

# UNLOCKING SERVICES POTENTIAL FOR TRADE AND INVESTMENT

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# Outline

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Introduction: the overall state of services sector in Tajikistan

Tajikistan WTO commitments in services trade and investment

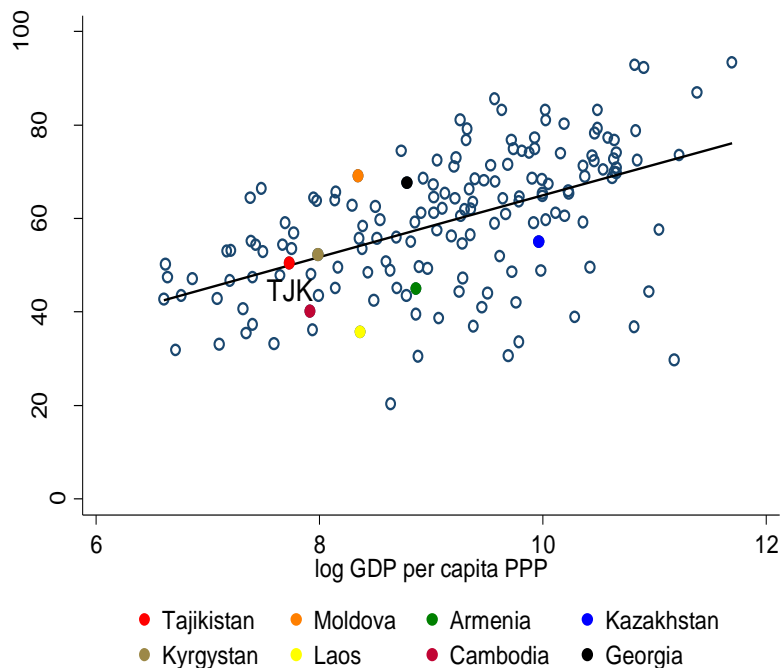
Horizontal limitations and concerns

Sector-specific limitations and concerns

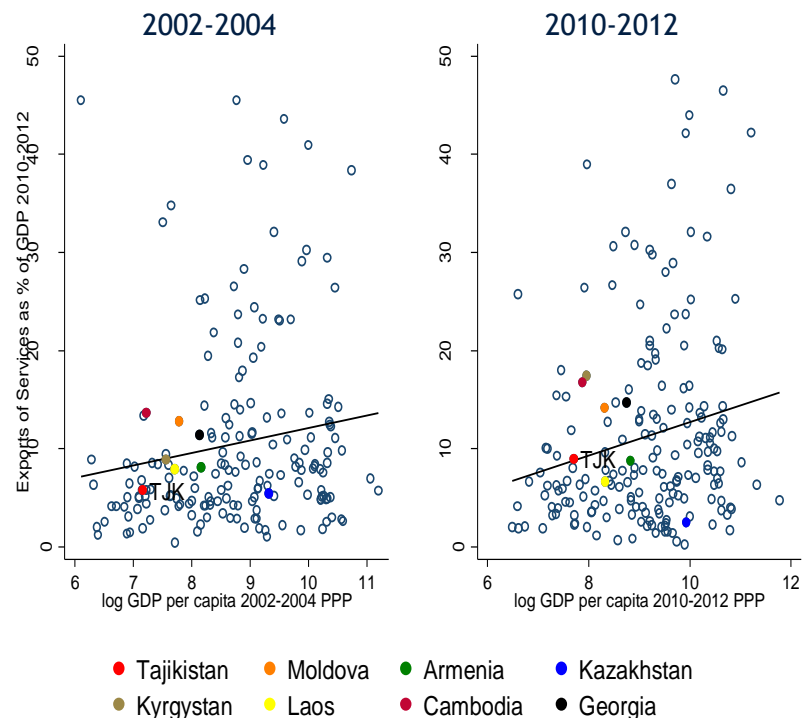
Policy recommendations

# Service sector in Tajikistan has a great potential

SHARE OF SERVICES VALUE ADDED IN GDP, %



EXPORT OF SERVICES AS % OF GDP



Source: World Development Indicators.

# Yet service sector liberalization is not high priority

Trade and investment in services are inherently linked to national laws and regulations.

While regulations are necessary to foster efficient services markets and achieve noneconomic policies, they can also restrict trade and investment in services.

Excessive regulations prevent entry and growth of the services sector, hampering competition, productivity, quality, availability and affordability of services for consumers (private and public, households and businesses).

The underdevelopment of “market services” and, especially, business support services may be holding back the supply and the growth of manufacturing and FDI.

Regulatory quality depends not only on the drafting process but also on the institutions that apply regulations.

The ability to successfully export services depends on how well domestic institutions govern deregulated markets and encourage private sector development.

The lagging services sector reform impedes FDI inflow and further growth: reducing the barriers that restrict FDI in services may help accelerate productivity growth in the manufacturing sector.

The WTO offers the country an opportunity to make major improvements in how services are regulated and in the institutions that regulate them.

# Tajikistan WTO commitments in services trade and investment

Tajikistan's WTO commitments related to services are among the most ambitious of the entire membership.

Tajikistan's obligations on services trade cover almost 75 percent of all services. There are substantial obligations on a number of services that are central to the country's competitiveness, such as financial services, telecommunications, and professional services.

Tajikistan's actual framework for services trade and investment largely reflects the level of openness to which it committed at the WTO.

In general the laws and regulations relevant to trade in services seem to be aligned with the country's ambitious WTO commitments.

However, some services sectors, such as telecoms and insurance, need major reforms to ensure compliance with WTO obligations.

