

## TC DOCUMENT

### I. Basic Information for TC

▪ Country/Region:	Jamaica/CCB - Caribbean Group
▪ TC Name:	Jamaica Global Services Sector – Moving Firms Up the Global Value Chain
▪ TC Number:	JA-T1162
▪ Team Leader/Members:	Lucenti, Krista (INT/TIN) Team Leader; Bertrand, Annie (IFD/CTI); Franklyn, Russell Levon (IFD/CTI); Pavon, Fernando Yitzack (SCL/LMK); Centeno Lappas Monica Clara Angelica (LEG/SGO); Gomez Gonzalez, Maria Margarita (INT/INT); Drakes, Lisa (IFD/CTI); Lindsay, Courtney Oliver (IFD/CTI)
▪ Taxonomy:	Client Support
▪ Date of TC Abstract authorization:	October 12, 2018
▪ Beneficiary:	Jamaica
▪ Executing Agency:	Inter-American Development Bank
▪ Donors providing funding:	Compete Caribbean Partnership Facility (CCPF)
▪ IDB Funding Requested:	US\$400,000.00
▪ Local counterpart funding, if any:	US\$40,000.00 (Cash); US\$40,000.00 (In Kind)
▪ Disbursement period:	24 months
▪ Required start date:	March 1, 2019
▪ Types of consultants:	Consulting firms; individual consultants
▪ Prepared by Unit:	Trade and Investment Division (INT/TIN)
▪ Unit of Disbursement Responsibility:	Integration and Trade Sector (INT/INT)
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and Innovation; Economic integration

### II. Objectives and Justification of the TC

- 2.1 **Global Services are those services that have been transformed by information and communications technology**, enabling them to be digitized, codified, fragmented and undertaken at any distance from the core business and final customer.<sup>1</sup> They can be divided into three main segments: (i) Business Process Outsourcing (BPO), which is the sub-contracting of specific business processes to a third party, which can, in turn, be divided into two categories: back office outsourcing, (which includes internal business functions such as billing or purchasing), and front office outsourcing (which includes customer-related services such as marketing and technical support); (ii) Information Technology Outsourcing (ITO), which is centred around the production and use of software, including services such as network management, applications development, IT consulting, and software research and development; and (iii) Knowledge Process Outsourcing (KPO), which is the outsourcing to providers with highly skilled and specialized professionals to deliver services at a strategic rather than operational level, including services such as market intelligence, business analytics, and legal services.

<sup>1</sup> Paragraph replicated from loan operation “Skills Development for Global Services in Jamaica” JA-L1079. Definitions for BPO, ITO and KPO were originally sourced from Fernandez-Stark G. G. (2010).

- 2.2 **Following worldwide trends, the Global Services Sector (GSS) in Jamaica has experienced rapid growth over the past few years and generated high levels of employment. This is expected to continue.** Exports of global services have increased from nearly US\$52 million to US\$223 million between 2011 and 2016, an increase of 331 percent.<sup>2</sup> This translates into a share of global services from almost 2 percent of total services exports in 2011 to nearly 7 percent in 2016.<sup>3</sup> This growth generated an increase in employment from approximately 14,000 persons in 2015<sup>4</sup> to over 22,000 in 2016<sup>5</sup> (57 percent growth) -the highest for any economic sector within the last decade. Gross employment projections for the GSS are estimated at 50,000 full-time employees by 2023, 6,000 of which would be in the ITO and KPO segments and the rest in BPO alone.<sup>6</sup> In addition, in 2017 there was US\$33.4 million in GSS investment,<sup>7</sup> generating 6,010 jobs according to Jamaica's Trade and Investment Promotion Agency (JAMPRO).
- 2.3 **Jamaica is aiming to consolidate its current BPO base while moving towards higher value-added services, calling for small and medium-sized enterprises (SMEs) to upgrade their offerings to remain competitive.** Currently, there are approximately 55 companies offering BPO services in Jamaica.<sup>8</sup> According to a study conducted in 2017 using a sample of 43 companies, 80 percent of these were focused solely on the low-end segment of the value chain, providing customer support services (voice, chat, and e-mail), and technical help-desk support. While still performing low end tasks, the remaining companies also offer KPO (18 percent) and ITO (2 percent) segments. For Jamaica's GSS to remain competitive and resilient, Jamaica will need to develop a GSS which offers more higher value services, given the risks associated with redundancies caused by automation and the use of artificial intelligence. In addition, with analysts predicting that ITO will reach US\$481 billion by 2022<sup>9</sup> and KPO, US\$124.2 billion by 2025,<sup>10</sup> Jamaica –and particularly its SMEs who cannot achieve the scale needed for BPO operations -has an opportunity to capture a greater share if it acts for now. 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 labour and rental costs, robust telecommunications infrastructure, and priority given to the sector by the government, provides a significant competitive advantage that can ensure a high economic impact of this project over the long term.
- 2.4 The direct beneficiaries of the project will be the 60 members of the Business Process Industry Association of Jamaica (BPIAJ) cluster in Kingston and Montego Bay. The project will primarily benefit SMEs within the group (firms having a headcount of under 700) though some of the components will benefit the entire cluster. Institutional development of the BPIAJ will capacitate the Association to support an increase in

