

MAKING GLOBAL VALUE CHAINS WORK FOR DEVELOPMENT

IMPACTS, POLICY QUESTIONS, DIAGNOSTICS, AND
COUNTRY ENGAGEMENT



WORLD BANK GROUP
Trade & Competitiveness

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Outline

1. Development through GVC Participation
2. Relevant Policy Questions
3. GVC Participation Assessment
4. WBG Country Engagement

1. Development through GVC Participation

Stylized facts:

- Today we have a **multipolar global economy** with diverging performances and GVC integration.
- **Trade and investment flows associated with GVCs** have grown strongly:
 - **FDI net inflows** were 34 times higher in 2013 than in 1980 (UNCTAD).
 - Over 1995-2014, LMICs' **global share of imported inputs** (excl. oil) expanded from 20 to 38%, and that of **capital goods exports** from 8 to 39% (Comtrade).
- In an increasingly globalized and specialized world, borders between economic sectors become increasingly blurred and a **focus on tasks** becomes more meaningful.
- Traditional views of development neglect more nuanced interpretations that focus on **promoting economic, social and environmental upgrading and inclusive growth.**

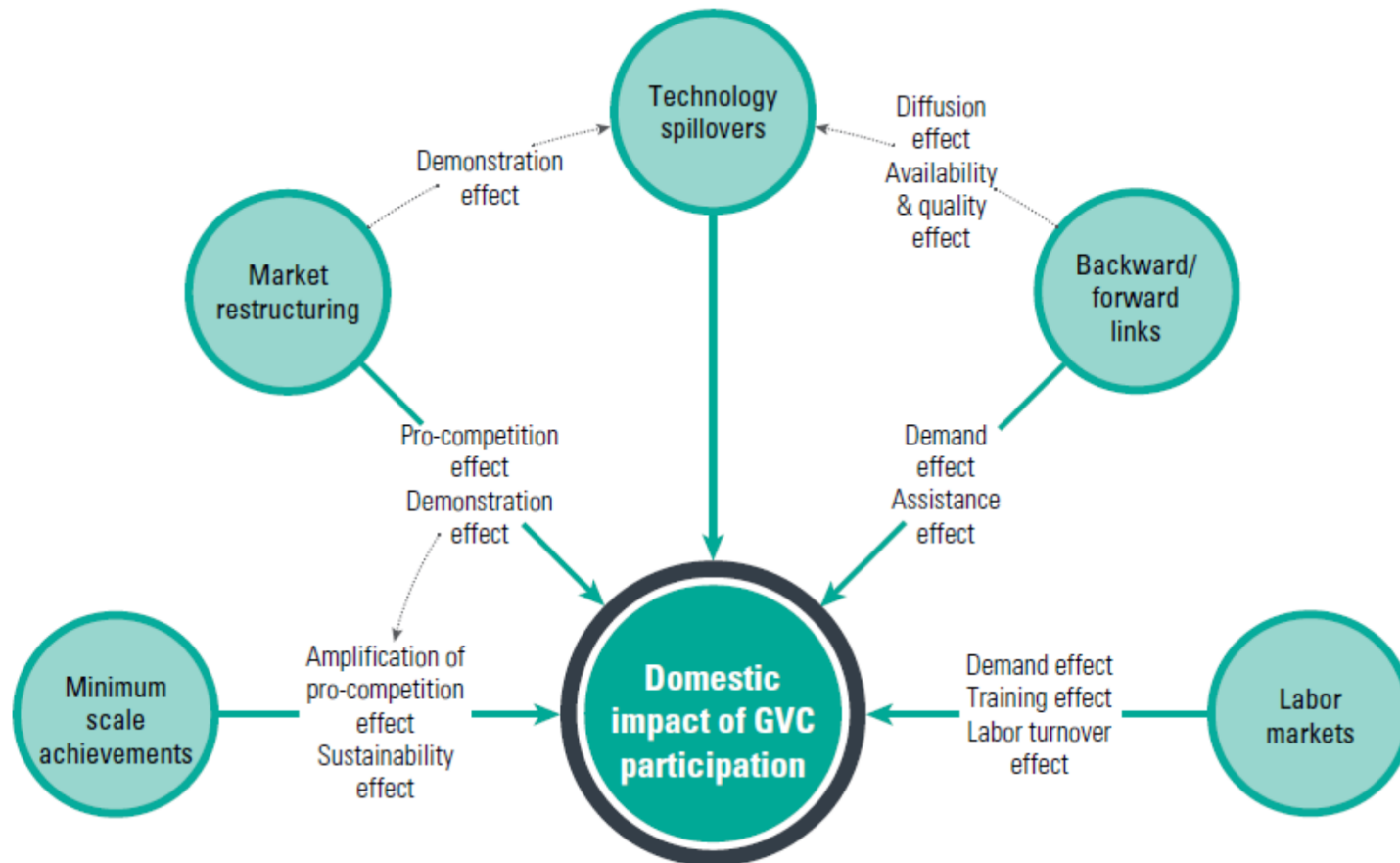
1. Development through GVC Participation

The role of GVCs for economic upgrading:

- GVC participation will become increasingly important to achieve **structural transformation** in the 21st century.
- **Economic upgrading** in GVCs allows to achieve higher value-added production in the form of product, functional, and intersectoral upgrading via better skills and know-how, capital and technology, and processes.
- The **transmission channels** include backward and forward links, technology spillovers, labor markets, market restructuring, and minimum scale achievements.

1. Development through GVC Participation

Transmission channels:



Source: Taglioni and Winkler (2016).

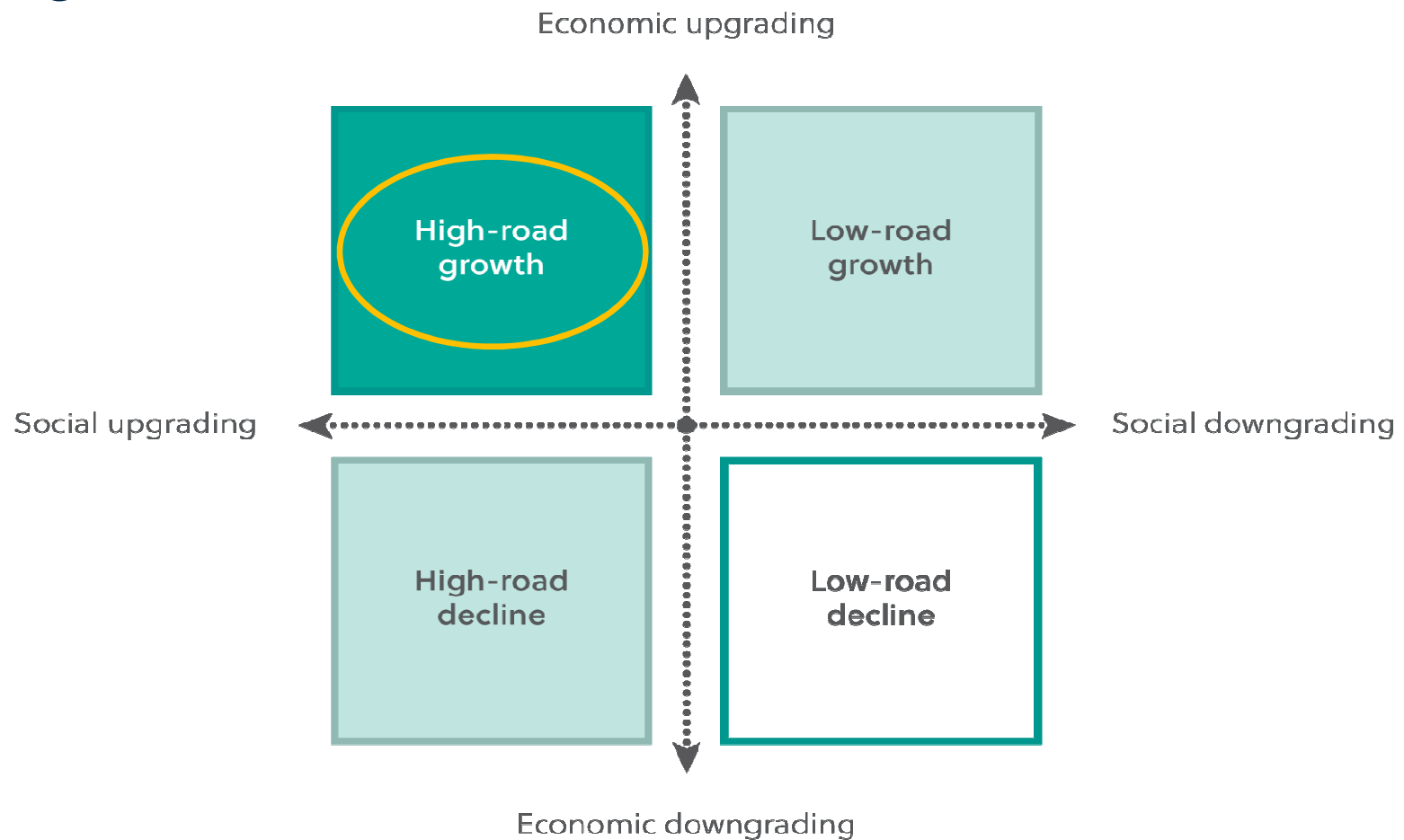
1. Development through GVC Participation

