UNITED NATIONS DEVELOPMENT PROGRAMME

FORGING AN AFRICAN SERVICES MARKET

Clarifying the rules to reinvent intra-African services trade in an era of continental economic integration

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SUMMARY

Service sectors are critical enablers of Africa's growth, industrialization and trade, yet businesses encounter numerous barriers when trading across borders. This paper demystifies the complex terms and modalities of trade in services and illustrates the potential impact of the African Continental Free Trade Area (AfCFTA) Agreement on the service sector through comparative analysis of liberalization scenarios. Further, the paper proposes key innovative and actionable policy measures to translate the new AfCFTA terms of trade in services into real trade flows. Key recommendations are:

Firstly, developing practical Market Entry Guidelines that clearly explain how businesses can navigate the legal requirements, procedures and limitations to enter service markets across Africa, as committed in each country's AfCFTA Schedules of Specific Commitments. The paper provides a template for how these guidelines can be structured and the key information elements to be included. Also, African countries could consider designing a framework to monitor intra-African services trade more systematically, by collecting and analysing detailed data on cross-border services flows disaggregated by sector, subsector and mode of supply. The paper proposes initial specific data points and institutional arrangements for operationalizing this monitoring system.

Secondly, embracing digitalization to streamline cross-border services trade, particularly through the creation of digital exchanges (platforms for completion of trade formalities, and regulatory coordination), as well as a continental services observatory to enable businesses to explore opportunities and complete licensing/registration formalities.

Thirdly, leveraging regional economic communities (RECs) as building blocks for integration and policy harmonization in the services sector, especially for the sequencing of services liberalization, developing mutual recognition frameworks, and monitoring implementation.

By proposing these pragmatic measures, the paper charts a path to facilitate deeper levels of intra-African trade in services, effectively liberalise service sectors through the AfCFTA, and generate evidence-based insights to further integrate and grow Africa's services market.

1. Service sectors underpin intra-African trade and stimulate economic development

Unlocking intra-African trade in services through wider and deeper market access can lead directly to significant increases in Africa's economic growth. In 2023, the African Development Bank attributed 34 percent of formal employment on the continent to service sectors and estimated the share of service sectors in Africa's gross domestic product (GDP) to be 55 percent, with the potential to reach 58 percent by 2043.[1]

Standalone service sectors, such as communications, tourism, transport, healthcare, education, logistics, construction, energy and financing, account for significant economic activity and employment within African economies. Also, service sectors are interconnected. For example, the growth of tourism services depends on good transport networks, just as the growth of creative industries, such as film, television, music and fashion, depends on distribution channels, financial systems and mature and reliable internet services.

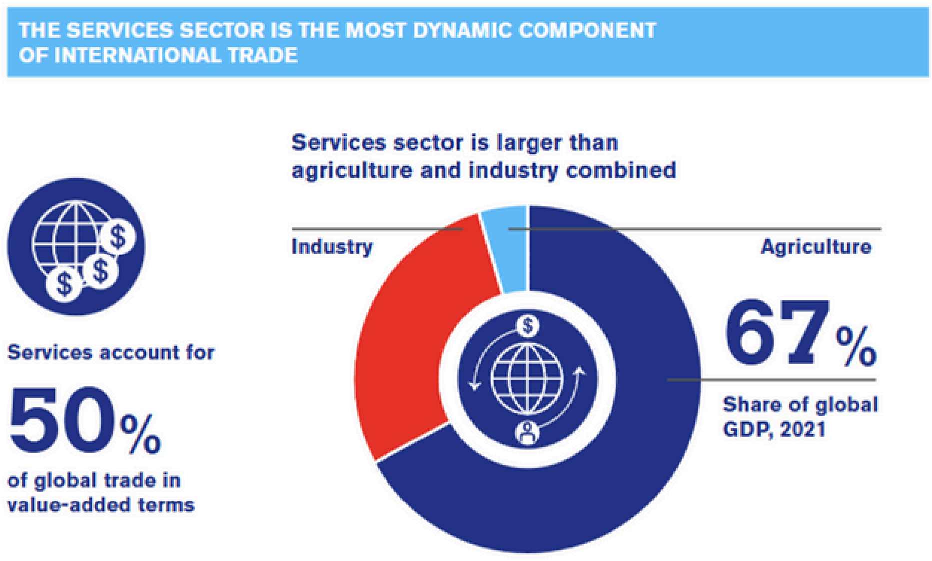
In addition, services are key enablers of realizing the ambition of increased productive capacity, value-addition and manufacturing and the diversification of Africa's basket of traded goods. Intra-African trade in goods records higher levels of trade in value-added products, in contrast to trade with other regions, dominated by trade in primary commodities.[2]

Value-addition is associated with higher prices and stability of the prices of goods, in contrast to the cyclical fluctuations in the prices of commodities that currently dominate Africa's basket of trade in goods. Services, such as professional skills and energy, are critical enablers of, and inputs into, manufacturing processes. Other services, such as distribution, transportation[3] and finance (including payments, insurance and credit) facilitate the cross-border exchange of goods.

Over the last few decades, the rapid growth and transformation of some economies has been attributed to service sectors that intensify productive activity, creating deeper international trade and investment connections.[4] Globally, trade in the service sector[5] is larger than agriculture and industry sectors combined (Figure 1).

1 African Development Bank, 2023. Regional Economic Outlook.
2 UNECA, 2023. The AfCFTA – What You Need to Know: Frequently Asked Questions & Answers.
3 Transport services alone may account for up to 25 percent of intra-African trade gains in services and nearly 40 percent of the increase in service production in Africa could be in transport. Full implementation of AfCFTA could boost demand for maritime services by 62 percent, with more than 100 new shipping vessels required to carry goods.
4 For example, service sectors in China and India attracted significant investment in manufacturing and business process outsourcing, respectively, generated revenue for businesses and incentivized the rapid upgrading of skills and technology capacities. See Rodrik, D. (2011). The Globalization Paradox: Democracy and the Future of the World Economy.
5 In value added terms

Figure 1: Service sector share of international trade



Source: World Bank and WTO, 2023. Trade in Services for Development.

