



# FOCUS SOUTH ASIA

VOL. 1 NO 1. JANUARY 2009

THE BIENNIAL NEWSLETTER OF THE SOUTH ASIA CENTRE FOR POLICY STUDIES.



Board Members at the 7th Board Meeting SA-CEPS Secretariat, Kathmandu on 1st Feb, 2008.

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## RECOMMENDATIONS TO THE FIFTEENTH SAARC SUMMIT



*South Asia Centre for Policy Studies (SACEPS) submitted to the member states of SAARC a series of important decisions that the 15th SAARC Summit in Colombo, Sri Lanka, could consider as part of its final Declaration to strengthen and enhance the process of cooperation in South Asia. The paper incorporates some of the key recommendations that were made at the Pre-Summit Regional Conference jointly organized by SACEPS and Institute of Policy Studies (IPS) in Colombo on 30th-31st May 2008. Excerpts of the recommendations are given below:*

### Assessing and Reformulating the SAARC Road Map:

Although the contributions of the Group of Eminent Persons Report has been acknowledged and appreciated at several SAARC Summits, the Report itself has never been fully discussed at the inter-governmental level nor endorsed in its entirety. Steps have been taken in line with the goals and recommendations set out by the Report. However, this is done on an ad hoc basis, given that the GEP Report was supposed to have served in achieving its vision of a South Asian Economic Union. Therefore, the following points were recommended by SACEPS to the 15th SAARC Summit with the view of achieving economic union in South Asia.

If SAFTA is to lead to free trade area in South Asia, 1) countries must make binding commitments to reduce their negative lists; 2) countries must eliminate or at least substantively reduce NTBs in the region 3) countries must shorten the period of implementation of the tariff liberalization programme. (Read more about Assessing and Reformulating SAARC Road map on page 9).

### Food Security

Among other recommendations placed forward by SACEPS, Food Security is one specific area. In order to make the **SAARC Regional Food Bank** more effective, SACEPS provided the following suggestions to the 15th SAARC Summit and some of them are incorporated in the 15th Summit Declarations: -

- The new mechanisms that were envisaged by updating Food Reserve to Food Bank, particularly the nodal points and the unit in SAARC Secretariat, have taken over more than a year to materialize. It is crucial to set a time limit to put these mechanisms in place so that in emergency situation or food shortages, member states can draw from the Food Bank to meet their needs.

- Transparency could be greater than what has currently been recognized by the Food Bank. How much is held by which country and in what mix (rice and wheat) should come out in prominent newspapers, television and radio. Stock points should be located in the border areas of the member states to ensure quick and easy access in times of crisis. The locations should also be advertised and made public so that there is no confusion on how and where to access the food stocks when needed.

- The price preference, instead of being expressed in qualitative terms, should be quantified. A modest figure of 10% is reasonable, because in international trade 10% means a lot. After meeting these conditions set for drawing stocks from the food bank, member countries should be able to import at a price 10% cheaper than world prices.



Head of States of SAARC Nations at the 15th SAARC Summit in Colombo.

- For the SRFB to have any real meaning it is important for food surplus countries to provide some small amount as aid to food deficit nations within the region. The gesture could have tremendous impact internationally by demonstrating that the region was taking measures on its own to feed its own people, when especially the developed nations have been justifying their food surpluses to feed the developing countries. This could have sent a tremendous political message internationally and could also influence the South Asian negotiations strategy in agriculture in international flora.

- There is a need to fix a time limit between the entitlement being notified and the delivery of the food, which has not been done so far. Three months may be a reasonable time, but in case of emergency it has to be much shorter as dictated by needs of the member states.

- Something must be done about the cross boarder passage of such cargoes, which can slow down the delivery of badly needed food stocks due to long bureaucratic procedures. The regulation for transferring emergency food stocks should be basic. Filling of custom forms should be removed after proper authorization by the central government and the cargo should be allowed to pass freely across the boarder. All the other unnecessary formalities should not be required.

- An effective mechanism must be in place to facilitate the sharing of research and best practices among member states, especially in the area of agriculture and forestry, along with free movement of seeds and plants. SAARC needs to encourage and facilitate cooperation and collaboration between educational institutions in the member countries on a fast track basis.

- The SAARC Secretary General should be provided with the necessary technical expertise and institutional resources to coordinate the work of the Board and

monitor the progress of the Food Bank. A Permanent Headquarters of the Food Bank should be established at the earliest and it should engage in activities to ensure food security in the region.

- And lastly, SAARC also needs to initiate a review of the status of agriculture in South Asia by reexamining if the policy of self sufficiency has been effective and what has happened to the food reserves of the member states. It is generally accepted that if a country's balance of payments is linked with foreign aid policy, then they end up not having a safety net of their own stocks, which is a real safety net. A country's own stock is the most important guarantee and solid insurance policy that a country can have, rather than the safety nets provided by donor agencies.

**Developing the basic infrastructure for regional integration: Cooperation in the transport and energy sector**

The huge jump in trade that SAARC has come to expect through SAFTA leading eventually to an economic union cannot be realized unless South Asia is willing to develop its basic infrastructure to facilitate the process.

*a) Transport connectivity*

Around 55-60 percent of the current trade among SAARC countries is taking place along land routes. There is an urgency to bring down this cost so that international trade becomes more competitive. To enhance growth in intra-regional trade and tourism, and to promote people-to-people contact, there is an urgency to establish efficient transport connectivity among SAARC countries.

In order to put in place a SAARC Regional Multimodal Transport System (SRMTS), only nominal investments would be needed to achieve substantial improvements in regional transport connectivity. SAARC can assist in creating an environment where these blocks can be combined to support an efficient

regional transport system.

Some of the immediate measures to resolve problems related to transport integration are:

- The SAARC member states may wish to take the entire range of issues that are standing on the way to establish a 'South Asian Community' and 'SAARC transport connectivity' as a collective agenda that should be discussed together, first bilaterally and then as a South Asian group

- It is important to establish an awareness dialogue, involving the entire civil society in each of the South Asian countries, about the mutual benefit of transport integration or cost of non-cooperation among countries, based on the findings of SRMTS study.

- Unless the major countries such as Bangladesh and Pakistan take initiatives to address the barriers identified, it is going to take a very long time before a major break-through could be expected in establishing an integrated transport system in South Asia.

*b) Energy*

The long term vision of a regional initiative for energy cooperation is to develop a Regional Energy Market in South Asia, maintain an efficient and reliable energy supply and thereby pave the way for energy security and sustained economic growth. Creation of a Regional Energy Market presupposes several conditions, one of which would be to provide adequate legal provisions for easy access to the market. Major advances have been made in India, under the Electricity Act of 2003 which are worth being emulated by other countries of the Region, especially the introduction of an availability-based-tariff (ABT).

The idea of linking the power system networks of Bhutan, Nepal, India and Bangladesh appears to be a very attractive project with power transfer capability ranging from 50 MW to 500 MW and an investment ranging from US\$ 9 million to US\$ 52 million which can be implemented within 5 to 10 years. A feasibility study along with benefits and costs assessments of the project to each of the countries appears to be the next logical step, which, if found attractive, deserves to be implemented in a public private partnership (PPP) mode.

South Asian countries need to draw up a set of technical and financial guidelines which can be widely discussed and agreed upon. This could resolve the issues of resource allocation and sharing of benefits, and answer some of the crucial questions regarding regulations or establishing either a regional regulatory framework or letting them happen through bilateral agreements. SAARC can play a major role in developing such guidelines for member countries to establish their

interconnections, particularly in power and gas transfers. This is particularly important since most of the countries in the region are undergoing load shedding and the impact of dramatic rise in fuel prices has been felt strongly throughout the region. Restructuring and allocation of resources is essential so that these resources can be distributed more equitably and traded more effectively among all countries of the region.

