Why should we care?

- **Context:**
  - Series of shocks rocking the global economy: COVID, conflict, climate
  - Forecasts of low growth and high inflation

- **Challenge:**
  - Reignite growth, and increase productivity/competitiveness to boost supply capacity in a sustainable manner
  - **Manufacturing** used to be the recipe, but production is concentrated, and benefits to developing countries are diminishing
  - **Services** are strong, but most lack characteristics that drive economic transformation (e.g. high productivity, links to the rest of the economy, innovation, absorption of labor)

- **Solution (or part of):** Connected services
What are connected services?

The four sectors are at the center of contemporary economic trends:
- **Servicification:** they connect companies within value chains
- **Digitalization:** they connect companies to digital innovation
Why are connected services critical?

DIRECT EFFECT

More jobs, innovation, exports, output in connected services

INDIRECT EFFECT

Better service inputs

All companies more competitive

More jobs, innovation, exports, output in other sectors

Economic transformation
They contribute directly to economic growth

**Faster growth**

in value added

<table>
<thead>
<tr>
<th>Service</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connected services</td>
<td>5%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>4.2%</td>
</tr>
<tr>
<td>Other services</td>
<td>4%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>3.7%</td>
</tr>
</tbody>
</table>

2005 – 2018 yearly average

Connected services are increasingly traded as inputs into other sectors

**Rising employment**

in low income countries

<table>
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<tr>
<th>Service</th>
<th>Growth Rate</th>
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<tbody>
<tr>
<td>Connected services</td>
<td>8%</td>
</tr>
<tr>
<td>Other services</td>
<td>6%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>4%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>2%</td>
</tr>
</tbody>
</table>

2007 – 2019 yearly average

Employment growth is noticeable across levels of economic development, and especially in low-income countries
….and *indirectly* by increasing competitiveness

**Logistics services**

- Improve inventory management and timely delivery

- **78%** vs. **36%**
  - of companies with access to high-quality services
  - of companies with access to low-quality services

- Have good inventory management practices

**Financial services**

- Support innovation

- **46%** vs. **31%**
  - of companies with access to high-quality services
  - of companies with access to low-quality services

- Often create new products or processes

**ICT services**

- Help connect to buyers, suppliers

- **58%** vs. **35%**
  - of companies with access to high-quality services
  - of companies with access to low-quality services

- Have a website
More competitive firms export more

Regions with strong connected services have more exporters, in all sectors.

Source: ITC, based on ITC SME Competitiveness Surveys.
Unfortunately, access remains unequal

Large firms are more likely to access all connected services

Large firms are more satisfied with the quality of services received

Bar charts showing:
- 65% of large firms vs 38% of SMEs with access to all connected services
- 53% of large firms vs 34% of SMEs with access to high-quality connected services
### Making connected services more competitive

The Connected Services, Competitive Businesses Plan

<table>
<thead>
<tr>
<th>CONNECTED SERVICES FIRMS</th>
<th>BUSINESS SUPPORT ORGANIZATIONS</th>
<th>GOVERNMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GROW NETWORKS</strong></td>
<td>Build networks to learn and upgrade</td>
<td>Build online networks and services coalitions</td>
</tr>
<tr>
<td><strong>INNOVATE</strong></td>
<td>Invest in research, certification and customization</td>
<td>Create spaces for innovation and collaboration</td>
</tr>
<tr>
<td><strong>DEEPEN SKILLS</strong></td>
<td>Establish formal hiring processes and skills training</td>
<td>Improve digital skills of SMEs</td>
</tr>
<tr>
<td><strong>LEVERAGE FINANCE</strong></td>
<td>Improve financial management</td>
<td>Facilitate exchange of information between businesses and financial institutions</td>
</tr>
</tbody>
</table>
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