# 1 EXECUTIVE SUMMARY

<table>
<thead>
<tr>
<th>Project Code and Title:</th>
<th>1819I: Strengthening services trade policy-making for Africa's integration into regional value chains in support of the 2030 Agenda</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start date:</td>
<td>January 2018</td>
</tr>
<tr>
<td>End date:</td>
<td>June 2021</td>
</tr>
<tr>
<td>Budget:</td>
<td>$700,000</td>
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<td>UMOJA cost centre(s):</td>
<td>13112</td>
</tr>
<tr>
<td>UMOJA functional area(s):</td>
<td>38AC 0005</td>
</tr>
<tr>
<td>Target countries:</td>
<td>Ethiopia, Gambia, Kenya, Mali, Nigeria, Togo</td>
</tr>
<tr>
<td>Executing Entity/Entities:</td>
<td>UNCTAD and ECA, with UNCTAD being the lead agency</td>
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<tr>
<td>Co-operating Entities within the UN Secretariat and System:</td>
<td>United Nations Steering Committee on Tourism for Development</td>
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Brief description:
Integration into regional and global services value chains is crucial for development outcomes as value chains dominate international trade. A major challenge is therein to understand how such value chains operate, to measure them and design policies to support a higher degree of integration and penetration. This project makes a contribution towards this gap through strengthening capacities of national and regional services trade policymakers to measure value chains and design services policy aimed at increasing integration and penetration into regional and global value chains. The focus is on three services sectors that are critical for enabling trade and fostering inclusiveness, namely, infrastructure services, financial services and tourism services.

The strategy of the project is designed to involve all relevant stakeholders at the national and regional level to build capacities to measure services value chains, share and discuss experiences and outcomes of analysis, and then design and elaborate on evidence-based services policies.

The project will benefit from the acquired knowledge of two UN entities, namely UNCTAD and ECA, who both have worked extensively on services and value chains with African member States.
2 BACKGROUND

2.1 Context

Africa finds itself at a major development juncture. After a decade of high levels of economic growth, mainly driven by the commodity price boom, the continent has not been able to translate that economic progress into correspondingly increasing levels of employment or poverty reduction. Africa has not promoted growth that generates an adequate number of quality jobs and which enables its economies to reach their most urgent and pivotal goals, most notably poverty reduction, inclusive growth and sustainable development. The 2030 development agenda and hence the Sustainable Development Goals (SDGs) along with Africa’s Agenda 2063 envisions to facilitate new development paths for Africa aimed by: a) reversing the continent’s marginalization in the global economy and helping it to catch up with more developed economies; and b) supporting a pattern of accelerated inclusive and jobs-rich economic growth and structural transformation which would improve the general welfare and well-being of its population.

Services can play an important role in this endeavor. They offer an opportunity to diversify production away from the traditional sectors, and trade in services is an enabler of exports and many production and sales processes. Indeed, some services such as transport, financial services, and information and communication services are key contributors to the ease of doing business and trading across borders. It is well established that in the more dynamic and developed economies which lead and form part of global value chains (GVCs), the services sector is well developed, constitutes over 60 per cent of economic activity and makes a major contribution in terms of growth and employment. Hence, services and synergies and interlinkages among services sectors represent an opportunity for African countries to report higher value added and unlock Africa’s industrial and trade potential. The importance and value of services are also clearly recognized in the 2030 Agenda through several services specific and related targets.¹

Unlocking the potential of services trade requires that the potential is understood and supported in African policy-making processes. A major challenge in this regard is assessing the contribution of the services sector in the economy and understanding the complexity of global and regional services value chains which are essential for services to thrive. Recent trends indicate that some countries have managed to develop their services beyond national confines and are offering these services to other African countries, in sectors such as banking, telecoms and air transport.² This regional experience is a platform for developing regional value chains (RVCs) and also for linking to existing GVCs. However, these linkages have not been thoroughly explored.

This project will endeavor to address this gap. In particular, it proposes to strengthen capacities to measure the value added that is generated by RVCs, assess the degree to which developing the services sector may improve the tradability of goods and services and improve penetration into RVCs and GVCs, and support developing the necessary policy frameworks to enable the sectors’ growth. It will identify best practices and lessons learned of several countries of how they integrated and penetrated RVCs and GVCs, and provide mechanisms to share these experiences with regional economic communities (RECs) and fellow member countries. Capacity building on this topic will thus help inform policy-makers at the national and regional level, as well as other stakeholders on what could be done to help the African services sector to further integrate into the regional and world economy.

The project aims to support a group of African countries and regions with tools and methodologies to gain a

¹ See SDGs listed and discussed in Section 2.4.
better understanding of services value chains in three selected key services sectors which are critical for trade and, at the same time, can generate important sources of income and sustainable livelihoods for Africans. These services sectors are: financial services, tourism services and infrastructure services. By strengthening the analytical capacities of African member States and RECs in improving the measurement of services value chains in these three sectors, the project will be supporting the design, adoption and implementation of coherent evidence-based services policies contributing to the services targets contained in the SDGs.

### 2.2 Mandates, comparative advantage and link to the Programme Budget

The project is directly linked to the 2018-2019 Strategic Framework and Programme Budget of both UNCTAD and ECA. It is linked to the respective areas that deal with policy options for Africa’s development and enhanced integration into the global economy.

For UNCTAD, the project responds to EA1 of its subprogramme 5 (Africa, Least Developed Countries and Special Programmes) which seeks to contribute to greater awareness of and dialogue on policy options to promote African economic development. By building analytical capacities to understand and quantify services value chains among policymakers and stakeholders involved in the policy process at the national and regional levels, the project will directly have a bearing on policy formulation for the services sector.

