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THE ROLE OF INTERNATIONAL BUSINESS IN AID FOR TRADE

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BUILDING CAPACITY FOR TRADE IN DEVELOPING COUNTRIES



THE WORLD BANK

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EXECUTIVE SUMMARY

Since the launch of the global initiative on Aid for Trade in 2005, there has been a concerted effort by donors, partner agencies and recipients to strengthen trade capacity and improve trade-related infrastructure so that developing countries may reap the benefits of trade. The majority of these efforts have been driven by the public sector: building infrastructure, providing technical assistance, improving trade facilitation and trade policies. While a great deal of progress has been made in these areas, the scope of the Aid for Trade (AFT) initiative is not limited to public sector activities. After all, the private sector is the engine that powers global trade, and with the emergence of global value chains and the ongoing shift of innovation and R&D activities towards developing countries, the private sector has an ever-increasing role to play in building trade capacity in developing countries.

With a growing number of companies looking to the developing world for new markets, the private sector has a profound interest in ensuring sound investments through access to trade-related infrastructure, an educated workforce, and quality standards for inputs to their goods. Companies are embracing the concept of “inclusive growth” and they realize that it is in their core business development interests to build capacity in their target markets. Given this, the time is ripe to explore new partnerships between the public and private sector in order to build trade capacity in developing countries.

This paper is a step towards highlighting the role of the private sector in the Aid for Trade initiative and provides a framework for understanding what this role entails. This framework is informed by 40 case stories submitted by multinational companies, business associations and other private sector actors, which cover a variety of trade-related capacity building projects. These case stories demonstrate the importance of the private sector in building human and productive capacity, incorporating producers into global value chains, improving quality and safety standards, and promoting trade facilitation. The paper concludes by highlighting seven ways in which the private sector engages with the Aid for Trade initiative and proposes several avenues for bolstering future collaboration between the public and private spheres.

July, 2011



INTRODUCTION

The global initiative on Aid for Trade (AFT) was launched in 2005, following commitments by the G8 at their summit meeting in Gleneagles, Scotland, to expand financial support for enhancing the trade capacity of developing countries. At their December 2005 Ministerial meeting in Hong Kong, WTO members established an Aid-for-Trade work program, emphasizing the particular importance of assisting least developed countries (LDCs) “to build the supply-side capacity and trade-related infrastructure that they need to ... implement and benefit from WTO Agreements and more broadly to expand their trade”. In 2006, a WTO Task Force on Aid for Trade provided a series of recommendations on how to move forward in operationalizing the program.

A key rationale for launching the AFT initiative was that firms in many developing countries may be unable to benefit from existing and prospective market access opportunities that the global trading system or specific countries/regions offer – such as preferential (duty-free, quota-free) market access. Poor quality infrastructure coupled with high operating and transaction costs block many of the advantages of market access liberalization that has occurred in recent decades. By boosting investment in trade-related infrastructure and the supply capacity of firms in developing countries, Aid for Trade can help realize these potential gains.

Aid for Trade is categorized by the OECD and WTO into four broad types of support: (1) technical assistance for trade policy and regulations; (2) productive capacity building (including trade development); (3) trade-related infrastructure; and (4) trade-related adjustment. Recipients of assistance may be government entities and activities or the private sector in developing countries; suppliers are donor governments and international organizations. The ultimate beneficiaries (whether directly or indirectly) are firms and workers in developing economies, as well as consumers everywhere – who benefit from the resulting increase in supply capacity, productivity improvements and reductions in prices of traded goods and services.

To date, the AFT initiative has focused almost exclusively on increasing (and surveillance of) the supply of funding by donor governments and ensuring that funds are allocated to what recipient governments have identified as priority areas. In recent years there has also been a welcome focus on monitoring and evaluation of the effectiveness of Aid for Trade in achieving the underlying objectives. An implicit premise of the AFT supply expansion and monitoring effort has been that Aid for Trade is a public sector activity: it is donor governments and international organizations that provide the assistance. However, in practice international business/multinational companies (MNCs) play an important role as well.

The role of multinational business in trade has always been very important—large firms account for the majority of international trade flows, and many if not most of these large firms will have establishments in multiple countries. These firms, obviously, are not in the development assistance business (although they may be contracted by governments to implement projects financed by Aid for Trade). This does not mean, however, that private companies do not contribute to building trade capacity in developing countries. To the contrary, many enterprises

that have established operations in developing countries or that trade with developing countries make a major contribution to economic upgrading and local capacity building. Such activities are not captured by the term AFT – nor would it qualify as AFT – because the origin of the funds is private and the objective is generally to benefit/support the associated investments/operations. It nonetheless serves the same purpose. Indeed, it may have greater success as a result of the need to demonstrate results vis-à-vis the firm's shareholders, and can generate positive spillovers.

1. THE RISE OF GLOBAL VALUE CHAINS AND INCREASING PRODUCTION AND INNOVATION IN THE SOUTH

The trade paradigm has changed significantly in the last two decades. Developing countries were long confined to the role of importers of manufactured goods and services and exporters of raw or lightly processed materials. As a result of outward oriented development strategies that involved integration into the world economy a number of developing countries greatly expanded their trade and became large-scale exporters of manufactured goods and commercial services. Opening of economies and technological changes stimulated the “offshoring” of segments of production to countries where human resources were abundant and cheap (low-cost production) and contributed to the emergence of new trading powers – most notably China, other East Asian economies, Brazil, and India.