# How Services are Traded

**Cross border trade:** services supplied from the territory of one country into the territory

- only the “service” crosses the borders

Example: A Tajik student follows an e-course online from a foreign university (import for Tajikistan)

**Consumption abroad:** services supplied in the territory of one country to the consumers of another.

- the consumer crosses the border

Example: The student enrolls in a foreign University and travels to the other country to attend courses (import for Tajikistan)

**Commercial presence:** (FDI): services supplied through any type of business or professional establishment of one country in the territory of another.

- the services supplier (juridical person) moves towards the consumer

Example: a foreign university or education institution opens a representation in Dushanbe to teach Tajik students (import for Tajikistan)

**Presence of natural persons:** (labor movement): services supplied by nationals of one country in the territory of another. This mode includes both independent service suppliers and employees of the services supplier of another country.

- the services supplier (individual) moves towards the consumer

Example: a Russian university invites a renowned Tajik professor to teach at the courses (export for Tajikistan)

# Horizontal Governance Limitations

## Licensing requirements and administration

- Independence of authorities responsible for issuing licenses and regulations
- Opaque and burdensome procedures in the administration of licensing

## State participation in the market

- Absence of a level playing field in services sectors where SOEs are active

## Anti-monopoly policies

- Intervention of the competition authorities in services sectors, introducing unwarranted restrictions, especially in the form of price controls

## Weak regulatory capacity

- Inadequate capacity of regulatory authorities (except banking), and their lack of independence from policy-makers and services suppliers.

# Horizontal Priority Areas for Services Trade

	WTO Compliance	Competitiveness
1. Cross-border trade	●	●
2. Consumption abroad	●	●
3. Commercial presence	●	●
4. Presence of natural persons	●	●

● = low   ● = moderate   ● = high

Source: Implementing WTO obligations and improving services regulations in Tajikistan: A Regulatory Assessment of Services Trade and Investment. World Bank, 2015 (forthcoming).



# Sectoral Limitations

## Banking

- De facto Market access banking sector/ Level playing field/ Deposit insurance

## Insurance

- Level playing field /Compulsory licensing/ Regulatory capacity/Price monitoring/ Use of international standards

## Telecom

- Reference Paper implementation

## Professional

- Accounting: lack of recognition of international certifications

## Transport

- Cargo-handling? /Requires legal analysis

## Testing and research services

- De facto monopoly

# Priority Concerns in Selected Services Sectors

	WTO Compliance	Competitiveness
Professional	●	●
Business	●	●
Telecom	●	●
Construction	●	●
Insurance	●	●
Banking	●	●
Tourism	●	●
Transport & logistics	●	●

● = low   ● = moderate   ● = high

Source: Implementing WTO obligations and improving services regulations in Tajikistan: A Regulatory Assessment of Services Trade and Investment. World Bank, 2015 (forthcoming).

# Policy Recommendations (1)

Improve the transparency of services regulation by providing for easy access to laws and regulations, in line with the Decree N° 691 on the Program for Adjustment to WTO Membership.

Improve the conditions for issuing business licenses to ensure compliance with the terms and transparency procedures set out in the Licensing law and the Resolution on Licensing of Certain Types of Activities.

Institute effective firewalls between SOEs and GOT regulatory and policymaking bodies so as to ensure competitive neutrality between private stakeholders and state-owned service suppliers.

Adopt a modern and effective competition policy.

Ensure that regulatory bodies adhere to the terms of the Law on Regulatory Acts in making decisions.

Identify gaps in the technical capacity gaps in services regulators whose resolution should have priority.

# Policy Recommendations (2)

## ***Telecommunications***

Establish an independent telecoms regulator; comprehensively review the laws governing the sector; and implement regulation that ensures inter-connection and competitive safeguards.

Evaluate options for competition in the fixed-line market.

## ***Insurance***

Amend the Law on Insurance to allow both foreign and domestic private companies to offer mandatory policies, in particular for third-party civil liability insurance for motor vehicles.

Build technical capacity in the insurance regulator or evaluate moving regulatory functions to NBT to leverage its financial markets capacity.

## ***Banking***

Build up the NBT decision-making process to ensure that its decisions are transparent and technically sound.

## ***Technical testing***

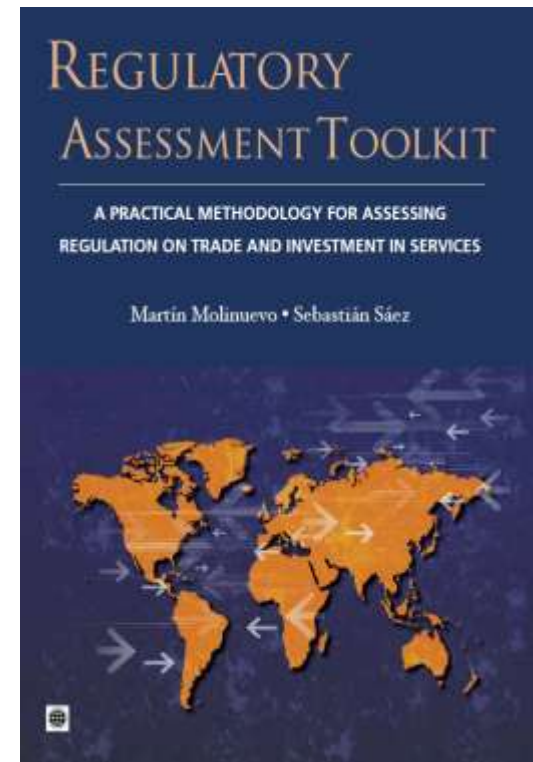
Separate regulatory functions from services provision.

Ensure impartiality in the accreditation of laboratories providing certification services.

## ***Cargo-handling***

Assess how cargo is being handled at Dushanbe airport, and consider options for allowing ground services to be offered competitively, either by multiple firms or by a single firm through competitive bidding.

**THANK YOU!**



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