

**REGIONAL MEETING ON PROMOTING SERVICES SECTOR DEVELOPMENT AND TRADE-LED GROWTH IN  
AFRICA**

organized by UNCTAD in collaboration with the African Union Commission (AUC) and the UN Economic Commission for Africa (UNECA) and in partnership with the International Organisation of La Francophonie

**Addis Ababa, Ethiopia, 12-13 September 2013**

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# Services Trade in Africa: Opportunities and Challenges

UNCTAD AUC UNECA workshop, Addis Ababa

September 12-13, 2013

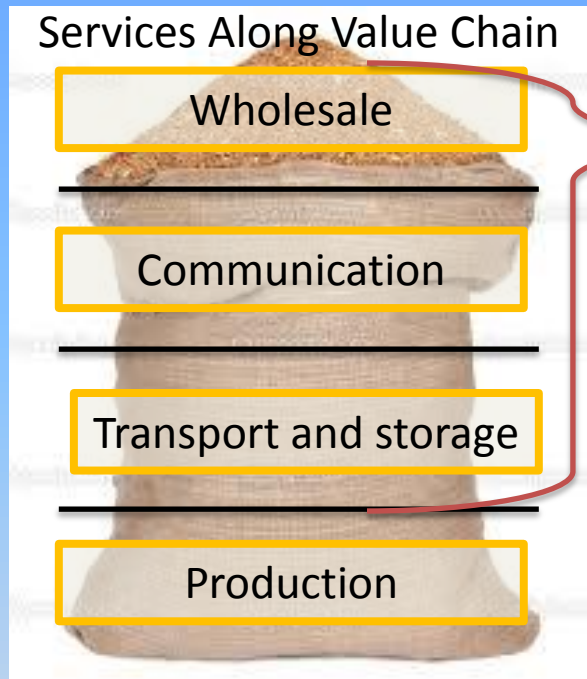


# Why services and trade in services in Africa?

- Growth, Employment and Poverty Reduction
- Exports of services can drive diversification
- Imports of services and FDI can lead to more competition, lower prices, higher quality and greater variety
  - Access to competitive services matters for competitiveness!

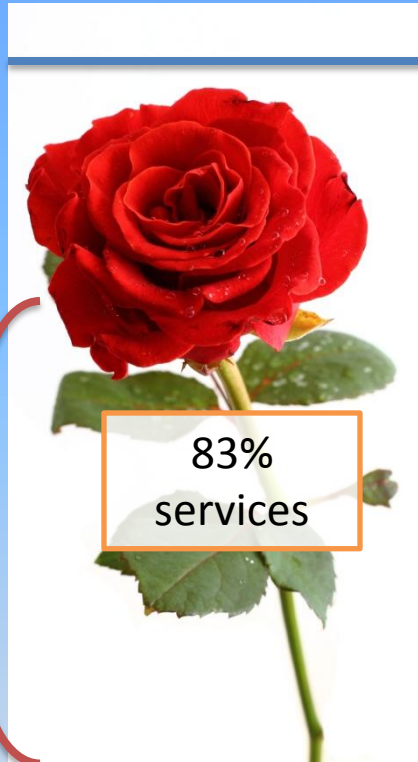


# Food security and traditional exports undermined by lack of access to services along the whole value chain



In Ethiopia: Consumer pays 1300 birr for one quintal of *teff* while production cost is 500 birr—62% of final price is services cost.

In Ethiopia a rose sells for 18 cents per stem in the Dutch market — only 3 cents is the cost of producing the rose. 83 % of the final price is the share of services.

