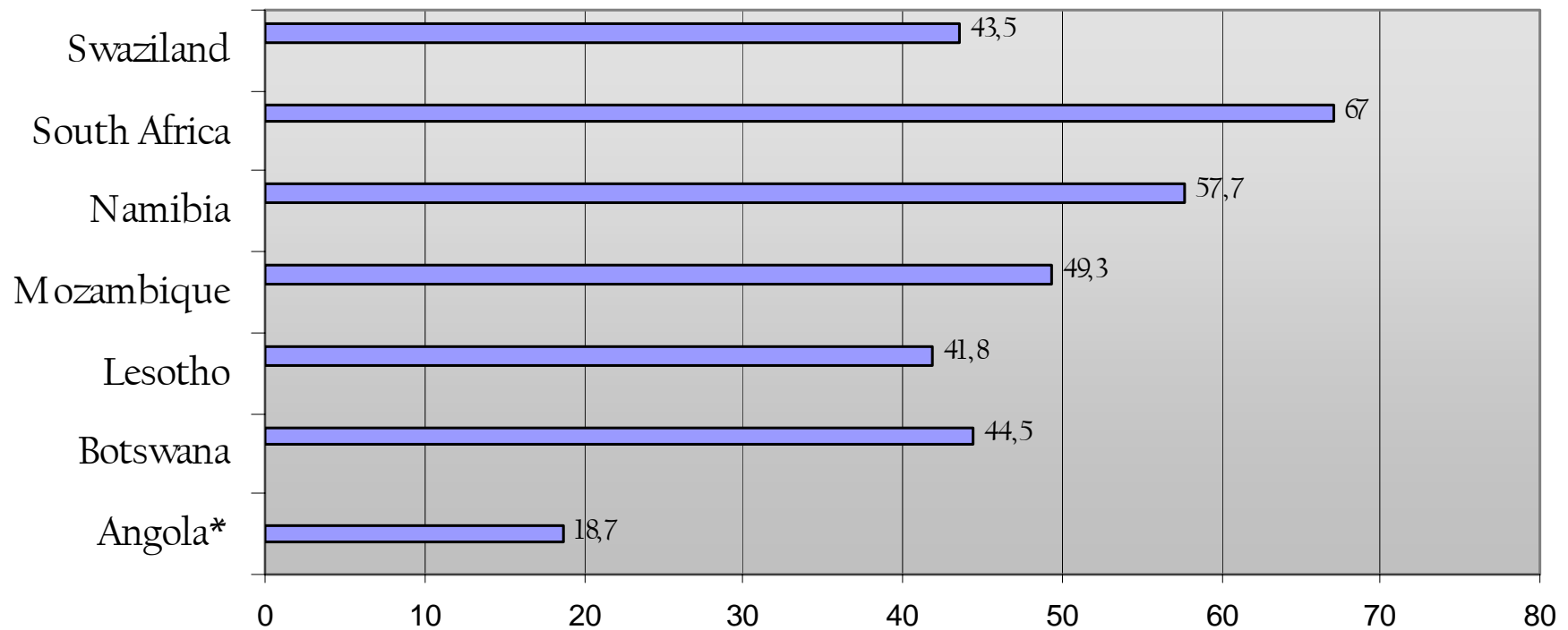


Services and development

Lluís Navarro
20th February 2008

Services sector 2006 (% of GDP)