The role of GVCs for social upgrading:

- Social upgrading refers to **measurable aspects of worker well-being** (employment, wages, and working conditions) and **enabling rights** (right to bargain, freedom of association, nondiscrimination, etc.).
- The adoption of higher labor and social standards in GVC firms results in **small-scale worker upgrading, labor-intensive upgrading, and higher-skill upgrading.**
- Social upgrading can also lead to more **social cohesion** via jobs and working conditions, education and skill building, and health insurance and pensions.
- Economic upgrading does **not automatically lead to social upgrading.**

1. Development through GVC Participation

Promoting the high-road growth model of economic and social upgrading:



Source: Adapted from Milberg and Winkler 2011, 345.

1. Development through GVC Participation

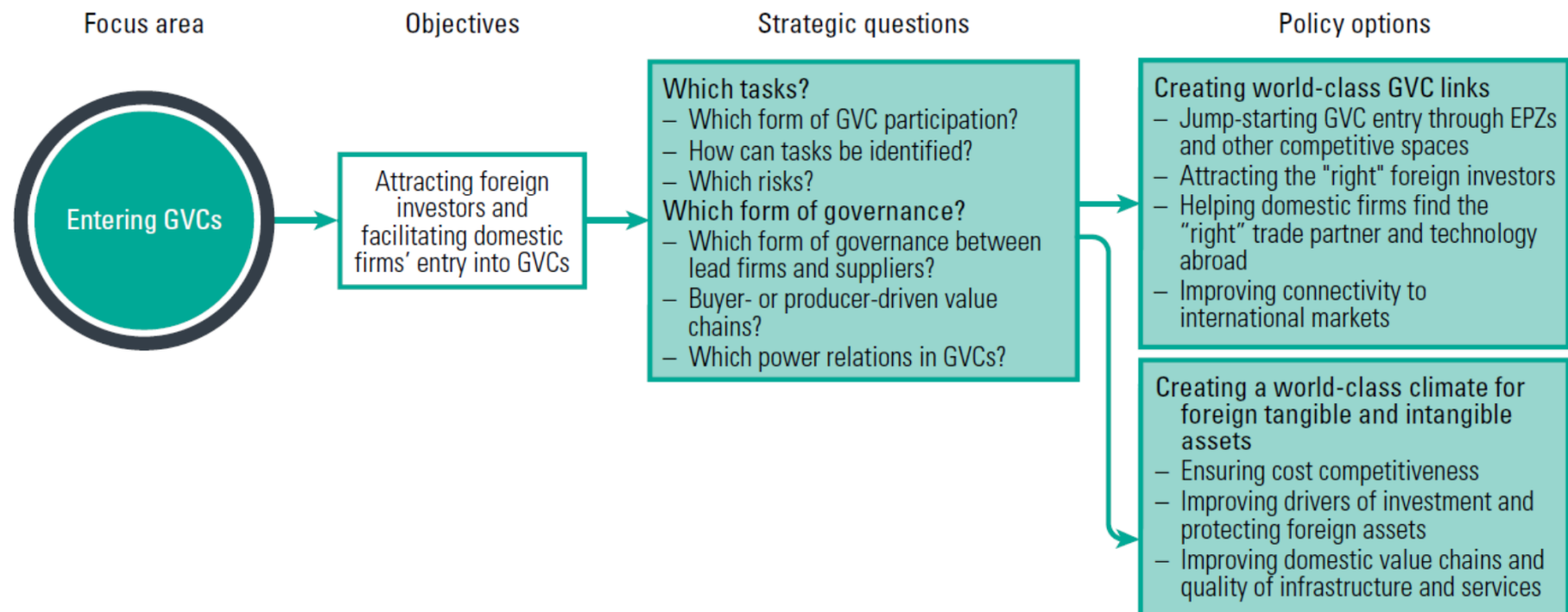
GVCs and environmental upgrading:

- **Climate change creates new challenges for GVC participation**, as firms need to ensure the predictable, reliable, and time-sensitive delivery of goods in the long-term.
- As a result, the global trade landscape is trending toward **more climate-friendly international standards** and mandatory sustainability reporting regimes.
- Climate-smart policy prescriptions can **strengthen global competitiveness**, as the benefits of environmental regulation often vastly outweigh the costs.

2. Relevant Policy Questions

Entering GVCs:

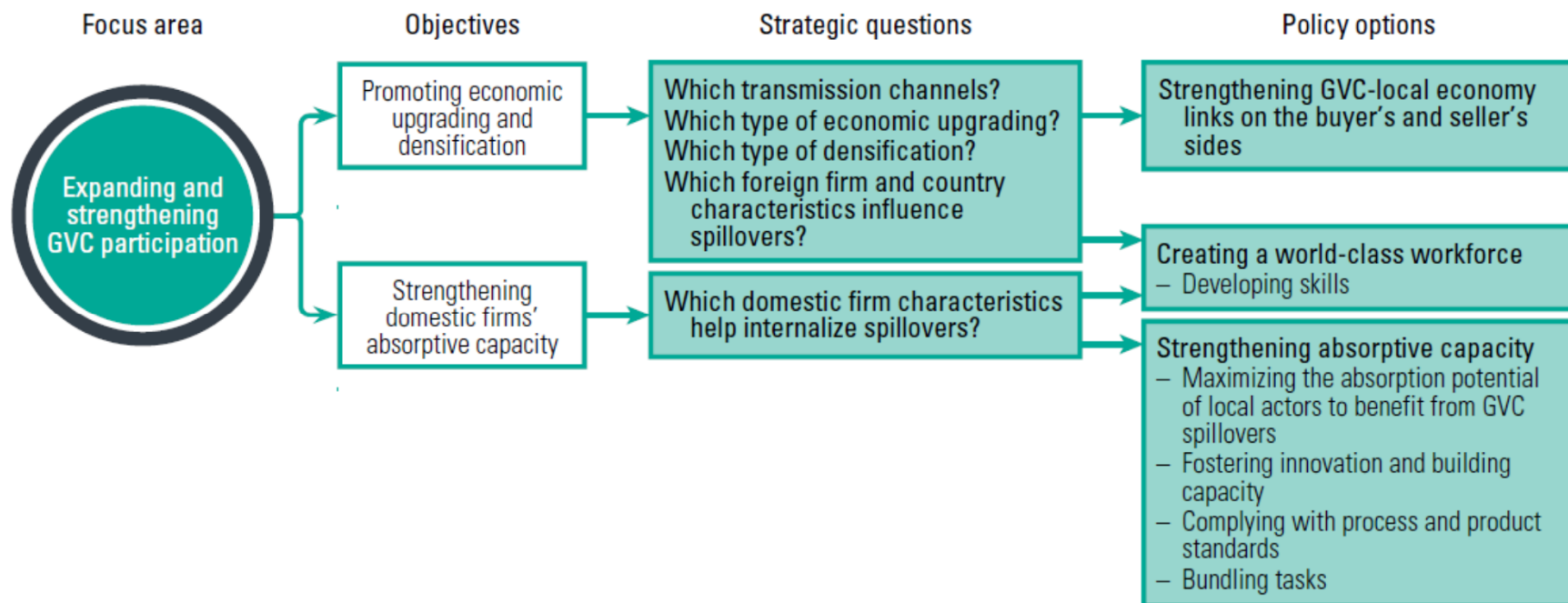
- Which policies help (i) create world-class GVC links and (ii) a world-class climate for foreign tangible and intangible assets?



2. Relevant Policy Questions

Expanding and strengthening GVC participation:

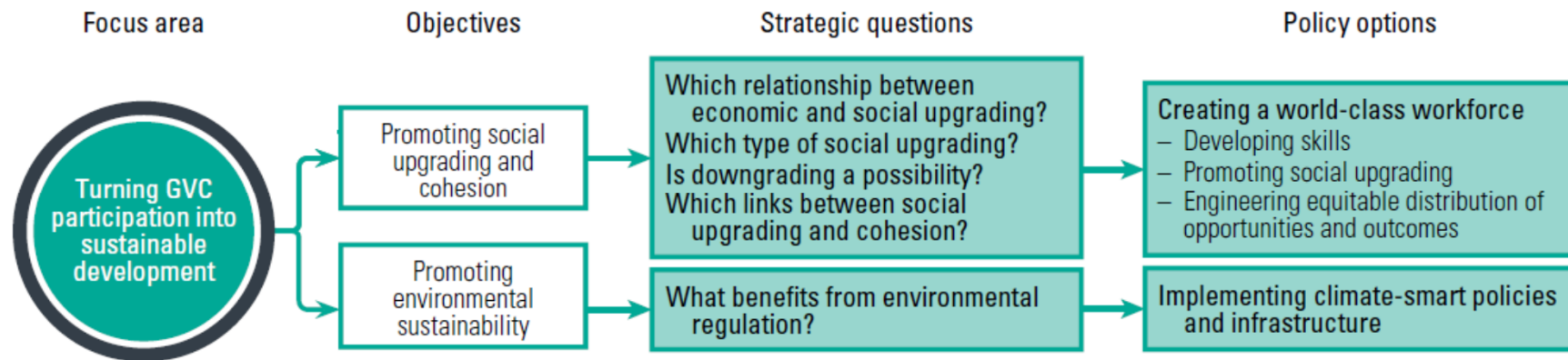
- Which policies help strengthen (i) existing GVC-local economy links and (ii) absorptive capacity of local actors?



2. Relevant Policy Questions

Turning GVC participation into sustainable development:

- Which policies help create a world-class workforce?
- How can climate-smart policies be implemented?



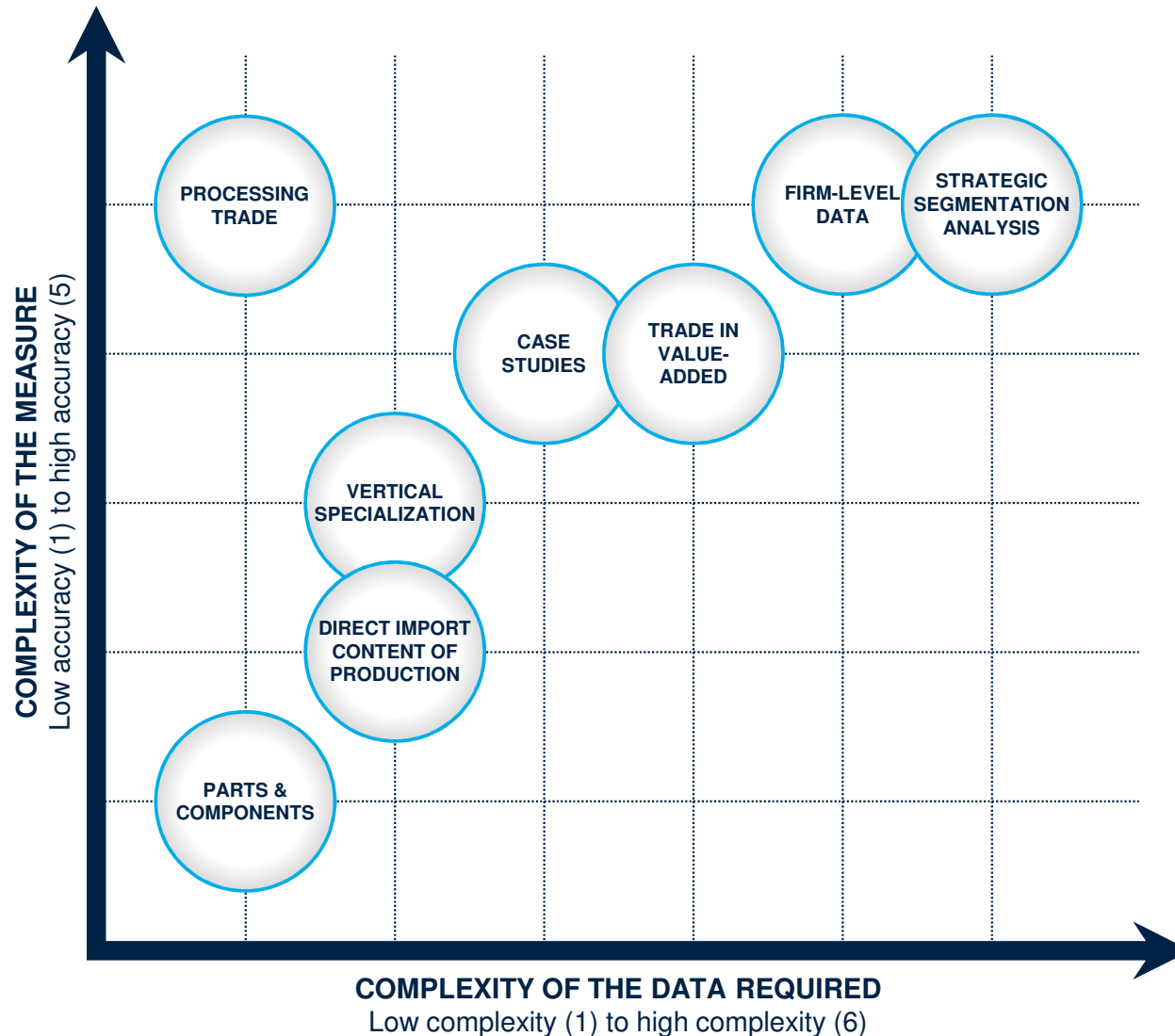
Source: Taglioni and Winkler (2016, 198).

