

MINISTRY PAPER NO: 38/15

FIVE-YEAR NATIONAL STRATEGY FOR THE DEVELOPMENT OF JAMAICA'S OUTSOURCING INDUSTRY

The Honourable House is being requested to take note of the Five-Year National Strategy for the Development of Jamaica's Outsourcing Industry as presented in the attached document.

1.0 Background

- 1.1 The national strategy is being proposed as a means of coordinating and optimizing the potential economic benefits and impact of the global outsourcing industry on the country's growth and development. The initiatives contained in the strategy are designed to fast track growth in the industry and lead to the creation of a minimum of 18,000 additional jobs over the next five years.
- 1.2 The value of revenues from the global outsourcing industry, which spans various sub-areas such as Information Technology Enabled Services, Business Process Outsourcing Services (Client Service, Finance and Accounting, Human Resources), Legal Process Outsourcing Services and other Knowledge-driven areas, was almost US\$1 trillion in 2013. The most significant contributors to this figure remain the Information Technology Enabled Services (IT) and Business Process Outsourcing (BPO) services.
- 1.3 Since the early 2,000s, the Government of Jamaica has been pursuing a focused strategy to expand the ICT industry into higher value activities such as inbound call centres, and subsequently into outbound call centres and business process outsourcing. Emphasis was placed on the industry due to the quick conversion timelines¹ (typically 9-15 months) and the high impact on job creation *vis-à-vis* other sectors.
- 1.4 Direct investments for outsourcing into Jamaica have been growing over the last decade, with over US\$40 mn in capital expenditure and the creation of over 9000 permanent jobs in the last 5 years. At present, Jamaica is the destination of choice for over thirty (30) BPO operators providing services ranging from Finance & Accounting and Human Resources to Software Development and Outbound Marketing, and has created quality jobs for more than 14,000 Jamaicans.
- 1.5 While Jamaica has been registering steady growth and success in the BPO industry, the industry's growth potential in the country has been constrained by a lack of readily available and suitable space to house these companies. To date, the Government has embarked on a number of initiatives to address the space constraint including incentivizing the build-out of space through the creation of a dedicated and attractive Infrastructure Loan Facility managed by the Development Bank of Jamaica (DBJ) and consistent promotion of the sector, which has attracted private sector investments in real estate to support the industry.

¹ Conversion timeline is the time between securing interest in an investment, and when the company opens its doors in the country.

2.0 Considerations

The objective of crafting a national strategy is to create a holistic approach to developing the outsourcing sector, integrating all aspects of the ecosystem required for the expansion of the industry, such as policy, infrastructure, training and marketing, by leveraging the resources and expertise of all relevant industry stakeholders. The key economic impact of the national strategy will be to increase job creation in the sector from 14,000 to 32,000 by March 2020. In order to realize the expected benefits of implementing a national development strategy for the outsourcing sector, it is assumed that the Government will continue its focus on reforming the country's business environment and other competitiveness issues that impact the ease of doing business, as well as implement a national security strategy to allay investors' security concerns about the country.

3.0 Conclusion

This strategy has clearly articulated the strong value proposition that the global outsourcing industry holds for making an impact on Jamaica's efforts to grow the country's economy and create jobs for Jamaicans. For the implementation of the strategy to be successful, it is recognized that on-going interface between public and private sector stakeholders will be imperative, particularly for the continued growth of the industry in Jamaica, as well as to the positioning of Jamaica within the global industry.



G. Anthony Hylton, MP
Minister of Industry, Investment and Commerce
April 1, 2015

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As Jamaica seeks to chart a path of higher economic growth, the global outsourcing industry has been identified as a sector of focus to ensure the sustained attraction of direct investment, consistent creation of jobs, and the creation of avenues to earn foreign exchange. The following strategy and priority initiatives are being proposed in a bid to optimise the potential benefits of the industry, and impact on the economic growth and development of the country.

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EXECUTIVE SUMMARY

- ❖ Global spending on outsourcing activities reached US\$1 trillion in 2013, with approximately 15-20% of this business heading to offshore destinations such as India, Philippines, China and Malaysia.
- ❖ While Business Process Outsourcing (BPO) growth trends have slowed to single digits in recent years, it is predicted that emerging segments within Knowledge Process Outsourcing (KPO) will grow an average of 20% over the next four years.
- ❖ Direct investments for outsourcing into Jamaica has been growing for over the last decade with over US\$40 mn in investments and the creation of 9,649 permanent jobs in the last 5 years.
- ❖ Despite a number of strong value propositions that positions the country favourably with investors, the country is still lagging behind global and regional players.
- ❖ As Jamaica has limited options in respect of tax incentives, a comprehensive framework must be established to create an ecosystem that is conducive to Jamaica becoming a logistics centred economy and experiencing exponential growth in Jamaica's outsourcing industry in order for the country to be competitive in the global industry.
- ❖ While a number of proactive initiatives are currently being employed to enhance the existing ecosystem, more needs to be done to propel the country forward.
- ❖ Central to this, is that Jamaica implements a strategy that allows it to expand into KPO, and position itself as a near-shore destination of choice. To this end, a list of initiatives has been developed for the approval of Cabinet.
- ❖ These initiatives seek to thrust the industry forward in respect of a policy and incentives framework, labour market enhancement, infrastructure development and market penetration.
- ❖ It is believed that the implementation of these initiatives will create **18,000 jobs over the next five years, more than doubling the size of the current BPO Industry in Jamaica by March 2020.**
- ❖ The projection is based on an aggressive growth rate of 15-20% over the period, which is twice the global growth rate of the BPO industry and takes into consideration an entry into the Knowledge Process Outsourcing space.
- ❖ While the strategy and requisite action plan (Appendix A) is geared towards the 18,000 jobs quoted above, consideration is given in Appendix C to various scenarios outlining the requisite

