

## SAARC needs an institutional revamp

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SAARC has existed for 28 years and now has eight members and seven observers. Yet its achievements over the years have been far from satisfactory. Intra-regional trade in goods remains at 5 per cent, intra-regional trade in services is at 0.2 per cent, while intra-regional investment flows are at a low level with a weak nexus between trade and investment. When SAARC trade and investment flows are compared with other comparable regional groupings like ASEAN and MERCOSUR, it becomes clear that SAARC is relatively lagging far behind.

Existing literature points out to a number of factors for this scenario in the SAARC: (1) the uneasy political situation between India and Pakistan; (2) heavy bureaucratic layers and non-tariff barriers; (3) poor connectivity among SAARC member countries; (4) poor follow up of SAARC decisions, and so on. The first issue is not unique to SAARC. In the EU, there existed political problems between France and Germany during the early years of European integration but they got over-shadowed by the overwhelming desire for peace and economic benefits from cooperation. The second, third, and fourth issues of non-tariff barriers, poor connectivity, and slow follow up of decisions were prevalent in ASEAN also during the 1970's and 1980's, but these were overcome under a strong regional institutional framework to facilitate smoother flows of trade and investment in ASEAN. Decision making was strengthened by having a strong Secretariat with enough powers to drive the ASEAN during crucial times. Clearly, the problems facing SAARC are not insurmountable.

Recent research has shown that trade facilitation and economic connectivity can play a significant role in enhancing trade and investment compared to preferential tariffs. Time and again, SAARC has made reference to implementing trade facilitation measures and improving economic connectivity but the progress has been slow. Lack of a strong institutional structure to take forward multiple initiatives is a major lacuna in the SAARC. According to a recent study by the ADB, SAARC is 'institution lite'.

It is not that SAARC lacks institutions. SAARC has a number of regional centres focusing on energy, human resource development, agriculture research, tuberculosis, etc. It has many technical, standing, and working committees. In other words, a heavy bureaucratic set-up with several layers of decision-making characterizes the SAARC institutional structure.



This situation is further complicated by three other factors: (1) the SAARC Secretariat lacks necessary resources to implement projects and monitor the progress of activities being implemented; (2) the Directors of the SAARC Secretariat are not appointed according to subject specialization (e.g., trade, investment, transport, energy, etc.) but on usual Foreign Ministry appointment basis. Related to this is the suggestion made to the SAARC Secretariat to create space to accommodate a Director from the SAARC Chamber of Commerce and Industry to bring in the private sector requirements for the SAARC dialogue but nothing has happened so far; and (3) the SAARC Secretary General has limited powers to drive the SAARC process between SAARC Summits.

The problems of the SAARC institutional structure were identified as far back as 1997 and here reference can be made to the statement from the then Sri Lankan President where she posed the following: " does the proliferation of activities in the last decade signify anything more than the growth of barren foliage in a vast tree ? What fruit has SAARC truly borne? Do we need to prune those activities which do not bring any significant yield and more carefully nature others that do ?" But hardly any action has been taken to revamp the SAARC's institutional structure since then. In 2010, in an article titled: "SAARC Programmes and Activities: Assessment, Monitoring and Evaluation", Professor Mahendra Lama of Sikkim University, India, concludes: "Given the current situation, if drastic measures are not taken to both enhance the capacity of the Secretariat to operationalize the announced projects and also ensure strong monitoring and evaluation mechanisms to verify implementation of decisions taken at various SAARC meetings, a situation may emerge in which leaders will year after year talk about the need to have effective implementation, while progress remains stunted."

It is time to reform the institutional structure of the SAARC if the regional mechanism is to provide better results. A recent study by the ADB outlines several steps to strengthen SAARC, viz., create an autonomous Secretariat equipped with stronger agenda-setting and surveillance power, ensure adequate financial and human resources, provide clear legal mandates and enhance decision making rules, build stronger links with existing institutions and with national agencies, establish more objective membership rules, etc.

With the improvement of India-Pakistan relations in recent years, the political environment may be conducive for SAARC member countries to commit themselves to reform and strengthen the SAARC's institutional structure. If this is not done soon, improving connectivity among SAARC countries will be a slow process, so would implementing trade facilitation measures. This in turn would mean that the trade and investment flows will also be slow and SAARC will as usual lag behind all other regional blocs in taking forward the economic cooperation agenda. It is high time to act and do the necessary changes.

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