

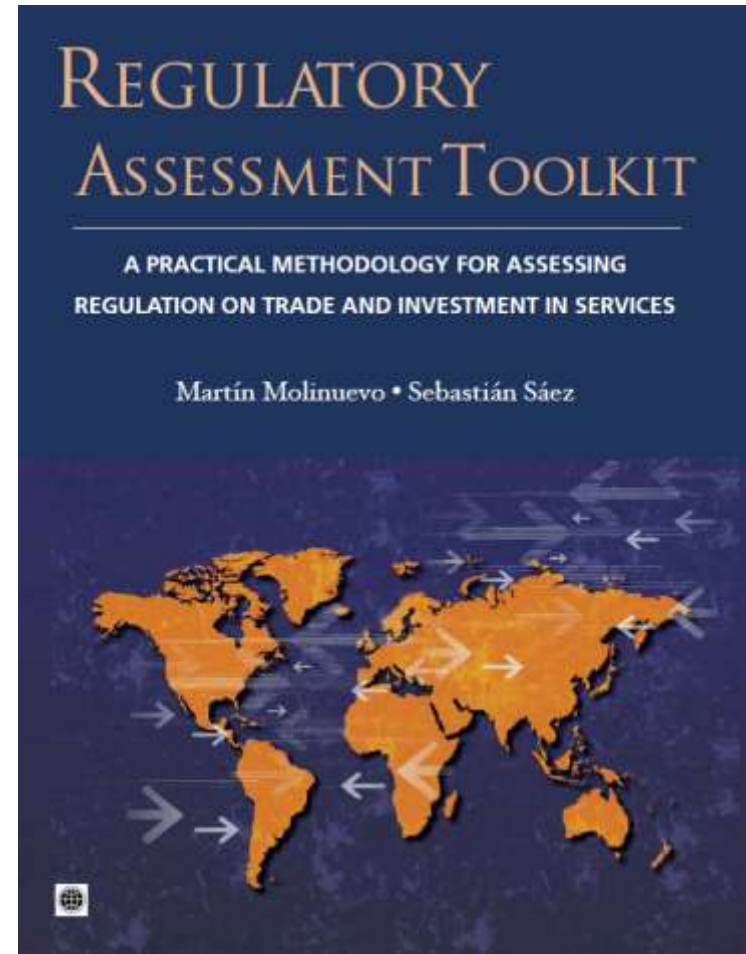


# Regulatory Assessment on Services Trade and Investment (RASTI)

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# WHY A REGULATORY ASSESSMENT IN SERVICES TRADE?

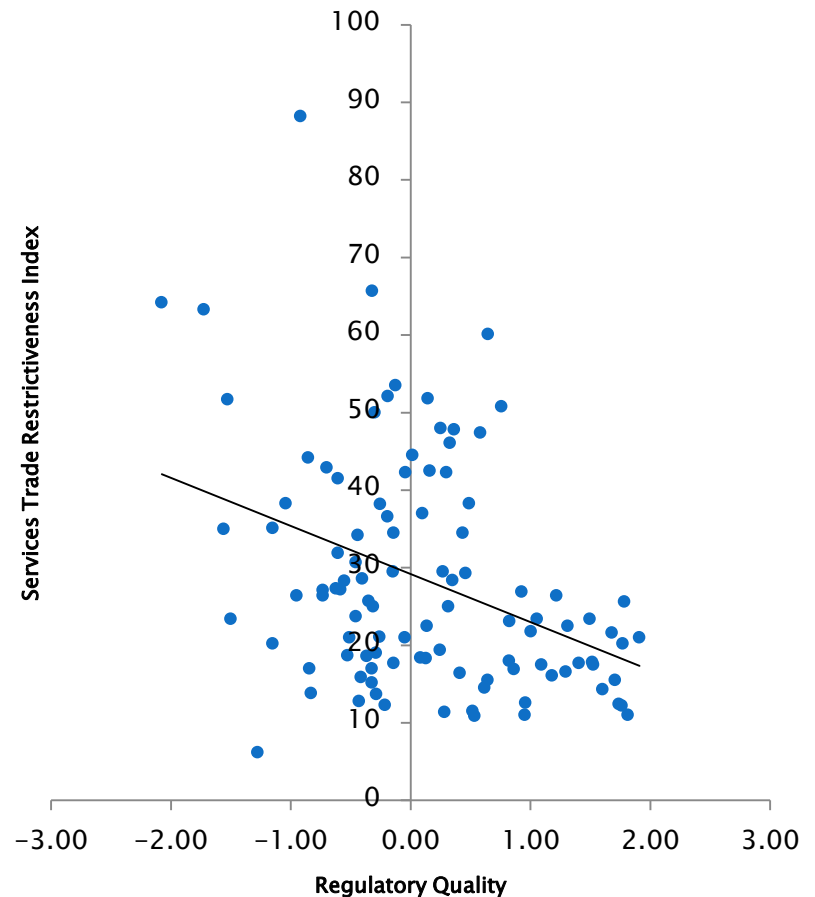
- ▶ (internal) laws and regulations are the main instrument for governing trade and investment in services
- ▶ Regulatory governance as important as regulation itself.
- ▶ Practical issues:
  - Need to respond to country requests
  - lack of data



