



Recommendations
to
The Sixteenth SAARC Summit
(Thimpu, April 2010)

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Recommendations

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The South Asia Centre for Policy Studies (SACEPS)* has the pleasure in submitting to the member states of SAARC a set of recommendations that the 16th SAARC Summit in Thimpu, Bhutan, may wish to consider as part of its final Declaration to enhance of process of regional integration in South Asia. The current input for the Summit is based on some forward looking policy studies prepared by SACEPS over the years, as well as feedback received from a number of programmes that the Centre has organized throughout the region. The recommendations provided below cover five priority areas where new policy decisions are needed at the Summit level. They include: enhancing intra-regional connectivity in the decade of 2010-2020; cooperation in the energy sector; facing the threat of climate change in South Asia; SAFTA and integration of the LDCs; and monitoring of the SAARC Social Charter.

1. Enhancing Intra-regional Connectivity in the Decade of 2010-2020

After the SAARC Multimodal Transport Study was endorsed by the SAARC Summit, the meeting of Transport Ministers have recommended to the SAARC Council of Ministers that 2010-2020 be declared as the “Decade for Intra-regional Connectivity in SAARC”. Some progress has already been made by SAARC in the transport sector since the Working Group on Transport constituted by the Transport Ministers will complete the task of finalizing draft agreement on Motor Vehicles and on Railways which will be presented to the 16th SAARC Summit. Additionally, the historic Summit between the Prime Ministers of Bangladesh and India in January 2010 has opened new possibilities in the region in the transport and energy sector, which has potential benefits not only for these two countries, but also for Bhutan and Nepal.

* See *Annexure* for a list of SACEPS Board Members.

a) *Transport and communications*

In regard to facilitation of transport, communication and trade, our recommendations are that concerned authorities in South Asian countries should:

- i) Jointly improve the efficiency of the trade facilitation procedures and processes ;
- ii) Standardize and simplify customs documentation and procedures;
- iii) Introduce EDI and IT facilities at land ports and sea ports;
- iv) Simplify testing procedures and certification;
- v) Standardize, rationalize and harmonize technical specifications for road, rail and water rolling stocks and load and carrying capacities;
- vi) Provide green fast-track multi-modal transport channels and corridors. This will also facilitate efficient regional supply chains;
- vii) Jointly evolve effective institutional mechanisms and managerial procedures for efficient operations, management and performance monitoring, of cross-border land and water transport systems;
- viii) Modernize and upgrade the quality of road, rail, inland water and coastal and international shipping and communication networks (telecom, post, etc.) and expand their capacities;
- ix) Improve sub-regional land and inland water connectivity to and from the eastern and north-eastern part of the sub-continent with a view to facilitate connectivity within the region and to South East Asian and East Asian countries;
- x) Evolve and implement specific transit trade agreements between Bangladesh and India and between Afghanistan, India and Pakistan to promote intra-regional connectivity and also connectivity to neighboring regions in South East, Central and West Asia;
- xi) Jointly and actively promote and develop Afghanistan, Pakistan, India, Bangladesh and Myanmar (APIBM) transport corridors through Asian Highway, Trans-Asian Railway and land and sea-routes as corridors to ASEAN countries, China, Central Asia and West Asia;
- xii) Promote joint ventures in construction of transport capacities and production of rolling stocks and communication hardware;
- xiii) Enter into local currency swap agreements with assistance from the central banks for settling payments in local currencies of cross-border charges and fees for cross border movements of goods, people and investment; and
- xiv) Introduce multiple entry visas for transport operators, consider issuing to SAARC nationals visas on arrival, and increase visa exemption stickers to businessmen recommended by business and trade associations from current figure of 100 to 500 to meet urgent requirements.

b) Generating broader support for SAARC initiative on connectivity through civil society, parliamentarians and the private sector

A strategy for South Asia would have little meaning unless there is a coherent programme to facilitate public awareness in the region about matters relating to connectivity. The role of civil society, including academics and media, in discussions, debate and analysis on connectivity issues for promoting regional integration has been critical and crucial. This has led to development of many projects and programmes conducive for greater cooperation in the region. In order to consolidate this tradition, the 16th SAARC Summit may wish to empower the SAARC Secretary General to interact with such civil society initiatives on a regular basis and require him to report to the Summit the key recommendations coming from the people of South Asia for consideration by leaders of the region. The SAARC Secretariat could play a pivotal role by:

- i) requesting the Track II process to address factors and trends that impede connectivity;
- ii) lending support to all programmes for sustained regional consultations and dialogue at both Track I and Track II level;
- iii) encouraging various national and regional stakeholders to set up goals and targets for improving and enhancing intra-regional connectivity to develop effective strategies for their realization during the next decade; and
- iv) facilitating concerned parliamentarians and other elected representatives, media representatives, private sector and public industry and trade organizations, academic institutions and civil society organizations to be increasingly involved in evolving and implementing cooperative policy and supportive legislative and legal frameworks and institutional mechanisms for enhancing connectivity in the region.