With increasing fragmentation of production and resulting longer supply chains, the production of parts started shifting to new locations. This led to an increase in domestic investment and Foreign Direct Investment (FDI) in tradable sectors leading to job creation in locations that became integrated in global supply chains. However, investment in soft resources (training, etc.) often remained limited as offshored activities remained concentrated in the low end of the value chain (low-skill, low-value-added). As a result, FDI has had primarily a direct impact (job creation in the relevant facilities), with limited spillovers to the rest of the economy. Indirect effects of FDI were only potentially significant in a few sectors like tourism. While the economic growth in the South increased the incentives for MNCs to invest and produce locally, adaptation of their products to local tastes generally remained limited.

However, in the last decade globalization entered a new phase, with two factors that significantly changed the role of MNCs in contributing to socio-economic upgrading and trade capacity building in host countries and trading partners: the acceleration of trade in intermediate inputs and components (i.e. increasingly processed and sophisticated products or services) within global value chains; and the need to adapt production to meet the specific tastes and needs of developing countries’ consumers.

The acceleration of trade in intermediate inputs and components within global value chains and the corresponding increase in importance of global value chains in business strategies has augmented the share of goods and services sourced in developing countries. At the same time, it increased the number and sophistication of the tasks outsourced, resulting in a number of companies in developing countries moving up the value chain. This, in turn, drove increasing transfers of technology, knowledge and investment in human skills. While these transfers were necessary to allow producers along the supply chain to effectively participate, increased pressure from consumers in developed countries demanding higher quality goods and services added to this process. To satisfy these demands from high-income consumers, global buyers and producers associated with the sale of final products aimed to ensure that all segments of production satisfy relevant quality and safety standards (for products and workers),



and meet relevant environmental/sustainability standards. Corporate interests therefore started to overlap with development concerns, in that MNCs have greater incentives to focus attention on sustainable production and sourcing in developing countries and investing in local human skills to improve the quality of the output, allowing it to meet relevant standards. Similarly, to move intermediate and final goods as fast as possible along supply chains, trade facilitation became of much greater importance to MNCs, justifying new forms of investment in infrastructure and logistics. More generally, the need to ensure quality and productivity through the supply chain is a major area in which AFT interests converge with those of the private sector.

Regarding the adaptation of production to meet the specific tastes and needs of developing country consumers, the emergence of the so-called “reverse innovation” process (and its variations, including the “bottom of the pyramid” and “just enough” production) accelerated transfers of technology and soft resources (knowledge, know-how, business practices, etc.) to developing countries: R&D and innovation increasingly takes place in the target markets, including in developing countries. Doing business shifted from innovating in the North and selling similar products in the South at a later stage of the product cycle when savings on production costs are possible, to increasingly developing products adapted to the needs and tastes of target markets. While the objective of this approach is to broaden the local consumer base by catering to lower-income consumers in target markets, this new business strategy also boosts South/South and South/North trade: for example, the US\$5,000 car designed for developing countries quickly met some demand in developed countries, and the same pattern holds for cheap computers and tactile tablets. Emerging economies with large domestic markets are progressively becoming innovation and export platforms for MNCs, justifying greater trade capacity building efforts and transfers of more sophisticated technologies and skills. In turn, these investments have positive spillover effects and help the emergence of a local vibrant export industry: for example, when a major MNC opens an innovation center or a services hub in a specific location in developing countries, domestic companies benefit from the infrastructure and cluster of competences and their capacity to trade is increased.

An important dimension of AFT support spans measures to make countries more attractive to foreign direct investment (FDI). The spillover effects from FDI – technology and knowledge transfers, direct and indirect creation of jobs, backward linkages through local sourcing of inputs and sub-contracting, tax revenues, increased competition, etc.– are all important dimensions of building local trade capacity. It is through the FDI channels that foreign private companies may have the biggest impact in bolstering the trade capacity of host economies. Whether interests of international business are primarily in trade (sourcing from independent foreign suppliers) or operate through FDI (establishing operations in developing countries) will depend on many factors. The point is that both channels are important.

In sum, through their global operations, MNCs increasingly contribute to building capacity to trade in developing countries. Increasing connectivity and the fluidity of trade and investment along supply chains, thereby promoting transfers of capital, knowledge, and skills, socio-economic upgrading, will stimulate trade, which increasingly takes the form of South/South and South/North exchanges in addition to the more traditional pattern of North-South trade.



2. RE-THINKING AID FOR TRADE AND THE ROLE OF THE PRIVATE SECTOR IN TRADE CAPACITY BUILDING

An implication of these developments is that Aid for Trade needs to recognize and leverage the role of the private sector in trade capacity building. There is much to be learned from private sector trade capacity building efforts. Indeed, if we recall the four main categories of AFT distinguished by the OECD/WTO, in three instances it appears there is substantial scope for greater collaboration and cooperation between donor governments and international organizations and the (international) private sector – in technical assistance for trade policy and regulations; in productive capacity building; and in trade-related infrastructure.

In the case of technical assistance for trade policy and regulations, for example, the public sector would seem to have the comparative advantage, but clearly reforms should be informed by consultations with the private sector, which also has an important role to play in providing monitoring and feedback to governments. Conversely, in the case of productive capacity building the private sector can be expected to have the comparative advantage, but there is a key role for the public sector to ensure that the supply of such assistance is distributed appropriately. In the case of trade-related infrastructure there will often be scope – indeed, a need – for public-private partnerships to generate the required financial investment.

