A dialogue on trade and development in South Asia
Vol. 11, No. 1, 2015

TRADE insight

LDC GRADUATION AND BEYOND

LDC GRADUATION | TRADE LIBERALIZATION | FARMERS' RIGHTS | CLIMATE CHANGE

A dialogue on trade and development in South Asia Vol. 11, No. 1, 2015

TRADE insight

PUBLISHED BY
South Asia Watch on Trade, Economics and Environment (SAWTEE)

sawtee

P.O. Box: 19366
Tukucha Marg
Baluwatar, Kathmandu, Nepal
Tel: +977-1-4424360/4444438
Fax: +977-1-4444570
E-mail: sawtee@sawtee.org
Web: www.sawtee.org

Regd. No. 208/070/071 (Kathmandu)

Published with support from

Oxfam

editors' note

LDC graduation

A new mantra or fig leaf for failed efforts?

A category of least developed countries (LDCs), which have low incomes and face severe structural and physical obstacles to their sustainable development, was created in 1971 to attract special international support for them. Despite much lip service towards lifting them out of the poverty trap, the number of LDCs has increased from 25 to 48, with only three of them graduating from the LDC status during the past four decades. In response to this utter inadequacy of efforts, an Istanbul Plan of Action was adopted in 2011 with targets agreed for LDC graduation. In South Asia, Afghanistan, Bangladesh, Bhutan and Nepal need to increase their efforts to leave the low-sounding "LDC group". As the articles in this issue show, Bangladesh and Nepal are being seen as potential candidates for graduation. Compared to other LDCs, South Asian LDCs are supposed to have made significant progress towards graduation. While this looks good against the three technically defined criteria for graduation, there is a bigger question involved here: how should "graduation" be interpreted in the context of a nation's development?

As Professors Daron Acemoglu and James Robinson stressed in their book *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*, a country needs fundamental political and economic changes to build strong institutions along with a societal willingness to come out of poverty. Governance is thus becoming the central theme for development aspirations. By no means is this a new understanding. "In a country well governed", says Confucius, "poverty is something to be ashamed of". But the international support towards addressing poverty has yet to internalize this observation from the Chinese sage. This perhaps explains why the US$5 trillion dollars of ODA provided to developing countries during 1967-2014 has yet to show results. Hopefully, the increasing emphasis on LDC graduation is not a fig leaf for the international community to hide its frustration about the inability to contribute to "development" in any real sense. Development assistance within the ODA framework has by and large ignored the importance of sustainability.

As indicated above, some LDCs in South Asia are supposed to be 'on track' for their graduation goal. Should they be successful, these new graduates will face a new set of development challenges mostly arising from likely decreased international support, loss of preferential treatment in international trade, and concessional lending. This is leading to internal debates in some LDCs on whether to be a graduation candidate at all! It may therefore be misleading to necessarily associate graduation with progress in development efforts of a country. Otherwise, why would anyone resist graduation?

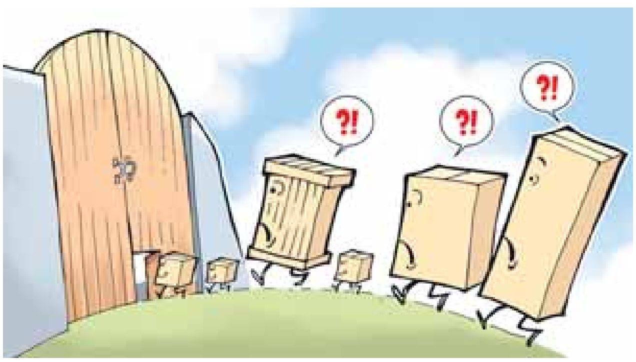
Apart from the shenanigans of graduation, there are other challenges that South Asian LDCs have been facing, including climate change, low intra-regional trade, conflicts within and between countries, poor regional economic integration, weak status of science and technology and peasants'/farmers' rights. These need to be tackled regardless of the category a country belongs to. South Asian LDCs face poverty as a common enemy. The level of ambition in poverty reduction must be high enough to justify external engagement in a country's development. Adam Smith asserted that "the real tragedy of the poor is the poverty of their aspirations". This seems to apply to all poor countries in South Asia. The new mantra of graduation should be about challenging 'borrowed wisdom' in favour of home-grown solutions for specific development challenges. ■

contents

LDC graduation and beyond A South Asian perspective

COVER FEATURE 16

Revisiting the Sensitive Lists Under SAFTA



TRADE LIBERALIZATION 8

How can South Asia benefit?

FARMERS' RIGHTS 30

Views expressed in *Trade Insight* are of the authors and editors and do not necessarily reflect the official position of SAWTEE or its member institutions.

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

India offers to unload Afghan trucks at Attari


www.dhakatribune.com

THE Indian Ministry of External Affairs (MEA) on 21 January offered to allow Afghan trucks unload goods at the integrated check post in Attari for exports from Afghanistan, thereby giving Afghanistan access to the Indian market. MEA's official spokesperson Syed Akbaruddin said "India provides duty free access to the Indian market for Afghanistan's export products under the Agreement of South Asia Free Trade Area (SAFTA). To give a fillip to Afghanistan's exports to India and to reduce the transaction costs for Afghani exporters, India offers to allow Afghan trucks (carrying their export products) to directly unload at its integrated check post in Attari."

As of now, the Afghan trucks-laden with goods can come up to Wagha (Pakistan's border), but not to Attari (India's border).There is a stretch in-between the two borders and transporting goods due to the lack of the "last mile connectivity" is a major challenge. With this move, India has given the opportunity to Pakistan to allow these trucks to come up to the Attari checkpost.

The Indian embassy in Afghanistan in a statement said: "We have seen reports in the media about ongoing negotiations on better implementation of Afghan-Pakistan Transit and Trade Agreement (APTTA) and its extension and the fact that Afghan trucks are not being allowed to come up to Integrated Check Post, Attari in India quoting Article 21 (b) of the Protocol I of APTTA, 2010."

"Such a restriction would severely curtail Afghanistan's access to the Indian market. It may be mentioned that India provides duty free access to the Indian market for all Afghanistan's export products under SAFTA. In view of this and to give a fillip to Afghanistan's exports to India and to reduce the transaction costs for Afghan exporters, Government of India offers to allow Afghan trucks (carrying their export products) to directly unload at its Integrated Check Post in Attari. We hope that this offer will overcome the limitation currently being faced by Afghanistan and also contribute to greater regional integration which is an objective pursued by all members of South Asian Association for Regional Cooperation (SAARC)." *(http://indianexpress.com, 22.01.2015).* ■

India to prune duties for Pakistan, Sri Lanka under SAFTA

INDIA will reduce the list of sensitive items that are presently shielded from duty cuts under SAFTA for Pakistan and Sri Lanka in a calibrated manner.

"India has already almost dismantled the sensitive list for all least developed country members of SAARC," said A. M. Gondane, Joint Secretary, Ministry of External Affairs, India at a conference on 'enhancing India-Pakistan trade' organized by a Delhi based think-tank on 2 February.

"We will also be doing it for Pakistan and Sri Lanka. Sri Lanka had earlier told us that bringing down the sensitive list would have revenue implications for them, but I think some movement is likely to happen soon," Gondane said.

On what could be done to enhance trade between India and Pakistan currently stuck at a little more than US$2 billion, Gondane said that one needed to go beyond rhetoric and try to analyze what the real problems were.

"Two countries may have political differences, but it need not restrain trade and economic relations," pointed out Ishrat Husain, Dean and Director, Institute of Business Administration (IBA), Karachi. *(www.thehindubusinessline.com, 02.02.2015).* ■

Bangladesh nominated as LDCs coordinator

BANGLADESH has been nominated as coordinator of the LDCs at the WTO for the year 2015. "The LDCs nominated Bangladesh as their coordinator at WTO again for the year 2015 due to its vital role in bargaining with the developed world on behalf of the LDCs," according to a press release shared on 22 February. Bangladesh was first elected as the coordinator of the LDC group in 1996 and since then it has served in that capacity many times. *(www.dhakatribune.com, 23.02.2015).* ■

Bhutan’s seed bank to ensure food security

theplate.nationalgeographic.com

BOASTING of more than 300 local rice varieties that have withstood varying weather conditions over the ages, Bhutan is relying on its seed bank to tackle food security issues arising out of climate change.

Bhutan is one of the world’s smallest countries, with 69 percent of its population of just 760,000 people dependent on agriculture. Around 56 percent are farmers, the community most aware of local symptoms of climate change that is perceived as a threat to the loss of on-farm agro-biodiversity, said Ugyen Tshewang, Secretary of Bhutan’s National Environment Commission (NEC).

“Our National Gene Bank will definitely play an important role for us in tackling climate change because it has all the indigenous seeds. For example, there are more than 300 varieties of rice and many varieties of corn and others staples,” Tshewang said.”The local varieties are more resilient because they have passed the test of time and are adapted to the local conditions they have passed through the cold weather, hot weather, frost and snow,” he added. The essence of a gene bank is to preserve a diversity of seeds for posterity and for research, Tshewang explained.

Established in 2005, it holds 1,268 accessions of cereals, legumes, oilseeds and vegetables. Rice, maize, wheat, barley, buckwheat and millets are the major staple cereals that are cultivated in Bhutan, which is opposed to the introduction of genetically modified crops/food, Tshewang informed. Officials estimate the presence of 350 landraces (locally adapted varieties) of rice, more than 40 of maize, 24 of wheat and 30 of barley in the country.

“We have also developed eight climate resilient rice varieties in the wake of climate change,” says Tenzin Drugyel, Deputy Chief of the Ministry of Agriculture and Forests (MoAF). Some of the local symptoms of climate change that Bhutan has seen recently include floods from a glacial lake outburst (GLOF) and erratic monsoons. In the wake of these emerging challenges, among other interventions, Drugyel said, evaluation and adaptation of genetic resources (plants and animals) resistant to biotic and abiotic stresses including drought, pests and diseases, is crucial. *(www.business-standard.com, 10.02.2015)*. ■

Lanka begins process to get GSP

THE EU and Sri Lanka have begun the formal process that may lead to the re-admission of Sri Lanka to the status of Generalized System of Preference Plus (GSP+) under the EU’s new GSP regulation.

A joint statement by Sri Lanka and the EU said that the EU-Sri Lanka Working Group on Trade and Economic Cooperation met in Colombo on 24 March 2015. In the meeting, Sri Lanka and the EU discussed issues related to promoting bilateral trade and investment. In particular, they started the process that may lead to the re-admission of Sri Lanka to the status of GSP+ under the European Union’s new GSP regulation. They also discussed bilateral matters related to investment facilities, import duties and fishery exports from Sri Lanka to the EU.

Sri Lanka’s proposal for possible funding in the areas of trade-related capacity building and development support for Small and Medium Enterprise’s (SMEs’) trade competitiveness in regional and EU markets under EU’s Regional Programming for Asia Multi-annual Indicative Programme 2014-2020 is being favourably considered by the European Union.

According to the Department of Commerce of Sri Lanka, bilateral trade between EU and Sri Lanka increased by 3.6 percent to reached US$5.07 billion in 2014. *(www.colombogazette.com, 25.03.2015)*. ■

WTO members indicate extensive preferences to enact LDC services waiver

SEVERAL WTO members indicated concrete sectors and modes of supply where they intend to provide preferential treatment to LDCs' services and services suppliers at a high-level meeting on 5 February 2015. Most of the preferences presented at the meeting of the WTO Council for Trade and Services (CTS) build on offers that have previously been made by members in the context of the Doha Round negotiations. In addition, some members have offered to add new commitments and/or establish equivalence with preferences that they have granted in their most liberal free trade areas.

Those unilateral preferences for LDCs services exports will first need to go through the respective preference givers' domestic legal procedures and subsequently be notified at the WTO before they become binding.

Several LDC delegates qualified the outcome of the meeting—which was attended by trade ministers from Uganda and Bangladesh—as "impressive" and "unexpected". The quality of the engagement and depth of the signals presented to "operationalize" the waiver were acknowledged by several delegates at the end of the high-level gathering. The meeting took place, as envisaged under the terms of the 2013 Bali Ministerial Decision, six months after the LDC Group submitted its collective request in July 2014 regarding the preferential treatment it wanted to see for LDC services exports.

In order to release the potential economic benefit of the waiver, the Council on Trade in Services was instructed at the 2013 WTO Ministerial Conference to launch a process aimed at promoting ''the expeditious and effective operationalization" of the waiver.

The LDC services waiver decision stems from the outcome from a previous WTO Ministerial Conference held in Geneva, Switzerland in 2011. However, in the two years that followed, no preferences had been requested by LDCs or granted to them, prompting WTO members to reconsider ways to move this decision forward. *(Bridges Weekly, Vol. 19, No.5, 12.02.2015).* ■

High-level panel to prepare study on Technology Bank for LDCs

THE UN Secretary-General's High-Level Panel agreed to prepare a study on the creation of a technology bank that would aim to address science, technology and innovation (STI) gaps in the LDCs. The decision was taken at a meeting in Gebze, Turkey, which convened from 16-17 February 2015.

The study will, inter alia, address questions on technology transfer, including intellectual property rights; assess the Technology Bank's potential to assist in the transfer of technologies to LDCs and develop domestic capacities; and consider how the Technology Bank can leverage existing international initiatives to limit duplication of effort and streamline management costs.

The Panel "focused on concrete articulation of the practical and operational aspects of the Technology Bank for LDCs," said the UN High Representative for LDCs, Landlocked Developing Countries (LLDCs) and Small Island Developing States (SIDS), Gyan Chandra Acharya. He added, "Once operational, the Bank will make critical contributions to transforming the lives of the poorest segments of the global community." Panel Chair Romain Murenzi said that the Panel "will propose practical measures with the highest impact" to provide the world's poorest nations with access to technology to transform their lives.

Efforts to improve the state of science and technology in LDCs and build a knowledge base to use such technology are expected to contribute to LDCs' ability to fight poverty and improve socio-economic conditions, according to the UN. The sector's development is further expected to help bridge the technology gap and the digital divide.

The 11-person Panel, composed of LDC representatives and development partners, will deliver its recommendations on the scope, function and organization of the Technology Bank to the UN Secretary-General in July 2015. *(sd.iisd.org, 18.02.2015).* ■

EU lifts ban on import of Indian mangoes

THE EU on 20 January decided to lift a ban on the import of mangoes from India after it made significant improvements in plant health controls and certification system, clearing the way for them to return to the 28-member bloc by March. But , the prohibition on the import of vegetables from India will be reviewed at later stage after collecting more evidence, the EU said in a statement. A European Commission committee meeting in Brussels voted to lift the ban on mangoes on 20 January.

The EU's "temporary ban" came into force on 1 May 2014 and was to remain effective until December 2015 after authorities in Brussels found consignments infested with fruit flies that they feared could damage European salad crops. After Tuesday's vote, the EU said, "India has also provided assurances that appropriate measures are now available to ensure that the exports of mango fruits are free from quarantine pest, like the fruit flies not known to occur in the Union. The measures will allow the import of mango fruits before the start of the next import season in March 2015," the statement said.

The legislation now needs to be formally adopted and published by the European Commission. This will take around a month, but the positive vote by the Committee gives certainty to Indian exporters and importers in the United Kingdom (UK) about the position for the forthcoming mango season. The EU accounts for more than 50 percent of total exports of fruits and vegetables from India. The UK is the main destination, followed by the Netherlands, Germany and Belgium.

The import into the EU territory of certain fruit and vegetables, mango, bitter gourd, eggplant and snake gourd from India was prohibited last April due to a high number of consignments intercepted at arrival in the EU infested with quarantine pests, mainly insects, not known to occur in the Union which may establish and threaten the European productions, the EU said. *(http://ibnlive.in.com, 20.01.2015).* ■

Pakistan puts climate change back on the political agenda

PAKISTAN has reinstated its ministry for climate change, suggesting the government plans to pay more attention to the issue as countries prepare a new international deal to curb global warming. In 2013, when the same government came to power, it downgraded the ministry to a division, removing its ability to make high-level decisions.

According to Qamar-uz-Zaman-Chaudhry, advisor to the United Nations Development Programme in Pakistan and author of the country's climate change policy, the climate change division had performed poorly without a minister at its helm for several months. Pakistan has not even started thinking about what to include in the offer each country is expected to put forward in advance of the Paris climate talks, including plans to curb planet-warming emissions and adapt to climate shifts, he added.

static.guim.co.uk

The musical chairs the government has played with climate change began in 2011 when the federal Ministry of Environment was devolved to the provincial authorities. Responsibility for climate change was handed to the Ministry of Planning, and in October 2011, four new ministries were set up to absorb the departments leftover from the devolution, including the Ministry of National Disaster Management, which was renamed the Ministry of Climate Change in April 2012.

