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LDC Services: Geneva Practitioners Seminar Series: “Making Sense of GATS and Applying Good Practices in Services Negotiations”

Seminar 4: “Services in Global Value Chains: Key Issues for LDCs”

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Experiences of LDCs in Africa

WTO Building, Room B

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Outline

- Overview of services sector in Africa
- Services Negotiations case of Africa
- Challenges to Services sector
- Service in the global value chain
- Services Development : Case of Rwanda

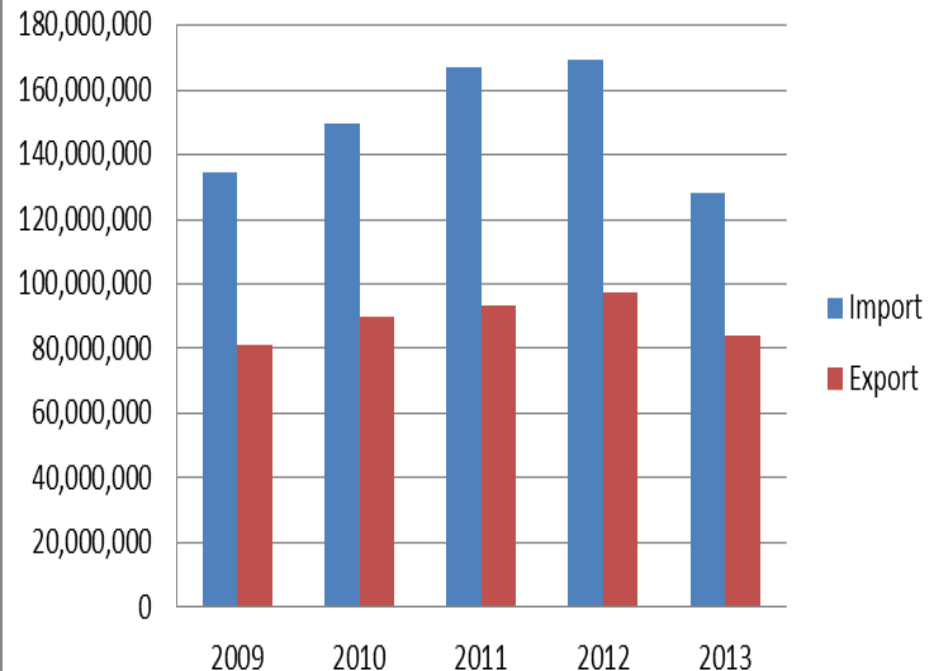
Overview of services sector in Africa

Top 10 services Exporters in 2013

Country	Value in \$ thousand	% of total services exports
Egypt	18,257,900	22%
South Africa	14,174,726	17%
Morocco	13,427,852	16%
Tunisia	5,032,022	6%
Kenya	4,944,397	6%
Algeria	4,037,767	5%
Mauritius	3,409,726	4%
Tanzania	3,016,758	4%
Ethiopia	2,961,094	4%
Ghana	2,454,040	3%

Source: Trade map

Comparison of Exports and Imports



Overview of services sector in Africa:

Relevance of Trade in Service

Services are important for :