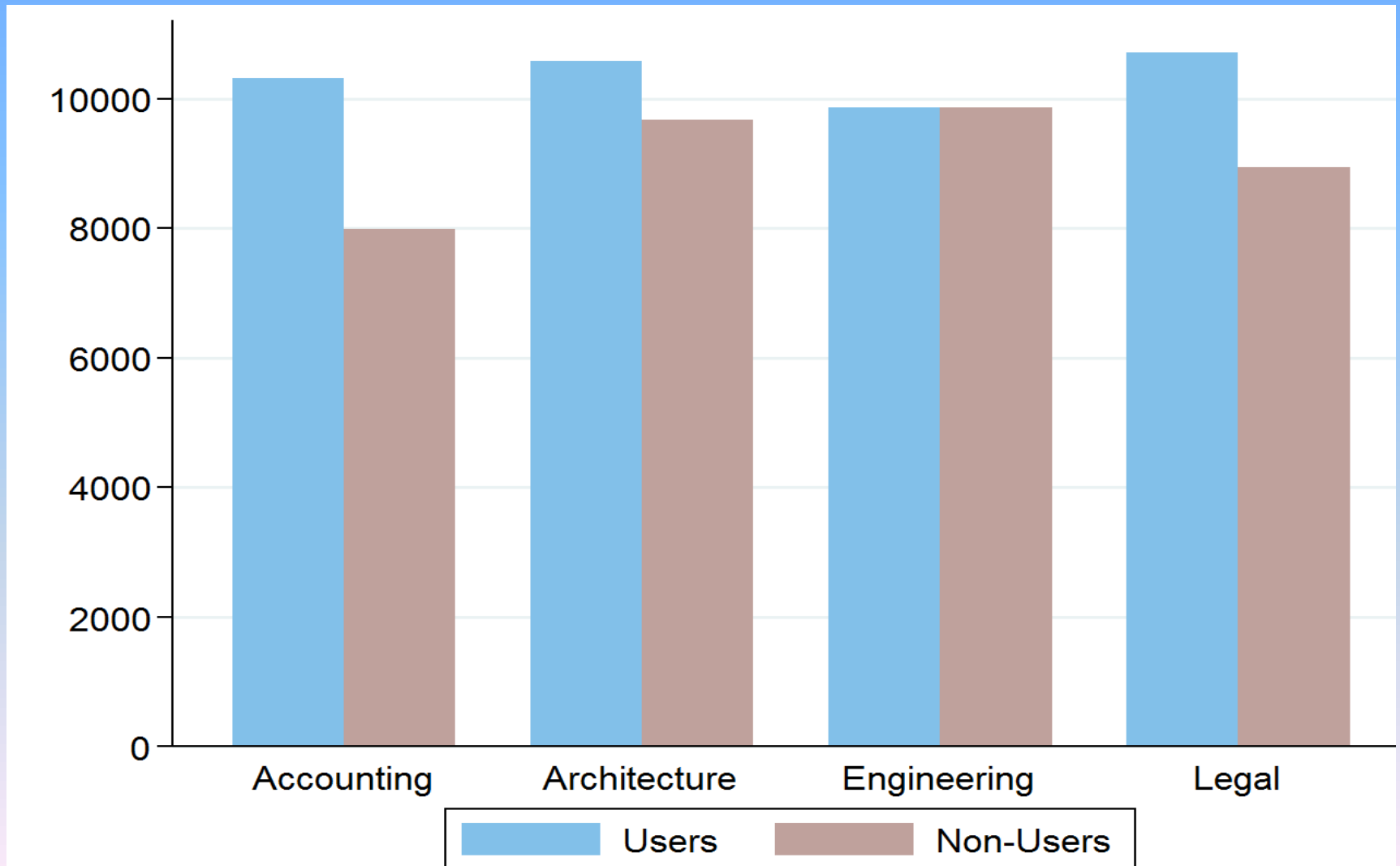


WHY ?

- Lack of finance limits access to seeds and fertilizers;
- High cost of professional services constrains productivity;
- Transport cartels result in high costs;
- Logistics and customs brokerage are poor quality and expensive;
- Communications are key in linking buyers to sellers;
- Distribution services are not linking poor producers to poor consumers.

