

Expanding Market Opportunity & Enabling Private Initiative for Dynamic Economies

TRADE & COMPETITIVENESS GLOBAL PRACTICE





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Why Trade and Competitiveness Matter

Rapid, private sector-led growth is essential for ending extreme poverty and boosting shared prosperity, the World Bank Group's Twin Goals. For the past three decades, economic growth centered on strong contributions from the private sector has been the main driver of poverty reduction around the world.¹ The experience of high-growth economies such as China and Vietnam dramatically demonstrates how integration with global markets and enhanced private sector competitiveness can lead to unprecedented reductions in poverty. These economies improve earnings of the less well-off by creating more and better-paying jobs. They also make efficiency gains as workers improve what they do and as more productive jobs replace less productive ones. Over time, productivity gains help sustain growth and promote convergence with more advanced economies.

Growth by itself is not enough. Patterns of growth and trends in income inequality also matter if the less well-off are to benefit. In countries afflicted by slow growth and pervasive poverty, for instance, poverty declines when growth patterns become more labor intensive and when poor people's work becomes more productive. Also critical to poverty reduction is reduced income inequality. More equal income distribution appears to be correlated with longer growth spells, and greater equality of opportunity with economic dynamism.² Depending on the country, declining income inequality can be associated with favorable international markets and commodity prices, realignments following structural reforms, demographic changes and greater female labor force participation, shrinking wage gaps between skilled and low-skilled workers, and beneficial labor market policies for workers.

Achieving the Twin Goals will require unparalleled efforts by developing countries to expand market opportunities, enable private initiative, and develop dynamic economies.

By most estimates, achieving the goal of reducing extreme poverty to no more than 3 percent by 2030 envisages national growth rates well above historical precedents. The private sectors in lower- and middle-income countries and in fragile and conflict-affected states will need to be more dynamic in identifying opportunities, competing and innovating, growing their market share, and creating jobs. They cannot do it alone. Governments will need to ensure economy-wide incentive frameworks for broad-based growth, and aggressively work to improve the business climate and human capital. This, in turn, depends on coordinated global actions to ensure an open multilateral trading system.

Trade and competitiveness issues are integral to economy-wide efforts to spur growth, productivity, and job creation. Macroeconomic stability, rule of law, property rights, and well-functioning input markets for land, labor, and capital are a *sine qua non*. Equally important are well-functioning product markets, and their policy and institutional underpinnings: open trade regimes, competitive markets, favorable investment climates, and national innovation capacities (Figure 1). These facilitate integration with global value chains (GVCs), increase investment volumes and returns, lower business costs, and encourage business formation. Innovation policies also encourage technology diffusion and product innovation, thereby enhancing firm-level productivity and employment. Industry-level regulations, standards, and support institutions can foster firm entry and growth. Provision of public and common-usage infrastructure help exploit agglomeration economies around industrial clusters, and connects lagging regions to markets.

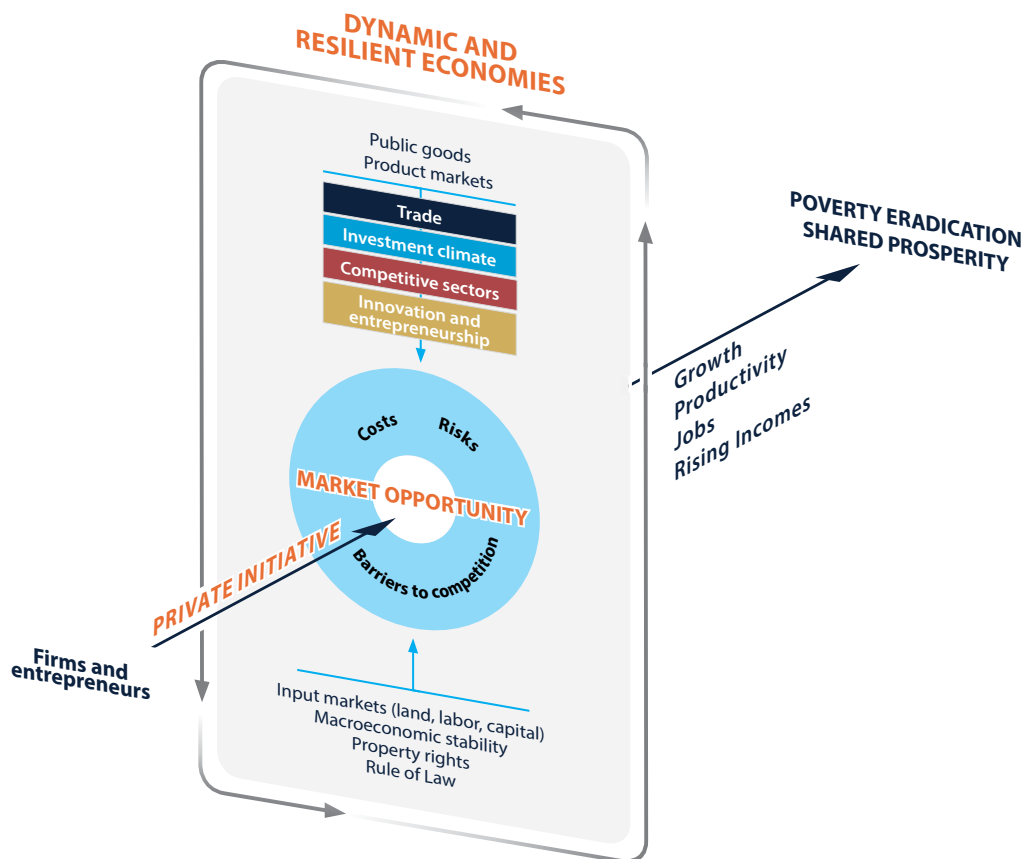
¹ Based on the World Bank's *Global Monitoring Report 2014/2015* (see p. 36) and the Commission on Growth and Development (2008)