The integrated strategic framework for policy intervention requires:

- **360-degree assessment** of the competitiveness of a country and
- **drilling down** to specific sectors, GVCs, tasks, and activities.

3. GVC Participation Assessment

Different methodologies and data to capture GVC integration:



Source: Modified from Amador and Cabral (2014).

3. GVC Participation Assessment

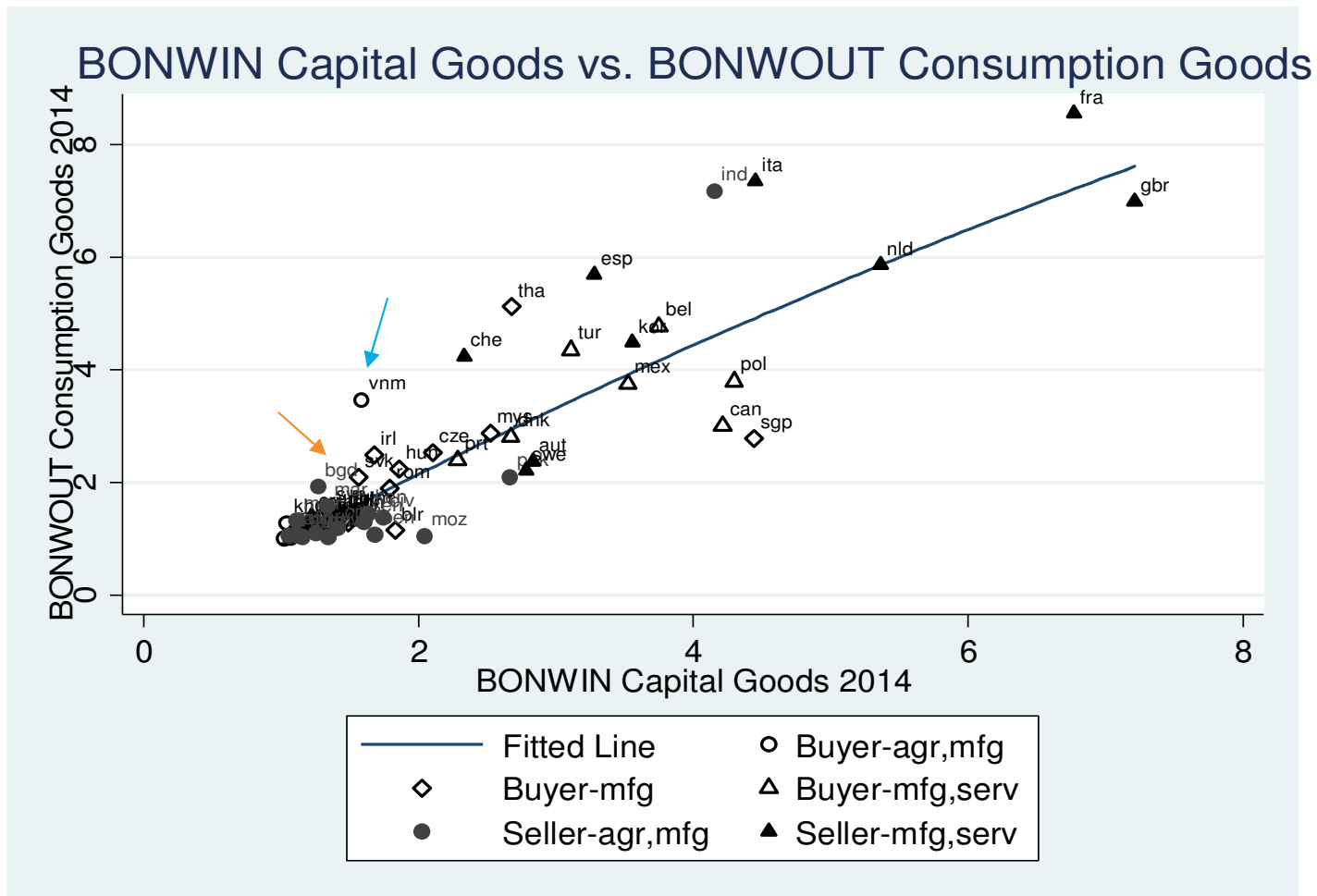
- Policy advice supporting GVC-based growth models requires **sound analytics and data**, and a **wide range of indicators and concepts**.
- **Key features** related to GVC measurement:
 - Differentiating between **buyer- and seller-related perspectives**
 - Complementing the **gross trade** with the **trade in value added perspective**
 - Complementing the **macro (sectoral)** with the **micro (firm) perspective**
- **Data and measurement gaps:**
 - **Mapping GVCs** across a **wide range of industries**
 - **Firm-level information** on purchases and sales **by country-sector pair**
 - GVC measures for **low-income countries** and at the **sub-national level**
 - **Labor, social, and environmental impacts** of GVC integration
 - **Macro- and micro-level determinants** of GVC participation

3. GVC Participation Assessment

- Work at WBG to create a **taxonomy of GVC participation** to:
 - identify “best practices” and upgrading trajectories
 - inform country and sector diagnostics
 - identify adequate policies for different country contexts.
- **Classification of 138 countries** based on:
 - measures of GVC participation as buyer and seller
 - upstreamness of imports and exports
 - value added shares (agriculture, commodities, manufacturing and services).
- **Types of GVC integration:**
 - **Sellers:** Comm, Comm-mfg, Comm-serv, Comm-mfg-serv, Agr, Agr-mfg, Mfg-serv
 - **Buyers:** Agr-mfg, Mfg, Mfg-serv
 - **Hubs:** China, Germany, Japan, and United States