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<sup>2</sup> International Monetary Fund (2018). Data based on the category "Other business services" (1-digit level) created by Loungani et al (2017). This dataset most closely approximates the GSS in Jamaica.

<sup>3</sup> IDB based on IMF International Trade in Services database.

<sup>4</sup> JAMPRO. Annual Report 2014 – 2015.

<sup>5</sup> Heart-Trust/NTA (2017c).

<sup>6</sup> JAMPRO's Corporate Plan: FY 2017/2018-2019/2020.

<sup>7</sup> JAMPRO calculates investment based on the capital expenditure of a firm in the first year of operation or in the case of local firms, in the first year of operation in a new business line.

<sup>8</sup> BPIAJ (2017).

<sup>9</sup> Market Watch (2018).

<sup>10</sup> Grand View Research (2017).

GSS firms within the sector while strengthening competitiveness of existing members, thus increasing the benefit of the sector to the country's economic growth.

- 2.5 **The objective of this Technical Cooperation (TC) is to support the growth of the Jamaica's GSS by facilitating the upgrading of the firms in the GSS cluster – and in particular, SMEs - into higher segments of the global value chain.** This will protect current employment levels while generating additional employment, especially for tertiary-level graduates with advanced, specialized skills. The specific objectives are: (i) to implement “Scale Up!”, an SME assistance programme designed to support participation of SMEs in the digital GSS sector (including ITO and KPO); (ii) to optimize processes within the BPIAJ<sup>11</sup> to support growth within the cluster and to meet its members' needs for scaling up; and (iii) to engage in knowledge and outreach activities for its cluster members and other stakeholders.
- 2.6 This project is complemented by the loan operation “Skills Development for Global Services in Jamaica” (JA-L1079), programme, which aims to promote growth of the GSS, particularly in higher-value segments. The loan operation's specific objective is to provide GSS firms with better skilled workers and increase the institutional capacity of JAMPRO<sup>12</sup> to attract Foreign Direct Investment and promote exports. This TC and loan JA-L1079 complement each other: Component 1 of this TC (SME assistance programme is designed to prepare some of the smaller firms to compete in the SME accelerator programme being developed under Component 2 of loan JA-L1079.
- 2.7 This TC is consistent with the Update to the Institutional Strategy (UIS) 2010-2020 (AB-3008) and is aligned with the development challenges of: (i) productivity and innovation, by modernizing and upgrading SMEs and ensuring their continued participation in global value chains for services; and (ii) economic integration, by expanding Jamaica's potential to export services to global markets. The TC is also aligned with the priorities defined in the Innovation, Science and Technology Sector Framework Document (GN-2791-8), the Integration and Trade Sector Document (GN-2715-6), and the objectives of the “Proposal for the establishment of the Compete Caribbean Partnership Facility (GN-2851). The TC is closely aligned with loan operation “Skills Development for Global Services in Jamaica” (JA-L1079, 4645/OC-JA) and will be monitored to minimize overlaps.

### III. Description of Activities/Components and Budget

- 3.1 **Component 1. Scale-Up! - SME Assistance Programme for Cluster Members (US\$215,000 – includes in-kind contribution).** This component will develop the Scale Up! Programme which is comprised of three (3) activities: (i) Development of a general GSS Strategic Roadmap to assist current and future cluster members, through the BPIAJ, to refine, improve and plan their growth strategies; this will include industry forecasting for GSS, identification of niche markets for cluster members regionally and globally, and strategic opportunities to scale up in the digital economy; (ii) Undertake a readiness assessment of ten (10) firms<sup>13</sup> in the cluster to participate in and exploit

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<sup>11</sup> The BPIAJ is a non-governmental association. It is the formally established member association set up by GSS service providers to deliver competitive advantages associated with collective activisms and local external economies.

