

**REGIONAL MEETING ON PROMOTING SERVICES SECTOR DEVELOPMENT AND TRADE-LED GROWTH IN
AFRICA**

organized by UNCTAD in collaboration with the African Union Commission (AUC) and the UN Economic Commission for Africa (UNECA) and in partnership with the International Organisation of La Francophonie

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Trade Services across Africa

Opportunities and Challenges.

Sunkanmi Olowo

**Head, SME / Value Chain Banking,
Ecobank Nigeria Limited**

Introduction

•The country of the future is the one that is able to use her services to gain appreciable comparative advantage and grow her wealth.

Compared to the readily available data and literature on policies affecting trade in goods, data on services and policy on services is very inadequate in Africa

•Individual wealth is increasingly moving from brick and mortar to services, intellectual properties and “intangibles”.

Over 80 percent of GDP in the United States and the European Union originates from services

•Countries are increasingly growing their GDP faster through services than normal production of goods.

Services accounts for well over 50 percent in most countries, industrial and developing

•The focus for Africa is to develop a robust service industry to develop the economy of the 21st century

With a population of over 1 billion people, services offer a very realistic way of growth in Africa

Regional integration in Africa

Basic association to Full integration

- Integration schemes ranges from the Preferential Trading Area (PTA) at the lower end of the integration spectrum to Economic Union at the upper end.
- South African Customs Union (SACU) formed in 1910 and the East African Community (EAC) in 1919.

Major regional groupings

- SSA major regional integration groupings currently in operation the Common Market for Eastern and Southern Africa (COMESA), The Economic Community of Central African States (ECCAS), The Economic Community of West African States (ECOWAS), The Inter-Governmental Authority on Development (IGAD), and the Southern African Development Community (SADC)

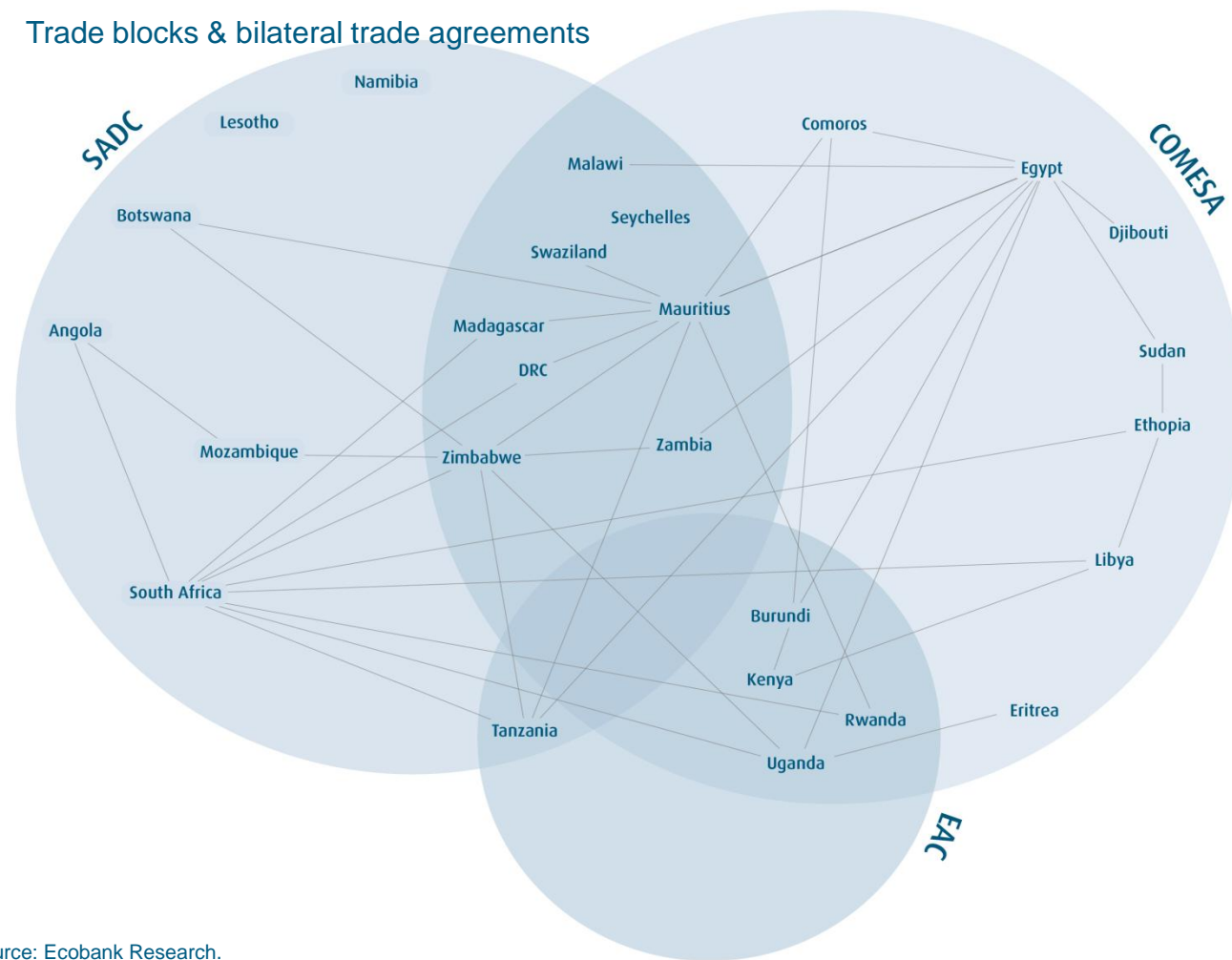
Overlapping functions?

