, Maldives, Pakistan and Sri Lanka, which are also densely populated, will be adversely affected by sea level rise. It is anticipated that by 2050, 1.4 billion Indians will be living in areas experiencing negative climate change impacts.[16] Climate change is also expected to increase migration in the Himalayan region. On the one hand, settlers facing water scarcity in their settlements will migrate in search of new locations with better access to water. On the other hand, many might migrate from low-lying regions to high hills and/or mountains to escape the scorching summer temperatures.

Moreover, climate change is going to have differentiated impacts on men and women in South Asia. That is because migration from South Asian countries has been highly gendered, with majority of the migrants being male. Thus, to escape climate change impacts, men might migrate to other countries, but women would stay behind and bear the brunt of its impacts on resources such as water and forest while carrying out regular activities like farming, fetching water and gathering fuel wood. Climate change will also have a disproportionate impact on the poor, the marginalized and the weak.

Policies to deal with climate change-induced migration

While different policy measures have been put in place to deal with climate change at international and national levels, only a few policy initiatives have been taken to deal with climate change-induced migration per se. Paragraph 14(f) of the Cancun Adaptation Framework decided at the 16th Conference of the Parties (COP16) to the United Nations Framework Convention on Climate Change (UNFCCC) makes specific reference to migration and displacement. It states: "... invites all Parties to enhance action on adaptation under the Cancun Adaptation Framework, taking into account their common but differentiated responsibilities and respective capabilities, and specific national and regional development priorities, objectives and circumstances, by undertaking, *inter alia*, ...measures to enhance understanding, coordination and cooperation with regard to climate change induced displacement, migration and planned relocation, where appropriate, at national, regional and international levels."

Although "migration" was included in the draft negotiating text for COP14, it faced resistance. Particularly, in the negotiation process, there was heated discussion over the definition of "climate change-induced migration" and the use of the term "climate refugee". Therefore, they were discussed further, including at COP15 in Copenhagen, and finally "climate change-induced migration" and "displacement" were included in the outcome document of COP16.[17]

Apart from the Cancun Adaptation Framework, which is a non-binding convention, there is no legal international framework that specifically refers to displacement caused by environmental problems. However, there exist some instruments and mechanisms that deal with migration and displacement in general, such as the Geneva Convention, the International Labour Organization Convention on the Protection of Labour Migrants, the Guiding Principles on Internal Displacement, the Inter-Agency Standing Committee Operational Guidelines on the Protection of Persons in Situations of Natural Disasters, and the Pinheiro Principles that states the right for refugees and displaced people to return to their land and home.[18] Regrettably, these instruments and mechanisms are not widely known and have not been effectively implemented.

There are also bilateral and regional agreements covering migration in general, which, if properly implemented, could make migration across national borders easier during times of emergency. Regional conventions such as the Kampala Convention (Africa), the Cartagena Declaration (Latin America), ASEAN Economic Community (with provision for free migration within ASEAN countries by 2015) and the Colombo Process (consultative process on the management of overseas employment for Asian countries) include provisions to address environmental migration. Unfortunately, in South Asia, there is no regional agreement that deals even with issues related to migration in general. At the bilateral level, there exist agreements on migration between South Asian countries and labour receiving countries in the Middle East. For example, Nepal has bilateral agreements with four labour receiving countries.

At the national level, South Asian countries have put in place individual national plan of action for adaptation. Most of these plans cover issues related to climate change-induced migration, but have not formulated specific plans to deal with them.

Way forward

Addressing climate change-induced migration requires a multi-pronged strategy, as migration can either be an adaptation strategy or a result of climate change-induced calamities. Also, migration can be internal, regional or global. Therefore, policies should be formulated to strengthen the ability of people to adapt to and cope with the vulnerabilities induced by climate change, but without necessarily having to migrate to a different location. In particular, policies that strengthen various assets (social, financial, natural, human and political); improve livelihoods of people; and provide safety nets for the poor, marginalized and vulnerable groups become important. Policies should facilitate migration for those displaced by climate change-induced events, should that be the best option. That calls for easy availability of reliable information about migration opportunities, better mechanisms for remittance flow at low cost, and more importantly, assistance to climate refugees to find appropriate places for re-settlement and employment.

Since a number of climate-displaced migrants struggle to cross national borders, fluid cross-border migration and support for climate change-induced migrants are required at regional and global levels. An international framework to make migration opportunities accessible to all vulnerable groups is a genuine requirement. Moreover, the Cancun Adaptation Framework that included the issue of migration and displacement needs further refinement to make international movement of climate change-induced migrants easier. Similarly, countries should show greater flexibility in accepting and supporting climate change-induced migrants. ■

The author is Research Fellow, Australian National University, Canberra.

Notes

1. IOM. 2012. *World Migration Report 2011*. Geneva: International Organization for Migration.
2. Klugman, J. dir. 2009. *Human Development Report 2009-Overcoming Barriers: Human Mobility and Development*. New York: United Nations Development Programme.
3. IOM (2012). Note 1.
4. *ibid*.
5. *ibid*.
6. ADB. 2012. *Addressing Climate Change and Migration in Asia and the Pacific*. Manila: Asian Development Bank.
7. *ibid*.
8. Foresight. 2011. Migration and Global Environmental Change-Final Project Report. London: Government Office for Science; and Jäger, J. et al. 2009. EACH-FOR Synthesis Report. Budapest: EACH-FOR.
9. IPCC. 1990. "Climate Change: The IPCC Scientific Assessment". Report prepared for Intergovernmental Panel on Climate Change by Working Group I.
10. There are debates regarding the use of terms "climate refugees" or "climate migrants" to describe the people who migrate because of climatic problems. Here, both are used interchangeably. There is also a practice of using the term "forced climate migrant", which becomes less controversial in the event of imminent or acute disasters. At the initial stage, migration can be voluntarily undertaken as a coping or adaption mechanism to climate change events. For example, there are some evidences that migrants can use remittances for better adaptive measures. But, in the later stage, when the impact becomes critical, migrants have to leave the place. Decisions to migrate, however, are mediated by a complex mix of socio-economic, cultural, political and other factors.
11. Burke, E., S. Brown, and N. Christidis. 2006. "Modeling the Recent Evolution of Global Drought and Projections for the Twenty First Century with the Hadley Centre Climate Model." *Journal of Hydrometeorology* 7: 1113-25; and Stern, N. (Ed.). 2006. *The Economics of Climate Change: The Stern Review*. Cambridge: Cambridge University Press.
12. ADB (2012). Note 6.
13. IOM. 2013. "Migration, Climate Change and the Environment." Accessed 24 August 2013.
14. ADB (2012). Note 6.
15. *ibid*.
16. *ibid*.
17. Warner, Koko. 2011. "Climate Change Induced Displacement: Adaptation Policy in the Context of the UNFCCC Climate Negotiations." Geneva: Division of International Protection, UNHCR. PPLA/2011/02.
18. ADB (2012). Note 6.

LDCs' concerns on Climate Finance

Developed countries should ensure that least-developed countries can have direct access to the climate funds that are already available.

Tirthankar Mandal

According to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC), in order to avoid global temperature from rising beyond 2 degrees Celsius of the pre-industrial level, developed countries need to reduce their greenhouse gas (GHG) emissions to below 25–40 percent of the 1990 level by 2020. Similarly, developing countries need to reduce their emissions by 15–30 percent of their baseline levels by 2020. That means, as stated in *The Emissions Gap Report 2010*, global emissions need to be at the level of 39–44 gigatons carbon dioxide equivalent ($GtCO_2e$) per year by 2020, which is far below the current level of 54 $GtCO_2e$ per year, and needs to reduce steeply thereafter.[1]

The gap in emissions needs to be bridged through a combination of policies and measures, which need to be undertaken by both developed countries and emerging developing countries that are increasingly having large emission footprints. Regarding the least-developed countries (LDCs), their contribution to emissions has historically been very low, but they are the ones that are most vulnerable to the effects of climate change. Their vulnerability is due to their lack of ability and capacity to take appropriate measures against climate change. Hence, although they share the concerns of developed and developing countries in reducing emissions, they have other pressing concerns that need to be attended first.

LDCs' concerns

Due to climate change, precipitation has become increasingly unpredictable, while biodiversity depletion and extreme weather events such as cyclones, floods and droughts have become increasingly common. These are going to have multifaceted effects on LDCs, thus adding to their existing development challenges. Among others, climate change will affect economic activities, and jeopardize health and food supply, consequently exacerbating malnutrition and poverty in LDCs.

To adapt to these consequences, LDCs need support of and cooperation from developed and developing countries in different forms, mainly access to finance. Their financial needs are more for adaptation than for mitigation. Nevertheless, it would be beneficial for LDCs to position themselves to ensure the greatest benefits from mitigation also, not only to avoid the impacts of climate change, but also to secure a sustainable development future within the emerging global low-carbon economy and its opportunities for development.

Global provisions for climate finance

The whole gamut of funds available for climate finance can be divided into the following modes of financing: i) funds provided by developed country governments from national budgets; ii) sources that contribute to national budgets, dependent on national decisions; iii) sources that contribute to national budgets, dependent on international agreements; iv) funds collected internationally, pursuant to an international agreement; and v) leveraged private sector funds. Of these, funds provided by developed country governments from national budgets are the only predictable and secured sources of funding.

Table (page 14) provides various estimates of the amount each source could generate, whether the funds would be directed to adaptation or mitigation, consistency of the source with the principle of common but dif-

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ferentiated responsibility (CBDR), and its political acceptability.[2]

Concerns about climate finance

Ever since the conclusion of the 13th session of the Conference of the Parties (COP13) to the United Nations Framework Convention on Climate Change (UNFCCC) held in Bali in 2007, the focus of discussions on climate finance has been on the evolution of a global financial mechanism that would lay down a structure for financial support to developing countries and LDCs. Also, over the years, discussions on climate finance have been mainly structured into three broad streams: i) sources of climate finance; ii) scale of climate finance; and iii) governance of climate finance.

While the sources of funds have been identified and established, as discussed above, the scale of funds available is nowhere near the required level as estimated by several studies. Moreover, accessing funds from some of the already established mechanisms such as the Least Developed Countries Fund is extremely difficult.

Nevertheless, in 2009, two important developments took place at UNFCCC COP15 in Copenhagen in this respect. They were: i) Contracting Parties agreed to scale up financial resources according to the needs identified by studies and pledged by the developed countries; and iii) they agreed to develop a roadmap on how to reach the level of finance by 2020.

Since COP15, discussions on climate finance at the global level have been guided towards developing a mechanism in the name of Green Climate Fund (GCF). In this regard, LDCs' demands have been focused on issues related to scale of funds available under the GCF, and full operationalization of the GCF with funds being made available for disbursement for climate actions.

The GCF has provisions for specific representation of LDCs so that they can directly participate in the decision-making process and receive adequate support from the GCF mechanism. However, there are complications in accessing funds; and the lengthy process to be fulfilled to get the funds disbursed is also not in favour of the LDCs.

> Accessing funds from some of the established mechanisms such as the LDC Fund is extremely difficult.

LDC issues on climate finance for Warsaw

LDCs have generally supported the position of G77 countries when it comes to climate finance-related discussions in the UNFCCC. Those mainly relate to demanding financial resources for adaptation and mitigation, increasing the scale of funds, and bridging the gap between what is pledged and what is actually disbursed.