Given the dominance of supply chains and the importance of international distribution networks for products – including many commodities – Aid for Trade needs to be informed not just by “general” trade priorities – such as improving customs clearance and border management – but by the opportunities and constraints that (potential) investors identify in specific countries or regions. If the precondition for entering into export activities is connecting to a global value chain, Aid for Trade should seek to target the factors that currently impede investment by MNCs and participation by local firms and suppliers in international production chains. Such a shift in emphasis would help make Aid for Trade more demand-driven, in the sense that it responds to the needs of (potential) investors – in turn driven by consumer demand – as opposed to what the governments think is useful. Greater targeting of the issues that inhibit investment or expansion by MNCs and local companies should also help increase the effectiveness of Aid for Trade, as it implies matching local supply to global buyers’ demand.

Of course, business and development objectives do not necessarily converge. The aim of business is to increase the value of the company whereas governments are presumably seeking to increase social welfare. While much of the “Aid for Trade” provided by MNCs will contribute to their “bottom line” either directly or indirectly, there will also be many benefits from such initiatives – positive spillovers for other firms, communities and the economy as a whole – that cannot be captured fully by individual MNCs. Seeking to foster such spillovers should be one objective of the AFT initiative while recognizing that private sector efforts will never substitute for public aid.

The next section summarizes a number of “case stories” of AFT contributed to the World Bank by global businesses and associations. While these represent only a small snapshot of the type of activities that are supported by MNCs, the summaries suggest that much of the current private sector efforts are concentrated in capacity building – of firms and farmers – through training, transfer of technology and know-how, and provision of finance. They also reveal that private sector activities are often undertaken in partnership with development agencies. This suggests there is already a good foundation on which to build future cooperation with the private sector.





3. PRIVATE SECTOR “AID FOR TRADE” CASE STORIES

To increase awareness of the role of the private sector in Aid for Trade, the World Bank launched a call for case stories from companies engaged in such projects in early 2011. The aim was for the public donor community to gain a better understanding of what companies are doing and what constraints they face in undertaking such initiatives, as well as to identify areas for new partnerships. The effort was part of a broader project to analyze private sector efforts to build capacity and facilitate trade in developing countries, and builds on the findings of a series of interviews and meetings held in 2009-10 with MNCs and business associations.

Examples of a number of the specific case stories that were received are summarized in the Annex. They are organized by the type of activity and underlying objective rather than the OECD/WTO categorization of AFT. Most of the examples fall into one of four types of activity, with a common theme being capacity-building.

I) BUILDING HUMAN CAPACITY: TRAINING AND SKILLS

While the movement of key personnel is essential to doing business abroad, the majority of workers in most countries that attract FDI or partnerships with international firms are local or regional. Insofar as the workforce is deficient in specific skills needed, foreign companies often establish training programs. While benefiting the company in the short-run, such programs can contribute to sustainable long-term benefits for the recipients who can apply their newly acquired skills in numerous ways, resulting in positive spillover effects for the country. (e.g., alumni of MNCs often count amongst the most successful local entrepreneurs and exporters). Examples collected through the call for case stories touch on a wide range of sectors from IT solutions, accounting, credit and environment (HP, Nespresso, Alstom), and at all skill levels (FIATA). The types of programs that are implemented could benefit employees of the company or sub-contractors (and hence potentially benefit other exporting firms).

II) BOLSTERING PRODUCTIVE CAPACITY: TECHNOLOGY, KNOW-HOW AND FINANCE

Foreign companies investing in developing countries frequently confront situations where the condition of existing infrastructure, technology, and the general business environment raise operating costs significantly. A number of the case stories revolve around transfers of technology, know-how, and knowledge, and efforts to improve the business environment. Examples include the development of hard infrastructure such as facilities (Alstom, Barrick, Nespresso), the dissemination of technologies (Qualcomm) and knowledge (Dow, Karachi Chamber of Commerce), and providing access to finance for suppliers (Nespresso). While benefiting the company at the origin of the transfers, the capacity building efforts to improve infrastructure or the business environment can be expected to have positive spillover effects, including to local SMEs.

III) INCORPORATING PRODUCERS INTO GLOBAL VALUE CHAINS

Given the importance of supply chains it is not surprising that a number of the cases revolve around enhancing the performance of value chains. This can span any link in the chain, ranging from design to production, assembly,

packaging, marketing, distribution to consumption. However, the case stories in this area mostly center on the agribusiness industry (Walmart, TransFarm Africa, Coca Cola, Cargill and Kraft), with one example focusing on regional supply chains for textiles and apparel (Source ASEAN Alliance). Assistance in meeting quality and safety standards is also important to help incorporate local producers into global value chains (Consumer Goods Forum and Danone). Promoting the sustainable inclusion of small producers into global value chains is fundamental to fighting poverty: 75% of the world's poor live in rural areas and of these, 86% depend on agriculture. If small-scale producers are able to link to the chain while at the same time obtaining assistance to help with needed certification for value-added produce (e.g., organic production), they will be able to take much better advantage of market access opportunities.

