

## TC DOCUMENT

### I. Basic Information for TC

▪ Country/Region:	JAMAICA
▪ TC Name:	Support for Investment Promotion in Jamaica
▪ TC Number:	JA-T1210
▪ Team Leader/Members:	Umana, Mario Alberto (INT/TIN) Team Leader; Funes, Gerardo A (INT/INT) Alternate Team Leader; Acevedo Calle, Daniela (LEG/SGO); Dorantes Gomez, Angela Carmelia (INT/INT); Esteves, Yasmin (INT/INT); Shanalee Cawley (INT/TIN)
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	21 Sep 2022.
▪ Beneficiary:	Jamaica
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC SDP Window 2 - Integration(W2D)
▪ IDB Funding Requested:	US\$400,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	24 months (24 months)
▪ Required start date:	January 15 2023
▪ Types of consultants:	Firms and Consultants
▪ Prepared by Unit:	INT/TIN-Trade & Investment
▪ Unit of Disbursement Responsibility:	CCB/CJA-Country Office Jamaica
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	Yes
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation; Economic integration

### II. Objectives and Justification of the TC

2.1 The main objective of this TC is to promote higher flows of foreign direct investment (FDI) into Jamaica, Latin America and the Caribbean, through supporting the hosting of strategic promotion events. The specific objectives are (i) to increase the probability of transitioning investment leads to FDI in Jamaica following on from the hosting of the Jamaica Investment Forum; and (ii) to showcase higher value-added outsourcing segments of the Global Services Sector (GSS) in Jamaica, Latin American and the Caribbean.

2.2 **Latin America and the Caribbean show a rebound while Jamaica's FDI remains low in the face of negative financial market sentiments.** UNCTAD reported Global FDI flows in 2021 were \$1.58 trillion, up 64% from the exceptionally low level in 2020. FDI in Latin America and the Caribbean rose by 56 per cent to \$134 billion.<sup>1</sup> Reports indicate that most economies saw inflows rebound due to positive outlook. Jamaica, received \$320 million in FDI in 2021, which is a slight decline from 2020 which reported

<sup>1</sup> <https://unctad.org/press-material/global-foreign-direct-investment-recovered-pre-pandemic-levels-2021-uncertainty>.

325 million.<sup>2</sup> The FDI for 2021 is still about half of that which was received in the pre-pandemic period wherein in 2019 Jamaica's FDI stood at \$665 million. The prospect for the rebound of international business and cross-border investment in the global environment in 2022 is threatened with the war in Ukraine and the lingering effects of the Covid-19 pandemic which is causing drastic increase in food, fuel, and finance crisis in many countries around the world. UNCTAD reports that negative financial market sentiment and signs of a looming recession could accelerate an FDI downturn. Overall, the 2021 growth momentum is unlikely to be sustained in 2022, with forecasts predicting a downward trajectory, at best remaining flat.

**2.3 The TC focuses attention on supporting Jamaica to address challenges to attract FDI.**

Firstly, Jamaica needs to respond to the flat or slow rebound of FDI by encouraging investor confidence. Jamaica had successfully stabilized the economy, turning a fiscal deficit of 11 percent of GDP in 2009 into a 1 percent surplus in 2019<sup>3</sup>. This positive economic situation has continued through the Covid-19 pandemic. In this regard Jamaica has reported growth of 5.7 percent year on year in Q2 2022<sup>4</sup>. Prospects for the overall economy in the short-term are positive based on a number of factors, including the continuation of the country's recovery efforts in light of the COVID-19 pandemic and increased domestic demand due to continued expansion in employment levels as well as strengthening of external demand for Jamaica's goods and services e.g. Tourism.<sup>5</sup> Jamaica can position itself as an investor ready location by highlighting its positive economic outlook through direct engagement with the global market. As the Covid-19 pandemic numbers have steadily declined global travel has rebounded. Therefore, hybrid and in person engagements have become more common. This will enable a greater probability for business networking (local businesses with international investors) and more targeted discussions and identification of investment opportunities.