In the upcoming COP19 in Warsaw, discussions on climate finance would focus on the issue of capitalization of the GCF. It has already been laid down that the GCF would need to be operationalized by the end of COP19, and to make this fully operational, developed countries need to come to Warsaw with commitments to provide adequate funds for the GCF. They should also come up with a roadmap to gradually capitalize the

Table
Estimates of various sources of funding for climate actions

	Amount (bn/yr)	Mitigation or Adaptation	Consistent with CBDR	Political Acceptability
Funds provided by developed country governments from national budgets				
Assessed contributions	Could be needs based (e.g. 1.5% of GDP)	A requirement for thematic balance could be set	Strong	Low
Voluntary contributions	Likely to be well below 0.7% of GDP	Likely to tend towards mitigation	Moderate	High
Sources that contribute to developed country national budgets, dependent on national decisions				
Domestic carbon taxes	AGF: US$30 G20: US$25	Depends on whether contributions are mandatory or voluntary	Depends on whether contributions are mandatory or voluntary	Moderate
Phase out of fossil fuel subsidies	AGF: US$8			Moderate
Share of fossil fuel royalties	G20: US$10			Low
Wires change on electricity generation	AGF: US$5			Low
Sources that contribute to national budgets, dependent on international agreements				
Financial transactions tax	UNFCCC: US$15-20 AGF: US$7-16	Depends on whether contributions are mandatory or voluntary	Depends on whether contributions are mandatory or voluntary	Moderate
Border carbon cost leveling	Gates: US$9-48 EC: €57			Low
Carbon exports optimization tax	AGF: US$9-31			Low
Funds collected internationally pursuant to an international agreement				
Extension of the "share of proceeds"	AGF: US$1-3	Either	Weak	Low
Auctioning portion of AAUs	AGF: US$5-12	Either	Strong	Low
Carbon pricing for international aviation	UNFCCC: US$10-25 AGF: US$1-3 G20: US$13	Either	Strong (with a compensation mechanism)	High
Carbon pricing for international shipping	UNFCCC: US$10-15 AGF: US$3-9 G20: US$15		Strong (with a compensation mechanism)	High
Leveraged private sector funds				
MDB capital increases	G20: US$30-40 for every extra US$10 of paid-in capital	Mitigation	Weak	High
Private flows leveraged by public policies and instruments	AGF: US$100-200 G20: US$150	Mitigation	Mixed (depends on instrument)	High
Carbon market finance	G20: US$5-40	Mitigation	Weak	Moderate

Source: Haites and Mwape (2009). Note 2.

GCF to the tune of US$100 billion by 2020.

Moreover, they should ensure that mid-term financing for the period 2013–2015 will be made available. At COP18 in Doha, last year, only a few countries made pledges on fast start finance, but they are far below the required level and scale, thus putting a real challenge on capitalization in the medium term. At Warsaw, it is important that the LDCs raise this issue strongly so that the GCF is not dry at its inception and operationalization phases.

Similarly, developed countries should ensure that LDCs can have direct access to the funds that are already available. For LDCs, the Adaptation Fund is the only source of finance that is, to a large extent, free from administrative hassles whereas the GCF is the gatekeeper of funds, without any authority to make decisions on disbursement. Therefore, the same kind of structure as followed in case of the Adaptation Fund should

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be followed in the GCF as well. LDCs should voice their concerns on this issue too in Warsaw.

Conclusion

Many recent studies dealing with climate finance have concluded that funds required to meet climate change challenges—both mitigation and adaptation—cannot be fully sourced through public resources. Therefore, market-based measures should also be adopted. However, there is no unanimous agreement among developing countries on the issue. While some like-minded group of countries under the UNFCCC are staunchly in favour of public financing mechanism, the Alliance of Small Island States (AOSIS) group of countries are somewhat non-committal on the same.

In that context, LDCs can play an important role in developing a larger set of acceptable solutions on the issue of climate finance. The main concern for developing countries against market-based finance mechanism is the issue of governance. If LDCs can provide an option that ensures the governance of funds lie in a multilateral process and which does not affect the generation of funds, there are possibilities that discussions on climate finance at the multilateral level will be constructive.

LDCs should not only focus on adaptation, but also mitigation actions, provided they receive adequate support from developed countries so as to build political positivism in climate change negotiations.

In the past, LDCs have proposed new ways to generate funds for climate actions, abiding by all the rules of the UNFCCC. In a new setup of the GCF also, they can come up with innovative ideas for financing, taking into consideration the Principles of the Convention.

If LDCs can provide a possibly implementable roadmap for developed countries for financial support, it would provide constructive impetus to the discussions on climate finance. Specifically, LDCs should come up with a clear roadmap for meeting the US$100 billion goal.

Moreover, it is high time that LDCs focus not just on adaptation, but also mitigation actions. By committing to take mitigation measures too, provided they receive adequate support from developed countries, they can help build political positivism in climate change negotiations.

Developed countries, on their part, should provide a strong commitment to support all developing countries, including the LDCs, to acquire clean technologies and build their technology absorption capacity, and fulfill them. It is also necessary to identify scalable sources of long-term finance. That would give countries the confidence to undertake more ambitious actions and reforms to address climate change. ■

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Notes

1 UNEP. 2010. *The Emissions Gap Report*. Nairobi: United Nations Environment Programme; and Rogelj, J. et al. 2010. "Copenhagen Accord Pledges are Paltry." *Nature* 464(7292): 1126–28.

2 Haites, E. and C. Mwape. 2009. Sources of Long-term Climate Change Finance: A Review of the Possible Sources of International Climate Change Finance Considered by the UNFCCC, the High-level Advisory Group on Climate Change Financing (AGF), and the G20. Oxford Climate Policy and European Capacity Building Initiative.

Loss and damage evidence and issues

People in vulnerable countries are already near the biophysical and social boundaries of adaptation, beyond which climate change compromises sustainable development.

Koko Warner

The concept of "loss and damage" has quickly risen in prominence in international climate change discussions. In this article, loss and damage refers to negative effects of climate variability and climate change that people have not been able to cope with or adapt to. A primary concern in climate policy is how climate change interacts with society to create patterns of loss and damage worldwide. Stressors include extreme weather events and slow onset climatic changes. Societal impacts involve negative effects on livelihoods and physical assets and other aspects of human well-being, such as housing and health. Loss and damage is already a significant—and in some places growing—consequence of inadequate ability to adapt to changes in climate patterns across the world. Policymakers are thus in need of better information, empirical data and analysis of both the challenges and potential solutions.

Understanding loss and damage

Over the last three decades, frequencies of losses due to weather-related events have increased in both rich and poor countries. The average annual weather-related disaster losses during 2007–2011 in the "low-income" and "lower middle-income" economies were US$1.3 billion and US$6.8 billion, respectively. Moreover, data from 1980 onwards reveal that more than 80 percent of people killed in weather-related disasters lived in developing countries.[1]

Figures 1 and 2 show the annual number of weather-related loss events and their relative changes. Though low-income countries have had the least number of weather-related loss events, they have experienced the most significant rise in such events as illustrated in Figure 2. In the last three decades, the relative number of loss events in low-income countries has increased by a factor of six, while in high-income countries, the events have increased by nearly 300 percent.

The 18th Conference of the Parties (COP18) to the United Nations Framework Convention on Climate Change (UNFCCC), held in Doha in 2012, mandated UNFCCC COP19, to be held in Warsaw on 11–22 November, to establish institutional arrangements to assess and address loss and damage related to climate change. If progressed well, it will contribute in concluding the international climate agreement by 2015, and in setting up key policy milestones on the post-2015 development agenda, committing further to risk reduction, and implementing the Hyogo Framework of Action[2], among others.

Loss and damage today

Emerging evidence on how climatic stressors affect communities shows that loss and damage occurs when there are barriers that impede adaptation planning and implementation, and when physical and social limits to adaptation are reached or exceeded.[3] For example, across the world, vulnerable households struggle to manage climatic stressors on their household economy and their livelihoods.[4] Despite their efforts to cope with the impacts of extreme weather events and adapt to slow-onset climatic changes, many incur residual impacts that cannot be adequately managed. One of the most notable impacts is on household's food production and livelihood. This questions the ability of adaptation measures—both formal and informal—to stem the interacting negative impacts of climate change and vulnerable societies, both of which impede sustainable development.

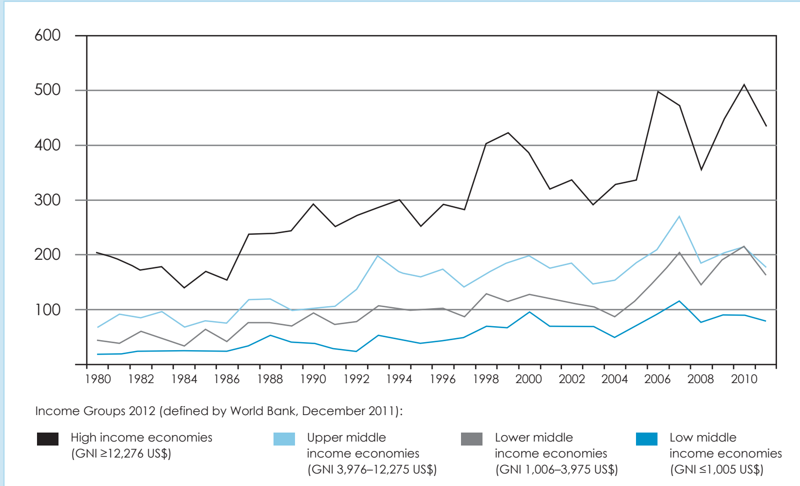
Residual impacts can lead to poverty deepening, erosion of household living standards and deterioration of health, among others. Such impacts related to climate stressors happen when:

- existing coping mechanism/adaptation to climatic and biophysical impacts is inadequate to avoid loss and damage;
- measures to adjust to climatic stressors have economic, social, cultural, health-related, and other costs that are not regained;
- despite short-term merits, measures have negative effects in the longer term; and
- no measures are adopted.[5]

Additionally, emerging literature on loss and damage illustrate how people are affected when limits to coping and adaptive capacity are surpassed. They link "loss and damage" explicitly to adaptation limits and non-economic losses. Findings indicate that people are caught in the first two loss and damage pathways stated above when they face constraints and limits to their ability to adjust to climatic stressors. The kinds of losses and damages that result from third and fourth pathways often go beyond material losses, and touch upon people's food and livelihood security, social cohesion, culture and identity—values that contribute to the functioning of society and problem-solving, but which elude monetary valuation.[6]

Figure 1

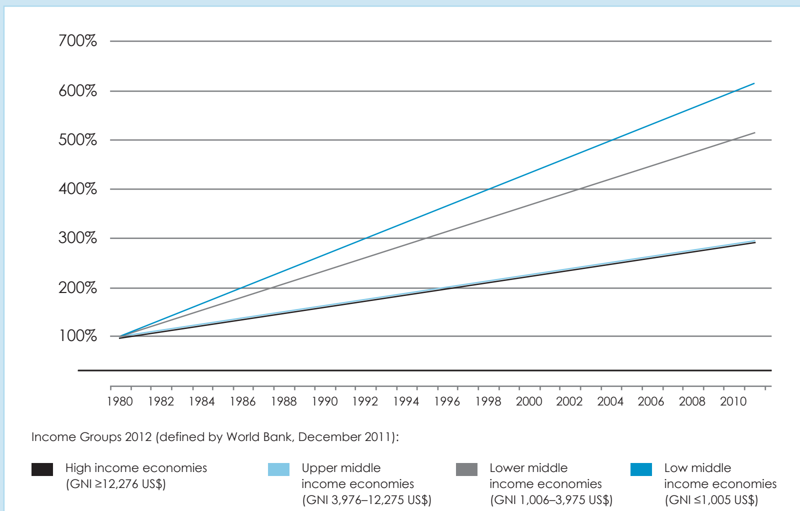
Number of loss-relevant weather events



Source: Munich Re, Geo Risks Research, NatCatSERVICE, 2012

Figure 2

Relative trends of annual numbers of loss-relevant weather events



Source: Munich Re, Geo Risks Research, NatCatSERVICE, 2012

Loss and damage if mitigation and adaptation are insufficient

Managing loss and damage involves "avoiding the potential for loss and damage in the future" through appropriate mitigation and adaptation, and "preparing for and addressing actual loss and damage when it occurs".[7]

Climate change poses a moderate threat today to current efforts to secure human welfare. Already, research documents the fact that many countries and communities worldwide are unable to adapt to changes in climate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patterns due to which they are experiencing loss and damage.[8] Reasons for this include, among others, the inability to respond to climate stressors (i.e., the costs of inaction), insufficiency of responses, and the costs (monetary or non-monetary) associated with existing coping and adaptive strategies (e.g., erosive coping strategies and mal-adaptation).

