

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD

**EMBARGO**  
The contents of this Report must not be  
quoted or summarized in the print,  
broadcast or electronic media before  
9 July 2015, 17:00 hours GMT

ECONOMIC  
DEVELOPMENT IN

**AFRICA**

REPORT 2015

UNLOCKING THE POTENTIAL OF  
AFRICA'S SERVICES TRADE FOR  
GROWTH AND DEVELOPMENT



UNITED NATIONS

UNCTAD

Economic Development in Africa Report  
2015

# *Unlocking the Potential of Africa's Services Trade for Growth and Development*

UNCTAD

24 August, 2015



UNITED NATIONS  
UNCTAD

# Structure of Presentation

- I. The key messages of the report
- II. Issues addressed in the report
- III. Main findings of the report
- IV. Recommendations

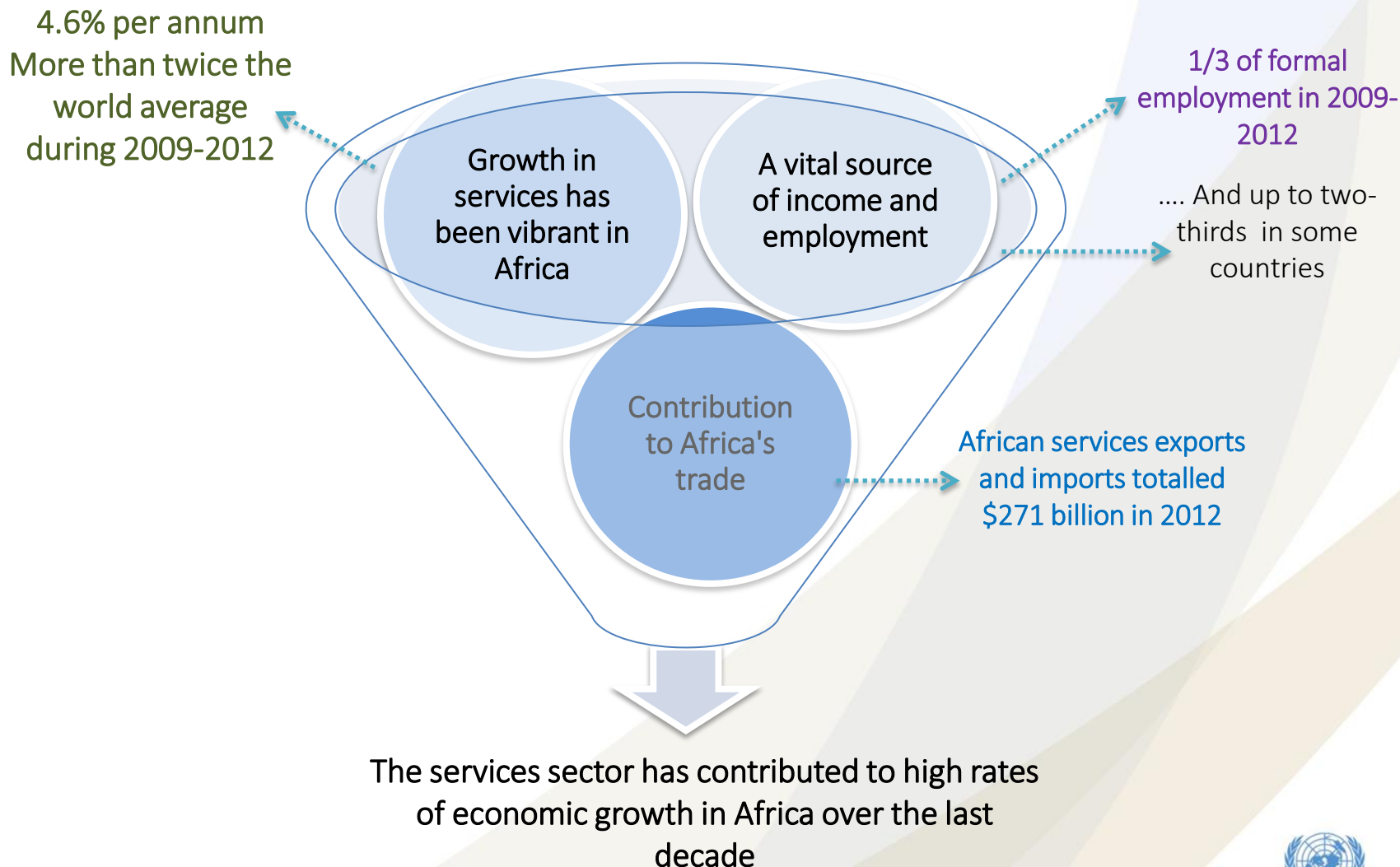
## **I. Key messages of the report**

- Services are important, regardless of the level of development of a country, whether in Africa or beyond.
- Services are central to any national development strategy whether commodity or manufactures based, and for moving up global value chains.
- Africa's services provision remains suboptimal and is delivered at a high cost because of various regulatory and policy shortcomings. The absence or undersupply of these services raise production costs and have a strong impact on the competitiveness of a country.
- African countries have made efforts to address services trade at the national, regional and global levels. A policy disconnect prevails between these three levels, hampering Africa's opportunities to tap into the benefits of greater services trade.
- Although the services sector has become a driver of growth in Africa in recent years, it has failed to promote structural transformation in the continent.

## **II. Issues addressed in the report**

- What is the contribution of the services sector to the African economy and trade?
- How might the domestic regulatory and institutional framework improve the provision of services and the sector's contribution to growth?
- What national and regional policies need to be in place in order for services to make an enhanced contribution to African economies?
- Is there a potential role for a pan-African approach to services development/ integration?
- What services negotiations agenda should African countries pursue in regional and global services negotiations/forums?

