

# sanei news

## LETTER FROM THE COORDINATOR



Dear Reader,

It is my pleasure to share with you the latest news on SANEI.

I have assumed charge as Director & CE, ICRIER, and Secretary (Coordinator), SANEI as of November 15, 2002. Dr. Rakesh Mohan relinquished office as Secretary (Coordinator) on September 9, 2002, to join the Reserve Bank of India. Dr. Shankar Acharya was

Acting Secretary (Coordinator) in the interim period.

SANEI has had an expanding research programme over the recent past. While SANEI continues to focus on the broader issues of economic relevance to South Asia, its research agenda has been broadened to include a new area – that of Education Policy Research. We have invited research proposals both on Education Policy Research, as well as in the broader domain of economic development and reform in South Asia which has been the general focus in the past four rounds of research competitions organised by SANEI. The detailed guidelines for submission of proposals is available on our website.

SANEI is well on its way towards publishing its research work funded under the various rounds. The collaborative research studies completed under the second round of SANEI, are being compiled in a volume to be edited by Dr. Mohsin Khan, RAP Member, SANEI. The GRP (Global Research Project) Country Studies on South Asia are being compiled in a separate volume to be edited by Prof. Kirit Parikh, Emeritus Prof. IGIDR, India.

The Fourth Annual Conference of SANEI was held during August 28-29, 2002, at Dhaka, Bangladesh. It was a major success, with around 70 participants from Bangladesh, India, Nepal, Pakistan and Sri Lanka, attending the conference.

SANEI has been invited to participate at the Fourth Annual GDN (Global Development Network) Conference in Cairo in January 2003.

I am also pleased to inform you that Prof. Paul Schultz (Yale University) and Prof. Siddiqur Rahman Osmani (University of Ulster) have joined the Research Advisory Panel of SANEI. Researchers at SANEI, I am sure, will benefit immensely with their expertise and guidance.

With best wishes,

Arvind Virmani  
Coordinator

## Research

SANEI has approved 9 research proposals for funding under the Fourth Round, 5 of these are collaborative studies. Unlike the Second and the Third rounds, collaboration was not a mandatory clause in this Round, and the field of research was left open to issues of economic relevance to the South Asian region. The approved proposals were presented at the Fourth Annual Conference of SANEI at Dhaka, Bangladesh (August 28-29, 2002).

SANEI has also sent out a **Call for Proposals** for the **Fifth Round** on **October 12, 2002**. Proposals have been invited on issues of economic development and reform in South Asia. The proposals may relate to a single country or more than one in a comparative framework. Collaboration though preferred, has again, not been made compulsory. The deadline for receiving proposals is **December 31, 2002**. The Call for Proposals has been announced in the SANEI website ([www.saneinetwork.org](http://www.saneinetwork.org)) and has also been carried in the Economic and Political Weekly (October 12-18, 2002), India, and Himal South Asia (November 2002), Nepal.

## Research Proposals Approved Under SANEI Round IV

S. No.	Subject	Collaborating Institutes	Country	Name of Researcher (s)
1.	The Potential Role of the Clean Development Mechanism to Improve Energy Efficiency in South Asia	Indira Gandhi Institute of Development Research (IGIDR), Mumbai	India	Dr. B Sudhakara Reddy
		Bangladesh University of Engineering & Technology, Dhaka	Bangladesh	Dr. M D Abdul Rashid Sarkar
		Pakistan Council for Renewable Energy Technologies, Islamabad	Pakistan	Dr. A T Naveed
2.	Climate Change and Agriculture: Effects on India and Other Developing Countries	National Council for Applied Economic Research, New Delhi	India	Dr. Sanjib Pohit
3.	Power Sector Reforms in India and Pakistan: Scope for Cross-Border Trade in Power	School of International Studies, Jawaharlal Nehru University, New Delhi	India	Dr. Mahendra P Lama
		Pakistan Institute of Development Economics (PIDE) Islamabad	Pakistan	Dr. A R Kemal
4.	Agricultural Liberalisation and Rural Transformation: Implications of Rural Poverty in India	National Council for Applied Economic Research, New Delhi	India	Dr. Hari K Nagarajan Dr. Shashanka Bhide Dr. Rajesh Chadha
5.	Economics of Nature based Tourism in South Asia	Centre for Development Studies, Kerala	India	Dr. V. Santhakumar
		Institute of Development Environment and Strategic Studies, North South University, Dhaka	Bangladesh	Dr. Enamul Haque
		Kalyani University, West Bengal	India	Dr. Rabindranath Bhattacharya
6.	Trade Liberalisation and Bangladesh Agriculture: Impacts on Cropping Pattern, Resource use Efficiency and Effective Incentives	Centre for Policy Dialogue (CPD), Dhaka	Bangladesh	Dr. Uttam Kumar Deb Dr. Ananya Raihan