5-YEAR PRIORITY INITIATIVES

Policy and Incentives Framework

- Finalisation of SEZ Legislation and Transition Plan for Existing BPOs
- Eligibility under the Income Tax Relief (Large Projects and Pioneering Industries) Act, 2013
- Development of Data Protection Laws
- Establishment of Access to Working Capital

Labour Market Enhancement

- Implementing Training programmes at Management Levels
- Execution of Internationally Accreditation Training
- Finishing Schools and Apprenticeships
- Training Incentives
- Development of a National Training Strategy

Infrastructure Development

- Naggo Head Technology Park
- Ensuring competitive electricity rates

Market Penetration

- Contracting with an In-Market Broker for Outsourcing
- Launch of a targeted marketing campaign
- Support for Jamaica Investment Forum 2015
- Support for more impactful event participation by JAMPRO

resources requirements to meet the increased results under this strategy. Essentially, based on the level of the government's commitment – financial and otherwise – it could be rewarded with rates of growth ranging up to 29% per annum and creation of 36,000 jobs.

- ❖ These proposed initiatives are based on discussions with key industry players as well as recommendations arising from numerous industry assessments done over the past five years¹, all of which have been guided by the relevant National Outcomes under the Vision 2030: National Development Plan.
- ❖ In addition, support from the private sector is also important to the successful implementation of these initiatives and the realisation of the potential of the industry. Private sector involvement can be focused on: continued build-out of space; creation of a line of credit for the provision of working capital; establishment of domestic linkages; and on-going public-private dialogue.
- ❖ In moving this process forward, JAMPRO has proposed a 12-month Action Plan that will initiate the requisite activities, some of which may roll-out over a few years. Accordingly, it is being proposed that the following immediate steps be taken:
 - Approval of this 5-Year Strategy and 12-month Action Plan by the Growth Agenda Sub-Committee and ultimately Cabinet
 - Consultations with implementing entities for the development of individual plans for each initiative
 - Identification of resources to execute initiatives
 - Monitoring and Evaluation over the next 5 years

¹ These include:

- *Market Assessment of Jamaica's Competitiveness within the Global ICT Sector*, Analysis Mason, April 2009 (OPM);
- *Policy Framework: Comparative Analysis, Assessment of Competitiveness, Recommendations to Grow and Sustain Jamaica's BPO Industry*, Global Equations & Matryzel Consulting, May 2010 (JAMPRO); and
- *Jamaica: Carving a Niche in the Global Outsourcing Market*, Tholons, July 2012 (IDB)

BACKGROUND AND CONTEXT

Outsourcing, or offshoring, of business processes gives a company the ability to strategically procure the right type of labour in the right location, with the aim of optimizing operational gains, while at the same time reducing operational costs. When such activities leave the country, then this is known as offshore outsourcing, or just offshoring.

The value of revenues from the global outsourcing industry, which spans various sub-areas such as Information Technology (IT) Enabled Services, Business Process (BP) Services (Client Service, Finance and Accounting, Human Resources), Legal Services and other Knowledge-driven areas, was almost US\$1 trillion in 2013.² A large portion of this was in IT and BPO services, with IT outsourcing services performing beyond expectations during that year.

Globally, while the growth of IT and BP outsourcing services has slowed to single digits in recent years (< 3% for BPO/ITO in 2013), the move towards value-added and knowledge-based aspects of outsourcing are projected to grow by unprecedented levels over the next five years. In fact, for Knowledge Process Outsourcing (KPO), which typically requires advanced analytical skills and business expertise, rather than just business process expertise, analysts forecast growth at an annual rate of 23% over the period 2014-2018.³ This will be mainly driven by the massive availability of data that needs to be analysed and processed, coupled with an increasing comfort for companies to outsource these traditionally home-based activities.

National attention on the offshore outsourcing industry has paid off well for a number of countries, such as Philippines, which in 2013, reported US\$15.5 billion in revenues and employment for 926,000 people, up from US\$3.2 billion and 240,000 people in 2006 – an average 20% growth per year. The country now projects that revenue will increase to US\$18 bn in 2014 and US\$25 billion by 2016.⁴ Meanwhile, the world's number one offshore outsourcing destination for the last decade, India, logged US\$59 bn in revenues in 2011 for its BPO and ITO segments, employing almost 2 mn people at the time.⁵ Its BPO segment alone is expected to reach revenues of US\$50 mn by 2020.⁶

² www.statista.com

³ Infiniti Research Services, *Global Knowledge Process Outsourcing Market 2014-2018*, February 2014

