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

Addis Ababa, Ethiopia, 12-13 September 2013

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United Nations
Economic Commission for Africa

Services Trade in Africa: Opportunities & Challenges

Regional Meeting on Promoting Services Sector Development and Trade-led Growth in Africa

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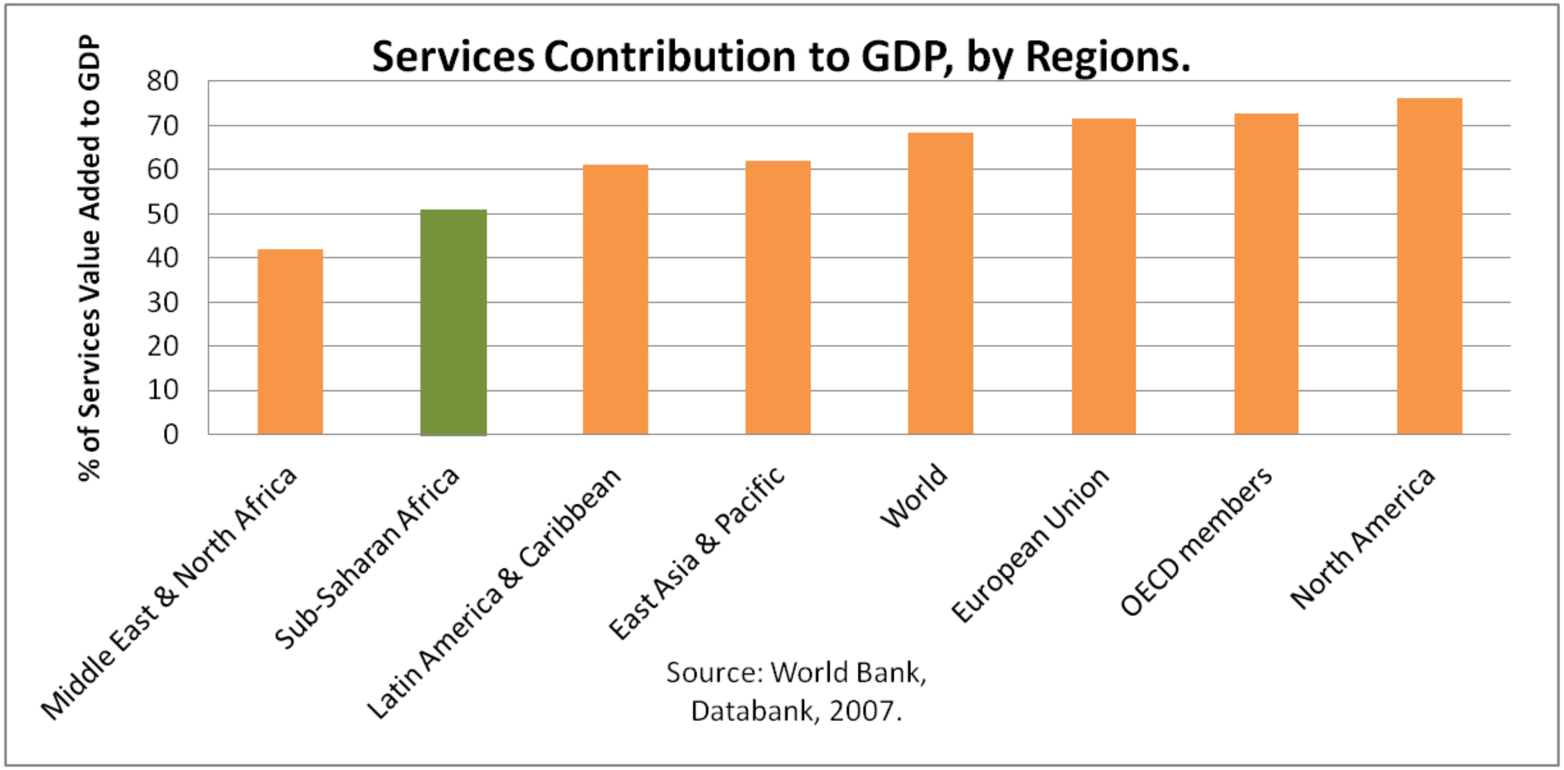
Outline:

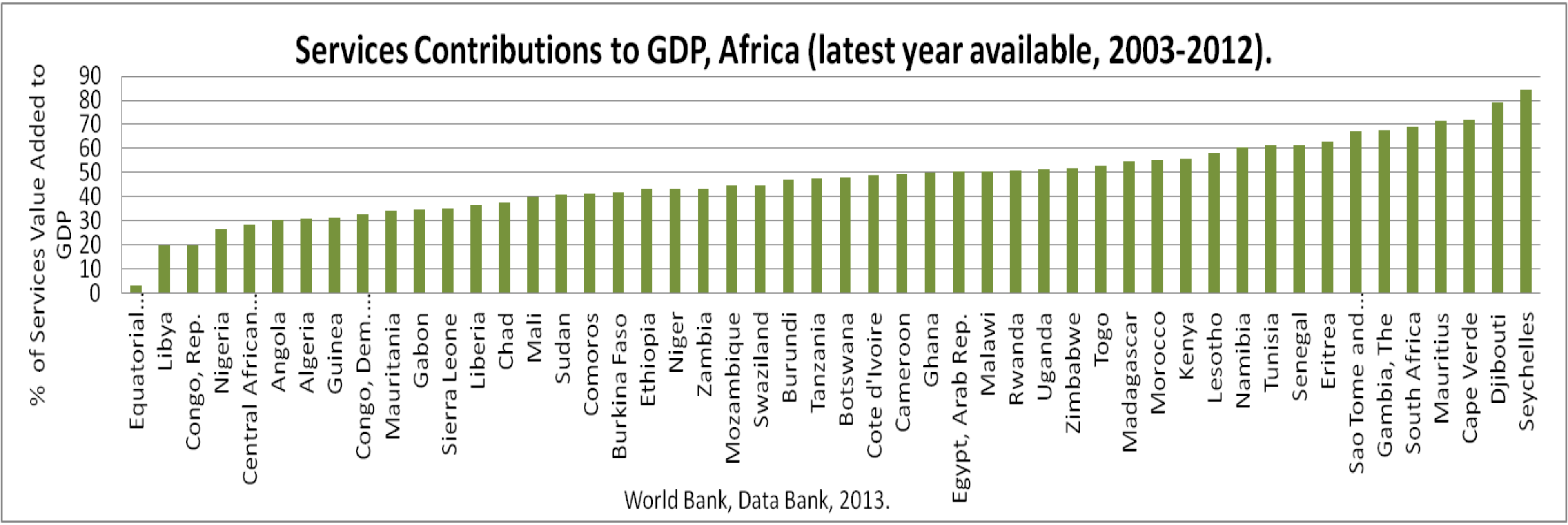
1. Services Trade in Africa – major trends
2. Opportunities for Services Trade in Africa
3. Challenges for Services Trade in Africa
4. Conclusion and Policy Implications

