

CREATION OF A REGULATORY DATABASE IN PROFESSIONAL AND CONSTRUCTION SERVICES AND SERVICES TRADE RESTRICTIVENESS INDEX (STRI)

BACKGROUND

Based on the commitments taken by the CEFTA Parties in the 2006 Agreement, a clear need was identified to help the Parties continue to develop and utilise the appropriate tools towards the progressive liberalisation of trade in services.

OVERALL OBJECTIVE

The primary objective of the action was to assess the quality of the regulatory framework for priority areas in trade in services in CEFTA for the benefit of the CEFTA Parties on a multilateral basis. The analysis resulted in an inventory of regulatory barriers to trade in services in the priority areas.

For the assessment of the restrictiveness of services trade in CEFTA, the OECD project team based its analysis on the Services Trade Restrictiveness Index (STRI) methodology, developed by the Trade and Agriculture department of the OECD.

ACTIONS AND ACTIVITIES

The first phase of the assessment involved completing an inventory of regulatory barriers to trade in services in professional and construction services. The second phase of the assessment was focused on the verification of regulatory data with the CEFTA Contact Points and calculation of STRI indices for CEFTA Parties, demonstrating their level of restrictiveness in the two service areas. The results of the assessment for the two areas are as follows:

(I) Professional services

The assessment of professional services covered the following sub-services:

- Legal
- Accounting & auditing

- Architecture
- Engineering services.

The preliminary STRI results highlighted that the primary barriers were in the areas of foreign ownership and market entry conditions and in the area of movement of people. Legal services were found to be the most restrictive sector, with most CEFTA Parties significantly more restrictive than the OECD-EU benchmark. The most restrictive measures identified were (i) the nationality requirement (often combined with no system of limited license) and (ii) restrictions in the process of recognition of foreign qualifications.

Furthermore, CEFTA Parties either allow no foreign equity or allow a 100 % equity share, but with equity restrictions applying to non-locally-licensed lawyers/foreign firms. Architectural services and engineering services are less restrictive than legal services and present a similar level of restrictiveness, with all CEFTA economies closely gravitating around the respective EU-OECD averages. Finally, accounting and auditing services are the least restrictive sector of professional services, with almost all CEFTA economies less restrictive than the EU-OECD average.

The OECD confirmed the accuracy of the results, validated them as final and discussed the follow-up steps in the relevant CEFTA bodies. One priority discussed was the need to address the legal services (the most restrictive sector) by introducing a limited license system in those CEFTA economies that lack one and by relaxing the foreign equity restrictions. These measures would unblock market entry through facilitating the movement of people and the establishment of commercial presence. However, governments could also opt to address horizontal issues common to all four professional services sectors, such as introducing clear and transparent systems of limited licensing and by streamlining the process of recognition of foreign qualifications.

(III) Construction services

The assessment of construction services was conducted following the same approach as for the professional services. Construction services do not have a high level of restrictiveness, however most CEFTA economies are more restrictive than the EU-OECD benchmark. Overall, the policy areas that contribute the most to the scores are restrictions on the movement of people and regulatory transparency and administrative requirements. The most restrictive measures include the limitations on the duration of stay of workers, limitations on the acquisition of land/real estate and restrictions on obtaining construction permits.

The results of the assessment indicated that the CEFTA economies should address these restrictions by focusing especially on quotas, limitations on duration of stay and labour market tests, with a focus on people with highly specialised skills. Furthermore, the regime for issuing construction permits should be improved.

IMPACT ON CEFTA

The overall impact of the action on CEFTA was to facilitate the Parties efforts to liberalise trade in services. The Service Trade Restrictions Index (STRI) helps identify which policy measures restrict trade. The project also contributed to capacity building and transparency as the Index provides CEFTA policy makers and negotiators with information and measurement tools to open up international trade in services and negotiate international trade agreements. It has also helped CEFTA governments identify best practice and then focus their domestic reform efforts on priority sectors and measures. The STRI indices take the value from 0 to 1, where 0 is completely open and 1 is completely closed. They are calculated on the basis of information in the STRI database that reports on regulations currently in force.

SUMMARY PROJECT INFORMATION

Dates:	March 2012 - November 2014
Budget:	<i>n.a.</i>
Partners:	OECD, CEFTA, EC, World Bank
Financiers:	EU (IPA)
Beneficiaries:	Ministries responsible for trade

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