- Others such as the Central African Economic and Monetary Community (CEMAC), the Economic Community of the Great Lake Countries(CEPGL), the East African Community (EAC), the Indian Ocean Commission (IOC), the Mano River Union (MRU) and the West African Economic and Monetary Union (UEMOA) are unions with overlapping functions.

Overlapping trade blocks complicate trade

18 African countries are members of three competing trade blocks

Trade blocks & bilateral trade agreements



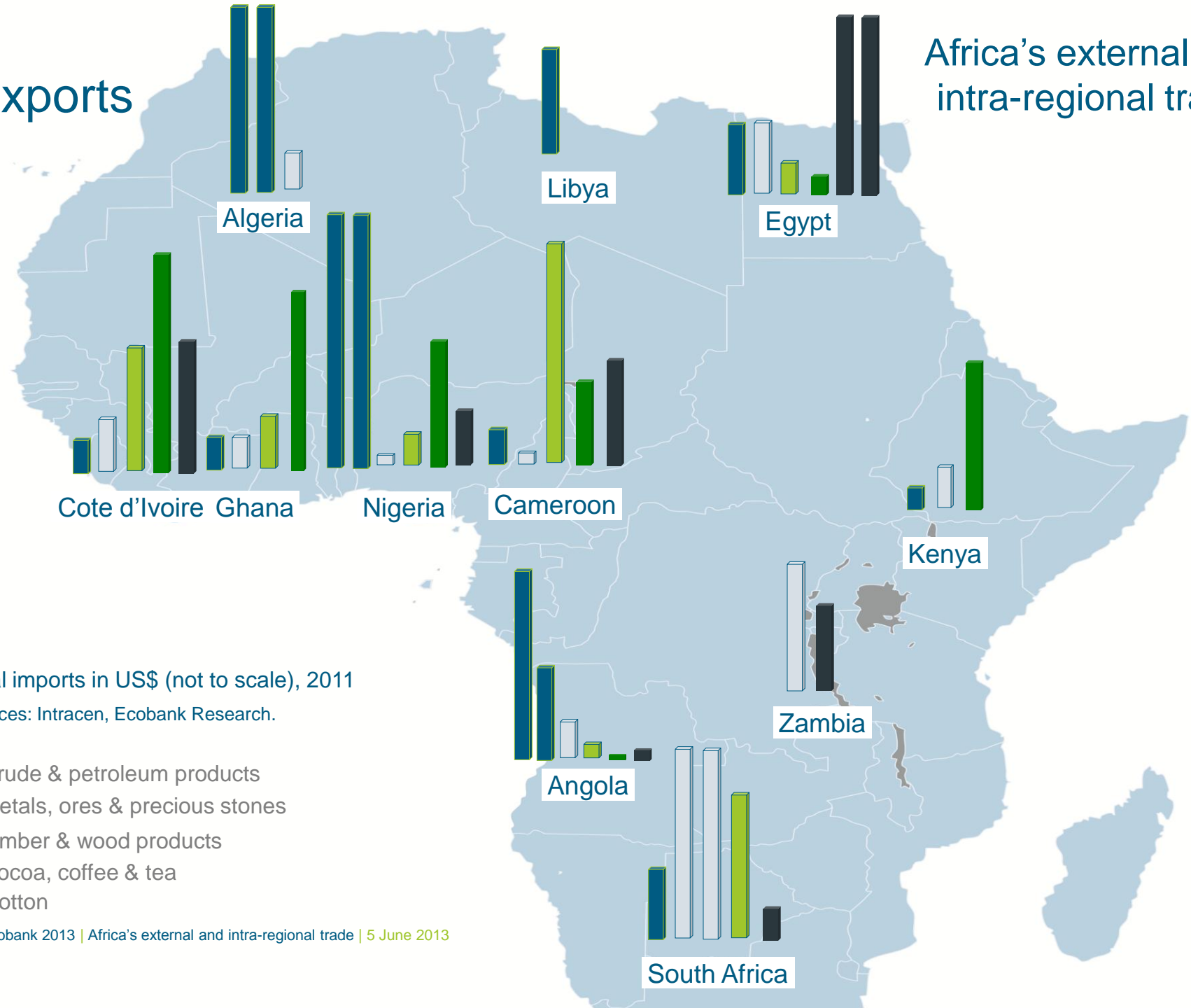
- Web of conflicting trade blocks with 14 regional trade blocks:
- 27 African countries are members of two, and 18 countries are members of three
- Overlapping of SADC, COMESA and the EAC (conflicts over trade regulation)
- Speculative business practise leading to import duty arbitrage between different trade zones

Source: Ecobank Research.

