



The Unexplored Potential of Trade in Services in Africa

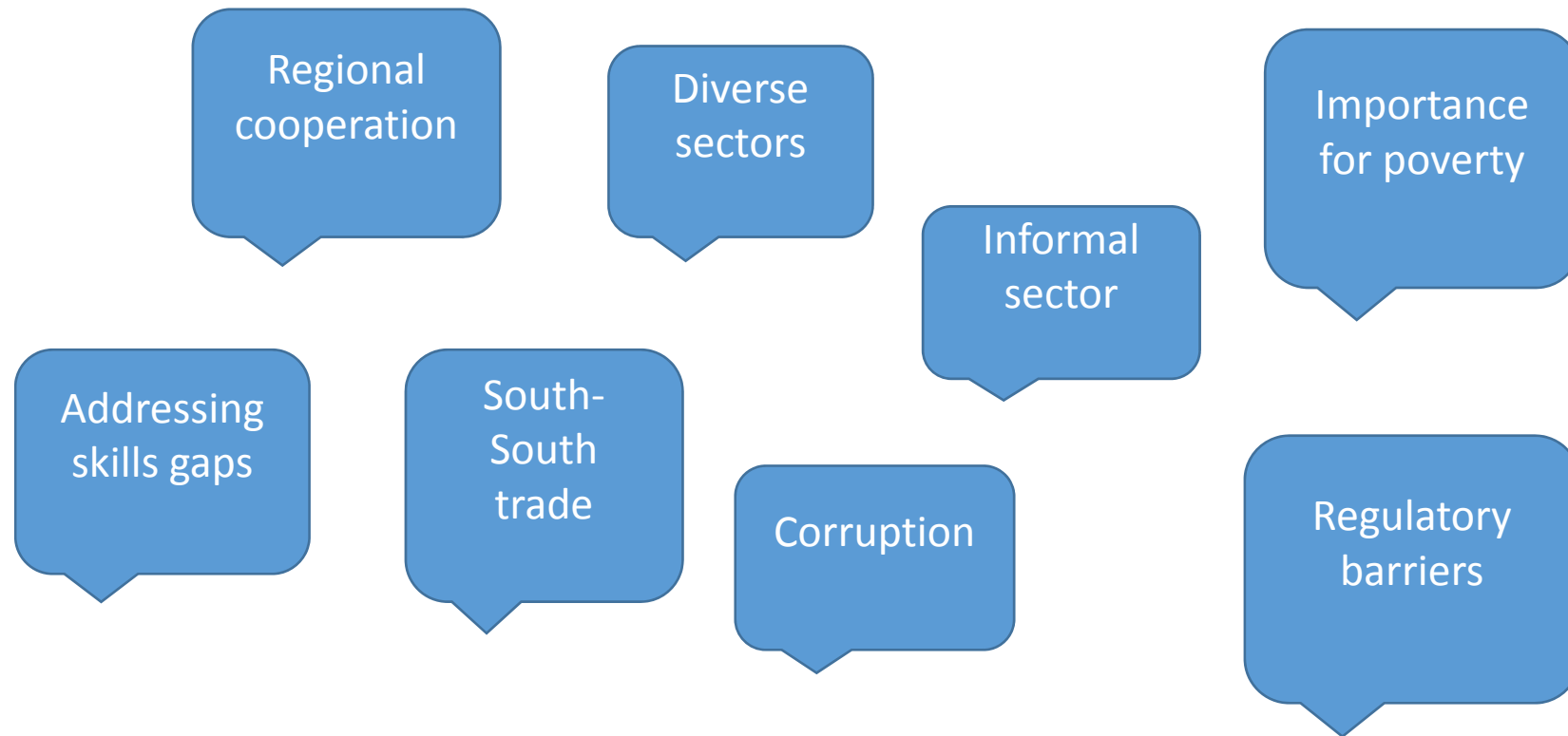
From Hair Stylists and Teachers
to Accountants and Doctors

The Unexplored Potential of Trade in Services in Africa

Edited by Nora Dihel and Arti Grover Goswami

Setting the scene: stories of service providers

- **Belvie:** hair stylist from DRC working in the informal sector in Tanzania
- **Francis:** Zambian accountant working with South African firms
- **MeCure Ltd:** Indian health firm based in Nigeria



Why Services?

Services matter for development and export diversification

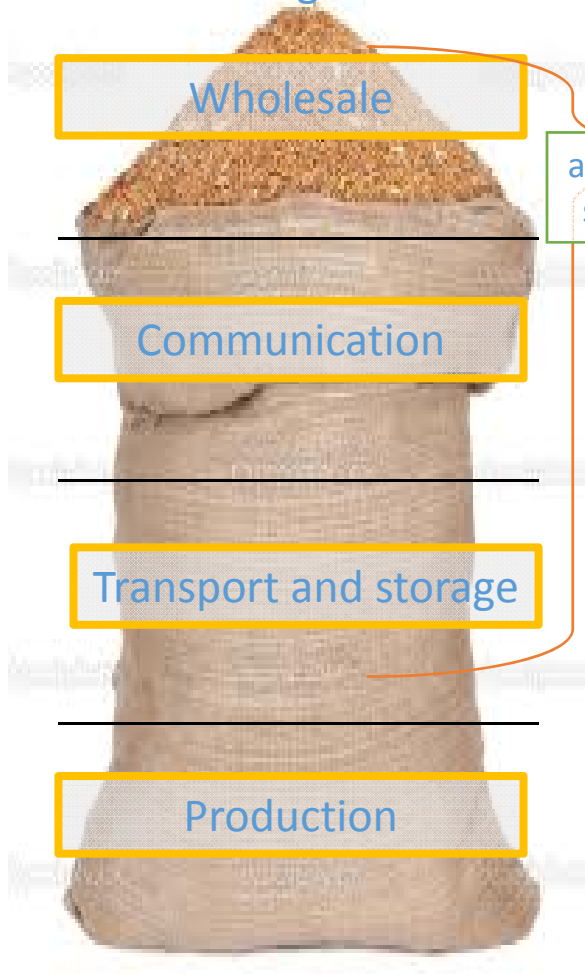
- Services can have a big impact on growth, employment and poverty reduction
- Imports of services and FDI can lead to more competition, lower prices, higher quality and greater variety
- Exports of services can drive diversification and regional integration
- Services and value chains



Why Services?

Food security and traditional exports undermined by lack of access to services along the whole value chain

Services Along Value Chain



about 2/3
services

In Ethiopia: Consumer pays 600 to 1500 birr for one quintal of *teff* while production cost is 250 to 400 birr—58% to 73% of final price is services cost.

Ethiopia: a rose sells for 7 cents per stem in the Dutch market — more than 80 % of the final price is the share of services.

more than
4/5 services



Key challenges

Integrating markets (expanding trade) while achieving regulatory objectives efficiently

Filling information gaps

- Significance of services trade for Africa little understood
- The continent's potential to engage in knowledge-intensive services remains neglected
- Data limitations hamper analyses

Building knowledge

- Limited understanding of the role of services as intermediate inputs
- Limited knowledge about impact of services reforms
- Limited guidance on regulatory experiences and liberalization efforts, including good practice