### III. Main findings of the report: the potential of the sector



## IV. Main findings of the Report: Sectoral composition

- During 2009-2012, wholesale trade, retail trade, restaurants and hotels category grew at 5.0%, compared to 5.8% for the transport, storage and communications category; which grew above the continental average in Western (14.5%) and Eastern Africa (9.3%)

**Table 2. Growth in real gross domestic product and services and its components by region, 2001–2012 (Percentage)**

Group	Gross domestic product		Services		Wholesale trade, retail trade, restaurants and hotels		Transport, storage and communications		Other activities	
	2001–2004	2009–2012	2001–2004	2009–2012	2001–2004	2009–2012	2001–2004	2009–2012	2001–2004	2009–2012
World	2.72	1.79	2.68	1.99	2.90	1.94	3.73	1.88	2.43	2.04
Developing economies	4.94	5.25	4.97	5.40	4.59	5.83	6.62	5.59	4.75	5.15
Developed economies	1.99	0.44	2.15	1.04	2.27	0.40	2.81	0.37	2.02	1.33
Developing economies: Africa	5.08	3.41	4.76	4.60	4.30	5.02	7.32	5.75	4.26	3.95
Eastern Africa	4.01	7.02	4.26	7.94	3.19	7.48	6.33	9.38	4.28	7.69
Middle Africa	6.87	4.42	5.91	5.03	6.60	4.65	7.24	5.40	4.65	5.45
Northern Africa	4.72	1.63	4.89	3.29	3.17	2.86	7.39	3.95	4.91	3.22
Southern Africa	3.51	1.97	4.11	2.83	3.05	3.04	6.51	2.31	3.94	2.88
Western Africa	8.29	6.27	6.31	9.05	8.44	9.23	10.19	14.15	3.46	6.22
Developing economies: America	2.15	2.88	2.21	3.35	1.77	3.06	3.13	3.99	2.21	3.34
Developing economies: Asia	6.14	6.29	6.41	6.30	6.09	7.02	8.19	6.18	6.11	5.99

Transport, storage & communications had the highest growth



## V. Main findings of the Report: Manufacturing and services complementarities

- Of the 45 countries where the share of services in output rose from 2001–2004 to 2009–2012, 30 countries experienced a fall in manufactures (e.g. Cote d'Ivoire, Mauritania, Mauritius, Swaziland)

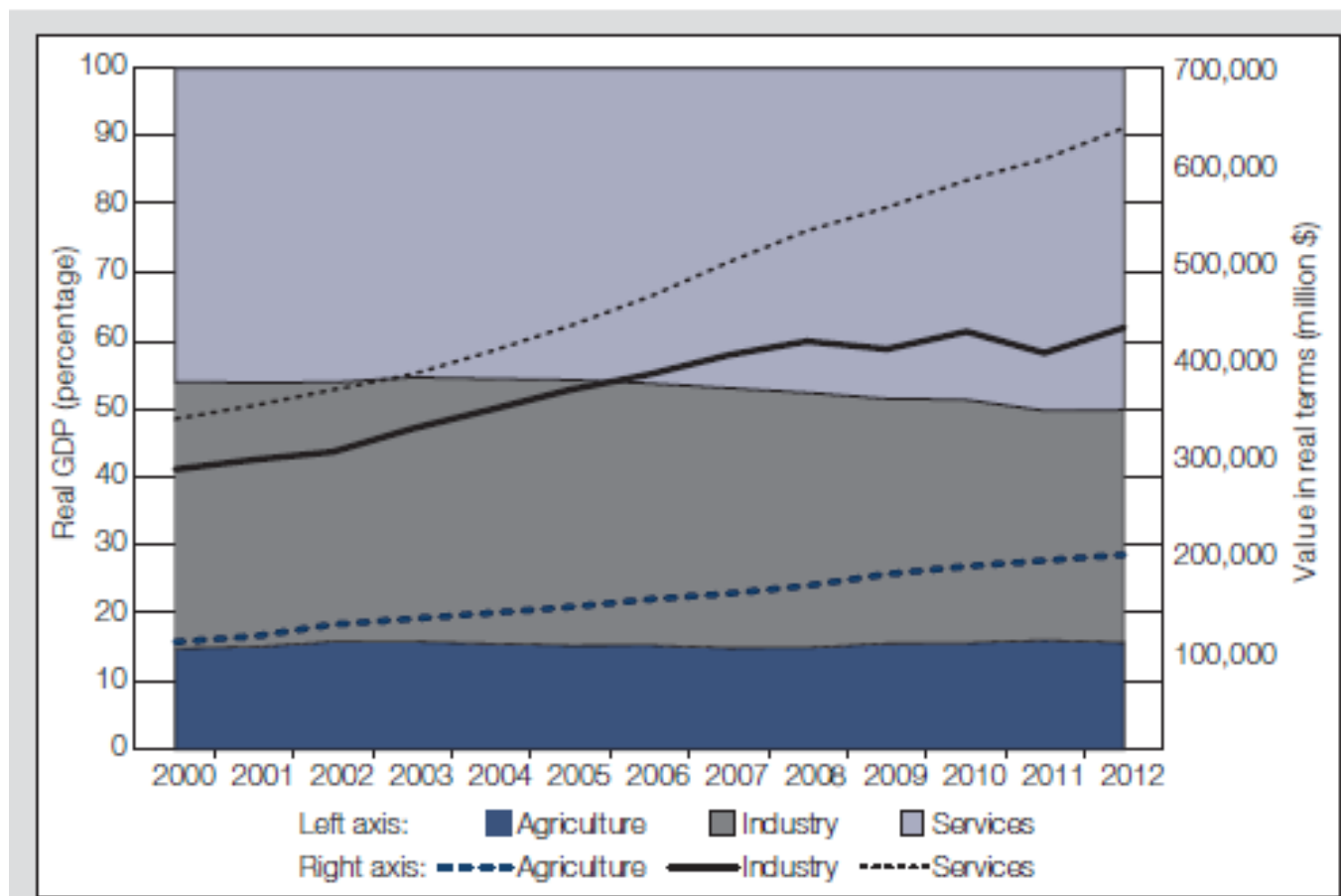
During the same period, the share in services of output rose from 46 to 49 per cent for the whole of Africa, being highest for manufactures and services exporters and lowest for fuel exporters

Percentage share of manufactures & services in total value added (2009-2012)		
Country	Manufactures (change from 2001-2004)	Services (change from 2001-2004)
Cote d'Ivoire	12 (-4)	59 (+8)
Mauritania	5 (-5)	44 (+7)
Mauritius	17 (-5)	70 (+6)
Swaziland	33 (-6)	54 (+7)
Export Category		
Food & Agriculture	13 (+3)	46 (+3)
Fuel	5 (+1)	34 (+9)
Manufactured goods	17 (-2)	62 (+4)
Mixed	11 (-2)	51 (+2)
Ores & metals	7 (-1)	46 (+5)
Services	7 (-1)	57 (+2)
<b>Africa</b>	<b>11 (-1)</b>	<b>49 (+3)</b>

## VI. Main findings of the Report: Sectoral shares of GDP

Africa's services sector propelled more than 50 per cent of real GDP growth in 30 out of 54 countries during 2009–2012 and more than 70 per cent of total real economic growth in 12 countries.

