

***Building Capacities for Pro-poor Services Reforms:
Focus and Design for AfT, Regional Integration and EPA Negotiations in
Africa***

**Federal Ministry for Economic Cooperation and Development (BMZ),
Berlin, Germany**

April 24, 2008

Meeting Report

Introduction

As part of their on-going contribution to facilitating developing countries attainment of pro-poor services reforms, ILEAP, BMZ and GTZ co-organized a one day meeting on 24th April 2009, at the offices of the Federal Ministry for Economic Cooperation and Development (BMZ) in Berlin, Germany. The seminar brought together, in an informal setting, ACP and European partners from various backgrounds (public and private sectors) with the aim to exchange views on key requirements for pro-poor trade-related services reforms and supportive technical assistance. A full list of participants is attached to this report (Annex A).

The discussion focused on needs and types of support at the regional and country levels arising out of trade in services reforms in general and EPA negotiations in particular.

Firstly, developing country representatives from diverse backgrounds shared their experiences in trade in services with a view to emphasize capacity restraints. Secondly, specific actions, approaches and best practices for supporting human, institutional, and productive capacities, at both regional and country levels, were presented. Deliberations were informed by, among others, the BMZ-funded GTZ and ILEAP trade in services work programmes.

Meeting Objectives

The meeting accomplished three very important objectives. First, it enabled an exchange of views in an informal setting about the key requirements for pro-poor trade-related

services reforms and supportive technical assistance. In particular, it provided avenue for Africans to indicate their needs for the services agenda. Secondly, it discussed best practices and lessons learnt, and arrived at common grounds on efforts needed to support the enhancement of human, institutional and productive capacities on trade and services in Africa. Finally, the providers of capacity building in trade in services gave insights regarding experiences on supporting services reforms and negotiations, including how they have responded, and can continue to respond, to the challenges touched on in the deliberations. A copy of the meeting programme is attached for information (Annex B).

Session 1 – Introduction

Opening the meeting, Ambassador Ali Mchumo, Chairperson of ILEAP's Board of Directors, touched on the importance of Services trade, as one of the primary drivers of the global economy and an essential ingredient for economic growth, development and poverty reduction. He noted however that harnessing services for development continues to prove a great challenge for most African countries as they simply do not have the needed capacity to fully assess their needs, establish priorities, and develop the requisite strategies to ensure a development-centric outcome. Similarly, the capacity requirements to design and implement complementary support measures and aid for trade in the realm of services are significant. He also indicated that at the same time, many of the reforms undertaken in services, and perhaps more so those under contemplation, remain understandably contentious due to their potential to expose vulnerable communities to a variety of risks. He stressed that there is a clear need for innovative thinking about capacity building for trade in services and gave some highlights of ILEAP's continued involvement and progress in this area either under the EPAs or under the closely linked regional integration initiative.

Co-host Dr Evita Schmieg, Head of Division at BMZ, welcomed participants to Berlin and underscored the need to consider EPAs as a tool for development. She presented various contexts which can shape policy decisions both for countries of the North and the South e.g. the financial and economic crisis as well as the fall of commodity prices. She also noted that regional integration is only possible with political will at the national level, economic reforms and infrastructure projects - with reference to one of the conclusions of the North-South Corridor - International Financing Conference, which took place on 6-7 April 2009 in Lusaka, Zambia. Dr Schmieg pointed out that further research and analysis is needed in trade in services. She highlighted the close links between AfT and Capacity Development, a term which refers in particular to institutional reforms – i.e. the main subject of the seminar.

Session 2 – Trade in services reforms, regional integration and EPA negotiations: Needs assessment

Session 2 reviewed African countries' and regions' strategies in trade in services reform with regard to both deeper regional integration and EPA negotiations. Presenters considered strengths and weaknesses in the policy, reform and negotiation processes at

country and regional levels for pro-poor trade-related services reforms and EPA negotiations. Based on these strategies and policies, the discussion resulted in a prioritized summary of concrete capacity needs in order to enable developing countries to formulate pro-poor regulatory reforms, trade in services strategies and pro-development negotiation positions, and also to implement them in African ACP countries and regions.