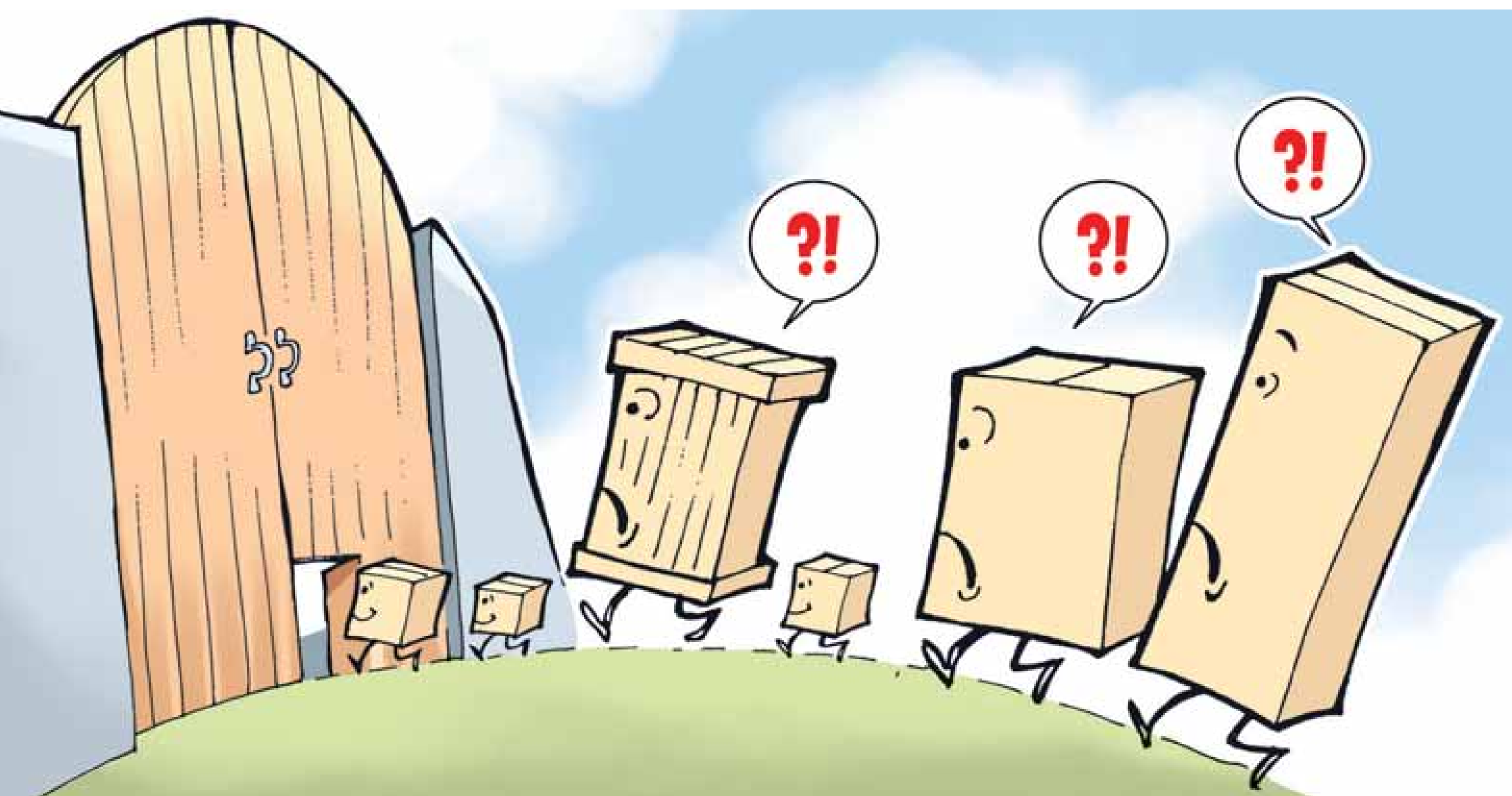
Subsequently, Pakistan finalized its National Climate Change Policy (NCCP) in 2012 and the climate change ministry then crafted an action plan. But when the ministry was downgraded by the new government in 2013, the NCCP was put on the backburner. *(http://in.reuters.com, 21.01.2015).* ■

Revisiting the Sensitive Lists Under SAFTA

Nisha Taneja and Devyani Pande

The South Asian Association for Regional Cooperation (SAARC) reached the South Asian Free Trade Area (SAFTA) Agreement on 6 January 2004. The Agreement, which entered into force on 1 January 2006, was implemented through the following instruments: (i) Trade Liberalization Programme, which laid down the schedule of tariff reductions within specific time frames for the member countries; (ii) Rules of Origin, which covers the rules of determination of origin of products that receive preferential treatment under SAFTA; (iii) Institutional Arrangements such as setting up of the SAFTA Ministerial Council and a Committee of Experts to review, monitor and facilitate the implementation of the provisions in SAFTA; (iv) Consultations and Dispute settlement procedures; and (v) Safeguard measures to prevent injury to producers of directly competitive products in the importing contracting states.

The approach adopted in SAFTA is a commitment towards a top-down reduction of tariffs, which involves reducing higher tariffs by more than the lower ones. The tariff liberalization programme has delineated phases for least developed countries (LDCs) and non-LDCs (NLDC)[1] to reduce their tariffs to less than 0-5 percent. Phase I mandated reduction of existing tariffs to 20% by the NLDCs and 30% by the LDCs within a time frame of 2 years from 2006. In Phase II, the contracting



countries agreed to reduce the tariffs to 0-5 percent within a time frame of 5 years, but Sri Lanka and LDCs can do so in 6 and 8 years respectively.

The SAFTA Agreement also allows members to refrain from tariff concessions on particular products by including them in the sensitive list. The rationale for the provision of a sensitive list is to protect "infant industry", small-scale producers owing to socio-economic arguments, and agricultural products for food security reasons[2]. However, the use of a measure like the sensitive list might in fact hinder the region from reaping the benefits of a preferential or free trade agreement, particularly when they cover a large value of trade. The same is true for South Asia where members maintain long sensitive lists under SAFTA. Consequently, intra-SAARC trade continues to be very low, ranging between 3-5 percent of the total regional trade, despite the implementation of SAFTA.

Apart from the effort to enhance trade by entering into a regional trade agreement, SAARC member countries have entered into bilateral trade agreements. For example, India has traditionally had trade agreements with Bhutan, Nepal and Sri Lanka much before SAFTA came into existence. The India-Sri Lanka Free Trade Agreement (ILFTA) was signed on 28 December 1999 and became operational from 15 December 2001. The major provisions of the free trade area (FTA) relate to the elimination of tariffs, rules of origin and dispute settlement resolution. The Pakistan-Sri Lanka FTA (PSFTA) is another major bilateral FTA in the region which was signed in August 2002 and came into operation on 12 June 2005.

Against this backdrop, with the date of full implementation of SAFTA approaching in 2016, it becomes imperative to revisit the sensitive lists being maintained by member countries. In this article, we therefore discuss some issues and a road map for pruning sensitive lists for each of the SAFTA member countries and whether it is materialized. Since intra-regional trade has been very low in the region, examining issues relating to sensitive lists has come to the fore. We have looked at import values subject to sensitive list during the two major phases of SAFTA for this purpose.

Table 1
Sensitive list of member countries under SAFTA

Member States	Number of Products in the previous Sensitive Lists	Number of Products in the Revised Sensitive Lists w.e.f. 1 January 2012	Number of products in the Sensitive Lists of bilateral FTAs
Afghanistan	1072	858	
Bangladesh	1233 (LDCs) 1241 (NLDCs)	987 (LDCs) 993 (NLDCs)	
Bhutan	150	156	
India	480 (LDCs) 868 (NLDCs)	25 (LDCs) 614 (NLDCs)	Under India-Sri Lanka FTA -431
Maldives	681	154	
Nepal	1257 (LDCs) 1295 (NLDCs)	998 (LDCs) 1036 (NLDCs)	
Pakistan	1169	936	Under Pakistan- Sri Lanka FTA- 540
Sri Lanka	1042	837 (LDCs) 963 (NLDCs)	Under India-Sri Lanka FTA- 1220 Under Pakistan-Sri Lanka FTA- 697

Source: SAARC website, http://saarc-sec.org/areaofcooperation/detail.php?activity_id=35 , Pakistan-Sri Lanka Free Trade Agreement and India-Sri Lanka Free Trade Agreement

Sensitive lists under SAFTA and regional bilateral agreements

The tariff liberalization programme is not applicable to tariff lines included in the sensitive lists negotiated by member states. However, SAFTA does lay down a provision to review the lists in every four years or before as decided by the SAFTA Ministerial Council so as to reduce the number of items in the sensitive list.

Table 1 shows sensitive lists of member countries under SAFTA. In the initial phase of the agreement, Bangladesh, India and Nepal had maintained separate lists for LDCs and NLDCs. Afghanistan, Bhutan, the Maldives, Pakistan and Sri Lanka had a single sensitive list which was applicable for both LDCs and NLDCs. Under phase II, a working group for reduction in the sensitive lists under SAFTA was constituted to reduce the lists by 20 percent. Subsequently, all member countries trimmed their sensitive lists that were applicable from 1st January 2012. After notifying the sensitive lists at the time of inception of SAFTA, this was the first time that the SAFTA members pruned their sensitive lists. However, between 2008 and 2012, India has unilaterally made many attempts to reduce its sensitive list under SAFTA but these changes do not get reflected in the notified sensitive lists either under the bilateral agreements or under SAFTA. In June 2006, when SAFTA was signed, India had maintained a list of 743 items for LDCs and 868 items for NLDCs. In October 2008, the numbers of items were reduced from 743 to 480 items for LDCs. In 2012, India reduced its sensitive list to 614 items for the NLDCs (by 30%) and to only 25 items for the LDCs (by 95%). These efforts indicate that India is committed to prune its sensitive list with its neighbours even non-reciprocally and asymmetrically.

Apart from the above efforts, India has offered Bangladesh duty-free access for 8 million pieces of garments; 3 million pieces with the condition of sourcing fabrics from India, an additional three million pieces with the condition of using fabrics of either Indian or Bangladeshi origin and a further two million pieces without any condition[3]. This happened before the concessions that India offered to all LDCs in October 2008. Since this concession takes the form of a tariff rate quota, it does not get included in the notified sensitive lists under SAFTA. Adjusting for concessions and discrepancies, the operational sensitive list for Bangladesh consists of only 331 items while the LDC list consists of 480 items[4].

Bilateral FTAs signed between member countries in the SAARC region also hinder the pruning of sensitive lists under SAFTA. The two major FTAs in the region, namely India- Sri Lanka and Pakistan-Sri Lanka, are more advanced and liberal in terms of tariff liberalization and the items on the sensitive lists. India has offered a sensitive list of 431 items and Sri Lanka has offered a list of 1220 items under ILFTA. In 2008, India allowed duty free import of 216 garment items up to a limit of 3 million pieces in the bilateral sensitive list, thereby reducing the operational sensitive list to 215 items. Under PSFTA, Pakistan's sensitive list for Sri Lanka consists of 540 items and Sri Lanka's sensitive list for Pakistan consists of 697 items, which is much shorter than the sensitive lists that the countries maintain for NLDCs under SAFTA.

Surprisingly, although Sri Lanka has bilateral trade agreements with the other NLDCs such as India and Pakistan, it shifted to maintaining a sensitive list for the NLDCs under SAFTA in 2012. In addition, there is also an incongruity with respect to the sensitive list that Sri Lanka has offered to India under the regional and bilateral agreements. Since the implementation of ILFTA in 2001, much before the SAFTA was even signed, the items in the sensitive list under the FTA are more than what Sri Lanka offers to India by way of SAFTA.[5] This is in discordance with the fact that a bilateral trade agreement should ideally be more liberal than a regional trade agreement.

Nonetheless, despite the issues related to SAFTA and the existence of sensitive lists, tariff liberalizations and pruning of sensitive lists must have certainly provided a boost to the integration process among SAFTA members. However, whether pruning the sensitive lists has actually led to an increase in imports from member countries requires further exploration.

Import coverage for items on the sensitive lists under SAFTA

In an attempt to understand the trade impacts of sensitive list under SAFTA, the import coverage ratios, defined as the share of a country's import of products included in sensitive list from other member countries in the total imports of the country, for Bangladesh, India, Nepal, Pakistan and Sri Lanka from other SAARC members have been calculated (see Table 2). The import coverage ratios indicate the extent of effectiveness of the sensitive list to restrict trade between SAARC member countries. The process involved mapping the imports of existing sensitive list products in particular year as notified by SAARC members. Weerakoon and Thennakoon (2006)[6] had estimated the import coverage ratio in 2006. Following the same procedure, we have also calculated the import coverage ratio for 2012 when all member countries pruned their sensitive lists by 20 percent in phase II of the tariff liberalization programme with effect from 1 January 2012. We look at the change in percentage of imports subject to the sensitive lists in 2008 and 2012 to ascertain the effect of pruning of the sensitive lists on trade. An important caveat, however, would be that these figures are based on the sensitive lists maintained by the countries under SAFTA but not on the operational sensitive lists of the bilateral trade agreements between SAARC members. Moreover, though these are static estimates, it nevertheless offers a valuable insight into the impact of sensitive lists on the volume of regional trade.[7]

Three key inferences can be drawn from the estimated figures. First, in the initial phase of the agreement, Pakistan had the lowest level of import

Table 2
Import coverage ratios in 2006 and 2012

	Import coverage ratios (%) (2006)*	Number of items in the sensitive list- phase I	Import coverage ratios (%) (2012)**	Number of items in the sensitive list- phase II
Bangladesh	65	(1233, 1241)	33	(987, 993)
Nepal	64	(1257, 1295)	46	(998, 1036)
India	38.4	(480, 868)	12	(25, 614)
Pakistan	17.2	(1169)	12	(936)
Sri Lanka	51.7	(1042)	32	(837, 963)

*Source: *Weerakoon and Thennakoon, 2006*
***Authors' calculations using data from WITS COMTRADE*
(Figures in the parentheses are the number of items in the sensitive list maintained by the respective countries for LDCs and NLDCs respectively. In case of only one figure, a single sensitive list is applicable.)

coverage of items in the sensitive list under SAFTA and this reduced even further in phase II. In this phase, India and Pakistan reduced their sensitive lists and the value of their imports from SAARC subject to sensitive lists is the lowest among all the countries considered for this exercise. Second, as compared to other NLDCs, Sri Lanka's trade with SAARC members is still very restrictive, with 32 percent of its imports being subject to the sensitive list. Third, the value of imports covered by the sensitive list as a proportion of total imports was the highest for Bangladesh and Nepal. By 2012, Bangladesh's import coverage of sensitive lists was reduced to half, while that of Nepal remains the highest among all the countries. Nepal had imposed a restrictive sensitive list in phase I and still continues to do so, with 46 percent of its imports being subject to the sensitive list.

These figures on the value of imports subject to the sensitive list indicate the prevalent restrictiveness of trade in the SAARC region. While Nepal and Sri Lanka can still liberalize their trade regimes by trimming their sensitive lists, the import values from SAARC as a proportion of total imports declined substantially from 2006 to 2012. These figures are still encouraging which supports that pruning the sensitive list will increase the trade between the member countries.

Time for a change?

With an eventual goal of forming a South Asia Economic Union, SAARC members have for long pursued an ambitious aim to fully implement SAFTA. However, the existence of sensitive lists has limited the scope of the SAFTA regime and slowed progress towards its implementation. Though trade coverage in terms of the value of imports from SAARC members subject to sensitive lists has increased following phase II of the tariff liberalization programme, the SAFTA agreement needs to incorporate additional provisions that will strongly impact and consequently facilitate greater intra-regional trade. With the perceived strategic shift of the world trade to the Asian region, the SAARC region needs to step up to meet the challenges.

> The recent efforts by member countries to prune the sensitive lists and the import coverage figures indicate a positive trend.

Specifically, there is a need for a binding schedule that would specify phasing out of the sensitive lists in a timely manner. Given that the motivation for SAFTA hinges on the commitment to strengthen intra-SAARC economic, the provision related to the review of sensitive lists needs reconsideration. The provision should be replaced by a targeted tariff phasing out schedule. For instance, the Association for Southeast Asian Nations (ASEAN) FTA requires explicitly that its sensitive list, the corresponding temporary exclusion list, be phased out in five equal instalments.[8]

In addition, an important concern is that once the items are removed from the sensitive list, what tariff rates are applied to them? Since the tariff liberalization programme under SAFTA does not lay down any tariff reduction for items once they are removed from the sensitive list, members should ensure that an accelerated tariff liberalization programme is specified for a smooth transition of such items in the agreement. Moreover, the coexistence of SAFTA and bilateral free trade agreements in the region have resulted in some inconsistencies with respect to the sensitive lists. For instance, the India-Sri Lanka FTA came into operation much before SAFTA was implemented. But under the bilateral FTA, Sri Lanka's sensitive list has greater number of items that the sensitive list under SAFTA. Ideally, the bilateral FTA must be more liberal than the regional FTA, so such incongruities must be rectified.