For ECA, the project is linked to its EA2 of its subprogramme 2 (Regional Integration and Trade) which seeks Enhanced capacity of member States and regional economic communities to develop, implement and monitor inclusive and equitable policies and programmes in the areas of intra-African and international trade and create an environment conducive to attracting investments. The project establishes linkages between greater inclusiveness into the global economy through the creation and deepening of services value chains as a vehicle for greater services trade integration.

The project draws on UNCTAD and ECA’s commitment to contribute to the Action Plan emanating from the Decision of the African Union Heads of State on Boosting Intra-African Trade and Fast-Tracking the Continental Free Trade Area (Assembly/AU/Dec.394(XVIII)). This commitment is reflected in the respective mandates of UNCTAD and ECA: UNCTAD during its fourteenth session (UNCTAD 14) held in Nairobi, Kenya, in July 2016, committed its support to the African Union’s work programme for implementing this Action Plan, in coordination with other partners and stakeholders. Equally, ECA has received the direct request from several AU Conferences of Ministers of Trade and the AU Summit in July 2012 to provide technical support to that process.

Both implementing organizations are well-placed to deliver this technical assistance and capacity building, given their acquired expertise on developmental issues in Africa and commitment to Africa. Both institutions lead subprogrammes, which focus on Africa’s development and its link to the global economy. Both organizations have a longstanding track-record of providing policy-based research, as well as consensus and capacity-building activities which have informed and supported African policy-making processes at various levels.

For instance, in the case of UNCTAD, the 2015 Economic Development in Africa Report (EDAR) focused on unlocking the potential of Africa’s services trade for growth and development. The 2017 EDAR discusses the potential of tourism for transformative and inclusive growth. Furthermore, UNCTAD has produced Services Policy Reviews for several African countries on which the project can draw. In the case of ECA, its 2015 Economic Report on Africa contained a dedicated discussion on trade in services, and several issues of the Assessing Regional Integration in Africa report dealt with trade in services. These publications provide analytical frameworks on which this project can build. It thus offers the opportunity to translate policy analysis into
capacity building, which is a long-standing request of the members states of UNCTAD and ECA.

Both entities also provided trainings and support for services negotiations. In 2015, UNCTAD and the African Union Commission organized training workshops to build capacities of African negotiators in services trade negotiations (for bilateral, regional and multilateral levels). Similarly, ECA provided support to the negotiations towards the establishment of the CFTA in the area of services trade liberalization. In July 2016, both organizations supported experts from the African Union Commission to work on the draft text of the CFTA Agreement.

2.3 Country demand and target countries

The project will support six countries and their respective RECs on value chain analysis in the proposed services sectors. The selection of beneficiary countries is informed through interest in and feedback received on recently released UNCTAD and ECA publications dealing with these three services sectors. The selection also considered which countries have experience with these specific services value chains and the type of experiences that can provide lessons learned for other countries.

The pre-selected countries are: Ethiopia and Kenya (for infrastructure services), Gambia and Mali (for tourism services), and Nigeria and Togo (for financial services).³

Ethiopia has been investing heavily in infrastructure development (e.g. large-scale transit schemes, dams). It offers insights into a public finance driven process of developing infrastructure services. Kenya, on the other hand, offers insights into a private sector driven process of infrastructure services development (e.g. railway, geothermal, ICT City etc.).

Tourism is a key sector for Gambia’s economy. The country offers mainly a "mass" tourism product (package holidays) driven by international hotel chains and tour operators. The country has undertaken efforts to increase local linkages and reduce leakage from which lessons can be learned. Also Mali is investing in tourism development. It is a regional hub of cultural tourism services. Its tourism industry is strongly linked to the music and creative industry which is embedded in regional value chains, and its historic and cultural sites are landmarks for the whole region.

Regarding financial services, Nigeria and Togo have been identified as target countries. Nigeria is a financial hub within the West African region and has longstanding experience in developing financial products and intermediation to service its large domestic market as well as the regional and continental markets. The country’s capital markets are still to be fully developed to maximize the benefits of its financial service sector that would in turn increase Nigeria’s financial integration to RVCs and GVCs. Togo in turn, is showing immense potential in developing that sector, since it is host to a large African bank (ECOBANK), as well as two regional development banks, the West African Development Bank (BOAD) and the ECOWAS Bank for Investment and Development (EBID) in addition to several regional and national banks. These institutions conduct cross-border financial operations across Africa and in particular, in West Africa. Togo’s potential to become a regional financial hub could be fully maximized with an adequate policy framework.

At the heart of this project is the strengthening of capacity for integration into regional value chains. The role of RECs is thus crucial, as RECs and regional integration policies can stimulate and support the penetration and

³ UNCTAD and ECA are currently in consultation with these countries to seek their official commitment (e.g. through official letters, nomination of focal point, etc.) to the project.
2.4 Link to the SDGs

The project is directly linked to four Sustainable Development Goals (SDGs), namely SDG 8, 9, 10 and 17:

- *Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all* (SDG 8) and in particular targets 8.2, 8.9, and 8.10;
- *Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation* (SDG 9) and in particular target 9.3; and
- *Reduce inequality within and among countries* (SDG 10), and in particular targets 10.5 and 10.c
- *The means of implementation and revitalize the global partnership for sustainable development* (SDG 17), and in particular targets 17.11, 17.14 and 17.16.

Since the project will address capacity and information gaps pertaining to the identification and measurement of services value chains, it will contribute to the generation of knowledge and data that can feed into the formulation and design of evidence-based policies for services sector development. This will have a direct impact on the promotion of this sector as a source of new growth, employment and economic diversification, corresponding to SDG 8. The contribution of financial services and tourism are both specifically recognized in this SDG. Furthermore, financial services are also implicitly involved in equality targets of SGD 10. The third services sector strengthened by the project - infrastructure services - directly impacts on the ability of African countries to build resilient infrastructure (SDG 9). Finally, strengthening the services sector will not only enable African countries to diversify their economies, but also boost their export capacity and hence contribute to SDG 17. The project has moreover the potential to advance indirectly several other SDGs (e.g. SDG 1, SDG 2, SDG 5) through spillover effects thanks to the impact of services sector on the overall economic performance.