2. Cooperation in the Energy Sector

Cooperation in the energy sector is a critical issue in South Asia today. Disruption of power and other energy supplies have adversely affected both human and national security in the region. Some progress has been made in the energy sector where SAARC has already expressed strong commitment to regional energy trade, agreed on establishing a Energy Centre in Islamabad, initiated a major study with the support of the ADB in enhancing energy connectivity and accelerating power sector reform in all countries of the region in order to develop an appropriate inter-government framework. The attention given

by SAARC on enhancing the level of energy cooperation, starting in 2004, has led to a meeting of Energy Ministers, followed by a meeting of energy experts under the SAARC umbrella in Goa in 2009. More recently, the comprehensive agreement between India and Bangladesh on issues relating to generations, transmission, technical cooperation and interconnections facilities, will have a beneficial impact on other countries in the region.

There are ample opportunities and scope for cooperation in the energy sector in South Asia. In order to move positively in this direction, some of the measures that the 16th SAARC Summit may wish to consider are as follows:

(i) Key Strategy

- Developing a “SAARC Regional Energy Framework Agreement” for collaboration among the SAARC Member States in harnessing indigenous energy resources and procuring energy supplies from other regions to meet their increasing energy needs.
 - Promoting cross border investments in the energy sector among the SAARC Member States.
 - Putting in place investment protection and arbitration mechanisms.
 - Sharing of technology, experiences and best practices should form an integral part of this Agreement.
 - Policies that involve the private sector as strategic partners should also be evolved.
 - The existing regional policy development mechanisms need to be effectively utilized for coordination and harmonization of SAARC Member States’ energy policies.
- (ii) Member States of SAARC should promote renewable energy projects, such as wind, solar and biomass using the latest technology to reduce their dependence on imported fuel.
- (iii) Ensuring energy efficiency and demand side management in the electricity sector should be considered as a priority in the region.
- (iv) There is a need to promote institutional networking and linkages within the SAARC region to operationalize the regional level programmes. The 16th SAARC Summit may wish to establish a regional forum where professionals

engaged in the energy sector, including those in regulatory bodies, generation, transmission, distribution and exploration utilities, could regularly meet and exchange views, ideas, technologies and success stories. Key recommendations from such a regional forum could be examined by the meetings of Energy Ministers to promote effective energy policy in the region.

- (v) Cross border energy trade is taking place between India, Nepal, Bhutan and Sri Lanka and also between Pakistan and Afghanistan. SAARC needs to draw up a set of guidelines which can be widely discussed and agreed upon for the region. Such a set of guidelines could answer some of the crucial question on how to resolve the issues of resources allocation and sharing of benefits, and also the question on how to resolve issues of regulation or establishing either a regional regulatory framework or letting them emerge through bilateral agreements. The guidelines should include technology related issues and most importantly, the cost of infrastructure.

3. Climate Change, Trade, Agriculture and Biodiversity

There are a number of initiatives that SAARC needs to take in order to collectively face the challenge posed by climate change to the region.

- (i) ***Create a regional adaptation fund***— It is imperative for SAARC to create a Regional Adaptation Fund to enhance our adaptive capacity in the region. This fund should be used to establish a knowledge management platform and early warning systems, linking national and local agricultural scenario.
- (ii) ***Investment in regional R&D on variety development***—Regional investment for research and development is essential if South Asia is to develop new varieties of crops that are resistant to and can tolerate drought, disease, pests, etc. As agriculture research councils in many SAARC countries are not equipped to develop new varieties on their own, it is important for SAARC to bring these centres together in partnership to develop the new varieties to face likely threats in the future.
- (iii) ***Implement projects like PPB and PVS***—SAARC needs to support programmes that take into account participatory plant breeding (PPB) and participatory variety selection (PVS) that are going on at the local level in countries like India and Nepal. These initiatives can be taken up at the regional level as regional projects.
- (iv) ***Develop a strategic framework on sustainable agriculture and climate change***—The 16th SAARC Summit may wish to endorse a programme to develop a strategic framework on sustainable agriculture and climate change

that would include, among others, regional guidelines/frameworks on genetically modified organisms (GMOs), biotechnology and bio-fuels. In considering the use of bio-technologies and GMOs SAARC should take bio-safety into consideration. The SAARC leaders may wish to set up regional guidelines or a framework on the use of bio-technology and how they can be made bio-safe.

