A dialogue on trade and development in South Asia

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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

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editors' note

Synergizing aid

THE developing and least-developed countries have been unable to reap the desired benefits from market opening due to supply-side constraints. The Aid for Trade (AfT) initiative launched in 2005 under the aegis of the World Trade Organization (WTO) aims to help enhance the trade-related supply capacity of developing countries, particularly the least-developed countries—a task that previous, essentially software-oriented, trade-related technical assistance programmes had failed to accomplish.

Six years down the line, the effectiveness of AfT in meeting its stated objectives is unclear. For example, how much of the US$40 billion in AfT commitments recorded in 2009—a 60 percent increase from the 2002–2005 baseline period—was actually directed at easing the supply-side constraints of recipient countries is difficult to determine given the broadness of definition of AfT.

Independent country studies paint a less rosy picture of AfT than the one painted by the WTO and the Organisation for Economic Co-operation and Development (OECD) in the Third Global Review of AfT. Adherence to the Paris Declaration on Aid Effectiveness leaves much to be desired, particularly in relation to ownership, alignment and harmonization.

The WTO and the OECD have not thoroughly assessed the core issues of additionality, predictability and sustainability, as mandated by the WTO Task Force on AfT. The evaluation of AfT effectiveness through case stories cannot be a substitute for comprehensive country studies. Therefore, the existing AfT monitoring and evaluation mechanisms, which are Geneva- and Paris-based in orientation, ought to be complemented with independent, comprehensive and robust *on-the-ground* monitoring and evaluation.

Just as the developing world needs development aid to enhance their trade-related supply capacity, so does it need aid to implement climate change adaptation and mitigation measures. There are concerns that climate funds, which have started to flow, are not directed at responding to the pressing climate-related needs of the most affected and vulnerable developing and least-developed countries.

For example, despite adaptation being the most pressing concern of such countries, only 13.9 percent of the funding commitments totalling US$1.125 billion has been made for adaptation. Improving the governance of climate finance, at the global, regional and national levels, is another issue of concern where donors and recipient countries must work together by making appropriate institutional arrangements.

A problem ailing both AfT and climate financing is donors' predilection for having full control over the choice of recipient countries and achieving their strategic and commercial objectives. Donors continue to brush aside calls for creating a vertical fund for AfT even though it has high potential to improve aid effectiveness. They also seem bent on creating parallel climate financing mechanisms despite having accepted the Global Environmental Facility as the central coordinating mechanism for climate finance.

All these indicate that there is a dire need to ensure the effectiveness of both AfT and climate finance, for which a thorough review and assessment of the entire political economy of international support measures is essential. The existing lack of coherence and synergy between these two funding mechanisms poses challenges to their effective operationalization.

This calls for inter-governmental bodies, governments, the private sector and concerned stakeholder groups to promote better coordination while ensuring the effective implementation of the Paris Declaration on Aid Effectiveness. ■

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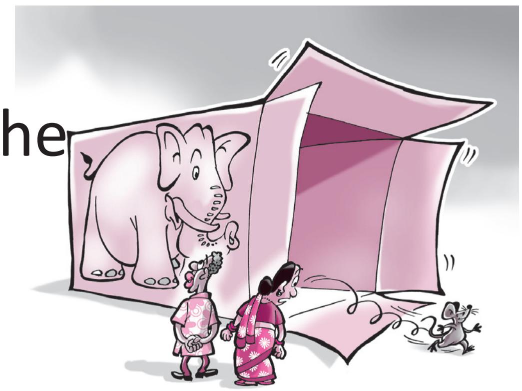

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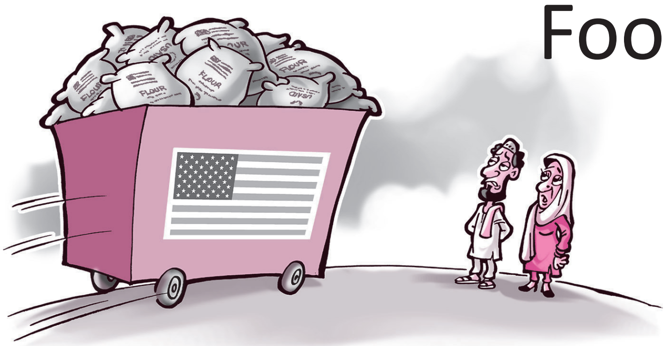

Views expressed in *Trade Insight* are of the authors or editors and do not necessarily reflect the official position of SAWTEE or its member institutions.

SAWTEE NETWORK

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
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2. Sustainable Development Policy Institute (SDPI), Islamabad

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

Nepal and US ink TIFA

Nepal should negotiate "policy flexibilities" that build on its WTO accession commitments and protect the interests of local farmers, consumers and small entrepreneurs.

NEPAL signed a Trade and Investment Framework Agreement (TIFA) with the United States (US) on 15 April 2011. Nepal's then Deputy Prime Minister and Finance Minister Bharat Mohan Adhikari and US Trade Representative Ron Kirk signed the Agreement in Washington, D.C. The Agreement affirms "to promote an attractive investment climate and to expand and diversify trade in products and services between the Parties". The TIFA is said to provide strategic frameworks and principles for dialogue on issues related to trade and investment between Nepal and the US. It is viewed as a precursor to a bilateral free trade agreement (BFTA).

Article 2 of the Agreement provisions the formation of Nepal-US Council on Trade and Investment to be chaired by the Ministry of Commerce and Supplies from the Nepali side and by the Office of the US Trade Representative from the US side. The Council will meet no less than once a year. Article 3 of the Agreement provides for the Council to monitor trade and investment relations, identify opportunities for expanding trade and investment, and identify issues such as protection of intellectual property rights (IPRs), workers' rights and the environment. The Council is to also consider capacity building and technical assistance, including with respect to the promotion of trade in services; consider trade facilitation measures; identify and remove impediments to trade and investment; and seek advice of the private sector and civil society, where appropriate, on matters related to the Council's work.

Before the Agreement was inked, South Asia Watch on Trade, Economics and Environment (SAWTEE), together with like-minded organizations had advocated that Nepal be given special and differential treatment (S&DT) considering its level of development and no World Trade Organization (WTO)-plus conditions be imposed.[1] Similarly, it had recommended reduction of tariff and non-tariff barriers to Nepal's exports to the US; provision of assistance for overcoming supply-side constraints faced by Nepal; allowing policy space for Nepal's industrial development; services liberalization be compatible with multilateral commitments; other cross-cutting issues be in the spirit of the Doha Development Agenda (DDA); provision for technology transfer and technical assistance to Nepal; and a provision of IPRs that addresses social objectives with policy flexibilities for the protection of farmers' rights over seeds and traditional knowledge. Some of the recommendations forwarded by SAWTEE were incorporated, but some relating to a specific S&DT provision, technology transfer and provisions to be made in line with the DDA were not mentioned in the final Agreement.

The TIFA emphasizes recognition, protection and enforcement of IPRs and of membership in and adherence to IPR conventions along with "policy flexibilities in view of the level of development of the Parties". While there could be pressure for Nepal to adhere to WTO-plus IPR obligations, it is in Nepal's interest to negotiate such "policy flexibilities" that build on its WTO accession commitments and would be in the interest of local farmers, consumers and small entrepreneurs.

Regarding investment, by recognizing the role of only private investment in "furthering growth creating jobs, expanding trade, improving technology and enhancing economic development", the TIFA avoids recognizing the role of the public sector in contributing to the same causes.

The TIFA contains provisions related to non-trade and non-investment issues such as environment and labour. For example, it requires each Party to adopt in its national law and practices "the fundamental labor rights as stated in the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-Up (1998)". While it is Nepal's obligation to respect its international obligations related to labour and the environment, Nepal should guard against the introduction of WTO-plus labour and environmental standards into the BFTA, if and when it materializes.

Nepal's main interests in signing the TIFA are, among others, to have preferential/favourable market access for Nepali goods, especially readymade garment, to the US and to attract investment in the hydroelectricity sector. Unfortunately, there is no mention of preferential/favourable market access. Instead, the relevant provision with respect to market access appears to set the stage for a reciprocal reduction in trade barriers.

With the TIFA in place, Nepal's strategy should now be to secure favourable market access for products of its export interest; utilize the Council for, among others, attracting US investment, along with transfer of technology, and mobilizing US assistance to help overcome supply-side constraints; and resist the introduction of WTO-plus provisions. ■

Note

1 See "Campaign on US-Nepal Trade and Investment Framework Agreement", *Trade Insight*, Vol. 6, No.1, 2010.

Poverty falls to 13pc in Nepal

NEPAL has recorded an astonishing 18 percentage-point decline in absolute poverty in the six years between 2003/04 and 2009/10, leaving just 13 percent Nepalis below the poverty line, according to the third Nepal Living Standard Survey (NLSS) 2010.

The substantial and sustained drop in the percentage of population below the poverty line in the last 15 years has surprised many. The 18 percentage-point drop in the last six years surprised even the officials and experts who analysed the NLSS data.The second NLSS conducted in 2003/04 had concluded that 31.5 percent of the population was under absolute poverty. The first NLSS in 1995/96 had put the population under absolute poverty at 42 percent.

The survey, the most comprehensive study of the changing economic dynamics of the Nepali people, also reports a decline in income inequality measured in terms of the Gini coefficient, which has come down to 0.35 from 0.41 recorded in the second NLSS.

As evidence of shrinking income inequality between the poor and the rich, the nominal average per capita income of the poorest 20 percent of the population has increased nearly fourfold to NRs 15,888 from NRs 4,003 registered in the second NLSS. However, such income of the richest 20 percent of the population merely doubled to NRs 94,419 from NRs 40,486 over the same period.

The number of households receiving remittance income has also risen dramatically to 55.8 percent from 31.9 percent reported in NLSS 2003/04. The survey has also found that the per capita remittance income has increased to NRs 11,073 from NRs 2,100.

Of this income, 79 percent is used for daily consumption while only 2.4 percent is invested for capital formation. Similarly, the nominal average household income has seen a 2.5-fold increment to NRs 202,374 from NRs 80,111 six years ago *(www.myrepublica.com, 04.08.11).* ■

Sea levels rising at fastest rate in 2,100 years

SEA levels have been rising significantly over the past century of global warming, according to a study that offers the most detailed look yet at the changes in sea levels during the last 2,100 years.

The study found since the late 19th century—as the world became industrialized—sea level has risen more than 2 millimeters per year, on average. This is the fastest rate in 2,100 years. It will lead to land loss, more flooding and saltwater invading bodies of fresh water, said lead researcher Benjamin Horton whose team examined sediment from North Carolina's Outer Banks. He directs the Sea Level Research Laboratory at the University of Pennsylvania.

The predicted effects he cites are not new and are predicted by many climate scientists. But outside experts say the research verifies increasing sea-level rise compared to previous centuries. *(AP, 20.06.11, www.ap.org).* ■

Paralysis in global trade talks

THE head of the World Trade Organization (WTO) castigated its 153 members for failing to agree on a watered-down global trade deal by December, and called for "an adult conversation" over what to do next.

"What we are seeing today is the paralysis in negotiating function of the WTO, whether it is on market access or on the rule-making", Lamy told the WTO's Trade Negotiations Committee, according to a transcript of his remarks.

WTO members have been trying to salvage a deal from a decade of fruitless talks on the Doha Development Agenda, which was billed as the next leap in global trade liberalization but which collapsed earlier this year. They had hoped to work out a smaller deal in time for a ministerial meeting in December, not only to liberalize trade, but also to prove that such a deal could be done.

The bottom line for a smaller deal was a trade package which would benefit the least-developed countries (LDCs). But the WTO members could not even agree on that because many countries, including the United States and China, wanted an "LDC-plus" deal, with some extra elements thrown in.

And just agreeing on what those extra elements should be eventually proved too difficult. Lamy said the most practical and realistic way forward was to concentrate on tackling non-Doha issues at the ministerial meeting and to have a broader discussion about where the Doha negotiations would go next. That meant abandoning the LDC deal, which would "suck oxygen" out of the other efforts *(www.reuters.com, 26.07.11).* ■

Biotech bill draws fire in India

PROMINENT Members of Parliament in India cutting across party lines have dubbed the proposed Biotechnology Regulatory Authority of India (BRAI) Bill, 2011 anti-people and anti-farmer.

The Bill was listed to be tabled in the lower house of Parliament by the Union government. The Bill has been courting controversy ever since the government tried to formulate a proposal for a new regulatory body, allegedly to create a single window clearance system for genetically modified (GM) crops in the country. The new authority is proposed to be based within the Ministry of Science and Technology which also has the mandate to promote GM crops.

Basudev Acharya, leader of CPI (M) in the lower house and chairman of Parliamentary Standing Committee on Agriculture, said: "This bill read along with other legislation like the seed bill, that is up for tabling in this session, shows the government's real intent of siding with the biotech seed corporations against the farmers and consumers of our country." Dr. Raghuvansh Prasad Singh, Former Union Minister for Rural Development and Member of Parliament from Bihar, called the bill a threat to food safety and a recipe for destruction of agriculture and rural livelihoods.

The bill proposes to set up a five-member BRAI, of which two are part-time members, under the Ministry of Science and Technology which will take all decisions on the research, transport, import, manufacture and use of organisms and products created through modern biotechnology. All the other institutions proposed as part of the regulatory system like the Inter-Ministerial Governing Board and the Biotechnology Advisory Council are advisory or supportive in nature. The Bill also reverses the state government's role in permitting open air field trials of GM crops.

"The sly and hasty manner in which the Government is trying to table the bill in the parliament, without even putting the draft bill in the public domain for any discussion is a commentary on the complete lack of transparency and accountability of our government", said Kapil Mishra, sustainable agriculture campaigner of Greenpeace India. He further expressed shock at the sweeping powers being given to the proposed authority even to override the Right to Information Act 2005.

GM crops have been in controversy ever since the introduction of Bt cotton, the only GM crop commercially cultivated in India, owing to their impacts on health, environment and socio-economic fabric of the country. Bt brinjal, the first food crop to have reached the commercialization stage, was put under an indefinite moratorium last year (*www.greenpeace.org, 17.08.11*). ■

SAARC members agree on gas trade cooperation

THE eight member states of the South Asian Association for Regional Cooperation (SAARC) have agreed to cooperate on gas trade.

The agreement came at a two-day conference of the expert committee of SAARC on gas and oil resources that ended on 24 July in Bangladesh.

Bangladesh Energy Secretary Mohammad Mesbahuddin told a press briefing after the meet that the committee also decided to conduct a feasibility study for laying pipelines to facilitate gas import.

SAARC Energy Centre Director Hiller A Raja said the possibility of two distribution pipelines was discussed. The potential exporting countries are Iran, Turkmenistan and Myanmar.

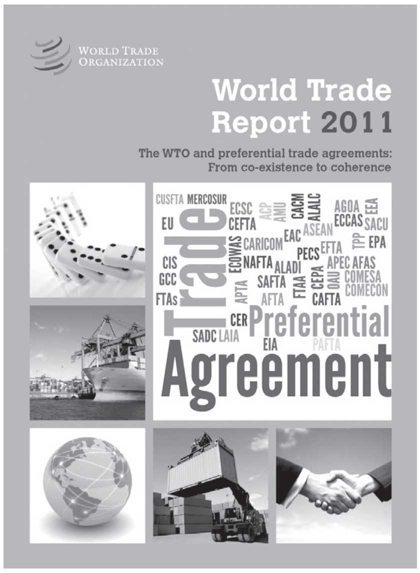
Experts at the conference finalized a work plan and a draft terms of reference ahead of a SAARC minister-level meeting in September.

The conference was arranged by the foreign and energy ministries for the first time after the third minister-level meeting in 2009 acknowledged a comprehensive concept paper and formed four committees.

The other decisions made at the conference include a study for an oil distribution pipeline, establishing an LNG (liquefied natural gas) terminal solely for SAARC countries, and a feasibility study for setting up an oil refinery (*www.bdnews24.com, 26.07.11*). ■

Asia leading new trade pacts: WTO report

BURGEONING bilateral and regional trade agreements meet the need to regulate global production and can benefit non-members, but the World Trade Organization's (WTO) multilateral system also has a role in reducing the resulting complexity, according to the latest edition of the organization's flagship publication released on 20 July 2011 in Geneva.



The World Trade Report 2011 observes that Asian countries have become some of the most active in signing preferential trade agreements (PTAs). They have been party to almost half the PTAs concluded in the last 10 years. This has contributed to the increased concentration of trade within the region—second only to Europe in 2009.

But more significantly, preferential agreements are evolving towards deeper integration that goes beyond tariffs and other measures at national borders—they increasingly include domestic policies such as regulations on services and investment, intellectual property protection and competition policy, which the report calls "deep PTAs".

