Accelerating Africa’s economic transformation in the post-pandemic era through productive investments and services trade liberalization within the African Continental Free Trade Area framework

I. Introduction

1. The work of the Economic Commission for Africa (ECA) on investment and services trade spans the three sections that constitute the Regional Integration and Trade Division, which falls under subprogramme 2 of the Commission (Regional integration and trade). This subprogramme aims to contribute to strengthening regional cooperation and integration among member States through increased trade flows, improved industrialization and increased investments. The subprogramme pursues its objectives through generating knowledge; convening relevant stakeholders; and operationalizing strategic regional, continental and global initiatives.

2. Review of and guidance for the work of the subprogramme is currently provided by the intergovernmental Committee on Private Sector Development, Regional Integration, Trade, Infrastructure, Industry and Technology, which convenes once every two years. The Committee held its first session on 11 and 12 December 2019. It made several recommendations and provided guidance on the work priorities of the subprogramme in the two years leading up to the Committee’s second session. Among them were to carry out analytical research on investment, services and services trade liberalization; and the relationship between the African Continental Free Trade Area (AfCFTA) and regional economic communities. During the period under consideration, ECA worked towards implementing the recommendations of the Committee.

3. The present thematic report focuses on key findings and recommendations set out in the following three ECA knowledge products, research for which was initiated

* E/ECA/CPRTIIT/2/1.
1 The three sections are the African Trade Policy Centre, the Regional Integration and New Partnership for Africa’s Development Section, and the Market Institutions Section.
in response to recommendations made by the Committee during its first session, held in December 2019:

(a) The 10th edition of the report *Assessing Regional Integration in Africa*, on the theme “Services trade liberalization and integration within the framework of the African Continental Free Trade Area”;

(b) A report on the theme “Towards a common investment area in the African Continental Free Trade Area: levelling the playing field for intra-African investment”;

(c) A report on governing the interface between AfCFTA and regional economic communities.

4. The theme for the present thematic report, “Accelerating Africa’s economic transformation in the post-coronavirus-disease era through productive investments and services trade liberalization within the African Continental Free Trade Area framework”, has been informed by the new dynamics in the work of the Commission brought about by the advent of the coronavirus disease (COVID-19) pandemic. It is the expectation of ECA that the Committee will endorse the essential findings and recommendations of these analytical reports with a view to facilitating their dissemination and subsequent uptake by relevant stakeholders at the national, regional and continental levels.

5. Following this brief introduction, the rest of the report is structured as follows: section II looks at the implications of the impact of, response to and recovery from the COVID-19 pandemic for African investment and services trade; section III explores the opportunities for productive investments within the AfCFTA framework; section IV examines opportunities for services trade liberalization within the AfCFTA framework; and section V consists of conclusions and recommendations.

II. Pandemic impact, response and recovery: African investments and services trade

6. One of the most noticeable impacts of the outbreak and rapid spread of the COVID-19 pandemic was the abrupt interruption of more than two decades of continuous economic growth in Africa. It is noteworthy, however, that even before the pandemic, it was already common knowledge that the continent’s growth, as impressive as it appeared, was not sufficiently inclusive, transformative and sustainable. High deficits in domestic and foreign productive investments on the continent continued to constrain its ability to meet the needs of its youthful, rapidly growing and urbanizing working-age population. Not only did African labour productivity continue to decline over the years, but economic growth and investment patterns in individual African countries were not of the type that could enable them to integrate into global value chains competitively.²

7. The COVID-19 pandemic precipitated a sharp fall in the continent’s inward investment. It has eroded investor confidence, prompted a generally negative economic outlook, and severely reduced the earnings of multinational enterprises. Investors are unable or unwilling to make new investments, which has decreased all the critical components of foreign direct investment (FDI), namely, reinvested

earnings, greenfield projects, and mergers and acquisitions. Altogether, FDI inflows plummeted in 2020, and could continue to fall in 2021.

