Outline

1. Development through GVC Participation
2. Relevant Policy Questions
3. GVC Participation Assessment
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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).
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?

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.

Data: BACI Gross Trade Data. Excludes hubs. BONWIN/BONWOUT=eigenvector centrality based on import/export data.
3. GVC Participation Assessment

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

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

3. GVC Participation Assessment

- **Sector focus:** Participants in the electronics GVC are more homogeneous (mainly Asian manufacturing buyers).

3. GVC Participation Assessment

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

<table>
<thead>
<tr>
<th>Global Partners (objectives: flexibility in setting agenda, business development)</th>
<th>Academia, Research Institutes, &amp; Think Thanks (objectives: talent development, thought leadership)</th>
<th>Other Multilaterals (objectives: thought leadership, talent development)</th>
<th>NGOs &amp; other interest groups (objectives: business development, thought leadership)</th>
</tr>
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<tbody>
<tr>
<td>Germany (G7 presidency)</td>
<td>CEPR</td>
<td>OECD</td>
<td>WEConnect</td>
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<tr>
<td>China (G20 Presidency)</td>
<td>JETRO</td>
<td>WTO</td>
<td>World SME Forum</td>
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<td>New Zealand</td>
<td>UIBE</td>
<td>ILO-IFC Better Work</td>
<td>WEF</td>
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<td>The Netherlands (EU Presidency)</td>
<td>Duke</td>
<td>Compnet (Eurosystem)</td>
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<td>UK (DFID)</td>
<td>MIT</td>
<td>UNSD</td>
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**Potential collaborations:**
- Australia
- Denmark
- Norway
- Sweden (SIDA)
- Switzerland (SECO)
- USA (USAID & US-ITC)

**Potential future targets:**
- Harvard Institute for Strategy & Competitiveness
- European Foundation for Cluster Excellence
- Holland International Distribution Council
- Fung Institute

**Initial discussions**
- Asian Development Bank
- UNIDO
- ILO (beyond Better Work)
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:

- Gov’t commitment to build capacity in light manufacturing/textiles/apparel
- Starting Position: Low DB, LPI, Trade Cost rankings
- WBG Program in Ethiopia: lending, advisory services and analytics, TA, trade portal

Similar discussions underway in:
- CAMBODIA
- LAO PDR
- MYANMAR

- 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.

Note: DB = doing business; LPI = Logistics Performance Index; TA = technical assistance.
Firm-level advisory services lead to adoption of low-cost good practices by the firms. Business case is demonstrated and firms are incentivized to go for bigger changes. But they are constrained by finance.

The access to finance issue is raised at the dialogue platform where representatives of government, financial institutions and industry jointly come up with recommendations to improve access to finance. These are sent to government.

Central bank responds by creating refinancing facility to facilitate commercial bank financing for environmental and social improvements. Banks will take advantage of the facility to expand finance for such improvements. This will increase demand for firm-level advisory services, thus stimulating development of service provider market.

Brands require their suppliers to improve building safety. However, factories are unable to do so in their current, congested, premises. Industry association asks government to help with relocation.

Discussions at the stakeholder dialogue platform lead to ideas on a PPP approach to zone development.

Industry association and government start discussion on building an economic zone for textile factories.

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## ICT Sector in Vietnam: Unlocking Opportunities and Enhancing Competitiveness Downstream

### Horizontal Interventions

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<th>Improve business climate</th>
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<tr>
<td>Reduce bureaucracy and corruption, improve vendor selection transparency, streamline government processes, equalize incentives between local and foreign-invested companies, strengthen IP protections, and mainstream soft business skills into the education system.</td>
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### Vertical Interventions

| Prioritize capacity building in the software and ICT-enabled services industries |
| Foreign language, managerial, and technical training programs should be enhanced to aid in the development of viable product-based firms. |

| Revisit development plans for a semi-conductor industry |
| Focus on integrated circuit design and back-end assembly, packaging, and testing, not on fabrication. |

| Build supplier capabilities and match with potential partners |
| Better implement existing local content development programs and match Vietnamese suppliers to foreign-invested firms, especially in ICT hardware industry. |

### Reimagine high-tech & prioritize innovation

Amend the Law on High Technologies to adopt broader definitions of R&D and high-tech enterprises. Participation by universities in industry-related projects should be encouraged.

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

- **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.

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**Market opportunity**

![Map of West Africa showing livestock rearing and meat consumption growth]

**Meat consumption growth projection (% variation 2014-2024)**

- **Poultry meat**
  - Europe: -5
  - China: 11
  - Africa: 22
  - Asia: 52

- **Bovine meat**
  - Europe: -4
  - China: 5
  - Africa: 22
  - Asia: 20

- **Ovine meat**
  - Europe: -6
  - China: 0
  - Africa: 22
  - Asia: 20

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

<table>
<thead>
<tr>
<th>Issues</th>
<th>Animal Feed</th>
<th>Meet production and distribution</th>
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<tbody>
<tr>
<td>• Limited access to finance</td>
<td>• Low quality of storage</td>
<td>• Livestock supply issues (volume, quality) and lack of cattle fattening unit</td>
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<tr>
<td>• Low productivity and quality</td>
<td>• Lack of transport offering</td>
<td>• Limited access to LT financing</td>
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<tr>
<td>• Lack of farmer’s organization</td>
<td>• No requirements specifications</td>
<td>• Limited access to quality product</td>
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<td>• Limited knowledge of sanitary, quality and technical standards</td>
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<td>• E&amp;S standard compliance</td>
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<thead>
<tr>
<th>Farmers</th>
<th>Traders</th>
<th>Feed processors</th>
<th>Producers</th>
<th>Slaughterhouses</th>
<th>Outlets</th>
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<tr>
<td>• Access to finance: capacity building for farmer program</td>
<td>• Leasing program to facilitate truck acquisition by SMEs</td>
<td>• LT financing</td>
<td>• Access to finance: capacity building for farmer program</td>
<td>• LT financing</td>
<td>• Usage of IFC’s international network to enlarge client portfolio once sanitary belt is effective</td>
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<td>• E&amp;S standard / certification</td>
<td>• Bring local bank to the operation</td>
<td>• E&amp;S standard / certification</td>
<td>• Access to finance for new butchers</td>
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<td>• Pilot project: forage crop irrigation</td>
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<th>IFC</th>
<th>World Bank</th>
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<tr>
<td>SME &amp; Value Chains Solutions - Agrifinance</td>
<td>Africa Leasing Facility</td>
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<tr>
<td>Investment project in milling company (ibd)</td>
<td>Investment project in a slaughterhouse company (Laham Industrie)</td>
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<tr>
<td>• Award demand-based financing for productive alliances (PA)</td>
<td>• Productive alliances with farmers</td>
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<tr>
<td>• PA is defined as an association of producers and purchasers (intermediary, wholesaler, or an agro-processor) entering into an economic agreement</td>
<td>• Provision of support: (a) BDS, (b) technical advisory, and (c) equipment and infrastructure (productive assets)</td>
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<td>• TA to utilize improved storage systems</td>
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| Commercial Livestock Project | PACAM | WAAPP, Livestock Project | PROCEJ |
Thank you!