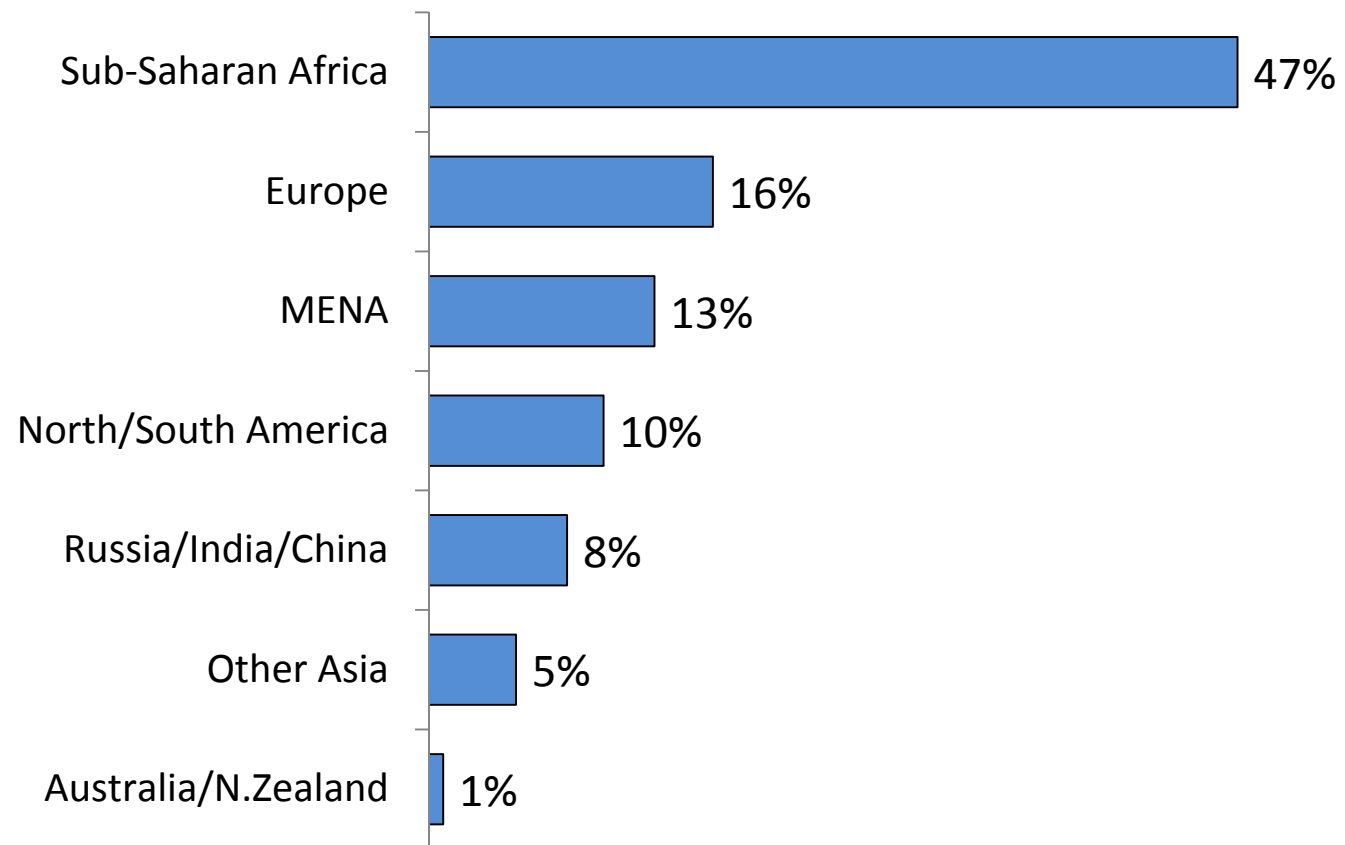
Implementing policy action

- Translating knowledge into policy action
- Identifying the interests and preferences of various actors
- Facilitating direct engagement of stakeholders through national and regional platforms

Filling information gaps

Top export destination of professional services firms

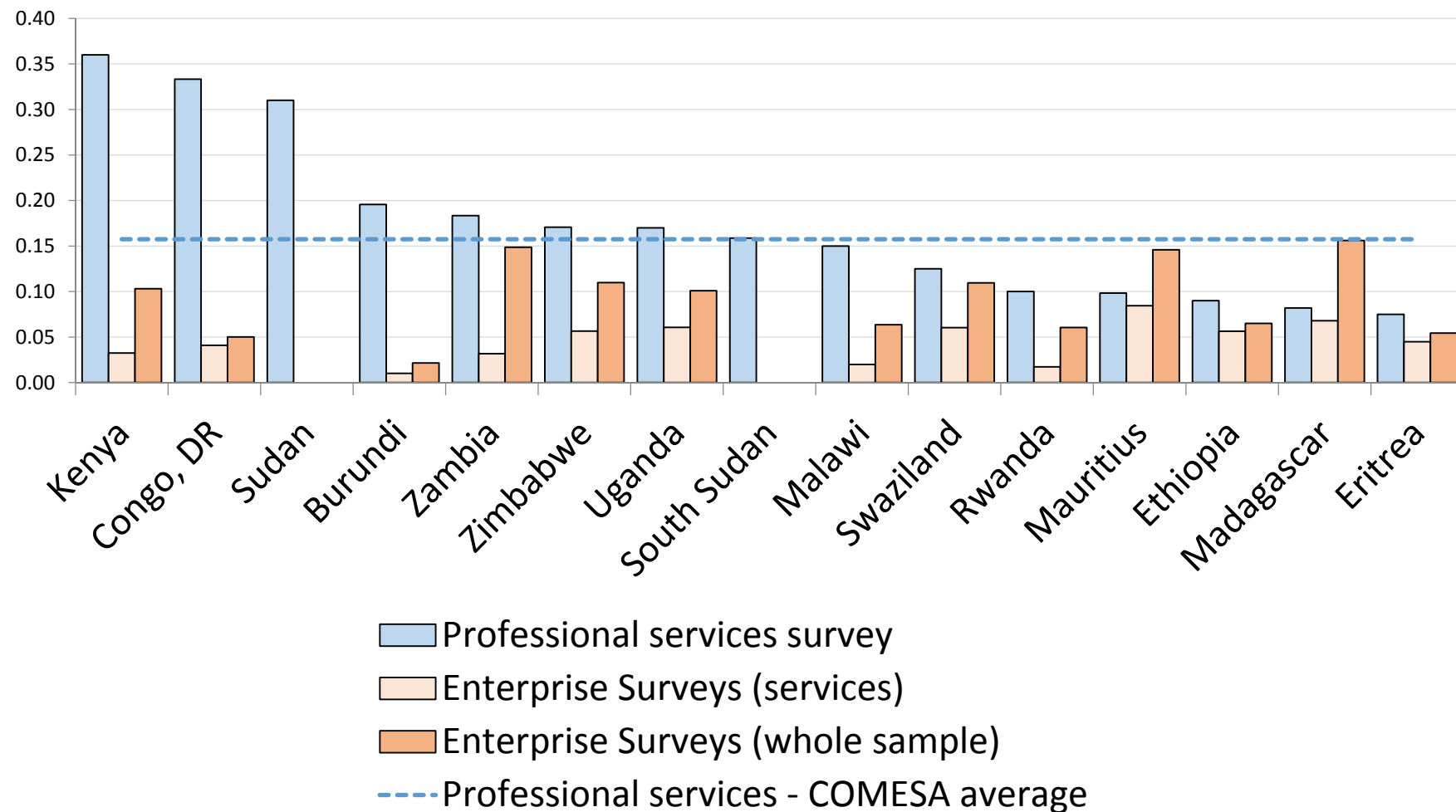
**Main export destinations from COMESA
professional services providers, by region**



Filling information gaps

Professional services contribute to export diversification in Africa

Proportion of exporting firms, by country



Building knowledge

What are the barriers to regional services trade?

- Skills shortages hinder trade in knowledge-based services (education, health)
 - E.g. consumption outside Africa of education and professional services
- Trade and regulatory hurdles drive service providers into the informal sector
 - E.g. Regional hairdressing trade
- Trade restrictions and regulatory burdens
 - E.g. Foreigners cannot provide tax and legal advice (national vs qualification)
- Divergent regulatory regimes hinder regional integration in services
 - E.g. National vs regional qualification criteria in East African professional services
- Costs of standards compliance (not necessarily appropriate for firm size or regional need)
 - E.g. SMEs in Tanzania and Uganda face excessive costs in complying with international accounting standards – while only 10% of the region's hotel rooms meet international standards

Policy reforms

Integrating markets (expanding trade) while achieving regulatory objectives efficiently

Filling information gaps

- Be serious about data collection
- Concrete efforts to monitor services reforms

Building knowledge

- Put informal trade in services on the African policy agenda
- Be transparent
- Knowledge Platforms

Implementing policy action

- Bringing it all together: Trade and Domestic Regulation
- National and regional actions
- Prioritize Regional Regulatory Cooperation

