



Government of Rwanda
Ministry of Finance and Economic Planning



 Economic Commission for Africa
Commission économique pour l'Afrique
1958 - 2018

22nd Meeting of the Intergovernmental Committee of Experts Sub-regional Office for Eastern Africa (SRO-EA)

Implementing the African Continental Free Trade Area in Eastern Africa: From Vision to Action

Concept Note for the Plenary Session: Services Trade and African Continental Free Trade Area

20 – 22 November 2018

Kigali Convention Centre

Rwanda

I. Background

The current deliberations on the African Continental Free Trade Area (AfCFTA) has mainly been on the liberalisation of merchandise trade, while there has been far less focus on services trade.¹ This is despite the fact that services contribute about half of the continent's GDP, with the economies of the majority of Member States, including Comoros, Djibouti, Madagascar, Rwanda and Seychelles being service sector driven. The services sector is also a leading employer, and for a number of Member States in Eastern Africa, the leading foreign exchange earner. What is more, a number of Member States have, such as Kenya, Seychelles and Tanzania, have continued to sustain large positive trade balance in services, while in those that there have been deficits, these, have been, when compared to merchandise trade, comparatively small.

There has been a steady increase in services exports in the region, from over a total USD 6 billion in 2005 to over USD 17 billion in 2016, with a number of Member States registering more than a three-fold increase since 2005. For instance, with a value of just USD 119 million in 2005, Rwanda's services exports were valued at over USD 998 million in 2015, an almost nine-fold increase. The steady rise in services trade across the region has been driven by a number of sectors including, financial services, ICT, and tourism, as has been the case, for example in Kenya, while education and the air transport in the case of Uganda and Ethiopia respectively (Khana et al., 2016). In line with this, the Single African Air Transport Market (SAATM) is expected to have a positive impact on the air transport services and consequently to the regional economy. Despite their potential, a number of sub-sectors have, are yet to receive the necessary focus as Member States pursue STEM (sciences, technologies, engineering and mathematics) policies to address developmental goals. One such sub-sector is that of the creative industries, of which the level of intra and inter regional exports is upwards of 80%.

¹ Our definition of services includes business; communication; construction and related engineering; education; environmental; financial; health related and social; tourism and travel related; recreational, cultural and sporting; and transport (UNCTAD, 2015).

The services sector, however, continues to endure a number of challenges that are an obstacle to fully realising its potential in the region. Chief among these include: the lack of appropriate policies both at the national and regional levels that could foster strong linkages with the rest of the economy; stringent regulatory regimes; high cost of services; lack of human capital; accessibility; quality and competitiveness related issues; and low degree of ratification and or implementation of key agreements and decisions such as, Yamousoukro Decision.

II. Objectives of the Session

In view of the foregoing, therefore, the main objective of this session, given the potential of services trade, will be to explore how best the region could tap into the sector through the implementation of the AfCFTA. The plenary session will address the following issues:

- i. The services sector is emerging as a key driver for economic growth and development in the Eastern Africa region – what policies are necessary, both at the national and regional levels that could facilitate linkages with other key sectors including agriculture and manufacturing?
- ii. What is potential role of cultural activities and the arts in expanding regional service trade?
- iii. Given that the cost of services is quite high in the region, what strategies could be deployed both at the national and regional levels that could enhance competitiveness?
- iv. The production of good quality, competitive and innovative services requires high level of skills and knowledge, which are generally lacking across the region. What opportunities exist both the national and regional levels that could help enhance the human capital in this respect?

- v. In view of the emerging importance of regional integration, there have remarkable efforts both at the national and regional levels to address issues relating barriers to services trade. However, implementation of such instruments remains a challenge. How best, then can decisions at the regional levels be harmonised with national policies and vice versa to maximise benefits from services trade?

III. Provisional Programme

Tuesday 20th November 2018

Moderator: Novella Nikwigize, News Presenter at Rwanda Television

Panel Discussion:

- Emmanuel Hategeka, Chief Operating Officer, Rwanda Development Board (TBC)
- Julius Muia, Principal Secretary, State Department for Planning – The National Treasury and Ministry of Planning, Kenya
- Brad McDonald, Deputy Chief, External Policy Division, IMF
- Eric Kabera, Filmmaker and founder and president of Rwanda Cinema Centre.
- Remmy Lubega, CEO of RG Consult

IV. Participation

The AEGM will gather experts from Eastern African countries, as well as representatives of the private sector, civil society organizations, and other relevant institutions. For further information and clarification, please contact Mr. Geoffrey Manyara, manyara@un.org

References

Khanna, A., Papadavid, P., Tyson, J. and te Velde, D.W. (2016). *The role of services in economic transformation - with an application to Kenya*. Available at: [https://set.odi.org/wp-content/uploads/2016/02/The-Role-of-Services-in-Economic-Transformation Kenya.pdf](https://set.odi.org/wp-content/uploads/2016/02/The-Role-of-Services-in-Economic-Transformation-Kenya.pdf)

United Nations Conference for Trade and Development (UNCTAD) (2015). *Economic Development in Africa: Unlocking the Potential of Africa's Services Trade for Growth and Development*. Available at: https://unctad.org/en/PublicationsLibrary/aldcafrica2015_en.pdf