More importantly, climate change poses a severe threat to future sustainable development.[9] Emerging science suggests that dangerous climate change is becoming a greater possibility, and fossil fuel consumption and trends point towards a four degrees warmer world, spawning discussions on how to manage the ensuing loss and damage, which may become increasingly challenging to adjust to.[10] Loss and damage related to climate change impacts is, and will continue to be, the outcome of unsustainable economic activity and carbon-intensive development models unless alternative economic models for green growth are explored.

Additionally, choices about mitigation will be the main factor determining the degree of climate change and the magnitude of loss and damage, particularly from 2030 onwards.[11] Until 2030, since global warming is already predetermined, adaptation measures to unavoidable climate changes have to be taken. The pre-eminent approach to loss and damage in the medium- and longer-term lies in our choices pertaining to mitigation and adaptation.[12] If adaptation is insufficient to manage climatic stressors, loss and damage can undermine human well-being and adaptive capacity.[13] When there are physical and social limits to adaptation, loss and damage is likely to push the society towards intolerable risks, which, at some scale, is already happening. Furthermore, if ambitious mitigation and adaptation are insufficient to manage climate stressors, loss and damage can render societies unable to achieve development objectives.

Policy reflections

The Fifth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) indicates that climate change impacts are accelerating, and most aspects of climate change will persist for many centuries even if emissions of carbon dioxide (CO_2) is stopped. This represents a substantial multi-century climate change commitment created by past, present and future emissions of CO_2.[14] Findings of the IPCC Special Report on Extreme Events and results of the IPCC Fifth Assessment Report make it evident that managing the risks associated with climate change-related loss and damage is crucial because of the irreversible threats they pose to sustainable development.[15] Current loss and damage patterns strike at the very purpose of climate policy, which is to avoid dangerous climate change and ensure the possibility of timely adaptation so as not to impede food production and sustainable development. They illustrate that people in vulnerable countries already appear to be approaching the biophysical and social boundaries of adaptation, beyond which climate change compromises sustainable development.

Therefore, COP19 in Warsaw should consider the following measures to address issues related to loss and damage.

- As part of the discussions on loss and damage, the UNFCCC process itself will have to install a reflection point that will help to transform the objectives and functions of climate policy. This should include consistent feedback on the state of necessary adaptation vis-à-vis existing mitigation pathways. It should also be used for discussions on the wider implications of a failure to adequately address mitigation and adaptation.

- International and regional policies must facilitate a broader transformation discourse among actors shaping risk response and management, as well as among other development actors. This could take shape through deeper understanding, cooperation and coordination, and the facilitation of support for developing counties, which are identified roles of the UNFCCC in addressing loss and damage.
- Discussions on loss and damage must facilitate a transformational impact of international support. This should strengthen transformative uses of climate, development, humanitarian, and other financial resources, and soften the distributional aspects of increasing climate change risks.
- Finally, the magnitude and volatility of climate-related risks is likely to overwhelm national, and in some cases regional, capacities. Such risks and their impacts on development priorities cannot be addressed through national adaptation processes alone. The functions of managing volatility and shocks, and developing tools for smooth transitions, require further elaboration. One such concrete approach that could be championed through a Warsaw decision would be international leadership and guidance in the operationalization of climate risk management. Regional climate risk management platforms with international guidance would bring together assessment of the risk landscape and provide a role for tools such as risk transfer (insurance-related approaches). Regional operationalization of approaches to address loss and damage can facilitate the political buy-in necessary to undertake further measures to address economic and non-economic loss and damage in transformative ways. ■

Mitigation choices will mainly determine the degree of climate change and the magnitude of loss and damage.

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2 The Hyogo Framework for Action (HFA) is the first plan to explain, describe and detail the work that is required from all different sectors and actors to reduce disaster losses. It was developed and agreed on with the many partners needed to reduce disaster risk, bringing them into a common system of coordination. The HFA outlines five priorities for action, and offers guiding principles and practical means for achieving disaster resilience. Its goal is to substantially reduce disaster losses by 2015 by building the resilience of nations and communities to disasters. This means reducing loss of lives and social, economic, and environmental assets when hazards strike (http://www.unisdr.org/we/coordinate/hfa).

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4 Warner et al. (2012). Note 3; and Warner and Geest (2013). Note 3.

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7 Warner et al. (2012). Note 1.

8 Haile, A.T., N. Wagesho, and K. Kusters. 2013. "Loss and Damage from Flooding in the Gambela Region, Ethiopia." *International Journal of Global Warming* 5(4): 483–97; Monnereau, I., and S. Abraham. 2013. "Limits to Autonomous Adaptation in Response to Coastal Erosion in Kosrae, Micronesia." *International Journal of Global Warming* 5(4): 416–32; Yaffa, S. 2013. "Coping Measures not Enough to Avoid Loss and Damage from Drought in the North Bank Region of the Gambia." *International Journal of Global Warming* 5(4): 467–82; and Bauer K. 2013. "Are Preventive and Coping Measures enough to Avoid Loss and Damage from flooding in Udayapur District, Nepal?" *International Journal of Global Warming* 5(4): 433–51.

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10 Warner et al. (2012). Note 3; Dow et al. (2013). Note 3; and Oliver-Smith and Morrissey (2013). Note 6.

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15 IPCC. 2012. "Managing the Risks of Extreme Events and Disasters to Advance Climate Change Adaptation." A Special Report of Working Groups I and II of the Intergovernmental Panel on Climate Change. Cambridge, UK, and New York, NY: Cambridge University Press; and IPCC (2013). Note 14.

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Although there is a general consensus on the key role technology can play in addressing climate change, transfer of "climate-smart" or "climate-friendly" technologies remains a highly contested issue in international climate change negotiations. In addition to operational complexities arising from the various meanings and interpretations of the concept of technology transfer per se, the traditional North-South paradigm of technology transfer has been plagued by barriers and constraints, which have thus far limited the progress in the transfer of climate-friendly technologies. It is widely acknowledged that technology transfer in actual practice has remained elusive, and thus needs to be transformed into a reality, if we are to successfully address the growing concerns of climate change.

In its broadest sense, as defined by the Intergovernmental Panel on Climate Change (IPCC) and embodied in the United Nations Framework Convention on Climate Change (UNFCCC), technology transfer refers to a set of processes covering the flows of know-how, experience and equipment among different stakeholders such as governments, private sector entities, financial institutions, non-governmental organizations (NGOs) and research/educational institutions. It encompasses diffusion of technologies and technology cooperation across and within countries (developed, developing and economies in transition). Therefore, the "transfer" process is multi-faceted and complex in nature; and is dependent on social, economic, political, legal and technological factors. This suggests that there is no single "blueprint" applicable in all situations or contexts.

However, certain stages have been recognized as its key components. They include identification of needs, choice of technology, assessment of conditions of transfer, agreement, implementation, evaluation and adjustment to local conditions, and replication.[1] Also, it is generally understood that for technology transfer to be successful, access to information, availability of a wide range of skills—technical, business, management and regulatory—as well as sound economic policy and regulatory frameworks are essential.

Mitigation and adaptation technologies

In the context of international negotiations on climate change, the central focus of technology transfer so far has been on mitigation technologies in sectors such as energy, transport and industries, which aim to reduce the volume of greenhouse gas (GHG) emissions or lower the cost of reducing emissions.[2] Also, historically, transfer of such technologies has been from the North to the South, although in a limited scale. It is widely acknowledged that the implementation of technology transfer as per the UNFCCC mandate and numerous emanating policy initiatives like the Clean Development Mechanism (CDM) under the Kyoto Protocol, the Technology Transfer Framework developed as part of the Marrakesh Accords, Bali

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ultilateral funds if the initiatives
o be effectively implemented.

Patnaik Saxena

Action Plan and Copenhagen Accord, have been limited.[3] Moreover, under existing international environmental agreements, significant challenges remain in the transfer of clean technologies to developing countries.

As for adaptation technologies, although they help "systems" (human and natural) to cope with the actual or expected adverse consequences of climate change either by reducing their vulnerability or by enhancing their "resilience", issues related to their transfer have received much less attention globally.[4] The Nairobi Work Programme undertaken by the UNFCCC has achieved some progress in building a database of adaptation experiences, technologies, tools and methodologies. The Adaptation Framework and the Adaptation Committee launched at the 16th Conference of the Parties (COP16) to the UNFCCC in Cancun in 2010 seek to strengthen, consolidate and enhance the sharing of relevant information, knowledge, experience and good practices, at the local, national, regional and international levels, taking into account, as appropriate, traditional knowledge and practices.

Among the new policy initiatives, UNFCCC's new Technology Mechanism under the Cancun Agreement of 2010 is considered a departure from the conventional UNFCCC approach, as it addresses "a 'dynamic' arrangement geared towards fostering public-private partnerships; promoting innovation; catalysing the use of technology road maps or action plans; mobilizing national, regional and international technology centres and network; and facilitating joint R&D activities."[5] Under this mechanism, the Climate Technology Centre and Network (CTC&N)[6] has been set up to help developing countries access technologies related to climate change through both North-South and South-South partnerships. This indicates a move away from dealing with technology transfer from a narrow, closed perspective to a wider, systemic perspective, which promotes innovation and technology development.

Access to climate finance

The numerous policy initiatives which are in place with the sole purpose of ensuring transfer of climate technologies will be successful only if there is adequate funding. Once climate change risks are identified, choosing the right technology and planning a strategy for technology transfer requires access to a large amount of finance. Options to access funds have increased through the involvement of the private sector and international financial institutions. A number of financing mechanisms such as the Global Environment Facility (GEF), the Green Climate Fund, Strategic Priority on Adaptation (SPA) initiative of the GEF, the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCF) of the UNFCCC, as well as various funds instituted by the World Bank, regional development banks, international partnerships, national development assistance programmes and NGOs have been set up to promote technology transfer to developing countries.

However, numerous studies have reported that in reality, the funds are woefully inadequate.[7] In terms of actual financial commitments, those from industrialized countries have fallen short of pledges, and the emphasis so far in the channelling of funds has been primarily for mitigation, and much less in sectors such as agriculture, forestry, human health or coastal zone management, which require adaptation technologies. Despite the commitments made at UNFCCC COP15 in Copenhagen in December 2009 to balance funding between adaptation and mitigation, estimates suggest that only one-fifth of climate finance supports adaptation in developing countries. Further, planned resource allocation is significantly less than what is necessary to address the urgent need to adapt to climate change.[8] Clearly, it is necessary to scale up multilateral funds if the initiatives on technology transfer are to be effectively implemented.

Impediments to technology transfer

Even when funds are available, a major impediment to technology transfer is the lack of adequate institutions and policy/regulatory infrastructure to initiate the process of technology transfer. According to a report, apart from a lack of political will, the basic failure of technology transfer has been institutional, as it states, "There is little or no understanding of the specific institutional mechanisms needed to ensure effective technology transfer at the national level in developing and industrialized countries, and at the multilateral level, to connect differing national actors and achieve multilateral mitigation and adaptation goals."[9] Adequate information, skills and resources are required to identify technologies appropriate to local and domestic contexts. Regrettably, only a few developing countries have the infrastructure and capacity to handle such an endeavour.

