



South Asian Stakeholders Consultation on
Participatory Approaches to South Asian Regional Integration and Connectivity
Friday, April 12, 2013
New Delhi, India
Report

Summary

I. Outline of the Activities

- Presentation of AusAID's South Asia Regional Connectivity Strategy.
- Discussion on AusAID's strategy and gain civil society inputs for the same through open floor discussions and focused group discussions.
- Synthesis of the discussions and documentation of suggestions of participants.
- Identification of priority actions to address the concerns.

II. Key Outcomes

- Awareness generated about the AusAID's strategy and its recent initiatives for South Asia.
- Identification of the need for involving Civil Society Organisations and other stakeholders and inclusion of their perspectives on said issues.
- Generation of set of recommendations for prioritizing and attaining AusAID objectives.
 - Trade facilitation reforms, especially removal of procedural NTBs, is the most important area for initial intervention. For identification of priority reform areas amongst existing procedural trade barriers, designing appropriate policy remedies and pursuing governments for implementing reforms, a participatory approach is inevitable. Therefore, awareness generation and capacity building of various stakeholder groups to enable them to proactively participate in the reform process should of greatest priority.
 - All project proposals to be adopted by AusAID must be complemented by a component for ensuring inclusiveness in benefit sharing so that marginalised sections are able to directly derive developmental outcomes. Therefore accompanying sets of interventions should be planned to bring forth equity into the implementation of all projects through special targeting of SMEs, women workforce etc.
- Initiation of networking amongst CSOs, business associations and other stakeholders developmental partners which would help in realising AusAID's strategy.

III. Developmental Impact

- Inclusion of relevant stakeholders as facilitators and mediators to bridge micro-macro gaps in policy making process.
- Generation of incentives for CSOs to enhance their participation through recognition of their contribution towards regional integration.
- Endorsement of a participatory and multi-stakeholder approach to addresses the concerns of relevant dialogue partners.

- Initiation of regular dialogues for developing and enhancing a shared understanding on identified issues.

IV. Sustainability and Lessons Learned

- The AusAID initiatives for South Asian regional integration, regional connectivity and climate change needs awareness among relevant stakeholders. The success of such initiatives relies heavily on the perception of stakeholders who have to work together as a consortium for development of the region. The most important lesson from the event is that it is difficult to match the diverse interests of various stakeholders and a regular dialogue process needs to be facilitated for generating consensus on various policy matters.
- Large deficits in the capacity of various stakeholder groups in terms of their understanding on issues of development and awareness about their respective roles could be noticed. South Asian regional integration through an inclusive and participatory approach will not progress without sustained efforts for building capacity and enhancing awareness levels of various stakeholder groups.
- A platform for dialogues between relevant stakeholders could be initiated so that it is possible to build on the outcomes of the event to make further progress in capacity building and awareness generation amongst stakeholder groups to eventually arrive at inclusive, issue-specific and action oriented policy proposals.

1. Introduction

1.1 The objectives of the consultation meeting co-organised by Consumer Unity and Trust Society (CUTS) and Australian Agency for International Development (AusAID) was to gain civil society inputs on AusAID's strategy supporting South Asian regional integration and connectivity, and to develop a shared understanding of the big issues affecting progress towards regional economic integration and identify priority actions. The meeting was organized with the participation of stakeholder groups including civil society and community-based organisations, business/industry associations, international developmental cooperation partners and academia from different South Asian countries.

2. Opening

2.1 Pradeep S. Mehta, Secretary General, CUTS International, in his welcome remarks, highlighted the importance of track-II dialogues in South Asia for bringing about synergies in the region. The role of CSOs in policy making process is increasingly getting due recognition world over. CSOs are even becoming a part of official delegations for international trade and economic negotiations. However, in South Asia sheer ignorance of CSOs has been a drawback and has resulted in sub-optimal outcomes from initiatives for regional cooperation. It is important for South Asian governments to bring about a change in this condition and recognize that the involvement of stakeholders is a necessity, not a bonus, in the making of welfare enhancing policies. He further stressed on the need for considering consumer welfare in trade, especially from a regional perspective. SAARC member nations were called upon to prioritize regional cooperation in their agenda and invited delegates representing SAARC countries to actively participate in the process of regional economic cooperation.



