

AFRICA'S SERVICES TRADE LIBERALIZATION & INTEGRATION UNDER THE AfCFTA

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Chapter 1

THE STATUS OF REGIONAL INTEGRATION IN AFRICA

HIGHLIGHTS

- Regional and continental integration have made progress, but challenges persist. They include inadequate financial resources; poor infrastructure networks; a lack of appropriate mechanisms tracking progress; and limited implementation of policies and agreements on regional integration.
- Overall, output contracted by 2.5 per cent in 2020 from 3.6 per cent growth in the previous year, largely due to the Covid-19 pandemic and the measures taken to disrupt the spread of the disease. Despite the 2020 contraction, African economies are expected to rebound (...). Although Africa's economies are among the world's fastest growing, its contribution to global trade remains marginal—only 2.7 per cent of global trade in the past couple of years.

- **INTEGRATION** To improve the production dimension of African integration, the 2019 ARII (African Regional Integration Index) recommends building innovative, regional value-chain frameworks in different sectors using improved technology, higher-quality inputs and updated marketing techniques. For African countries to improve on their productive integration, the role of services and services trade in supply chains, regional value chains and global value chains is critical. (p.38)
- **LOGISTICS** Well-functioning logistics are necessary for regional supply chains. African countries need urgently to improve their productive capacities by better coordinating pan-African trade and investment policies and fostering better cooperation between public and private sector stakeholders.(p.40)
- **MACROECONOMIC CONVERGENCE** In macroeconomic convergence, countries seek to reduce the differences between their monetary and fiscal policies. It is an essential step in achieving regional integration that can promote intra-regional trade, enhance regional macroeconomic stability and advance greater public accountability. With many RECs in Africa hoping to establish or enhance monetary union, macroeconomic convergence is essential for a long-term successful common currency to further reduce costs of intra-regional trade in both goods and services. (p.40)
- **ENERGY** In a crisis such as the current one, continuous electricity supply is essential to preserve strategic infrastructure. Yet, generation capacity in Africa is about half that in Southeast Asia, with around 600 million people lacking access to electricity and around 900 million lacking access to a clean source of energy for cooking (IEA, 2019). Such issues create barriers for the market entry of private sector operators and for regional integration, while increasing national vulnerability to macroeconomic shocks. (p.46)
- **POTENTIAL** The push for ratifying and implementing the AfCFTA by all African countries and realizing its full potential hinges on a supportive and facilitative infrastructural environment, with road, rail, air, water, energy and information and communication technology (ICT). The outbreak of Covid-19 with its unprecedented socioeconomic impact has further widened the gap. (p.42)
- **MEDICAL SUPPLIES** The African Medical Supplies Platform (AMSP) is a key pooled procurement initiative from the AfCFTA-anchored Pharma Initiative and Africa CDC to overcome Africa's acute medicine supply shortages (...). The larger AfCFTA-anchored Pharma Initiative is built on the principles of pooled procurement, localized production of medical equipment and supplies, and harmonized regulatory and quality standards to help buyers access quality products, to help suppliers access a larger market, to reduce the cost of medicines for African consumers, and to enhance transparency and efficiency. (p.47)
- **GOVERNANCE** Although the signing and coming into force of AfCFTA remains one of the biggest integration achievements of the past decade, its effective implementation will be shaped by the evolution of the continent's governance, peace and security landscape. (p.48)
- **FREE MOVEMENT** Free movement of persons across borders is critical to regional integration for African states, primarily because of the associated gains in both goods and services trade. (...) So, advancing the free movement of people is a key priority for African leaders, as advanced in several policy frameworks (...) as well as in the development of an African passport. (...). Despite the shared desire and the actions undertaken to pull down Africa's physical and mental borders, progress towards free movement of persons has been mixed, and challenges persist. (p.50)

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- **INFRASTRUCTURE** Investment in infrastructure accounts for more than half the past decade's improvements in economic growth in Africa and could contribute much more, given a conducive environment (African Development Bank, 2020). However, Africa has faced a challenge in securing financing to meet its infrastructure needs. Total commitments for infrastructure in 2018 amounted to \$100.8 billion (...). This is the first time that commitments have passed the \$100 billion mark, the result of concerted efforts by all financing sources. But a financing gap of \$53–93 billion a year there remains. (p.42)
- **VALUE CHAINS** Despite its key role in production, the role of services in (Global Value Chains) GVCs is often poorly understood and underappreciated, especially in Africa. (...) The AfCFTA provides a mechanism to foster productive integration and to transform African economies. Defragmenting Africa under the AfCFTA aims to boost competitiveness and integrate African economies into the regional and global economy. (p.40)
- **MACROECONOMIC CONVERGENCE** In macroeconomic convergence, countries seek to reduce the differences between their monetary and fiscal policies. It is an essential step in achieving regional integration that can promote intra-regional trade, enhance regional macroeconomic stability and advance greater public accountability. (...) Read more about RECs meeting primary convergence targets on pages 40 to 42. •
- **ITC** According to the AfDB, ICT emerged as the main driver of improvements on the Africa Infrastructure Development Index for the past decade, demonstrating the increasing importance of digital technology in Africa. (p.44)
- **HEALTHCARE** Overall, the cross-border scale of health pandemics such as Covid-19 renders narrowly focused national responses inadequate and even short-sighted. Collaborative action using regional and continental frameworks and instruments such as the CDC, the AMA and REC mechanisms hold promise for greater effectiveness. But regional and continental instruments need to be strengthened, properly resourced and afforded the requisite legitimacy through state ratifications and domestications to fulfil their roles. (p.48)
- **FREE MOVEMENT** Despite the shared desire and the actions undertaken to pull down Africa's physical and mental borders, progress towards free movement of persons has been mixed, and challenges persist. Currently, Africans enjoy visa-free entry to only 25 per cent of other African countries, must secure visas on arrival in 24 per cent, and must have visas to travel to 51 per cent (African Development Bank and AU, 2018). (p.50)
- **TRADE** The European Union (EU) remains Africa's main trading partner, accounting for 31.4 per cent of trade in 2019. Intra-African trade fell slightly in 2019, contracting by 1.6 per cent to \$155 billion, down from \$159 billion in 2018. (p.51)
- **SERVICES** Despite the service sector's global contribution of up to 61 per cent of value added to GDP and its sub-Saharan African contribution of 51 per cent of GDP in 2018, the potential benefits of services trade are unappreciated and underutilized by many African countries. (p.52)

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- **COVID-19** The crippling effects of Covid-19 strengthens the case for Africa to leverage the opportunities of economies of scale created by the continent-wide AfCFTA market space to move towards enhanced production of African finished goods and services that can readily be traded across the continent and beyond. (p.38)
- **PRODUCTION** African countries' average score for productive integration on ARII (African Regional Integration Index) is only 0.20 of 1.0, with 33 countries scoring below the average. (...) This finding implies that production is not evenly dispersed across the continent and that countries are not reaping the benefits of their comparative advantage. This could be due in part to poor or non-existent logistics. (p.38)
- **INFRASTRUCTURE** Investment in infrastructure accounts for more than half the past decade's improvements in economic growth in Africa and could contribute much more, given a conducive environment. The African Development Bank (AfDB) has estimated Africa's infrastructure needs at \$130–170 billion a year with a financing gap (...) in the range of \$68–\$108 billion. (...) The push for ratifying and implementing the AfCFTA by all African countries and realizing its full potential hinges on a supportive and facilitative infrastructural environment (...). (p.42) Total commitments for infrastructure in 2018 amounted to \$100.8 billion (...). Of that, private sector financing amounted to \$11.8 billion, the highest figure to date. (p.46)
- **DIGITAL ECONOMY** Covid-19 has laid bare the need for a digital economy in Africa that has potential to boost labour demand, supply and intermediation, if properly applied. The global crisis has the potential to accelerate the continent's digital transformation and to create decent and resilient digital jobs. Even before the crisis, an estimated 230 million digital jobs were projected to be created in Africa by 2030. (p.44)
- **MEDICAL EQUIPMENT** The African Medical Supplies Platform (AMSP) is a key pooled procurement initiative by the AfCFTA-anchored Pharma Initiative and Africa CDC to overcome Africa's acute medicine supply shortages (...). The platform is an online marketplace that furthers the supply of Covid-19-related critical medical equipment in Africa. (p.47)
- **AfCFTA** Operationalizing the AfCFTA will increase market efficiency and reduce the cost of doing business by offering opportunities for economies of scale. It will also facilitate trade and investment flows and shift the composition and direction of foreign direct investment flows into Africa. More than a traditional free trade area, the AfCFTA also covers sectors such as investment, services trade, intellectual property rights and competition policy, and possibly e-commerce. (p.51)
- **SERVICES TRADE** Despite the service sector's global contribution of up to 61 per cent of value added to GDP and its sub-Saharan African contribution of 51 per cent of GDP in 2018, the potential benefits of services trade are unappreciated and underutilized by many African countries. The continent's services trade performs far below its potential, accounting for only 22 per cent of African trade, while African exports remain highly concentrated in agriculture and primary goods. (p.52)

POLICY-MAKERS

Chapter 2

THE STATUS OF SERVICES TRADE AND SERVICES TRADE POLICIES IN AFRICA

HIGHLIGHTS

- Over the past two decades, the share of services in Africa's GDP has grown, while the shares of agriculture and manufacturing have been declining. That pattern is also true of total employment. Services thus drive value-addition and provide critical inputs for boosting other economic activities. But trade in services remains largely invisible and intangible, tied to the national, regional, and international movement of people, information, capital and goods.
- African countries' service sectors have been growing faster than the world average, but the continent remains a marginal player in value-added global services trade. In 2009–12, the service sector saw 4.6 per cent a year growth in Africa.