1. Services Trade in Africa – major trends



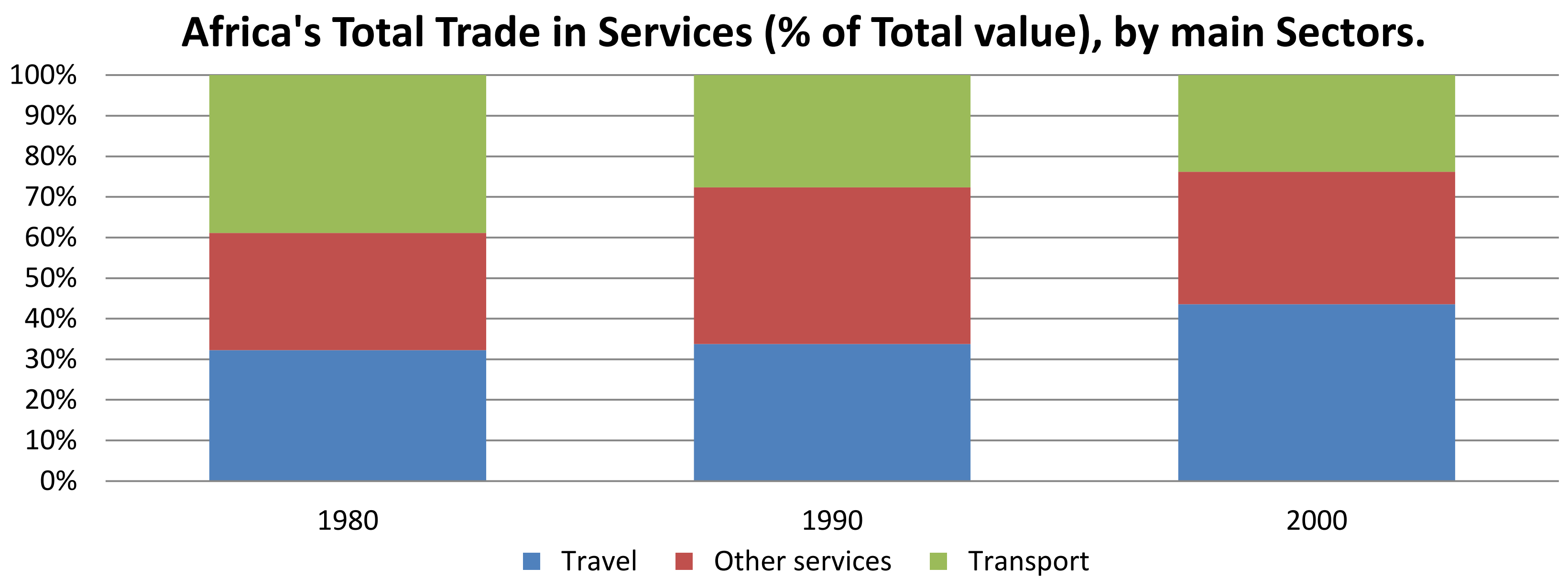
- Services contribution to GDP is significant in Sub-Saharan Africa
- Services contribution to GDP even increased to **58.6% in 2011**

1. Services Trade in Africa – major trends



- Contribution to GDP Averaged 47%
- 36 out of 50 African economies have 40% or more contribution to GDP