Finally, member countries must be clear on their objective of maintaining the sensitive lists. In the past, members have not followed any economic criteria while constructing their sensitive lists. Having a clear view of the motives to maintain sensitive lists will lead to a justifiable tariff regime. The SAFTA Committee of Experts, keeping in view of the importance of reducing sensitive list, has decided to form an ad-hoc Working Group to reduce the sensitive list under SAFTA (Phase-III). It is imperative that the Working Group be institutionalized so that the sensitive lists are reduced in a specified time frame based on economic criteria.

Although SAFTA was met with a lot of criticisms after a few years of operation, the recent efforts by member countries to prune the sensitive lists and the import coverage figures indicate a positive trend. With the objectives set out for the ad-hoc Working Group for phase III, having a sound framework for further reduction in sensitive lists would set the track for a successful completion of the SAFTA in 2016. ■

The authors are associated with the Indian Council for Research on International Economic Relations (ICRIER), New Delhi, India.

Notes

1. India, Pakistan and Sri Lanka are the NLDC members and Afghanistan, Bhutan, Bangladesh, Maldives and Nepal are the LDC members of SAFTA.
2. Taneja, N., Ray, S., Kaushal, N., and Chowdhury, D. R. 2011. "Enhancing intra-SAARC trade: pruning India's sensitive list under SAFTA." Indian Council for Research on International Economic Relations (ICRIER), India.
3. (CBEC Notification No. 51/2008 dated 21st April 2008).
4. Taneja, N., Ray, S., Kaushal, N., and Chowdhury, D. R. 2011. "Enhancing intra-SAARC trade: pruning India's sensitive list under SAFTA." Indian Council for Research on International Economic Relations (ICRIER).
5. Sri Lanka maintains a sensitive list of 1220 items under the ILFTA and 963 items under SAFTA.
6. Weerakoon, D., and Thennakoon, J. 2006. "SAFTA: myth of free trade." Economic and Political Weekly, 3920-3923.
7. *ibid.*
8. *ibid.*

Developing the 2015 Agreement on Climate Change

Lima to Paris

LDCs should negotiate for preferential treatment on GHGs emission reduction and ensure that climate change regime will not "block" their sovereign right for development.

Batu Uprety

Change in climate system will continue naturally and through anthropogenic emissions of greenhouse gases (GHGs). Climate change has been more visible, pronounced and even destructive in the recent years. Scientists confirmed rapid change in climate system in the late 1970s. The international community has accepted the reality of climate change, experienced increasing climate-induced disasters, understood its potential implications, and observed its adverse effects on key economic sectors such as agriculture, water resources, forests and infrastructure. Most probably as a result of climate change, 2014 has been observed as the hottest year in the recorded history.

The context

Countries realized the need for a legally-binding instrument, and accordingly prepared and adopted the UN Framework Convention on Climate Change (UNFCCC) in New York in May 1992 and the Kyoto Protocol (KP) in December 1997 to stabilise GHGs concentration in the atmosphere. The developed countries expressed their commitments to reduce GHGs concentration by 5.2 percent at 1990 level under KP during the first commitment period (2008-2012). No agreement has been reached regarding quantified emission reductions targets for countries for the second commitment period of the KP. It, therefore, seems that countries are 'free to emit GHGs'.

The Convention 'differentiated' between developed and developing countries while only developed countries need to reduce GHGs emissions as per the UNFCCC. The Convention also adopted principles of 'common but differentiated responsibilities and respective capabilities' (CBDR & RC) and made commitment that developed countries should provide financial and technological support to developing countries. Since the enforcement of the UNFCCC and KP in 1994 and 2005 respectively, fossil fuel-based economic growth has increased GHGs emissions in some of the developing countries, exceeding the levels of some developed countries. This also contributed not to realize KP's second commitment after 2012. Parties to the KP in Montreal in 2005 formed an Ad Hoc Working Group (AWG) to work on KP's second commitment period. Parties to the UNFCCC in Bali in 2007 also formed AWG on Long-term Cooperative Action (LCA) to agree on enhanced action on mitigation, adaptation, finance, technology and capacity building with a plan to complete its work by 2009. Both AWGs (LCA and KP) 'forcefully' completed their work by 2012 without progress in GHGs emission reduction commitments.

The Convention recognizes the specific needs and special situations of the least developed countries (LDCs) and commits to provide LDCs with funding and transfer of technology,[1] including the provisions for addressing climate change impacts in the fragile mountains. Similarly, KP provisions for carbon trade between developed and developing country Parties through Clean Development Mechanism (CDM). These provisions could enable countries to benefit by securing funds, building capacity, and developing and/or using appropriate technologies in adapting to, and building resilience of the climate vulnerable communities.

As countries' GHGs emissions changed significantly, Parties in Durban in 2011 established an AWG on the Durban Platform for Enhanced Action (ADP) to launch a process to adopt a protocol, another legal instrument or an agreed outcome with legal force under the Convention applicable to all Parties,[2] by 2015. The ADP shall complete its work as early as possible in order to allow the Conference of the Parties (COP) at its 21st session in 2015

worldviewofglobalwarming.com

No agreement has been reached regarding quantified emission reductions targets for countries for the second commitment period of the KP. It, therefore, seems that countries are 'free to emit GHGs'.

in Paris to adopt a new agreement that will come into effect from 2020. A draft negotiating text on ADP outcome should be shared with Parties by May 2015 in order to adopt an instrument at COP21 in Paris. The ADP process was started in mid-2012 and is under intense negotiation. As of now, nature of the instrument is unclear. International community is watching Paris as a venue for adoption of the legally-binding instrument to control temperature rise and climate-abnormalities, including reduction of climate change impacts to an acceptable level. This prompted Parties to UNFCCC to prioritise ADP discussion at Lima climate change negotiation process in 2014.

Lima focus

At the COP20 held in Lima, the 41st meeting of the Subsidiary Body for Implementation (SBI) and Subsidiary Body for Scientific and Technological Advice (SBSTA) made conclusions on issues related to the implementation and scientific and technological aspects of the Convention and the Kyoto Protocol and subsequently forwarded the outcomes to the COP and CMP for necessary conclusions. Based on the decisions of SBI and SBSTA, COP20 made several decisions that support for enhancing the implementation of climate change adaptation, mitigation, finance, technology development and transfer, and capacity building. It also made decision on the outcome of the seventh part of the second session of the Ad Hoc Working Group on the Durban Platform for Enhanced Action (ADP 2-7), popularly known as Lima Call for Climate Action (LCCA).

The LCCA re-committed to complete the ADP work by 2015 and address above issues, including transparency of action and support in a balanced manner. As usual, it urged developed country Parties to provide and mobilise enhanced financial support to developing country Parties for ambitious adaptation and mitigation actions. Importantly, the LCCA reaffirmed its determination to strengthen adaptation action in the 2015 agreement. Moreover, issues persistently raised by LDCs related to loss and damage associated with climate change impacts, and holding global temperature rise at or below 1.5^{0}C above pre-industrial levels are included in the preamble. The LCCA reiterated its invitation and urged all Parties to communicate their intended nationally determined contribution (INDC) well in advance of COP21 aimed at achieving the objective of UNFCCC.

Paving the way forward, the LCCA annexed the "elements for a draft negotiating text" for 2015 agreement, which consists of preamble, definitions and objectives, along with thematic areas of mitigation, adaptation and loss and damage, finance, technology development and transfer, capacity building, and transparency of action and support. The text also consists of time frames and process related to implementation and ambition, procedural and institutional provisions. In a nutshell, Lima provided guidance on fundamental issues that the 2015 agreement will likely contain.

After 7 weeks of the Lima meeting, Parties met to negotiate and streamline elements for the draft negotiating text in Geneva from 8 to 13 February 2015. The discussion focused on how to make the negotiating text more streamlined, concise, manageable and negotiable by eliminating redundancies, duplications and inaccuracies, clarifying proposals and concepts and, if possible, narrowing down divergence. However, Parties and/or group of Parties provided additional inputs and adopted the negotiating text on 13 February 2015. This text has been communicated to Parties in all UN languages and real negotiation for the 2015 agreement has been started from June session in Bonn. This June session focused on streamlining and consolidating the Geneva text. Two additional negotiating sessions (31 August-4 September, and 19-23 October 2015) will be held prior to Paris session to build convergence and finalize the Agreement. It is expected that remaining 6 weeks of negotiation (two weeks each in June and December, and one week each in August/September and October) will help in agreeing and adopting the 2015 agreement in Paris.

Loss and damage and INDC

Understanding differs on loss and damage and INDCs. LDCs consider loss and damage 'beyond adaptation' but current negotiation on it is under the Cancun Adaptation Framework. This created a problem to recognize loss and damage under the operating paragraphs of the LCCA. However, Parties have recognized its importance. It means the 2015 agreement is unlikely to contain provisions on loss and damage associated with climate change impacts.

As mentioned above, LCCA includes a number of decisions on INDCs and its general understanding is to submit "mitigation or GHGs reduction contributions". However, the share of LDCs in global GHGs emission is insignificant, less than 5 percent of total GHGs emissions. Thus, LDCs do not need to submit mitigation contributions. Although it is contribution, it might be converted to 'national commitment' to reduce GHGs emission later. While LCCA does not oblige LDCs to submit INDC, it does encourage LDCs to submit INDC to communicate information on strategies, plans and actions for low GHGs emissions.

In this regard, support package, including the capacity building for INDC preparation has been launched. A regional workshop was organized in the last week of February 2015 in Asia and the Pacific region. The global environmental facility (GEF) is providing demand-based support to developing countries to prepare INDC. INDC will provide an aggregate sum of GHGs emission reduction contributions by countries and help understand total GHGs emissions to be reduced to meet below 20^{0}C temperature rise target, and is expected to shape the 2015 agreement. However, nature, content and structure of the INDC are unclear.

Moreover, there is no format or guidance document to understand what the INDC should contain. For example in Nepal's case, GHGs emission is high in agriculture sector and the country's INDC should include contribution to GHGs emissions reduction in agriculture sector, which might be a 'commitment' later. If so, it will greatly affect Nepal's agriculture dependent economy, livelihood and food security. This sensitivity and reality has to be understood clearly. Nepal's development pathway should be "low carbon economic development" without any commitment to GHGs emission reduction. This strategic pathway should be implemented subject to the availability of funding and technology as per the provisions of the Article 4.9 of the UNFCCC.

Crunch issues

There are still some crunch issues although the 2015 deadline for the long-awaited global agreement on climate

distractify.com

change is fast approaching. Specifically, consensus is yet to be reached on the legal form of the 2015 agreement, elements and structure of the agreement, treatments of loss and damage and INDC, issue of differentiation, and means of implementation, including pre-2020 mitigation ambitions.

Notably, LDC group has urged to separate loss and damage from adaptation. In case of INDC, LDCs are planning to implement paragraph 11 of the LCCA (para 11: Also agrees that LDCs and Small Island Developing States (SIDS) may communicate information on strategies, plans and actions for low GHGs emission development reflecting their special circumstances in the context of INDC).

The ADP aims at enhancing action and promoting the full, effective and sustained implementation of the Convention by strengthening multilateral rule-based regime under the Convention. It seems that LDCs and developing countries do not accept redefining, rewriting, renegotiating or reinterpreting the Convention. Moreover, the 2015 agreement must be based on the CBDR & RC.

The 2015 agreement and LDCs

The UNFCCC has recognized the specific needs and special situations of the LDCs. The LDCs have been continuously facing adverse impacts of climate variability and extreme events in key economic sectors. The 2015 agreement might not have preferential treatment to LDCs. If so, the INDC may obligate LDCs to reduce GHGs emissions, which could introduce a significant barrier to socio-economic development in LDCs.

As the existing draft negotiating text has multiple options, LDCs should negotiate for preferential treatment on GHGs emission reduction and ensure that climate change regime will not "block" their sovereign right for sustainable development.

Sustained additional technical and financial supports on clean energy investment will likely help LDCs in opening avenues for socio-economic development. The clean energy pathway that Nepal has adopted in principle will likely sustain economic and infrastructure development and contribute to stabilise atmospheric concentration of GHGs.

> The Paris agreement should focus on long-term GHGs emission reduction target to protect "Mother Earth" from warming.

Agenda for Paris

There will be five parallel sessions in Paris, namely, COP21, CMP11, 43rd-meetings of the SBI and SBSTA, and ADP-12. Conclusions of the Subsidiary Body will continue to focus on the implementation of the Convention and the Kyoto Protocol, while ADP-12 will concentrate to agree and adopt the 2015 agreement.

As mentioned above, focus and locus of Paris session will basically depend upon the negotiation in three sessions from June to October 2015. If these sessions contribute to streamlining the 2015 agreement, Paris session might finalize and adopt the agreement. In a nutshell, it is necessary to agree on the legal nature of the agreement. LDCs have repeatedly focused on a Protocol. Parties through the new agreement should address the long-term goal of maintaining temperature rise below 1.5-2.0^{0}C as compared to pre-industrial period. Rise in temperature is an economic and political issue which might be agreed at the last moment of the negotiation.

LDCs, e.g., Nepal, lack science- and evidence-based ideas for the negotiations, which limits factual and logical justifications to convince negotiating partners. Moreover, considering the increased financial and technological dependencies on developed countries, LDCs might lack negotiating "chips" as well.

Recalling a small case of UNFCCC negotiation in 2011 regarding "direct access" and "co-finance" on LDC Fund, representatives of the developed countries finally agreed on "facts and logics" but informed that this issue belongs to the mandate of the Global Environment Facility (GEF) Council. Finally, the authority over the issue has shifted from the UNFCCC to the GEF Council.

The Paris agreement should focus on long-term GHGs emission reduction target to protect "Mother Earth" from warming. In general, LDCs could not take mandatory GHGs emission reduction responsibilities, but rather focus on adaptation, and loss and damage with provision for long-term financial and technological support. LDCs should equally focus on strengthening existing institutions and avoid proliferation of institutional mechanisms. Besides, LDCs could strengthen issues of CBDR & RC and get exempted from taking major obligations until their graduation from LDC category.

The world is keenly watching COP21 in Paris with an expectation of the global agreement on climate change. While the Paris sessions might consider the Hyogo framework on disaster risk reduction and sustainable development goals, the major concern is how the Agreement will address the urgent and foreseeable future threats of climate change to people and resources. This agreement should open up opportunities to "let the people live with dignity". ■

The author is expert member of Climate Change Council and former Head of Climate Change Management Division, Ministry of Science, Technology and Environment, Government of Nepal. E-mail: upretybk@gmail.com. Views expressed in this article are personal.

Notes

1 UNFCCC. 1992. "UNFCCC Text." http://unfccc.int/files/essential_background/background_publications_htmlpdf/application/pdf/conveng.pdf Accessed on 4 April 2015.

2 UNFCCC Decision 1/CP.17 http://unfccc.int/resource/docs/2011/cop17/eng/09a01.pdf#page=2, Accessed on 4 April 2015.

LDC graduation and beyond

A South Asian perspective

Ana Luiza Cortez

The origin of the concept of least developed countries (LDCs) dates back to the first session of the United Nations Conference on Trade and Development (UNCTAD I) held in Geneva in 1964, when it was recognized that measures for promoting development needed to consider characteristics of individual countries. Then in 1969, the United Nations General Assembly acknowledged the need to alleviate the problems of underdevelopment of "the less developed countries" so that they could draw full benefits from the Second United Nations Development Decade. Subsequently, the Assembly invited the relevant entities, including the Committee for Development Planning, the predecessor of the current Committee for Development Policy (CDP), to identify such countries. In turn, the CDP indicated that there was a substantial gap between the poorest and the relatively advanced developing countries, and agreed that LDCs "cannot always be expected to benefit

fully or automatically from such general measures adopted in favour of all developing countries".[1] Additionally, the CDP argued that LDCs required special supplementary support if they "are to benefit significantly from these measures".[2]

Three indicators, namely GDP per capita, the share of manufacturing in GDP and adult literacy rate, were selected as the original criteria to classify countries as LDCs. To these three indicators, CDP added the average rate of GDP growth (real terms) to facilitate decisions on border line cases. The application of the criteria, done in a flexible manner, led to a suggested list of 25 countries which was approved by both the Economic and Social Council, and the General Assembly in 1971. But the list grew as countries gained independence and/or faced severe developmental challenges. Currently, the list comprises 48 countries which includes four South Asian countries, namely, Afghanistan, Bangladesh, Bhutan and Nepal. All South Asian LDCs, including the recent graduate—the Maldives, joined the list in 1971, with the exception of Bangladesh that was added to the list in 1975.

