

LDC SERVICES EXPORTS

TRENDS AND SUCCESS STORIES



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Abstract for trade information services

ID=43032

2013

S-15.00 LDC

International Trade Centre (ITC)

LDC Services Exports: Trends and Success Stories.

Geneva: ITC, 2013. vi, 30 pages (Technical paper)

Doc. No. SC-13-233.E

Paper focussing on recent trends in the Least Developed Countries (LDCs) exports of commercial services targeted at trade support institutions and the Aid for Trade community - describes the LDCs current services export performance based on the UNCTAD-WTO Trade in Services Statistics for 2011; provides a collection of services exporter case stories; features case studies from Bangladesh, Cambodia, Rwanda, Senegal, Uganda, Vanuatu; discusses lessons learned on the drivers of competitiveness in services; offers initial suggestions for what needs to be done to enhance LDC services enterprises' competitiveness.

Descriptors: Trade in Services, Least Developed Countries, Tourism and Travel Services, Business Services, Exporters, Case Studies, Bangladesh, Cambodia, Myanmar, Rwanda, Senegal, Uganda, Vanuatu.

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English

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Acknowledgements

Without the contributions to this document provided by the services export enterprises showcased, this project could not have come to fruition.

ITC thanks the following companies for their contribution to this paper:

ACLEDA Bank PLC
AGIR Promouvoir
Bugema University
Busoga University
Evergreen Limited
Islamic University in Uganda
Kampala International University
Makere University
Nascenia Limited
Premium Contact Center International
Synesis IT Limited
Wings Over Cambodia

ITC also wishes to thank and acknowledge the special assistance provided by:

Department of Tourism and Department of Industry under the Ministry of Trade, Industry, Commerce and Tourism, Vanuatu
Uganda Export Promotion Board
Permanent Mission of Rwanda at the UN and the WTO in Geneva

Finally, ITC wishes to thank the WTO Secretariat and others who provided feedback on the overall document.

Any errors or omissions remain the responsibility of the authors. The opinions expressed are similarly those of the authors and do not necessarily reflect the views of the ITC.

Key Findings

Without exception, all of the LDCs (for which Balance of Payments data is available in 2011 in the UNCTAD-WTO trade in services database), export commercial services. In addition, of the LDCs for which no data exists for 2011, data for pre-existing years shows that all of them have services export capacity. As a group, moreover, the LDCs export a highly diversified set of services, recording exports in all ten categories of services commonly recorded in the Balance of Payments.

LDCs typically run a deficit in the services account, but as a group they tend to record a surplus specifically in Travel, reflecting the importance of in-bound Tourism in their economies.

Nearly one quarter of LDCs are net exporters of services. While Tourism is usually the major explanatory factor, it is not the only one. All of the net services exporters have a diversified set of services exports.

LDC commercial services exports (i.e. excluding government services n.i.e.) more than doubled from US\$ 9 billion to US\$ 22 billion in the period 2005-2011, growing much faster in value terms over that period (138%) than total world commercial services exports (70%). LDCs total exports over this period grew slightly faster, at 142%.

The LDC share in total world commercial services exports is consequently increasing, albeit from a low base. In 2011, the LDC group earned a 0.5% share in world commercial services exports. This compares with a 1% share of LDCs in total world trade.

For as many as half of the LDCs, services exports as a share of total exports are well above the global average. But for the LDC group as a whole, commercial services account for only 10% of total exports - approximately half the global average - and the share of services in total exports is lower than a decade ago. The potential is clear.

In addition, some LDCs are engaged in exporting Other Business Services, one of the fastest growing sectors of world trade today, which includes for example professional, technical and IT-enabled B2B outsourcing services. Despite rapid growth of the sector in these countries, this growth is currently too concentrated in only a few LDCs for it to have yet achieved any relative gain as a percentage of total LDC services exports.

The contribution of services exports to potential growth in LDC GDP is mixed. On the positive side, services exports are making a steadily increasing contribution to GDP value-added, but the contribution is still below the world average. More importantly, it is well below the contribution from services being experienced even in the World Bank's Low Income Group, for which services exports contribute more to GDP value-added than the world average.

More needs to be done to ensure that LDCs can benefit from participating more consistently in global services exports. This is especially important given emerging evidence of the powerful link between services sector development and both GDP growth and poverty reduction, and the development benefits of higher value-added, skill-intensive activities.

The services export stories highlighted in the study provide some insights into what factors are relevant in driving success and what more might be done to enhance LDC services competitiveness.

Many of the steps to be taken call for action within LDCs themselves. Sustained stakeholder consultation and policy focus on ensuring an enabling regulatory environment for business is key. Human resource development is similarly fundamental. Digital infrastructure and interoperability of standards are pre-conditions for modern IT-enabled business services. Openness to foreign investment is central to export financing and access to global services value chains.

Some of these issues can be addressed through a reinforced approach to services productivity issues in global Aid for Trade efforts. ITC's reinvigorated Trade in Services Programme is designed to help LDCs achieve development through increased export of services.

ITC's specific contribution to Aid for Trade in Services is to activate, support and deliver technical assistance in areas related to services competitiveness and services export development.

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Introduction and objectives

This short collection of services exporter case stories was prepared for the 4th Global Review of Aid for Trade held during 8-10 July 2013 in Geneva on the theme of “Connecting to Value Chains”.

Specifically, this document was designed as background for discussion at a panel session on “Aid for Trade, Services and Global Value Chains – Opportunities for Least Developed Countries”.

The aim of this paper is to provide a basis for understanding services exports of Least Developed Countries (LDCs). The data shows that LDCs do export services and some, indeed, are net services exporters contradicting commonly held assumptions that export opportunities in trade in services are marginal in the trade aspirations and development trajectory of LDCs.

It is important to have this and more information on LDC exports in the context of the discussions underway in the World Trade Organisation (WTO) on operationalizing the LDC services waiver which was adopted at the WTO Ministerial Meeting in December 2011.

To provide this basis for the discussion, this document has three parts.

- Part A presents and highlights key take-aways from an initial look at LDC services export and import data. Balance of payments data is presented for all of the LDCs in appendices I and II.
- Part B provides supplementary empirical and qualitative information as well as industry and enterprise level material for seven selected LDCs. For each of the LDCs included, a short introductory Services Profile is provided, followed by case studies showcasing one or two local services provider(s) successfully exporting. The sample case studies chosen reflect a variety of overall services trade performance, a variety of services sub-sectors and a variety of modes of delivery.
- Part C discusses the lessons learned in the literature and in the field on the conditions underlying services export competitiveness in LDCs. The section brings out some initial conclusions on what needs to be done at domestic level to enhance LDC enterprises' participation in the international services economy and on the role Aid for Trade in general and the International Trade Centre (ITC) in particular can play in this process.

The services exporter case studies cited are drawn from Bangladesh, Cambodia, Myanmar, Senegal, Rwanda, Uganda and Vanuatu. The innovative entrepreneurs and enterprises showcased are but a modest sample of the many services providers who are constantly innovating and engaging in international business, providing employment and helping to raise living standards in the poorest parts of the world.

This document is an initial step in better understanding this complex topic. This brief study shows that despite significant limitations, existing statistics on trade in services can be mined for useful insights into trade and development policy.

Part A: LDCs' commercial services export performance

1. LDC commercial services exports

This chapter describes the overall value, significance and composition of LDC services exports, points to recent trends, and identifies areas of importance and focus for Aid for Trade.¹

The first key point to emphasise is that LDCs do export services.

Without exception, all of the LDCs (for which WTO trade in services data exists) exported services in 2011. As a group, the LDCs achieve export earnings in *all* of the aggregate services categories for which data is collected in the Balance of Payments: Travel, Transport, Communications, Computer and Information services, Construction, Financial, Insurance, Other Business Services, Personal, Cultural and Recreational and Royalties and License Fees.

At the individual country level, some LDCs show a more diversified range of export capacity than others. Six countries, Bangladesh, Burundi, Cambodia, Mozambique, Sudan and Vanuatu record measured export capacity in *all* ten aggregate categories of services exports, closely followed by Uganda, Ethiopia, Guinea and the United Republic of Tanzania, which record exports in at least eight of the ten services categories.

For the LDC group as a whole, export success is common in Travel, followed by Transport and then Communications. Thirty-eight LDCs also export Financial Services and/or Insurance services. The data also reveals differences based on geography. For example, Asian LDCs are more likely to export Communications services, while LDCs in Oceania are more likely to export Construction than LDCs in Africa and are more likely to export Personal, Cultural and Recreational services than Asian LDCs. Interestingly, 38% of Asian LDCs manage to earn income from royalties and license fees, whereas only 19% of African LDCs and 20% of LDCs in Oceania do so. These differences are interesting, though obviously should not be over-emphasized, given the much higher number of LDCs in Africa.

With respect to the fast growing Other Business Services category, two Asian LDCs (Bangladesh and Cambodia), three African LDCs (Burundi, Mozambique and Sudan) and one LDC in Oceania (Vanuatu) record exports, though many more may actually be doing so, without this being recorded or compiled under this category. Bangladesh and Cambodia are both net exporters of Other Business Services. Thanks to exports of a wide variety of IT-enabled business services, Bangladesh is by far the strongest performer, exporting four times more than Cambodia or Mozambique.

The second point is that, although as a group, LDCs typically import more services than they export, LDCs as a group register a net surplus in Travel, largely reflecting the importance of in-bound Tourism in their economies. Moreover, as shown in Table 1, nearly one-quarter of LDCs, i.e. nine out of the forty-one countries, are actually *net* exporters of services. In 2011, these were, ranked according to net services credits, Cambodia, Lao PDR, the United Republic of Tanzania, Vanuatu, Liberia, Samoa, the Gambia, Nepal and Djibouti.