Assessment of climate impacts, identification of mitigation and adaptation strategies, innovation and technology transfer involve various stakeholders from technical personnel, scientists, government officials, NGOs and funding agencies to end-users. The process of technology transfer, therefore, requires coordination among multiple stakeholders, and capacity building of recipients to absorb the transferred technologies. Unless changes in climate governance take place at all levels—local, community, national, regional and global—scope for effective technology transfer will remain limited.

Among other major impediments to successful technology transfer is the contentious issue of intellectual property rights (IPRs), and related to this, the monopolistic ownership of technologies (especially mitigation technologies) by multinational corporations, and limited private sector engagement in adaptation technologies.

At a broader level, the market-based approach to technology transfer invites criticism. That is because while developing countries require significant access to technologies on concessional or grant terms, the market-based approach does not favour low-income developing countries. Studies have shown that market-based technology transfer mechanisms such as foreign direct investments or joint ventures are ineffective in meeting the needs of least-developed countries (LDCs).[10] The UNFCCC has recognized that LDCs, for example those in the African region, and small island developing states, have "specific needs and special situations" when it comes to technology transfer. Thus, mechanisms normally found useful in other contexts may be inadequate and even counterproductive for such countries.[11] In the particular case of adaptation technologies, which, in many cases, do not have a market, the potential for their transfer through market-based mechanisms is even more doubtful. This calls for developing non-market-based approaches to technology transfer and considering new ways of thinking about overcoming the barriers to the development and transfer of technologies.

> Technology transfer requires, among others, capacity building of recipients to absorb the transferred technologies.

Alternative pathways of technology transfer

The dominance of traditional North-South development paradigm has meant indifference, until recently, to alternative pathways of technology transfer. With the developing countries in the South emerging as centres of economic and financial power and technological innovation, it is important that the scope of technology transfer be expanded beyond the North-South paradigm to increased South-South Cooperation and South-North collaborations. This will not only mean that developing countries will have access to technologies from a wider portfolio, but also, in certain cases as in regional collaborations, to technologies which are more applicable given the similarities in climatic conditions and the climatic impacts felt through geographical and/or cultural proximity.[12]

Successful instances of South-South technology transfer have already emerged, as in the case of biofuel and wind energy.[13] However, the potential of South-South technology transfer in reducing GHG emissions and adapting to climate change is yet to be fully explored.[14]

Building "local" capacity for public–private partnerships

Diffusion of a particular technology necessitates building "local" absorptive capacity. In the context of adaptation to climate change impacts, it is imperative that technological interventions be context-responsive. "Locally relevant" climate technologies can garner greater support for technology transfer, foster innovation and/or encourage customization of existing technologies to local needs. Enhancing the capacity of key "local" stakeholders, and developing and diffusing community-led technology initiatives through public–private partnerships between investors and host communities within and across countries acquire significance in this context.[15]

From rhetoric to reality

Access to climate technologies is crucial for developing countries to sustain livelihoods of their people since their ecosystem is under immense threat from climate change. Notwithstanding the fact that some of the constraints to successful technology transfer are likely to be country-specific, there are certain impediments to such transfer that are common to almost all developing countries. These include: insufficient information on current and predicted impacts of climate change by sector, groups and communities; a lack of awareness of existing and emergent technologies which are appropriate and cost-effective; a lack of coordination among different stakeholders; poor regulatory institutions; and general lack of financial resource. Therefore, it is imperative that climate governance at different levels (local, community, state, national, regional and global) be proactive and have a long-term vision. There has to be an enabling policy environment that facilitates multi-stakeholder partnerships, removes barriers to technology transfer and promotes transfer of climate technologies to where it is needed the most.

Climate talks under the UNFCCC held in Bonn in April 2013 has reaffirmed the growing urgency to accelerate existing climate action to stave off the worst effects of climate change and discuss options towards the 2015 global climate agreement. As the UNDP *Human Development Report 2013* observes, although we may have achieved the main poverty eradication target of the Millennium Development Goals, unless we deal with climate change, all of those advances may be reversed. "Business-as-usual development is clearly not sustainable in the context of the reality of climate change."[16]

Climate change is a shared global challenge and while it has been overwhelmingly recognized that technology transfer is key to addressing climate change concerns, it is still a mere rhetoric in the global context. To make technology transfer a reality, it needs to be consciously promoted through multi-stakeholder partnerships. The world needs to find new and innovative ways to share knowledge, experience and expertise to decrease GHG emissions, and reduce vulnerability to climate change-induced shocks and disasters. ■

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Notes

1 IPCC. 2000. "Methodological and Technological Issues in Technology Transfer: A Special Report of IPCC Working Group III." Intergovernmental Panel on Climate Change.

2 Mitigation technologies also include those related to carbon capture and storage as in protecting the forests and oceans which are natural sinks of carbon.

3 For example, projects implemented through CDM have been either too small-scale or the processes too convoluted to deliver technology to the extent required for rapid climate change mitigation.

4 Adaptation technologies include, for example, technologies for managing water stress through enhanced storage, conservation, and recycling; technologies for increasing the resilience of agricultural systems, including modified crops, improved cropping systems and practices, and land management; infrastructural technologies to protect against climate impacts, such as seawalls and dykes for coping with sea-level rise, floods, and storm surges, or improved building techniques to increase resilience to coastal storms; and disaster management technologies such as advance warning systems.

5 http://unfccc.int/focus/technology/items/7000.php.

6 It includes a consortium of organizations from around the world: Asian Institute of Technology, Thailand; Bariloche Foundation, Argentina; Council for Scientific and Industrial Research, South Africa; The Energy and Resources Institute, India; Environment and Development Action in the Third World, Senegal; The Tropical Agricultural Research and Higher Education Centre, Costa Rica; and World Agroforestry Centre, Kenya; as well as organizations in Denmark, Germany and the United States.

7 See, for example, Ciplet, David, Spencer Fields, Keith Madden, Mizan Khan, and Timmons Roberts. 2012. "The Eight Unmet Promises of Fast-start Climate Finance." IIED briefing.

8 UNFCCC. Note 5; and Tessa, Bertrand, and Pradeep Kurukulasuriya. 2010. "Innovating for Development: Technologies for Climate Change Adaptation: Emerging Lessons from Countries Pursuing Adaptation to Climate Change." *Journal of International Affairs* 64(1):17-31.

9 CIEL. 2008. "Climate Change and Technology Transfer: Principles and Procedures for Technology Transfer Mechanisms under the UNFCCC." Report of the Meeting on UNFCCC Climate Change COP, Poznan, Poland, 2 December.

10 See, for example, Foray, Dominique. 2008. "Technology Transfer in the TRIPS Age: The Need for New Types of Partnerships between the Least Developed and Most Advanced Economies." Report prepared for the International Centre for Trade and Sustainable Development.

11 ICTSD. 2009. "Technologies for Climate Change and Intellectual Property: Issues for Small Developing Countries." Information note No. 12, October.

12 See, for example, Saxena, L. Patnaik. 2012. "South-South Technology Transfer: Relevance for South Asia." *Trade Insight* 8(4): 16-19.

13 See, for example, Krishna, Ravi Srinivas. 2009. "Climate Change, Technology Transfer and Intellectual Property Rights." RIS Discussion Paper Series, RIS-DP #153 2009.

14 See Corvaglia, Maria Anna. 2010. *South-South Technology Transfer: Addressing Climate Change*. Bern: World Trade Institute; and UNDP. 2009. *South Report 2009: Perspectives on South-South Cooperation for Development*. New York: UNDP.

15 See, for example, Forsyth, T. 2005. "Enhancing Climate Technology Transfer through Greater Public–Private Cooperation: Lessons from Thailand and the Philippines. *Natural Resources Forum* 29: 165–76.

16 Dhar, Biswajit, and Reiji Joseph. 2012. "Foreign Direct Investment, Intellectual Property Rights and Technology Transfer: The North-South and the South-South Dimension." Background Paper No. 6, UNCTAD.

Can Bali renew hope for the multilateral trading system?

Pradeep S Mehta

In his inaugural speech, the newly appointed Director-General of the World Trade Organization (WTO), Roberto Azevêdo, wasted no time in articulating the gravity of the task awaiting WTO Members at the Ninth Ministerial Conference going to take place in Bali on 3–6 December. While giving his overview of the current state of affairs, he stated that the WTO is "as good as Doha", warning that while the WTO might continue to undertake other crucial functions, the outcome of the upcoming ministerial conference, and ultimately, the Doha Development Round, will shape public's perception about the WTO.

A successful Doha Round has a lot to offer the international community. Research has shown that the economic effects of a deal on the liberalization of industrial goods, agriculture, services, and trade facilitation—an outcome of a successful conclusion of the Doha Round—could amount to an increase of world exports by US$359 billion annually. Moreover, if an agreement on sectoral liberalization of industrial goods is reached, world exports could increase by a further US$146 billion, totalling US$505 billion annually.[1]

However, murmurs about conceding defeat have intermittently surfaced in various discussions. Therefore, given the precariousness of the current round of talks, it is important to note that although an unsuccessful conclusion of the Doha Round would be regrettable to the international community, particularly to developing countries who would suffer a significant loss of trading opportunity, the multilateral trading system would still play a crucial function within the arena of global economic governance.

WTO is not broken

One must understand that while the multilateral trading system, under the aegis of the WTO, is becoming increasingly viewed as defunct in the public eye, it is actually not broken. The WTO has four primary responsibilities: dispute settlement, monitoring and evaluation, capacity building, and negotiation. In the first three areas, the WTO has enjoyed continued success. Members continue to bring legal disputes to the WTO for arbitration; the WTO continues to publish trade policy reviews to ensure transparency among members; and capacity building initiatives for developing and least-developed countries continue to be undertaken, particularly through programmes such as Aid for Trade (AfT) and the Enhanced Integrated Framework (EIF).

Unfortunately, despite these achievements, the WTO is judged by the world, as Mr Azevêdo adroitly noted, "through the lens of its negotiating arm". Regrettably, the protracted decade-long Doha Round that has seen members struggle to come to a balanced conclusion has painted a grim picture of the multilateral trading system. The perception that has been created by the inability of negotiators to arrive at a consensus has cast a shadow that extends well beyond a singular opinion on the effectiveness of the WTO's negotiating arm, and has begun to eclipse the WTO's progress in its other functional areas.

The Doha Round of negotiations has been a long and arduous journey. To understand the ramifications of the stalled negotiations that face us today, and what is at stake at Bali, a sketch of its history and a look at the developments that have characterized the decade is essential.

History of the Doha Development Round

In November 2001, the Doha Round was launched in an effort to instill a strong development component into the multilateral trading system that, despite an increased developing country membership, was still largely skewed to benefit developed countries. The Round was launched with much fanfare as developing countries welcomed the move to reform the international trading system through the introduction of lower trade barriers and revised trade rules. Many developing countries felt that they had received the short end of the stick in the Uruguay Round, which led to the formation of the WTO in January 1995, and were looking forward to a round that addressed their more pertinent concerns, including implementation concerns of the Uruguay Round agreements.

With development at the centre of this Round, in the Doha Ministerial Declaration, ministers committed to placing developing countries' needs and interests at the heart of the work programme. They committed to make positive efforts designed to ensure that developing countries, and especially the least-developed among them, secured a share in the growth of world trade commensurate with the needs of their economic development. In this context, enhanced market access, balanced rules, and well-targeted and sustainably-financed technical assistance and capacity-building programmes would have important roles to play. It was also understood that the principle of "less than full reciprocity" would govern any future agreements. That is to say that developing countries would not be required to undertake the same level of commitments as the developed ones in any future agreement.