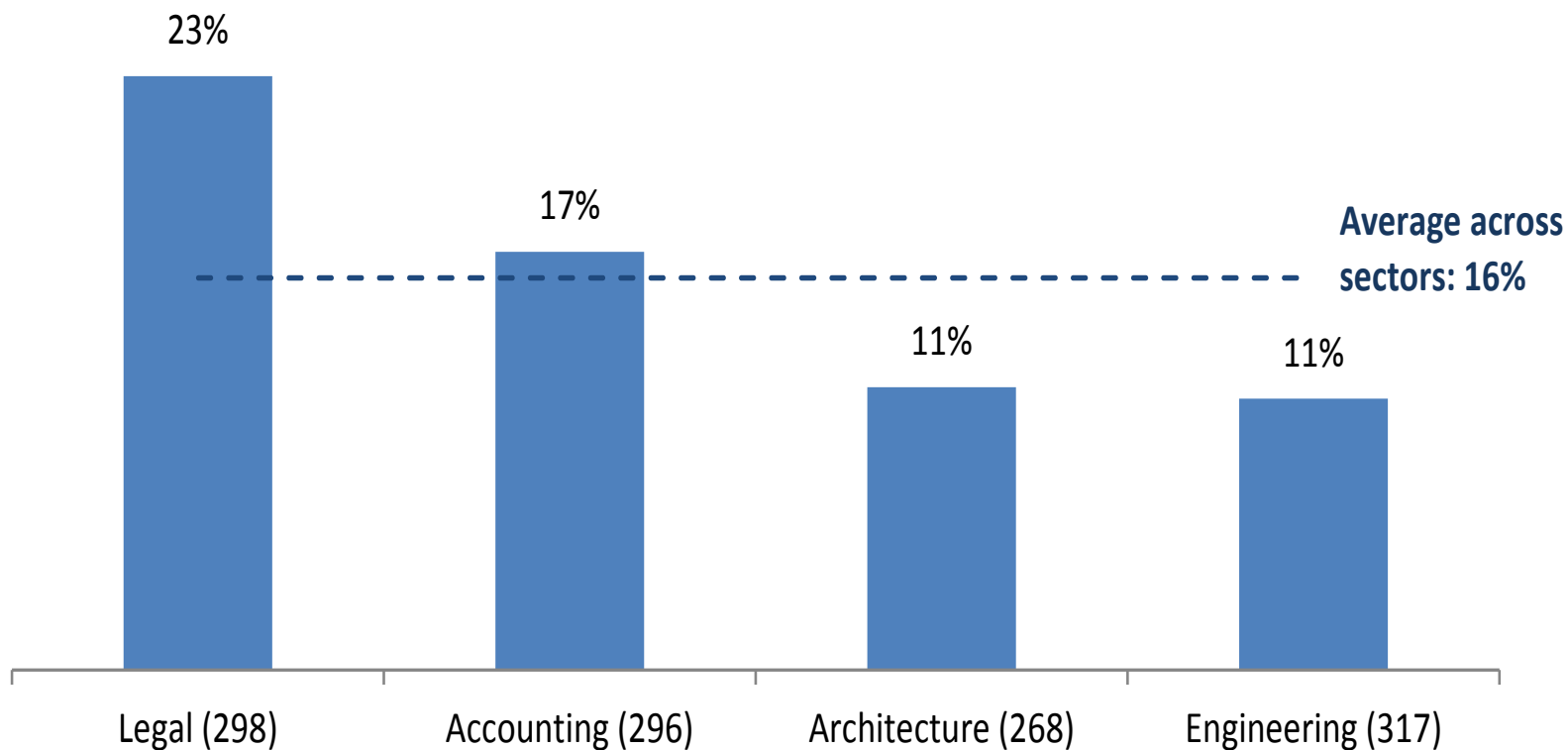


# Productivity of users higher than that of non-users in COMESA



# Services contribute to export diversification in Africa

## Proportion of exporting firms

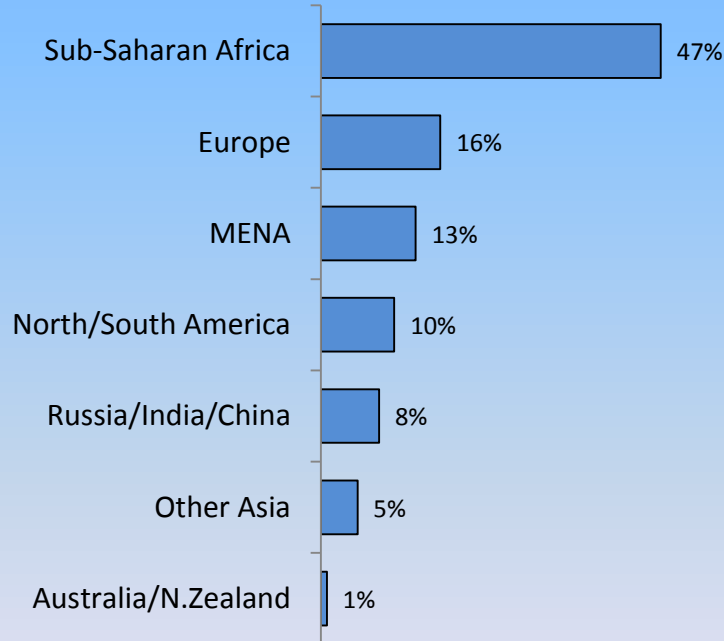


(source: World Bank survey, 2012 ; sample size in parentheses)

