

Rethinking the Foundations of Export Diversification in Africa:

THE CATALYTIC ROLE OF BUSINESS AND FINANCIAL SERVICES

EXECUTIVE SUMMARY



ECONOMIC
DEVELOPMENT IN

AFRICA

Report 2022

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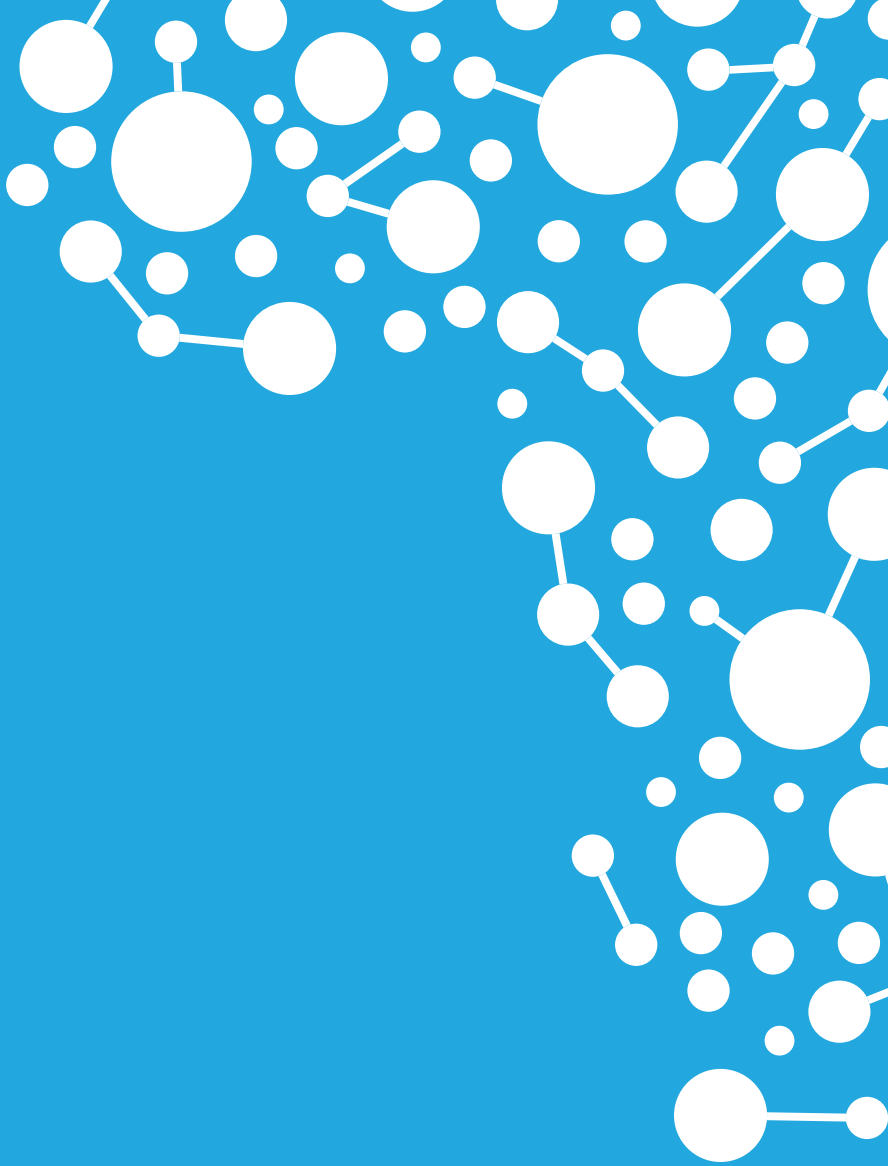
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UNCTAD/ALDC/AFRICA/2022 (Executive summary)



EXECUTIVE SUMMARY

Despite efforts to achieve export diversification, African countries remain predominantly dependent on exports of primary products in the agricultural, mining and extractive industries. This has adverse impacts on inclusive growth in the long term, as it dims the prospects of industrialization and human capital development, among others. Forty-five African economies are commodity dependent, with highly volatile revenues due to nature of the market, characterized by periods of price boom and bust. While many parts of Africa have enjoyed positive economic growth in recent years, such growth was in part due to a commodity super-cycle. The high concentration of exports in a small number of commodity products can create macroeconomic instability, especially during times of commodity price volatility and global shocks, such as those affecting supply and demand. The disruptive effect of these shocks on trade balance, export revenues and financial flows can in turn generate a negative impact on productivity, economic growth, revenues (both government and income) and investment. Commodity price shocks are also associated with lower levels of financial sector development in commodity-dependent countries.