### Establish a SAARC Task Force on Labor Migration

According to the World Bank report on Global Economic Prospect (2006) South Asia receives annually around \$39.4 billion in remittances from its migrant workers from throughout the world. When the values for unofficial remittances (estimated) are combined with those for official remittances, the total comes to \$64.9 billion for the region. In Pakistan, remittance increased four-fold from just over \$1 billion in 2001 to over \$4 billion in 2003; in Bangladesh, it increased from \$1.9 to \$3.3 billion (latest indicators suggest \$6 billion); in India, it increased from \$12 to \$21.7 billion (Reserve Bank of India has estimated the figure for 2005-06 to be \$24.1 billion; and the World Bank has recently given an estimate of \$27 billion of inward remittances during the year 2007). India came to the top of the countries receiving remittances, some five years ago and has stayed at that position since then. Nepal receives close to \$1.5 billion.

In addition to financial benefits to the sending countries, migration provides opportunities to build their human, capital and social assets. Migrants can also play an important role in their home country by strengthening political debate, strengthening the role of civil society, encouraging the education for non-migrants, and emancipating women and minority groups in countries of origin.

Collaboration of South Asian countries is essential in creating a more uniform

policy for sending, receiving and transit countries. Bilateral cooperation is needed to deal with the problem of illegal migration and to maintain basic human rights of migrants. There is greater need today to conduct more action research on labor migration from South Asia since the problems of migration are different in each country.

Some of the issues where more work need to be done through a collective effort include:

- Developing the necessary information/data - lack of data has impaired the formulation of any meaningful reintegration plans for those coming back to their country of origin.
- Examining closely the issue of consumption vs. investment of remittances - in order to encourage investment of remittances, the States need to improve the business climate through development of proper infrastructure or provision of small business loans to get business started.
- Establishing a SAARC Task Force on migration - SAARC needs to establish a Task Force to look at the complex phenomenon of migration from the point of view of its influence on growth prospects of the South Asian countries and derive relevant conclusions out of that effort.

### Monitoring of Social Charter

One of the objectives of SAARC is to bring benefit to the people. The implementation of the SAARC Social Charter is directly related to what happens to the people at the grass roots levels. It is related to their rights, entitlements and actual conditions. It is, therefore, essential that the review of the implementation of the SAARC Social Charter be a recurrent item on the agenda of the SAARC. The country reports on the monitoring of the implementation of the Charter should be reviewed at the regional level with a view to identifying shortfalls in implementation and suggesting remedial measures. The SAARC Heads of Government should also

ensure that the establishment of National Steering Committees, the preparations of an Action Plan which includes specific targets by each member State, and the preparation of a country report by each member government, are put in place and, complied with. Moreover, civil society organizations should be adequately represented in the National Steering Committees and the preparation of and discussion on the country reports should be fully participatory.

In the ultimate analysis, the monitoring of the implementation of a regional Social Charter can be best done on the basis of national social charters which have been developed on a participatory basis and which are essentially right-based. Member governments should encourage and assist civil society organizations in preparing such national social charters. Where such charters have been prepared by citizens' organizations, the member governments should assist them in broadening their support base and undertaking the monitoring of their implementation. The outcome of such monitoring should be used as an input for the preparation of the country papers by the governments.

### Lessons learned from SACEPS' work on "Monitoring SAARC Policies and Programmes"

An extensive study recently done by SACEPS on SAARC activities over the past two decades suggests that the organization must take various initiatives to correct the drawbacks of the past in order to make its programmes more meaningful in the future. (*Read more about Monitoring of SAARC Policies and Programmes on page 10*)

*After the SAARC Summit, SACEPS examined the editorials of the South Asian newspapers on the meaning and outcomes of the deliberation in Colombo and circulated it to the stakeholders in the region. See SACEPS website at: <http://www.saceps.org>*

## LUNCHEON MEETING WITH SAARC SECRETARY GENERAL, AMBASSADORS OF SAARC MEMBER STATES AND OBSERVER COUNTRIES



SAARC Secretary General H.E. Dr. Sheel Kant Sharma addressing the gathering in Kathmandu.

In order to formally present SACEPS' Recommendations to the 15th SAARC Summit, a luncheon meeting with the SAARC Secretary General, Ambassadors of SAARC member states and observer countries stationed in Nepal was organized at Yak and Yeti Hotel, in Kathmandu, on 14th July 2008. The key areas covered in the recommendations include the

- following:
- Assessing and Reformulating the SAARC Road Map;
  - Regional Response Required on Food Crisis and Climate Change;
  - Developing the Basic Infrastructure for Regional Integration: Cooperation in the Transport and Energy Sector;
  - Establishing a SAARC Task

Force on Labor Migration;  
 • Monitoring the Social Charter; and  
 • Lesson Learnt from SACEPS' Work on "Monitoring of SAARC Policies and Programmes."

During the luncheon, **Prof. Sridhar K. Khatri, Executive Director of SACEPS**, highlighted the key elements of the recommendations for the 15th Summit and presented a copy to the **Secretary General, H.E. Dr. Sheel Kant Sharma**. **Dr. Sharma, Mr. Gyan Chandra Acharya, Secretary, Ministry of Foreign Affairs, Nepal**, and **H.E. Amaralal Sumith Nakandala, Sri Lankan Ambassador to Nepal**, addressed the gathering. Some of the participants of the meeting were **H.E. Imtiaz Ahmed, Bangladeshi**



Mr. Gyan Chandra Acharya - Foreign Secretary of Nepal addressing the Luncheon Meeting.

**Ambassador to Nepal; H.E. Tatsuo Mizuno, Japanese Ambassador to Nepal; Mr. Pradyumna Shah, Joint Secretary, Ministry of Foreign Affairs; Mr. Harsh Jain, Economic Counselor, Embassy of the Republic of India; Mr. Waseem Azmaat, Political and Education Counselor, Embassy of the Islamic Republic of Pakistan; Mr. Randy Berry, Deputy Chief of Mission, Embassy of the United States of America and Dr. Binod Karmacharya, Regional Cooperation Advisor, Nepal Resident Mission, ADB.** Along with them, most of the Nepali Board members of SACEPS, namely Dr. Mohan Man Sainju, Dr. Bekh Bahadur Thapa, Mr. Bashudev Dahal and Mr. Binod Chaudhary also attended the meeting.

## PRE-SUMMIT CONFERENCE- ON STRENGTHENING ECONOMIC AND SOCIAL INTEGRATION IN SOUTH ASIA

SACEPS and IPS jointly organized the Regional Conference on "**Strengthening Economic & Social Integration in South Asia**" in Colombo, on 30-31 May, 2008. The Conference began with a welcome address and introductory remarks by the Executive Directors of the two organizations, **Dr. Saman Kelegama, Executive Director, IPS** and **Prof. Sridhar K. Khatri, Executive Director, SACEPS** respectively. **Mr. Nihal Rodrigo, Advisor to H.E. the President of Sri Lanka and Former Secretary General of SAARC** and **Hon. Dr. Sarath Amunugama, Minister of Enterprise Development and Investment Promotion** also addressed the inaugural session.

The Conference was categorised into seven themes as follows:

1) *Deepening Economic Integration in SAFTA: Present Status, Potential and Some Policy Suggestions*

**Dr. Ram Upendra Das, Fellow, Research and Information System for developing countries (RIS)** suggested that there is a need to examine intra-SAARC trade and SAARC's global trade along with country-wise intra SAARC trade and country-wise global trade in order to better understand the existing depth of trade taking place within the region.