- **VALUE CHAINS** African countries have great opportunity to participate in regional and global value chains. Forward integration by commodity could increase value addition (...). The challenge is to upgrade services sectors in process, product and function to create material advantages in gaining from global product and service value chains. Building global competitiveness is key to this ambition. (p.62)
- **GENDER** Information and data gaps hide how trade in services could address gender disparities and promote greater equity, access and parity in the service sector. Trade liberalization and regulatory reform focus on how trade in services could address constraints, eliminate or mitigate barriers and, ultimately, drive greater opportunities for women by enhancing female participation and gender empowerment. (p.62)
- **LDCS** Africa's LDCs must be better integrated into the evolving architecture of services trade, perhaps on the basis of variable geometry formulations like the two-speed European Union integration or the World Trade Organization's "special and differential treatment" provisos. Indeed, services trade could be the frontier for African LDCs to participate in regional and global value chains and thereby generate greater welfare gains than currently. The negotiations mandate of the AU Trade in Services Protocol must create an opportunity for Africa's LDCs to better incorporate services trade into their industrial policies and national growth strategies. (p.64)
- **COVID 19** African countries need to ensure that institutional, governance and fiscal mechanisms are put in place to mitigate the impact of the pandemic on services industries, whether they be formal or informal. (p.68)
- (...) countries must resist any urge to impose further restrictive barriers on services trade. (...) The importance of services trade for African countries' economic recovery cannot be stressed enough, and although additional healthcare-related and quarantine restrictions are likely to be imposed on trade in services that require proximity between buyers and sellers, such restrictions must not become prohibitive. The preferential liberalization of both goods and services not only will enhance regional value chains in Africa but could also mitigate macroeconomic turbulence caused by the pandemic. (p.68)
- The impact of Covid-19 on services trade could be mitigated by accelerating the implementation of the AfCFTA Trade in Services Protocol as a tool of post-pandemic recovery. (...) Although the protocol provides the legal, conceptual and methodological tools for negotiations to liberalize services trade, undertaking those negotiations will be a challenging phase for implementing the AfCFTA. (p.71)
- **SERVICES PROTOCOL** Regulatory reforms needed to address shortcomings in Africa's services trade landscape include ensuring the effective contestability of service markets, establishing independent and accountable systems of regulation, and achieving mutual recognition agreements. (p.69)
- The conceptual and policy parameters of the AfCFTA could form the basis for a strategic continental e-commerce and digital ecosystem for liberalizing and lifting restrictions on digital trade across Africa. (p.69)
- Services make almost two-thirds of global GDP and employment, yet the limited opening of service sectors to foreign competition continues to hinder trade and productivity growth across African countries and regions. (p.72)
- Services trade liberalization negotiations must be welcomed as a strategic component of the AfCFTA agenda and encouraged at all levels—the AU, RECs and member states. The agenda will require careful, judicious and prudent recalibration, reflecting how the current and post-pandemic landscape affects negotiations. Since the service sector in Africa is predominantly made up of small and medium enterprises with high levels of informality, a comprehensive and strategic policy approach to the sector is important. (p.73)

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- African countries' service sectors have been growing faster than the world average, but the continent remains a marginal player in value-added global services trade. In 2009–12, the service sector saw 4.6 per cent a year growth in Africa.

- **ECONOMIC AND SERVICE SECTOR GROWTH** [In African countries], the share of services in total employment and GDP has increased. The contribution of services to employment increased from 27.6 per cent in 2000 to 32.3 per cent in 2015 while its share of GDP increased from 50 per cent in 2007 to 53.6 per cent in 2017. (p.60)
- Service exports from Africa are increasing, but the continent's role in the export and import of services is marginal. (...) In 2019, the value of global service exports was \$46 trillion. Africa's exports of services were valued at \$107 billion in 2019, and its imports of services at \$148 billion. (p.62)
- Africa's share of global services imports was 3.2 per cent in 2018, compared with developing America's 4 per cent and developing Asia's 30.7 per cent. Most African service imports (72 per cent) revolved around transport, travel, construction and government and other business services, while most exports (87 per cent) were in travel, transport, communications and government and other business services. (p.64)
- **AfCFTA** The AfCFTA Trade in services will play a critical role in the post-Covid economic recovery. The judicious implementation of the AfCFTA Protocol on Trade in Services, which seeks to liberalize intra-African trade in services, is highly significant, especially for the impetus it can provide to the social and economic recovery environment. For African countries, the realization of the benefits of the Trade in Services Protocol faces challenges because of its novelty and its imperative for deeper governance reforms than those typically associated with merchandise or goods trade. (p.59)
- **GENDER CONSIDERATIONS** Information and data gaps hide how trade in services could address gender disparities and promote greater equity, access and parity in the service sector.
- Trade liberalization and regulatory reform focus on how trade in services could address constraints, eliminate or mitigate barriers and, ultimately, drive greater opportunities for women by enhancing female participation and gender empowerment. (p.62)
- **RECs** Africa's regional economic communities (RECs) have taken account of the crucial role services can play in economic growth and social development. (...) REC member states, in view of the importance of services to Africa's integration agenda, have deepened their commitment to service liberalization. The role that services could play in the REC contribution to the continent's overall development could help REC members escape their low-productivity equilibriums and raise their levels of competitiveness. (Read more about RECs progress on liberalizing services trade on pages 65-67).
- **COVID-19** The pandemic has disrupted supply chains and the inter-connected global circuits of markets and economic activity, showing how they depend on national, regional and global services. In the first quarter of 2020, international services trade declined by 7.6 per cent year-on-year and by 7.3 per cent quarter-on-quarter, with travel (the sector affected worst) at -24.4 per cent year-on-year and transport at -8.6 per cent (UNCTADStat, 2020). (p.67)
- The pandemic in 2020 undermines both Africa's growth and the extent to which services trade could catalyse growth and development. Sub-Saharan growth, starting from an average of 2.4 per cent in 2019, was projected to decline to between 2.1 per cent and 5.1 per cent in 2020. (p.68)

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- African countries' service sectors have been growing faster than the world average, but the continent remains a marginal player in value-added global services trade. In 2009–12, the service sector saw 4.6 per cent a year growth in Africa.

- **ICT AND DIGITAL ECONOMY** The impact of digitalization and technological change on the services sector—driven by the new economy of knowledge and innovation—cannot be ignored. (...) “Africa is now digitalizing faster than anywhere else in the world”. Digital technologies and information and communication technology (ICT) also facilitate trading services across national borders and across regions. (p.59)
- The conceptual and policy parameters of the AfCFTA could form the basis for a strategic continental e-commerce and digital ecosystem for liberalizing and lifting restrictions on digital trade across Africa (ECA, 2019: 259–262). Liberalization must of course be accompanied by investing in ICT infrastructure to address the persistent digital divide and regulatory bottlenecks in many African countries. Bottlenecks include poorly structured spectrum licensing schemes that limit market entry, as well as restrictions on foreign ownership, exorbitant taxes on digital services and equipment, weak cybersecurity and data protection and a lack of technical skills. (p.69)
- **SERVICE TRADE AND FDI** Across African countries, irrespective of their levels of development and the impact of the Covid-19 pandemic, services will increasingly become the main fulcrum of productivity, competitiveness, job creation, poverty reduction and improving living standards. (p.72)
- Most tellingly, Africa accounts for only 2 per cent of the global trade in services. Even so, in 2018 Africa showed the highest growth in service exports—9.4 per cent—thus demonstrating its great promise (UNCTADStat, 2019). Services are magnets for foreign direct investment (FDI) and attracting private equity finance to Africa: about 48 per cent of FDI to Africa in 2014 went into services, an increase of 24 percentage points from 2011 (UNCTAD, 2015a). This reflects critical interventions underway to strengthen service sectors and services trade across Africa's diverse economies. So, the five priority areas in services trade that were approved by the AU Assembly in July 2018—transport, tourism, communications, financial services and business services—have much to offer in promoting Africa's development trajectory. Services trade liberalization would thus generate large welfare gains—larger than those for merchandise trade (UNCTAD, 2015b). (p.74)

POLICY-MAKERS

Chapter 3

IMPACTS ON DEVELOPMENT OF SERVICES TRADE RESTRICTIONS: THE CASE FOR LIBERALIZATION AND INTEGRATION

HIGHLIGHTS

- Services trade is the new frontier for developing countries, particularly African countries, for enhancing participation in international trade to realize development gains.
- The barriers to services trade are (...) complex, diverse, opaque, and hard to quantify, mainly because services are intangible and are often neither storable nor transferable. Such characteristics push border measures to the background and highlight domestic rules and regulations of services, especially their proximity to international best practices, in considering the effectiveness of services trade liberalization.
- Available literature on Africa's services trade reforms suggests that African countries are more liberal than other countries—an observation that appears to run counter to the abysmal share of African services in global services trade. The answer to the puzzle lies in the structure and quality of openness. Without a rigorous analysis of service sector and services trade, policy reforms are unlikely to have a positive impact on development.