IV) INVOLVEMENT IN TRADE FACILITATION PROGRAMS

Trade facilitation is a major concern for the private sector as red tape and inefficiencies in border management and corridor performance can raise transport costs substantially resulting in major delays. Initiatives and projects led by firms and industry groups that were put forward range from road safety initiatives in Africa (Total) to more efficient customs processes through customized software development in Africa (SGS), Asia (Microsoft & Oracle) and Latin America (Global Express Association). Trade facilitation is typical of a public good: when roads are safer and custom's clearance faster, it benefits the company at the origin of the capacity building efforts as much as its competitors.

4. JOINING PUBLIC AND PRIVATE FORCES ON AID FOR TRADE

The case stories illustrate that many multinational enterprises contribute significant resources to strengthening trade capacity in developing countries with a view to reducing production and operation costs and raising standards. Many of the examples reported to the World Bank revolve around investments in productive facilities, transfers of know-how (e.g. training or business mentoring), upgrading to satisfy product standards, and provision of seed and working capital to suppliers in the value chain. International business also engages in advocacy and support for actions by governments to promote more reliable, cost-efficient, and timely delivery of products through trade facilitation measures and related transport policy improvements.



Figure 1. Interfaces between Aid for Trade and the private sector

In other words, the case stories give an indication of what is being done by the private sector and where it overlaps with public AFT. Now the question is how to best articulate public and private efforts. The intersections between private sector activities and public AFT are multidimensional. At least seven ways in which the two interface can be distinguished (see Figure 1).

The first is **the private sector as the operational arm of Aid for Trade**. One direct way that the private sector has an interest in AFT projects and funding is through the associated procurement: this is particularly true for infrastructure projects which represent a large share of official AFT expenditure. The private sector is often the de facto operational arm of public AFT, tasked with implementing the projects that are financed by donors. Anything that reduces the costs and increases the efficiency of selecting the best firms to act as “implementers” will help increase the effectiveness of AFT. Indeed, interviews with firms suggest that this is an area that is both of significant concern and great interest. Two types of proposals are often made by the private sector in this regard: allowing greater participation in the different stages of the project cycle, and reform of procurement rules, especially more transparency and better enforcement.

A second intersection is **the private sector as a partner in Aid for Trade**. Donor governments and the private sector can work hand in hand, with resources from each party used for a specific project. Both parties are often very interested in pursuing such partnerships, and the cases in Section 3 provide examples of this, but experience shows that their implementation can raise a number of difficulties and may generate potential concerns regarding conflict of interest. In particular, co-mingling public and private resources raises various challenges. Some trust funds have been set up to collect public funds for private projects, and vice versa, but these have remained isolated experiences. A number of ways could be explored to ensure that the pro-bono provision of services or products (technology etc.) does not bias competition in the future (see case story example from the Global Express Association). One would be to work through business associations that group all the firms that compete in a certain line of business. Another would be to impose a “public good test” under which a determination is made that no single firm would be advantaged from a given project.

A third interface is **the private sector as productive investor**. A major contribution of the private sector to capacity building in developing countries is associated with the global operations and investments of foreign firms. The associated spillover effects can be important, and the investments and relationships can do much to enhance the export performance of the host country. This is of course the goal of many AFT projects as well, and the question is what lessons are suggested by these private sector-driven improvements in trade capacity for the design of AFT. Productive investment is also a necessary supplement to financial aid in many instances: for example, the dissemination of clean technologies in developing countries could become a promising area for coordinated action by donors and the private sector.

Fourth, **the private sector can be a donor.** Private foundations have become major providers of development aid, particularly in the health sector. In some instances, foundations are closely linked to a company and provide “Aid for Trade” (e.g. to unlock markets for developing country producers by providing seed capital, business mentoring and strategic partnerships with major retailers to create sustainable supply-chains). In some cases, the line between charity and business is very thin, however, as illustrated by the success of the “bottom of the pyramid” and social business concepts. There are undoubtedly lessons to be drawn from these private examples of AFT, e.g. with respect to the financial sustainability of AFT development projects. There is clearly some synergy between these types of private initiatives and the work of donors, raising the question how the synergy could be better harvested. A basic question is whether these types of projects have been documented and evaluated.

Fifth, **the private sector as trade integration facilitator.** Aid for Trade is not only about building human capacities and infrastructure; it is also about helping developing countries design and implement trade policies that will help to better integrate their economies in global trade and in turn increase competitiveness and create opportunities for local companies as well as benefit local consumers. The private sector and public donors have different comparative advantages in promoting more open and pro-competitive trade rules and regulations. For example, international organizations and donor governments may be better positioned to work with developing country governments to improve the regulatory framework, while international companies could help by documenting the costs of the status quo and reporting data to monitor and assess progress being made to reduce costs in the supply chain. There is also scope for leveraging actions aimed at non-trade objectives to improve trade outcomes (e.g. road safety—see the Total case study). In this context, transparency and data collection are a particularly promising area for joining public and private forces.

Sixth, **the private sector can be a supplier of trade capacity building services.** The type of technical assistance provided by public donors as part of AFT (i.e. on a non-commercial basis) is sometimes provided by private companies on a commercial basis. This can be through procurement by the donors or funded by governments or other entities independently. Sometimes, these services may be offered concurrently with those offered by the donors, raising some coherence and coordination issues. In principle, private and public providers of trade-related technical assistance could learn more from each other and share lessons and data, if the former were willing to do so. This would help improve the quality and impact of AFT assistance projects. This raises the question whether it would be possible to gather data from companies that do capacity building projects with a view to help monitor and evaluate AFT projects.

