

Measuring value chains: Introduction of quantitative instrument based on input-output tables

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“The Gambia’s tourism sector:
Measuring its value chain and exploiting its potential”

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1. Context

- ▶ In development studies, the **global value chain (GVC)** describes the people and activities involved in the production of a good or service and its supply, distribution, and post-sales activities (also known as the supply chain) when activities must be coordinated across geographies. GVC is similar to Industry Level Value Chain but encompasses operations at the global level.
- ▶ **Objective:**
 - Better assess the contribution of services to regional value chains
 - Provide good indicators for Measuring value chains
- ▶ Two methodological approaches to the study of services in regional value chains:
 - **Qualitative approach**, based on firm-level interviews as the basis for case studies,
 - **Quantitative approach** using multi-region input output tables (MRIOs), based on the literature on trade in value added.



1. Context

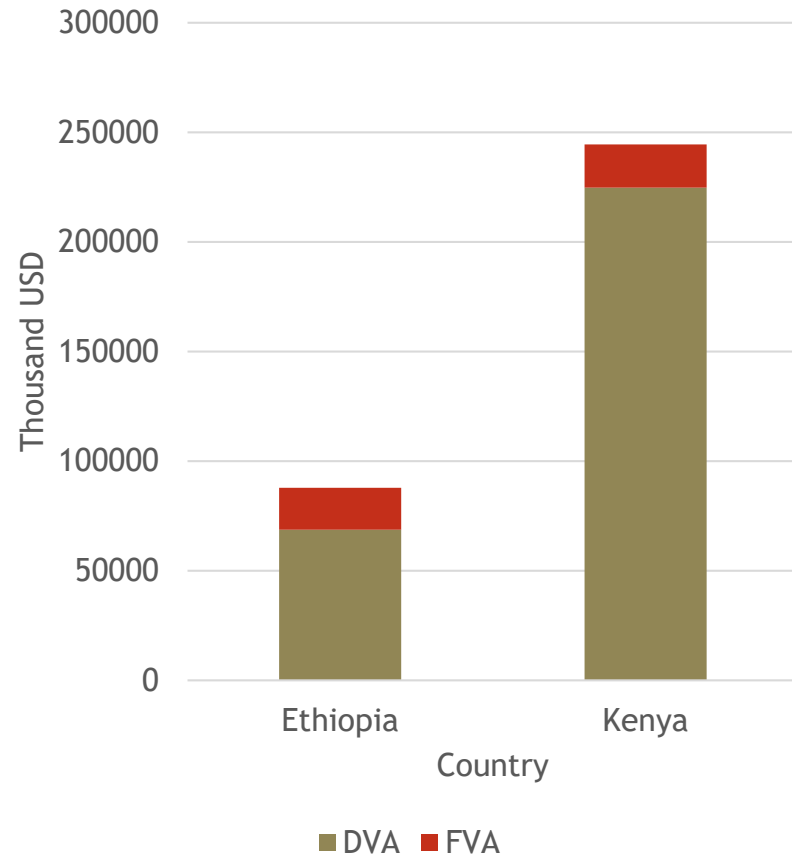
- ▶ The quantitative approach
 - ❖ based on the literature on trade in value added,
 - ❖ uses multi-region input output tables (MRIOs),
 - ❖ uses algebraic formula and computation in software like R
- ▶ *In the knowledge sharing platform of the project, there is an online course which will facilitate the learning of the quantitative tool.*
- ▶ Fundamentally, this approach decomposes the gross value of exports into two components: Domestic origin Value Added (DVA), and Foreign origin Value Added (FVA).