S. No.	Subject	Collaborating Institutes	Country	Name of Researcher (s)
7.	Improving Nepal India Economic Relations: A Study of the Impact Foreign Direct Investment (FDI) and Transfer of Technology in Nepal	Institute of Integrated Development Studies, Kathmandu	Nepal	Dr. Madan Kumar Dahal Mr. Shanker Aryal
8.	Monetary Cooperation in South Asia	Institute of Policy Studies of Sri Lanka	Sri Lanka	Dr. Saman Kelegama Dr. Dushni Weerakoon Dr. Sisira Jayasuriya
		Institute for Policy Research and Development (IPRAD), Kathmandu	Nepal	Dr. Yuba Raj Khatriwada Dr. Nephil M Maskay
9.	Economics of Pensions of Social Security in South Asia: Special Focus on Pakistan and Nepal	Institute for Integrated Development Studies	Nepal	Mr. Heet Singh Shrestha Dr. Vikas Raj Satyal
		Pakistan Institute of Development Economics	Pakistan	Dr. Naushin Mahmood Dr. Zafar Mueen Nasir

## Education Research Initiative

SANEI has launched the **Education Research Initiative**- a new programme to stimulate education policy research in South Asia, under a grant from the GDN. The Education Research Initiative of the GDN is premised on the universally recognised proposition that the education development of a country is critical for poverty reduction, economic growth, better governance and citizenship. South Asian governments have long understood this, yet the public resources in the aggregate devoted to education have not been commensurate with the recognised importance of education for development. Further there have been significant variations among countries of the region, as well as among sub-national units within countries, with respect to education policy, public resources devoted to education and in educational outcomes. Increasing amount of data on various aspects of the censuses, household surveys and administrative agencies have become available over time.

SANEI has sent out a **Call for Proposals** on the Education Research Initiative. It has invited research proposals that make use of the available data to throw light on relevant aspects of the economics of education from the perspective of improving education policy making in the region.

### Research Areas/Needs

At a basic level one needs to understand what the educational sector is supplying in the way of services, the private and social costs of producing these educational services, the private and social value of those services as embodied in better educated persons, and the factors determining whether a family or independent individual privately demands particular educational services produced by the educational system. The following are illustrative of research needs for creating such an understanding.

### 1. Assembling Available Information

Research is needed to assemble information in a consistent and economically coherent form that would describe how a country uses private and public resources to improve the education of its citizens.

### 2. Production Function for Education

The production of educational services can be viewed as a production function, with inputs systematically creating outputs of value. But the variation in the cross section or over time in school input use is undoubtedly related to unobserved factors that affect the schooling process, and consequently direct estimation of educational production function obtained by relating outputs to observed inputs in the cross section or over time will yield biased and inconsistent estimates of the underlying educational production function. Work is therefore needed to interpret input and outputs of the educational system drawn from special situations (e.g. social experiments or quasi-experiments induced by exogenous shocks) where these educational production functions can then be identified and estimated without bias. This generally suggests a goal to analyze data from settings where the inputs to the educational process are varied independently of other characteristics of the schools or student population, and consequently not affected by or interacting with the myriad of unobserved characteristics of the school or the students.

### 3. Accounting of Costs of Education

A thorough accounting of the costs of education includes public sector expenditures on education by policy relevant categories, as adjusted for subsidies and taxes. To the public resource costs should be added the private opportunity costs of the time of student and direct private costs of attending school. This cost accounting will therefore build on both government accounts and representative surveys of households, from which the private costs of attending school can be estimated.