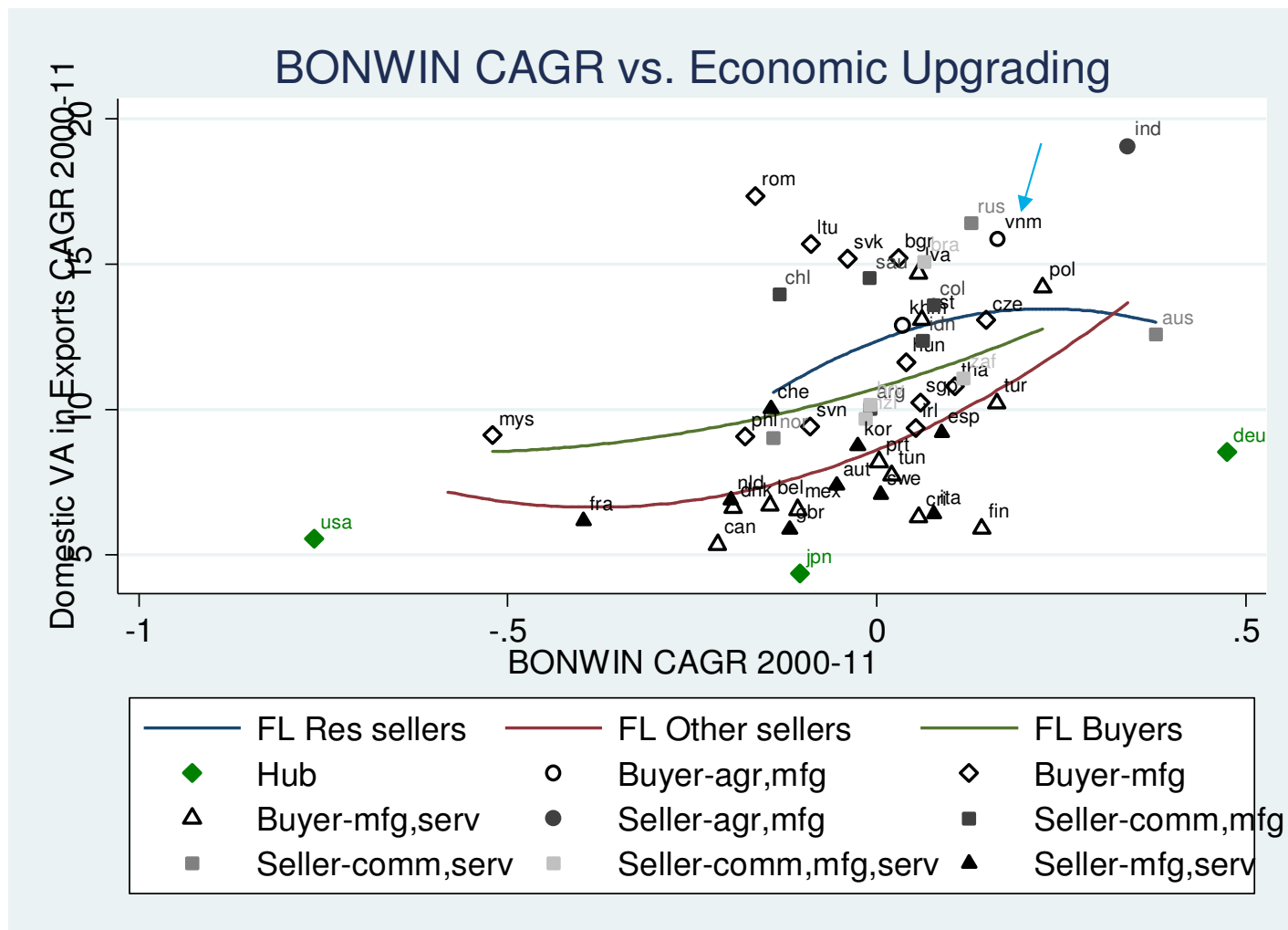
3. GVC Participation Assessment

- **Role of buying:** GVC participants **import foreign technology** that is used to produce and **export goods, parts, components and services.**



3. GVC Participation Assessment

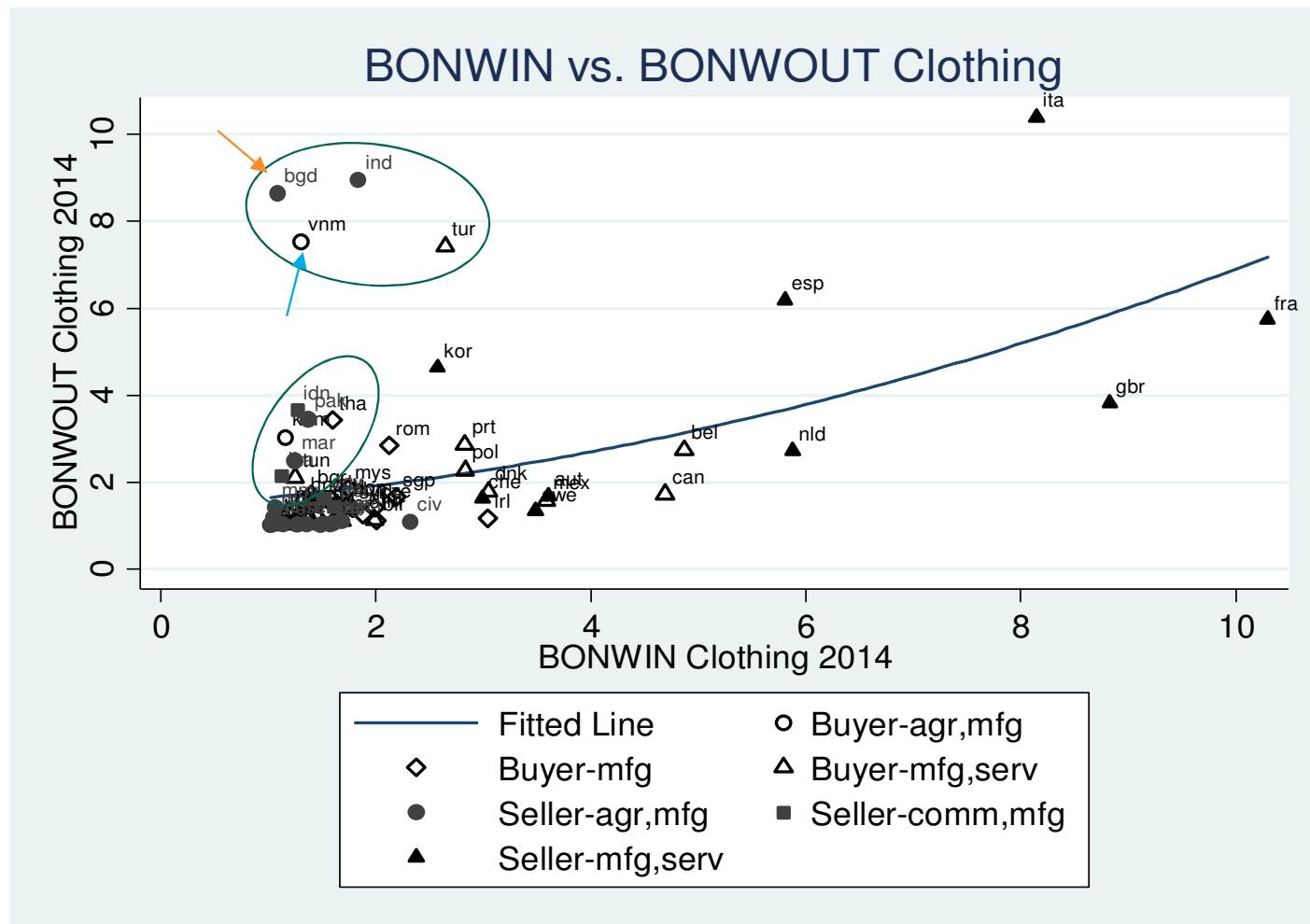
- **Role of buying:** Stronger integration in GVCs as a buyer is **positively correlated with economic upgrading, but varies by type.**



Data: OECD-WTO TiVA. BONWIN=eigenvector centrality based on value added inflows. Excludes China.