8. Inward FDI to Africa fell 18 per cent, from $46 billion in 2019 to $38 billion in 2020, a level not seen since 2006. This dip was more profound than the fall in developing economies (12 per cent), but less severe than the decline in developed countries (69 per cent).3

9. Prospects for recovery are not encouraging: in 2020, greenfield and project finance announcements (indicators of forward trends) fell 63 per cent and 40 per cent, respectively.4 Foreign direct investment is an important source of finance for productive capacity and infrastructure development, so prolonged decline can hamper African economic recovery.

Figure 1
Foreign direct investment inflows: world and Africa, 2007–2020
(Billions of United States dollars)


Note: Figures for 2020 are estimates.

10. The COVID-19 pandemic constituted a considerable adverse shock to African services exports, causing them to fall 33 per cent, from $124 billion in 2019 to $83 billion in 2020.5 Transport services – in particular travel – fell considerably during the pandemic. These two sectors are the most important services exports for the continent in terms of value (figure II). The extent of the collapse in travel services was dramatic, falling 87 per cent by the second quarter of 2020 compared with the last quarter of 2019. Only a small rebound was experienced by the third quarter of 2020 (figure III).

11. Exports of goods-related services and other services appear to have held up more strongly, owing to their reduced dependency on cross-border

4 Ibid.
movements of people. The former includes manufacturing services relating to physical inputs belonging to other countries, and maintenance and repair services, but accounts for only about 2 per cent of total African services exports. The latter – “other services” – in the African context includes primarily other business services, such as research and development services; professional and management consulting services; technical, trade-related and other business services; telecommunications services; and government services. These remained relatively more stable in 2020, with telecommunications services actually growing by 11 per cent.

12. Against the backdrop of this set of realities, and as the continent contemplates its post-COVID-19 economic recovery and transformation, it is necessary to ensure that the latter is underpinned by more inclusive and sustainable types of productive and sustainable investments – facilitated by well-coordinated innovative policies, such as those proposed in the Agreement Establishing the African Continental Free Trade Area (AfCFTA Agreement).

13. The vast regional market created by the AfCFTA Agreement presents a range of opportunities for African countries, including affording them the prospects to diversify their exports, accelerate growth, and attract more productive foreign and domestic direct investments. By increasing regional trade, lowering trade costs and streamlining border procedures, the successful implementation of the Agreement and associated policy reforms would greatly enhance African countries’ resilience and their ability to withstand future economic shocks and maintain long-term growth.


Note: African services trade data are patchy. The above indices are calculated only on the basis of countries for which data on services exports by sector were available from the fourth quarter of 2019 to the third quarter of 2020, and give an approximation for the continent.
III. Opportunities for productive investments within the framework of the African Continental Free Trade Area

A. Importance of productive investments in African structural transformation and economic development

14. Productive investments are critical for Africa, which requires significant resources to finance productive capacity, critical infrastructure and development in its journey to achieve the Sustainable Development Goals. At the macroeconomic level, productive investments generate value and employment in host countries, induce technology transfer, force domestic producers to compete, and increase efficiency.

15. With the COVID-19 pandemic and its associated costs, African countries more than ever require productive investments to build back better. These investments can be channelled towards competitive activities that add significant value – such as in the knowledge economy, technology and innovation, and the digital space – while taking advantage of the economies of scope and scale enabled by AfCFTA.

16. In particular, the AfCFTA investment protocol – by harmonizing investment rules on the continent – can raise the level of intra-African investment significantly. Unlike FDI from third countries, which targets the primary and natural resources sector, intra-African investment flows concentrate heavily on services, mainly financial services and telecommunications.

17. This is important for the economic prospects of Africa, because services offer an opportunity to diversify production away from traditional sectors. Trade in services is an enabler of exports, and many productions and sales processes. Indeed, some services – such as transport, financial services, and information and communications services – are vital to easing cross-border business and trade. Hence, the flow of services and synergies between the services and goods sectors represent an opportunity for higher value addition that can unlock African industrial and trade potential.

