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OPINION IN LEAD

Sustainable development at Rio+20

After hosting the Earth Summit two decades ago, Rio de Janeiro, starting 20 June, is again welcoming more than 130 heads of state and thousands of people in what is expected to be the largest conference in recent times. Twenty years ago, the Rio Earth Summit emphasized sustainable development keeping in mind the drive for rapid economic growth, rising population and environmental necessities, including conserving land, air and water. It also laid the foundation for the Kyoto Protocol, established the Convention on Biological Diversity, and the Convention to Combat Desertification. The three-day long meeting for the United Nations Conference on Sustainable Development, or Rio+20, in June will also discuss similar issues, albeit with more urgency to balance growth with environment necessities. In effect, the problems have magnified in the past two decades. As UN Secretary General Bin Ki-moon put it: "Global economic growth per capita has combined with a world population to put unprecedented stress on fragile ecosystems. We recognize that we cannot continue to burn and consume our way to prosperity. Yet, we have not embraced the obvious solution: sustainable development."

After failing to decisively address the challenges of balancing growth, population and environment imperatives, Rio+20 offers world leaders an opportunity to agree on a new course toward a future that does what the world should have done in the past twenty years. It is the most important global forum to seek balance among economic, social and environmental dimensions of prosperity and human well-being. The UN Secretary General has recommended focusing on three issues: a) creation of job-focused growth along with environment protection and social inclusion, b) empowering women and young people, and c) smarter use of resources to minimize waste. Furthermore, he has asked governments, businesses and other coalitions to endorse Sustainable Energy for All Initiative, which aims for universal access to sustainable energy, and a doubling of energy efficiency and use of renewable sources of energy by 2030.

However, several countries that have just started to grow at breathtaking rate argue they cannot wholly afford to move onto a more sustainable pathway without compromising their growth strategies. This might explain the reluctance to reach an agreement on emission controls during the latest UN Framework Convention on Climate Change (UNFCCC) summit in Durban, South Africa. The summit in Rio should seek to find alternative courses for growth that boosts employment generation and puts nations on a low-carbon, resource-efficient development path. With the technological innovation and workable ideas that have emerged in the past two decades, it could be entirely possible to generate "green growth" that encompasses both growth and environment concerns. It could herald an age of a “green industrial revolution”.

While preparation of the global plan of action—entitled “The Future We Want”, worked upon by the UN preparatory committee PrepCom—to be adopted at the Rio+20 is still going on behind the scenes, as of now no consensus has emerged from the negotiations. The action plan has to be ready for approval before June 20. Already a coalition of international non-government organizations (NGOs) has argued that the action plan “looks set to add almost nothing to global efforts to deliver sustainable development”. The main bone of contention is over the concept of green economy and its relevance and meaning to the global South. Other disagreements include issues such as equity, sustainable consumption, sustainable development goals (SDGs), production in the global South, social justice, technology transfer and trade. There is also confusion over the commitments to be made by nations and their capacity to facilitate the inclusion of SDGs in national development plans and priorities.

Secretary-General Ban has urged nations not “let a microscopic examination of text blind us to the big picture […] we do not have a moment to waste”. It is very essential for negotiators to reach a consensus on the most contentious issues well ahead of the summit. It should be comprehensive and try to incorporate almost all the concerns raised by the global South. A global pact on finding the right balance between growth and environment is long overdue. The Rio+20 summit is a historic opportunity in this regard and its outcome should not disappoint global citizens, especially on issues surrounding SDGs, climate change and gender inequality.

ANALYSIS

What will South Asia look like in 2025?

South Asia is among the fastest growing regions in the world, but it is also home to the largest concentration of people living in conditions of debilitating poverty, human misery, gender disparities, and conflict. Is South Asia ready for the big leap? The optimistic view is that India will achieve double-digit growth rates benefitting the rest of South Asia. The pessimistic view is that growth will be derailed by structural and transformational challenges. Which of these two outlooks will prevail?

The optimistic outlook is based on favorable trends, including improved governance, the demographic dividend, the rise of the middle class, and the new faces of globalization.