⁴ www.aseanbriefing.com

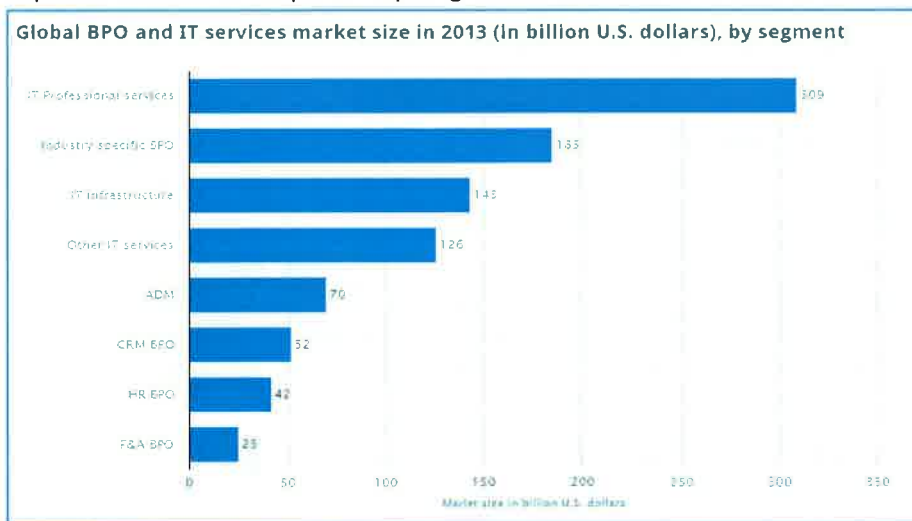
⁵ www.theeconomictimes.com

⁶ www.techinasia.com

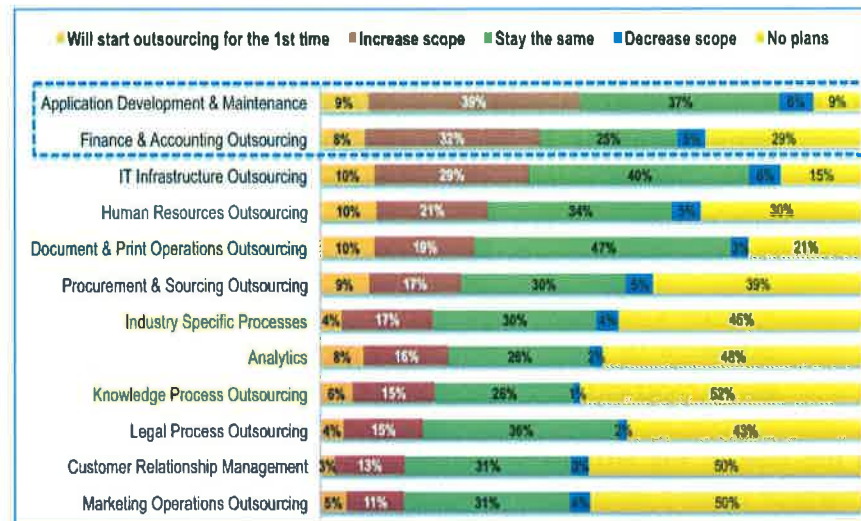
Key Definitions

- Off-shoring: The transfer of business or IT processes to other countries.
- Near-shoring: The transfer of business or IT processes to companies in a nearby country.
- On-shoring: Outsourcing to competitive regions in the home market (USA for eg.)
- Re-shoring: Taking back jobs previously outsourced.
- Business Process Outsourcing (BPO): Delegation of one or more IT-intensive business processes (or non-core business functions) to an external provider.
- Information Technology Outsourcing or Enabled Services (ITO/ITES): Business processes that depend on technology (IT and telecoms) for their provision.
- Knowledge Process Outsourcing (KPO): Outsourcing that typically requires advanced analytical skills and business expertise, rather than just business process expertise
- Legal Process Outsourcing (LPO): Outsourcing of some or all legal processes (usually paralegal) including, but not limited to, document review, legal research and writing, drafting of pleadings and briefs

Interestingly, with a trillion in outsourcing expenditure last year, it means that only about 15-20% of total spend is done to offshore destinations, which implies tremendous scope for aspiring offshore destinations such as Jamaica.



Source: www.statista.com



Source: '2013 State of Outsourcing Study', KPMG Shared Services and Outsourcing Advisory

Jamaica's Current Outsourcing Industry

Jamaica's foray into global outsourcing started in the late 1990s with a handful of data entry and transcription companies. In the following decade, the Government rolled out a focused strategy to expand the industry into higher value activities such as inbound call centres, and subsequently into outbound call centres and business process outsourcing.

An emphasis was placed on the industry due to the quick conversion timelines⁷ (typically 9-15 months) and the high impact on job creation vis-à-vis other sectors. The approach proved successful for the country, when by 2009 outsourcing companies were recording revenues of over US\$145 mn.⁸ Today, the country is home to over thirty (30) outsourcing companies ranging from Finance & Accounting and Human Resources to Software Development and Outbound Marketing, and created quality jobs for more than 14,000 Jamaicans.

The growth of Jamaica's outsourcing industry had been challenged for a number of years by the lack of readily available and suitable space to house these companies, but this has significantly improved due to strategic efforts on the part of the Government to incentivise the build-out of space through the creation of a dedicated and attractive Infrastructure Loan Facility managed by the Development Bank of Jamaica (DBJ). The Government's persistent

⁷ Conversion timeline is the time between securing interest in an investment, and when the company opens its doors in the country.