Thank you

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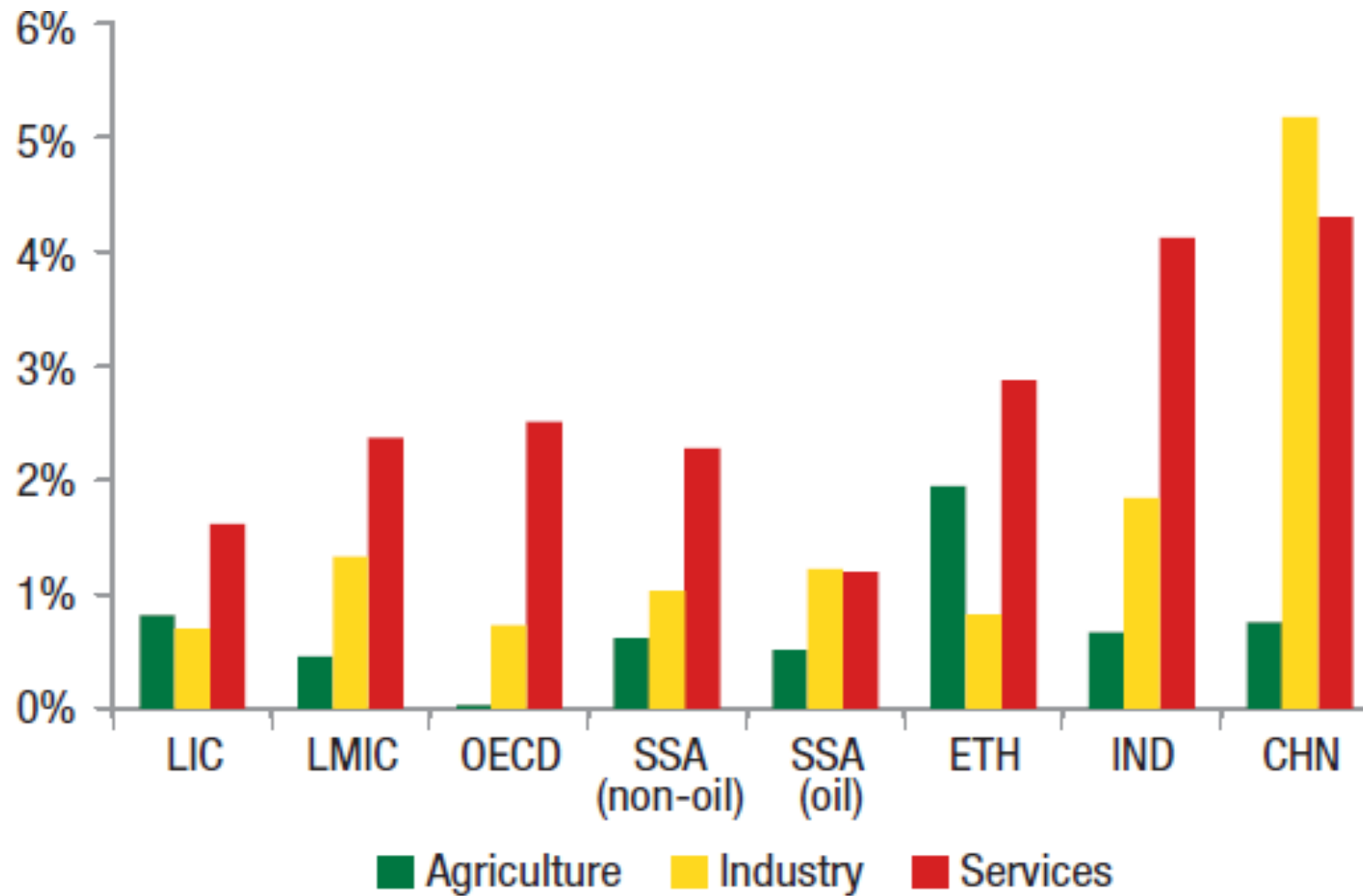
<http://www.worldbank.org/en/news/feature/2013/06/26/raising-the-profile-of-trade-in-services-in-africa>

<http://documents.worldbank.org/curated/en/477321469182630728/The-unexplored-potential-of-trade-in-services-in-Africa-from-hair-stylists-and-teachers-to-accountants-and-doctors>

Additional slides

Why Services?

Growth rate contribution by sector, 1990-2012



Why Services?

Employment share by sector, 2005-2012 (%)

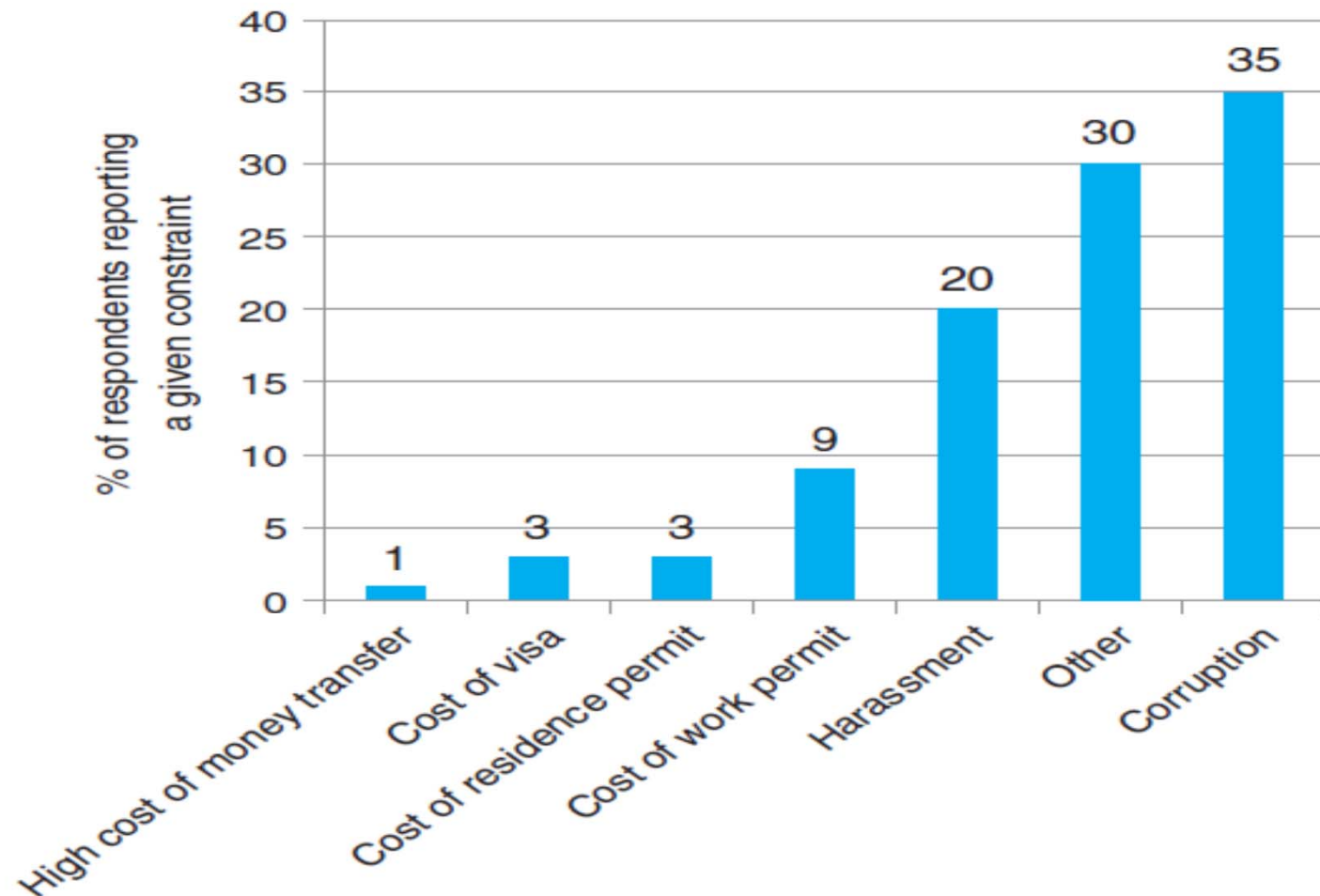
Country	Year (latest available)	Employment shares in		
		Agriculture	Industry	Services
Botswana	2006	29.9	15.2	54.9
Congo, Rep.	2005	35.4	20.6	42.2
Gabon	2005	24.2	11.8	64
Ghana	2010	41.5	15.4	43.1
Kenya	2005	61.1	6.7	32.2
Mauritius	2012	7.8	27.6	64.7
Namibia	2012	27.4	13.8	58.7
Rwanda	2005	78.8	3.8	16.6
Senegal	2006	33.7	14.8	36.1
South Africa	2011	4.6	24.3	62.7
Tanzania	2006	76.5	4.3	19.2
Uganda	2009	65.6	6	28.4
Zambia	2005	72.2	7.1	20.6

Source: World Development Indicators.