All countries in the region have an elected government for the first time since independence leading to governance that is more focused on development. Improved governance will enhance the politics of democratic accountability; diminishing the importance of identity politics; and the rates of incumbency—the likelihood of a sitting politician being re-elected—are down.

In South Asia, the demographic dividend means that more than 12 million new workers will join the labour force, every year, for the next two decades. This is more than the entire population of Sweden. The demographic dividend will accelerate growth and increase savings that will allow for greater investments infrastructure and technology and swell the size of the middle class. India's middle class (daily expenditure of $10-$100 in PPP terms) will increase from 60 million in 2010 to more than one billion people by 2025. Growth, education, home ownership, formal-sector jobs, and better economic security are causes and consequences of an expanding middle class.

The world has already benefited from trade in goods. New faces of globalization will focus on trade in services. The world is experiencing a third industrial revolution with the services trade being at the forefront of this revolution.

Services are characterized by growing tradability, increasing technological sophistication, and lower transport costs. Trade of services is the fastest growing component of world trade during the last two decades. Another opportunity is the incentives for labour mobility, as current demographic trends suggest a rapidly ageing population in Organisation for Economic Cooperation and Development (OECD) countries, and a young population in India and South Asia. This generates opportunities for improved global efficiency. But there is an alternative outlook.

The pessimistic outlook is backed by equally strong arguments. There have been no more than a dozen countries that have managed to sustain an average growth rate of 7 percent a year for 25 years. Many have reached middle-income status, but very few have moved into high-income status.

Growth could be derailed by spatial transformations, poor infrastructure, lack of entrepreneurship, deep pockets of poverty, large informal sectors, huge social and gender disparities or high levels of conflict in the region. Rapid growth has produced billionaires in India. However, the broad character of the region remains agrarian and rural. Industries and services can still rapidly pull the underemployed workers in agriculture into gainful employment with decent wages.

Entrepreneurship is central to job creation. While the great economic minds throughout history recognized the link between entrepreneurship and job creation, controversies remain. Our understanding of entrepreneurship is still at an early stage. While India has a disproportionately high rate of self-employment and many small firms, this has not readily translated into as many young entrepreneurial firms as hoped. There is huge disparity in entrepreneurship across states in India with formal-sector job growth the strongest in regions and industries that have exhibited high rates of entrepreneurship and dynamic economies. However, the informal sector remains overwhelmingly large and persistent accounting for over 99 percent of establishments and 80 percent of employment in manufacturing. The transformation of the unorganized sector is important to India's modernization, growth, and attainment of regional economic equality.

Most countries in South Asia are currently immersed in, or are just emerging from, conflicts of varying nature and scope, ranging from the recently ended civil wars in Sri Lanka and Nepal and insurgency in Afghanistan and Pakistan, to low-level localized insurgency in India. The result is human misery, destruction of infrastructure and social cohesion, and death. The effects are huge.

India, despite reaching middle-income status, is home to the largest concentration of poor people in the world. More than one billion people lived on less than PPP $2 a day in 2005. Nearly 250 million children are undernourished. Child mortality and malnutrition levels are among the highest in the world. More than one third of adult women are anaemic. One woman dies every five minutes from preventable, pregnancy-related causes. The share of female employment in total employment is among the lowest in the world, and gender disparities are deep and widespread in South Asia.

(Adapted from Ezaz Ghani's article in the World Bank's "End Poverty in South Asia" blog.)

NEWS

Slowing growth hits India's poorest

Sher Singh has not found work in weeks. The 33-year-old day-labourer, who lives in one of India's largest industrial districts outside Delhi, says things were different a year ago. "Every day I would get up to three different jobs," he says, leaning against a rickety wall along Harola Labour Chowk road, where hundreds of labourers gather each morning to look for work. "I used to make Rs 6,000 (US$108) a month." But since India's economic growth rate started cooling from the 8 percent highs of 2010 to 6 percent in late 2011, Mr Singh's wage, like that of millions of other day labourers, has dropped sharply.