**Figure 1. Sectoral shares of real gross domestic product by percentage and value, 2000–2012**

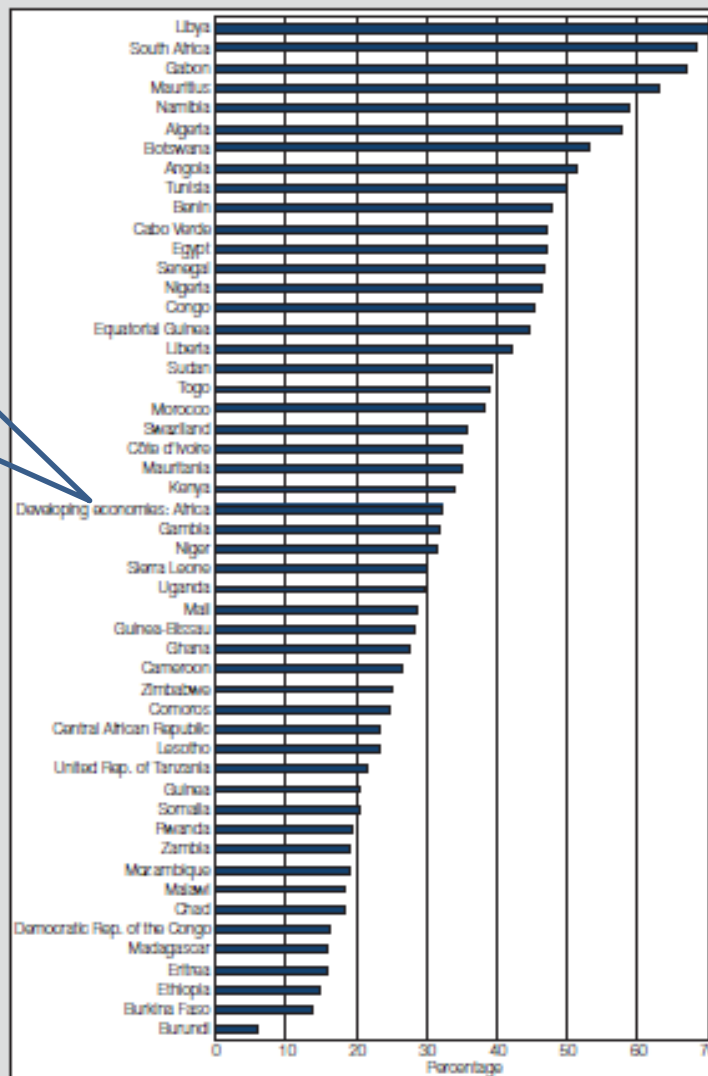




## VII. Main findings of the Report: Employment

The services sector accounted for 32.4 per cent of total employment during 2009–2012.

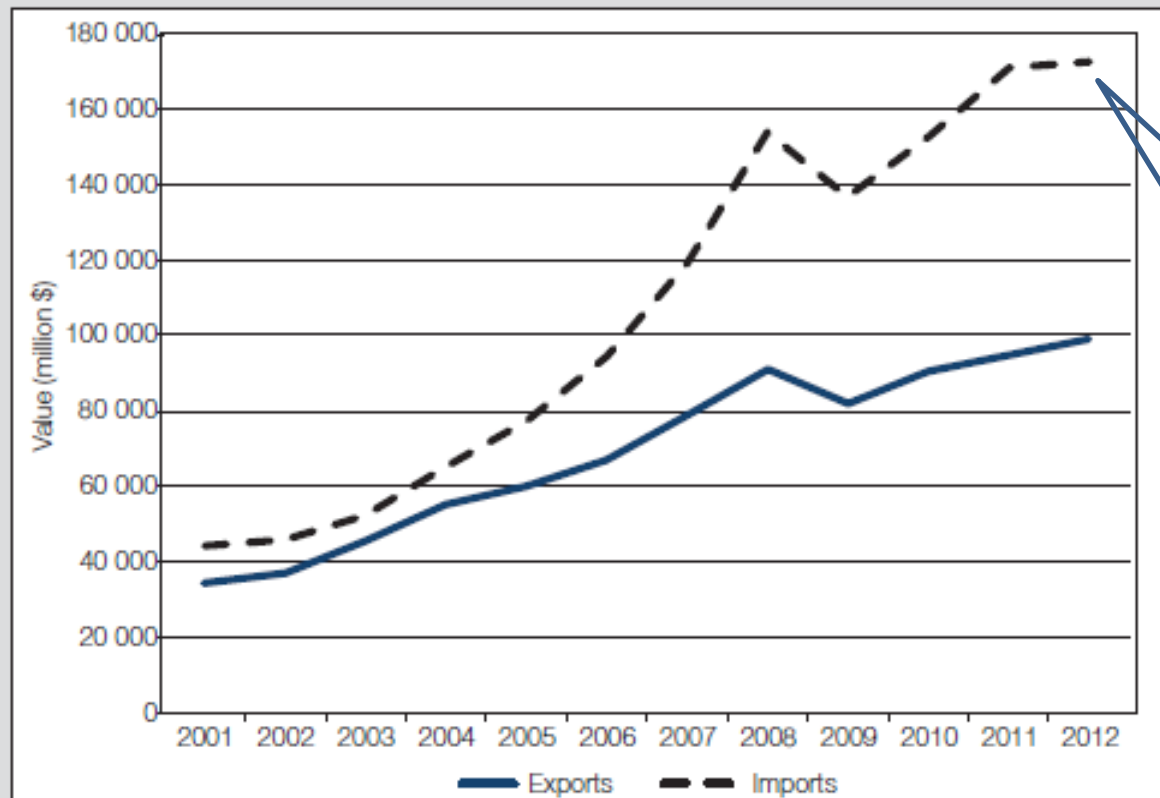
Figure 2. Share of services in total employment by country, 2009–2012



## VIII. Main findings of the Report: Services share in world trade

- Africa is a marginal player in global services trade, accounting for 2.2 per cent of global services exports and 4 per cent of services imports

Figure 3. Exports and imports of services, 2001–2012



- 11 African countries have consistently been net services exporters since 2005 (mainly travel services).

