International Trade Centre
UNCTAD/WTO

WORLD EXPORT DEVELOPMENT FORUM 2007
Bringing Down the Barriers –
Creating a Dynamic Export Development Agenda

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Plenary Brainstorming - Part 3

The Dynamic Export Development Agenda

Richard S. Newfarmer, World Bank Special Representative to the UN and WTO in Geneva, drew laughter with his opening observation that compared to the boutique operation of the Swiss, the World Bank is the Wal-Mart of technical assistance.

Pointing out that most of the Bank's operations are in cooperation with governments or international agencies, he focused on six needs that came up in discussions, the Bank's responses and its agenda for the future.

1. Aid for Trade

The first need is for more Aid for Trade, as underlined by WTO Director-General Pascal Lamy earlier in the meeting. The World Bank provides about $4.2 billion, or 30% of the $13 billion that OECD estimates is spent on Aid for Trade.

"Will this aid increase looking to the future?" he asked. This depends on two things:

- countries' development priorities – health spending, for example;
- the increase in the overall 'envelope' of Aid for Trade.

So far, donor pledges at the Glenneagles' summit appear to be falling short of the 2010 target for increased aid. "Critical to this process will be the replenishment of the IDA (International Development Association), the concessional arm of the World Bank (directed to the poorest countries). If its resources are not increased it is very unlikely that Aid for Trade overall can be increased," he warned.

2. Infrastructure

This too came out of Monday's discussions. Infrastructure for trade remains essential. East African countries, for example, pay something like four times as much as India for their telecommunications, he noted. Low-income countries typically suffer when exporting from the cost and reliability of power.

Yet over the past 10 years, donors have invested less, not more, in infrastructure. In the 1990s 60% of official development assistance went into infrastructure. By 2005 that proportion had dropped to 30%.

The World Bank had also reduced its percentage, though not so strikingly and "in recent years we have begun to reverse that". Of the $24 billion the Bank lent in 2006, about $8 billion went into infrastructure – energy, roads, ports and water. Roughly $3 billion of that went to low-income countries, a 40% increase over 2000-2002.

Donors will have to increase their 'envelope of resources' to make infrastructure available. But countries themselves also have a big responsibility: "countries themselves are the big financers of infrastructure. We estimate that for development, the low-income countries alone need about $100 billion in infrastructure annually. Most of that is going to come from developing countries themselves."

For this reason, the Bank works with governments to improve the efficiency of state enterprises, where possible introducing competition, looking at entry restrictions that prevent private firms from coming into services markets, and looking at the incentive framework that governs the overall investment framework for infrastructure.

3. Trade financing

"We routinely find in our investment climate surveys that SMEs, particularly small firms, worry about their access to trade financing and financing in general," Newfarmer observed.

The World Bank has just established a global trade finance programme, with a $1 billion revolving fund to support trade transactions, involving 110 international banks and 83 local banks in 43 countries.

Under this programme, the World Bank's International Finance Corporation (IFC) provides a guarantee for individual transactions. Of the1000 guarantees approved so far, roughly half have gone to low-income countries.

"The agenda for the future here is pretty complex: it involves working with governments to improve the financial system to increase domestic savings, to manage the macroeconomy well so that savings stay in the country, and to develop new financial and financing instruments."

4. Lowering the cost of business

This means getting imports and exports in and out of the country efficiently and without undue regulation, the World Bank representative said.

Delays in transport, customs and logistics of cargo handling drive up costs and decrease competitiveness, Newfarmer recalled. "In Africa, for example, we know that the average number of days to get cargo from a ship into the factory workhouse is about 26 days. In Latin America it is half that, and in OECD countries it is half again below that, some six days."

He added: "We also know that if you can save just one day in that process, you lower the landed cost of imports – or if you are exporting, you lower the costs of exports – by about 1%. One day equals about a 1% increase in competitiveness abroad. It also has the effect of increasing the overall volume of exports by 1%."

Using the example of Uganda, where the factory to ship time is 58 days, Newfarmer said that halving this time would be equivalent to moving the country 2200 km closer to its trading partners and expanding exports by an estimated 31%.

The World Bank has increased its trade facilitation lending fourfold to about US $1 billion a year.

5. Compliance with standards

The World Bank has three major activities on standards:

- helping countries set up procedures for high-quality standards and testing facilities;
- providing a standards development facility for inter-country discussions;
- working with others to set up mechanisms to improve environmental aspects of standards, for example.

As an illustration, he pointed to a programme for coffee growers in Central America and Mexico, working with Nestlé to help 8000 small producers to improve productivity and environmental sustainability.

6. Moving competitiveness to the centre of the development agenda

Governments need to have a clearly articulated vision of how to improve competitiveness, aligning policies to that vision and ensure that regulations support competitiveness in a consistent way, Newfarmer said. "It is not an easy thing to do," he observed. In one African country he visited recently, one Ministry decided unilaterally to increase the cost of visas for expatriates working there to $3000 a year at the same time that the government was trying to create call centres and export industries that needed foreigners to become competitive in international markets.

