The 2030 Agenda, Financing, and Aid for Trade

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Outline

• WBG engagement on the SDGs
• Aid for Trade and the SDGs
  • Implementation
  • Financing
  • Data
• What next for Aid for Trade?
World Bank Group is strongly committed to SDGs

- **MDBs Extend $400B+/3 years, Joint IMF/WBG Tax Initiative**
  - April 2015

- **In 2016 co-host with MDBs first Global Infrastructure Forum**
  - July 2015

- **Increase climate financing from 21% to 28% of WBG portfolio by 2020**
  - September 2015

- **Commitments in response to forced displacement crisis**
  - December 2015

- **Household-Based Surveys in 78 poorest countries by 2020**
  - October 2015

- **Joint MENA Financing Facility supports refugees and host communities**
  - April 2016

- **2015 ANNUAL MEETINGS**
  - World Bank Group
  - International Monetary Fund
  - Lima, Peru
  - October 0-11, 2015
Three key areas of focus for WBG engagement on SDGs

- Experience with the MDGs highlighted the importance of three critical pillars:
  
  **DATA**
  Ref: UN report on “A World that Counts”; WBG/MDBs/UN MoU on Data

  **FINANCING**
  Ref: Spring Meetings 2015 DC paper on Financing; Addis 2015 outcome document

  **IMPLEMENTATION**
  Ref: WBG/UN report to the CEB on the Lessons Learned from the MDGs; DC Lima paper on WBG’s role on SDGs

Partnerships essential for delivering across data, financing and implementation
Trade and the SDGs

**DATA**
Better data on trade and links with sustainable development issues (e.g. participation of women)

**FINANCING**
AfT relevant to ODA, domestic resource mobilization, and private flows

**IMPLEMENTATION**
Specific trade-related goals/targets AND Trade’s role in achieving other goals
Implementation: Trade will have a key role to play

Direct: Specific inclusion in Goals/Targets

Cross-cutting: trade has a role in achieving of all SDGs

Reflected in country, regional and global operations
AfT and Implementation: Direct vs Cross-cutting links (some examples)

1. No Poverty

End poverty in all its forms everywhere

Reducing trade costs and connecting the poorest to trade opportunities

2. End hunger, achieve food security and improved nutrition, and promote sustainable agriculture

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Reduction in barriers and distortions of international agricultural trade

3. Promote inclusive and sustainable economic growth, employment and decent work for all

Promote inclusive and sustainable economic growth, employment and decent work for all

Unlocking new sources of economic growth and job creation by lowering trade costs

Facilitating standards adoption for decent work
### AfT and Implementation: Direct vs Cross-cutting Links (more examples)

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<th>Number</th>
<th>Description</th>
<th>Trade-growth linkages</th>
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<td>8</td>
<td>Economic growth and decent work</td>
<td>Trade-growth linkages</td>
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<td>Aid for Trade mentioned specifically</td>
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<td>Reduce inequality within and among countries</td>
<td>Integrating developing countries into the global trading system</td>
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<td>Doing more to connect the poorest to trade opportunities and reduce risks</td>
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<td>Conserve and sustainably use the oceans, seas and marine resources for sustainable development</td>
<td>Sustainable fisheries trade</td>
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<td>Revitalize the global partnership for sustainable development</td>
<td>Supporting the multilateral trading system and an open global economy</td>
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<td>Harnessing the Aid for Trade initiative</td>
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Implementation: what are donor and partner country views on AfT contribution to sustainable development agenda?

Source: 2015 WTO/OECD Aid for Trade Monitoring Exercise
AfT and SDG Implementation: country focus...