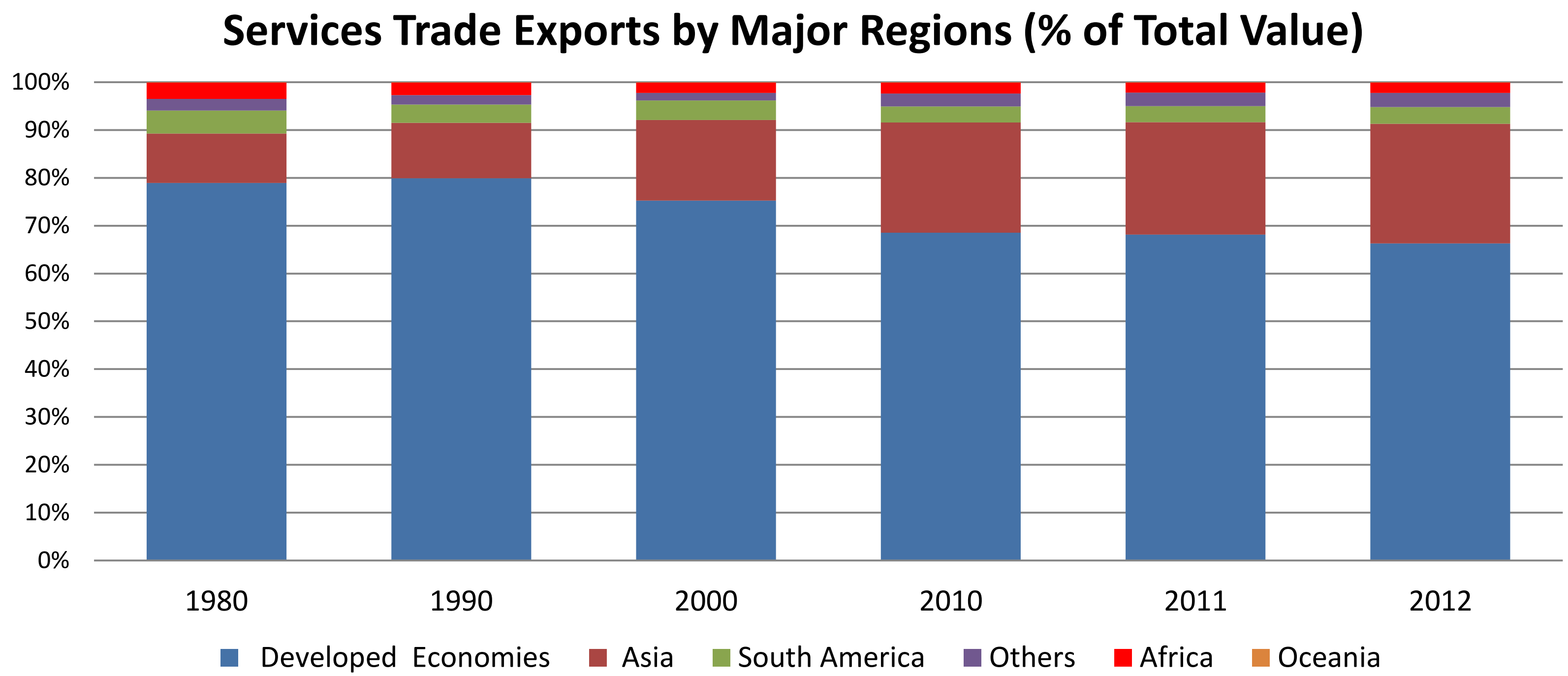
1. Services Trade in Africa – major trends



Source: UNCTAD, UNCTADstat, 2013.

- **Travel sector overtook transport & other services,** dominating trade in services for Africa over the period 1980-2012

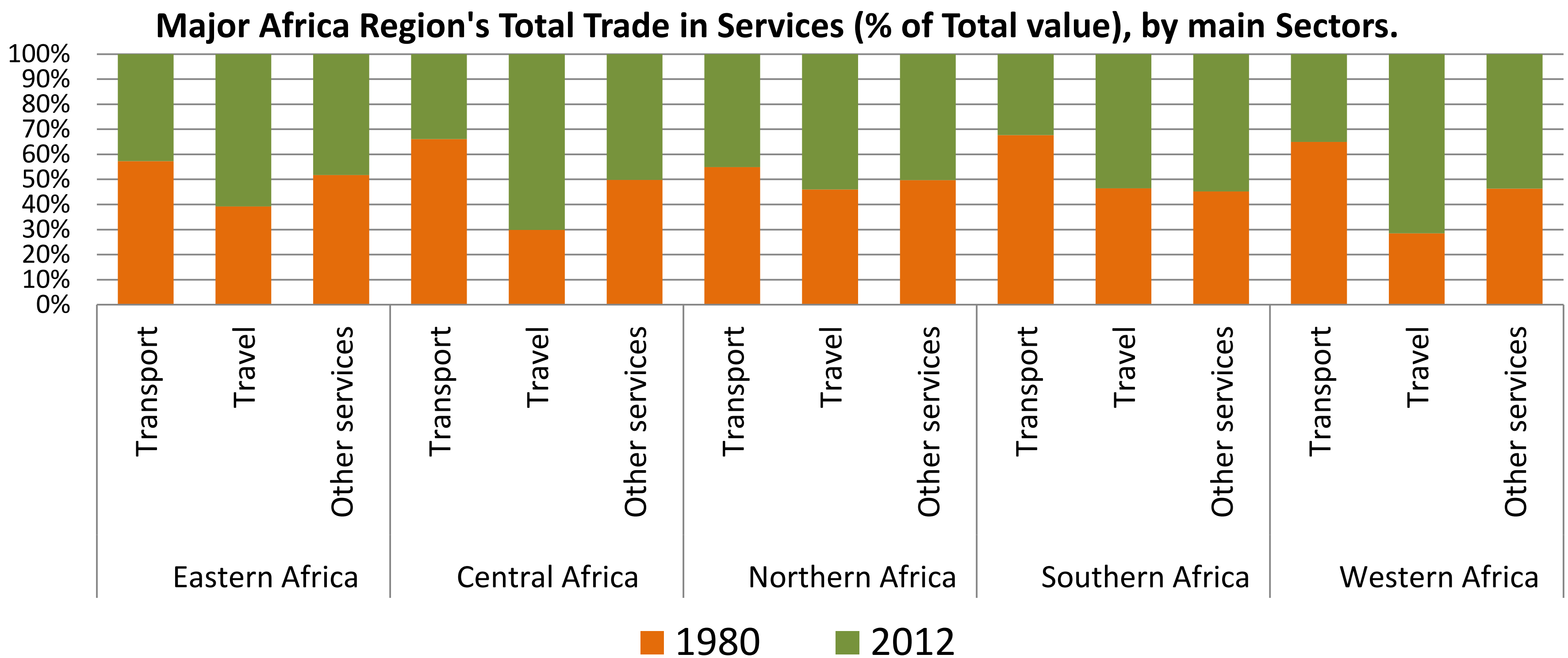
1. Services Trade in Africa – major trends



Source: UNCTAD, UNCTADstat, 2013.

