**Global Services Sector Annotations**

1. **What are Global Services?** *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.* They can be divided into three main segments: (i) Business Process Outsourcing (BPO) - 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;[[1]](#footnote-1) (ii) Information Technology Outsourcing (ITO) - centered around the production and use of software, including services such as network management, applications development, IT consulting, and software research and development;[[2]](#footnote-2) and (iii) Knowledge Process Outsourcing (KPO) - 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.[[3]](#footnote-3)
2. **The GSS is one of the fastest growing and resilient segments of the services export sector worldwide, with digitization and automation being two of the most important trends influencing it.** From 2005-2015, services exports globally grew by 61 percent, while those of goods grew by 35 percent (WTO 2016). During the 2009 financial crisis, services exports decreased by 11 percent as compared to goods, which fell by 23 percent (UNCTAD Handbook 2015). Finally, a positive correlation has been demonstrated between annual growth in total employment and annual growth in services exports (Loungani et al. 2017). Services jobs also tend to pay higher wages than those in manufacturing – in OECD countries services wages are 84 percent higher than in manufacturing (Loungani et al. 2017).
3. This segment’s share has grown from 15 percent of total global services exports in 2010 to 22 percent in 2014. IDB calculations based on IMF International Trade in Services database for the category “other business services” (1-digit level) created by Loungani et al (2017). Similar data is available on the Balance of Payments dataset. “Other Business Services” includes professional and management consulting services; research and development services; and technical, trade-related, and other business services. This category and dataset most closely approximates the sectors covered in our definition of global services for this operation.[[4]](#footnote-4) The global market for the BPO industry alone is projected to reach US$262.2 billion by 2022, an increase of 74.8 percent from 2017,[[5]](#footnote-5) while for ITO, analysts expect it to reach $481 billion by 2022.[[6]](#footnote-6) KPO is projected to reach $124.2 billion by 2025.[[7]](#footnote-7) The introduction of artificial intelligence and other technologies is already shifting the nature of tasks within the GSS and creating new occupations with new skill requirements. For instance, as artificial intelligence increasingly handles more basic customer requests in the BPO segment, tasks handled by human agents will become more complex,[[8]](#footnote-8) calling for workers to develop a more advanced set of skills that leverage uniquely human characteristics like creativity and empathy.[[9]](#footnote-9)
4. **JAMPRO is Jamaica’s Investment Promotion Agency and has played an important role in the establishment of the GSS in the country.** It is responsible for facilitating local and foreign investment and nurturing exporting firms by providing services before and after an investment is made. Services provided include market intelligence sharing, site selection facilitation, business approvals facilitation, business matchmaking and advocacy and aftercare services (ongoing customer service to established firms). In facilitating the implementation of investment and export projects, [JAMPRO](http://www.jamaicatradeandinvest.org/about/services) is a key policy advocate and advisor to the Government in the improvement of Jamaica’s business environment and the development of new industries. JAMPRO works with over 100 clients and some of its programmes have been recognized (diaspora, export-led investments), and based on its survey, investor satisfaction stands at 81 percent.
5. **Jamaica is aiming to consolidate its current BPO base while moving towards higher value-added services.** In the GSS space, countries like India with large populations can compete on labour savings alone. Countries like Jamaica, with a small labour pool relative to its competitors, need to compete on quality rather than quantity of labour, identifying niches[[10]](#footnote-10) and enticing firms with higher value propositions. Uruguay and Costa Rica, although notably different from Jamaica in terms of their education levels (most employees in these countries are enrolled in tertiary education), are also small-scale countries with limited labour pools that have been successful in upgrading their GSS sectors and in increasing average exports per employee.[[11]](#footnote-11) Currently, there are approximately 55 companies offering BPO services in Jamaica,[[12]](#footnote-12) 80 percent of which are focused solely on the low-end segment of the value chain, providing customer support services (voice, chat, and e-mail), and technical helpdesk support. While still performing low-end tasks, the remaining 20 percent of companies are gradually incorporating higher‑end services like technical support, finance and accounting, human resources management and market research.[[13]](#footnote-13)
6. **Good practices to promote the services export sector**. The following are some of the best practices that countries have adopted to develop a stronger services export sector:
7. Programmes to foster entrepreneurship, complemented by access to physical spaces (e.g. incubators, accelerators[[14]](#footnote-14)) have the potential to support the internationalization of local start-ups and micro, small and medium sized enterprises (MSMEs), improve start-ups outcomes and to create spill over benefits into the broader entrepreneurial ecosystem[[15]](#footnote-15). Though a seed fund is not under consideration for this operation, an interesting and successful case has been that of Enterprise Ireland, the national IPA of Ireland, which implemented an internationalization fund for SMEs with significant impact. A total of 3,156 Internationalisation grants were approved to 2,124 companies during 2005-2010 with a total value of €53 million. In addition to financial support, SMEs received assistance with market research, technical feasibility and trade fair participation along with access to a business accelerator. SMEs who participated in the programme saw their exports increasing by €2,702 million in the period 2007-2012. Additionally, considering the indirect effect on the economy as well, the Total Net (Additional) Economic Impact of the Internationalisation Support Programmes to the Irish Economy was €1,040 million between 2007 and 2012.[[16]](#footnote-16)
8. The literature also suggests that strengthening countries’ value proposition, and an IPA’s capacity to deliver it, yield returns in terms of FDI and services exports. A 10 percent increase in investment promotion budget leads to a 2.5 percent increase in FDI, Wells & Wint (2000). One dollar spent on investment promotion increases FDI inflows by US$189, Harding and Javorcik (2011) and a return of USD$70 per dollar invested, Lederman, Olarreaga and Paton (2006).  Some of the most successful tools that lead to FDI flows include re-branding and promotion through social media, ambassadors and diaspora; and strategic partnerships with business associations to increase the attractiveness of the sector nationally.[[17]](#footnote-17)[[18]](#footnote-18)
9. Finally, digital management platforms for foreign investors are recognized as good practice by international organizations[[19]](#footnote-19). These provide investors with information and support to relocate their operations (e.g. work permit applications, business registration, and incentive applications) and create linkages to the appropriate regulatory agencies using a single interface. For example, “Invest in Istanbul”, is a digital management system created over a blockchain that could serve as a model for Jamaica. Blockchain ensures security of sensitive information submitted through the portal, e.g. business licenses, work permit applications. See OECD (2009) for examples of one-stop-shops from Mexico, Chile, Canada, Spain and Portugal.
10. The Jamaica **Accelerator Programme** will develop and mentor Jamaican startups and provide networking opportunities while facilitating access to finance. Startups will be immersed in an acceleration (e.g. in Silicon Valley) for 3 months where they will have access to mentoring and receive matchmaking with potential angel investors. The accelerator would contribute to developing a full national innovation framework, joining existing incubators in Jamaica with the industry and training programmes to promote innovation. This will ensure that domestic global services exporting firms are supported through this operation and are contributing towards achieving the results desired in terms of FDI and exports
11. The **distance to frontier measure** shows the distance of each economy to the “frontier,” which represents the best performance observed on each of the indicators across all economies in the *Doing Business* sample since 2005. An economy’s distance to frontier is reflected on a scale from 0 to 100, where 0 represents the lowest performance and 100 represents the frontier. Jamaica’s overall ranking in the Doing Business Report increased from 85th in 2010 to 70th in 2017.[[20]](#footnote-20)
12. **AT Kearney’s 2017 Global Services Location Index**. It measures and compares the capacity of countries for the provision of offshoring services based on three pillars: financial attractiveness, business environment and people skills and availability. Jamaica scores 2.65 in financial attractiveness, 1.33 in business environment and 1.03 in people skills and availability. This compares to leaders like India with 3.30, 2.63 and 1.14 and the Philippines with 3.13, 1.57, and 1.17, respectively. Specifically, the People Pillar measures i) cumulative services experience and skills, ii) labour force availability, and iii) language capabilities.
13. **Strengthened value proposition for GSS.** In Costa Rica, O2LAC attracted over 950 participants, hosted 3,200 1-on-1 business meetings and generated more than US$82 million in closed and expected business deals.
14. **Investment incentives.** JAMPRO has created some incentives to attract higher value-added investment. Current incentives include the Omnibus fiscal incentives focused on trade in goods and corporate income tax exemptions. There are also specific tariff exemptions on Tourism, Manufacturing, Creative and Health sectors. The SEZ Act does provide a 10% Promotional Tax Credit (PTC)- for training and R&D and 30% Employment Tax Credit (ETC), however, these are not specific to the GSS. It is worth noting that the Special Economic Zone framework passed in August 2016 introduced a 12.5 percent corporate income tax rate in a global environment of razor thin margins. Costa Rica and Uruguay provide total tax exemption for new investment. Some countries like Uruguay offer needs-based incentives with focus on different GSS sub-sectors. Couto and Fernandez-Stark (2017).