² *Global Monitoring Report 2014/2015*

Firm-level interventions also affect growth prospects, especially for new entrepreneurs.

Regulations, governance, as well as access to finance, services, and skills all play a role in shaping firm level incentives, for example, through input-output conditions, inter-firm linkages, access to technology and skills, or knowledge acquisition processes. So do specialized efforts to shape entrepreneurial intent and build firm capabilities. For instance, these may include early start-up financing, industrial and agricultural extension programs, support for innovative and inclusive small and medium enterprises (SMEs), business incubators and enablers, public awareness, pairing the private sector with educational institutions, and skills development. Effective interventions can enhance private returns, internalize social externalities, and promote firm survival and growth.

Figure 1: Market Opportunity & Private Initiative for Dynamic & Resilient Economies



Evolving Challenges, Emerging Demand

For developing countries, the task of leveraging the world economy is growing ever more complex with changes in global trade patterns. Following the significant deceleration that followed the 2008-9 financial crisis, world trade is recovering, albeit still below historical levels. Achievement of substantive results in the Doha Round has been delayed, and concerns about creeping protectionism remain. Given the central importance of trade to growth and development, coordinated efforts are needed to revitalize the global trading system. Pragmatic approaches may include multilateral negotiations around sectors on the cusp of major trade expansions, as well as negotiations of bilateral, regional, and plurilateral agreements.

The global climate crisis also challenges countries that seek sustainable growth paths. Climate variability, natural resource scarcity, and price volatility frequently expose developing countries to increased input costs, as well as energy and water shortages. As significant carbon emitters, industries and their supply chains face added pressure to mitigate their environmental impact. Global action and national level policies can provide incentives for energy saving and resource efficiency through clean technologies and other innovation. They also constitute significant opportunities—an estimated \$1.6 trillion market over the coming decade—for SMEs and entrepreneurs in developing countries.

Along with global action, effective country strategies are needed to overcome constraints to rapid, broad-based growth. The heterogeneity of these constraints—evident along a number of dimensions below—suggests the need for distinctive trade and competitiveness strategies.

- **Geographic region:** After a decade of growth, several African countries are seeking to diversify their trading capabilities by leveraging natural resources, modernizing agriculture, and encouraging light manufacturing. Connectivity to markets, common standards, and favorable investment climates is key. By contrast, East Asian countries are building on their long track-record of export-led manufacturing growth by maturing regional production chains, promoting green competitiveness, and encouraging internal trade with lagging regions.
- **Income level:** Middle-income countries can close persistent productivity gaps with advanced economies by diversifying into higher value-added industry segments, building innovation capabilities, and fostering competitive service sectors. Lower-income countries with large informal sectors and underserved markets may need to focus more on regulatory reforms, provision of basic infrastructure, and support for inclusive SMEs and entrepreneurs.
- **Internal market size:** Small island states in the Caribbean and the Pacific are constrained by the size of their internal markets, limited economies of scale, and remoteness from global markets. Viable strategies include a focus on connectivity and trade agreements, regulatory reforms, and regional approaches to sector competitiveness (for instance, in agribusiness, tourism, and new service sectors). By contrast, large economies such as Brazil, China, India, and Nigeria typically need to address market fragmentation and disparities between subnational regions. Here, export diversification coupled with measures to increase internal trade can be effective.
- **Fragility and ongoing transitions:** Poor fragile and conflict-affected states often experience disinvestment or footloose investment, structural shifts away from manufacturing, and dislocation of labor-intensive industries. Even as they strive to establish basic market institutions, these countries need to opportunistically create private sector jobs in the short run as a means of restoring social stability. At the same time, middle-income countries facing prolonged political transitions, for example in the Middle East, can address the legacy of unequal treatment of firms, special privileges for a few,