- **TRADE REFORMS** The concept of servicification of economies, which implies that manufacturing industries would export more if barriers to their service inputs were lifted, should guide negotiators of services trade reform. (p.82)
- An enabling policy environment promoting competition, openness to trade and investment, and adequate regulatory frameworks can enhance connectivity, lower trade costs and foster growth and economic performance. For example, improving the policy environment for service sectors can help attract the FDI required to meet the SDGs and develop the ICT infrastructure to bridge the digital divide. (p.83)
- **DIGITAL ECONOMY** The importance of digital services cannot be overemphasized—even more so given the new normal induced by Covid-19, which has promoted contact-less services (...)— at least from the clustering approach (...) as well as the hierarchy of services. Promoting the digital economy, including services, is a sure way to promote efficiency and improve the productivity of other services. Digital services require analyses of service value chains that, in a policy perspective, identify issues around critical services. For instance, besides digital services, reliable and efficient energy services are central to competitiveness and trade and are a potential catalyst to robust economic performance and structural transformation. (p.88)
- **CONTINENTAL INTEGRATION** While country level reforms are essential, having a framework for continental integration is more important, while the AfCFTA offers a platform to integrate various efforts at service reforms. The continent's documented development challenges include non-inclusive growth and a lack of structural transformation, among others. The use of services trade reform to promote structural transformation, especially through industrialization, cannot be overemphasized. The strategy is justified by modern day industrialization's reliance on a high dosage of efficient services (...). It is thus instructive and strategic to analyse services and services trade reforms that would promote regional value chains (RVCs) and global value chains (GVCs). (p.90)
- **INCLUSIVE GROWTH** Structural transformation calls for inclusive growth and development, as well. So, policies should pursue employment and pro-poor growth and development. Available evidence, based on the structure of African economies, suggests service reforms that will promote commercializing agricultural production and supply as a logical step. What services are necessary to attain employment and inclusive growth? Storage, processing, transportation and distribution are especially important to connect producers with consumers. Similar diagnostics of other economic sectors will identify services that will enhance performance. (p.91)
- **CLUSTER APPROACH** A cluster view of services in Africa would help develop a robust strategic approach to reforming services trade to support inclusive and sustainable growth and development. (...) The clustering approach emphasizes a holistic view in which services address a particular challenge. (...) The cluster approach implies that it is futile in reforms not to recognize a hierarchy of services. (p.91)

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- **SERVICES TRADE RESTRICTIONS** The World Bank and the World Trade Organization (WTO) developed a Services Trade Restrictiveness Index (STRI) to measure the restrictiveness of policies towards foreign services providers. (...) Concerted efforts are needed to ensure that the global development of the STRI fully captures African countries. In the limited sample, African countries do not differ significantly from other countries on the measures included in the STRI. (p.81)
- Arvis et al. (2016) noted that trade costs are strongly declining as a share of per capita income. Among developing countries, the upper-middle-income group has reduced trade costs at the fastest rates in the world. African countries, particularly low-income countries, remain subject to extremely high trade costs. Regional trade agreements, maritime transport connectivity and trade facilitation performance were identified as important factors that determine trade costs. (p.82)
- Roy (2017) examined the impact of services trade policies on connectivity. (...) The study showed that services sectors play a multifaceted role in connecting countries to the international trading system and that services matter greatly to economic development and achieving the Sustainable Development Goals. (p.83)
- The results [Ogunkola (2020)] suggest that strict trade policies inhibit growth by eroding the benefits of services trade. Restrictive services trade can thus obstruct efforts to expand productivity to achieve economic development. So, liberalizing services trade by relaxing services trade barriers could go a long way in promoting development. (p.89)
- **ICT & DIGITALIZATION** If ICT is assumed to have a strong indirect relationship with growth by lowering trade barriers, African countries have not yet benefited from it despite the rapid worldwide growth of digitalization through improved ICT services. The benefits of ICT services go beyond removing trade restrictions in positively influencing economic growth on the African continent. (p.89)
- **TRADE REFORMS** Services trade reforms are not new to African countries (...). Most African countries actively participated in the WTO General Agreement on Trade in Services. Some have equally participated in unilateral, bilateral and even regional reforms. But these efforts have not yet had sensible effects on the various economies of the continent, as shown by various parameters of trade in services. They were not firmly mainstreamed into socioeconomic developmental realities. (p.90)

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- **LIBERALIZATION: BENEFITS AND COSTS** Nordås (2011) reported that high trade costs in business services are associated with a low level of product differentiation in downstream industries, especially in the automotive industry. So, open business service markets could help industrial upgrading in developing countries. (p.82)
- There is little doubt that services trade is a tool of economic growth, and it is generally agreed that services trade can contribute positively only if appropriately liberalized and implemented across countries (Copeland and Mattoo, 2008). An effective services sector is crucial for the growth and competitiveness both of individual firms and of the economy as a whole. Similarly, impediments to trade in services, cross-border supply and movement of people often usually force service suppliers into informality or into less productive economic transactions, thus limiting the prospects of services trade. (p.84)
- Despite the liberalization of healthcare and education and regional integration agreements, Africa still lacks skills and competencies in those sectors, and many African countries are not yet included in the international linkages in those sectors. Such barriers extend to professional services such as legal, accounting, and so on. But with reduced restrictiveness, trade in services could be a source of export diversification and reduce the dependence of African exports on primary products, facilitating trade in higher value-added goods. (p.85)
- **DIGITAL ECONOMY** Both the private and the public sectors benefit from digital economy in Africa. In the private sector, micro, small and medium enterprises benefit through lowered barriers to entering global value chains. In the public sector, domestic resource mobilization benefits from institutionalized tax regimes built on e-commerce and other digital platforms. To fully take advantage of the digital economy, Africa must develop a digital strategy, especially to invest in digitization and to build local industrial capacity. And African countries need finance to improve access to digital technologies and digital infrastructure so the AfCFTA can realize its transformative potential. (p.88)

POLICY-MAKERS

Chapter 4

INTRA-AFRICAN TRADE IN FINANCIAL SERVICES

HIGHLIGHTS

- Currently, cross-border financial services trade within Africa is limited, outside the pan-African banks. But given its roles, an inter-connected intra-African financial services sector will be key to the economic development and overall integration of the continent, enhancing savings and financial inclusion and facilitating international trade in other sectors.
- The analysis shows the need to overcome challenges of illicit funds transfers to pursue closer integration and cooperation between states to create true pan-African financial services. Those reforms are made possible by the bigger market space within the AfCFTA, and the growth of digital trade and financial technology (fintech) across the continent.

- **AFCTA** Understanding the impact of policies and regulation on sector performance is important for designing trade reform for the AfCFTA. (...) African countries have an interest in removing impediments to boost intra-African trade in financial services. The AfCFTA provides a timely opportunity to address the situation by ensuring a bilateral offer/request process to remove such restrictions through negotiations. (p.114)
- Creating a knowledge base on the nature and extent of regulations and barriers and their impact on trade and development is key to achieving African socioeconomic emancipation. (...) The implications for the AfCFTA negotiations cannot be over-emphasized. Intra-African financial services trade creates a positive impact for regional economies and the continent as a whole. (p.114)
- **HARMONIZATION** Harmonized financial sector regulation could facilitate cross-border trade. (...) The Basel framework for banking regulation is being adopted in Africa, with all banking groups claiming full adoption of Basel I; 64 percent, adoption of Basel II; and 32 percent, adoption of the Basel III capital adequacy requirements as of 2018. (...) Adoption of the Basel regulatory guidelines will help banks deal with international financial crises and so help them mitigate the risks that cross-border banking exposes them to. (p.118)
- A more far-reaching inclusive policy framework usable by African countries is a set of measures comprising uniform financial reporting and disclosure, information sharing between home and host countries, frequent appraisal of cross-border banking services, uniform stress testing of cross-border operations and cross-border regulatory authority (Ngwu, Ogechie and Ojah, 2018). That framework, coupled with inclusive technology infrastructure, public-private partnerships and collaboration with the international community on the digitalization of financial services should forestall cyber insecurity in Africa. African governments should lead in law enforcement, provide guidelines and supervision to operationalize a feasible and harmonized regulatory framework (...). Moving onto such policy paths will both engender more financial services trade overall and boost intra-African financial services trade. (p.119)

MEDIA & ACADEMIA

Chapter 4

INTRA-AFRICAN TRADE IN FINANCIAL SERVICES

HIGHLIGHTS

- Currently, cross-border financial services trade within Africa is limited, outside the pan-African banks. But given its roles, an inter-connected intra-African financial services sector will be key to the economic development and overall integration of the continent, enhancing savings and financial inclusion and facilitating international trade in other sectors.

- The analysis shows the need to overcome challenges of illicit funds transfers to pursue closer integration and cooperation between states to create true pan-African financial services. Those reforms are made possible by the bigger market space within the AfCFTA, and the growth of digital trade and financial technology (fintech) across the continent.

- **FINANCIAL SERVICES** Increased savings and investment are needed in Africa now more than ever, given the low average financial system deposits as a percentage of GDP—35 per cent, compared with the world average of 60 per cent (...). The significance of a well-functioning financial services sector for economic development and poverty alleviation cannot be over-emphasized. (p.101)

- Unfortunately, financial services in Africa are not integrated (Beck et al., 2014). They operate as stand-alone systems lacking liquidity and financial depth and excludes many Africans. (p.102)

- **RECS & INTEGRATION** Overlapping objectives and conflicting interests among the RECs are a hurdle to financial and economic integration. To promote intra-Africa financial trade and services despite the different objectives and time frames, African governments may have to allow cross-border private sector participation to set the speed of integration. (...) Harmonizing national regulations and removing all impediments to the movement of people, goods and services will hasten integration. (p.108)

- Revisiting the issue of policies and regulations and the nexus with financial sector performance, African countries' financial sector internal and external performance continue to buckle under the weight of heavy regulations and inconsistent trade policies. (p.109)

- **INTRA-AFRICAN FINANCIAL SERVICE TRADE** Creating a knowledge base on the nature and extent of regulations and barriers and their impact on trade and development is key to achieving African socioeconomic emancipation. (...) The implications for the AfCFTA negotiations cannot be over-emphasized. Intra-African financial services trade creates a

positive impact for regional economies and the continent as a whole. (p.114)