Explosive rise of services imports is explained by the liberalization of the sector, rising demand and associated booms in sectors such as construction.

## **IX. Main findings of the Report: Infrastructure services need effective regulation**

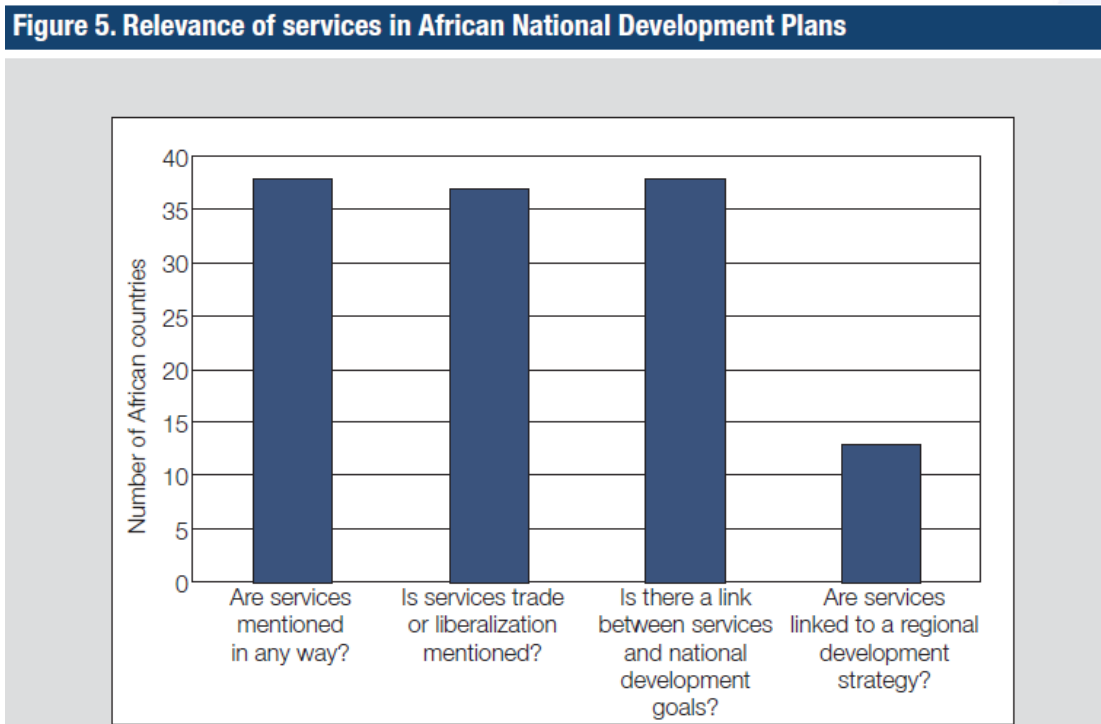
- For African firms to exploit growing opportunities for trade through global services value chains, major investments in transport, logistics and energy infrastructure are required.
- To build the necessary infrastructure to enable industrialization and economic growth, clear and consistent regulatory and compliance frameworks are needed to achieve efficient services.
- Infrastructure services regulation is critical for ensuring access, affordability, investment requirements and quality control.
- The need for effective infrastructure services regulation is also critical to achieving post-2015 SDGs related to social welfare, water and sanitation and health-related indicators, greater emphasis is placed on regulation that protects consumers, attracts investors and enables Governments to achieve policy objectives.

## **X. Main findings of the Report: Infrastructure services need effective regulation cont'd**

- Most African states rank low in regulatory independence across all sectors and standard international models of infrastructure regulation are not regularly employed in Africa.
- Although the state remains a major player in the provision of infrastructure services, regulatory independence is an important element of effective infrastructure services provision. What is important is not the type of ownership – state, private, public-private partnership or joint venture – but whether it contributes to a government's development objectives.
- As the utilities sector transforms, so too must its regulation and traditional business model of supply and operation; towards being capable of adapting to new technological and consumer demands.

## XI. Main findings of the Report: Policy disconnects - national dimension

- When mapping services trade in national development plans across Africa...



... treatment of services trade varies significantly across Africa and very few consider the relevance of services trade in the context of regional integration

## XII. Main findings of the Report: The regional dimension

- At regional level, RECs are making modest but steady progress in services trade and various instruments exist...

RECs	Treaties, Agreements or instruments governing services
AMU	Constitutive Treaty of the Union of the Arab Maghreb (1989) Convention on the encouragement and protection of investments between the countries of the AMU (1993)
CEN-SAD	Treaty establishing the Community of Sahelo-Saharan States (1998)
COMESA	COMESA Treaty (1994) COMESA Framework for liberalizing trade in services (2004) COMESA Protocol on the Free Movement of Persons, Rights of Establishment and Residence (2001) COMESA Protocol on the Gradual Relaxation and Eventual Elimination of Visas (1984) Investment Agreement for the COMESA Common Investment Area (2007)
EAC	Protocol Establishing the EAC Common Market (2009)
ECCAS	Treaty Establishing the Economic Community of Central African States (1983)
ECOWAS	Treaty of the Economic Community of West African States (1993) Protocol and Supplementary Protocols on free movement of persons, right of residence and establishment (1979-1990) Supplementary Act on Universal Access/ Service for Telecommunications (2007) ECOWAS Supplementary Act on Common Investment Market (2008)
IGAD	Agreement Establishing the Inter-Governmental Authority on Development (1996) Sustainable Tourism Master Plan for the Inter-Governmental Authority on Development (IGAD) Region (2013)
SADC	SADC Protocol on Trade Services (2012) Protocol on the facilitation of movement of persons (2005) Protocol on Transport, Communications and Metrology (1996) Protocol on the Development of Tourism in the SADC(1998)

... but progress is hampered by weak implementation and may require the inclusion of these instruments into national law