On the heels of the collapse of the previous ministerial meeting in Seattle, and the unfortunate tragedy of September 2001, the launch of the Doha Round was a welcome show of solidarity. The Round was the culmination of a process that had been ongoing for three years during which there were extensive debates on the elements to be included as well as a considerable refinement of WTO consultative procedures.[2] To this end, the broad strokes of the agreement of the negotiating agenda were concluded, but as time progressed, it became increasingly evident that the negotiating agenda itself contained very little substance.

The subsequent ministerial conference in Cancun in 2003 indicated that there were growing underlying issues changing the dynamics of the multilateral trading system that needed to be addressed. The shift in relative bargaining power and the increased technical complexity of negotiations came to the fore. The Cancun Ministerial marked the beginning of a series of collapsed talks that have since characterized the protracted Doha Round negotiations.

After failing to agree on the negotiating agendas for the Doha Round, members eventually agreed on the July Package of 2004. The following year, the Hong Kong Ministerial Conference saw some convergence after the European Union's last minute concession on elimination of their export-distorting farm subsidies. However, it fell short of expectations and was described by the United Kingdom's trade minister as "one step up from failure".

The 2006 talks were suspended as gaps between key players remained too wide. The following year, sensing a shift in the political climate, talks were resumed and Pascal Lamy, the then Director-General of the WTO, expressed that "conditions [were] now more favourable for the conclusion of the Round than they [had] been for a long time". However, in 2008, members failed once again to successfully conclude the negotiations. By mid-2008 it was widely accepted that the Doha Round had reached an impasse.

The conjectures as to the reason for the failed Doha Round have varied from a general lack of political will

> The protracted decade-long Doha Round has painted a grim picture of the multilateral trading system.

within multilateral negotiations to the rise of dominant emerging country players. Concomitant to the changing dynamics that have indeed contributed to the impasse of the Doha Round, the North Atlantic financial crisis that wreaked havoc on the global economic landscape also radically altered the context within which these negotiations were taking place.

Repercussions of collapsed ministerials

One of the most defining features of the global economy in recent years has been the rapid expansion of trade liberalization. Over the last two decades, the ratio of global trade to global gross domestic product (GDP) has increased to almost 40 percent, and this process has unquestionably been facilitated by the WTO, which now boasts an almost universal membership. In light of this progress, why has a multilateral negotiation dedicated to accelerating this process stalled? Why does trade liberalization seem to be proceeding everywhere but at the WTO?

In an astute assessment of the political-economy environment of trade negotiations, an interim report released in 2011 by a high level meeting of trade experts remarked that unilateral or bilateral trade liberalization, which is considered sound economic policy, is fraught with complexities when reframed as a series of political concessions of market access at the multilateral level. Since it is accompanied by an almost voyeuristic level of media attention and defensive domestic constituencies, the result is a difficult and highly politicized environment, which is what has characterized the Doha Round since 2001.[3]

A cursory look at the history of trade negotiations reveals that missed deadlines are not a new phenomenon in the multilateral trading system. Still, as experienced during subsequent rounds of negotiations under the General Agreement on Tariffs and Trade—the predecessor of the WTO—the Doha Round of negotiations have drawn on for longer than normal. As such, the past decade has witnessed the ramifications of a growing global disillusionment with the multilateral trading system and one of the most often-discussed effects of this has been the proliferation of preferential trade agreements (PTAs).

Over the past two decades, with the WTO reporting almost 300 active PTAs, they have increased fourfold.[4] This proliferation has had major implications on global trade policy, the subject of which has been the topic of many debates among academics and policy makers alike. However, one conjecture where there remains little to no disagreement is that this growing mesh of trade deals is definitely not the most optimum way to organize trade. In the 1960s and 70s, during the first wave of regionalism, as articulated by Professor Jagdish Bhagwati, unilateralism, regionalism and multilateralism worked as complements, with the areas of unilateral and regional liberalization lining up fairly well with the list of sectors liberalized during multilateral negotiations.[5]

Today, however, as we experience the second wave, there are many scholars who are increasingly questioning the compatibility of the growing number of discriminatory trade agreements with the open multilateral trading system.

One of the most important implications, as noted by Mr Azevêdo, is that if leaders are unable to come to an agreement in Bali, there will be an even more significant shift towards these deals that are more exclusive in nature. The consequences are that such deals are less than optimum, with adverse consequences, most notably for the smallest and most vulnerable countries within the global community.

One of the most harmful effects of PTAs is that, unlike in the WTO, smaller countries are not protected from being coaxed by larger developed countries into accepting less than fully even-handed deals. There have even been instances when smaller developing countries have turned and accepted PTAs on topics such as agriculture and intellectual property rights (IPRs) that they had previously rejected at the WTO.[6] While a successful Doha Round will have tremendous benefits for the global community, given the strong development focus, these benefits would be most gainful for the poor.

3.bp.blogspot.com

Bali's mini package

With a mini package now on the table of trade ministers to discuss and possibly agree at Bali, the WTO members have an opportunity to successfully conclude a ministerial conference.

In preferential trade agreements, developed countries coax smaller countries into accepting less than fully even-handed deals.

Aware of the political significance of the upcoming ministerial, Mr Azevêdo has rolled up his proverbial sleeves and launched intensive consultations with a focus on the three primary areas that have been identified for discussion: trade facilitation, agriculture, and a development package for least-developed countries (LDCs). He has emphasized that the negotiations need to move forward horizontally, and recognize and address the hard political issues prior to the meeting so that members can identify trade-offs early in the negotiating process and overcome any impasse that could further stall this round.[7]

Although the proposed mini package remains a far cry from the conclusion of the Doha Round, it could provide the necessary and much-needed impetus for WTO members to finally break through the impasse that has characterized the nature of these talks. Having previously been opposed to the idea of an early agreement package, many countries now support an early outcome.

In that respect, three proposals have been tabled within the agriculture negotiations:

- The G-33 proposal that focuses on some elements of the draft modalities text on agriculture for an early agreement to address food security issues;
- The G-20 non-paper proposing a Ministerial Decision on Export Competition; and
- The G-20 non-paper which proposes an understanding on tariff rate quota (TRQ) administration provisions.

The main tenets of the G-33 proposal are food security and flexibility in public stockholding operations for public distribution. It aims to address the needs of developing country governments to buy food from small producers at administered prices in order to stock it for food security purpose and also providing price support to their producers. Opponents of this proposal have argued that while the issue of stock-piling for food security reasons is indeed pertinent, commitments in agriculture that were negotiated during the Uruguay Round should not be treated independent of the agriculture negotiations as a whole. It is likely that there is going to be a convergence on an interim mechanism, a “peace clause”, that will allow specific countries to raise support prices for their farmers, but this would only be a temporary measure.

As for the G-20 proposals, both the proposals were submitted by a group of developing countries seeking to address issues of export subsidies and TRQs. The first proposal discusses the issue of elimination of export subsidies and disciplining of export credit to reduce the likelihood of the credit being subsidized. This proposal is presented in line with the 2013 deadline agreed in Hong Kong in 2005 for the elimination of all forms of export subsidies, which was also incorporated in the draft modalities text. WTO members, particularly those with the largest export subsidy commitments, have underlined that, while not ruling out a discussion, any move in the direction of the G-20 proposal would only be possible in the context of a wider package of reform both across and beyond the agriculture pillar of Doha.

The second G-20 proposal discusses the issue of TRQs, which seeks an early agreement on tighter disciplines for administering TRQs. Some countries argue that the way the quotas are managed (including the methods for allocating the quotas to importers or exporters, and various other administrative practices), can be too cumbersome and hamper exporters’ ability to access markets.

With respect to trade facilitation, a group of developed countries has proposed an early agreement in an effort to facilitate trade, simplify and harmonize customs rules, and reduce transactions cost. The most contentious area of debate within the trade facilitation negotiations, however, lies in developing countries' concern that in its current form, an agreement on trade facilitation would place more burden of policy changes needed to implement this agreement on developing countries. They argue that, if not altered, they will have to bear the costs of scaling-up trade facilitation measures. Section Two of the negotiating text of this agreement provides flexibility to developing countries to implement the binding disciplines that are outlined in Section One. These flexibilities are about developing countries' scheduling commitments under specific categories according to their ability to implement them, coupled with technical assistance based on needs assessments. As such, developing countries are calling for a more balanced approach between Section One and Section Two of this negotiating text.

Although contentious, a trade facilitation agreement is of major importance for a successful Doha Development deal. Almost half of the global gains (US$100 billion in world exports) are to be reaped from this part of the agreement, and according to Pascal Lamy, this agreement could stimulate the global economy by more than US$1 trillion.[8] In addition, the allocation of gains from the Doha Round becomes more favourable for developing countries when trade facilitation is included.[9]

LDC issues pertain to four areas: duty-free and quota-free (DFQF) market access, rules of origin, cotton, and implementation of the LDCs services waiver. According to a proposal tabled by the LDC Group, the goal of DFQF market access for all products originating in LDCs is yet to be fully achieved. The proposal also highlights that the "rules of origin are old and have not followed evolutions in world trade" given that the present rules were drawn up in the 1970s, while since then the nature of trade has changed substantially. Regarding services, their proposal focuses on operationalizing the services waiver, which is still pending one and half years after the decision. The Cotton-4 Group has indicated that it will submit an updated proposal for consideration at the Bali Ministerial Conference.[10]

Future of the Doha Round

Pattern of world trade does not change very quickly. Failure to agree on the small package agreement in Bali is unlikely to have earth-shattering consequences. However, what we have seen over the past decade is a gradual chipping away from the multilateral trading system. Given the unprecedented rate of trade liberalization over the last two decades, the recognition of the benefits of a more open trade system is obvious to all. However, with each collapsed ministerial conference, a growing sense of collective disillusionment with the WTO is beginning to permeate the trade policy landscape causing members to begin to turn towards the use of PTAs to achieve their objectives.

Unless corrective actions are taken, the WTO's negotiating arm faces the risk of being reduced to a vestigial organ of one of the most important multilateral bodies dealing with international economic governance. Additionally, as the relevance and the authority of the WTO are increasingly undermined, this perspective could begin to jeopardize the other arms of the WTO. Given that the state of negotiations has the ability to govern public opinion of the WTO as an institution, WTO's other functions such as its role as a legitimate mechanism for arbitration, may be affected by its weakening credibility as a forum of trade negotiations.

> WTO's negotiating arm faces the risk of being reduced to a vestigial organ unless corrective actions are taken.