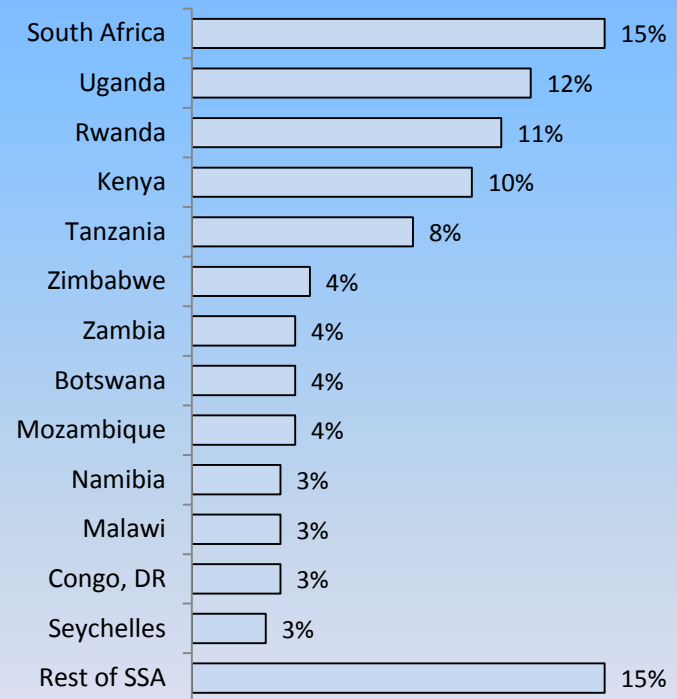


# Top export destinations of African professional services firms – a strong regional dimension

**Main export destinations, by region**



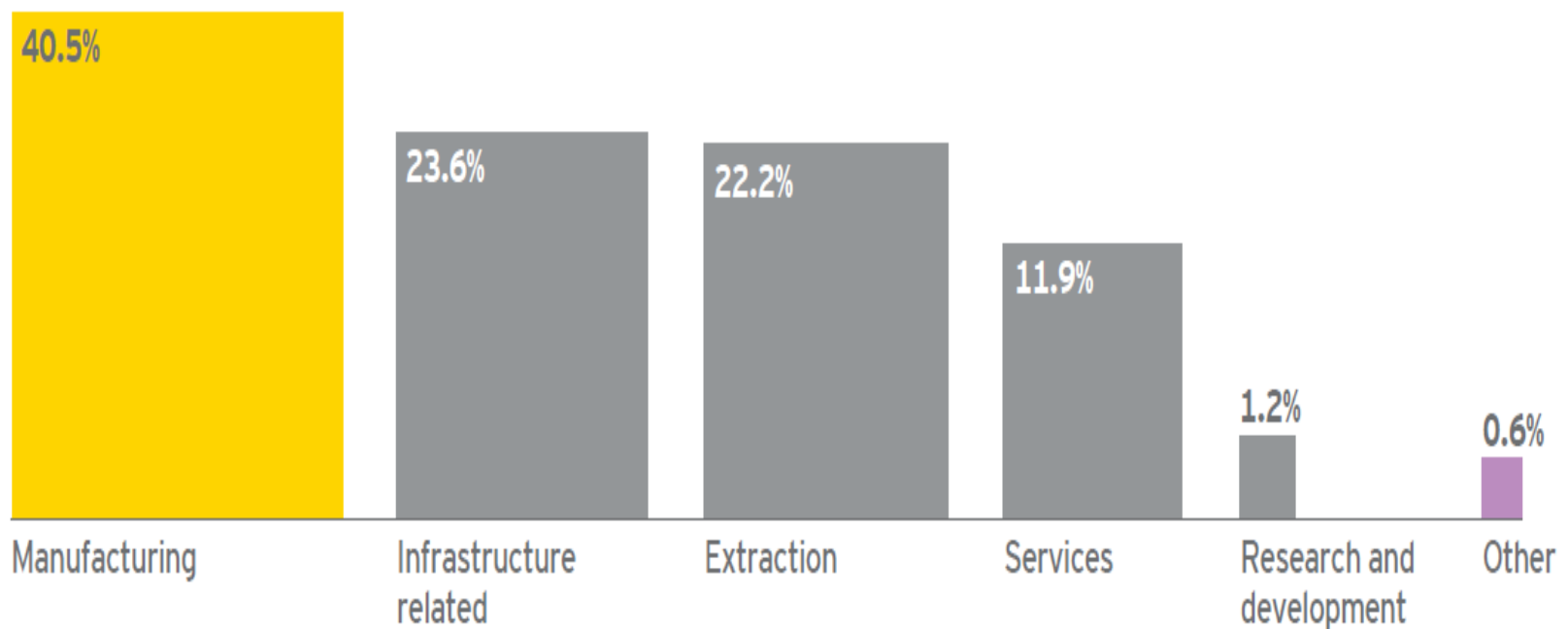