- (v) ***SAARC Regional Food Bank and the need to supplement it with SAARC seed bank***—SACEPS presented a comprehensive set of recommendations to the 15th SAARC Summit in Colombo, among others, on how to make the SRFB more effective since its early operationalization in view of climate change is crucial. In addition, it is also important for SAARC to consider the need to establish a SAARC seed bank in the region in order to negate the adverse effect of climate change. Community seed banks already exist in a number of countries in South Asia, but on their own they are not viable options to face the adverse effect of climate change. There is therefore a need to link these community seed banks at the national level and then link those national level seed banks at the regional level.
- (vi) ***Create a regional database of genetic resources and traditional knowledge***—It is also important for SAARC to create a regional database of genetic resources and traditional knowledge and establish a regional access and benefit sharing regime with specific guidelines. The objectives of the Convention on Biological Diversity (CBD), of which every SAARC country is a member, is the conservation and sustainable use of biological resources. In South Asia, India and Bhutan already have national legislations in place, while Nepal has a draft in place and other countries have yet to develop such legal measures. There is need to bring the national legislations at par with the CBD and at the same time develop a regional framework for co-operation in bio-diversity conservation and to define areas of benefit sharing that arise out of the use of bio-diversity. Additionally, it is also important for South Asia to develop a common position for negotiation on the international regime at the CBD level on access and benefit sharing.
- (vii) ***Set up a SAARC Taskforce on environmental goods and services***—On the issue of trade and climate change, South Asian countries need to establish a task force on environmental goods and services (EGS) since it is one of the most important topics that is being negotiated at the WTO level. There are differences among nations as regards what constitutes environment goods and services. Looking at the export structures of the South Asian countries, especially the LDC's, we see that some of the environmentally preferred products like jute and jute made products have very good prospects of export from South Asian LDC's like Bangladesh and Nepal. If the products which are being considered as EGS at the WTO level do not capture all the products of export interest to LDC's and other members states of SAARC, then it will pose a serious problem for the region. This makes it imperative for SAARC to develop a coherent position on EGS for WTO negotiations.

4. SAFTA and Integration of the LDCs

(i) There is a need to revisit and upgrade SAFTA into a *Comprehensive Economic Partnership Agreement* (CEPA) in order to create a dynamic instrument for promoting regional integration in South Asia. Some of the important measures that need to be undertaken include:

- combining liberalization of trade in goods with liberalization of trade in service, as well as investment liberalization;
- compressing the time frame for freeing trade;
- removing non-tariff barriers with a time bound framework;
- substantially reducing the sensitive list and providing for their phasing out within a specified period of time;
- and fixing a dateline for completing negotiations on services.

(ii) As SACEPS' recommendation to the 15th SAARC Summit strongly underscored, it is very difficult to sustain the interest of the Least Developed Countries (LDCs) of South Asia in any regional integration arrangement until their economies are brought to the level of more advanced countries of the region. Five of the eight member countries of the South Asian Association for Regional Cooperation (SAARC) are LDCs. The Agreement on South Asian Free Trade Area (SAFTA) has recognized the special and differential needs of these LDCs and has incorporated various preferential measures on a non-reciprocal basis. However, implementation of those measures so far has been disappointing. The leaders at the 16th SAARC Summit may wish to take note of some of these problems and consider meaningful measures to integrate the LDCs into SAFTA.

For instance, there has been very limited impact of the special and differential treatment measures accorded to the LDCs. For example, Pakistan and Sri Lanka do not have separate sensitive lists for LDCs, and the sensitive list for LDCs maintained by India contain most of the products in which the LDCs have export interests. Similarly, technical assistance to LDCs has focused more on the “software” than the “hardware” part. LDC exports face different para-tariff barriers, like special additional duties; and non-tariff barriers, like regulatory barriers and rules of origin. Problems of transit have been a major issue, mainly for the landlocked LDCs like Afghanistan, Bhutan and Nepal. And LDCs

have also been facing supply-side constraints, including low level of technology and inadequate trade facilitation measures.

- (iii) Some specific measures that the 16th SAARC Summit may wish to consider ensuring more meaningful integration of LDC into the South Asian economic community are as follows:
- 20 percent reduction in the sensitive list as proposed by the Committee of Experts is not enough. As in the case of the ASEAN Free Trade Area (AFTA), sensitive list should be reclassified into three categories:
 - temporary exclusion list: 50 percent of the products in the current sensitive list should be eliminated immediately
 - sensitive list: 25 percent of the products should be phased out in the medium term
 - highly sensitive list: Elimination of the remaining 25 percent of the products can be optional, depending upon the sensitivity of the products in the list
 - an arrangement similar to the South Asian Regional Standard Organization (SARSO) for industrial goods should be set-up for agricultural goods;
 - Land-locked LDCs should be extended generous transit facilities based on a regional agreement; and
 - a Regional Fund for LDCs with a minimum size of three billion dollars needs to be established, based on contribution by more developing member countries according to an agreed criteria relating to capacity to pay, for the development of the infrastructure and export production capacity of the LDC members.

5. Monitoring of the Social Charter

In its wisdom the 15th SAARC Summit underscored the imperative to make steady progress in the implementation of the SAARC Social Charter and directed the member states to complete the National Plan of Action and the National Coordination Committees (CCS) “to introduce an efficient and effective monitoring and evaluation mechanism” to review progress in the implementation of the Social Charter. Some progress has been made in this area, but the process has been agonizingly slow and the preparation of and discussion on the country reports have yet to be fully participatory in nature.

As SACEPS has done major work in this area, including the monitoring aspect, it is our belief that the monitoring of the implementation of SAARC 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 rights-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 to undertake 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, which should then be reviewed at the regional level with a view to identifying shortfalls in implementation and suggesting remedial measures. It is, therefore, essential that the review of the implementation of the SAARC Social Charter should be a recurrent item on the agenda of the SAARC Summit Conference.

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