3. GVC Participation Assessment

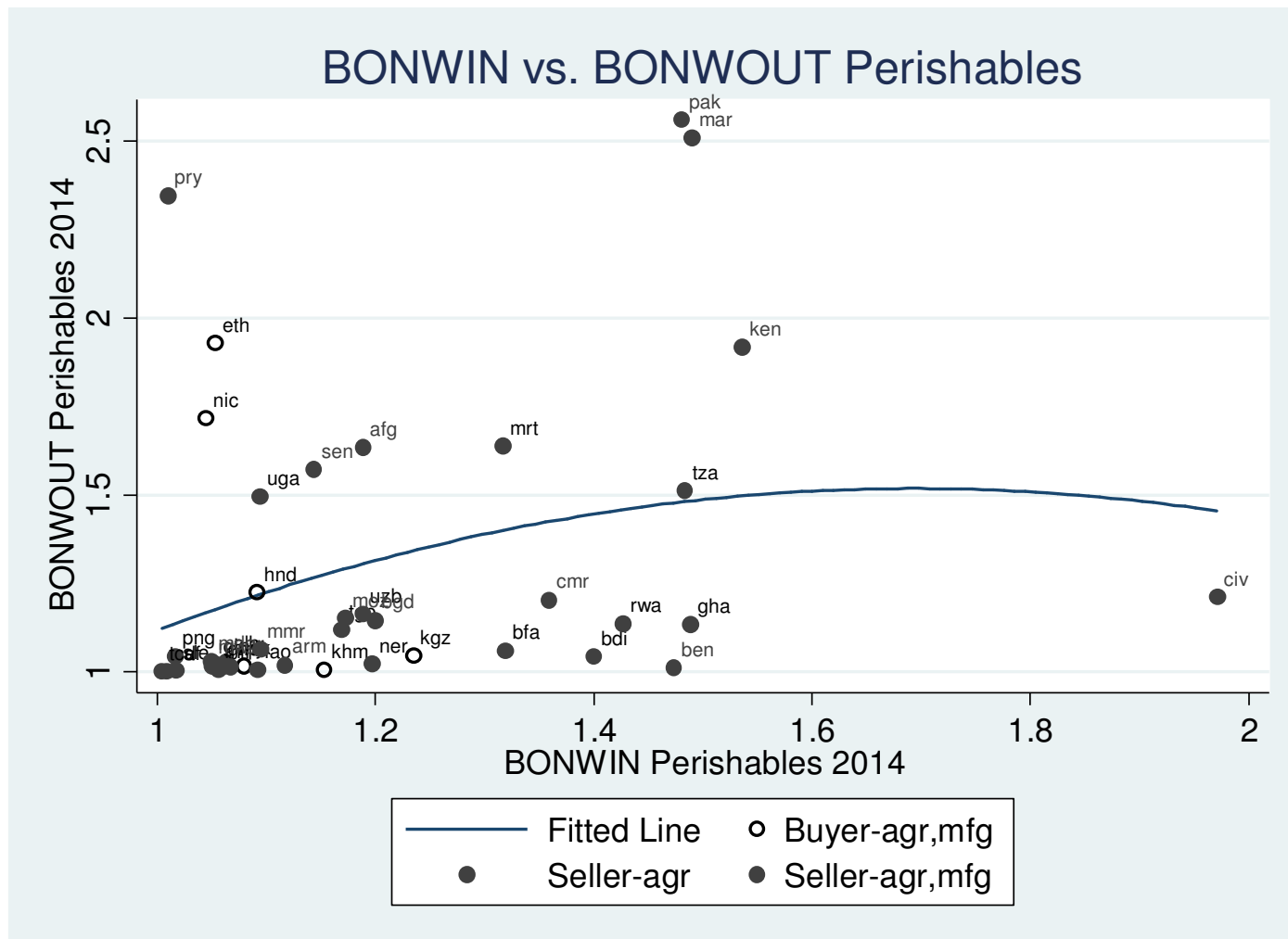
- **Sector focus:** Participants in the **apparel GVC include buyers and sellers with different economic structures.**



Data: BACI Gross Trade Data. Excludes hubs. BONWIN/BONWOUT=eigenvector centrality based on import/export data. GVC classification based on World Bank MC-GVC Database and Memedovic and Sturgeon (2010).

3. GVC Participation Assessment

- **Sector focus:** The **perishables GVC** offers opportunities for countries with a large value added share of agriculture, especially in SSA.



Data: BACI Gross Trade Data. Includes only buyers/sellers specializing in agriculture. BONWIN/BONWOUT =eigenvector centrality based on import/export data. GVC classification based on World Bank MC-GVC Database.

4. WBG Country Engagement

The WBG's involvement:

- Through a **combination of advisory, lending, and investment support**, the WBG helps client countries tackle the challenges to integrate into and upgrade in GVCs, which requires both a **long-term commitment and tailored incentives and mechanisms**.
- GVCs is one of the **Global Solutions Groups in Trade & Competitiveness**, with 180 affiliates and an **integrated strategic framework for policy intervention** connecting the many different parts.
- **Customized country and sector diagnostics** that lead to...
- **...pro-competitiveness interventions**.
- The WBG has established a strong **global network of partnerships**.

4. WBG Country Engagement

Partnerships:

Global Partners (objectives: flexibility in setting agenda, business development)	Academia, Research Institutes, & Think Thanks (objectives: talent development, thought leadership)	Other Multilaterals (objectives: thought leadership, talent development)	NGOs & other interest groups (objectives: business development, thought leadership)
<ul style="list-style-type: none"> – Germany (G7 presidency) – China (G20 Presidency) – New Zealand – The Netherlands (EU Presidency) – UK (DFID) <p>Potential collaborations:</p> <ul style="list-style-type: none"> – Australia – Denmark – Norway – Sweden (SIDA) – Switzerland (SECO) – USA (USAID & US-ITC) 	<ul style="list-style-type: none"> – CEPR – JETRO – UIBE – Duke – MIT – Harvard <p>Potential future targets:</p> <ul style="list-style-type: none"> – Harvard Institute for Strategy & Competitiveness – European Foundation for Cluster Excellence – Holland International Distribution Council – Fung Institute 	<ul style="list-style-type: none"> – OECD – WTO – ILO-IFC Better Work – Compnet (Eurosysteem) – UNSD <p>Initial discussions</p> <ul style="list-style-type: none"> – Asian Development Bank – UNIDO – ILO (beyond Better Work) 	<ul style="list-style-type: none"> – WEConnect – World SME Forum – WEF

4. WBG Country Engagement

- **Developing a GVC strategy:**
 - **Main activities before fieldwork:** Assess and research a country's participation in GVCs through desk research, and prepare for in-country fieldwork.
 - **Fieldwork:** Validate initial results and shed light on areas for deeper analysis.
 - **Main activities after fieldwork:** Identify interventions at a detailed level.
- **Operationalizing the GVC strategy – country engagements:**
 - GVC analysis informing **further engagement or CMU investment**
 - **Lending projects** with analytics requested
 - Analysis informing **core bank products** (SCD, CPS, CEM, Flagship publications)
- Client requests **combine horizontal and vertical analysis, policies, and interventions:**
 - How can Bangladesh upgrade its **apparel GVC** participation?
 - How can Vietnam unlock opportunities and enhance competitiveness in the **ICT sector**?
 - How can Mali enter the **agribusiness GVC**?