Finally, **the private sector can participate in the governance of public Aid for Trade.** Companies have a stake in the governance aspects of AFT but unfortunately, many companies are unaware of the Aid for Trade initiative. Others noted that the global AFT agenda is perceived to be too bureaucratic and far removed from business concerns. In fact, even the term Aid for Trade denotes a public sector-only exercise in the minds of company executives. However, as this paper argues, AFT is not and cannot be limited to government activities – business can and arguably should play a much more prominent role in monitoring and evaluation of AFT initiatives.



5. CONCLUSION: LOOKING FORWARD

There is significant scope for exploiting synergies in all seven areas noted above. Which have the greatest potential requires discussion and deliberation, and much will depend on country and regional context, the type of trade issue or constraint, and the products and sectors that are involved. Interactions with business groups to date suggest that a first priority that will not require much additional investment of time or money is to do more to publicize private AFT activities—by documenting specific projects that have been supported by international business. **Raising awareness** is a precondition for identifying synergies and the potential for scaling-up or replicating successful initiatives elsewhere, as well as generating new public-private or private-private partnerships to improve trade capacity in developing countries.

Below are specific recommendations that emerged from the private sector case story analysis.

Incorporate the private sector as an actor in the AFT initiative: Many businesses today are embracing the concept of “inclusive growth” and they realize that it is in their core business development interests to build capacity in new and emerging markets. Firms are the best source of information on whether projects have been implemented and what is and what is not working. The potential benefits from greater participation by business in the initiative are significant. Greater involvement at the upstream stages of the project cycle can help with identification of what firms in developing countries need in terms of trade capacity building. Downstream, the private sector can do much more to ensure more effective monitoring and evaluation of AFT.

Build a Platform for Collaboration: Despite the recognition of common interests, a wide gulf still exists between the public and private sector. That gap can be narrowed through the establishment of a mechanism to bring the parties together. Some donor and international agencies have established private sector partnership offices which, in some cases, have seen some success. However, there is a strong case for a more permanent platform for dialogue that could transcend traditional national paths to public-private partnership. This platform could be virtual (a dedicated website), or take the form of regular multi-stakeholder meetings. Such a platform could provide a marketplace for opportunities to scale up successful projects or find new partnership opportunities. Recent developments in the field of food and agriculture provide an example. At the initiative of the private sector, a few pilot agricultural development programs have been developed (Tanzania, Vietnam, Mexico, Indonesia) that build on private sector capacity building efforts and associate governments (thus ensuring the critical country ownership), companies (both MNCs and local small holders), donors, and civil society. The recently adopted G20 Action Plan for agricultural development (Paris, June 2011) endorsed this approach and called for the multi-donor dialogue to become a permanent feature of the G20 process, and for additional pilots to be developed.

Explore new types of partnership: Public-private partnerships are not limited to infrastructure projects or training programs. Companies hold valuable information about a given investment climate which can be made a public good. Where companies have undertaken an assessment of the investment climate, they obtain valuable

information with regard to key binding constraints – which is often wasted when the company decides not to invest. While companies might resist sharing this knowledge for competitive reasons, making such information available anonymously to governments or international organizations could contribute significantly to better prioritizing key constraints to investment or increased economic activity. Developing a mechanism that would incentivize companies to share such market assessment results would complement other data collection exercises such as the World Bank’s Doing Business Report or the Logistics Performance Index that helps countries prioritize their reform needs.

Create an environment to allow for multi-stakeholder shared value: Harvard Business School’s Michael Porter talks about creating shared value which accepts the notion that corporate success and social welfare are interdependent. Of course, the objectives of international business, development agencies, developing country governments and the local community do not necessarily always converge, but given the reality of today’s integrated global economy, a fundamental dialogue shift needs to occur in order to break down the silos that currently exist between the various communities. One possibility would be to create a high-level global business advisory group on AFT that includes the major providers of assistance and other stakeholders. The AFT efforts could also be better articulated with other global initiatives pertaining to responsible investment such as the UN Global Compact.

The increasing convergence between public and private interests in trade capacity building indicates there is great scope for leveraging what each group can do and is doing. Until now, the development community and the private sector have had limited incentives to collaborate. Today, the trade paradigm has changed; globalization has entered a new phase where international companies play a key role in shaping the marketplace and in the diffusion of skills and technology. Corporate expertise and market knowledge should be tapped to inform the development community whether projects have been implemented and what is still needed. And, as companies seek to engage new markets and ensure sound investments, they will come to rely upon those that are better positioned to build infrastructure, educate their potential workforce and create a functioning environment for trade. There is no better time to harness the momentum for partnership.

ANNEX

The following annex provides a sample of case story summaries organized by the type of activity and underlying objective. For the complete collection of full-length stories, please visit www.aid4trade.org and browse the [Private Sector Case Stories](#).

I) BUILDING HUMAN CAPACITY: TRAINING AND SKILLS

Alstom-Investments in Education and Skills in South Africa

Alstom power has invested heavily in human capacity building in South Africa. In 2007, Alstom established a Project Execution Centre in Johannesburg to co-ordinate activities and manage relationships with customers. This has resulted in investment in training, education and technical capacity. Alstom has also invested \$1.6 million for education in environmental issues, math, and sciences in under-privileged communities. Beyond creating market opportunities for Alstom, these investments have contributed towards economic development and empowerment, skills development, and job creation in South Africa.