For deepening economic integration in SAFTA, it has been recommended to reduce the NTBs and to develop trade-investment linkages by having an Automatic Approval Regime for Trade augmenting Investments and a Regional Production Network and Supply Chain Agreement. The SAARC Tariff Liberalization Program needs to be hastened and should move towards a South Asian Economic Union. He suggested the use of differential time periods for the Least Developed Countries and to develop a simple majority system in

voting to improve the Dispute Settlement Mechanism in SAARC. The involvement of the private sector and the need to address energy and investment along with trade matters was also discussed.

2) *Road Map for South Asia*

**Prof. Muchkund Dubey, Co-chair, SACEPS** highlighted the need to take up the recommendations by the GEP to a political level so that they can share the vision and set alternative timeline. It was also suggested for SAFTA to be complete and for it to look beyond free trade to areas such as energy and transport cooperation. The promotion of regional efforts and cross boarder infrastructure development is needed to improve regional connectivity. The initiation of SAARC regional forum to discuss bilateral issues was also stressed. He also suggested that the Secretary General of SAARC should be a minister and the Directors should be recruited from open market.

3) *Monitoring SAARC Policies and Programmes*

**Prof. Mahendra Lama, Vice-Chancellor, Sikkim University** suggested that there should be an emphasis on cost cutting and cross-border issues. There should be proper implementation and evaluation of the activities on a consistent basis. Inter-sector coordination must be ensured. Holding the Technical Committees (TCs) accountable for the progress made and to go beyond publications and implement some of the recommendations. Member states may chair the TC for two years instead of one.

Regional Centres should consolidate on the activities carried out during the last two decades by engaging in activities including, spreading accumulated knowledge and working very closely with

other agencies involved in the delivery services.

4) *Implementing the SAARC and Citizen's Social Charter for South Asia: The Work Ahead*

**Prof. Dubey** suggested that the monitoring of a regional charter, whether citizen's or inter-governmental, should be done at the national level. National Citizen's Charter should be monitored in three parts:

- i) Progress measured using secondary data covering all sector;
- ii) Progress measured covering a sub-sample; and
- iii) Progress measured adopting a well recognized measure of social auditing.

A regional task force should then monitor the Regional Citizen's Charter and the inter-governmental charter using these national level evaluations.

5) *Labour Migration, Employment and Poverty Alleviation in South Asia*

**Prof. Sridhar K. Khatri** proposed to establish a SAARC Task Force on migration which is based on a technical level study on the pattern of migration, evolution of policies and demographic trends. This Task Force should look at the complex phenomenon of migration from the point of view of its influence on growth prospects of the South Asian countries and to derive relevant conclusions out of that effort. He also suggested going for collective efforts to reduce inefficiencies on formal remittance transfer channels.

6) *Towards a Regional Energy Market in South Asia*

**Dr. Mohan Man Sainju, Board Member, SACEPS** stressed that policy makers should focus on trade as diversifying the forms of energy and thereby, focus on energy security rather than focusing on

the limitations such as cost and ill affordable goals of national energy self sufficiency. Public Private Partnership will also enhance regional cooperation through exporting surpluses. The SAARC Energy Centre should consult with the important institutions of the countries and come out with an Action Plan, which can be implemented at the earliest. Governments should focus on the commercial and operational efficiency of the utilities. It is necessary to reach the international river basin agreement to facilitate integrated river basin management in order to maximize the use of water and energy resources.

7) *Food Price Escalation and Climate Change: South Asian Response.*

Some of the measures suggested by **Dr. Richard Vokes, Country Director, ADB Resident Mission, Sri Lanka** to mitigate the problem

of food price escalation and climate change are:

- i) self targeting like food for work;
- ii) reducing tariffs and buffer stocks;
- iii) developing access to credit;
- iv) supporting a second green revolution;
- v) careful review of food security policies;
- vi) increase production in the medium term;
- vii) reallocating subsidies to research and extension, to provide market information and education;
- viii) review policies on bio-fuel usage;
- ix) bringing unused land under cultivation; and
- x) investing in post harvest technology.

Development workers in the region should provide policy advice, increase support for agriculture/rural infrastructure investment and agricultural research, provide



Hon. Dr. Sarath Amunugama, Dr. Saman Kelegama, Prof. Sridhar Khatri, Mr. Nihal Rodrigo, Prof. Muchkund Dubey, Prof. Buddhadasa Hewavitharana in Colombo.

short term support for safety nets and to research on climate change and agriculture.

Various renowned personalities from South Asia attended the Conference to share their expertise on these topics. The distinguished participants of the conference included representatives of the diplomatic missions stationed

in Sri Lanka, representatives of Sri Lankan Government, policy and opinion makers, academicians, technical experts on food and energy, former Foreign Secretaries of the South Asia region, former SAARC Secretary Generals and Directors, members of civil society, representatives from the private sector, media, ADB, and SACEPS Board Members.

## SACEPS- CPD - UNDP CONFERENCE ON POVERTY ERADICATION IN SOUTH ASIA

A two-day International Conference on **Equitising Development: Agendas for Poverty Eradication in South Asia** was organized by SACEPS and Centre for Policy Dialogue (CPD) in collaboration with the Poverty Practice of the UNDP, at the India International Centre (IIC) in New Delhi, on 17th-18th December 2008. In his introduction to the conference, **Prof. Rehman Sobhan, Chairman, CPD and Team Leader of SACEPS-CPD Poverty Eradication Project**, noted that there is a need to redefine poverty not as a process of income redistribution, but in terms of exclusion of people, particularly the poor. Poverty can only be addressed through changes of opportunity structure and by opening horizons for the excluded that is only open to the privileged and the rich so far. There are structural features of poverty that suggests that assets determine entry, but the volume of assets determines how effectively you can participate.

Prof. Sobhan observed that if the poor are to emerge out of poverty, there are a number of measures that must be taken. They include: broadening the basis of land ownership; redefining the terms of entry into the economic structure; establishing the relevant institutions; and formulating key policy interventions to assist the poor. Even poor peasants have a good chance in emerging out of the poverty trap, with appropriate policy measures. As Prof. Sobhan explained, "One thousand two - bigas landowners are powerful players

who have the potential to move up the economic ladder."

Speaking during the inaugural session, **Prof. Muhammad Yunus, Managing Director, Grameen Bank Ltd., Nobel Laureate, and Board Member, SACEPS**, agreed that there was a need to redesign the poverty strategy in the world today. NGOs have today moved from being only a tool for service delivery and aid contractor to entrepreneurs. Grameen Bank today has emerged as the largest social enterprise, in which Grameen phone alone has a capital of US\$3.2 billion. There are other success stories in the South Asia, like Amul and Lijjat Papad models in India, which have made remarkable progress through social enterprise. The key to success is collective action.

Prof. Yunus noted that the year 2008 is significant since a number of developments affect the poor more harshly than any other segment of society. They include: *financial crisis; food crisis; energy crisis; and environmental crisis*. A person with billions of dollars will lose a lot from the financial crisis, but he will make even more in the years to come. But it is the three billion poor people who will be hit the hardest since opportunities for them to improve their economic and social conditions decreases more with the severity of these crises.

He mentioned that "21st Century



From Left to Right: Dr. Montek Singh Ahluwalia, Prof. Muchkund Dubey, Prof. Rehman Sobhan and Prof. Muhammad Yunus at IIC in New Delhi.

problems cannot be solved with 20th Century thought process." If South Asia is to succeed in dealing the rapid pace of change in the world today it must also be able to adapt to the changes. First, all our thinking process has to be projected at least 20 years ahead so that we can move in a direction that we have targeted. And second, as it is already evidenced in some cases, people will be moving much faster ahead than governments. "Governments will have to run after people so that they don't become redundant." And it is the younger generation who will lead the way.