Addressing knowledge gaps

Top constraints affecting the movement of services providers

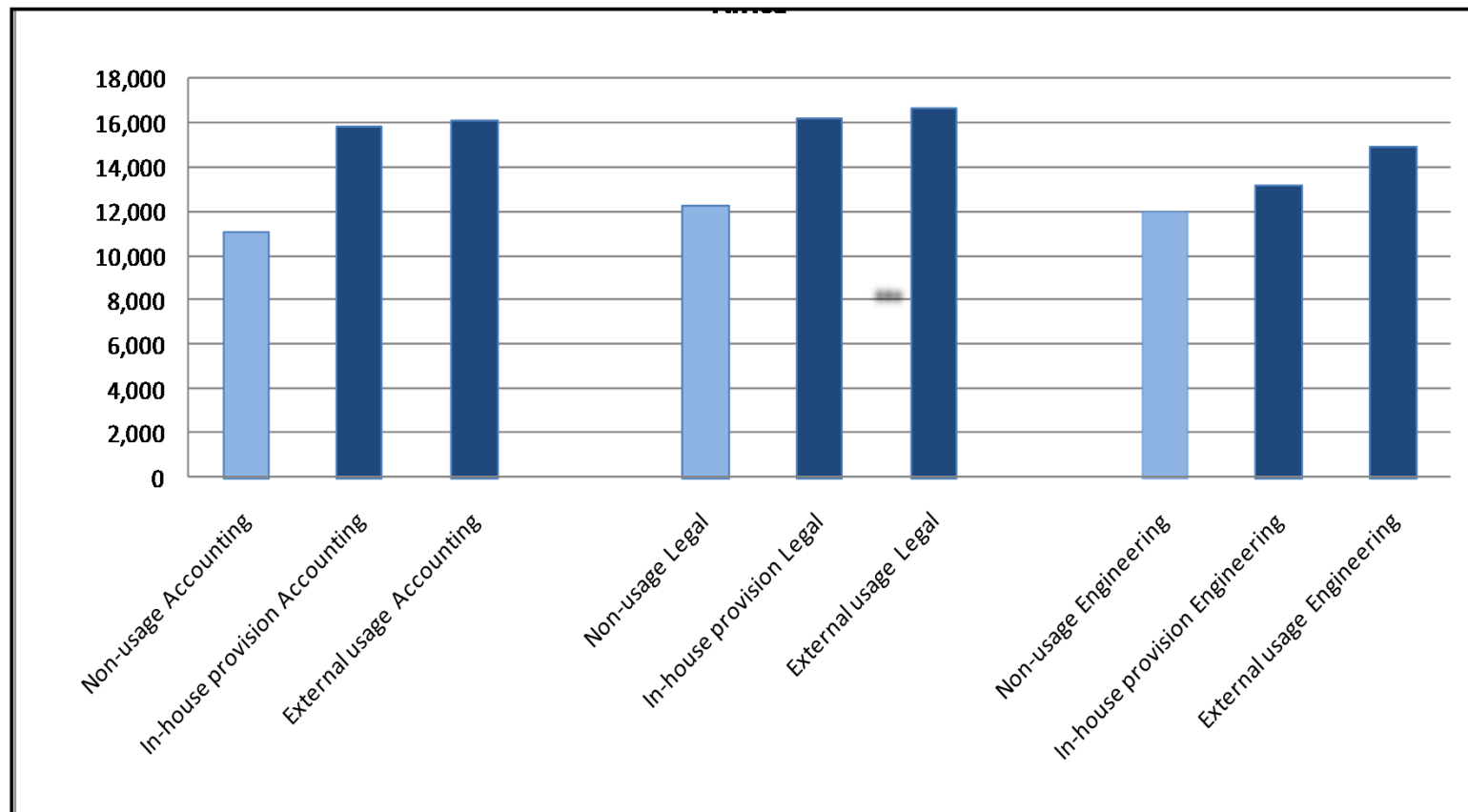
At the border between DRC and Rwanda and Uganda



Addressing knowledge gaps

Professional services matter

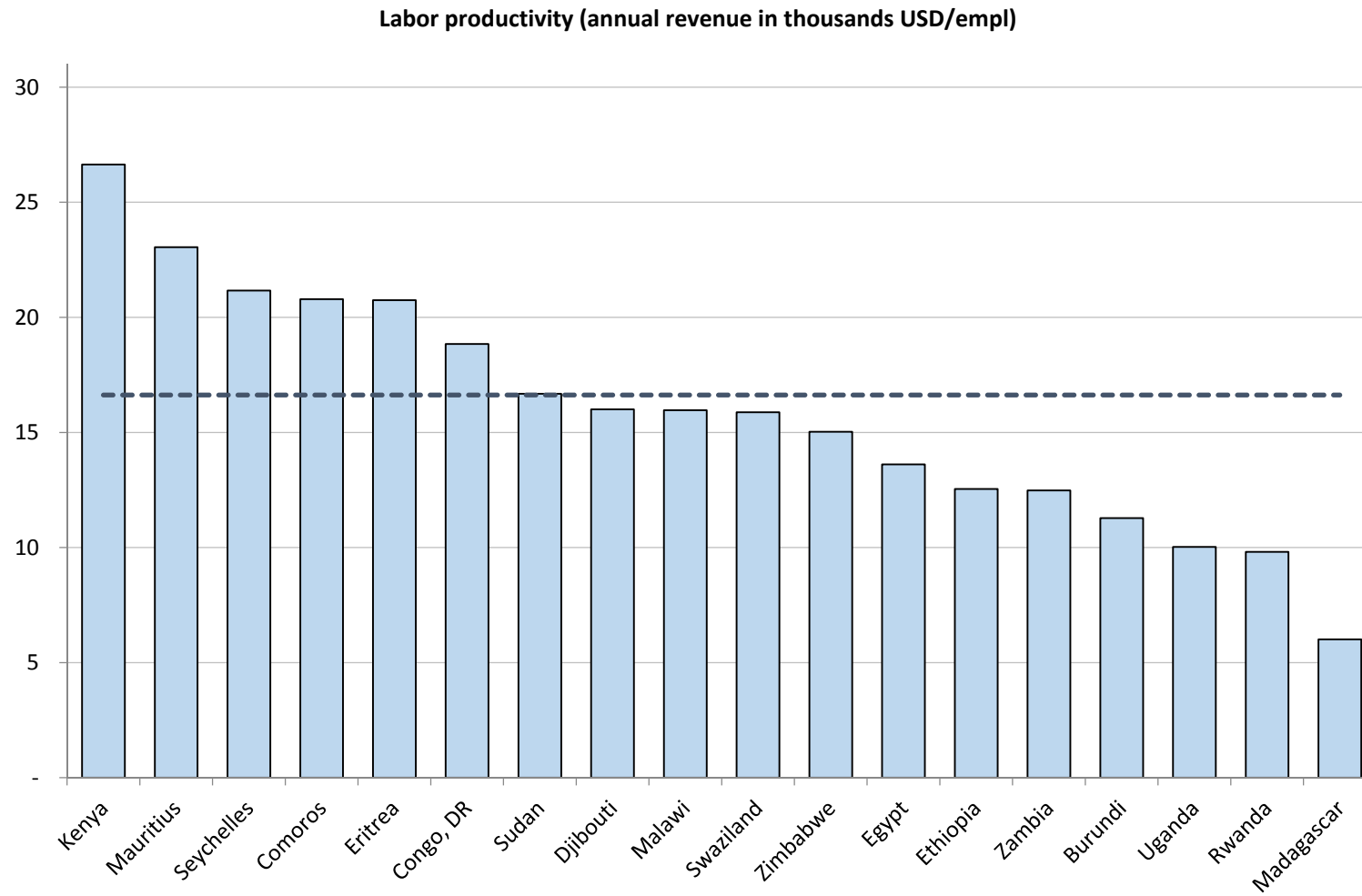
- Higher labor productivity (sales/employees) is associated with greater usage of professional services in all East African countries, especially for small firms