3 ANALYSIS

3.1 Situation analysis

With increasing globalization, production and trade patterns have changed across the globe. It is estimated that nearly 70% of world trade is conducted through GVCs. Therefore, participating in global trade requires connecting and integrating into GVCs. However, connecting to and penetrating GVCs and ensuring that such integration is for the benefit of Africa has been an enormous challenge and is yet to be realized.

A major challenge associated with integrating into value chains is the low capacity of value addition many African countries portray. Especially in the higher strata of the GVCs, where greater value addition may be achieved, more sophisticated services tend to play an important role. By way of illustration, the production of a final good will require a certain number of services inputs to transform an intermediary good into a final product. Such services will include innovation, design, patenting, commercialization and advertising as well as financial intermediation and transport and infrastructure services, to ensure the final good reaches its destined consumer market. In many African countries, such high-end services are often not well developed, available or accessible. Services thus offer an opportunity to achieve better and higher integration into value chains and thus contribute to better development outcomes.

Simultaneously, there has also been an increase in regional value chains (RVCs). RVCs tend to be easier to penetrate by developing countries, as they are typically less stringent in terms of requirements and thus
facilitate market entry. Given that they are regional, proximity can also lower transaction costs and associated barriers, whilst capitalizing on existing corridors and existing or envisaged transboundary infrastructure development. Integration into RVCs offers thus an opportunity for Africa to grow and prosper.

Enabling integration requires a detailed understanding of the value and functioning of RVCs and the type of services a country has developed or can develop to penetrate the targeted segments of RVCs. The challenge is thus to understand the complexity of RVCs, to measure RVCs and to design and implement policies which allow better integration into the value chains. These are major challenges for countries, including the beneficiary countries of this project.

There are different types of capacity gaps to enable countries to develop the necessary services and penetrate value chains. These gaps include human, financial and institutional capacity gaps. The project addresses in particular human and institutional capacity gaps. It will contribute to better understand the underlying factors of the challenges to penetrate value chains through better service provision, identify best practices and lessons learned and share them within and across RECs and countries. The project will thus increase the understanding of how RVCs operate, the type of services that are required, how their value can be measured to make informed assessments of how meaningful it is to integrate into a particular chain, what type of policies are supportive for penetration, and how successful integration can be assessed. It is particularly important to identify the success criteria as many developing countries have succeeded to integrate into GVCs for lower value added activities but failed to penetrate higher value added nodes of the value chains.

RECs play an important role in facilitating and enabling RVCs. Through appropriate policy frameworks, they can create incentives for investing into RVCs and for procuring services and goods from the region. RECs also have a lot to gain from stronger RVCs as success stories can be used as champions and examples for further integration. Moreover, RECs have the networks for knowledge transmission and thus dissemination of lessons learned and best practices from this project. Services and services trade offer an opportunity to close or narrow gaps relating to inclusiveness. The literature on trade in services suggests that this type of trade offers new opportunities for women in Africa. As a large share of women are employed in the more tradable services sectors such as tourism (hotels and restaurants), wholesale and retail trade, or information technology services, trade can have significant gender impacts. The services sector is found to be one of the economic sectors in which women's representation, with regards to employment, has reached or surpassed parity in most African regions. However, "outcomes achieved by women depend on the economic, social and political conditions that shape their ability to participate in such activities" (Coste and Nihel in Brenton et al., 2013)5.

Second, the target services sectors have some specific characteristics that foster inclusiveness and make a contribution to the global development agenda of "leaving no one behind". Tourism is a sector that employs a comparatively high share of youth. It is estimated that half of the global tourism workforce is 25 years or younger. Tourism also offers market entry for the poor through the variety of jobs and skills level the sector requires, as well as the relatively low investment requirements.

Infrastructure services are critical to achieving the SDGs and in creating a platform for broad based growth in Africa. Some infrastructure services such as water and sanitation are directly linked to SDG targets central to achieving social development outcomes. In addition, while services such as electricity, telecommunications and transport contribute to productivity they also determine the competitiveness of African firms. Greater

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emphasis is placed on regulation that protects consumers, attracts investors and enables governments to achieve policy objectives.

Financial services are critical to inclusive and sustainable development in many ways (EDAR, 2016)\(^6\), especially in the context of development finance and the need to scale up financial resources to attain Agenda 2030 and Agenda 2063. Considering the implementation of the Addis Ababa Action Agenda, it would be unrealistic for African countries to engage in domestic resource mobilization to finance their development needs without a corresponding formulation and implementation of policies aimed at financial deepening, inclusion and development. Financial inclusion is intrinsic to the attainment of SDGs 8, 10 and 17, as adequate access to capital through improved and inclusive financial services will contribute to sustainable development.

UNCTAD (EDAR, 2015)\(^7\) has shown that Africa has improved in terms of financial sector development and access to banking services in 2011–2014. The depth and coverage of financial systems have gradually improved, albeit from a low base. Much of this improvement is accounted for by middle income countries, rather than low-income countries, which still have limited access to financial services. This is a step in the right direction, but also an indication that more efforts are required to promote such improvements in low-income countries.

The deepening of financial markets in some African countries has supported the successful and widespread issuance of domestic debt instruments, including by the private sector.\(^8\) Nonetheless, certain groups remain largely excluded from formal financial services. For example, only 20 per cent of women in Africa have access to formal financial services (EDAR, 2015). Against this backdrop, this project will seek to promote inclusiveness by identifying gender sensitive policies which support value chain creation and penetration within Africa.