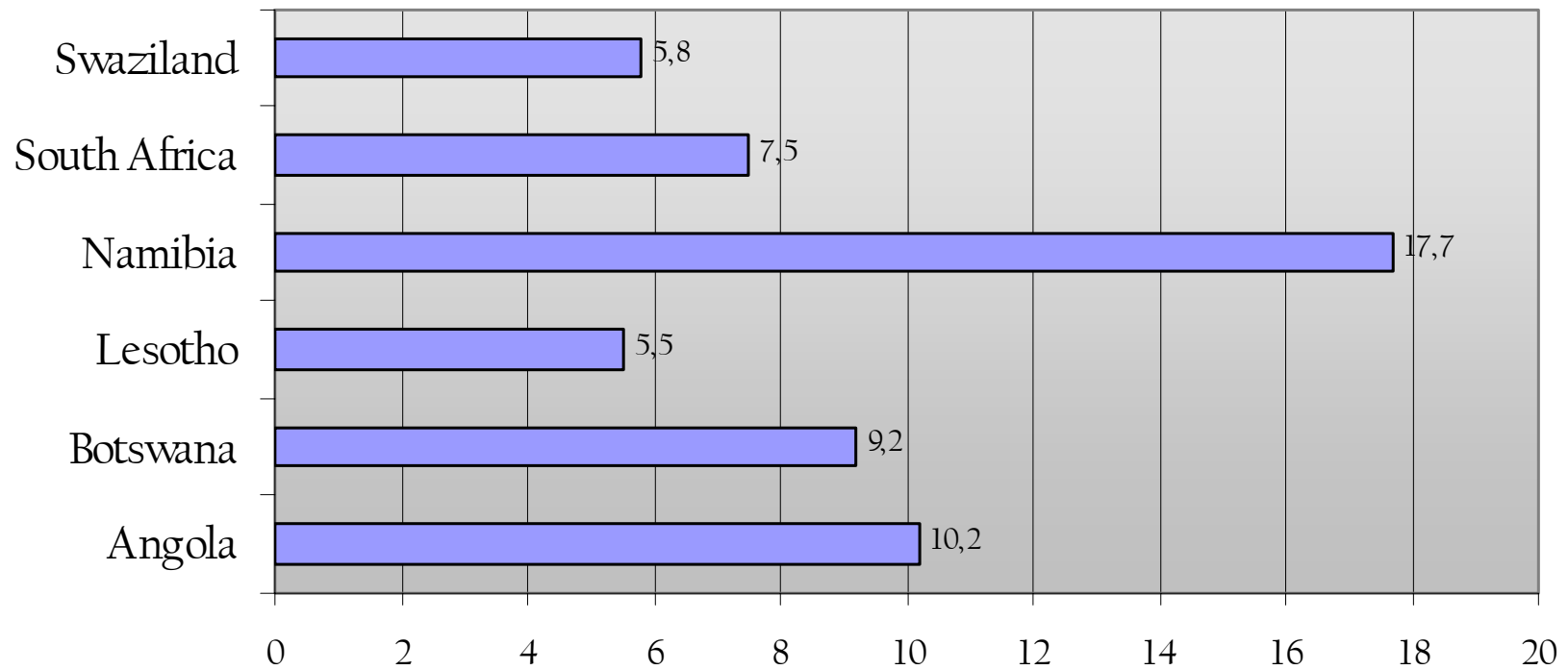
Source: World Bank

* Value of 2005

The services sector

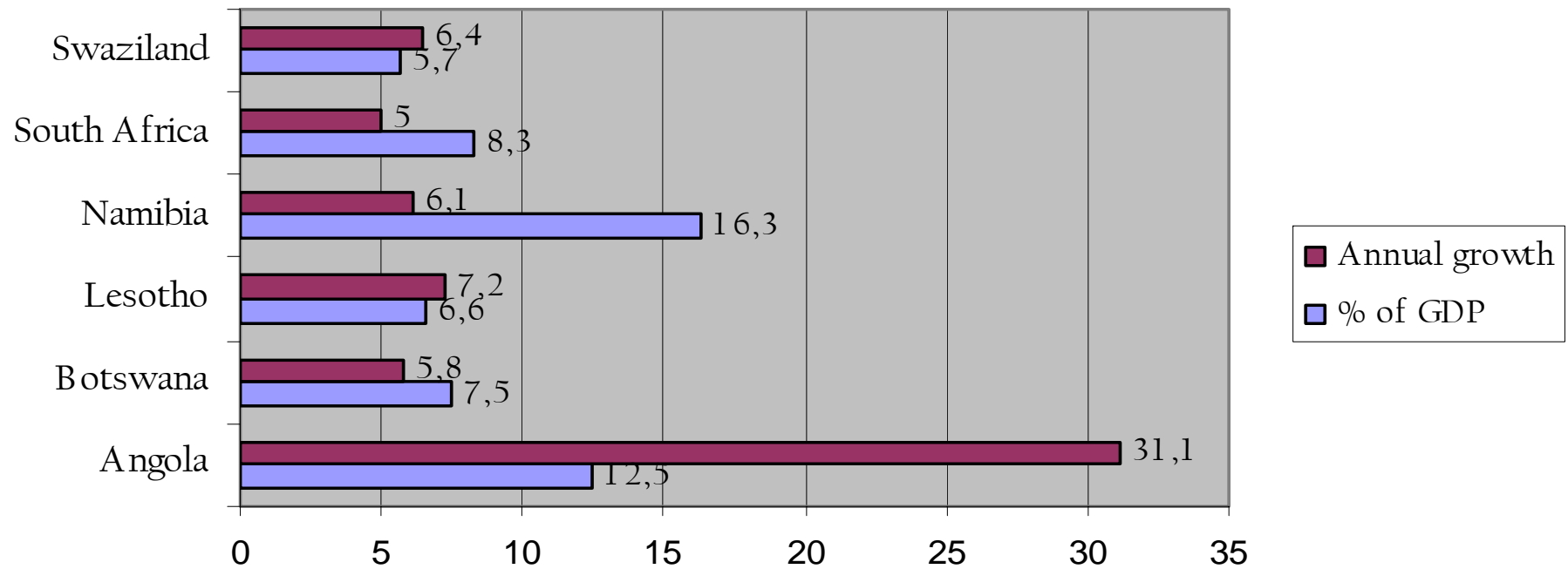
- Share of services in GDP is growing.
- Many services are labour-intensive.
- More than half of worldwide FDI is in services.
- Trade in services is also growing faster than production or merchandise trade.
- Example: Botswana's services exports have grown at 28% p.y. for a decade => share of services in total X has risen from 7% to 20%

Travel & Tourism Employment - 2007 (% of Total)



Source: World Travel & Tourism Council

Travel & Tourism Economy - 2007



Source: World Travel & Tourism Council

Services and development

- Services are essential for the poor: health, education, transportation, water supply, power supply...
- Costs of services and competitiveness of service sector can have an impact on innovation and benefit the poor.
- Example: liberalisation of telecoms and finance led to mobile phone banking/financial services for the poor.