- **FINTECH AND INCLUSION** Women in Africa have not had as much access to capital to invest as their male counterparts (...). But women can benefit from financial technology. (...) [The African Digital Financial Inclusion Facility (ADFI)] opens the possibility of substantially reducing the service gaps faced by African women and other vulnerable groups, and ultimately catering for many underserved markets (CBN, 2019). (p.116)

- **HARMONIZATION** The Basel framework for banking regulation is being adopted in Africa, with all banking groups claiming full adoption of Basel I; 64 per cent, adoption of Basel II; and 32 per cent, adoption of the Basel III capital adequacy requirements as of 2018. (...) Adoption of the Basel regulatory guidelines will help banks deal with internationally contagious financial crises and so help them deal with the risks to which cross-border banking exposes them. (p.118)

- The Pan African Payment and Settlement System (PAPSS), launched in 2019 by the African Export-Import Bank (Afreximbank), is the first centralized payment market infrastructure for processing, clearing and settling intra-African trade and commerce payments. (...) The platform is expected to domesticate intra-regional payments and save the continent more than \$5 billion in payment transaction costs a year while formalizing much of the estimated \$50 billion informal intra-African trade. (p.121)

BUSINESS

Chapter 4

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- **RECS AND INTEGRATION** Overlapping objectives and conflicting interests among the RECs pose a major problem for financial and economic integration. To promote integrated intra-Africa financial trade and services despite the different objectives and time frames, Africa may have to allow cross-border private sector participation to set the speed of integration. (...) Harmonizing national regulations and removing all impediments to the movement of people, goods and services will hasten integration. (p.109)
- **FINANCIAL SECTOR** The banking sector in Africa outperforms that in other regions in profitability, highlighting the continent's lucrative financial opportunities for both new entrants and current sector constituents. (p.110)
- Increased financial sector trade and intra-continental capital movements will probably increase competition and efficiency, with ROE attracting investors into intra-continental financial sector trade to pursue obvious profit opportunities. (p.111)
- **INTRA-AFRICAN FINANCIAL SERVICE TRADE** Increasing the participation of African and non-African investors in Africa's financial sector to exploit proven high ROE, thereby raising efficiency and transferring technological knowledge in the process, could also raise the return on assets while making markets for efficient firms throughout the continent. (p.111)
- **FINTECH & DIGITALIZATION** Reduced transaction costs and greater accessibility and inclusiveness are the greatest benefits of fintech (Fanta and Makina, 2019). (...) inadequate financial technology infrastructure and institutional machinery to address fraudulent practices hampers financial inclusion, though developing economies in Africa would reap huge benefits from widespread financial technology adoption. (p.116)
- The African Digital Financial Inclusion Facility (ADFI), unveiled in 2019, will support financial infrastructure and financial capacity building for a variety of bank and non-bank financial institutions, mobile network operators, remittance and payment service providers and fintech companies. AFDI opens the possibility of substantially reducing the service gaps faced by African women and other vulnerable groups, and ultimately catering for many underserved markets. (p.116)
- The extent of technology adoption in Africa, indicated by the share of payments that are electronic, shows that most African countries must improve their use of electronic payment methods to benefit from fintech's improvements of banking operations. (p.117)
- Technology-based financial services are also regulated in Africa. RegTech and InsurTech innovations analyse regional regulatory standards so firms can practise crowdfunding, mobile banking, digital money and cryptocurrencies. These templates explain fintech successes in East African countries. (p.118)
- **STOCK EXCHANGES** African regional stock exchanges are growing across the continent, building on from lessons learned in other regional stock exchanges. However, in Africa, inadequate institutional quality and corporate governance, as well as a lack of financial breadth and depth, mar the exchanges' resilience, and they remain fragmented and functionally and operationally inefficient, but largely concentrated on few large companies due to the predominance of African regional leading firms. (p.119)

POLICY-MAKERS

Chapter 5

TRANSPORT SERVICES TRADE WITHIN THE AFRICAN CONTINENTAL FREE TRADE AREA FRAMEWORK

HIGHLIGHTS

- With the African Continental Free Trade Area (AfCFTA) lowering regulatory and financial barriers to trade, cross-border trade gains can only be optimized if there is a well-functioning transport service sector on the continent as well as adequate infrastructure networks. But Africa's economic growth is being hampered by weak infrastructure—particularly cross-border infrastructure—that compromises physical connectivity, a major component of regional integration and trade.
 - There are significant opportunities for growth in the transport service sector. The logistics sector is estimated to be worth more than \$160 billion in Africa, and—with continued e-commerce penetration, coupled with the expected increase in trade due to AfCFTA—the sector is expected to grow even further (Analytiqa, 2016). But, as transport services on the continent contribute as much as a third to the final price of goods compared with less than 10 per cent for all developing economies, this places undue burdens on both consumers and businesses in Africa.
-
- **INCLUSION** The participation of women and youth entrepreneurs and traders in national public-private dialogue is critical to ensuring that national AfCFTA implementation strategies identify and address their transport-related barriers to trade. (p.136)
 - **DIGITAL ECONOMY** (...) in negotiating the AfCFTA, member states cannot afford to ignore the reality of the digital economy or its role in enhancing trade facilitation, information and monitoring. (p.137)
 - **REGULATORY HARMONIZATION** Due to the lack of harmonization, existing legal and regulatory frameworks are not always conducive to good organization or to facilitating transport and trade at national and regional levels. There are other inconsistencies between national and regional policies and regulations, and discontinuity on priorities, policy coordination and direction. The ratification and implementation of the continental instruments aimed at the inter-operability of transport systems—and ultimately the integration of the continent—have to be fast-tracked. (p.141)
 - The key takeaway from the Yamoussoukro Decision is that single African markets in other modes of transport—road, rail, maritime and inland waterways—require inter-governmental agreements at the continental level that clearly define the monitoring body, executing agency, and dispute settlement mechanisms. The agreements should also contain regulations on competition and consumer protection in the different modes of transport. (p.146)
 - **MULTI-MODAL TRANSPORT** Maritime transport services should be viewed as an essential and strategic area of economic cooperation, and sufficient capacity should be built for the expected increase in traffic. (...) African ports must engage a wide set of stakeholders and take advantage of the AfCFTA framework for establishing multi-modal ports. (p.148)
 - Multi-modal transport holds a high potential to facilitate merchandise trade on the continent, but it remains underdeveloped. (...) The development of multi-modal transport, which is key for successful corridor development, should be encouraged, as this will result in the best use of land transport modes and enhance connectivity between African markets—a critical factor in realizing gains from the AfCFTA. (p.148)

MEDIA & ACADEMIA

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- **TRANSPORT SECTOR CHALLENGES** Road transport is by far the most dominant mode of transport in Africa, with upwards of 80 per cent of the continent's freight being moved by trucks. (p.131)
- The World Bank estimates that Africa's infrastructure deficit holds back its economic growth by 2 per cent each year (Foster and Briceño-Garmendia, 2010). (p.132)
- In 2019, Africa unloaded 762 million tons of cargo at its maritime ports, making up only 6.9 per cent of total global unloaded cargo (UNCTAD, 2020b). (...) In 2019, developing economies in Africa represent only 4 per cent of global volumes [of global maritime traffic as measured by containerized port traffic], highlighting the disparity between the continent and other regions. At the same time, maritime trade is also spread unequally across African regions. (p.133)
- The consequences of inadequate transport and logistics infrastructure in Africa are severe. Freight costs, particularly maritime rates, are three times higher in Africa (excluding North Africa) than in other developing regions, with average nominal freight rates 60 per cent higher in West Africa than East and Southern Africa. (p.134)
- **INFORMAL TRADE AND GENDER** Evidence suggests that women are disproportionately disadvantaged in transport infrastructure (Higgins, 2012). Women tend to spend a higher proportion of their income on transportation, yet have less control over transport resources than men in the household. (p.135)
- Small-scale and informal cross-border trade is an overlooked side of the transport service sector. It is estimated that up to 40 per cent of regional trade is conducted informally and that 70 to 80 per cent of traders in some regions are women. (p.136)
- While the high proportion of women and youth in informal cross-border trade reflects its flexibility and low start-up costs, the AfCFTA, by reducing costs and trade barriers, incentivizes formalization. The onset of the Covid-19 pandemic has brought significant challenges to small-scale cross-border traders as, in an effort to control the spread of the virus, countries raised trade barriers and closed land borders. (p.136)
- **AIR CONNECTIVITY** As of February 2021, 34 AU member states, representing over 80 per cent of the existing aviation market in Africa, have committed to the single air transport market. However, eighteen member states of SAATM signed a Memorandum of Implementation to remove restrictions in existing bilateral air services agreements (BASAs) that are contrary to the Yamoussoukro Decision. (p.146)

BUSINESS

Chapter 5

TRANSPORT SERVICES TRADE WITHIN THE AFRICAN CONTINENTAL FREE TRADE AREA FRAMEWORK

HIGHLIGHTS

- With the African Continental Free Trade Area (AfCFTA) lowering regulatory and financial barriers to trade, cross-border trade gains can only be optimized if there is a well-functioning transport service sector on the continent as well as adequate infrastructure networks. But Africa's economic growth is being hampered by weak infrastructure—particularly cross-border infrastructure—that compromises physical connectivity, a major component of regional integration and trade.
- There are significant opportunities for growth in the transport service sector. The logistics sector is estimated to be worth more than \$160 billion in Africa, and—with continued e-commerce penetration, coupled with the expected increase in trade due to AfCFTA—the sector is expected to grow even further (Analytiqa, 2016). But, as transport services on the continent contribute as much as a third to the final price of goods compared with less than 10 per cent for all developing economies, this places undue burdens on both consumers and businesses in Africa.