© Ecobank 2013 | Africa's external and intra-regional trade | June 2013

Exports

Africa's external and intra-regional trade



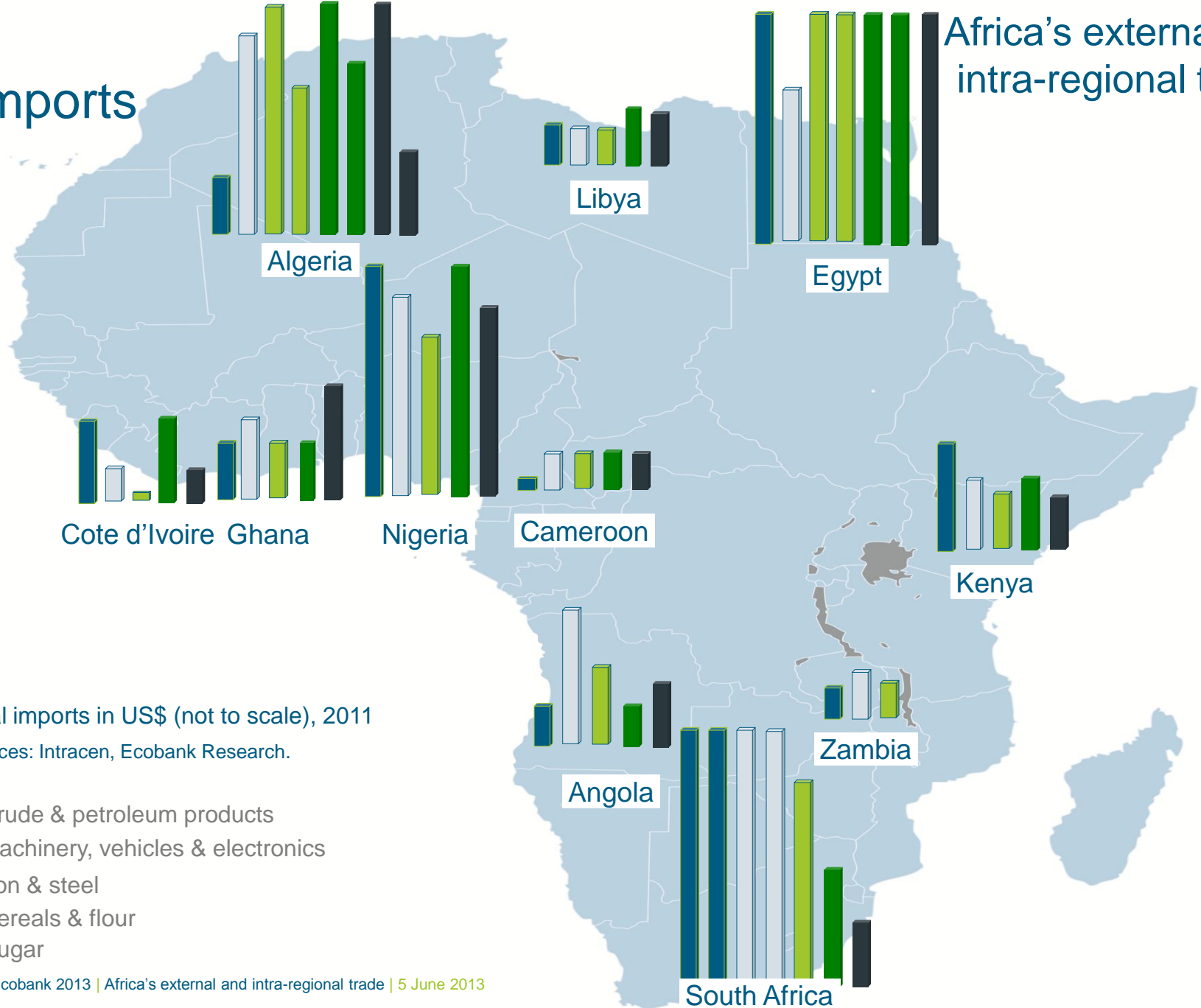
Total imports in US\$ (not to scale), 2011

Sources: Intracen, Ecobank Research.

- Crude & petroleum products
- Metals, ores & precious stones
- Timber & wood products
- Cocoa, coffee & tea
- Cotton

Imports

Africa's external and intra-regional trade



Total imports in US\$ (not to scale), 2011

Sources: Intracen, Ecobank Research.

- Crude & petroleum products
- Machinery, vehicles & electronics
- Iron & steel
- Cereals & flour
- Sugar

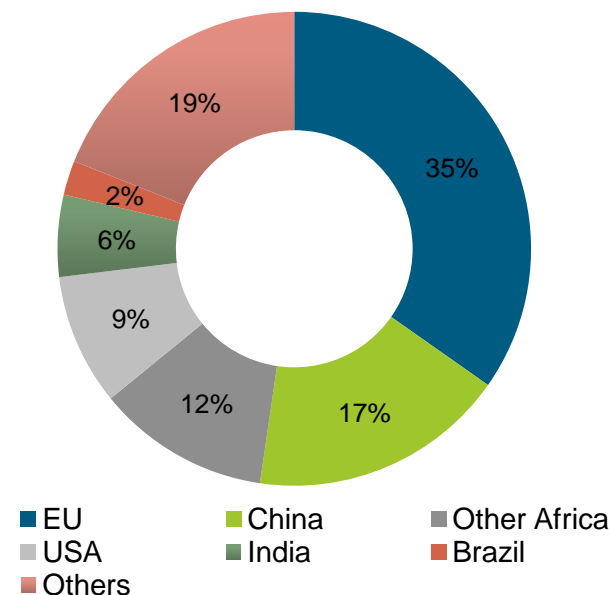
Intra Regional trade Vs bilateral trade

Africa's key trade partners, 2011

Country	Exports to Africa (US\$ m)	Imports from Africa (US\$ m)	Bilateral trade (US\$ m)	% of total
EU	186,387	206,125	392,512	34.8%
China	85,212	113,136	198,348	17.6%
Other Africa	70,191	63,024	133,215	11.8%
USA	32,845	68,522	101,367	9.0%
India	23,346	39,780	63,126	5.6%
Brazil	12,210	14,266	26,476	2.3%
Others	125,231	89,131	214,362	19.0%
World	535,422	593,984	1,129,406	100.0%

Sources Intracen.