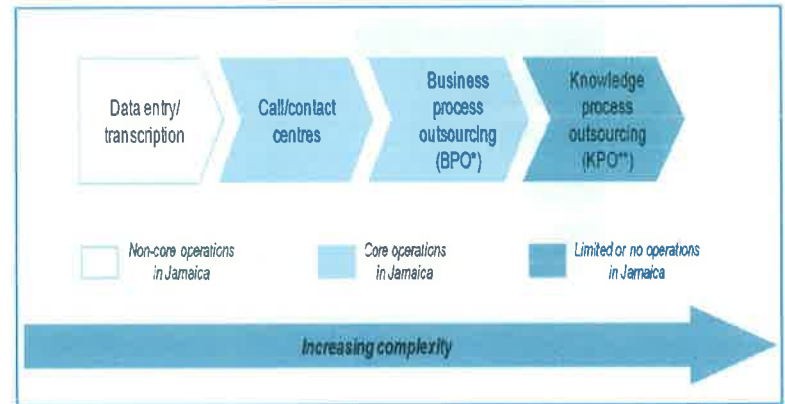
⁸ *Market Assessment of Jamaica's Competitiveness within the Global ICT Sector*, Analysis Mason, April 2009

promotion of the sector has also resulted in a growing section of the private sector becoming more overtly interested in developing real estate for the industry.

As Government have increasingly given priority focus to this sector, JAMPRO’s strategy for growing outsourcing has expanded in three main ways:

- ✓ A multi-pronged approach to the development of the sector that focused on the ecosystem (that is, policy, infrastructure and training) as well as aggressive marketing to increase global mindshare of Jamaica as an outsourcing destination
- ✓ To expand the industry through geographical dispersion where possible, by presenting the full destination, including Kingston, as an option for outsourcing
- ✓ In addition to focusing on investments, JAMPRO also supports the promotion of export of outsourcing services, working closely with its clients in the execution of market penetration initiatives in a bid to have them secure global contracts for their outsourced services based in Jamaica.

In the case of the latter, this translates into the expansion of the sector through growth of existing local players. In this regard, JAMPRO’s records show that eight of its existing clients have five year expansion plans that could create almost 6,000 additional jobs. It is therefore important that the Government continue to provide an enabling environment to allow for these companies to realise these plans in addition to facilitating the entry of new players.

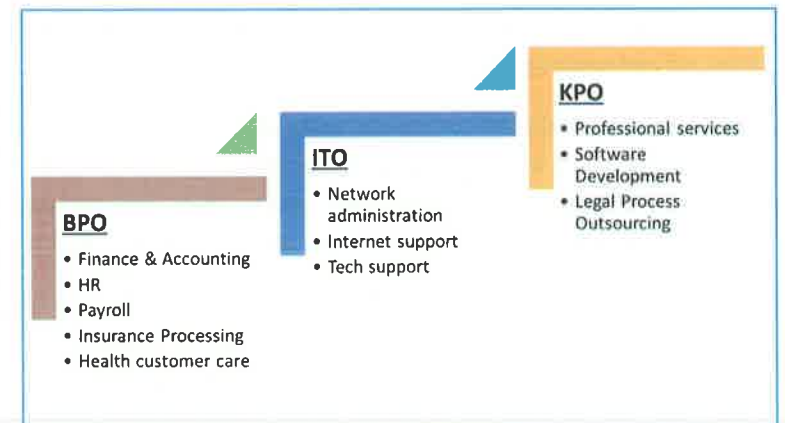


Jamaica’s Outsourcing Services Maturity Model

Source: Analysis Mason Study, 2009

Jamaica’s Target Industry Segments

As the country seeks to define its position in the global market place, it is important that the country takes advantage of the global trend towards KPO. To this end, Jamaica must once again adopt a deliberate strategy to expand into higher-value, higher-skilled outsourcing services. Accordingly, based on market research and interactions, JAMPRO recommends the specific industry segments identified in the diagram as key, but would not preclude others such as Animation and Medical Transcription Services, which is growing popularity locally.



Target Industry Segments for Jamaica’s Outsourcing Strategy

Source: JAMPRO

OBJECTIVES, IMPACT AND ASSUMPTIONS OF THE STRATEGY

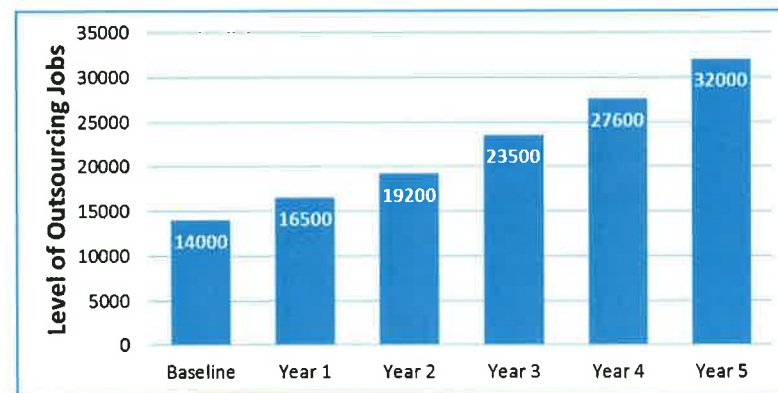
Following from Jamaica's experience in the global outsourcing arena, on-going public-private sector dialogue and a number of assessments done on the Jamaican outsourcing industry, this strategy is being developed to give a snapshot of initiatives that have been delivered and other actions necessary to ensure Jamaica's continued growth in this continuously impactful industry. Specifically, the national strategy is expected to:

- Articulate the potential of the outsourcing industry and value of expanding into more higher-value segments
- Outline the Government's holistic approach to removing obstacles and creating an enabling ecosystem for expanding Jamaica's outsourcing industry with a focus on the role and responsibilities of all the relevant industry stakeholders
- Summarise the ongoing initiatives necessary to ensure that Jamaica moves further up the global value chain of the global industry with a view to increasing the quality of jobs provided and the resultant impact on economic growth and development
- Create a national action plan to grow the outsourcing industry over the next 5 years.