### 3.2 Country level situation analysis

Table 1 – Country analysis

<table>
<thead>
<tr>
<th>Country</th>
<th>Status of affairs</th>
<th>Realistic outcomes</th>
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<tbody>
<tr>
<td>Ethiopia</td>
<td>The project will draw on Ethiopia’s experience with infrastructure services, particularly energy and transportation services, and support the design of services policies that allow higher integration into RVCs and GVCs. Ethiopia has historically been a major player in regional and continental transportation through Ethiopian Airlines. In recent years, the country has embarked on several infrastructure projects, including the upgrading and expansion of road infrastructure, the construction of a transboundary railway, the building of hydroelectric power dams and wind power assets. Ethiopia is an international hub for air transportation and has plans to expand its network. Ethiopia is also a key node for regional infrastructure corridor projects including for</td>
<td>The project will strengthen capacities to reinforce Ethiopia’s positioning in regional value chains for infrastructure services and strengthening its role as a node of regional and continental connectivity. These will in turn contribute to the country’s aspiration to use infrastructure services as a key enabler for its structural transformation process.</td>
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example, the Clean Energy Corridor stretching from Ethiopia to South Africa and the Lamu Port - South Sudan -Ethiopia - Transport corridor (LAPSSET).

These ongoing or recently implemented projects have great potential to increase the country’s integration into regional and continental value chains. However, to fully maximize the potential of these projects, and seize the opportunities provided by regional markets, the country’s participation in regional value chains has to be continuously assessed. This is critical to support the development of enabling policies (including trade policies) that make the country a regional hub for services, in particular energy and transport related services. Greater participation in the regional value chains would also require building the capacity of key stakeholders in the country to harmonize rules and regulation at a regional level that may help the country to make the most of its infrastructure related services. The country’s development strategy is driven by “learning by doing” under a guiding role of the State. Thus, building capacity of policy makers in this regard, remains critical for the country.

<p>| Gambia | The project will draw on Gambia's experience with tourism services and support the design of services policies which allow higher integration into RVCs and GVCs. Tourism is a key economic sector for the Gambian economy. Tourism accounts for more than 20 per cent of the economy and almost 18 per cent of employment. Its tourism product is dominated by package deals from international tour operators and hotel chains. Its source markets are highly concentrated, namely the UK and the Netherlands. To increase the benefits of tourism for the local economy, Gambia has undertaken efforts to strengthen linkages between the hotels and the local economy, and reduce leakage of foreign owned hotels and tour operators. But more efforts and a better understanding of how to reduce leakages are needed. Greater participation of locals in the tourism business will also require strengthening and aligning the skills of the local tourism workforce with the demand of the tourism industry. Enhancing the quality of training at tourism The project will strengthen capacities to increase the share of local goods and services provided to Gambia's tourism sector. This would enable the country to increase the benefits that it can derive from this key economic sector, in terms of income, employment and revenues. As tourism is an important employer of women and youth, the project fosters inclusivity. Through better understanding how global and regional actors in the Gambian tourism value chain operate and where and how value is generated (in particular international hotel chains and tour operators), the project can contribute to strengthening policies that allow a higher capture of the benefits (e.g. strengthening the sourcing of local products or better training and more suitable training for the local tourism workforce). |</p>
<table>
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<tr>
<th>Country</th>
<th>Description</th>
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<tr>
<td><strong>Kenya</strong></td>
<td>The project will draw on Kenya's experience with infrastructure services, particularly energy and transportation services, and support the design of services policies that allow higher integration into RVCs and GVCs. Mombasa port is a vital node between regional and world markets. Kenya recently inaugurated a new railway line between Mombasa and Nairobi. The line is expected to be extended to landlocked neighbouring countries such as Uganda, Rwanda and South Sudan. The Northern Corridor programme includes several infrastructure projects (port, interregional highways, railways) that will better connect Kenya, Ethiopia and South Sudan. In terms of energy, Kenya has suffered from inadequate electrification and has therefore planned investments in power generation, in particular renewables (geothermal, wind and small-scale hydro). Kenya would need to improve its policy framework to attract more private investment in the energy sector. The country could also benefit from better connectivity to regional energy markets. To maximize the socio-economic benefits of these projects and foster regional integration, Kenya needs to strengthen coordination between national and regional policy frameworks. The country’s private sector driven process of developing infrastructure and use of public-private partnerships requires greater capacity to build a conducive policy environment.</td>
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<td><strong>Mali</strong></td>
<td>The project will draw on Mali’s experience with tourism services and support the design of services policies which allow higher integration into RVCs and GVCs. Tourism is an increasing economic sector for Mali’s economy. International tourism receipts and tourism export revenues grew both at 14 per cent per annum during 1995 and 2014. Tourism accounts for more than 9 per cent of the economy and almost 7 per cent of employment. The scale of involvement of women in Mali’s hotel and restaurant sector is particularly noteworthy as it exceeded 80 per cent and was not previously highlighted. As in Mali tourism is a sector employing a high share of women, the project will strengthen capacities to further enhance Mali’s position as a regional hub of cultural tourism services by strengthening the linkages between tourism and the creative industry and contributing to the sustainability of cultural tourism. This would enable the country to sustain benefits that it can derive from this sector, in terms of income, employment and revenues.</td>
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The project is expected to harness the benefits of Kenya's improved integration into regional and global markets of services infrastructure. It will make a contribution towards strengthening capacities to improve national policy frameworks aimed at deepening regional integration.
<table>
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<tr>
<th>Country</th>
<th>Information</th>
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<tr>
<td><strong>Mali</strong></td>
<td>the highest of 172 countries surveyed by UNWTO. Mali is a regional hub of cultural tourism services. Its tourism industry is strongly linked to the music and creative industry, fostering regional value chains. The country is aimed at strengthening its regulatory framework to restore and enhance protection of its historic and cultural site (including its UNESCO world heritage site of Timbuktu). The project can draw on Mali’s experience in attracting women to the sector and boosting their opportunities. Through better understanding of how global and regional actors in the Mali tourism value chain operate and where and how value is generated, the project can contribute to strengthening policies that allow a higher capture of these benefits.</td>
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<tr>
<td><strong>Nigeria</strong></td>
<td>The project will draw on Nigeria’s experience with financial services and support the design of services policies that allow higher integration into RVCs and GVCs. Nigeria counts with a large and relatively diversified financial services market including financial intermediation. Furthermore, it is considered to be a financial hub in Africa, in particular for the West African region. Nigeria is a large issuer of corporate and public bonds, is active in currency and debt portfolio markets. In terms of financial inclusion, the country has made commitments to improve access to financial services. Currently, the country’s adult population accounts for 97 million, of which 44 per cent are estimated to have a financial account. Within this group, 34 per cent of adult women have an account. Nonetheless, achieving greater inclusivity of marginalized groups to formal financial services at lower cost remains a challenge, particularly for women, youth and the rural communities. By determining how Nigeria is active in the context of regional banking activities, the project will make a contribution to Nigeria’s positioning and relevance in the RVC in the ECOWAS region. This would enable the country to increase the benefits that it can derive from this key economic sector, in terms of income, employment and revenues through dedicated policies that may also allow the country to foster inclusivity in financial services participation.</td>
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<td><strong>Togo</strong></td>
<td>The project will draw on Togo’s experience with financial services and support the design of services policies that allow higher integration into RVCs and GVCs. With the presence of a large cross-border bank as well as two regional development banks along with several national and regional commercial banks, the country is showing great potential in terms of developing a financial services base for the sub-region as well as Africa as a whole. However, Togo does not count with a large domestic market and hence would need to further rely on the regional ECOWAS market to By determining how Togo is active in the context of regional banking activities, the project will make a contribution to its positioning and relevance in the RVC in the ECOWAS region. Togo could also learn from the experiences of Nigeria and both countries could explore complementarities to develop jointly value chains within the region and beyond. This would enable the</td>
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expand its financial sector value chain. Becoming a financial hub would also increase the country’s strategic importance in terms of regional transportation services (its port is one of the top performing in West Africa and Togo is a hub for Asky, a regional airline).