Africa's trade with the world, 2011



- Intra-regional trade totalled US\$133bn in 2011 which amount to 11.8% of Africa's trade with world
- Key trade partners are the EU (35%), China (18%) and the USA (9%)
- Africa's share of world trade is just 3.1%, a proportion that has been stable for years

Maior services imports to Africa.

Total services imports to Africa, US\$ 000s								
	2005	2006	2007	2008	2009	2010	2011	2012
Commercial services	71,513,922	85,994,328	109,740,777	141,823,547	125,022,178	137,113,216	153,869,894	107,074,267
Transportation	29,771,504	33,290,862	42,256,281	51,696,761	45,513,093	52,121,204	50,740,011	39,298,529
Travel	12,273,481	16,504,381	21,411,043	27,205,143	21,330,197	24,253,482	24,339,610	18,672,270
Other business services	15,754,680	19,293,980	24,515,458	28,790,093	26,385,633	27,550,199	32,366,834	10,364,203
Government services, n.i.e.	5,678,014	8,028,078	9,206,332	10,608,044	10,620,957	12,475,899	11,029,712	5,536,614
Royalties and license fees	1,600,079	1,824,445	2,362,324	2,541,202	2,520,886	2,704,893	2,814,308	2,379,702
Insurance services	2,993,945	3,911,642	4,674,205	7,072,535	5,106,720	5,705,816	5,255,089	2,273,018
Construction services	3,028,105	3,354,498	5,765,790	9,779,923	9,391,511	9,500,557	11,877,592	1,647,079
Communications services	1,457,620	1,405,619	1,815,452	2,478,933	2,925,522	2,477,084	2,031,352	1,213,600
Financial services	987,901	856,010	1,077,210	1,492,847	1,366,451	1,775,089	1,436,953	776,540
Total Service	77,288,877	92,924,866	117,644,801	151,011,086	134,555,209	149,990,606	162,988,496	114,335,216

• Data available is on services import to Africa

• With many of the services rendered in unofficial platform, capturing of data has been difficult.

• Items in red are estimated figures by UNCTAD and WTO and ITC

Source Intracen

Ecobank
The Pan African Bank

Values and growth of exports services from Africa

	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013
FLOW													
Botswana	144.81	198.12	125.06	250.08	276.99	247.52	195.50	143.67	136.65	175.68	235.30	178.72	..
Cape Verde	66.46	60.86	75.33	99.72	74.91	80.65	83.25	80.29	75.50	69.72	75.80	73.27	70.08
Ethiopia	591.05	683.17	544.75	727.52	644.93	762.91	854.54	1,059.83	894.79	865.91	857.42	..	..
Gambia	19.56	19.27	17.25	17.10	19.34	16.14	14.67	18.08	..	..	..	..	..
Ghana	816.28	721.99	705.49	757.79	1,114.24	712.07	793.26	1,049.99	1,273.21	965.19	662.36	672.01	..
Guinea	64.58	64.93	163.12	102.90	86.07	129.02	218.42	138.47	224.63	270.63	245.11	..	..
Kenya	261.88	230.71	264.18	417.88	460.89	526.64	838.47	329.84	310.46	206.12	634.55	441.55	617.59
Lesotho	132.78	107.14	115.90	119.77	147.41	157.10	123.07	114.55	179.09	148.76	..	..	..
Mozambique	312.61	269.15	348.09	387.90	287.10	353.56	393.36	476.15	419.45	700.39	673.94	787.32	..
Namibia	161.64	151.62	179.55	210.54	190.44	194.10	177.31	155.94	166.13	162.83	160.89	152.95	163.39
Nigeria	5,233.43	5,004.08	5,997.81	5,354.56	5,344.28	5,201.52	7,003.71	7,226.50	5,841.41	5,062.33	4,937.80	6,674.99	..
South Africa	4,214.28	4,463.78	4,749.26	5,029.05	4,848.25	5,310.44	5,040.63	4,464.83	4,440.27	4,465.71	4,483.25	4,282.15	4,133.09
Sudan	-	-	-	-	-	-	-	-	911.16	1,120.37	433.65	..	..
Swaziland	170.74	171.31	173.02	186.32	183.55	204.51	223.17	222.97	249.00	..	..	..	..
Uganda	419.66	472.30	444.08	466.60	613.99	638.77	578.41	599.15	597.57	596.46	620.76	604.67	582.29
Zambia	216.90	253.00	254.30	215.60	249.70	293.40	323.60	263.70	..	..	..	..	..
Botswana	144.81	198.12	125.06	250.08	276.99	247.52	195.50	143.67	136.65	175.68	235.30	178.72	..