The diversification of African exports and economies is the most viable means by which these countries can prosper in the global economy and survive vulnerabilities and economic uncertainties exacerbated by commodity price volatility. There is currently great potential for African economies to transform and achieve a higher level of diversification and competitiveness. The successful implementation of the African Continental Free Trade Area, a growing middle class, an emerging consumer market, the increased use of financial services and technology, and dynamic private entrepreneurs will drive export diversification and sustainable economic growth in Africa.

Business and communication services
are an important driver of export
diversification, growth and structural
transformation in Africa



However, when examining the various strategies put in place by African countries to diversify exports and foster competitiveness at the regional and global levels,

what becomes apparent is the underestimated potential of the services sector as a cornerstone of productive activities for industry, manufacturing and agriculture. Moreover, many export diversification programmes overlook the potential of the private sector and financial services to reach their objectives. The private sector, which includes small and medium-sized enterprises (SMEs), can provide innovative and efficient ways of diversifying and transforming African economies; financial services can serve as a sustainable channel through which SMEs can mobilize financing to enter new markets, diversify exports, upgrade productive activities and improve competitiveness.

Economic Development in Africa Report 2022: Rethinking the Foundations of Export Diversification in Africa – The Catalytic Role of Business and Financial Services highlights the enormous potential of countries in the region to transform and achieve higher levels of diversification and competitiveness through services, in particular business and financial services. It draws on new avenues of enhanced growth in the services sector that can strengthen both the backward and forward participation of African countries in high-end global value chains. In this regard, the emphasis is placed on a vibrant private sector and catalytic financial services opportunities within the context of the African Continental Free Trade Area, which focuses on liberalizing the market to enhance intra-African trade and industrial development.

Rethinking the drivers of export diversification in Africa

For decades, export diversification has been a policy priority for Africa. However, fewer than half of all African countries have succeeded. While some countries have added new product lines to their export basket, insufficient progress has been made in steering the industrial sector into high value-added manufactured goods that are key to successful sector growth and effective integration into the high-value segments of regional and global value chains. Although much of the literature converges on the pivotal role of services in this process, the report shows that the level of services trade in Africa is low. In addition, such trade is comprised mainly of traditional services, such as transport, suggesting limited access to a variety of fundamental competitive services inputs from within the continent.

**Exports in services
are concentrated in
traditional services**



Between 2005 and 2019, services accounted for only 17 per cent of total exports in Africa, of which travel and transport accounted for about two thirds, representing a high concentration of traditional services sectors in its total trade in services. The knowledge-intensive services, which include eight of the 12 services categories, have the potential to add higher value to the export of services, enable innovation in business operations and production systems and drive sector growth. Such services, however, are underrepresented in African services exports, accounting for only 20 per cent of the continent's total exports of services. Despite the importance of traditional services (travel, transport, and maintenance and repair services) in facilitating production and supply linkages, with significant implications for the overall competitiveness of firms through net trade costs, they do not have a direct impact on the complexity and diversity of the export basket, which is seen to increase with high knowledge-intensive services such as information and communications technology services.

Services are essential to enhance export diversification through the provision of business, financial and information and communications technology services to make it easier to tap into new markets and make new products. However, the performance of trade in services, both in terms of diversity of players and products within the domestic market, remains imperative in ensuring the availability of relevant services to ensure the enhanced complexity and diversity of manufactured goods. For instance, the utilization of business and communication services inputs is low in most African countries, with an average of about 10 per cent in production and exported output. While services account for more than 50 per cent of the inputs in production, the largest part comes from distribution services.

The services sector could be a forceful impetus for economic diversification, growth and structural transformation in Africa. However, this requires that policies be aligned to build complementarities between the services sector and other sectors of the economy, especially manufacturing. The implementation of the African Continental Free Trade Area may help catalyse national efforts to link these services and industries and prioritize those services that are relevant to a value chain that is strategically important for a given country.