country to increase the benefits that it can derive from this key economic sector, in terms of employment and revenues through dedicated policies that may also allow the country to foster inclusivity in financial services participation.

3.3 Stakeholder analysis and capacity assessment

Table 2 – Stakeholder Analysis

<table>
<thead>
<tr>
<th>Non UN Stakeholders</th>
<th>Type and level of involvement in the project</th>
<th>Capacity assets</th>
<th>Capacity Gaps</th>
<th>Desired future outcomes</th>
<th>Incentives</th>
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<tbody>
<tr>
<td>Policymakers of target services sector (national level)</td>
<td>They are direct counterparts / beneficiaries of the project as they are drivers of the value chain quantification and analysis and implementation</td>
<td>They have detailed knowledge on the target services sector and the power to propose and implement change</td>
<td>Need further technical capacity for and understanding of measuring services and services value chains, and for designing and formulating related policies</td>
<td>Strengthened capacity to formulate evidence-based services trade policies aimed at enhancing integration into RVCs and GVCs</td>
<td>To strengthen their respective services sector with a view to better integrate their country’s economy into RVCs and GVCs in order to harness associated trade, employment and income opportunities</td>
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<tr>
<td>Policymakers of other relevant sectors and ministries (national level)</td>
<td>They are direct counterparts / beneficiaries of the project as they contribute to the quantification, analysis and implementation</td>
<td>They have detailed knowledge on the sectors linked with the target sectors and the power to facilitate inter-ministerial coordination</td>
<td>Need further knowledge on how their respective sector can support and benefit from services development</td>
<td>Better understanding of services trade policies and willingness to support these policies</td>
<td>To strengthen their sector and inter-ministerial coordination for better development outcomes</td>
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<tr>
<td>Parliamentarians</td>
<td>They are direct counterparts / beneficiaries of the project as they are essential for creating and validating a regulatory framework</td>
<td>They have the mandate and power to validate policy</td>
<td>To support services policy validation, they need to be provided the evidence that the policy is relevant and feasible. This requires analysis</td>
<td>Better understanding of services trade policies and commitment to support services policy validation and implementation</td>
<td>If the services policy facilitates outcomes that are in line with the objectives of the parliamentarian, it can be a tool to deliver on his/her</td>
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<tr>
<td>Stakeholder Group</td>
<td>Description</td>
<td>Commitments</td>
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<td><strong>Regional institutions</strong></td>
<td>They are direct counterparts / beneficiaries of the project as they are key for designing supportive regional services policy and for sharing best practices and lessons learned of RVCs. They have detailed knowledge on regional processes, the power to lobby for change at regional level, and networks to disseminate information. They can benefit from further technical capacity on measuring RVCs and design supportive regional policies.</td>
<td>Better understanding of services trade policies and willingness to support services trade policies at regional level and to disseminate information to their networks. Regional integration benefits from strong and supportive services policies at regional level.</td>
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<td><strong>Private sector operators and business community</strong></td>
<td>They are direct counterparts / beneficiaries of the project, as they provide inputs for understanding and measuring services value chains; identification of best practices, lessons learned and areas of opportunities. They have detailed knowledge on how the services value chains operate, what challenges they face, and what opportunities they would like to see.</td>
<td>Need adequate national and regional policies that support their businesses. Enhanced ability to better integrate into RVCs. To increase value addition and retention emanating from RVCs and GVCs.</td>
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<tr>
<td><strong>Employees and workers</strong></td>
<td>They are indirect counterparts of the project; this stakeholder group is particularly relevant from a gender perspective as services tend to employ many women and thus can make a contribution towards gender equality. They have many of the skills needed for effective services provision.</td>
<td>Need better training so as to upgrade their skills and ensure a better match with job requirements and RVCs and GVCs standards and requirements. Better and more jobs and income. To benefit from more productive and inclusive employment opportunities through RVCs and GVCs integration and upgrading.</td>
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<tr>
<td>Academia</td>
<td>They are indirect counterparts / beneficiaries of the project; through their knowledge they provide methodologies for value chain analysis</td>
<td>They have extensive knowledge and methodologies on value chain analysis</td>
<td>They can benefit from further experiences and access to methodology and data to develop their own analytical and research capacities</td>
<td>Further elaboration of their theories and methodologies of value chain measurement and analysis</td>
<td>More extensive knowledge on value chain measurement and data</td>
</tr>
<tr>
<td>NGOs</td>
<td>They are indirect counterparts / beneficiaries of the project as they are consulted to inform integration of vulnerable groups into value chains</td>
<td>They have detailed knowledge on interests and concerns of select vulnerable groups (e.g. worker groups at the lower end of value chains, youth, poor, women) and a better understanding of what needs to be done to disseminate the gains of moving up value chains</td>
<td>They can benefit from further understanding of how vulnerable groups could link to value chains</td>
<td>Better understanding of opportunities for vulnerable groups to link and integrate into value chains</td>
<td>To provide a voice to the interests of vulnerable groups they represent and offer opportunities to link to value chains</td>
</tr>
<tr>
<td>Policymakers of other non-direct beneficiary countries of this project</td>
<td>They are indirect counterparts / beneficiaries of the project</td>
<td>They have detailed knowledge on the target services sector and the power to propose and implement change</td>
<td>They can benefit from further technical capacity for and understanding of measuring services and services value chains, and for designing and formulating related policies</td>
<td>May have an interest in benefiting from experiences and lessons learned from the countries and regions of this project and may wish to replicate and use the methodology in their countries</td>
<td>To strengthen their respective services sector with a view to better integrate their country’s economy into RVCs and GVCs in order to harness associated trade, employment and income opportunities</td>
</tr>
</tbody>
</table>