³ OECD (2014)

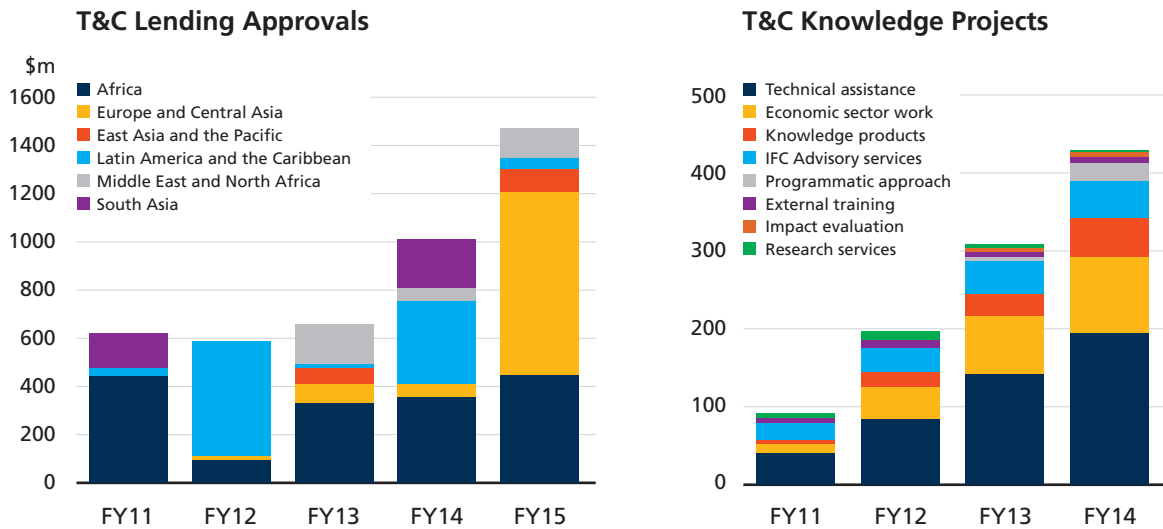
and low female participation through investment climate reforms and entrepreneurship policies and programs.

- **Natural resources:** Resource-rich countries across geographic regions—Africa, Central Asia, and Latin America—need to manage boom-and-bust commodity cycles and the risks of Dutch Disease, when, for example, natural resource price increases lead to large foreign currency inflows and exchange rate appreciations, thereby rendering other exports more expensive and manufacturing less competitive. Part of the solution is to maximize skills and technology spillovers, and to promote innovation and productivity growth in competing sectors.

Taken together, these global and diverse country challenges point to growing demand for policy, financial, and implementation support on trade and competitiveness issues. Indicative of these new opportunities, recent growth in the World Bank Group’s T&C portfolio reflects an expansive and increasingly differentiated client base. Over FY2011-15, IBRD and IDA commitments averaged approximately \$870 million a year, with annual commitments

of \$1 billion in FY14 and \$1.5 billion in FY2015. Growth in lending volumes has been driven by consistently high client demand in Africa, and also to varying degrees by strong growth in Latin America and the Caribbean, and Europe and Central Asia. Knowledge work on T&C issues—combining World Bank Analytic and Advisory Activities, Bank Executed Trust Fund work, and IFC Advisory Services—has grown from 91 projects, totaling \$65 million, in FY2011 to 429 projects, totaling \$156 million, in FY2014 (Chart 1). T&C’s Reimbursable Advisory Services (RAS) portfolio comprises 50 activities across 24 countries with an estimated value of approximately \$35 million. Growth in RAS reflects strong demand for just-in-time expertise and the Bank Group involvement as a knowledge broker, particularly in Europe and Central Asia, Middle East and North Africa, and Latin America and the Caribbean. More generally, new windows of opportunity are opening for engagement in East and South Asia, the Western Balkans, and the Caribbean, and for global advocacy in partnership with international organizations.