¹ As a general disclaimer, it is well known that the Balance of Payments data on services is relatively unreliable compared with the data on merchandise and does not tell the whole story. The data is especially thin for many developing economies, giving little information disaggregated by sub-sector, bilateral pattern of trade or export destination. No services trade data is available in 2011 for Afghanistan, Chad, Eritrea, Kiribati and Somalia. For eleven of the LDCs, there is no disaggregated data; this is the case for Benin, Burkina Faso, Central African Republic, Guinea-Bissau, Madagascar, Mali, Mauritania, Niger, Togo and Tuvalu. It is important, in making general observations across the LDC group, and in presenting averaged data, to recall that every economy is different and that general trends may not always be observable in any individual member of the group. The general data can nevertheless be mined for useful insights, but primarily in highly aggregated categories. Rather than an exhaustive analysis, the purpose of this document is to present some stylized facts which might help to generate interest and prompt the additional analysis required, both internationally and domestically in the LDCs themselves. The Balance of Payments throws no light, moreover, on commercial presence abroad, and there is no data for any LDCs on Foreign Affiliates Trade. The case studies presented in Part B are of special interest from this perspective, as they do provide evidence of LDC activity on this front.

Table 1: LDC net commercial services exports, 2011

Country	<i>Total Services</i>	Transportation	Travel	Communication	Computer & Information	Construction	Financial	Insurance	Personal, cultural & recreational	Royalties & License Fees	Other Business Services
LDCs			☒								
Angola			☒	☒							
Bangladesh				☒	☒	☒	☒				☒
Benin											
Bhutan				☒			☒				
Burkina Faso											
Burundi				☒		☒	☒	☒			
Cambodia	☒		☒	☒		☒	☒				☒
Comoros			☒	☒							
Congo, Dem. Rep. of the				☒			☒				
Djibouti	☒	☒		☒							
Ethiopia			☒	☒		☒	☒				
Gambia	☒	☒	☒	☒		☒					
Guinea				☒		☒			☒		
Guinea-Bissau											
Haiti			☒	☒						☒	
Lao People's Dem. Rep.	☒	☒	☒	☒		☒	☒				
Lesotho				☒			☒				
Liberia	☒										
Madagascar											
Malawi				☒							
Mali											
Mozambique			☒	☒		☒	☒				
Myanmar			☒			☒					
Nepal			☒	☒							
Niger											
Rwanda			☒								
Samoa	☒		☒	☒		☒			☒		
Sao Tome and Principe			☒	☒			☒				
Senegal											
Sierra Leone			☒	☒			☒			☒	
Solomon Islands			☒			☒	☒		☒		
Sudan			☒	☒	☒	☒	☒		☒	☒	
Tanzania, United Rep. of	☒		☒	☒			☒		☒		
Timor-Leste			☒	☒							
Togo											
Tuvalu											
Uganda			☒	☒	☒		☒			☒	
Vanuatu	☒		☒			☒	☒		☒		
Yemen			☒	☒							
Zambia			☒	☒					☒		
	9	5	21	21	3	8	8	1	7	4	2

Source: UNCTAD- WTO Trade in Services Database.

NB: No disaggregated data is available for Afghanistan, Central African Republic, Chad, Eritrea, Kiribati, Mauritania, Somalia.

While Tourism receipts are the major explanatory factor for most of these countries, other services sub-sectors contribute to the overall performance as well. Table 1 shows that, apart from Liberia, all **LDCs with net export positions, all export a diversified set of services**. In terms of net export performance in sub-sectors other than Travel, LDCs most frequently do well in Communications, Construction, Finance, and Personal, Cultural and Recreational services in that order.

The third key point is that LDC commercial services exports more than doubled from US\$ 9 billion in 2005 to US\$ 22 billion in 2011, growing much faster over that period - at 138% - than total world commercial services exports - at 70%. (Total LDCs exports grew slightly faster at 142%.)

UNCTAD-WTO trade in services data set out in appendix I shows that since 2007, LDC commercial services exports have consistently grown significantly faster than the world average, and during the global downturn dropped significantly slower; displaying an annual average growth rate of 15% compared with the world average of 9%.

The LDC share in total world commercial services exports is consequently increasing. **In 2011, the LDC group earned a 0.51% share in total world services exports, up from 0.36% in 2005.** (By comparison, LDCs' share of total world exports is 1%.)

In terms of the importance of services exports within total exports, however, LDCs are underperforming the global average. Taking commercial services only, the global average services share in world exports in 2011 was 19%. For the LDC group as a whole, commercial services exports accounted for only 10% of total exports, down from over 13% a decade ago.

At the same time for several LDCs, services play a far more important role in total exports. In the Pacific, commercial services account for 46% of Tuvalu's export earnings, 44% of Vanuatu's and 43% of Samoa's. As shown in Table 2, commercial services account for 19% (the global average) or more of export earnings for twenty out of forty-one LDCs.

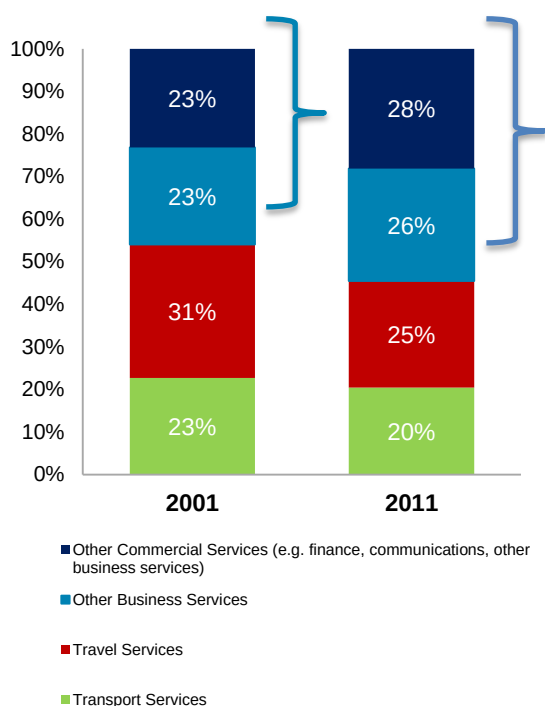
Recent trends in the overall composition of services exports also deserve attention. The global evidence, illustrated in Figure 1a, is that the traditional Transport and Travel sectors are diminishing in importance and the other commercial services categories are increasing in relative importance, in particular the category known as Other Business Services, which includes professional and technical services as well as other rapidly growing IT-enabled intermediate business-to-business (B2B) services. Globally, Other Business services account for nearly half of "Other Commercial Services" reflecting the growth of services outsourcing industries and the emergence of global services value-chains.

Table 2: Commercial services export share in total exports, 2011

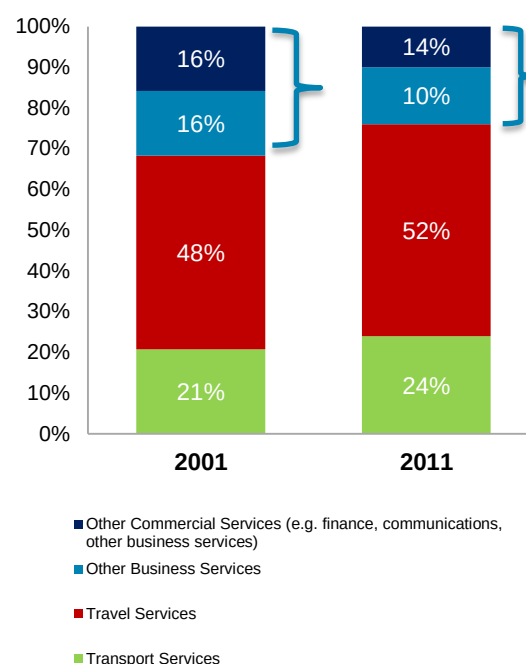
LDC average	10%	<i>Rwanda</i>	27%
<i>Tuvalu</i>	46%	<i>Timor-Leste</i>	27%
<i>Vanuatu</i>	44%	<i>Djibouti</i>	27%
<i>Samoa</i>	43%	<i>Tanzania, United Republic of</i>	25%
<i>Comoros</i>	39%	<i>Sierra Leone</i>	24%
<i>Gambia</i>	38%	<i>Senegal</i>	22%
<i>Sao Tome and Principe</i>	38%	<i>Togo</i>	20%
<i>Ethiopia</i>	31%	<i>Solomon Islands</i>	19%
<i>Nepal</i>	30%	<i>Cambodia</i>	19%
<i>Madagascar</i>	27%	<i>Lao People's Democratic Republic</i>	16%
<i>Liberia</i>	27%	<i>Haiti</i>	16%
<i>Uganda</i>	27%	<i>Benin</i>	16%

Source: UNCTAD-WTO Trade in Services Database.

It is important to recognize that neither of these global trends necessarily hold true for the LDCs. First, as shown in Figure 1b, the traditional Transport and Travel sectors both continue to grow in relative importance for LDC exports, the aggregate share of Other Commercial services has therefore declined from 32% in 2001 to 24% in 2011. So while Other Commercial services have grown to more than half of world commercial services exports, they have declined to less than a quarter of LDC commercial services exports.

Figure 1a: Changing composition of world commercial services exports

Source: UNCTAD-WTO Trade in Services Database.