2.4 Given the negative outlook of the global market and the positive outlook of Jamaica's economy, Jamaica needs to package and promote investment opportunities that allow investors to diversify their risk. Accordingly, Jamaica can focus on FDI flows into sectors for which it has a competitive advantage or those business segments that show growth prospects such as the GSS. This initiative will build on existing work that is currently being undertaken by the Bank and JAMPRO under Loan JA-L1079.

**2.5 This TC presents an approach to attracting foreign direct investment (FDI) through strategic investor focused events.**

The hosting of an investor focused event will enable the positioning of Jamaica as an attractive investment location. It will provide a platform from which the country can present its investment prospects to potential investors. Thereby improving the probability of increasing FDI into the country as well as connecting local businesses with the global environment. In recent years the Government of Jamaica (GoJ) has hosted investment events through its investment agency JAMPRO. One such event was held in November 2021 which generated prospective active leads with an estimated value of US\$111 million in

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<sup>2</sup> <https://boj.org.jm/>.

<sup>3</sup> <https://imf.org>.

<sup>4</sup> [Review of Economic Performance, April–June 2022 - The Planning Institute of Jamaica \(pioj.gov.jm\)](#).

<sup>5</sup> Ibid, 4.

capital expenditure.<sup>6</sup> Jamaica's hosting of Outsource2Lac, which is a strategic event primarily focused on GSS in the region, could further bolster its position and the region (Latin America and the Caribbean) as an attractive investment location for outsourcing services. The Outsource2LAC event will facilitate a collaborative approach to engaging the global market regarding opportunities in Latin America and the Caribbean. Outsource2LAC creates an opportunity for governments, companies, and entrepreneurs to learn about the latest digital technologies, gain access to experts, vendors, and startups, and to enable business transactions by organizing B2B (business to business) and B2G (business to government) matchmaking meetings. Since its inception in 2011, Outsource2Lac has reported attendees from an average of 45 countries with more than 12,000 B2B meetings resulting in more than \$310 million in projected business deals.<sup>7</sup>

**2.6 Global Services Sector is projected to continue to grow and Jamaica, Latin America and the Caribbean can access investment opportunities.** The global business process outsourcing market was valued at USD 245.9 billion in 2021 and is projected to expand by 9.1% from 2022 to 2030. Earnings generated by Jamaica's Global Services Sector (GSS) is estimated to have more than doubled over the last six years, climbing from US\$400 million in 2016 to US\$900 million in 2021<sup>8</sup>. The potential for Jamaica to successfully upgrade to higher value segments in the GSS is high. Proximity to the United States and cultural affinity to this market, the largest English-speaking population in the Latin America and Caribbean, competitive labor and rental costs, robust telecommunications infrastructure, and priority given to the sector by the government, provides a significant competitive advantage. Some of these features are shared by many Latin American and Caribbean countries. It is reported that in Latin America, government technology initiatives and entrepreneurial workforces make for top spots that North American and European countries seek out for outsourcing needs<sup>9</sup>. This has resulted in countries such as Colombia, Brazil, Chile, Argentina, and Mexico being top outsourcing destinations. As mature locations move up the maturity curve by offering more complex, higher-value services, they become less competitive at lower-value services (which depend more on low-cost labor). Jamaica is considered a low- to medium-value, low- to medium-complexity destination for global outsourcing services. It performs better than regional peers such as Belize and Trinidad and Tobago but lags in both complexity and value relative to countries like Costa Rica and the Dominican Republic.<sup>10</sup> By hosting the Outsource2Lac event Jamaica can seek to reposition itself as a major player that is open for business in the outsourcing space in furtherance of attracting investment in higher value segments.

**2.7 Trade in services presents an opportunity to diversify exports.** Trade in services is a window of opportunity for diversifying the basket of traded products and increasing countries' resilience, which is especially appealing in the aftermath of the global recession caused by the Covid-19 pandemic and the measures adopted to mitigate

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<sup>6</sup> JAMPRO Explore Virtual Investment Conference November 2021 Update Report.

<sup>7</sup> <https://www.iadb.org/en/news/idbs-miami-lac-event-showcases-growing-tech-opportunities-latin-america-caribbean>.