In keeping with global trends, between 2005 and 2019, Africa experienced significant growth in service sector exports, with values doubling from US$62 billion to $124 billion. However, unlike global trends, service sector exports in this period in Africa accounted for only 17 percent of total exports.

Transport and tourism services dominate Africa's services trade, demonstrated in the steep reduction in the value of service exports to $82.7 billion in 2020 during the COVID pandemic.[6] In 2023, Africa's service exports recovered to pre-pandemic levels, reaching around $150 billion, with service imports recorded at around $132[7] billion. This growth notwithstanding, the continent accounts for only two percent of global services[8] trade. Also, a nuanced picture of the trade in services within Africa is not typically available, as computations do not holistically disaggregate trade partners.

For several decades, African countries have, to varying degrees, liberalized the barriers that restrict access to their service sectors. Similarly, integration of service sectors has been progressively pursued through regional economic communities (RECs), as well as through the efforts of individual countries.[9] As trade under the preferential terms of AfCFTA commences, an opportunity is presented to reflect on potential pathways to increase and deepen levels of trade in services in individual African economies, and to consider opportunities to diversify trade in services and by extension, service sectors.

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6 Ibid.
7 UNCTAD, 2023. Handbook of Statistics.
8 Ibid.
9 Countries may relax market access rules and provide incentives in a bid to attract foreign investment and talent/skilled workers.

2. The AfCFTA Agreement and its Protocol on Trade in Services is a key tool for promoting intra-African trade in services

The Agreement Establishing the African Continental Free Trade Area[10] (the AfCFTA Agreement), seeks to boost intra-African trade by lowering/removing trade barriers (tariffs and non-tariff barriers). Its provisions are designed to ease the flow of goods and services across national borders and expand intra-African trade beyond its traditional levels,[11] develop regional value chains, sustain industrialization and ensure the socio-economic transformation of the African continent. Effectively the Agreement, which entered into force in May 2019[12] and has 54 signatories and 48 State Parties as at November 2024,[13] establishes a single African market that facilitates the movement of goods, services, and investment across the continent.

Along with seven other Protocols,[14] the AfCFTA Protocol on Trade in Services sets out a blueprint for the establishment of an Africa-wide single market in services (Figure 2). The Protocol defines services as "any service in any sector except services supplied in the exercise of governmental authority."[15] Service supplier is defined as "any person that supplies a service."[16] Supply of a service includes "the production, distribution, marketing, sale and delivery of a service."[17]

Further, binding obligations for AfCFTA State Parties aim to achieve the progressive liberalization of trade in services, boosting intra-African services trade, allowing companies across the continent to easily operate across borders, giving them access to the markets of all State Parties on terms no less favourable than those provided to domestic suppliers.

10 For the full text of the AfCFTA Agreement, see: https://au.int/sites/default/files/treaties/36437-treaty-consolidated_text_on_cfta_-_en.pdf.

11 Intra-African trade in goods is estimated at 16 percent of total trade in goods. Source: Afrexim Bank, 2023. African Trade Report.

12 Agreement Establishing the African Continental Free Trade Area (https://au.int/sites/default/files/treaties/36437-treaty-consolidated_text_on_cfta_-_en.pdf).

13 AfCFTA State Parties that have concluded ratification processes and made AfCFTA legally binding within national legal systems are termed State Parties. African countries are termed African Union Member States.

14 Protocols on Trade in Goods, Settlement of Disputes, Investment, Intellectual Property Rights, Competition Policy, Digital Trade and Women and Youth in Trade. The Protocol on Trade in Services entered into force in May 2019, along with the Protocols on Trade in Goods and Dispute Settlement (Phase I Protocols). Other Protocols (adopted in 2024) will enter into force following their ratification by countries.

15 AfCFTA Protocol on Trade in Services, Article 2 (3).

16 AfCFTA Protocol on Trade in Services, Article 1.

17 AfCFTA Protocol on Trade in Services, Article 1.

Figure 2: Key articles of the AfCFTA protocol on trade in services

Article	Obligation	Interpretation
Most-Favoured-Nation Treatment (Article 4.1)	State Parties must extend to services and service suppliers of any other State Party treatment no less favourable than they accord to like services and service suppliers of any Third Party.	State Parties cannot discriminate against services and service suppliers from other AfCFTA countries in favour of those from non-AfCFTA countries.
Transparency (Article 5)	State Parties must publish all relevant measures and international agreements affecting trade in services.	Regulations, laws and international commitments related to services trade must be made publicly available by State Parties.
Mutual Recognition (Article 10)	State Parties may recognize education, experience, licenses or certifications obtained in another State Party, including through agreements or arrangements.	State Parties can choose to accept qualifications and licenses of service suppliers from other AfCFTA State Parties, making it easier for professionals and businesses to provide services across borders.
Market Access (Article 19)	In sectors where commitments are made, each State Party shall accord services and service suppliers of any other State Party treatment no less favourable than specified in its Schedule. Measures limiting market access are prohibited unless specified in the Schedule.	State Parties guarantee a minimum level of access to their services markets for other members, as indicated in their individual Schedules of Commitments. Market access restrictions are not allowed unless explicitly listed.
National Treatment (Article 20.1)	In sectors inscribed in its Schedule, subject to conditions and qualifications, each State Party shall accord to services and service suppliers of any other State Party treatment no less favourable than it accords to its own like services and service suppliers.	Within committed sectors, State Parties must treat services and suppliers from other member states the same as their domestic equivalents. Any exceptions must be specified in the Schedule of Specific Commitments.
Payments and Transfers (Article 13.1)	State Parties must not apply restrictions on international transfers and payments for current transactions relating to their commitments, subject to Article 14 on Balance of Payments.	State Parties are required to allow cross-border flows of money related to trade in services covered by their commitments, except in cases of serious balance-of-payments difficulties.