# WHY IT MATTERS

- ▶ There is a negative correlation between services restrictiveness and regulatory quality
- ▶ But also for a given level of restrictiveness there are different levels of regulatory quality

## STRI and Regulatory Quality



# RASTI basics

## Step 1

- **Mapping regulation**
  - Horizontal regulations affecting a wide range of sectors
  - Specific regulations affecting a sector, subsector, or an activity
- **Assessing governance framework** in light of international best practices
  - Institutional setting
  - Regulatory procedures

## Step 2

- **Assessing the impact of regulations** in market structure, prices, quality, and access

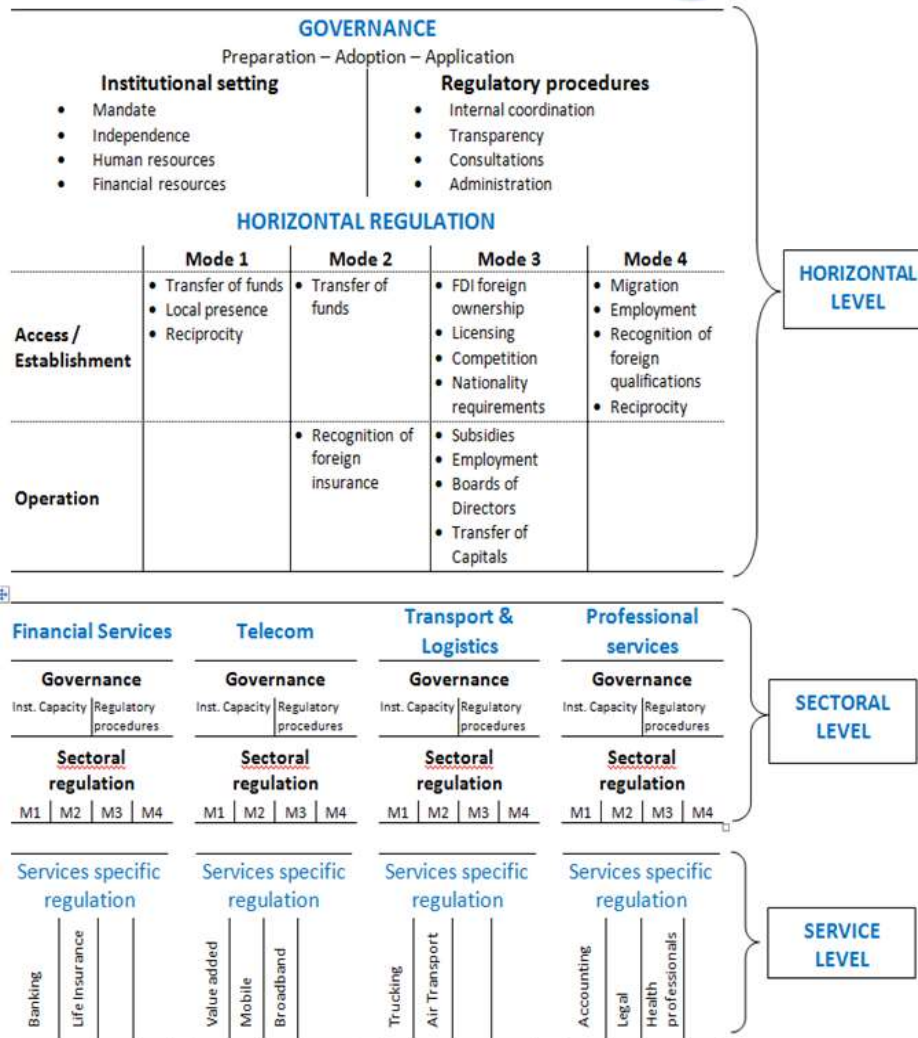
## Step 3

- **Proposing alternative regulations**
  - Assessing feasibility of alternatives regulations and institutional arrangements