- Africa's services trade exports has remained low over the last three decades (1980 – 2010), with an **average of 2.6% share** in global services exports

1. Services Trade in Africa – major trends



Note: Data for Central Africa is from 2011, due to no data available for 2012.
Source: UNCTAD, UNCTADstat, 2013.

- When comparing 1980 and 2012, total trade in **travel** increased in all African regions, but more noticeably in Central, Eastern and Western Africa

1. Services Trade in Africa – major trends

No.	Country	% of Total Employment	Year Data Available
1	Burkina Faso	12.2	2005
2	Ethiopia	13.0	2005
3	Zimbabwe	15.3	2004
4	Madagascar	15.8	2005
5	Mozambique	16.1	2003
6	Rwanda	16.6	2005
7	Tanzania	19.2	2006
8	Zambia	20.6	2005
9	Sierra Leone	25.0	2004
10	Mali	28.3	2006
11	Uganda	28.4	2009
12	Ghana	29.1	2006
13	Niger	31.1	2005
14	Kenya	32.2	2005
15	Cameroon	34.1	2010
16	Senegal	36.1	2006
17	Togo	37.5	2006
18	Morocco	38.2	2011
19	Nigeria	41.7	2004
20	Liberia	41.9	2010
21	Congo, Rep.	42.2	2005
22	Benin	46.2	2003
23	Egypt, Arab Rep.	46.3	2010
24	Libya	47.4	1980
25	Tunisia	49.3	2010
26	Sao Tome and Principe	52.4	2000
27	Botswana	54.9	2006
28	Algeria	55.2	2010
29	South Africa	62.7	2011
30	Gabon	64.0	2005
31	Mauritius	64.0	2011
32	Namibia	65.9	2008
	Simple Average	**37.0**	

Africa’s Employment in Services (% of total).

Employment in services averages 37% but **varies considerably across African countries**

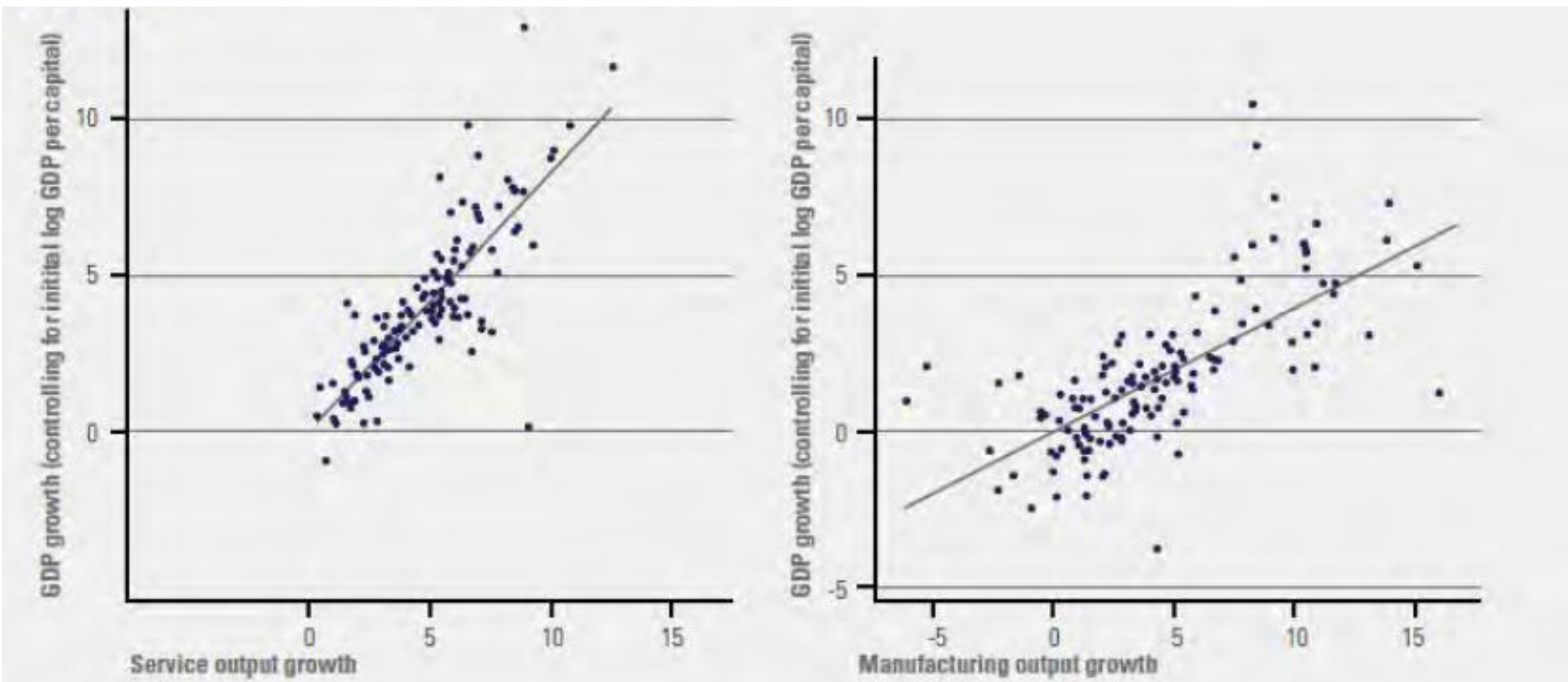
Note: % value based on available data available from different years.