The LDC criteria: inclusion in and graduation from the category

Since they were first applied in 1971, the criteria to identify LDCs have been refined and updated several times to incorporate new development concerns, relevant advances in economic theory and greater data availability. Nonetheless, the criteria have always included three components that measure income, social progress and economic structure/vulnerability. Inclusion and graduation procedures have also evolved over the years. Currently, the identification of LDCs is based on the following three criteria[3]:

(i) gross national income per capita (GNI), expressed in US dollars and calculated according to the World Bank Atlas method;

(ii) human assets index (HAI) which is composed of two indicators on education outcomes (adult literacy rate and gross secondary enrolment ratio) and two indicators of health and nutrition outcomes (under five mortality rate and percentage of population undernourished);

(iii) economic vulnerability index (EVI), which is composed of two sub-indices: one that captures the country's exposure to shocks (population, remoteness, merchandise export concentration, share of agriculture, forestry and fisheries in GDP, and share of population living in low elevated coastal zones), and the other that captures shock impacts on the country (instability of exports of goods and services, victims of natural disasters, and instability of agricultural production).

> An important motivation to create the LDC category was to allow for special support measures beyond what had been generally available for developing countries.

Based on the triennial review of the list of LDCs, the CDP advises the Economic and Social Council on the possible inclusion in or graduation from the list. Threshold levels for each of the three criteria are defined with the thresholds for graduation established at a higher level than those for inclusion. To be added to the LDC category, a country must satisfy the inclusion threshold levels of all three criteria mentioned above and must have a population less than 75 million. To be eligible for graduation, a country needs to meet at least two criteria or its GNI per capita must exceed at least twice the graduation threshold for the year. CDP decisions on graduation also take into account information and analysis provided by two supplementary reports: the Vulnerability Profile (VP) (prepared by UNCTAD) which identifies vulnerabilities not covered by EVI as well as other relevant structural features of the country, and the Ex-ante Impact Assessment (IA) of the likely consequences of graduation for the country's economic growth and development (prepared by UN-DESA) which focus on the expected implications of the loss of LDC status on development financing, international trade and technical assistance for the sustainability of the country's development progress.

Inclusion recommendation by the CDP requires agreement of the country concerned, whereas graduation does not. Besides, graduation requires that the country meets graduation thresholds in two consecutive triennial reviews. The CDP forwards its recommendations on inclusion and graduation to the Economic and Social Council for endorsement. Once endorsed, the General Assembly must take note of the recommendation before a country joins or leaves the category.

Inclusion is immediate, while graduation takes place only three years after the General Assembly has acted on the recommendation. This provides the country with time to prepare a transition strategy, in cooperation with its development partners. The strategy, to be implemented after the country officially graduates, aims at ensuring that the phasing out of support measures resulting from its change of status will not disrupt the country's continued development efforts as mandated by General Assembly resolutions 59/209 and 67/221. During the period, the country is still an LDC and has access to all special measures available to the category.[4]

International support measures for LDCs

As seen above, an important motivation to create the LDC category was to allow for special support measures beyond what had been generally available for developing countries as LDCs were not able to benefit from that support fully. In this regard, CDP suggested a balanced, country-by-country approach covering both social and economic constraints to development.

Table 1
Net disbursements of ODA from all donors, 2010-2012, 2012 constant US$ million

	2010	2011	2012	ODA as % 2012 GNI	ODA per capita 2012 (US$)
Afghanistan	6,684.8	6,831.6	6,725.0	32.6	220.12
Bangladesh	1,474.4	1,460.4	2,152.1	1.5	13.74
Bhutan	137.9	139.0	161.3	9.6	213.92
Nepal	860.7	866.5	769.7	4.0	27.69
Total above	11,167.9	11,308.4	11,820.1		
as % of ODA to all LDCs	24.1	25.4	27.4		

Source: OECD/DAC

Three main types of support were recommended[5]: (i) technical cooperation to improve countries' capacity to widen their development efforts; (ii) financial assistance at appropriate terms (long term, grace period and concessional rates of interest); and (iii) international trade measures and regional cooperation to allow for the expansion of production base in the countries given their limited domestic markets.

Currently, the main support measures extended to LDCs cover a wide range of instruments and initiatives, offered by bilateral and multilateral development partners as well as the private sector. Overall, available support can be grouped in three main categories as follows: (i) international trade, which includes preferential market access and special and differential treatment in WTO and regional trade agreements; (ii) official development assistance (ODA), including development financing and technical cooperation; which compromises targets for ODA flows by bilateral donors and their modalities (grants element, tied aid, etc.), special programmes and funds such as the LDC Trust Fund within the Global Environmental Facility; and (iii) other forms of assistance such as travel support to attend annual meetings of the UN General Assembly, caps in the contribution to the budget of certain international organizations, scholarships, and so on.[6]

However, the special support granted to LDCs has not worked as intended and has generated limited results[7]. This is partly due to the fact that LDCs are not fully aware of various types of available support measures and, when aware, they cannot make productive use of these measures due to several reasons, including existing communication and coordination failures at the country level. This is obvious in the case of the various special and differential treatment measures available in WTO legal texts. The other part of the problem has to do with the way some of these measures have been designed (not necessarily tailored to the conditions prevailing in most LDCs), the "add-ons" they carry (such as stringent rules of origin and other requirements) and the lack of policy coherence at the global level; all contributing to mitigate (and even completely offset in some occasions) the potential contribution that some of these measures can bring to LDCs.[8]

In general, countries with greater institutional and productive capacities have been able to benefit more than others, particularly as far as trade support measures are concerned. Similar observation can be made regarding preferential market access where the composition of the country's export basket also matters. Thus, garment exporters, usually facing relatively high tariffs in destination markets, have benefitted from duty-free quota free access granted to LDCs by some markets. Bangladesh is the largest LDC beneficiary of the Everything But Arms (EBA) initiative by the European Union, and saved some €538 million in tariffs on €5.7 billion of eligible exports in 2009. The corresponding figure for Nepal is €5 million[9]. The Maldives's tuna exports also benefitted from the scheme.

> International support for LDCs has been framed by the several decennial action plans adopted by the UN General Assembly for the category.

The size of the economy also matters. For instance, only few LDCs have been able to benefit from caps to the contribution to the UN budget. Among South Asian LDCs, Bangladesh is currently the only country to benefit from such caps.[10] Moreover, the effectiveness of support also has to do with how much priority donors give to the category in their allocation decisions, and how much donors honour their allocation commitments. Few countries have consistently met the commitment of allocating 0.15 to 0.20 percent of their GNI to LDCs over the years. Another challenge is that not all international organizations fully acknowledge the category or have programme specifically designed for the LDCs. For example, there are no LDC-specific programmes in the World Bank, the International Monetary Fund (IMF) or the regional development banks.

South Asian LDCs have absorbed about 25 percent of ODA flows to LDCs over the past few years (Table 1). Nonetheless, it is not clear whether these resources were allocated due to the LDC status of these countries, as several additional factors such as conflict and post-conflict situation, geopolitical considerations, development partnership history and governance performance are also considered when making allocation decisions.

International support for LDCs has been framed by the several decennial programmes of action adopted by the UN General Assembly for the category. The programmes, the first one of which was adopted in Paris in 1981, set out goals and targets, and specified policy strategies and measures that need to be adopted by LDCs and their partners to promote development and remove various constraints to growth. The Istanbul Programme of Action (IPoA) for the decade 2011-2020 is the most recent of these programmes. It aims to overcome structural challenges to eradicate poverty and achieve development goals. It also explicitly adopts graduation from an LDC as the main objective. Accordingly, it states that national policies and international support measures should aim at "enabling half the number of least developed countries to meet the graduation criteria by 2020"[11]. The adoption of the IPoA gave significant impetus to mainstreaming graduation as a strategic objective in LDCs' national development plans. Subsequently, several LDCs expressed their intentions, explicitly incorporated graduation in their development plans, and/or announced potential dates to graduate from the group. Among South Asian LDCs, Nepal and Bhutan, for example, aim to graduate by 2022[12] and 2020[13], respectively.

Table 2
South Asian LDCs: LDC criteria, 2006-2015*

	GNI (US$)	HAI (index)	EVI (index)
Afghanistan			
2006	122	11.50	60.30
2009	301	15.20	39.50
2012	357	22.50	38.80
2015	672	43.12	35.11
Bangladesh			
2006	403	50.10	**25.80**
2009	453	53.30	**23.20**
2012	637	54.70	32.40
2015	926	63.80	**25.11**
Bhutan			
2006	690	44.40	46.60
2009	**1,487**	58.60	52.90
2012	**1,861**	63.72	40.58
2015	**2,277**	**67.86**	40.19
Nepal			
2006	243	56.00	**37.40**
2009	320	58.30	**33.60**
2012	420	59.80	**27.80**
2015	659	**68.68**	**26.80**
Memo item: Maldives			
2006	**2,320**	**81.90**	50.50
2009	**2,940**	**87.50**	59.20
2012	**5,473**	**91.70**	51.17
2015	**6,644**	**91.27**	49.94

**Preliminary estimates*
Note: Data are not standardized and not necessarily comparable across reviews as they reflect methodology and data sources as prevalent at the time of triennial review.
Figures in italic bold indicate that graduation threshold is met. For EVI, lower values indicate less vulnerability.
For the 2015 triennial review, inclusion thresholds are as follows: GNI < $1,035; HAI < 60; EVI >36; graduation thresholds are: GNI >$1,242; HAI>66; and EVI<32.

South Asian LDCs and the LDC criteria

South Asian LDCs are very diverse in terms of population size, structure of the economy and development trajectories. Overall, South Asian LDCs have improved their performance on LDC criteria over the past few years, and thus none of them would currently qualify for inclusion in the LDC category. Preliminary estimates for the 2015 triennial review of the graduation criteria indicate that Bhutan and Nepal are on graduation path as Bhutan meets the income and HAI criteria, and Nepal meets EVI and HAI (Table 2). This implies that should progress be sustained, both countries may become eligible for graduation for a second consecutive time at the 2018 triennial review, clearing the way for a possible recommendation, if the CDP finds that other considerations (contained in the VP and IA reports) corroborate the eligibility finding.

Although Afghanistan is still struggling with post conflict conditions, it has been able to improve its HAI. Significant progress has been recorded on gross secondary school enrolment, which has almost tripled since 2006 (from 18.5 to 54.3 per-cent). Advances have also occurred in lowering the under-five mortality rate (U5MR) and the percentage of population undernourished. However, progress on EVI has been very slow due to the presence of "fixed factors" in the index components (remoteness and percentage of the population in low elevated zones), and in part due to the long-term nature of changes that can have an impact on the indicator.[14] Progress in EVI has originated in the declining share of agriculture in GDP and in population growth. The former can be interpreted as a positive structural change if there is a corresponding increase in sectors such as manufacturing and modern services. The latter offers potential economic growth when the demographic transition occurs in the future, provided the human assets continue to improve so that the increased labour force can be productively employed.[15]

The case of Nepal, indicates a path to graduation that is not driven by income growth. The country currently meets graduation threshold for both HAI and EVI but not for GNI per capita. In fact, the income gap remains substantial as the country's GNI per capita is about half of the graduation level, while several constraints for accelerating economic growth persist. The country has met the EVI graduation threshold since 2006 (Table 2), although it is difficult to identify those policy measures that supported the decline in EVI in recent years. There has been little change in the share of agriculture in GDP; population growth is slow; export concentration and agriculture instability have remained relatively stable at low levels, while the indicator of population living in low elevated areas is irrelevant for Nepal. Meanwhile, remoteness, most likely due to "neighbourhood effects", and export instability have declined. On the other hand, effective social policies brought considerable advances in terms of higher enrolment ratios and adult literacy, lower U5MR and undernourishment and led the country to meet the graduation criteria in 2015, according to preliminary estimates.

Meanwhile, Bangladesh has made significant progress towards graduation; the country meets the EVI graduation threshold and is close to reach the HAI graduation threshold (see Table 2). HAI progress has been driven by improvements in U5MR, which was halved during the period 2003-2015, and to a lesser extent, by progress in adult literacy. Advances on other HAI indicators have been more modest, which indicates the need for additional policy interventions, particularly in increasing gross secondary school enrolment. The EVI also continues to decrease supported by policies to reduce vulnerability to natural shocks, lower export instability partly due to the composition of its export basket, which is strongly biased towards manufactures, a declining share of agriculture in GDP, and reduced remoteness (both on account of high export volumes as well as "neighbourhood effects" as China and India increased their shares in global markets). Currently, the gap to the income graduation threshold is not large. This implies that if the country maintains its growth performance and pays renewed attention to improving social outcomes, it will likely meet graduation eligibility in the near future.

Bhutan has been meeting the income graduation threshold since 2009. Moreover, preliminary estimates indicate that the country will meet the HAI graduation threshold at the 2015 triennial review due to advances in secondary school enrolment, which has doubled over the last 10 years, and significant reductions in U5MR. EVI, on the other hand, has recorded no significant progress and remained relatively stable during the period, with some improvements observed under remoteness (neighbourhood effects) and a small decline in the share of agriculture.

Way forward

South Asian LDCs have been making progress in relation to LDC indicators. However, progress has been uneven across indicators signalling areas for additional policy measures and international support. However, it is to keep in mind that meeting the LDC graduation threshold is just one initial step towards development and improved standards of living. While significant, the goal of graduation should be part of an overall, comprehensive development strategy. Graduation from the LDC category should not be perceived as a goal in itself, pursued in isolation from other development goals, as the criteria and its indicators only provide crude and simplistic guidelines for minimum requirements of what needs to be in place.

As countries approach graduation, they should consider two main issues. Firstly, they need to make better and more effective use of available support measures. Secondly, countries should also start preparations for a smooth transition from the LDC category. In this regard, General Assembly resolutions 59/209 and 67/221 offer some guidance on how LDCs and their development and trading partners should approach graduation.

It is also fundamental for graduating LDCs to take stock of the support being currently received on account of their LDC status, and negotiate with their partners for a phased and orderly withdrawal of such measures, where applicable. It should be stressed that not all support extended is LDC-related. Specifically, the impact assessments conducted by UN-DESA indicate that donors typically do not plan to change the amount of ODA to graduating countries although the modalities of assistance may change in some cases. Till date, no country has observed significant decline in ODA after graduation from LDC.

Moreover, graduation should be considered as an opportunity to rethink and/or reenergize existing national development strategies. Thus, the smooth transition strategy should be understood as a component of the country's national development plan and address anticipated adjustments necessitated by the change in the nature of support to be received. It should also include those actions and provisions that will lead the country to achieve its own development vision. As mentioned, having a narrow focus on graduation can shorten the vision.

www.namibiansun.com

LDC graduation threshold is just one initial step towards development and improved standards of living.

South Asian LDCs have improved their performance on graduation criteria over the past few years, thus none of them would currently qualify for inclusion.

www.ldcwatch.org

Furthermore, graduating as well as non-graduating countries should also take into account the evolving nature of the LDC category as the mid-term review of the IPoA, scheduled for June 2016 in Anatalya, Turkey, comes closer. With several countries meeting graduation eligibility and anticipated to leave the LDC category, LDCs should think about targets and respective support measures commonly linked to the category to move from a group to an individual country base. In this regard, it is important to keep in mind the idea of development as a continuum. As seen above, despite progress in relation to the LDC criteria, the same LDC indicators signal advances still to be made even in countries with potential to leave the category in the next few years. Graduation from the LDC category will not automatically change that situation. In this regard, it would be better for LDCs if donors' allocation decisions took into account the LDC criteria instead of setting ODA targets for the group as a whole. As being among the most vulnerable and having the lowest human asset outcomes, LDCs would naturally receive priority in donors' allocation, irrespective of whether the target for the category is met or not.[16] Resolution 67/221 of General Assembly in its paragraph 23 calls member States of the United Nations to "consider least developed country indicators, gross national income per capita, the human assets index and the economic vulnerability index as part of their criteria for allocating official development assistance". Reinforcing this call and, more importantly, monitoring its implementation seem to be in order. ■

The author is the Chief of Secretariat of the Committee for Development Policy, UN, New York. The author thanks Matthias Bruckner for the comments on earlier draft of the article. The views expressed do not necessarily reflect those of the CDP or the United Nations.

Notes

1 Committee for Development Planning (CDP). 1971. "Report on the Seventh Session", Economic and Social Council, New York, p. 12.

2 Ibid, p. 22.

3 Based on the information available at the CDP Secretariat.

4 4 UN-DESA/CDP. 2008. Handbook on the Least Developed Country Category: Inclusion, Graduation and Special Support Measures. United Nations publication Sales No. E.07.II.A.9.