- Data available is on services export from Africa to other parts of the world.
- Intra regional services has been difficult to capture.
- Increasing growth of telecoms and other services is contributing to the GDP in many African countries

Source UNCTAD

Major exporters of selected services

Exporters USD' 000	Exported value in 2008	Exported value in 2009	Exported value in 2010	Exported value in 2011	Exported value in 2012
Africa Aggregation	90,011,633	81,340,151	90,149,983	91,644,044	89,986,133
Egypt	24,911,900	21,519,800	23,807,000	19,139,600	21,766,800
South Africa	12,805,400	12,020,400	14,003,500	14,823,500	15,148,335
Morocco	13,416,400	12,336,000	12,545,400	13,963,100	13,516,499
Tunisia	6,013,590	5,498,660	5,805,300	4,778,931	5,237,360
Kenya	3,250,770	2,882,830	3,760,236	4,099,731	5,090,119
Algeria	3,490,000	2,983,000	3,566,000	3,737,606	3,540,396
Mauritius	2,543,870	2,238,964	2,695,086	3,283,140	3,407,932
Ghana	1,800,900	1,769,710	1,477,300	1,871,120	2,970,780
Nigeria	2,263,750	2,217,870	3,091,938	3,386,875	2,929,957
Ethiopia	1,959,300	1,894,920	2,244,480	2,834,435	2,775,621
Tanzania	1,998,760	1,854,640	2,045,747	2,362,500	2,696,688
Uganda	798,782	989,985	1,241,476	1,720,933	1,993,860
Madagascar	1,226,450	892,440	1,038,940	1,102,780	1,347,925
Senegal	1,294,110	1,022,100	1,052,116	1,133,902	1,053,287
Côte d'Ivoire	1,024,500	1,020,494	1,046,014	926,779	994,356
Others	11,213,151	10,198,338	10,729,450	12,479,112	5,516,218

- Data available is on services export from Africa to other parts of the world.
- Intra regional services has been difficult to capture.
- Increasing growth of telecoms and other services is contributing to the GDP in many African countries

Huge potential for service growth in Africa



- Ugandan universities offer education for students from across the East Africa region.
- Thousands of Nigeria students are pursuing secondary and university education in Ghana, Benin republic, Togo and South Africa.
- South Africa Universities are generating increasing revenues from students of African



Ethiopia Airline earned FX of over \$2billion in 2010 / 2012, the airline revenue between 2007 and 2010 was on the average twice as much as that brought in by coffee (“Guang Chen, World Bank Country Director for Ethiopia), Vision 2025” of the Airline is to provide service to about 5.4 billion people within a ten-hour radius of Addis Ababa.

- South Africa Airways is increasingly flying to many destinations in Africa and the world
- the efficiency of Kenya Airline is key to the growth and retention of huge revenue from tourism in Kenya.
- Egypt Air has performed creditably well prior to the Arab spring.
- Arik is fast becoming a regional Airline of choice in West Africa.



- Kenyan doctors are finding their ways into many countries in East Africa.
- South African Hospitals are fast becoming alternative destinations to Nigerians seeking qualitative medical attention.
- A large proportion of Nigerian Doctors are working outside Nigeria

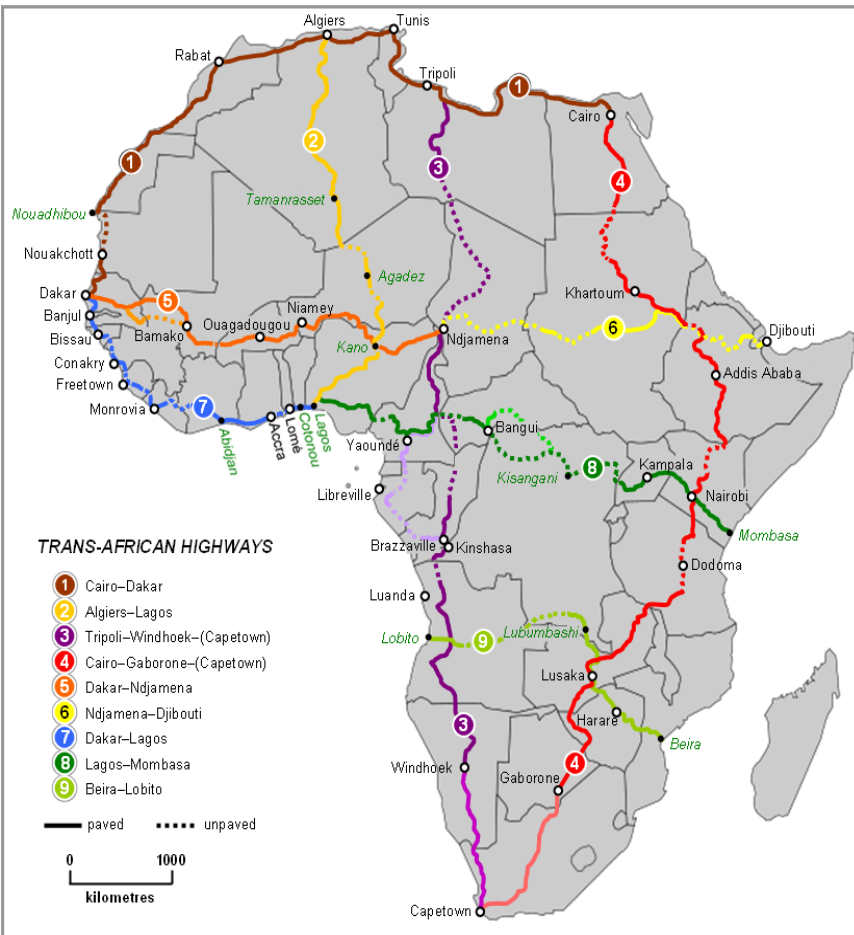


The big Accounting firms have always operated across borders.

- MTN, Vodacom and other major Telecom professionals are finding their ways to countries other than their place of origin
- big Accounting firms have always operated across borders
- Nigeria Nollywood has been rated as the second biggest film industry in the world.
- There is in general a booming entertainment industry across the continent.

Trade corridors will drive growth in intra-regional trade & Services

Pan-African Highway, proposed routes



- Long-standing trade routes exist along the West African coast and from coastal countries into the interior provide vehicle for services growth.