Source: World Bank, WDI, 2013.

2. Opportunities for Services Trade in Africa

- Competition of services providers in a country enhances efficiency and contributes to faster economic growth (Hoekman and Mattoo, 2006).

Services driving Growth (Ghani, 2010).

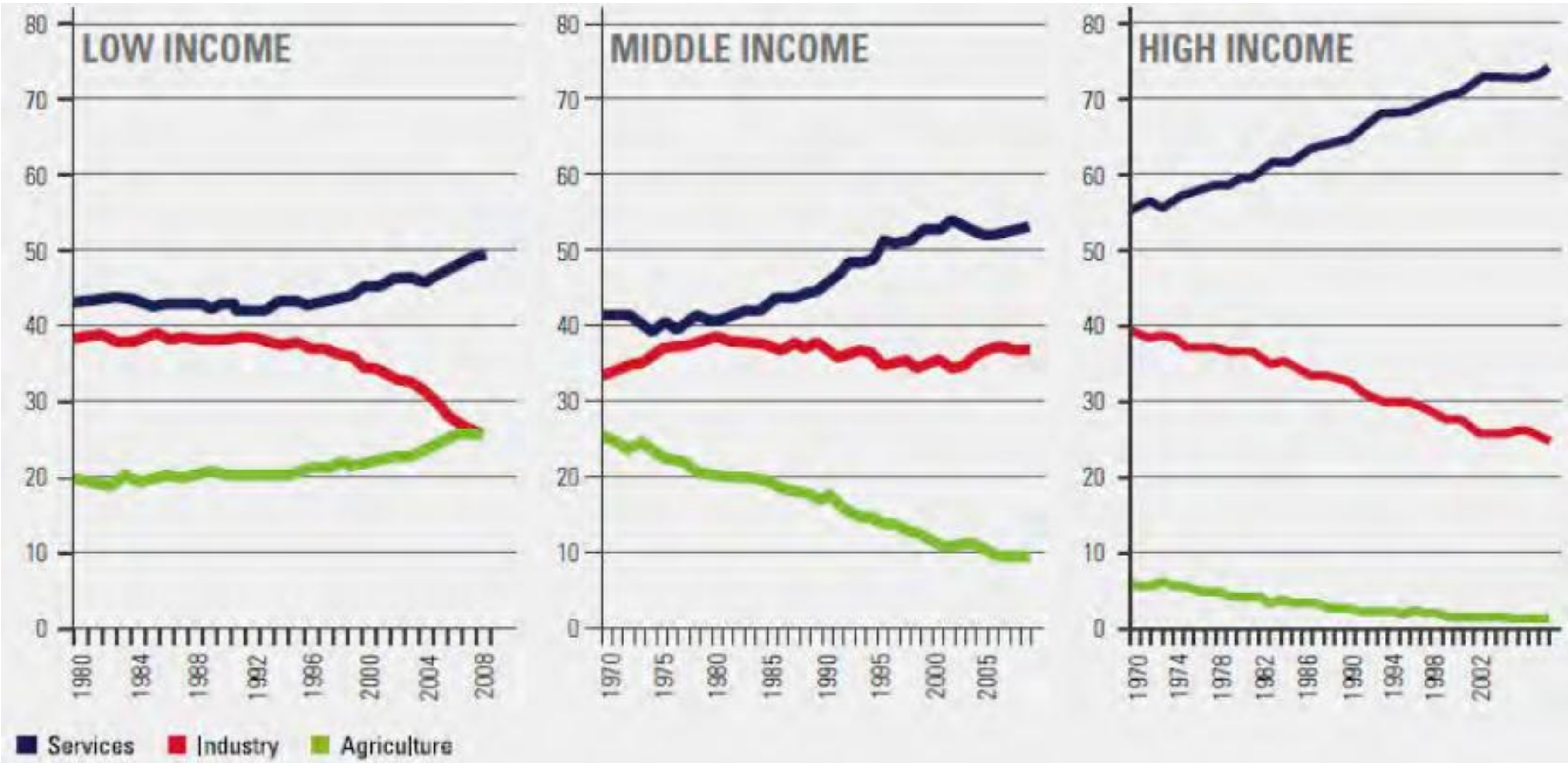


Source: Ghani (2010)

2. Opportunities for Services Trade in Africa

- Even for **Low Income** Countries…

Services Sector Growth (% of GDP)



Source: Yi (2011).

2. Opportunities for Services Trade in Africa

- Telecoms, energy, transport & business services are inputs in the production of goods, hence influence productivity & competitiveness (Brenton, 2010).

- Some African economies are competitive in some sectors, exporting not just traditional services (transport & tourism), but also modern services such as ICT & business services.

- In 1990-2007, average growth of 20 developing countries services exports was 10% for low income & 13% for lower-middle income (this included Egypt, Kenya, Ghana, Morocco & Nigeria) (Goswami *et al.*, 2012).

2. Opportunities for Services Trade in Africa

Africa's Global and Continental Potential Exporters of Services

Country	Potential Service Sector Identified	Remarks
Kenya, South Africa.	Business Services (Accounting, Architectural, Engineering, Legal Services, Business Process Outsourcing (BPO), ICT etc.	Dihel (2011).
Most of African Countries	Tourism	The African Competiveness Report 2011
Selected African Countries	Tertiary Education	Tefera (2012), World Bank (2009), Mihyo (2012), Olusola (2011), etc.
Uganda, Kenya, The Gambia, Ghana, Guinea, Nigeria, Tanzania, Uganda, S.Africa, Zambia, Egypt, Sierra Leone, and Southern African countries.	E-Banking & Banking	African Economic Outlook (2009), World Bank (2011), and Maimbo (2010), WEF (2011), Simpasa (2013).