B. Role of investment policies in post-pandemic economic recovery

18. The seriousness of the challenges posed by the COVID-19 pandemic demands a whole-of-government response. Although fiscal and monetary policies have been at the forefront of the economic response, investment policies also have a crucial role. Keeping businesses and supply chains running can help save lives now, and maintaining smooth FDI flows can support a strong recovery.

19. In the short run, the main objectives of investment policies should be to provide investors with relevant information and operational support, prevent hostile foreign takeovers of companies in strategic industries, encourage investment in key COVID-19-related industries, and incentivize the production of essential health-care goods and services. Beyond the immediate emergency, investment policies can safely help societies end painful lockdowns by preparing government services for a more digital future and unlocking universal access to vaccines.

20. In the long run, once COVID-19 subsides, global competition for FDI will be intense. But on the plus side, investors will be looking to repair and build resilience in severely damaged global value chains. Countries in Africa should incorporate the pandemic’s lessons into investment policy formulation and reforms, to best capture the opportunities of the post-pandemic world and better prepare for future crises.

21. Some mitigation measures taken by Governments during the pandemic could conflict with provisions of international investment agreements and investor-State
contracts meant to protect investors. For example, restricting exports or compelling firms to repurpose production lines to make essential medical supplies might violate “fair and equal treatment” or “expropriation” clauses, exposing States to lengthy and costly investor-State dispute settlement proceedings. After the pandemic, Governments in Africa should amend existing international investment agreements to ensure sufficient policy space to respond to future global crises, including by enhancing the capacity of Governments to regulate in the public interest. These considerations should also inform phase II negotiations of the investment protocol under the AfCFTA Agreement.

22. Africa can take advantage of its experience with COVID-19 to better prepare for a world increasingly at risk of pandemics, natural disasters, economic crises and environmental catastrophes. Investment policies can play a critical role in protecting supply chains and strengthening the continent’s readiness to respond to future crises. The disruptions in global value chains and the protectionist tendencies witnessed during the pandemic highlight the urgent need for Africa to develop regional value chains and reduce its external economic dependence. Governments should work closely together to identify strategic industries (pharmaceuticals, essential foods and others) where increased production on the continent should be encouraged. Pooled demand can also be leveraged to buy components or finished products from multiple sources, allowing Africa to build redundancy into essential supply chains. Investment promotion agencies must then reshape their strategies and operations according to this broader economic imperative.

23. Continent-wide collective actions will become even more critical in a post-pandemic world of increased competition and uncertainty. AfCFTA must be at the forefront of African economic recovery. As the worst of the COVID-19 pandemic passes, African Union member States must refocus on the implementation of phase I and the negotiation of phases II and III. The investment protocol, in particular, will boost FDI inflows by harmonizing rules and creating a level playing field for investors. Furthermore, the pandemic has catalysed changes in consumer behaviour and the future of work by quickly moving employment and economic activities online. This transition presents Africa with a unique opportunity to capture the benefits of e-commerce and digitalization. The decision to frontload the negotiations of the AfCFTA e-commerce protocol is therefore very welcome. By leveraging its 1.2 billion–strong continental market, Africa will be well positioned as an attractive FDI destination.

C. Getting the investment protocol right: a prerequisite for attracting productive investments

24. The upcoming AfCFTA investment protocol, building on existing regional integration initiatives, including the Pan-African Investment Code, will be a new milestone of regional integration in investment. The protocol should aim at a forward-looking regulatory regime that attracts productive investments while creating synergies between private and societal benefits. To simplify the current tangle of investment rules, it must clarify linkages with the other AfCFTA protocols, existing international investment agreements, and other types of international law and domestic legislation.

25. The international legal and policy landscape surrounding continental integration must be kept in view. African policymakers should leverage their shared vision of sustainable investment and responsible investor conduct to tackle regional and bilateral treaties with third countries. AfCFTA negotiations present policymakers a singular chance to articulate a standard state-of-the-art investment policy and engage in parallel global debates based on that shared platform.