**Main export destinations in Sub-Saharan Africa**



# FDI as a catalyst of growth and employment in Africa

## Jobs created by FDI by type of economic activity

(Proportion, 2003-12)



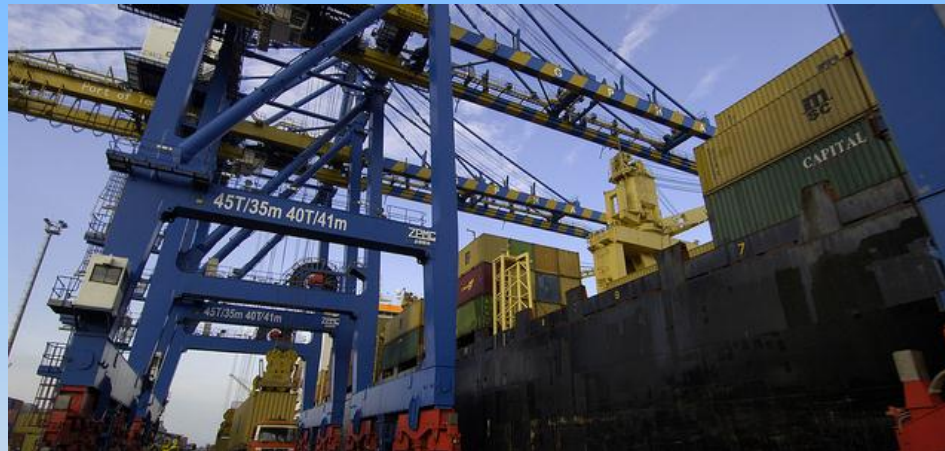
Source: fDi Markets; Ernst & Young analysis.