- 2.2 Gopal Menon, Country Manager, India and South Asia Regional Programs, AusAID stated that South Asia faces several challenges with regard to sustainable development, climate change, energy and water and AusAID is planning to develop programs in region on three major areas of climate change, regional integration and regional connectivity. The overall aim of AusAID's programmes is to achieve poverty reduction and promotion of inclusive and sustainable growth with high level of regional cooperation in South Asia. It was also emphasised that Australia's expertise in these areas will prove valuable to South Asia and AusAID will work in partnership with like-minded development partners and CSOs belonging to the region to frame and execute its programmes.
- 2.3 Lise Grande, UN Resident Coordinator and Resident Representative of UNDP stated that the recently released figures of the Human Development Report 2013 have revealed that South Asia accounts for the largest concentration of poverty in the world and performs poorly on all measures of standard of living. The dismal performance of South Asian countries point towards certain systemic issues and regional economic cooperation would open up an important avenue to make significant improvements. Growth of southern countries in recent years has been quite impressive, which has benefited from regional integration initiatives. The focus of UNDP on regional integration was also mentioned in this context and she highlighted the importance of inclusiveness and spreading of benefits of regional integration across all countries as well as economic and social classes. CSOs should work together to assist their respective governments for adopting pro-poor policies and harness trade benefits for the poor. An agenda for post 2015 development goals is being developed by a high level panel constituted by the UN Secretary General and South Asia's progress is crucial to the global development strategy of the UN.

3. Program on South Asia Regional Integration

Chair:

Saman Kelegama, Executive Director, Institute of Policy Studies of Sri Lanka

Presentation:

Sabrina Varma, Trade Advisor, Economic Section, AusAID D, Canberra

Speakers:

Bipul Chatterjee, Deputy Executive Director, CUTS International

Shirin Akter, Karmojibi Nari, Bangladesh

Nadeem Iqbal, Executive Coordinator, The Network for Consumer Protection, Pakistan

Biplove Chaudhuri, Programme Specialist, United Nations Development Programme, Asia-Pacific Regional Centre, Bangkok

- 3.1 The contributions of development agencies in assisting stakeholders in developing countries were acknowledged by the Chair. There are examples world-wide to show that development assistance works well when local ownership of projects is honored to a greater extent. In this regard, AusAID's consultation with native CSOs in South Asia right from the planning stage is noteworthy and is in the right spirit. A comprehensive strategy to address connectivity issues in South Asia and development of sustainable value chains within the region must result from these consultations. Track-II dialogues of this nature must complement track-I negotiations in South Asia. Strengthening of private sector voice in SAARC decision making process and the role of SAARC CCI in carrying this voice to SAARC Secretariat were also highlighted.
- 3.2 Sabrina Varma, presented the aim and objectives of AusAID's programmes for supporting regional economic cooperation in South Asia. The linkages between trade and development were clearly established and certain specific objectives of Australia's Aid for Trade initiatives were stated as; (i) helping developing countries engage in the multilateral trading system and regional trade initiatives, (ii) boosting trade and investment flows, (iii) encouraging diversity in trade activities, and (iv)

improving economic integration on a regional and global basis. AusAID's approach for attaining these objectives rests on the two pillars of facilitation of market access for developing countries and assistance to build competitive business environment that would enable them to take advantage of global trading opportunities.



- 3.3 Initial areas of focus proposed in AusAID's plan are improvements in customs procedures, transport and transit regulations, infrastructure and connectivity along key corridors, and development of lagging sub-regions. Modalities for action would be through partnerships with development agencies, CSOs and the private sector. Collection and analysis of data at a disaggregated level and special focus on SMEs and women participation would be part of the plan for maximizing developmental outcomes. Expected outcomes of these plans are reduced costs to trade, increased intra-regional and inter-regional trade, product and market diversification, and increase in value addition, employment, income, private sector participation, institutional capacity and cooperation.
- 3.4 A bottom-up approach from improved trade facilitation to reach economic prosperity and stability in South Asia through various stages was presented. Interventions being planned by AusAID are expected to foster such a stage-by-stage advancement. The main topics upon which AusAID invites inputs at the current stage were, role for donors in supporting regional integration, role of stakeholders (CSOs, media, academia, private sector and governments) in creation of a multi-stakeholder constituency for South Asian economic cooperation, ways to ensure CSOs and private sector engagement, ways to maximise development impact of regional integration efforts, ways to tackle political economy constraints of non-tariff barriers in the region, ways to enhance investments and value chains within the region.
- 3.5 During the discussions which followed, the priorities areas of AusAID, especially measures of trade connectivity and capacity development for stakeholders, were agreed upon by the participants. Aid

funding can both directly and indirectly help to expedite mainstreaming of trade in the activities of non-governmental development organizations in South Asia and sensitization of the issue through a network of business organizations and CSOs. However, AusAID programmes should give more attention to the linkages between enhanced trade and developmental outcomes. For instance, labour market rigidities in South Asia may limit upward mobility of large sections of the workforce and many would get excluded from sharing of the benefits of rise in trade if specific attention is not given. The role of trade unions and consulting their perception on trade liberalisation are very crucial from this point of view. Similarly, engaging with potential beneficiaries is needed at every stage of planning and execution of specific interventions or programmes for successful outcomes.

