

Unlocking Global Opportunities: Aid for Trade and World Bank Assistance

**Elisa Gamberoni
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May, 2010**

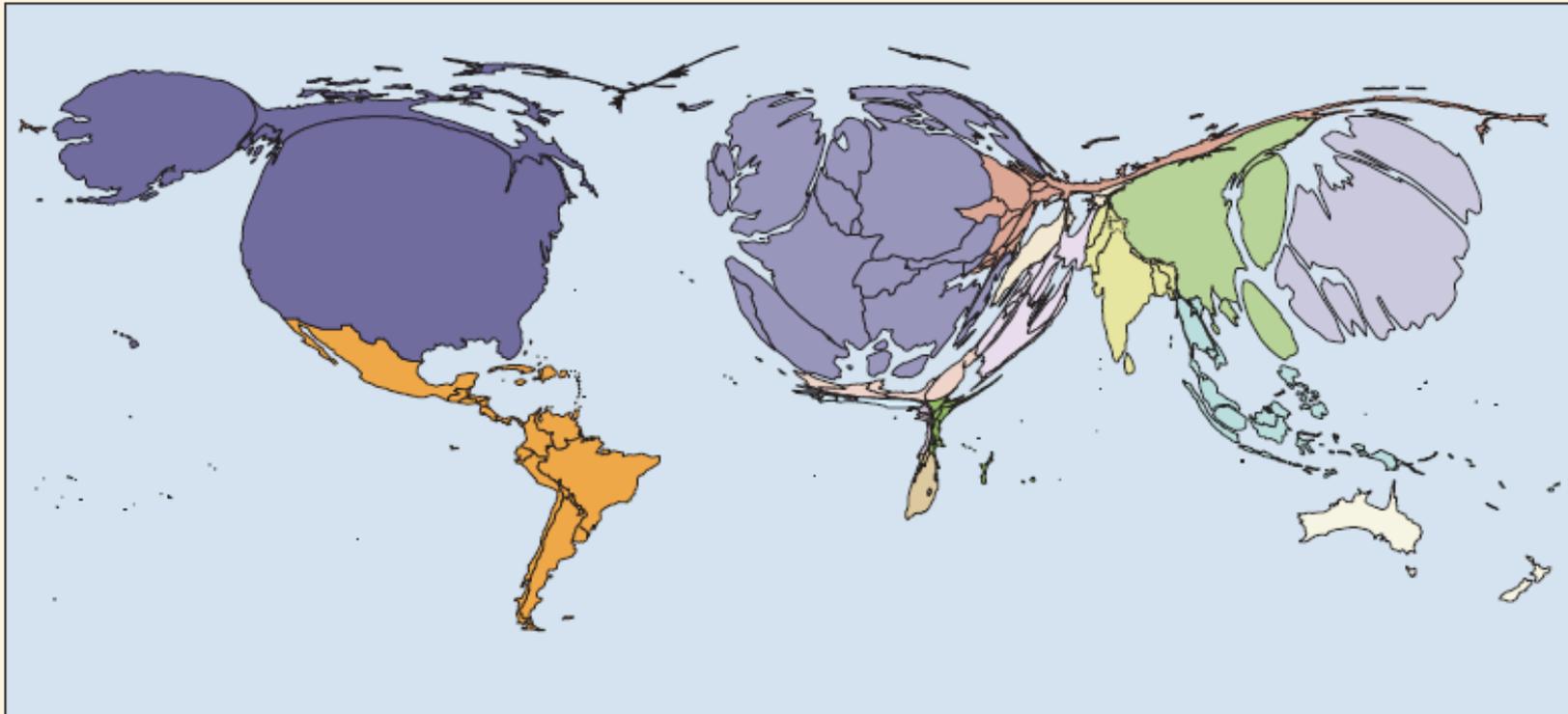
Central Points

- **Kosovo is beginning to leverage the global economy for growth, but moving to high sustained growth path requires improvements in competitiveness**
- **Aid for trade can help countries overcome supply side constraints**
- **World Bank is a leading provider of aid for trade... but countries have to ask for it**

Look to global economy for demand

Kosovo represents small share of global GDP; exploiting global opportunities is key. The regional market provides an opportunity for growth.