# Competitive services matter for returns to infrastructure investments

- Inefficiencies in port of Dar equivalent to a 22% tax on container imports and 37% on energy

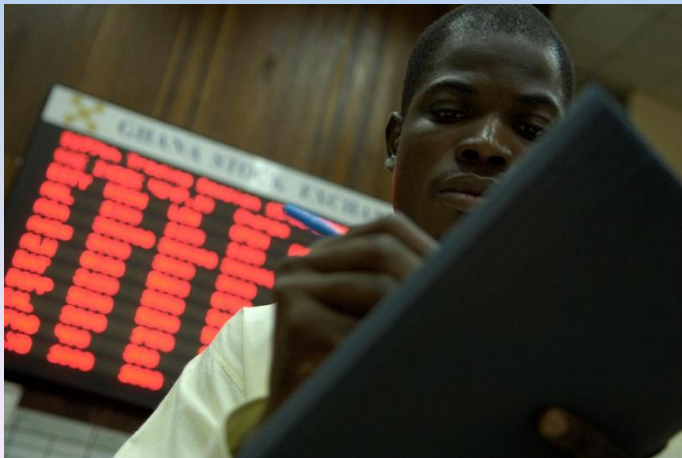


- Need to link infrastructure and regulatory reforms of services
  - Eg road building and removing transport cartels