With the guidance of the Chair of Session 2, Paulina Mbara Elago, presenters in this session shared their experiences in trade in services.

Ken Ukaoha led participants through trade in services in West Africa. While trade in services provide huge potential for Western African countries, he stated that West Africa is still a virgin in trade in services as the region so far concentrated on trade in goods. He emphasized that although trade in services presents many opportunities and a potential for economic growth, it encounters various impediments, notably: no sectoral data as a kick off were available to enable evidence-based decisions (little or no studies have been made); lack of commitment at the policy level; weak or absence of legal/regulatory measures and instruments. Mr Ukaoha underscored the need to set a legal basis for services discussions and conduct all necessary studies which will aid in identifying the priority services sectors of liberalization. He added that these studies could then be validated through a bottom-up approach for decisions to enable the articulation of sectoral negotiation strategies or plans. Mr Ukaoha summarized by indicating that West Africa at present lacks the capacity to negotiate as no compass is available to navigate services. He then identified various needs required for pro-poor trade in services: regulatory reform mechanisms need to be put in place; negotiating and analytical capacities should be strengthened and infrastructure and financial structures are also needed. Statistics should inform discussions and essential social services need to be put in place to enable poverty alleviation. Finally the linkage should be made between ECOWAS Vision 2020 and trade in services.

Mr Kalilou Traore went on to give a concrete example of the experience of Côte d'Ivoire, hence providing participants with a national perspective. He first indicated that trade in services provides an opportunity and is an engine for Africa's development: it creates wealth, jobs and strengthens business competitiveness; the specific objectives being the identification of priority sectors for the development of the national and regional markets as well as exports to Europe and the rest of the world. He also stated that Africa can only benefit from EPAs if these are accompanied by development assistance. Mr Traore explained the request and offer process in trade in services and presented the program his government has put in place, which is supported by among others ILEAP. He highlighted the centrality of stakeholders' mobilization, especially the private sector. The work on trade in services for Côte d'Ivoire has several aspects: A sensitization workshop has already taken place; the Terms of reference (ToRs) for the studies have been prepared and 12 sectoral commissions have been created. Once the studies are completed, a national validation meeting will be organized for the purpose of consensus building around the issues at stake. Mr Traore acknowledged that this work is a joint effort at the national level between his Ministry (Ministry of Integration) and the Ministry of Trade.

The implementation of such work is driven by the national EPA committee with expertise from le Bureau National d'Etudes Technique et de Développement (BNETD). There is however still a need for capacity building; Mr Traore concluded by stating that time is of the essence for such capacity building. He also underscored the importance of the ECOWAS EPA Development Programme (PAPED) as a tool for addressing West African countries' capacity needs.

Speaking from a regional perspective, Mr. Wamkele Mene subsequently presented the experience of Southern Africa. Mr Mene stated that building capacity should be targeted at putting in place a coherent trade in services policy. He stressed the need for an effective regulatory system to underpin liberalization, correct market failures and also for the protection of consumers. This would require building capacities of regulatory institutions in a sustainable manner. He also highlighted the importance of targeted policy intervention and the need for pacing/sequencing of policy options to set time frames for liberalization of priority sectors weighing in benefits to industries and the consumers. He also underscored the importance of data/statistics and indicated that these were insufficient in the SADC region. He highlighted the need for further research and the need to identify priority sectors of liberalization. The appropriate strategy for undertaking liberalization should also be taken into account whether multilateral, regional (SADC) or bilateral (e.g. EPAs) and the need to identify key sectors of potential growth. Mr Wamkele then went on to present examples of reform measures and South African organizations with which a close collaboration is essential but where there has been a regulatory oversight for Services trade. He gave an indication of where capacity building should be targeted in trade in services negotiations and highlighted the challenges within these negotiations. He concluded by indicating that some work and studies have been carried out within the framework of the SADC-EPA but also at the WTO level; the Southern African region has therefore a good foundation for moving forward.