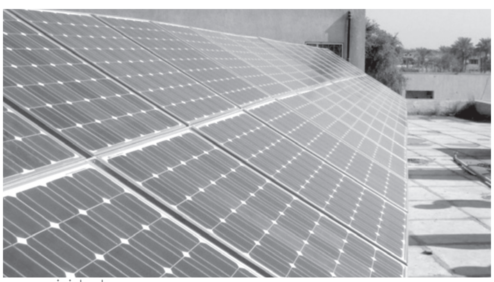
"These trends raise vital questions about the focus and reach of the WTO, and the value assigned by governments to globally-based trade relations," WTO Director-General Pascal Lamy said.

The report argues that deep PTAs reflect important changes in the world economy such as the growth of global production networks. The spread of these networks, in sectors such as electronics and motor vehicle manufacturing, has been particularly pronounced in the Asian region. The networks require better regulation and supervision in a range of areas, and deeper PTAs may be addressing this need.

The World Trade Report 2011 describes PTAs' historical development and their current landscape. It examines why they are established, their economic effects, their contents and the relationship between the agreements and the multilateral trading system *(Adapted from www.wto.org)*. ■

India likely to see about 1 million "green jobs" in next two years

THE fast-growing green energy sector is expected to create about one million new jobs in India over the next two years, offering employment opportunities in diverse areas.


www.vividedge

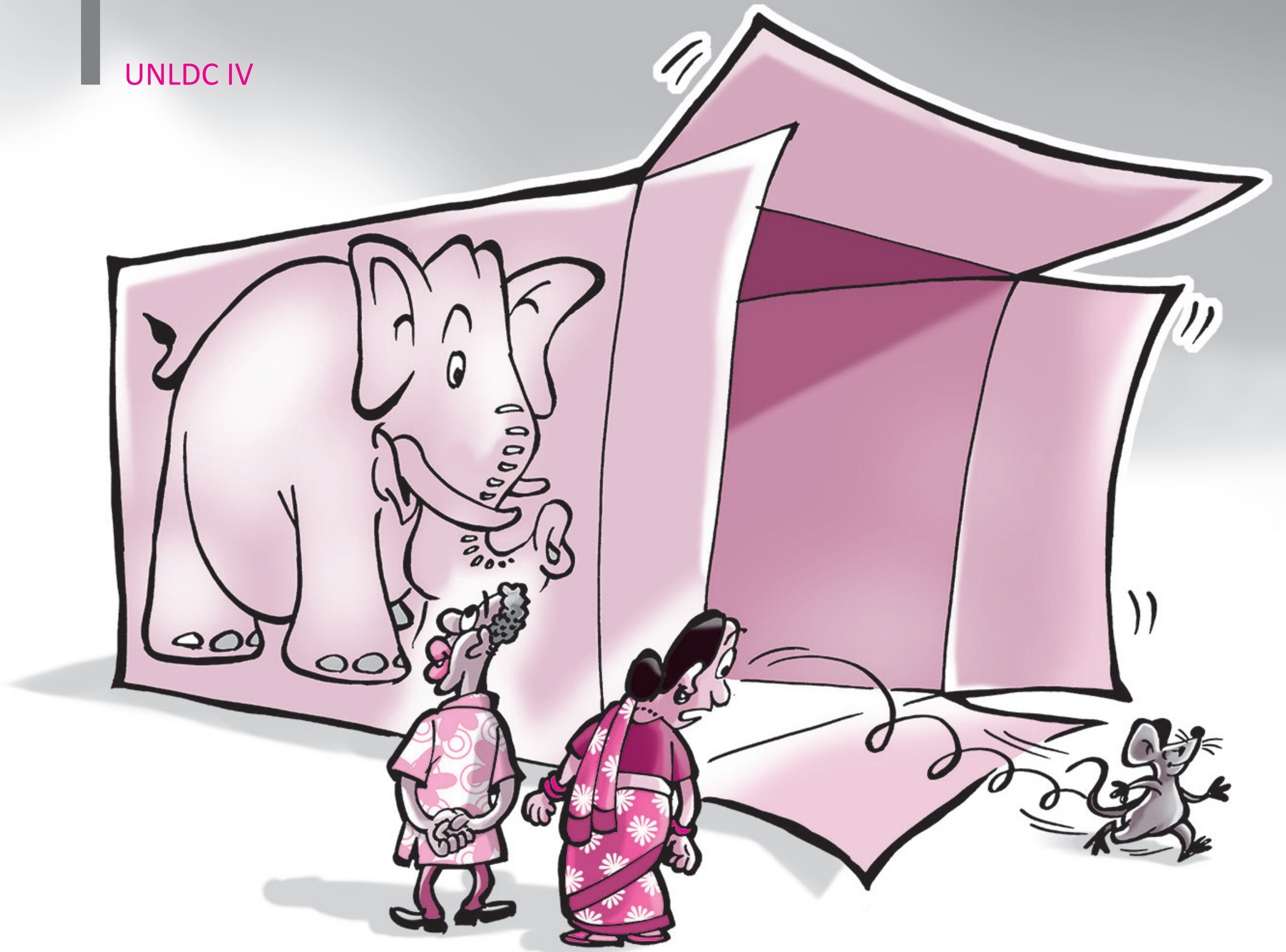
Increasing environmental awareness, growth of global carbon markets and the rise of green buildings and the like will eventually mean employment opportunities for lawyers, policymakers, carbon finance consultants, business risk analysts, architects and engineers adept in green building norms.

As green jobs exist in all sectors, this means more engineering, more construction and more management jobs. "These are just a few sectors and jobs out of the hundreds of jobs that will be transformed and created into the future," Kamal Meattle, the Promoter of GreenSpaces and Chief Executive Officer of the Paharpur Business Centre & Software Technology Incubator Park, said.

Echoing a similar sentiment, Udit Mittal, the Managing Director of Unison International, an human resource consultancy firm, said the scope is so vast that "around one million green jobs will be generated in India over the next two years."

A "green job" is employment in any industry that contributes to preserving or restoring environmental quality.

One of the biggest future recruiters in green jobs is likely to be real estate, with green buildings coming up fast. Companies like Wipro, Microsoft, Cognizant, TCS, Infosys and Oracle are either operating—or planning to operate—from green offices. Unfortunately, green jobs are still not considered lucrative. That's mainly because of a lack of awareness and insufficient experience, experts said *(www.economictimes.indiatimes.com, 15.08.11)*. ■



Insights into the Istanbul negotiations

Dinesh Bhattarai

The Fourth United Nations Conference on the Least Developed Countries (UNLDC IV) was held in Istanbul, Turkey from 9–13 May 2011. Its mandate was to make a comprehensive appraisal of the implementation of the Brussels Programme of Action (BPoA), identify effective international and domestic policies, mobilize additional international support measures and action in favour of the least-developed countries (LDCs), and reaffirm global commitments to address the special needs of the LDCs.

The UNLDC IV was attended by over 10,000 participants, including 36 heads of state and government, 96 ministers and 66 presidents of international organizations. It adopted two documents—the Istanbul Declaration (6 pages in 18 paragraphs), and the Istanbul Programme of Action (IPoA) for the Least Developed Countries for the Decade 2011–2020 (49 pages in 157 paragraphs)—after assessing the implementation of the Programme of Action for LDCs for the decade 2001–2010.

Priority areas

The IPoA, which will function as a document for the next decade for the LDCs, is guided by five objectives, eight principles and eight priorities. The overarching objective of the IPoA is to help the LDCs overcome structural challenges and ensure that at least half of the 48 LDCs meet the criteria for graduation by 2020. The eight principles underlying development strategy include a strong focus on country ownership and leadership; intricate relationship between peace, security, development, human rights, equity, and voice and representation of the LDCs in international organizations; and a balanced role of the state and the market.

The document identifies eight priority areas for action: i) building of productive capacity (infrastructure services, science, technology and innovation, energy, and development of the private sector); ii) agriculture, food security and rural development; iii) trade; iv) commodities; v) human and social development (education and training, population and primary health, youth development, shelter, water and sanitation, gender equality and empowerment of women, and social protection); vi) multiple crises and other emerging challenges, including economic shocks, climate change and environmental sustainability, and disaster risk reduction; (vii) mobilizing financial resources for development and capacity building, domestic resource mobilization, official development assistance (ODA), external debt, foreign direct investment and remittances; and viii) good governance at all levels. Each priority action area contains actions to be taken. There are 126 actions to be taken by the LDCs and 100 actions by development partners. Twelve areas, including trade, have been identified for joint actions by the LDCs and developed countries.

The host country, Turkey, announced an economic and technical cooperation package for the LDCs for short- and long-term infrastructure projects, including the construction of roads, dams, reservoirs, schools, hospitals, houses and irrigation facilities. The major highlights of the Turkish offer included an annual grant of US$200 million starting in 2012 for technical cooperation projects and programmes as well as 1,000 scholarships in the fields of agriculture, engineering and medicine; encouragement to the Turkish private sector to increase the level of direct investment in the LDCs from the present US$2 billion to US$5 billion by 2015 and further to US$20 billion by 2020; hosting an International Science Technology and Innovation Centre and International Agriculture Centre; sharing experiences for capacity building and providing technical cooperation and training covering tourism and small and medium enterprises; and expanding the coverage of duty-free and quota-free (DFQF) market access to agriculture products. Turkey also offered to host a Mid-term Review Conference of the IPoA in 2015.

India announced its support to the LDCs at a pre-conference event, "Harnessing the positive contribution of South-South cooperation for development of LDCs" held in New Delhi in February 2011. The support measures included five additional scholarships each year to every LDC, US$5 million for follow-up activities to the UNLDC IV, and a US$500 million credit line earmarked for projects and programmes in the LDCs over the next five years. Contributions were also announced by some other countries and international organizations to help the LDCs participate more effectively in international meetings and integrate them into the global trading system.

Salient features and insights

The negotiations on the outcome document of the Istanbul conference were tough and tedious. They were intense and contentious. There were moments of deadlocks, uncertainty and confusions. The salient features of the negotiation process and the outcome are discussed below.

An intense debate ensued from the very beginning over the structure of the document. The negotiating text introduced by the LDC Group was drastically streamlined in terms of objectives, principles and priorities. The concept of developmental governance or state was not accepted. Instead, good governance was preferred. Unlike the BPoA, the IPoA recognizes a balanced role of the state and the market. Further, while the LDCs preferred the BPoA format, development partners insisted on the Millennium Development Goals outcome document model that lays no clear responsibility on any group of countries.

Nonetheless, the willingness to sit down and talk about LDC issues was clearly evident. There was a commitment by the LDCs and their development partners towards a comprehensive, result-oriented, enhanced, quantifiable, forward-looking and coherent renewed and strengthened global partnership for the LDCs. The negotiations clearly established that numerical strength was not enough to extract concessions from developed countries.

The most important commitment coming out of the UNLDC IV was to make a comprehensive review and undertake a follow up in 2015, to fulfil the commitments made in the BPoA on ODA, and to consider further enhancing the resources.

The LDCs tried to have quantitative targets for the decade 2011–2020, but development partners stressed qualitative targets. The prevailing mood during the negotiations, pre-conference events and the conference itself was not to prejudge the mandate of other conferences. Disallowing side negotiations on any issue except in its appropriate forum was the mantra sermonized by developed countries from the very beginning.

Technology is recognized as a key driver of economic development and transformation. It has emerged as a strategic resource for development and a driving force for global trade. Unfortunately, the commitment to establish a Technology Bank and Science, Technology and Information supporting mechanism to help improve the LDCs' scientific research and innovation base was reduced to an aim with no clear timeline.

The LDCs wanted to have a clear commitment to their institutional

The most sensitive and controversial issue in the negotiations happened to be trade and market access for the LDCs.

voice and representation in all forums, but development partners only conceded "effective participation". This will allow partners to handpick those LDCs which are more supportive of their agenda.

The LDCs wanted to be recognized by all multilateral institutions, including the Bretton Woods institutions, but this was not entertained by citing the mandate of independent bodies. The World Bank and the International Monetary Fund informed partners that this is not possible as their income classification remains valid.

The solidarity and organizational effectiveness of donors for making any new funding pledges was distinctly visible. Wrestling with the fallout of the economic crisis, rising unemployment, social turmoil as well as the military and financial burden of global leadership, developed countries considered South-South cooperation as an indispensible dimension of international cooperation and consistently called for recognizing the rising South as new partners and enhancing the latter's commitments to help the LDCs.

Emerging economies, on their part, showed their reluctance to take up responsibility for the LDCs in the multilateral context, but bilaterally some expressed their desire to help the LDCs. The G77 and China preferred not to be identified as donors or be openly called upon to do more for the LDCs.

The importance attached to the rise of the South is seen in the introduction of a separate chapter as South-South Cooperation in the IPoA. This was expected to contribute to the implementation of the IPoA in areas such as human and productive capacity building, technical assistance and exchange of best practices, particularly on issues related to health, education, professional training, agriculture, environment, science and technology, and trade and investment, to ensure enhanced, predictable and targeted support to the LDCs.

The most sensitive and controversial issue in the negotiations happened to be trade and market access for the LDCs. As the Doha Development Agenda (DDA) remains deadlocked for no fault of theirs, the LDCs sought to delink the duty-free and quota-free market access issue from the DDA and to push for an early harvest of the Doha Round. This was rejected as the donors said there can be no side negotiations in the process. The trade section that unusually contains a provision for joint actions refers to "realize timely implementation of duty-free quota-free market access, on a lasting basis, for all least developed countries consistent with the Hong Kong Ministerial Declaration adopted by the World Trade Organization in 2005".

Development partners expressed vague commitments to support the implementation of effective trade-related technical assistance and capacity building under the Aid for Trade initiative and the Enhanced Integrated Framework. The integration of the LDCs into the multilateral trading system and the global economy is vital to their benefiting from the globalization process and to achieving the universality of the WTO. Development partners did not support the inclusion of even the non-controversial and less burdensome issue of accession in the outcome document. Their preference was to leave it to the WTO forum. They were opposed to the concept of LDC standalone deal, which they said is a deviation from the core issues of the DDA. The concept of joint actions in the trade section is a mixture of confusion and diffused attention. This demonstrates a clear dilution of responsibility and wavering commitments on the part of development partners.

One of the most contentious issues during the negotiations was new funds, mechanisms and resources. Donors did not accept any new proposals that would enhance their funding commitments, despite the LDCs having advocated a BPoA-plus funding outcome throughout the preparatory process. All attempts by the LDCs to raise ODA commitments to at least 0.3 percent of gross national income of development partners failed as partners said they are not in good economic shape due to the recent global financial and economic crises. However, they agreed to review ODA commitments in 2015 and consider further enhancing the resources for the LDCs.

The demand for cancellation of debt servicing obligations, additional resources and a crisis mitigation fund did not go well with partners. Promises made to the LDCs were vague and appeared meaningless. This is demonstrated in actions to be taken by development partners that include helping the LDCs build capacity to mobilize domestic resources, explore new innovative finance mechanisms,

www.uncdf.org

The IPoA vision of graduation of at least half the LDCs by 2020 is not matched by resources.

and the recovery and return of stolen assets to the countries of origins, consistent with the United Nations Convention against Corruption.

Development partners were seen waiting for the LDCs to agree on their commitments first while keeping their own commitments till the last moment. It was like a contest between developing and developed countries for global economic power sharing in which the issues of interests to the LDCs were largely marginalized or ignored. The LDC negotiation strategy had to be adjusted in view of the evolving scenario at the regional and international levels. All the LDCs were approached for keeping their national agenda or interests in the IPoA. This provided an avenue to drive a wedge between the LDCs and the G77. Development partners achieved what they intended, but the LDCs got less than what they could have. Moreover, development partners made it clear that any process outside the UN was not acceptable. They were loath to discuss issues belonging to the mandate of other multilateral processes like the WTO and the United Nations Framework Convention on Climate Change.

Developing and developed countries prevailed with their agenda while giving less to the LDCs in terms of resources, policy space and environment critical to their development. For example, whereas the agriculture and food policies adopted by developed countries create huge trade distortions, pressure was unduly put on the LDCs to avoid protectionist tendencies and to correct trade-distorting measures. Therefore, the IPoA vision of graduation of at least half the LDCs by 2020 is not matched by resources. Some groups like the middle-income countries feared that more for the LDCs meant less for them.

No linkages seem to have been established between the year-long preparatory process, pre-conference events and the conference itself. The inputs from such meetings were supposed to have been fed into the outcome document. The basic messages emanating from the pre-conference and the several high-level side events stood largely ignored. Also, the timing of the pre-conference events did not seem to have been well coordinated to ensure that the inputs were fed into the draft outcome document.