Diageo-Business Coalition Against Corruption in Cameroon

The Business Council for Africa, a consortium of private companies, has launched an initiative to address the problem of corruption in Cameroon. The business environment across Cameroon is unable to develop to its fullest potential because of corruption. This initiative aims at sharing Diageo's best practice standards and expertise to effect a change in the way companies do good business. The program develops a common vision on compliance and ethics, with the goal of improving transparency and decreasing the cost of doing business.

FIATA-Train the Trainer Course

The International Federation of Freight Forwarders Associations (FIATA) represents one position of the freight forwarder in the global supply chain. In 2011, FIATA Foundation-Vocational Training partnered with UNCTAD to offer training to the Pakistan International Freight Forwarders Association. Training included areas such as assessment techniques, customs knowledge, trade facilitation and global sea transport. Additionally, railways and customs officials shared local expertise with participants. The program, termed train-the trainer, has created competent local lecturers able to advise local players on ways to promote trade and overcome inefficiencies. The initiative has helped local industry strengthen skills and standards to face international competition in the transport sector, reinforcing the trade capacity of the local industry.

HP- Learning Initiative for Entrepreneurs

The HP Learning Initiative for Entrepreneurs (LIFE) is the core of a partnership between HP and the United Nations Industrial Development Organization. The LIFE curriculum, developed by the Micro-Enterprise Acceleration Institute, teaches hands-on business and IT solutions in the areas of marketing, operations, communication, and finance. The UNIDO-HP partnership has created over 17,000 jobs and trained more than 42,000 students to convert their business plans into commercial ventures.

Nespresso-Helping Farmers Improve Business Skills in Guatemala

Nespresso, in cooperation with the NGO Root Capital, has provided business training to coffee cooperatives in Guatemala. This training included accounting, internal credit management, organizational management and financial planning. As a result of this training, coffee farmers have been able to improve productivity and profitability, increase exports of their coffee and improve their quality of life.

Siemens-Reverse Innovation

Siemens has engaged in joint German-Indian collaborative projects through the creation of a research and development center in Bangalore. The center was first envisaged as a way of meeting the needs of the Indian market through the production of entry-level and low-cost products, and the center has resulted in knowledge transfer from German Siemens engineers to India. Products designed in Bangalore are performing well in developing countries and some of them will almost certainly be exported to Europe and to other developed markets.

II) BOLSTERING PRODUCTIVE CAPACITY: TECHNOLOGY, KNOW-HOW & FINANCE

Alstom-Carbon Neutral Lean Manufacturing and R&D in China

Alstom has invested €110 million in a carbon-neutral manufacturing site. The facility's energy efficient design and the deployment of "lean" manufacturing have resulted in streamlined work processes, improved efficiency and safer and healthier working conditions. The facility is located in the Beijing-Tianjin-Hebei region, which accounts for about 27% of China's science and technology expertise, and there is large potential for positive spillover effects from China's Alstom facility to other firms in the region.

Barrick-Sun Dried Tomatoes Initiative

In Jachal, Argentina, Barrick launched a sun-dried tomato exporting initiative to help struggling farmers develop a sustainable livelihood and expand their production and markets. Following a 2005 agreement with the Jachal Farmers Association and the Government of San Juan Province, Barrick offered technical support to help farmers diversify their crops from onions to tomatoes, and constructed a tomato drying facility. This initiative has allowed farmers to improve productivity and sell their produce on the international markets at competitive prices.

Citi/IIC-Partial Guarantee Program for Supply Chain Financing

In order to support its Supply Chain Finance platform in Peru, Citi entered into an agreement with the Inter-American Investment Corporation. With the aim of providing credit to qualified small and medium enterprises, the IIC provides credit guarantee for up to two-thirds of Citi's risk exposure, which allows Citi to re-allocate this freed-up credit capacity towards trade limits that will allow the SME to increase imports. Additionally, as suppliers under the program receive payment for goods instantaneously, there is additional working capital for SMEs to increase production goods for export.

DOW Chemical-Promoting Safer Operations and Emergency Preparedness

In 2006, DOW formed a partnership with the United Nations Environmental Program (UNEP) and the Chinese Ministry of Environmental Protection to focus on safer production and emergency preparedness for the chemical sector in China. The project included training, workshops, and emergency drills. Improved production safety practices and emergency preparedness are not only socially positive but are economically beneficial thanks to improved worker contributions, higher quality of industrial output and a more productive manufacturing value chain. The success of the program has led UNEP to replicate it in Asia, Latin America and Africa.

Karachi Chamber of Commerce - SME Framework

The Karachi Chamber of Commerce will develop a Pakistani SMEs framework that will mobilize funding and resources, engage all stakeholders, and rely on partnerships with universities and other institutions. The SME Program will provide training in business administration, safe production practices, and simplification of trade and custom rules and regulations.