It is therefore expected that once the strategies and action plan has been implemented, the following results will accrue:

- Increased jobs in the local outsourcing industry due in part to a greater number of employable Jamaicans
- Increased foreign and local direct investment into Jamaica complimented by more impactful linkages into the local economy
- Increased attractiveness of Jamaica as a location for outsourcing as evidenced through key global location reports
- Increased knowledge transfer and greater enhancement of the local labour pool
- Increased income to the Government of Jamaica through income and statutory tax payments
- Increased geographical dispersion of industry players across the country

In so doing, the key impact of the strategy will be **to more than double the number of jobs in the sector moving from 14,000 today to 32,000 by March 2020**. This growth will be achieved through an aggressive target annual growth rate of 15-20% per year, which is twice the current global growth rate for the BPO industry. It also takes into consideration, Jamaica's entry in the faster growing segment of KPO, which is projected to grow at 20% per year for the next few years.



In order to realise these expected benefits of the strategy, it is assumed that the Government will, in parallel, continue its focus on the following underlying assumptions:

- Reform of the country's Business Environment and other competitiveness issues in respect of the ease of doing business in the country
- Implementation of a National Security Strategy to allay investor fears of crime and theft in the country.

JAMAICA'S VALUE PROPOSITION

Over the last decade, through the focused efforts of the Government, Jamaica has established a unique value proposition to potential investors in the outsourcing industry. During this time, the country has strategically sought to address its perceived weaknesses and the obstacles in an effort to realise the potential of the industry in the country.

Based on the various studies and assessments of the country in this industry, Jamaica's top three advantages are:

- ❖ **Proximity to North America:** with same day connectivity to most major US and Canadian cities, Jamaica has a unique advantage in respect of proximity to the largest outsourcing market in the world. Coupled with the fact that Jamaica shares time zone with the US East coast, the country offers the employees of outsourcing companies significant work-life balance compared to Asian competitors, such as India and the Philippines, given similarity in work hours and the reduced travel time to visit outsourcing centres in person.

- ❖ **Attractive Talent Pool:** Jamaica's talent pool has a combination of critical success factors that has made it extremely attractive to the outsourcing industry:
 - Jamaicans are English-speaking, and given the country's close cultural affinity they possess easy accent neutralisation as well as useful platform upon which to develop customer rapport – a uniquely advantageous factor when interacting with the North American clientele
 - With an unemployment rate of just over 13%, ready-to-work employees are widely available in Jamaica
 - Jamaica's literacy rate of 91.7%, and tertiary enrolment rate of 40.1%, means that the country's employees have the range of education that makes it possible to undertake the entry-level work, as well as the higher technical and skilled type of services; thus providing a broad spectrum of skills to a entities serving diverse clientele
 - The presence of an entity such as HEART/NTA, which has dedicated resources to offer basic outsourcing training while also availing itself to companies for specialised training

Strengths	Weaknesses
<ul style="list-style-type: none"> ❖ Near-shore advantage given proximity to the USA ❖ Large English-speaking population ❖ Cultural affinity to North America & the UK ❖ Internationally recognised brand ❖ Advanced telecoms infrastructure ❖ Stable political system ❖ Skilled and trainable labour force available ❖ Competitively priced talent ❖ Existence of industry association ❖ Established institutions for talent development ❖ Focused facilitation of investors (JAMPRO) 	<ul style="list-style-type: none"> ❖ Low and declining tertiary enrolment ❖ Lack of geographic diversity ❖ Low scalability due to size of the country ❖ High operational costs ❖ High incidence of crime and theft (fraud) ❖ Limited move-in ready space ❖ Limited incentives ❖ Severely limited multi-language capability ❖ Low brand recognition for outsourcing ❖ High bureaucracy in Government ❖ No data protection laws ❖ Limited industry-specific data
Opportunities	Threats
<ul style="list-style-type: none"> ❖ Exhaustion of English-speakers in Latin America ❖ Increased emphasis on nearshoring in North America ❖ Outsourcing of higher value services/processes ❖ Imminent reduction of USA work-visas to imported labour ❖ Political will to grow the industry ❖ Signs of national economic recovery brings increased investor confidence 	<ul style="list-style-type: none"> ❖ Competition within the region ❖ Competition from re-shoring trends backed by law in the US ❖ Lower labour cost in competing countries ❖ Inability to show higher value in product differentiation with Caribbean competitors (Dom. Rep, T&T, etc.) ❖ Ongoing uncertainty of incentives structure ❖ Flexibility of competitors to offer customised incentives

- Typically low attrition rates, which have averaged around 15% compared to rates of 35% to 45% in India.⁹
- Jamaica's labour costs compares favourably in some areas, while the country's price-quality relationship for labour is particularly competitive vis-à-vis regional competitors.

