

UNCTAD Multi-year Expert Meeting on  
**TRADE, SERVICES AND DEVELOPMENT**

Geneva, 18-20 July 2017

**Support Economic Transformation:  
Services and Economic Transformation**

by

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.

\* Based on Balchin, N., Hoekman, B., Martin, H., Mendez-Parra, M., Papadavid, P. Primack, D., te Velde, D W (2016) 'Trade in Services and Economic Transformation.



## SERVICES AND ECONOMIC TRANSFORMATION



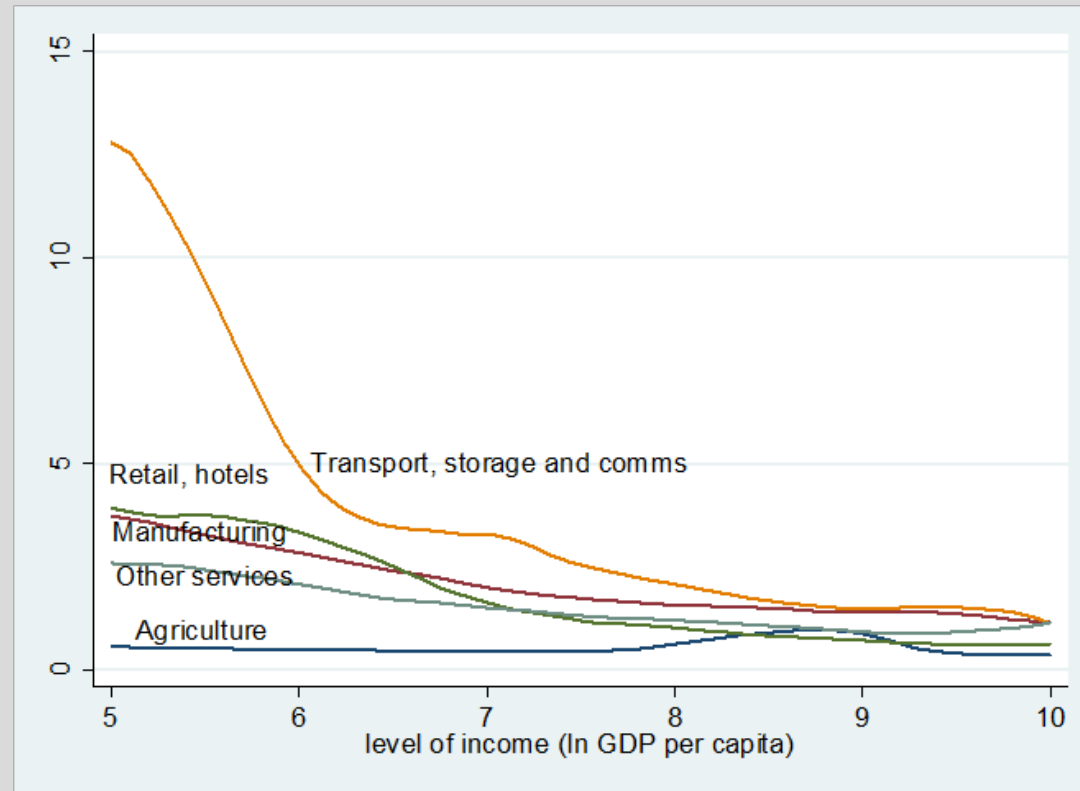
**Presentation at UNCTAD Services Experts meeting; 18-20 July 2017  
By Dr Dirk Willem te Velde (ODI)**

**Based on Balchin, N., Hoekman, B., Martin, H., Mendez-Parra, M., Papadavid, P,  
Primack, D., te Velde, D W (2016) 'Trade in Services and Economic Transformation',  
SET report, November. London: SET.**

# INTRODUCTION AND OVERVIEW

- Services used to be regarded as a laggard sector not being able to drive economic transformation, but new empirical evidence leads to a new view.
- Currently three services-led transformation models:
  - Services as result of premature deindustrialisation
  - Maximise services exports and growth (escalator services)
  - Services at *the service* of the economy as a whole
- New evidence corroborating these models
- Conclusions and implications: services can play important role in ET and job creation but requires active approach