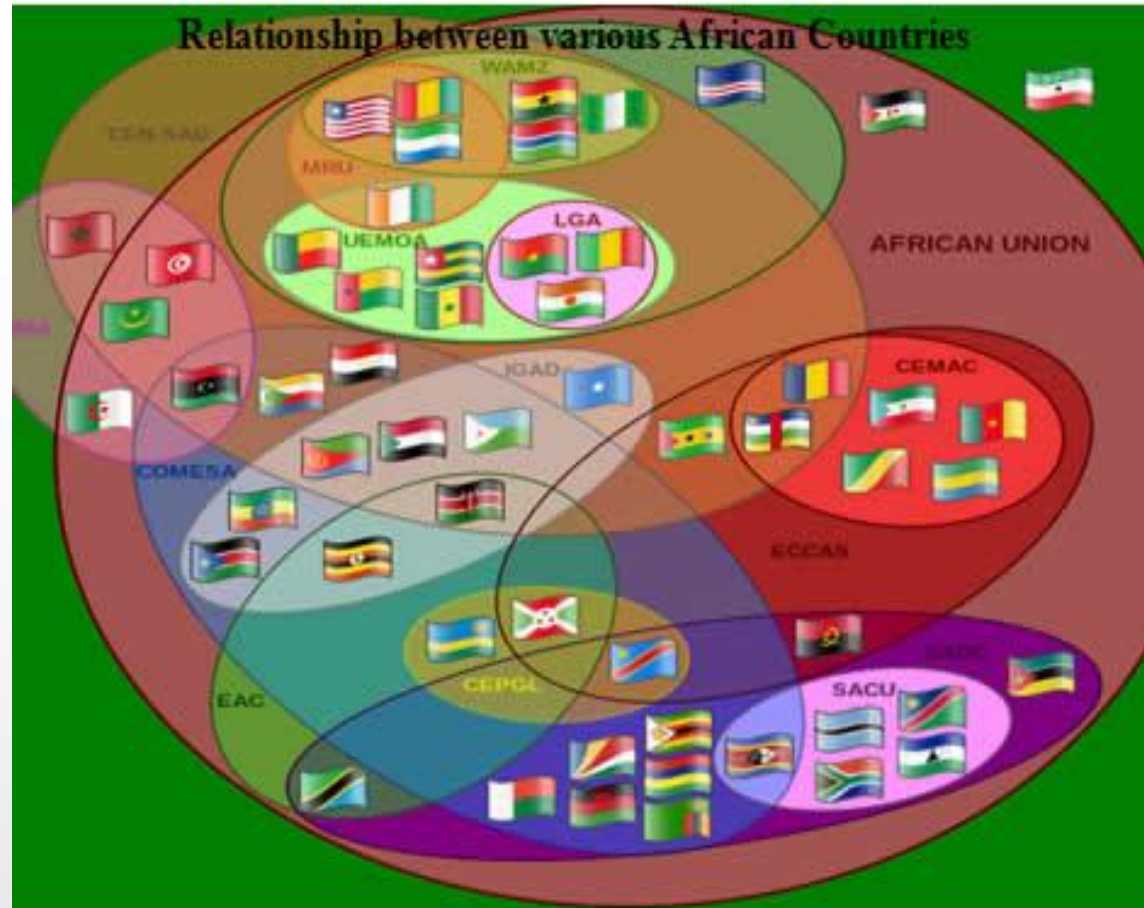
- Growth, employment and poverty reduction
- Exports diversification
- More competition, lower prices, higher quality and greater variety

Case of EAC:

- Professionals Services across borders
- Financial Services (Banks, insurance companies)
- Education Services

Services Negotiations case of Africa

- Most African countries are members of a regional integration grouping;
- GATS principles as guiding principles for negotiating services at the regional level;
- Regional integration could facilitate a collective regional approach to GATS negotiations.



Source: S.M.A.R.T Advisors

Services Negotiations case of Africa:

Sectors of special interest in the services negotiations

- **Telecommunication Services** : the nature and effectiveness of regulation is crucial for benefiting from telecommunications liberalization.
- **Transport Services**: African countries suffer from high transport costs, which on average are three times as high as those of developed countries
- **Financial Services**: Liberalization of financial services requires a stable macroeconomic environment in order to yield full benefits.

Services Negotiations case of Africa:

Sectors of special interest in the services negotiations(...)