2. Opportunities for Services Trade in Africa

Africa's Global and Continental Potential Exporters of Services

Country	Potential Service Sectors Identified	Remarks
Nigeria, North African Countries, South Africa, Uganda, Kenya, Senegal, Ethiopia, Mali, Malawi, Botswana, Morroco, and Nigeria.	Telecommunications and ICT as input for other services sectors	Radwan et al (2010), African Development Bank Group (2012), World Bank et al (2012).
East African Countries, Kenya, Rwanda, Tanzania, Uganda.	Distribution Services (Wholesale and Retail)	Dihel (2011).
East African Community (EAC) Member States, Botswana, Malawi, Mozambique, Burkina Faso, Cameroon, Tanzania and Zambia	Logistics and Transportation Services	Arnold et al(2011), Ward et al (2011), Starkey et al (2007),
East African Countries, Southern Africa	Professional Services	Dihel et al (2010)
North Africa and South Africa	Energy, Environmental Sectors	AfDB (2012), Belward et al (2011).
Tunisia	Health Services	Lautier (2008)

3. Challenges for Services Trade in Africa

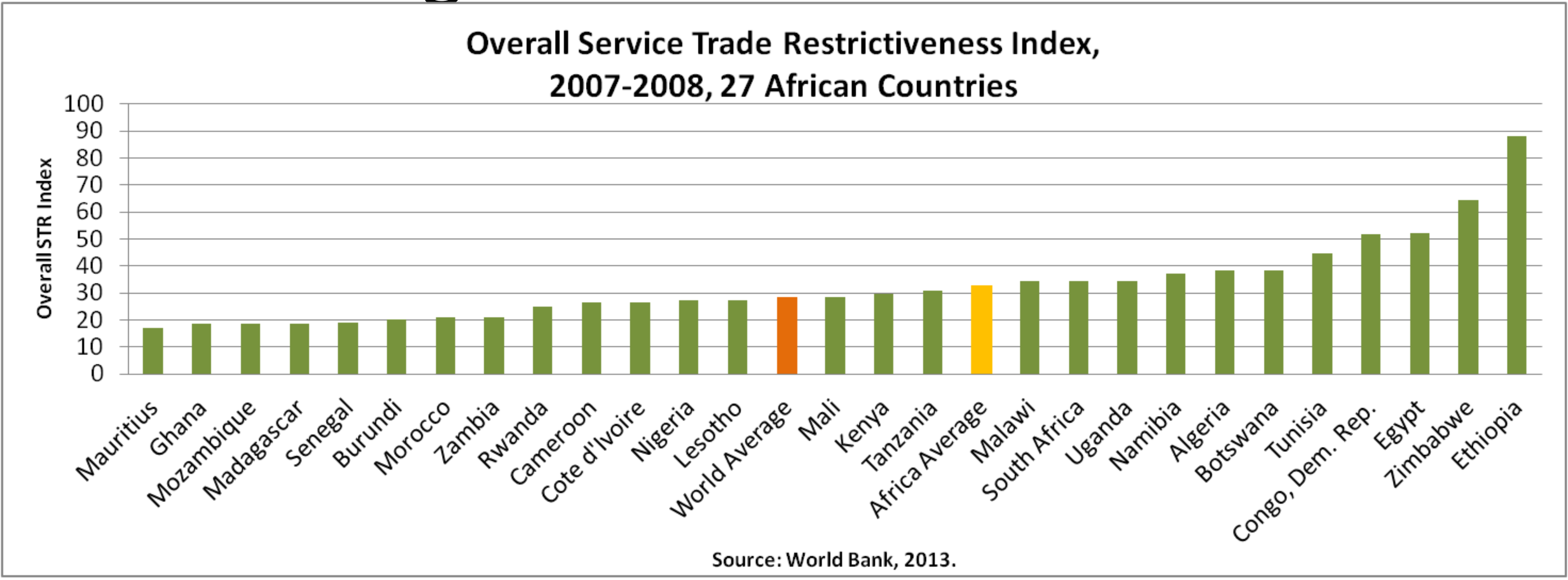
- Trade Policies (Government rules & regulations) play an important role on the development of services sector in Africa.

- World Bank conducted a survey on trade restrictive policies of 104 countries, which included 27 African countries.

- The focus was on 5 sectors: telecoms, finance, retail, transport, and professional services.