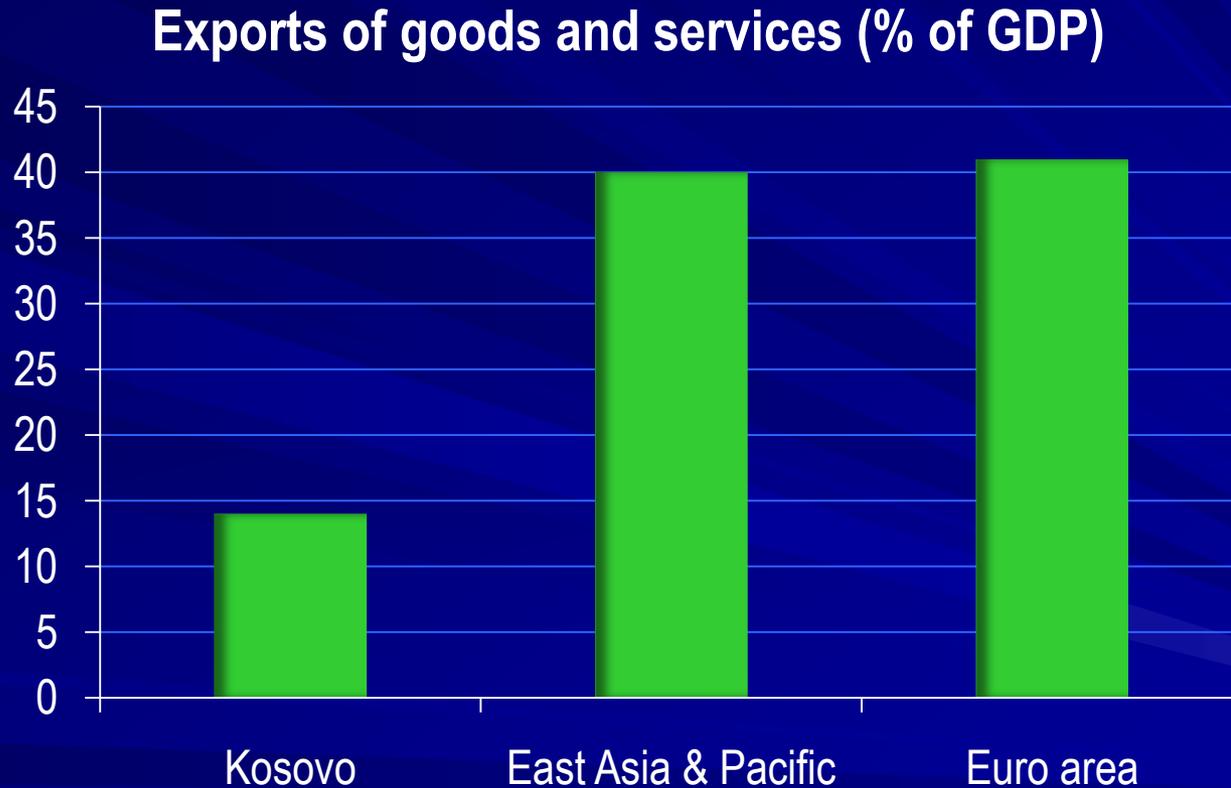
A country's size shows the proportion of global gross domestic product found there



Source: WDR 2009 team using 2005 GDP (constant U.S. dollars).

Note: The cartogram was created using the method developed by Gastner and Newman (2004). This map shows the countries that have the most wealth when GDP is compared using currency exchange rates. This indicates international purchasing power—what someone's money is worth if spent in another country.

Kosovo has barely used the potential of international trade...



Source: World Bank, World Development Indicators

Beneath *trade performance* lies weaknesses in *trade capacity*...

