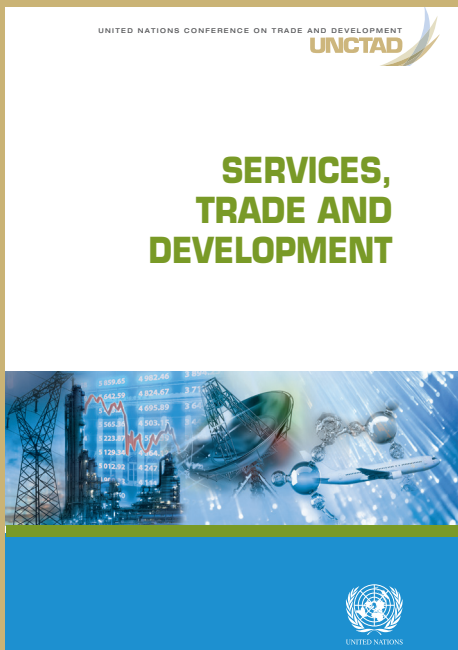




Services, Trade and Development



The objective of this publication is to fill the knowledge and information gap on the impacts of various services sector and trade reforms on growth, development and poverty reduction. It is intended to provide policy makers and other affected stakeholders in developing countries and economies with policy analysis and case studies on services sector on the policy, regulatory and institutional options that can enable a country to promote economic growth, poverty eradication and sustainable development.

Two broad focuses were chosen for the publication. The first is the importance of policy, regulatory and institutional frameworks for the services sector. Regulatory failures, including the most recent failure to shield economies against excessive risk-taking in the financial system which led to the 2008 financial crisis, has drawn the attention of policy-makers but also of the general public to the need for adequate regulation. Governments have learned from past regulatory failures the importance of developing best-fit policies, supported by adequate regulatory and institutional frameworks, adapted to each country's local circumstances. However, the recent crisis in the financial sector has highlighted the nature of regulatory challenges which are continuously evolving and dynamic, not something to be solved once and for all. Because today's competitive markets are characterized by innovation, new business models and new product trends, regulators needed to adapt their regulation so as to avoid failures and crises. In this context, the role of the State - including that of reviewing, and where necessary renewing, policies, regulations and institutions on a regular basis - has become increasingly evident.

The second focus of the publication is on infrastructure services, a broad group of activities which includes services such as electricity, financial, telecommunication, transport and water services. In the context of the ongoing recovery and attempts to better prepare countries for future crises the international community has highlighted the importance of infrastructure services.

The publication covers a set of case studies:

- The potential gains from trade arising from production of export crops in Malawi and Uganda destined to international markets depends to a large extent on the availability of "services" (such as transport services, marketing services and credit access services).
- More competition among firms (such as those in financial services, transport services and marketing services) leads to higher costs via higher credit prices, negatively impacting on cotton farmers in Zambia, suggesting a need to delve deep into the details when considering the poverty reduction impact of services reforms.
- Postal network could be used to implement financial inclusion policies and facilitate trade for SMEs in relatively poor municipalities in Brazil. There is a close link between access to finance and participation in export markets.
- Regulating privatized firms is crucial to ensure an increase in the quality of water supply services in Uruguay.
- The provision of road infrastructure services and of agricultural services has a positive and statistically significant effect on agricultural productivity in Argentina.
- Based on repeated household and enterprise surveys, there is was positive impact of FDI in the services sector on child labour in Vietnam.