4 PROJECT STRATEGY: OBJECTIVE, EXPECTED ACCOMPLISHMENTS, INDICATORS, MAIN ACTIVITIES

4.1 Project Strategy

The project draws on the institutional knowledge of both implementing entities and the lessons learned and good practices of similar and related former projects. It aims to build national and regional capacities for
evidence-based services trade policy-making in support of creating and deepening regional services value chains in selected African countries.

The project’s overall objective will be fulfilled through two expected accomplishments, that is, EA1 on "Enhanced technical capacity of national and regional policymakers and stakeholders to quantify services value chains"\(^9\) and EA2 on "Strengthened capacity of national and regional stakeholders to design evidence-based policies for the promotion of value chains in services in African countries and Regional Economic Communities".

EA1 will be achieved through several activities, starting with the train-the-trainer seminars. In these seminars, capacity of national/regional consultants for each services sector will be built to carry out value chain analysis. Local/regional service providers and REC representatives will also be invited to these seminars. The training seminars will take place in the first year of the project (Q3 and Q4 of 2018). Thereafter, in Q1 and Q2 of 2019, the trained trainers will develop capacities of national/regional policymakers and other stakeholders in their respective beneficiary countries to conduct value chain analysis and formulate sectoral policies for better integration into regional value chains in services. Based on these trainings and established networks, the national/regional consultants in collaboration with policymakers and other stakeholders will then quantify the target services value chains. To enable and facilitate experience sharing amongst stakeholders of the project, an interactive information and knowledge sharing platform will be created at the beginning of the project and maintained during the entire lifecycle of the project.

The project will then move into the second phase of the project (and towards achieving EA2) once the value chains are quantified. It is expected that in the second quarter of 2020, a multi-stakeholder workshop will be held in Addis Ababa for all the beneficiary countries to share outcomes and experiences of value chain analysis in their respective countries and regions. The lessons learned and best practices are then broadly shared with stakeholders in national/regional seminars in each beneficiary country (Q3 and Q4 of 2020). These seminars in conjunction with advisory services will provide support to policy makers and other stakeholders to elaborate actions plans for policy development in the respective services sector. The best practices and experiences on services value chain analysis in Africa of this project will be documented in a guidebook finalized at the end of the project.

For monitoring purposes, each expected accomplishment is measured with specific indicators which will enable the project team to assess progress of work and take timely corrective action. Furthermore, the strategy contains mechanisms to identify risks and how they can be mitigated, as well as approaches to foster sustainability of the project. In the following sections, each component is outlined in detail.

The project is designed to make an important contribution towards "leaving no one behind" owing to its focus on sectors that can foster inclusivity. As mentioned above, trade in services offers new opportunities for women in Africa. Given that a large share of women is employed in the more tradable services sectors, trade can have significant gender impacts.

Concerning tourism, the project will specifically look at the opportunities that value chains offer to integrate women, youth and the poor. It will reach out to stakeholders that reflect the interests of these groups and discuss capacities that need to be strengthened to enable better integration into value chains and/or sharing and spreading the benefits of global and regional value chains.

\(^9\) Methodologies for measuring value chains will build on methodologies proposed in previous UNCTAD and ECA publications (e.g. World Investment Report, Trade and Development Report and the Economic Report on Africa), amongst others.
With regard to infrastructure services, access to reliable sources of energy is low across Africa and the amount of electricity being generated, reliably and consistently, is too low to meet rising demand. For example, securing investment and delivering large capital projects will be a key challenge for Africa's energy utilities as the infrastructure investment needs of the sector are unprecedented; 74 per cent of the continent's population is without access to electricity and to close the existing energy gap by 2030 will cost an estimated $93 billion per year. African countries continue to grapple with building the necessary infrastructure to enable industrialization and economic growth and so clear and consistent regulatory and compliance frameworks are necessary to achieve efficient services. Infrastructure services regulation is also critical as a guarantor of interconnected factors such as access, affordability, investment requirements and quality control.