Using Grameen Bank as an example, he reminded his audience that 30 years ago bankers claimed that people are not credit worthy and that the Grameen experience would not succeed in giving credit to the poor. The recent financial crisis shows that it is not the poor but the rich and big banks that are not credit worthy in the world today. The challenge that lies for the financial sector for the next three decades is to see that the poor people not slip in deeper into poverty even more than today.

Education is an important tool for the

poor to step out from poverty. One generation may move out of poverty, but a small crisis can set them back. This must be avoided at all cost. Jobs are important component for security of people and the message that Grameen Bank has tried to promote is that “individual must not be job seekers, but job creators.”

“The challenge of the IT sector,” Prof. Yunus explained, “is to see how quickly information technology can be brought to the poor.” As the nature of IT makes it possible for the young people to be self-taught unlike before, the role of the government must be to ensure that there is no barrier to information technology.

Prof. Yunus observed that a new architecture of economic structure is needed to go with the financial structure in the world today. The key words are maximization of profit and simply making more money. The selfish part of life has to be matched by the self-less part also, which is called social responsibility, or social business. Grameen Bank is involved in these areas in Bangladesh by promoting solar homes and bio-gas plant for the poor, as well as by selling pure drinking water for Tk. 1 for 10 litres. As health care doesn't reach the people, new ways must be found to provide services to the poor who are in need. Grameen Bank has also been involved in redesigning diagnostic equipment, such as portable ultrasound machines, so that it can be used in villages. Recently, a new enterprise called Grameen-Dannon Company has been set up in Bangladesh to sell yogurt in Bangladesh to compensate for deficiencies in micro-nutrients for the poor in their diets. The plan is to create at least 50 plants in Bangladesh in cooperation with the French company involved in this joint venture. As Prof. Yunus noted, “Charity has one life, but social business has a life that is recyclable.”

When is the date that poverty will be zero in South Asia? Prof. Yunus suggested that “it must be 2030, since we have already determined that 2015 should be the date to half poverty in the region through the Millennium Development Goals (MDGs).”

He added that the concept of disappearance of the state is not bad, as long as the country is not under anarchy. Using the Bangladesh example, he pointed out that the best work in Bangladesh was done after the Liberation War in 1971, when the civil society came forward to solve problems since the state was hardly functioning then. Grameen Bank was later established when there was military rule, and all the legal frameworks were also established then. Replication and scaling up is important if cooperatives are to succeed. However, he mentioned that replication is more important since the seeds need to spread for an enterprise to be successful. “Grameen Bank is a seed with business techniques that allows it to be self-contained and not dependent on



From Left to Right: Dr. Saman Kelegama, Prof. Amartya Sen and Prof. Rehman Sobhan at IIC in New Delhi.

government and donors.”

Speaking at the inaugural function, the **Deputy Chairman of the Planning Commission of India, Dr. Montek Singh Ahluwalia**, mentioned that a lot of what is happening in poverty reduction has to be looked at in terms of growth. He noted that “what is also growth promoting is poverty alleviating,” and since poverty is not only related to income but a whole set of other issues, it has to be addressed in a holistic manner.

**Dr. Salem Jehan, Director, Poverty Practice, UNDP, New York**, noted that there are five consensus regarding our understanding of poverty in the world today. They are: poverty is a multi-dimensional phenomenon; “poverty” and “poor people” are not homogeneous terms, but are dynamic phenomena; inequality or relative poverty is equally important in understanding poverty; best policies that are not designed on a broad base will not be sustainable; and innovative approaches are necessary to deal with the constantly changing face of poverty. He supported Prof. Sobhan's main points that in dealing with poverty it is important to establish the relevant institutions that can formulate appropriate policy interventions to assist the poor.

In one of the four thematic papers presented at the conference, **Dr. Syed Akmal Hussain, Distinguished Professor, Beaconhouse National University, Lahore**, presented the key points from his country paper on Pakistan, entitled “Enhancing the Market Power of the Excluded”. He suggested that endemic poverty is located at the power structure at the national level, which leads the market structure to discriminate between the rich and the poor and also to exclude the majority of people from the educational and health benefits that is due to the citizens of the country. According to him, “reproduction of poverty becomes part of growth process itself”.

In order to address the problem of poverty in Pakistan, he suggested that it is important to “reconstruct the state to guarantee a coherent policy”, which must

take into account that large section of the Pakistan territory is under the influence of Taliban and Al Qaeda from across the border in Afghanistan. Some of the measures that need to be taken include the shift from elite farming strategy to medium and small farming strategy that will give some kind of incentive to the majority of farmer who work as tenants workers. A credit fund of \$3.2 billion can give farms to 52 percent of these tenants. There also has to be participatory development to “corporatize the poor” so that a new structure of power with the involvement of the poor can be developed.

By way of commenting on Dr. Hussain's paper, **Dr. Deepa Narayan, Director, Moving out of Poverty Study and Senior Adviser, Global Development Network (GDN)**, looked at how the concept of participatory development has evolved in India in recent years. She pointed out that there are certain truisms that need to be recognized regarding the poor: first, the poor are poor since they do not have bargaining power and lack the skills to develop collective action; second, the markets are unfair and is not geared to solve poverty in the world; and third, primary producers, like the poor, usually get the lowest return in the market. She recommended that in order for the markets to work for the poor we need to design features of success at one level and understand the failures of others since example of a single model will not suffice.

Looking at the Amul experience, Dr. Narayan said that collective action was the basis of its success in India. They thought from market to production, not the other way around. And up-scaling was possible for Amul with infusion of capital from World Bank and the government. On the other hand, the success of Lijjat Papad was based on the fact that production was done at home, while its genius lay in marketing the product. It had design features that didn't get co-opted in the process. It is not the culture, but the design that led to its ultimate success. If there are any lessons to be learned from these collective efforts to work with the poor, Dr. Narayan suggests that it should be to “set our assumptions aside and ask

people who moved out of poverty and how they did it." Moreover, it is important not to think about models, but to concentrate on "principles" that work.

Another thematic paper was presented by **Prof. A. K. Shiva Kumar, Institute of Human Development, New Delhi**, on "Democratizing Education Opportunities". He indicated that there are positive signs that changes in education are taking place to provide more opportunities to the poor and disadvantaged groups, but it may not be happening at a desirable level. There is now "universal enrollment" in primary schools, which is as high as 95 percent; and many more girls are going to schools than ever before. This is largely due to the improved access to primary schools, which is due to investment by states. Such investments have improved educational infrastructures in rural areas, provided incentives by offering free textbooks, and even improved the socialization process of students and their health by introducing mid-day meals. There is also a distinct change in social norms where poor families have come to realize that children need to have at least Class-5 level education.

On the other hand, Prof. Kumar noted that there is the "not-so-good news" of the educational process for the poor in India. Out of 142 schools that were tested, learning achievement was still based on rote memorization. There were also no improvement in class room activities and nearly half of the teachers were struggling to teach their student properly. Very often the head teacher would be absent from primary schools, and 55 percent of the schools were single-teacher-schools.

In terms of improving the quality of primary education for the poor in India, Prof. Kumar suggested that the percentage of GDP devoted to education has to increase in order to provide more opportunities to the poor. The focus has to be on the quality of teaching and what is happening inside of the classroom. Since 45 percent of teachers are on contract, there is thus a need to establish teachers as a profession, with greater focus on training of the educators and

ensuring their accountability. The reform in education has to come from higher education, including colleges, and also from the elite schools that should be required to set aside certain quota for the poor.