If Africa is to better harness its services trade potential, services policies and their regulation need to better target areas of market failure – accessibility, quality, affordability, competition, the high costs of trade in services, protectionist policies, low levels of digitalization and technology, difficult access to financial services and poor infrastructure. Addressing the limited productive capacities and strengthening regional integration will be key to enhancing the internalization of key services.

The potential role of African firms in driving export diversification

African SMEs stand to gain from many opportunities in the services sector. However, they need to be innovative and make good use of networks in the sector to improve access to relevant information on markets and other developments therein. Overcoming credit constraints and facilitating SMEs' access to affordable finance will be important for their growth, competitiveness and position as potential engines of growth and diversification.

Further, SMEs are the backbone of African economies. They make up about 90 per cent of firms in the region and employ about 60 per cent of its workforce. Trade in services offers many opportunities for the increased engagement of SMEs in Africa. However, restricted access to finance, poor integration in regional and global markets, and a limited skills base make it virtually impossible for them to compete with large public and private firms that dominate the sector. Establishing viable value-based networks within sectors or across clusters of industries and forging stronger partnerships that can foster deeper integration into regional and global value chains are the most effective way to productively leverage their contribution in the different services subsectors.

Leveraging the potential of SMEs in diversifying African exports and integrating trade in services linkages may present significant challenges. These include informality, finance gaps and a lack of skills essential to outsourcing their services. In many countries in Africa, the informal economy remains pervasive and constitutes a significant share of the total economy. From 2010–2018, the informal economy accounted for 36 per cent of gross domestic product in Africa. Limited access to finance and cumbersome regulatory and administrative processes are among the key factors contributing to increased informality in the region.

Alternative financing to bridge the investment gap for start-ups and micro, small and medium-sized enterprises



Financing gap of **\$416 billion***
(2018-2019)

*Source: International Finance Corporation (IFC)

Although financing poses a challenge to all developing regions, the problem is worse in Africa. In the region, there are about 50 million formal micro, small and medium-sized enterprises with an unmet financing need of \$416 billion every year. Exporting firms, particularly new entrants and small-scale exporting firms, need to secure external financing to cover large costs to enter export markets. Those costs include information costs (to better understand the required regulations and standards of a potential foreign market), compliance costs (to redesign exporting products that meet demand standards for a specific market and establish new processes to comply with foreign market regulations and standards) and other costs related to trade barriers (customs, logistics, lead time and tariffs).

Given the specific financing needs of African firms and the difficulty to obtain funding from traditional financial sources, such as the corporate banking sector, more innovative financial instruments, practices and technology could be optimized to secure access to credit and external financing.

The transformative potential of financial services and technologies

Although the development and deepening of the financial products and services markets have not yet reached the level of maturity required to influence a paradigm shift in export expansion and diversification in Africa, the potential for alternative finance to expand and upgrade the portfolio of financial products and services and to offer more innovative firm-centric products that can sharpen the operational efficiency and competitiveness of SMEs could be a game changer for export diversification. The effective implementation of export diversification initiatives will require rule-based governance frameworks and coherent financial sector policies, including those related to financial technology.

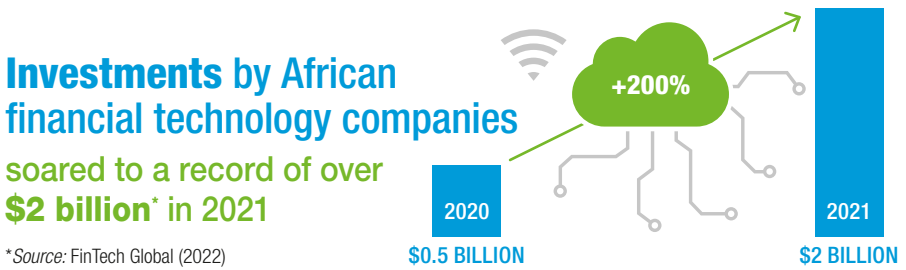
As the financial sector develops, firms' access to credit also improves, strengthening their ability to increase their share of manufacturing relative to primary exports, leading to greater export diversification. The report suggests that despite its complexity, financial technology has the potential to help African countries achieve financial and social inclusion by tackling challenges in resource allocation within the traditional banking sector and offering economic opportunities that promote financial access and social development. In Africa, financial technology has yet to reach the development stage where economies can use their leverage to support the financing of valued added productive activities. Nonetheless, in its current state of development, financial technology can provide African firms with increased access to financial services opportunities by expanding

new e-payment and transfer services underpinned by sound and appropriate regulatory and supervisory frameworks.