Chart 1: A Rapidly Evolving T&C Portfolio of Lending and Advisory Services



Strengthening World Bank Group Engagement

The World Bank Group is renewing its commitment to systematically strengthen its engagement on trade and competitiveness issues in pursuit of the Twin Goals. A newly constituted Trade and Competitiveness Global Practice (T&C) brings together diverse World Bank and IFC Advisory units around a common vision: sustained economic growth, productivity gains, job creation, and rising incomes for developing countries to eradicate poverty and boost shared prosperity. T&C's mission is to serve as a trusted partner for countries that seek to develop dynamic and resilient economies, expand market opportunities, and enable private initiative. To this end, T&C supports global and country efforts to boost the volume and value of trade, enhance the investment climate, improve competitiveness in sectors, and foster innovation and entrepreneurship.

T&C has the breadth and depth to deliver. It boasts a global footprint with over 500 World Bank and IFC Advisory staff working in over 80 locations around the world. T&C's current portfolio comprises 161 World Bank active and pipeline lending operations, totaling \$5.5 billion in commitments; over \$610 million in grants; over \$300 million in active IFC Advisory Services projects; and nearly 350 knowledge and advisory activities in over 100 countries. It relies on diverse funding sources: \$46 million in World Bank budgetary resources; \$18.5 million in IFC budgetary and related internal resources; and an array of donor funds. These external resources include nearly \$84 million in Bank-administered and \$79 million in IFC-administered trust funds, along with client funding for a rapidly growing portfolio of Reimbursable Advisory Services.

T&C draws on over three decades of Bank Group experience. A number of evaluations of World Bank Group support point to a long and relatively effective track-record on trade and

investment climate. The Bank Group has been particularly effective in fighting poverty when it also supports complementary efforts on diversification, agglomeration, trade finance, and social inclusion. In the areas of innovation and entrepreneurship, the Bank Group can build on the strong performance of competitive research grants in agriculture and technology transfer projects. Alternative forms of risk financing—early-stage support for innovative start-ups and targeted support for small and medium-sized enterprises—can be effective when channeled toward frontier states and regions, and underserved segments.

T&C represents a departure from 'business as usual.' It is strengthening its approach to country and global engagement with a comprehensive menu of updated offerings. T&C is also revitalizing its operational portfolio and launching an ambitious global knowledge and advocacy agenda. Success will depend upon deeper partnerships with the private sector, international agencies, and other development partners. T&C's commitment to strengthening these partnerships and an unwavering focus on results will ensure positive impact.

A Comprehensive Offer

To ensure that the Bank Group is at the forefront of knowledge and development practice, T&C has enriched its offerings and organized them under four global themes (Box 1). Trade, investment climate, competitive sectors, and innovation and entrepreneurship form the core competencies of T&C. Under trade, the Global Practice supports trade policy and cooperation, trade facilitation and logistics, trade performance, and competition policies. T&C's offering under investment climate covers business environment reform as well as investment poli-

cies. Competitive sectors work focuses on sector or industry-specific policies and growth, as well as spatial growth and investment strategies. Under innovation and entrepreneurship, T&C helps strengthen innovation and technology policies, strategies, and financing, and it promotes entrepreneurship and SME development.

T&C is also creating space for Bank-wide collaboration on five cross-cutting topics. Also listed in Box 1, these are global value chains, connecting to markets and opportunities, catalyzing firm productivity, private sector development in FCS, and promoting green competitiveness. This work will push the operational and knowledge frontiers.

Strengthened Country and Global Engagements

T&C supports selective and demand-responsive engagements across a diverse roster of client countries. In some countries, T&C may need to broaden the focus beyond trade and investment climate to innovation and entrepreneurship. In others, government and business may benefit more if T&C complements its advisory activities in key industries with programmatic investments and capacity building. In still others, cross-cutting themes such as GVC integration will serve as the best entry point for policy dialogue. To be relevant and effective, T&C engagements are calibrated to country capacities and track-records. Its operational business model rests on three pillars:

- **Strategic investments in data and dialogue.** The mission of expanding market opportunity, enabling private initiative, and developing dynamic economies—all working toward the Bank Group's Twin Goals—cannot be realized without a ground-level perspective on the risks, costs, and barriers that entrepreneurs and firms face. T&C, in collaboration with other units of the Bank Group, is well-placed to champion the development of the next generation of enterprise-level data by investing in country statistical capacity and modernizing cross-country databases. It also plays a key role in ensuring that Bank Group country dialogue systematically includes the perspective of private sector actors, for example, through inclusive public-private dialogue mecha-

nisms. Such investments in data and dialogue ensure a demand-driven T&C stance across countries.