From the Central African region, Mr. Thierry Ngomo, outlined the steps taken to-date towards reforms in trade in services in Central Africa as well as the related needs. He first reviewed the context of regional integration in the CEMAC and ECCAS regions of Central Africa and went on to explain the context of the EPA negotiations. On trade in services, he highlighted the main sectors which, for Central Africa, have a high potential for economic development: Insurance, Transport, Tourism, Professional services and Telecommunication. He also indicated that Cameroon, Congo and Gabon cover 88% of services exports in the region; however services imports, which are relatively at the same rate amongst the countries in the region, are substantially higher than services exports hence a structural deficit. In addition, an intra-community economy is almost non-existent and the economy is largely dominated by foreign interests. According to Mr Ngomo, there are many impediments to trade in services: Stakeholders are not aware of opportunities or constraints; weak governance; poor institutional framework; lack of infrastructure for services trade etc. In terms of the capacity needs, he emphasized the following actions: sensitization and training of stakeholders; awareness raising initiatives in the private sector, assistance in the preparation of a regional plan for economic development; institutional capacity building of stakeholders, assistance in the implementation of transport facilitation projects.

Summary of Session 2 Discussions:

The following issues were raised and discussed during this Session:

Mr Johannes Bernabe based his comments on work carried out by ICTSD which covered Tanzania amongst other countries. According to Mr. Bernabe a key question is whether we should allow the lack of data/ statistics to hinder progress in services reform and negotiations. He underscored the need for financial assessment and analytical studies which should start at the national level. Data is essential to understand overall needs. It is also important to look for sector specific studies at the regional level. Furthermore improving coordination (interagency and private sector) is at the heart of each trade in services agenda. Mr. Bernabe also stressed the importance of mapping technical assistance provided in order to complement efforts and coordinate resources. With regards to regulatory audits, he indicated that since services are managed through regulations, it is important to have a mapping of each regulation. This can be done either through a local consultant or if expertise is lacking by linking an international technical assistant to a locally based lawyer or legal firm. He then added that regulatory cooperation was also important at the regional level. It's important to take into consideration the regional context and assess the need for liberalization in a particular sector

Mr. Gerald Ajumbo, the second discussant from EAC, gave highlights of progress in his region, which is similar to what was presented for other African regions. He pointed out that progress has been made by EAC in its regional integration efforts and that East Africa was aiming for an East African Common Market by January 2010. EAC is negotiating Services at the bilateral level within the context of the EPAs. He stated that the EAC is not trying to play catch up as they are keen to negotiate. They only need adequate information to be able to move forward. In terms of the capacity needs, he further emphasized the need for capacity building of the private and public sectors. Economic operators need to be better engaged in the discussions and a focal point must be established – which is missing at present. Mr Ajumbo concluded with the need for opportunities for experience sharing across African regions, along the lines of the Berlin meeting.

Other issues arising from the general discussions included the following:

- As in other policy areas, the issue of ownership, in particular of core decision-makers at the country level is the starting point for trade in services reforms. Private sector engagement and demand can facilitate such ownership. Before thinking about capacity needs, national and regional policy makers should reflect their goals and objectives as well as respective strategies in trade in services.
- There is a need to distinguish between having a regulatory framework and building the capacity of regulatory bodies (regulatory administration). Capacity building efforts should comprise building the capacity of regulatory entities as well as helping with the implementation of regulations.
- Proper coordination of processes at the different negotiation levels (national, regional or multilateral) is essential. Regional strategies could act as a tool to