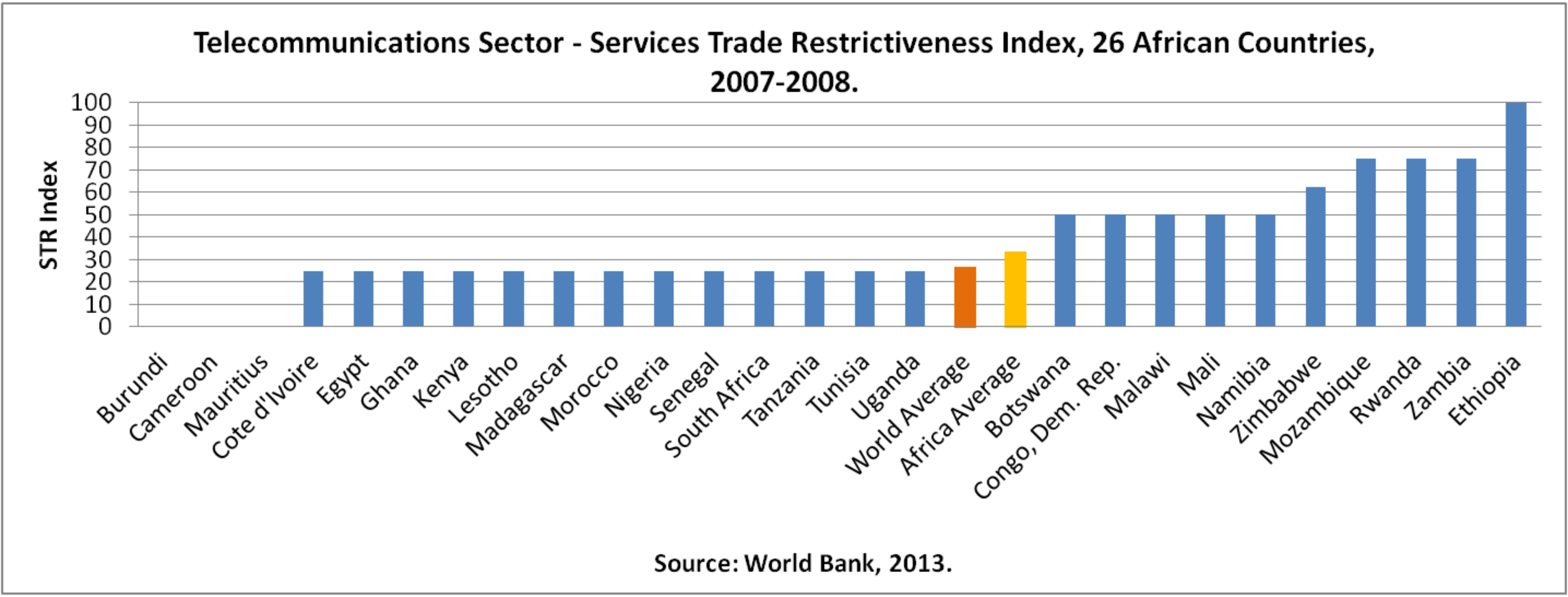
- The results for Africa are mixed…

3. Challenges for Services Trade in Africa



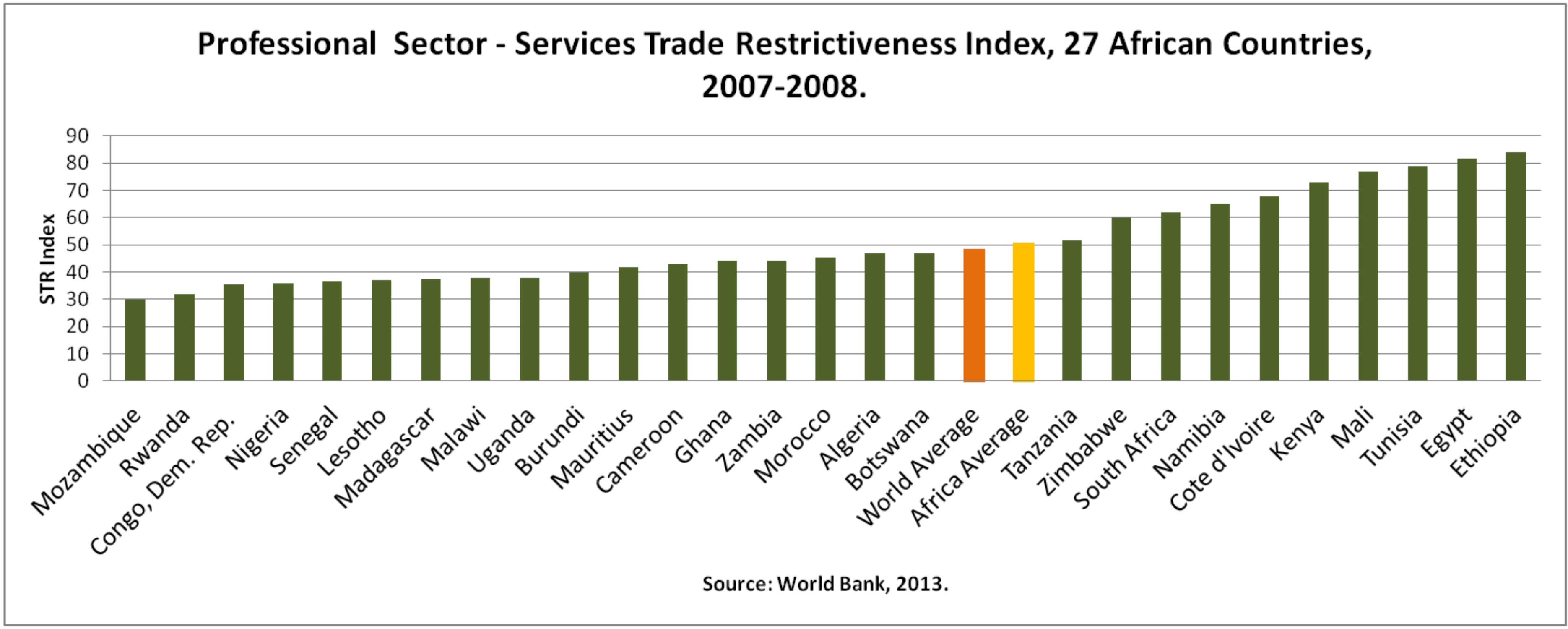
- The STR index ranges between '0' (least restrictive) and '100' (most restrictive).
- World (104 countries) average on STR index is around 28.31, while **Africa's (about 27 countries)** indicated an average STR index of **32.88.**
- About 13 African countries are below (better than) the World's average STR index.
- For more information on the details of the survey please visit <http://iresearch.worldbank.org/servicetrade/home.htm>