5 CDP, 1971, op. cit.

6 A comprehensive catalogue of international support measures currently available for LDCs can be found at http:www.un.org/ldcportal.

7 CDP. 2010. Strengthening International Support Measures for the Least Developed Countries. United Nations publication. Sales No. E.10.II.A.14.

8 Cortez, Ana Luiza. 2011. "Beyond market access: Trade-related measures for the least developed countries. What strategy?" DESA Working Paper Series, No. 109. ST/ESA/2011/DWP/109.

9 European Commission. 2011. Proposal for a regulation of the European Parliament and of the Council applying a scheme of generalised tariff preferences. Available at: http://trade.ec.europa.eu/doclib/docs/2011/may/tradoc_147893.pdf.

10 The other countries are Angola, Equatorial Guinea, Ethiopia, Myanmar and Sudan.

11 Paragraph 28.

12 Government of Nepal (GON). 2014. "An approach to graduation from the least developed country category by 2022." Kathmandu: National Planning Commission, Government of Nepal.

13 Marshall, Richard. 2013. "Graduation from the group of least developed countries: prospects and challenges for Bhutan." Paper presented at the 12th Round Table Meeting, Thimphu, Bhutan, December 11-12 December.

14 The methodology used in the calculation of the LDC criteria, a description of the LDC indicators and data sources are available at: http://www.un.org/en/development/desa/policy/cdp/ldc_info.shtml.

15 Cortez, Ana Luiza. 2014. "Demographic dynamics and the international development strategy beyond 2015." In Alternative Development Strategies for the Post 2015 Era, edited by Jose Antonio Alonso, Giovanni Andrea Cornia and Rob Vos. New York: Bloomsbury Academic.

16 Within the LDC group, ODA allocation by donors seems to favour those countries having low income per capita and a low HAI scores. In contrast, high economic vulnerability expressed by EVI does not seem to have attracted resources (CDP Secretariat, 2012). Incorporating the LDC criteria in allocative decisions could imply that support would not neglect the various EVI handicaps and would necessarily continue after graduation due to existing gap.

A long journey to graduate for Afghanistan

To graduate to a developing country from LDC status, Afghanistan needs to work extensively towards meeting the graduation thresholds of all three criteria, namely, GNI per capita, human asset index and economic vulnerability index.

Mohammad Najeeb Azizi

Despite its strategic location, Afghanistan is among the poorest in the world[1] and belongs to a group of the least developed countries (LDC). According to 2014 estimates, Afghanistan's per capita income is about US$694 and the country's performance in most human development indicators is not at par with its neighbours in South Asia[2].

The road to graduation from the LDC status for Afghanistan is riddled with challenges. Extreme poverty remains widespread and economic growth continues to be uneven, fragile and vulnerable to shocks. The country's share in regional and world trade is negligible, with exports heavily dependent on a handful of primary products. As a result, the country has not been able to benefit from the global and the regional growth. The country is heavily dependent on donors' support to meet its development as well as regular expenditures. However, donor support is expected to decline with the security transition to Afghan forces, which could severely limit the government's ability to support socio-economic development. In war torn Afghanistan where health infrastructure is in shambles and the mortality rate for children younger than 5 years is 199 deaths per 1000 live birth[3], the second highest in the world, any decline in international aid will have devastating impact on the country's goal to graduate from the LDC status. In addition, years of war and armed conflict has deprived millions from education and forced many to emigrate, which in turn has had deleterious impact on public administration and the quality of civil service employees, consequently affecting the effectiveness of socio-economic policies.

If Afghanistan is to graduate from the LDC status in the years to come, the country needs to work extensively towards meeting the graduation thresholds of all three criteria, namely, GNI per capita, human asset index (HAI) and economic vulnerability index (EVI). Regrettably, the current state of socio-economic conditions in Afghanistan continues to exert resistance to the strides made towards LDC graduation. While Afghanistan has undoubtedly made significant progress in the last 13 years with regard to per capita income, the country still has a long way to go before meeting the income graduation threshold. In this regard, the Afghan government needs to develop investment friendly environment, promote good governance, develop financial discipline and improve the domestic revenue collection to ensure further improvements in per capita income.

Meanwhile, the evaluation of HAI reveals that Afghanistan by far lags behind the HAI graduation threshold. Though the government has invested heavily to improve health care and education, progress has been slow. Despite ongoing efforts, the literacy rate in Afghanistan is only 23.5 percent, which is one of the lowest among developing countries. Hence, it is obvious that the country requires more time and investment to improve its HAI. It can be argued that Afghanistan requires no less than 7 to 10 years to improve its social indicators in order to meet the minimum requirements for graduation. Similarly, Afghanistan's performance on EVI[4] is not impressive either. Small economic size, high dependence on imports and increasing vulnerability to climate change impacts, among others, makes the economy highly vulnerable to external economic shocks. Thus, in order to meet the EVI graduation requirement in a sustainable manner, Afghanistan must continue to focus on policy reforms, investments in infrastructure, irrigation and agricultural development, private sector promotion, and so on.

Benefits of LDC status and implications of graduation

As an LDC, Afghanistan currently benefits from special support measures aimed to assist the country in overcoming severe structural obstacles for economic growth and sustainable development. These measures fall into three main categories, namely trade related special and differential (S&D) treatment, targeted official development assistance (ODA) that includes concessional financing and technical assistance, and other cooperation and support measures.

If Afghanistan aims to graduate from the LDC status, it is necessary to fully understand the impact of graduation on the economy. However, gauging the full impact of LDC graduation is difficult, particularly with regard to the inflow of ODA. Generally, after graduation from the LDC category, a country is no longer eligible for low-income preferential trade deals and concessional loans. Similarly, many bilateral and multilateral donors would tend to withdraw financial and technical support after graduation even if it is vulnerable to increased levels of inequality. Additionally, Afghanistan will likely lose its trade competitiveness to low-income countries and concomitantly will not be able to compete with middle and high-income countries. Moreover, considering the priorities and challenges faced by developing countries, the country could face new challenges that could hobble socio-economic growth and development if the country graduates from the LDC category. It is important that policy makers be aware of this fact.

What next?

Given Afghanistan's high dependence on international aid to finance the national budget, allocating sufficient resources for social and economic development will be a monumental challenge. To fill the finance gap, the government needs to increase domestic revenue collection in a transparent manner and exploit its potential to increase exports. Besides, additional improvements in the investment climate, financial discipline and infrastructure development will undoubtedly help Afghanistan graduate from the LDC status. International Monetary Fund (IMF), World Bank and other bilateral partners can extend financial support and technical assistance to the government to safeguard the fragile financial sector, strengthen supervision and better enforce laws and regulations, review and improve regulatory framework to create a macroeconomic framework to help manage these challenges. The international community can also support the government to introduce sound public financial management systems to reduce dependence on external aid.

To reach these ambitious goals, the Afghan government, the North Atlantic Treaty Organization (NATO), the UN and other partners need to collectively work to stabilise the security situation in the country and provide an environment that will encourage the private sector to play a greater role in the economy so as to achieve high economic growth. This will require promoting better governance, safeguarding the rule of law, reducing illicit financing and limiting the influence of rent seekers.

The national unity government has envisioned the development of Afghanistan via enhancing government capacity, especially in the areas of services delivery. In this regard, the international community can play an important role by providing financial, political and technical support to enhance the country's institutional, human and political capacities. Similarly, despite the profound agricultural prospective of the country, lack of access to finance, absence of rural entrepreneurship, fragile private sector, and the unsustainable use of natural resources are main obstacles to growth of the agriculture sector. Hence, the government should provide the means for the people to have access to affordable and quality agriculture inputs. Importantly, the government should re-examine the development plans and prepare a poverty reduction strategy with active participation of local stakeholders.

> Afghanistan needs to overcome the development challenges regardless of its plans to graduate.

To summarize, Afghanistan at the moment is not yet ready to graduate mainly due to its inability to sustain socio-economic development achieved thus far. Moreover, the country cannot risk the decline in the inflow of ODA and consequently bear the transition cost of graduation from the LDC status as it is highly dependent on international aid. However, if the Afghan government sets and implements effective development plans and strategies, it will be a step in the right direction towards graduation. Importantly, the prospect of graduation within the next decade will only be a reality if the government makes a serious graduation plan, engages its international partners effectively, and reforms relevant sectors and invests accordingly. Afghanistan needs to overcome the development challenges regardless of its plans to graduate from the LDC status as the country will continue to be vulnerable to internal and external shocks even after graduation. Therefore, it is important for Afghanistan to achieve and sustain economic, political and social development while setting its plans for graduation from the LDC status in the decade to come. ■

Dr Mohammad Najeeb Azizi is Executive Director of LEAD Afghanistan and can be reached at yesafghanistan@gmail.com.

Notes

1 According to the Human Development Index of 2014, Afghanistan in the 19th poorest country in the world.

2 Cf., Human Development Report, 2014., UNDP.

3 Development Cooperation Report, Ministry of Finance, Afghanistan 2010

4 Cf., CDP Secretariat.

From "technical" to a "meaningful" graduation
the case of Nepal

Nepal's possible graduation based on non-income indicators will have significant implications on the long term socio-economic progress if the real income continues to remain stagnant.

Swarnim Waglé

There is a significant gap between the requirements set forth by the United Nations (UN) for least developed countries (LDCs) to graduate from their present status, and the public perception of what is necessary to genuinely feel that they are no longer in the bottom rung of development. This is partly a result of a unique set of criteria that the UN uses to assess the eligibility for graduation. The indicators are "first generation" measures of development that look into basic achievements in health, education, nutrition, economic vulnerability and average income. They are largely cumulative in nature with achievements painstakingly accrued over such a long time that they may be imperceptible to the average citizen in the short run. Importantly, the indicators do not capture progress in "second generation" development challenges dealing with quality. For example, high gross secondary enrollment numbers give no indication about the quality of education or the rate of attrition. The immediately visible facets of rapid development, such as, well-fed and well-clothed hygienic citizens, clean air and water, or tall and shiny buildings, are not directly captured by the UN criteria. Therein, lies the dissonance between what is actually measured and what is publicly expected to be required for graduation.

The categorisation of LDCs itself is rather curious, ranging from Tuvalu with a population of about 10,000 to Bangladesh with more than 150 million inhabitants. The same category also hosts Malawi with average per capita income of under US$300 and Equatorial Guinea with average income of over US$20,000. A country's eligibility for graduation from LDC status is also influenced by the record of peers. Indices on the three criteria for LDC graduation are computed using the so-called "max-min" formula, which is sensitive to the best and worst scores within the reference group. It is, therefore, a relative measure of progress. Moreover, not all indicators are relevant to all LDCs. For example, Nepal as a mountainous landlocked country gets the perfect score in the indicator that measures the "share of the population living in low-elevated coastal zones". Additionally, when the LDC category was created by the UN in 1971, three eligible countries, namely Ghana, Papua New Guinea and Zimbabwe, did not even opt in. Furthermore, countries like the United States and multi-lateral institutions like the World Bank and the Asian Development Bank still do not recognize the category. While the LDC category has largely been a construct of the UN, the World Trade Organization (WTO) and some donors use the classification to manage preferential trade and aid. But LDCs have not optimized the benefits of improved market access into advanced countries because of supply-side constraints.

Against this backdrop, we should assess the performance of Nepal. The triennial review conducted by the UN in March 2015 has found Nepal eligible for graduation from LDC status for the first time (see Table). This was possible because Nepal crossed the thresholds in two of the three graduation criteria, namely economic vulnerability and human assets. However, Nepal still remains income-poor. If the performance on the non-income criteria is sustained until 2018, Nepal will meet the technical criteria for graduation from the LDC status. Nepal thus can graduate as early as 2021.

The possibility of securing the graduation goal one year in advance set out in the country 13th Plan, has however failed to excite policy makers since Nepal seeks "effective graduation", not a promotion on technical grounds. The undergirding of non-income achievements by a firm foundation of sustained economic growth that translates into a steady stream of moderately high per capita incomes is absolutely necessary. This is required to prevent Nepal from regressing on its hard-won gains in the socio-economic development. Indeed, recognizing Nepal's historically lackluster pace of economic change, the country has set an implicit target of becoming a middle-income country by 2030 with a focus on high growth propelled by large investments in infrastructure and the next generation policy reforms that embed functioning regulatory regimes within a competitive market economy.

But, without growth picking up, it will be difficult to ask the nation to forgo some of the concessions—in terms of overseas aid or trade preferences—that LDCs have traditionally been granted. The fear of withdrawal of concessional financing or market access, however, is somewhat exaggerated. At least until 2021/22, Nepal will remain a bona fide LDC. Within this period, a "smooth transition strategy" will be worked out which will involve negotiations with development partners on the sequencing and phasing out of LDC-specific special measures.

Collectively, the 48 LDCs account for 1 percent of global output, about 1.2 percent of world trade, and less than 2 percent of foreign direct investment[1]. If all Asian LDCs were grouped as one country, they would be an economy of the size of Greece, with the third largest population in the world. It is really this "power of the headcount" that has made LDCs politically difficult to ignore. The world community now appears tired of seeing a large number of countries – 25 at birth and 48 at present – belonging to a "permanent club" of the poor and the weak. It reflects badly on developing countries who can no longer blame colonialism or some external interference for slow pace of progress; it is also embarrassing to the advanced nations that have spent billions of dollars in the name of development to lift LDCs out of their trap of woes. It was this frustration that evolved into an

Table

Assessment of eligibility for graduation in the 2015 triennial review

			Nepal	Lower bound	Upper bound
1	Economic Vulnerability Index				
	Score: 26.8	Exposure index	26.1		
	Threshold: 32	Population	27 797 457	150 000	100 000 000
		Remoteness	52.3	10.0	90.0
		Share of population in low elevated zones	0.0	0.0	35.0
		Economic structure index	31.8		
		Export concentration	0.1	0.1	1.0
		Shares of agriculture, forestry and fisheries	35.8	1	60
		Shock index	27.5		
		Natural Shock index	37.3		
		Victims of natural disasters (%)	0.7	0.0	10.0
		Agricultural instability	3.3	1.5	20.0
		Export instability	10.32	5	35
2	Human Assets Index				
	Score: 68.7	Prevalence of undernourishment in total population (%)	13.0	5	65
	Threshold: 66	Under 5 mortality (per 1000)	40	10	175
		Literacy rate	57.4	25.0	100.0
		Gross secondary enrolment ratio	66.6	10.0	100.0
3	Income	GNI per capita ($)	659		
	Score: 659				
	Threshold: 1242				

Source: UN Department of Economic and Social Affairs, current as of March 27, 2015[2]

ambitious goal of halving the number of LDCs during the Fourth United Nations Conference on LDC in 2011. This lofty goal seems to be within reach, for LDCs have outpaced developed countries in terms of income and non-income growth since the start of the new century.

Nepal, —if it were eligible for graduation—will most likely be propelled by its strength in non-income indicators. Though this is a laudable achievement, possible graduation on the back of non-income indicators alone, carries the risk of reversability. High per capita income must, therefore, be the primary pursuit for a meaningful and sustainable graduation from LDC status. ■

Swarnim Waglé is a member of National Planning Commission of Nepal.

Notes:

1. Computed by the author based on data from World Development Indicators, UN/COMTRADE and the World Investment Reports.
2. UN Department of Economic and Social Affairs, current as of March 27, 2015.

Bangladesh's graduation from an LDC
A golden jubilee opportunity?

In view of the success achieved on both human assets index and economic vulnerability indicators, Bangladesh is likely to be found eligible for graduation in the next triennial review.

Hasanuzzaman Zaman and KAM Morshed

Bangladesh, with 150 million plus inhabitants, is home to twenty percent of the least developed countries' (LDC) population and has more than double the UN indicator of smallness for an LDC. According to the 2015 triennial review of the Committee on Development Policy's (CDP) and latest information released by the government of Bangladesh, the country has already met the graduation threshold for economic vulnerability index (EVI) and is close to achieving the same with regard to the human assets index (HAI). Though Gross National Income (GNI) per capita of Bangladesh is less than the GNI threshold according to World Bank's Atlas method, the government's recent estimate with new base year 2005-2006, including remittances and other service sectors, GNI per capita is close to the 2015 LDC graduation threshold. Sustaining this progress will be the key requirement for the country to graduate from the LDC status.

In view of the success achieved on both HAI and EVI indicators, Bangladesh is likely to be found eligible for graduation in the next triennial review (2018). The government of Bangladesh will need to maintain the progress, especially in meeting the EVI and HAI thresholds. Importantly, as the country is set to record the greatest increase with regard to the working-age population between 2010 and 2050 in the Asia Pacific LDC group[1], the nation's ability to efficiently absorb this increase in labour force will be instrumental in securing progress registered in HAI and EVI.