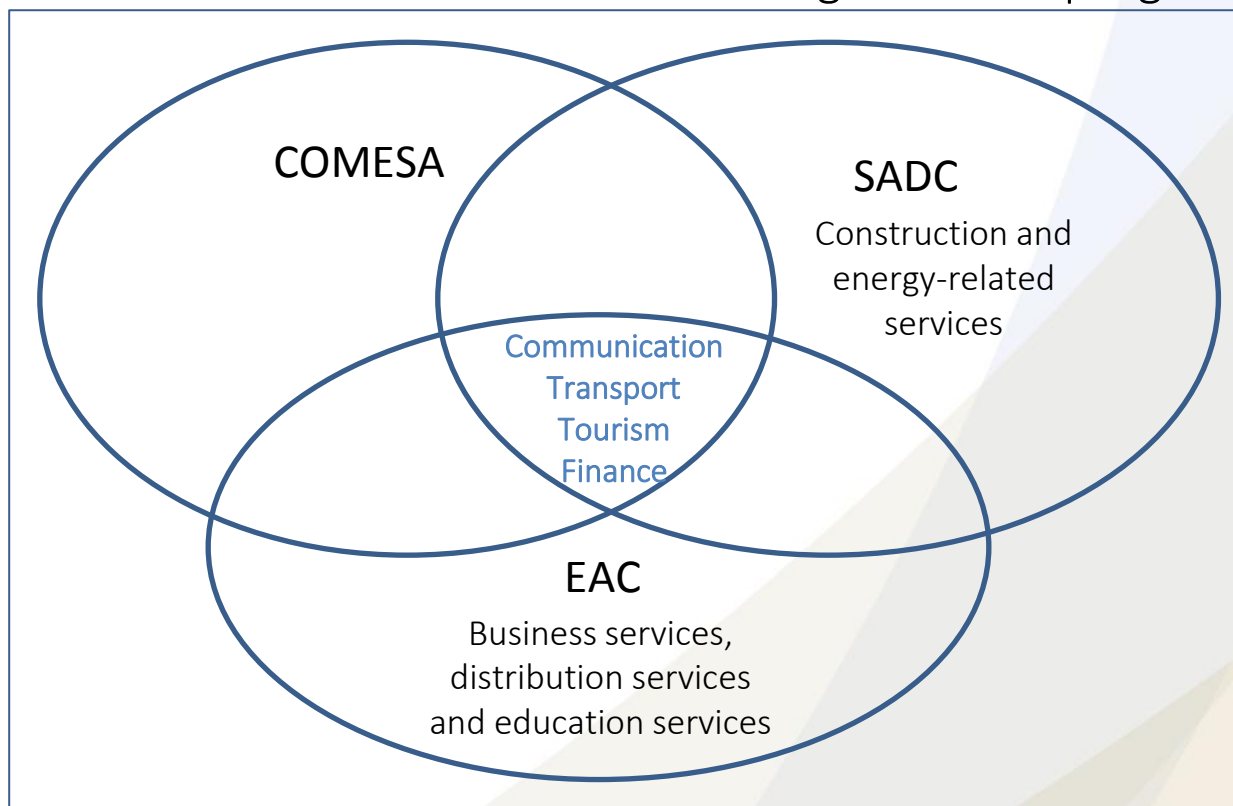
## XIII. Main findings of the Report : The regional dimension cont'd

- Though the level of openness and scope of some of the regional services trade regulation varies across RECs ....

ELEMENTS	COMESA	EAC	SADC
DEFINITIONS	Services are defined as services provided by a natural person or juridical entity (Art. 2), except services in the exercise of governmental authority (Art. 5)	Services which are supplied by nationals of Partner States. Services in the exercise of government authority are not included (Art. 16)	Includes any service in any sector by a service supplier from a State party, except those supplied in the exercise of governmental authority (Art. 3)
SCOPE	Focuses on measures affecting services trade of 4 priority sectors covering the four modes of supply (Art. 5) in a schedule of commitments (Annex III)	Focuses on measures affecting services trade of an initial list of 7 services sectors covering four modes of supply in a schedule of commitments (Annex V)	Focuses on measure applied by States parties which affect trade in services with an initial list of 6 priority sectors covering the four modes of supply (Art. 3)
TREATMENT	Most-favoured nation (MFN) treatment is offered. The standard of treatment is no less favorable treatment than that offered to like service and service suppliers of other countries (Art. 6) MFN exemptions are listed in Annex II, to be phased out in 5 years (Art. 7). Market access and national treatment (NT) are also covered in Art. 26-27, but are limited to the scheduled commitments in Annex III	MFN and NT are offered and are informed by what is inscribed in the schedules of commitments of the countries. The standard of treatment is no less favorable treatment than that offered to like service and service suppliers of other partner States or third countries. (Art. 17-18)	MFN treatment is offered and the standard of treatment is no less favorable treatment than that offered to like service and service suppliers of other partner States or third countries. (Art. 4) MFN exemptions are listed in Annex. Market access and NT are also covered in Art. 14-15, but are limited to the scheduled commitments of the future annex of the protocol once the schedules are adopted