Economists have long held divergent views over the extent of the impact economic growth can have on people's lives and in reducing poverty. But there is a broad consensus that the current slowdown in growth threatens to spread poverty faster in India than wealth trickled down during the boom years.

"The benefits of growth are very unequally shared, and the poor are gaining much less from it than they would otherwise. This applies at 8 percent as well as at 6 percent," says Jean Dreze, a development economist. "Having said this, the decline from 8 percent to 6 percent could certainly make things more difficult for them."

There are no official statistics on unemployment in India, but the plummeting of industrial production and exports—due to subdued domestic and overseas consumption—has left millions on the street, say economists and social workers. Official estimates say that the population living below the poverty line has been cut from 37.2 percent in 2004-05 to 29.8 percent in 2009-10. But the threshold between survival and absolute poverty remains thin and a few rupees can make a big difference.

New Delhi estimates that an urban dweller needs only Rs 28 a day—50 US cents—to survive. But the reality on the ground seems to suggest otherwise. In spite of India's economy doubling between 1990 and 2005, 42 percent of the country's children under five are officially underweight, a marginal improvement from a decade ago.

Manmohan Singh, India's prime minister, has called the country's high malnutrition levels a "national shame". But development economists fear that a slowdown will damage the government's efforts to improve healthcare, education and food security for those at the bottom of the pyramid. Without a national health system, losing a job in India can mean losing an already tenuous access to healthcare, for example. "Little was done before to share the benefits of high growth, now we can expect even less," says AK Shivakumar, a member of India's National Advisory Council.

Source: Moneycontrol.com, 29.05.12.

Bhutan: Paradise grapples with poverty

Saffron-robed monks wander the streets of Thimphu, where elaborately painted buildings feature lucky symbols like tigers and phalluses, all under the gaze of a huge gold Buddha atop a mountain overlooking Bhutan's tree-lined capital. Premium-paying tourists have long eulogised Bhutan's unspoiled charms, its peace and its pristine environment. But the Himalayan kingdom, famed as the "last Shangri-La" and admired for using happiness to measure its success, is no idyll.

Its economy is struggling, with shantytowns emerging in urban centres, packs of wild dogs roaming freely, and beggars on street corners. Bhutan, wedged between India and China, spends far more on imports than it earns, banks are cracking down on cheap credit after a recent debt-driven spending boom, and youth employment has surged to 9.2 percent as teenagers abandon farming for urban life. The government is trying to cut the number of people living below the poverty line to 15 percent of the population from its current 23 percent, according to its own figures. Encouraging more tourists would bring in cash, but the government will not abandon its longstanding policy of limiting visitor numbers by accepting only those who pay US$250 a day in advance. "Bhutan will never be a mass destination," said Chhimmy Pem, head of marketing at the Tourism Council of Bhutan, formerly the Department of Tourism, which implements the government's tourism policy. "Our target will always be the high-end visitors."

After paying for accommodation, travel, food and a guide, US$65 of that US$250 goes to the government. The policy was adopted to prevent tourism destroying Bhutan's unique Buddhist culture and traditions, but some politicians say protection from the outside world is no longer needed. "Tourism was a real threat in the past, but that threat has gone," Tshering Tobgay, head of the main opposition group, the People's Democratic Party, said in a press interview. An increasingly consumerist Bhutanese society, he said, is changing regardless of the influence of sightseers. "It is us Bhutanese ourselves who are now putting our traditions and culture at risk."

Bhutan adopted a "high end, low volume" tourism policy when the reclusive nation first opened its borders to foreigners in 1974. That year, just 300 visited. In 2011, Bhutan welcomed around 64,000 people, according to figures released by the Tourism Council this month. By contrast, more than 600,000 people visited nearby Nepal in 2010, official Nepali figures showed. Last year tourists paying in US dollars contributed US$47.7 million towards direct gross earnings, up 32.5 percent from a year earlier. Combined with visitor spending on extra services and handicrafts, the Tourism Council estimated that the industry contributed nearly 10 percent of GDP in 2011, making it Bhutan's second biggest earner. Power exports, mainly to India, account for 40 percent of national revenue, and a quarter of GDP, according to the Asian Development Bank.