However, due to the innovativeness and the perceived opacity and complexities often associated with financial technology business models, there could be a heightened risk of loss incurred by fraudulent activities or misconduct by operators, users and other third parties. Most African economies lack the robust regulatory structures to efficiently tackle these issues, which can create additional challenges in developing the diversification-inducing potential of financial technology. Moreover, institutional weaknesses and challenges can have implications for overregulation, bureaucracy and political instability, all of which can negatively affect investment and entrepreneurial activities, and henceforth undermine the diversification agenda.

Given the role of alternative finance as an enabler of private sector growth, industrial expansion and export diversification, it is important to understand that various dimensions of financial deepening can have different implications for diversification. Financial technology and the evolving financial innovations could be particularly transformative in the appropriate institutional framework.

It is time to explore fresh financing options to improve the prospects for African SMEs contributing to diversification. Financial technology and alternative financing could be transformative, provided that the appropriate legal and institutional frameworks are in place, not only by facilitating the financing and growth of SMEs but also by leveraging the potential of these firms to drive export diversification. The recent growth of financial technologies and innovations in alternative financing has begun to have significant positive impacts on SMEs and the unbanked (mainly youths and rural dwellers) of around 42 per cent of the adult population, by easing and expanding their access to financing opportunities that are better tailored to their specific characteristics and needs. Notwithstanding the great potential of financial technology and other alternative SME financing models (equity funding, venture capital, credit insurance and peer-to-peer lending), many legal, regulatory, operational and transparency obstacles could hinder their use by trade customs and African firms, including export-oriented ones.



Despite the impact of the coronavirus pandemic of 2020 on markets and businesses, the outlook for financial technology and alternative finance has continued to improve favourably in Africa. According to the report, investments by African financial technology companies soared to a record of over \$2 billion in 2021 (a 200 per cent increase from 2020), and about 60 per cent of the \$5.2 billion of venture capital transactions in 2021 were injected into the financial technology sector alone. Venture capital growth in Africa in 2021 stood at 215 per cent, higher than in any other region. Africa has over 500 active financial technology companies, including a handful of unicorns, start-ups with a market value of over \$1 billion. African financial technology firms are exploiting emerging technologies, such as mobile applications, cloud computing and the Internet of things, to promote innovation and facilitate access of the unbanked to finance.

The adoption of financial technology can advance financial inclusion in Africa by providing technology-enabled banking and financing opportunities to the unbanked and the informal sector. It can also offer innovative solutions to challenges experienced by SMEs, such as accessing financial services, making international payments, digitalizing customer experience and expanding e-commerce. By creating multiplier effects, financial technology also helps stimulate widespread economic activity and fuel progress towards achieving the Sustainable Development Goals. However, private sector growth and export diversification in Africa will require changes in the regulatory landscape if financial technology solutions in the industry and a financial services ecosystem are to be adopted, and if financial technology is to be a game changer in the financial services. For financial technology and digital finance to drive financial inclusion, steps toward greater interoperability (ability of different digital financing services and systems to connect with one another) and enhanced digital infrastructure ecosystems must be ensured at the national and regional levels.

In most African countries, the financial services industry is regulated by the central bank or monetary authority, whose ability to embrace and regulate an emerging and fast-evolving sector, such as financial technology, has been limited. Moreover, the rules and regulations needed to ensure compliance, improve risk management and safeguard businesses and consumer protection are bound to change constantly to keep pace with innovations in the sector. For financial technology to be effective, the regulatory framework should focus on the following key elements and actions:

- Improving digital infrastructure.
- Enhancing cross-regulatory interaction to innovate new products, such as insurance, savings and microfinance, through new digital platforms.

- Simplifying the registration of digital identification for receipt of government services (for example, pensions).
- Establishing a regulatory body or framework that can advance regulatory innovation and stimulate entrepreneurs-led digital transformation.

These steps could improve policymaking and licensing and link financial technology products in line with governmental financial inclusion objectives. Allowing local industry participants to engage with regulators and policymakers in defining the rules and managing the risks could help facilitate technological advancements, create trust (from both a client or customer perspective and from a financial stability point of view) and contribute to an exponential increase in trade and investment transactions in Africa.