Initiatives being championed by pressure groups such as the Borderless alliance (USAID, NEXIM etc) is working to remove barriers on the West African trade routes.

- Implementation of key protocols in the regional trade agreement will enhance free movement of people and services.

Though there is free entry and waiver of Visa requirements in many blocks, the ability to work and live freely in member countries are still a huge challenge.

- Some are in early stages (e.g. the LAPSSSET project), but others are progressing well (e.g. the Maputo Development Corridor)

- Key focus on improving coastal route along southern Mediterranean and trade corridors from Atlantic and Pacific Ocean coasts into the interior

- Free movement of goods and services are key to growth.

Challenges to intra regional trade

Challenges

- Weak data to track service gaps.
- Language barrier
- Duplicity of agencies and functions.
- Barriers to free trade and movement (border post, Customs, quarantine agencies)
- Poorly developed infrastructure service sector

Challenges

- Lack of documentation of transaction volume.
- Underdeveloped financial sector
- High cost of doing business
- Majority of services are routed through unofficial sources
- Trade barriers

Challenges

- High and sometimes, prohibitive cost of transport.
- Discriminatory processes / policies (Nollywood)
- Near monopoly / oligopoly in key sectors (Telecoms)
- Air and rail transport services face high barriers to trade across the continent.

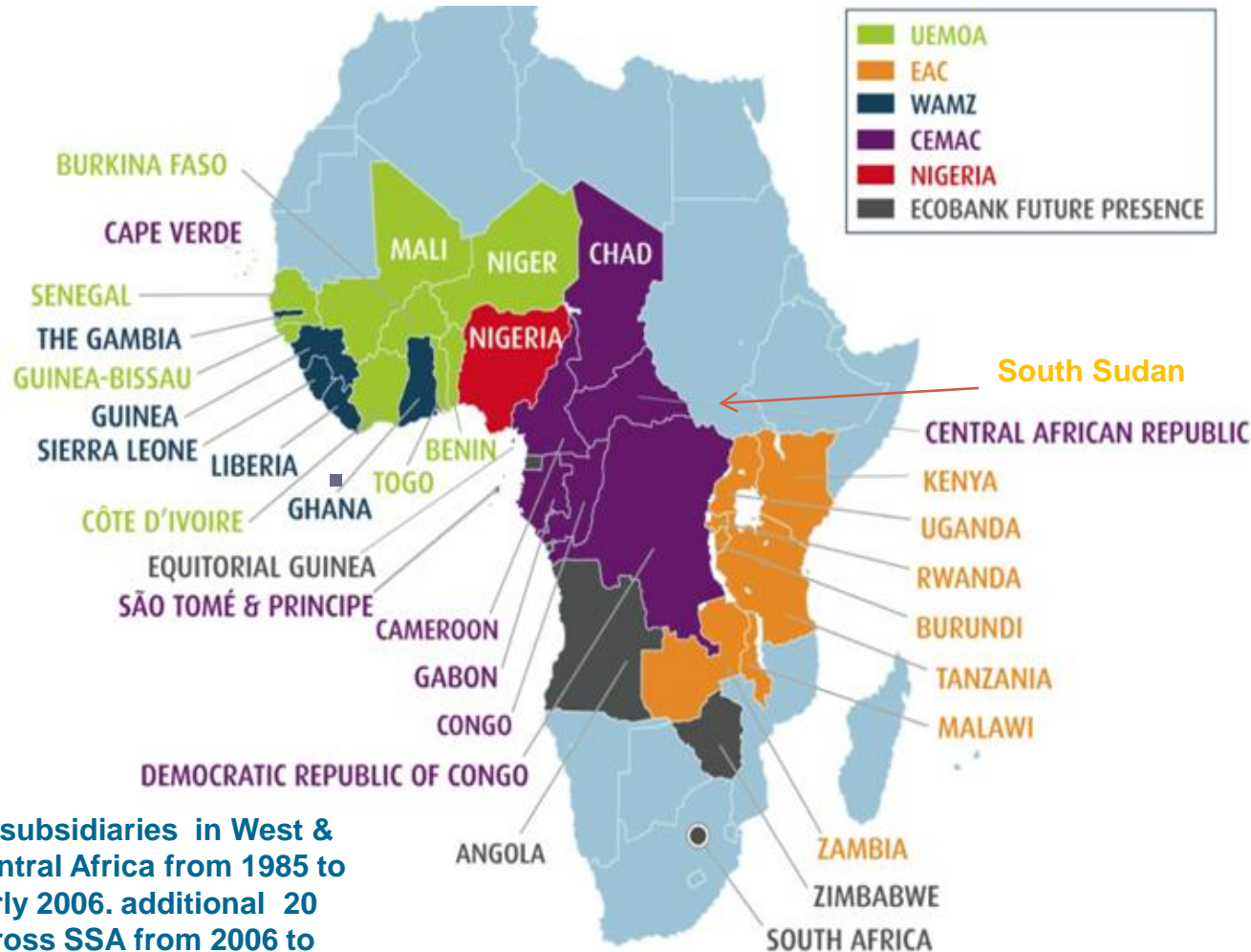
Effects of non integration in Africa

- Sub optimal economy, law of comparative advantage.
- Restriction in free flow of labour and capital.
- Poor quality of services rendered due to lack of competition.
- Inability to access huge FDI for development.
- Inefficient and bureaucratic delays in simple transactions.
- Conduction of intra country transactions through unofficial means.
- Stunted growth across the region .
- Capital flight, brain drain
- High cost of doing business across the region.
- Higher trade volumes with countries outside the region on services that can be provided within the region.