– Infrastructure

- 1. Quality of infrastructure and information technology – LPI (2)**

– Institutions

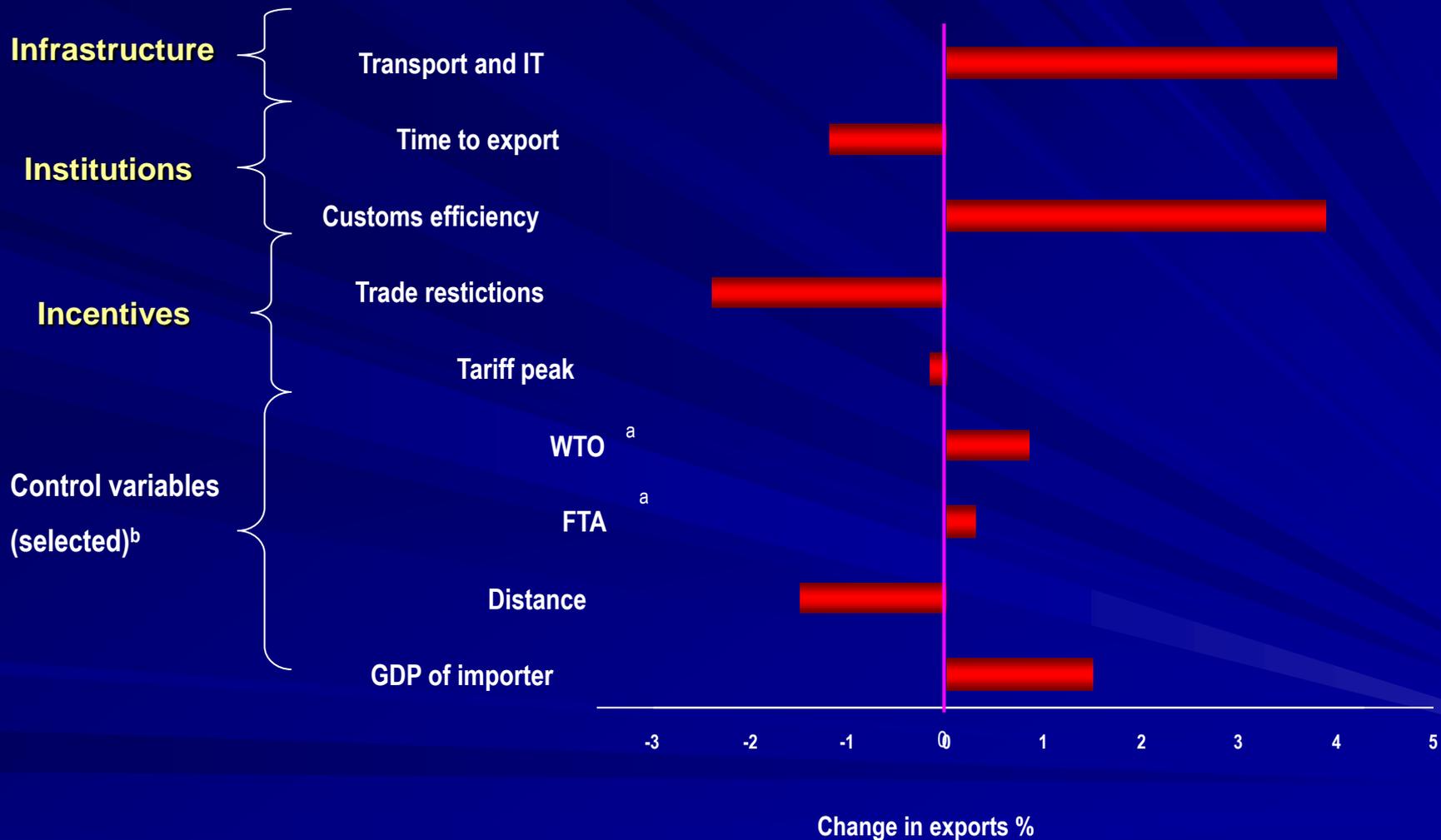
- 2. Quality of customs – LPI (3)**
- 3. Time to export – *Doing Business***