Policy recommendations

Enhancing the complexity and diversity of African exports requires a two-pronged approach that looks at the incentives for increasing services utilization in the manufacturing sector and scaling entrepreneurship activities towards potential new products, with benefits for structural change, while optimizing opportunities for deeper integration in regional and global value chains and catalysing conducive business and financial services. This entails confronting the barriers that undermine the performance of trade in services. This also requires improved access to competitive services, while re-orienting national and regional investment and trade policies to strategically enhance the productive capacities of firms in developing new products and services with a potential to transform and sophisticate productive structures and market activities without necessarily crowding out the diversification potential of existing products and businesses. Much of the debate over strategies or drivers of export diversification has focused on the role of the public sector, with a limited push towards more dynamic and game-changing agents, for example, the private sector. High knowledge-intensive services sectors and systems, such as financial technology, are essential to transforming African export and overall economies. Recommendations targeting niche areas where African Governments and businesses can make improvements and investments to support effective export diversification on the continent are presented below, identifying the following key opportunities:

- To build capacities to innovate.
- To enhance technologies and infrastructure for industrialization.
- To strategically cater to the financing needs of domestic businesses.

- To foster innovation and efficiency for financial services and business models.
- To leverage regional gains and potential to support export diversification and structural change.

Improve the capacity of people and firms to emulate and innovate

Several channels can improve the capacity of people and firms to emulate existing products and innovate new products.

Intellectual property rights play a key role in emulating and innovating new products to promote export diversification. Notably, stronger national intellectual property rights can benefit export diversification, as they are an important motivation for innovative activities. Firms face a risk in innovating new products, but if they are successful, others will follow in their steps and increase competition, driving profits down. As a result, the social benefits of innovation and firm-level product diversification are greater than the private benefits. However, a restrictive international architecture for the protection of intellectual property rights can compromise national export diversification strategies, as it limits the opportunity for firms to reverse-engineer and copy the products they try to emulate. To tackle these issues, the following recommendations are put forward for consideration:

- African policymakers should ensure the establishment and enforcement of intellectual property rights at the national level to protect domestic entrepreneurial creativity.
- In collaboration with international regulatory and standard-setting bodies and other relevant institutions, African policymakers should advocate support for more flexibilities, such as voluntary licences, under the World Trade Organization Agreement on Trade-Related Aspects of Intellectual Property Rights, which can help achieve the Sustainable Development Goals.
- In cooperation with regional institutions (for example, the African Union, regional economic communities and the African Continental Free Trade Area Secretariat) and other relevant bodies, African policymakers should develop coherent regional frameworks that can spread the use and application of policies relating to intellectual property rights and other measures that can foster the growth and competitiveness of African firms, in particular SMEs.

Support firms to innovate

Most SMEs, which do not generally have extra resources for innovation, risk failure in their attempts to achieve diversification. Access to financing instruments designed to promote economic diversification, such as funding provided by development banks, can facilitate emulation. In addition, providing research and development support measures, such as subsidies to incentivize firms to innovate, has been an important tool to expand diversification. Governments should act in all these channels to boost the capacity of firms to emulate and, therefore, increase the rate of emulation. Strengthening market information tools can also reduce market uncertainties and raise the chances of success. To tackle these issues, the following recommendations are put forward for consideration:

- African Governments should design and use policy instruments that teach firms how to innovate and emulate. Some of these policy instruments are public–private research and development, innovation hubs, extension services and industrial institutes.
- In collaboration with development partners and financiers, African Governments should invest in creating national innovation systems and leveraging technical and technological expertise in universities, research institutes, financial institutions, certification and metrology institutes, and regulators to support and strengthen innovating firms.
- African Governments should develop training programmes that would give people the necessary entrepreneurial skills to leverage the system so as to create new businesses that produce and provide “new-to-the-country” goods and services. This will include specific skills that go beyond the establishment of a business and have at its core the capabilities required to identify opportunities for emulation based on work that people already perform.