- **INCLUSION** Complementary regional and national policies around strategic investments in transport infrastructure and services can address these [gender and age] inequalities. The participation of women and youth entrepreneurs and traders in national public-private dialogue is critical to ensuring that national AfCFTA implementation strategies identify and address their transport-related barriers to trade. The inclusion of youth groups, women's business associations and cross-border traders' associations in national AfCFTA implementation committees can also support inclusive AfCFTA implementation. While taking into account the gender digital divide, successful interventions and digital solutions—including private sector innovations and logistics and transport and REC level trade facilitation programmes—can be investigated and scaled up across the continent. Improved data are also needed on women and youth participation in the transport service sector. (p.136)

- **INVESTMENT** Investment in physical infrastructure, coupled with AfCFTA policies aimed at encouraging competition and liberalizing transport services, could potentially reduce trade costs—of which transport infrastructure and services costs account for one-third—and foster services trade, while making goods cheaper and more competitive. (p.139)

- The AfCFTA is a game changer for investment in transport infrastructure in Africa. Its scope goes beyond that of a traditional free trade agreement, covering not only trade in goods but also

investment, e-commerce, competition policy, trade in services and intellectual property rights. The AfCFTA investment protocol will provide common rules for state parties to introduce harmonized incentives for attracting investment to accelerate development, including transport infrastructure investment. This regulatory convergence on investment issues is expected to broaden access for African and foreign investors in the African market and encourage greater engagement in trans-boundary, multi-country transport infrastructure projects. The AfCFTA is also addressing challenges in Africa's investment environment that include non-tariff barriers, standards harmonization, customs cooperation and trade facilitation. Addressing these challenges will help provide a more enabling environment for private sector participation in the development of transport infrastructure. (p.139)

- **MULTI-MODAL TRANSPORT** Maritime transport services should be viewed as an essential and strategic area of economic cooperation, and sufficient capacity should be built for the expected increase in traffic. Port infrastructure in Africa has lagged behind vessel size expansion and cargo volume growth, leading to inefficiencies and lengthy delays that increase the costs of merchandise trade. In order to optimize efficiency and reduce the costs of development, African ports must engage a wide set of stakeholders and take advantage of the AfCFTA framework for establishing multi-modal ports. (p.148)

POLICY-MAKERS

Chapter 6

LIBERALIZING AND REGULATING COMMUNICATIONS SERVICES TRADE WITHIN THE AfCFTA

HIGHLIGHTS

- The communications sector as conceptualized by the World Trade Organization (WTO)—which forms the starting point for the African Continental Free Trade Agreement (AfCFTA) negotiations on the sector—represents a narrow view of tradable services within a larger and more complex communications sector. The sector is more appropriately understood as a broader technological ecosystem of dynamic interactions between people, communications systems and services.
 - The AfCFTA-relevant communications sector can be seen as several layers either depending on or enabling the preceding layer or both. These layers are conceptualized on pages 153 to 155.
-
- **REGULATORY HARMONIZATION** There is a need for regulatory certainty and harmonization across jurisdictions, including both sector-specific aspects (service and spectrum licensing, and so on) and non-sectoral aspects (taxation). Harmonization should reduce complexity and transaction costs for investment, service provision and cross-national trade. (p.158)
 - **AfCFTA** Beyond the immediate AfCFTA agenda, measures should be developed to expand digitalization and communications services. Long-term digital agendas should reduce and eventually eliminate underserved and unserved areas and strengthen education so that the population can fully participate in and take advantage of digital society, including its income-generating opportunities. (p.158)
 - **INFRASTRUCTURE** Infrastructure is critical to the communications sector. It must maintain maximum availability and avoid downtime for its core functions and as a necessary input for other sectors, including other critical infrastructure (ENISA, 2014). Disruptions must be avoided that would impose economic costs due to unreliability. (p.159)
 - **TRADE** Trade in communications services is a priority area in the AfCFTA negotiations, critical to trade and economic development in Africa. Good practice in regulation and regulatory reform has a good positive relationship with the growth of trade in communications services. That relationship suggests the need for harmonized regulatory environments supportive of liberalization, investment and pursuing socioeconomic development goals. (p.159)
 - **REGULATORY RATIONALE** Ensuring competition, protecting consumers through regulation, licensing and authorizing key players, monitoring and enforcing laws and regulations, and determining what is to be provided within the spectrum are crucial to a successful communications environment (Refer to Figure 7.6, The regulatory rationale). p.163
 - **REGULATORY EVOLUTION** To achieve and maintain certain socioeconomic goals, regulating the communications sector should be viewed as instrumental—a necessity rather than as an end in itself. And country context and the sector's place on a continuum from state-owned quasi-monopolies to full private sector competition must be considered. Refer to Figure 7.7, Industry regulatory evolution. p.163
 - **GATS** Broadcast and related content remain heavily restricted, though a substantial degree of liberalization has taken place since GATS. In telecommunications, there has been a sea change towards greater openness, driven not by GATS but by national initiatives and reforms. Such liberalization has not been limited to higher income countries, but includes least-developed countries. Refer to table Table 7.2, Eight countries' General Agreement on Trade in Services commitments and regulatory system status in telecommunications services. p.165
 - **GOOD PRACTICES** AfCFTA's coming-into-force will be a seismic event for the communications sector, demanding concomitant action of national governments and regional trading blocs. (...) A number of international treaties, charters, protocols, conventions, agreements and declarations provide good practice baselines for developing the electronic communications regulatory environments necessary to facilitate AfCFTA negotiations. These good practice models are applicable to all three regulatory tiers—national, regional and continental—critical to the success of the AfCFTA. More information on p.169.
 - **REGULATORY PRINCIPLES** A number of general regulatory principles key to promoting free trade in electronic communications services are listed from pages 169 to 172.

MEDIA & ACADEMIA

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- While this chapter focuses on the narrow WTO description, the sector is a much wider and more complex system, with increasing importance given its centrality in the global digital economy.
- The AfCFTA-relevant communications sector can be seen as several layers either depending on or enabling the preceding layer or both. These layers are conceptualized on pages 153 to 155.

- **GROWTH** A survey by Bertschek et al. (2016) of the literature on the economic impact of telecommunications (specifically, broadband) networks concluded that “telecommunications and broadband infrastructure and services tend to exert a positive impact on economic growth as well as on productivity”. On a macroeconomic level, increased broadband deployment not only translates into higher economic growth and productivity but also helps to create new jobs and, at least partially, facilitates economic development in rural areas. The review drew four conclusions relevant to the African context. Refer to them on p.157.
- **DIGITALIZATION** A substantial body of work outlines how digitizing economies and societies will affect the communications sector, as well as how constraints and incentives will affect further digitalization. A white paper by the World Economic Forum noted that the telecommunications and broadcast industries have failed to reap the full benefits of the ever-greater reliance on electronic communications and connectedness (World Economic Forum, 2017). (p.157)
- **COUNTRY LEVEL DATA** Data on cross-border trade in the communications sector are unsatisfactory. There are no reliable country-level data—particularly as much of the sector is focused on mode 3 service supply (investment abroad) rather than mode 1 (cross-border movement of services). Lacking such data, this chapter focuses on legal and regulatory issues constraining trade. While the direct impact of the communications sector on economic performance is well known, the specific impact of telecommunications on trade is less well known. (p.160)
- **AFCFTA** AfCFTA's coming-into-force will be a seismic event for the communications sector, demanding concomitant action of national governments and regional trading blocs. What key markers are required to encourage intra-African trade and to secure the most appropriate climate for economic growth and development in the sector? How should countries approach this difficult task? Turning to internationally-accepted good practice models for the communications sector is essential. (p.168)

BUSINESS

Chapter 6

LIBERALIZING AND REGULATING COMMUNICATIONS SERVICES TRADE WITHIN THE AfCFTA

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- **COMPETITION** A structural power shift in the communications sector threatens both national and subnational infrastructure network telecommunications operators. These operators will increasingly compete with OTT actors building broader businesses that include proprietary communications infrastructure. Such changes could leave traditional operators as mere local access networks. The broadcast industry and OTT content providers are changing the competition landscape of the communications sector. (p.158)
- **INFRASTRUCTURE** Disruptions must be avoided that would impose economic costs due to unreliability. Businesses incur losses from outages, and they incur additional costs from keeping infrastructure in reserve to ensure continuity. Electronic communications infrastructure depends on non-sectoral inputs and events: reliable and affordable grid electricity, safe road systems for constructing and maintaining transmission and access networks and protection from unplanned network damage through appropriate governmental planning, permitting and enforcement. (p.159)
- **GROWTH** Given the low baseline in tele-density in Africa, its communications sector has room to grow. About 21 per cent of the African population use the internet, versus 80 per cent in Europe (Figure 7.5). While some of Africa's top-10 markets have mobile tele-density rates of well over 100 per cent (because of individual users having multiple SIM cards), mobile broadband penetration rates remain much lower (table 7.1, p.161)
- **REGULATORY PRINCIPLES** A number of general regulatory principles key to promoting free trade in electronic communications services are listed from pages 169 to 172.
- **GENERAL TRADE OBLIGATIONS** Principle 2: Transparency and disclosure of information. Extensive industry obligations for transparency and disclosure are applied across the sector. They include disclosing pricing, market share, network status and performance and so on. They also include disclosing and publishing industry information held or generated by the regulator on potential price regulation, competition and market analyses, network and infrastructure sharing, as well as on the procedures for assigning rights and resources to operators—particularly regarding the spectrum. To ensure sustainability and the ability of non-government actors to monitor and challenge opaqueness, access to information laws should enshrine the public's right to know. (p.169)

POLICY-MAKERS

Chapter 7

REGULATING AND FACILITATING INTRA-AFRICA TOURISM

HIGHLIGHTS

- The tourism industry is now a priority sector across the African continent to advance the continent's economic diversity and resilience. (p.181)
- The tourism industry's emergence as a key global economic sector is driven by a number of factors, including advancements in the transport sector; increased ownership of private cars; enhanced organizational capacity of the industry; increased disposable incomes and increased leisure time and holiday entitlements.
- With over 1.4 billion international tourist arrivals in 2019, the industry currently generates \$1.7 trillion in tourism receipts, accounting for 6.8 per cent of total global exports and 28.3 per cent of the total service exports. The industry also accounts for 10.3 per cent of global GDP, valued at \$8.9 trillion.
- Of the top 100 most-visited cities, only seven are in Africa.