Climate change has been recognized as the most perplexing crisis that can only be solved on a global basis with global cooperation. The poorest groups stand to lose the most from climate change impacts. The LDCs, though the least- or non-contributing countries to climate change, are made to pay the environmental price for the wealth the developed countries have accumulated over centuries. However, clear and categorical commitments from developed countries are not concrete in making necessary investments for mitigation, adaptation and rehabilitation.

On a positive note, the IPoA underlines the importance of good governance and the rule of law at the local, national and international levels for sustained, inclusive and equitable economic growth, sustainable development, and the eradication of poverty and hunger. It emphasizes the strengthening of the social protection sector by ensuring good governance, and gender equality, which comes through the empowerment of women and vulnerable sections of society, representations in state institutions, and positive discrimination policies. It also takes an integrated approach to addressing poverty, security, development, human rights and governance.

The distinct departure the IPoA has from previous Programmes of Action, particularly its immediate predecessor the BPoA, is the review and follow-up mechanism with strong strategic focus, identification of delivery tools for specific targets, provisioning of necessary financial and other resources, and setting up of a strengthened monitoring mechanism.

Concluding observations

The UNLDC IV met at a time when the international economic and political environment was unpropitious. A close look at the IPoA reveals that the goals are too ambitious with plenty of ambiguities, but the tools and measures for deliverance are too many and inadequate. The growing gap between commitments and disbursements has been the most glaring feature of the whole process, resulting in a total lack of implementation of commitments made.

The graduation of the LDCs so has not been encouraging and hence there is no convincingly demonstrable base for achieving the overarching goal of IPoA to graduate half of them by 2020. This can only change with strong political energy, sincere commitment and resolute determination. ■

Dr. Bhattarai is Permanent Representative of Nepal to the WTO and Permanent Mission to the United Nations Office at Geneva.

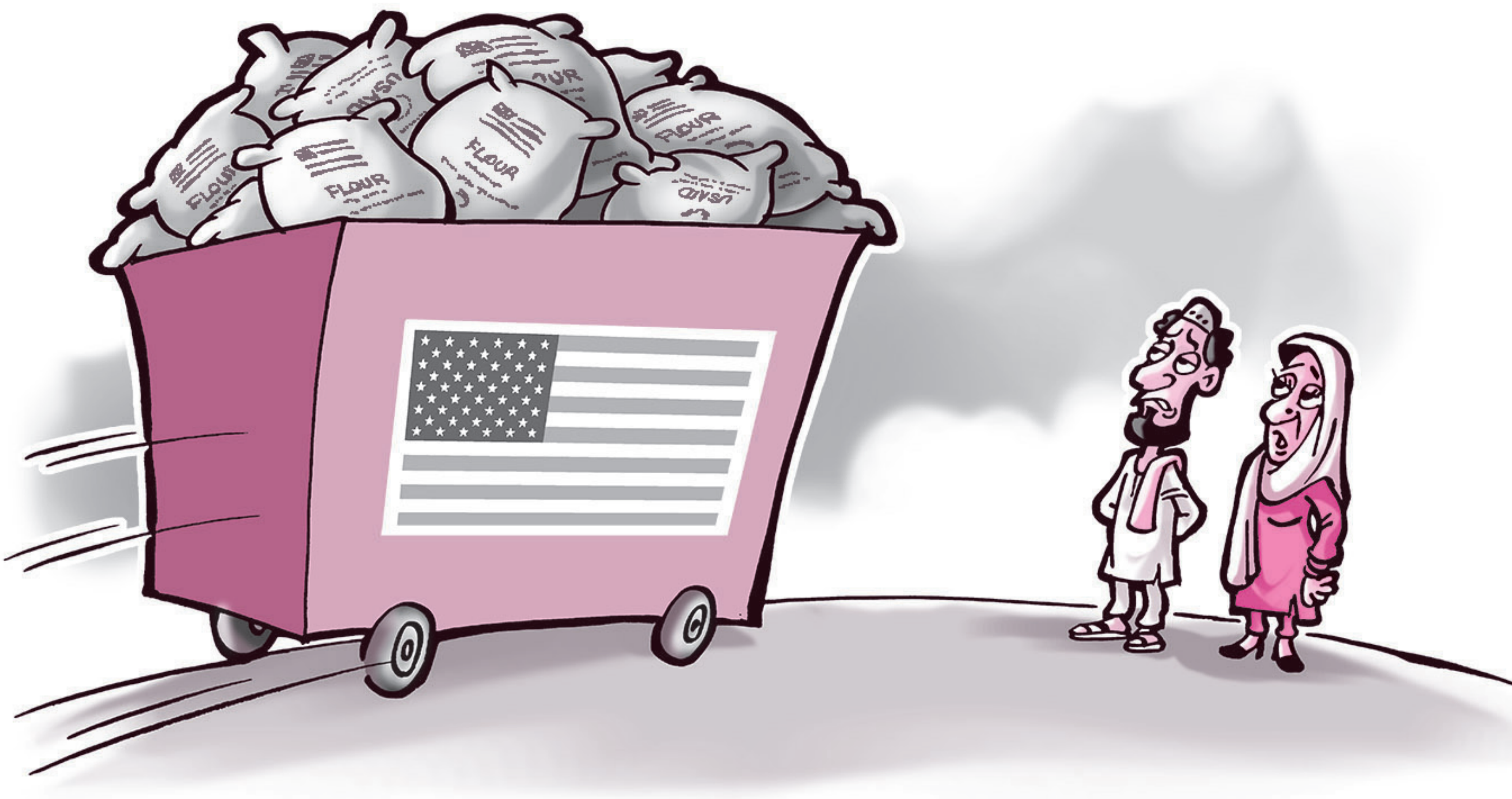
The Political Economy of Food Aid in South Asia

Lessons from Pakistan

Haider Khan

The political economy of aid is an interesting dimension of development assistance of the post-Second World War politics. In fact, there is a huge body of knowledge which addresses the aid question in terms of effectiveness in delivering development. Major parts of the works of Paul Collier and Jeffery Sachs build a thesis of poverty eradication around the idea of aid effectiveness in less developed countries.[1] Apart from the use of development aid for poverty eradication, there has been a sense of strategic locations of East Asia vis-à-vis communist countries which played an important role in creating the famous Gang of Four economies of South Korea, Singapore, Taiwan and Hong Kong that could stage growth miracles.[2]

The millennium development goals also articulate a vision for development assistance to fight poverty and hunger through various means of



international development cooperation. It has been argued[3] in the United Nations Millennium Development Goal Report 2010 that poverty and hunger might have increased owing to the global food and financial crises. The report argued that "aggregate food availability globally was relatively good in 2008 and 2009, but higher food prices and reduced employment and incomes meant that the poor had less access to that food"[4]

Globally, as a share of all cross-border food shipments, food aid is no longer of great significance. In the early 1970s, international food aid still made up about 10 percent of all cross-border food flows, but food aid declined in relative importance as commercial trade expanded and now it makes up only about 3 percent of total cross-border food flows (Box).[5]

While there are many bottlenecks and issues related to the political economy of aid, food aid is also not devoid of the strategic direction it picks up in reaching out to the poor. Food aid is a transfer of food resources from one country to another, which is not commercial.

The commercial part of the food transactions comes under international trade. The largest player in food aid is currently the World Food Programme (WFP) of the United Nations while there are instances of food being given by one government to another and also by a government to a non-governmental entity.[6]

In the United States (US), when farm subsidy policies began to generate surplus quantities of wheat in the 1950s, international food aid was one way to get that surplus out of government storage bins. Under Public Law 480 enacted in 1954, also known as the Food for Peace Programme, government-owned surplus commodities were shipped directly to recipient governments in the developing world. To avoid complaints of unfair trade from export competitors, and also to respect sensitivities in recipient countries, "payment" was accepted for food in non-convertible local currencies that could only be spent by the US embassy inside the local economy. Because long-term and low-interest credit terms were also allowed, the food was essentially given away free.

> The notion put forward in the early 1990s that the food aid regime had become largely "depoliticized" must today be questioned.

The Public Law 480 programme played a significant role in helping the US government dispose of its grain surplus when commercial export markets were not growing. By 1960, fully 70 percent of US wheat exports were in the form of concessional food aid rather than commercial sales. Later in the 1960s, when the US began supporting farm income with cash payments rather than by purchases of grain, the amount of surplus food owned by the government declined, but the food aid programme by then had become a convenient tool in the conduct of American foreign policy, so it did not disappear. The US has supplied food aid worth US$32 billion to the Third World since 1954.

Experience of Pakistan

Being part of Western defence systems such as the Southeast Asia Treaty Organization (SEATO) and the Central Treaty Organization (CENTO), Pakistan has received food aid from the US under the Food for Peace Programme.

The purpose of food aid can be to address a temporary famine emergency, to cushion food-price inflation (as in the case of the 2008 world food crisis), to feed a dependent refugee population, or to support local work or education activities (through "food for work" programmes or school lunch programmes). It can generate cash income through local sales in the market (monetization), dispose of a surplus, or in some cases, reward recipient governments for taking foreign policy actions pleasing to the donor government.[7]

There are some studies which refer to food aid that created food price distortions and kept the prices depressed, leading to low incentives for local farmers. However, the low food prices caused by food aid were conducive to rapid industrialization by keeping the pressure on wages low.

Pakistan witnessed one of the most devastating floods in 2010. A report, *The Long Road*, on the Australian humanitarian agency's response to the 2010 floods in Pakistan says that over 480,000 metric tons of food has been delivered and on average six million people are currently receiving monthly food rations on a regular basis. The food crisis continues: livelihoods have been severely affected with 80 percent of food reserves lost. This has caused massive food insecurity across Pakistan that could last up to five years. Harvests for the next 12 months are anticipated to yield a negligible output due to the damage caused by the flooding. Monthly food rations continue to make up most of the assistance provided, with 80 percent of the affected communities reliant on agriculture.

Fast and consistent intervention of food aid and cash is still critical for the survival of millions of Pakistanis. Agriculture fields have been damaged and farmers do not have seed, fertilizer, livestock or tools to prepare the land and plant the next harvest. This is compounded by the chronic vulnerability of minority groups in northern Pakistan and the chronic malnutrition rates in the south.

In Pakistan's south, there is still flooding and the recovery phase cannot begin until the water recedes. It is likely that a significant proportion of the affected population will be dependent on food aid even after agriculture areas have been restored. In some areas, it will take up to five years for infrastructure such as roads and bridges to be fully rebuilt, which will further impact the restoration of livelihoods and the viability of local markets.

The biotech angle

There are new dimensions of food aid which need to be taken into consideration. Jennifer Clapp, in the article "The Political Economy of Food Aid in An Era of Agricultural Biotechnology", has argued that it is unfortunate that the debate over biotechnology has been played out in the developing world through the politics of food aid. It has profoundly affected recipient countries, and their environments and future trade prospects may suffer from it.

The literature on food aid has to date paid insufficient attention to the question of genetically modified organizations (GMOs) and the impact they have on the food aid regime. Clapp argues that it is time to insert the question of agriculture biotechnology squarely into the debate on food aid. The food aid regime is being influenced by a number of factors that are unique to an age of agriculture biotechnology. These include the scientific debate over the safety of GMOs, as well as economic considerations linked to markets for GM crops. Both of these factors appear to have had an important influence on the policies on GM food aid pursued by both donors and recipients. In many ways, these factors are hard to separate from one another, and both are highly political. The notion put forward in the early 1990s that the food aid regime had become largely "depoliticized" must today be questioned. It is clear that the advent of agriculture biotechnology has fundamentally changed the nature of the regime. Pakistan needs to create debate around such issues as well.

Conclusion

Pakistan's choice of siding with the Western bloc during the cold war period played a significant role in its receipt of food aid, which kept the prices distorted and incentivized industrial development at the cost of rural farmers. However, like other South Asian countries, Pakistan focused on increasing per hectare yield and managed to fill food shortages by increasing productivity. Therefore, it was not food aid which worked for Pakistan but the *aid for food* such as green revolution technologies which did the miracles. However, the WFP and other organizations have played an important role in managing food supplies through aid during the recent floods in 2010 and the earthquake in 2005. ■

The author is Project Assistant, Impact Consulting, Islamabad.

Box
Which countries get food aid?

In the early 1950s, the most important recipients of international food aid were in Europe and East Asia. Most of the food came from the US to support reconstruction in these regions (e.g., under the Marshall Plan) following the damage of World War II. By the 1960s, the focus of most food aid had shifted to India and South Asia. In the 1970s and 1980s, a great deal of American food aid went to Vietnam and to the Middle East in the service of foreign policy objectives. By the 1990s, sub-Saharan Africa had become the target destination for most food aid. According to one calculation done in the mid-1990s, concessional international food aid provided more than 40 percent of total cereal imports for more than 40 recipient countries, most of them in Africa.

Table
Pakistan food aid facts, 2011

Planned beneficiaries	16,081,518
Needs in metric tons	551,620
Needs in US$	572,332,515
Donors	**US$**
Multilateral contributions	17,224,386
USA	70,140,933
Japan	70,000,000
European Commission	15,231,484
Canada	14,949,336
Germany	2,861,230
Private donors	2,570,850
Switzerland	1,688,573
Finland	1,634,877
New Zealand	773,994
Luxembourg	412,088
Qatar	276,981
Denmark	78,302
Norway	20,398

Source: www.wfp.org

Notes

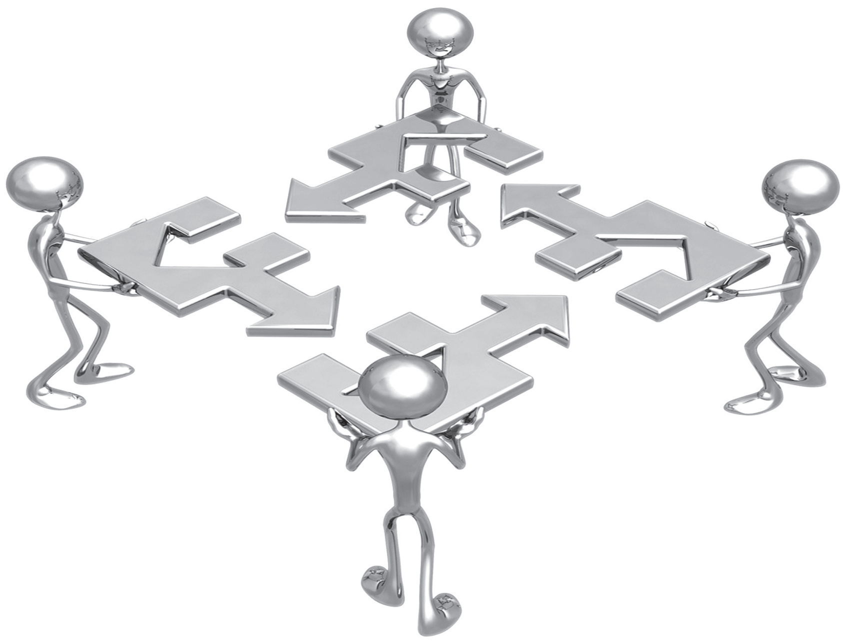
1. Collier, P. 2007. *The Bottom Billion*. New York: Oxford University Press; Sachs, J. 2005. *The End of Poverty: How We Can Make it Happen in Our Lifetime*. London: Penguin Books.
2. Nayar, B. R. 2007. *The Geopolitics of Globalization: The Conseqences for Development*. New Delhi: Oxford University Press.
3. www.un.org/millenniumgoals/pdf/MDG%20Report%202010%20En%20r15%20-low%20res%2020100615%20-.pdf#page=13
4. *ibid*, p12.
5. Paarlberg, R. 2010. *Food Politics: What Everyone Needs to Know*. New York: Oxford University Press.
6. *ibid*.
7. *ibid*.

Critical assessment of

Third Global Review of Aid for Trade

With the Aid for Trade initiative in its sixth year, independent monitoring and evaluation of the initiative on the ground is overdue.

Paras Kharel



The Aid for Trade (AfT) initiative was launched under the aegis of the World Trade Organization (WTO) in 2005. It was in response to the inability of developing countries, in general, and the least-developed countries (LDCs), in particular, to take advantage of increased market access opportunities on account of the ineffectiveness of previous trade-related technical assistance and capacity building programmes in helping them address core supply-side constraints.