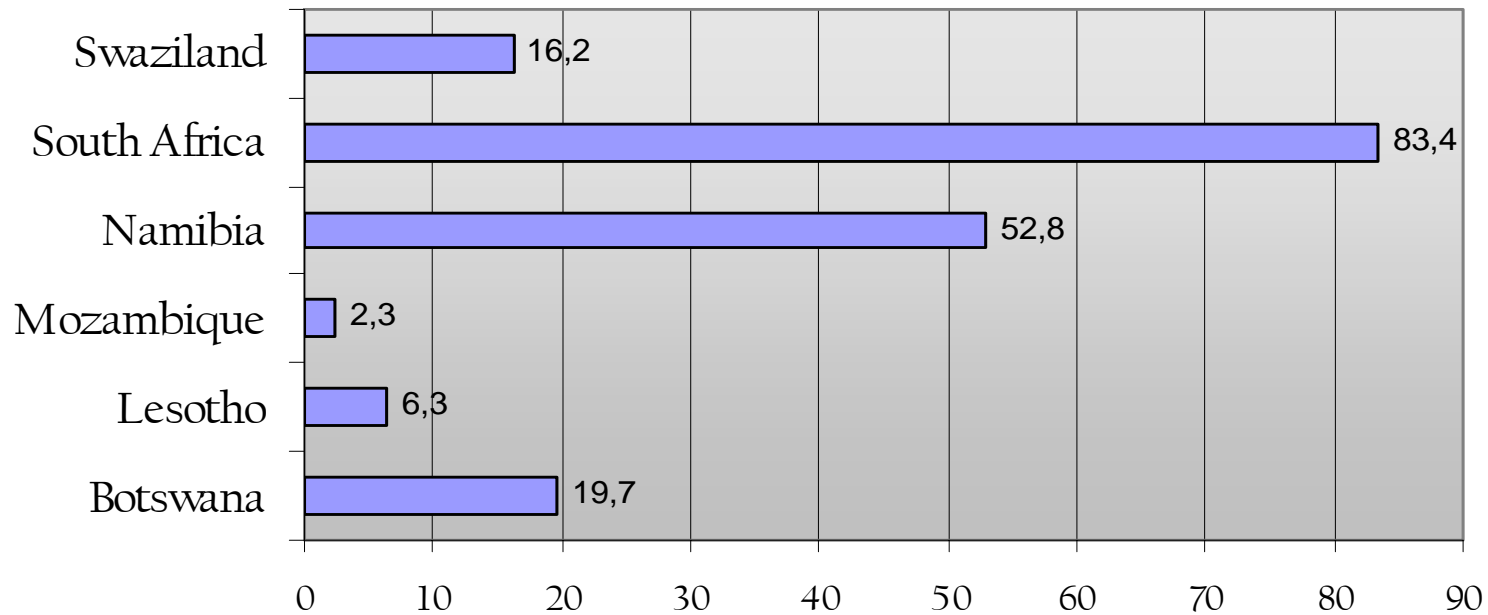
Services role in the economy

- Services underpin all economic activities: telecommunications, transport, access to finance, business services... => competitiveness
- Competitiveness of African firms is often hampered by indirect costs:
 - Direct unit labour costs of producing a shirt: \$0,16 in Africa vs. \$0,23 in China (Source Eifert, Gelb & Ramachandran 2005)
 - But indirect costs, mostly related to services, in Africa account for 20-30% of total costs: energy (1/3), cost of finance, transport, telecom, security...
 - Plus limited market access: limited regional integration, small domestic markets.