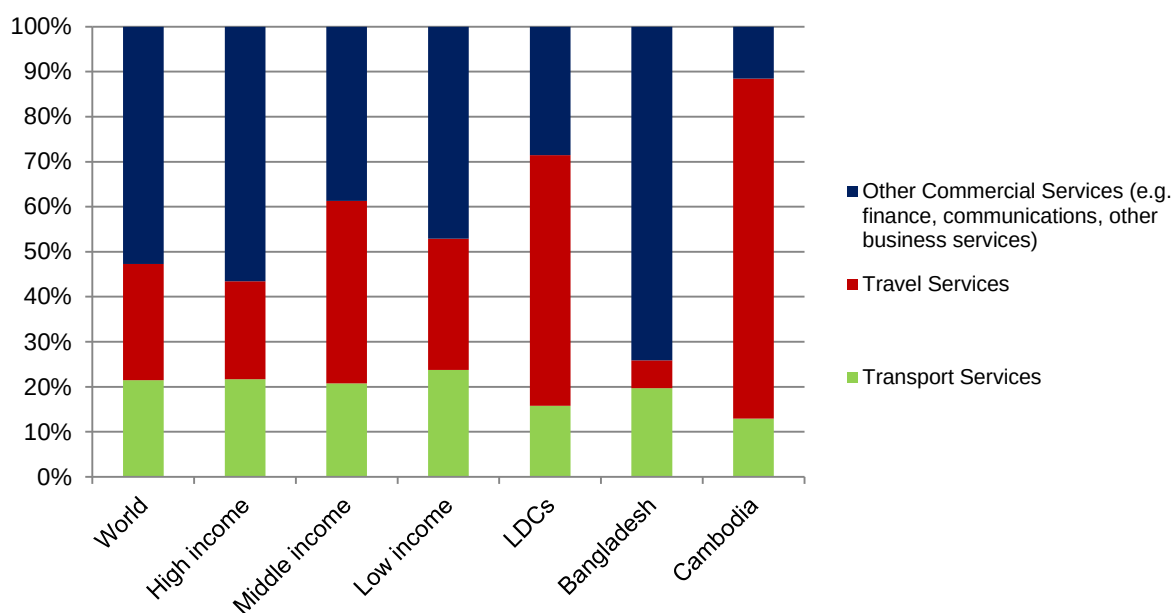
Figure 1b: Changing composition of LDC commercial services exports

Source: UNCTAD-WTO Trade in Services Database.

Second, despite the recent rapid growth of LDC Other Business services exports, this growth has not kept pace with growth in Communications, so its share has declined slightly in the overall make-up of LDCs Other Commercial services. The trend has turned in recent years and the LDC group has maintained its overall market share in Other Business services since 2007. Despite this recent improvement, the total LDC market share in Other Business services is distinctly lower in 2011 than it was at the beginning of the decade.

This is a wake-up call for the bulk of the LDCs and an alert flag to the Aid for Trade community. Other Business services is among the fastest growing components of 21st century trade and the key to global services value chain activity. LDCs are definitely participating in this knowledge-intensive trade, but their overall performance is below average, with relatively small amounts being reported, compared with other developing countries.

Figure 2 shows the LDC group is also lagging, as a group, behind the World Bank's Low Income group, in terms of the export contribution generated by Other Commercial services. This requires some explanation; in essence both group's performance is affected by individual out-riders within the group. The vast bulk of the LDC group's exports of Other Business services is accounted for by Bangladesh. For purposes of comparison, Figure 2 illustrates the composition of services exports for Bangladesh as well as Cambodia, the next strongest performer in Other Business services. Meanwhile the Low Income group's performance would seem similarly to be explained largely by Tajikistan, which has an even more pronounced profile.

Figure 2: Commercial services export composition by country grouping, 2011

Source: World Bank Database.

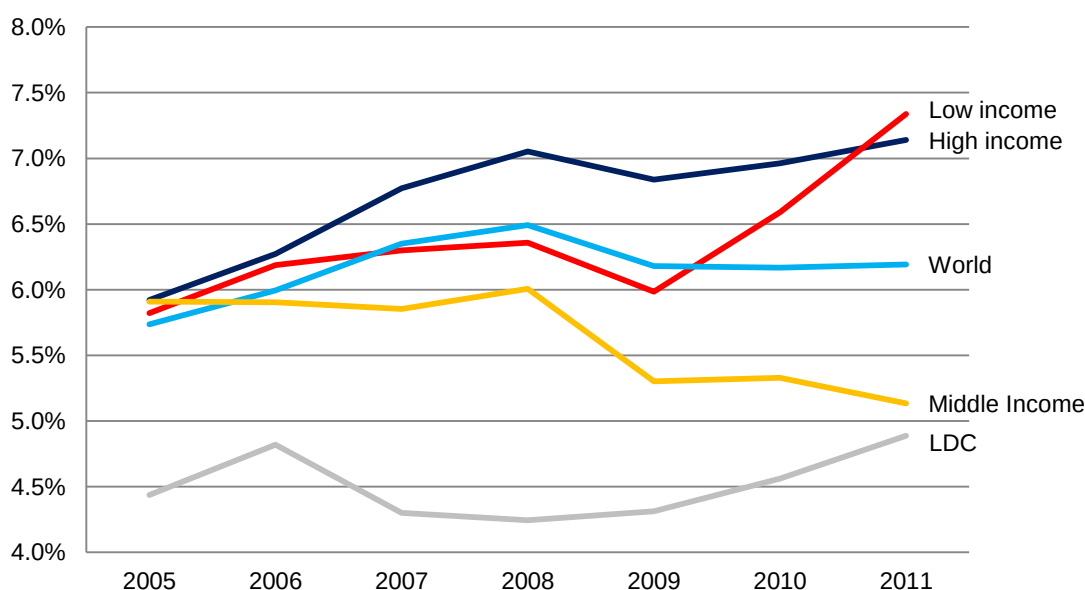
2. Role of services trade in LDC development

World Bank research has shown that the services sector has become a dominant driver of economic growth in developing countries delivering both GDP growth and poverty reduction. In 2011, the services sector accounted for an average 49% of GDP in the low income countries and 47% in the LDCs.

Evidence is similarly emerging of the development benefits of higher value-added, skill-intensive services activities. World Bank findings suggest that developing countries are shifting towards services sooner, and at a lower level of per capita income, than had been the case in the traditional development trajectory. This suggests that services could provide an alternative engine of growth, enabling some latecomers to development to leapfrog what has been seen as the traditional route to development through developing manufacturing first.

For the last few years, services exports have contributed a fairly static 6.2% to global GDP value-added. Interestingly, as shown in Figure 3, the contribution of services exports is significantly higher for the Low Income countries, at over 7% and on a steady upward growth path.

The LDCs group is on an upward, but much more gently sloping path. And the contribution to GDP from services exports remains well under the world average. This sends another signal that while the LDCs are on the services growth path, more needs to be done to help them catch up.

Figure 3: Growing contribution of services exports to GDP

Source: World Bank Database.

This would seem especially important given the gap between the size of the services sector's contribution to the LDC group's GDP - 47% - and the contribution of commercial services to total LDC exports which is only 10%. This gap points to a huge, untapped potential for LDCs in services trade.

The prospects, moreover, are improving. UNCTAD's World Investment Report 2013 points out that despite an 18% drop in global FDI in 2012, the services sector was the least affected and FDI inflows to LDCs hit a record high, an increase led by developing country investors. Services industries continue to drive FDI growth and LDCs remain key services investment destinations. This evidence confirms the importance of inwards investment flows in enabling LDCs to connect into global services value chains.

This data points to a real potential, but the challenges are also great.

Parts B and C present some information on the challenges and how LDC companies and policy makers are addressing them.

Part B: Case studies

The following sections provide more detail on the services export data for six selected LDCs complemented by presentation of case studies of individual companies which have succeeded in exporting services. These give additional insight as to on how LDCs have achieved export success.

1. Bangladesh

1.1. Services profile

With GDP growing steadily at an average annual rate of nearly 6% over the last decade, Bangladesh has the potential to become an important global centre for services. In 2011, services generated 54% of GDP value-added (above the LDC average) but accounted for only 28% of employment. 45% of Bangladeshis are still employed in Agriculture.

Over the period 2005-2011, commercial services exports increased by 193% to US\$ 1.4 billion. Along with only 6 other LDCs for which the data exists Bangladesh has achieved export earnings in all ten of the services categories measured in the Balance of Payments. Although the services account was in overall deficit in 2011, many commercial services sub-sectors recorded important net surpluses, namely Communications, Computers and Information Services, Other Business Services and Construction. Services exports generated only 2.2% of GDP value-added in 2011.

Bangladesh ranks first among the LDCs in terms of Computer and Information Services exports, which doubled between 2005 and 2010 to reach US\$ 37.4 million in 2010 and almost doubled again to US\$ 60 million in 2011. The overall size of the information technology (IT) and information technology enabled services (ITeS) industry in Bangladesh stood at approximately US\$ 250 million in 2010, demonstrating a 24% growth between 2008 and 2011.²

The Government's "Outline Perspective Plan of Bangladesh (2010-2021): Making Vision 2021 A Reality" calls for a sustained focus on good governance, transparency and accountability as essential for an increase in FDI into the services sector. The Plan also emphasises education and human resources development, especially in emerging services activities such as accounting and financial services, graphics and textile design, animation, engineering and project management.

The IT and ITeS sector offers a strong value proposition, with a large pool of trained engineers and operators. According to UNCTAD's Information Economy Report for 2012, Bangladesh has some 10,000 programmers engaged in on-line remote freelance contract micro-work, with earnings reportedly around US\$ 15 million a year. Given inefficiencies and delays in current payment systems in Bangladesh, these earnings are largely unrecorded in the trade account, yet represent an amount equivalent to one quarter of Bangladesh's export earnings in this sector.

In its National Information Communications Technology (ICT) Policy (2009), the government committed to the establishment of a prosperous software industry, to offer services based on ICT, e-commerce/e-business and to ensure growth in the ICT industry with a view to meeting demand in domestic and international markets.

The Government's "Digital Bangladesh" initiative is also helping to promote infrastructure for enhanced connectivity. Government authorities have demonstrated a determination to promote IT services industries ensuring provision of cheaper bandwidth and alternate international cables, setting up technology parks and providing tax holidays for export oriented industries.