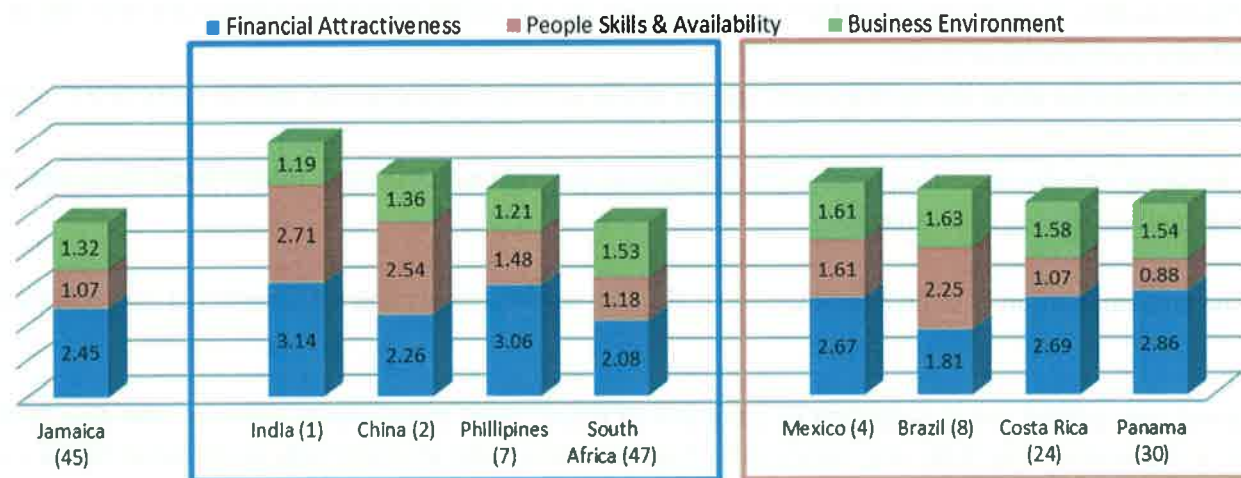
❖ **Telecommunications Infrastructure:** Following from the liberalisation of the country's telecommunications industry in 2000, the country has consistently increased its sophistication in respect of telecommunications and connectivity with excellent infrastructure guaranteeing critical redundancy. This high capacity, low latency, highly flexible Internet infrastructure is delivered over fully fibre deployed terrestrial and subsea networks and is further supported by:

- Five active submarine cable systems with up to 10 TB of unused capacity
- Three (3) national carriers provide business telecoms services, and carrier redundancy
- Multiple data centres, including a Tier III certified centre offering a broad range of services

Jamaica's Global Position

Jamaica's entry into this global industry has met with some measure of success, but requires much more to be done for the destination to realise the potential of the industry.

Jamaica: Key Global and Regional Competitors



Source: A.T. Kearney 2014 Global Services Index

Earlier this year, Gartner – a premier IT research and advisory company – listed Jamaica as an F&A (Finance and Accounting) destination to which outsourcers should look to site their business. This accolade offers third party global verification of JAMPRO value proposition and becomes a selling tool for the country.

While Jamaica has taken great strides to improve its global reputation within the

⁹ Market Assessment of Jamaica's Competitiveness within the Global ICT Sector, Analysis Mason, April 2009

international outsourcing market; however, the country faced a setback in 2014 when it slipped in the A.T. Kearney's Global Services Report. In 2011, the Report ranked Jamaica at 33 out of 50 countries, focusing on the country's comparatives for financial attractiveness, people skills and business environment.¹⁰ In the 2014 report however, the country slipped twelve (12) places to rank at 45 out of 51 countries with a marked fall in the countries financial attractiveness, which was partially set off by some improvement in people skills and availability.¹¹ Despite the fact that the country slipped in the rankings, it is still noteworthy that Jamaica is the only country in the Caribbean that is assessed by the report, which makes it the only English-speaking destination in the region highlighted in the listing.

A key challenge still faced by the country is a lack of competitive incentives (See Appendix D), but the fact that competing countries have affordable move-in ready space readily available, is perhaps a stronger and more compelling reason contributing to the country's lack of competitiveness.

Current Support Structure for Outsourcing

As the national investment and export promotion agency, JAMPRO has always been at the forefront of the development and expansion of the outsourcing industry in Jamaica. To this end, BPO has been one of the organisation's five priority sectors of focus – along with tourism, manufacturing, agribusiness and creative industries – for over a decade. In promoting outsourcing for investments and as a services export, JAMPRO deploys a mix of strategies, such as:

- Identification, targeting and engagement with key global outsourcing entities: both Global Top 20 companies, which will attract others to follow, and mid-tier companies to add to the diversity of the product
- Promotion at global trade shows and facilitation of clients' participation: to promote Jamaica as a destination for outsourcing, but also to expose existing players in their bid to attract new outsourcing contracts.
- Provision of market intelligence and comparative data: during the due diligence phase general information as well as customised information shared with potential investors.
- Facilitation of landed investments: including introduction to key local partners (telecommunications companies, HEART Trust, etc.), identification of suitable space, and facilitation of incentives, among other things.