The classification of services and much of the content within the Protocol is drawn from the provisions of the General Agreement on Trade in Services (GATS) of the World Trade Organization (WTO) (Figure 3), that contains 12 sectors which are further disaggregated into specific services.

Figure 3: General Agreement on Trade in Services (GATS) of the World Trade Organization (WTO) services sectoral classification list

GATS services sectoral classification list	
• Business services and professional services • Communication services • Construction and related services • Distribution services	• Education services • Energy services • Environmental services • Financial services • Health and social services • Tourism services • Transport services • Movement of natural persons

Source: WTO Services: Services Sectors at https://www.wto.org/english/tratop_e/serv_e/serv_sectors_e.htm.

Services are traded through four modes of supply that deliver services to the end user or consumer. They cover the depth and scope of: cross-border supply (mode 1), consumption abroad (mode 2), commercial presence (mode 3) and temporary movement of natural persons (mode 4) (Figure 4).

Figure 4: Examples of the four modes of supply in services (from the perspective of "importing" Country B and "exporting" Country A)

Mode 1: Cross-border supply
A person in Country B books a service from Country A through telecommunications or postal infrastructure.

Mode 2: Consumption abroad
Nationals of Country B travel to Country A to use services.

Mode 3: Commercial presence
A company from Country A establishes a local affiliate, subsidiary or representative office in Country B.

Mode 4: Movement of natural persons
Nationals of Country A provide services within Country B as independent suppliers (consultants) or employees of companies.

Source: Adapted from the WTO's "Definition of Services Trade and Modes of Supply" from Chapter 1 of its General Agreement on Trade in Services (GATS) Training Module (www.wto.org/english/tratop_e/serv_e/cbt_course_e/c1s3p1_e.htm#boxa).

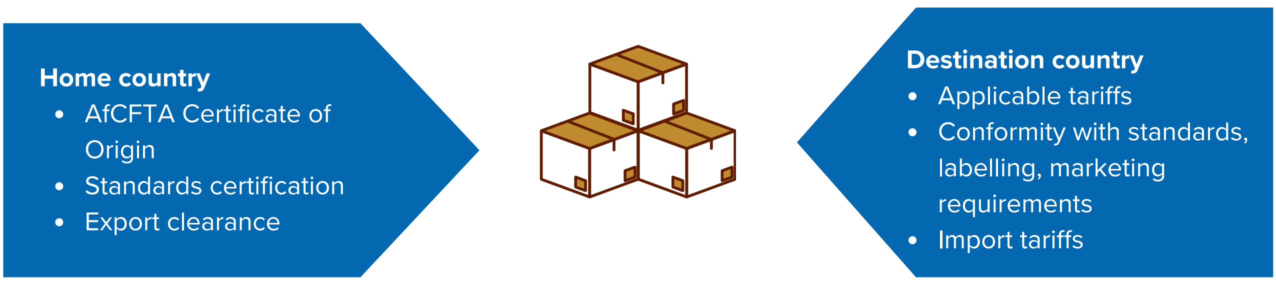
Importantly, the AfCFTA requires State Parties to provide deeper and more meaningful market access to other AfCFTA State Parties than are provided under the GATS or other arrangements. For the AfCFTA to enable commercially meaningful trade in services in Africa, the restrictions affecting trade in services need to be gradually reduced, simplified or eliminated altogether. So far, AfCFTA State Parties have committed to progressive elimination of the barriers to trade in services through schedules of specific commitments (SSCs) in five priority sectors in the first round of liberalization: Business, Communication, Financial, Tourism and Transport Services.

These SSCs are the primary legal instrument for liberalization of the services sector. They articulate the terms of market access for service suppliers originating in Africa and their treatment vis-à-vis local suppliers of similar services.

3. Clarifying the rules for intra-African trade: liberalization of the service sector through the AfCFTA

Liberalization of trade in services is a different process from that of trade in goods. There are no tariffs on services, whereas there are on goods. Thus, liberalizing services does not entail reducing a duty on a product (for example, the reduction of duty from 15 to 5 percent). Instead, countries must institute broad legal reforms, adopt national policies and address underlying public policy concerns to determine market entry rules and the treatment of ‘foreign’ service suppliers operating in their markets. These measures contrast with trade in goods in which there are more precise and linear formalities (Figure 5).

Figure 5: Example of documentation required for cross-border trade in goods



Currently, there are 22 Schedules of Specific Commitments covering the five priority sectors emanating from AfCFTA State Parties in Central, East and Southern Africa.[18] The 22 Schedules articulate the precise market openings in the five priority service sectors in the respective countries, enabling businesses to determine how to supply such markets.

A visualization of expected dynamics of liberalization under the AfCFTA is provided through a sample comparative schedule of commitments in the transport sector (Figure 6). This provides an illustration of the legal and policy approaches to liberalization under the AfCFTA available to AfCFTA State Parties, in comparison to GATS, available to non-AfCFTA State Parties.

Figure 6: Sample comparative schedule of specific commitments undertaken by an AfCFTA State Party (GATS and AfCFTA)

Schedule notations[19]

- Horizontal commitments articulate a country's fundamental policy positions and regulatory framework governing foreign participation across its entire services sector. These commitments reflect core economic governance principles and establish baseline conditions that apply universally to foreign service providers, regardless of their specific sector of operation.
- Limitations on market access refer to six types of quantitative restrictions that affect the i. number of service suppliers, ii. value of service transactions/assets, iii. total number of service operations or quantity of output, iv. number of natural persons supplying a service, v. type of legal entity or joint venture and vi. participation of foreign capital.
- Limitations on national treatment refer to measures that modify the conditions of competition in favour of domestic services or service suppliers compared to like services or service suppliers of other countries, unless such differential treatment is specified in a country’s schedule.
- Additional commitments refer to undertakings relating to non-discriminatory regulatory measures.

Terms to indicate levels of market access

Unbound: No commitments; the country has not placed specific restrictions but retains policy space to apply measures, if needed.

None: The country explicitly states that it does not place limitations on liberalization.