Three major multilateral (official) platforms/mechanisms are being used for the monitoring and evaluation of AfT, the most important being the joint publication of an annual report titled *Aid for Trade at a Glance* by the Organisation for Economic Cooperation and Development (OECD) and the WTO. However, none of these monitoring and evaluation mechanisms are robust and comprehensive. Nevertheless, following criticism of the largely top-down Geneva- and Paris-based monitoring and evaluation exercise and growing calls for country-based assessments, the OECD and the WTO have included 269 "case stories" in the *Aid for Trade at a Glance 2011*, unveiled at the Third Global Review of AfT held in Geneva in July 2011.

Realizing the shortcomings of the present monitoring and evaluation systems, South Asia Watch on Trade, Economics and Environment (SAWTEE) and the International Centre for Trade and Sustainable Development (ICTSD) prepared a methodology for assessing the effectiveness of AfT, based on which case studies being conducted in six developing countries in Asia and Africa are at different stages. The aspects of AfT considered in the Nepal study[1] are largely based on the recommendations made by the Task Force on AfT constituted by the WTO Director-General as mandated by the Hong Kong WTO Ministerial Declaration in 2005.

Besides the Creditor Reporting System (CRS) database maintained by the OECD, the Nepal study used national-level data, where available, and conducted in-depth interviews with a wide range of relevant stakeholders, including government officials, academics, trade experts, civil society, the private sector, the media, and donors.

This article critically assesses the evaluation approach adopted by the *Aid for Trade at a Glance 2011*(henceforth the Report), mainly in light of the findings of the Nepal study conducted by SAWTEE and the methodology that underpins it. While all the findings of a country study cannot be generalized, the methodology employed and the issues/aspects covered in the study, but ignored or not adequately dealt with in the Report, calls for a more comprehensive evaluation that can be adopted in other countries too. The focus of this article is on the fundamental issues (additionality, predictability and sustainability, plus definitional issue), ownership, alignment and impact.

Fundamental issues

Based on the CRS database, the Report shows that in 2009 total AfT commitments reached approximately US$40 billion (in 2009 constant prices), a 60 percent increase from the 2002–2005 baseline period. Likewise, disbursements have been increasing at a constant growth rate of between 11–12 percent for each year since 2006, reaching US$29 billion in 2009. The Report concludes that the increase in AfT commitments in the post-2005 period has been additional, i.e., not at the expense of aid to other sectors, on the ground that the average share of AfT in total sector allocable official development assistance (ODA) since the 2002–2005 baseline period has remained stable at 33 percent.

There are a number of problems with this approach. The Report assesses additionality in commitments but not in disbursements, and does not assess additionality at the country level. The Nepal study finds additionality in commitments but not in disbursements in Nepal. Moreover, the basis for determining additionality used in the Report may not yield meaningful results in all cases. For example, even if the share of AfT in total sector allocable ODA had increased, there could still be additionality, provided that the growth of non-AfT ODA had not declined compared to the baseline period. The Nepal study assesses additionality in both commitments and disbursements by taking into account whether i) AfT has increased over the base period; ii) non-AfT ODA has also increased over the base period; and iii) the growth rate of non-AfT ODA has not declined over the base period.

> The Report assesses additionality in commitments but not in disbursements, and does not assess additionality at the country level.

The distribution of AfT flows across recipient countries is highly unequal, slightly more so than the distribution of overall ODA. According to the Report, although low-income countries received almost 50 percent AfT commitments in 2009, up from 39.5 percent in 2008, and the LDCs' share rose from 26.5 percent to 30.4 percent, the top 10 recipients got 45 percent of country-specific AfT commitments during 2002–2009. The presence of countries like Iraq (ranked second), Afghanistan (fourth) and Egypt (tenth) in the top 10 list—attracting AfT in volumes disproportionate to their economic and population size, and, more importantly, the trade-related constraints they face—strongly points to strategic considerations reigning supreme in the allocation of AfT resources by donor countries.

Another issue related to the volume of AfT flows is that while the Report compares AfT commitments made in the years 2006–2009 with the average commitments made in the baseline period 2002–2005—globally as well as for individual countries—it does not do the same for disbursements.

It is important to look at changes in average disbursements as is demonstrated by the finding of the Nepal study: disbursements to Nepal have actually *fallen* in the period 2006–2009 compared to the baseline period.

Most of the analyses in the Report are based on commitments rather than disbursements. The ratio of disbursements to commitments at the global level was 72.5 percent in 2009. The Report argues that commitments are forward looking and show the amounts that donors will spend on certain development activities and are often multi-year (e.g., infrastructure) with subsequent disbursements spread over several years, with the result that disbursements always trail commitments. These arguments are valid, but other factors that may explain the divergence between disbursements and commitments—such as the absorptive capacity of recipients and donors' onerous procedural requirements—are not analysed.

The Nepal study finds the gap between AfT disbursements and commitments (taken as the ratio of *average* disbursements to *average* commitments) to have worsened sharply in the period 2006–2009 compared to the baseline period (from 98 percent to 59 percent). In contrast, the gap is not so severe in the case of non-AfT ODA. Apart from technical reasons (e.g., mismatch between the reporting periods of donors and the recipient), which are only a part of the problem, the study finds human resource-related constraints at the domestic level as well as systemic factors both at the domestic level (e.g., lack of project banks, political instability) and the donor level (e.g., donor bureaucracy and its onerous procedural requirements) as critical factors behind the variation between commitments and disbursements. The Report does not discuss the predictability issue in light of the commitment-disbursement gap, although it identifies inadequacy and unreliability of external funding as "a recurring brake on project success" when presenting case-story findings.

In what is one of its major limitations, the Report does not assess the sustainability aspect of AfT despite it having been emphasized in the WTO's AfT Task Force Report. Sustainability, here, means sustaining the achievements made through AfT even after donor support ceases. The Nepal study assesses sustainability in terms of financial, institutional and human resource sustainability. Financial sustainability calls for mobilization of funds for the continuity of AfT programmes/projects even after donor funding dries up. However, financial sustainability alone is not enough to ensure effective sustainability. An institutional home for the AfT programmes/projects to carry on is of utmost importance. The human resource aspect of sustainability basically refers to efficient human resource planning to ensure effective designing and implementation of AfT programmes/projects: frequent transfer of staff and weak implementation of a performance-based reward system in the bureaucracy are found to adversely affect sustainability in Nepal.

The Nepal study finds that AfT donors are, in general, not building the capacity/expertise of local institutions and individuals such that AfT projects could continue even when donor support ceases. The tied nature of aid is found to have adverse implications for sustainability. For instance, when equipment have to be sourced from a particular donor, the replacement of parts and components could become extremely difficult after the foreign assistance is terminated.

Definitional issue

The broadness of definition of AfT on the basis of which AfT is monitored and evaluated by the WTO has been a major criticism of the AfT initiative. The WTO's Task Force on AfT divided AfT into six categories: i) trade-related infrastructure (e.g, road, telecommunications); ii) building productive capacity (e.g., enhancing productivity of industry, agriculture, fishery sectors); iii) trade development (e.g., investment and trade promotion); iv) trade-related adjustment (e.g., retraining of workers); v) trade policy and regulations (e.g., training of government officials); and vi) other areas (e.g., recipient-country needs not included elsewhere).

The first three categories are so broad that a number of aid activities remotely related to trade can be included in them. This problem takes on additional significance when one notes that the main objective of the AfT initiative is to address trade-related supply-side constraints and that these categories represent the most important areas for addressing such constraints. Since the launch of the AfT initiative, aid to economic infrastructure and building productivity capacity (including trade development) has dominated AfT flows (about 97 percent of total AfT commitments during 2006–2009).Taking it at face value would mean that AfT is mostly going towards addressing trade-related supply-side constraints. But the broadness of definition coupled with the fact that the database relies on self-reporting by donors evokes skepticism. The inclusion of aid for the construction of an urban transport system in Istanbul and a mass transit system in Bangkok under the AfT category is an example of how the broadness of definition distorts the AfT picture.

The broadness of definition emerged as a major issue in interviews with stakeholders carried out for the Nepal study. Serious doubts were expressed over the entire US$986 million (in 2008 constant prices) Nepal received in AfT commitments during 2006–2009 being really AfT proper, with some going so far as to dub AfT "old wine in a new bottle". According to a government official handling trade matters, the entire aid for the construction of a road with little or no significance for Nepal's international trade was counted as AfT by donors.

> The broadness of definition of AfT on the basis of which AfT is monitored and evaluated by the WTO has been a major criticism of the AfT initiative.

The Report does admit that definition remains an issue and that the OECD's AfT categories are at best proxies to keep track of aid flows geared towards "supporting" trade. It quotes Nepal's dissatisfaction with the broadness of definition. It also cites the case of India, which, despite being the largest recipient of AfT commitments since 2002, takes the position that except for a single project, it has received no AfT! The Report attributes this to India's narrow definition of AfT. Possible ways to address this problem are not explored, however. Because the definitional issue is fundamental to any reliable assessment of AfT, the WTO and the OECD should seriously engage in sorting it out, although determining the precise "trade" component of aid is impossible, as pointed out in the Report.

One way to partly address the definitional issue of AfT could be channelizing AfT through a single dedicated AfT fund in which donors pool their AfT resources. While Cambodia has already successfully adopted a sector-wide approach to mobilizing AfT, Nepal's Ministry of Commerce and Supplies is taking steps for the creation of a Trade Trust Fund. Channelizing AfT through a dedicated fund will not only help in making the definitional issue less crucial (as the recipient country will have to agree that any particular aid project/programme is indeed AfT) but, even more importantly, also contribute to sustainability, ownership, alignment, transparency and, hence, overall effectiveness.

Despite evidence of pooled funding showing positive results in the social sector (e.g., in Nepal) as well as in the trade sector (e.g., in Cambodia), the Report is dismissive of the idea of a dedicated AfT fund. It argues that "if AfT were implemented through earmarked funds rather than as part of broader development programmes, it would risk *undermining the principles of ownership and alignment*. This is particularly important considering that donors provide over a quarter of their ODA to aid for trade" (emphasis added).

Ownership

Trade mainstreaming is regarded as a precondition for national ownership. The 2011 Report finds that almost 60 percent of the partner countries that changed their trade-related objectives and priorities since 2008 mainstreamed these changes in their development strategies. In 2008, more than half the partner countries had fully mainstreamed trade and another almost 40 percent had partially mainstreamed trade. However, the 2009 Report used a narrow definition of mainstreaming and the 2011 Report continues with it. In the 2009 Report, those who ticked the box "Trade is a key priority and the plan includes well developed trade-related priorities and implementation actions" were considered to have "fully" mainstreamed trade in their national development plans. The Global Review, therefore, does not consider the quality or substance of mainstreaming—for example, whether trade has been incorporated into sectoral policies like agriculture policy, industrial policy and forestry policy.

Making a distinction between mainstreaming in the formal sense (as adopted by the Global Review) and mainstreaming at the substantive level, the Nepal study finds that while trade has been mainstreamed in the national development plan—trade is one of the six strategies of the current three-year plan—mainstreaming at the sectoral level is yet to take place.

Alignment

Two major components of alignment are donor alignment with country strategies (including policies and priorities) and donor alignment with country systems (including public financial management and procurement systems). The Report finds that alignment is improving albeit unevenly, but its assessment of alignment is almost exclusively centred on the first aspect of alignment. Question No. 15 in the questionnaire for partner countries, which is supposed to deal with the issue of alignment in its entirety, only asks whether donors are better aligning their support around partner countries' trade-related priorities.

The issue of strengthening partner country systems and aligning aid with them is hardly discussed in the Report. The tendency of some donors to bypass the national systems and deliver aid through parallel implementation units emerged as a serious issue in the Nepal study, as did the excessively "bureaucratic" national Procurement Act. An assessment of this aspect of alignment in the Report would have been illuminating.

> Despite evidence of pooled funding showing positive results in the social sector as well as in the trade sector, the Report is dismissive of the idea of a dedicated AfT fund.

Impact

The Report finds that AfT's main achievements so far relate to raising awareness about trade's role in development and to improving the delivery of AfT. This finding is based on the responses of partner countries. Partner countries report having achieved less in terms of improved economic and trade performance, with positive answers for "increased trade" and "increased exports" below 50 percent.

The Report points to the measurement problem in assessing trade-related outcomes—importantly, the problem of attribution—as a possible reason why positive economic and trade results may be underreported. It also cites a time-lag effect to explain the gap between partner countries' objectives (improved economic and trade performance) and the results achieved. It does not, however, investigate the role of the broadness of AfT definition in the difficulty in establishing strong links between AfT and positive trade and economic performance.

The purpose of collecting "case stories" for the Report was "to probe more deeply into the objectives, challenges, and processes of trade-related assistance so as to better understand the results of such assistance". A "great majority" of the programmes and projects in the case stories reported "at least some elements of success" but the Report candidly admits that the case stories are not a scientific approach to evaluation: the sample reflects selection bias, and generalizations should be "taken with a grain of salt" (because of omitted variables and attribution problems). Further, most case stories suffer from a dearth of quantitative information.

Based on the case stories, the Report identifies some essential conditions for successful AfT: ownership at the highest political level built upon the active engagement of all stakeholders; adequate and reliable funding; leveraging partnerships (including with providers of South–South cooperation); and combining public and private investment with technical assistance. It also notes that complementary policies—especially stable fiscal and monetary policies—and flexible labour market policies, together with good governance, can greatly enhance the chances of success.

Conclusion

The inclusion of case stories for the Third Global Review marked a welcome and refreshing departure, even if on a small scale, from the hitherto completely top-down approach to AfT monitoring and evaluation. However, given the limitations of such stories, the OECD and the WTO must now go for independent monitoring and evaluation at the local level so that the "positive and vibrant picture of aid for trade in action" that they paint stands up to scrutiny on the ground. ■

Note

1 Adhikari, Ratnakar, Paras Kharel and Chandan Sapkota. 2011. "Evaluating Development Effectiveness of Aid for Trade in Nepal". July. Report prepared for ICTSD and SAWTEE.

Climate Finance Governance
Issues for South Asia

Ziaul Hoque Mukta
and A.K.M. Nazrul Islam

According to a report published by Maplecroft—a global risk advisory firm—in late 2010, three of the top five climatically most vulnerable countries in the world are in South Asia. Bangladesh and India are the top two most vulnerable countries, while Nepal is ranked the fourth. Similarly, Afghanistan and Pakistan are listed as the eighth and the sixteenth most vulnerable countries in the world.

The report was prepared on the basis of 42 select social, economic and environmental factors. These include countries' exposure to climate-related natural disasters and sea-level rise; human sensitivity in terms of population patterns, development, natural resources, agriculture dependency and conflicts; and assessment of future vulnerability considering the adaptive capacity of a country's government, and infrastructure, to combat climate change over the next 30 years.

Given the different forms of climate-induced disasters already taking place and the possibility of such disasters these countries would have to face in the near future, there is no doubt that the entire South Asia region is "extremely vulnerable" to climate change.

The region is already facing serious threats from climate change, particularly due to changes in climatic parameters such as rainfall patterns, changes in temperature and moisture contents, etc. Climate-induced incidences such as cyclones, sea-water intrusion, droughts, floods, etc. have had devastating impacts on the lives and livelihoods of millions of the region's people, particularly the poor and the marginalized communities. While on the one hand climate change is threatening to reverse the hard-earned development outcomes, although modest, of South Asian countries, on the other, it has made development efforts more costly for the resource-poor South Asia.

South Asia's adaptive capacity in relation to climate change is very limited, mainly due to scarcity of resources, lack of technological know-how and poor access to technology, weak human resource-base, faulty/fragile institutional set-up and absence of proper institutional mechanisms, lack of good governance, and most

Kamalesh Adhikari

importantly, lack of adequate and effective support from the international community.

Adaptation finance

South Asia's requirements of resources to undertake climate adaptation works are enormous. The international community has to play a major role in addressing the region's concerns regarding resource constraints.

The roles and responsibilities of developed countries in terms of providing climate adaptation funds are well defined; however, there is lack of action in undertaking those roles and responsibilities. Issues of fund ownership, management and disbursement, both at the global and country levels, remain unclear. South Asia, as a region likely to be affected the most from climate change, needs to strongly raise its voice for the provision of climate finance and governance at the global level, as well as for good governance at the national level. But before discussing the issue of climate finance governance, it is important to understand the existing climate financing mechanisms.

Climate adaptation funds are available from multilateral sources that exist under the United Nations Framework Convention on Climate Change (UNFCCC) process through the Adaptation Fund (AF) (under the Kyoto Protocol), the Least Developed Countries Fund (LDCF), Special Climate Change Fund (SCCF) and Green Climate Fund (GCF), among others. Funding for adaptation is also available through various other multilateral and bilateral sources. A few climate vulnerable countries have also started to allocate resources for climate adaptation in their annual budgets. For example, since 2009, Bangladesh has allocated a total of US$350 million for undertaking adaptation works.