Productivity of Users and of Non-Users of Professional Services – Average across firms in East Africa

Addressing knowledge gaps

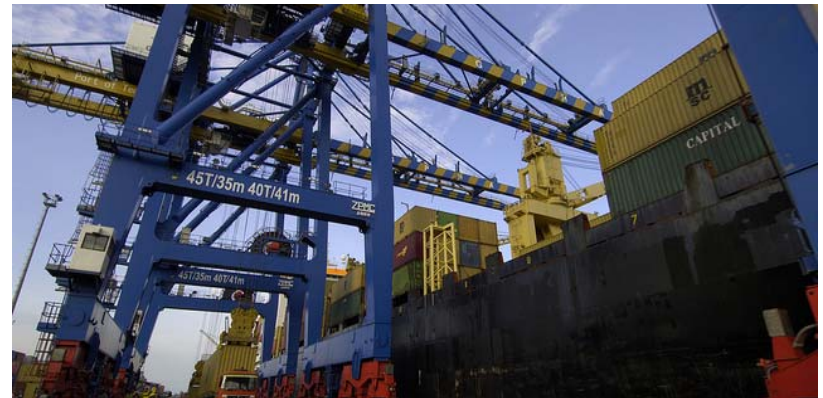
Professional services as Inputs



Addressing knowledge gaps

Potential Impact of Services Development in Ethiopia

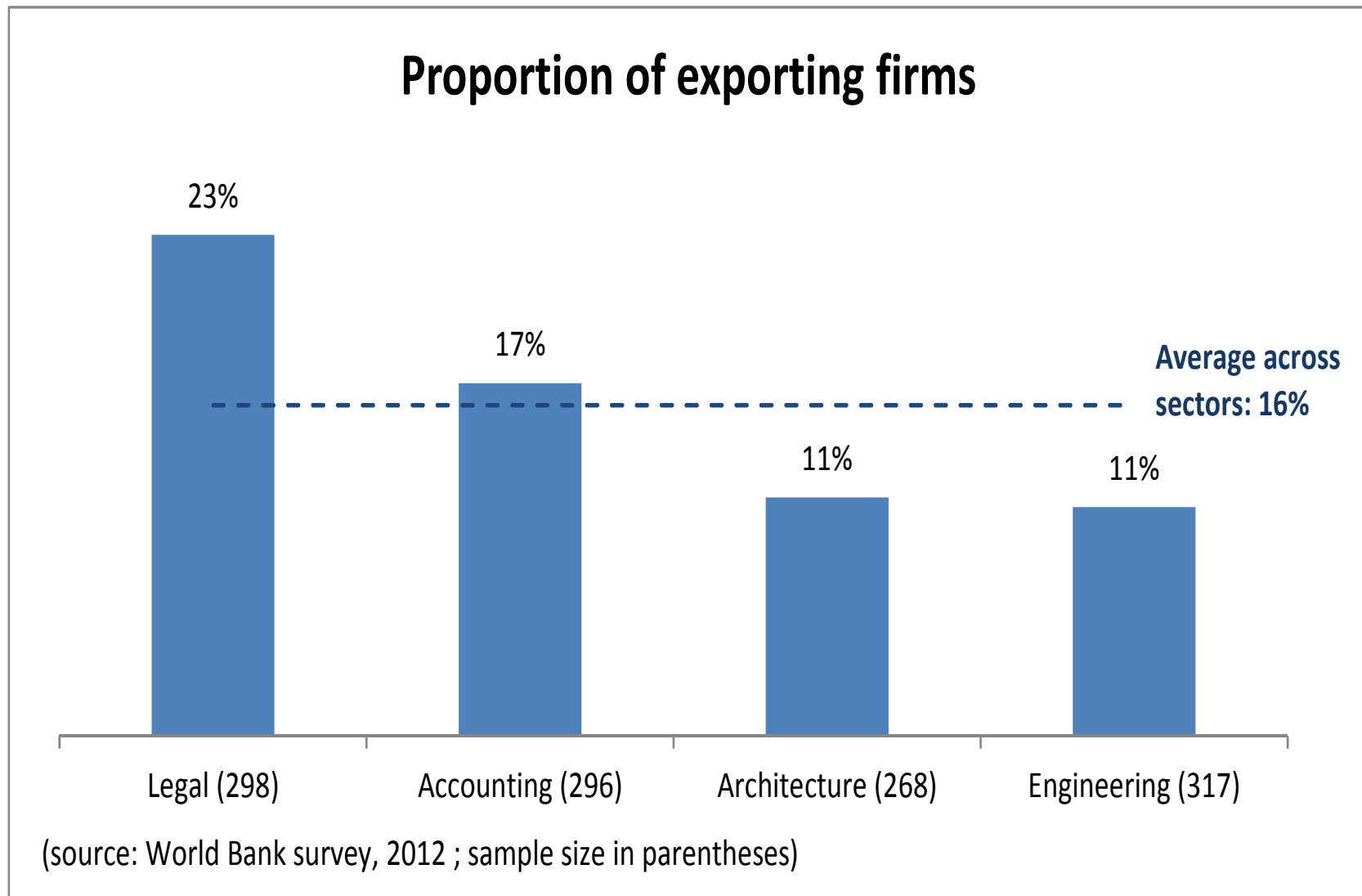
Financial and Energy sector conditions similar to that in Rwanda is likely to increase firm labor productivity by 4.3% and 2.2% respectively



Matching China's transportation services would imply productivity gains of 4.2%

Filling information gaps

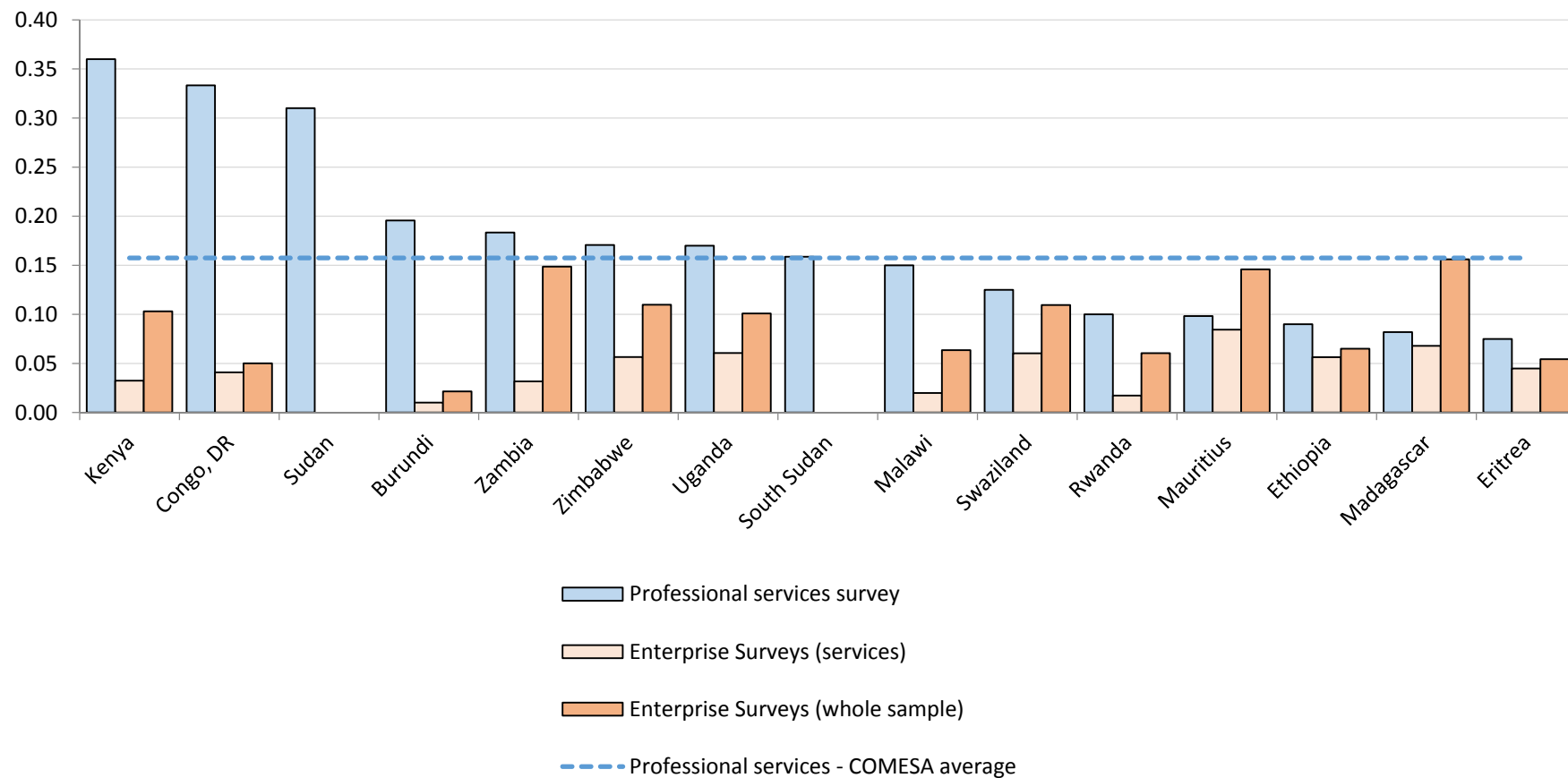
Professional services contribute to export diversification in Africa