As with other services sectors, domestic regulation plays a critical role in lifting existing asymmetries and market failures of the financial sector, which ultimately have a bearing on access to financial services for various stakeholders, including the rural sector and women. Therefore, policies and regulations which target these constraints are considered to foster inclusivity in access to financial services. Some countries have undertaken measures to promote financial inclusion within Africa which serve as valuable experience. For example, Kenya, in the context of its insurance sector reforms, has made efforts to increase participation from the retail sector. By reducing the minimum amounts required to invest in treasury bills and bonds, the Central Bank has encouraged retail investors to increase their savings levels by providing wider investment options and to promote financial inclusion. The current diversified investor base includes commercial banks, pension funds, insurance companies, State-owned enterprises and retail investors. Initiatives to deepen the investor base include financial literacy programmes and a proposed treasury mobile direct platform to enable easier access to government securities by the retail market (EDAR, 2016).

Against this backdrop, the project will also take stock of existing measures countries such as Kenya and Nigeria have or are implementing with a view to provide policy guidelines/actions that foster inclusivity in financial services which could be replicated.

### 4.2 Logical Framework

**Table 3 – Logical Framework**

<table>
<thead>
<tr>
<th>Intervention logic</th>
<th>Indicators</th>
<th>Means of verification</th>
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</thead>
<tbody>
<tr>
<td><strong>Objective</strong></td>
<td>To build national and regional capacities for evidence-based services trade policy-making in support of creating and deepening regional services value chains in selected African countries</td>
<td></td>
</tr>
<tr>
<td><strong>EA1</strong> Enhanced technical capacity of national and regional policymakers and stakeholders to quantify services value chains</td>
<td><strong>IA 1.1</strong> 75% of national and regional policymakers and stakeholders participating in the project (at least a third of which are women) acknowledge that they have enhanced capacity to measure services value chains owing to the tools and instruments introduced by the project</td>
<td>Survey results and records and feedback from trainings and meetings on tools and instruments for measuring services value chains</td>
</tr>
</tbody>
</table>
One value chain in each beneficiary country is analyzed and/or quantified

The project baseline for participating beneficiary countries is zero.

**Main activity A1.1**

Train-the-trainer seminar to build national capacity to develop and validate a framework for measuring services value chains

3 train-the-trainer seminars (one for each services sector): Each training will include the participation of a lead international consultant (sharing tools and methodologies), two national/regional consultants to carry out value chain analysis in respective country, and four local/regional service providers (e.g. banks, hotels, transport firms, etc.) and REC representatives.

**A1.2**

Training seminars to train and develop skills of national/regional policymakers and stakeholders for measuring services value chains and formulating services policy

6 national/regional training seminars (1 per selected country/region) where national/regional consultants will build the capacities of 30 national and regional/REC policymakers and stakeholders to conduct value chain analysis and services policy formulation in their respective sector.

**A1.3**

Creation of an interactive information and knowledge sharing platform

In the form of a website that serves as a repository of the information and knowledge generated in the project and as an interface for participants to communicate their best practices and experiences with each other (in support of both EA1 and EA2)

**EA 2**

Strengthened capacity of national and regional stakeholders to design evidence-based policies for the promotion of value chains in services in African countries and Regional Economic Communities

**IA 2.1**

75% of national and regional stakeholders consider having strengthened capacity to design evidence-based policies for the promotion of value chains in services

**IA 2.2**

At least 3 out of 6 beneficiary countries have developed action plans to design and implement policies which promote integration into value chains, which are in support of the 2030 Agenda, and are gender sensitive

**Survey results**

Draft action plan to elaborate and implement evidence-based services trade policies which promote integration into value chains
A 2.1
Multi-stakeholder workshop to share outcomes and experiences of value chain analysis carried out after capacity building provided under A1.1 and A1.2 to draw policy recommendations for services (one workshop in Addis, all services)

1 workshop organized for policymakers and stakeholders representing all the services sectors of the project to share their best practices and experiences (in support of both EA1 and EA2)

A 2.2
Provide support to national/regional counterparts in organizing and hosting national/regional seminars fora to share outcomes of the analysis and the multi-stakeholder workshop, and make policy recommendations on services value chain development.

The support consists of contractual services to national/regional counterparts to organize 6 seminars while UNCTAD/ECA may participate remotely.

A 2.3
Provide advisory services to support national/regional counterparts in formulating policy recommendations and elaborating sectoral action plan for implementing policy recommendations on services value chain development. The advisory service will be coordinated in line with the above national/regional seminars (A2.2) and be provided through missions and/or online consulting.

A 2.4
A guidebook on the best practices and experiences on services value chain analysis in Africa

The production of a guidebook compiling the best practices, lessons learned and experiences will serve as a tool for dissemination and reference across the networks created for the project and other countries which have not directly benefited from the seminars. Following the initial training seminars (A1.2), an online version of the guidebook containing methodologies and approaches for services value chain analysis and national feedback will be produced and shared on the knowledge sharing platform. The document will then be enriched with the national experiences and lessons learned throughout the project and be presented at the multi-stakeholder workshop (A2.1). Thereafter, it will be finalized, printed and disseminated through intergovernmental platforms and to relevant national and regional institutions to serve as resource/training material.10

4.3 Risks and mitigation actions

Table 4 – Risks and mitigation actions

<table>
<thead>
<tr>
<th>Risks</th>
<th>Mitigating Actions</th>
</tr>
</thead>
</table>

