Aid for Trade and Green Growth

WTO Workshop on Aid for Trade and Sustainable Development

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Global Risks

- The 2012 *Global Risks* of the *World Economic Forum* highlights seven most likely high-impact risks facing the global economy:
  - water supply crisis
  - food-shortage crisis
  - extreme volatility in energy and food prices
  - rising greenhouse gas emissions
  - severe income disparity
  - chronic fiscal imbalances
  - terrorism
Key environmental challenges

Air pollution, water stress, biodiversity loss, GHG emissions

Premature deaths from PM10 air pollution (per million inhab.)

People living under severe water stress (millions)

World threats to biodiversity (percent)

World’s Greenhouse gas emissions (2005 = 100)
The OECD Green Growth Strategy

• Requested by Ministers of Finance, Economy & Trade, at the 2009 OECD Ministerial Council Meeting (MCM).
• Multi-disciplinary inter-governmental process, involving 25 OECD Committees: delegates from Ministries of Finance, Economy, Environment, Agriculture Development Cooperation, Industry, etc.
• In May 2011, Ministers endorsed the strategy which suggests that green growth can open up new sources of growth through greater efficiency and productivity of natural resources, innovation, and new markets for green technologies, goods and services.
• Green Growth and Developing Countries Report.
Green Growth and Sustainable Development

- **Green growth means fostering economic growth and development while ensuring that natural assets continue to provide the resources and environmental services on which our well-being relies. It catalyses investment, competition and innovation which will underpin sustained growth and give rise to new economic opportunities.**

- Green Growth and Sustainable Development:
  - Sustainable development provides important context for green growth
  - Green growth as a subset of sustainable development: narrower; an operational policy framework to help achieve concrete, measurable progress
  - Green growth focus on fostering innovation, investment and competition that can give rise to new sources of economic growth
  - Green growth strategies need to pay attention to social issues and equity concerns as a result of greening the economy
Green Growth and Aid for Trade

- ODA is essential in creating enabling conditions for green growth “targeting areas where incentives for private investment are limited and flows are scarce, including essential infrastructure and human and institutional capacity building” (OECD, 2011a).

- A possible avenue to assist the transition to green growth is through aid-for-trade programmes aimed at increasing the participation of poorer developing countries in international trade “while concurrently strengthening environmental goods and services trade-related infrastructure and minimising supply-side constraints” (Viljoen, 2011).

- May help build the economic resilience and supply-side capacity LDCs need to adapt and mitigate climate change and link to the world economy on better terms” (Ancharaz and Sultan 2010).
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<th><strong>Trade policy and regulations</strong></th>
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<td>Training of officials in trade policy relating to environmental goods and services and environmental protection measures, specific trade obligations of multilateral environment agreements and participation in regional and multilateral trade/environment negotiations</td>
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<th><strong>Trade development</strong></th>
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<td>Institutional support and business support services for environmental goods and services, including trade promotion, market analysis and development</td>
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<th><strong>Trade-related infrastructure</strong></th>
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<td>Construction or renewal of trade-related infrastructure e.g. sustainable energy, transport and water systems. Using telecommunications and ICT networks for sustainable development.</td>
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<th><strong>Building productive capacity</strong></th>
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<td>Supporting capacity to produce and trade environmental goods and services</td>
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<th><strong>Trade-related adjustment</strong></th>
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<td>Accompanying measures to benefit from liberalized trade in environmental goods and services</td>
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Environment Focus of Bilateral ODA

Environment Focus of Bilateral Aid for Trade by Sector

Average annual value of commitments in 2008-2009 (Data from OECD, 2011b)

Outer circle - total bilateral sector-allocable ODA screened against the Environment marker (constant 2008 USD 75.2 billion)

Inner circle – bilateral ODA focused on Environment (constant 2008 USD 18.7 billion)
Environment Focus of Bilateral ODA

Environmental Focus of Bilateral ODA by Sector
Average annual value of commitments in 2008-09

- Industry, Mining, Construction, Trade and Tourism: 59%
- Agriculture, Forestry, Fishing: 10%
- Business, Banking and Other Services: 3%
- Energy: 15%
- Communications: 11%
- Transport and Storage: 3%

USD 18.7bn
USD 75.2bn
ODA to the Energy Sector

**2002-05**
ODA to Energy, USD millions

- Oil, Gas and Coal power plants: 141
- Hydro, Solar, Wind and Biomass power plants: 791
- Other: 830

**2006-09**
ODA to Energy, USD millions

- Oil, Gas and Coal power plants: 239
- Hydro, Solar, Wind and Biomass power plants: 895
- Other: 354

average 2002 - 2005 compared to 2006 -2009
ODA to the Agricultural Sector

![Bar chart showing ODA to the Agricultural Sector](chart.png)
Conclusions

- Aid for trade finances major projects in renewable energy, sustainable agriculture and low-carbon transportation networks.
- Aid for trade also supports smaller but potentially catalytic efforts such as feasibility studies, pilot projects and technical training.
- Assuming greater importance in partner country strategies, donor programming and South-South Co-operation.
- In supporting the multilateral trading system it also strengthens the potential contribution of international trade to diffuse green growth.
For more information

• www.oecd.org/greengrowth
• www.aid4trade.org
• www.oecd.org/dac/aft
The Green Growth Strategy

• Humanity’s ecological footprint is 50% higher than the earth’s ability to support it (WWF, 2010)
• In the energy sector, 1.3 billion people do not have access to electricity and 2.7 billion people still rely on the traditional use of biomass for cooking (IEA, 2009)
• The IPCC warns that projected reductions in agricultural yield in some African countries could be as much as 50% by 2020 and crop revenues could fall by as much as 90% by 2100 due to changing climate patterns and associated extreme weather events (IPCC, 2007).
• Overall water demand is projected to increase by some 55 percent by 2050 due to growing demand from manufacturing (4 times more), thermal electricity generation (1.4 times more) and domestic use (1.3 times more).
Green Growth and Developing Countries

- Accelerate progress towards sustainable development and poverty eradication through, for example, more sustainable use of natural resources, efficiencies in the use of energy, and valuation of ecosystem services.
- Payment for ecosystems services in Costa Rica, solar energy lending programme in Bangladesh, ecotourism in Nepal have demonstrated the economic opportunities from investing in natural resources and promoting sustainability (OECD, forthcoming).
- the recognised infrastructure deficits to support economic activities are considerable, but there is potential for technology leapfrogging and climate-resilient implementation for more efficient energy and public transportation systems
Green Growth and Developing Countries

Challenges

• Natural capital is more important
• Large informal economies
• Political feasibility
• Lack of physical, financial and human capital