Despite its growth potential, the sector faces considerable export challenges. Firms face evident difficulties in identifying suitable clients and other business partners abroad and incomplete national branding efforts have resulted in low visibility of Bangladesh as an offshoring destination in the international marketplace.

Bangladesh could position itself as a key offshoring location by enhancing delivery capability and skill availability, lowering costs of operations, making focused investments in telecoms and IT infrastructure and highlighting its success stories.

² ITC-KPMG, Bangladesh Beckons: An emerging destination for IZ/ITeS outsourcing, 2012.

ITC has been helping Bangladesh to do just that. The Netherlands Trust Fund II (NTF II) programme, funded by CBI, the Ministry of Foreign Affairs of the Netherlands, is supporting the IT and ITeS sector in Bangladesh to improve its export competitiveness and benefit from business links with selected markets in Europe. ITC has assisted 40 companies in 2011-2013; these companies have found new buyers in Denmark, Germany, the United Kingdom and the Netherlands.

The project aims to promote Bangladesh as a global ITO sourcing location in cooperation with the Bangladesh Association of Software and Information Services (BASIS), the national trade body for Software & ITeS. Established in 1997 with only 17 charter members, BASIS today has more than 597 members. The case studies below are taken from among the BASIS membership.



1.2. Nascenia Limited (www.nascenia.com)

Established in 2010 by Sheikh Shaer Hassan, Nascenia Limited provides software solutions to start-ups and mid-sized companies. Nascenia has been exporting and undertaking off-shored work since its year of foundation. An SME with annual revenues of US\$ 200,000-US\$ 400,000, the company has 22 employees.

The company has expertise in dynamic and mobile web applications using Web 2.0 technologies and built its portfolio working primarily in Ruby on Rails, PHP, WordPress and Java 2 Platform Micro-Edition (J2ME). Most of its foreign clients are based in the United Kingdom, Sweden, Denmark, the United States and India.

“Everything went extremely well. My project was fairly complex and required Nascenia to investigate new technologies. They succeeded with flying colours and I can’t wait to get started on another project. I was very impressed with their communication and willingness to move directions slightly. The code produced was excellent. Fantastic team!”

Patrick Stockwell, Founder of Volta Inc. (United States)

Nascenia’s export success has been enhanced by its participation in the NTF II project from 2010-2013, aimed at creating business linkages between Bangladeshi IT companies and Danish enterprises seeking to outsource business processes. As a result of activities through this period, Nascenia’s export revenue has quadrupled.

An ITC matchmaking event in Dhaka at the beginning of March 2012 led Nascenia and Better Collective, a Danish web publishing company focused on developing, designing, writing, and marketing for the web to forge what has proven to be a stable international client relationship.

After building trust and learning about each other’s operations, Better Collective hired Nascenia to set up many of the company’s websites in MODX, a content management system written in PHP. The two businesses are now in discussions to engage more resources in building a web application in Ruby on Rails.

‘We tested many waters before we came here, but now Nascenia is our trusted partner,’
Thomas Høgenhaven, Chief Strategy Officer, Better Collective.

‘We know what we can do and what we cannot do, and we let our clients know that,’
Shaer Hassan, Chief Executive Officer, Nascenia.

Nascenia’s staff has almost doubled from 12 since the matchmaking event took place.



1.3. Synesis IT Limited (www.synesisit.com.bd)

Synesis IT Limited provides secure, scalable, on-demand application systems and data access solutions.

The company was founded in 2006, by three graduates of the Bangladesh University of Engineering and Technology – Shohorab Ahmed Chowdhury, Rupayan Chowdhury and Md Rezaul Karim. Their vision was to build a globally respected company based on quality, best practices, sound employment processes, social commitment and a financially sustainable business model. Initially, the company concentrated on the domestic market, but it has since gained a notable recognition abroad. It can handle specialized outsourced work through streamlined processes, highly qualified professionals, and innovative technological breakthroughs.

The main export markets include the United States (Savvy Software Solutions, Inc., ChalkStream Capital Group, American Foundation of Aids Research) and Europe (Parkingware, Intellisior). In 2011, annual revenue reached in US\$ 500,000, up from US\$ 350,000 the year before.

Synesis IT is a leading software developer and IT-enabled service provider in Bangladesh, and it prides itself in making a direct contribution to society and having a positive socioeconomic impact in Bangladesh, through projects it has delivered, including for example call centres for a national medical provider and for Dhaka's water authority. On the basis of projects such as these, Synesis IT has developed a strong reputation in the domestic market. It is the only company in Bangladesh where engineers and doctors work together, and its commitment to gender equality has led to women making up 40% of its employees.

Over the past three years, Synesis IT has been showcasing these local success stories overseas, particularly in Europe, where it received assistance from ITC's NTF II programme. NTF II has helped Synesis IT build capacity and market exposure; as a result the company now has clients in both the Netherlands and Germany and has achieved a 20% increase in export revenue.

Synesis IT started with 7 staff and has grown to employ more than 130 professionals.

2. Cambodia

2.1. Services profile

Cambodia's total trade expanded at a very strong average annual rate of 14% between 1995 and 2011. Commercial services exports have grown even more impressively, doubling over the period 2005-2011 to reach US\$ 2.1 billion.

The country typically runs an overall trade deficit but in the services account, Cambodia runs a net services surplus. This surplus grew roughly two and half times over the decade to 2011, reaching US\$ 0.8 billion. The positive trend has been sustained into 2012.³ Services export contribution to GDP value added has similarly grown significantly over the last four years to reach 17.2% in 2011.

Net services exports are recorded in Travel, Communications, Financial Services and Other Business Services. Financial services exports earnings sky-rocketed from US\$ 4 million in 2010 to US\$ 75 million in 2012.⁴ Construction is also trending rapidly upwards, even if not recording a surplus.

This net services export performance is impressive, given that in East Asia, Hong Kong, China SAR, Singapore and the Philippines are the only other economies which regularly run a services trade surplus.

The trade data reflect structural changes underway in the domestic economy. In terms of contribution to GDP, agriculture commenced a slow relative decline in 1995 and by 2000 was overtaken by the services sector. Growth in all sectors accelerated over the last decade; but unlike manufacturing, growth in services was sustained through most of the global financial crisis, averaging over 6% per annum between 2006 and 2010. By 2010, services activities generated 44.5% of GDP (below the LDC average). Wholesale and Retail Trade are the most important services activities, followed by Transport and Communications, Real Estate, Business, Construction and Hotels and Restaurants. On the employment side, agriculture continued to dominate in 2011, providing 55% of jobs while services provide only 27%, up from 18% over the decade.

The weight of Hotels and Restaurants in the National Accounts and of Travel in the Balance of Payments reflects the relevance of in-bound Tourism for the economic growth of the country.

Recognized by the Government as an important generator of employment and foreign exchange, the tourism industry has been given priority attention. Particular focus has been placed on the niche development of cultural and eco-tourism. The number of tourists visiting Cambodia reached 3.5 million international arrivals in 2012 with a direct contribution to GDP of almost 10%.⁵

The Financial Services sector also displays dynamic growth including in export revenue generation, but is still underdeveloped in terms of its contribution to GDP. There has been an increase in deposits and loans in the country's banking system and micro-finance has expanded rapidly including to rural areas.

The UNCTAD World Investment Report 2013 highlights the recent prominence of developing country greenfield retail banking projects. Among the LDCs, Angola attracted by far the largest number of projects, followed by Cambodia and Uganda. By value, Cambodia attracted the largest amount i.e. US\$ 2.3 billion, or 28% of the total retail value of banking investment plans.

On the regulatory front, the Credit Bureau of Cambodia has been established in 2012 to support this growth in the banking system and enable better credit information. The Bureau is set to play an increasingly important role in safeguarding and reducing credit risk and supporting improvement of risk management and credit application practices by banks and micro-finance institutions.

³ National Bank of Cambodia.

⁴ IMF Statistics.

⁵ World Trade and Tourism Council.



2.2. ACLEDA BANK Plc. (www.acledabank.com.kh)

ACLEDA Bank Plc. is a public limited company, set up with assistance from the International Labour Organisation (ILO) and the United Nations Development Program (UNDP) in January 1993, as a national NGO for micro and small enterprises development and credit.

The expansion of its network to cover all of Cambodia's provinces and towns and its rapidly demonstrated ability to operate sustainably at a profit, led both its Board of Directors and its international partners to conclude that it should be transformed into a commercial bank.

This step was motivated also by the need to provide a secure regulatory framework which was lacking under ACLEDA's previous status and to enable ACLEDA to enlarge its range of funding options, such as equity injection, public deposit-taking and commercial interbank lending, to support expansion of its core micro-finance business.

Since 2003, ACLEDA Bank has been licensed as a Commercial Bank after having tripled its capital to US\$ 13 million, and been renamed ACLEDA Bank Plc. By the end of 2012, ACLEDA Bank's total assets were US\$ 1.9 billion with market share around 22% of total lending and 21% of total deposits.

In 2012, the Group reported earnings of over US\$ 65 million – a growth of 31% compared with 2011.

This was the result of strong growth in the banking business in almost all products - despite robust competition including from numerous foreign banks with commercial presence in Cambodia. The bank currently has a loan portfolio of US\$ 1.4 billion to more than 320,731 borrowing customers of which more than half are women. It employs 8,344 staff in 238 branches and offices in all provinces and towns throughout Cambodia.