26. Behind technical details loom strategic choices about the place of the investment protocol in the regulatory kaleidoscope. African countries must formulate
a shared understanding of how the investment protocol relates to the other dimensions and levels of investment laws and the timelines for African regional integration. Rule harmonization can create an enabling legal environment to lower transaction costs and attract productive investments. But countries may need a system that permits a measure of flexibility in order to implement approaches that are tailored to their local social, economic, environmental and institutional needs – essential factors in developing a functional level playing field. Such a shared system that maintains rule predictability needs to be agreed upon, since exceptions and opt-outs could fragment the legal environment and hamper regional integration ambitions.

27. Both the institutional arrangements and the legal substance laid down by the investment protocol are important. Carefully designed investment protection, guaranteed by accessible, speedy and reliable dispute settlement mechanisms, can manage lingering perceptions of investment risks without endangering policy space. Investment law stating investor obligations and State commitments, in addition to investment protection, can bolster other international obligations and create conditions in which capital commitments translate into desirable development outcomes.

28. African policymakers should capitalize on the continental dialogue around AfCFTA to forge a common vision of investment promotion and facilitation that could be leveraged in global negotiations. They should keep investment facilitation decoupled from investment protection, to prevent the ratcheting up of obligations towards investors. A common African approach could emphasize responsible and sustainable investments, with concomitant obligations for home and host countries. Additional steps can support increased investment inflows – such as standardizing information and promotional materials, collaboration between investment promotion agencies, and the creation of a collaborative online investment promotion platform. African countries could consider cooperating in the establishment of a single electronic window to attract and service investment inflows as regional integration and rule harmonization deepen.

29. A delicate balance is needed on investment protection. On the one hand, a fixed or more conservative continental investment protection regime that backstops investment disputes could raise States’ costs and perhaps weaken the entire structure’s acceptance. On the other hand, weak protection would fail to reassure cautious investors, who might restructure their investments to take advantage of alternative treaties, try to negotiate individual contracts (possibly under foreign law), look for investment insurance, or move on to business opportunities elsewhere.

30. Furthermore, if reform efforts on investment protection at the global level – especially those of the United Nations Commission on International Trade Law Working Group III, and to some extent those of the International Centre for Settlement of Investment Disputes – bear fruit, they will shape the global legal investment environment into which AfCFTA will fit. Africa should harness its unique experience and know-how to participate in the negotiations actively and help determine a framework with a more balanced approach at its core.

31. Investor obligations cannot be disconnected from other key aspects of the investment protocol, and States need to create conditions to support their fulfilment. Additional State commitments that go beyond investment protection should be unambiguous with regard to content and to whom they are targeted. Investor obligations and additional State commitments that translate poorly into concrete actions can exacerbate perceived risks.

32. An ambitious AfCFTA investment protocol would likely lead to new legal and institutional demands on African States. The protocol, however, should not eclipse domestic institutions. National laws and regulations are vital for attracting and retaining productive capital stock. Weak or unpredictable policy and regulatory regimes deter investment and raise the risk of disputes with investors. The protocol could be phased in gradually to give countries time and space to prepare, as typically
happens in trade deals. Peer learning, collaboration, capacity-building and the involvement of regional bodies should be encouraged so countries can build the necessary foundation to take full advantage of the prospective common African investment area.

IV. Opportunities for services trade liberalization within the framework of the African Continental Free Trade Area

A. Importance of the services sector and services trade liberalization in African structural transformation and economic development

33. In Africa, services have grown tremendously in importance in recent years, accounting for a significant proportion of the continent’s economic activity and output. Its share in national outputs is growing, and it contributes to socioeconomic equity, mainly by employing vulnerable groups of women and youth. In 2018–19, services were the primary driver of economic growth in 25 African countries, accounting for more than 50 per cent of real economic growth. Services have also been found to account for much of the value in final commodities and products traded by many African countries.