- **SERVICES** Tourism is defined here as a service industry, comprising “tangible components—transport systems and hospitality services including accommodation, food and beverage, tours and souvenirs, and related services and intangible components—rest and relaxation, culture, escape, adventure (p.181)
- **DEVELOPMENT** A destination's level of development and tourism competitiveness may have an influence on international and intra-regional tourism. More development would attract more tourists, who would spend more. (p.190)
- **COSTS** The aviation industry is underdeveloped and operates in a very restrictive environment, given the lack of supporting agreements and protocol ratifications. Travel within the continent is the most expensive globally. (p.188)
- **FREE MOVEMENT** 42 per cent of African citizens needing visas to travel to other African countries, compared with 45 per cent of the global population. This means that Africa is almost as closed to itself as it is to the rest of the world. (p.188).
- **REGIONAL TOURISM** The importance of regional markets is also now embraced by a number of member states and the share of regional arrivals has gradually grown because of initiatives such as the Intergovernmental Authority on Development (IGAD) Sustainable Tourism Master Plan and the East African Community (EAC) tourism marketing strategy. (p.189)
- **AFCFTA** Tourism has been identified as one of the five priority services sectors under the AfCFTA. A major challenge facing the development of intra-regional tourism in Africa, however, is the limited mobility of people. The full implementation of the Protocol on Free Movement of Persons, Right of Residence and Right of Establishment will bolster intra-Africa travel and could additionally boost investments. (p.195)
- **PROTOCOL ON TRADE IN SERVICES** International tourism entails the consumption of services outside the traveller's usual environment and country borders. Tourism is thus classified as part of the services trade, and so the AU Protocol on Trade in Services is of relevance. Based on the consumption abroad mode of services supply, the main objective of the protocol is to establish a single liberalized market for trade in services. (p.195)
- **INFRASTRUCTURE** The Programme for Infrastructure Development in Africa (PIDA) calls for the free movement of goods and people through an efficient transport system founded on modern rail, roads, ports and air transport services. To achieve this, the continent was divided into several transport corridors and, based upon priority actions plans, several projects were implemented. A number have been completed and are having a positive impact on the tourism sector. (p.196)

MEDIA & ACADEMIA

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- **EMPLOYMENT** The tourism sector now employs 2.5 million people directly and accounts for over 24 million jobs. This translates to 2.5 per cent direct employment and 6.8 per cent total of the industry share of employment on the continent. (p.184)
- Tourism is one of the main sources of employment for a number of AU member states. The industry generally employs a higher proportion of women than men. In Africa, women make up over 60 per cent of the tourism workforce. (p.184)
- **GLOBAL CONTEXT** While the average spending per tourist in Africa has slightly improved, the gap with the rest of the world has widened. The difference is attributed to factors ranging from the nature of the tourism product (urban tourism tends to have higher spending) to the length of stay (more is spent on longer stays). (p.186)
- **AFCTA** A study on tourism and trade for Organisation for Economic Cooperation and Development (OECD) countries revealed that international tourist arrivals boosted international trade and that the converse was also true, thus suggesting a complementary relationship. The tourism industry should be seen as a potential avenue for quickly accomplishing some of the goals of the AfCFTA. (p.189)
- **INTRA-AFRICA TOURISM** Intra-regional tourism continues to be an important contributor to the African economy. More than 215 million tourists travelled to African countries between 2016 and 2018, of whom almost 45 per cent were from within the continent. (p.190)
- **IMPACT** Integration, level of development of destination, tourism and travel infrastructure, tourism policies, and natural and cultural resource availability are key determinants of African visitor penetration. (p.192)
- **VALUE CHAINS** Tourism value chains can be best understood as the sum of all activities involved in the production of the tourism product and its final consumption by the tourist, combining both the supply (backward linkages) and demand (forward linkages) . (...) There is a correlation between the level of intra-regional trade and the depth of regional value chains (RVCs)—the higher the level of trade, the deeper the RVCs. (p.197)
- The lack of RVCs, coupled with weak domestic capacities, results in considerable leakages of tourism revenue across the continent (p.198)
- **ICT** Increased use of ICT also resulted in an increase in tourist arrivals (...). The proliferation of online travel agencies (OTAs), growing social media subscriptions, the heavy investment in ICT infrastructure and the resulting deep internet penetration and smart phone adoption all present opportunities for intra-Africa tourism. (p.199)

BUSINESS

Chapter 7

REGULATING AND FACILITATING INTRA-AFRICA TOURISM

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- **AGENDA 2063** Agenda 2063 has set ambitious goals for the tourism industry. The first 10-year Implementation Framework proposes that the industry's contribution to the continent's gross domestic product (GDP) should increase by 100 per cent—from \$138 billion to \$276 billion by 2023—and that the level of intra-Africa tourism should double. By 2063, the industry contribution to GDP should have increased five-fold. (p.181)
- **FOREIGN EXCHANGE** The tourism industry, as an export-oriented sector, has also continued to be an important source of foreign exchange earnings and a positive contributor to the balance of payments for a number of member states. In 2019, the industry generated more than \$50 billion in international tourism receipts, accounting for 10 per cent of the continent's total exports (p.183)
- **INVESTMENTS** The tourism industry in Africa has played a key role in attracting investments to the continent (hotels and convention bureaus), valued at \$34 billion, accounting for 6 per cent of total investments in Africa. (p.183)
- The tourism sector has emerged globally as a key destination for capital investments, currently valued at almost \$1 trillion, about 4.4 per cent of the world's total capital investments. Africa only accounted for 3.6 per cent of capital investment in the tourism sector. (p.186)
- **UNTAPPED RESOURCES** In Africa, cultural resources are largely untapped, with sporting infrastructure—which plays a key role in leading global destinations—remaining underdeveloped. (p.188)
- **INTRA-AFRICA TOURISM** Key factors in boosting intra-regional travel include the ease and cost of travel, the level of regional integration (including commonly used currencies), and the desirability and maturity of the tourism products offered. The intuition behind this is that when countries are more economically and socially integrated, residents will be more motivated to opt for a regional destination to travel for both pleasure and business. (p.164)
- **TRANSPORT** In Africa, poor roads and long distances, increase the tourism industry's dependence on air travel. Unfortunately, irregular and infrequent routing of airlines, high costs and concerns about safety and security, hamper the competitiveness of destinations to tourists from within and outside the region. So, although greater regional integration may boost the desire to travel within the region, to do so air transport services need to be available and affordable. (p.190)
- The finalization of cross-border road projects, such as the Abidjan–Lagos highway, and the rolling out of one-stop border posts will ease the movement of people and vehicles across member state borders, thereby boosting regional tourism (p.196)

POLICY-MAKERS

Chapter 8

INTRA-AFRICAN TRADE IN BUSINESS SERVICES

HIGHLIGHTS

- At the global level, the business service market was estimated at \$5.7 trillion in 2018, having grown at an annual rate of 7.4 per cent since 2014. With global growth projected to be 13.6 per cent over the next decade, the sector is one of the top three—along with software and information technology (IT) services and real estate—to receive foreign direct investment (FDI) worldwide.
- In Africa, it is projected that the business service market will continue to grow at 13.1 per cent annually. Rising demand for professionals and for law, accounting, engineering and business consultancy has boosted cross-border provisioning of business services by many business service firms.

- **COMMITMENTS** Business services are an important aspects of international trade and investment targeted policies and regulations have a direct impact on the competitiveness of exports of goods and services. Many African countries undertook commitments in the business services sector of GATS (Figures 9.1 and 9.2). Nineteen undertook commitments in professional services, 10 in computer and related services, 6 each in research and development, real estate, renting and leasing; while 21 undertook commitments in other business services. (p.208)
- **REGULATIONS** African countries, through their various RECs, have sought to harmonize the differing national standards and regulations with international standards and regulations. But most have been unsuccessful. (p.210)
- Regulatory heterogeneity, limited capacity to train professionals and inflexible immigration rules have contributed to the under-development of the business service sector in Africa, despite country and regional policy efforts directed towards the sector. The restrictions are highly unfavourable to business services trade across African regional economies. Read more about regulations and restrictions in place for select RECs from pages 210 to 213.
- Regulation should support trade in business services. If many countries in Africa export business services regionally and internationally, then regulation should facilitate rather than restrict those services. The five largest exporters of business services are Algeria, Egypt, Ghana, Morocco and South Africa. With the exception of Ghana, Lesotho, Mauritius, Morocco and Tunisia (Figure 9.3a), most countries on the continent are net importers of business services. The five largest importers of business services in Africa are Algeria, Egypt, Nigeria, Morocco and South Africa (Figure 9.3b). The high level of imports of business services may be responsible for the prevalence of stringent restrictions. (p.215)
- **TRADE** Four areas can facilitate business services trade: digitalization, mutual recognition of qualifications, approaches for dealing with differing country regulations and strategies for deepening business services trade—especially in health. (p.218)
- **DIGITALIZATION** The net effect of digitalization depends on a country's level of development and digital readiness and on what policies are adopted and implemented at national, regional and international levels. Digital adoption has significant positive effects on legal and accounting and advertising services. (p.218)
- **RECOGNITION OF QUALIFICATIONS** The mutual recognition of qualifications is key to facilitating mode 4 trade in business services, particularly professional services. RECs should learn from the SADC Qualifications Framework (SADC QF) and adapt its principles to their member states in an initial phase, which can then be assumed on a continental level under the AfCFTA. (p.219).
- Refer to the case studies in accounting (p.220) and health services (p.221)

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Chapter 8

INTRA-AFRICAN TRADE IN BUSINESS SERVICES

HIGHLIGHTS

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- In Africa, it is projected that the business service market will continue to grow at 13.1 per cent annually. Rising demand for professionals and for law, accounting, engineering and business consultancy has boosted cross-border provisioning of business services by many business service firms.