- bring the various stakeholders together. There are currently too many players in services negotiations and as a result we do not have a clear understanding on where to start services liberalization and negotiations. Should this be at the national, regional or multilateral level?
- The experience of ILEAP undertaking sector specific analysis suggest the need to go beyond the regulatory audits and helping stakeholders know what the trends are within specific services sectors. For instance in East Africa, having a dedicated program with the body bringing together the private sector was instrumental in identifying export opportunities and to suggest the need for the development of an export strategy.
 - Participants agreed that in each region, with time, the process will improve. The issue of a liberalization strategy is the main challenge. At the multilateral level, when negotiating under GATS for example, it's critical to draw on national schedules of commitments to formulate a national position. With the EPAs there is a universal test – one must prove it can address the concerns of the services providers. The bulk of trade in services is within the regional context not with the EU therefore overcoming small services markets of scale should be a priority.
 - A lingering question is how service reform and negotiations can be pro-poor. There is a gap within the discussions thus far with regards to linking trade in services to poverty alleviation. “Pro-poor services” depend on the outcomes of the negotiations i.e. leading to reduced prices of goods. In trade in services, one should focus on the linkages between trade in services and other sectors of the economy which would impact on the poor. Selection of services sectors would also have a broader level of impact on the poor.

Overall the main points of the discussion of what trade in services capacity building should address include the following:

- Assist to draw-up an agenda for reforms; assist to develop a strategy (country and regional level), in particular with regard to regulation
- Assist to understand opportunities for exports/ imports in trade in services
- Analytical work necessary to understand policies in trade in services at sectoral levels and assist to identify priority sectors
- Awareness raising across all key players (namely policy makers, regulators, private sector and civil society) and facilitate coordination among these players; of particular importance is the national level(inter-agency and private sector) and the linkage between the national and regional level
- Assist to improve coordination at the national, regional and multilateral levels and among these levels
- Statistics and data would help in undertaking analysis and developing policies
- Overall impact on the poor as cross-cutting issue

Session 3 – Building capacity for trade in services

In this session, which was chaired by Birgit Hofmann, discussions revolved around concrete capacity development solutions to respond to the needs raised in session 2. Lessons from ongoing capacity development programs were reviewed by featuring the experience of capacity building in the area of trade in services. Presenters briefly reviewed their approaches and lessons learnt in trade in services capacity development and then discussed their future plans for activities in the field of services trade reform policies, regulation and negotiations at the country, regional and international levels.

Martine Julsaint Kidane of UNCTAD described the CB/TA approaches of her organization. She indicated that the objective of UNCTAD's work is to assist developing countries in integrating the global economy. Activities developed are needs based and aim at enhancing countries' endogenous capacity to face challenges and reap opportunities from that integration through evidence-based policy-making and negotiating positions. She noted that the effectiveness of CB/TA depends on national inputs, particularly the level of ownership and local capacity developed by each operation. Activities are designed to be supportive of poverty reduction policies and the implementation of international development goals (e.g. the Millennium Development Goals). UNCTAD CB/TA activities encompass its 3 pillars of work (consensus building, research and analysis, and technical assistance). Ms Kidane presented 2 concrete examples of UNCTAD's work on trade in services. The first was that of JITAP (a joint WTO/UNCTAD/ITC initiative) where collaboration between the 3 organizations allowed for the involvement of a broad range of stakeholders as each organization added value to the work of the others (e.g. UNCTAD brought its development focus, ITC its expertise in working with the private sector and WTO its expertise on trade agreements). The second was UNCTAD's assistance to SADC. Ms. Julsaint Kidane highlighted the project's achievements (negotiation process back on track, improved quality of deliberations, sensitization and capacity built on services trade issues and on related policy and regulatory frameworks, increased local research and analytical capacity) and the challenges faced (dealing with group of beneficiaries with different levels of development and varying needs, delays in delivery of studies, need to take into account absorptive capacity of beneficiaries and turnover of officials). As lessons learnt she suggested: i) that special attention should be devoted to responding to the needs of individual beneficiary countries (through common activities complemented by country-specific ones), ii) the need for greater recognition of the impact of local capacities on project delivery, iii) a better determination of measurable targets (incl. benchmarks and indicators of achievement) at the project set up in consultation with beneficiary countries and the donor, iv) increased coordination between all partners, and v) increased coordination between new AfT initiatives and existing TC activities and related donor coordination.