- **Tourism Services:** African countries should develop concrete national policies and try to make a common offer in this sector;
- **Construction Services:** Developing countries should secure greater access to the construction markets available in their own countries and even in a regional context.
- **Professional Services:** Developed and developing countries alike have manifested interest in achieving higher levels of liberalization

Services Negotiations case of Africa: Role of Geneva based delegates

- Liaise with their Governments regarding trade policy issues; and research opportunities which might emerge from changes to policy;
- Report on trade barriers and get these barriers on the agenda for trade negotiations.
- Represent the country at high-level industry or government meetings; and develop close relationships with various trade-related partners;
- Provide economic and commercial advice to the country and provide commercial insight to other home-based government agencies on issues such as technology;

Challenges to Services sector in Africa

- Data collection in services transactions is weak;
- The financial sectors in many African countries remain underdeveloped;
- Trade barriers continue to fragment the services markets on the continent; and the cost of trading in services is high.
- Lack of Suitable regulatory and institutional framework
- The Consumer protection laws and systems are still quite weak and ineffective

Challenges to be overcome through negotiations at multilateral level

- Foreign markets of interest to Africa impose prohibitions intended to protect them – through nationality, residency or visa requirements;
- Subsidies are another challenge that often affects the competitiveness of services originating from Africa;
- Technical standards and licensing requirements imposed especially in professional business services such as accounting and auditing, legal services, medical and financial services;
- Legislative and procedural requirements such as immigration for natural persons, business set up and registration requirement are barriers in penetrating market of interest.

Service in the global value chain

- Services play a key role as facilitators of GVCs. Examples of these enabling services in GVCs are communications, insurance, finance, logistics etc.
- Services themselves are also being traded as tasks. Examples are back-office and data processing services.
- The efficiency of local trade facilitation (e.g. the procedures of customs, health, immigration, ports and other agencies at the border) and logistics services is central for a country that wishes to be integrated in GVCs.

Service in the global value chain – key issues

- Production sector undermined by lack of access to services along the whole value chain: Education, IT, Logistics services among others;
- Limited access to financial services affect the global value chain
- Transport costs result in high production cost
- Poor quality and expensive distribution, as well as poor communication services are not linking producers / sellers and consumers / buyers.

Services Development : Case of Rwanda

- Move from agriculture based economy to a service based/ knowledge based one.



Services Development : Case of Rwanda

- Tourism remains the national leading export sector in the economy
- Tourism revenues reached USD 294 million in 2013, corresponding to a growth of 4 %.