18 The countries with schedules are: CEMAC (Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea, Gabon), Democratic Republic of the Congo, Djibouti, EAC (Burundi, Kenya, Rwanda, United Republic of Tanzania, Uganda), Egypt, Eswatini, Lesotho, Malawi, Mauritius, Namibia, Seychelles, Zambia and Zimbabwe.

19 See WTO GATS Training Module 1 on Conditional Granting of Market Access and National Treatment https://www.wto.org/english/tratop_e/serv_e/cbt_course_e/c1s7p1_e.htm

PART I. HORIZONTAL COMMITMENTS

<table>
<tr><th rowspan="2">Mode</th><th colspan="2">Limitations on market access</th><th colspan="2">Limitations on national treatment</th><th rowspan="2">Additional commitments</th></tr>
<tr><th>GATS</th><th>AfCFTA</th><th>GATS</th><th>AfCFTA</th></tr>
<tr><td>Mode 3 Commercial presence</td><td>• Mandatory investment screening with economic needs test.
• Minimum threshold for investment of $500,000.</td><td>None</td><td>• 90% local employment quota
• Technology transfer mandatory.</td><td>None</td><td rowspan="2">Investment Facilitation:
• One-stop shop for business registration.
• Online application system. (Applies to AfCFTA only)</td></tr>
<tr><td>Mode 4 Presence of natural persons</td><td>• Business visas issued to senior executives only.
• Subject to quotas.</td><td>Business visitors visas issued for 90 days in the first instance.</td><td>• Work visas pre-approved by Ministry of Interior, for a maximum two-year period, dependent on quota requirements.</td><td>Work permits provided to employees with valid contracts</td></tr>
</table>

PART II. SECTOR-SPECIFIC COMMITMENTS (Modes 3 and 4)

11. TRANSPORT SERVICES. 11.F. Road Transport Services. a) Passenger Transportation (CPC-2.1 64221). A company owns a fleet of buses and provides a shuttle service.

Mode	Limitations on market access		Limitations on national treatment	
	GATS	**AfCFTA**	**GATS**	**AfCFTA**
Mode 3 Commercial presence	• Maximum 25% foreign equity in a company. • Economic needs test prior to registration of company. • Minimum capital requirement of $200,000. • Minimum of 10 vehicles in fleet.	• Incorporation of company required. No restrictions on foreign equity. • Maximum 75% foreign equity in company. • Minimum capital requirement of $100,000. • Minimum of 5 vehicles in fleet.	• Requirement for majority of board of directors to be nationals of host country. · 80% local staff.	• Local office required. • Mandatory skills upgrade training for all staff with reports submitted to the Ministry of Transportation. • No requirements on number of local staff.
Mode 4 Presence of natural persons	Unbound except as indicated in horizontal commitments.	Unbound except as indicated in horizontal commitments.	• Foreign driver's licenses must be converted through a 6-month supervised training programme. • Higher mandatory insurance premiums compared to local drivers.	• Local license required for all drivers. • Insurance premiums same for foreign and local drivers. • Language proficiency needed.

The 22 adopted Schedules of Specific Commitments indicate the precise market openings in the five priority service sectors in the respective AfCFTA State Parties. Examples of possible liberalization scenarios and resultant opportunities for business through the four modes of supply are provided below, alongside an example of how a supply of a service can cross over all the modes of supply.

Mode 1: Cross-border supply

Education sector
An Academy licensed as an institution of higher learning in one African country may seek to operate in other countries. If other African countries provide access to its education sector through the AfCFTA, via Mode 1, this Academy may deliver courses through e-learning platforms and issue certificates to students from other countries. These certificates would be recognized both in the home country of the Academy and the other African countries that provide access through Mode 1, as shown below (Figure 7).

Figure 7: Example of a potential AfCFTA liberalization approach in Mode 1

Pre-AfCFTA	Post-AfCFTA
Ø Registration as an educational institution in the home country.	• Registration as an educational institution in the home country. • Mutual recognition: An operating license in the home country will be recognized by other African countries.

Mode 2: Consumption abroad

Tourism sector

One of the most open sectors in Africa in terms of market access and national treatment for services suppliers is tourism. Consumers travel to producing countries to enjoy a range of services including hospitality and increasingly, entertainment.[20] Most African GATS Members have relatively open markets in this sector and the 22 adopted Schedules of Specific Commitments largely follow this pattern.

However, visa restrictions remain a major impeding factor in the movement of persons across the continent. The African Union Commission and the African Development Bank have established the Africa Visa Openness Index which tracks the extent to which African countries are open to visitors from their counterpart countries on the continent.[21] Incremental progress has been made; in 2023, 24 countries (44 percent of the continent) offered an e-visa for entry for Africans to their countries. This is a 17 percent increase from 2016 when only nine countries offered such options to Africans. To date, only Benin, The Gambia, Rwanda and Seychelles[22] offer visa-free access to all Africans.

Towards a remedy for this situation, the AfCFTA Protocol on Trade in Services takes a targeted approach to the movement of businesspersons and professionals, with the details (and resulting openness) being negotiated based on commitments made by State Parties in the relevant service sectors.

Mode 3: Commercial presence

Engineering sector

An African engineering firm may hold the franchise for maintenance of a range of vehicles produced by an African vehicle assembly company. Through the liberalization of trade in goods under AfCFTA, this vehicle could then be sold in more African countries. On this basis, the engineering firm, itself originating in an African country, may seek to scale its operations to other African countries.

However, it may have been faced with a diversity of barriers that prevent access to markets, including steep capital outlays to register the business. The company may also be required to register a corporate entity in all countries of operation. Similarly, it may be faced with local content restrictions that require a certain percentage of its equity to be held by nationals of the host country. In addition, mode 4 restrictions may limit the number of employees with foreign nationality and thus affect entry into and operation in other markets. Further, engineers working for this company may be required to acquire professional certifications to work in other African countries.

However, Mode 3 access made possible through the AfCFTA would provide this firm with easier terms to establish a wholly owned subsidiary or an entirely new venture in another African country (Figure 8).

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20 Concerts, film festivals and other large scale cultural and entertainment events are increasing across Africa. Examples include the Afro Nation Festival and RAHA Fest.