Filling information gaps

Professional services contribute to export diversification in Africa

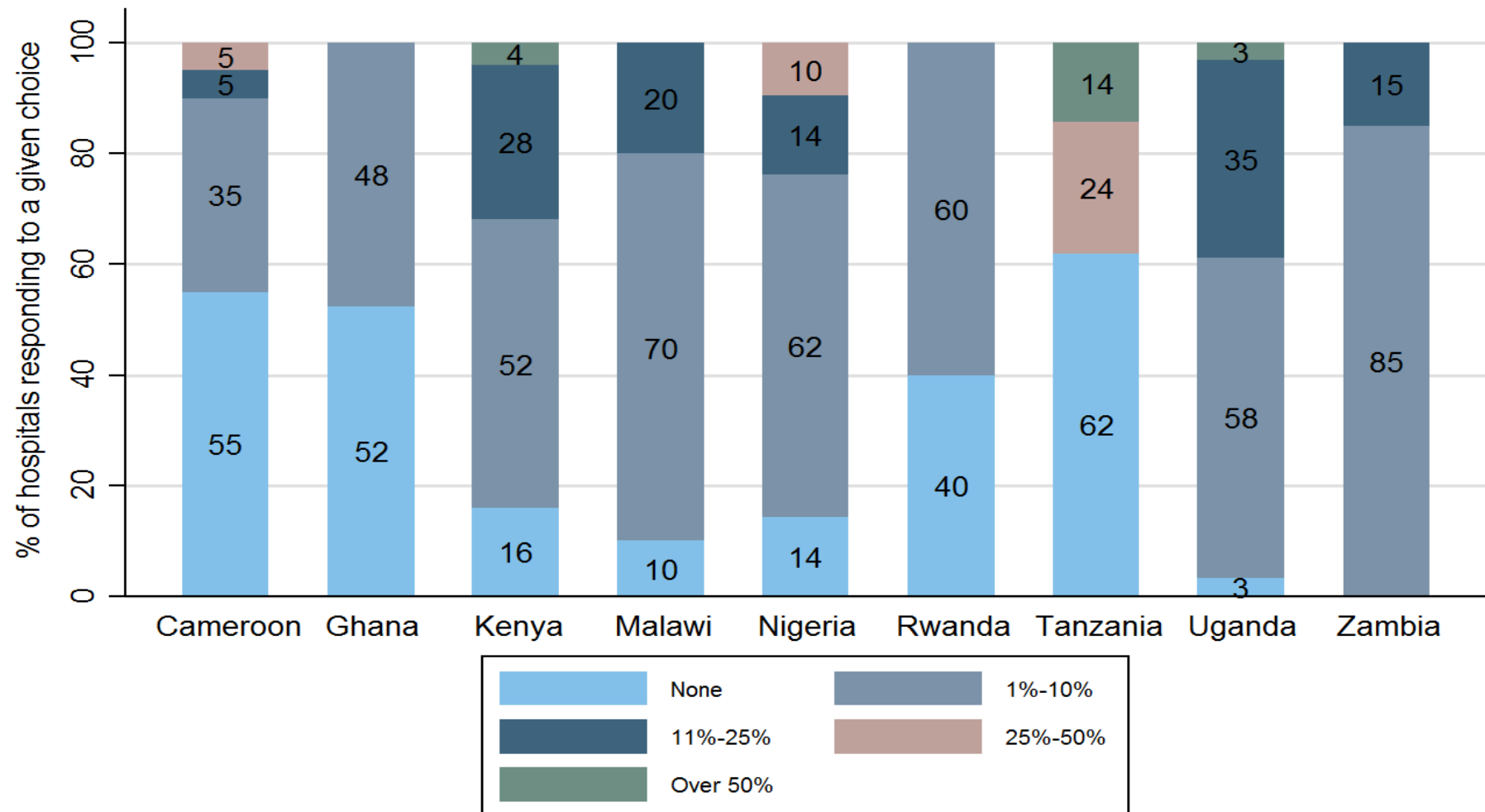
Proportion of exporting firms, by country



Filling information gaps

Patients without borders

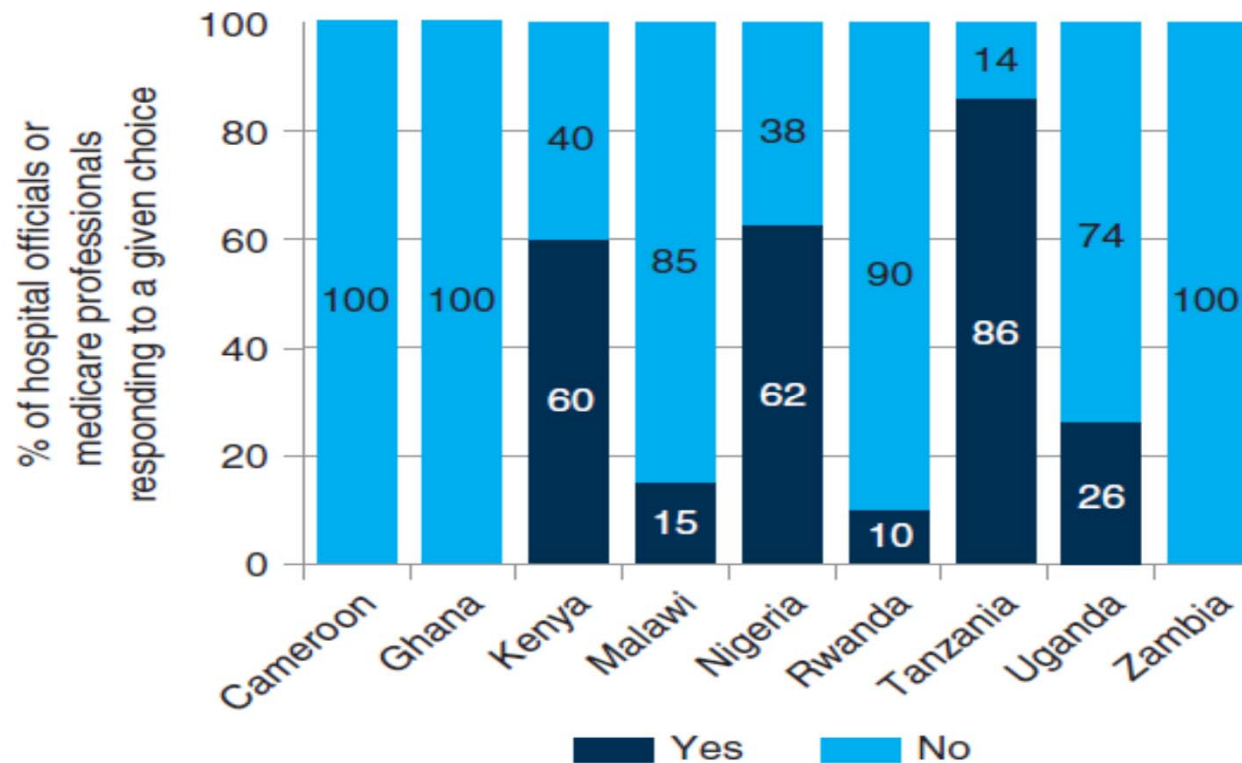
Proportion of Foreign Patients Treated by Hospitals in Selected Countries based on