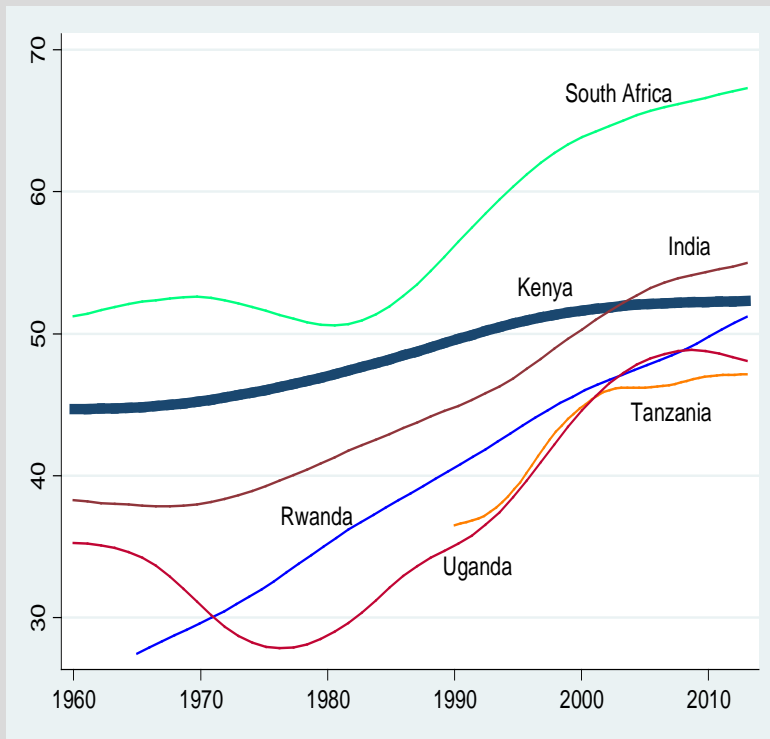
# LARGE RELATIVE LABOUR PRODUCTIVITY DIFFERENCES AT LOW INCOME LEVELS SUGGEST LARGE TRANSFORMATION OPPORTUNITIES



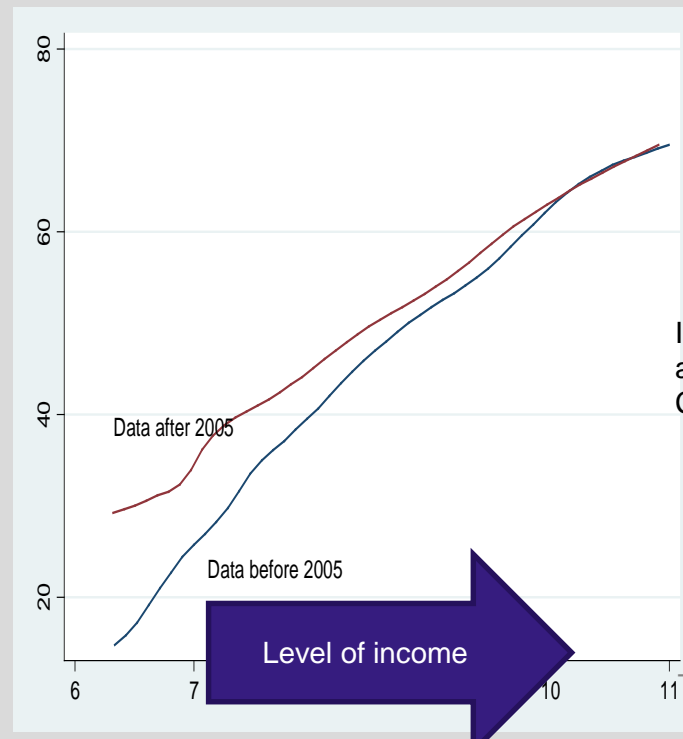
**“Role and scope of services in GDP, employment, exports and value chains is growing: creating quality services linkages for agriculture & manufacturing is crucial”**