# First Step: Mapping Regulations



# Levels of regulatory mapping



▶ 3 levels of analysis, depending on objectives

▶ Focus on both regulation and governance

▶ Capture formal measures and de facto practices

# Second Set: Estimating Impact

- »» Which regulations are more important

# Empirical impact assessment

- ▶ Review of empirical methods for assessing impact of regulation
  - Pros / cons, alternatives
  - Also, practical guidance, data sources and availability
- ▶ Quantitative methods
  - Direct methods: collecting regulatory information + index + modelling
    - Examples Australia Productivity Commission, STRI, OECD, RASTI
  - Indirect methods: gravity, mark-ups
- ▶ Challenge: data availability



# Third Step: Regulatory Alternatives

- » Looking for less trade restrictive alternatives

# Regulatory alternatives

- ▶ Case-by-case analysis
- ▶ Relevant factors include
  - Governance framework
  - Types of restrictions to trade in services
- ▶ Alternatives may relate to:

## **Regulatory policies**

- Mandatory regulation
- Incentives
- Disclosure regulation
- Self regulation

## **Regulatory measures**

- Eliminate barriers
- Streamline procedures
- Types of mandatory requirements
  - specification
  - performance
  - target

# What we have learned: poor governance

- ▶ Elimination of formal restrictions does not lead for open services markets
- ▶ De facto regulatory barriers:
  - Regulatory discretion
  - Lack of access to regulation
  - Poor monitoring and enforcement
- ▶ Some solutions:
  - need for clear and standard regulatory procedures

Distribution of limitations to services trade and investment

	Cross-border services						Commercial Presence					
	Market Access			Operation			Market Access			Operation		
	Regulatory measures		Administrative practices	Regulatory measures		Administrative practices	Regulatory measures		Administrative practices	Regulatory measures		Administrative practices
	Quantitative	Qualitative	Administrative practices	Quantitative	Qualitative	Administrative practices	Quantitative	Qualitative	Administrative practices	Quantitative	Qualitative	Administrative practices
<b>Horizontal</b>												
Professional												
Business												
Postal and courier												
Telecom												
Audiovisual												
Construction												
Distribution												
Educational												
Environmental												
Insurance												
Banking												
Health and Social												
Tourism and Travel												
Recreational												
Transport												

Values: 0 -- 10 number of measures. Source: Authors.

# What we have learned: regulation

- ▶ Minor regulatory restrictions can impair major liberalization efforts:
  - registration requirements for lawyers
  - Institutional deficiencies (telecoms)
- ▶ Lack of regulation is equally damaging
  - Telecoms (Laos, Cambodia)
  - Distribution services (Burkina Faso, Liberia)
- ▶ Some solutions:
  - Services portal
  - Improve licensing procedures
  - Identify sectors where regulation is needed

**Table 6. Measures affecting operations of services companies**

	Quantitative		Legal and regulatory measures										Administrative Practices													
	Numerical restrictions	Screen / performance quotas Performance requirements (mandatory)	Numerical Restrictions	Other	Nationality / Residency (senior personnel)	Residency requirements (services suppliers)	Restrictions on foreign employment	Discriminatory Taxation	Access to Subsidies	Knowledge Transfer	Advertising limitations	Rules on anti-competitive behavior	Limitations on distribution channels	Price Controls	On transfer of funds	Type of shares owned by foreigners	Access to government contracts	Other	Outdated / lacking regulation	Requirements not publicly disclosed	Ambiguous / unclear requirements	Unofficial fees	Inconsistent regulation	Discriminatory application	Deficient enforcement	Other
Professional			•		•						•								•				•	•	•	
Business																										
Postal and courier																										
Telecom																										
Audiovisual																				•						
Construction																							•		•	
Distribution														•												•
Educational																							•			•
Environmental																										
Insurance																							•		•	•
Banking					•																					
Health and Social																										
Tourism																							•			
Recreational																										
Transport																										•

Key: • = restriction applied Source: authors

# What we have learned: regulatory alternatives

- ▶ Better alternatives may exist, even keeping the restriction
  - make it more transparent and predictable.
    - Maximum percentages of foreign employees instead of case-by-case ENTs. Work permits for the duration of the contract. Define categories of employees (Liberia)
- ▶ Focus on policy goal
  - Improve domestic capacity:
    - domestic partnership requirements and training schemes, instead of quotas on revenue share
- ▶ Focus on impact on trade and investment:
  - Limits restrictions on less trade-relevant sectors
    - Split legal services market between domestic and foreign



Thank you