Commenting on Prof. Kumar's paper, **Prof. Muchkund Dubey, Co-Chair SACEPS and President, Council for Social Development (CSD)**, New Delhi, said that, in order to improve the quality of education for the poor and provide them the opportunity they need, the government should stop "tinkering" with the system and must make a serious effort



From Left to Right: Dr. Montek Singh Ahluwalia, Prof. Muchkund Dubey, Prof. Rehman Sobhan and Prof. Muhammad Yunus at IIC.

to "transform" it. Basing his comments on a study that CSD did for the government of Bihar on primary education for the poor, he noted that there is "systemic maladies" which suggest that educational opportunities have not been universalized as the problem of access remains. The all India dropout rate at primary education level is 65 percent, and out of three crores children in Bihar, 1.5 crores are out of schools. There is rampant discrimination in educational systems, where 80 percent of students from the Muslim community and tribes have to go to government schools, and not private institutions that may be able to provide better quality education. Prof. Dubey added that the quality of education is abysmal, and there is gross under funding despite the fact that the Kothari Commission had recommended a significant increase in budget for schools as far back as 1968. Although the national curriculum is good, teacher's training is inadequate, syllabi have not been developed properly, and

there are no academic incentives for teachers. The meaning of education have been distorted by institutions like World Bank and UNESCO where education has been transformed to mean simple literacy, which is not applied to other parts of the world.

As part of his recommendations, Prof. Dubey suggested that even though the Supreme Court in India ruled that people have a right to education, it has not been possible to uphold this decisions. In order to achieve this goal there must be firm political decision to universalize education within a timeframe. The target must be to establish a common school system within a time-bound framework, with clearly defined norms and standards. Moreover, as a way of ensuring that such a decision is implemented, the government must provide set of laws to lay the groundwork for its implementation and establish high level mechanism to enforce the decisions.

Participating at the concluding session of the programme, **Prof. Amartya Sen, Harvard University, Nobel Laureate, and International Advisor to SACEPS** suggested that one must make a distinction between short- and long-run approaches in dealing with poverty. He indicated that in the long-run growth will be an important factor since you do need the market and participation to raise the income of the poor. What is however essential is to "plow resources of growth in social services", as has been done in the two provinces of China—Hong Kong and Taiwan, to see that justice is ensured.

Prof. Sen said that "We live in a world of inequality; and it is going to be that way for a long time." The level of inequality reflects the condition of health and the quality of education in our society. He pointed out that many of the best ideas come from the best schools, and it makes little sense in trying to knock them down. What is needed is less reliance on these institutions by encouraging other institutions to grow so that they may also provide equally valuable services to our society. He added that "Equity is important on its own, and it should not be contingent on growth."

## SACEPS - SANEI - ADB WORKSHOP

ADB, Country Coordination and Regional Cooperation Division, South Asia Department organized a two-day Inception Workshop in Bangkok on 8-9 September 2008. Mr. Bruno Carrasco, Director, South Asia Department, ADB, Mr. Shunsuke Bando, Economist, ADB and Dr. David Husband, International Consultant, ADB, represented ADB in the workshop. The objectives of the workshop were to disseminate relevant information

on Track II initiatives to identify regional cooperation topics and themes; and discuss how to proceed with the RETA implementation. On behalf of SACEPS **Dr. Navnita Chada Behera, Associate Professor, Nelson Mandela Centre for Peace and Conflict Resolution**, presented a paper titled *SAARC and Beyond: Civil Society in Regional Integration in South Asia* and **Mr Nihal Rodrigo**, presented the summary of the 15th SAARC Summit Outcomes. Similarly, on behalf of South Asia Network of Economic Research Institutes (SANEI), **Dr. Surabhi Mittal from Indian Council for Research on International Economic Relations**

(ICRIER) presented the paper on *Track II Initiatives for Economic Cooperation in SAARC*. Discussion on identification and prioritization of research themes and topics focusing on regional cooperation for economic and social development was carried in the workshop. The following Board Members of SACEPS, namely **Dr. Bekh Bahadur Thapa, Dr. Mohan Man Sainju, Amb. Farooq Sobhan, and Dr. Saman Kelegama** along with **Dr. Tasneem Siddique, Associate Professor, University of Dhaka, Mr. Nihal Rodrigo, Dr. Navneeta Chadha Behera** and **Prof. Sridhar K. Khatri** attended the workshop on behalf of SACEPS.

# FIRST SOUTH ASIAN ECONOMIC SUMMIT

The **First South Asia Economic Summit** was held in Colombo, 28-30 August, 2008. The Economic Summit was organized by IPS, Sri Lanka and the **Federation of Chambers of Commerce and Industry of Sri Lanka** in collaboration with **SACEPS, South Asia Watch on Trade, Economics and Environment (SAWTEE), RIS, Commonwealth Secretariat, UNDP, World Bank, and ADB.** This Summit brought together intellectuals, policy makers, researchers, private sectors and civil society from the South Asian countries including Afghanistan.

The Summit identified poverty as the biggest development challenge for South Asia and emphasized on regional market integration to promote growth in the region. After

three days of discussion, there was a general consensus on future course of actions by the participants of the Summit. The participants recognized the need for:

- 1) *Building regional capacity;*
- 2) *Deepening understanding of regional development issues;*
- 3) *Promoting networking between various groups of the region;*
- 4) *Supporting the implementation of regional cooperation and development agenda.*

The following goals were recognized as high priority:

- Management of the current food crisis;
- Enhancement of intra-regional trade in goods and services;
- Improvement in connectivity, transport and trade facilitation;



Dr. Nagesh Kumar, Mr. Syed Babar Ali, Dr. Biplove Choudhary, Amb. Farooq Sobhan, and Mr. Prabhakar Ranjan in Colombo.

- Promotion of regional energy cooperation and trade;
- Improvement in regional ICT network;
- Facilitation of regional remittance flows and management;
- Improvement of regional cooperation in disaster management and climate change; and
- Promotion of cross-border flow of investments.

## WORKSHOPS ON CIVIL-MILITARY RELATIONS IN NEPAL WITH APCSS

Since SACEPS Secretariat is located in Nepal, the Centre has been involved in facilitating a number of programs with the Honolulu based **Asia Pacific Centre for Strategic Studies (APCSS)** on security sector reform (SSR) during Nepal's recent transition to democracy. The initial programme was initiated by **LTG (Retd.) Edwin P. Smith, Director, APCSS** in September, 2006. Other American institutions involved in these workshops are **Centre for Civil Military Relations (CCMR)**, Monterey, California, and **Defense Institute of International Legal Studies (DIILS)**, based in Rhode Island. Each meeting is designed as five-day workshops, which come out with specific recommendations to the Government of Nepal. The participants include senior politicians from all the major political parties, members of the security forces (serving and retired senior officers from Nepal Army, Armed Police Force and Police), and members of the civil society in Nepal. The themes covered in these workshops include: *Democratic Transition and Civil-Military Relations (28 August-1 September 2006)*, *Democratic Control of the Security Forces (28 May-1 June 2007)*, *National Security Strategy Development (16 July-20 July 2007)* and *Security Sector Legal Reforms (17-21 September 2007)*.

The workshops have been invaluable in regularizing public debate on security issues for the first time in Nepal with the participation of key political leaders, security forces and civil society. With each successive workshops, political parties have begun to somewhat overcome their suspicions of one another, and also to openly dialogue with the security forces. This is a major achievement since Nepal Army's commitment to the democratic process was in doubt due to its support of the Royal takeover in February 2005. The APCSS-SACEPS-CCMR-DIILS initiative has been able to make some headway for the past two years. Instead of proposing initiatives based on experiences of other countries, it has been able to generate recommendations based on Nepal's own needs and experience.

After the 4th workshop, on September 2007, an internal assessment was made on how the recommendations made from various workshops could be utilized in the best way possible towards peace building in Nepal. A small Core Group of around 15 participants from all of the then mainstream political parties and the security forces was formed to discuss future course of action at two-day meeting organized at Le Meridian Golf Resort in Gokarna, on 12-13 December 2007. It was then agreed that it would

be best to continue with the work of the small core group to see how the ideas from the previous workshop would be used effectively in drafting the new constitution by the Constituent Assembly. The Core Group also agreed that each of the political parties (including the Maoists) would bring legal experts from their respective political parties who might be involved in drafting the new constitution so that they could prepare a 5-7 page document incorporating the relevant points of the recommendations from the workshops for the new constitution. The legal experts would then be given a three-week timeframe to finalize the document, and the output would then be discussed in a larger workshop that could examine and endorse the output as its final recommendations.