A successful Bali Ministerial Conference will bring an end to the lull that multilateral trade negotiations have witnessed in the recent past. Therefore, in response to the question posed in the title of this article: "Can Bali Renew Hope for the Multilateral Trading System?", a simple answer is "yes", provided that WTO members show they have not forgotten how to negotiate a deal. ■

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Notes

1. These were the results of a study commissioned by the European Commission, carried out by CEPII using a state-of the art CGE (computable general equilibrium) model and negotiating texts.
2. Harbinson, S. 2009. The Doha Round: "Death-Defying Agenda?" or "Dont do it Again"?. ECIPE Working Paper, European Center for International Political Economy.
3. Bhagwati, J., and P. Sutherland. 2011. "The Doha Round: Setting a Deadline, Defining a Final deal." http://www.voxeu.org/sites/default/files/file/doha-round-setting-deadline-defining-final-deal-interim-report-jan-2011.pdf.
4. WTO. 2013. *World Trade Report 2013: Factors Shaping the Future of World Trade*. Geneva: World Trade Organization.
5. Baldwin, R. 2006. "Multilateralising Regionalism:Spaghetti Bowls as Building Blocs on the Path to Global Free Trade." http://www.nber.org/papers/w12545.pdf?new_window=1.
6. *ibid*.
7. Harbinson (2009). Note 2.
8. WTO. 2013. "A trade facilitation deal could give a $1 trillion boost to world economy – Lamy." http://www.wto.org/english/news_e/sppl_e/sppl265_e.htm.
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10. WTO. 2013. "African cotton producers regret no progress in talks, welcome improved aid with more focus." http://www.wto.org/english/news_e/news13_e/cdac_21jun13_e.htm.

future of Aid for Trade

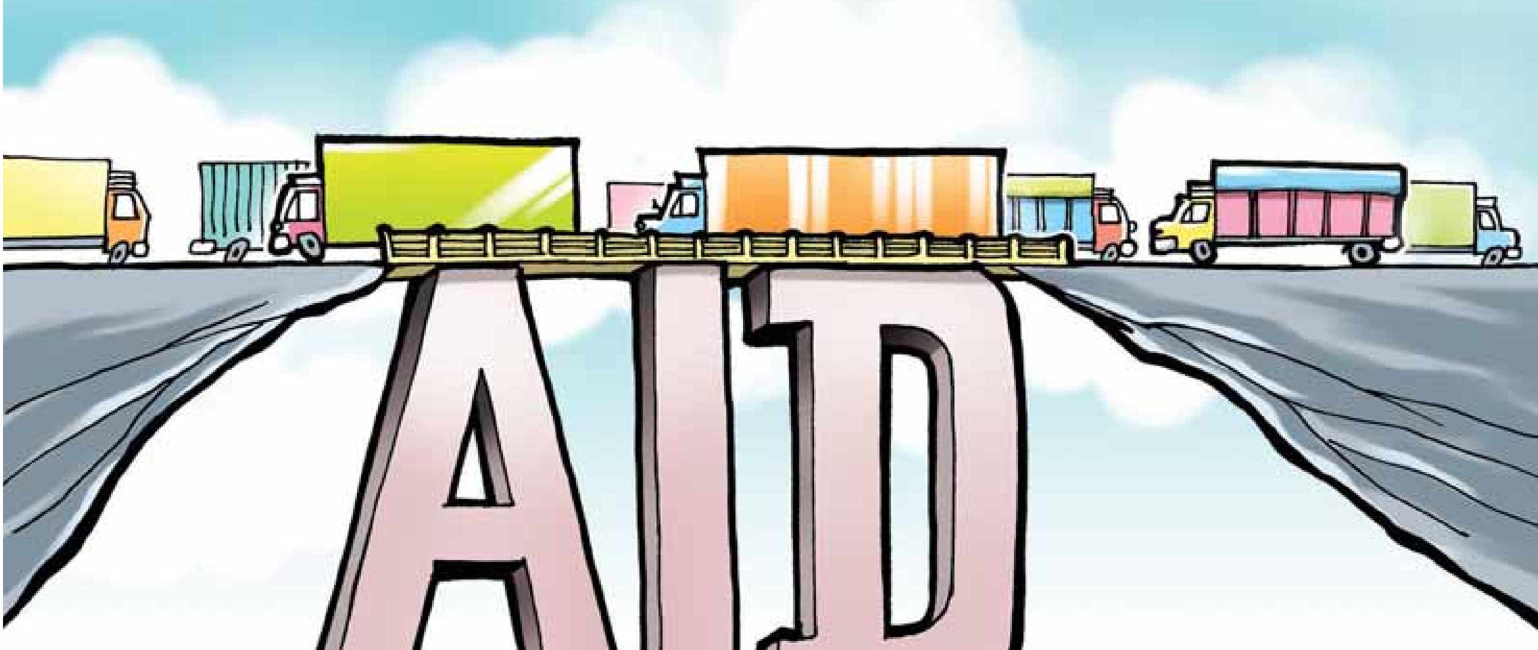
Developing countries can gain more from trade if the design, implementation and monitoring of Aid for Trade programmes and strategies are adapted as necessary.

Jakob Engel

As trade ministers from around the world gather in Bali for the Ninth Ministerial Conference of the World Trade Organization (WTO) scheduled for 3–6 December, the multilateral trading system finds itself at a crossroads. Despite the impetus that has come from the WTO's new Director-General Roberto Azevêdo, the Doha negotiations remain stalled, and expectations that Bali will result in significant progress towards concluding the round are modest. With negotiations on the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership kicking into higher gear, the trend towards ever-greater regionalization of trade is progressing rapidly. In the words of Azevêdo, "some capitals are already looking elsewhere towards other solutions which won't be multilateral". Fall in trade barriers and rise in global trade and investment flows have slowed considerably since the start of the global economic crisis, with mounting concerns over increased protectionism. Globalization is, as a recent issue of *The Economist* proclaimed, "on pause".

Within this context of Doha Round stagnation, as highlighted by the most recent Aid-for-Trade Global Review, the Aid for Trade (AfT) initiative has been one of the few areas of relative dynamism and progress within the WTO. Overall AfT funding has increased over 57 percent from the 2002–2005 baseline and reached almost US$42 billion in 2011.[1] Further, AfT has moved far beyond its initial function as a compensatory mechanism for preference erosion within the context of the Doha Round.[2] The endeavour is now increasingly divorced from WTO negotiations and is, at least in rhetoric, focusing primarily on its other purpose, namely helping governments and firms in developing countries lower the cost of trading, diversify export baskets and integrate into global value chains.

This article discusses three dynamics that are likely to continue shape the success of the AfT initiative in the years beyond Bali. These are: i) changing nature of global production; ii) new actors and flows making up the emerging development cooperation landscape; and iii) misaligned



incentive structures and coordination failures that complicate the effectiveness of AfT programmes.

Changing nature of production

Global patterns of production and trade have changed dramatically over the past decades. Trade is now characterized by the fragmentation of value chains and production networks, greater off-shoring and outsourcing, and the increasingly narrow specialization in tasks rather than products.[3] This change, paired with both rising labour costs in the production centres of South and East Asia, and declining transport costs, is creating opportunities for firms in low-income countries to "upgrade" into new, higher-productivity tasks and activities, and integrate into global value chains and production networks.

The recent adoption of the value chain framework by the WTO and the Organisation for Economic Cooperation and Development (OECD) has provided a coherent narrative for the function of AfT beyond Doha, namely as a means of enabling firms and industries to integrate into modern production networks and, in turn, enjoy the gains from trade. However, possibilities inherent in more narrow forms of specialization implies that countries need to provide secure and stable business environments, and address many binding constraints to trade (including access to finance, infrastructure, as well as education and training systems, among others), otherwise they are likely to be excluded from trade in value chains.[4] Paradoxically, increased regionalization of trade could further marginalize low-income countries as those developing countries with larger domestic markets, access to the sea and relatively higher levels of productivity will likely attract the majority of new investment and trade.[5]

As a result, using AfT to not only tackle supply-side constraints but also to address asymmetrical power dynamics and rules governing access—including restrictive standards and buyer-driven supply-chains—will be central to ensuring that fragmentation of production can benefit producers in developing countries that are still on the periphery of global trade.[6]

New actors, new flows

While the economic need for AfT in developing countries remains, global political economy of development has shifted substantially, thereby also changing its operational context. The implications of the crisis on advanced economies are already affecting total AfT funding, which in 2011 declined for the first time since the start of the initiative. As austerity measures in OECD countries continue to squeeze aid budgets, AfT will face ever-greater competition from other economic, social and environmental development priorities.

The emergence of new powers—particularly China, India and Brazil—has not only created new export markets for low-income countries, but also resulted in these countries becoming more significant AfT providers. South–South cooperation has increased through targeted efforts in specific industries—for example through Brazil's efforts to transfer technology to facilitate agriculture development or China's funding of infrastructure projects—throughout the African continent. There is also significant potential for learning from the export development experiences of these countries.[7]

The past years of increasing financial constraints among Western donors have further increased the importance of re-positioning AfT as a means of leveraging other financial flows (including loans, foreign direct investment and portfolio finance) to finance the types of large investments required to address trade-related constraints—what te Velde (2013) has called "third-generation Aid-for-Trade".[8] Blending schemes in particular can leverage up to 15 times the initial investment through other sources of finance.[9] Similarly, development finance institutions can help mobilize private investment for infrastructure projects.[10] However, managing the complexity and potential risks inherent to this proliferation in new types of financial flows as well as sovereign and private actors brings with it significant challenges for policy makers in trade and finance ministries of developing countries.[11]

Understanding what works

The last few years have seen substantial improvements in assessing whether AfT in aggregate is effective and, moreover, in determining what kind of interventions have worked.[12] While empirical literature tend to confirm that AfT can be effective at both macro and micro levels, its impacts may vary considerably depending on the type of AfT intervention, the income level and geographical region of the recipient country, and the sector to which AfT flows are directed.[13]

An increasing body of country-level case studies and AfT portfolio evaluations is also showing how and why AfT frequently does or does not achieve its desired results in specific institutional contexts. As such, the ability of AfT programmes to achieve their aims requires analysing how the incentives facing different actors can lead to bottlenecks and opportunities.[14] It will, therefore, be increasingly important to better systematize, and understand common barriers and potential coordination failures within and between donor and recipient country institutions that impact the effectiveness of AfT interventions during implementation, and integrate these more closely into programmes and strategies.

For example, in some countries, the process of assessing needs and determining what projects are prioritized is seen as the exclusive purview of the Ministry of Trade and donors, thereby failing to incorporate the cross-cutting significance of trade-related constraints within other sectors. As such, AfT can end up lacking the necessary cross-governmental prioritization, and action matrices fail to be implemented by governments and donors. In Nepal, Adhikari et al. (2011) found that "donors tend to copy already successful projects rather than support new ones”. [15]

In particular, monitoring and evaluation of AfT is too often insufficiently robust and unaccountable. Many AfT programmes and projects tend to be designed around very broad, indirect goals. Attributing trade outcomes to any given intervention is difficult, and plausibly linking these to broader social goals, such as poverty reduction, is close to impossible. As a result, ensuring projects are based on a more realistic results chain, collection of baseline data, and incorporation of lessons learned into the design of future projects, will be essential to improve the effectiveness of AfT programmes.

The causes of such problems are often highly political, and the failure of many projects to achieve their desired objectives is frequently due to strong vested interests holding up progress. Supply-side constraints such as poor infrastructure, inefficient border crossings and dysfunctional credit markets are not solely a problem of underinvestment and low technical capacity. It is, therefore, important to also better understand the institutional structures that help perpetuate these constraints to determine whether and how countries can benefit from certain AfT projects.

Conclusion

The Bali Ministerial comes at a time of great uncertainty for the WTO, with significant progress in the Doha Round remaining highly improbable. Furthermore, austerity in OECD countries has resulted in highly constrained aid budgets. In this context, Bali is likely to include vocal reaffirmations of the international community’s commitment to AfT. However, it will be interesting to see whether the Ministerial manages to build on the progress captured in last July’s Global Review, and paint a clearer picture on i) how AfT can better interact with the multiple ongoing multilateral processes, including the post-2015 development agenda; and ii) whether it should become more closely linked to the provision of other global public goods beyond trade (for example in addressing food security or environmental degradation).

Looking beyond Bali, however, there is need for the design, implementation and monitoring of AfT programmes and strategies to adapt to some of the dynamics discussed in this article in order for AfT to help increase developing countries’ gains from trade. This means adapting to ongoing geographic and structural changes in the nature of global production, better connecting AfT to other funding sources, drawing on the expertise of emerging economies, and becoming more savvy of the state-business relations that dominate a recipient country’s political economy. While Bali may not ameliorate the existential anxiety in which the rules-based multilateral trading system finds itself, addressing these dynamics will be of central importance to ensuring that AfT can better achieve its aims and improve the economic prospects of those living at the margins of the global economy. ■

The author was Research Officer at the Overseas Development Institute (ODI), London, and is currently pursuing a DPhil in Economic Geography at the University of Oxford. The article draws on te Velde, Dirk Willem, and Mohammed Razzaque (eds.). 2013. Aid for Trade Effectiveness: Current Issues and Future Directions. London: Commonwealth Secretariat and Overseas Development Institute.