4. WBG Country Engagement

WBG's integrative engagement across many countries, sectors and topics:

Similar discussions underway in:

CAMBODIA



LAO PDR



MYANMAR



Gov't
commitment to
build capacity in
light
manufacturing/
textiles/apparel



ETHIOPIA

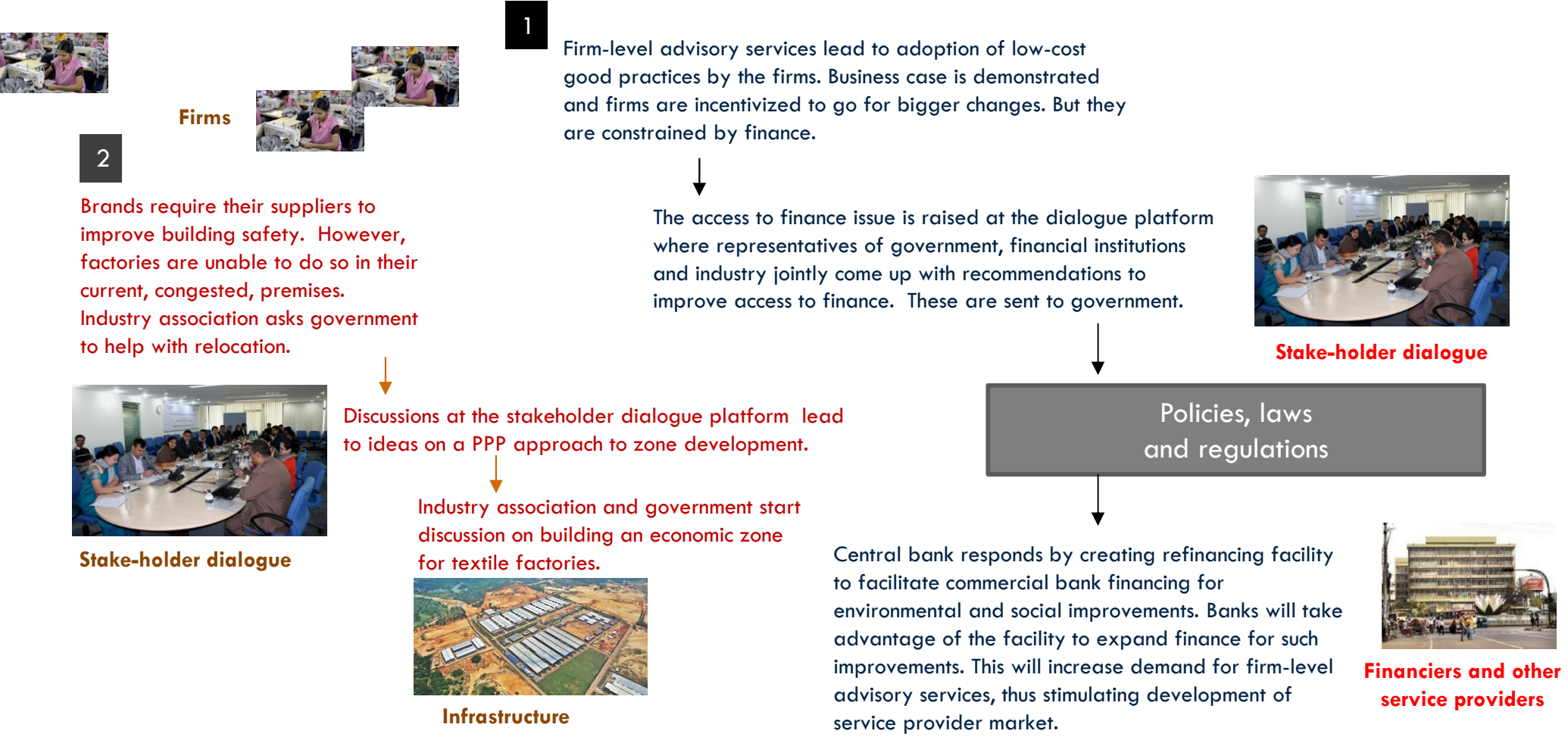
Starting Position:
Low DB, LPI,
Trade Cost
rankings

WBG Program
in Ethiopia:
lending, advisory
services and
analytics, ta,
trade portal

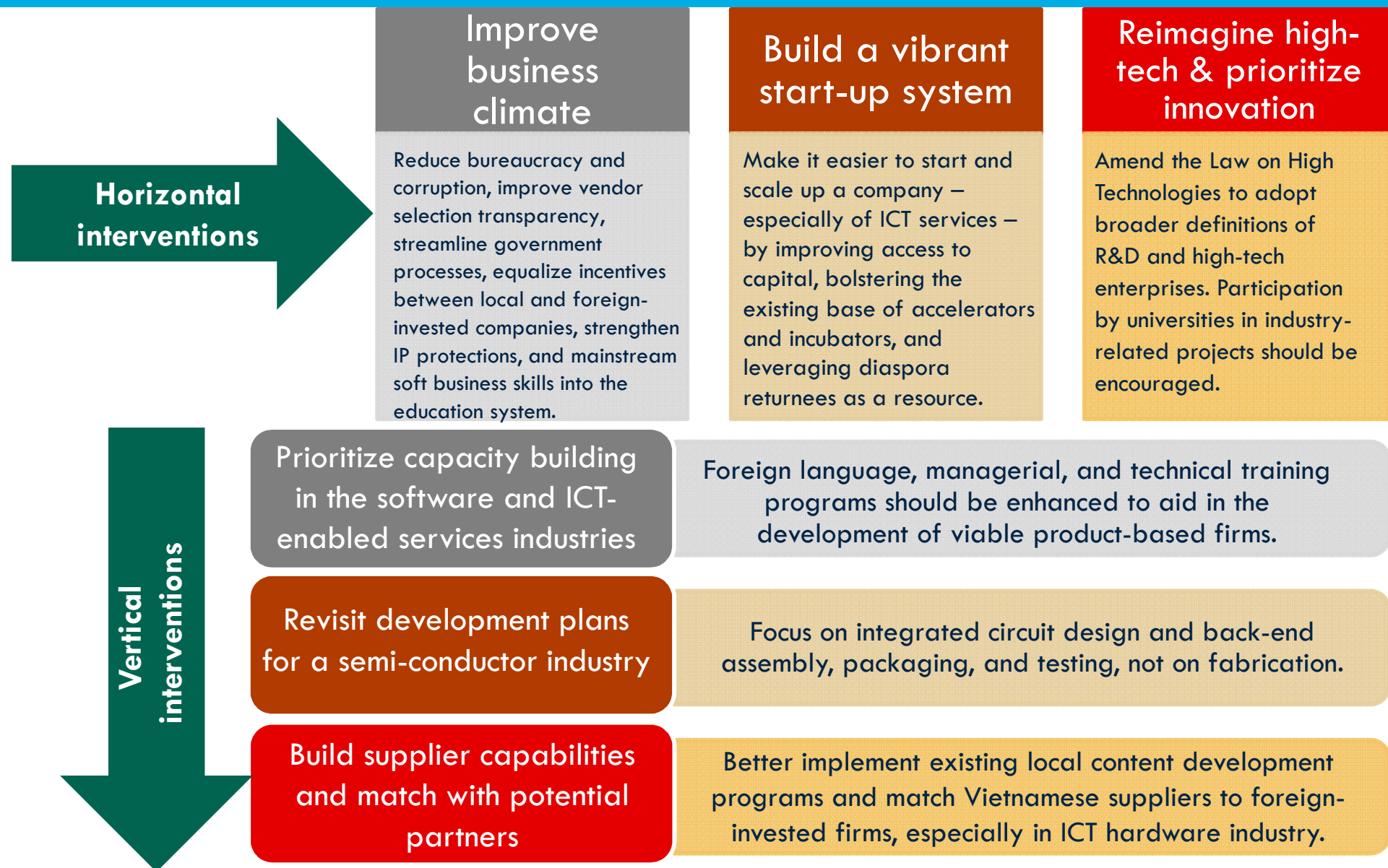
- Tie-in with ongoing trade negotiations
- Tie-in with various initiatives on standards
- Changing technology and skills

WBG engagement across many countries and topics acts as an integrator.
This helps to achieve results at scale, replicate best practice across sectors and countries and avoid “race to the bottom” scenarios in countries competing at the low end of GVCs.