- Looking at country-level SDG implementation through lens of how trade can contribute – either directly or through cross-cutting relationship with Goals?
- Trade not as a “sector” in many cases – instead, cross-cutting
- Many existing analytical tools and operational experiences to draw upon
  - But we need to build on this and share experiences better if we are to make sure trade is adequately considered in SDG achievement at the country level
...but action at the regional and global level is also needed

Important also to look at the regional and global level
Regional: Achieving food security in Africa requires a regional approach (SDG2)
  • E.g. facilitating intra-African trade: at present only 5% of imported African food staples come from within Africa
Global: looking at global public goods
  • Using AfT to support multilateral trade reform
  • Sharing knowledge globally
  • Data (more on this later)
Financing: the big picture

**Official Development Assistance**
An important source of funding for the poorest countries

**Domestic Resources**
The largest available source of funding for countries' development plans

**Private Sector Finance**
The largest potential source of funding

- **$135 billion**
  Global development community provides each year

- **$400 billion**
  Remittances 2013

- **$778 billion**
  Foreign direct investment 2013

To unlock these resources, countries must build effective tax regimes and government institutions, and improve public spending.

To unlock these resources, countries must improve the business climate, develop local capital markets, and mitigate investment risk.
ODA vs other development finance

In last 5 years

- IBRD average $25 billion/year
- IDA average $17 billion/year
- IFC average $21 billion/year

(Set to increase, including with other MDBs)

AfT – around $50 billion/year

- FDI $1.2 trillion
Financing

• Aid for Trade is relevant to each of the sources of development finance outlined above

• Domestic resources:
  • Trade facilitation, revenue collection
  • Improved business environment

• FDI: Trade environment affects FDI, especially related to global value chains
  • Closely related to wider investment climate

• ODA: Especially important for lowest-income countries & fragile and conflict-affected situations
Financing: Making the best use of AfT

• AfT – it’s not just about the money…
• Ultimately AfT should not be substitutable for other sources of development finance

**Public sector AfT:** Finance reforms/projects the private sector wouldn’t (risk) or shouldn’t (neutrality) pay for
Catalyzing private funding

**Private sector finance:** Investments in areas of mutual gain
Supporting innovation and knowledge flows

*Greater public-private cooperation can maximize impact and achieve the best value from development finance*
Data, AfT and SDGs

• Essential for targeting of AfT
  • Data and analysis on trade-related constraints (Doing Business, Trade Costs, Logistics Performance Index)
  • Data on poverty and other SDGs

• Building data capacity
  • Weak capacity to collect trade data in many countries, and use it for policy design
  • Combine with innovative methods of data collection

• Many data gaps: on links between aspects of SDGs and trade
  • E.g. Women and trade

• Monitoring: key role of the global Aid for Trade Initiative
  • Essential for maximizing impact of AfT
Example of a program closely linked to SDGs

SDG8 – Decent Work and Economic growth

8.8 Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment

**ILO/IFC Better Work project** – fostering adoption of labor and other standards in participating apparel factories, while also boosting productivity.

- Partnership active in 8 countries across 3 continents reaching 1000 enterprises and one million workers
- Vietnam is one country involved in the partnership – recent research on the impact of standards adoption on productivity showed that factories adopting standards in Vietnam saw a significant increase in productivity
Closer collaboration with private sector: leveraging financing, expertise, implementation capacity

Goals:
- Create Cambodian rubber association
- Accredit relevant Cambodian laboratory for certification
- International recognition of Cambodian certification

Development agency funding
Cambodian government implements project

Producers? Buyers? Sustainability?

Traditional model: public-public cooperation to develop local standards capacity

New model: closer partnership between public-private, focused on meeting standards of lead firms

Buyers/retailers
Producers
Services providers

GFSI
Dev’g country firms

*See Cattaneo 2015 for more.*
What this means for Aid for Trade - conclusions

• Implementation: AfT is strongly relevant to SDG implementation
  • Direct and enabling links
  • Country, regional and global level relevance of AfT
  • Opportunity to use AfT initiative to share experience on analytical tools, project design and implementation on trade-SDG links

• Financing links
  • AfT still relevant in a context of larger development finance flows: FDI, Domestic resources, remittances
  • AfT can leverage other funds – but should also not substitute private sector funding

• Data and monitoring: evidence for reforms and programs

• Greater collaboration between private and public sectors needed
Thank you

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