21 www.visaopenness.org.

22 In 2024, Kenya instituted an Electronic Travel Authorisation (eTA) which must be obtained before boarding any aircraft to its destination and travelers are required to submit their application at least three days before the departure date. Travelers must pay $30 to apply for the eTA (www.etakenya.go.ke/en.).

Figure 8: Example of a potential AfCFTA liberalization approach in Mode 3

Pre-AfCFTA	Post-AfCFTA
• Registration as a company in home country and all countries of operation. • Steep capital requirements to register and operate in other markets. • Local content rules that require up to 49 percent of equity to be held by nationals of host countries. • Restrictions on the number of foreign (African nationals) that can be employed by the company.	• Registration as a company in home country and all countries of operation. • Lower capital requirements to register and operate in other markets. • Local content rules relaxed, removed or interpreted to equate “local” with “African”. Fully foreign ownership may be permitted if firm originates in an African country and is owned/controlled by African nationals. • Mode 4 restrictions relaxed or removed. Unrestricted or increased number of African nationals that can work in the firm and professional certifications of engineers recognized. • Regulatory framework provides for transparency and certainty in licensing and certification processes.

Mode 4: Movement of natural persons

Professional services sector

Although AfCFTA State Parties have already agreed on common definitions of service suppliers[23] to ensure a level of coherence in terminology and characterization of service suppliers,[24] Mode 4 tends to be the most restrictive mode of supply affecting the physical access of service suppliers through the horizontal sections of the schedules of AfCFTA State Parties.

Barriers to the mobility of services suppliers are typically manifested through restrictions or quotas in the number of foreign personnel that can be employed by[22] businesses, as well as the limited duration of work visas and permits. Also, foreign workers may be required to demonstrate specific qualifications and experience prior to entering new markets. Lifting restrictions and reducing or eliminating quotas for numbers of personnel from other AfCFTA State Parties, particularly in commitments

23 Service supplier is defined by the AfCFTA Protocol on Trade in Services, Article 1, as “any person that supplies a service.” Supply of a service “includes the production, distribution, marketing, sale and delivery of a service.”

24 Definitions of Common Categories of Natural Persons, adopted by the 8th meeting of the AfCFTA Council of Ministers, January 2022 (on file with author/s).

under mode 3 (for intra-corporate transferees), would help with talent acquisition within the African market.

In addition, soon work will start on the development of mutual recognition arrangements (MRAs) under the AfCFTA Protocol on Trade in Services.[25] Although the initial focus will be on accountancy and engineering services, MRAs for other professional services will soon follow. Most of this work will be driven by the individual professional associations and drawn from developments taking place at the regional economic community level. For instance, among some of the East African Community Partner States, several MRAs already exist for accountancy, architectural, engineering, and veterinary services.[26]

The recognition of service suppliers' qualifications and professional experience in other AfCFTA State Parties will reduce the need for re-certification and re-accreditation. It will help professionals move easily in the single African market, enabling a more mobile and agile continental workforce.

Service suppliers will be able to move to where there are opportunities for higher value and specialist jobs that suit their qualifications and experience. This in turn increases competitiveness and efficiency in the single market, as firms develop talent and compete at the sub-regional and continental levels.

Trade in services through multiple modes of supply

A single supplier can trade services across borders through multiple modes of supply. For example, services account for 59 percent of the total exports of Ethiopia, a country which provides significant transport and travel services across the African continent. Ethiopian Airlines, a state-owned enterprise, is the largest and fastest growing airline in Africa in terms of revenue and profit.[27] Ethiopian Airlines offers a good example of how trade in services can occur through multiple modes of supply (Figure 9).

25 AfCFTA Protocol on Trade in Services, Article 10.
26 The EAC Qualifications framework is operational and includes the launch of the EAC Common Area for Higher Education in 2015.
27 IATA, Quarterly Air Transport Chartbook, IATA Sustainability & Economics Q3 2023 (www.iata.org/en/iata-repository/publications/economic-reports/quarterly--air-transport--chartbook-q3-2023/).

Figure 9: Example of trade in services through the four modes of supply from the perspective of Ethiopia/Ethiopian Airlines

Mode 1: Cross-border
Passengers across Africa book international passenger and cargo flights via electronic channels.

Mode 2: Consumption abroad
Services provided to foreign owned airlines in Ethiopia, including servicing foreign aircraft at Ethiopian airports, training foreign pilots and carrying foreign tourists to Ethiopia.

Mode 3: Commercial presence
Investing abroad as a partner in foreign airlines, e.g. airlines co-owned with the governments of Malawi and Togo.

Mode 4: Movement of natural persons
Recruiting foreign pilots, cabin crew, aircraft engineers, etc.

While Modes of Supply are the orthodox modality to organise trade in services, the inherent complexity of services needs to be fully understood by both policymakers and service suppliers. It is not always straightforward to quantify and measure services, as they are not always visible. In some cases, they are not separated from the service supplier. This has resulted in outcomes where market access restrictions in one mode of supply can affect the supply of service in another.

For example, within a country's schedule of commitment, openness to the cross-border supply of a service (Mode 1) can be impeded by regulatory requirements and licensing requirements for businesses to establish commercial presence (Mode 3). Furthermore, along with the increased proportion of services in the production of goods and other services ("servicification") has come increased complexities in addressing and contextualizing the trade of services.[28]

Thus, the liberalization of service sectors requires concerted and modulated regulatory action. Cognisant of this, African States, innovating on the GATS opted for a hybrid approach to services liberalization under the AfCFTA that involves:

i. the development of schedules of specific commitments on the one hand; and

ii. frameworks for regulatory cooperation on the other.

On this basis, the AfCFTA Protocol on Services enables the emergence of continental regulatory frameworks for service sectors (Figure 10).

28 See examples for Mode 3 and multiple modes of supply above. Service sectors are interconnected. Also, increasingly, services are inseparable from the functioning and maintenance of some goods.