- **EXPORTS** A recent study in the Common Market for Eastern and Southern Africa (COMESA) noted that 16 per cent of business service firms are already engaged in exporting their services (World Bank, 2016). Efficient business services provide opportunities for the private sector to grow and to raise domestic firms to international standards, thereby positively affecting the rest of the economy. (p.207)
- **POLICIES** As business services are traded across the four modes of supply distinguished in the General Agreement on Trade in Services (GATS, see Chapter 3), the policy environment must cross domestic, multilateral, regional and international spheres. This introduces regulatory heterogeneities, not only across countries but also across modes of supply, and these all need to be harmonized. (p.208)
- **REGULATIONS** Trade and investment are influenced by a spectrum of regulatory, institutional and trade policy environments. The spread of national standards and regulations has not only resulted in duplicative, conflicting and cumbersome regulations, but has also created additional burdens for businesses and provided governments with the opportunity to impose protectionist measures to shape trade and investment flows. (p.210)
- **CONTRIBUTION** More interesting trends emerge in the correlations between disaggregated business service exports and imports for each subsector and country level of development. Some business services contribute more to development than others. For instance, research and development, legal and accounting and advertising trade appear less important, since these subsectors negatively correlate with the level of development as a country's income rises. But computer services, architectural and engineering services trade are positively correlated with development. (p.214)
- **AFCF TA** In view of the regulations and the positive impact of business services trade, some pertinent issues are worth considering in AfCFTA's business services trade facilitation. (...) Because increasing restrictions on business services will worsen total business services trade, finding ways to reduce the tendency of AfCFTA parties to maintain or increase restrictions is needed. (p.217)
- **DIGITALIZATION** The African Digitalization Maturity Report (Siemens and Deloitte, 2017) assessed country readiness to capitalize on digitalization using 26 macroeconomic digital maturity assessment (DMA) indicators, which are grouped into four pillars (read more on p.218).

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Chapter 8

INTRA-AFRICAN TRADE IN BUSINESS SERVICES

HIGHLIGHTS

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- In Africa, it is projected that the business service market will continue to grow at 13.1 per cent annually. Rising demand for professionals and for law, accounting, engineering and business consultancy has boosted cross-border provisioning of business services by many business service firms.

- **GROWTH** Efficient business services are crucial to the future growth of African capital markets. And, in the process, African firms seek additional funding from outside the continent and comply with international regulations. Business services encourage African private firms to voluntarily integrate themselves into the global economy, thereby increasing compliance with accounting guidelines while adhering to international business law. (p.207)
- **REGULATIONS** Regulatory heterogeneity, limited capacity to train professionals and inflexible immigration rules have contributed to the under-development of the business service sector in Africa, despite country and regional policy efforts directed towards the sector. (p.210)
- **ECONOMIC DEVELOPMENT** Business services trade is an essential input to other economic activities that lead to economic development, as shown by the positive correlation between business services trade in selected African countries and those countries' development (Figure 9.3). (p.214)
- **DIGITALIZATION** Increased digitalization and automation are expected to boost productivity, income and employment in Africa. In some African countries—for instance, Nigeria and Kenya—the emergence of new types of jobs and employment (such as in the telecommunication and IT development hubs), will call for new skills, requiring the replacement of traditional work patterns. (p.218)
- **AFCFTA** AfCFTA negotiations in telecommunications, computer and information services, professional and technical services should be mindful of the catalytic role digitalization plays in business operations. For instance, as digital technologies expand, accounting and health services change their focus away from analogue towards digitalized businesses. (p.218)

POLICY-MAKERS

Chapter 9

DEVELOPING SERVICES VALUE CHAINS AND BOOSTING SERVICES TRADE LIBERALIZATION IN THE AfCFTA

HIGHLIGHTS

- The service sector constitutes the fastest-growing segment of the global economy, responsible for two-thirds of global manufacturing, one-third of global employment, and one fourth of international trade.
- From communications to transport, finance and tourism, services have become the backbone of the global economy and perhaps the most dynamic aspect of international trade.
- As a share of total direct exports, however, service exports remain low for many countries. In 2018, global service trade was valued at \$5.8 trillion, a quarter of the value of total exports and 7 per cent of world GDP (UNCTAD, 2019).

- **GOVERNANCE** Governance is a fundamental element of an efficient GVC. Governance means that actors, duties, positions and operations of the supply chain are structured in a way that maximizes profits. So, not only are the “what” a good or service should be produced and “how” it should be produced questions answered, but so are the “when,” “how much” and even “at what price” answers determined. (p.231)
- An example of a governance mechanism is the African Peer Review Process (APRM). The APRM is a voluntary tool where African Union members willingly acquiesced to an evaluation using defined standards in governance. When considering value chains, the AfCFTA should draw from this impressive effort. (p.231)
- **TELECOMMUNICATIONS** In the communications service industry, negotiators should liberalize their regional counterparts and liberalize markets for intra-African providers. This should be done by allowing cross-border provision of data processing, electronic services, database retrieval, online information and data processing facilities. It will remove some barriers faced by African service providers looking to expand across the continent. (p.232)
- **INFRASTRUCTURE** (...) RECs could play a leading role in opening infrastructural bottlenecks in financial, transport, communication, distribution and energy services. Bringing national and regional efforts together would undoubtedly enhance the attractiveness of the continent and sustain its economic prospects as ambitions shift to a new development model that integrates Africa into the global economy. (p.234)
- **POLICIES** Since services are essential in creating efficient GVCs, policies liberalizing services must complement efforts to join GVCs. African RECs have taken steps to facilitate liberalizing services in their regions (Table 10.2). (p.236)
- **CAPACITY BUILDING** Credible databases on services and improved government and private sector capacity to trade in services are necessary for the efficient implementation of the AfCFTA and the subsequent establishment of effective value chains. But African countries face capacity challenges in integrating into GVCs that require policy considerations. (p.237)
- **INTEGRATION** The challenge of integrating the private sector in service negotiations is compounded by regional trade promotion initiatives, which tend to focus on removing trade barriers without paying attention to building productive capacities and developing a private sector that will address service sector weaknesses. So, emphasis should be placed on developing regulatory and institutional frameworks in tandem with liberalization initiatives. (p.239)
- **COORDINATION** Governments and the private sector should coordinate over trade in services, since a lack of coordination creates a formidable barrier to shared understanding and production. A reliable framework for successful state–business ties is a way to unleash the abilities of the private sector. (p.240)

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Chapter 9

DEVELOPING SERVICES VALUE CHAINS AND BOOSTING SERVICES TRADE LIBERALIZATION IN THE AfCFTA

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- **EVALUATION** (...)To respond to key policy and statistical concerns (...) applied international trade researchers have developed a variety of techniques to examine the nature and extent of GVCs in goods and services sectors alike. A mixture of techniques can be useful in evaluating the role of services in value chains, both in terms of value chains specializing in service delivery and those using services as intermediate inputs (Refer to Table 10.1). (p.231)
 - **TECHNOLOGY** According to the Digital Economy Report, four major trends will affect services trade in the future: rising incomes, digital technologies, demographic changes and the impact of climate change. Data indicate that if developing countries can adopt digital technologies, their share in global services trade could increase by about 15 per cent (...). (p.231)
 - **SERVICE LIBERALIZATION** To achieve cooperative cohesiveness in regulatory practices, multi-stakeholder consultations should be undertaken for transparency and shared learning (...). African Union (AU) and REC member states have a range of resources at their disposal—such as working teams, multi-stakeholder dialogue mechanisms and inter-ministerial and legislative cooperation committees—to advise them and promote their policy processes. (p.236)
 - **DATA** The availability of detailed data to resolve problems related to lack of capacity by local firms is a crucial element in understanding how African countries engage in GVCs. Lack of such data hindered the development of appropriate pathways for joining and upgrading along GVCs (...) Two important challenges must be overcome to accurately measure how African countries participate in regional and global value chains: (p.237)
 - Statistics on practices in value chains are needed to clarify which growth pathways countries can and should follow. (...)
 - To understand how GVCs contribute to development goals, it is essential to recognize the actors who appropriate the value added through GVC engagement. (...)
 - **LEADERSHIP CAPACITY** Traditional and civil society and the media should be encouraged to play a larger role in building leadership capacity on the continent. Platforms for peer-to-peer learning can be set up that periodically bring together opinion makers, leading experts and practitioners and young people to deconstruct complex challenges and find solutions. (p.239)
 - **DIGITALIZATION** The digitalization of the economy provides new possibilities for women. ICT is a great driver of new jobs and the sector has reported greater participation of women. The sector has the mechanisms to enable women to access equal opportunities, and ICT-based jobs are gender-blind when it comes to remuneration. (p.241)