<sup>8</sup> <https://jis.gov.jm/over-us900-million-in-earnings-46000-jobs-from-global-services-sector/>

<sup>9</sup> <https://nearshoreamericas.com/five-latin-american-places-growing-as-outsourcing-hot-spots/>

<sup>10</sup> <https://www.ifc.org/wps/wcm/connect/eec709f7-0739-4b35-885b-049fe2794dc2/CPSD-Jamaica.pdf?MOD=AJPERES&CVID=o5dUqca>

it.<sup>11</sup> Digital companies are exceptional in their ability to take advantage of the opportunities that emerge. Suppliers of digital services have experienced unexpected growth during the COVID-19 pandemic. For example, it is noted that, since Covid-19 was first reported in Jamaica, the sector has seen the establishment of 12 new outsourcing sites, employment of nearly 10,000 more workers and increased earnings.<sup>12</sup> As a result of the impact of the Covid-19 pandemic, it is expected that the digital services to be an integral and permanent component of global trade.

2.8 With technological advancements and product innovations, mid-size to smaller companies are increasing their market presence<sup>13</sup> in the outsourcing sector. Overall, by supporting the development of the services and digital sectors which normally have lower capital entry costs, higher benefits are likely for SMEs, gender policies, and positive territorial dispersion. It can help small and medium-sized enterprises integrate into global markets, through reductions in costs associated with transport and border operations and it significantly enhances the scope to trade services.<sup>14</sup>

2.9 **Strategic Alignment:** The TC is consistent with the Institutional Strategy Update 2020-2023 (AB-3190-2) by aligning itself with the challenges of: (i) productivity and innovation by supporting the hosting of hybrid events and utilizing digital channels to facilitate investment promotion; (ii) economic Integration, by supporting the initiatives of Jamaica and the wider Latin American and Caribbean region to foster foreign direct investment. The TC is also aligned with the priorities (trade facilitation and investment promotion) defined in the Integration and Trade Sector Framework Document (GN-2715-11) and it is also aligned with the new Jamaica Country Strategy (GN-3138), by focusing on private sector investment as essential for economic recovery and resilience. Accordingly, the TC is closely aligned with loan operation “Skills Development for Global Services in Jamaica” (JA-L1079, 4645/OCJA) and will be monitored to minimize overlaps. Finally, this TC is aligned with priority area 4: Global and regional competitive integration of the Strategic Program for Development Financed with Ordinary Capital (GN-2819-14) in: (i) supporting the harmonization of policies and procedures for greater integration productive; (ii) strengthen the capacities of the Bank's borrowing member countries to participate in regional initiatives; and (iii) deepen knowledge on regional and global integration.

### III. Description of activities/components and budget

3.1 **Component I: Support post-event business engagement following on from the hosting of Jamaica Investment Promotion Events (US\$75,000)** - The objective is to support the transition of investment leads to FDI in Jamaica. This component includes: (i) support for B2B meetings to strengthen investor engagement based on the leads generated from the investment forum; (ii) strategy development for the government and local SMEs to create roadmaps and linkages with interested investors; and (iii) preparation of detailed industry analysis in areas that investors show particular interest.

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<sup>11</sup> <https://publications.iadb.org/en/trade-services-latin-america-and-caribbean-overview-trends-costs-and-policies>

<sup>12</sup> <https://jamaica.loopnews.com/content/gloria-henry-gsaj-head-named-nearshore-executive-year>

<sup>13</sup> <https://www.mordorintelligence.com/industry-reports/business-processing-outsourcing-market>

<sup>14</sup> <https://www.oecd.org/industry/smes/PH-SME-Digitalisation-final.pdf>

**3.2 Component II: Regional Integration & promotion through supporting the hosting of Outsource2LAC (US\$325,000)** - This component is to foster regional integration and promote Jamaica and the region as an investment destination, for outsourcing opportunities and identify the necessary steps that must be taken to enable long-term growth and development in the GSS. It will finance the following activities: (i) support to SMEs, Trade Promotion Organizations (TPOs) and other specially invited guests/delegates from the region to attend the conference (ii) support for the planning and coordination of activities leading up to the event. (iii) support segments of the communication campaign for the event, which includes organizing promotional tours or satellite forums in key markets such as the United States. (iv) preparation and execution of promotional videos that feature business opportunities and achievements in selected IDB member countries.