ACLEDA Bank is currently 51% owned by Cambodian interests, including its staff, with the remaining 49% taken up in equal parts by the International Finance Corporation (IFC), COFIBRED (Compagnie Financière de la BRED — a BRED Banque Populaire's fully-owned subsidiary), JSH Asian Holdings Limited (a wholly-owned subsidiary of Jardine Strategic Holdings Limited), and the three investment funds (Triodos-Doen Foundation, Triodos Fair Share Fund, and Triodos Microfinance Fund) managed by Triodos Investment Management.

Today ACLEDA Bank is offering e-banking, credit, deposits, local and International funds transfers, trade finance, cash management, money exchange, and a variety of other banking services.

Having built a strong national competency, ACLEDA is now committed to further strengthen its international positioning:

"We continued to strengthen and deepen our Financial Institutions relationships and added some substantial new international correspondents to our network during the year. At the end of 2012 we had 458 correspondents covering 57 countries."

"ACLEDA Bank continues to grow with its customers in all segments of the community. Supporting our customers to expand their business from local trade to international trade is one of the main factors of how we are growing with our customers".

Dr. IN Channy, President & Group CEO, ACLEDA Bank Plc.

The Bank now has commercial presence in two neighbouring countries.

In 2007 it opened its first branch in Lao PDR, where it now has 28 offices. In 2008, a full banking license was granted to operate a commercial bank in Lao PDR. In 2010, ACLEDA Bank Lao Ltd. doubled its paid up capital to US\$ 26 billion through shares issuance. In 2011, ACLEDA Bank Plc. retained a 39.95% stake in the subsidiary. The principal activities of ACLEDA Bank Lao Ltd. are the provision of banking and related services in Lao PDR.

More recently, in 2013 ACLEDA expanded its operations into Myanmar, incorporating and creating a wholly-owned subsidiary ACLEDA MFI Myanmar Co., Ltd. with an initial paid-up capital of US\$ 10 million.

Establishing commercial presence abroad is not the only way the bank is participating in international business. ACLEDA Bank is also accepting deposits from and providing financial services to non-residents.

ACLEDA Bank is the first bank in Cambodia to have been assigned ratings by an international credit rating agency (Standard and Poors). In 2012 it was awarded the prestigious 2012 Most Admired ASEAN Enterprises Awards in the category of "Growth and Employment" by the ASEAN Business Advisory Council. The bank was also recognized by the 2012 Product Innovation and Partnership Award from J.P. Morgan.



2.3. Wings Over Cambodia (www.wingsovercambodia.com)

Wings over Cambodia, based in Kompong Speu, provides recreational tours for in-bound tourists as well as aerial photography services, video and aerial surveying. The company uses ultra-light aircraft to provide a competitive alternative to helicopter and fixed-wing charter companies at approximately 15% lower rates.

In 2002, individuals involved in recreational ultra-light flying in Cambodia started to operate as a not-for-profit entity called the Cambodia Ultra-light Association. They initially provided services for free, or at cost, assisting in archaeological and conservation studies conducted by various local and foreign institutions. As awareness grew, other organizations such as humanitarian trusts, foreign researchers and international film companies started requesting low-cost flying services – turning the company into a service exporter essentially accidentally.

International clients have included Golden West Humanitarian Foundation (United States), IFA Films - Animal Planet (United States), The Greater Angkor Project (Australia), Wildlife Conservation Society (United States), The Halo Trust (mine clearance) (United Kingdom), the Food and Agriculture Organization (FAO), Helsinki University (Laboratory of Water Resources), the University of California, NASA JPL (remote sensing

and GIS), EFEO (French archaeology studies), University of Sydney (archaeology), the Helsinki University (Laboratory of Water Resources), the University of New South Wales (Centre for Remote Sensing and GIS), the University of Singapore (archaeology and Khymer studies), Science Magazine and National Geographic.

Internet searches have led many potential clients to Wings Over Cambodia, while others find it through direct client references. A number of independent film companies have used the ultra-light machines as a video platform; their films and documentaries have since been aired on popular international networks, further advertising the Wing over Cambodia brand.

With respect to the regulatory environment, Cambodian authorities have been highly cooperative and have allowed the company to operate in most parts of the country. Challenges have related to meeting the safety regulations for equipment and internationally recognised training certification and quality assurance for the pilots.

Wings Over Cambodia has 6 machines; each machine seats 2 people including the pilot and is capable of cruise flight at 70 to 80 km/hour at altitudes of 3,000 metres.

3. Rwanda

3.1. Services profile

In 2012, the services sector contributed 45% of GDP (below the average of 47% for LDCs) compared with 33% for agriculture and 16% for manufacturing. Over the period 2005-2011, commercial services exports grew 282%, to reach US\$ 318 million, contributing 6.7% to GDP value added in 2011.

In 2011 Rwanda recorded exports in the categories of Transport and Travel, recording a net surplus on Travel which partly acts as a proxy indicator for in-bound Tourism.

Tourism offers considerable growth opportunities. Rwanda is referred to as 'the land of a thousand hills' and has a comfortable climate and a unique landscape and accessible wildlife. It is one of only two countries in which mountain gorillas can be visited safely in the wild; gorilla tracking, in the Volcanoes National Park, annually attracts tens of thousands of visitors who are prepared to pay high prices for permits.

For the first six months of 2011, the Directorate of Immigration and Emigration recorded 405,801 in-bound tourist arrivals of which 16% were from outside Africa, generating a relatively high revenue stream from tourism of US\$ 115.6 million.

Despite its natural advantages, Rwanda is not yet, however, a tourism hotspot. The Government is working on a branding strategy to promote Rwanda as a tourism destination in East Africa but with stiff competition from other Eastern African countries such as Kenya, the United Republic of Tanzania and Uganda.

The long term economic development plan "Vision 2020" sets out a path for the country to move from an agriculture-based to a knowledge-based economy. With the support of the private sector, the Government has initiated a number of reform measures to improve the legal and institutional framework for development of the services sector, as well as a general improvement in the business environment.

The strategy includes regulatory reforms to attract investment and position Rwanda as a financial centre in the region, including for business transactions and brokerage. Rwanda already has fourteen banking institutions, seven insurance companies and sixty-six microfinance institutions.

The ICT sector, including Business Process Outsourcing (BPO) is another pivotal part of Vision 2020, with strong domestic growth prospects as well as emerging export potential within the sub-region and beyond. According to the Rwanda Development Board, current domestic demand for BPO services is estimated at US\$ 50 million, forecast to increase to almost US\$ 200 million by 2020 across the telecommunications, tourism, finance and government sectors.

Rwanda's anticipated export potential in this sector is based on factors such as availability of language skills, time zone/geographical location and low relative labour costs. Rwanda is rapidly producing both French and English-speaking professionals in various fields including engineering, ICT, financial management and accounting. Key potential market niches in global and regional value chains include coding, billing, data processing and customer contact processes. Rwanda aspires to eventually serve as an off-shoring hub for

countries in Europe and North America by starting off on a regional basis as a third-party or sub-contracting hub for established off-shoring destinations such as South Africa in particular.

The ICT sector currently therefore offers significant investment opportunities and cost advantages for first movers. Rwanda is investing US\$ 24 million in its communications infrastructure to ensure connectivity to the global network. The National ICT Plan (NICI 3) 2011-2015, which focuses on services development, was launched in 2011. The Plan focuses on services delivery where all institutions will network together using the currently existing infrastructure. The country is also investing heavily in ICT skills development and has partnered with Carnegie Mellon University to establish an ICT Centre for Excellence.

The Rwandan BPO cluster is a diverse array of firms providing both IT and back office services in finance and administration to a range of domestic and foreign clients. Initiatives fostering private sector development include several business and career development support services; online trade information portals; business incubators; online tax calculators; credit reference bureau; a land administration and management information system; electronic case management system; and improvements in the online banking and e-transaction regulatory system.

Various initiatives have greatly improved Rwanda's business environment. In 2013, Rwanda ranks 52 (out of 185 countries) on the World Bank Ease of Doing Business Index which compares favourably with other members of the EAC, setting the stage for ICT exports, among others.

3.2. VubaConsulting LLC (www.vubaconsulting.org)

VubaConsulting is a limited liability consulting engineering firm which provides advice, guidance and implementation strategies to international organizations, schools, universities and individuals operating or planning to operate in Rwanda.

The company's clients are all international and chiefly drawn from the United States and Canada. The company operates in four languages, two international (French and English) and two local (Kinyarwanda and Swahili).

The company's business model focuses on connecting international clients interested in operating in Rwanda with local professionals, contractors, businessmen and handy-job providers not otherwise known on the international market. VubaConsulting provides support, assistance and local in-country connections.

The aim is to connect foreign organisations with Rwanda-based qualified professionals in the areas of energy, water technologies, environmental engineering, public health, economic development, and education. The idea is that these local professionals will provide knowledge and expertise needed to ensure that international initiatives take a successful path in Rwanda.

The company also provides complementary⁶ coaching services to help international professionals collaborate and partner better with local professionals to identify strategies to overcome challenges. The coaching also focuses on overcoming cultural barriers and impacting large communities. VubaConsulting markets its services to international clients as professional problem solving and local professional connection services.

Jean Pierre Nshimiyimana, the founder and Chief Executive Officer, holds a Master in Science in Civil and Environmental Engineering from MIT. Francois D'Assise Nezerwa is the Director of Connections in Rwanda at VubaConsulting; he is also Manager of CALIMAX Ltd, a Rwanda-based company specializing in rural electrification and founder and CEO of DASSY Engineering Solutions Ltd and Partner at CEEP Hydro Ltd.

⁶ This profile is based on internet research, including the World Economic Forum Davos Debates in Africa, 2010.

4. Senegal

4.1. Services profile

Senegal's economy is dominated by a few strategic sectors, among them services, which contributed an impressive 60% of GDP value-added (above the LDC average) in 2011. Over the period 2005-2011, exports of commercial services grew 47% to reach just over US\$ 1 billion in 2011. Nevertheless, exports of commercial services declined from 9.6% of GDP value added in 2008 to a predicted level of 8% in 2011.⁷ No disaggregated data on the individual services sub-sectors is available.