<sup>12</sup> JAMPRO is an Agency of the Government of Jamaica's Ministry of Industry, Commerce, Agriculture and Fisheries (MICAF) that promotes business opportunities in export and investment to the local and international private sector

<sup>13</sup> These firms will be selected on a first-come first-served basis; however, the base criteria are that they must be firms with less than 700 employees, are currently exporting services, or are seeking to

opportunities within the digital economy; Barriers to entry will be identified and customized reforms will be proposed. These reforms cannot be financed under this technical cooperation; and (iii) Participation in trade fairs and outsourcing events for the ten (10) firms selected. Eligibility will be determined through the preparation of a proposal which will be presented to the BPIAJ and Compete Caribbean Partnership Facility for review and approval. Resources may not cover the entire amount of this participation. The outputs of this component are: GSS Strategic Roadmap for the cluster members; ten (10) detailed roadmaps for implementation for some members in the cluster; and resources for participation in trade fairs.

- 3.2 **Component 2. Optimization of BPIAJ to Support Growth of its Cluster Members in the GSS (US\$150,000 - includes in-kind contribution).** This component will finance activities to increase institutional capacity within the BPIAJ to not only implement this technical cooperation, but also larger goals of attracting investors and employees in higher value-added services. The two activities include: (i) An institutional review and preparation of an optimization plan for BPIAJ to better meet the needs of their growing membership (including recommendations for revenue-generating services and a sustainability plan); and (ii) Cluster Coordinator who will be responsible for preparing an advocacy strategy for the BPIAJ, developing operating rules and procedures for the BPIAJ, liaising with the cluster members and with the Project Implementation Unit of loan operation JA-T1079, and supporting new business opportunities for the BPIAJ. The outputs of this component are: An institutional review with a clear value proposition to attract and support members and Optimization Plan for BPIAJ; and a Cluster Coordinator.
- 3.3 **Component 3. Outreach and Knowledge Exchange (US\$115,000 – includes cash and in-kind contribution).** This component will finance workshops for SMEs, webinars, trainings on such activities as client development and retention, contract negotiation etc., and a mentorship program for women. This component will specifically target female entrepreneurs and managers, ensuring that 50 percent of participants are women. Outputs in this component will include workshops, webinars and a mentorship program which are accessible to all existing and prospective members of the BPIAJ.
- 3.4 The ability to replicate this project across the Caribbean region is facilitated by: (i) providing a methodology to identify gaps for SMEs to participate in global and regional value chains; (ii) developing optimization plans for industry associations to support firms to facilitate trade promotion and FDI attraction; (iii) forming strategic alliances with other bank projects centered around GSS development and trade diversification; and (iv) supporting other IDB operations and policy dialogues in areas such as trade, labour development, Business Support Organisations' strengthening and technology innovation.
- 3.5 The total estimated cost of this Technical Cooperation is US\$480,000, of which US\$400,000 will be financed by the CCPF on a non-reimbursable basis; and US\$80,000 will be provided by local counterpart in cash and in kind.

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internationalize their operations. The latter will be confirmed through discussions with the BPIAJ to confirm eligibility. At least 30 percent of these firms must be women owned and operated.

**Indicative Budget (US\$)**

Activity/Component	Description	IDB/CCPF	Counterpart Funding		Total Funding
			Cash	In-Kind	
<b>Component 1:</b> Scale Up! SME Assistance Programme for Cluster	Consulting firm conducting readiness assessment of 10 firms	\$150,000			\$150,000
	Facilitate participation of 10 firms to participate in trade fairs and outsourcing events at 5,000 per firm.	\$50,000		\$15,000	\$65,000
<b>Sub-Total</b>		\$200,000		\$15,000	\$215,000
<b>Component 2:</b> Optimization of BPIAJ to Support Growth of its Cluster Members in the GSS	Hiring of cluster coordinator for 19 months	\$100,000		\$15,000	\$115,000
	Hiring consultant to undertake institutional review	\$35,000			\$ 35,000
<b>Sub- Total</b>		\$135,000		\$15,000	\$150,000
<b>Component 3:</b> Outreach and Knowledge Exchange	Financing of workshops, Webinars, and Trainings	\$65,000	\$40,000	\$10,000	\$115,000
<b>Sub-Total</b>		\$65,000	\$40,000	\$10,000	\$115,000
<b>Total Funding</b>		<b>\$ 400,000</b>	<b>\$40,000</b>	<b>\$40,000</b>	<b>\$480,000</b>

- 3.6 This TC will be supervised by the Trade and Investment Division (INT/TIN) and Compete Caribbean (IFD/CTI) of the IDB. The team will be led by Krista Lucenti, Trade and Investment Senior Specialist, supported by specialists from LMK and CTI, as well as consultants from Compete Caribbean Partnership Facility.
- 3.7 **Monitoring and evaluation.** The implementation of the Components of this TC will be monitored by the Cluster Coordinator and in collaboration with the Team Leader and the Compete Caribbean team. Compete Caribbean will finance an evaluation of the TC at the end of the programme.