– Incentives

- 4. Peak tariffs (# of lines 3x average tariff level)**
- 5. Tariff overall restrictiveness index - OTRI**

Infrastructure, institutions, incentives influence trade

Effects of 1% change in infrastructure, institution, and incentive on exports

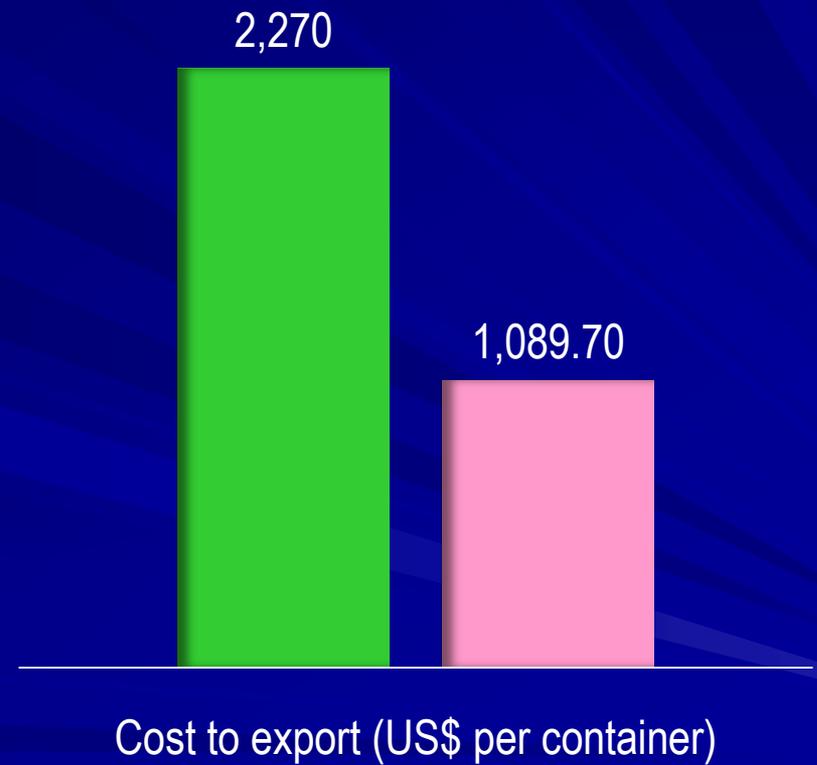


Note: Marginal effects calculated at the average of the sample. ^a represents the change passing from zero to one. The rest of the variables refers to change of 1 percentage point. ^bOther control variables are listed in the Annex. Source: Gamberoni and Newfarmer, 2009.