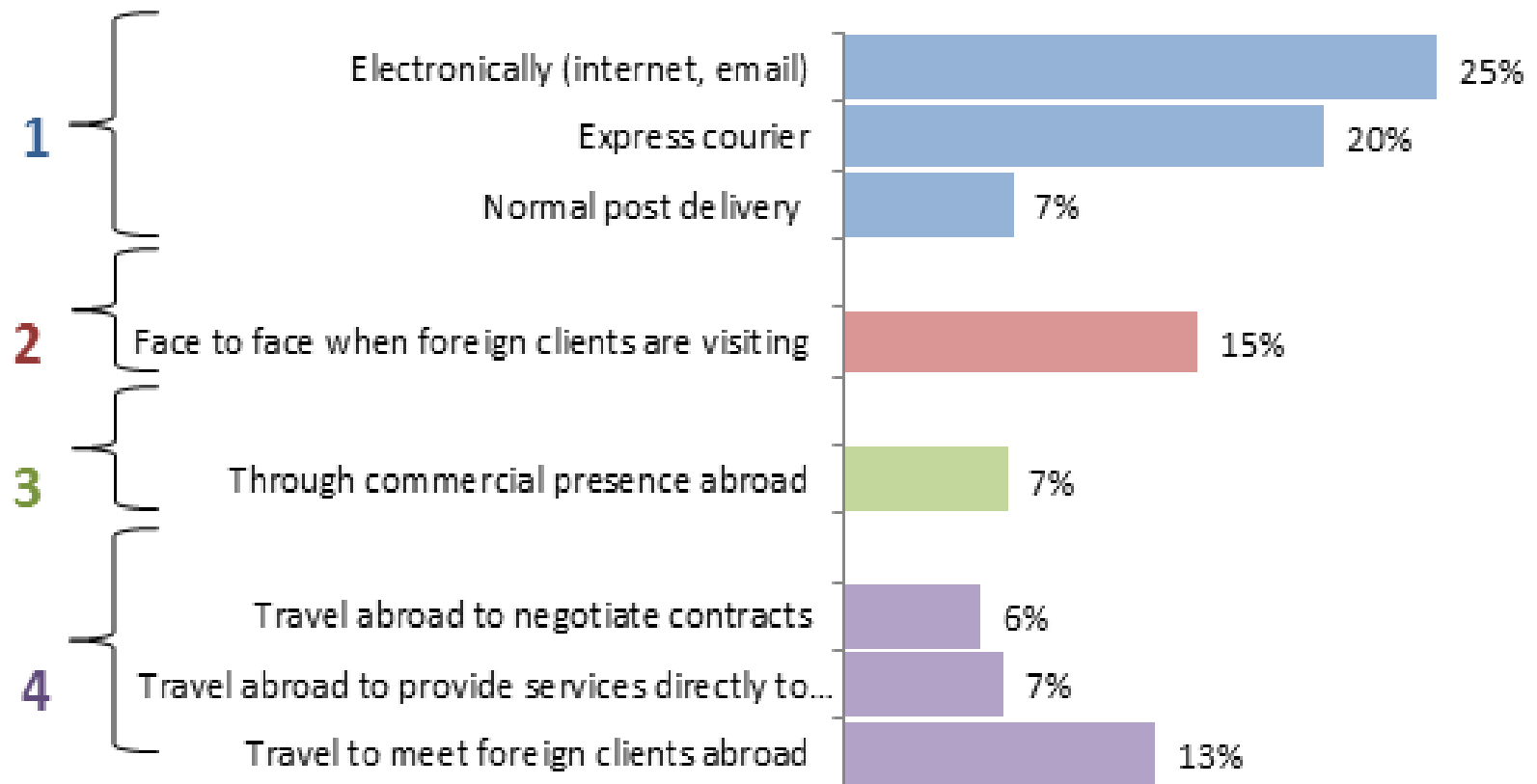
# Benefits and challenges

- Increased competitiveness and efficiency of the domestic market provided by services liberalization
- Direct gains to consumers and user industries, but also indirect impact on the overall competitiveness of economies
- Challenges and potential costs given the need to regulate many services sectors – the example of professional services



# Preferred mode of supply or circumventing barriers?

## Most frequent sub-modes of supply for exporters of professional services



Note: Percentages are taken across the total answers provided by the interviewed exporters of professional services for questions asking for each mode of supply whether they use it or not (448 answers)



# Liberalizing services trade would facilitate access...

## Typical explicit barriers to trade in accounting services

Mode 1  
(cross-border delivery)

- Not permitted since commercial presence required to perform most accounting and auditing activities

Mode 3  
(commercial presence)

- Foreign ownership restrictions: ownership by non-locally licensed professionals not allowed
- Restrictions on activities that can be performed by foreign accounting professionals

Mode 4  
(presence of natural persons)

- Discretionary limits (labor market tests & econ. needs tests) for foreign-licensed accountants



...but must be complemented by reform:  
to improve domestic regulation and  
increased competition.