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farmers' rights issues

in the Fifth Session of the Governing Body of the ITPGRFA

Among the many decisions taken at the Fifth Session of the Governing Body of the ITPGRFA, a major one was on the use of existing information to implement farmers' rights.

Juanita Chaves Posada

Realizing farmers' rights implies enabling farmers to maintain and develop crop genetic resources, and rewarding them for their past, present and future contributions to the global gene pool, which constitutes the genetic basis for worldwide food security. The International Treaty on Plant Genetic Resources for Food and Agriculture (ITPGRFA) is the only legally binding multilateral instrument recognizing farmers' rights.

As stated in the Treaty Preamble, "[the right] to save, use, exchange and sell farm-saved seed and other propagating material, and to participate in decision-making regarding, and in the fair and equitable sharing of the benefits arising from, the use of plant genetic resources for food and agriculture, are fundamental to the realization of Farmers' Rights, as well as the promotion of Farmers' Rights at national and international levels". The responsibility to realize farmers' rights, however, rests with national governments.

Although the Treaty entered into force in 2004, until the Fifth Session of the Governing Body (GB5) of the ITPGRFA, which took place in Muscat from 24 to 28 September, member countries adopted soft decisions to promote and implement farmers' rights. Resolution on farmers' rights adopted by the earlier Governing Body Sessions focused on: inviting Contracting Parties and other stakeholders to submit their views, experiences and best practices for the implementation of farmers' rights; requesting the Secretary of the ITPGRFA to convene regional workshops on farmers' rights—subject to the availability of funds—to discuss national experiences on the implementation of these rights; and inviting Contracting Parties to consider reviewing, and if necessary adjusting, its national measures affecting the realization of farmers' rights.

A very few Contracting Parties have adopted legal, policy and administrative measures to implement farmers' rights at the national level. Additionally, whatever limited information on views, experiences and best practices for the implementation of farmers' rights is available at the national level, it is neither shared between countries nor is it easily accessible so as to make significant progress in the implementation of these rights. Moreover, so far only one global consultation on farmers' rights has been held to discuss national experiences on the implementation of farmers' rights. Therefore, Contracting Parties that are mainly developing countries are call-

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ing for guidelines from the Governing Body to implement these rights.

During ITPGRFA GB5, attended by more than 450 participants, Contracting Parties to the Treaty adopted various resolutions, making an impressive headway in the promotion and implementation of farmers' rights. Among the many decisions taken, a major one was on the use of existing information to implement farmers' rights. The Resolution adopted at GB5 goes beyond from just requesting information to making real use of the information submitted by Contracting Parties or stakeholders. In this context, the Secretary of the ITPGRFA has been requested to review the knowledge, views, experiences and best practices submitted by countries and stakeholders since the signing of the Treaty in 2004, to derive options for the systematic implementation of farmers' rights at the national level. It is expected that existing information on ways to implement farmers' rights will significantly contribute towards making progress in the implementation of such rights.

As stated in the Resolution on Sustainable Use of Plant Genetic Resources for Food and Agriculture, the Governing Body has requested the Ad Hoc Technical Committee on Sustainable Use to prepare a set of options that Contracting Parties may consider for national implementation of farmers' rights, as set out in the Treaty. This specific request responds to the need of providing guidelines to all Contracting Parties on how to implement farmers' rights at the national level.

GB5 was also important in recognizing the need to follow-up processes under other fora relevant for farmers' rights. The need to promote farmers' rights as set up in the ITPGRFA and to ensure its co-existence with issues such as food security and intellectual property rights was recognized under the Farmers' Rights Resolution. As per the Resolution, the Secretary of the Treaty was requested to report on relevant discussions that related to farmers' rights within the FAO fora, including the Committee on Food Security. The Secretary was also requested to invite the International Union for the Protection of New Plant Varieties (UPOV) and the World Intellectual Property Organization (WIPO) to jointly identify possible areas of inter-relations among their respective international instruments.

Additionally, Contracting Parties to the Treaty were invited to consider developing national action plans for the implementation of farmers' rights and to consider reviewing, and if

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It is necessary to invite farmers' organizations to continue to actively participate in the sessions of the ITPGRFA Governing Body.

necessary, adjusting their national measures affecting farmers' rights. The Secretary will submit a report on the development of national action plans, and the review and adjustment of national measures in the next session of the Governing Body. Moreover, since lack of capacity is identified as one of the main reasons for the limited implementation of farmers' rights, the adopted resolution on farmers' rights requested the Secretary to facilitate support to the Contracting Parties in building capacity for the implementation of the rights.

In order to respect farmers' right to participate in decision making on matters related to the conservation and sustainable use of plant genetic resources, Contracting Parties requested the Secretary to invite farmers' organizations to continue to actively participate in the sessions of the Governing Body and relevant inter-sessional processes, for example, as members of the Ad-Hoc Advisory Committee on Sustainable Use of Plant Genetic Resources for Food and Agriculture, and the Ad Hoc Working Group to Enhance the Functioning of the Multilateral System of Access and Benefit-sharing.

Moreover, GB5 was also relevant with respect to recognizing the linkage between farmers' rights and other key aspects of the Treaty. For instance, the resolution on farmers' rights recalled the recognition of the link between farmers' rights, and conservation and sustainable use of plant genetic resources for food and agriculture. The link between farmers' rights and the Multilateral System of Access and Benefit Sharing was clearly established for the first time when Contracting Parties were invited to promote access to genetic resources under the multilateral system by local and indigenous communities and farmers.

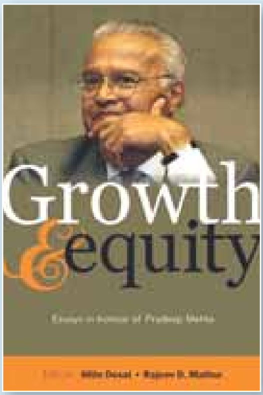
Similarly, the linkage between farmers' rights and the Benefit-sharing Fund of the Treaty was recognized when, in the resolution on Funding Strategy, Contracting Parties took note of the elements of the Mid-term Plan for the Benefit-sharing Fund. The proposed Mid-term Plan aims to guide the use of resources under the Benefit-sharing Fund in a coherent and focused manner in highest priority areas.

Also, Contracting Parties took note that the Benefit-sharing Fund will focus its financial resources over the next five years to enable poor farmers adapt to the challenges posed by climate change. By supporting conservation and use of genetic resources, the Fund aims to have a positive impact on food security in general, and livelihoods in particular, of farmers in developing countries. Under this framework, the Benefit-sharing Fund will support projects in different thematic areas, which aim to have a significant impact in the short term and will include activities such as community actions to conserve local varieties; introduction and testing of new varieties from the Treaty's gene pool; participatory plant breeding; and development and promotion of seed production and dissemination systems.

Projects may also involve sharing of materials and information with local communities elsewhere. The ultimate beneficiaries of the projects supported by the Benefit-sharing Fund will be poor farmers, farmer organizations and rural communities in Contracting Parties, developing countries, and countries with economies in transition.

Thus, ITPGRFA GB5 was a breakthrough in the promotion and implementation of farmers' rights globally. However, the efforts put in by the Contracting Parties at GB5 to raise the profile and importance of farmers' rights as one of the most relevant components of the ITPGRFA should not end with adopting the resolution on Farmers' Rights and other relevant resolutions. Rather they should focus on implementing the decisions and preparing themselves to encounter the many challenges they might have to face in the implementation process. ■

The author is a legal expert on access to genetic resources, benefit sharing and intellectual property rights, and has worked for the Secretariat of the International Treaty on Plant Genetic Resources for Food and Agriculture.



Growth and equity

Title: Growth & Equity: Essays in Honour of Pradeep Mehta
Editors: Nitin Desai and Rajeev D. Mathur
Publisher: Academic Foundation
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Abid Qaiyum Suleri

The Festschrift *Growth & Equity*, published in honour of Pradeep Mehta, carries articles on three important areas in which Pradeep Mehta has been working for the last three decades: i) trade and development; ii) competition and economic regulations; and iii) economic governance.

The galaxy of contributors—including Pacal Lamy, Eleanor Fox, Shiv Shankar Menon, Ratnakar Adhikari, Jean-Pierre Lehman and Rubens Ricupero—from different parts of the world and having different organizational backgrounds such as the public sector, intergovernmental organizations, independent think-tanks and academia, have given a common message that both growth and equity are pre-requisites for any sustainable economy. Economic growth is not synonymous to equitable growth; however, shaping an equitable society at micro, meso and macro levels will require economic growth.

It is necessary to vehemently stress that there is no linear solution to problems facing the globalized world today. The neoteric problems and their solutions are multifaceted, interdependent, and mutually non-exclusive. This is what the essays in the book have reflected on.

A common message of the first eight essays is that trade will not automatically lead to development. For trade to translate into development, it is essential to have a global trading system fit for the 21st century, take care of institutional deficits by following some global ethics, bring coherence on international cooperation on trade, and consider interests of developing countries, mainly the least-developed ones. Pradeep Mehta has always been an advocate of open trading regime, but with consideration for developing countries. His persistent belief has been that peace follows trade. This has been widely acknowledged in the book.

Trade liberalization without adequate economic regulation and effective competition may potentially create many anomalies and hurt the interests of consumers. This is the central message of Section II of the book. In this section, renowned regulators and experts on competition laws across the world have shared their thoughts on how to increase the effectiveness of regulatory institutions for the protection of consumer rights as well as to create a competitive and distortion-free trade policy regime. For instance, given that India is an emerging economic power, emphasis is on reforming the competition regime in India to improve governance, which in turn would result in trade liberalization, attract foreign direct investment and promote distributive justice.

The third section of the book analyses the state of governance from a societal perspective. It states that contrary to the government's definition of governance, which includes planning and decision-making by the state and its institutions, the notion of "governance" should take a societal look. How are decisions made within a particular society or nation? Who is involved in these decision-making processes and who has the power to decide? On what evidence is planning based and which planning documents are taken as basis for decision-making? How are conflicting views dealt with? Answers to all these questions not only determine the quality of governance, but can help in understanding the reasons for failure or success of a certain intervention.

Whether it is "Reshaping Institutions: Shaping the Future", or "The Future of Globalisation in an era of Financial Crisis", or "Balancing Effectiveness and Voice in Global Governance", each essay in the third section of the book conclude that an inclusive decision making at global, regional and national levels is a must for inclusive growth. This is consistent with the recommendations of essays in the previous sections.

In a nutshell, the Festschrift is a real treat for readers interested in international economic issues. It would also serve as a crash course for many who are preparing to attend the Ninth Ministerial Conference of the World Trade Organization (WTO) in Bali in December since the political economy aspect of multilateral trade negotiations has been comprehensively dealt with in the book.

The most important value addition of the book is that the authors have not just detailed the problems on the mentioned issues, but have also recommended solutions so as to bridge the gap between the "haves" and the "have nots". ■

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Global Environment Facility

The Global Environment Facility is the longest standing existing multilateral climate fund, which also supports national sustainable development initiative.

Sudeep Bajracharya

The Global Environment Facility (GEF) is an independent and international financial organization that provides grants, promotes cooperation, and fosters actions in developing countries to protect the global environment. Established in 1991, it unites 183 member governments and partners with international institutions, non-governmental organizations, and the private sector to assist developing countries with environmental projects related to six focus areas: biodiversity, climate change, international waters, the ozone layer, land degradation, and persistent organic pollutants.