The services sector has experienced average annual growth of 5% throughout the last decade and employs 37% of the labour force (2006 data) compared with 33% in agriculture and 14% in manufacturing.⁸

Senegal realized early potential in services export activities largely thanks to its geographical position that makes it a natural transit point between Europe, Latin America and sub-Saharan Africa. Its international airport has long been regarded among the best equipped in the region. Its positioning of sea-line cables provides high communication bandwidths and its climate, resorts and culture have traditionally formed the basis for strong in-bound tourism.

After the slowdown in 2011, average per annum growth in GDP recovered in 2012, to an estimated 3.7%.⁹ With both the manufacturing sector and the agricultural and fisheries sector experiencing erratic growth and vulnerability to external shocks, the services sector has driven this recovery. Services value added grew by 4.8% in 2012, mainly led by financial services, telecommunications and retail trade. Transport (especially rail and air), hotels and restaurants suffered a setback in 2012 due to difficulties encountered in the tourism and leisure sectors with Senegal Airlines temporarily ceasing activities. Services sector growth is expected to continue in 2013 and 2014 thanks to the resumption of activities by Senegal Airlines in 2011 as well as new infrastructure programmes, such as a toll motorway and the construction of the new Blaise Diagne International Airport.

To take full advantage of its services potential, Senegal made an early investment in modern telecommunications infrastructure such as fibre optic cables and undertook domestic reforms including privatization of water supply, electricity and the national telecoms operator. The government also instituted a range of mechanisms to promote inward foreign investment. In 2011 FDI accounted for only 2% of GDP after decreasing from 3.4% in 2008. APIX, the Senegalese investment promotion agency is actively highlighting the role of services in the economy in an effort to attract FDI in particular into Tourism and ICT.

A central national objective is to accelerate the development of tele-services. Over the 2006-2010 period, the country has gradually been able to reduce the digital divide through development of digitized network, solid penetration of mobile telephony, extension of coverage of the national territory by the various telecommunications networks, and a steady decline in the price of admission to the telecommunications business. The call centre business in particular is seen as a real opportunity to break into the modern world by integrating the Senegalese economy into global value chains.

Senegal's competitive advantages as a call centre outsourcing location reside essentially in labour costs which are ten to fifteen times lower than in France while the level of education of a teleworker is significantly higher than in France for the same position.¹⁰

The challenges are nevertheless real. ICT companies, for instance, have not always been able to reap the expected value-added benefits as the environment remains unfavourable with delays in telecommunications services unbundling, number portability, open access to short numbers and the opening up of international data access. The ICT business incubator project, launched in 2010 and intended to facilitate the incubation of at least 30 companies a year, will provide support for young enterprises with development potential. The main obstacles in this subsector are the absence of a single strategic governance framework for the sector based on a national ICT development strategy, the low level of education and equipment of households and enterprises, and the high cost of access to telecommunications/ICT services and equipment.

⁷ World Bank Database.

⁸ *Ibid.*

⁹ African Economic Outlook.

¹⁰ AGIR Promouvoir.



4.2. Premium Contact Center International (www.pcci.fr/)

PCCI is a locally-owned holding company, created in 2002 by three young Senegalese. PCCI provides a large number of back-office services to companies looking to outsource business processes. Customer relationship management (CRM) is the most common service offered by the company, but it also provides electronic document management portals, web portals, content management systems (CMS), email processing and tele-surveys.

In ten years, its client base has expanded significantly with the company chiefly focused on attracting work for the international market; most clients are large and medium sized enterprises. Turnover is split between Europe (40%) and Africa (60%). PCCI is supplying European and other multinational value chains, operating in different services sectors such as telecommunications, internet, communications, security and distribution.

Thanks to the experience gained in the international market, PCCI is now positioning itself to pick up work for local clients resident in Senegal, in particular with telecommunications companies outsourcing their inbound calls to the contact centre.

PCCI offers its clients quality of service and cost control thanks to a trained labour force, supervision by experienced management and superior quality digital infrastructure networks in Senegal. PCCI's success has attracted business attention and a growing number of other tele-services companies are also now offering call centre services as well as higher value-added services such as distance software development and technical support. PCCI remains the most successful tele-services company in Senegal.

The strength of PCCI resides in its high quality human resources. PCCI employees are trained in neutral-accented French and general knowledge about France. Employees are also trained to recognize regional accents in France. Today, PCCI employs as many as 20 different nationalities speaking more than 50 languages.

To meet the international market requirements and build its clients' confidence, PCCI has adopted a rigorous quality control system in all of its operational processes with regular audits, ensuring that the services provided are in line with client expectations.

Importantly, PCCI also adopted an economic incentive model where the billing system is based on performance. In general clients pay only if they get results. So the focus on measurable indicators in contractual arrangements has been among the company's key success factors.

Starting with around 35 employees, it now employs about 1,800 people in three production sites: Senegal, Cote d'Ivoire and Cameroon. PCCI is planning to establish a commercial presence in Nigeria and Ghana as well. PCCI has also opened representative offices in Paris and London in order to be close to its target markets and to maintain direct contact with potential clients.

PCCI is now a well-known brand with ready capability to launch new products and tap into new market segments. In its earlier days, however, the company faced many challenges associated with meeting international market requirements, especially on pricing and service quality. Costs were high and there was also a severe skills shortage and no local training institutions specialized in training tele-marketers for inbound and outbound calls. Labour turnover was high related to stiff competition for skilled tele-workers.

In less than a decade, the company has overcome the challenges to become the No. 1 contact centre in sub-Saharan Africa.

5. Uganda

5.1. Services profile

A landlocked country with a population of approximately 34.5 million, Uganda has enjoyed average GDP growth of 7% per annum over the last decade. According to the UNCTAD National Services Policy Review of Uganda, the services sector has consistently demonstrated the highest growth potential of any sector in the Ugandan economy. In 2008/09, the services sector was reported to have grown by 9.4%, compared with 7.2% for manufacturing and 2.6% for agriculture. The services sector accounted for 51% of GDP (above the LDC average) in 2011 and for about 30% of employment. Agriculture employs approximately 65% of the labour force.

Following the reform of investment regulations since the 1990s, FDI has been a key driver of services sector growth especially in Business services, Construction, Wholesale and Retail trade. In 2007 Uganda, with the assistance of the International Trade Centre, designed a National Export Strategy (for 2008-2012), which identified services in particular tourism among the key priority sectors to be developed in order to achieve employment and growth.

From 2005-2011, commercial services exports grew by 176% to US\$ 1.3 billion, contributing 10% to GDP value added in 2011. Although the services account was in overall deficit in 2011, Uganda is, nevertheless, a net exporter in the services sub-sectors of Travel, Computer and Information services and Financial Services. The country's positive net export performance in Travel services is in part a proxy indicator, highlighting the importance of both in-bound Tourism and also Tertiary Education services.

The ICT sector is one of Uganda's best export growth performers and Uganda ranks among Africa's strongest performers in the export of ICT-related services, recording growth from US\$ 0.7 million in the fiscal year 2003-04 to US\$ 31.5 million in fiscal 2006/07 - a forty-five fold increase - and continued to increase to reach US\$ 45.6 million last year.

The strong growth is at least partly the result of a targeted government policy focus, including initiatives such as introduction of a National ICT Policy Framework, establishment of a Ministry of Information and Communications Technology and active promotion of the ICT sector through the Uganda Investment Authority.

Services continue to be targeted as a major driver for future growth in the Government's Development Strategy "Uganda Vision 2040," which sets targets of the desired level of development and social-economic transformation.

Services' contribution to GDP is targeted to reach 58% by 2040, with predicted major movement of employment away from agriculture and towards services. This will require an on-going policy focus as well as intensified investment in human capital and digital and educational infrastructure.

The case study selected is in tertiary education, a sector addressed in all the country's strategic plans; education is one of the eight priority objectives identified by the National Development Plan announced in April 2010.



5.2. Tertiary education

As a result of major policy developments including the Universal Primary Education initiative, the Universal Secondary Education initiative, and the liberalization reforms of the late 1990s allowing active private sector participation, the education sector in Uganda has grown very rapidly over the past 15 years. Uganda's Universities pass out over 30,000 graduates every year.

According to the Uganda Investment Authority planned/registered investment in education amounted to US\$ 154.7 million over the decade to 2012, mostly from private local investors.

The ITC facilitated Uganda National Export Strategy 2008-2012, highlights education as one of the sectors with the highest export potential. The National Council for Higher Education (NCHE) estimates that exports of education services yielded US\$ 36 million in the year 2010 (which suggests a 2% contribution from higher education to total services exports – estimated at US\$ 1.31 billion in 2010).

Active promotional efforts on the part of the Uganda Export Promotion Board (UEPB) have contributed significantly to the increase of foreign students at Ugandan Universities, who now make up 9% of the student body. The UEPB partnered with the Commonwealth Secretariat, NCHE and selected universities to improve the competitiveness of Uganda's higher education sector within the East African Community (EAC) and Common Market for Eastern and Southern Africa (COMESA) regions. Activities included:

- Developing a collective brand name for Uganda's higher education sector
- Marketing Ugandan higher education through foreign embassies and the Ministry of Foreign Affairs
- Establishing "*Study in Uganda*" as a single web portal with links to all the universities' websites
- Scaling-up individual university marketing activities at education fairs in the EAC.

To facilitate the regional movement of students, EAC members have agreed to create comparable frameworks to promote equal access to education opportunities, to harmonize competencies and to harmonize curricula, quality assurance and accreditation systems. These reforms could be further strengthened by various proposed mutual recognition agreements.