Expand the set of technologies and infrastructure

Another way to promote emulation is by expanding the set of technologies and improving the quality of infrastructure. This includes skills and technologies in areas that are important for firms entering new sectors, as well as electricity and digital infrastructure. The facilitation of technology transfer is a common mechanism used to upgrade technology in an economy and to increase export diversification. The report

describes several ways through which technology transfer can be facilitated, including exports or imports of final goods (trade), licences, the purchase of foreign firms (mergers and acquisitions), strategic alliances or joint ventures, migration of people for work or education, open-knowledge sources, contracts with research entities, collaborative research and development, collaboration between universities on technology transfer, and bilateral or multilateral technology agreements. For instance, the Technology Bank for the Least Developed Countries was set up to facilitate technology transfer to those countries. The online platform of the Technology Facilitation Mechanism also contributes to this work by providing information on available technologies that can be used to attain the Sustainable Development Goals. On-the-job training is essential for the transfer of non-tradeable technologies (know-how, tacit knowledge, and methods and procedures that are learned by doing). Transfer of technology, in which new technology is licensed to a firm in a developing country, does not fully complete the technology transfer. To tackle these issues, the following recommendations are put forward for consideration:

- African Governments should set up central open-source technology databases to facilitate information-sharing, skills gap needs assessments and the design of more effective technology transfer initiatives for local firms and people.
- African policymakers should put in place policies and investment agreements that ensure skills transfer, technological know-how and innovation, and can contribute to the specific skills upgrading needs of the local firms and workforce, and hence promote local competitiveness and job creation.

It is important to increase the number of people trained in areas related to the new sectors that a country is promoting. As such, Governments in Africa should invest more in people and firms that offer a comparative advantage in the new sectors. This includes training engineers who can work with the new machines, training technicians who can engage in the new processes and learning new technologies by observing and doing the work.

In partnership with the private sector, African Governments should mobilize domestic resources to provide targeted infrastructure and technology that encourage industrialization. They should also adopt strategies that encompass a regionally oriented holistic approach towards tackling inadequate economic infrastructure (electricity, information and communications technology, transport). Such an approach will help promote viable integration into regional and global value chains effectively.

It is equally important that industrial policies target local SMEs with, for instance, public procurement clauses, foreign investment requirements to create linkages to domestic private sectors or with incentives to promote joint ventures.

Reinforce linkages between industries and encourage the use of local content and suppliers by domestic firms

Some progress has been made in the sectoral and modal aspects of services trade in Africa, particularly through the African Continental Free Trade Area, and prior to its adoption by member States. This relates mainly to transport, tourism and modal services, which are conduits for the movement of persons. For example, key sectoral milestones in the transport sector were achieved under the Africa Transport Policy Programme, which aimed to improve connectivity in the region by establishing comprehensive road and transport corridors and networks to transport goods and people across Africa more efficiently. Nonetheless, services provision remains suboptimal and is delivered at a high cost. Various regulatory and policy shortcomings prevail and impede Africa from fully capitalizing on its services sector potential. To tackle these issues, the following recommendations are put forward for consideration:

- African Governments should regularly assess and review the process of removing key barriers to the efficient participation of SMEs in the diversification of trade in services. This includes encouraging those SMEs operating in the informal sector to register with the formal system. A formal system of registration would provide many advantages, such as government support programmes for building and enhancing skills and technologies, as well as increased access to innovative financing instruments and institutions.
- African Governments should adopt SME-targeted industrial policies that minimize the impact of their size in terms of both technical and financial capacity. This could be achieved by promoting the use of local firms as suppliers of factories set up in a specific country with foreign direct investment (for example, through public procurement clauses, foreign investment requirements to create linkages to the domestic enterprises or the promotion of joint ventures).

To strengthen the linkages between domestic suppliers and large firms, African Governments and relevant partners could develop supplier development programmes through, for instance, investment promotion agencies or other related institutional or regulatory arrangements. Firms of the same or related industry could benefit from a network of specialized suppliers, services and skills spillovers.

With regard to the African Continental Free Trade Area, a regional approach based on the inclusion of regional firms should be promoted. For instance, regional cooperation

and harmonization through the African Continental Free Trade Area Protocol on Competition Policy should aim to address cross-border anticompetitive behaviour more effectively, with special provisions or special treatment provided to countries with limited administrative capacity, such as the least developed countries.