34. Although the services sector in African countries has been growing faster than the world average, the continent remains a marginal player in value added global services trade for both services exports and imports. Services have also continued to face challenges on the continent, not the least of which is the low level of awareness within both Governments and the private sector about the potential of trade in services; partly because of a lack of information and shortages of data. Other challenges include poor infrastructure, weak institutions, inappropriate regulatory frameworks and unsupportive policies. Policy barriers to services trade tend to be more obstructive than barriers to goods trade, with their estimated cost typically exceeding that of the average goods trade tariff. Invariably, unlocking the potential of services trade requires that its potential be understood and supported in African policymaking processes at all levels, including through frameworks and mechanisms that enable the integration of services at the regional, continental and global levels.

35. African countries have signed up to various policy instruments and frameworks geared towards liberalizing trade in services. However, the continent has been unable to consolidate these frameworks into a viable continent-wide regime that optimizes the benefits of liberalization of the sector, such as greater contributions to gross domestic product, better integration into value chains, and broader diversification and industrialization. The persistent fragmentation of the policy landscape of Africa has been a significant contributor to the continent’s weak competitiveness in global services trade, with African services exports amounting to just 2 per cent of global trade in services.

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B. Protocol on Trade in Services and opportunities for the liberalization and integration of the African services sector

36. The signing and implementation of the AfCFTA Agreement, which has trade in services as one of its three protocols, provide a veritable platform for liberalizing and integrating African services. Given the sector’s complexity, the Assembly of Heads of State and Government of the African Union, at its thirty-first ordinary session, held in July 2018, approved five priority sectors for the first round of negotiations – transport, communications, financial services, tourism and business services – for which African Union member States are currently preparing specific offers. Some estimates suggest that the benefits of liberalizing services trade could match or even exceed the benefits of goods trade liberalization under the Agreement.

37. In recognition of the growing importance of the services sector on the continent, and as directed by the Committee on Private Sector Development, Regional Integration, Trade, Infrastructure, Industry and Technology at its first session in December 2019, ECA – alongside the African Union Commission, the African Development Bank and the United Nations Conference on Trade and Development – dedicated the 10th edition of the flagship publication *Assessing Regional Integration in Africa* to the theme “Integration and liberalization of Africa’s services trade in the context of the African Continental Free Trade Area”. The report has come out with significant findings and pertinent policy recommendations for stakeholders, in particular member States, continental and regional organizations, and private sector operators.

38. In its section on developments in African regional integration, the 10th edition of the report *Assessing Regional Integration in Africa* notes that regional economic communities have made commendable progress in implementing their regional integration agendas. With specific regard to services trade, the report establishes that between African regions, regional economic communities have made modest, gradual and continuing progress in liberalizing services trade in line with the pan-African objective of promoting the free movement of goods, people, capital and services. Continent-wide developments in services trade have supported the African Union agenda of realizing the goals of the African Economic Community; Agenda 2063: The Africa We Want, of the African Union; and AfCFTA. The Protocol on Trade in Services, in particular, reflects the vision for services trade, and presents a strategic framework for further negotiations.

39. The report recognizes that further collective efforts are required of all key stakeholders in the integration project (including regional economic communities) if the potential of AfCFTA to increase employment opportunities, generate higher incomes, promote economic growth and lift millions of people out of poverty is to be realized. The findings of the 10th edition of the report *Assessing Regional Integration in Africa* on the progress that regional economic communities have made and their continued relevance to African integration processes resonate with the analysis and findings of another recently concluded ECA study. The study articulates actionable policy proposals to support a coherent, coordinated and fully responsive interface between AfCFTA and regional economic communities. It also suggests how to leverage the trade integration successes and lessons learned from the challenges faced in implementing free trade agreements at the regional economic community-level, with a view to improving the implementation of the AfCFTA Agreement.