As a result of this, JAMPRO has facilitated the implementation of projects amounting to J\$3.4 bn in investments and the creation of over 9,600 jobs over the last 5 years alone.

In executing this mandate, JAMPRO has forged partnerships and is supported by a number of Government stakeholders, who are now directly involved in the expansion of the outsourcing industry in Jamaica. The following outlines the key focus areas and achievements in response to the country's increased thrust to expand the industry.

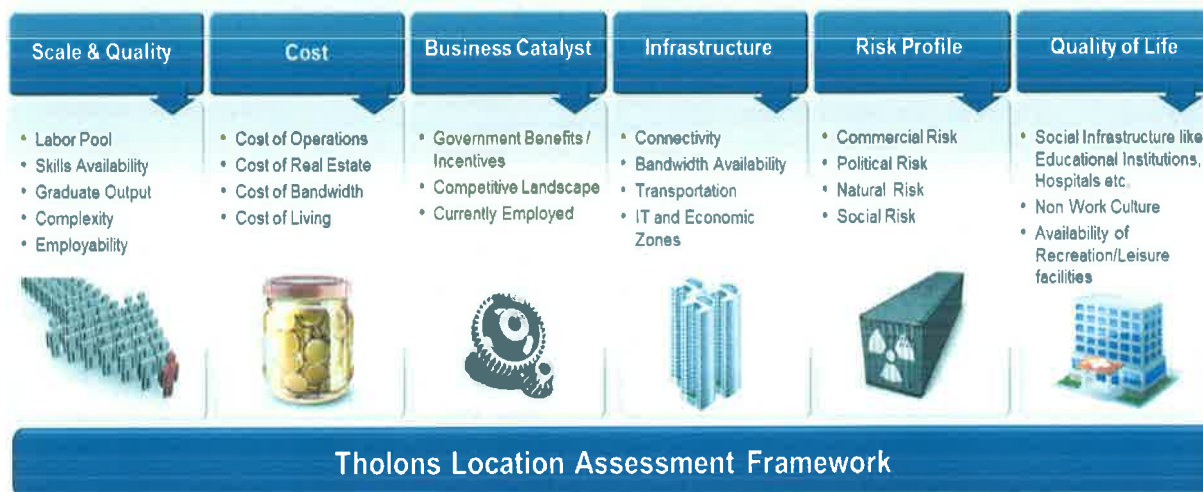
¹⁰ See Appendix B for a break-out of the factors that contributes to these parameters

¹¹ Columbia was added to the ranking in the 2014 Report

Ministry of Industry, Investment & Commerce (incl. JAMPRO & FCJ)	Ministry of Finance & Planning (incl. DBJ)	Ministry of Science, Technology, Energy & Mining	Ministry of Education (incl. HEART Trust)	Ministry of Transport, Works and Housing (via. Port Authority of Jamaica)
<i>To actively promote Jamaica as an attractive location for investments; actively provide/manage space and facilitate approval of requisite Incentives.</i>	<i>To provide financial resources and incentives – fiscal and non-fiscal – to facilitate the expansion of the industry</i>	<i>To facilitate the provision of a low cost environment to support continued growth of the industry</i>	<i>To ensure that Jamaicans are adequately trained to take advantage of opportunities in the industry</i>	<i>To manage infrastructure requirements of free zone industries in Jamaica</i>
<ul style="list-style-type: none"> ✓ Active promotion of investment opportunities in BPO and Outsourcing industries both locally and overseas, including participation in 5 trade shows and the generation of 38 leads since the start of this fiscal year. ✓ JAMPRO was integral to the establishment of the BPIAJ in 2012. The entity now represents 29 of the BPO players in Jamaica. ✓ Approval of freezone status to companies. This status is now afforded to 22 players in the industry. ✓ Through the Montego Bay Freezone has provided significant space to the industry. 	<ul style="list-style-type: none"> ✓ Through a significant measure of flexibility on the part of the Ministry, the benefits for BPO companies under the Jamaica Export Free Zone Act have now been concretised and uncertainty removed. ✓ Implementation of a loan facility to provide financing for the creating of space. To date, 7 loans have been approved at a cost of US\$20.9 mn and 294,000 sq. ft. of additional space has been created. 	<ul style="list-style-type: none"> ✓ MSTEM has a consistent programme to facilitate public and private sector upgrade of the country's telecommunications platform, which will support further expansion of the industry. ✓ In 2012, the MSTEM along with the MNS led the passing of the Cyber-Crimes Act, which seeks to prosecute computer based crimes that were severely impacting the trust factor between investors and their employees. ✓ MSTEM has been working assiduously in schools to build a foundation for technologically savvy youngsters that will undoubtedly bode well for the future growth of the industry. 	<ul style="list-style-type: none"> ✓ In 2013, HEART signed an MOU with the BPIAJ to work together to develop an industry-specific curriculum for entry-level employees. Under this programme, 610 persons have been trained since September 2013. ✓ HEART has worked closely with various players to customise training and undergo recruitment of employees. They are currently in discussion with two major entities for the execution of such programmes. ✓ Support – including provision of space – to facilitate training initiatives being executed by investors. 	<ul style="list-style-type: none"> ✓ At present, the PAJ has 420,000 sq. ft. of space in Montego Bay and an additional 50,000 sq. ft. in the Portmore Informatics Park dedicated to the outsourcing industry. ✓ PAJ has also confirmed that they are currently planning to expand with an additional 113,000 sq. ft in Kingston and Montego Bay as well as exploring options in Falmouth.