In these programs, SACEPS served as a facilitator with Prof Khatri moderating most of the meetings in collaboration with the American experts. As part of the Centre's effort to expand network with other like-minded institutions, Prof Khatri attended Directors' Meeting organized by APCSS on 14th-16th November 2007 in Honolulu, Hawaii, and the Regional Security Cooperation Workshop organized by APCSS on 30 June-3 July 2008. Also Prof Khatri attended Transnational Security Challenges and Cross-Regional Cooperation Seminar held in Honolulu on 26-31 October 2008. The seminar was jointly organized by APCSS and the George C. Marshall Center for Security Studies.

# ASSESSING AND REFORMULATING THE SAARC ROAD MAP

This is a forward looking paper on the SAARC process which was prepared by IPS for SACEPS. It examines the Group of Eminent Person (GEP) Report submitted to SAARC in 1998, identifies element of progress made as per the recommendations of the Report and suggests further initiative that should be undertaken by SAARC to move forward in realizing the goal of establishing a South Asia Economic Union.

SACEPS had formed Core Group from among its Board Member to oversee the progress of the study and to provide feedback on the draft report. The Core Group members included: **Dr. Syed Akmal Hussain, Board Member, SACEPS (Pakistan), Dr. Saman Kelegama (Sri Lanka), Prof. Muchkund Dubey (India), Dr. Nagesh Kumar, Executive Director, RIS (India), Mr. Ibrahim Hussain Zaki, Board Member, SACEPS (Maldives), Dr. Shanker Sharma, Chairperson, Citizen Bank (Nepal) and Amb. Dago Tshering, Board Member, SACEPS (Bhutan).**

The findings of the study and its recommendations were presented at the Pre-Summit Conference on Strengthening Economic & Social Integration in South Asia in Colombo, on 30th-31st May 2008. The major recommendations of the study are:

- GEP Report was supposed to have served as the road map for the organization and spelt out a step by step approach in achieving its vision of a South Asian Economic Union. However, its implementation has been on an ad hoc basis independent of the recommendations made in the Report.
- For SAFTA to lead the trade expansion in South Asia: 1) countries must make binding commitments to reduce their negative lists; 2) countries must eliminate or at least reduce Non Trade Barriers (NTBs) in the region; and 3) countries must shorten the period of implementation of the tariff liberalization programme.

- The GEP Report suggests a time-line to eliminate the negative lists; no such binding provision is made in the SAFTA Agreement for member countries.
- A more coherent action should be taken to remove restrictive Non-Tariff Barriers (NTBs) within a specific time-frame.
- In order for SAFTA to be meaningful, it should be fast-tracked at least on products of trade interest to member countries and the deadlines for the implementation of tariff liberalisation programmes should be brought forward in line with the bilateral Free Trade Agreements (FTAs) in the region.
- It is also important to address contentious issues such as political issues in the region and mistrust between countries, lack of willingness of some countries to move ahead, practical constraints in implementing projects and different negotiating capabilities of countries, not only to move forward, but also to make effective utilization of the SAFTA agreement.
- In terms of approach to liberalisation, SAARC would be best served by following a positive list approach, which would allow countries to undertake progressive and sequential liberalisation while keeping in mind the vast asymmetries within the region. SAFTA should also attempt to agree on few agreed sectors to liberalise which are least contentious to build confidence before moving onto other sectors.
- Given that the SAFTA Agreement has identified a number of trade facilitation measures, it might be ambitious to implement all of these simultaneously. It would be more prudent to identify a few areas in trade facilitation where cooperation is relatively easy, where the benefits are large and tangible in the short-medium term.
- The SAARC Multimodal Transport Study has given important suggestions, which should be carried forward to strengthen transportation and communication links for accelerated and balanced economic growth in the

region.

- Countries should take necessary steps as soon as possible to establish the SAARC Arbitration Council, for early finalization of the Regional Investment Agreement.
- It is important to lay the proper foundations for achieving higher integrations by strengthening cooperation not only in trade and investment but areas such as infrastructure before moving to a customs union and thereafter a common market as recommended by the GEP report.
- Establishment of SAARC Airline is an ambitious goal set by the GEP. Instead of a SAARC Airline, commencement of direct flights between SAARC capitals should be promoted.
- In order to improve the telecommunication linkages in the region, the region should implement the SAARC Plan of Action on Telecommunications and the Recommendation from the South Asia Energy Dialogue to enhance connectivity and cooperation in energy sector.
- It is necessary for SAARC to work closely with the SAARC apex bodies. Closer links with the apex bodies with proper mechanism to monitor decisions taken can accelerate the implementation of decisions made at the official level.
- Substantial collaborative efforts should be undertaken to make the region a possible IT hub in the future, led by India.
- SAARC needs to address the overlapping goals in the SAARC Social Charter and the SAARC Development Goals (SDGs) and make a clear cut demarcation of the activities of each programme. It is important for the region to acquire maximum benefits of programmes undertaken, by organisations at all levels.
- Countries should internalise the SDGs in their own planning processes and attain the goals at the national level. Time-frames should be outlined for each target/sub targets. The national and regional mechanisms of monitoring and evaluating the SDGs, put forward by Independent South Asian

Commission on Poverty Alleviation (ISACPA), should be implemented.

- Coordination between Trade Centres (TCs) and non-governmental agencies working in the region should be developed to avoid duplication of similar projects within the region.
- It is necessary for Regional Centres to start on practical and demand driven projects which, move beyond undertaking research and collecting information. These centres should also try to be financially independent up to some extent.
- The Permanent Headquarters of the Food Bank should be established at the earliest and it should engage in activities to ensure food security in the region. Locations of other food storages should also be finalized with specific time frames.
- National Focal Point of the member state should be established, which would be responsible to direct projects to relevant units/departments, coordinate, implement and monitor all SAARC programmes and projects in that country.
- In order to pursue matters of regional interest, it is necessary to take measures to widen the mandate and the scope of operations of the Secretary General (SG). SAARC needs to widen its capacities in terms of finance and human resources.
- The SG should be given the freedom to nominate anyone of his choice after which approval may be sought from the respective member state.
- Measures should be taken to achieve a balance between countries and reduce economic and social mismatches; it will be difficult for member states to achieve further economic integration (e.g. customs union) with such varying development levels. Furthermore, Afghanistan should be integrated to the process as quickly as possible, since delays in doing so could hold-up developments in the entire region. This project was completed with support from ADB.

## MONITORING OF SAARC POLICIES AND PROGRAMS

The study was undertaken as an introspective exercise to review SAARC activities in the past 23 years and to come up with suggestions on how the regional organization may be able to work more effectively in the future. Its main objectives were to:

- make an audit of progress made by SAARC in its major activities since its inception;
- examine the reasons that are responsible for poor implementation of some of the projects and programmes;
- evaluate some of the implemented activities;
- review the profile and function of SAARC Secretariat; and
- design a framework on the basis of which an annual audit of SAARC activities could be undertaken in future.