Many universities in Uganda, including private, offer courses to foreign students: Kampala International University has 6,715 foreign students, Makerere University-College of Health Sciences has 2,444, Bugema University has 862, Islamic University in Uganda has 767, Makerere University Business School has 671 and Busoga University has 575 foreign students. Most of the foreign students come from neighbouring countries: Kenya, the United Republic of Tanzania, Sudan, Rwanda and Democratic Republic of the Congo. The EAC and COMESA regions are, therefore, the major export markets.¹¹ Business related programmes are the most popular courses with international students (22%) followed by Information and Communication Technology (15%), health sciences (15%) and law (11%).

Kampala International University (KIU), a private multi-campus university, has commercial presence abroad, with branches established in the United Republic of Tanzania and Kenya in 2001. Kampala International

¹¹ Uganda National Export Strategy 2008-2012.

University Dar es Salaam College began as a Study Centre of KIU at a temporary site and later developed into a college. It is now permanently situated on a 100 acre site in Dar es Salaam.

Uganda's attractiveness to foreign students is based on a combination of cost and quality factors. On the one hand, Uganda has a fairly well developed education system offering a diverse range of academic programmes. At the same time, tuition fees are relatively inexpensive, compared with other East African countries. The cost of living in Uganda is also relatively low and the general environment for foreign students is safe. The following SWOT analysis, drawn from the Uganda Services Export strategy 2008-2012, summarizes the main features of the education sector.

Box 1: SWOT analysis of Uganda's tertiary education exports	
STRENGTHS: • The historical foundation of Uganda's educational system based on the British system heightens acceptability regionally and internationally • Massive investment by private investors in education in a short period • Government policy focus i.e. Education for All, at primary and secondary levels • The use of English language as a medium of instruction at all levels • Comparatively inexpensive education regionally and internationally	WEAKNESSES: • Poor and old infrastructure • Inadequate remuneration of tutors • A high percentage of the population is not able to access higher education • Curricula not able to respond to market demand • Poor marketing and advertisement • Unbalanced geographic distribution of tertiary institutions in the country • Emigration of teaching and administrative staff
OPPORTUNITIES: • Connection with regional market • High percentage of population within the country and regionally seeking education opportunities • Political instability in neighbouring countries • Liberalization of education system • Economic integration that eases cross-border movement of students	THREATS: • Internal and regional wars • Competition from developed and developing countries e.g. Australia, Malaysia, India, United Kingdom and South Africa • Declining overall standards • Compromised quality due to high demand

6. Vanuatu¹²

6.1. Services profile

Agriculture, forestry and fishing provide a living for 60% of the labour force, but other economic mainstays are offshore financial services and tourism. Indeed the Services sector accounted in 2009 (latest data available) for an extraordinary 70% of GDP (above the LDC average), while employing 31% of the population.¹³

GDP grew at an average annual rate of just over 3% over the last decade but by only 0.9% and 1.4% respectively in 2010 and 2011. A decisive recovery is forecast for 2013 and 2014 due to increases in in-bound tourist arrivals as well as FDI. What growth has been experienced in recent years has been driven by services activities, in particular in-bound Tourism, which alone accounts for 40% of GDP, followed by real estate and wholesale and retail trade.¹⁴

Commercial services exports doubled in the period 2005-2011 to reach US\$ 282 million. Vanuatu exports services in all the categories recorded in the Balance of Payments. Indeed, Vanuatu is also a net services exporter, recording a surplus in the services account of US\$ 138 million in 2011.

¹² Although its per capita GDP exceeds LDC thresholds, Vanuatu is categorized as an LDC due to an adjustment based on the 'vulnerability index', which takes into account the vulnerability of Vanuatu's economy to natural disasters.

¹³ World Bank Database.

¹⁴ CIA Factbook.

The main contributor to this export success is Travel, which serves partly as a proxy indicator of the export importance of in-bound Tourism. Travel accounts for 80% of Vanuatu's services exports, the main sources of in-bound tourist arrivals being Australia and New Zealand.

Vanuatu is also a net services exporter of Construction, Financial services, and Personal, Cultural and Recreational Services. Commercial services accounted for 44.4% of total exports in 2011. Services exports account for 36% of GDP value-added.

In mid-2002, the Government stepped up efforts to boost in-bound Tourism through improved air connections, resort development and the enhancement of cruise ship facilities. "Open sky policy, adopted in 2003, led to the market entry of Pacific Blue Company in 2004, boosting visitor numbers and providing competition to Air Vanuatu.

Tourism was also identified as a priority sector in the "Priorities and Action Agenda 2006-2015" as offering potential as a source of foreign exchange as well as creating employment and fostering development of the outer islands. As identified in the Priorities and Action Agenda, Tourism still faces some serious constraints, including for example:

- The inadequacy of existing accommodation in terms of quality, size of units and limited distribution around the country including a lack of boutique resorts to attract higher income tourists;
- Lack of adequate infrastructure for international air passengers and cruise ship passengers as well as poor roads on the main resort islands and air services between the islands;
- International and domestic air services are underdeveloped and expensive;
- The land on beachfronts for building tourist facilities is insecure;
- Insufficient marketing and promotion of Vanuatu and its unique tourist attractions particularly in niche markets such as adventure, diving, game fishing and nature tourism;
- Lack of community awareness of tourism developments and the benefits that can accrue to the local community;
- Absence of a systematic training program for tourism personnel at all levels



6.2. Evergreen Limited (www.evergreenvanuatu.com)

Initially conceived in the early 1990s by a local Ni-Vanuatu family, the Malas, Evergreen was formally established as a fully licensed inbound tour operator in 1999, with its head office in Port Vila.

The company is owned by the Malas Family, who are the customary land owners of the spectacular Mele Cascades Waterfalls and the Kalo Family who are the customary land owners of the renowned Pele Island Beach. Thanks to deep knowledge of local customs and culture, Evergreen Ltd has become the largest indigenous tour operator in Vanuatu with a network covering all of Vanuatu's major tourist islands.

Evergreen is also a handling agent for major international travel agents from Australia, New Zealand and New Caledonia, providing high-quality destination services to clients at competitive rates.

With a highly trained bi-lingual staff, the company offers half- and full-day tours from eco-tourism and cultural itineraries to wellness and adventure experiences. In all its proposed tourist activities, the company is committed to achieving a positive impact on the local economy, integrating local communities into the tours as guides, as sellers of local products, or by facilitating tourist experiences of traditional cuisine and artistic performances.

Evergreen owns a fleet of modern air-conditioned tourist coaches and tour buses providing seat-in-coach or private transfers. Compliance with safety standards is ensured for all sea excursions, with modern boats quipped with life jackets and flares.

In a recent effort to position itself in the global tourism industry, representing all other Ni-Vanuatu tour operators, Evergreen exhibited at the Mini World Expo in Yeosu city in South Korea in 2012.

"This has been a good opportunity for the company to diversify its target markets from the traditional ones, mainly Australia and New Zealand, and in particular to create connections with South Korea and other Asian emerging markets. Evergreen receives over 6,000 Korean tourists every year and we look forward to increase their number as a result of this Expo."

Philip Malas,¹⁵ Managing Director, Evergreen Tourism

In 2013 the company was awarded a certificate of excellence by Trip Advisor, setting a new benchmark for other local companies in Vanuatu.

The company has also developed niche expertise in events management including wedding planning. With its specialized staff of wedding coordinators, Evergreen offers complete wedding packages, taking care of all arrangements, from flowers to photography, marriage license registration fee and refreshments.

Evergreen is hence contributing also to Vanuatu's net export position in Personal, Cultural and Recreational Services.

7. Conclusion

As the preceding case studies have demonstrated, there are successful services exporters in LDCs. The case studies also confirm that enterprises headquartered in LDCs can achieve commercial presence abroad, and not only in other LDCs. While it has not been a focus of this brief study, it is evident that the LDCs also earn foreign exchange through temporary movement of personnel, often in tandem with export through other modes.

The case studies also throw useful light on the factors relevant for successful services export performance. The export stories help to understand the kinds of challenges LDC enterprises face and what it takes to boost the chances of success, including policy and regulatory variables. The stories confirm there are many variables, and much therefore that businesses and governments can do to enhance the opportunities for LDC participation in global and regional services supply chains.

The deployment of knowledge-intensive skills and the associated human resource development was important for all of the case studies presented. Education is vital to the services sector and the availability of appropriate training opportunities, including for languages, can evidently turn local business prospects

¹⁵ Vanuatu Daily Post, 10 May 2012.

around. This is true in the Bangladeshi and Senegalese stories. It is true also in the Rwandan and Cambodian case studies. It is fundamental to the success of the tertiary education sector in Uganda. Education and training is not a policy variable which should be seen as relevant to business only in the long term. It is always important for governments to act fast to ensure the appropriate tertiary including vocational training facilities exist.

Similarly, many of the export success stories showed the importance of regulatory reform efforts both to encourage local cost competitiveness and/or to enhance international client confidence in the relationship with local businesses. Indeed the associated services profiles show that the relevant governments are highly focused on achieving additional business reforms and on providing the infrastructure needed to build new industries. To this end, many of them already have or are developing, in consultation with local stakeholders, deliberate national services industry plans and services export strategies.

In many of the case studies, enterprise-level compliance with international standards was very important. For all, the ability to solve technical problems and to innovate to meet international client needs was the key to export success. Export promotion efforts on the part of the government also figure importantly in the success stories, most obviously for Uganda but also for Vanuatu, and for Bangladesh. Importantly, the Bangladeshi stories help to show the real measurable difference that Aid for Trade can make.

