



International  
Trade  
Centre

## STRUCTURAL TRANSFORMATION IN AN AGE OF CHANGE

ITC EXECUTIVE DIRECTOR  
AT THE 53RD JAG

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Friends

Welcome to the 53rd Joint Advisory Group.

Thank you to Costa Rica for their leadership of the 52nd session of the JAG and to Ambassador Hakala for accepting to take the Chair for the 53rd session of the JAG.

In its 55 years of existence of delivering trade related assistance, 2018 - and indeed 2019 - have been both the most challenging and the most exciting.

Challenging because never has trade been so central to the debate around global geo-politics and growth and never have there been so many misconceptions around the role and the responsibility of trade.

But exciting because the role of micro, small and medium enterprises (MSMEs) in supporting inclusive growth has never been higher on the agenda. For an organisation like ITC, which has the competitiveness of MSMEs embedded in its DNA our mission statement has never been more relevant.

The Geneva Trade hub has a responsibility to dispel the myths and present the facts on trade. To show why investing in multilateralism, investing in trade rules and investing in MSMEs is the path to global growth and shared prosperity and the route to achieving the 2030 agenda and leaving no one behind.

Here I wish to thank WTO Director-General Azevedo and UNCTAD Secretary-General Kituyi for their continued support and partnership. We have complementary mandates: making trade possible, making trade happen, and making the global economy work more effectively for people in developing countries.

There are many examples of our collaboration: from the Global Trade Help Desk which will soon become the one-stop-shop for trade and investment data and intelligence, to the new SDG monitoring website that the three Organisations will be unveiling shortly, to our partnership on trade facilitation or our work on women's economic empowerment, following on the Buenos Aires Declaration. The Geneva Trade Hub is strong and is playing its role in flying the flag for trade led growth.

After all, trade has been – and remains – a driving force for development, and poverty reduction. We know this. We also know that while trade lifts the boat for all of us collectively, it can leave some behind. ITC will continue to work in that space where the market does not. We will continue to fill the gap

where there is absence of safety nets. Our priority remains working with the base of the pyramid and equipping them to also be winners from trade.

Trade has played a key role in the ‘structural transformation’ process that is at the heart of economic development. This transformation is basically about shifting people and resources out of purely subsistence activities and into more value addition.

Trade makes it possible to turbocharge structural transformation. In most developing countries, internationally tradable sectors are typically much more productive than the rest of the economy. We know that MSMEs that trade employ more people, pay higher wages, have better working conditions and engender more innovation. Pulling more people and capital out of non-tradable activities and into firms dealing in tradable goods and services thus makes for a more productive economy overall. By tapping into global demand – instead of relying on smaller home markets – countries can speed up this process.

And when the MSMEs are able to connect to international value chains, the resulting gains are more broadly spread across society. This is why MSME competitiveness is at the heart of ITC’s work.

Over the past fifty plus years, countries from China to Colombia, and Bangladesh to Kenya, grew much faster than they otherwise might have by

hitching their wagons to the world economy. This was enabled by the predictably open global marketplace, anchored within the multilateral trading system.

Today, however, trade-led development faces two serious challenges, which are reshaping countries' potential economic futures.

First, the open global economy itself is under threat. New trade restrictions have been placed on hundreds of billions of dollars of traded merchandise, and the very notion of rules-based cooperation on trade has come under sustained pressure.

Second, technology is profoundly changing the face of structural transformation. Most of us probably still picture workers moving off farms and into labour-intensive factories, starting with textiles and clothing. But increasingly sophisticated automation means that factories don't need as many workers as they once did. Industry has less power than before to create large numbers of relatively productive jobs. And the market case for locating production in developing countries is changing.

In our view, a logical response to these realities involves a combination of four things:

- One: making the case for open markets.

- Two: enabling businesses in developing countries to make the most of their market access opportunities, including the expanding South-South opportunities.
- Three: instead of focusing narrowly on manufacturing, promote greater sustainable value addition across the board, in agriculture, industry, and services; and invest in the digital world such as in e-commerce
- And four: make sure the gains from trade are inclusive.

This is precisely what ITC worked to do in 2018.

### **Advocacy for open markets**

In 2018, 86% of ITC's country-specific interventions were in LDCs, sub-Saharan Africa, landlocked developing countries, small island developing states, small vulnerable economies, and post-conflict states. These are the countries with the most urgent development needs. Not coincidentally, these are countries that typically have been on the margins of global trade.

Connecting businesses in these countries to markets help spur growth and poverty reduction. If the trade engine of growth is taken away, it would become harder – if not impossible – to meet the main goal of the SDGs which is eradicating extreme poverty by 2030 as well as to sustain high growth in LDCs, and reach full and productive employment.

This is why, in our public diplomacy, ITC continued to make the case for positive-sum international cooperation on trade. The realities of interdependence mean that the choice before countries is simply: ‘win-win’ or ‘lose-lose.’