Kraft-Community Centered Development Programs

Alongside several other partners (e.g. UNDP, Fairtrade Foundation), Kraft has launched community-centered development programs targeting cocoa farmers in Ghana. The project offers cocoa growers greater opportunities by guaranteeing sustainable prices and enabling farmers to reinvest in their own farms. The initiative provides access to training, inputs, credit and expertise on farming practices and management. Kraft products made with cocoa are now sold with fair-trade certification to several developed countries (e.g. Australia, Canada, UK), while the volume of fair-trade cocoa sold by farmers from Ghana has increased significantly from 5,000 tonnes to 20,000 tonnes. By ensuring sustainable sourcing for the company, Kraft's initiative provides cocoa growers with improved capacities and increased incomes.

Nespresso-Helping Farmers by Reducing Costs and Providing Finance

Helping Farmers to Share their Workload in Jardin, Colombia

In 2010, Nespresso co-funded a community coffee processing centre in Jardín, Colombia. A partnership with regional and national farming associations, NGOs, United States Agency for International Development (USAID) and coffee supplier Expocafé, the centre will allow coffee farmers to produce higher quality coffee, earn

a premium and increase their income. Creating a centralized milling location means farmers no longer have to mill the beans themselves, allowing them to be paid upon delivering the beans and allowing them more time for farm management or with their families. In addition, water usage is reduced by over 50%, the water used is treated, and leftover pulp is used as compost. Nespresso is increasing productivity and incomes of farmers, while simultaneously improving the sustainability of the production of Nespresso coffee.

Accelerating Progress on the AAA Sustainable Quality™ Program in Central America

In Central America Nespresso has partnered with the International Finance Corporation (IFC) and ECOM (a coffee supplier) to train coffee farmers in sustainability and productivity best practices, with the aim of helping them comply with the Nespresso AAA Sustainable Quality™ Program. Farmers were supported in two ways. First, they receive extra technical support and training to complete a self assessment of farm management. Secondly, farmers receive access to finance in order to make investments that help them reach the next level of the program. Net income for AAA farms was 27% higher than for non-AAA farms. The program allows Nespresso to source good quality and sustainably produced coffee, while simultaneously increasing the income and competitiveness of farmers.

Qualcomm-Using Technology to help Fishers and Entrepreneurs

Fishing with 3G Nets

In Brazil, Qualcomm has launched ‘Fishing with 3G Nets,’ a program which provided 3G enabled mobile devices to fishers and mariculturists. The devices are loaded with mobile credit and several applications which allow the user to monitor water and weather conditions, track income and expenses and access technical assistance. The program reduces overfishing by offering courses on sustainable fishing techniques and helps small scale fisheries increase their profits by enabling them to directly contact markets for their products, thereby shortening the supply chain.

Fisher Friend

Qualcomm’s Fisher Friend Program was created to study the impact of using mobile phones in small fishing villages in Puducherry and Tamil Nadu, India. Fisher Friend is a mobile application offered on a low cost mobile phone that keeps fishers abreast of safety and weather information, as well as locations of fishing areas and real-time market prices. The program is offered at a cost of only \$0.60 per month, and has helped fishers feel safer in the water while improving daily revenue.

Village Phone Microfranchising

Qualcomm has also worked with Grameen Foundation and Bakrie telecom in Indonesia to create the Village Phone Microfranchising program. The program combines microfinance with expanded access to telecommunications, which has the potential to generate positive economic and social returns. The concept is simple: a small-business entrepreneur purchases a kit that includes a mobile phone with a microfinance loan, and then re-sells the “airtime minutes” to neighbors. The mobile phone also allows the entrepreneurs to access programs such as “Day Job Search”, which connects the poor to informal sector job opportunities.

III) INCORPORATING PRODUCERS INTO GLOBAL VALUE CHAINS

Aspen Global Health and Development-TransFarm Africa

TransFarm Africa (TFA) is an initiative by Aspen Global Health and Development which aims to promote equitable and sustainable commercial agriculture along Africa's Development Corridors. TFA includes a private equity investment fund which will invest between \$500,000 and \$5 million in growth-oriented small to medium agribusiness enterprises who depend on commercial relationships with small farmers. The agribusiness enterprises will be required to provide seed, fertilizer, training and infrastructure support to small farmers. The fund will allow small farmers to grow from subsistence farming into SMEs, thereby incorporating them into global value chains.

Consumer Goods Forum - the Global Food Safety Initiative's Global Markets Capacity Building Programme

The Consumer Goods Forum, a global, member-driven consumer goods network of over 650 stakeholders, manages the Global Food Safety Initiative (GFSI), a non-profit foundation that aims to reduce food safety risks by delivering equivalence and convergence between effective food safety management systems, manage cost in the global food system by eliminating redundancy and improving operational efficiency, develop competencies and capacity building in food safety to create consistent and effective global food systems and provide a unique international stakeholder platform for collaboration, knowledge exchange and networking. The GFSI Global Markets Capacity Building Programme targets small and/or less developed businesses (SLDBs) that encounter difficulty in implementing HACCP in their food safety management systems due to one or more of the following challenges: size, lack of technical expertise, economic resources, or nature of the work. It is a voluntary programme, made available free of charge for businesses to implement internally depending on their strategic objectives, that guides SLDBs through a continuous improvement process in their food safety management systems, thus facilitating local market access and creating mutual acceptance along the supply chain.