## XIV. Main findings of the Report : Regional sectoral commonalities matter

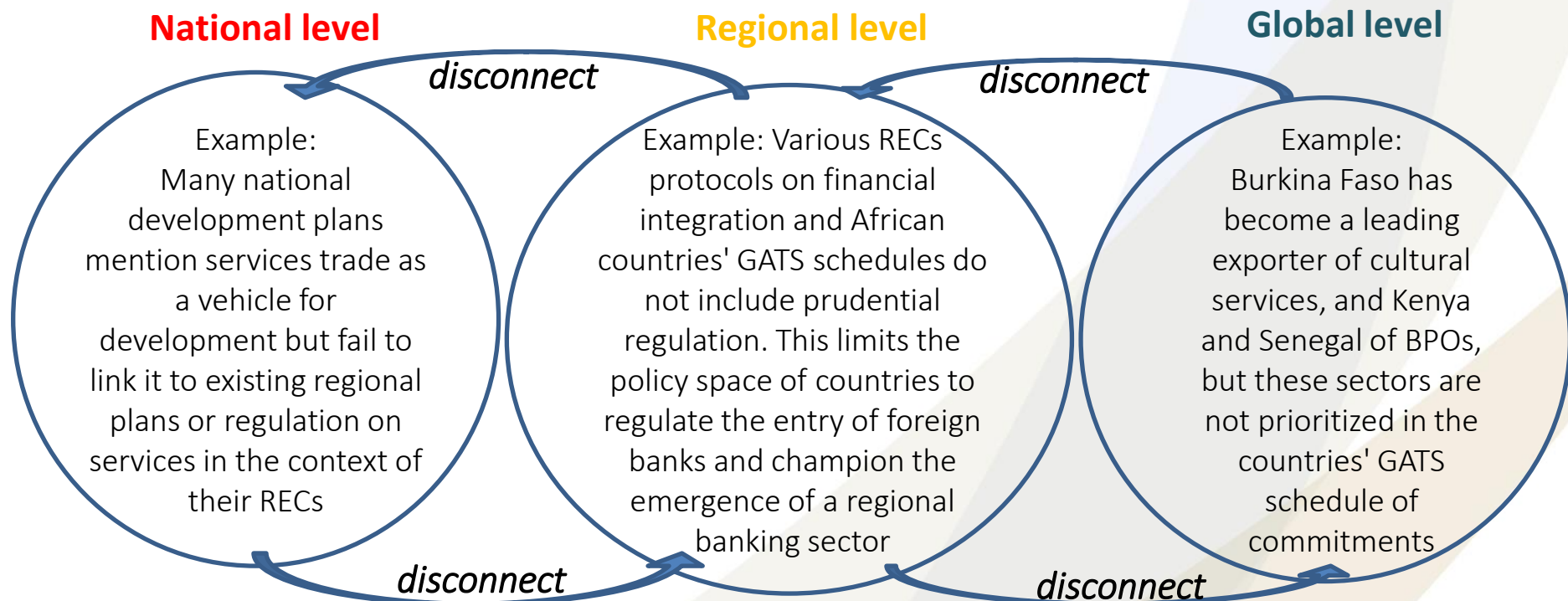
... some important commonalities are found among the more progressive protocols



... such as the sectors that are being prioritized in market access negotiations. This is critical as it also lays the ground for the COMESA-EAC-SADC Tripartite negotiations in services.

## XV. Main findings of the Report : Policy disconnects matter

- There are important services policy disconnects at the national, regional and global levels in Africa...



These disconnects impede African countries from realizing the gains from services trade that may harbour opportunities for greater growth and development.

## XVI. Main findings of the Report : Use available tools to bridge disconnects

- The Continental Free Trade Area (CFTA) is an opportunity to bridge these disconnects provided that services trade is negotiated concurrently with trade in goods ....

### National level

Mainstreaming services trade policy into national development plans and at various policy levels

### Regional level

Making use of the High-level African Trade Committee (HATC) of the CFTA to coordinate services trade policy priorities at the regional, pan-African and global levels

### Global level

Africa Group to make a stronger case for greater flexibility in the interpretation of GATS rules, operationalizing the Services Waiver for LDCs

.... As does adequate services trade mainstreaming, affording greater flexibility to GATS interpretation, as well as implementing the Services Waiver for LDCs



## XVII. Main findings of the Report: Multilateral dimension

- 20 countries have made GATS commitments specifically on financial services, most of which are limitations or restrictions on ownership and control of investment and employment decisions on foreign banking activity.

	Angola	Benin	Botswana	Burkina Faso	Burundi	Cameroon	Cape Verde	Central African Rep.	Chad	Congo	Côte d'Ivoire	DRC	Djibouti	Egypt	Gabon	Gambia	Ghana	Guinea	Guinea Bissau	Kenya	Lesotho	Madagascar	Malawi	Mali	Mauritania	Mauritius	Morocco	Mozambique	Namibia	Niger	Nigeria	Rwanda	Senegal	Sierra Leone	South Africa	Swaziland	Togo	Tunisia	Uganda	Tanzania	Zambia	Zimbabwe										
Horizontal Commitments affecting Financial Services							✓							✓		✓	✓			✓	✓		✓			✓	✓																		✓							
Sectoral Commitments on Financial Services	✓	✓					✓				✓			✓	✓	✓	✓			✓	✓		✓			✓	✓	✓																			✓					
Banking & other Financial Services Excluding Insurance	✓	✓					✓				✓			✓	✓	✓	✓			✓	✓		✓			✓	✓	✓																				✓				
Insurance Services							✓				✓			✓	✓	✓	✓			✓	✓					✓	✓	✓																								
MFN exemptions Affecting Financial Services							✓				✓			✓													✓																									
All sectors covered							✓							✓																																						
Exclusive to Financial Services											✓																✓																									



## XVII. Main findings of the Report: Multilateral dimension

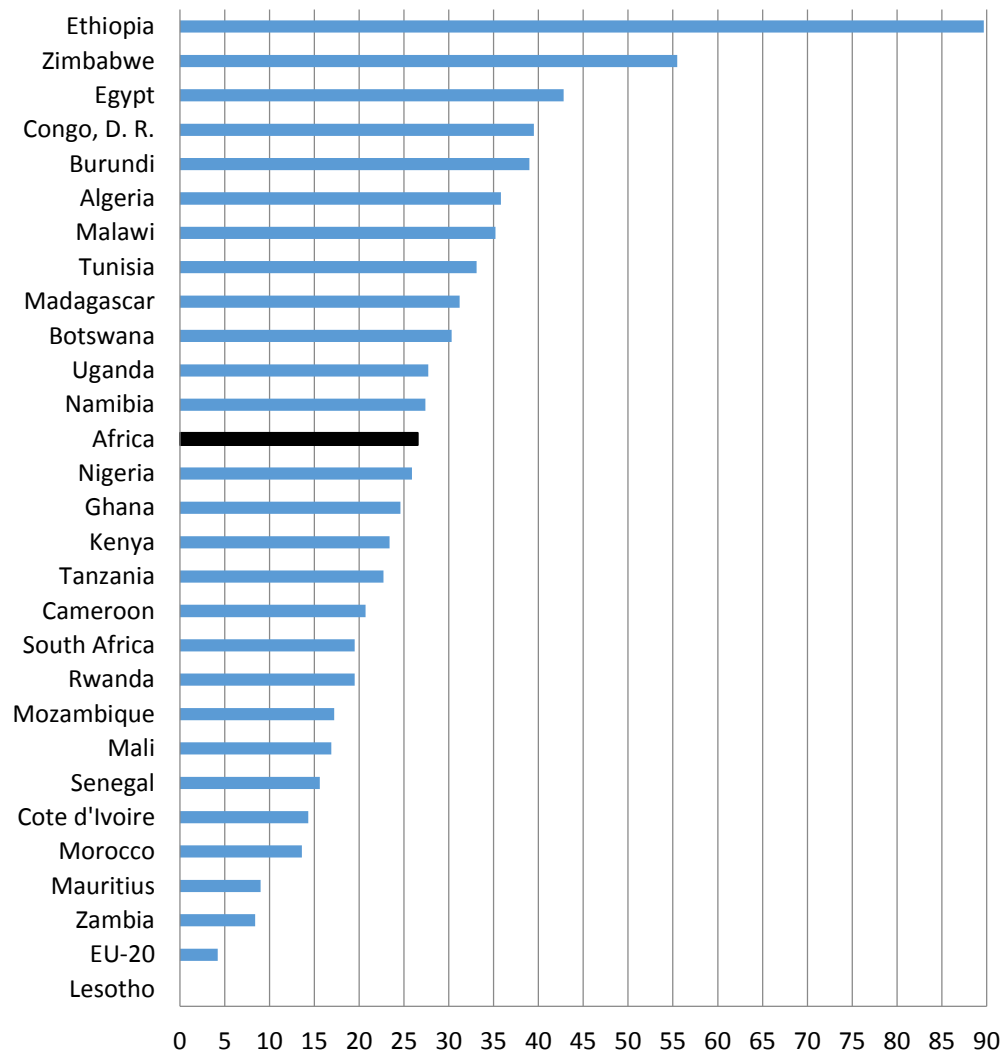
Most commitments on financial services in the African schedules are limitations or restrictions on ownership and control of investment and employment decisions on foreign banking activity