10 The guidebook will be elaborated along the following lines: (a) Experiences from the project and a broad range of specifically related programmes from across the world to be shared and systematically analysed for the factors of successful intervention; (b) A focus on key functions that should be provided by stakeholders involved (i.e. in the project) in measuring value chains and formulating policies to support integration into value chains which once identified and re-assembled into a set of strategies and actions, are critical entry points for intervention; and (c) the components of the key functions once determined, could include core elements, strategies for effective implementation, practical case study material, and web site links.
| Process of designing or further elaborating an evidence-based services trade policy is longer than the lifetime of the project | Provide information on best practices of preparing services trade policy, including suggestions on time requirements |
| Policymakers lack capacity or power to influence services policy making and ensure engagement of other ministries and stakeholders | Select countries with influential services trade policymakers |
| Beneficiary country decides to leave the project | Consultation with beneficiary countries from the onset of the project. The project will also engage high-level government officials in all activities to ensure buy-in. |
| Political instability or domestic conflicts making the project implementation challenging or impossible | Remain on the lookout for any potential political instability; if need be, a project country could be replaced with another country. |
| REC is not supportive or responsive | Engagement of REC representatives and taking into account regional processes from as early as possible. |
| Lack of data for measuring RVCs | Fostering inclusion of broad range of stakeholders which can contribute to data collection. |
| Lack of sufficient female participation | Highlight the importance of female participation in this project from the onset of the project and sensitize beneficiary countries and stakeholders that the project's success is dependent on sufficient female participation. |

### 4.4 Sustainability

The sustainability of the project is largely dependent on national and regional ownership of the project's methodology and outcomes. National and regional ownership must therefore be at the heart of the project.

First, the project targets countries that have experience with RVCs and have a specific interest in further developing services policies to enhance their integration into RVCs, and in benefiting from experience sharing of other countries and regions.

Second, the design of the project requires involvement of all relevant national and regional stakeholders for measuring RVCs, sharing experiences of RVCs and respective policies, designing and enhancing services trade policies and fostering support networks for such policies. Through this involvement and processes, policy-making is informed and buy-in is strengthened.

Moreover, the project offers capacity building in an area that can be useful and replicated in other sectors, that is, applying the methodology for measuring value chains and formulating policies to support integration into value chains. The project generates thus knowledge that is useful beyond the target sectors and lifetime of the
The role of the RECs is therein important as they have the networks and institutional mechanisms to share and disseminate knowledge within and across regions and showcase regional champions. The project also aims to spread the knowledge generated beyond the beneficiary countries through a knowledge sharing platform and a guidebook on experiences with services value chain analysis in Africa. The guidebook will be produced at the end of the project, and focus on best practice and lessons learned that can be shared and disseminated to assist other countries across the continent in replicating and adapting the methodologies. This may create further avenues for scaling up the project and fostering new collaborations. The guidebook and website will be based on the practical experience of development practitioners and identified “best practice” from the project countries and elsewhere across the continent. They could serve as useful tools for disseminating and sustaining project results and outcomes even beyond the project life cycle.

5 MONITORING AND EVALUATION

UNCTAD and ECA will systematically monitor the implementation of the project. Annual progress reports are expected for January 2019, 2020 and 2021. At the closing of the project (end of 2021), the final report and the external evaluation report will be submitted.

The project will be monitored according to pre-defined parameters, that is, the indicators of achievement outlined above. For each indicator, the means of verification, the timing of verification and baseline data, where applicable, will be identified. Moreover, the role of monitoring goes beyond compiling data and information. The monitoring process consists of data compilation, sharing and discussing the information, and identifying areas for improvement and taking timely corrective action, if necessary. This will facilitate that the implementation of the project stays on track, while also allowing flexibility for adjustments.

While the responsibility of monitoring will be split according to the work distribution of the two entities, overall progress will be assessed jointly, and progress and final reports will be prepared jointly.

Moreover, the monitoring of gender mainstreaming throughout the project activities will be ensured by fostering inclusive participation of women and men. Gender disaggregated information will be collected, whenever possible.

In the final year of the project (2021) an in-depth, external evaluation of the project will be carried out by an external evaluator (international consultant, budget allocation of $16,000) which will start at least 3 months before the end date of the project. As the external evaluator will have the opportunity to visit one beneficiary country of the project, the evaluator will have had an opportunity to interact with key stakeholders. The evaluation report could also feed into the final version of the guidebook on services value chains analysis in Africa produced at the end of the project.

6 MANAGEMENT, PARTNERSHIP AND COORDINATION AGREEMENTS

The project is implemented jointly by UNCTAD and ECA, with UNCTAD being the lead agency. UNCTAD will lead the work on the infrastructure and tourism services sectors, while ECA will lead the work on the financial services sector. Budget allocations for sectorial activities will be split accordingly.

Furthermore, UNCTAD will take the lead for the hiring of the international consultants and the production of the guidebook, whereas ECA will be in charge of organizing the multi-stakeholder workshop in Addis Ababa.
and the development of the knowledge-sharing platform. As for the national consultants, UNCTAD will be responsible for hiring four national/regional consultants, whilst ECA will be responsible for hiring two national consultants, reflecting the sectoral partitioning mentioned in the paragraph above.

Regular meetings between UNCTAD and ECA are planned to prepare for the project, organize activities, and monitor the project.

Within UNCTAD, the Division for Africa, Least Developed Countries and Special Programmes (ALDC) is responsible for the implementation of the project. For infrastructure services, ALDC will collaborate with the Division on International Trade and Commodities (DITC).

In ECA, the Regional Integration and Trade Division (RITD) will be partnering with UNCTAD in the implementation of the project. In particular, the Investment Policy Section within RITD will lead in the development of activities in the area of financial services. In addition, the Infrastructure and Industrialization Section (IIS) of RITD will also collaborate in the implementation of the whole project.

To use synergies and complementarities in the area of the tourism sector, the project will also partner with the United Nations Steering Committee on Tourism for Development\(^\text{11}\), of which UNCTAD is member.

UNCTAD and ECA will also engage and coordinate with the UN Resident Coordinator and UN country team in the beneficiary countries for the implementation of the project.