3. Challenges for Services Trade in Africa



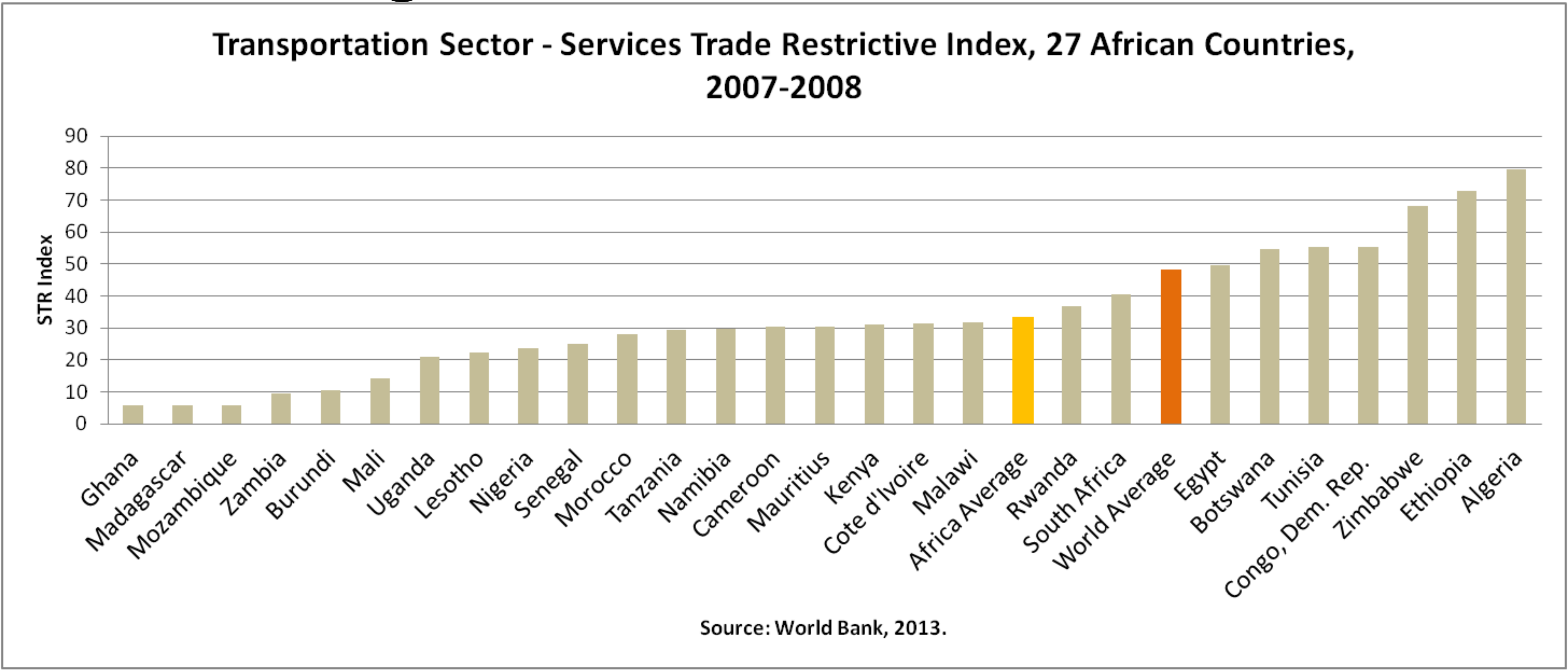
- **Telecommunications sector** – Africa's restriction level (average) is almost similar to World's with 16 out of 26 African economies ranked below (better than) the World Average.
- Burundi, Cameroon and Mauritius rank the least restrictive ('0' STR index).
- Quite liberal telecommunications sector environment (on average) already…

3. Challenges for Services Trade in Africa



- **Professional Sector** – Africa’s restriction level (average) is almost similar to World’s with 17 out of 27 African economies ranked below (better than) the World Average.

3. Challenges for Services Trade in Africa



- **Transportation Sector** – Africa's restriction level (average) is better than the World's average with 21 out of 27 African economies ranked below (better than) the World Average.
- Transportation Sector (on average) in Africa is more liberal compared to the World.

4. Conclusion and Policy Implications

1. Services contribution to GDP is significant in most African countries (an average of 58.6% in 2011).
2. **Travel Sector** has dominated trade in services for Africa over the period 1980 to 2012.
3. Services Trade is a major source of employment with an **average of 37% for Africa,** which is fairly comparable to Low and Middle income countries, although slightly higher than South Asia and Lower Middle Income Countries.

4. Conclusion and Policy Implications

4. Telecoms, energy, transport and business services are inputs in the production of goods, hence influence productivity & competitiveness. This is critical for acceding global value chains
5. Several African economies have potential and competiveness in certain sectors and this should be exploited
6. Africa’s overall services trade restrictions are higher than the world’s average, although the restriction levels among African countries & sectors vary.

4. Conclusion and Policy Implications

Policy Implications:

1. Evidence shows that services trade can have a significant impact on growth. In order to unleash services' potential, policies have to be designed and targeted to overcome restrictions and bottlenecks that prevail in Africa's services sectors

2. Some countries are leading certain services sectors through targeted policies & accompanying measures in the sectors they champion. There are lessons to be learned and experiences to be shared from these examples

3. Given the important megatrend that we are observing in terms of a growing youth bulge and the jobless growth experienced in the last decade, services need to become an integral part of Africa's transformative agenda

Thank You!

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