Figure 10: Examples of the interplay of specific commitments with continental regulatory frameworks

Schedules of specific commitments of an AfCFTA State Party	Elements of continental regulatory frameworks
Companies in service sectors from other AfCFTA Parties can enter and operate – with licences approved by the responsible national authority.	• State Parties are encouraged to establish an independent regulator for the sector. • State Parties must endeavour to publish criteria and procedures for obtaining the licence in an accessible format. • State Parties shall endeavour to consider licence applications, and provide application decisions, in a timely manner.

Regulations are thus central to the optimal performance of service sectors and of trade in services (Figure 11). Thus, it is important that regulations are used to make service markets work properly, especially by remedying asymmetric information and facilitating access for service suppliers.

Such regulations include mutual recognition of standards and smooth processes for the licensing and certification of service suppliers to make it easier for businesses and individuals to satisfy the regulatory requirements of operating in other markets.

To ensure market access and smooth liberalization of service sectors, it will be important for governments to coordinate regulatory agencies, industry groups and professional associations that are responsible for licensing and certification.

[26] See examples for Mode 3 and multiple modes of supply above. Service sectors are interconnected. Also, increasingly, services are inseparable from the functioning and maintenance of some goods.

Figure 11: Examples of non-government regulators of service sectors

Sector	Regulatory authorities	Approvals provided
Business services	• National Councils of Architects, Engineers, Accountants • Medical and Dental Councils, Veterinary Councils	Approvals for establishment, equity participation, personnel
Communication services	Telecommunications Regulatory Authorities, Ministry of Posts and Telecommunications	• Licensing/authorization for provision of services • Approvals for infrastructure, market access
Financial services	Central Banks, Insurance Supervisory Authorities	• Licensing/authorization for banking, insurance, and other financial institutions • Approvals for establishment, equity participation, operations
Transport services	Maritime, Aviation, and Land Transport Authorities	• Licensing/authorization for transport service providers • Approvals for commercial presence, cabotage rights, personnel
Tourism and travel	Tourism Ministries, Investment Promotion Agencies	Approvals for establishment, equity participation, operations

Concrete trade will be realized through intentional regulatory reform and commitments, particularly those designed to reduce arbitrary decision-making, burdensome red tape, and irrelevant and complex bureaucratic processes.

4. Deliberate actions are required to boost trade in services under the terms of AfCFTA

Under the liberalized terms of AfCFTA, the 22 State Parties that have adopted Schedules of Commitments have the necessary legal basis to commence trade in services. Due to the large number of countries with differing stages of economic development, it is only natural that implementation of the AfCFTA Agreement would be staggered.[29] An important and immediate action for participating countries is the alignment of national laws and policies to make it possible to effectively administer the new sectoral disciplines. Also, existing commitments in the SSCs should be communicated and made available to the private sector in these countries.

Further, three complementary policy actions are proposed below to help launch and boost intra-African trade in services under the terms of AfCFTA.

1. Governments and industry groups supervising service sectors should roll out supportive measures for trade in services, in particular: i) the publication of market entry guidelines; and ii) robust monitoring of trade in services.
2. The public and private sectors need to embrace digitalization, especially for cross -border cooperation.
3. The coordination role of regional economic communities should be leveraged to operationalize SSCs and regulatory frameworks.

These three measures are described further below.

1. **Enable supportive measures for trade in services.**

As countries prepare and revise national AfCFTA implementation strategies,[30] it will be important to include concrete policy measures for service sectors and enabling actions for businesses. Anchoring services liberalization measures within broader national policy and economic frameworks will foster coherence in policy and regulatory reforms already underway or anticipated within countries.

As legal instruments can be opaque and inaccessible to non-specialists, SSCs should be translated into actionable market entry guidelines to inform African businesses. These guidelines should provide clarity on the relevant governing regulation, supervisory or responsible institutions and market entry thresholds and modalities.

The sample below (Figure 12) outlines key elements of a proposed market entry guideline as it would affect a cinema chain expanding into another country.

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29 The AfCFTA Agreement incorporates the principle of variable geometry in Article 5c.
30 Over 35 countries and two RECs (EAC and ECOWAS) have developed AfCFTA implementation strategies.

Figure 12: Sample elements of an AfCFTA market entry guideline for the communications sector

Sector: Communication services	**Mode of supply**	**Required certification/licensing by importing country**	**Regulators in importing country**
Specific service: Audio-visual services Business: A cinema chain	Mode 1 – Cross - Border supply: establishment of a content streaming service	- Operating license - Registration for Digital Services Tax	- National ICT Authority - National Broadcasting Commission - National Revenue Authority
	Mode 2 – Consumption Abroad: consumers traveling to the country to enjoy the service	- Entry visa for African nationals.	- Ministry of the Interior/Home Affairs/Immigration Office
	Mode 3 – Commercial Presence: establishment of a subsidiary company	- Business incorporation - Film distribution license - Tax registration certificate	- Registrar of Companies - National Film Authority - Local/Municipal Authority - Revenue Authority
	Mode 4 – Temporary Movement of Natural Persons: secondment of employees to launch and operate the subsidiary	- Work permits for foreign employees/contractual service suppliers - Conversion/attestation of professional qualifications of foreign employees	- Ministry of the Interior/Home Affairs - Ministry of Education/Professional Associations

Continental and regional policy institutions may consider the collation of SSCs and guidelines to build an integrated and holistic view of the emerging AfCFTA services market. Similar to the AfCFTA e-tariff book, these institutions may also consider establishing a continental services observatory to provide insight into progress made on the liberalization of service sectors, alongside tangible market opportunities.

It will be crucial to assess the effects of the AfCFTA on intra-African trade in services, especially the benefits for businesses, industries and countries. Statistics offices in many African countries do not consistently collate and analyse data on cross-border trade in services, and even when they do, it is not disaggregated by sub-sectors and modes of supply. Yet an urgent need exists to measure continental services trade flows to form a better picture of cross-border exchange of such services. This would help to inform formulation of trade in services policies and negotiation strategies under AfCFTA and, crucially, could provide a robust perspective into the volume and value of overall intra-African trade.