To improve the situation, the World Bank is therefore funding projects in export development, investment promotion and technology development.

Asked to name a priority action for countries, Newfarmer said he had two: renewal of the IDA and helping countries put competitiveness at the centre of their development strategies.

Promises and technology transfer

Regretting that on aid "so many promises have been made that have not been delivered," an Asian representative asked whether any international agency is monitoring the fulfilment of pledges.

The UNCTAD panellist observed that the European Union had committed to increase aid to 0.35% of GDP by 2010 with the aim of reaching the 0.7% target by 2015. "This kind of repledging is taking place," Lakshmi Puri assured her. UNCTAD is monitoring aid delivery, not just quantity but also quality.

Another participant expressed surprise no one had raised the issue of technology transfer. The previous three days' debates had brought out the need for technology acquisition, he said. "The problem is that most technology is held by private companies and not by governments or international organizations," he reminded participants. "Private companies are rather unwilling to waive their property rights on their technologies." Did anyone have any innovative ideas about how to get companies to pass on their technology to developing countries?

Puri said UNCTAD is working on this issue, which had become more important with concerns about environmentally sound technology and energy efficiency. It had found there are two ways in which countries could be helped:

- Governments can be helped to bring in the right kind of science and technology policies and establishing institutional frameworks so that research and transfer can flourish.
- Companies can be given incentives to sell their technologies. "Donors have financed at least in part these transfers of technology where there is a public interest and where they can make a development difference. Government health technologies – and there are a lot around – can also be transferred to serve development purposes."

FDI, the diaspora and energy

Patricia Francis observed "Transfer of technology is an imperative if you are actually going to see development. FDI is probably one of most important contributors to technology transfer. If we are going to see development taking place, it has to have a mix of local development and FDI." UNCTAD, she pointed out, has done "a tremendous amount of work" on FDI as a lever for technology transfer.

Eddie Yeung, Director of the CIEL group from Mauritius, noted that energy costs are a major problem for developing country exporters. He suggested an international agency collate the information on energy-saving technologies and tips along with the facility for exchanges among businesses in exporting countries.

An African representative suggested that any Tradepedia Internet-based knowledge system should include details of consultants available from the "diaspora" of developing country specialists. She noted that the European Union recently had offered the government a choice of consultants, a "very welcome" change in operating. "That small change can make a huge difference."

Browne commented that he believes the best knowledge about the situation in the South is in the countries themselves. The opportunity to contribute electronically could lead the diaspora to take part enthusiastically in solving their countries' problems.

Newfarmer said the World Bank also maintained a databank of consultants, very heavily populated by the diaspora.

Regional trade, directing Aid for Trade

In answer to another question, Newfarmer urged countries to get together to discuss ways of expanding their regional trade. "One of the things we are finding, for example, is that low-income countries and even high middle-income countries don't diversify into each other's geographic markets to the extent that the wealthier countries do."

A speaker from the floor tackled the problem of energizing Aid for Trade. He identified three main groups of exporters: companies that are almost taking off – those "at the entrance of the game", those who are already in the game and need some additional technical assistance to reach the top level of competitiveness, and the third those who do not need support. He recommended redirecting Aid for Trade to specific groups or regionally.

Browne agreed but pointed out that donors on Aid for Trade are increasing considerably, far more than the 22 members of the Development Assistance Committee of the OECD. "One of the two largest donors in the world today – and perhaps the largest donor of aid-for-trade in the conventional sense – is China," he reminded participants.

He also expressed scepticism about aid targeting (setting transfer goals) to solve development problems. If countries overnight decided to increase their aid to 0.7% of GDP would that solve the development problem? he asked. "I don't think so. I think targeting has to be done at the goal level, at the country level."

Newfarmer noted the need for low-income countries to find ways to keep their exports in the market. "One of the things that differentiates the really successful developing countries – let's say Taiwan and Korea – [from others]: when they begin exporting a new product, that product tends to stay in the market and grow. When you look at low-income countries, often you see new exports coming onto the market, then dying in the next year." In Taiwan, 60% of new exports survive for more than one year. In a typical African country, the figure is just 30%. Governments could therefore think of how to introduce mechanisms that would enable firms to keep their new goods on the market.

Internet, buyers

A Latin American participant said the Internet has been a very underused resource, and he therefore supported the idea of a wiki trade mechanism and bench-learning. But this should also include information on how to go about solving problems and meeting standards. "The main problem is not knowing what to do but how to do it."

Another participating recommended focusing aid on direct match-making rather than capacity-building or trade facilitation, and bringing representatives of buyers to the World Export Development Forum. Once trade takes place, he pointed out, "automatically some of these hindrances will be eliminated."