The GEF is the largest funder of projects that address global environment issues while also supporting national sustainable development initiatives. It has, till date, allocated US$11.5 billion in grants and leveraged US$57 billion in co-financing for over 3,215 projects in over 165 countries. Moreover, through its Small Grants Programme, the GEF has also made more than 16,030 small grants directly to civil society and community-based organizations, which totals US$665.2 million.[1] It is replenished very four years, and is now in the fifth cycle (GEF-5) with more than US$1 billion for climate change projects.[2]

Objectives of GEF

The GEF's mandate is to provide new and additional grants and concessional funding to cover the "incremental" or "additional" costs associated with achieving global environmental benefits. Accordingly, the Climate Change Mitigation Strategy for GEF-5 consists of the following six objectives:

- Promote the demonstration, deployment, and transfer of innovative low-carbon technologies.
- Promote market transformation for energy efficiency in industry and the building sector.
- Promote investment in renewable energy technologies.
- Promote energy efficient, low-carbon transport and urban systems.
- Promote conservation enhancement of carbon stocks through sustainable management of land use, land-use change, and forestry.
- Support enabling activities and capacity building.

History: context and logic

The GEF was established in the run up to the 1992 Rio Summit on Sustainable Development in the context of growing concerns about mounting environmental problems.[3] Initially goaded by the French government's commitment to provide funding for an international environment fund at the World Bank annual meeting in April 1989, the idea for a GEF was proposed in a September 1989 joint meeting of the International Bank for Reconstruction and Development (the World Bank) and the International Monetary Fund Development Committee, after recommendation by a World Resources Institute report commissioned by the United Nations.[4] The GEF came into existence in 1991 as a US$1 billion World Bank administered pilot programme as the world prepared for the Rio Summit.

The logic behind its original structure was to utilize the respective capabilities and advantages of various existing international institutions instead of facilitating the birth of a new independent institution. The idea was to work though existing channels and avoid proliferation of international funds for environmental purposes. The United Nations Development Programme, the United Nations Environment Programme, and the World Bank were the three initial partners implementing GEF projects.

But while the developed countries wanted to work through existing channels and avoid proliferation of international funds for environmental purposes, developing countries were wary of GEF's close links with the World Bank. So developing countries opposed the original design of GEF since they believed that a programme established and controlled by higher-income donor countries under the framework of the World Bank was not in their best interest. Therefore, developing countries agreed to use the GEF as an international funding mechanism, under the condition that significant reforms would be undertaken to increase transparency and the formal participation of developing countries in the decision-making process. After three years of debate, the GEF was restructured in 1994 at the Rio Earth Summit to address many of its institutional challenges. It moved out of the World Bank to become a separate and permanent institution with enhanced involvement of developing countries in decision making and implementation. Today, the GEF has a governing council with a roughly equal representation of developed and developing countries, an independent secretariat, and its own evaluation office.

Organization structure

The GEF Council is the main decision-making body, and is an independent Governing Board for the fund, which meets twice a year to take stock of the progress made and provide guidance on ways forward. The Council is composed of 32 appointed members—16 from developing countries, 14 from developed countries, and 2 from among the countries of Central and Eastern Europe and the former Soviet Union.[5] Formal voting goes before the GEF Assembly composed of representatives from all member countries who meet every four years to review general policy for operations, membership, funding, and amendments. The GEF Secretariat, based in Washington, D.C., services and reports to the Council and the Assembly and formulates the work programme, oversees implementation, and ensures that operational policies are followed.[6]

The Assembly and the Council make decisions and adopt regulations through the process of consensus. If a consensus cannot be reached, "double majority"[7] within both constituencies must vote in favour of a proposal for it to be adopted. This format is a result of a coordinated agreement between developed and developing countries in an effort to give facility to both donors and recipients in the decision making process.

The GEF administers three trust funds, namely the Global Environment Facility Trust Fund; the Least Developed Countries Trust Fund (LDCF); and Special Climate Change Trust Fund (SCCF). It also administers the Nagoya Protocol Implementation Fund (NPIF) and provides secretariat services, on an interim basis, to the Adaptation Fund.[8] In addition, the GEF is the primary fund administrator for both the Convention on Biological Diversity and the United Nations Framework Convention on Climate Change. It also serves as a financial mechanism for two more international conventions: The Stockholm Convention on Persistent Organic Pollutants (2001), and the United Nations Convention to Combat Desertification (2003). Although not linked formally to the Montreal Protocol on Substance that Deplete the Ozone Layer, the GEF supports implementation of the Protocol in countries with economies in transition.[9]

Funding

The GEF is largely funded through voluntary contributions from multiple donor countries, raised through a series of replenishment negotiations that take place every four years. The process of replenishment was designed to allow for programme flexibility, strategic planning, and periodic performance evaluations. The original GEF pilot programme of US$1 billion has been replenished five times with US$2.01 billion in 1994, US$2.67 billion in 1998, US$2.93 billion in 2002, US$3.13 billion in 2006, and US$4.34 billion in 2010.[10]

As of March 2013, the GEF had earned a cumulative US$11.4 billion in investment income on undisbursed funding, and US$1.4 billion during the GEF-5 as a result of the trustee's management of its finance to achieve a 1.5 percent yield. Moreover, unallocated resources from previous replenishments also contribute to the GEF funding.[11]

GEF grants aim to cover the difference or "increment" between a less costly, more polluting option and a costlier, more environmentally sound option. These grants may be complemented by a variety of other instruments, mainly co-finance, since recipients are required to raise co-finance when accessing the GEF. GEF co-finance comprises of project resources that are committed by governments, multilateral or bilateral sources, private sector, non-governmental organizations, project beneficiaries and the GEF agency itself, which are essential for meeting the GEF project objectives.[12] Thus, GEF grants are often part of a wider financial package, with the goal of reducing costs to help make interventions viable. ■

> The Global Environment Facility is largely funded through voluntary contributions from multiple donors.

Notes

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2 Nakhooda, Smita. 2013. The Effectiveness of Climate Finance: A Review of the Global Environment Facility. Working Paper, Overseas Development Insititute.

3 Clemencon, R. 2010. "What Future for the Global Environment Facility?" *Journal of Environment and Development* 15(1): 50-74.

4 Lattanzio, Richard K. 2013. International Environmental Financing: The Global Environment Facility (GEF). Congressional Research Service Report for Congress, 3 June.

5 *ibid*.

6 *ibid*.

7 Double majority is an affirmative vote that includes both a 60 percent majority of the total number of participants and a 60 percent majority of the total amount of contributions.

8 http://www.thegef.org/gef/trust_funds.

9 http://www.thegef.org/gef/whatisgef.

10 Lattanzio (2013). Note 4.

11 Nakhooda (2013). Note 2.

12 http://www.thegef.org/gef/policy/co-financing.

Project Inception Meeting

A TWO-DAY inception meeting of two projects supported by the Australian Agency for International Development (AusAID), namely "Trade and Transport Facilitation Audit in South Asia" lead by South Asia Watch on Trade, Economics and Environment (SAWTEE), and "Promoting Micro, Small and Medium Enterprises (MSMEs) for Inclusive, Equitable and Sustainable Development in South Asia" lead by UNDP Asia Pacific Regional Centre (APRC), Bangkok, was organized in Kathmandu on 1–2 October. The main objective of the two-day inception meeting was to present the relevance and objectives of the two projects, and to gather expert opinions and suggestions in order to efficiently implement and increase the effectiveness of the projects for maximum impact.

During the meeting, relevant issues such as analysis of import and export processes, methodologies for understanding trade and transport bottlenecks, methodology for trade and transport facilitation audit, empirical model for trade flows and trade costs, constraints faced by MSMEs in participating in value chains, relevant MSME development projects in South Asia, and promoting MSMEs for inclusive economic growth, among others, were thoroughly discussed.

Specifically, with regard to the Trade and Transport Facilitation Audit study project, participants stressed that inclusion of transit costs and problems of policy synchronization in the project methodology would be useful. They also called for the harmonization of the project with similar projects being implemented in South Asia to create synergy.

More than 50 participants, including researchers, policy makers and private sector representatives from different countries of South and Southeast Asia participated in the meeting. ■

Competition reforms

CUTS Institute for Regulation and Competition (CIRC) is organizing the third Biennial International Conference on "Competition Reforms: Emerging Challenges in a Globalizing World" on 18–19 November in New Delhi. The conference will feature national and international experts from polity, business, academia, media, and others on key economic, governance and public policy issues facing developing countries.

The Conference is being organized to provide a platform to deliberate and discuss key economic and governance challenges to competition and economic regulation at the international level. ■

Sixth South Asian Training Programme on CGE Modelling

THE sixth South Asian training programme on Computable General Equilibrium (CGE) modelling was conducted from 22 to 26 October in Kathmandu. SAWTEE organized the training in collaboration with the Centre for WTO Studies (CWS), New Delhi, and South Asian Network on Economic Modeling (SANEM), Dhaka.

The five-day training programme provided the participants basic knowledge of the theory and applications of CGE modelling. They were also made familiar with the use of CGE modelling techniques in research pertaining to international trade, climate change and food security through the use of the General Algebraic Modeling System (GAMS) software.

The training programme brought together 32 young researchers, policy makers and government officials from five different countries of South Asia, namely Bangladesh, India, Nepal, Pakistan and Sri Lanka. Dr. Selim Raihan, Professor of Economics at the University of Dhaka and Executive Director of SANEM was the instructor of the training programme. ■

IPS Annual National Conference

THE Annual National Conference of the Institute of Policy Studies of Sri Lanka (IPS) took place in Colombo on 15 October. The theme of the conference was “Sri Lanka’s Transition to a Middle Income Economy”. At the conference, IPS released its flagship report *Sri Lanka State of the Economy 2013*.

According to the report, “rising socio-economic prosperities in Sri Lanka, if fostered skillfully and inclusively, with progressive public policy, can spur economic dynamism, innovation and social progress and place the country on firmer grounds as it makes a decisive transition into the middle income economy and beyond”. However, transitioning to a middle income economy brings many challenges to Sri Lanka, and addressing these challenges may require key policies and government interventions. It is important to have a skilled labour force, improve the quality of education, and increase access to quality and effective health care in order to sustain the country’s economic growth.

The conference comprised three panel discussions on issues related to sustainable growth of the Sri Lankan economy. They were: “Macroeconomics & Competitiveness of Sri Lanka”, “Youth & Middle Class” and “Social Protection and Climate Change”. ■

Sixth South Asia Economic Summit organized

THE 6th South Asia Economic Summit (SAES) was held in Colombo on 2–4 September. Institute of Policy Studies of Sri Lanka (IPS) was the main organizer of the 6th SAES and SAWTEE was a core organizing partner.

The theme of the 6th SAES was “Towards a Stronger, Dynamic and Inclusive South Asia”. Overall, the Summit discussed the needs of South Asian nations to strengthen their economic growth prospects while managing risks and challenges in building a stronger region. The main issues that were discussed at the 6th SAES were under four broad themes: Harnessing Human Capital Potential; Managing Climate Change, Water Resources and Food Security; Addressing Intra-country Growth Disparities; and Building Competitiveness of the Private Sector. ■

EIF gets new Executive Director

Dr. Ratnakar Adhikari, Chief Executive Director of SAWTEE, is appointed the Executive Director of the Executive Secretariat for the Enhanced Integrated Framework (EIF) in Geneva. He joined the EIF on 7 October.

The EIF, an Aid for Trade programme for Least Developed Countries (LDCs), is a global partnership between LDCs, Donors and International Organizations that support EIF Countries to be more active players in the global trading system by helping them tackle supply-side constraints to trade.

SAWTEE congratulates Dr. Adhikari and wishes him success in his endeavours. ■

Sixteenth SDC

SUSTAINABLE Development Policy Institute (SDPI) is organizing the 16th Sustainable Development Conference (SDC) titled “Creating Momentum: Today is Tomorrow” from 10 to 12 December in Islamabad.

The conference will advocate for the dire and urgent need to bring about much needed reforms within each country as well as among all the states and societies. At the conference, researchers, scientists, policy makers and experts from different fields will recommend workable solutions to emerging challenges in relation to sustainable development. ■

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.

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