The African Trade Observatory provides a comprehensive dataset of trade information and monitors the pace of trade and economic integration.[31] However, so far, data on intra-African trade in services has not been effectively included in the repository. Efforts on this issue could start at the national level, to build mechanisms to track and report on trade in services by the mode of supply.[32] An example of potential data points and responsible agencies is provided below (Figure 13).

31 African Trade Observatory dashboard (https://ato.africa/en).
32 The collaboration between UNCTAD and West African Economic and Monetary Union (UEMOA) countries on the TiSSTAT information system, to collect, analyse and disseminate trade in services statistics can be instructive in this regard (https://unctad.org/project/uemoa-strengthening-statistics-international-trade-services).

Figure 13: Sample national dataset on intra-African trade in services

Mode	Data type	Responsible authority
1	• Value of digital services imports[33]	• Businesses
2	• Number of visa applications made by African nationals • Number of visas approved for African nationals • Number of African national visitors	• Ministry of Trade/Investment • Investment Promotion Agencies
3	• Number of applications to establish corporate entities (new companies, branches, joint ventures, etc.) made by African nationals • Number of approvals to establish corporate entities for African nationals • Number of applications for sector-specific certifications and licenses from African nationals and businesses • Number of sector-specific certifications and licenses issued	• Ministry of Trade/Investment • Investment Promotion Agencies
4	• Number of residence/work permits issued to African nationals • Number of applications for professional certificates/licenses by African nationals • Number of professional certificates/licenses issued to African nationals	• Ministry of Interior/Home Affairs • Professional associations/industry groups

33 A useful methodology/approach for estimating digital services trade is found in: IMF et al. (2023), Handbook on Measuring Digital Trade, Second Edition, OECD Publishing, Paris/International Monetary Fund/UNCTAD, Geneva 10/WTO, Geneva (https://doi.org/10.1787/ac99e6d3-en).

2. Embrace digitalization and cooperate to enable cross-border trade in services.

The cross-border mode of supply (Mode 1) predates the boom in digital trade. As such, the digitalization of services has created new categories of services and suppliers that may not align with the typical notions of the modes above. Globally, digitally delivered services are increasing in importance.

In 2022, the value of global exports of digitally delivered services reached $3.82 trillion, accounting for an estimated 54 percent share of total global services exports and accounting for 12 percent of total goods and services exports.[34]

For example, Mode 1 in the 'traditional' sense may involve the booking of transportation services through postal means. However, e-hailing companies domiciled in one country can facilitate transportation services operated within other countries. Similarly, digitally delivered services include payment services provided by fintechs or professional services, such as accountancy, delivered by firms or individuals domiciled in other countries.[35]

In some contexts, liberalization of the supply of a service through Mode 1 may effectively allow the type of market access provided under Mode 3: commercial presence within a country or Mode 4: movement of natural persons.[36]

As such, it would be important for countries to review and align their commitments under the AfCFTA Protocol on Trade in services and the Protocol on Digital Trade. Digitally delivered services may initially travel invisibly to regulators, and there might not be immediate apparent barriers. However, potential impediments may affect these transactions.

For example, professional services suppliers operating digitally may encounter challenges with payments transfers where there are forex restrictions applied by banking systems and the transaction type does not fall within categories established by banking regulators. Clear rules and institutional mechanisms will be needed to enable the free flow of digitally delivered services across African borders.

34 IMF, OECD, United Nations, World Bank Group and the World Trade Organisation, 2023. Digital Trade for Development.
35 The AfCFTA Protocol on Digital Trade contains specific rules on the treatment of African digital products, content and producers.
36 Mode 3 access is typically manifested through the establishment of a corporate entity.

Further, to foster regulatory cooperation, at regional and continental levels, countries may consider applying to the service sector the single window concept, similar to that which has already been implemented in customs administrations.[37] For example, a single window digital exchange could be introduced, whereby regulatory agencies and professional associations could easily exchange and verify business registration certificates and licences of services suppliers.

Such a single digital window can also be used to ensure eligibility under a single services market.[38] Authorities could quickly and easily assess potential investors (commercial presence) through exchange and verification of business registration certificates and tax returns/tax clearance certificates, avoiding the need for delays in incorporation and establishment (mode 3). Further, single windows can incorporate functions for dispute resolution, to allow service suppliers to express challenges experienced during entry processes or while in operation. As with the Non-Tariff Barriers Online Reporting, Monitoring and Eliminating Mechanism for trade in goods,[39] such a digital platform focused on the resolution of disputes should incorporate close policy and administrative cooperation to ensure responsiveness that is effective for service suppliers.

Importantly, establishing dedicated digital mechanisms to support the entry of service suppliers from other countries would boost national efforts on trade in services. Service sector help desks[40] within investment promotion agencies and/or national AfCFTA implementation committees could address information gaps and frictions faced by both national service suppliers entering new markets and service suppliers from other countries entering domestic markets. Such helpdesks could especially resolve challenges associated with Modes 1, 3 and 4 of services supply, including the formalities related to licensing and certification managed by national institutions.

3. Build on regional economic communities.

The AfCFTA Agreement states that[41] RECs are the building blocks of AfCFTA, suggesting that certain depths of liberalization and regulatory coherence have taken place at subregional level and can be built on at the continental level to further deepen integration and advance trade. In this way, RECs can play a significant role in the AfCFTA integration agenda, ensuring that regulatory reforms are locked in and preserved as the acquis.

37 For instance, the International Maritime Organization has mandated the establishment of Maritime Electronic Single Window systems in all its member countries by 1 January 2024 (www.imo.org/en/MediaCentre/PressBriefings/pages/Maritime-Single-Window-advancing-digitalization-in-shipping.aspx).
38 AfCFTA Protocol on Trade in Services, Article 24.
39 www.tradebarriers.africa/.
40 Potentially embedded within national AfCFTA coordination mechanisms and/or within relevant national agencies. A whole of government approach will be required to holistically administer AfCFTA services liberalization.
41 Agreement Establishing AfCFTA, Article 5 (b).