Dr Silke Trumm from GTZ went on to present GTZ activities in trade in services. She indicated that the results of GTZ's work are "process oriented". As an honest broker GTZ aims at sustainable capacity development in the partner countries. Accordingly, the types of commitments which the supported countries end up making are a political decision by

the partner countries and should only serve their development interests. She indicated that GTZ activities in trade in services consist of AfT for national services trade strategies, coordination of all relevant stakeholders and development interests, regional integration and EPA negotiations. She then stated that there were already a number of GTZ studies carried out on behalf of BMZ on services issues relevant to EPA negotiations. In addition, BMZ (via GTZ) contributes financially to the activities of ILEAP (in East, West and Central Africa) and CUTS (in East Africa). On behalf of BMZ, GTZ is also planning some activities in the SADC and CARICOM/CARIFORUM regions through direct project implementation. Dr Trumm stressed that GTZ's approach mostly consists of direct contribution through TC measures in partner countries. This involves: Long-term TC measures in the partner countries, human and institutional capacity development; integration of different levels (meso, macro levels; including non state actors - systemic approach) as well as process orientation. She then moved on to illustrate GTZ's approach through the examples of GTZ projects in the Philippines (finalized) and in SADC (forthcoming). The Philippines project aimed at analyzing the implications of further services liberalisation on Philippines' economy and society and at integrating the various development interests in services policies and negotiations into a national strategy. The SADC project (currently at the design stage) proposes to strengthen the technical capacities (economic, legal and strategic) of responsible focal points, sector units and ministries and regulatory institutions as well as strengthen regional cooperation and coordination networks.

Dr Trumm concluded with open questions on how to design trade capacity projects and tools for trade in services with a view to sustainable capacity development, such as: How to mix theoretic teaching with learning on the job? How to reach broad capacity development, maybe through cooperation with universities, regional think tanks, media and civil society as well as e-learning? And how to optimise the use of studies and statistics?

Summary of Session 3 Discussions:

The first discussant Johannes Bernabe, underscored the fact that there are 2 dimensions to CB/TA plans: Firstly, in terms of a policy/regulatory dimension: assistance in putting in place versus building capacities of regulators. There's also a need for a coordination mechanism between various stakeholders (i.e. Ministry of integration, trade, regulatory bodies etc.). Secondly, in terms of a sectoral and business dimension: For instance it would be interesting to know when carrying out a study on EU market access in Mode 4 if there is an equivalency for similar positions/qualifications between a developed country and a developing country. Because even if opportunities for market access are identified, if the expertise does not exist, the work would be pointless.

The second discussant Paul Kalenga of SADC, indicated the importance of capacity building in raising awareness as a solution to help address the issues highlighted in session 2. According to Mr Kalenga the EPA negotiations have proved to be an important gateway to build awareness among regional stakeholders in all sorts of trade-related areas, including the trade in services. In his opinion, it is important to identify the

constituency driving the negotiators and then determine the best approach for building the capacities of that constituency. It is also important to build consensus, ensuring ownership and sustainability in the capacity that has been built.

From the general discussions the following emerged to complement the above main points:

- There is a need to be innovative, for instance, the Media could play an important role in conveying information to the appropriate stakeholders. Postgraduate programmes at universities dedicated to services; trade policy can also be developed such as the program at the University of the West Indies in the Caribbean).
- Young experts through fellowship programme as well as a network of locally based advisors who conduct research and take the local context into consideration (social, political and economic) can help to ensure sustainability.
- The volatility of the capacities built has an effect on sustainability and this cannot be addressed easily, except for training a larger number of staff within the relevant ministries.
- From a donor perspective, designing CB/TA programmes is challenging as trade in services is a very complex issue and it is in particular difficult to decide whether to start at the country or regional or both. For West Africa, the EPA Development programme (PAPEL) is an opportunity to address the needs although trade in services is currently weakly addressed.