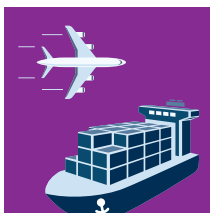
- **Robust cross-practice analytics.** Existing diagnostic tools and methods, for example in the areas of trade, sector competitiveness, investment climate, and entrepreneurship, have evolved organically with client demand and knowledge of good practice. T&C is integrating—and where appropriate, consolidating—these diverse methods into truly interdisciplinary cross-practice analytics. As a key input to Bank Group Systematic Country Diagnostics (SCDs) and Country Partnership Frameworks (CPFs), T&C analytics aim to go beyond identifying gaps in specific areas, such as inadequacies of trade and competition policy, or weaknesses in business regulations to identify viable solutions based on evidence-based technical assessments and a nuanced reading of political economy realities.
- **Integrated, customized solutions.** As with the analytical agenda, T&C's country engagements will feature operational solutions—where relevant—that combine the best of its core IFC and World Bank competencies across its global themes of trade, investment climate, competitive sectors, and innovation and entrepreneurship. These integrated solutions respond to the multi-dimensional growth challenges that countries face.

As a Global Practice, T&C is able to calibrate its responses to individual country demands with well-organized support for corporate priorities across countries. For example, in keeping with IDA17 commitments, T&C is able to exploit its global footprint to deploy implementation support in FCS to generate rapid results. Similarly, where there are region-wide priorities, T&C is able to mobilize a critical mass of support—comprising multidisciplinary teams of global experts and operational staff—from across the practice.

By virtue of its focus on economic integration issues, T&C also has a strong interest in influencing the global economic agenda. One of its main priorities is to systematically analyze and give voice to developing country concerns on trade and competitiveness issues, for instance by better understanding the relationship between trade and the Twin Goals. Furthermore, T&C can play a useful advocacy role for open markets and a revitalized multilateral trading system. Analyses

Box 1: T&C's Offer Under Core Global Themes and Cross-Cutting Topics

CORE GLOBAL THEMES



TRADE

Trade Policies & Integration: Streamlining non-tariff measures | Modernizing services regulations & trade | Addressing poverty and labor impacts of trade policies and shocks | Supporting global and regional integration, including free trade agreement negotiations and World Trade Organization accession.

Trade Facilitation & Logistics: Strengthening trade corridors, supply chains, and trade logistics | Modernizing border management | Enhancing connectivity between firms, markets, and consumers

Trade Performance: Promoting trade expansion and diversification

Competition Policies: Eliminating anti-competitive market regulations | Strengthening antitrust rules | Promoting pro-competition sector policies | State-owned enterprises



INVESTMENT CLIMATE

Business Environment Reforms: Reforming business regulations | Strengthening regulatory governance & compliance | Assessing the investment climate | Fostering indicator-based reforms | Streamlining business taxation

Investment Policies: Reducing investment restrictions and procedures | Attracting private investment and facilitating investment | Strengthening investor protection | Promoting linkages to local economy | Benchmarking and implementing investment agreements



COMPETITIVE SECTORS

Sector Policies & Growth: Facilitating growth in agribusiness, manufacturing, tourism, & other services

Spatial Growth & Investment Strategies: Supporting development & management of special economic zones | Fostering growth poles, clusters, linkages from anchor investments | Supporting city competitiveness strategies



INNOVATION & ENTREPRENEURSHIP

Innovation & Technology: Strengthening science, technology, & innovation policies | Promoting firm capabilities for innovation & productivity | Supporting technology transfer & commercialization | Fostering science-industry collaboration | Supporting innovation financing

Entrepreneurship & SME Development: Fostering high-growth potential firms | Developing entrepreneurial ecosystems | Supporting business incubators, accelerators, early stage funding, mentorship | Facilitating skills development & technology extension | Enhancing entrepreneurship awareness | Promoting women's entrepreneurship

CROSS-CUTTING TOPICS



Connecting to markets and opportunities

Global value chains

Catalyzing firm productivity

Promoting green competitiveness

Private sector development in fragile and conflict-affected states

of multilateral arrangements, preferential trade deals, and their links to the changing patterns of world trade should serve as important T&C contributions to G20 meetings and other multilateral fora.

To be a credible advocate, T&C aspires to be a center of excellence for policy analysis and research, and the analytical reference of choice for client countries. Emerging issues confronting client countries and partners include the risks and rewards of sector-specific and green competitiveness efforts, the 'basics' of private sector development in FCS, integration into global value chains, and the effectiveness of spatial investment initiatives such as growth poles and SEZs. Even as it seeks to generate new knowledge, T&C will leverage established knowledge mainstays, in particular, cross-country indices and actionable indicators such as *Doing Business* at the national and subnational levels, the *Logistics Performance Index*, the *International Trade Costs Database*, the *World Integrated Solution* platform, as well as enterprise surveys, non-tariff measure inventories, competitiveness outcomes, and productivity measures.