- Different services sectors and services and industry are closely intertwined. Example: Kenya flower industry.

Financial Services Sector

- Range, quality and price of financial services influence the efficiency of all other sectors.
- Important for firm entry - Vital for international trade or expansion of production by local traders.
- Essential to have in place an appropriate institutional framework: with capacity to regulate and supervise the financial sector.
- Financial services sector in SADC countries is very diverse in terms of sophistication and depth.

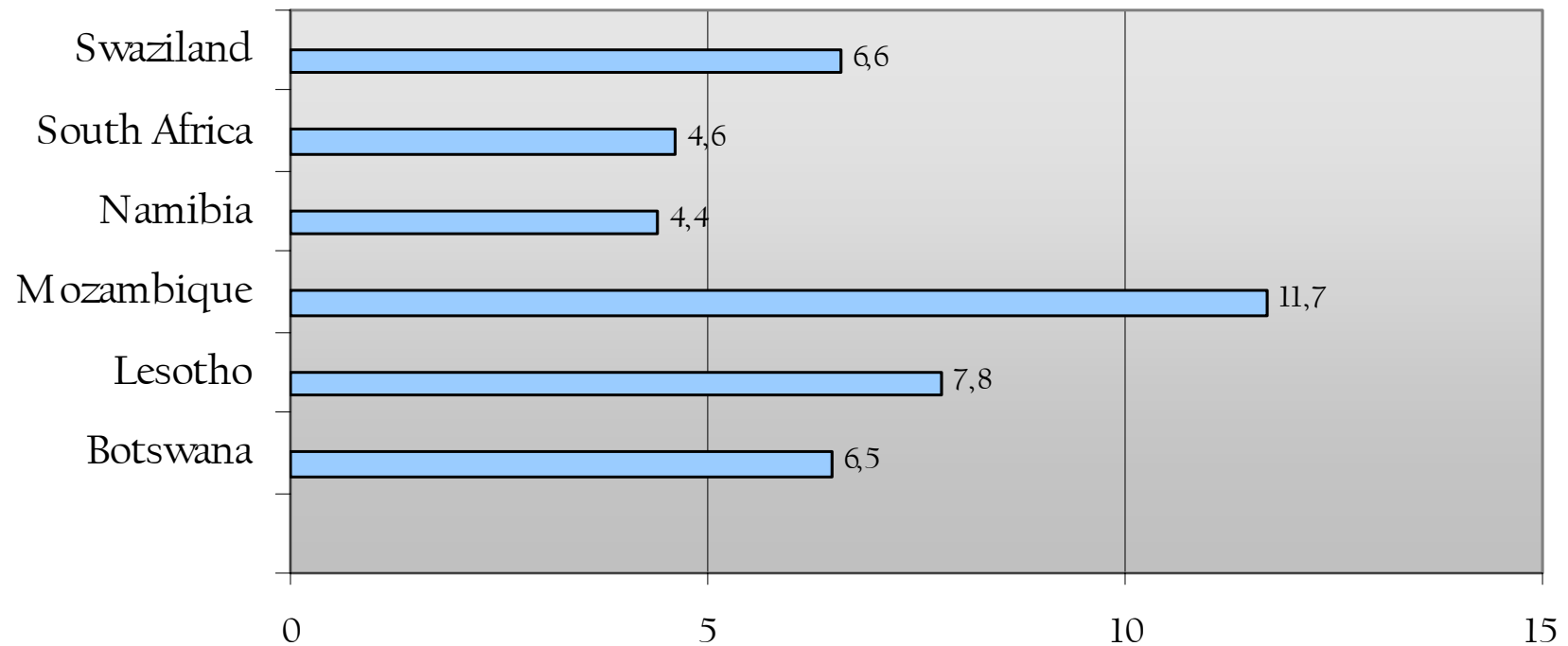
Domestic credit to private sector 2004 (% of GDP)