The Ecobank solution

- Leading independent Pan African banking group
- Present in 33 countries in Africa; in more countries in Africa than any other bank in the world.
- In addition to the 33 countries across Africa, the Group also operates corporate offices in South Africa (Johannesburg), as well as France (Paris), UAE (Dubai) and London (UK).
- We have extensive partnerships with Nedbank (South Africa) and Bank of China (China) to provide integrated and enhanced services in both markets
- Ecobank Group is focused on the provision of convenient, accessible and reliable financial products and services
- Recently acquired Oceanic Bank in Nigeria becoming 3rd largest bank in branch network and 5th in balance sheet size

13 subsidiaries in West & Central Africa from 1985 to early 2006. additional 20 across SSA from 2006 to 2011 additional



Corporate accounts opening requirements

COUNTRY	LETTER OF INTRODUCTION	CERTIFICATE OF INCORPORATION	CERTIFICATE OF REGISTRATION OF BUSINESS	RULES/MEMORANDUM/ARTICLE OF ASSOCIATION	CERTIFICATE TO COMMENCE BUSINESS	RESIDENCE PERMIT	FOREIGN CURRENCY AGREEMENT FORM	INVESTMENT DEPOSIT FORM	RESOLUTION FROM DIRECTORS TO OPEN ACCOUNT	BANKERS REFERENCE	SATISFACTORY SEARCH REPORT	TAX IDENTIFICATION CERTIFICATE
BENIN	NM	Y	Y	NM	NM	Y	Y	Y	NM	Y	NM	NM
BURKINA	NM	Y	Y	Y	NM	NM	Y	Y	N	Y	NM	N
BURUNDI	Y	Y	Y	Y	NM	NM	NM	N	Y	N	N	N
CAMEROON	N	Y	Y	Y	N	Y	Y	N	Y	N	N	Y
CAPE VERDE	N	N	Y	N	N	Y	Y	Y	Y	Y	N	N
CENTRAL AFRICAN REP	Y	NM	NM	N	NM	Y	Y	N	Y	NM	N	N
CHAD	NM	NM	Y	NM	NM	Y	Y	N	N	N	NM	Y
CONGO BRAZAVILLE	NM	Y	Y	Y	NM	Y	Y	N	N	NM	Y	Y
COTE D'IVOIRE	NM	Y	Y	Y	NM	Y	Y	N	N	Y	N	N
GABON	Y	Y	Y	Y	Y	Y	Y	Y	Y	NM	Y	NM
GAMBIA	Y	Y	Y	Y	Y	Y	Y	N	Y	NM	N	Y
GHANA	Y	Y	Y	Y	Y	Y	NM	N	Y	Y	N	N
GUINEA BISSAU	Y	Y	Y	Y	NM	Y	NM	N	N	Y	N	N

Y=Required / Mandatory
 N= Not required
 NM= Required but not mandatory

Corporate accounts opening requirements in SSA

Y=Required / Mandatory

N= Not required

NM= Required but not mandatory

COUNTRY	LETTER OF INTRODUCTION	CERTIFICATE OF INCORPORATION	CERTIFICATE OF REGISTRATION OF BUSINESS	RULES/MEMORANDUM/ARTICLES OF ASSOCIATION	CERTIFICATE TO COMMENCE BUSINESS	RESIDENCE PERMIT	FOREIGN CURRENCY AGREEMENT FORM	INVESTMENT DEPOSIT FORM	RESOLUTION FROM DIRECTORS TO OPEN ACCOUNT	BANKERS REFERENCE	SATISFACTORY SEARCH REPORT	TAX IDENTIFICATION CERTIFICATE
GUINEA CONAKRY	N	Y	Y	N	NM	NM	Y	N	N	Y	N	N
KENYA	Y	Y	Y	Y	NM	Y	NM	N	Y	Y	Y	N
LIBERIA	Y	Y	Y	Y	NM	NM	NM	N	N	Y	N	N
MALAWI	Y	Y	Y	Y	NM	NM	N	N	Y	NM	NM	N
MALI	Y	Y	Y	Y	NM	Y	Y	N	N	Y	N	N
NIGER	Y	Y	Y	Y	NM	NM	NM	N	N	Y	N	N
NIGERIA	Y	Y	Y	Y	NM	Y	NM	N	Y	Y	Y	N
RD CONGO	Y	Y	Y	Y	Y	NM	Y	N	NM	NM	Y	Y
RWANDA	NM	Y	Y	Y	NM	NM	NM	N	Y	NM	N	NM
SAO TOME	Y	Y	Y	Y	NM	NM	NM	N	N	Y	N	N
SENEGAL	NM	Y	Y	Y	NM	Y	Y	Y	Y	Y	Y	Y
SIERRA LEONE	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	NM	Y
TANZANIA	Y	Y	N	N	Y	Y	Y	Y	NM	Y	N	Y
TOGO	Y	Y	Y	Y	NM	Y	Y	N	N	Y	N	N
UGANDA	Y	Y	Y	Y	NM	NM	N	NM	Y	NM	Y	Y