- 3.6 The discussants highlighted this point by giving examples about different beneficiary groups. The role of SMEs and need for targeting them in the programmes was raised first. SMEs are often left out of growth dividends as they suffer from low capacity and lack of knowledge. While trade facilitation programmes are planned, whether and how SMEs could benefit from it should be considered. This would result in better outcomes as marginalized workforce would get better returns from it. It was proposed that SMEs should be part of regional value chains and this will in turn reduce risk of marginalisation. Another similar aspect is participation of women in trade and economic growth. Women constitute a large part of the untapped and under-remunerated section of the work force in South Asia. Specific interventions should be planned for skill development and empowerment of women in region so that they become complementary to other funding initiatives in generating better outcomes. Consumer welfare is another area of consideration. Mainstreaming consumer groups and organization into the trade policy process is also absolutely necessary to ensure balanced outcomes.
- 3.7 The main message emerging from the session was that though the priority areas selected by AusAID covers some of the most important gaps in South Asia's regional integration process and therefore would definitely generate results, their execution must be carefully planned and made inclusive so as to ensure that benefits do reach the poor and marginalized sections of the population.

4. Group Discussion on Civil Society Interventions

- 4.1 Participants were divided into five groups and groups were given the task to deliberate on the role of civil society in improving South Asian regional integration and connectivity. The general objective of group discussion were to gather stakeholders' perceptions on role of CSOs, media, researchers, private sector and government on inclusive trade policy making and creation of a multi-stakeholder constituency as well as on the role of development partners in supporting South-South regional integration. The group-wise specific topics of discussions were as follows:
- Enhancing engagement of CSOs and private sector in South Asian regional integration efforts
 - Maximizing of development impact of regional integration efforts (i.e. SMEs, gender)
 - Overcome political economy constraints of non-tariff barriers in the region and role of stakeholders
 - Strengthening regional integration process to encourage regional value chains and cross-border industry clustering and role of stakeholders
 - Advancing regional economic integration, given the importance of trade-investment nexus and of trade-in-goods-plus topics including services, competition, IPRs, environment, etc.

Presentation by Group leaders:

Chair:

Tuhin Sen, Lead Strategist, Global Development Network, New Delhi
Karma, Chief Executive Officer, SAARC Development Fund, Bhutan

Speakers;

Mahfuz Kabir, Senior Research Fellow, Bangladesh Institute of International and Strategic Studies

Sajal Mathur, Professor, Centre for WTO Studies, Indian Institute of Foreign Trade, New Delhi

Dhrubesh Chandra Regmi, Programme Director, South Asia Watch On Trade, Economics and Environment, Nepal

Vaqar Ahmed, Deputy Executive Director, Sustainable Development Policy Institute, Pakistan

Mala Liyanage, Executive Director, Law & Society Trust, Sri Lanka



L-R: Dhrubesh Regmi, Mala Liyanage, Vaqar Ahmed, Karma, Tuhin Sen, Sajal Mathur, Mahfuz Kabir

- 4.2 On the issue of ensuring greater engagement of CSOs and private sector in South Asian regional integration efforts, it was suggested that since the formal dialogues lack political will and often gets affected by non-economic priorities, track-II process involving non-governmental stakeholders is a must for bringing about any significant change in status quo. Identifying and addressing NTBs is a complex issue and CSOs and private sector can play a wider role in this respect. For enhancing regional connectivity, people to people dialogues and other confidence building measures must be encouraged both at regional and national levels. Multilateral donor agencies should provide support to CSOs working in area of regional integration and cooperation, aiming at developing their capacity and knowledgebase. Special emphasis was placed on the need for regional energy cooperation. It was unanimously recommended that fostering track-II dialogues on various issues should be the top priority for development agencies.
- 4.3 For maximising development impact of regional trade integration efforts, the participants recommended a set of measures. The regional mechanism under SAFTA for addressing NTBs should be strengthened with the participation of SAARC CCI and apex business organizations. Harmonized system of product codes is to be introduced at the regional level for reducing

uncertainties and losses. Measures to address information asymmetries, such as transparent, reliable and one-stop information portals should be created at the regional level by SAAARC. Identifying and targeting potential beneficiary sectors from specific NTB reforms is to be undertaken. Capacity building and related supply side interventions should be made available to SMEs and marginalized sectors. Access to regional financial and banking system should be made easier for small-scale traders. Role of India in mitigating data gap on NTBs in South Asia was highlighted. Outreach and information dissemination and initiation of in-depth research on NTB issues through CSOs was proposed.

