

Govt to implement SWAP concept in trade sector

ASHOK THAPA

KATHMANDU, MARCH 31

THE government has planned to utilize foreign aid in the trade sector through a sector-wide approach (SWAP) so that its programmes will be funded by donors collectively.

The concept of SWAP is that donors provide financing to an entire programme as opposed to a specific project. SWAP has already been implemented in health and education through programmes such as the school sector reform programme.

Toya Narayan Gyanwali, joint secretary at the Ministry of Commerce and Supplies (MoCS), said they had prepared a preliminary draft of SWAP for trade. "The homework began last year," he added.

Last week, the ministry formed a com-

mittee headed by Gyanwali, which also includes representatives of the Finance Ministry and the National Planning Commission (NPC), to finalize the draft. "At present, we are studying international trade SWAP models to finalize the modality for Nepal," Gyanwali added.

He said that the committee had also been collecting information on the trend, size, nature and sectors of donor-funded programmes in general and in the trade sector. He said that the final draft would determine whether trade SWAP will be implemented or not.

Gyanwali added that the government felt trade SWAP was necessary as it helps to coordinate with donors and to prioritize the trade sector and concentrate funds. According to him, the trade SWAP will help solve problems related to coordination with donors, alloca-

tion of funds and duplication of efforts. Without SWAP, there has been a high level of aid fragmentation and duplication.

Trade experts have long been demanding that the government implement the trade SWAP to enhance the effectiveness of Official Development Assistance (ODA) and Aid for Trade (AFT). The trade SWAP is one of the major initiatives that the government needs to take to make Nepal Trade Integration Strategy (NTIS) 2010 a success.

"Moreover, in the existing system, the government has to fulfil the interest of donors," said trade expert Ratnakar Adhikary. "I believe that introduction of the trade SWAP will allow the government to allocate and invest funds as per its own priorities and needs."

As per the trade SWAP, money received from donors for the trade sector is received

under a single basket, and the government uses it as per need in a more transparent manner.

"Under the trade SWAP concept, the government will not be accountable to donors in terms of spending the money. But it has to ensure that the money has been spent properly and to develop the trade sector," said Adhikary, who is also the executive chairman of the South Asia Watch on Trade, Economics and Environment (SAWTEE).

He added that the government should take the donors into confidence before introducing this approach. "Once the final report is prepared, the government should hold intensive discussions with the line ministries, donor agencies and stakeholders for its successful implementation." Greater political consensus is a must for effective materialization of the trade SWAP, he added.