The chair, Ms Birgit Hofmann, concluded by summarizing the main points of discussions:

- Sustainability and ownership should be taken under consideration for successful capacity building.
- Awareness should be raised: it is important to involve the private sector as it could be the driving force to influence policy.
- There is also a need for flexibility in programme implementation: programmes should be demand-driven and designed in a long-term and predictable manner
- There is a need to strengthen coordination mechanisms and facilitate the process
- Training should be provided but there is a need to ensure that the right people are present and other tools are developed and utilized (e.g. e-learning)
- Many studies are already available but ensure that they are effectively used. It is important to capitalize on existing resources. When commissioning new studies make sure that the constituency can make use of them.

Session 4 – Way Forward

In this final session Dominique Njinkeu and Dr. Regine Qualmann, proposed a way forward for supporting pro-poor services reforms. The following ensued:

1. Trade in services is important as it provides export opportunities, can play a key role in a competitiveness agenda that has spill over effects on trade in goods. In most African countries significant liberalisation has already been undertaken. The main issue is the extent to which such autonomous liberalization can be consolidated in international negotiations. The views differ. Some say “don’t miss the boat”, others “go slow”. Most of the difference is explained by appreciation of the level of awareness of the realities of services trade negotiations and the relationship with a coherent approach to regional integration.
2. Among the participants of the Berlin meeting there is a shared understanding of the importance of trade in services, constraints and respective needs. It is less clear on how to move forward with the stakeholders in Africa that still have insufficient appreciation and knowledge of the challenges and opportunities, particularly as they relate to national regulatory environments and the sensitivities connected to social sectors. There are also challenges with regards to structural imbalances which apply at both the regional level and the level of the EPA negotiations. One of the main issues that emerged is the critical importance that recipient countries, or beneficiaries, need to articulate their demand more clearly for donors to be able to respond properly. The existence of a national strategy regarding services trade reform would provide the best basis for this.
3. The third element is the importance of institutional development support for continuous reform and negotiation and the centrality of ownership by the relevant stakeholders. There is a need to identify a constituency; work with a network of specialists - many locally based - with a dedicated staff (such as the BNET in Côte d’Ivoire). A capacity building program to help nurture a coalition of services industries in each sub-region will be useful.
4. The fourth element is to conduct research and analysis. Particularly it is essential to undertake regulatory audits, which although time consuming provide invaluable information. Sector specific and mode specific analysis will need to follow the audit. Such analysis will require the development of analytical tools and compilation of data. Non-state actors, particularly the media, parliamentarians and civil society should be properly associated.
5. A fifth element is to provide support that enhances the business environment, the development of export in services promotion strategies, support to actions nurturing a coalition of services industries. There will be a need to move from the current workshop and one-off paper preparation to a holistic training and research with a medium term perspective, eventually undertaken as part of networks. The aid for trade program shall have support for EPA implementation.
6. The sixth element is the need for donors to pay more attention to trade in services. They could encourage national organisations to connect at various levels. Assistance could center on developing potential export opportunities at the regional level by choosing 3 to 4 regional sectors and focussing on these within a region. Donors should also give attention to working closely with think tanks

within regions. It was emphasised in this context that also for donors, especially bilateral ones, the subject is still new on the agenda, and the clearer the needs are identified, the better the chances of taking them up appropriately under AfT measures.

With regards to the institutional structure of aid, aid should follow government structures. The respective donor approach needs to be diversified so donors can work with different strengths therefore capitalizing on development approaches within different regions and in different ways.