15. **GoJ’s activities to support MSMEs.** In MIIC (2017), the GoJ identifies key activities to support MSMEs, particularly in the area of ICT. These include the establishment of incubators, mentoring and training for MSMEs to connect with foreign investors and the provision of financing for high-tech MSMEs. The last two activities are particularly important to accelerate development and internationalize small firms. Additionally, In 2011, JAMPRO launched the Export Plus programme in partnership with the Trade and Investment Division of the IDB and IDB Invest. The programme provided technical assistance as well as financing to 15 firms with the objective of alleviating micro-constraints firms faced when trying to access foreign markets (e.g. labeling requirements, standards). A total of 33 new markets were accessed by 11 of the companies and 54 new trade leads were identified. Overall exports grew by an average of 31 percent from J$1.067Billion to J$ 1.396Billion in 2014. Lastly, The Shovel Ready Investment Programme (SRIP) was initiated in 2014 as a tool to spur economic growth in 4 key sectors: tourism, BPO, agriculture and manufacturing. The programme was piloted for tourism, but not yet replicated for the other sectors, and offered expedited processing of investment (e.g. from 2-3 years for government approvals to a few months). Through the SRIP, JAMPRO increased the number and quality of investment projects in its marketing programme, realizing a large $900mm investment by Karisma Hotels and Resorts in 2016. (UNCTAD, 2017).

1. Gereffi and Fernandez-Stark et al. (2010) [↑](#footnote-ref-1)
2. Gereffi and Fernandez-Stark et al. (2010); Couto and Fernández-Stark (2017) [↑](#footnote-ref-2)
3. Gereffi and Fernandez-Stark et al. (2010) [↑](#footnote-ref-3)
4. <http://data.imf.org/?sk=07109577-e65d-4ce1-bb21-0cb3098fc504&sId=1390030109571> [↑](#footnote-ref-4)
5. Global Industry Analysts, Inc. (2017) [↑](#footnote-ref-5)
6. Market Watch. (2018). <https://www.marketwatch.com/story/global-it-outsourcing-market-2018-share-trend-segmentation-and-forecast-to-2022-2018-02-26>. [↑](#footnote-ref-6)
7. Grand View Research, Inc. (2017). Available at <https://www.prnewswire.com/news-releases/knowledge-process-outsourcing-kpo-market---expected-to-reach-1242-billion-by-2025-300575735.html>. [↑](#footnote-ref-7)
8. McKinsey (2018). Available at: <https://www.mckinsey.com/business-functions/operations/our-insights/charting-the-future-of-customer-care-through-a-core-optimization-philosophy>. [↑](#footnote-ref-8)
9. Business Insider (2018). Available at: <http://www.businessinsider.com/automation-will-make-customer-service-the-most-in-demand-job-in-tech-2018-2>. [↑](#footnote-ref-9)
10. Jamaica has niche opportunities in Medical Transcription, Health Information, Management, Contact Support Services, Engineering Services, Market Research, Finance and Accounting Services, HR Education and Training and Creative Services Outsourcing [↑](#footnote-ref-10)
11. Average exports per employee in the GSS sector are US$0.1 million for Uruguay, US$0.05 million for Costa Rica and US$0.01 million for Jamaica, indicating that there is significant space for growth. Couto and Fernández-Stark (2017). [↑](#footnote-ref-11)
12. BPIAJ (2017). [↑](#footnote-ref-12)
13. JAMPRO (2017) Outsourcing Survey. Mimeo. [↑](#footnote-ref-13)
14. Accelerators support early-stage, growth-driven companies through education, mentorship and financing. The experience is an intense and immersive education, for a fixed period of time (3-6 months), as part of a cohort of companies. See Hathaway, Ian (2016) “What Startup Accelerators Really Do”, in Harvard Business Review, March 1, 2016. <https://hbr.org/2016/03/what-startup-accelerators-really-do>. [↑](#footnote-ref-14)
15. Early evidence suggests substantial benefits for firms participating in accelerators in the United States: Start-ups that participated in accelerator programs and benefited from early investment went on to raise substantial amounts of capital in the future. 172 US-based accelerators invested in more than 5,000 U.S.-based startups with a median investment of $100,000 (2005-2015). These companies went on to raise a total of $19.5 billion in funding during this period—or $3.7 million per company on average. See Hathaway (2016). Other evidence is presented in [Winston-Smith and Hannigan (2015)](http://druid8.sit.aau.dk/acc_papers/5ntuo6s1r5dvrpf032x24x5on5lq.pdf). [Fehder and Hochberg (2015)](http://www.seedrankings.com/pdf/accelerators-and-regional-suppy-of-vc-investment.pdf) find that there are spillovers to non-accelerated companies as well. [↑](#footnote-ref-15)
16. See Supporting the Internationalisation of SMEs. EU, 2014. [↑](#footnote-ref-16)
17. Miškinis & Byrka (2014) [↑](#footnote-ref-17)
18. Costa Rica and Uruguay invested in promotional materials and investment platforms that created a stronger brand for the outsourcing sector. A successful component of Uruguay’s value proposition is its uniformity and consistency across all governmental agencies and established companies. Couto and Fernandez-Stark (2017) [↑](#footnote-ref-18)
19. World Bank Doing Business indicators and OECD Investment Policy Reviews. [↑](#footnote-ref-19)
20. See World Bank (2018) Doing Business Report. [↑](#footnote-ref-20)