#### **IV. Executing Agency and Execution Structure**

- 4.1 The Compete Caribbean Partnership Facility (CCPF), approved under document GN2851, was jointly designed with donors to be a Bank executed program, through the CCPF's Facility Coordination Unit (FCU) established in the Bank's Country Office Barbados. The Bank has demonstrated its ability to coordinate and motivate action across diverse stakeholders at both the national and regional levels. In addition, the beneficiary association, being comprised mainly of 2-3 people, does not have the implementation capacity for this TC. Cluster programs require strong execution in order to ensure participation of all cluster members. The execution of this TC will be carried out by the Bank through the Trade and Investment Division (INT/TIN) and the Competitiveness and Innovation Division (IFD/CTI) in coordination with the FCU. Project output indicators will be monitored following the Monitoring and Evaluation framework of the CCPF. CCPF will work with the BPIAJ and very closely with the IDB Labour Markets Division (SCL/LMK), given the joint execution of loan operation JA-T1079 (LMK/TIN). The Team Leader for this TC is the Alternate Team Leader for loan operation JA-T1079, thereby simplifying monitoring. Monitoring of project

implementation will be based on the annexed Results Matrix, which is considered indicative of expected results at the time of approval.

- 4.2 The execution and disbursement period will be 24 months and the UDR will be the Trade and Investment Division (INT/TIN). The activities to be executed are included in the Acquisition Plan and will be contracted in accordance with Bank policies as follows: (a) AM-650 for Individual consultants; (b) GN-2765-1 and Guidelines OP-1155-4 for Consulting Firms for services of an intellectual nature and; and (c) GN-2303-20 for logistics and other related services.

## **V. Major Issues**

- 5.1 A risk to the project is that the beneficiary firms will not engage actively in the technical cooperation by providing data and information, as well as by demonstrating a willingness and openness to implementing the recommendations of the readiness assessment. Though this is a risk, we note that the more active members of the BPIAJ, including the Board Members have shown a willingness and dedication to invest resources and time toward enhancing the resilience of the sector. Furthermore, other government agencies in the country are committed to providing support given the governmental thrust towards developing the sector. JAMPRO - an agency under the Ministry of Industry, Commerce, Agriculture and Fisheries - is an active stakeholder in the cluster and with a vested interest in the project, especially given that it is the executing agency for loan operation JA-L1079. Within this supportive ecosystem, we are confident that the smaller SMEs who are the primary beneficiaries, will be responsive to the interventions proposed in this TC.

## **VI. Environmental and Social Strategy**

- 6.1 This operation has been classified under the "C" category in accordance with the Environment and Safeguards Compliance Policy (OP-703) (see [Safeguards Analysis Report](#) and [Safeguard Policy Filter Report](#)).

### **Required Annexes:**

- Annex I: [Request from the client](#)
- Annex II: [Results Matrix](#)
- Annex III: [Terms of Reference](#)
- Annex IV: [Procurement Plan](#)

**JAMAICA GLOBAL SERVICES SECTOR – MOVING FIRMS UP THE GLOBAL VALUE CHAIN**

**JA-T1162**

**CERTIFICATION**

I hereby certify that this operation was approved for financing under the **Compete Caribbean Partnership Facility (CCP)** through a communication dated October 12, 2018 and signed by Goro Mutsuura (ORP/GCM). Also, I certify that resources from said fund are available for up to **US\$400,000** in order to finance the activities described and budgeted in this document. This certification reserves resource for the referenced project for a period of four (4) calendar months counted from the date of eligibility from the funding source. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this operation. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, represent a risk that will not be absorbed by the Fund.

Certified by:	Original firmado	2/11/2019
	Sonia M. Rivera	Date
	Chief	
	Grants and Co-Financing Management Unit	
	ORP/GCM	

Approved by:	Original firmado	2/11/2019
	Fabrizio Operti	Date
	Manager	
	Integration and Trade Sector	
	INT/INT	