Filling information gaps

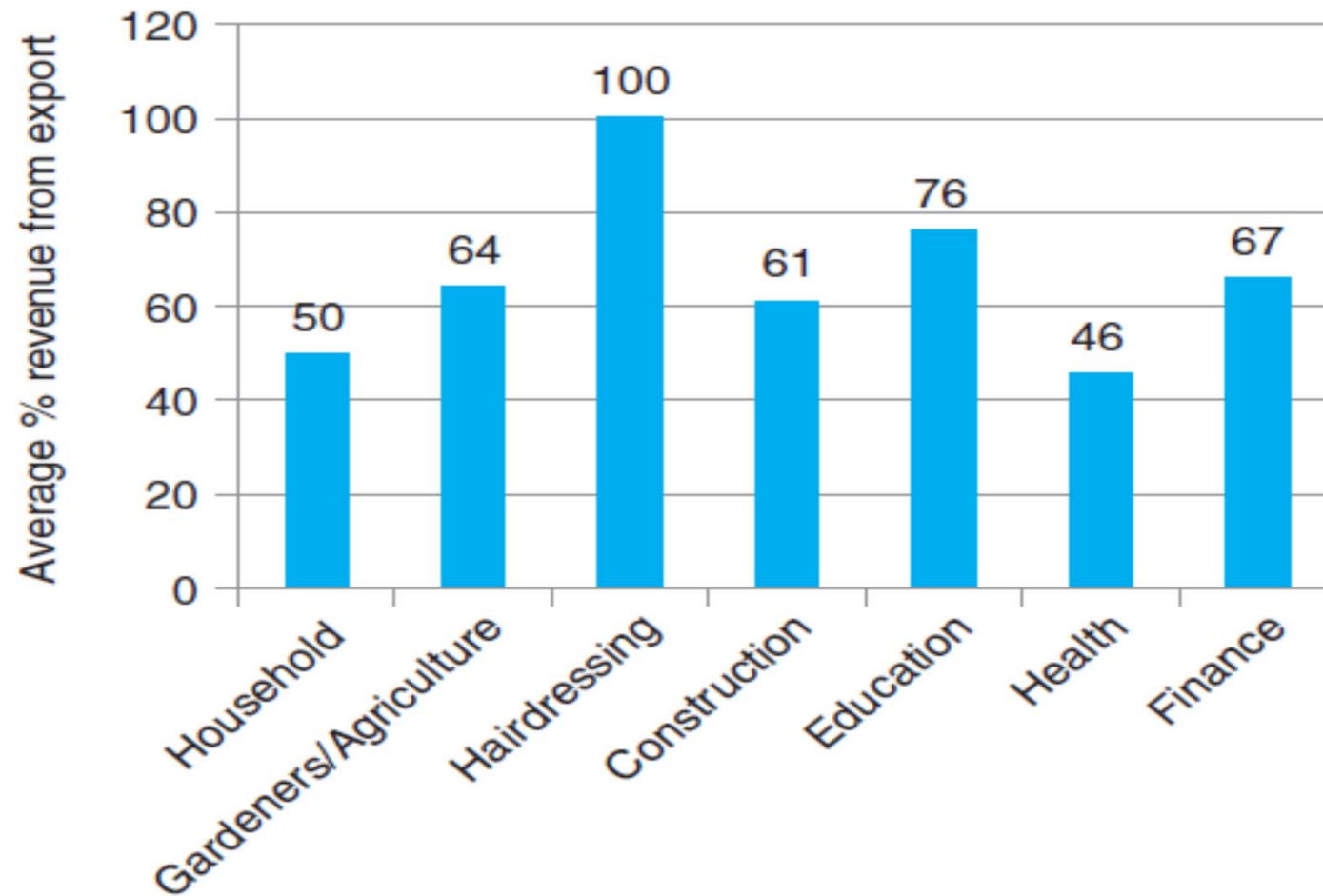
Telemedicine on the rise

Use of Telemedicine in Selected Countries,
April–July 2014, (%)



Filling information gaps

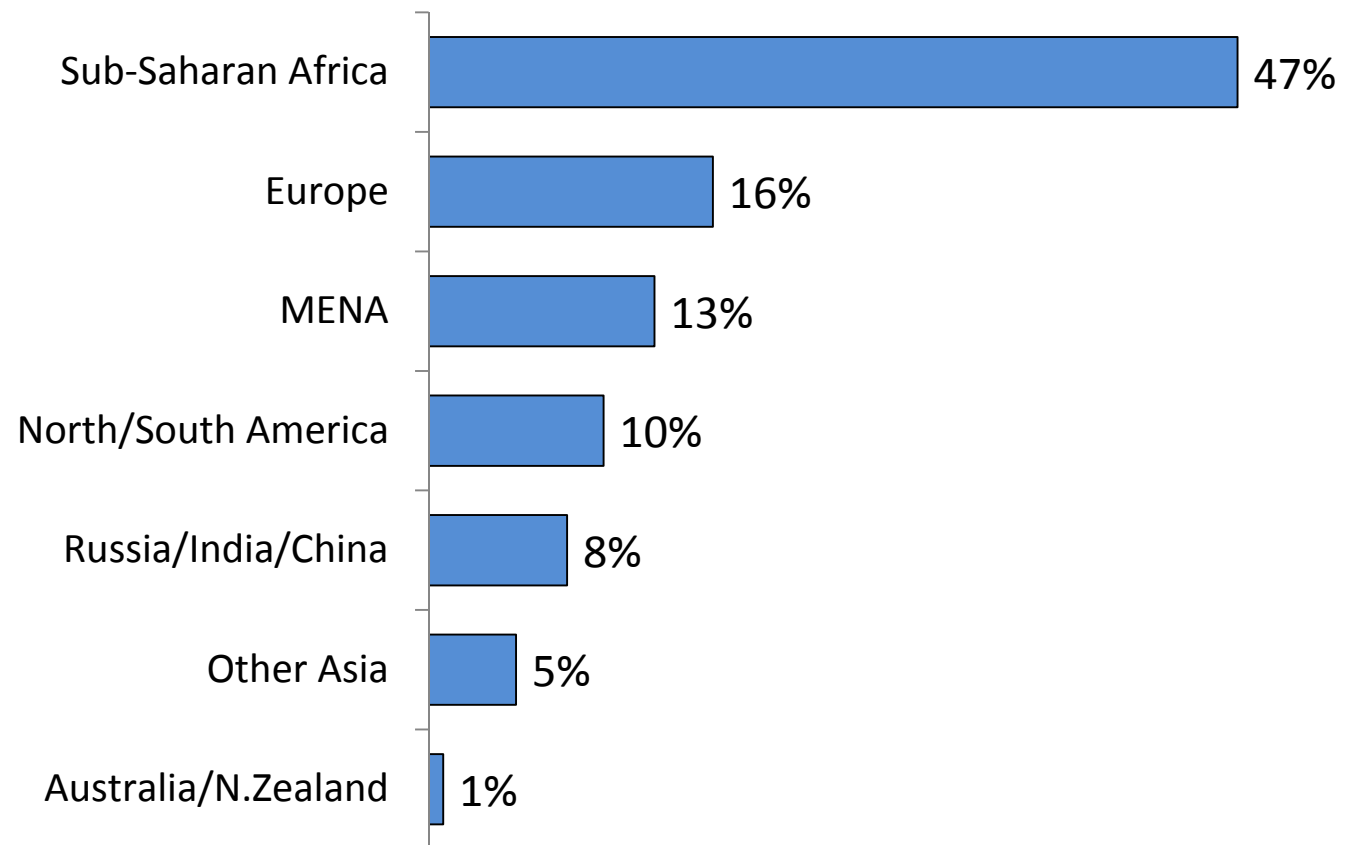
Revenue from informal services exports



Filling information gaps

Top export destination of professional services firms

**Main export destinations from COMESA
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Addressing knowledge gaps

Barriers to trade - Liberalizing trade would facilitate access...