# ROLE OF SERVICES IN ECONOMIC TRANSFORMATION IS CHANGING

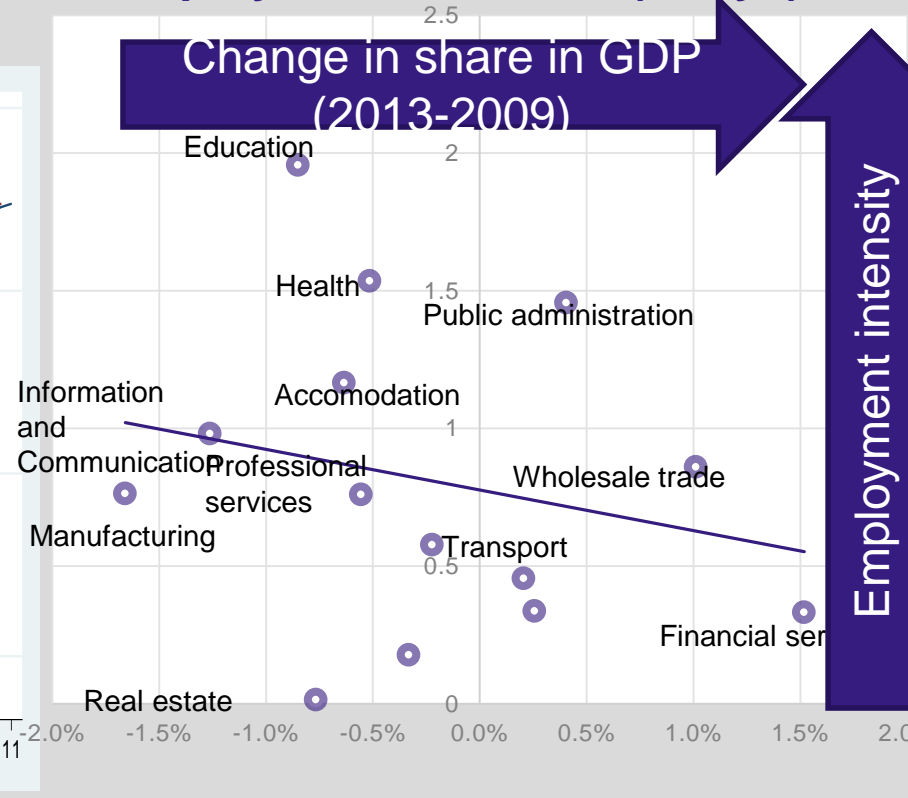
Share of services in value added 1960-2013



Share of services in employment (pre/post 2005)