**3.3 Budget.** The total estimated cost of the technical cooperation is US\$400,000 which will come from the Strategic Program for the Development Financed with Ordinary Capital (OC W2D).

Indicative Budget (US\$)		
Activity/Component	Description	IDB/W2D
<b>Component 1 - Support post-event business engagement following on from the hosting of Jamaica Investment Promotion Events</b>		
	B2B engagement through the preparation of detailed Industry Analysis and Investment Strategy.	75,000
<b>Component 2 - Regional Integration &amp; Promotion through Outsource2LAC</b>		
	Travel expenses for SMEs, TPOs & Speaker.	168,000
	Consultant to support planning and coordination of the activities for the O2Lac event.	50,000
	Short (up to 3-Minutes) Video Production of GSS opportunities across selected Latin America & Caribbean countries, with a special extended feature (10-12 mins) in Jamaica.	64,000
	Support for the execution of O2Lac Communications Campaign in key markets- Organize and execute Promotional Tours/Satellite Forums (4).	25,000
	Communications Consultant to support the development of 6 promotional video production.	18,000
<b>TOTAL</b>		<b>400,000</b>

**3.4** Supervision of the TC will be carried out by the Trade and Investment Division of the Integration and Trade Sector (INT/TIN) through the team leader, Mario Umaña, Lead Trade Specialist, who will be responsible for execution, with support from other team members. Project output indicators will be monitored following the Monitoring and Evaluation framework of the Bank.

#### **IV. Executing agency and execution structure**

**4.1** The Bank has the technical specialized experience and technical, operational, and institutional capacity to duly and timely design, coordinate and execute the activities included in the TC; (ii) the TC will need extensive coordination with different institutions and organizations within and outside of Jamaica; and (iii) the beneficiary requested the Bank to be the executor given the technical difficulties related to the project.

Furthermore, the Bank is experienced in working with international entities and networks to execute activities of this nature and can ensure the sustainability of the implementation of the project in line with the Operational Guidelines for Technical Cooperation Products (GN-2629-1) and Procedures for the Processing of Technical Cooperation Operations and Related Matters (OP-619-4 Annex II, C 2.2).

- 4.2 **Procurement.** All activities to be executed under this TC will be included in the Procurement Plan and will be contracted in accordance with Bank policies as follows: (a) AM-650 for Individual consultants; (b) GN-2765-4 and Guidelines OP-1155-4 for Consulting Firms for services of an intellectual nature; and (c) GN-2303-28 for logistics and other related services.

## **V. Major issues/risks**

- 5.1 The risk level of the execution of this TC is considered low.
- 5.2 With regard to Component II in particular, there are two main risks: the continuity of the impact of the Covid-19 pandemic and the increased cost for airline tickets may be a deterrent for some international travelers and negatively impact attendance at the event. To mitigate this risk, a hybrid approach for the hosting of the event will be facilitated to ensure engagement online as well as in person. Additionally, Outsource2LAC is a complex event that involves more than 20 jurisdictions, and it is the first time that it is being hosted in a small island country in the Caribbean. The coordination risk is substantial, but it is mitigated by the strong partnership with JAMPRO, a leading Trade and Investment Agency in LAC and their experience with organizing equally complex events, like the recent World Free Zones Organization annual international conference and exhibition 2022. This entity is an active stakeholder with a vested interest in the project, especially given that it is the executing agency for loan operation JA-L1079. They will be supported by the experience of the IDB in this area.

## **VI. Exceptions to Bank policy**

- 6.1 This project does not contemplate any exceptions to Bank policy.

## **VII. Environmental and Social Strategy**

- 7.1 This Technical Cooperation is not intended to finance pre-feasibility or feasibility studies of specific investment projects or environmental and social studies associated with them; therefore, this TC does not have applicable requirements of the Banks Environmental and Social Policy Framework (ESPF).

## **VIII. Required Annexes:**

[Request from the Client - JA-T1210](#)

[Results Matrix - JA-T1210](#)

[Terms of Reference - JA-T1210](#)

[Procurement Plan - JA-T1210](#)