Country	Admission/ authorization/ licensing or notification requirements	Limitations on form/ amount or control of FDI	Limitations to participating in M&As/ Privatization	Limitations on the lease/ purchase of real estate	Limitations on subsidies/ tax write-offs/ transfers/ preferential treatment	Establishment approval/ registration or residency requirements	Qualification/ skills or employment requirements	Limitations on the category/ function of employees	Limitations on the duration of stay <sup>1</sup>	Economic needs/ social benefit or labour market tests
Angola					MA 3)					MA 3)
Benin	MA 3)	MA 3)	MA 3)			MA 4)	MA 4)	MA 4)		
Cabo Verde		MA 3)					MA 4)	MA 4)	MA 4)	
Cote d'Ivoire	MA 3)	MA 3)				MA 4)				
Egypt	MA 3), NT 3)	MA 3)					MA 4)			MA 3), NT 3)
Gabon	MA 3)						MA* 4)	MA* 4)		
Gambia	MA 3)	MA 4)				MA 3), *4)	MA* 4)			MA* 4)
Ghana	MA 3)				NT 3)	MA 4)	MA 4)	MA 4)		MA 4)
Kenya	MA 3)	MA 3)	MA 3)			MA 4)		MA 4)		
Lesotho	MA 3)	MA 3)	MA 3)				MA 4)	MA 4)	MA 4)	MA 4)
Malawi						MA * 4)	MA* 4)	MA* 4)		
Mauritius	MA 3)	MA 3)	MA 3)				MA* 4)	MA* 4)		
Morocco					MA 4)	MA 4)	MA 4)	MA 4)	MA 4)	
Mozambique						MA 4)				
Nigeria		MA 3)				MA* 4)	MA* 4)	MA* 4)		
Senegal	MA 3)	MA 3)								
Sierra Leone	NT 3)	MA 3)			MA 3)		MA* 4)	MA* 4)		MA 4)
South Africa	MA 3)	MA 3)	MA 3)		MA 3), NT 3)		MA* 4)	MA* 4)	MA* 4)	
Tunisia	MA 3), NT 3)	MA 3)	MA 3)			MA 4), NT 3)		MA 4), NT 3)		
Zimbabwe		MA 3)	MA 3)	MA 3)			MA* 4)	MA* 4)		MA* 4)

## XVIII. Main findings of the Report: Financial services trade restrictions are still pervasive

- The restrictiveness of trade in financial services varies widely among African countries and is highest in Ethiopia, Zimbabwe and Egypt. Zambia, Mauritius and Morocco have among the most open services trade regimes in the world.
- Financial services trade in Africa appears on average to be less restrictive than in other developing regions (Borchert et al., 2012)

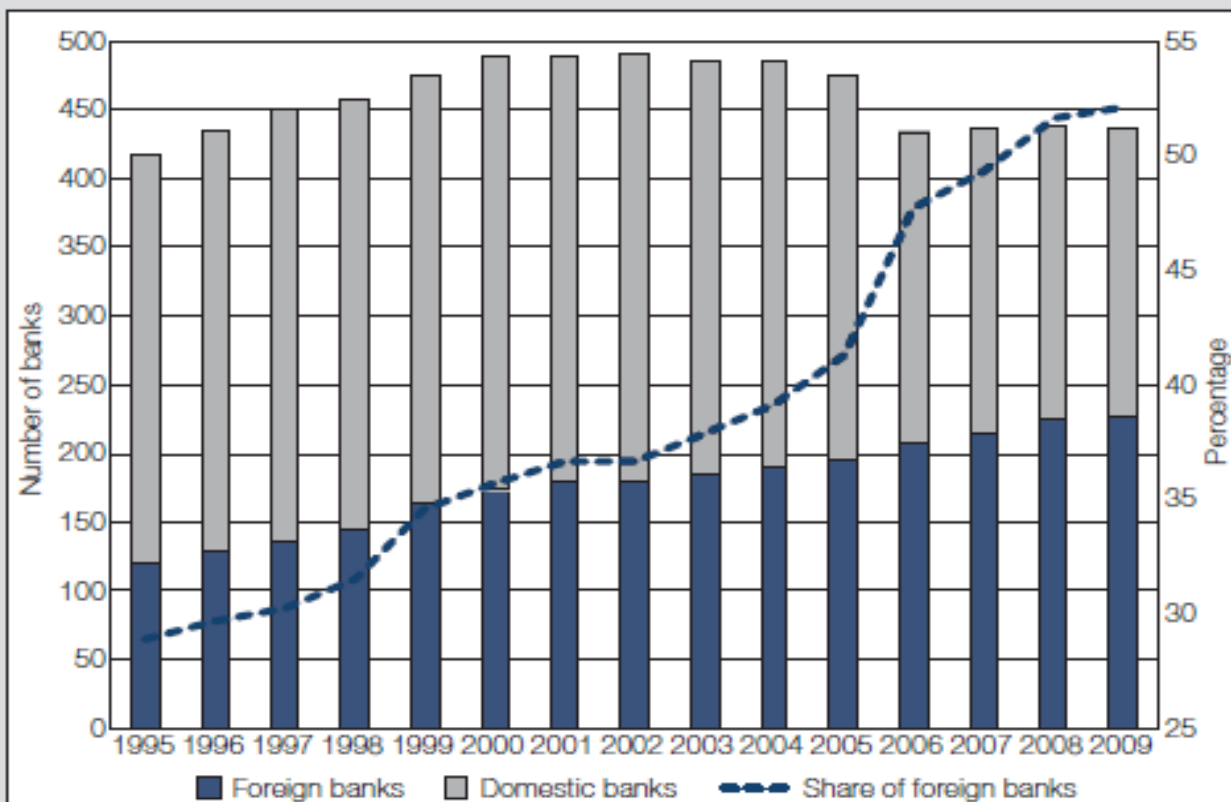
Financial services trade restrictions index scores, 2012