Success on the global knowledge front requires forging strong networks with academia, other development partners, and the private sector. T&C is expanding its global networks of researchers and thought leaders as well as its linkages to practitioners, the Bank Group's operational teams, and its Development Economics Research Group (DEC). Where appropriate, it also aims to regularly draw on the perspectives of global industry leaders in the conduct of research and analysis (for example, on GVCs). These networks and links will be sustained by the effective use of the Bank Group's convening power and, more importantly, by the quality and reputation of T&C knowledge products. Rigorous training for staff in cutting-edge analytical methods, therefore, is an ongoing commitment.

A Revitalized Portfolio

Continuously improving how the Bank Group delivers is as important as expanding what it delivers. T&C plans to systematically support integrated solutions. For instance, a trade liberalization agenda is relevant for a lower-income country saddled with non-competitive exports, high trade costs, and low private investment. Its impact and sustainability depends on complementary efforts on diversification, trade facilitation and logistics, business environment improvements, investment promotion, and sector competitiveness. Middle-income countries with a legacy of low productivity growth could benefit from a focus on open and competitive markets, innovation systems, business incubation, as well as start-up support. Cities around the world are increasingly embarking on their own competitiveness efforts. In many cases they are combining business environment reforms with sector specialization, special economic zones, and innovation ecosystems as a way to attract investment and create jobs. Specific examples in Box 2 show that integrated solutions are essential to T&C's demand-responsiveness and its new ways of doing business.

As a joint World Bank-IFC practice, T&C has at its disposal the full array of Bank Group instruments, from data to advice to financing. These instruments comprise diagnostics and analytics, advisory services (including reimbursable advisory services), convening services, non-lending technical assistance, capability building, as well as World Bank policy-based and investment lending (for instance, development policy financing, investment project financing, program-for-results, adaptable program lending, and technical assistance loans) and various guarantees. Where relevant, these instruments can be bundled in the context of a single operation or be arrayed across operations to enhance financial and operational efficiency and effectiveness. For instance, the performance of policy-based operations can be enhanced by embedding advisory services, non-lending technical assistance, and capacity building. Bank Group-executed advisory services can help drive implementation

of high risk-high reward operations in fragile and low capacity settings. Also, T&C trust funds and advisory services offer a unique rapid response capability, as well as the ability to reach firms and entrepreneurs.

Based on current and emerging demand, T&C's portfolio pipeline should reflect greater substantive integration across core themes, bundling of financial and advisory instruments, and innovation of "signature offers" around cross-cutting topics. Operational business is expected to evolve along four axes in the next three years:

- **Policy-based financing with implementation support for growth strategies.** Enhanced policy-based financing headlines T&C's engagement in countries with broad ownership of policy and institutional reforms for growth. For instance, "competitiveness" Development Policy Operations (DPOs) combine rapidly-disbursing non-earmarked budget financing with real-time implementation support for economy-wide trade and investment climate reforms, along with sector-specific competitiveness and innovation efforts. Similarly, "connectivity" DPOs support policies and regulations governing key networks—those relating to trade, transport, energy security, urbanization, and rural supply chains—and implementation of their linkages to market opportunities. This blending of policy-based and advisory instruments helps deepen reforms, particularly at the industry and firm levels. Use of regional, multi-country DPOs is also envisaged to support regional integration efforts.
- **Programmatic investments for spatial and sector competitiveness.** From sector policies and public investments to firm level capacities to real private investments, programmatic support to high potential sectors will likely drive T&C lending commitments. A new generation of multi-donor support for agribusiness, tourism, manufacturing, or other sectors is emerging. Where relevant, they will reflect cross-cutting topics such as connectivity to markets and opportunities, and green competitiveness. These programs can be financed as needed through investment project financing, program-for-results, or adaptable program lending, and pooled with contributions from other development partners. Risk management instruments and advisory services (for instance, to support investment promotion) can help leverage private finance. Also, building on its

existing portfolio, T&C is expanding programmatic investments that support spatial solutions such as SEZs, growth poles, innovation clusters, as well as subnational and city competitiveness strategies.