Enhance the access of small and medium-sized enterprises to alternative finance

Relevant policies that encourage a diversity of players and products in the financial sector will be key in ensuring financial inclusion across businesses and sectors. For instance, while fostering growth in the banking sector is essential, the report highlights the importance of insurance services in diversifying exports. Venturing into new product lines for export in Africa is generally viewed as risky, suggesting that it is only likely to be undertaken when such risks are hedged with insurance products and services. With regard to funding for start-ups and SMEs, banks will generally finance existing product lines rather than new ones. Stronger protection of property rights and rule-based governance, in addition to guaranteeing a level playing field for enterprises (especially SMEs) to compete, are prerequisites to promoting export diversification. To tackle these issues, the following recommendations are put forward for consideration:

- In collaboration with financial institutions and market participants, African policymakers should adopt novel policies and programmes that provide SMEs with specialized financial and non-financial products and services, such as government loan guarantees and risk pooling that can better help meet the long-term financial needs of SMEs.
- Means of alternative finance, including financial technology, should be developed, accompanied by appropriate regulatory frameworks that could address the information asymmetry inherent in financing decisions for SMEs, so that funds can also flow more easily into this traditionally neglected but promising sector.
- In cooperation with financial services providers, African regulators should be encouraged to facilitate the interoperability of technology, rules and standards between digital services and products and across different national and regional jurisdictions.
- African regulators, supervisors, standard-setters and financial technology companies should be encouraged to collaborate more closely, develop coherent testing frameworks for the use of technology in financial services and adopt

appropriate rules and standards that can safeguard the broad use of financial technologies and other innovations.

- In cooperation with regulatory and standards setting bodies, African Governments should set up training facilities and other information-sharing mechanisms that aim to support regulators and supervisors in developing appropriate internal understanding and expertise in the use of technology in financial services, as well as mechanisms that can build their capacity to monitor and mitigate the concentration and operational and systemic risks associated with the application of such technologies.

For financial technology to be effective, the regulatory framework should focus on:



African policymakers should enact legislation or enforce rules that reduce the risks or uncertainties of financial technologies that can discourage their use by market participants. This includes, among others, legislation aimed at preventing money laundering, client asset protection rules, prudential treatment of exposure of regulated financial institutions to digital threats and other systemic risks, as well as know-your-customer processes and requirements.

African Governments, financial institutions and regulatory bodies at the national and regional levels should promote the regional integration and convergence of the different systems, regulations and platforms required to catalyse financial technologies and increase cross-border access to alternative finance. This includes establishing regional clearing and settlement and payment systems, legislating regional policies and devising strategies aimed at convergence in the regulation and supervision of the use of innovative financial technologies.

Maximize the potential benefits of the African Continental Free Trade Area for export diversification by streamlining with inclusive growth and financial inclusion goals and practices

A potential means of overcoming some of the structural constraints identified in the report is the facilitation of trade with close trading partners through regional integration and the promotion of business services through marketing and consulting on how to position products in the market. The finding that importer demand and gross domestic product matter more than an African exporter's market size, emphasizes the potential role of regional integration in overcoming small country constraints, increasing scaling opportunities for businesses and fostering export diversification. Lengthy processes to establish a business, burdensome trade regulations and entry barriers created by specific requirements or preferences in the value chain pose significant challenges for local firms and marginalized groups to do business and enter the market, even at low levels of the value chain. Breaking down regulatory barriers to market entry and ensuring equal access to productive resources to all population groups should be understood as a prerequisite to diversification. To tackle these issues, the following recommendations are put forward for consideration:

- Regulatory innovation in financial technology and regional approach to competition policy, investment facilitation, promotion and protection are necessary to protect consumers and SMEs across borders from the anticompetitive behaviour of large firms, while the maintaining efficiency and supply of affordable products.
- African countries and regional institutions should pay particular attention to the needs of vulnerable groups and reinforce efforts towards removing formal legal barriers that have prevented women entrepreneurs from owning and operating businesses or have lowered their effective and impactful participation in formal cross-border trade.
- African Governments and regional institutions should commit and invest more into initiatives that encourage equal access to finance, business services and market opportunities, as well as equal rights to access education, health and productive resources.
- National and regional competition policies that reduce anticompetitive behaviour of dominant firms should be designed with a more focused gender lens and thus

be supportive of women's economic and financial empowerment. The design, implementation and impact of such policies and initiatives will not be effective without the close cooperation of women entrepreneurs and related associations or their increased participation in the process.