### **Making the most of existing market access**

Advocacy is a growing part of ITC’s role. But we remain at core a pragmatic, hands-on agency: whatever market access terms countries have, we work to enable businesses to make use of them.

In 2018, we invested heavily in our market intelligence tools to help support that goal. We launched the Rules of Origin Facilitator to help businesses learn whether they could benefit from trade preferences, and find out how to obtain the necessary certification. In countries such as Egypt, Nigeria, and Kenya, we supported agencies to use our Export Potential Map to focus trade and investment promotion efforts on the sectors likeliest to generate sales and jobs.

Business-to-business ties continue to play an important role in making trade happen. At the first China International Import Expo last fall, an ITC-supported delegation of 100 MSMEs struck prospective deals worth \$116 million with Chinese importers, for goods ranging from Zambian pork to slippers from Tajikistan, Bangladeshi cosmetics, Nepalese services and Bolivian quinoa. Many of these leads have already matured into deals.

For all of the headwinds facing the global economy, many governments are pushing forward with trade opening. Africa is an important part of this story, with economic integration deepening at the continent-wide and sub-regional level. ITC has pledged its support to the AfCFTA and over the weekend we will be at the African Union Summit launching the African Trade Observatory as one of our initiatives in support of African trade. We have the honour to be joined this morning by COMESA Secretary-General Chileshe Kapwepwe, as well as Mamadou Traoré, Commissioner for Industry and Private Sector at the Economic Commission of West African States.

### **Value addition across the board**

As we have seen, manufacturing has become a less effective single engine for creating good jobs. That is why ITC is working to foster greater sustainable value-addition and value capture across the board, in agriculture, manufacturing, and services. One indicator of success is the amount of private investment our interventions have catalysed.

For instance, in 2018 in the Caribbean coconut sector we have worked with a wide range of partners – governments, research institutions, farmers groups – to reverse years of underinvestment in sustainable production and processing. This has led to \$40 million in private sector investment commitments that will enable smallholder farmers to benefit from booming global demand for coconut water, coconut oil – and even coconut-based yogurt.

In Afghanistan, we are working to connect saffron producers to lucrative markets in Canada, Europe and the United States. And we supported agro-processors in Morocco and Kenya to adapt to climate change and adopt greener production methods.

In Ethiopia we have facilitated the investment by KPR Mill, an Indian textile company, to open its first overseas garment production facility in the Mekelle Industrial Park. The factory has already created jobs for 700 people—mostly women—and is exporting to Europe and North America.

Manufacturing still matters, but so do value-added services. This is why in 2018 we worked to bolster the competitiveness of MSMEs in Uganda's burgeoning tech sector. Last year, thanks to connections made by ITC, a Japanese venture capital firm injected money into two Ugandan fintech startups dealing with mobile payments and inventory management services.

In this vein last year's SME Competitive Outlook focused on fostering business ecosystems for the digital economy.

We will soon have the privilege of hearing from Myanmar's Deputy Minister of Commerce, U Aung Htoo. In 2018, we have seen how compliance with health and safety standards has translated into higher incomes for oilseeds producers. And we have worked together to place Kayah and Tanintharyi states on the sustainable tourism map. I invite you all to the opening of the ITC and the

Netherlands photo exhibition tomorrow at 11:00 in the CR hall where we will unveil some beautiful photos of this sustainable tourism project, amongst other areas.

### **Ensure that gains are inclusive and sustainable**

Finally, we must ensure that the gains from trade and value addition flow to the people who need it most. And that's why, along with our focus on MSMEs, we place particular emphasis on empowering women, young people and vulnerable communities to tap into market opportunities.

Last year we launched SheTrades Invest, which is building an alliance of impact investors and development finance institutions to invest in women-led businesses in developing countries. We started SheTrades Commonwealth. In collaboration with the EIF we opened SheTrades Chapters in Zambia and the Gambia. In collaboration with the Islamic Trade Finance Corporation we set up SheTrades MENA in Dubai. And later this year at the World Export Development Forum (WEDF) to be held in Addis Ababa in partnership with Ethiopia and the African Union, we will be launching SheTrades AfCFTA. Today we are on course to meet our target of 3 million women connected to markets before the deadline of 2021.

In the Dadaab and Kakuma refugee complexes in Kenya, we have worked to enable refugees and host communities to tap into international markets for

home décor goods and freelance digital services. Incomes and dignity are not the only results: for refugees, it means market-tested skills to one day take home or to a resettlement country.

The same can be said of the 1200 new jobs created in Burkina Faso, Mali, Afghanistan and Haiti through the ethical fashion initiative.