Climate Investment Funds

Two major funds are available under the Climate Investment Funds (CIF): The Strategic Climate Fund (SCF) and the Clean Technology Fund (CTF). The SCF is an umbrella vehicle for the receipt of donor funds and disbursements to specific funds and programmes. Under this fund, there are three targeted programmes: Pilot Programme for Climate Resilience (PPCR), Forest Investment Programme (FIP) and Scaling up Renewable Energy in Low Income Countries Programme (SREP). The Trust Fund Management Committee comprises representatives from contributor and recipient countries, while the World Bank is given the responsibility to be the administrator. On the other hand, the CTF is dedicated to demonstration, deployment and transfer of low-carbon technologies to developing countries, particularly in the area of energy, power and transportation sectors.

Adaptation Fund

The AF was established in 2009 to finance concrete adaptation projects and programmes in developing countries which are Parties to the Kyoto Protocol and are particularly vulnerable to the adverse effects of climate change. The Global Environment Facility (GEF) provides secretariat services for the management of AF while the World Bank serves as the trustee, both on an interim basis.

LDC Fund

The LDCF was created in 2002 after the Seventh Session of the Conference of the Parties (COP7) to the UNFCCC in Marrakesh. The Fund was created, *inter alia*, to assist the least-developed countries (LDCs) in the preparation and implementation of the National Adaptation Programme of Action (NAPA). The GEF has been entrusted with operating and administering this fund.

Special Climate Change Fund

The SCCF was created in 2001 to address the special needs of developing countries for undertaking both adaptation and mitigation works. However, its main objective is to enhance people's resilience through more long-term adaptation works across developing countries. This fund too is administered by the GEF.

Green Climate Fund

The GCF was created after the 16th Session of the Conference of the Par-

Table
Climate change-related policy documents of South Asian countries

Country	NAPA	National Climate Change Action Plan and Strategies	
		Name of the Document	Year
Afghanistan	2009	National Action Plan on Climate Change	2008
Bangladesh	2005	Bangladesh Climate Change Strategy and Action Plan	2009
Bhutan	2006	None	
India	NA	National Action Plan on Climate Change	2008
Maldives	2007	Strategic National Action Plan Integrating Disaster Risk Reduction, Climate Change Adaptation	2011
Nepal	2010	Climate Change Policy	2011
Pakistan	NA	National Climate Change Policy and Action Plan	2011
Sri Lanka	NA	National Climate Change Policy	Draft

NA: Not applicable.
Source: Various government departments of South Asian countries.

ties (COP16) to the UNFCCC held in Cancun in 2010. Developed countries have committed to generate US$100 billion per year by 2020 through a mix of both public and private sources to support concrete mitigation actions by developing countries. Meanwhile, a US$30 billion "Fast Start Finance" has been established to help developing countries with climate change adaptation and mitigation during the period 2010–2012.

In addition to these five multilateral climate funds, there are other multilateral and bilateral funding facilities too, some of which are the GEF Trust Fund (GEF 4, GEF 6), the Global Climate Change Alliance (GCCA) Fund and the MDG Achievement Fund. Similarly, some countries are also coming up with bilateral climate funds aiming to undertake various adaptation, mitigation and capacity building works in developing countries. Some European countries such as the United Kingdom, Sweden, Denmark, Norway, among others, have taken such initiatives. However, these are modest funds compared to actual requirements. In addition, the issues of governance and management of climate funds have raised much doubt about their proper and effective utilization.

Climate finance governance in South Asia

Most South Asian countries have already developed their NAPA and some have also finalized their National Climate Change Strategy and Action Plans. For example, Bangladesh prepared its NAPA in 2005 and finalized the Bangladesh Climate Change Strategy and Action Plan in 2009.

Similarly, Nepal's NAPA document was prepared in late 2010. It simultaneously prepared the Local Adaptation Plan of Action to scale up community-based strategies and integrate top-down and bottom-up approaches to mainstream climate adaptation in the planning process.

Likewise, other South Asian countries have also developed necessary policies and strategy papers to address climate change issues (Table). This points to the fact that South Asian countries have taken the issue of climate change quite seriously although there are some limitations in their approaches.

> Recipient governments should create management and governance structures for channelizing climate funds to areas that are in dire need.

The issue of climate finance governance is a serious concern in South Asia. Even as climate funds have started to flow to developing countries, it is not yet clear whether the funds will be used to respond to the countries' immediate and pressing needs related to climate change, and whether the funds will reach the most vulnerable people. There are also concerns regarding the unnecessary burden that these funds might inflict on developing countries since most of these funds are provided as loans rather than grants. These are valid concerns also because it is mainly the developed countries' unwise actions and indiscriminate consumption that have exacerbated the problem of climate change.

In these contexts, both donors and recipients of climate finances have some important issues to bear in mind and implement to ensure that the funds will meet their stated objectives. Some of these issues are discussed below.

Donor countries

Donor countries must provide climate funds as grants and not loans. Moreover, they should ensure that climate funds are not provided at the expense of existing official development assistance. Developed countries must accept that the provision of climate adaptation finance at the cost of delaying mitigation actions by the Annex I Parties to the Kyoto Protocol will do harm to all countries in the world. Hence, they should immediately initiate mitigation measures. Most importantly, all promises regarding climate financing by developed countries must be met on time.

Recipient countries

Recipient countries should have full ownership of all climate funds, which is considered to be a pre-requisite for effective fund utilization and management. Every recipient country should create a "single entity" to deal with all sorts of climate funds and their disbursement.

Recipient governments should also create management and governance structures for channelizing climate funds to areas that are in dire need. Designating a nodal ministry to engage in inter-ministerial and inter-agency coordination to achieve the highest level of effectiveness in fund utilization is essential.

Climate finance processing and utilization must ensure full transparency and accountability. In this regard, involving civil society members and affected communities in the fund management and disbursement process may enhance the credibility of the governments. Moreover, women being one of the most vulnerable among all climate affected groups, governments should have the participation of women in all climate financing and fund utilization processes. Most important of all, governments should align all types of climate finances with climate change country strategies and priorities, and connect them with existing development initiatives. ■

The authors are associated with Oxfam GB Bangladesh Programme. The views expressed here are those of the authors and do not necessarily represent Oxfam's position.

Note

[1] Oxfam International. 2011. *Minding the Money: Governance of Climate Change Adaptation Finance in Nepal*. United Kingdom: Oxfam International.

Synergy between Aid for Trade and Climate Finance

Both donors and recipient countries should be equally responsible in harnessing the synergy between aid for trade and climate finance.

Ratnakar Adhikari

It has been well established that developing countries, particularly the least-developed countries (LDCs), that have been offered relatively generous market access opportunities have not been able to utilize them to trade their way out of poverty due to limited trade capacity. At the same time, these countries, most of which have made little or no contribution to global warming, are the most vulnerable to the adverse effects of climate change and are struggling to enhance their adaptive capacity. Enhancing trade capacity and adaptive capacity both require resources, but these countries are unable to meet the requirement through domestic resources. Hence, the importance of aid in meeting these ends.

One needs to remain cognizant of the fact that the quality of aid, rather than mere quantity, should be the touchstone to judge aid effectiveness. While there are a number of issues related to the quality of aid, this article concentrates on the coherence and synergy aspect concerning Aid for Trade (AfT) and climate change financing (CCF). This is particularly important because the agents that are involved in committing, disbursing, managing and utilizing these two streams of funding are working in their respective silos without one even talking to the other. This concern has assumed a greater salience mainly due to the fear among developing-country stakeholders that donors could potentially inflate their aid figures in both the categories of financing because of the overlap between the two sources of financing. This underscores the need to create coherence and synergy between these two modes of financing.

Objectives and contending perspectives

The major motivation for the launching of the AfT initiative under the World Trade Organization (WTO) is to alleviate the acute deficiency in trade-related capacity among developing countries, in particular the LDCs.

Since these countries were lured into believing that they would derive enormous benefits from their active participation in the multilateral trading system and such benefits eluded them despite the implementation of several trade-related capacity building initiatives, there was a need to put in place a well-funded, targeted, sustainable and predictable funding mechanism. The AfT initiative was presumably meant to fill this gap.

The major motivation behind CCF is to help developing countries mitigate and adapt to climate change, which has wrought havoc on, *inter alia*, their agriculture, livelihood and health systems.

There are two contending perspectives on the relationship between the two initiatives. The first argument is that since AfT already covers a very broad range of issues, discussing the issue of climate change within the realm of AfT discourse could lead to further diversion from the core predicament facing developing countries.

Another argument is that since the two mechanisms of financing are complementary and mutually reinforcing, ensuring a greater synergy and mutual compatibility between them will create a win-win situation both for donors and partner countries.

Indeed, as argued by Ancharaz and Sultan (2010: x), there is a potential for developing countries (in particular, the LDCs and small and vulnerable economies) to appeal for these two mechanisms "to be coordinated in a way that would permit greater coherence, transparency and predictability in resource flows".[1] It is this line of argument that provides the conceptual basis for this article.

Potential areas of overlap

There is some overlap and duplication across financing modalities within both AfT and CCF, more so in the case of the latter than the former. While there is limited overlap across the different modalities for AfT, there is a considerable duplication of financing at the operational level, particularly due to donors' predilection to choose the sectors that have the greatest visibility and that help them achieve their own policy objectives. However, in the case of CCF, Porter *et al*. (2008) provide various examples of duplication both at the objective and operational levels.[2] At the objective level and on the mitigation front, they suspect that the duplication between the Clean Technology Fund and the climate financing component of the Global Environmental Facility (GEF), both managed by the World Bank, could potentially result in the World Bank undermining the existing GEF-supported programme aimed at "buying down" the acquisition cost of clean technology to be used by developing countries. At the operational level and on the adaptation front, they provide the example of the Pilot Programme for Climate Resilience, which may not be doing what other existing mechanisms are doing but "might compete for funding from the same donors under the same rubric."[3]

While there are several areas of potential overlap between AfT and CCF, three areas immediately come to everyone's mind. The first and the most important is the *economic infrastructure* category, which is further sub-divided into road, energy and telecommunication as per AfT classification. Among these sub-categories, the former two can very well fall under CCF. For example, to the extent hydroelectricity or solar power are financed through AfT, they could qualify to be included under CCF. Similarly, to the extent weather-battered infrastructures such as roads and bridges are financed through AfT, they could be included under CCF as well.

The second category that bears critical significance for the discussion, particularly in the context of South Asia, is the financing provided to enhance agriculture productivity, which is included under the broad rubric of *building productive capacity* under AfT. This is not least because the sector in question is highly vulnerable to climate change. To the extent research and development financing is provided for developing high-yielding or drought-resistant seed varieties, it could be included in CCF as well.

The third category, which could also be included under *building productive capacity*, is the financing aimed at enhancing industrial productivity in partner countries. While all such financing are included without exception as AfT, only certain categories of financing would qualify to be included under CCF. For example, if research funding is provided for developing energy-efficient technology for, say, iron and steel manufacturing, that could be included under CCF.

The issue of financing

The Creditor Reporting System (CRS) of the Organisation for Economic Co-operation and Development (OECD) provides detailed data on financial commitments and disbursements based on the definition provided by the WTO Task Force on Aid for Trade.[4] It provides data on AfT commitments for most developing countries since 1995, and data on AfT disbursements since 2002. It needs to be noted that the data provided are based on self-reporting by multilateral and bilateral donors, and therefore exclude South-South aid. Although the OECD CRS provides data on CCF under a special category of official development assistance (ODA) called the "Rio Marker," it does not include all the funding provided to developing countries. The major problem is that the database provides data on funding for climate change *mitigation* and not for *adaptation*. This is particularly disturbing because the real needs of developing countries lie in the latter category of funding.

Table 1 provides data on AfT commitments based on the OECD

Table 1
Global AfT commitment, in constant 2009 US$ million

Categories	Time period							
	2002	2003	2004	2005	2006	2007	2008	2009
Economic infrastructure	11,758	10,918	15,546	14,391	14,296	16,109	21,543	20,063
Building productive capacity	10,481	10,589	11,706	11,713	11,720	13,464	16,160	17,758
Trade policies and regulations	946	759	772	848	1,250	904	1,230	1,276
Trade-related assistance	–	–	–	–	–	0	6	16
Total	23,185	22,265	28,024	26,951	27,266	30,477	38,939	39,113
% change		-3.97%	25.87%	-3.83%	1.17%	11.78%	27.77%	0.45%

Source: OECD CRS. Extracted from http://stats.oecd.org/qwids (accessed 22.08.11).

CRS. As claimed by the OECD and the WTO in their *Aid for Trade at a Glance* reports, there have clearly been increased aid commitments after the launch of the AfT initiative in 2005. To be sure, if we compare the data for the baseline period (2002–2005) with the recent period (2006–2009), there has been an increase in AfT commitments by roughly 36 percent. Although the increase in AfT was modest in 2006, it showed impressive growth of almost 12 percent and 28 percent respectively in 2007 and 2008.

However, due to the onset of the global financial crisis in 2007–2008, the growth of AfT in 2009 was limited to a paltry 0.45 percent. Estimates suggest growth 2010 onwards does not appear promising. It is also noteworthy that AfT commitments have increased in the recent period in all the sectors covered by AfT. Although the figures on disbursements have not been as encouraging (not shown in the table), these too have shown an upward trend.

As for CCF for mitigation, based on the OECD CRS data provided under the "Rio Marker", we add up the four categories of commitments to arrive at the final figure: i) only climate change; ii) climate change and biodiversity; iii) climate change and desertification; and iv) biodiversity and climate change and desertification (Table 2).

Like AfT commitments, climate finance mitigation commitments have also been increasing significantly in the recent period, which peaked at US$8.787 billion in 2008, buoyed by increased commitments to the "only climate change" category of financing. However, the growth rate slowed down in 2009, which is probably due to the same reason (i.e., global financial crisis) as mentioned above.

Since the "Rio Marker" does not include financial assistance provided to developing countries for climate change adaptation, it is extremely difficult to find consolidated data for this category of CCF. This is a major limitation of our analysis mainly because developing countries' real needs lie in adaptation funding. The Climate Change Update website provides the share of financing commitments made to climate change mitigation as well as adaption, according to which only 13.9 percent of the total commitments totalling US$1.125 billion is made for climate change adaptation, whereas mitigation (general, and reducing emissions from deforestation and forest degradation–REDD) accounts for almost 85 percent of climate financing.[5]

However, the above figures are not helpful in determining whether or not these amounts have been additional to the existing ODA provided by various multilateral and bilateral donors. Again, the issue here is that it is not possible to determine additionality due to the absence of an agreed definition, whereas it is possible for us to determine the additionality of AfT because of an agreed definition.

The issue of additionality

There are clear stipulations in the Recommendations of the WTO Task Force and the *Guidelines for the preparation of national communications from Parties not included in Annex I to the Convention* (United Nations Framework Convention on Climate Change–UNFCCC) about the issue of additionality, suggesting that there is a political commitment to provide additional financing. However, there are considerable problems at the operational level. One plausible reason for this could be that both the documents are non-binding in nature, which means that they remain, like many provisions aimed at helping developing countries, another best-endeavour commitment. Although the WTO and the OECD have been putting the "spotlight" on AfT by preparing *Aid for Trade at a Glance* reports, which has prevented donors from a blatant neglect of the Task Force Recommendations, a lack of parallel mechanism within the United Nations Framework Convention on Climate Change means that donors can conveniently skirt their responsibility.

The WTO Task Force specifies that AfT should be additional to regular ODA, when it states in its report that "Additional, predictable, sustainable and effective financing is fundamental for fulfilling the Aid-for-Trade mandate."[6] At the same time, the report mentions that "clear and agreed benchmarks are necessary for reliable global monitoring of Aid-for-Trade efforts to assure accurate accounting and to assess additionality."[7] This shows that within the realm of AfT, the issue of additionality is clear, at least at the political level, although it might not be as clear at the operational level. This is because, according to the definition adopted by the *Aid for Trade at a Glance* reports, additionality implies three things: i) it entails provision of new funding; ii) it should be additional to AfT provided in the baseline period (i.e., 2002–2005); and iii) funding so provided should not be at the cost of other ODA categories.[8] Although the OECD and the WTO have been suggesting that there has been additionality in AfT at the aggregate level, due to lack of a clear methodology, it is difficult to establish that with absolute certainty. Moreover, country-level additionality is not captured by the OECD and WTO reports.