Political economy outlook

Submerged in optimism about the possibility of getting recognition for graduation in 2021, policy makers should not fail to realize that the country remains vulnerable on many aspects. Bangladesh has remained politically volatile in recent years. Besides, Bangladesh is the most climate vulnerable country in the world, albeit progress has been made towards decreasing the level of climate vulnerability though adaptation strategies with support from the United Nations Development Programme (UNDP) in particular.[2]

In view of the implications of LDC status on global trade and competitiveness, developed countries, e.g. the United States and others, are keen to see big LDC manufacturing exporters, Bangladesh in particular, graduate from the LDC status. But the debate on "whether Bangladesh should try to graduate from the LDC status" continues to create rift among policy elites in Bangladesh, which has resulted in a clear political division. While the current political commitment to graduate from the LDC category is explicitly articulated by the national 10-year "Perspective Plan of Bangladesh: Making Vision 2021 A Reality," the opponents of graduation argue that Bangladesh would stand to lose market access privileges if the country graduates.

In view of the ongoing negotiations in the WTO, further tariff reductions are going to result in considerable erosion of trade preferences for Bangladesh in countries where it currently enjoys preferential market access. While estimates of the adverse impact of preference erosion vary significantly, it is likely to be in the range of US$240 million per annum for Bangladesh.[3] Moreover, the overall negative consequences of preference erosion for Bangladesh and other preference-receiving countries will be much higher since their competitive edge will be significantly undermined.[4]

Table
Graduation process for Bangladesh

Time line	UN Process	National Priority
2018	CDP: First finding confirms eligibility for graduation	Implementation of LDC graduation strategies in the seventh five year plan (7FYP)
2018-2021	UNCTAD and UNDESA prepare vulnerability profile and impact assessment respectively	Oral statement to experts group meeting and written statement to CDP
2021	**CDP's second finding confirms graduation**	
2021-2024	CDP: reviews vulnerability profile and impact assessment; reviews country inputs; recommends for graduation; ECOSOC: Takes action on CDP findings General Assembly: Takes note of CDP recommendation	Maintaining social and economic progress alongside political stability
2024	Graduation (3 years after General Assembly's decision)	
2024-2027	CDP: Monitors development during triennial reviews	Implement transition strategy under an updated Perspective Plan and eighth five year plan (8FYP)

Source: Compiled from CDP (http://www.un.org/en/development/desa/policy/cdp/ldc/ldc_graduated.shtml)

Conclusion

Although the policy debate continues to revolve around Bangladesh's possible graduation from LDC status in 2021, there are those who have argued that the country can only reach the graduation threshold by 2033, using different scenarios but not paying heed to the actual context.[5] It should be recalled here that Bangladesh stands clearly as an outlier in terms of the size and strength of its economy. The economy also showed a strong resilience during the global economic recession. The size of the manufacturing sector in Bangladesh is larger than that of entire sub-Saharan Africa, excluding South Africa.

Given current economic growth and progress in human development, the country will most likely be a graduation candidate at the 2018 CDP triennial review meeting. This is also evident from Bangladesh's macroeconomic structural transformation – from being aid dependent to becoming trade reliant, thanks to buoyant and robust inflows of overseas remittance.[6] This view is consistent with the latest LDC report[7], which provides key insights supporting Bangladesh's likelihood for graduation by 2021/2024.

The LDC report 2014 argues that Asian LDCs performed better than others with Bangladesh having merchandise exports as the main driver of growth in 2013. Additionally, the increase in FDI to LDC exporters of manufactured goods largely reflects higher flows to Bangladesh (up from US$1.3 billion in 2012 to 1.6 billion in 2013), which accounted for 50 percent of total flows to this category of LDCs. Moreover, Bangladesh alone accounted for 45 percent of total remittances to LDCs; the country continued to be the largest recipient of remittances in absolute terms, receiving almost US$14 billion in 2013.

If the country is successful in achieving further progress, Bangladesh will be able to earn a global recognition for graduation from the LDC status in 2021, a very auspicious year for the country: the golden jubilee of Bangladesh's independence. To achieve this, the country needs to include LDC graduation strategies in the Seventh Five Year Plan (7FYP), 2015/16-2019/20. Perhaps formulating strategies in order to meet challenges after graduation is even more important. ■

The authors are associated with UNDP Bangladesh. The authors are solely responsible for the views expressed in this article and can be reached at zaman.h1984@gmail.com.

Notes

1 UNCTAD. 2013. LDC Report 2013: Growth with employment for inclusive and sustainable development. New York: United Nations Conference on Trade and Development (UNCTAD)

2 See http://blogs.worldbank.org/endpovertyinsouthasia/bangladesh-most-climate-vulnerable-country. Accessed January 30, 2015.

3 Rahman, M. and W.B. Shadat. 2005. "NAMA Negotiations in the WTO and Preference Erosion: Concerns of Bangladesh and Other Regional LDCs." Working Paper 51. Dhaka: Centre for Policy Dialogue (CPD).

4 Rahman, M. 2014. "Trade Benefits for Least Developed Countries: The Bangladesh Case." CDP Background Paper No. 18. New York: Committee for Development Policy (CDP). Available online- http://www.un.org/en/development/desa/policy/cdp/cdp_background_papers/bp2014_18.pdf. Accessed January 31, 2015.

5 Bhattacharya, D. and Borgatti, L. 2012. "An Atypical Approach to Graduation from the LDC Category: The Case of Bangladesh," South Asia Economic Journal, 13(1): 1-25.

6 Zaman, H. and Akbar, M.I. 2013. "Exploring Non-traditional Sources of Development Finance: The Case of Remittance in Bangladesh," Progress in Development Studies, 13(2): 105-116.

7 UNCTAD. 2014. LDC Report 2014: Growth with structural transformation: A post-2015 development agenda. New York: United Nations Conference on Trade and Development (UNCTAD).

Indo-Lanka trade

Illustrating limitations of FTAs as a tool to promote trade

A Free Trade Agreement will be helpful if the agreement helps to overcome the barriers that prevent trade for products with high trade potential.

Subhashini Abeysinghe

Sri Lankan exports to India flourished during the first five years since the Indo-Sri Lanka Free Trade Agreement[1] (ISFTA) became operational in March 2000. The value of exports to India increased by almost tenfold from US$58 million to US$559 million during 2000-2005[2]. During the period, India's share in Sri Lanka's total exports increased from 1 percent to 9 percent, making India the third largest export destination for Sri Lanka. The surge in Sri Lanka's exports to India made many hail the ISFTA as a great success. Regrettably, the success was short lived. Exports declined by 2 percent annually during 2006-2010 and thereafter picked up at a modest rate of 5 percent a year over 2011-2013[3]. The sudden drop in Sri-Lanka's exports to India after 2005 raised questions about the potential as well as the limitations of ISFTA as a tool to promote bilateral exports.

Secret behind the initial export success

The high export growth experienced during the first five years of the ISFTA was driven by just two products, namely copper (HS 7403) and Vanaspati oil (HS1516). Prior to the implementation of ISFTA, Sri Lanka exported neither of the two products to India. But following the operationalization of the ISFTA, exports of copper and Vanaspati oil sky-rocketed owing to the difference in duties applied by India and Sri Lanka on raw material imports. India taxed raw material imports because the final product was sold for domestic consumption. Meanwhile, Sri Lanka allowed imports of raw materials under duty free since the final product was intended for export. Indian entrepreneurs exploited this tax arbitrage by importing raw materials to Sri Lanka and exporting the final product duty free to India. However, this soon came to an end when India adjusted the duties.

Reasons behind weak export growth

Despite the immediate explosion of exports to India following the implementation of the ISFTA, Sri Lanka failed to reap the full potential of the agreement. The recovery of exports to India has been sluggish after Sri Lanka's export to India reached its trough in 2009 largely due to three critical factors, namely applicable provisions in the bilateral FTA that serve as NTBs for key export products to India, lack of provisions to address NTBs in ISFTA and Sri Lanka's concentrated export basket.

Some of the provisions built into the ISFTA prevent Sri Lanka's key exportable products, namely apparel and tea which account for over 50 percent of Sri Lanka's global exports, from entering the Indian market. Apparel exports to India under the ISFTA are subject to various restrictions. Quota is the most important one which limits duty-free access to just 8 million pieces for selected apparel items. Within the quota regime, India offered duty free access to apparel that are made of Indian fabric only, which made it impossible for Sri Lankan apparel exporters to benefit from the concessions offered by India under the ISFTA.

Consequently, exports to India were insignificant until 2007, where after India agreed to allow duty free access to 3 million pieces of apparel irrespective of the origin of the fabric. The impact of the provision becomes apparent by near tenfold increase in the value of Sri Lanka's apparel exports (HS chapter 61 and 62) from US$4 million to US$39 million during the 2007-2012[4]. It took another 6 years of bilateral talks to agree to relax the rule of origin criterion on apparel exports from Sri Lanka for 5 million pieces of apparel (which came into effect in 2013). Although the fabric rule has been lifted, the quota heavily undermines the ability of apparel exporters to reap the benefits of ISFTA.

Similarly, Sri Lanka's second largest export product—Ceylon tea, does not get duty free access to India. Under the ISFTA, Sri Lanka can export only up to 15,000 million kg of tea from Sri Lanka at a preferential duty rate. In addition, tea exports were subject to port restrictions until 2007; Sri Lanka's tea exports could only enter India through four designated ports. The few exporters that have attempted to access India's tea market complain of various non-tariff measures (NTMs) ranging from quality certification requirements to labelling that make it difficult to export their products to India. As a result of these NTMs, tea exports to India were insignificant; only 0.6 million kg of tea was exported to India in 2013.

In addition to the NTMs faced by Sri Lankan exporter when exporting apparels and tea to India, a range of NTBs exist that nullify the market access gained through tariff reductions. The adverse impacts of these pervasive NTBs are clearly illustrated in the case of Sri Lanka's export of processed food to India.

There is high demand for processed meat products made in Sri Lanka in the Indian market. However, NTBs create obstacles to enter these products into the Indian market. For example, the ad-hoc and time consuming procedures adopted when issuing import permits for sausages/ processed meat constrain the exports of these goods to India[5]. In addition to the ad-hoc import permit requirements, Sri Lankan processed food exporters report that the cost of compliance with Indian standards, certification and labelling requirements is significant as well as highly time consuming.

Besides NTBs, Sri Lanka's narrow export basket is another major reason underlying the country's inability to benefit fully from the ISFTA. Though various export products have limited duty free access to India in practice, ISFTA does provide duty free access for over 2000 products (at HS 4 digit level) to India. Owing to India's liberal trade policies, Indian imports from the world increased rapidly over the last decade. During 2000-2013, Indian imports increased from US$51 billion to US$466 billion, while India's share in world imports increased from less than 1 percent to 3 percent during the same period. Unfortunately, Sri Lanka has been unable to capitalise on the India's rising imports despite the duty free access provided under the ISFTA largely due to Sri Lanka's lack of diversified export basket, which limits the country from exporting products that are of high demand in India and more importantly, those products for which Sri Lanka has duty free access under the ISFTA.

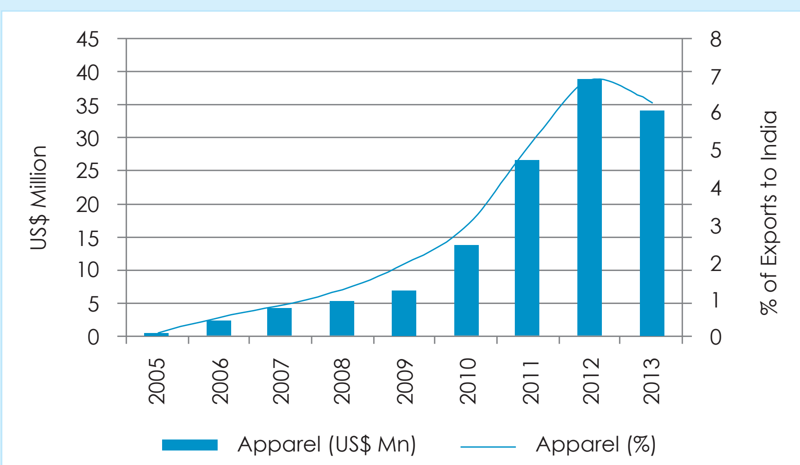
Conclusion

The above analysis clearly illustrates the limitations of India- Sri Lanka FTA. An FTA will only be helpful if the agreement helps to overcome the barriers that prevent trade for products with high trade potential. In the case of Sri Lanka, tea and apparel are the two key products with significant export potential and these products have limited access to the Indian market because of barriers built into the bilateral FTA. The other key weakness is the lack of provisions in the agreement to address various NTBs that affect Sri Lanka's exports to India. The processed food export performance clearly demonstrates that removing tariffs alone is not helpful to gain effective market access. Importantly, ability to reap benefits of an FTA is also severely undermined if the country has only a few exportable products. This is an illustration from the Sri Lankan perspective. One could conduct similar analysis from the Indian perspective as well. ■

Subhashini Abeysinghe is Head of Economic Research, Verité Research, Sri Lanka.

Figure

Apparel Exports to India (value and % of exports to India)



Source: Annual Import and Export statistics, Sri Lanka Customs , Annual export and import statistics of Department of Commerce of India(http://commerce.nic.in/eidb/default.asp)

Notes

1. Free Trade Agreement between the Republic of India and the Democratic Socialist Republic of Sri Lanka, Ministry of Commerce and Industry – India, http://www.commerce.nic.in/ilfta.htm, accessed in March 2015.
2. Cf., Table 78, Special Statistical Appendix, Annual Report, Central Bank of Sri Lanka 2004, 2008, 2013.
3. Cf., ibid.
4. Annual Import and Export statistics, Sri Lanka Customs , Annual export and import statistics of Department of Commerce of India(http://commerce.nic.in/eidb/default.asp).
5. Annual import and export statistics of Sri Lanka Customs Statistics

Benefit Sharing Fund
How can South Asia benefit?

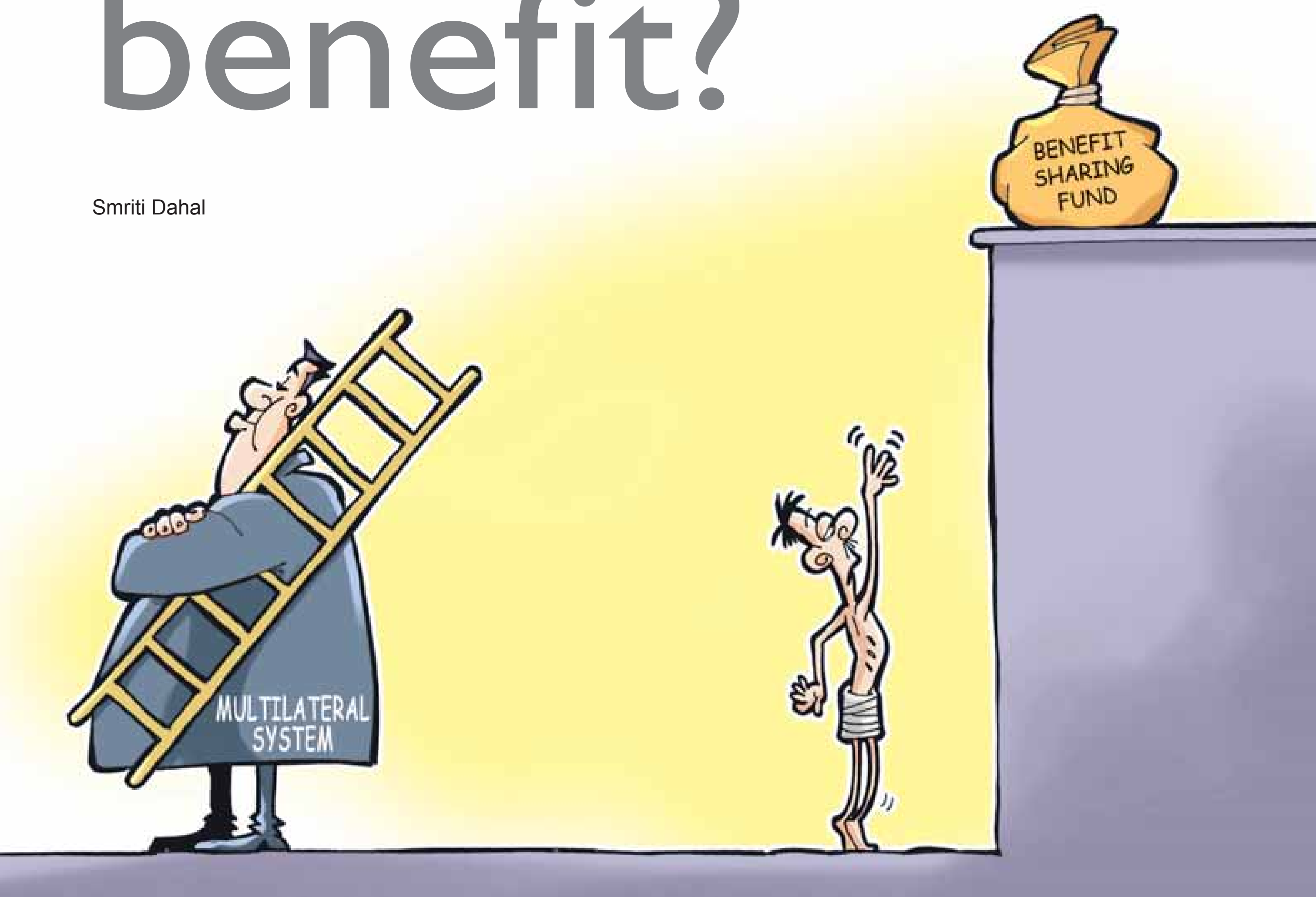
Smriti Dahal

Adopted in 2001, the International Treaty on Plant Genetic Resources for Food and Agriculture (ITPGRFA) aims to conserve, sustainably use and facilitate access to plant genetic resources for food and agriculture (PGRFA). To facilitate access, the ITPGRFA has set up a multilateral system of access and benefit sharing (MLS). The MLS consists of a pool of genetic materials of 64 crops listed in Annex 1 of the Treaty.