Part C: A framework for enhancing competitiveness in services

The lessons learned from ITC fieldwork and case study experience has been gathered along with other relevant information into a proposed framework, summarized in Box 2, of factors which ITC identifies as likely to have a determining role in driving services competitiveness.¹⁶

Box 2: Factors driving international competitiveness in services

1. **Endowments, especially Human Capital (talent, education, skills, ideas, culture of customer focus)**
(tertiary enrolments, vocational training, languages)
2. **Investment in Intangible Assets (corporate IP e.g. copyright, business methodologies, brands)**
(supportive environment for innovation)
3. **Enabling Digital Infrastructure**
(quality of the telecommunications network)
4. **Quality of Institutions**
(transparency, rule of law)
5. **Efficiency of Domestic Regulation**
(inefficiencies and rigidities, burdensomeness of domestic regulatory compliance costs)
6. **Connectedness with the International Market**
(trade and investment openness, export promotion, mutual recognition, interoperability of standards, seamlessness of regulation across borders)
7. **Services Business Stakeholder Consultation**
(existence of services industry coalitions, public/private consultation mechanisms)
8. **National Strategic Policy Focus**
(better services statistics, inter-agency consultation, vision and roadmap for services building hubs of excellence)

This framework can be used as a basis for discussion on how LDCs can increase competitiveness in services. LDCs tell ITC they need focused assistance to help them implement reforms related to many of the elements of this framework.

Advice is needed, for example, on which enabling infrastructure to provide and on which regulatory settings might be considered best practice in ensuring interoperability across the value chain. This framework and paper are also designed to help add to the relatively limited analysis and few public policy tools available on how to grow a services industry, or a hub of services excellence; on how to train, attract and retain services skill sets; or on how to facilitate services innovation, collaboration and customer orientation.

Some of these issues can be addressed through a reinforced focus in Aid for Trade capacity-building programmes on services productivity. ITC and others are acting to encourage greater coordination between government agencies involved in services trade-related matters, help to seed services industry coalitions and business associations, and contribute to mechanisms for public/private dialogue on services regulation.

ITC is very aware that an enhanced Aid for Trade effort is also needed at enterprise capacity level and that services firms need dedicated attention. Box 3 summarises the ITC approach, in implementing Aid for Trade, to building competitiveness in services at the level of small and medium-sized enterprises including in LDCs. In essence, the key is to identify and apply the appropriate levers available to improve shortcomings in firm level and sector-level export capacity. Cost reduction is obviously important for firms in all sectors. For services firms, skills availability, training and human resource development is of prime importance, along with customer focus, relationship building and reputation. Information technology, on-line functionality, innovation and intellectual property are equally vital.

¹⁶ The factors identified also draw on informal company-level evidence emerging from services industry coalitions, on business survey results from a 2012 study undertaken by the APEC Business Advisory Council and on empirical findings from a variety of developing country services export case studies undertaken by the World Bank.

Box 3: Enterprise level competitiveness factors and capacity levers**EXPERTISE**

Access to skills; knowledge base of employees; linkages with academia and accrediting bodies; relationships with regional and international firms; on-the-job training; continuous professional training, maintenance of professional standards, creating positive professional environment; human resource and IT management.

CUSTOMER/CLIENT FOCUS

Establishing and meeting firm principles of customer service; actively managing client relationship before, during and after sales; recognizing and integrating client feedback in business operations.

RELATIONSHIPS

Developing relationships with diaspora, partnering with leading firms, actively managing consistent positive relationship with financial institutions and investment partners; participation in mutual recognition agreements.

REPUTATION

Strengthening firm governance; introducing management methods to ensure quality of service; training staff on principles of professionalism; participation in export promotion activities; leverage of domestic and international media for business profiles.

TECHNOLOGY

Access to high-quality and competitively priced IT services; access to economically priced and quality infrastructure; engagement with industry leaders and associations; attention to on-line environment as a valuable source of new technology and services.

ONLINE FUNCTIONALITY

Establishment and maintenance of on-line presence, management and scalability of on-line transactions, use of on-line payment systems.

INTELLECTUAL PROPERTY

Ability to effectively protect corporate intellectual property with contracts, knowledge and use of national framework for intellectual property, understanding of administrative process of obtaining intellectual property rights; functional framework to ensure payments associated with copyrights, patents, etc.

INNOVATION

Consistently upgrading services as market evolves and in response to client feedback and in anticipation of client needs; investment in staff and research and development, linkages with universities and research institutions, engagement with R&D industry.

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Appendix I LDC commercial services exports and imports, 2011

LDCs	EXPORTS		IMPORTS		NET EXPORTS
	Value (US\$ '000) 2011	Average growth % 2011-2005	Value (US\$ '000) 2011	Average growth % 2011-2005	
LDC	21,700,000	136	65,300,000	150	-43,600,000
Angola	732,260	314	22,414,988	262	-21,682,728
Bangladesh	1,388,417	193	4,980,826	148	-3,592,409
Benin	332,398	86	561,338	110	-228,940
Bhutan	79,506	87	111,032	-13	-31,526
Burkina Faso	363,310	478	1,052,511	203	-689,201
Burundi	19,587	200	189,476	52	-169,889
Cambodia	2,139,584	101	1,292,532	105	847,052
Central African Rep.	31,787	67	185,644	76	-153,857
Chad	233,593	324	1,851,072	20	-1,617,479
Comoros	63,532	64	106,191	134	-42,659
Congo, Dem. Rep. of the	326,169	241	2,633,362	158	-2,307,193
Djibouti	151,946	60	143,016	88	8,930
Ethiopia	2,597,545	229	3,308,891	181	-711,346
Gambia	152,689	86	68,235	46	84,454
Guinea	70,590	102	525,530	157	-454,940
Guinea-Bissau	16,983	267	83,482	100	-66,499
Haiti	192,710	117	732,810	42	-540,100
Lao People's Dem. Rep.	525,588	185	325,016	1036	200,572
Lesotho	42,879	34	515,992	46	-473,113
Liberia	365,444	351	266,313	168	99,131
Madagascar	993,225	137	1,013,139	119	-19,914
Malawi	75,452	16	199,317	42	-123,865
Mali	377,726	49	1,048,881	80	-671,155
Mauritania	150,680	163	649,573	102	-498,893
Mozambique	632,511	100	1,467,175	134	-834,664
Myanmar	580,499	147	1,066,580	122	-486,081
Nepal	775,049	186	761,405	80	13,644
Niger	132,339	57	939,472	239	-807,133
Rwanda	318,056	282	510,144	189	-192,088
Samoa	170,557	51	74,554	36	96,003
Sao Tome and Principe	18,003	100	27,468	177	-9,465
Senegal	1,013,255	47	1,192,715	53	-179,460
Sierra Leone	159,971	105	245,324	185	-85,353
Solomon Islands	131,002	259	191,012	238	-60,010
Sudan	305,996	204	1,938,742	8	-1,632,746
Tanzania, United Rep. of	2,318,600	91	2,156,400	91	162,200
Timor-Leste	28,466		805,743		-777,277
Togo	367,174	153	491,503	98	-124,329
Tuvalu	3,253	92	32,627	175	-29,374
Uganda	1,347,222	176	2,258,680	281	-911,458
Vanuatu	281,845	109	143,309	109	138,536
Yemen	1,091,170	282	2,219,900	88	-1,128,730
Zambia	375,210	81	1,152,000	158	-776,790

Source: UNCTAD- WTO Trade in Services Database.

NB: No 2011 data is available for Afghanistan, Eritrea, Kiribati, Somalia. Data for Chad is 2009.

Appendix II: LDC commercial services exports composition, 2011

Country	Total Services	Transportation	Travel	Communication	Computer & Information	Construction	Financial	Insurance	Personal, cultural & recreational	Royalties & License Fees	Other Business Services
LDCs	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒
Angola	☒	☒	☒	☒					☒		
Bangladesh	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒
Benin	☒										
Bhutan	☒	☒	☒	☒			☒	☒		☒	
Burkina Faso	☒										
Burundi	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒
Cambodia	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒
Comoros	☒	☒	☒	☒				☒			
Congo, Dem. Rep. of	☒	☒	☒	☒			☒	☒	☒		
Djibouti	☒	☒	☒	☒							
Ethiopia	☒	☒	☒	☒	☒	☒	☒	☒			
Gambia	☒	☒	☒	☒		☒		☒			
Guinea	☒	☒	☒	☒	☒	☒		☒	☒		
Guinea-Bissau	☒										
Haiti	☒		☒	☒						☒	
Lao People's Dem. Rep.	☒	☒	☒	☒		☒	☒	☒			
Lesotho	☒	☒	☒	☒	☒		☒	☒			
Liberia	☒	☒	☒								
Madagascar	☒										
Malawi	☒	☒	☒	☒				☒	☒		
Mali	☒										
Mozambique	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒
Myanmar	☒	☒	☒			☒					
Nepal	☒	☒	☒	☒				☒			
Niger	☒										
Rwanda	☒	☒	☒								
Samoa	☒	☒	☒	☒	☒	☒			☒		
Sao Tome and Principe	☒	☒	☒	☒			☒				
Senegal	☒										
Sierra Leone	☒	☒	☒	☒			☒	☒		☒	
Solomon Islands	☒	☒	☒			☒	☒		☒		
Sudan	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒
Tanzania	☒	☒	☒	☒	☒		☒	☒	☒		
Timor-Leste	☒	☒	☒	☒							
Togo	☒										
Tuvalu	☒										
Uganda	☒	☒	☒	☒	☒		☒	☒	☒	☒	
Vanuatu	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒
Yemen	☒	☒	☒	☒							
Zambia	☒	☒	☒	☒				☒	☒		
		30	31	27	12	13	16	20	15	10	6

Source: UNCTAD- WTO Trade in Services Database.

NB: No disaggregated data is available for Afghanistan, Central African Republic, Chad, Eritrea, Kiribati, Mauritania, Somalia.



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