- **Focused investment and advisory support for individual core thematic areas.** Not all countries have the strategic capacity to sustain multiyear and multisectoral reforms. By the same token, such comprehensive efforts may not be needed in more advanced, middle income countries. In both these types of settings, T&C will continue to support focused investment, technical assistance, or advisory service projects around individual core themes such as trade or investment climate. In middle income countries, engagements increasingly involve Reimbursable Advisory Services that reflect demand for just-in-time global expertise.
- **Catalytic support for firms and entrepreneurs.** A distinguishing feature of T&C is its ability to engage firms and entrepreneurs. Targeted start-up and SME support already constitutes a major line of business for the Bank Group. This kind of catalytic support to firms and entrepreneurs—in particular, women entrepreneurs—can be scaled up through a more coordinated package of sovereign lending and risk management measures, embedded advisory services, and direct grant support. Particular emphasis will be given to leveraging real investments from the private sector and IFC.

Expanded Partnerships

Success can only be achieved through partnership and joint work. Nowhere is this more important than in T&C's unique relationship with IFC. As a fully joint IFC-World Bank Global Practice, T&C combines the traditional public policy focus of the Bank with the private sector investment focus of the IFC in all of its operational and knowledge work. This structure strengthens efforts to help countries coordinate interventions across economy-wide, sectoral, and firm-levels. This unique relationship enables T&C to leverage IFC's knowledge of industry and country constraints, and engage IFC investees as part of its dialogue with local private sectors. In turn, and by virtue of its country and global efforts, T&C can help IFC deliver on its mandate and support its investments.

Box 2: Examples of Integrated Solutions

T&C is responding in a number of client countries with integrated solutions that feature joint work across its core global themes; coordination across economy-wide, sectoral, and firm-level interventions; bundling of Bank lending and IFC Advisory Services; and partnerships with other Global Practices (GPs) and Cross-Cutting Solution Areas (CCSAs), as well as IFC and MIGA.

- **Accelerating private sector competitiveness in Georgia.** This T&C-wide flagship combines policy-based financing with analytical and advisory services to support Georgia's fast-moving competitiveness agenda, with the help of several GPs. To help improve the investment climate, this T&C series leverages the expertise of the Macro-Fiscal and Governance GPs to support greater private sector involvement in economic policymaking, stronger competition policies, and greater access of SMEs to public procurement. The series then partners with the Finance and Markets GP to support reforms around financial deepening, financial sector transparency, and expanded access to collateralized finance. In collaboration with the Transport and ICT GP, the DPO helps build a dynamic innovation ecosystem, promote ICT development, and lower transactions costs to exporting firms.
- **Encouraging competition, strategic investments, and SME development in Jamaica.** After confronting longstanding challenges of high public indebtedness and vulnerability to external shocks, Jamaica has launched a number of far-reaching initiatives to identify and exploit new sources of growth. With a recently-approved \$50 million IBRD project as a platform, T&C is involved in a highly collaborative Bank Group effort that supports investment climate reforms and SEZs (with the Transport and ICT GP), strategic investments in competitive industries such as agribusiness, ICT, and logistics (with the Transport and ICT GP, the Public Private Partnerships CCSA, and importantly, IFC and MIGA), and SME development and lines of credit totaling \$16.2 million (with the Finance and Markets GP). As part of this effort, IFC is investing in and MIGA is guaranteeing projects identified under the Logistics Hub Initiative, and IFC is also putting in place a \$500 million local currency facility to support infrastructure investments and a €3 million grant to support innovative SMEs.
- **Promoting investments and value addition in Côte d'Ivoire's cashew sector.** The world's second largest producer and top exporter of cashews, Côte d'Ivoire sees most of its production exported to Asia and Latin America without meaningful value addition. T&C and the Agriculture GP are jointly leveraging a suite of advisory and convening services as well as grant funding and IDA lending to strengthen the cashew supply chain. Initiatives include public-private dialogue, investment promotion, and support for the legal and regulatory warehouse receipts framework to expand access to credit. Targets include \$5 million in credit released to the sector, benefiting at least 10,000 users; \$20 million in investments generated; and 5,000 jobs created in cashew processing.
- **Promoting investment in Nepal's tourism sector.** In response to demand from the Nepal Tourism Board and the Nepal Investment Board, T&C is working with the Social, Urban, Rural, and Resilience GP to help streamline the licensing and regulatory processes in the sector and to develop 4-5 catalytic investments identified in an extensive pre-implementation phase. The program has already been credited with identifying and linking a potential investment to IFC Investment Services of \$42 million, which is at the appraisal stage.