Multi-pronged Approach to Upgrading Apparel in Bangladesh: Interventions with Wider Demonstration Effects



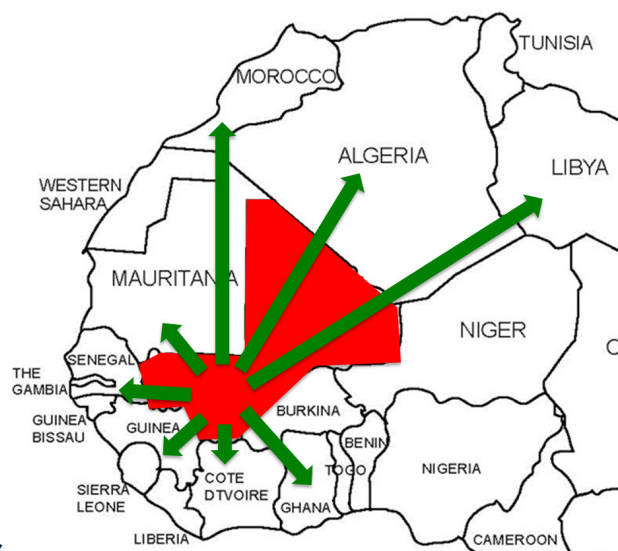
ICT Sector in Vietnam: Unlocking Opportunities and Enhancing Competitiveness Downstream



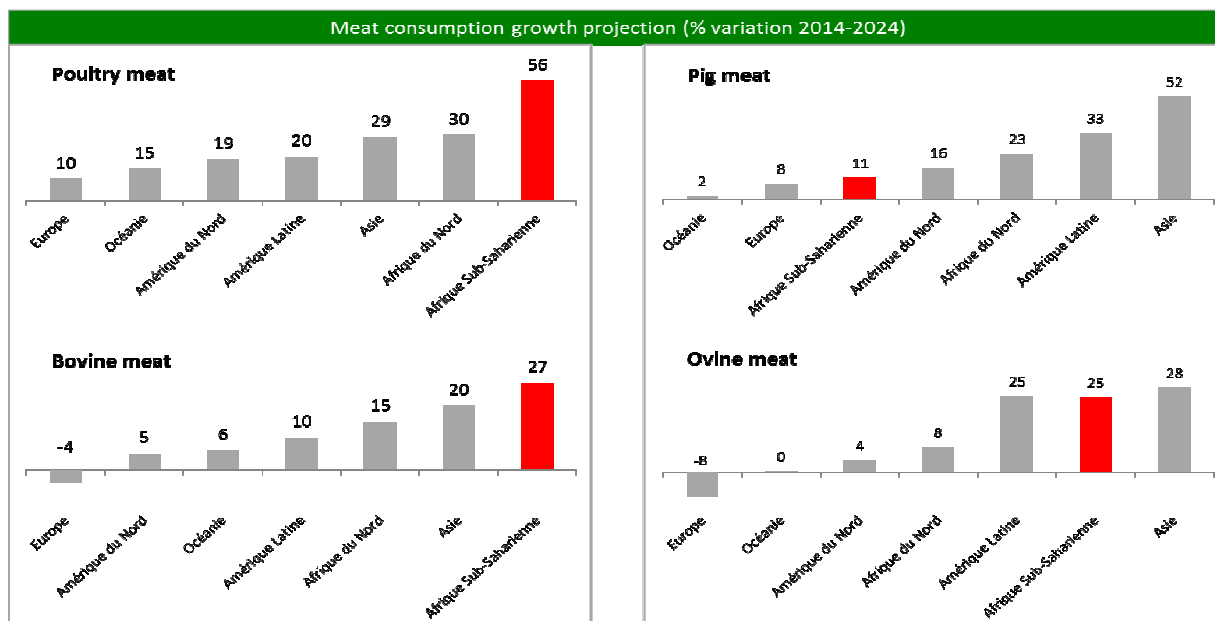
Livestock Sector in Mali: Improving Productivity and Meeting Standards to Enter the Agribusiness GVC

Market opportunity

- **Growing market opportunities:**
 - 80% of global meat consumption growth by 2022 is expected in developing countries
 - With an annual increase of 15%, meat is one of the region's fastest growing import sectors
 - Fast growing markets in North Africa and the Middle East; top meat importers are Libya, Algeria and Morocco
- **Mali is a major center in West Africa for livestock rearing** with over 30% of total livestock (10 million cows and 34 million sheep and goats). However, as of today, less than 0.5% of these animals are used for fattening purposes
- **Mali is the leading live animal exporter in the region:** 50% of total live animal exports. Mali enjoys a strategic central location to serve key meat import markets
- **Modern installed slaughterhouse capacity recently has increased** which now allow for a gradual transition from extensive to intensive livestock fattening, opening opportunities to foster synergies among primary (farmers and breeders), secondary (processing units and agro-industries), and tertiary (slaughterhouses, traders, and butchers) sector players.



Source: Trademap, Mali SAC Project



Source: OECD-FAO Agricultural Outlook 2015

Livestock Sector in Mali: Improving Productivity and Meeting Standards to Enter the Agribusiness GVC

Support the value chain from animal feed producer to meat distribution

Issues

- Limited access to finance
- Low productivity and quality
- Lack of farmer's organization
- Limited knowledge of sanitary, quality and technical standards

- Low quality of storage
- Lack of transport offering
- No requirements specifications

- Low quality of cereal inputs
- Low quantity of oilseed inputs
- Limited access to LT financing

- Livestock supply issues (volume, quality) and lack of cattle fattening unit
- Limited knowledge of sanitary, quality and technical standards
- Cattle breeder's limited access to finance

- Limited access to LT financing
- Limited access to quality product
- E&S standard compliance
- Lack of technical skills

- High logistic cost
- Limited access to export
- Lack of distribution network in compliance with quality standard



IFC

- Access to finance: capacity building for farmer program

- Leasing program to facilitate truck acquisition by SMEs

- LT financing
- E&S standard/certification

- Access to finance: capacity building for farmer program
- Bring local bank to the operation
- Pilot project: forage crop irrigation

- LT financing
- E&S standard / certification
- Strategic partner

- Usage of IFC's international network to enlarge client portfolio once sanitary belt is effective
- Access to finance for new butchers

SME & Value Chains Solutions - Agrifinance

Africa Leasing Facility

Investment project in milling company (tbd)

SME & Value Chains Solutions - Agrifinance

Investment project in a slaughterhouse company (Laham Industrie)

World Bank

- Award demand-based financing for productive alliances (PA)
- PA is defined as an association of producers and purchasers (intermediary, wholesaler, or an agro-processor) entering into an economic agreement

- Productive alliances with farmers
- Provision of support : (a) BDS, (b) technical advisory, and (c) equipment and infra (productive assets)
- TA to utilize improved storage systems

- Productive alliances with farmers
- Provision of support : (a) BDS, (b) technical advisory, and (c) equipment and infra (productive assets)
- Industrial development capacity building program for processors

- Creation of a cluster of cattle fattening, possibly with matching grant
- Provision of productive assets and feedlot technologies, sanitary, etc.
- Contract farming with cattle breeder and the slaughterhouse plant

- Technical assistance to improve quality standard

- Train young in butcher work and support them to set up butchery with the required equipment
- Business plan competition to provide up facility (bank guarantees + grant)

Commercial Livestock Project

PACAM

WAAPP, Livestock Project

PROCEJ

Thank you!