



SERVICES POLICY REVIEWS

REALIZING THE POTENTIAL OF SERVICES



GLOBAL CONTEXT

International trade in services has expanded rapidly since 2005 and recorded strong growth in 2018 – faster than both global gross domestic product (GDP) and merchandise trade – with total exports increasing to \$5.8 trillion. Developing economies have achieved strong growth in their services exports, boosting their share in world services exports from 23 per cent in 2005 to 30 per cent in 2018. The least developed countries (LDCs), despite their continuing small share in world trade in services (less than 1 per cent), also witnessed faster growth of services exports than goods exports. Services exports from LDCs grew at 11 percent annually between 2005 and 2018, leading to an increase of the share of services in their total exports from 14 to 19 per cent. This suggests that services are contributing to the economic diversification in LDCs.

Services, and in particular infrastructural services, improve value addition in other economic sectors, promote employment and facilitate trade in manufacturing and agriculture. Services have become indispensable links in global value chains. The achievement of the 2030 Agenda for Sustainable Development largely depends on the development of key services activities, including health, education, energy services, financial services, telecommunication and computer-related services, as well as transport services. Yet many Governments in developing countries, including LDCs, and countries with economies in transition, face challenges in identifying and addressing the services-related needs of the domestic economy and then translating them into policies with a view to enhancing the quantity and quality of services output. There are also the challenges to (re)formulate appropriate negotiating positions to benefit from the liberalization of trade in services in both home and foreign markets.

With a view to helping these countries address these challenges and build up their supply and export capacity through evidence-based policymaking, UNCTAD developed the services policy review tool to systematically analyse the economic, regulatory and institutional frameworks that have an impact on the services sector and specific service subsectors of a country.



HOW ARE SERVICES POLICY REVIEWS CONDUCTED?

UNCTAD carries out services policy reviews at the request of Governments. The counterpart ministry or agency is involved throughout the process, and relevant stakeholders are engaged as well to ensure ownership, desirability and feasibility of the policy recommendations. The reviews focus on the services sector. Each review, which typically covers two to three service subsectors, includes policy analysis and research, consultative multi-stakeholder meetings at the national level for fact-finding, awareness-raising and consensus-building to validate the findings and policy recommendations. It assesses a country's overall status of services development; conducts a diagnosis using the strength, weakness, opportunities and threats tool about the specific subsectors determined in consultation with the requesting country; and offers policy recommendations for developing the overall services sector and for the specific subsectors, as well in line with national development objectives.

Resources permitting, UNCTAD further assists the Governments in the implementation of the policy recommendations presented in the reviews through advisory services and training activities to enhance the expertise of government officials involved in the formulation of national services trade-related policies and negotiations. Support would also be offered for the actual formulation of national services trade policy and facilitating multi-stakeholder consultation towards its adoption and implementation.



RESULTS AND IMPACTS AT A GLANCE

To date, services policy reviews have been conducted for nine countries. For Paraguay and Uganda, two reviews were undertaken. The reviews provided a sound basis for the reviewed countries to (re)formulate strategies and policies relating to the development of their services sector in general or specific subsectors.

- Following the two reviews for *Uganda*, the country developed a national policy on services, which was approved by the Cabinet in 2017 for implementation. It fully implemented three out of the five recommendations concerning accounting services, including incentives to promote compliance with



International Financial Reporting Standards, which had a positive impact on the sector's development. The insurance sector underwent extensive reforms after the completion of the first review. Of the 10 recommendations concerning this sector, 4 were fully implemented and 3 were partially implemented.

- *Paraguay* worked out a national services development plan in 2018 based on the reviews.
- The review conducted for *Bangladesh* helped the country formulate pragmatic policies for its emerging services sectors.
- The services policy reviews carried out for the *five LDCs* (Bangladesh, Lesotho, Nepal, Rwanda and Uganda), which helped build up their supply and export capacity in specific sectors through evidence-based policymaking, usefully complemented these countries' efforts in effectively utilizing the LDC services waiver in the World Trade Organization, which grants preferential treatment only to services and service suppliers from LDCs.

Services policy reviews completed by 2019



PROGRAMME FACTS AND FIGURES

Scope: all regions
 Start date: 2009
 Reviews per year: 1–2
 Number of reviews completed to date: 12
 Upcoming reviews: Morocco
 Programme website: unctad.org/services/sprs



Sustainable Development Goals addressed:
 Directly: 8, 9, 17
 Indirectly: 1, 3, 4, 5, 7, 10



DONORS/FUNDING SOURCE (2014–2019)

General Trust Fund on Services, United Nations Development Account