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7 ECA, *Governing the Interface between the African Continental Free Trade Area and Regional Economic Communities Free Trade Areas: Issues, Opportunities and Challenges*, (forthcoming).
C. Services trade in post-pandemic economic recovery: strengthening regulatory cooperation and building value chains

40. The Protocol on Trade in Services offers a negotiating platform for increasing regulatory cooperation among African countries and regional economic communities to foster value chains and complex production relationships. The negotiations for liberalizing services in the five priority areas, and beyond, are critical for improving the regulatory, institutional and policy frameworks for services trade. The negotiations are also crucial for addressing barriers and restrictions to the potential and opportunities for services trade between African countries and subregions.

41. Reasonable regulations are central to the optimal performance of services and the services trade. Among the grounds justifying regulations is ensuring that service markets work properly under conditions of asymmetric information and market failure. Technology policy is required for effective services-driven digitalization. Similarly, infrastructure policy is central to transport and other services.

42. Regulations can, however, become burdensome and impede socioeconomic development. Those negative effects can be unintended consequences of an attempt to solve some other problems. Addressing the unintended consequences may require a set of different, complementary policy instruments.

43. Since restrictions largely dampen services trade among African countries, policies must be relaxed to foster services trade and economic growth. Liberalizing services requires adjusting trade regulations, reducing barriers and promoting non-discriminatory measures, so that the countries on the continent benefit from intra-African services trade in the context of AfCFTA. Liberalizing services regulations will also improve productivity in Africa by reducing trade costs and removing other barriers to trade in the financial, business, tourism, communications and transport services subsectors.

D. Regional value chains, global value chains and capacity imperatives in the African Continental Free Trade Area services negotiations

44. The development of global value chains is intertwined with the liberalization of trade in services. Therefore, to support the implementation of the AfCFTA Agreement, trade in services must be liberalized to facilitate the development of value chains across the continent. Of paramount importance to the efficient implementation of the Agreement and the subsequent establishment of effective value chains are the creation of credible databases on services, the improvement of government and private-sector capacity in negotiating the liberalization of services, and the establishment of structures to effectively regulate services.

45. Efforts by African countries to establish or join regional and global value chains have been very ineffective, as evidenced by their inability to guarantee uninterrupted supplies of equipment, medicines and even vaccines to fight the COVID-19 pandemic. This result is explained by the shortage of skilled human capital, the lack of competitive logistics and telecommunications, the lack of cost-effective transport infrastructure, the absence of a conducive business environment, and the weak frameworks for the protection of intellectual property.

46. The Protocol on Trade in Services can support the deployment of information and communications technology through State parties’ schedules
of specific commitments and regulatory frameworks. AfCFTA countries will have to develop regulatory frameworks to facilitate cooperation and coordination across sectors, and formulate regulations needed to close the digital gap. To support global value chains, guiding policies must be formulated in respect of trade, investment, infrastructure, entrepreneurship, service liberalization, local firm development, workforce development and industry institutionalization.

V. Conclusions and recommendations

47. General/overarching recommendations include the following:

(a) The secretariat requests the Committee to take note of the three analytical reports that have been recently finalized by the Regional Integration and Trade Division;

(b) The secretariat also requests the Committee to fully endorse the policy recommendations contained in the above-mentioned reports and to support efforts by the secretariat to disseminate their contents and encourage the subsequent uptake of those recommendations by all relevant stakeholders.

48. Recommendations on investment include the following:

(a) Policymakers should revitalize momentum in the AfCFTA negotiations on trade in services, and ensure their timely finalization and the mainstreaming of their outcomes as a priority to support the attraction of investment into the services sector;

(b) Strategies should be put in place to ensure adaptability, compatibility and synergies with national legislation and policies to support the mainstreaming of the AfCFTA investment protocol;

(c) Sectors or industries in Africa with higher value addition that are ripe for productive investments should be identified and supported through dedicated investment facilitation and promotion measures to contribute to the continent’s post-pandemic economic recovery and long-term sustainable development;

(d) The continent should devise strategies to attract investment to sectors beyond the primary products and natural resources sectors, especially considering the potential for value chain connectivity at the subregional and continental levels through the AfCFTA common market;

(e) The main challenges and bottlenecks that African countries will face in implementing the AfCFTA investment protocol need to be identified and addressed urgently, so that countries can fully harness the opportunities to attract productive investments;