In the case of CCF, the *Guidelines for the preparation of national communications from Parties not included in Annex I to the Convention* deals with the issue of "new and additional" resources. According to Article 4 and 12 of the Guidelines, "The developed country Parties and other developed Parties included in Annex II shall provide *new and additional* financial resources to meet the agreed full costs incurred by developing country Parties…."[9] However, there are several difficulties in ascertaining whether or not there has been any additional financing because the definition of additionality is yet to be agreed upon.[10]

In the context of AfT, there are several important issues related to *quality* of aid. However, on the issue of *quantity* of AfT, additionality is the single major concern. This understanding led the International Centre for Trade and Sustainable Development (ICTSD) and South Asia Watch on Trade, Economics and Environment (SAWTEE) to include additionality as a major element in the methodology developed to evaluate the development effectiveness of AfT at the country level.[11]

The Nepal study found that there has been additionality in commitment but not in disbursement.[12] The same methodology was applied in the context of Bangladesh which shows that there has been neither any additionality at the level of commitment nor at the level of disbursement. These results are in sharp contrast with an overtly optimistic global picture painted by the OECD and the WTO.

We are unable to conduct a similar exercise in the case of CCF due to the unsettled nature of definition. However, it is pertinent to mention here that there are four definitions favoured by various European donors: i) aid additional to the 0.7 percent ODA target; ii) increased financing with 2009 ODA as the base; iii) rising ODA which includes CCF but limited (e.g., 10 percent); and iv) complete separation between ODA and CCF.[13] The last one is closer to the definition of additionality in AfT.

The real additionality of CCF should, therefore, be measured only after the settlement of the definitional issue. However, time is ripe for making a decision on this issue. That said, given the fact that the GEF is a major contributor to CCF, additionality depends on to what extent donors make contribution towards the replenishment of GEF funding. This is because, as argued by Ancharaz and Sultan (2010: 28), most GEF funding has limited time horizon and commitment beyond 2012 is still uncertain.[14]

Coherence and synergy

According to the AfT Task Force Report, AfT "should be rendered in a coherent manner taking full account, *inter alia*, of the gender perspective and of the overall goal of sustainable development."[15] This article focuses on only one component of sustainable development, i.e., climate change.

One of the arguments advanced to ensure synergy between these two mechanisms is that the funding provided for adaptation is extremely limited and that developing countries should leverage CCF to attract AfT. To the extent developing countries benefit from creating synergy, there appears no reason why they should be reluctant to do so. However, this should not happen at the cost of diverting attention from AfT, which is now firmly in place and relatively well-funded, and has the *potential* to help developing countries, particularly the LDCs,

Table 2
Global climate change mitigation commitment, in constant 2009 US$ million

Categories	Time period							
	2002	2003	2004	2005	2006	2007	2008	2009
Only climate change	2,036	3,365	2,970	3,702	3,244	3,268	6,824	8,211
Biodiversity and climate change	474	210	202	186	297	375	370	1,243
Climate change and desertification	25	38	63	75	121	49	224	169
Biodiversity, climate change and desertification	400	817	570	888	1,048	1,080	1,369	764
Total	2,935	4,430	3,804	4,850	4,709	4,772	8,787	10,387
% change		51%	-14%	28%	-3%	1%	84%	18%

Source: OECD CRS. Extracted from http://stats.oecd.org/qwids (accessed 22.08.11).

to trade their way out of poverty.

Perhaps what is more important is the need for developing countries to learn from the experience of both the financing mechanisms. For example, country ownership, one of the five core principles of the Paris Declaration on Aid Effectiveness, is better ensured in the case of climate change adaptation financing at least in the case of the LDCs through an inclusive process of the preparation of National Adaptation Plan of Action. Although through the Enhanced Integrated Framework, which is now considered a part of AfT, the LDCs have been trying to adopt an inclusive process of policy formulation on matters of trade as well as AfT, they are far from achieving the desired success. Similarly, despite criticisms relating to lengthy procedures, uncertain funding, and a lack of commitment on the part of donors, the GEF is still considered a central mechanism to coordinate CCF. However, a similar mechanism is absent in the case of AfT despite the approach having received support from a considerable number of developing countries. That said, AfT is more grounded in the poverty reduction objectives of the partner countries, whereas CCF is narrowly focused on achieving environmental objectives.

Although there is a considerable potential for creating synergy, the results on the ground so far are not satisfactory. For example, the AfT effectiveness study conducted in Nepal suggests that the nodal agencies responsible for coordinating these mechanisms have limited awareness of the potential synergy. It was found that the Ministry of Commerce and Supplies, which coordinates AfT, does not involve the Ministry of Environment, which coordinates CCF, and the reverse is equally true. However, lack of awareness is not a problem endemic to partner countries alone because donors too continue to operate in their respective silos, which makes it all the more difficult to achieve the desired level of synergy.[16]

It has been proven beyond doubt that donors want to have full *control* about which country they want to provide resources to and what strategic and commercial objectives they want to achieve through their funding. Two examples are worth highlighting. First, despite having accepted the GEF as a *de facto,* if not *de jure*, central coordinating mechanism for CCF, donors seem bent on marginalizing the system by creating parallel mechanisms for funding. To further aggravate the problem, there are a host of bilateral CCF funding mechanisms that have been put in place. Second, notwithstanding the call for creating a vertical fund for AfT, donors, under the guise of preventing development priorities from being skewed, continue to ignore such a proposal.

Despite having accepted the GEF as a *de facto* central coordinating mechanism for CCF, donors seem bent on marginalizing the system by creating parallel mechanisms for funding.

Conclusion

There is tremendous potential to create synergy between AfT and CCF, but the effort so far has been limited at best. While the primary responsibility for creating synergy lies with partner countries, donors are equally to be blamed for their lack of awareness on the desirability of harnessing the potential. It is evident that both the mechanisms, particularly the latter, are replete with duplication of funding and creating synergy between these two mechanisms is indeed a challenging task. However, this is worth trying as potential benefits are huge.

Based on their interests and priorities, donors want to retain the power to decide which country should be funded for which project and to what extent. Unless there is a radical departure from this predilection, achieving synergy between the two modes of financing would prove difficult. ■

Notes

1 Ancharaz, Vinaye Dey and Riad A. Sultan. 2010. *Aid for Trade and Climate Change Financing Mechanisms: Best Practices and Lessons Learned for LDCs and SVEs in Africa*. Geneva: ICTSD.

2 Porter, Gareth, Neil Bird, Nanki Kaur and Leo Peskett. 2008. "New Finance for Climate Change and the Environment". July. Worldwide Fund for Nature and Heinrich Boll Foundation.

3 *ibid.*

4 WTO. 2006. *Recommendation of the Task Force on Aid for Trade*. Geneva: World Trade Organization. p1.

5 See www.climatefundsupdate.org/graphs-statistics/areas-of-focus (accessed 24.08.11)

6 Note 4, p1.

7 *ibid*.

8 See, for example, OECD and WTO. 2009. *Aid for Trade at a Glance 2009: Maintaining Momentum*. Paris and Geneva: OECD and WTO.

9 Dennis, Tripak, Athena Ronquillo-Ballesteros, Kristen Stasio and Heather McGray. 2010. "Guidelines for Reporting Information on Climate Finance." Working Paper, May. Washington, DC: World Resources Institute, p5 (emphasis added).

10 See, Brown, Jessica, Neil Bird and Liane Schalatek. 2010. "Climate finance additionality: emerging definitions and their implications". Climate Finance Policy Brief No. 2. Washington, D.C. and London: Heinrich Boll Stiftung North America and Overseas Development Institute.

11 The methodology is being currently applied in six countries from three regions. They are: Malawi and Mauritius from Africa, Cambodia and Nepal from Asia and Jamaica and Peru from the Americas. For detailed methodology, see Adhikari, Ratnakar. 2011. "A Methodological Framework for Conducting Independent Evaluation of the Effectiveness of Aid for Trade." Issue Paper No. 18. Geneva and Kathmandu: ICTSD and SAWTEE.

12 See Adhikari, Ratnakar, Paras Kharel and Chandan Sapkota. 2011. "Evaluating Development Effectiveness of Aid for Trade in Nepal". July. Report prepared for ICTSD and SAWTEE.

13 Note 10, p5.

14 Note 1.

15 Note 4, p3.

16 Note 12.

agriculture investment in South Asia

In view of the agrciulture sector still being the largest employer in South Asia, there is a need to scale up both public and private investment in the sector.

Shreesh Bhattarai

www.abc.net.au

Historically, the agriculture sector has been the backbone of South Asia's development. It has contributed to alleviating poverty and hunger, while also acting as a catalyst for industrial development and economic growth.

South Asian economies rely heavily on the agriculture sector. For instance, in 2000, the share of value added of agriculture in gross domestic product (GDP) was approximately 25 percent in South Asia. However, the region has seen a steady decline in this figure in the last decade. The share of value added of agriculture in GDP was only 18 percent in 2009. This is a result of structural changes as countries have transitioned into more manufacturing- and service-friendly economies.

The agriculture sector has also been an important source of livelihood, especially for the poor, in South Asia. In 2008, it employed about 60 percent of the labour force in the region, contributing 22 percent of the regional GDP. A World Bank report has shown that agriculture is at least twice as effective in reducing poverty as compared to GDP growth originating outside agriculture. Therefore, enhanced agriculture growth can lead to the creation of more employment opportunities and substantial reduction in poverty in South Asia.

During 2002–2006, agriculture accounted for 7.8 percent of total merchandise exports of South Asia.

It is worth noting that Asia's share in tea exports was about 50 percent of the total world exports of tea during 2002–2006, and India and Sri Lanka were the two major contributors.

Challenges

Numerous challenges have restrained the development of the agriculture sector. First, in most South Asian countries, agriculture farming is dominated by small land holdings. The average size of holding is below 0.5 hectare (ha) in Bangladesh, 1 ha in Sri Lanka and Nepal, and 1.41 ha in India. This leads to low land-to-labour ratio, which significantly decreases labour productivity. Second, South Asian countries are predominantly reliant on rain-fed agriculture. Area under irrigation as a percentage of arable land is around 33 percent in India, 39 percent in Sri Lanka, 47 percent in Nepal and 56 percent in Bangladesh. Dependence on monsoon has rendered their agriculture sector vulnerable to erratic climate patterns. Other general challenges the sector faces include weak government policies, inefficient loan schemes and socio-economic backwardness.

For the past couple of decades, the agriculture sector has been neglected in South Asia. In 2008, its growth rate was less than 3 percent, which is far below the growth rates of other sectors. This can be attributed to under-investment in agriculture by both public and private sectors. In addition, the share of official development assistance in the agriculture sector has also been falling continuously. One of the reasons for the apparent neglect of agriculture is that most of the economies in South Asia are in the transition phase such that the relative importance of the agriculture sector has declined vis-à-vis manufacturing and service sectors.

Lower investment is also a result of declining commodity prices over time which has led to stagnant or low rates of growth and investment capacity in commodity-exporting countries. Some countries have also suffered from policies that favour rapid industrialization and urbanization, diverting investment from agriculture.

Within South Asia, the contribution of the agriculture sector varies from country to country. Some countries rely on agriculture more heavily than others. Countries such as Afghanistan and Nepal are considered to be agriculture-based countries with agriculture being the main source of economic growth; hence, higher agriculture productivity becomes critical to ensuring economic sustainability. Countries such as India, Sri Lanka, Pakistan and Bangladesh are considered to be transforming countries. These countries rely mostly on manufacturing and service sectors as the major source of economic growth. However, these countries do have a majority of the population residing in rural areas. According to the World Bank, 98 percent of the rural population in South Asia is in transforming countries. The majority of this population lives under extreme poverty. Therefore, policies that favour rural investment can combat this problem.

Food shortage

The global food crisis has brought to light the need to increase agriculture investment. As investment in the majority of South Asian countries has shifted to manufacturing and service sectors, the agriculture sector has taken a back seat. According to the South Asian Association for Regional Cooperation (SAARC) Agriculture Vision 2020 "priority accorded to public investments in agriculture receded considerably during the last two decades". It also notes that the countries in the region are "spending a very small fraction of agricultural GDP on R&D". The low investment has led to food shortages, inevitably leading to high food prices. This has been a growing concern in South Asian countries in recent years. The Food and Agriculture Organization of the United Nations reports that food prices have increased by 75 percent in dollar terms since 2000. Since the majority of South Asian countries are net food importers, rising food prices have been a major disadvantage for them. There are additional consequences. South Asia has the largest concentration of impoverished people. Substantial portions of their incomes are spent on food. Thus, the rise in food prices has particularly affected this population. South Asian governments have tried short-term fixes only to exacerbate the problem at hand. For instance, they imposed price controls on agriculture products, which have created food shortages and ultimately have hurt the poor. Governments have also used unregulated subsidies. These subsidies have put a lot of pressure on governments because they have been taken directly from already low budgets.

Bangladesh, a net importer of basic grains, is most affected by rising food prices. Being prone to constant floods and cyclones, food shortages have been almost unavoidable in the country. This has led Bangladesh to rely on its neighbours, India and Myanmar, to overcome the shortages. Although this is convenient in the short run, it is hard to sustain due to, *inter alia,* increase in export prices. Therefore, the long-term fix to food shortages and high prices, like in Bangladesh, is via investment diversification. First, it is important to take advantage of the technological revolution. Technology has proved to be a major source of economic growth. By investing in newer technologies, agriculture productivity can be maximized with limited resources. This high agriculture productivity will not only help solve the food shortage problem, but will also put a downward pressure on food prices in the long run. Second, as pointed out by SAARC Agriculture Vision 2020,

> Since the majority of South Asian countries are net food importers, rising food prices have been a major disadvantage for them.

there exists a large gap between "what can be attained at farmers' field with adoption of improved technology and what is obtained with the existing practices followed by farmers". This gap can be attributed to the absence of or weak research-extension-farmer linkages with marketing of technology being the primary reason. As the Vision points out, since "the public extension system is proving increasingly inadequate for dissemination of technology, there is an extreme need of the private sector in marketing and disseminating of technology". This is only possible through public-private-partnership with incentives and returns for innovators and disseminators.

Impact of climate change

Impacts of climate change have already been felt in South Asia. Changes in temperatures, extreme weather patterns, and sea-level rise have major economic consequences for agriculture, affecting the livelihoods of millions of poor people. These irregular climate patterns have caused increased floods and droughts. Decreased water availability and poor water quality have been incessant problems. Additionally, there has been a reduction in water availability in mountain habitats and a decrease in the reliability of hydropower and biomass production. Therefore, it is safe to conclude that climate change is not only an environmental problem, but also one that has severe socioeconomic consequences in South Asia.

The most affected sector, however, has been the agriculture sector. Changes in climate patterns have led to a decrease in agriculture productivity. With low production, there have been food shortages. A country like India, where agriculture represents a fourth of total national income, can face severe consequences due to disruption in agriculture production. Since millions of people rely on this sector for their livelihoods, it is critical that effective measures are taken to tackle this problem. One way to fight climate change is through a variety of adaptive actions. Countries need to be prepared for different climatic factors they might face during the year. This expectation can be backed up by necessary adaptation techniques. For instance, by knowing the weather pattern, farmers can be taught about new cropping sequences, water conservation, late/early sowing, etc. They can also be taught what crops would be resilient in the long run. Furthermore, the problem of climate change can be solved by giving a much-needed emphasis on agriculture investment. Another source of investment in agriculture is foreign direct investment (FDI). Governments of South Asian countries need to encourage FDI in agriculture infrastructure by giving various economic incentives. This could provide a much-needed boost to the declining agriculture sector.

> South Asian governments need to encourage FDI in agriculture infrastructure by giving various economic incentives to provide a much-needed boost to the declining agriculture sector.

Other policy recommendations

As discussed above, the region's agriculture sector is facing a host of challenges, including a reduction in productivity, declining share of agriculture in GDP, and increasing competition for scarce natural resources. The majority of the causes of these problems stem from declining public and private investment in the agriculture sector. These challenges can be addressed through different economic policies. First, transforming countries need to invest more in the production of high-value products such as fruits, vegetables and dairy products for which there is a growing demand due to a rise in urban incomes. Investing in these high-value products will increase the employment opportunities significantly in rural areas. Additionally, this will help generate high revenues and lead to high growth in the agriculture sector.

Countries like India can take full advantage of this policy. In recent years, with increasing urbanization, India has seen a tremendous increase in consumer demand, with current demand moving away from low-value products like cereal and towards high-value products such as meat, dairy products, fruits and vegetables. India has also benefited from the opening of the export market. Now, it is up to the Indian government to take advantage of this increasing consumer demand and liberalize trade. This trend has also been seen in other South Asian countries such as Bangladesh, Sri Lanka and Pakistan, where an increase in per capita income has led to higher consumption ability.