Services Development : Case of Rwanda – Services diversification

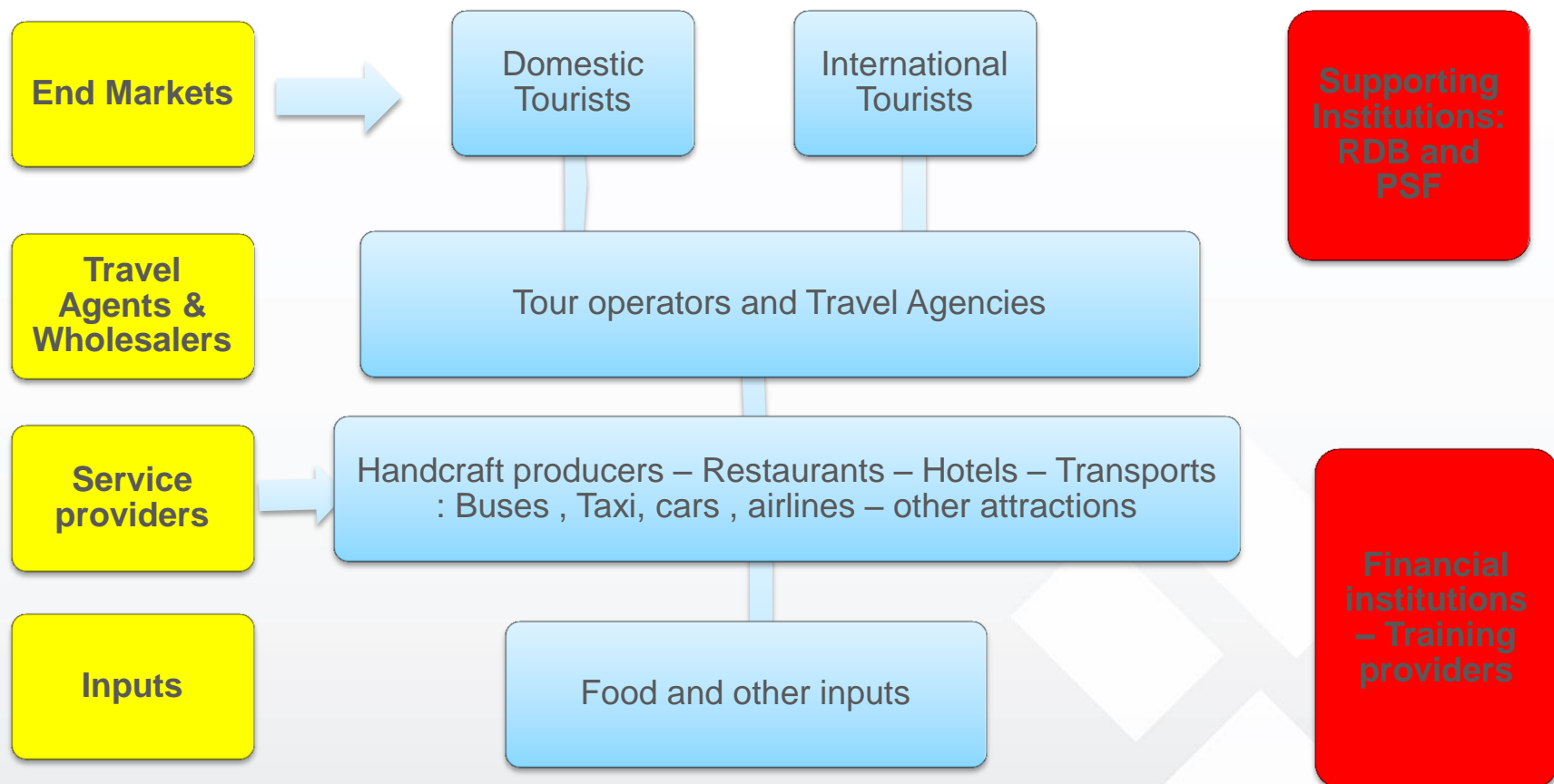
- **Transport sector:** The sector contributes about 7% to the GDP representing about 15% of total service delivery;
- **Medical tourism strategy**
- **Growing MICE Tourism**
- **ICT** is a pillar of Rwanda's Vision 2020; Over 5000km of fiber optic laid around the country



Service Development: Contribution of the service sector to the Economy

	PERCENTAGES (CURRENT PRICES)					
SERVICES	2008	2009	2010	2011	2012	2013
Wholesale and retail trade	14	13	13	13	13	12
Hotels and Restaurants	3	2	3	3	3	2
Transport, storage & communication	6	6	5	5	5	5
Finance, insurance	3	2	3	3	3	3
Real estate, business services	11	13	13	13	13	11
Public administration	4	3	3	3	3	3
Education	4	3	3	3	3	3
Health	1	1	1	1	1	1
Other personal services	2	2	3	3	3	3
TOTAL	47%	47%	48%	47%	46%	45%
Source: NISR						