1. Context

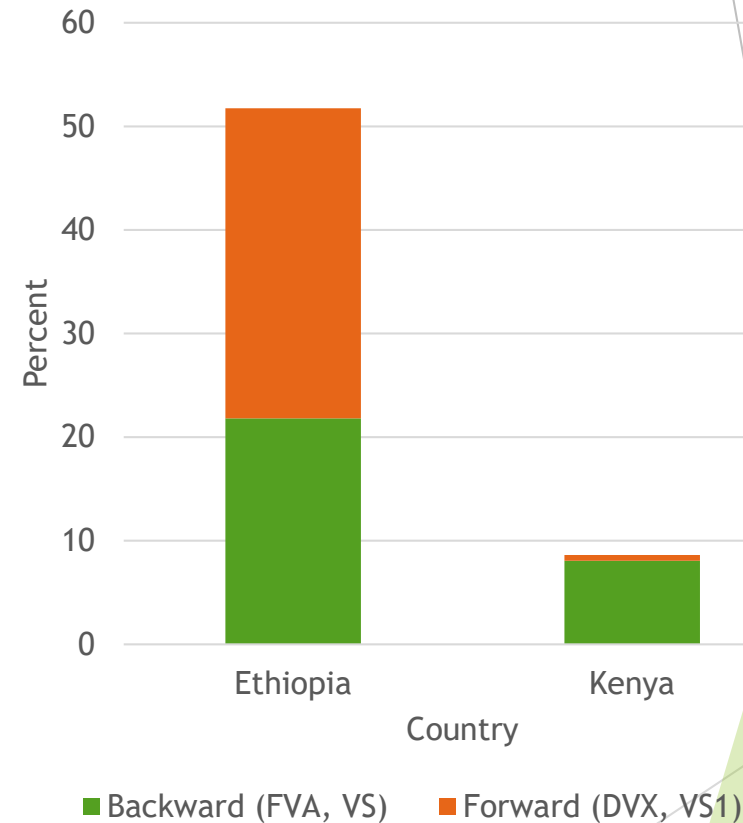
- ▶ The **Domestic Value Added (DVA) in exports** are the value added in exports whose the outputs are produced by domestic industries
- ▶ The **Foreign Value Added (FVA) in exports** are the value added in exports whose the outputs are produced by foreign industries
 - ▶ Known as “**VS**” in the **technical literature**.
 - ▶ Known of **backward participation** in the **policy literature**
- ▶ The **Indirect Domestic Value added (DVX) in exports**, i.e., Value Added that is embodied in the exports of other countries, upstream contributions of DVA of other industries
 - ▶ Known as “**VS1**” in the **technical literature**.
 - ▶ Known as **forward linkages** in the **policy literature**.
- ▶ **GVC Participation Index = (FVA+DVX)/Gross exports** that is the best indicator which shows how the sector involved in RVCs/GVCs through both backward and forward linkages.

2. Case of Tourism Value Chains in Ethiopia and Kenya?

- Breakdown of Gross Exports by Origin

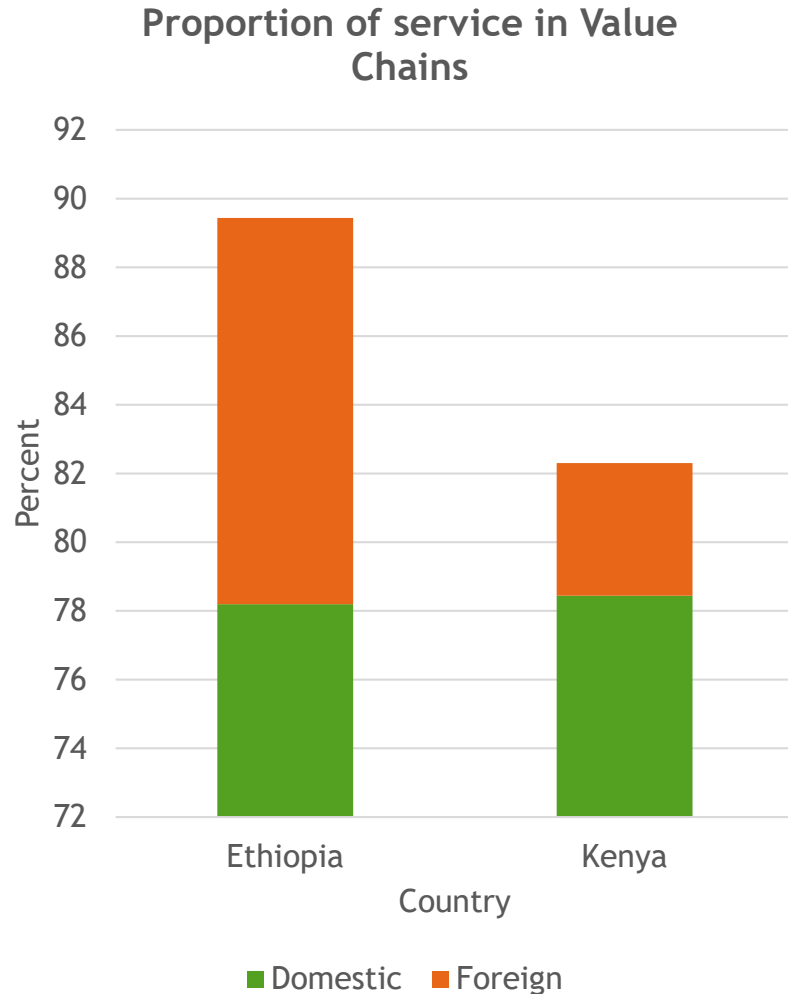


- GVC Participation



- ▶ The data suggest that although Kenya's sector is much larger than Ethiopia's, the latter is more involved in RVCs/GVCs through both backward and forward linkages.