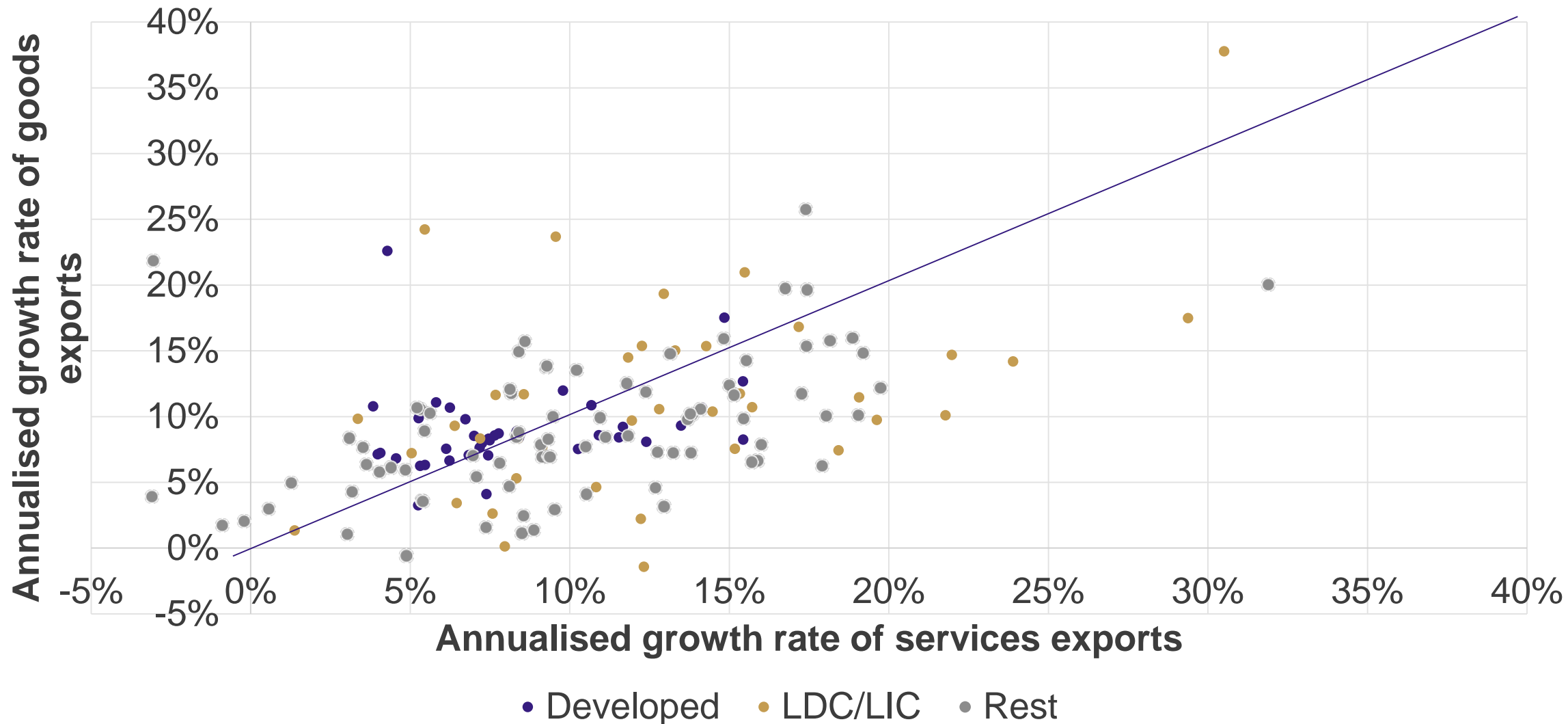
High growth services least employment intensive (Kenya)



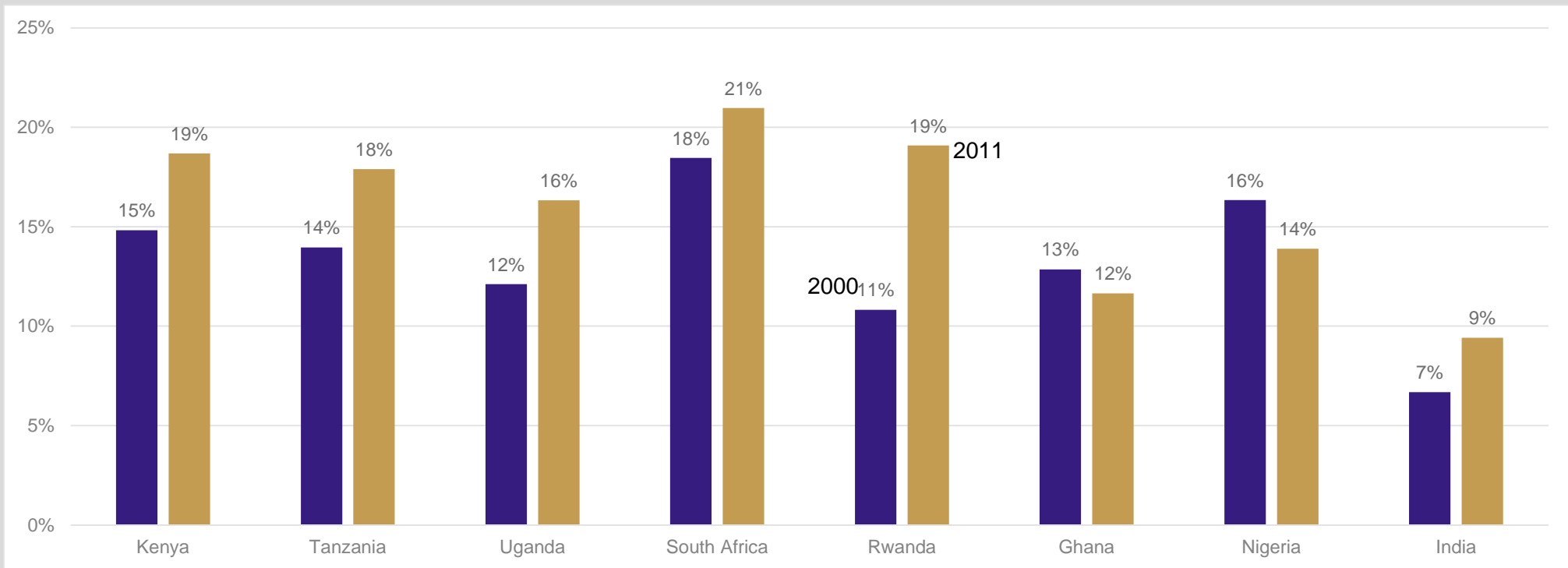
Source: World Development Indicators, Kenya Statistical Abstract 2014