Four out of the eight African Union member-recognized RECs have a services liberalization agenda: the Common Market for East and Southern Africa (COMESA), the East African Community (EAC), the Economic Community of West African States (ECOWAS) and the Southern African Development Community (SADC).[42] The other RECs[43] have varying integration agendas that have some services elements, such as tourism or energy services, but are not pursuing actual services commitments for their Member States.

Out of the four RECs pursuing a services liberalization agenda, ECOWAS is different by focusing broadly on regulatory cooperation, harmonization and mutual recognition, rather than scheduling of commitments. Through its ECOWAS Trade in Services Agreement (ETISA) and its supplementary protocols, ECOWAS intends to broaden coverage of services integration and reduce limitations on market access and national treatment across service sectors.[44] Member States of COMESA, SADC and the EAC undertake phased liberalization of specific service sectors, in a similar way as GATS.

Yet progress in services liberalization within RECs remains slow, with some reported non-implementation of commitments and persistent restrictions on services trade by way of national treatment, discrimination against service suppliers from other member states and irregular most-favoured-nation (MFN) treatment (preferences for service suppliers outside of the bloc).[45] These inconsistent measures tend to concern multiple modes of services supply, sectoral legislation and laws that cut across all sectors.[46]

Given the challenges in the regional approach to liberalizing trade in services, it could be that the AfCFTA can enable the regulatory pathways to services reform and liberalization at the continental level. The emphasis on progressive liberalization as set out in Article 18 of the AfCFTA Protocol on Trade in Services is worth highlighting. RECs could therefore be allies in coordinating the ideal sequencing process of liberalization and the determination of priority sectors among their member states, as the additional sectors come into play in the second round of negotiations for liberalization of service sectors and as the five priority sectors are being implemented through the SSCs. Sequencing such reform and liberalization is also advisable given some sensitivities to openness in various sectors.

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40 A fifth operational free trade area is the Economic Community of Central African States (ECCAS). Other RECs and regional groups are not built on free trade areas.
41 ECCAS for example. However CEMAC (a sub-set of Central African States) has established an integrated financial services sector and an overarching regulatory framework
42 UNECA (2021). Governing the African continental free trade area–regional Economic communities interface. (https://repository.uneca.org/handle/10855/46717).
43 See for instance, EAC Common Market Scorecard 2016, http://repository.eac.int/handle/11671/1819?locale-attribute=sw.
44 UNECA, op. cit., p. 44.
45 See for instance, EAC Common Market Scorecard 2016, http://repository.eac.int/handle/11671/1819?locale-attribute=sw.
46 UNECA, op. cit., p. 44.

The AfCFTA brings a much-needed focus on the complementary regulatory environment through the development of harmonized legal frameworks. It underscores that meaningful liberalization of trade in services requires attention not just to commitments in market access and national treatment, but also to the broader regulatory context. The diverse regulatory measures undertaken by African Union Member States make an AfCFTA-level approach valuable for ensuring convergence of multiple national policies and standards.

Regional-level surveillance and monitoring (particularly when such regulatory frameworks already draw on REC Agreements) to phase out trade restricting measures against continental service suppliers would support the application of Schedules of Specific Commitments. A similar approach can be taken for development of mutual recognition agreements to ensure smooth and transparent certification of services suppliers.[47] Essentially, a method would have to be found for RECs to coordinate and sequence the implementation of liberalization commitments under the Services Protocol, starting with the twenty-two adopted SSCs.

CONCLUSION

Unlocking intra-African trade in services can lead directly to significant increases in Africa's economic growth and diversification, with significant potential enhanced levels of employment across the continent. But to achieve this, concerted efforts must be made at national, regional and continental levels that results in increased levels of diversified intra-African trade in services.

In a first round, AfCFTA State Parties have committed to progressive liberalization of trade in services through schedules of specific commitments (SSCs) and regulatory frameworks in the five priority service sectors of business, communication, financial services, tourism and transport. Twenty-two SSCs have been adopted and now form the outline of the fledgling continental trade in services market under the AfCFTA.[48] Countries must now implement the commitments by enabling market openings for the many sub-sectors under these first five sectors. Regulatory frameworks in the five priority sectors must further support market openings through synergy, coherence and homogeneity of regulations and business practices. These reforms will benefit from significant political will and commitment, as well as the allocation of dedicated technical and financial resources.

47 For instance, EAC and UEMOA apply mutual recognition of professional qualifications among their member states in professional services, such as accountancy and engineering. COMESA and SADC are moving in a similar direction.

48 Two additional Schedules of Specific Commitments from the Union of Comoros and Republic of Botswana respectively have been approved for adoption by the AU Assembly, in February 2025.

The start of commercially meaningful trade in services under the AfCFTA can be realised by ensuring businesspeople understand the African services market delivered through the schedules of specific commitments. It will be important for policymakers at national and regional levels to publish SSCs, alongside market opportunities and entry guidelines in a timely manner, and conclude continental regulatory frameworks.

Government support and cooperation are useful to launch trade under the terms of AfCFTA, especially in the initial stages.[49] Governments, industry and professional associations that regulate the service sectors may benefit by disseminating market opportunities to their services suppliers, supporting business access to new markets and using the new terms of trade through advisory services.

To take advantage of trends in digitalization and to maximize delivery through Mode 1, it will also be necessary for market access rules for such delivery to be aligned with the liberalization modalities under the AfCFTA Protocol on Digital Trade. Overall, African countries must work together, as well as nationally, to build a single services market.

Thus, the call is to all AfCFTA State Parties to commit to liberalization of trade in services through effective implementation of the AfCFTA Protocol on Trade in Services. Finally, more countries should conclude their SSCs in the five priority sectors to avoid fragmentation of the integrated African services market envisaged in the AfCFTA Agreement.

49 Worth noting are the efforts of the governments of Cameroon, Ghana and Kenya in supporting businesses (especially small- and medium-sized enterprises, or SMEs) to launch trade in goods under the AfCFTA GTI.

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