## XIX. Main findings of the Report: Rising crossborder banking is driving consolidation in the sector

- Foreign bank penetration in terms of both ownership and bank assets is growing and comparatively much higher in Africa than in other regions

Figure 8. Number and share of domestic and foreign banks, 1995–2009



- These institutions have focused on high-margin businesses, consulting services on M&A and asset-backed finance and trade financing; few services for the poor and rural populations.

## XX. Main findings of the Report: Improved Pan-African regulation will be key to financial services development

Given the growing internationalization of banks and the resulting exposure to global financial crises, regulation in Africa needs to incorporate mechanisms for crisis prevention and resolution.

- Concretely, there is scope for:
  - Better domestic financial sector regulation
  - Provision of clear supervisory guidance
  - Improving domestic banks' risk management and stress-testing frameworks
  - Creation of cross-border supervisory and crisis management groups for systemically important banks

Table 15. Major cross-border and international banks, 2013

Cross-border banks			
Name	Number of African countries	Location of headquarters	Majority ownership
Ecobank	32	Togo	South Africa
United Bank for Africa (UBA)	19	Nigeria	Nigeria
Standard Bank Group (Stanbic)	18	South Africa	South Africa
Banque Marocaine du Commerce Extérieur (BMCE)	18	Morocco	Morocco
Société Générale	17	France	France
Citigroup	15	United States	United States
Standard Chartered	15	United Kingdom	United Kingdom
Banque Sahélo Saharienne pour l'Investissement et le Commerce (BSIC)	14	Libya	Libya
BNP Paribas	13	France	France
Attijariwafa Bank	12	Morocco	Morocco
International banks			
Name	Number of African countries	Location of headquarters	Majority ownership
Société Générale	17	France	France
Citigroup	15	United States	United States
Standard Chartered	14	United Kingdom	United Kingdom
BNP Paribas	13	France	France
Bank of Baroda	9	India	India
Access Holding	5	Germany	Unknown
Albaraka Bank (Group)	5	Bahrain	Bahrain
HLB Pakistan (Habib Bank Ltd.)	5	Pakistan	United Rep. of Tanzania
International Commercial Bank (ICB)	5	Switzerland	Malaysia
Rabobank	5	Netherlands	Netherlands

## **XXI Recommendations (i)**

### **Services is a driver of growth but its potential needs to be unlocked ....**

- Services should support a process of structural transformation, characterized by a shift from low- to high-productivity activities, and a declining share of agriculture in output and employment, as well as an increasing share of manufacturing and modern services in output.
- There are some dynamic emerging services subsectors with the potential to generate growth, trade and employment opportunities, which have yet to be tapped. For instance, logistics and distribution could greatly benefit Africa's agriculture and manufacturing sectors.
- African policymakers need to place greater emphasis on how to move towards the provision of more sophisticated services where there is greater value addition, opportunities for technology transfer and linkage development with other sectors of the economy.

## XXII. Recommendations (ii)

### Services is a driver of growth but its potential needs to be unlocked cont'd

- Vesting the regulatory bodies of infrastructure services with sufficient independence, whether they are public or privately owned, is critical to raising the efficiency of these services to foster growth, raise competitiveness and achieve key SDGs.
- Supporting the informal sector through measures that target private sector development can promote services. For example modernizing transport and logistics, addressing the efficacy of taxes, lowering regulatory burdens, and providing SME support services can raise productivity and efficiency of informal services providers.
- Developing services trade and advancing in regional integration processes are mutually supportive. In order to boost the prospective benefits of greater intra-African trade, the Continental Free Trade Area (CFTA) negotiations need to open up services trade **in parallel** with trade in goods.



## XXIII. Recommendations (iii)

### Don't forget services!

- *Engage in multi-stakeholder consultations in policy processes at all levels*
  - Policy disconnects prevail between the national, regional and global levels of policy making
  - Tools available to support and inform policy processes: multi-stakeholder consultations, interministerial and parliamentary coordination, groups, focus groups and surveys
- *Increase efforts to operationalize and implement existing African Union decisions and institutions on trade*
  - Greater efforts to transpose and implement AU decisions at the national and regional levels
  - High Level African Trade Committee (HATC) needs to be vested with resources and autonomy to lead the African services trade agenda
- *Include services trade in any CFTA negotiations strategy*
  - Services trade need to form part of the CFTA negotiations in unison and in parallel with the market access negotiations of trade in goods in order to set the ground for boosting intra-African trade

## XXIV. Recommendations (iv)

### Priorities for unlocking Africa's services trade, cont'd

- *For financial services in particular, address structural impediments to finance*
  - Including poor infrastructure, monopolies and regulation
  - Must target domestic competition and financial market concentration as part of the constraints to finance
  - Policies focusing on access to financial services for the unbanked
- *Align regional and multilateral regulatory frameworks for financial services*
  - Strive for consistency in existing regional and multilateral regulation for financial services (e.g. Prudential regulation)
  - Carve-outs in emerging regional regulation that cater for financial integration and the nascent regional banking sector

# UNCTAD

PROSPERITY FOR ALL

[www.unctad.org](http://www.unctad.org)



UNITED NATIONS  
UNCTAD