Typical explicit barriers to trade in education and health services

Mode 1

(cross-border delivery)

- Restrictions on the electronic transmission of educational materials or tele diagnosis
- Restrictions on the types of courses or treatments that may be offered
- Restrictions on payments and transfers of funds abroad

Mode 2

(consumption abroad)

- Barriers imposed by home and host countries on the mobility of students and patients
- Restrictions on the portability of scholarships or medical insurance schemes
- Limitations concerning the coverage by public medical insurance schemes of service provided abroad
- Exit visas or foreign currency controls in the home country

Addressing knowledge gaps

Barriers to trade - Liberalizing trade would facilitate access.....

Typical explicit barriers to trade in education and health services

Mode 3 (commercial presence)

- Foreign equity capital limits
- Restrictions on legal form of suppliers
- Limitations on the numbers of permitted suppliers of education and health services and their legal form
- Discriminatory tax/fiscal measures

Mode 4 (presence of natural persons)

- Discretionary limits (quotas, labor market tests & econ. needs tests) for foreign-licensed professionals
- Foreign degrees obtained abroad might not be recognized in the students' home country
- Burdensome immigration requirements
- Nationality or residence requirements

Addressing knowledge gaps

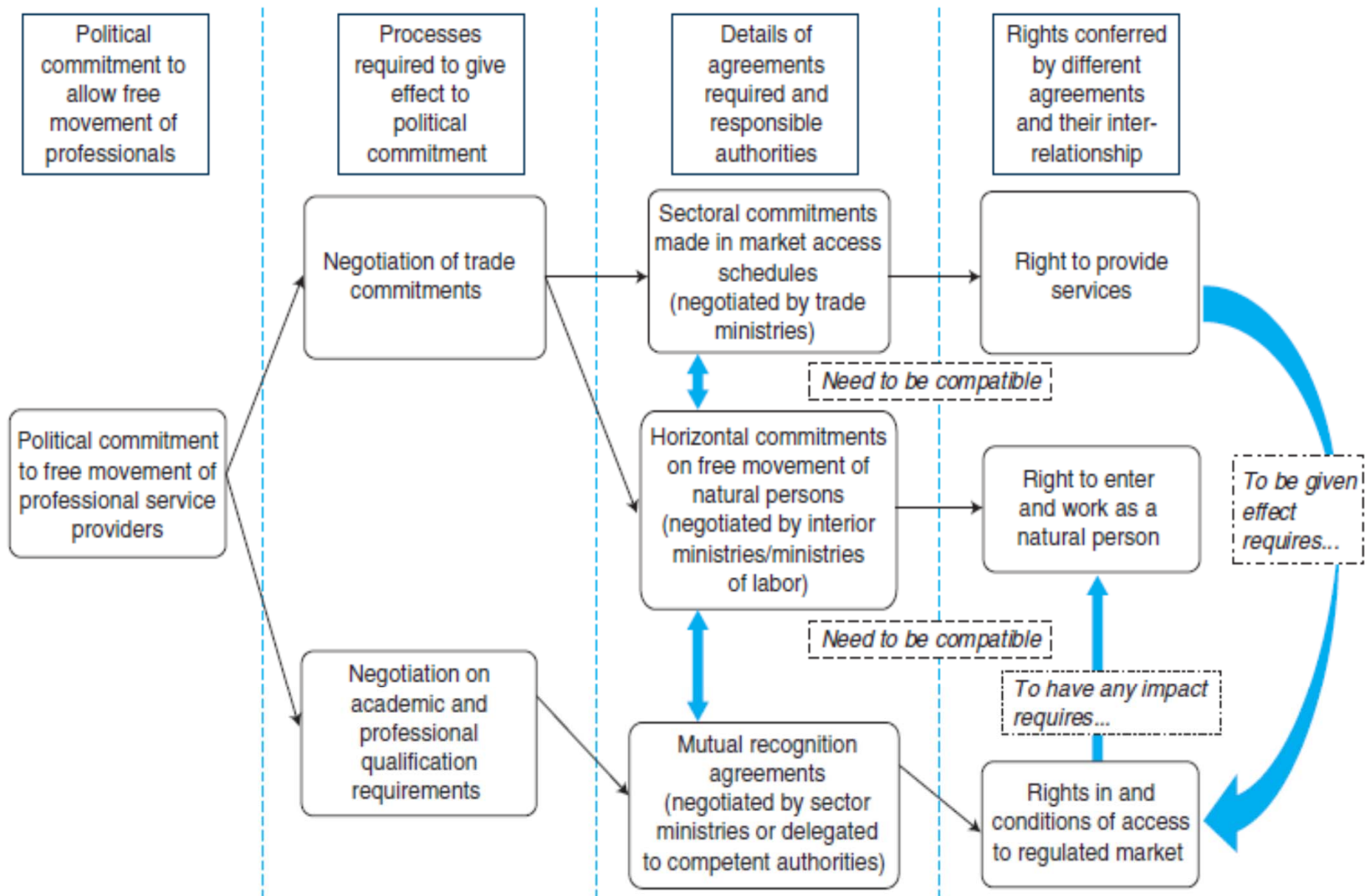
Barriers to trade ...but Need to Be Complemented by Domestic Regulatory Reform

Typical regulation of education and health services

Entry Regulation		Conduct Regulation	
Recognition of degrees and practical training requirements	Continuing education obligation	Price regulation : Binding minimum or maximum prices	Advertising is prohibited
Restrictions on the range of offered services	Restrict emigration and incentivize return migration in health	Restrictions on type of legal entity	Limits on insurance policy coverage

Implementing policy action

Steps toward free movement of services providers



Implementing policy action

Extend Charter for Cross-Border Traders to Services (1)

- Efficient trader processing –
NO discrimination, abuse or harassment
- Transparent duties/fees/taxes
(and receipts issued!)
- Clear documentary requirements
- NO bribes

Basic rights and obligations for traders and officials



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Implementing policy action

Extend Charter for Cross-Border Traders to Services(2)

With support of the international community, Governments commit to have:



- Rights & obligations visually communicated in local language at all border crossings
- At least one agent/all senior officials/50% of officials trained on gender-awareness by DATE
- A file-a-complaint mechanism available for traders at all border crossings
- Strict disciplinary measures enforced against abusive officials

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Implementing policy action

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- Facilitating direct engagement of stakeholders through national and regional platforms?

Implementing policy action

Regulatory agenda is key for addressing Africa' skills shortages in education and health services

At the **national level**:

- Clarifying entry requirements
- Eliminating restrictions on competition, e.g. price regulation; advertising prohibitions
- Strengthening incentive systems for education and health care professionals to remain in the home country

At the **regional level**:

- Removing trade barriers, e.g. labor mobility restrictions, forms of establishment
- Developing transparent framework for accepting education and health professionals with foreign qualifications through increased regulatory cooperation, e.g. mutual recognition of qualifications
- Immigration reforms

Implementing policy action

Knowledge Platforms

- Mechanism that brings together regulatory expertise, trade policy makers, the private sectors, think tanks, universities and regional bodies
- Analytical work and advisory services disseminated through:
 - Online platform with transparent, easily searchable databases, and social networks
 - Face-to-face interactions between practitioners, policymakers, think tanks, regional secretariats
- Both the outcome and the process are important



The Professional Services Knowledge Platforms in EAC and COMESA to support regulatory reforms

Implementing policy action East Africa Tourism Platform

Private sector is leading to facilitate a collective, coordinated, and simultaneous approach to enhancing the region's travel and tourism competitiveness



Multi-stakeholder dialogue forums such as National Tourism Roundtables to address the following challenges:

- Policy reforms and regulation in tourism and other spheres relating to monetary, fiscal, and trade policies
- Price competitiveness in taxes, levies, and charges
- Tourism services export capabilities