Source: IMF

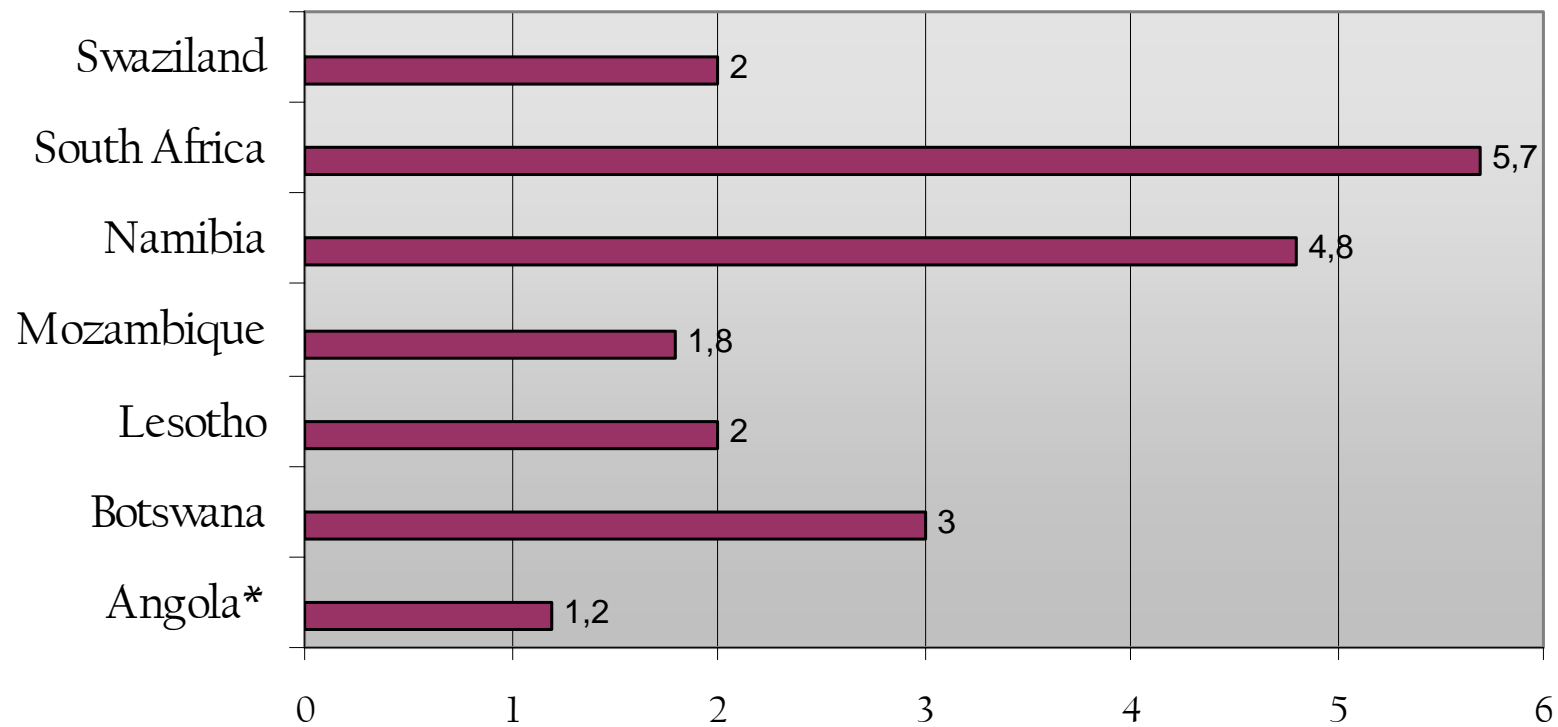
Interest rate spread - 2005

(lending minus deposit, percentage points)



Source: World Bank

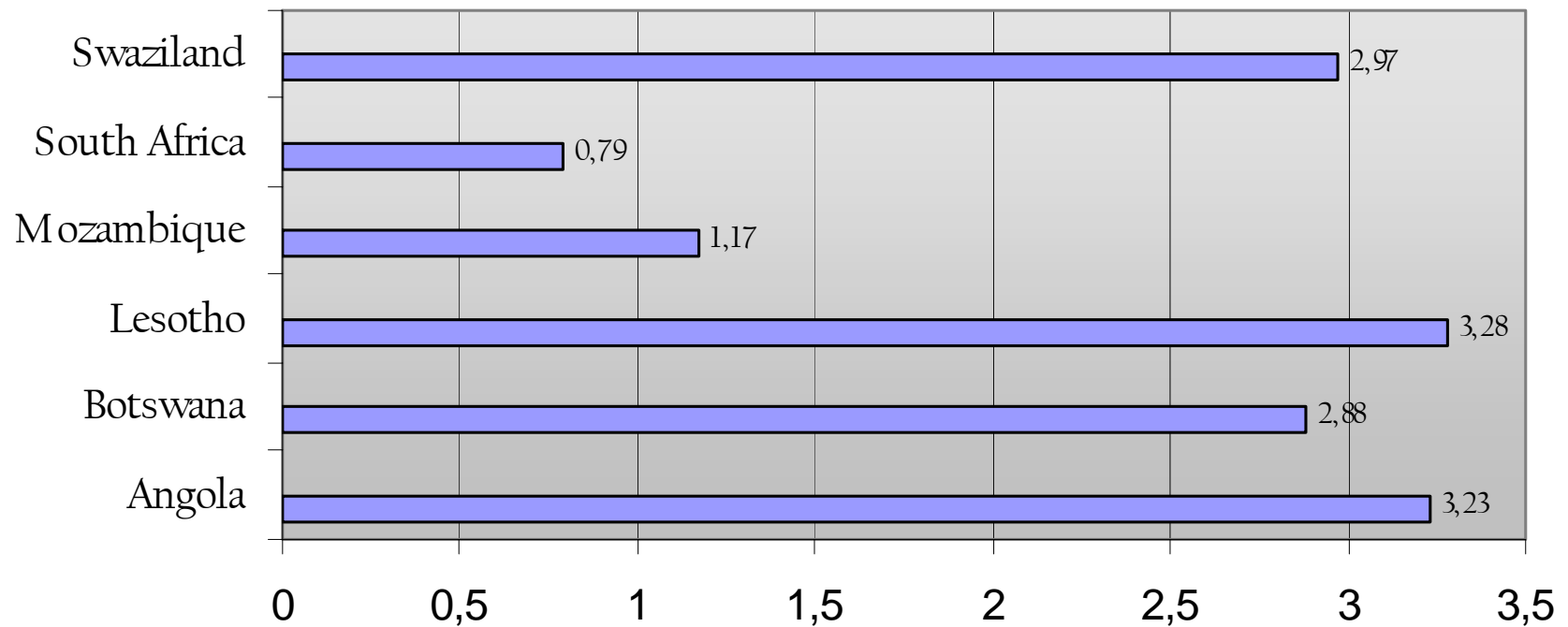
Total telecom revenue 2005 (% of GDP)



Source: World Bank

*Value of 2000

Price of call to the USA - 2005 (US\$ per min.)



Source: World Bank

Thanks!