Strengthen efforts to improve trade and financial data

The report highlights that good quality data remains key in assessing and identifying conducive trade and financial policies in Africa. Equipping national statistical offices with human and financial resources, and technical support is essential to promote data collection efforts and ensure for instance, the availability of disaggregated data on trade in services and key indicators, such as global value chains, and service trade-restrictive indices, as well as the innovative use of technology in financial services. To tackle these issues, the following recommendations are put forward for consideration:

African Governments and partners should design and implement tailored capacity-building and technical assistance programmes aimed at developing specific skills in high knowledge-intensive services. These could include public-private research and development, innovation hubs, extension services and industrial institutes.

African Governments, regional organizations and relevant institutions should legislate access to the processing and sharing of financial and financial services data at the individual and firm levels. This could include an enforcement mechanism giving the African Union or the African Continental Free Trade Area Secretariat supervisory roles that will ensure consistency of trade and financial services data provision and processes across all jurisdictions.

Putting recommendations into practice

A variety of measures and approaches can be used by African Governments, regional institutions, financial institutions and regulators, private businesses, development partners and other market participants to achieve practical gains in considering the proposed policy recommendations for effective export diversification in Africa. To do so, the following steps could be taken:

- Mainstream services (high knowledge-intensive sectors and financial services) into export diversification objectives, strategies and programmes at the national and regional levels by drawing on internal and external knowledge and expertise,

while leveraging the expertise and potential of the private sector. This will include conducting upstream research and analysis (for example, on identifying key growth sectors and potential transformative services sectors), creating knowledge-sharing and information platforms and reinforcing collaboration and coordination between policymakers, industries and financial communities that will facilitate the design, funding and implementation of these services in mainstreaming and upscaling programmes.

- Allocate additional financial and technical resources to tailor frameworks, mechanisms and other procedural opportunities that can encourage growth and innovation in production systems, facilitate access to financial technologies and services, and foster the sophistication of markets and industries and expansion. Close coordination and knowledge- and information-sharing with regulators, industry practitioners and investors will be paramount.
- Build, train and adapt capacities and skills to enable analysis, innovation, conceptualization, implementation, regulation, supervision and risk mitigation in growth sectors and niche industries on emerging issues and for potential drivers of change. This entails providing access to a range of tools and training opportunities, and building partnerships across industries and markets.
- Develop or restructure education and training programmes that contribute to building pools or new generations of highly skilled individuals in more technology-focused areas. Growth and innovation accelerator hubs or programmes that integrate start-up entrepreneurs and innovators, investors, regulators, customers and other relevant ecosystem actors will be essential to ensure that innovation and production are well matched with needs and demands in the target industries and markets.
- Set up digital data and knowledge centres that can quickly and securely identify, store, digitalize, analyse, crunch and process multiple and complex information and transactions relating to trade, finance and business. Governments and regulatory entities will play a vital role in providing resources for building or enabling access to the required infrastructure, investing in research and development, and regulating the various systems involved. Entrepreneurs, researchers, innovators and investors, on the other hand, will provide the necessary impetus for conceptualizing, operationalizing and managing these digital assets and related risks. These centres or digital asset spaces will contribute to building or strengthening the resilience, efficiency and reliability of the trade and financial ecosystems.

- Improve, where appropriate, consensus-building on regional approaches, key policies and decisions that can be catalysts for scaling the potential of business and financial services for export diversification and structural change in Africa. This implies engaging in policy dialogue, advocacy, negotiation and coordination at the national, regional and global levels with sectors and actors that have the potential to drive effective export diversification in the region.
- Build confidence and trust among policymakers, financiers, regulators, the private sector and customers in the use of these constantly evolving, sophisticated and disruptive production and financial systems. This could be achieved by the following means:
 - Encouraging transparency, including in the financial regulatory landscape.
 - Improving information- and data-sharing.
 - Ensuring compliance and protection for businesses and individuals or customers and safeguard stability in markets, financial systems and economies.
 - Running awareness programmes or holding educational and sensitization activities through seminars, workshops and other forums on the opportunities and benefits of the different ecosystems (financial, technology, industrial and so forth).

UNCTAD stands ready to provide cutting-edge economic research and policy analysis and data tools to support African countries in their efforts to reach export diversification and sustainable development objectives. In partnership with regional and national institutions, UNCTAD can deliver institutional and productive capacity-building programmes and offer support to build consensus on key policy and regulatory issues with a view to achieving effective structural change on the continent.