The MLS includes PGRFA that are under the management and control of the contracting parties such as national seed collections conserved and maintained by government ministries and national agriculture research centres. The MLS, among others, also includes the germplasms in the public domain, and gene bank collections hosted by the Consultative Group for International Agricultural Research centers.

The PGRFA included in Annex 1 are important raw materials for crop improvement and provide about 80 percent of our food from plants. The ITPGRFA, with a system of multilateral access to these germplasms, can play a significant role in promoting research, and ensuring global food security and agriculture development. Under the MLS, access to Annex 1 crop genetic resources is facilitated through a standard contract—Standard Material Transfer Agreement (SMTA). The SMTA is a private contract with standard terms and conditions to be followed by individual providers and recipients of PGRFA for a facilitated access and benefit sharing mechanism.

While the basic structure of monetary benefit sharing[1] under the MLS is set forth by the ITPGRFA, it is the SMTA that defines how much is to be shared. The SMTA-generated monetary benefits flow into a multilateral fund—the Benefit Sharing Fund (BSF). The BSF was adopted in 2006 as the main component of the overall fund-



ing strategy of the ITPGRFA. The BSF does not merely rely on monetary benefit sharing, but also generates funding from direct contributions from the contracting parties, private sector, non-governmental organizations, and other sources such as institutional donors.

Significance of the BSF for South Asia

A vast majority of farmers in South Asia play an important role in the conservation and sustainable use of PGRFA. Their role is more visible in the so-called informal seed system that largely relies on traditional knowledge, including farmers' practices to locally conserve, use and exchange PGRFA through individual and social seed networks.

However, such traditional knowledge and practices are yet to be recognized in policies and laws of many South Asian countries. In other words, most South Asian governments are yet to develop policy, legal and institutional measures to protect farmers' rights to PGRFA and traditional knowledge. Such rights include the right to benefit sharing from the commercial use of farmer-managed PGRFA.

Sadly, even in instances when such rights are legally recognized, which is the case in India where farmers' rights are ensured through the Plant Variety Protection and Farmers' Rights Act of 2001, the actual implementation of farmers' rights continues to face numerous challenges. Some of those challenges include the complexity arising due to intellectual property rights, and the lack of institutions and financial resources to identify and promote "farmers' varieties" and to facilitate a fair and equitable benefit sharing mechanism.

In this context, the BSF provides an opportunity for South Asian countries to utilize the fund for conserving and sustainably using PGRFA, and as intended by the Treaty, protecting farmers' rights to PGRFA and traditional knowledge. Thus, South Asian governments and other stakeholders need to better understand the significance of the BSF, and subsequently, develop strategies to benefit from its funding mechanism.

The funding process of the BSF

The BSF provides financial support mostly to projects that promote exchange of information and technology, and build capacity for the implementation of the ITPGRFA. The BSF's funding also targets to support projects that strengthen on-farm conservation of PGRFA, and consist of innovative partnership between different institutions and stakeholders. Such projects should also have the potential to be scaled up across agro-ecological zones to ensure maximum positive impacts.

The announcement of each call for proposals under the BSF is posted on the Treaty's website[2] and a formal notification is sent by e-mail to all the national focal points of the contracting parities of the Treaty. Subsequently, interested institutions submit pre-proposals, which if approved must be resubmitted as the final project proposals. Out of these, only the chosen project proposals get funding, subject to regular monitoring and evaluation.

Any governmental or non-governmental organizations, including gene banks, research institutions, farmers' groups, and regional and international organizations from developing countries are eligible for funding. However, these countries must be the contracting parties of the Treaty, and their governments must approve and be a partner in the project.

Call for proposals

The first call for proposals under the BSF opened in December 2008, through which 11 small-scale projects were funded, including a two-year project in India. Based on the experts' advice, a thematic approach was adopted for the second call for proposals in 2010, comprising two windows:

- **Window 1** targeted to fund strategic action plan projects that aimed to identify information exchange, technology transfer and capacity building activities to cover all areas relating to PGRFA and climate change. These projects had a time frame of one year.
- **Window 2** targeted to fund immediate action projects that were expected to have an immediate positive impact on food security and climate change adaptation. The focus was, however, only on PGRFA listed in Annex 1. These projects had a time frame of two years.

A total of 19 projects (seven from Window 1 and 12 from Window 2) were supported in the second round of call for proposals. Of these, four projects were from South Asia—one from Bhutan (Window 2), two from India (Window 2) and one from Nepal (Window 1). These projects are currently in their active phase of implementation.

The third call for proposals opened in 2014, through which the BSF is in the process of supporting two types of projects: Window 2 for immediate action projects as in the second call for proposals, and Window 3 for projects related to the co-development and transfer of technology. The immediate action projects under Window 2 aim to strengthen on-farm conservation of PGRFA through actions.

Projects under Window 3 will co-develop and transfer key technologies, in particular those that are related to the use of crop species under the MLS. Currently, 65 submitted proposals have been incited to develop full project proposals, out of which two are from Bangladesh.

South Asian agenda

The BSF has the potential to enhance the capacity of South Asian stakeholders, including small-scale farmers, to use innovative mechanisms for conserving PGRFA, enhancing livelihood, ensuring food security, and addressing climate change impacts. However, so far, the number of projects approved from South Asia is very few, and that too, concentrated only in four of the eight countries of the region (Table).

Though South Asia is rich in agricultural biodiversity, it is still a food insecure and climate vulnerable region. Hence, at both global and regional levels, there is a need to address a variety of concerns for enabling a larger group of South Asian governments and stakeholders to benefit from the BSF.

At the global level

The lack of adequate financial resources, due to limited funding and no progress in monetary benefit sharing through the SMTA, is a major weakness of the BSF. At its Third Session in 2009, the Governing Body (GB) of the Treaty agreed on a strategic plan for the implementation of the BSF, and set a funding target of US$116 million by December 2014. However, 131 countries that have ratified the Treaty failed to achieve the target set out in the 2009-2014 Strategic Plan, and the Fifth Session of the GB in 2013 expressed concerns over the large shortfall of funding.

It was anticipated that the BSF would mostly be funded by contributions by governments and payments from industry through monetary benefit sharing. However, until mid-2015, only US$21.5 million, which is less than 20 percent of the total targeted figure, had been generated with contributions from governments and donors. In addition, there had not been any progress in monetary benefit sharing from the seed industry, although the industry is potentially a major beneficiary of the plant genetic diversity placed in the MLS to develop commercial seed offerings. The contracting parties, including those from South Asia, need to address these issues so that funding comes from

Table

Projects in South Asia funded under the BSF

Country of submission	Organization	Title	Targeted countries	Crops addressed
First call for proposals (2009-2011)				
India	Peermade Development Society	Conservation, dissemination and popularization of location- specific farmer-developed varieties by establishing village-level enterprises	India	All
Second call for proposals (2010-2011)				
Window 1				
Nepal	Local Initiatives for Biodiversity, Research and Development	Community-based biodiversity management for climate change resilience	Bangladesh, Benin, Brazil, Ecuador, India, Guatemala, Malawi, Nepal, Nicaragua, Zambia, Zimbabwe	Rice, Maize, Sorghum, Oats, Finger Millet, Pearl Millet, Rye, Beans, Chickpea, Cow Pea, Faba Bean, Pigeon Pea, Cassava, Potato, Taro and Yams
Window 2				
India	Gene Campaign and Bioversity International	Using rice genetic diversity to support farmers' adaptation to climate change for sustainable food production and improved livelihoods in India	India	Rice
India	Humana People to People and Bioversity International	Seeds for life-action with farmers in Uttar Pradesh-IGP region to enhance food security in the context of climate change	India	Rice and wheat
Bhutan	National Biodiversity Centre	Participatory conservation and utilization of rice genetic resources for livelihood and food security	Bhutan	Rice
Third call for proposals (2014)				
Bangladesh	Bangladesh Rice Research Institute	Identification of rice germplasm for abiotic stress tolerance through morpho-physiological and molecular techniques	Bangladesh	Rice
Bangladesh	Bangladesh Center for Advanced Studies	Sustainability in crop productivity and management of plant genetic resources in charlands of Kurigram	Bangladesh	Rice, wheat and mungbean

Compiled from: http://www.planttreaty.org/content/benefit-sharing-fund the developed countries and donors, including through monetary benefit sharing from the global seed industry and other commercial users of the MLS.

In addition to the drought of funds, complicated application and administrative procedures have limited the effective implementation of the BSF. For small-scale farmers in regions like South Asia, the current competitive bidding process of projects under the BSF is quite complex. The technicalities present in the process of bidding for the fund make it impossible for farmers' groups to develop proposals and acquire funds.

In countries like Nepal, some community-based organizations have also complained about the BSF's requirement to make the government a partner. In a national-level policy dialogue organized by SAWTEE in Kathmandu in 2014, some representatives of the community-based organizations shared the view that such a requirement restricts local-level organizations' capacity to work independently, and also affects the proposal development and submission process. They argued that due to bureaucratic hurdles encountered in government administration, which is a common phenomenon in South Asia, local-level organizations faced problems in collaborating with the government and submitting the proposal to the BSF.

Therefore, there is a need to ease the process of application to ensure that funds are targeted to those that need it most. In addition, the contracting parties also need to revisit the project time frame. At the same dialogue, the representatives of the community-based organizations also argued that the current time frame of two years is inadequate for projects to generate comprehensive results, particularly when the focus is more on field-based evidence.

Likewise, the contracting parties should make the benefit sharing mechanism inclusive and comprehensive in its approach. For instance, the benefit sharing mechanism should not merely focus on indirect approaches to benefit sharing with farmers, as project-based mechanisms may not ensure their real participation in benefit sharing.

Mechanisms to ensure that benefits directly flow to farmers would require a major focus on the strengthening of the roles and capacity of farmers' groups. In this regard, additional and unconditional financial aid needs to be mainstreamed for enabling the real farmers' groups to participate in decision making, and directly access and use the resources under the BSF. The international community must undertake a responsibility to ensure that farmers' right to participate in national-level decision making processes, which is one of the crucial farmers' rights recognized by the Treaty, is protected.

At the regional level

In most of the South Asian countries (except Bangladesh, the Maldives and Sri Lanka), the national focal point for ITPGRFA is affiliated with the agriculture ministries. Therefore, with such a centralized system, there is a need to assess whether local farmers and other community-based organizations can benefit through the BSF's competitive bidding process.

In this context, well-defined roles and responsibilities of the agriculture ministries are important for disseminating the information on the call for proposals. While disseminating the information, South Asian governments need to ensure an inclusive process, use local radio channels and newspapers, and build farmers' capacity to identify local problems in a proposal format required by the BSF.

Participation of grassroots-level organizations and farmers' groups in all stages of proposal development is also critical. Protecting farmers' right to participate in decision making is also a responsibility of South Asian governments.

At the regional level, South Asia must push for a Funding Strategy to devise practical mechanisms to ensure that farmers' groups and organizations like community seed banks are able to gain easy access to the BSF. Currently, hundreds of community seed banks are actively working to conserve local varieties of PGRFA in South Asian countries such as Bhutan, Bangladesh, India and Nepal.

In Bangladesh, community seed banks are part of a social movement for promoting seed security at the local level. In Nepal, community seed banks have expanded from a few until 1990s to more than a hundred in 2015. The non-governmental organizations and the government of Nepal have played a key role in supporting a number of community seed banks in several districts. In India too, non-governmental organizations and a number of self-help groups of farmers, including women farmers, have been supporting the work of community seed banks in several states.

Moreover, there are many farmers who are conserving a number of PGRFA at the individual and community level. Such is the case in India and Nepal where the custodian farmers are currently maintaining the diversity of local species of a variety of crops. Thus, there is a need for a continuous mechanism of monetary and non-monetary approaches to incentivize custodian farmers.

Cases of such custodian farmers should be mutually exchanged in the South Asian gatherings and the GB sessions on a regular basis. South Asian countries, under the forum of South Asian Association for Regional Cooperation, should not delay in developing regional strategies to benefit from the BSF and the implementation of the ITPGRFA. ■

Dr. Dahal is Programme Coordinator, SAWTEE.

Notes

1 If the recipients of the PGRFA available under the MLS commercialize a new PGRFA derived from the accessed PGRFA, they can also opt for non-monetary benefit sharing. The non-benefit sharing provisions oblige them to include the new PGRFA in the MLS so that others can access and use the same.

2 www.planttreaty.org.

SAARC Summit

Deeper regional integration still elusive

Overall, the SAARC Summit held in December 2014 in Kathmandu failed to take noteworthy decisions to push the region towards "deeper regional integration".

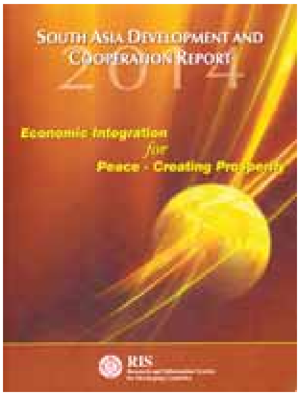
Sudeep Bajracharya

The eighteenth South Asian Association for Regional Cooperation (SAARC) Summit concluded in Kathmandu on 27 December 2014, with an outcome far below expectation. Overall, the Summit failed to take noteworthy decisions to push the region towards "deeper regional integration", which was the main theme of the Summit. It merely adopted a 36-point Kathmandu Declaration, which states that Members will continue their efforts to facilitate trade, enhance regional connectivity, combat terrorism, tackle poverty, improve the effectiveness of the SAARC Development Fund (SDF) and strengthen all SAARC processes, among others. But considering the absence of any concrete commitments, it remains to be seen whether the actions and implementation on the lofty promises will ever be effective.

This time around the Summit was expected to deliver three major agreements related to connectivity on road, railways and energy. Not surprising, the Summit was hostage to existing rivalry between India and Pakistan for the much-awaited agreement on motor vehicles and regional railways could not be finalized. With India's strong stance to endorse all three agreements or none, and Pakistan's reluctance to sign the agreements citing the incompletion of its "internal processes", the Summit was in a deadlock. But fortunately, a compromise was reached to sign the Framework Agreement for Energy Cooperation (Electricity) and to table the remaining two—the Agreement for the Regulation of Passenger and Cargo Vehicular Traffic, and the SAARC Regional Agreement on Railways for discussion in the coming months. In light of the fact that the road and rail connectivity agreements have been in the works for the last eight years, it is tragic that yet another opportunity to sign the agreements has been missed. Undoubtedly, regionalism in South Asia is a hostage to existing rivalry between India and Pakistan. Therefore, thawing the cold India-Pakistan relation is paramount if South Asia is to shake off the infamous title of being the "least integrated region" in the world.

Amid the resource constraints faced by many South Asian countries, and the rivalry between India and Pakistan that continues to limit socio-economic development of the region, many SAARC countries are supportive of increasing the engagement of observer nations. Notably, owing to the economic lure of China, SAARC leaders have agreed to review and analyze a previous document regarding the engagement with the Observers to enable project based cooperation in priority areas. Ever since China was given the observer status in SAARC in 2006, it has significantly improved its political and economic relations with SAARC countries. At the SAARC Summit in Kathmandu, China committed to invest US$30 billion for infrastructure development in resource-constrained South Asia. Considering that even limited integration at the geopolitical level could serve to provide the regional bloc greater voice at the global stage, the idea of greater involvement of observer nations is likely a step in the right direction. However, economic cooperation and trust between the existing Members must be strengthened before expanding membership to observer countries.