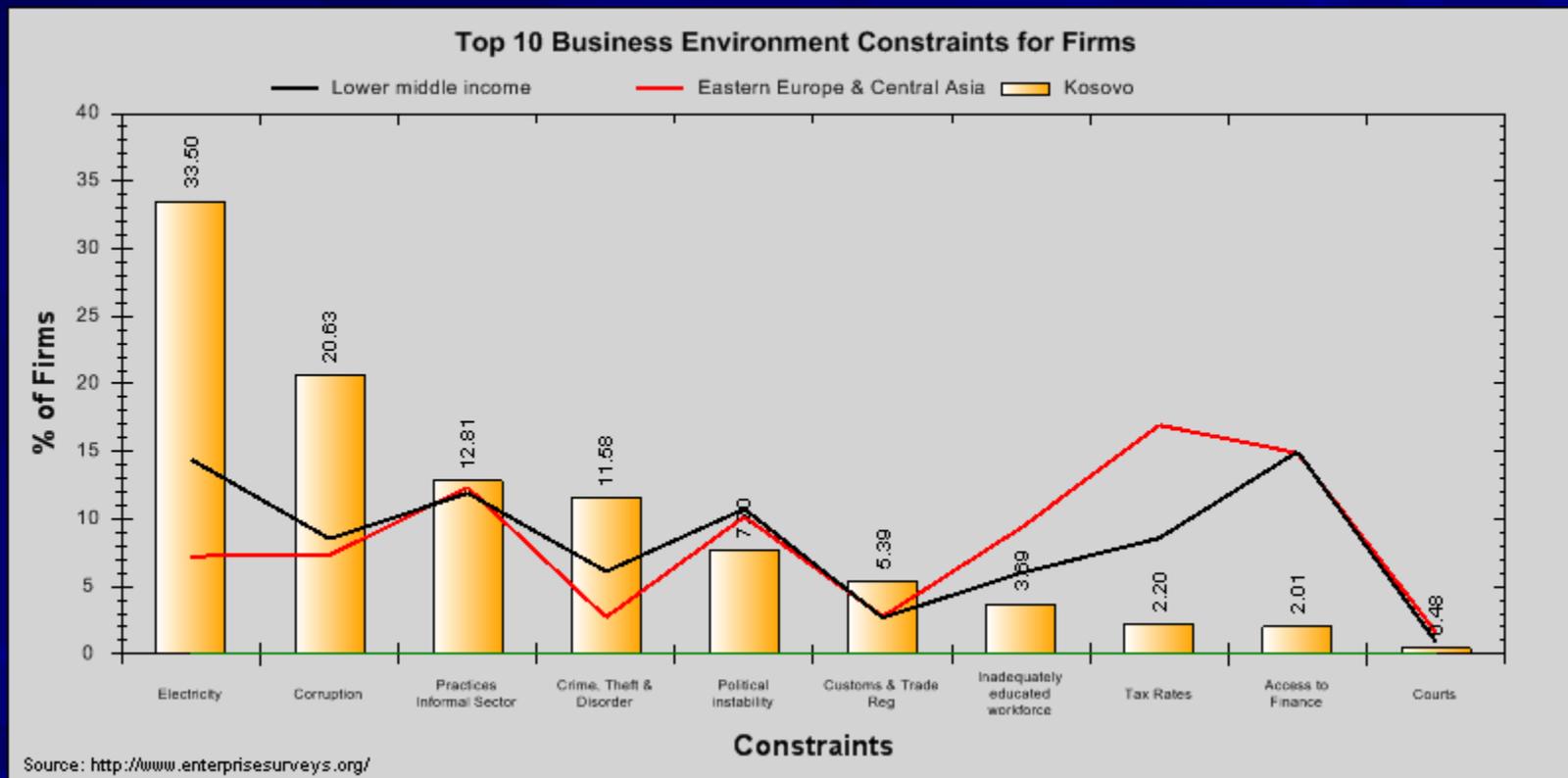
Trade related institutions cause delays....