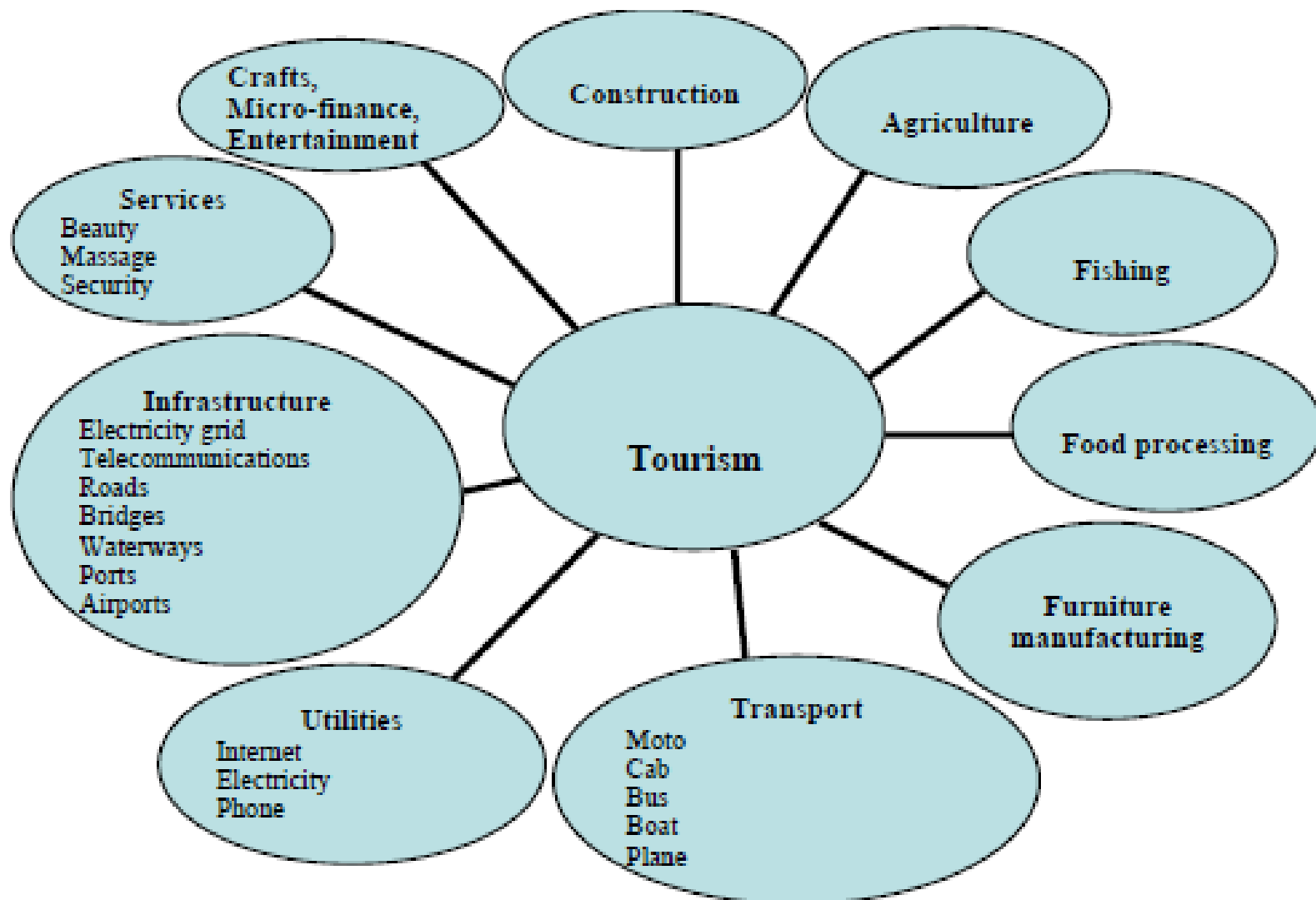
Rwanda's service Trade: Tourism value chain



Rwanda's service Trade: Tourism value chain - MICE



Tourism linked to other sectors



Actions to enhance the Rwanda's Tourism value chain

- Upgrading of Processes: To digitize all processes and value chains in tourism, travel, hospitality, attraction and catering sectors. Digitization is driven by the need to cut on costs along the value chains.
- Strengthening Innovations and joint-venture enterprises
- Reducing barriers to entry into the tourism Value Chains
- Development of Critical Skills: To develop industry-needs-based local capacity building programmes
- Increasing Sectoral, Regional and International Linkages: To create linkages between the tourism sector and other sectors of the economy.

Conclusion

Although services are more skills-intensive than other sectors, investment in services sector are usually less capital intensive than manufacturing and require less physical infrastructure and this is an advantage for countries with limited physical and financial capital.

In this regard therefore, Governments should make every effort to develop the services sector, and taking advantage of provisions for LDCs in GATS through good practices in service Negotiations.

THANK YOU