SAARC has thus far largely been a non-achiever and the eighteenth SAARC Summit in Kathmandu was no different. Though Member countries renewed their commitments to a South Asian Economic Union in the coming 15 years, regional economic integration will continue to be as elusive as ever in the absence of a concrete plan and the presence of animosity between India and Pakistan. But while the pace of SAARC's activities is sluggish and irritatingly slow, it must be realized that SAARC is indeed inching towards the right direction. Though the Summit in Kathmandu failed to meet expectations, it was able to deliver the much awaited agreement on energy cooperation which will definitely play a pivotal role in facilitating region connectivity and growth. Meanwhile, the connectivity agreements on road and railways could also be signed in the coming months. Considering that the future of SAARC and regional growth rests on India-Pakistan relations, both countries should work out their differences and play a more constructive role. Until India-Pakistan relations improve, only modest progress can be expected from SAARC. ■



Economic Integration for Peace - Creating Prosperity

Title: South Asia Development and Cooperation Report 2014:
Economic Integration for Peace – Creating Prosperity
Publisher: Research and Information System for Developing Countries, New Delhi, India
ISBN: 81-7122-107-6

Bharat P Bhatta

The Report, titled South Asia Development and Cooperation Report 2014: Economic Integration for Peace – Creating Prosperity, prepared by Research and Information System for Developing Countries (RIS), New Delhi, explores a wide range of issues and dimensions of economic integration in South Asia to achieve peace and prosperity in the region. The Report, which is organized in twelve chapters including introduction, examines present status, identifies challenges and opportunities, elucidates issues and areas for further discussions, and points out the way forward in the form of policy recommendations on a wide range of issues and problems. Despite an excellent treatment of the causes and consequences of poor regional integration and low trade, the Report fails to provide an integrated framework to achieve the greater economic integration. In addition, the Report does not consider the possibility of improved India-Pakistan relations. The least developed and land-locked countries face structural constraints and challenges that result in their weak productive capacity affecting their competitiveness. But the Report fails to identify their special needs and suggest measures for their meaningful integration into the regional economy.

On the important question of the relationship between peace and prosperity, the Report puts forward a concept of "reverse causality", i.e., achieving prosperity first will lead to peace in the region.

The Report argues that trade integration will significantly benefit South Asian countries because of natural comparative advantages, existence of trade complementarities and the opportunity to address supply-demand gaps across the countries. Key issues in integrating trade include reducing non-tariff barriers, pruning sensitive lists under SAFTA, and harmonizing standards, customs procedures and transport connectivity. The Report also identifies policy-induced and structural constraints as daunting challenges to trade integration.

Given the constraints in financing regional projects related to connectivity and infrastructure, the Report strongly supports the creation of the SAARC Investment Area and the SAARC Development Bank. The Report recommends that connectivity projects need not be viewed as "projects-to-economic activity", but rather the other way round. The Report also sees the need for SAARC to collaborate with the Asian Infrastructure Investment Bank in addition to the existing cooperation arrangements with the Asian Development Bank and the World Bank, in order to fund its significant infrastructure deficits.

On agriculture and food security, although the Report aptly covers present conditions of agriculture and food security and identifies opportunities and challenges of the sector by each country, it fails to put forth a common agenda for regional cooperation under the SAARC framework. About energy security, the Report argues that prosperity cannot result in peace unless energy security is addressed.

Stressing the importance of science and technology (S&T) and innovation, the Report recommends establishing a South Asia Regional Information Network, promoting cooperation on human resource development and higher education, initiating a regional mega project in S&T, and strengthening regional S&T infrastructure as agenda for regional cooperation. Finally, the Report addresses perception gaps in the region on degree of integration, role of India for achieving peace and prosperity, and progress in advancing common economic agenda.

South Asia can learn much from the European Union (EU), the most economically integrated region in the world. The Report, however, does not reflect on lessons that could be learned from the EU. Besides, the Report leaves the causes underlying political tension and mistrust between countries unaddressed. Despite this, the Report significantly contributes to the current state of knowledge on economic integration for creating peace and prosperity in South Asia. The analyses and the conceptual framework including policy recommendations presented in the Report will be highly useful for politicians, policy makers, intellectuals and others both within and outside region. ■

Technology Bank for the least developed countries

Adopted by the Fourth United Nations (UN) Conference on the least developed countries (LDC), held in Istanbul, Turkey on 9-13 May 2011, the Istanbul Programme of Action (IPOA) identifies productive capacity building as a key priority for LDCs, and accordingly recognizes science, technology and innovation (STI) as critical enablers for the structural transformation of their economies.

Considering that all LDCs are lagging behind in the areas of STI, IPOA called for the undertaking of a joint gap and capacity analysis with the aim of establishing a Technology Bank and Science, Technology and Information (TB) supporting mechanism dedicated to LDCs by 2013. The TB would: (i) help improve LDCs' scientific research and innovation base; (ii) promote networking among researchers and research institutions; (iii) help LDCs access and utilize critical technologies; and (iv) draw together bilateral initiatives and support by multilateral institutions and the private sector, building on the existing international initiatives.

The same was reiterated by the UN General Assembly and the UN Economic and Social Council (ECOSOC) in their respective resolutions in 2012. Finally, in 2013, the UN General Assembly took further action on the proposed Technology Bank based on the UN Secretary-General's report (A/68/217) whereby it requests the Secretary-General to constitute a high-level panel of experts on Technology Bank in order to examine its scope, functions and institutional linkage with the UN and other organizational aspects, and to table the report and the recommendations of the high-level panel of experts to the General Assembly at its sixty-ninth session for consideration, with a view to operationalize the Technology Bank during its seventieth session, if so recommended by the panel.

Accordingly, the UN Secretary-General has announced the composition of the High-Level Panel of experts (HLP) consisting of 10 members drawn from LDCs, development partner countries from the North and the South, and from the host country to carry out a feasibility study of the proposed Technology Bank. The High Representative of LDCs, landlocked developing countries (LLDCs) and small island developing states (SIDS) will serve as an ex-officio member. The UN Office of the High Representative for the least developed countries, landlocked developing countries and small island developing states (UN-OHRLLS) will provide secretariat support to the HLP. It is anticipated that the work of the HLP will be concluded by the third quarter of 2015.

Proposed structure of the Technology Bank

Based on the UN Secretary General's report, the structure of the Technology Bank would comprise a Patents Bank, STI Supporting Mechanism and Research Depository Facility.

The Patents Bank

The proposed bank will facilitate transfer and adaptation of technologies to LDCs. It could involve, among others:

- a licensing facility to help LDCs secure relevant intellectual property (IP) at negotiated or concessionary rates;
- technical assistance to identify appropriate technologies;
- an enforcement mechanism ensuring the use of such IP only in LDCs, as well as an arbitration mechanism; and

Considering that all LDCs are lagging behind in the areas of STI, IPOA called for the undertaking of a joint gap and capacity analysis with the aim of establishing a Technology Bank.

www.un.org

- help in protecting the IP rights (IPR) of LDC inventors.

Technology transfers under the Technology Bank would attract additional official development assistance (ODA) while at the same time provides guarantees to IP holders by providing a corresponding legal framework that protect any IP transferred by the Bank. This would allow IP holders to safeguard IP seen to be of genuine and direct value to themselves, without having to establish a comprehensive and costly IP regime for the full panoply of trade-in-services. Importantly, the Patents Bank can find a way to balance the technological needs of LDCs and the legitimate interests of individual IP holders, whose IP is transferred through its aegis.

A complete IPR system from the start would pose a monumental undertaking for most LDCs, especially when the full benefits of IPR are so abstract and/or may take years to materialize. Instead, they could take a incremental approach and accordingly construct a broader legal framework, consequently growing as the benefits of home-grown IP takes hold. At the same time, the Patents Bank could hold a compensatory reserve fund for rights holders, should its arbitration mechanism determine that transferred IP was misused.

STI Supporting Mechanism (STISM)

Such a support mechanism will build a robust endogenous STI capacity in LDCs and mobilize international support in this regard. The need for such a mechanism has been made acute by the internationalization of R&D requiring strong local capacity for acquisition and adaptation of technologies. It could involve:

- support to build the LDCs' endogenous human and institutional capacity for acquisition and adaptation technologies;
- assistance for the establishment of technology incubators in LDC universities, and support for information and communication technology connectivity, especially at the campus "last mile";
- support to market LDCs' research results and to improve intellectual property rights management capability; and
- assistance in the LDCs' diaspora knowledge networks.

Beyond traditional North-South avenues, STI mechanism can also encourage capacity building through South-South cooperation. For example, the Brazilian health-research institute named FIOCRUZ, is currently helping Mozambique build and operate a modern pharmaceutical factory for retroviral drugs. The STISM could play a complementary role to more traditional donor coordination by informing LDCs of the diverse development initiatives that might prove germane to their own situations.

Research Depository Facility (RDF)

Nearly every LDC has at least a handful of world-class scientists, or at least academics with that potential. However, they are almost never sufficiently numerous in the same discipline, and would probably still lack "critical mass" if they were. RDF under the Technology Bank could help bridge this gap, offering the potential for LDC S&T investigators to join global research teams "virtually".

The RDF could help broker collaborations with advanced-economy institutions (North-South), across the developing world (South-South), and act as a global facilitator for them all (Triangular). Broadly, the RDF could involve:

- support to the LDCs to access scientific literature by building on the Research4Life facility, a UN public-private partnership (PPP);
- help in brokering LDC research collaboration through partnerships with institutions in advanced and developing economies, as well as triangular cooperation;
- research support and networking services for LDC researchers; and
- capacity-building support to expand publication of scientific work from the LDCs in peer-reviewed journals.

As noted above, the RDF could build on some of the existing mechanisms such as Research4Life, an innovative public-private partnership between four UN agencies, namely, the World Health Organization (WHO), Food and Agriculture Organization (FAO), United Nations Environment Programme (UNEP) and the World Intellectual Property Organization (WIPO), and global publishers of on-line scientific and technical publications, and several technical partners, including Microsoft. This initiative offers a substantial framework that has expanded and worked well for over a decade. As such, it offers a unique opportunity for a S&T RDF under the LDC Technology Bank to extend Research4Life's benefits well beyond the current partner UN agencies to include other multilateral development and technical agencies.

Conclusion and the way forward

The proposed framework of the Technology Bank goes beyond long standing North-South ideological debate on technology transfer. The model put forward would not contravene or challenge any international legal IP system, but would rather fully respect the existing IP protection system and capitalize on all existing mechanisms. Moreover, the Bank would also serve as a matchmaker between the IP holders and the final users. Just as the development community has embraced the notion of aid-for-trade, they could also consider supporting Aid for Science & Technology, especially as it concerns LDCs. It is expected that the Technology Bank can be a highly successful entity with a very minimum amount of international support.

Nonetheless, further work is needed within the HLP framework of the HLP to define the structure, functions, governance and funding mechanism, staffing arrangements and other relevant institutional matters of the Technology Bank. It is envisaged that the Technology Bank will be operational by 2017. ■

Based on the contribution by Mr. Khalil Rahman, Chief of Policy Development and Coordination, UN-OHRLLS.

Roundtable on Assessment of India-Bangladesh Trade Potentiality

CUTS International has organized roundtable discussions on "India Bangladesh Trade Potential" in association with Federation of Indian Chambers of Commerce & Industry on 18 March & 21 January 2015 in New Delhi. The deliberations focused on transport and transit facilitation between India and Bangladesh through a motor vehicle agreement and realization of their trade potentiality through harmonization of standards.

Highlighting the importance of Bangladesh for India's connectivity with its north east region and with countries of the Association of South East Asian Nations, participants underlined that better connectivity with Bangladesh will help business to explore more opportunities through trade and investment. Noting the progress being made towards the signing of a motor vehicle agreement among Bangladesh, Bhutan, India and Nepal, participants underlined the importance of transit protocols, containerised cargo movements, coordination among border agencies and technical assistance and capacity building requirements to realize the benefits of the proposed initiative. A similar initiative among these countries on harmonization of standards is under discussion.

A number of senior government officials from respective country, representing commerce, revenue, and foreign ministries and other relevant agencies took part in its deliberation. ■

Post-Bali Issues and Preparation for the 10th WTO Ministerial Conference

A Workshop on "Post-Bali Issues and Preparation for the 10th WTO Ministerial Conference: A South Asia Perspective", organized by the Commonwealth Secretariat, Consumer Unity & Trust Society (CUTS) International and the IPS was held in Colombo on 18-19 May 2015. Many issues relating to South Asia and developing and least developed countries (LDCs) in the run-up to the 10th WTO Ministerial Conference were discussed in detail to agree on a common agenda.

The Workshop emphasized on issues of interest to South Asian countries in agriculture, manufacturing, services, etc., in order to devise a comprehensive and holistic perspective on taking the WTO Doha Development Agenda forward and presenting a uniform agenda of the region at the WTO's 10th Ministerial Conference scheduled to take place in December 2015 in Nairobi, Kenya.

Discussions took place on areas that are of importance to South Asia in the WTO such as development issues, Opportunities and Challenges for South Asia from the Trade Facilitation agreement reached in Bali, issues of concern to South Asian LDCs, non-agricultural market access and agriculture negotiations: status and key issues for consideration by South Asia countries, latest developments in the GATS negotiations and other services initiatives, and the regional integration process in South Asia.

The deliberations underlined that WTO remains an important platform for countries in the region and that South Asian countries should have a better vision and commitment if they are to benefit from the latest developments in the WTO such as the Trade Facilitation Agreement and Public Stockholding for Food Security. The importance of looking beyond the Nairobi agenda and agreeing on a set of coherent policies for the region were also emphasized. It was emphasized that it is time to prepare the region to address important issues through knowledge building and collaborative discussion on the areas in the run up to the 10th WTO Ministerial Conference and beyond. ■

Regional trade potential with special focus on women

SAWTEE organized a half day national consultation program with support from UNDP on South Asian country study on products with regional trade potential and associated non-tariff barriers with special focus on women in micro, small and medium enterprises (WMSMEs)—A case of Nepal on 12 February 2015. The objective of the workshop was to share the findings of a research carried out in select districts in Nepal and gather inputs on the study from related stakeholders.

Presenting the findings of the research Dr Hiramani Ghimire, Executive Director said that the study showed challenges such as the like transport problems, documentation hassles, procedural obstacles in customs, transit problems and lack of branding that should be overcome to uplift the status of the enterprises and sectors covered by the study.

The participants stressed on the importance of reinforcing the plans related with using the Nepali handmade papers and allo products in the public sector to encourage and promote WSMEs.

The participants also highlighted issues related with the sustainability of the raw materials, product development and design, effectiveness of the roles of relevant Ministries, capacity building trainings, effective campaigns for information dissemination and appropriate policy measures targeted to women engaged in micro, medium or small enterprises.

More than 50 participants, including representatives from different entrepreneurial organizations, women entrepreneurs, policy makers, private sector and media, participated in the programme. ■

National Consultation on WMSMEs

IPS held a national consultation meeting on "Products with Regional Trade Potential and Associated Non-tariff Barriers, with special focus on Women Owned and Led Micro, Small and Medium Enterprises (WMSMEs)" on 24 February 2015.

This consultation was held as part of a Sri Lanka study carried out for a South Asian regional project, initiated by the United Nations Development Programme Asia Pacific Regional Centre (UNDP-APRC) with funding from AusAid. Representatives from the government and private sectors, trade associations, chambers, civil society, and female entrepreneurs attended the consultation where the preliminary findings of the study were discussed. The participants provided feedback and suggestions to finalize the study.

Speaking at the event IPS Executive Director, Dr. Saman Kelegama stressed that "Female labour force participation [as entrepreneurs] is important as it leads to an increase in socio-economic status of women and households and thereby contribute to poverty alleviation in the country." The preliminary findings of the study were presented by Sunimalee Madurawala, Research Officer while Yumiko Yamamoto, Policy Specialist, Inclusive Growth, UNDP-APRC also joined the discussion from Bangkok, Thailand.

IPS undertook the Sri Lankan case study focusing on spice and coir sectors to strengthen the capacity of WMSMEs in South Asia to derive benefits from increased participation in trade and regional markets. ■

Indo-Bangla Trade

AN advocacy and dissemination meeting of the project entitled, "Addressing Barriers to Rice Seeds Trade between India and Bangladesh" was organized on 30 April 2015 in New Delhi with the theme "Trade and Knowledge-sharing in High Yielding Varieties Rice Seeds: Scope for Agricultural Cooperation between Bangladesh and India".

The objectives of the meeting were to facilitate the signing of MoU between the apex seeds associations of Bangladesh and India; disseminate major outputs of the project; and advocate for an enabling environment for cross-border trade and knowledge-sharing. ■

Discussion Paper: Regional Transit Agreement in South Asia : An Empirical Investigation
Author: Prabir De and Arvind Kumar
Publisher: SAWTEE

sawtee

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

www.sawtee.org