Different Corporate accounts opening requirements

<p>Rules / Articles of Association / Memorandum of Association are not mandatory or out rightly required to open account in 6nof the countries sampled</p>	<p>A search report must be done in 7 out of the 29 sampled countries before the accounts opened for the company.</p>
<p>Additional certificate to commence business is required in 6 of the countries sampled to enable a corporate accounts to be opened</p>	<p>Accounts opening package, existence of mandate cards, production of proof of identification, KYC issue and production of passport photograph are requirements general to all the countries.</p>
<p>A search report must be done in 7 out of the 29 sampled countries before the accounts opened for the company.</p>	<p>Production of letter of introduction / reference letter are not mandatory or out rightly not required in 10 out of the 29 countries sampled.</p>
<p>Additional identification certificate is required in 10 of the countries sampled in order to complete accounts opening documentation.</p>	<p>Production of the company certificate of incorporation is not mandatory before an account can be opened in 2 of the countries (CAR & Chad).</p>
<p>10 out of the sampled countries do not require the production of residence permit of key officials before a foreign owned company can open account</p>	<p>Foreign currency agreement form is required by 17 of the countries sampled while this is not a mandatory requirement in other countries.</p>
<p>Investment deposit form is required by 7 of the countries sampled as a mandatory documentation for accounts opening.</p>	<p>Resolution of the board of directors of a company is not a mandatory requirement to open account in 17 of the countries sampled.</p>
<p>Bankers reference are mandatory documentation required in 17 of the countries sampled.</p>	

Limits on Funds transfer in selected SSA Countries

ZONE	COUNTRY	MAXIMUM LIMIT FOR TRANSFER WITHIN SSA	SENDING FREQUENCY PER CUSTOMER
CEEAC	Cameroon	\$1,000.00	Open, upon justification and KYC
CEEAC	Centrafrique	\$1,800.00	2
CEEAC	Congo Brazzaville	\$1,250.00	4
CEEAC	Gabon	\$1,250.00	4
ESA	Burundi	\$1,000.00	up to a max of \$10 000
ESA	Kenya	\$10,000.00	1
ESA	Rwanda	\$8,305.50	\$8,305.50
SADC	Zambia	\$5,000.00	US\$5,000.00
SADC	Zimbabwe	\$ 10 000	once a week
UEMOA	Benin	NO LIMIT	Not any
UEMOA	Burkina Faso	\$ 10 000	up to a max of \$10 000
UEMOA	Cape Verde	\$1,000.00	2
UEMOA	Côte d'Ivoire	*No limit within UEMOA USD 1,000 out of UEMOA	up to a max of \$10 000
UEMOA	Guinea Bissau	\$ 10 000	1
UEMOA	Niger	\$ 10 000	1
WAMZ	Nigeria	\$10,000.00	\$30,000 per week
WAMZ	Gambia	\$10,000.00	NO LIMIT
WAMZ	Ghana	\$10,000.00	Not more than \$10,000 per annum
WAMZ	Guinée Conakry	\$1,000.00	1

Limits on Funds transfer in selected SSA Countries

- Different limits of funds transfer within the same economic union.
- Ability of a country to earn foreign exchange determines how much is allowed as transfers from the country.
- Linkages of payment platforms will remove some of the restrictions inhibiting free flow of funds.
- Unrestricted repatriation of investment proceeds is a key requirement for opening up of a country economy

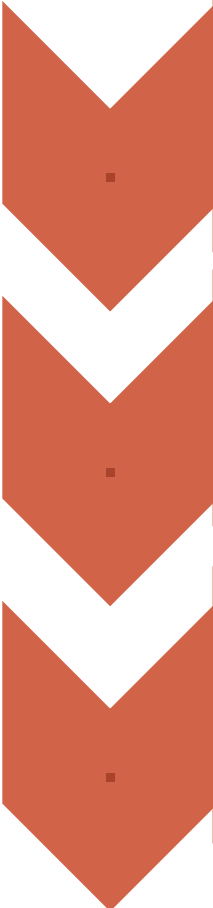
Any lesson for service providers from the growth of Ecobank franchise?

- Setting up of best practices and strong adherence to ethics.
- Rigorous compliance with local regulations and policies
- Recruitment of pools of talented personnel across the world.
- Vision that is built on the long term rather than immediate gain
- Ecobank Group is focused on the provision of convenient, accessible and reliable financial products and services.

- More interactions among staff across different countries
- Increasing perception as the Africa focused bank.
- Marketing management focused on Africa (The Pan African Bank, the future is Africa, our focus is Africa, the Africa expert)
- All affiliates migrated to the same banking platform with uniform Switching centre in Accra interconnecting all affiliates

- Each affiliate operate as a member of a group (subsidiary of ETI)
- Africa expert- understand the terrain across SSA.
- Multicurrency, multicultural, multi-language institution operating in different times zones across Africa.
- Integration focus products :ATM, Rapid Transfer, Diaspora Account.
- Harmonization of operating policy and products across the region

What to do

- 
- Adoption of a uniform payment system that integrates the countries.
 - Immediate implementation of all protocols of various economic communities.
 - The adoption of common external tariff is a prerequisite for free flow of trades in the region.
 - Adoption of a single monetary union modeled after the Euro, NAFTA etc (Eco in West Africa etc)

- Harmonization of legal and documentary requirements for doing business across the region.
- Cross border implementation of financial supervision of the central bank.
- Removal of all restrictions to trade among countries in SSA in line with WTO agreements.
- Appropriate training and capitalization of indigenous companies

- Incentives to professional and service sectors for doing business across the region (ECOWAS export promotion incentive).
- Infrastructural funding by multilateral banking institutions
- Familiarization with the operations and cultures of the neighboring countries
- Be multilingual.

Thank you

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