The study was undertaken by **Prof Mahendra Lama**. The preliminary findings of this study were presented at the Pre-Summit Conference in New Delhi in March 2007, and the final report was presented during the Pre-Summit Conference in Colombo in May 2008. This a seminal study which suggests that if SAARC is to succeed, it must be willing to forego the tendency of member states to micro-manage every little activities that the organization undertakes in the region, and must be willing, whenever possible, to work in partnership with

the private sectors and civil society to implement its goals. Some other policy suggestions by Prof. Lama are:

- In order to make SAARC Integrated Programme of Action (SIPA) activities meaningful and effective there is a need to select target oriented and time bound programmes which emphasize on cross cutting issues. Monitoring, implementation, independent evaluation and good coordination between National Focal Points (NFPs) and Technical Committees (TCs) must be ensured.
- A Permanent Headquarter of Food Bank should be established as per the SAARC Food Bank Agreement, which could also work on food security issues of the region. Specific provisions of time frame, accountability and independent evaluating mechanism must be made for its implementation.
- The SAARC provision that no bilateral contentious issues will be discussed in the SAARC forum has been a hurdle to discussions of terrorism from a bilateral perspective. The provision should be dropped so that the issues can be discussed openly. The implementation of Regional Convention on Suppression of Terrorism is possible by making harmonization of domestic legislation mandatory and time bound.
- The Regional Convention of Narcotic Drugs and

Psychotropic Substances should recognize the role of NGOs and institutions working in management and tackling of drug abuse.

- The Convention on Preventing and Combating Trafficking in women and Children for Prostitution has failed to assign effective roles to NGOs and civil society although it was primarily triggered by the widespread demand of such organizations. An apex regional body of NGOs could be given the responsibility of implementing this convention. There is also a need of separate fund for rehabilitation and reintegration of trafficking victims.
- The Convention on Regional Arrangements for the Promotion of Child Welfare needs to work closely with some of the aspects of Social Charter and SIPA.
- It is essential to appoint an independent agency to oversee the implementation of the recommendations of different commissions on poverty eradication at the regional and sub regional level.
- There is a significant omission of private sector in SAPTA- SAFTA negotiation and implementation process, substantive role should be given to the private sector.
- The role of civil society organizations, media and private sector is immense in the sense that they can contribute to the achievement



Prof. Mahendra Lama

of the objectives of the Social Charter.

- The fund of SAARC Development Fund (SDF) should also be made accessible to sub-regional project by any private and public organizations.
- SAARC process should establish machineries to address the physical and non physical barriers of SAARC regional connectivity as mentioned in ADB's Report on SRMTS.
- The policy suggestion to the problems faced regarding the SAARC Regional Centers is to consolidate on the activities carried out during the last two decades by engaging in activities including spreading the accumulated knowledge and working very closely with other agencies involved in the delivery of services. Sharing of views, designing the strategies and coordinating among the centers is also needed to avoid duplication and parallel activities. This project was completed with support from ADB.

## ERADICATING POVERTY IN SOUTH ASIA:

### MOVING BEYOND THE PRSPs.

During the **Regional Seminar on Poverty Reduction Strategies in South Asia, Social Charter and Monitoring of SAARC Policies and Programmes** organized by SACEPS on February 1, 2008 in Hotel Yak & Yeti, Kathmandu, **Prof. Rehman Sobhan, Chairperson, CPD**, presented a paper on eradicating poverty. This paper argues that the persistence of poverty across South Asia owes to the incapacity of its policymakers to address the structural sources of the problem. The deep social division of the society, deprivation and tension in the South Asian society is due to the failure of the poverty reduction strategies of South Asia. The prevailing institutional approaches like Grameen Bank, SEWA etc. have been strengthening

the agency capacities of the poor but this paper is of the view that the strategies should move beyond this to designing and building institutions to graduate the poor man from agents into principals in the development process through broadening opportunities for asset ownership and enhancing their scope for sharing the value additions process. This paper draws from the experiences of five countries in South Asia, Bangladesh, India, Nepal, Pakistan and Sri Lanka. The paper is structured around three parts- a) South Asia's approach to poverty alleviation, b) the South Asian Poverty Reduction Strategy Papers (PRSPs) and c) Democratizing South Asia's

Development.

#### South Asia's Approach to Poverty Alleviation

In the last two decades the poverty level across South Asia has reduced modestly but still it is unacceptably high in countries except Sri Lanka. The social indicators in the region are quite poor too. The South Asian countries have some common development experiences like mixed GDP growth rates, increasing inequalities of income, decline in manufacturing growth rates and deceleration in employment generation. Also, all the countries in the region have converged to the Structural Adjustment Reforms sponsored under Bretton Woods institutions. These commonalities have originated from shared structural features of the

economy, polity and society like unequal distribution of resources, political instability, dualism of financial sector and a large segment of poor self employed in the low productivity micro activities. It is necessary to review the national development strategies reflected in the PRSPs and five year plan.

### The PRSPs in South Asia

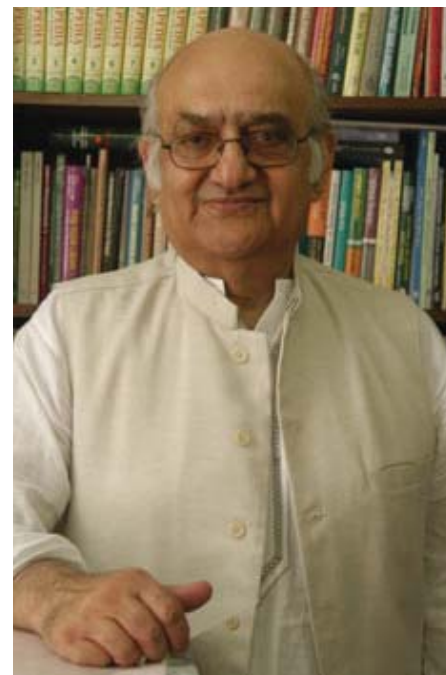
Five South Asian countries have published their PRSPs. All of them undertook the exercise at the behest of the donor agencies and the PRSPs were approved by donors before giving it a final shape. PRSPs lacked participation and transparency and none of them were approved by the elected parliament of the country. PRSP incorporated some elements of SAARC process as the core macro economic basis like financial liberalization, tax cuts etc. All the PRSPs in South Asia have more or less aligned their poverty reduction targets with the MDGs. However, Independent South Asian Commission on Poverty Alleviation (ISACPA) report states that with the current trend the targets the goals of reducing the population in poverty by half, achieving universal primary education, gender equality, improving the health indicators and ensuring environmental sustainability cannot be met by the South Asian region except for Sri Lanka by 2015. All PRSPs aspire to accelerate the present growth rates but no attempt has been made in these countries to causally link the different macro economic variable like rate of saving, investment, government expenditures, and foreign aid with poverty reduction. All the PRSPs aim to invest in enhancing the human resource base of their countries. In Bangladesh it was to be achieved through increment in budgetary expenditure in health and education sector. However, widening disparity in quality of education was given little attention in the PRSP. In Nepal much emphasis was given to increasing adult literacy to a level of 63 percent without giving due attention to the issue of growing disparity in human development. In Pakistan the implementation of the ongoing project, Education Sector Reforms Action Plan was embedded in the national PRSP and in the health sector the main aim was to fight TB, malaria, hepatitis B, HIV and AIDS and immunize the children. In Sri Lanka the main priority was to reduce the regional and class disparity through enhancing the quality of health and education across the country. The PRSPs have provisions for safety net programmes. Bangladesh's safety net programme aim at population facing poverty due to shocks emanating from natural disasters, sudden market upheavals, retrenchment policy etc. Nepal's safety net programme consists of large number of target group oriented expenditures. In Pakistan variety of welfare programmes like micro finance

banks are targeted to the poor. The role of good governance, overall participation and voice of the poor in poverty alleviation is duly recognized by all PRSPs. In this regard the PRSPs suggest promotion of good governance, reforms in civil service, financial management, devolution, enhancing access to justice for the poor and improving the service delivery mechanism. In structural issues of the PRSP, none of the five South Asian countries seem to have addressed the structural dimension of poverty. There is the issue of broadening asset ownership through distribution of public lands to the landless. However, no country has introduced the provisions for land redistribution or tenancy. The PRSPs have encouraged the asset ownership by the poor through extension of coverage of programmes like micro credit. Attempts have been made to expand the scope of the micro credit to lend the bigger investments and agricultural credit to small farmers by the PRSPs.