(f) Adopting targeted investment policies, African investment promotion agencies should leverage AfCFTA to increase intra-African investment by showcasing competitive advantages at the sectoral and value chain levels;

(g) Negotiations of phase II and phase III AfCFTA protocols need to ensure consistency and complementarity across the four envisaged protocols to unleash the full potential of a common investment area where intra-African investment enjoys a level playing field;

(h) National and regional AfCFTA implementation strategies should prioritize investment opportunities for value addition and value chain connectivity as countries seek to mainstream phase II and phase III protocols.
49. Recommendations on services trade liberalization and integration and the development of value chains in the context of AfCFTA include the following:

   (a) African Governments should adopt and implement services trade liberalization policies that foster services trade and growth, by adjusting trade regulations, reducing barriers and promoting non-discriminatory measures as envisioned in the AfCFTA Agreement;

   (b) African Governments and intergovernmental institutions should devise strategies to aid the difficult but necessary shift from informality to formality in services trade, and promote more significant gender and social equity across services sectors;

   (c) African countries should adopt national and regional public policies dedicated to developing manufacturing and services value chains, which would enable the continent to transition from reliance on natural resources and commodities to value added and growth-generating sectors, such as services;

   (d) AfCFTA services trade negotiations should ensure cooperation in the harmonization and synchronization of regulatory frameworks, especially in the priority subsectors identified by Assembly of Heads of State and Government of the African Union. National strategies for implementing the AfCFTA Agreement should prioritize services sectors when opportunities for value addition and value chain connectivity are identified across manufacturing and services sectors;

   (e) A balance should be struck between liberalization and the domestic delivery of public services and public goods, especially in respect of health care, water and sanitation. Lessons from the COVID-19 experience concerning pooled procurement and local production on the one hand, and capacity and infrastructure on the other, should be leveraged to encourage investments in these critical sectors;

   (f) African countries should improve cooperation between governmental authorities, create consistent transit mechanisms and efficient border controls throughout the continent, support further trade and customs digitalization to streamline data exchange, and enhance contactless customs clearance;

   (g) African countries should reassess the process of licensing financial institutions and using banking services abroad, conduct economic needs tests in evaluating the establishment of foreign banks, and restrict foreign ownership;

   (h) African Governments and intergovernmental institutions should deploy efforts to develop products suitable for the African tourist market, including by leveraging diverse natural and cultural resources to reorient existing homogeneous approaches;

   (i) African Governments should improve trade in health-care services among themselves through an export promotion strategy in such areas as attracting foreign patients, providing high-quality health services at competitive prices, sending health-care personnel abroad on short-term remunerated work, providing quality medical education to international students at specialized clinics, cultivating FDI in the health-care sector, and investing in health system infrastructure;

   (j) African Governments, intergovernmental organizations and private-sector operators should invest in enhancing competencies in policy organs – specifically strengthening capabilities, processes and systems – for planning negotiations on economic, finance and trade issues, and for implementing the outcomes of those negotiations. They should create dedicated
budgets for capacity development in services trade sectors to secure long-term gains in African trade and development.

50. Recommendations on the interface between AfCFTA and regional economic communities, in particular with regard to services trade, include the following:

(a) Member States should endow the AfCFTA Agreement with mechanisms to foster the development of regional value chain projects and free trade agreement-induced investment to boost production in all member States;

(b) Member States should consider ceding some degree of sovereignty over trade to the AfCFTA secretariat to uphold provisions of AfCFTA protocols and enhance its overall effectiveness;

(c) Member States should put mechanisms in place to safeguard standstill and rollback commitments on non-tariff barriers by member States, to coordinate regional and national non-tariff barrier mechanisms, and to promote transparency regarding non-tariff barrier notifications;

(d) Member States should collaborate with regional economic communities to develop regulatory frameworks and regional schedules of specific commitments for trade in services, and collaborate with the private sector to implement AfCFTA awareness and advocacy strategies.