In The Gambia, ITC's Youth Empowerment Project (YEP!) promoted skills-building and access to finance to create decent work opportunities for young entrepreneurs. When small businesses thrive, it shows young people that they can make it in The Gambia, and proves that there are alternatives to dangerous irregular migration.

While I like to think that football is a universal language – especially when Spain is playing well – it is a language that young people speak most fluently. This afternoon, ITC will sign an agreement with the UEFA Foundation for Children on ‘Kick for trade’, an initiative that seeks to translate love for sports into education, post-conflict reconciliation, and employment. We will hear from Guinean Trade Minister Boubacarr Barry and UEFA Foundation Secretary-General Urs Kluser about how we are working together to leverage trade – and football – to create opportunities for young people in Guinea and The Gambia.

These are just some of the highlights of a year where ITC has delivered more results and greater impact, the details of which are in the Annual report in front of you.

### **Strong demand for ITC services, healthy growth in extra-budgetary resources**

So far, I have focused on how ITC has sought to promote structural transformation through trade. I will devote the remainder of my remarks to more operational issues.

The two are connected, of course. Rising demand from our clients suggests that they appreciate ITC's approach to making the most of the current circumstances in the global economy. Reassuringly, funders have shown confidence in ITC's ability to meet this demand, and to scale up while continuing to provide a good return on investment.

Let me take this opportunity to recognise funders to ITC in 2018: Belgium, Canada, China, Denmark, the European Union, Finland, Germany, Iceland, India, Ireland, Japan, Korea, The Netherlands, Norway, Qatar, Sweden, Switzerland, the United Kingdom and the United States. Without your generosity and commitment to ITC, our work would simply not be possible. This is in addition to other multilateral and regional funders such as the EIF or the Islamic Development Bank.

In 2018, ITC delivered a record \$100 million of expenditures on technical assistance. Extra-budgetary spending, at \$64 million, was 38% more than the year before, and 15% above the previous high-water mark.

We estimate that we converted these expenditures into \$1.1 billion in export and investment value – roughly \$17 in international export and investment transactions for each dollar you entrusted us with.

Our finances are strong and growing, a signal of your collective trust in ITC. Despite a constrained financial environment for international development cooperation, in 2018 we signed \$165 million worth of grant agreements. Importantly, grants were larger, longer-term, and from a more varied pool of sources than ever before.

- The average size of ITC's grant agreements had an average size of nearly \$2 million, compared to half a million on average in 2015.
- A tenth of these funds came from non-traditional funders such as private sector, other multilateral agencies and facilities, regional economic commissions, foundations, and research institutions. We are leveraging them all.

The private sector is becoming a more prominent partner. In 2018 we partnered with a division of Swiss retailer Coop to foster greater investment in the cocoa and yam sectors in Ghana. We partnered with UPS

and with its Foundation as well as Maersk on women in trade. With DHL on e-commerce in Rwanda. With Huawei Technologies and E-Bay and the list goes on.

Looking ahead, ITC has secured \$232 million in funding for project implementation for 2019 and beyond.

In terms of un-earmarked resources that afford ITC greater latitude to tackle new challenges and innovate new approaches, we have broadened the base with two new contributors. 85% of such funding now comes through multi-year grant agreements, affording ITC an additional measure of flexibility in resource allocation.

Regular budget resources remained stable on a no-growth budget trajectory from \$37 million in 2018. We were able last year to resolve the downward pressure on such funding that used to result from the interaction between our two parent organisations' different budgetary procedures. I thank you for working with your New York Missions to make the case for continuing investment and support in ITC.

ITC remains committed to ensuring that we provide value for money – taxpayers' money- and that we do it through new and innovative means. The Annual Report contains an expanded section showcasing the work of our Innovation Lab in this area.

We also take a rigorous look at what we are doing well, and what we can improve, and how. Later today you will hear from the head of our Internal Evaluation Unit, who will describe his team's work to upgrade the quality of ITC evaluations, and spread the lessons we take away from projects across the house.

Organisations that call for sustainable development must also walk the talk at home. In 2018, ITC became carbon neutral. We aligned to the UN Secretary General Reform. We also continued to move towards gender equity at all professional levels – up to 44% from 41% the year before. We increased the presence of staff from developing countries and we expanded our presence in developing countries with local recruits. I wish to recognize our fifty plus project coordinators on the ground who are visiting the headquarters this week to ensure we build a one-ITC.

A few years ago, I told you ITC's motto would be 'do more and do it better'. Last year, I said we had built stronger relationships with all of you - partners and funders - which had enabled us to 'accelerate forward'. Our challenge now is to "scale up for structural transformation", while nimbly adjusting to changes in technology and the trading environment.

In closing, let me thank you for once more for the confidence you place in ITC, and request your support and partnership in the future.

I also want to thank ITC staff for their hard work and dedication. From my management team to the staff, consultants and interns. ITC's results and impact in 2018 are theirs.

Thank you for your trust.