Note: Change in GDP share (2013-2009), percentage point, and employment intensity (2009) as wage employment divided by value added.

# ANNUAL GROWTH IN GOODS / SERVICES EXPORTS 1998–2012



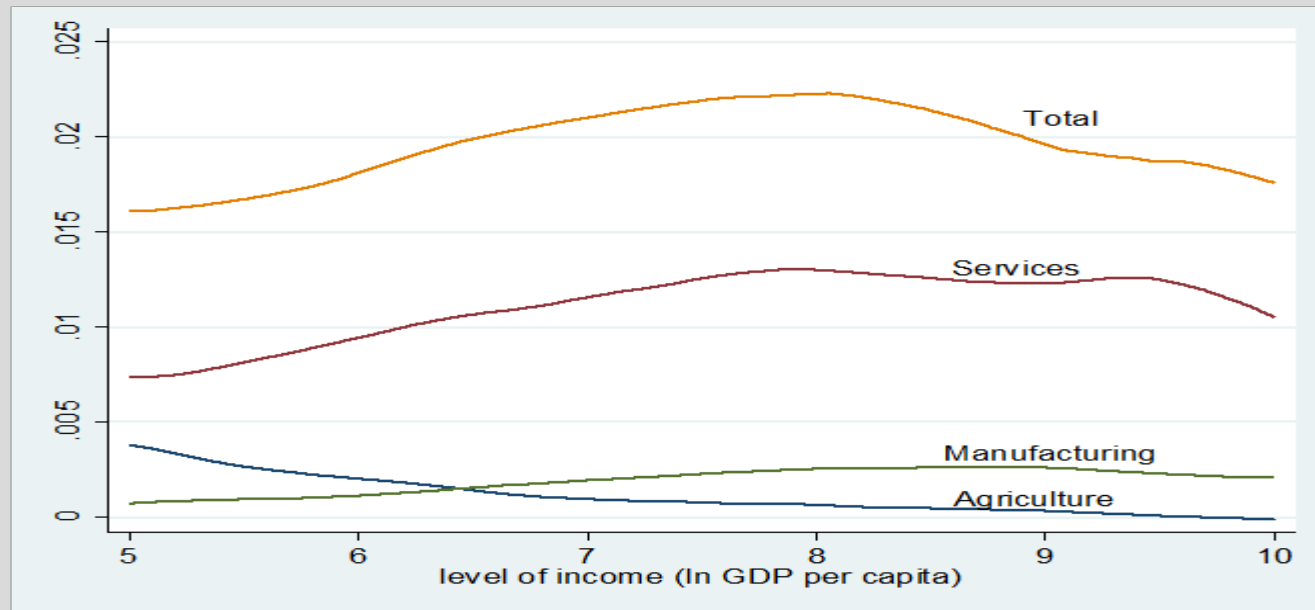
# A DIFFERENT LOOK AT SERVICES REQUIRED CONTRIBUTION OF SERVICES TO VALUE ADDED IN EXPORTS (2000 AND 2011) (E.G. VALUE CHAINS)