- 4.4 Recommendations from group discussions on overcoming political economy constraints of non-tariff barriers in the region include creation of a network on trade issues, development of a body of national level think-tanks to identify and quantify NTBs, center-state coordination on critical trade related issues in India, and regular liaison between government and apex business associations on regional trade and economic issues. It was pointed out that political issues should not be merged with intra-regional trade promotion efforts and role of media in ensuring this is of paramount importance. The need to make SAARC information Centre more active and groups of South Asian journalists more proactive emerges in this context. It was strongly recommended that a database on NTBs and a virtual forum for reporting of trade barriers should be developed and outreach capacity of CSOs should be effectively utilized in this regard.
- 4.5 On strengthening regional integration process by encouraging regional value chains and cross-border industry clustering, it was recommended that identification of potential sectors for developing regional value chain should be started in South Asia at the earliest and governmental programmes for industrial clusters at the national level should be linked to development of regional value chains involving such clusters. Lack of appropriate legal framework for intra-regional investment and adequate banking & financial services in South Asia has been a major problem in this regard. It was stated that in existing literature value chains are mostly restricted to manufacturing industries and it is important to consider value chains involving services sectors. Analytical examination of vertical and horizontal linkages in regional value chain process should be undertaken. Businesses should take initiatives for strengthening joint business councils for developing cross border clustering. The role of CSOs, SAARC CCI and Joint Business Council in cluster development must be complementary. SAARC should have a monitoring cell for value chain and cluster development and progress on same should be documented and submitted to the SAARC Secretariat periodically.
- 4.6 One of the main observations on role of stakeholders in broadening regional economic integration was that CSOs are not ideologically similar and represent various interests which are sometimes conflicting to each other. But there are many areas where their interests converge and these should be tapped to find synergies in their actions. Lack of information on benefits of trade and its impact on overall development scenario needs to be addressed. Though both businesses and CSOs have major stakes in intra-regional trade in South Asia, both groups have seldom worked together in the past. More networking and launching of joint efforts can change this scenario for the better. Periodic organization of dialogues on trade related issues involving multiple stakeholder groups and developing it as a culture in the region will bring-about huge difference in the way trade is managed at present.

5. Closing

Chair:

Ambassador Humayun Kabir, Vice President, Bangladesh Enterprise Institute

Speakers:

Pankaj Pandey, Senior Programme Manager, South Asia Association for Regional Cooperation
Information Centre, Nepal

Moana Bhagabati, Fellow, Lal Bahadur Shastri National Academy of Administration, India
Purushottam Ojha, Senior Consultant, South Asia Watch on Trade, Economics and Environment,
Nepal

Concluding Remarks:

Nagesh Kumar, Director and Chief Economist, United Nations Economic and Social Commission
for Asia and the Pacific



- 5.1 The reality that the status of South Asian regional economic cooperation still remains far below potential is well recognized. A major concern is that SAFTA timelines have been missed by member nations and sensitive lists are still not eliminated. Information gap in South Asia is too large to ignore and it explains the slow progress in taking forward the agenda of regional integration. Against this backdrop, information dissemination and capacity building through it amongst stakeholders and thus enabling stakeholders to participate in the policy process seems to be the most important interventions that multilateral development agencies should undertake.
- 5.2 Recommendations like web portal, facilitation of multi-stakeholder dialogue platforms etc. are amongst the most important points raised. As far as specific interventions in the area of custom cooperation, trade facilitation, research etc. are concerned, AusAID's proposals and priorities are in the right direction. What is needed is more complementary action programs to ensure that marginalized and weak sections of stakeholders also are able to benefit from growth in trade and commerce within South Asia.

- 5.3 Development of trade related infrastructure is of utmost importance in South Asia. This would not only create trade but also mainstream the huge volume of informal trade that exists. This would considerably reduce welfare losses for trade dependent population. There are numerous examples from across the world to demonstrate that trade can be used a tool economic development and uplift the standard of living of the poorest. However infrastructural bottlenecks stifle trade growth, and until this is addressed other interventions may fail to generate results. Thus awareness generation and stakeholder participation must be channelized towards addressing trade facilitation policies initially. For this, there is need to carry on trade facilitation audit and development of database relating to cost of delay in custom procedures etc. The next steps of interventions should be towards bringing forth equity into the system through special attention towards SMEs, women workforce etc.
- 5.4 Nagesh Kumar, Director and Chief Economist, UNESCAP, in his concluding remarks, stated that timely interventions on NTBs and regional integration and connectivity issues will bring about huge positive changes in the region. It was stressed that if ASEAN countries can reduce their timelines and achieve targets of regional integration before pre-set targets, SAARC members can certainly do the same. An extra effort was demanded to utilize trade potentiality of SAFTA and intra-regional investment flows. It is important to highlight benefits of trade in quantitative terms, along with spillover benefits from increased regional economic cooperation, so that governmental and non-governmental actors are incentivized to accelerate the reform processes. Usage of advanced technology to take care of other issues like security breaches should be fully explored. With such improvements the region can be developed as a hub for global services and thus overcome its development challenges.