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**Economic development in Africa: Unlocking the potential of Africa's services trade for
growth and development
Agenda Item 5
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[Talking points for Opening remarks]

I am pleased to open this year's TDB session on Africa which will discuss findings of the *Economic Development in Africa Report 2015*, entitled "Unlocking the Potential of Africa's Services Trade for Growth and Development."

There are various reasons why we chose to address the issue of services trade in Africa and why we believe it is timely for Africa, from a policy perspective, to understand how services in general and services trade in particular are instrumental to Africa's economic development.

First, services are the "grease" that keeps the engine of an economy moving regardless of the level of the development or sophistication of the economy. They are critical for the efficient and competitive performance of a low-income commodity dependent economy as they are for manufacturing based and technologically advanced economy.

For example, without transport services you cannot get your goods from the factory or farm gate to the market.

Without communication services you cannot get a producer to strike a deal with a potential buyer and similarly without financial services, it is difficult to close a business transaction that implies a transfer of money in return for a purchased good.

In sum, without services an economy cannot function properly and this applies to African countries as well, irrespective of their stage of development.

Second, as African countries aspire to transform their economies by diversifying into manufacturing and linking to regional and global value chains, the role of services becomes even more important since higher value added services, such as those services associated with design, labelling, branding, and lastly marketing are required.

Indeed, what is being observed is that as countries shifting from agriculture to manufacturing, have an increased need for more sophisticated services that support manufacturing activities, in addition to basic services such as water and electricity.

It is also clear that these types of more sophisticated services report greater productivity gains and can generate additional jobs and income, fundamental components of structural transformation.

Third, and this is very important, Africa's recent and impressive growth story has been underpinned by services growth.

This vibrant growth in the continent has been unmatched, registering 4.6 per cent, which was more than twice the world average during 2009-2012. Indeed, quite a few African countries top the fastest growing economies list today, including Ethiopia, Cote d'Ivoire, DRC and Mozambique.

The EDAR 2015 clearly shows that in 30 out of 54 African countries, the services sector propelled more than 50 per cent of real GDP growth during 2009-2012 and as much as 70 per cent of real GDP growth in 12 countries.

Services have therefore become an important engine of growth for the continent and we cannot ignore this when we reflect on issues such as the sustainability, inclusiveness and equity of such growth, especially in the context the post-2015 development agenda and the SDGs.

UNCTAD's EDAR report makes a strong distinction between the dual characteristics of Africa's services sector.

On the one hand, the growing, dynamic and modern services industries have emerged, such as the mobile telephony services in Kenya, the financial services of countries such as Nigeria and Morocco, and the commercial air transport services from Ethiopia and South Africa. This shows us there is potential and hope for future growth.

On the other hand, the report also raises concerns on the low value services sector in Africa which is dominated by the informal economy and is characterized by low-productivity activities.

A central question associated with this dichotomy is how to ensure that African economies mobilize jobs in the dynamic services sectors that workers which seek refuge in the informal sector can, raise their income and contribute more durable growth.

This must form part of Africa's development puzzle, since as much as one third of Africa's total employment is in the services sector and in some countries, even as much as two thirds of the work force is involved in this sector.

African member States have shown a clear determination to move forward and build on the current growth momentum especially when we consider the African Union Vision 2063. Many African economies desire to:

1. diversify their economies into manufacturing out of commodity dependency and
2. increase trade among themselves, through the AU Continental Free Trade Area or the CFTA as it is widely known, and regional value chains;

This demonstrates the renewed vigor and resolve of African countries to develop quickly. However, for all this to occur, services are critical and how African countries address the services issue will matter. This is where the value of a report like the EDAR 2015 lies and why it is timely.

Lastly, special attention needs to be given to the regulation of services in Africa. The findings of the report point to weak regulatory capacity.

This is affecting Africa's provision of basic infrastructure, such as transport, communications and electricity. The absence or undersupply of these services raises production costs and has a strong impact on the competitiveness of a country.

Particularly in the case of African countries wishing to integrate global value chains, good infrastructure services are essential.

Regulation must therefore ensure that these services are provided adequately (irrespective of whether the service provider is private or public) and a regulatory body needs to be vested with sufficient independence and autonomy to oversee the quality of this services provision.

In closing, let me emphasize that while my remarks have focused on how Africa can better leverage its services trade and the related development, employment and growth benefits, the report also emphasizes the need for greater policy coherence at the national, regional and international levels to address services sector and trade policy disconnects.

We, at UNCTAD stand ready to support Africa in designing policies that promote inclusive growth and sustainable development.

Indeed, this commitment is demonstrated, not least in our recent move to open an UNCTAD Regional Office for Africa, based in Addis Ababa, Ethiopia, one that is already working to support the African Union Commission and its Member States in their efforts toward breaking down continental barriers to services trade as envisaged in the CFTA negotiations.