Source: SET data analysis using EORA input-output database

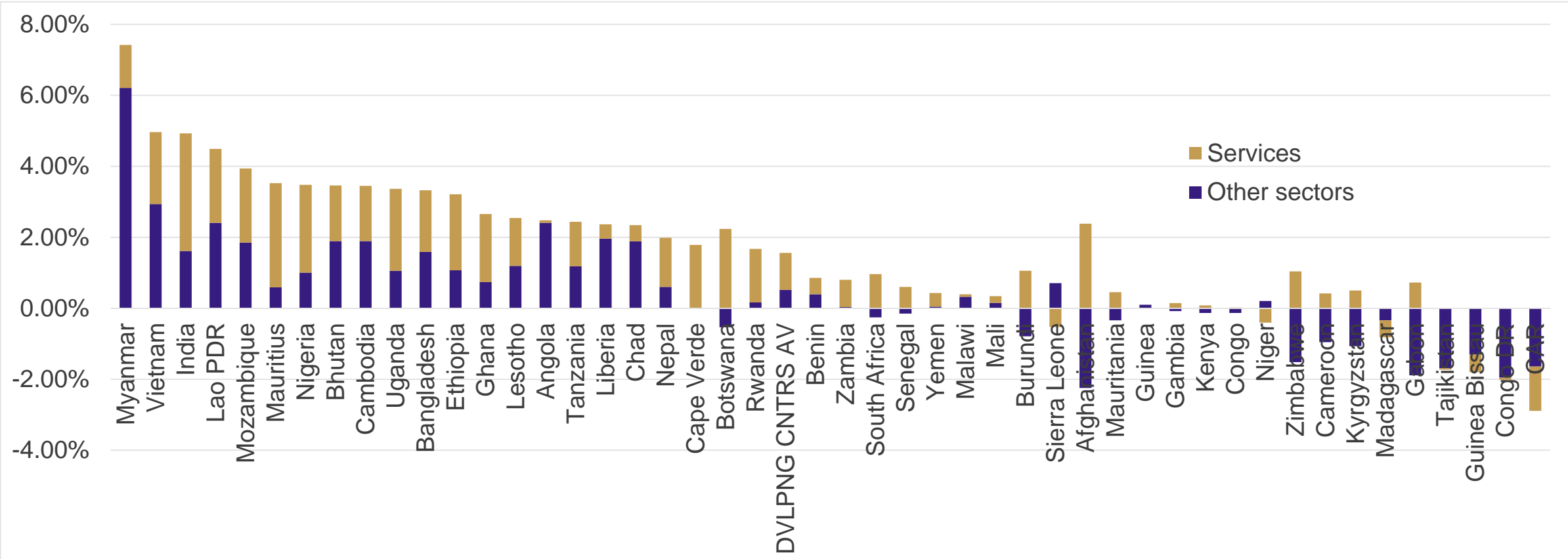


# CONTRIBUTION OF DIFFERENT SECTORS TO PRODUCTIVITY CHANGE, BY LEVEL OF INCOME



Source: UN and ILO database, data available from <http://set.odi.org/> Data pooled for all developing countries over 1991-2013

# CONTRIBUTION SERVICES TO ANNUAL LABOUR PRODUCTIVITY GROWTH, BY COUNTRY, 1991–2013



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# CASE STUDIES

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Balchin et al (2016) explores the link between services and economic transformation in a range of developing country cases in five services sectors:

- financial services in Kenya and Nigeria;
- hydropower transmission services in Lesotho and Nepal;
- information and communication technology (ICT) services in India, Mauritius and Senegal;
- tourism services in Mauritius and Tanzania and
- trade in air transport services in Ethiopia and Kenya (comparing the performance of Ethiopian and Kenyan airlines).

The sectors illustrate the wide variety of impacts of trade in services on economic transformation, but each example is successful in its own way: direct (ICT exports), indirect (e.g. tourism) and second order (finance, power, transport, ICT etc)

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## CONCLUSIONS AND IMPLICATIONS

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- Need to update our empirical base on role of services
- Very different services-led transformation models; trade is an important aspect.
- Needs active approach to get the most out of the services sector (this includes trade policies)

# SET

## SUPPORTING ECONOMIC TRANSFORMATION

The Supporting Economic Transformation (SET) is an ODI programme funded by UK DFID to support countries in their quest for economic transformation through data and policy analysis and co-creating. The views expressed are those of the researchers and do not necessarily represent the views of ODI or DFID.

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