### 4. Estimating Private Returns to Education

Investment in education yields private returns both in terms of higher wages in wage employment of and higher

productivity of work in self-employment for the educated. In quantifying the former, one should start with studies of wage structures derived from representative surveys of the labor force that control, at a minimum, for sex and age of the worker. The researcher should also study the factors, which affect which individuals in the population hold a wage job, including of course education. Combining research on who is a wage earner, and what wage earners receive in higher wages for their schooling, a statistical basis can be constructed for inferring how large the private labor market returns are likely to be for improved education in each (relatively closed) national labor market. In quantifying the latter, any available data on productivity on family farms and firms as well as household production activities could be analyzed. An important question on which there is not much research is in understanding how education increases productivity, and under what circumstances education yields larger and smaller returns to private families and to society. Is technological change and dynamic disequilibrium necessary to gain larger returns from schooling, or does learning from doing a job simply accrue faster for more educated workers? Is a major part of education's contribution to worker productivity due to its effect on the health of the worker, or on his interregional mobility, or to other allied human capital investment processes?

### 5. Investment in Higher Education

South Asian countries are alleged to have devoted a disproportionate share of their public educational expenditures to higher education. India for example, has invested in Institutes of Technology and Management. Private and public resources, particulars in individual states, have been used in setting up and operating engineering and medical colleges, polytechnics (including in recent years, schools for training computer software professionals). What have been the private and public returns to this investment in South Asia? Has it merely resulted in brain drain from South Asia in a globalizing environment, as has been alleged, or do the remittances from emigrants, besides accruing as income

to their households in South Asia, in part constitute social returns in some well defined sense?

## 6. Externalities of Education

Benefits and possible costs of education that are not captured by the student or her family are called social externalities of education. Education is alleged to be associated with decreased morbidity due to communicable diseases, which may thus benefit neighbors, by reduced exposure to infection. It has also been suggested that higher the education and skill levels of labour relative to their remunerations, the greater is the potential for attracting foreign direct investment (FDI), which in turn is claimed to generate positive externalities to the host country. As FDI inflows have become quantitatively more

important than external aid flows for countries such as India, these externalities, of present, may have implications for educational policy. Although, potentially important, there are relatively few studies to confirm the mechanisms generating such externalities and others or their actual magnitude. Research, which could quantify these externalities of education by school level and gender, could prove influential for policy makers.

The deadline for receiving proposals is December 31, 2002. The Call for Proposals has been announced in the SANEI website and carried in the Economic and Political Weekly (October 26-November 1, 2002), India.

## SANEI Welcomes on Board New RAP Members

### Prof. T Paul Schultz

Department of Economics  
Economic Growth Center  
Yale University  
P.O. Box 208269  
New Haven, Connecticut 06520-8269  
USA

### Prof. Siddiquir Rahman Osmani

Professor of Development Economics  
School of Economics and Politics  
University of Ulster at Jordanstown  
Shore Road, Newtownabbey  
Co. Antrim BT 37 0QB  
United Kingdom

## Global Research Project

The second phase of the Global Research Project (GRP) is nearing completion. In this phase, country studies on the growth experiences of the five South Asian countries have been prepared. Researchers from Bangladesh, India, Nepal, Pakistan and Sri Lanka have been engaged in the preparation of these studies. Workshops were held in the Steering Committee Institutes of the respective countries in the months of July-August, 2002, to present the

papers. The final papers were presented at a workshop, organised by SANEI, on **August 27, 2002 at Dhaka, Bangladesh**. The final versions of the papers will be compiled in a volume to be published under the aegis of SANEI. **Prof. Kirit S. Parikh**, Emeritus Professor (former Director & Vice-Chancellor), Indira Gandhi Institute of Development Research (IGDR), Mumbai, India, will edit the volume.

## GRP Country Studies

S. No.	Country Study Report	Researchers	Institutes
1.	Bangladesh	Dr Mustafa Mujeri Dr Binayak Sen	Bangladesh Institute for Development Studies (BIDS), Dhaka, Bangladesh
2.	India	Dr Shankar Acharya Dr Isher Judge Ahluwalia Prof K L Krishna Dr Ila Patnaik	Indian Council for Research on International Economic Relations (ICRIER) New Delhi, India
3.	Nepal	Dr Yuba Raj Khatriwada Dr Suman K Sharma	Institute for Integrated Development Studies (IIDS) Kathmandu, Nepal
4.	Pakistan	Dr A R Kemal Dr Musleh ud Din Mr Usman Qadir	Pakistan Institute of Development Economics (PIDE) Islamabad, Pakistan
5.	Sri Lanka	Dr Sirimal Abeyratne Prof Chandra Rodrigo	Department of Economics, University of Colombo Sri Lanka



## Fourth Annual Conference of SANEI

The **Fourth Annual Conference** of the South Asia Network of Economic research Institutes (SANEI) was held at **Dhaka, Bangladesh** during **August 28-29, 2002**.