About 70 percent of Bhutan's 700,000 people survive through subsistence farming. Electricity and roads are yet to reach all of the country, and the latest Gross National Happiness survey, conducted in 2010, found only 41 percent of Bhutanese were classified as "happy". In a press interview earlier this month, Prime Minister Jigmi Thinley said Bhutan could not cope with the recent phenomenon of debt-fuelled consumerism which has outstripped economic output, forcing the government to cut spending and consider raising some taxes.

Source: Reuters, 29.05.12.

Food surplus doubled to record high of 886,000 tons in Nepal

Nepal is projected to enjoy an all-time high surplus of 886,000 tons of net edible grains—double compared to last year´s figure— with a double-digit rise in production of cereals mainly stimulated by favourable weather across the country. An estimate by officials of the Ministry of Agriculture Development (MoAD) shows that out of the total 9.45 million tons of production of cereal grains—paddy, maize, wheat, millet, barley and buckwheat—6.03 million tons will be available for 27 million people. The MoAD has put per capita food grain consumption at 190 kg.

“We have reckoned that 886,000 tons will become a surplus this year given the annual requirement of around 5.15 million tons for the existing population,” said Hari Dahal, spokesperson for the MoAD. Last year, the total balance of food grains—the difference between available stocks and requirement—was estimated at 443,000 tons with total production of cereal food grain reaching 8.61 million tons. This year´s surplus is the highest ever with a record high cereal production leading to net edible production to a new high of 6.03 million tons after deducting post-harvest loss, wastage, use for animal feeding and seeds purposes from the total gross production.

Mountain and Hill region that faced 13,000 tons and 50, 153 tons of food deficits last year have reported a surplus of 15,774 tons and 92,900 tons respectively this year. “Though we found food surplus in hill and mountain region for the first time in the history, we can´t guarantee that such positive move will be sustained for coming years as well given the limited access to agriculture inputs and unpredictable monsoon,” said Dahal.

The number of districts with food surplus has increased to 27 from 33 last year. The data compiled by the MoDA show that Nepal faced 13 years of food deficit during the last 23 years with the year 2009/10 recording the highest deficit of 330,000 tons. However, officials said increasing surplus merely cannot guarantee the availability of food to every household given the weak distribution network and food habit in remote areas.

Source: Republica, 29.05.12.

Nepal ranks 124th in Enabling Trade Index

The Enabling Trade Index (ETI) 2012 has ranked Nepal in the 124th position with foreign trade environment in the country deteriorating over the last two years. The ETI ranking is based on indices such as access to domestic and foreign markets, efficiency of customs administration, efficiency of export-import procedure, transparency of border administration and availability and quality of transport services, among others.

The World Economic Forum (WEF), which develops the ETI, had ranked Nepal in 118th position in 2010. The ETI has ranked Singapore in the first position. The Global Trade Enabling Report 2012, which has prepared the ETI on the basis of nine pillars, has ranked Nepal in the 106th position in terms of access to domestic and foreign markets, 121st in terms of customs administration efficiency, 118th in efficiency of import and export procedure, 126th in transparency of border administration, 124th in availability and quality of transport services and 129th in physical security.

The report has also listed problematic factors affecting import and export. Inappropriate production technology and skills, failure to identify potential markets and meet quality/quantity requirements of buyers are the first three major barriers to Nepal´s export growth. Though Nepal´s import has surpassed the export volume, the report has outlined burdensome import procedures, tariff and non-tariff barriers and corruption on the border as the major problems facing imports.

Nepal ranked in the 118th position in ETI 2010. WEF has also added seven other countries—Angola, Haiti, Iran, Lebanon, Moldova, Rwanda and Yemen—in the report. Other South Asian countries such as India, Bangladesh and Pakistan also have lost their previous positions and have been ranked in the 109th, 113rd and 116th position respectively.

Source: Republica, 24.05.12.