Therefore, countries need to invest in the right infrastructure to take advantage of this rising urban income. Since, high-value agriculture products are more perishable, they need to be transported to urban areas rather quickly. Hence, it is crucial that proper roads are built that will enhance the trade process. In addition to increased road efficiency, other basic infrastructures such as telecommunication and electricity are needed. It is also important to note that these high-value agriculture products are very income elastic. Therefore, farmers need to produce goods that are highly desired by consumers. Effective market research and telecommunication will help achieve this goal as it brings market information back to the farmers. Moreover, countries need to invest in human capital to educate rural people in different production techniques. For agriculture-based countries like Afghanistan and Nepal, the main goal should be to increase productivity, especially among smallholders whose livelihoods depend strongly on agriculture. ■

The author is M.A. Candidate, Josef Korbel School of International Studies, University of Denver.

Can the world afford not to conclude the Doha Round?

The importance of a successful conclusion of the WTO Doha Round of trade negotiations has been exaggerated. Its failure could be a blessing in disguise.

Nitya Nanda

Before any attempt is made to understand the possible answer to this question, it is important to understand what was expected out of the Doha Round of trade talks at the World Trade Organization (WTO). There were different understandings regarding the potential outcomes of the Doha Round. For example, in India, many thought that further liberalization of services as an outcome of the Doha Round would bring huge benefits to India as it has developed significant capability in this sector. Further liberalization of trade in services was interpreted as greater liberalization of cross-border trade in services through information technology and greater movement of natural persons, but for most developed countries, further liberalization of services meant greater liberalization for foreign investment in services sectors.

In fact, several developing countries were never convinced about the need for a new trade round in the WTO in the first place. They agreed to the launch of a new round of trade talks in Doha in 2001 only on the promise that the "development round" would help rebalance WTO trade rules that they felt were tilted against them. But now developing countries hardly see any possibility of such a promise being fulfilled. It would be appropriate to recall the observations made by Kamal Malhotra of the United Nations Development Programme almost immediately after the launch of the Doha Round; "Indeed, an objective balance sheet of the process and outcomes at Doha make it clear that calling it the Doha Development Agenda stretches both reality and imagination".

Expected benefits

A fairly good number of studies have been conducted since the launch of the Doha Round to assess its potential benefits. Studies conducted in the early 2000s estimated such benefits in terms of higher global gross domestic product (GDP) ranging from US$250 billion to US$1,000 billion. But interestingly, trade economists became increasingly conservative in their assessments of the potential benefits of trade liberalization. According to their estimations, on average, the rate of increase in world welfare would fall from 1.7 percent in 1999 to 1.5 percent in 2002, 0.3 percent in 2004, 0.5 percent in 2005, and even lower in 2006.[1]

It may be worth noting here that in the early 1990s several studies predicted that the world income would increase after the full implementation of the Uruguay Round agreements. It was estimated that worldwide gains after the implementation of the agreements would be in the range of US$140 billion to US$274.1 billion. In the case of developing countries, their potential income was estimated to grow in the range of US$36 billion to US$89.1 billion. However, the global economy never reaped this kind of benefit after the Uruguay Round. Still, liberalization of trade continued to be advocated because of ideology.

Among developing countries, only a few such as China and India managed a good show of economic growth in the post-WTO era. Nevertheless, there are questions regarding whether this growth occurred due to trade liberalization or other policy reforms. What is typically ignored is the fact that they had been growing at high rates even before liberalization. Secondly, even today they are among the highly protected economies. Although China had to accept deeper tariff cuts while entering the WTO, the level of protection in India remains among the top few in the world. Moreover, growth in India is largely driven by the services sector which was made possible by the fast improvement in information and communications technology and not really due to trade liberalization.

Issues at stake

The Doha Ministerial Declaration offered a clear negotiating mandate for the following main areas under the Doha Work Programme: Agriculture, non-agriculture market access (NAMA), services, trade and environment, WTO rules, the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS), implementation issues and dispute settlement. The declaration also agreed to proceed on the so-called Singapore issues, namely, trade and investment, trade and competition policy, trade facilitation and transparency in government procurement.

However, after the failed ministerial meeting in Cancun in 2003, WTO members agreed on a revised agenda called the July Package in which three of the Singapore issues were dropped from the agenda with only trade facilitation remaining. The revised agenda also covered other areas and issues such as public health, debt and finance, technical assistance and capacity building, and technology transfer, among others, that had a development focus. Hence it came to be known as the Doha Development Agenda (DDA). The agenda committed to pay special attention to concerns of the least-developed countries (LDCs) and to provide duty-free and quota-free market access to products originating in LDCs. It also committed to support the diversification of LDCs' production and export base. At the WTO Hong Kong Ministerial in December 2005, some of these issues were fine-tuned with more clarifications on the modalities of negotiations. A new agenda on Aid for Trade was also brought up to help deeloping countries, particularly the LDCs, overcome their supply-side constraints, but this does not require further negotiations as other issues do. Negotiations focused primarily on agriculture and NAMA.

Recent years have seen unprecedented changes in agriculture trade. The generally low prices of agriculture goods, for which developing countries blame developed countries, have increased sharply, making it difficult for countries to deal with food-price inflation. Food-deficit countries are finding it difficult to import food grains as some countries have even banned exports of agriculture and food products. This has brought the issue of food security into focus. In such a context, developed countries are reluctant to drastically reduce agriculture subsidies that they have been providing to their farmers while developing countries are reluctant to reduce tariffs for fear of endangering their food security. Therefore, the issue of agriculture trade liberalization has seen reduced attraction for most countries, some of which were active proponents of agriculture trade liberalization earlier.

> Developed countries are more interested in bilateral deals with developing countries as such deals give them more power to exercise.

Regarding NAMA, developing countries did not expect much since average tariffs on non-agriculture products in developed countries were already quite low. The only concern that developing countries have regarding NAMA is the incidence of tariff peaks and tariff escalation. Most developing countries' exports face severe competition in the global market, particularly in the developed world. Mostly, the competition is among developing countries themselves, rather than with developed countries. Therefore, tariff reduction in developed countries is unlikely to benefit the developing countries because of which the latter often find preferential trade agreements more attractive. Developed countries, for obvious reasons, are more interested in bilateral deals as such deals give them more power to exercise. Hence, despite gains from such deals likely to be short-lived, developed countries are signing bilateral trade agreements with developing countries one after the other.

In services, further liberalization was envisaged in a wide range of sectors, and in the cross-border provisioning of services and movement of natural persons. WTO rules cover contingency protection, standards and issues such as anti-dumping, subsidies, and countervailing and safeguard measures. They are permitted by WTO rules to check alleged unfair trade practices by foreign competitors. However, the experience with these rules shows that there has been increasingly arbitrary use of the measures by developed countries. Hence, the objective of this component of the DDA is to improve and clarify WTO provisions on anti-dumping, subsidies and countervailing measures.

In the area of TRIPS, the issue of enabling countries without pharmaceutical manufacturing capacity to take advantage of the compulsory licensing provision in the case of a public emergency has been resolved. But there are other issues that are yet to be resolved such as extension in the coverage of geographical indications for goods other than wines and spirits, clarification of the relationship between TRIPS and the Convention on Biological Diversity, and appropriate mechanisms for the protection of traditional knowledge and folklore, in which developing countries have shown active interests.

During the implementation of the Uruguay Round agreements, it was realized that though there were several special and differential treatment provisions to protect and promote developing countries' interests, they were not being implemented. They were, by and large, best-endeavour clauses and there were no concrete mechanisms to implement them. At the Seattle Ministerial, developing countries pushed unsuccessfully for an agreement on these issues. The matter was raised once again in Doha and culminated in the signing of a separate declaration on "Implementation-related Issues and Concerns".

The work programme on trade, debt and finance was intended to examine the relationship between these three areas. It was to recommend steps to be taken within the WTO mandate to enhance the capacity of the multilateral trading system to solve the problem of external indebtedness of developing and least-developed countries. Similarly, the work programme on trade and technology transfer was to work out steps to increase the flow of technology to developing countries. However, discussions so far at the WTO have concentrated mainly on agriculture and NAMA, with occasional spurts of activities on services. Not only have the other issues received much less attention, the so-called development issues have more or less been relegated to the background. In any case, there are not even any concrete proposals on issues like trade, debt and finance, and trade and technology transfer. It is quite obvious that nothing would have come out of the Doha Round in this regard. Moreover, many of the so-called development issues can be addressed even without a round if there is proper will, especially among developed countries.

According to a World Bank Study, some 78 trade measures, which can be termed protectionist, were proposed or implemented in the months following the global financial crisis. Since developed countries mostly operate at their bound tariff levels and hence were not able to raise their tariffs, they resorted to the application of non-tariff trade measures. Regarding the raising of tariff levels by developing countries, some of them have done so, but not above their bound levels, and a very few of them have increased tariffs on a broad range of products. Mexico, for example, increased tariffs on some products exported by the United States (US). But it was in retaliation to the cancellation of a pilot programme by the US under which a limited number of Mexican trucks would be allowed to deliver cargo to the US. While some of these measures may be questionable regarding whether they are WTO-compatible, most of the others are WTO-compatible. Moreover, the ongoing Doha Round will also have no bearing on most of these measures. Hence, the fear that without the Doha Round countries will race towards "beggar-thy-neighbor" policies also seems to be unfounded.

When an economist like Paul Samuelson claims that globalization is not always good, particularly when trading partners adopt new improved technologies, people are forced to rethink.

Conclusion

At a broader level, globalization in general and trade liberalization in particular have lost much of their sheen. Today, opposition to unbridled liberalization is coming not only from anarchists, trade unionists, or the idealistic youth, but also from mainstream economists. It is not that these intellectuals are against globalization per se, but what they emphasize is that there are pitfalls and the global community has not been particularly successful in managing them. When an economist like Paul Samuelson claims that globalization is not always good, people are forced to rethink.

Samuelson argues that free trade is not always good, particularly when trading partners adopt new improved technologies. Samuelson's concern, developed in the context of the debate over international outsourcing and trade with China, is that increases in productivity due to the adoption of better technology by foreign trading partners may diminish the US' share of gains from trade. This is how Japan and other Asian countries such as Korea and Taiwan developed with the impact of their growth on the developed world going unnoticed. The sheer size of Chinese economy ensures that the impact of its high growth is difficult to ignore. But if Samuelson's argument is valid, one would conclude that developing countries in general have been perpetual losers of trade liberalization due to both adverse terms of trade and technological changes in developed countries. The argument that other developing countries will benefit from a flying geese pattern of development effect since China is in the forefront of economic growth is not valid as China has a huge army of labour which will not be exhausted so easily.

Some people have created unnecessary fear that the failure of the Doha Round will seriously weaken the WTO, ignoring the many other important functions that the WTO has to perform, such as enforcement of existing rules, addressing implementation issues and building capacity of developing and least-developed countries. In fact, excessive emphasis on the Doha Round might have meant that the WTO could not give due attention to its other functions. It is well understood that no country can remain aloof from the global economy and that there should not be too much uncertainty in the global market. But the recent economic crisis also brings home the point that in the absence of a strong global governance mechanism, countries should have adequate flexibilities in managing their affairs. In that sense, the failure of the Doha Round could be a blessing in disguise. ■

The author is Fellow, Centre for Global Agreements, Legislation and Trade, The Energy and Resources Institute (TERI), New Delhi. Views are personal.

Note

1 Bouët, Antoine. 2006. "What can the poor expect from trade liberalization? Opening the "black box" of trade modelling". MTID Discussion Paper No. 93. Washington, D.C.: IFPRI.

Gender and climate change

Climate funds must recognize that women are well positioned to be agents of change through mitigation and adaptation activities.

Women are on the frontline of coping with and adapting to the effects of climate change. Both climate change impacts and mitigation and adaptation responses affect women and men differently. Yet current climate finance institutions almost entirely ignore gender issues. The Green Climate Fund (GCF) cannot afford to make the same mistake. Many agree the new fund must be innovative, building on the lessons of climate finance and of other funds to date. To be an effective and legitimate tool in the fight against climate change, the GCF must have the concerns of women at its heart.

Women on the frontline

Gender inequalities, combined with social, economic and political factors, make women more vulnerable to climate change. Meeting the needs of women must, therefore, be at the heart of any response. But not only are women most vulnerable—as principal food producers and stewards of natural and household resources—they are also often the first and best line of defence in their communities.

Consider agriculture. Women produce much of the food in many poor countries, despite typically having restricted access to markets, land and credit, and less decision-making power at household and community levels. This lack of access means women face a twin challenge: they are more dependent on the natural resources most threatened by climate change, but they face limits to their capacity to cope. Without help, climate change will impact them disproportionately.

To be effective, climate finance must take account of the power imbalances that leave women more vulnerable. Adaptation and mitigation policies that fail to consider gender equity will at best be inefficient, and at worse exacerbate poverty and food insecurity.

Gender issues ignored

Although several multilateral declarations have underscored the importance of gender integration in climate finance, climate funds have continually neglected gender issues and failed to incorporate a gendered perspective into programmes and projects (See table for status of gender issues in various climate finance initiatives).

The climate sector often presents women as passive victims of climate change, rather than effective agents of change, ignoring women's extensive knowledge and expertise with regard to climate change mitigation and adaptation strategies.

If climate funds are to be used equitably and effectively to support the different needs of men, women, boys and girls, they must incorporate gender analysis throughout project design, implementation, monitoring and evaluation.

Climate funds must also recognize that women are well positioned to be agents of change through mitigation and adaptation activities in their households, workplaces, communities and governments. Global efforts to address the challenges of climate change cannot afford to ignore them.

Gender at national level

A study conducted by Oxfam to look at how current flows of adaptation finance are being managed in a number of countries found that in all the countries studied, the impacts of climate change were found to fall disproportionately on women and girls. In responding to this, some governments have identified women as a vulnerable group, while others have gone further by recognizing the important leadership role played by women.

However, this initial recognition has not yet translated into concrete gains for women. Consider two examples:

Table
Status of gender issues in various climate finance initiatives

Fund	Gender equity in governance	Gender policy	Gender-sensitive consultation and participation	Gender-sensitive monitoring and evaluation
Kyoto Protocol Adaptation Fund (AF)	AF Board: 12 men and 4 women.	No explicit gender policy yet.	Consult with "necessary stakeholders".	Evaluation Framework gives definition of "vulnerable" groups only.
Least Developed Countries Fund (LDCF/managed by Global Environment Facility)	GEF Council: 20 men and 12 women.	GEF approved a gender mainstreaming policy on 26 May 2011.	Non-mandatory guidelines for preparation of NAPAs states: "particular attention should be given to…voices of the poor during consultations".	8 of 47 LDCF/ SCCF indicators disaggregate data by sex.
Special Climate Change Fund (SCCF/ managed by Global Environment Facility)	GEF Council: 20 men and 12 women.	Gender equality is not a guiding principle for approval of SCCF projects. GEF approved a gender mainstreaming policy on 26 May 2011.	Non-mandatory guidelines for preparation of NAPAs states: "particular attention should be given to…voices of the poor during consultations".	8 of 47 LDCF/ SCCF indicators disaggregate data by sex.
Forest Carbon Partnership Facility (FCPF/managed by the World Bank)	Participants' Committee: names/ gender not publicly available	The World Bank does not have a gender safeguard policy.	Operational policies subsume consultation with local stakeholders without a gender breakdown.	Evaluation Framework fails to mention gender.
Forest Investment Programme (FIP/ managed by the World Bank)	FIP Sub-Committee members: 9 men and 2 women.	No explicit gender policy. Gender rights addressed in Operational Guidelines in relation to co-benefits, which entails "the promotion of gender equality".	Project review criteria include, "Inclusive processes and participation of all important stakeholders"; Operational Guidelines mention consulting "women's groups".	No explicit mention of need for gender analysis. Results Framework calls for differentiation by gender "when appropriate", specifically calls for sex disaggregated data in "income change and employment".
Pilot Programme for Climate Resilience (PPCR/managed by World Bank)	PPCR Sub-Committee: 9 men and 6 women.	The World Bank does not have a gender safeguard policy.	Consultation with "key stakeholders", not specifically women.	Suggests including "gender-sensitive" vulnerability studies.

- Ethiopia's National Adaptation Programme of Action notes that a gender approach needs to be integrated into all development activities, but there are no specific recommendations in the plan.
- Bangladesh's Climate Change Strategy and Action Plan specifies that women and children are the most vulnerable group in terms of food security, social protection, and health. But the plan fails to address the root causes of these challenges through gender-responsive measures.

Gender-specific objectives, indicators and data can be used to measure and ensure the equitable delivery of finance to women and men, but they are so far largely missing from national climate change strategies.