2. Case of Tourism Value Chains in Ethiopia and Kenya?

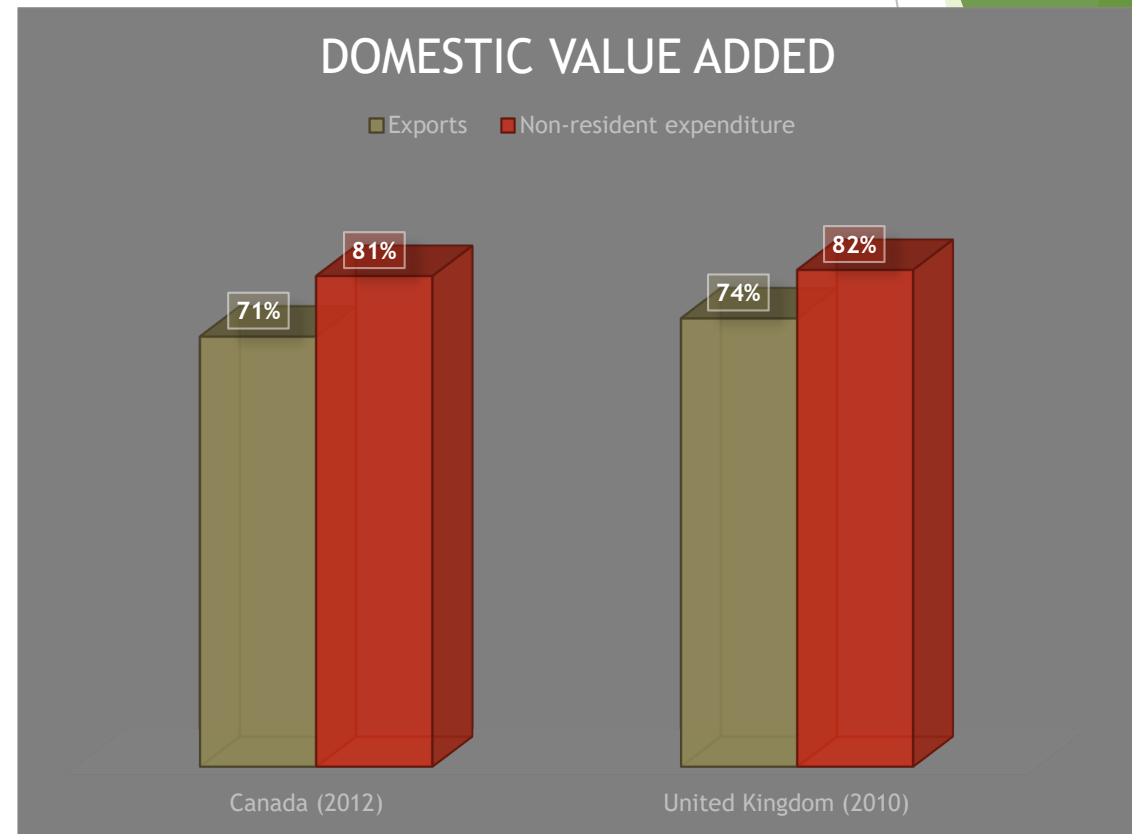


- ▶ The origin of hotels & restaurants sector exports is mostly services in both countries.
- ▶ But there is a much higher proportion of imported services in Ethiopia.

3. Case of Domestic Value Added in tourism sectors in Canada and UK

Domestic Value Added generated by tourism sectors

- ▶ Whereas 1 CAD of exports generates 71 cents of Canadian value added, 1 CAD of non-resident expenditure generates 81 cents of Canadian value added.
- ▶ In the United Kingdom, whereas 1 GBP of exports generates 74 pence of value added, 1 GBP of non-resident expenditures generates 82 pence of value added.



3. Case of Domestic Value Added in tourism sectors in Canada and UK

- ▶ In addition to Domestic Value Added (Direct Value Added), the model allows to compile the Indirect Value Added.
- ▶ For example,
 - In Canada, in 2012, each CAD of direct value added generated by non-resident expenditure generated an additional 70 cents of upstream value added.
 - In the United Kingdom, in 2010, each GBP of direct value added generated by non-resident expenditure generated an additional 48 pence of upstream value added.

4. Some implications for policy making

- ▶ **Quantifying the value generated in the tourism value chain makes it possible**
 - to identify which type of tourism activities - and tourists - add more value, .. (OECD, 2017)
 - better understanding of these bilateral exchanges (the direct and indirect impacts of tourism)
 - identification of **source markets** which generate more value added in the domestic economy.
 - **how** upstream domestic industries (backward linkages) contribute to tourism exports

4. Some implications for policy making

▶ Quantifying the value generated in the tourism value chain makes it possible

- help to respond to key policy/statistics questions such as:
 - ❖ How much value does tourism add to economies?
 - ❖ Does tourism create additional trade?
 - ❖ Do tourism services have 'high or low' domestic value added content?
 - ❖ How does tourism compare to the rest of the economy?
 - ❖ What is the upstream impact of tourism on other domestic industries?

Thank You