Oil boost for Bangladesh

Bangladesh, whose economy is crippled by power outages and treasury-sapping oil import bills, has discovered new oil reserves in Sylhet, the country's northern region. Bangladesh Petroleum Exploration Co (Bapex), the exploration unit of state-run Bangladesh Oil, Gas and Mineral Corp, or Petrobangla, has discovered 137 million barrels of oil reserves in two abandoned gas fields of Kailashtila and Haripur. The total worth of around the 55 million barrels of extractable oil discovered in the two fields is around 425 billion takas (US$5.5 billion).

"Once produced, this commercially viable oil can offset the import of oil from foreign sources," Petrobangla chairman Mohammad Hossain Mansur told Asia Times Online. The quality in both reserves is "light, low in sulfur quality", Reuters reported, citing Bapex managing director Mortuza Ahmed Faruq. Prime Minister Sheikh Hasina, who is also the energy minister, has instructed Petrobangla to take "immediate steps" to tap the oil resources so that production can begin in a year's time, said Mansur.

Petrobangla said Bapex will soon start deep drilling into the two fields. Bapex has proposed to drill four wells in Kailashtila and three in Haripur, The finds have been made around 15 years after oil was first discovered in the same area at Haripur. The development stems from a three-dimensional seismic survey by Bapex across 1,250 square kilometres in Kailashtila, Haripur, Rashidpur, Titas and Bakhrabad last year under a US$20 million project approved by the government in 2010.

The projected 55 million barrels that can be produced from the two new finds is equivalent of two years' supply for Bangladesh. The new oil will reduce pressure on Bangladesh's foreign currency reserves, which have declined to below US$10 billion at times over the past few months due to increasing import bills. About US$3 billion of the country's US$21.7 billion import payments in the eight months through February were for fuel oils. The overall trade deficit in the period rose to US$5.7 billion from US$4.9 billion in the corresponding period a year earlier.

A shortage of energy is driving industrialists to use rental power plants, driving up fuel import bills. Seventeen contribute about a quarter of the country's total maximum daily power generation of 5,230 MW, which is still well short of the 6,300 MW demand reported by Bangladesh Power Development Board (BPDB) on 19 May. Since 2009, 53 deals for rental power plant projects, perceived as “quick solutions” to the country's power crisis, have been signed, with some still in the process of being commissioned and others under construction. The combined power capacity of these deals is nearly 6,000 MW.

Bangladesh produces gas sufficient to meet about around 60 percent of forecast demand at the end of this year, while its considerable coal reserves are not fully exploited due the failure to approve a national coal policy, a draft of which was first "finalized" in 2005.

Source: Asia Times, 23.05.12.

Reserve Bank of India announces SAARC Swap Arrangement

With a view to strengthening regional financial and economic cooperation, Governor Dr. D. Subbarao announced in the 24th SAARC Finance Governors' Meeting, in Pokhara, Nepal, that the Reserve Bank of India will offer Swap Arrangement of US$2 billion both in foreign currency and Indian rupee. The facility will be available to all SAARC member countries, viz., Afghanistan, Bangladesh, Bhutan, the Maldives, Nepal, Pakistan and Sri Lanka. With the launching of this facility, member countries can now approach the Reserve Bank of India for availing of the facility.

The swap will be offered in US dollar, Euro or Indian Rupee against domestic currency or domestic-currency denominated government securities of the requesting country. The SAARC Swap Arrangement will have a corpus of US$2 billion. India will contribute the entire fund. The swap amount available to various member central banks has been arrived at broadly based on two months' import cover subject to a floor of US$100 million and a maximum of US$400 million per country.

Under the facility, the requesting member countries can make drawals of US dollar, Euro or Indian Rupee in multiple tranches. Each drawal is of three months' tenure and can be rolled over twice. The first rollover will be at the normal rate of interest, while the second one attracts 50 basis points interest more than the normal interest rate. For this purpose, the normal interest rate agreed upon is the LIBOR (for three months) plus 200 basis points. The normal interest rate for INR swap is RBI Repo Rate minus 200 basis points.