...and cost money

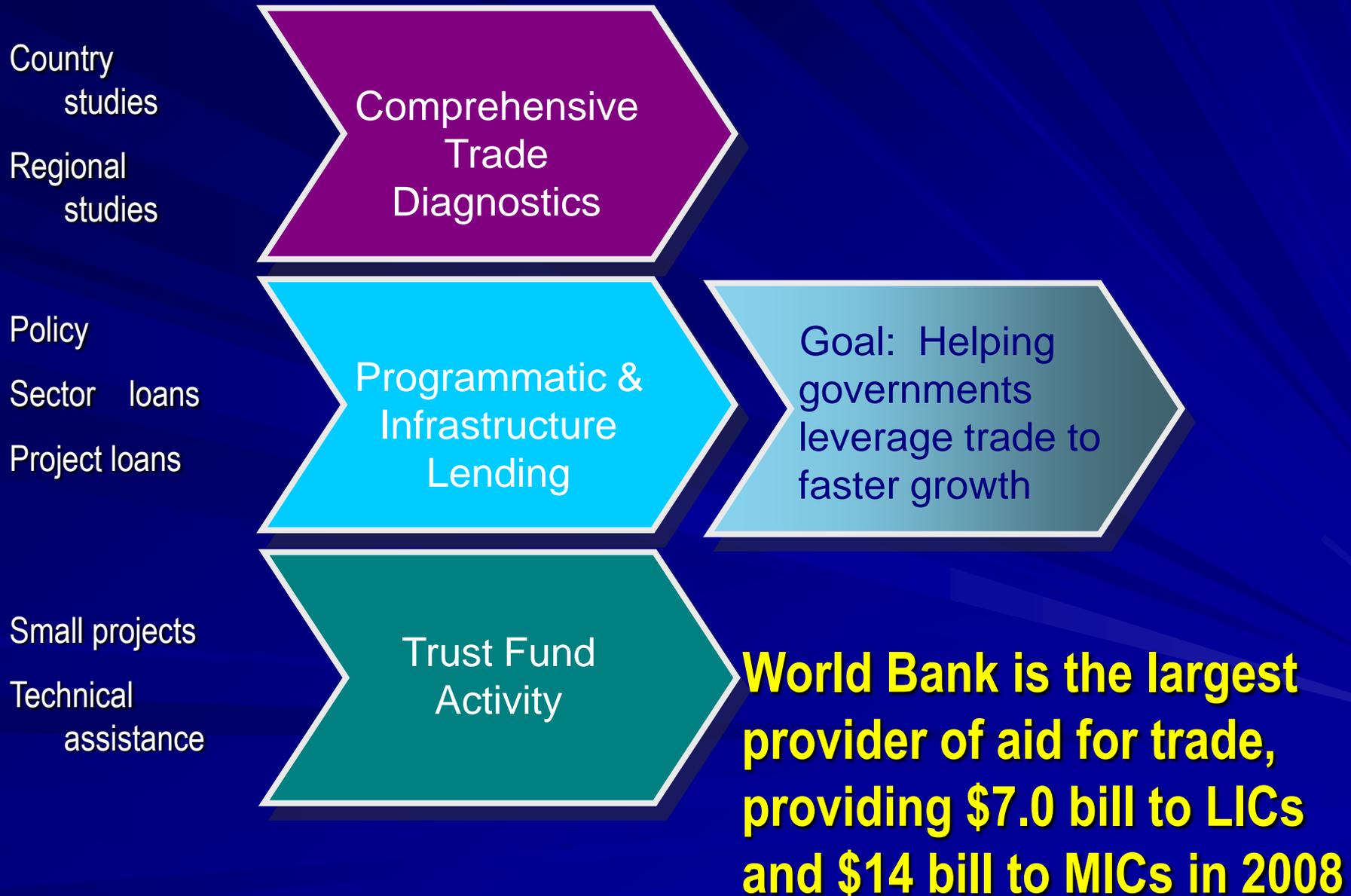


Barriers to trade are only a piece of the story...
electricity hampers the production process of firms...



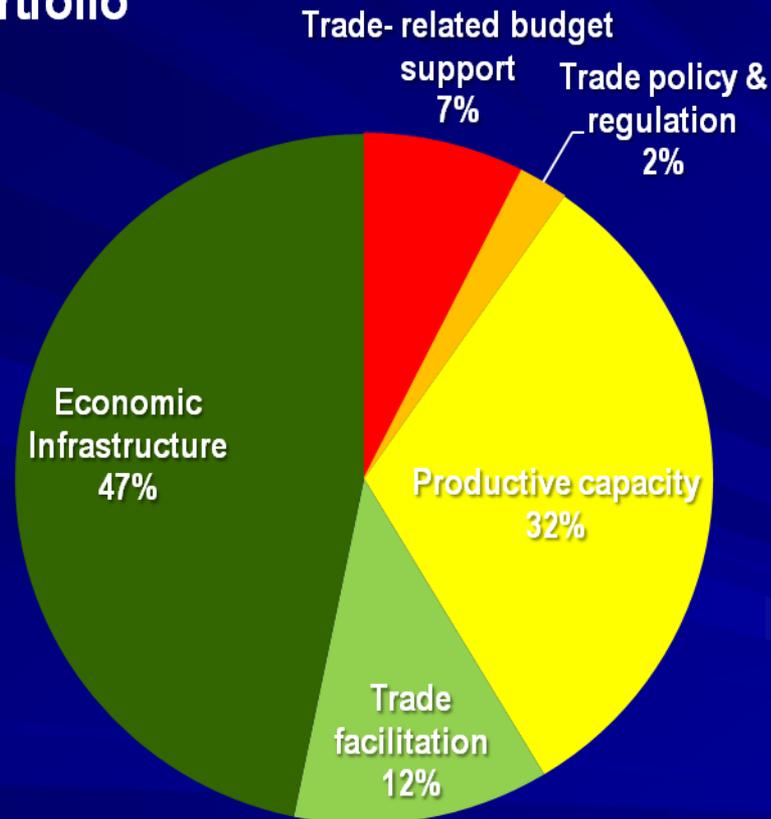
Source: IFC, World Bank "Enterprise Surveys"