### Democratizing the Development Agenda

The contemporary approach to poverty reduction has moved towards focusing on policy reforms promoting agency through the empowerment of the poor. One of the examples of such actions is micro credit though this approach has been contested by various reformers who argued that the empowerment of the poor demanded collective action through institutions such as cooperatives and Self Help Groups (SHG). The transition from the individual to collective exercise of agency is challenged by the existing hierarchies of local and national power which are built around the distribution of economic and political power. The power relationship between those who control employment opportunities and those who seek work, between those who own the land and those who lease the land cannot be democratized just by building community organizations. Access of a poor woman to micro credit to buy a cow does not address the problem of who controls the milk market or the distribution chain. When the woman as an agent can graduate into the position of a principal, as a possible shareholder in a milk processing enterprise then the micro credit beneficiary will be able to enhance her income and also acquire a stake in an important industry and share in its growth.

The central message of this paper is to suggest that for the transformation of the poor and resourceless in the social hierarchies of South Asia, policy agenda has to be put in place which will enable the poor to graduate from the role of agents into principals. Such transformation requires asset ownership opportunities by the resourceless and enhanced share of the primary producers in the value



Prof. Rehman Sobhan

addition chain.

PRSPs of South Asia need to suggest financial sector reforms to channel credit from the formal sector to underwrite the acquisition of corporate assets by organizations of the resourceless or the workers. In order to build a stake for the resource poor into the corporate and growth sectors of economy would need a capable institutional architecture. Some bigger NGOs can turn themselves into corporate organizations owned by the clients who are resourceless. Grameen Bank and Grameen Telecom are some of the examples.

The resource poor and women of the South Asian region have been rarely represented by the legislatures of the region. Expanding the role of the poor from agent to principal would obviously need to extend into the political arena. The democratic role of voters as principal and the elected representatives as agents is reversed in South Asia. The failure of the South Asia's democratic institutions to ensure the right of poor and underprivileged reflects the asymmetries in economic power and social influences in these societies.

This paper prepared by **Prof. Rehman Sobhan** argues that an agenda for ending poverty must seek to challenge the root cause of poverty, injustice and asymmetries in power by democratizing the institutions, governance and development. The argument is that the current need is to correct structural injustices that create poverty. Thus, the challenge is to change design of poverty alleviation strategies, institutional architecture so as to elevate the deprived and marginalized to own corporate assets and become major players in national and global markets.

# CAN SOUTH ASIA LEAD THE WORLD?

**Dr. Syed Akmal Hussain, Distinguished Professor, Beaconhouse National University, Lahore,** presented this paper in the Regional Seminar on Poverty Reduction Strategies in South Asia, Social Charter and Monitoring of SAARC Policies and Programmes organized by SACEPS on February 1, 2008 in Hotel Yak & Yeti, Kathmandu. Some of the key points of his presentation have been summarized below:

- Considering the present trends in GDP growth, within the next two decades, China will be the largest economy in the world, followed by US and India the third largest. Given the geographical proximity and economic complementarities in the region, if the South Asian countries develop an integrated economy, the region could become the greatest economic powerhouse in human history.

- For the last three centuries of economic growth, there has been two major policy paradigms- maximization of individual gains with continuous increase in production and consumption ensuring the maximization of social welfare; and that the economic and political interests of a nation are best achieved by translating economic gains into military power. But there are some criticisms to these propositions on the ground that it leads to dependency. The idea that competition ensures efficient outcome rather than cooperation is wrong (Nash Equilibrium), and that the influence of an emerging power will not be determined by military power but the contribution to meeting the challenge of peace, overcoming global poverty and protection from environmental disaster. Thus, as South Asia pursues a leadership position in the global economy, it would also have to strive to reach the cutting edge of human knowledge in the natural and social sciences; shifting the paradigm from competition and weapons to cooperation and sensibility.

- If sustainable development is to take place in the global economy, a new relationship will have to be sought between human beings, nature and economic growth. Thus we

may be either on the threshold of ecological disaster or the construction of a new human civilization. In this situation, for South Asia to lead the world means introducing new forms of social production, new institutions and a new consciousness that can sustain life on earth.

- The culture of consumerism is inconsistent with conserving the environment. The contemporary market culture is marked by the atomization of society, the inculcation of greed, egotism and the estrangement of the individual from his humanity. Thus, South Asia should contribute to a more humane sensibility forming the basis of a sustainable relationship between man, nature and economic growth with its diverse civilizations valuing a sense of selflessness, detachment from the desire for commodities and respect for nature.

- It is the human functioning that gives richness to life and not the mere commodities. Thus we can say that overcoming poverty is not simply income or 'delivering' a certain quantity of food, but also providing complementary services such as drinking water, sanitation, health care and education for actualizing human capabilities. So if we could extend the scope of entitlements to include high quality universities, hospitals, free press, peace, human security and the entire range of political rights associated with democracy, it would fulfill the human need to function in a socially useful way.

- Dr. Hussain recommends South Asia to undertake the following six specific policy actions for the concretization of the new perspective on economic development:
  - >> Moderation of the visa restrictions among the South Asian countries for promoting tourism, which would contribute to the GDP and foster pro poor growth by

generating employment and income for a wide range of social groups, and would also help in rediscovering shared civilization values and build more pluralistic societies to strengthen democracy in the region;

- >> Initiation of South Asia Health Foundation(SAHF) to provide high quality preventive and curative health facilities with the aim of poverty reduction, human development and economic growth in the region;

- >> Institution of South Asia Education Foundation to establish a network of schools and universities at the best international standards to help develop the knowledge base to prepare South Asia for its leadership role;

- >> Implementing SAFTA;

- >> Private Sector Joint Venture Infrastructure Projects for establishing gas pipelines, building network of motorways, railways and airports, and developing new ports along the western and eastern sea border; and



Dr. Syed Akmal Hussain

- >> Restructuring and accelerating growth for rapid poverty reduction through joint venture projects in sectors with higher employment elasticities; regional network of support institutions in the private sector; and SAARC fund for vocational trainings for growth with rapid poverty reduction.

- If South Asia is really to lead the world, the governments should move out of a mind-set that regards an adversarial relationship with a neighboring country as the emblem of patriotism, affluence of the few at the expense of many as the hallmark of development, individual greed as the basis of public action and mistrust of inter state relations.

## FORD FOUNDATION INSTITUTIONAL SUPPORT TO SACEPS

SACEPS was founded in 1998. It was first housed with the Centre for Policy Research (CPR) in New Delhi and later with Center for Policy Dialogue (CPD) in Dhaka. The eminent scholars and policy makers played a crucial role for its establishment and the Ford Foundation has been providing institutional support from the very beginning of its inception. The catalytic role of the Ford Foundation is very crucial in establishing and promoting SACEPS. In continuation of its support, Ford Foundation had agreed to provide core institutional support for SACEPS for three years period commencing 2007.

SACEPS has been and will be involved in generating new ideas for future programmes, while maintaining liaison with the SAARC Secretariat in Kathmandu and work together with it as a partner organization. It is committed in keeping close contact with and monitoring the work of active civil society networks which collaborate on common concerns reaching across South Asia. It plans on building an information network through South Asia web site to track and build an institutional memory of work on South Asian Cooperation carried out within SACEPS partner organizations as well as through academic and civil society network and at the official level, through SAARC.



A THINK TANK  
FOR SOUTH ASIA

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