For availing of the facility, the central banks of requesting countries will need to enter bilateral swap agreements, which need final approval from the Government of India. The Reserve Bank's proposal to offer swap facility to SAARC member countries had earlier been approved by the Union Cabinet.

The Swap Arrangement is intended to provide a backstop line of funding for the SAARC member countries to meet any balance of payments and liquidity crises, till longer term arrangements are made or if there is a need for short-term liquidity due to market turbulence.

The SAARC Swap facility is being offered by the Reserve Bank of India pursuant to the decision of SAARC Finance Ministers at the SAARC Ministerial Meeting on Global Financial Crisis, held on 28 February 2009, which noted that "A major cause of current concern in the region is the drying up of credit and the contraction of financial markets. Mechanisms must, therefore, be developed aimed at creating bilateral arrangements in the region to address short-term liquidity difficulties and to supplement international financing arrangements."

Source: Reserve Bank of India, 16.05.12

Sri Lanka conquers overseas maize market

For the first time in the Sri Lankan Agriculture history, maize is being exported in large volumes to Canada, Taiwan and Gulf countries. Shahul Hameed Sadikeen, Managing Director, Wayamba Traders Company, told *Daily News Business* that that they would be exporting 50,000 metric tonnes mainly to be used as raw material to manufacture poultry feed.

He said that with peace and more lands being made available for agriculture, Sri Lanka achieved self sufficiency in maize this year. "The country's demand is 180,000 mt tonnes per year and during harvesting of the first season the yield is 200,000 mt tonnes," he said. He added that they are now looking at manufacturing poultry food in Sri Lanka for exporting to these countries.

Wayamba Traders has a forward sales buying agreement with 2,220 farmers in the Anuradhapura district giving them a guaranteed price of Rs. 35 per kilo. Since the maize plant takes only around three and a half months to mature, farmers earn a profit of around Rs 150,000 growing two and a half acres of maize. "Subsequently the maize is dehusked by another group who has been provided with machines," he said. This project has been facilitated by the Central Bank.

Source: Daily News, 15.05.12.

Nepal least urbanized, but fastest urbanizing

With only 20 percent of its 26.6 million population living in urban areas, Nepal is the least urbanized country in South Asia. But with an urban population growth estimated at more than 5 percent every year on average since the 1970s, it is also one of the fastest urbanizing countries of the region, says a new World Bank study.

The study “Nepal: Urban Growth and Spatial Transition: An Initial Assessment” found the country has undergone major structural shifts over the past few decades from an agricultural economy to a service-based one. It says urban areas, which are growing faster than the rural ones and where incidence of poverty more than halved between 1995-96 and 2010-11, are the centres of this transformation. "Nepal's cities have the potential to drive economic growth to benefit the entire country. Managing rapid urbanization is essential for improving growth, creating jobs and reducing poverty," says Tahseen Sayed, World Bank country manager for Nepal.

The study calls for tapping into the potential of Nepal's cities to leverage their competitive advantage in strategic sectors like tourism, crafts and agro-processing. But there's a negative side as well. Rapid population growth is overtaking capacities of existing institutions to manage urbanisation.

Land patterns are rapidly changing but urban development planning lags behind actual growth. Besides, growing infrastructure deficits and unplanned growth has increased vulnerability to disasters.

Source: Hindustan Times, 09.05.12.

ACTIVITIES

Regional seminar on emerging issues on trade, climate change and food security

SAWTEE, the Institute of Policy Studies of Sri Lank and Oxfam Novib organized a South Asia-level regional seminar on “Emerging Issues on Trade, Climate Change and Food Security: Way Forward for South Asia” on 31 May-1 June 2012 in Colombo. South Asian academics, experts, civil society members, policy makers and media persons, among others, deliberated on issues such as the outcomes of the Durban Climate Conference in relation to climate finance and technology transfer, the SAARC Food Bank, SAARC Seed Bank, issues of competition policy and food price inflation, liberalization of trade in environmental goods and services, and South Asian intra-regional liberalization of trade in services. They also came up with a way forward on these issues.

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