The World Bank's aid for trade program is to help improve competitiveness



World Bank provided some \$22 billion in loans, no –interest credits, grants, and private sector investments in 2008

World Bank Group Portfolio



Aid for trade is more than money: multidimensional

- **Training:** Over FY 2006-07, the WBG held an average of 48 trade-related training courses (around 14,000 participant training days per year),
- **Technical assistance activities** (free-standing): 36 per year in 2006-2007
- **Analytical and policy advice** (policy notes, country studies, regional studies): 72/year
- **Guarantees** to leverage private finance:
 - Global Trade Finance Program US\$2.5 b. since 2005 in revolving fund to stimulate trade financial flows to developing countries
 - Provided US\$770 million of guarantees in FY07, probably US\$1.3 billion in FY08.
 - 144 banks in 57 developing countries.
- **Tools, indicators, research** (see www.worldbank.org/trade):
 - *Logistics Performance Index*
 - *World Trade Indicators*

Trade Integration projects span several areas:

- Export development and competitiveness (Cambodia-Trade Development Support Program)
- Trade facilitation and market access (Vietnam-custom modernization)
- Regional integration (Abidjan-Lagos-Trade and Transport Facilitation)
- Technology diffusion
- International financial architecture
- Other trade and integration

Trade facilitation

- The IFC-World Bank Trade Logistics Advisory Program is helping countries simplify and harmonize trade procedures.
- Trade and Transport Facilitation Audits have been conducted in over 40 countries over the past five years.
- The Bank launched a new *Trade Facilitation Facility* in May 2008, which will provide additional resources for technical assistance and advisory work to reduce trade costs.

Examples: The Greater Mekong Sub-region (Cambodia, China, Lao PDR, Thailand, and Vietnam) (streamlining regional border procedures and automating of customs administration)

Unlocking World Bank services and financial resources

- **Once a year the WBG Country Team meets with the Government (usually Finance Minister) to allocate WBG resources**
 - No-interest loans
 - Program of studies
 - IFC program – private investments
- **Discuss key problems facing the countries, policy responses and requirements for support – including finance and studies.**
- **Government and Bank put together a “Country Assistance Strategy” (CAS) that includes a program of loans, studies, and technical assistance, usually with a 3 year horizon**
- **Staff presents Country Assistance Strategy, once agreed with government, to the World Bank Board for approval**

Unlocking World Bank services and financial resources

- **Shortcomings (from a trade perspective):**
 - Trade Minister is rarely at the table in these discussions
 - Finance ministers may not consult with cabinet on proposals
 - Economic cabinet may not focus on improving competitiveness and promoting exports
- **What do you have to do?**
 - Call up local office – go discuss project ideas with project officers/economists.
 - You need to convince two people: the Ministry of Finance and the Country Director
 - **When in doubt, call Bernard Hoekman (tel:1 202 473 1185) or bhoekman@worldbank.org**
 - **If that does not work call the Geneva office: 41 022 748 10 00**

Conclusions...

- Integration in the global economy can be a channel to spur a sustainable growth
- Improving supply side impediments to export growth is as important – if not more so – than increasing market access abroad, and aid for trade can help
- The World Bank is ready to work with countries in developing programs to improve their competitiveness to use trade to drive growth

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