Equally important is collaboration with other units of the Bank Group. Joint work is already proceeding on a number of fronts: agribusiness (with the Agriculture GP); tourism as well as competitive cities (with the Social, Urban, Rural, and Resilience GP); business taxation (with the Macro-Fiscal and Governance GPs, and the IMF); trade facilitation and logistics, and resource corridors (with the Transport and ICT and Extractives GPs); and skills and productivity (with the Education and Social Protection GPs). Joint work with the CCSAs relating to Jobs; Fragility, Conflict, and Violence; and Gender are high priorities. As T&C focuses on its own core offerings, it is following the lead of other units with comparative advantage in areas such as PPPs as well as debt resolution and insolvency.

Partnerships with other development institutions are critical for T&C's country operations and global advocacy agendas.

In-country, working with development partners will help T&C improve the quality, size, and effectiveness of its project portfolios and its policy dialogue. For their part, development partners regularly convey their interest in leveraging the Bank's country-based business model, its deep knowledge base, and its risk management capacities. Collaboration will be scaled up as T&C expands its portfolio through harmonized DPOs and programmatic investments.

The depth and breadth of donor-funded programs are a testament to T&C's reputation as a development partner and world-class trustee. Donor partners continue to enrich the substance and extend the reach of T&C operational and knowledge work at the global, regional, country, and subnational levels. Among the global programmatic trust funds administered by T&C are the \$70 million Facility for Investment Climate Advisory Services, which focuses on investment climate issues; the \$109 million InfoDev on entrepreneurship, the \$36 million Competitive Industries and Innovation Program on sector and spatial growth strategies, and \$122 million in various trade policy and trade facilitation and logistics

programs. Several other trust funds support operational work in regions. Among the largest donor partners of T&C are the United Kingdom, the European Union, Canada, Sweden, Denmark, and Switzerland. The core global themes as well as cross-cutting topics offer an even stronger platform for building on these existing donor relationships, and forging new ones.

As a connector and facilitator of learning, T&C also places high priority on knowledge partnerships and knowledge exchanges.

Joint research and evaluation with development partners and with leading academic institutions is an important starting point. Such work can help achieve consensus on good practice in areas where results have been mixed (for example, SME support and SEZs) or where track-records are still emerging (for example, innovation). It can also help T&C deepen global and local commitment to important post-2015 priorities such as women's entrepreneurship. T&C's advocacy on the global stage depends on robust relations with international organizations such as World Trade Organization, United Nations Conference on Trade and Development, the Organization for Economic Co-operation and Development, World Customs Organization, International Trade Center, World Economic Forum, and others.

The credibility and relevance of T&C's operational and knowledge work will be enhanced by investing in ongoing dialogue with the private sector, both international and domestic. Central to its engagements in countries is T&C's outreach to private sector actors. In addition to accessing IFC investees where relevant, T&C will more systematically support broad and inclusive dialogue with the organized private sector across countries and regions. Dialogue and experience-sharing with industry leaders in global value chains are also envisaged. In recent years, private actors have also emerged as funding partners of the Bank Group. Charitable organizations and foundations—through their grant funding—are helping to broaden the base of support for T&C's economy-wide and industry-specific efforts in countries.

A Sharpened Results-Focus

T&C is committed to demonstrating tangible, time-bound results. Figure 2 presents a T&C-wide results chain. It is based on the following theory of change: customized and sequenced efforts to boost trade, enhance the investment climate, improve sector competitiveness, and foster innovation and entrepreneurship provide incentives for expanding market opportunities and enabling private initiative. As a result, economies become more dynamic and resilient, thereby adjusting efficiently in ways that increase firm-level productivity, private investment, and trade performance, and enhance innovation. These outcomes—T&C’s ‘bottom-lines’—in turn foster

overall productivity improvements, growth, job creation, and rising incomes, all of which contribute to boosting shared prosperity and ending extreme poverty.

As a first step, T&C is elaborating a results framework that identifies input, output, intermediate outcome, outcome, and impact indicators, and in some cases, establishes targets. More generally, T&C’s results management system ensures systematic M&E of operational and knowledge work and encourages learning across the practice. It also promotes operational quality and encourages mid-course corrections. Mixed methods including impact evaluation techniques are used to fill knowledge gaps and promote effectiveness.

Figure 2: T&C’s Results Chain



Organizing to Deliver

T&C has strengthened its internal organization to reflect new strategic directions. Its unit structure offers a balanced approach covering core global themes, global partnerships and engagements, and country operations in geographic regions. It also provides incentives for cross-practice collaboration on knowledge, trust funds, portfolio management, and results. To ensure effective functioning of this joint World Bank-IFC practice, T&C is consolidating its skills base around global themes while also developing new competencies, for example, through the appointment of Global Solutions Leads. The GP is supported by a sustainable resource framework that deploys budgetary and donor resources in line with country and global demand, while also tapping new revenue sources.