Typical regulation of legal services

### Entry Regulation

### Conduct Regulation

University degree  
and practical  
training required

Bar exam  
requirement and  
Continuing  
education  
obligation

Price regulation :  
Binding minimum  
and maximum  
prices

Advertising is  
prohibited

Compulsory  
membership in the  
professional bar

Scope of exclusive  
rights: 9 out of 10

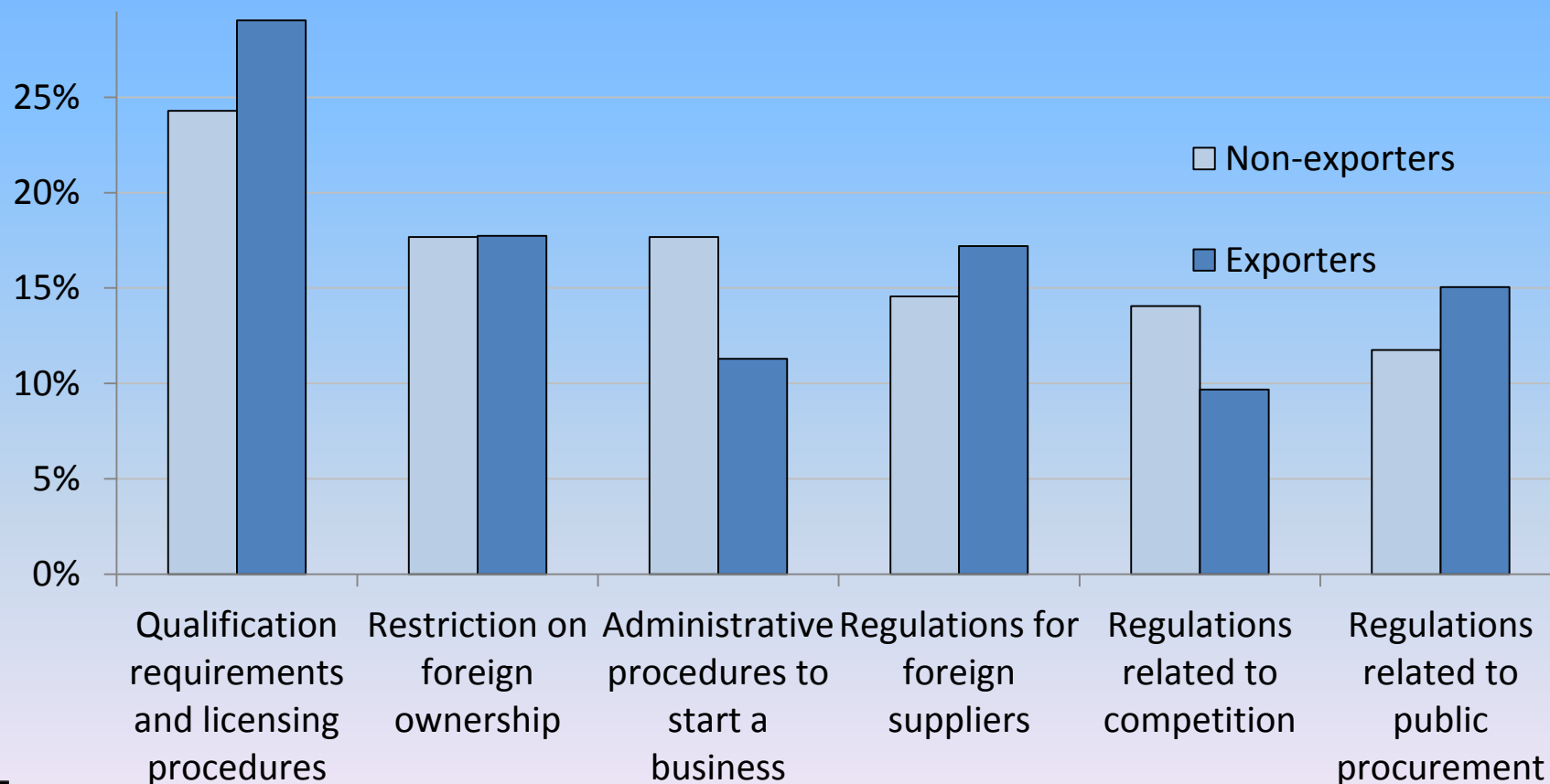
Restrictions on  
type of  
corporation

Absence of quality  
control  
instruments



# Restrictions that hurt professional services providers in Africa

Proportion of professional services firms citing each category of foreign regulation as the most constraining



# Political economy of services reforms

- What are the economic opportunities generated by reform and regional integration and the cost of maintaining the *status quo*?
- What triggered regulatory changes in reforming countries? Why were some industries reformed earlier and more deeply than others? Why did politicians commit their capital to push forward the reform?
- What can we learn from the experience of countries and regions that have successfully engaged in reform and cooperation?



# Increasing the profile for services trade in Africa

- How can we raise awareness about the services trade potential of African countries?
- What are the lessons from successful services exporters?
- Need for better indicators!





# Thank you!

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