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Chapter 9

DEVELOPING SERVICES VALUE CHAINS AND BOOSTING SERVICES TRADE LIBERALIZATION IN THE AfCFTA

HIGHLIGHTS

- The service sector constitutes the fastest-growing segment of the global economy, responsible for two-thirds of global manufacturing, one-third of global employment, and one fourth of international trade.
- From communications to transport, finance and tourism, services have become the backbone of the global economy and perhaps the most dynamic aspect of international trade.
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- **TECHNOLOGICAL INNOVATIONS** Technological advances in services, such as mobile connectivity, transport and logistics, access to cloud infrastructure and data storage, digital financial and business services, are transforming the nature of services. This has significantly improved the capacity of small businesses to compete but also to produce perishable goods by strengthening access to information and to the opportunity to deliver goods and services directly to consumers. Small businesses can become micro-multinational firms as technological innovations enable them to deliver to both domestic and foreign customers, as well as to deliver services to larger companies that are part of global value chains (GVCs). (p.229)
- **RESILIENT GVCs** The present moment provides an immense opportunity for Africa. Today's innovations demonstrate the size and pace at which technology is disrupting conventional socioeconomic sectors. For example, according to Felker, digital technology can aid in creating more resilient value chains. The Covid-19 pandemic has demonstrated that strongly interlinked GVCs have more possible failure points and less ability to withstand delays and failures than market leaders realized. To create more resilient and versatile value chains, Felker says that having the best mix of people, resources, technologies and solutions in place is vital when businesses revisit their supply chain strategies. Doing this will boost resilience, productivity and end-to-end visibility in the supply chain. (p.232)
- **PRODUCTIVE CAPACITY** African countries face bottlenecks in filling the crucial skill-reliant roles required for upgrading to GVCs. This is because of limited or scarce educational services, especially at professional and university levels, and also at technical and vocational levels in some countries (Fernandez-Stark and Gereffi, 2016). (p.238)
- **CHALLENGES** Another key weakness of continental trade in services is the lack of a thriving and competitive private sector that can seize opportunities in the economy. Many issues currently face the African private sector, including informality, small-size companies, poor intercompany relations, low levels of competition with exports, and a low potential for creativity. These problems are exacerbated by regional integration policies for trade in services that are designed to reduce trade barriers without boosting growth in capacity or private sector development. (p.239)
- **COORDINATION** Governments and the private sector should coordinate over trade in services, since a lack of coordination creates a formidable barrier to shared understanding and production. A reliable framework for successful state-business ties is a way to unleash the abilities of the private sector. (p.240)
- **GENDER BALANCE** As develops economically, the share of women employed in services steadily increases, leading to the creation of employment opportunities in call centres, nursing, tourism and other services (ILO, 2017). The share of women working in the service sector is projected to continue to grow further (Figure 10.2). (p.241)

POLICY-MAKERS

Chapter 10

CONCLUSION AND RECOMMENDATIONS

HIGHLIGHTS

- The RECs have made commendable progress in implementing their regional integration agendas. But further collective efforts are required of all key stakeholders in the integration project if the potential of the AfCFTA to increase employment opportunities, generate higher incomes, promote economic growth and lift 68 million people out of poverty are to be realized.
 - The services sector is an important driver of growth in Africa. Its share in national outputs is growing, and it contributes to socioeconomic equity, especially by providing employment for vulnerable groups of women and youth.
 - Although the services sector in African countries has been growing faster than the world average, the continent remains a marginal player in value-added global services trade. While service exports from African countries are increasing, Africa's role in the export and import of services is marginal.
- **PROTOCOL ON TRADE IN SERVICES** Implementing the Trade in Services Protocol will mitigate the pandemic's impact and foster a services trade environment that can boost African countries' post-pandemic economic growth and recovery. The negotiations within the ambit of the protocol must take account of digitalization, with knowledge and innovation as the main vectors, and of mode 5 services—services such as design, engineering, and software that are embodied in goods trade. (p.248)
 - **REGULATIONS** Since restrictions largely dampen the services trade among African countries, policies must be relaxed to foster services trade and economic growth. Liberalizing services requires adjusting trade regulation, reducing barriers and promoting non-discriminatory measures so that the countries on the continent benefit from intra-Africa services trade in the context of the AfCFTA. (p.248)
 - (...) promoting financial deepening in the AfCFTA will depend on regulatory conditions, payment systems, information management and infrastructural development to remove vulnerability and uphold stability and resilience. (p.249)
 - **FINANCIAL SERVICES** Trade in financial services must be boosted by a wholesale review of domestic regulations to remove cross-border financial service constraints that increase trade costs and reduce participation by trade partners. (p.249)
 - **TRANSPORT SERVICES** Liberalizing transport services (Chapter 5) will reduce the cost of transport, enhance connectivity, create jobs and boost the contribution of the sector to African countries' GDP. Liberalization has great value in context of AfCFTA, and policy makers can draw key lessons from air transport liberalization in Africa in the framework of the Yamoussoukro Decision 2000 leading to the Single African Air Transport Market (SAATM). (p.250)
 - **COMMUNICATIONS SERVICES** To unleash the potential of trade in communications services (Chapter 6), including the multiplier effects of communications for other trade sectors, the most important issue is developing or updating the regulatory frameworks for the inter-relationships between industry and government. (p.251)
 - **TOURISM** As an export-oriented sector, the tourism industry (Chapter 7) is an important source of foreign exchange earnings and a positive contributor to the balance of payments for several AU member states. Presenting attractive investment opportunities for hotel global chains, the sector accounts for 6 per cent of total foreign investments in Africa, and the sector plays a key role in attracting investments to the continent. (p.251)
 - **BUSINESS SERVICES** Recommended actions include African governments endeavouring to remove regulatory heterogeneity, increasing the capacity to train professionals and making immigration rules flexible to develop the business service sector at the country and regional levels. The AfCFTA trade in services negotiations should ensure harmonization, synchronization and cooperation in service regulatory frameworks, especially in the sectors the African Heads of State prioritize.
 - (...) to support the implementation of the AfCFTA trade in services must be liberalized to facilitate the development of value chains across the continent. (p.252)
 - **GLOBAL VALUE CHAINS** Guiding policies must be formulated to support GVCs, including for trade, investment, infrastructure, entrepreneurship, service liberalization, local firm development, workforce development, and industry institutionalization. If such policies are harmonized across AfCFTA state parties, the creation of successful and effective value chains is possible. (p.254)

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Chapter 10

CONCLUSION AND RECOMMENDATIONS

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- **DATA COLLECTION** African data on services and services trade are unavailable in the right quality and quantity. Concerted efforts are required to ensure that African country activity is fully captured in global services trade and restrictiveness indexes. (p.248)
- **MONITORING BODIES** AUC, RECs, AU member states and other stakeholders should harmonize the continental regulatory frameworks for the different modes of transport—road, rail, maritime and inland waterway—and establish effective monitoring bodies and executing agencies for continental regulations. They should also develop tools for assessing government and service provider performance in implementing continental regulations for those transport modes. (p.250)
- **TOURISM** As a labour-intensive industry, tourism generates 40 per cent more employment than agriculture for a similar investment and 50 per cent more than mining. Tourism has a multiplier factor for both employment and revenue 3.2 larger than that of the communications, financial services and education sectors. Direct and total employment due to tourism have both grown 4 per cent a year on average over the past two decades. (p.251)
- **BUSINESS SERVICES** A peer-learning framework should be developed in areas where some African countries already have significant business service exports, such as advertising, legal and accounting, and computer and engineering services. Services that are positively correlated with development, such as computer, architectural and engineering services especially warrant this approach. (p.253)
- **SERVICES IN VALUE CHAINS** Some policy recommendations include adopting of a mixture of techniques for evaluating the role of services in value chains, both those specializing in service delivery and those using services as intermediate inputs (a weakness in the conventional trade statistics). The techniques include qualitative approaches, net value added by trade, comparative advantage, input-output analyses and harmonized input-output tables of different countries. (p.254)

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Chapter 10

CONCLUSION AND RECOMMENDATIONS

HIGHLIGHTS

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- **SERVICES TRADE** Services trade in Africa should be vigorously promoted since services account for much of African countries' GDP and employment and provide a major impulse for structural transformation. Shifting from informality to formality in services trade and promoting greater gender and social equity across services sectors are particularly challenging tasks. (p.248)
 - **TRANSPORT SERVICES** The continent should attract investments to the transport services through its trade policies. It also needs to leverage digitalization to speed the removal of services trade restrictions, expand services trade and improve development outcomes by expanding productivity. An effective information and communications trade (ICT) policy is essential to smooth and efficient services trade. Since most services trade activities are not physical, maximizing ICT benefits to boost services trade is critical. (p.248)
 - **AFCFTA** Realizing the gains of the AfCFTA hinges on establishing an efficient and cost-effective transport service sector. Shipping goods and services at competitive prices will foster intra-African trade. In 2017, a third of the value of global trade in transport (\$529 billion) represented the direct cost of shipping goods between economies, mainly by sea or by air. (p.250)
 - **INTRA-TOURISM** Future efforts should develop products suitable for the African tourist market. The continent possesses sufficiently diverse natural and cultural resources to support reorienting the existing homogeneous approaches. (p.251)
 - **BUSINESS SERVICES** The importance of the business service sector (Chapter 9) cannot be overemphasized. The global business service market was estimated at \$5.7 trillion in 2018, having grown by 7.4 per cent a year since 2014. With growth projected to be 13.6 per cent a year over the next decade, the business service sector, including software and information technology services and real estate, is one of the top three sectors for foreign direct investment (FDI). The business service market in Africa is projected to grow by 13.1 per cent a year. (p.252)
 - **INNOVATION** The processes of liberalisation and integration should be integrated with technologies to refine current systems, build new market possibilities and change supply chains and the geography of trade. Having the best mix of technologies, resources, people, and solutions is vital to create more resilient and versatile value chains when businesses revisit their strategies to boost end-to-end visibility, resilience and productivity in the supply chain. (p.254)