Learning from non-climate funds

The Global Fund to fight AIDS, Tuberculosis and Malaria offers valuable lessons and strategies that can be applied to gender integration in climate finance. In 2009, the Global Fund Secretariat approved a four year Plan of Action on the implementation of the Fund's Gender Equality Strategy. The Plan of Action seeks to ensure that Global Fund policies, procedures and structures, and partnerships support programmes that address gender inequalities, reduce women's and girls' vulnerabilities and enhance the involvement of men and boys.

The Fund's commitment to gender is embedded at the country level, in a model which provides key lessons for climate adaptation finance. The Fund's Country Coordinating Mechanisms (CCMs), while not perfect, show how country-led coordination can be assured with meaningful participation of civil society and affected communities.

Participation by people living with these diseases has been historically weak, though it has now reached 8 percent of representatives. A third of participants in CCMs are women, though women make up only 22 per cent of CCM chairs. The Global Fund and the CCMs have attempted to address some of these shortcomings including by setting guidelines for equal gender representation in CCMs.

The Global Alliance for Vaccines and Immunisation (GAVI) offers a further example of how gender can be championed within a global funding institution. GAVI established a 13-member "Gender Working Group", including one member from each secretariat team. Strong commitment from the top was vital to securing institutional "buy-in" for the prioritization of gender across GAVI's activities.

Charting a new path

A comprehensive approach to gender mainstreaming is required. Women's and men's concerns and experiences should be integral to the design, implementation, monitoring and evaluation of policies and programmes in all political, economic and social spheres to ensure that inequality is not perpetuated. This means that the implications for women and men of any planned climate action, including legislation, policies or programmes, in all areas and at all levels, must be assessed.

> The full integration of gender considerations must be identified as a core objective of the GCF and gender-sensitive funding guidelines and criteria should be developed for each of the thematic funding areas.

Whether the GCF meets this standard in the governance of climate finance at global and national levels is a litmus test of its effectiveness and legitimacy.

Recommendations for the GCF

To reach those who need it the most, the GCF must integrate gender considerations from top to bottom in the following manner.

- Put gender balance at the heart of the governance structures of the fund: The governance structures of the GCF should reflect principles of gender equity through the ambition of equal gender representation in all decision-making bodies of the fund, from the board down. Also, all governance structures, including the board and secretariat, should include expertise in gender issues.
- Specify gender equality as a guiding principle of the fund's work: The full integration of gender considerations must be identified as a core objective of the fund, and gender-sensitive funding guidelines and criteria—both for allocation and evaluation, including the collection of sex-disaggregated data—should be developed for each of the thematic funding areas (for example, adaptation, mitigation and forestry).
- Ensure that gender equality and women's leadership are central to the development and implementation of national strategies: Gender-specific objectives and indicators should be core components of national climate change strategies, which should be developed on the basis of the full and meaningful participation of civil society, especially that of affected and marginalized communities, including women's organizations. Any national-level coordinating entities should have the objective of equal gender representation.

Where they exist, women's ministries and gender units within all ministries need to play a more central role in climate finance, and should establish climate change action as a core element of their mandate. A systematic capacity-building process, including the necessary funds, should be available to these departments and units, as well as to national women's organizations and gender experts. ■

Adapted from Oxfam Issue Briefing titled "Gender and the Green Climate Fund", July 2011.

AID for TRADE

The World Trade Organization (WTO), with 153 members currently, is the platform for a rules-based multilateral trading system. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible. More than two thirds of the members of the WTO are developing and least-developed countries, which have obtained the membership with the expectation that trade would play an important role in increasing growth and reducing poverty.

However, developing countries, particularly the least-developed countries (LDCs), are ill equipped to adapt to various WTO provisions and maximize benefits from the multilateral trading system due to lack of technical, institutional, infrastructural and other capacities. Acknowledging this fact, developed countries have put in place various mechanisms to provide trade-related technical assistance (TRTA) to developing countries and the LDCs.

The beginning

The Uruguay Round negotiations (1986–1994) set the stage for many developing countries to be full participants in the multilateral trading system. They consented to the WTO agreements as part of the Single Undertaking and made commitments in goods, services and intellectual property rights, which would be extremely difficult for them, particularly the LDCs, to fulfil later. Hence, the 1994 Marrakesh Declaration emphasized the need for TRTA.

Various types of programmes have been designed and put in place under the TRTA. While some of these programmes cover all developing countries in general, there are others which specifically target the LDCs. For example, the Joint Integrated Technical Assistance Programmme (JITAP) was established to help African LDCs participate in WTO negotiations. Similarly, in 1997, WTO members adopted the Integrated Framework (IF) specifically targeting the LDCs.

Emergence of Aid for Trade

The Fourth Ministerial of the WTO held in Doha in 2001 launched a new round of trade talks at the WTO, which is popularly known as the Doha Development Agenda (DDA). Technical assistance to and capacity building of the LDCs was made a key component of the DDA. Later, during the Sixth Hong Kong Ministerial, in 2005, the World Bank and the International Monetary Fund proposed a framework called the Aid for Trade (AfT) initiative with increased engagement of both donors and recipient countries, and it was endorsed by WTO members (Box).

The Ministerial instructed WTO Director-General Pascal Lamy to set up a Task Force to recommend on how to operationalize AfT. The Task Force submitted its first set of recommendations to the General Council on 27 July 2006. It stated that the scope of AfT should be defined in a way that is both broad enough to reflect the diverse trade needs identified by countries, and clear enough to establish a border between AfT and other development assistance of which it is a part. Accordingly, it identified the following six categories that could be covered under AfT:

- Trade policy and regulations, including training of trade officials, analysis of proposals and positions and their impact, support for national stakeholders to articulate commercial interest and identify trade-offs, dispute issues, institutional and technical support to facilitate implementation of trade agreements, and to adapt to and comply with rules and standards.
- Trade development, including investment promotion, analysis and institutional support for trade in services, business support services and institutions, public-private sector networking, e-commerce, trade finance, trade promotion, market analysis and development.

- Trade-related infrastructure, including physical infrastructure.
- Building productive capacity, for example, improving a country's capacity in productive sectors such as agriculture, forestry, fishing, industry, mineral resources and mining.
- Trade-related adjustment, such as financial contributions to government budget to meet adjustment costs from trade policy reform, including balance-of-payments problems resulting from lost tariff revenues or from the erosion of preferential market access.
- Other trade-related needs identified by beneficiaries and not captured by the above categories.

The Task Force recommended that AfT should build on existing trade-related assistance mechanisms, like the IF and the JITAP, as well as use existing guidelines for aid delivery, in particular, the Paris Declaration on Aid Effectiveness. But it also recommended several additional guidelines for the implementation of AfT. They include: i) strengthening country ownership, the "demand side" of aid programmes and country-based formulation of trade-related needs and priorities; ii) strengthening donor "response" to trade-related needs and priorities; iii) closing the gap between country demands and donor responses at the country, regional and global levels; and iv) strengthening monitoring and evaluation.

Role of the WTO

In the AfT initiative, the role of the WTO is to encourage additional flows of AfT from bilateral, regional and multilateral donors to support requests for trade-related capacity building; support improved ways of monitoring and evaluating the initiative; and encourage mainstreaming of trade into national development strategies by partner countries. The WTO participates in the disbursement of a very small share through DDA Global Trust Fund, JITAP, the Enhanced Integrated Framework (EIF)[1], the Standards and Trade Development Facility (STDF)[2], and the International Trade Centre.

Aid for Trade flows

According to the Third Global Review on Aid for Trade, despite the adversities posed by economic crisis, AfT flows are growing, but at a slower rate. In 2009, AfT reached approximately US$40 billion, a 60 percent increase in real terms since 2005. The report highlights that in 2009, top 10 donors (the World Bank, Japan, the United States, the European Union institutions, Germany, the African Development Bank, the United Kingdom, France, Korea and Spain) accounted for 82 percent of the total AfT commitments.

Of the total disbursement, the largest share of AfT flows was distributed through programmes and projects contributing to economic infrastructure (51 percent of the total) followed by building capacity (45 percent) and trade policy and regulation (3 percent). At 0.04 percent of the total, trade-related adjustment still remains relatively small compared to other categories. According to the WTO's annual report for 2011, by the end of 2010, total available funding for the EIF stood at approximately US$120 million from 22 bilateral donors. Similarly, contributions to the STDF reached US$4.3 million from 19 donors. The WTO undertook 337 TRTA activities in Geneva and in WTO member countries and regions.

On the demand side, in 2009, Africa became the main beneficiary receiving 41 percent of the total committed AfT, followed by Asia (38 percent), America (7.6 percent), Europe (3.5 percent), Oceania (0.7 percent) and the rest (9 percent) for cross-border activities that cannot be ascribed to any region. In the case of South Asia, of the total commitment in 2009, India received 5.7 percent of the total, followed by Afghanistan (4.6 percent), Pakistan (2.9 percent), Bangladesh (2.7 percent), Sri Lanka (1.4 percent), Nepal (0.9 percent), Bhutan (0.2 percent) and the Maldives (0.08 percent).

Box

What is Aid for Trade?

Aid for Trade is an integral part of the official development assistance with specific objectives of supporting developing countries, especially the LDCs, to build their trade-related supply-side capacity through which they could maximize benefits from trade liberalization and increased market access for their goods and services. The intention behind the AfT initiative is not to create a new global development fund for trade, but to expand financial resources devoted to trade as part of existing development strategies. It intends to streamline all aid that donors have been providing for trade-related activities for long so that the effectiveness of such aid in removing supply-side constraints of aid recipient countries could be enhanced.

Way forward

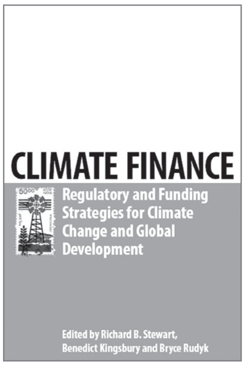
The success of the AfT initiative will depend on increased and effective cooperation between, and transparency and accountability of both donor and recipient parties. The recipient countries need to devise their own programmes based on their needs, involve all related stakeholders and take ownership of the resources. On the other hand, donors should fulfil their commitments, provide funds without compromising other development needs and support the recipient countries to develop trade expertise. ■

Adapted from www.wto.org.

Notes

1 The EIF, which became effectively operational in 2009, is an enhanced version of the IF and is the main mechanism through which LDCs access AfT.

2 The STDF is a joint initiative in capacity building and technical cooperation aimed at raising awareness on the importance of sanitary and phytosantiary issues.



Financing Green Development

Title: Climate Finance: Regulatory and Funding Strategies for Climate Change and Global Development
Editors: Richard B. Stewart, Benedict Kingsbury and Bryce Rudyk
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Kanchana Wickramasinghe

Climate change has been posing challenges to all countries in the world, though in varying degrees. Mainly developing and least-developed countries are the ones that are/will be severely affected by the consequences of climate change such as changing rainfall patterns, floods, droughts, etc. These countries are in need of support, both financial and technical, to address the negative consequences of climate change. Therefore, it is important to understand the potential funds and instruments available and how climate financing can be effectively utilized for climate compatible development. Although climate financing is high on the agenda in ongoing climate discussions at international, national and sub-national levels, it has not received due consideration in climate change policies.

The book *Climate Finance: Regulatory and Funding Strategies for Climate Change and Global Development*, edited by Richard B. Stewart, Benedict Kingsbury and Bryce Rudyk, focuses on climate finance in a comprehensive manner. The book is an outcome of the project *Climate Finance: Financing Green Development* undertaken by the Institute for International Law and Justice and the Frank Guarini Center on Environmental and Land Use Law of New York University. It brings together 36 papers, which are categorized based on different themes, covering numerous aspects of climate financing and related regulatory issues.

The themes focus on the causes and implications of climate change, proposals for climate finance, negotiations between developed and developing countries on climate financing, taxation of carbon markets, World Trade Organization (WTO) law and policy, and the roles of national policies in a future climate finance regime.

The papers identify three main sets of factors governing climate finance policies: climate science, the economics of mitigation, and development needs and opportunities. In view of the need for additional investments of €55 billion to €80 billion each year during the period 2010–2020, which could rise to US$92 billion to US$96 billion per year by 2030 for climate change mitigation in developing countries, they highlight the need for a variety of new arrangements for climate financing rather than focusing on a single uniform design. They also advocate the need for better institutional arrangements for effective functioning of the arrangements on climate financing.

The papers suggest that carbon markets could be part of the solution for climate finance, but they have to be well structured, regulated and governed using transparent measures with the involvement of both developed and developing countries. One of the strategies suggested is to reform the Clean Development Mechanism and credit offset trading systems established pursuant to domestic cap-and-trade climate regulation by developed countries. The papers have also suggested for revisions in the governance arrangements and the determination of conditions on official development assistance (ODA) along with better integration and coordination of ODA mechanisms in order to assure long-term climate-sustainable development with the involvement of developing countries.

One of the papers also emphasizes the importance of private investment. It stresses the need to mobilize and leverage private investment for a low-carbon development agenda. In doing so, the paper foresees that a variety of market-based climate change finance mechanisms will emerge, thereby supporting climate mitigation activities in developing countries. The paper has also argued that the WTO and developing countries should develop capacities to monitor and respond to domestic climate measures which have impacts on international trade. WTO trade rules have to be interpreted and applied to include domestic regulatory measures related to climate responses.

Overall, the book highlights the need for innovative financing, regulation and governance mechanisms to deal with the adverse effects of climate change, and makes a case for carbon markets. It has been able to capture almost all aspects related to climate financing, which is an integral part of climate policies for facilitating a delicate balance between responding to climate change and achieving development goals. Hence, the book can be viewed as an important and timely contribution to the literature on climate change and sustainable development. ■

The reviewer is Research Officer, Institute of Policy Studies of Sri Lanka, Colombo.

Expert meeting on Nepal's agriculture biodiversity policy

SAWTEE, together with the Ministry of Agriculture and Cooperatives/ Government of Nepal, USC Canada Asia and Local Initiatives for Biodiversity, Research and Development, organized a meeting of the Expert Committee formed by the Ministry to revise Nepal's Agriculture Biodiversity Policy 2007 on 6–7 June 2011 in Dhulikhel, Nepal. In connection with an earlier meeting of this committee held in 2010, this meeting finalized a number of issues that need to be incorporated into a New Agriculture Biodiversity Policy of Nepal.

Among others, the meeting incorporated guiding provisions for the implementation of farmers' rights to genetic resources and associated traditional knowledge. In the interest of Nepal, the revised policy has also been developed to deal with the country's crucial obligations under the International Treaty on Plant Genetic Resources for Food and Agriculture, the Convention on Biological Diversity, and the Agreement on Trade-Related Aspects of Intellectual Property Rights of the World Trade Organization.

Similarly, on 8 June 2011, a meeting of another Expert Committee, constituted by and held together with Seed Quality Control Centre/Government of Nepal, finalized the revision of Nepal's Seed Policy. While revising the Seed Policy, this meeting addressed various concerns regarding farmers' rights and the national implementation of international instruments. The New Seed Policy will be implemented to, among others, regulate and promote seed business, marketing, trade, as well as variety conservation and development initiatives in Nepal. These committees comprise representatives from concerned government agencies, National Agriculture Research Council, civil society, community-based organizations and private sector. ■

Workshops on South Asian cooperation

CUTS International, India organized "Project Learning Sharing and Dissemination Workshop on Climate Change and Food Security in South Asia" on 27 June 2011 in Dhaka, Bangladesh, in association with Practical Action, Bangladesh. CUTS is implementing a multi-country collaborative research project entitled "Scoping Study on Climate Change and Food Security in South Asia".

Similarly, CUTS International, in partnership with Institute for Policy, Advocacy, and Governance (I-PAG), Bangladesh, organized a workshop on "Cost of Economic Non-Cooperation to Consumers in South Asia" on 28 June 2011 in Dhaka. There were detailed presentations by researchers from CUTS and I-PAG on the reasons and solutions for the impasse to greater regional trade integration in South Asia and deliberations on potential consumer welfare gains arising from enhanced intra-regional trade relations.

Researchers, academics, trade experts, journalists and civil society activists, among others, from Afghanistan, Bangladesh, India, Nepal, Pakistan and Sri Lanka attended the meetings. ■

New book on migration

ON 4 August 2011, Institute for Policy Studies of Sri Lanka (IPS) launched a book titled "Migration, Remittances, and Development in South Asia", published by Sage, India.

The book, edited by Dr. Saman Kelegama, Executive Director of IPS, carries contributions from seven IPS reach staff. It also carries case studies of all eight SAARC members and an overall South Asian case study. The book also elaborates on the South Asian Migration Commission, which was launched in 2009 in Colombo. ■

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

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