The Conference brought together around 70 participants from the SANEI member countries in South Asia (Bangladesh, India, Nepal, Pakistan, Sri Lanka). Chairman, SANEI, members of the Steering Committee, members of the Research Advisory Panel, SANEI researchers, GRP (Global Research Project) authors and eminent economists from research institutions in Bangladesh participated in the Conference. GDN (Global Development Network) representatives were also present at the forum.

Researchers undertaking collaborative projects under SANEI Round II presented their final reports on 28th August, 2002. Members of RAP (Research Advisory Panel)

gave their comments on these papers. It was decided to compile these papers in a volume which would be edited by **Dr. Mohsin Khan, Director, IMF Institute, and RAP member, SANEI**.

Work-in-progress of the three research projects funded under SANEI Round III were presented at the Conference on 29th August, 2002. The presentations were followed by discussions and comments from RAP. On the same day, 9 research proposals, which were screened for funding under SANEI IV, were also presented by researchers who had submitted these proposals.

The Steering Committee of SANEI met on the evening of August 29, 2002. It was decided that the next Annual Conference would take place in Colombo, in August 2003.



From Left to Right on the dias, Dr. Rakesh Mohan, then Coordinator, SANEI, Prof. T N Srinivasan, Chairman, SANEI and Mr Abu Abdullah, Director General, BIDS

### *Sharing a moment during the conference*

From Left to Right: Dr Rakesh Mohan, then Coordinator, SANEI, Dr. Shankar Acharya, Honorary Professor, ICRIER, Prof T N Srinivasan, Chairman, SANEI and Dr Mohsin Khan, RAP Member, SANEI.



## GDN Knowledge Management Workshop

SANEI was invited to participate in the **GDN Knowledge Management Workshop** at the Institute of Development Studies (IDS), Sussex, UK, along with the other Regional Research Networks in July 2002. The objective was to discuss and evolve

strategies for a more effective participation of the networks in the GDNNet-the web based initiative of the GDN. **Ms. Subhobrota Ray**, Fellow, ICRIER, made a presentation on SANEI at the forum.

## Fourth Annual GDN Conference

SANEI has been invited to participate in the **Fourth Annual Conference of GDN** to be held in **Cairo** during **January 19-21, 2003**. **Dr. Arvind Virmani**, Coordinator, SANEI will chair a session on South Asia in one of the parallel sessions on “Globalization, Equity and Development: Regional Perspectives”. Papers on “**A Regional Perspec-**

**tive on Globalisation**” will be presented by **Dr. Sisira Jaysuriya**, Visiting Professor, Department of Economics, University of Melbourne and **Prof. Dipankar Gupta**, Professor, Centre For the Study of Social Systems, Jawaharlal Nehru University. The authors were selected by the GDN based on nominations by SANEI.

## SANEI Fellowship

The SANEI fellowship has been awarded to **Mr. Bhim Adhikari**, Ph.d student in Environmental Economics, University of York, UK, for field work in South Asia for a year for his research project on: *Property Rights and Natural Resources: Socio-Economic Inequality and Distributional Implications of Community Based Resource Management in Nepal*.

## IMF Visiting Scholarship Programme

GDN has selected two South Asian research scholars for the Programme. Dr. Ila Patnaik, Sr. Fellow, Indian Council for Research on International Economic Relations (ICRIER), India and Dr. Nephil Matangi Maskay, Research Associate, Institute for Policy Research and Development, Nepal have been selected from South Asia for the

IMF Visiting Scholarship Programme. The selection was based on an open competition managed jointly by the research networks, the GDN Secretariat and the IMF. The programme allows the scholars to visit the IMF for a period of five weeks to work on a specified area of research.

**Dr. Ashok Lahiri**, Steering Committee Member, SANEI and Director, National Institute of Public Finance and Policy (NIPFP) has relinquished office to take charge as Chief Economic Advisor, Department of Economic Affairs, Ministry of Finance, Govt. of India.



South Asia Network of Economic research Institutes

Core-6A, 4th Floor, India Habitat Centre, Lodhi Road, New Delhi - 110003, India  
 Tel: 91-11-4692070, 4646329, 4645218-19-20, Fax: 91-11-4620180, Email: avirmani@icrier.res.in  
 Visit us at: [www.saneinetwork.org](http://www.saneinetwork.org)