Cargill-Rural Development

Cargill is involved in a number of initiatives to help farmers increase their productivity. Activities include training farmers on best practices in crop and animal agriculture; providing credit, inputs, transport and infrastructure; establishing fair and transparent pricing policies; and increasing access to markets. In China, over 2.4 million farmers have participated in Cargill's free productivity-enhancing programs on animal nutrition, sanitation, genetics and farm management. In Venezuela, Cargill is working with TechnoServe to help promising small businesses overcome obstacles to growth, thereby expanding their businesses and creating jobs and markets for supplies and services.

Coca Cola-Project Nurture

In partnership with TechnoServe and the Bill & Melinda Gates Foundation, the Coca-Cola Company launched Project Nurture in January 2010. The program works with more than 50,000 smallholder fruit farmers in Kenya and Uganda, helping them to grow their incomes by improving the productivity and competitiveness of their fruit

farming. By offering training programs, facilitating financial services and helping farmers access inputs, Project Nurture is aiding small farmers gain access to new markets, and incorporating them into global value chains.

Danone-Milk Cooperatives in Ukraine

Through the creation of milk cooperatives in Ukraine, Danone has helped improve the living conditions and incomes of farming families. In partnership with the NGO Heifer Ukraine, an expert in rural development, Danone helped transform individual milk producers into professional cooperatives with greater market opportunities. Thanks to the provision of services such as efficient milk collection, hygiene fundamentals, cattle management training, improved feeding and agricultural inputs, these cooperatives are able to produce milk that conform to EU standards, incorporating these small milk producers into global supply chains.

Source ASEAN Full Service Alliance (SAFSA)

Developed by USAID's VALUE project and the ASEAN Federation of Textile Industries (AFTEX), SAFSA is an alliance of companies committed to enhancing the competitiveness of the textile & apparel industry through regional integration. Through SAFSA, these companies have been integrating independent textile mills and garment factories from throughout the ASEAN region. SAFSA encourages these factories and mills to pursue best practices, offers them opportunities to integrate with fashion and apparel retailers, and provides technical support, advice, training and workshops. This, along with the implementation of the first textile and garment industry service standards, has allowed the region to create cross-border, virtually integrated supply chains, and enabled the region to increase exports in a competitive market.

Walmart-Direct Farm and Fertile Soil

Walmart works with small farmers in India and China through its Direct Farm program, Central America through the Fertile Soil program, and Brazil through the Producers Club. As part of its effort to enhance the capacity of small and medium farmers, as well as the quality of their products, Walmart provides these farmers with technical training (seed and crop quality, soil use, safety, and crop rotation) and market linkages locally and internationally. Walmart and its customers receive a higher quality product while farmers receive an increased and consistent income stream. Walmart's partnerships with local institutions and governments help create sustainable, scalable and replicable agricultural value chain programs.

IV) INVOLVEMENT IN TRADE FACILITATION PROGRAMS

Global Express Association-Risk Assessment Software for Customs in Latin America

The Global Express Association (GEA) represents the four major global express delivery service companies: DHL Express, FedEx express, TNT Express and UPS. The GEA has cooperated with the World Bank to provide customs offices in Latin American countries with software to improve their customs procedures. This software allows customs authorities to carry out risk assessment on inbound shipments and determine which packages to select for screening, thereby improving security. It also allows shipments to be processed more quickly at the border, thereby reducing trade costs.

Microsoft-Trans-Kalahari Corridor Regional Single Window

Microsoft has partnered with the United States Agency for International Development (USAID) and the Customs agencies of Botswana and Namibia to provide technology for the Trans-Kalahari Corridor Regional Single Window (RSW). Prior to the creation of the single window, trade between Botswana, Namibia and South Africa had to comply with inefficient and country specific customs processes. Built on cloud-based Microsoft Technology, the RSW will lead to a more efficient and secure customs process by providing a platform for creating a single entrance point for all data and documents necessary for importing and exporting goods. By enabling faster and more secure trade, the initiative will facilitate economic growth and development in the region.

Oracle Corporation-Private Sector Input on ASEAN Single Window

Oracle Corporation and the US-ASEAN Business Council conducted a survey of the private sector views on the ASEAN single window, which they then analyzed. The ASEAN Single Window is an ambitious regional initiative that consists of establishing and connecting National Single Windows in the 10 ASEAN member states that involve single submission and simultaneous processing of cargo clearance-related data and decision-making through a single channel. Through this survey, a better understanding of private sector views on the initiative was gained. Oracle's analysis also helped identify and estimate benefits to regional companies from the electronic cross border exchange of cargo clearance data.

SGS-TradeNet Single Window

SGS created a TradeNet Single Window in Ghana that aims to transform the trade environment in the country through the involvement of both the public and private sector. The focus of the initiative is to streamline the trade supply chain process, increase efficiency and shorten the trade cycle through the use of information technology. The program allowed Ghana to increase duty and tax revenue collection by 20% to 35% year on year in US dollar terms while simultaneously reducing clearance time by a factor of five for compliant traders. Following the success of the Ghana program, both Madagascar and Cote d'Ivoire have opted to implement SGS-designed Single Window solutions.

Total Group-Road Safety Initiative

In partnership with the World Bank, the Total Group engaged in a road safety initiative, aiming to improve safety and significantly reduce crashes. The World Bank estimates that road accidents in Africa cost up to 5% of national GDP. Total proposed a 7-module project to help make the Northern Corridor safer for the transport of people and goods. As road corridors are important conduits for trade across Africa, improving road safety through this public-private partnership will also help improve the efficiency of international trade.

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