Lastly, the role of the Business Process Industry Association of Jamaica (BPIAJ) cannot be understated as they work closely with Government stakeholders to execute a programme to create an environment conducive to investments in the sector. At present, they are committed “to address the needs and interests of its members, specifically as they relate to the business process outsourcing sector in Jamaica to facilitate the continued growth and development of that industry”. This is done through engagement with public and private sector stakeholders in a bid to address any issues of concern to the membership.

ECOSYSTEM TO GROW OUTSOURCING IN JAMAICA



Jamaica's ability to maximise the potential of the outsourcing industry is directly related to the Government's ability to mobilise support to ensure that the necessary ecosystem is in place. In the 2012 IDB Tholons study, the ecosystem is defined as having six critical elements as depicted in the diagram.

Jamaica has achieved some measure of success in varying degrees among these parameters, and through the efforts of various stakeholders, the country has been able to enhance the business environment for the sector. Unfortunately, this approach has not resulted in an increase in the

country's perceived competitiveness as demonstrated in the country's slip in the global rankings.

The decision to undertake a comprehensive and streamlined approach to development initiatives is therefore extremely timely and welcomed.

Government's Strategic Focus Areas

The Government of Jamaica has given national priority to developing the outsourcing industry in Jamaica. BPO is identified as one of the six areas under the National Services Sector and Expansion Strategy, and is also being pursued as one of the five priority sectors under the National Export Strategy 2013-2018.

In assessing the decision-making parameters of an investor and based on JAMPRO's knowledge and experience of the industry and the current ecosystem that supports it, there are four main areas that require the Government's strategic and focused intervention in order to increase Jamaica's competitiveness and success in attracting value-added investments. These are:

1. **Policy and Incentive Framework:** Work on creating an enabling business environment for any sector and the country in general is always an on-going effort. In the case of outsourcing, this is particularly urgent however, given the state of uncertainty in which the sector has been existing

since the start of tax incentive reform efforts some years ago. With the current regime under the Jamaica Export Free Zone Act, Jamaica remains largely uncompetitive with the tax incentive framework in place for the sector. This position will not materially improve with the promulgation of the Special Economic Zone (SEZ) Act, scheduled for the end of 2015 (see Appendix D). Ideally, the package of fiscal incentives ought to place Jamaica in an extremely competitively advantageous position vis-a-vis its other competitors all seeking to attract investments into the BPO industry that generally enjoys thin profit margins. The challenge for the Jamaican government is that even where the existing incentives are retained it would not place the country in such a position. As a result, fiscal incentives must be coupled with other policy decisions in an effort to increase the country's competitiveness of the country's outsourcing sector vis-à-vis that which exists in competing states. Consideration could be made regarding the establishment of a training tax credit based on the value of the training support provided to staff members that can thereafter be made against any other tax liability.

Priority Initiatives	Expected Impact
<p>❖ Special Economic Zone Act: The continuation of benefits from the Export Freezone Act to the SEZ Act is integral to the maintenance of the current levels of outsourcing in Jamaica. Careful consideration must be given in the policy on grandfathering of freezone benefits and the transition of single-entity freezones. This will help to ensure that this industry is also seamlessly integrated into the wider Logistics Hub Initiative, aspects of which are pegged on telecommunications infrastructure.</p>	<p>❖ Increased investor confidence</p> <p>❖ Increased attractiveness of Jamaica as an investment location</p>
<p>❖ Income Tax Relief (Large Projects and Pioneering Industries) Act, 2013: Inclusion of outsourcing activities as large projects (based on job count) or as pioneering industries (particularly for KPO and ITES) will be important in further incentivising investments in the industry, particularly given the high levels of incentives in other jurisdictions. In developing the regulations, it is therefore important that these be taken into consideration. This is important to landing key global players that will have the capacity to add a minimum of 1,200 jobs over 3 years.</p>	<p>❖ Increased attractiveness of Jamaica as an investment location</p>
<p>❖ Data Protection Laws: Jamaica lacks sophisticated data protection laws that will allow for the placement of certain outsourcing contracts in the country. This is often a request from European outsourcers whose domestic laws require that data shared with outside jurisdictions share the principles of their own data protection legislation. If not addressed, this will continue to be a limitation of Jamaica's ability to attract global outsourcing contracts.</p>	<p>❖ Increased attractiveness of Jamaica as an investment location</p>
<p>❖ Access to Working Capital: Particularly for local outsourcing companies, in order to expand their operations to facilitate new contracts, they are generally expected to finance the needed expansion works upfront, with the expectation of recovering those costs from clients over time. Such contracts however cannot be collateralised for access to financing, which has severely impacted operators' ability to accept contracts that may create new jobs.</p>	<p>❖ Provision of much-needed capital to support expansion</p> <p>❖ Increase in local investments</p>

- II. **Labour Pool Enhancement:** While labour is one of Jamaica’s most attractive features for the outsourcing sector, there is still much work to be done, particularly if the country is to move up the global value chain and enter KPO and ITES industry segments in a significant way. The focus needs to be on enhancing basic skills while ensuring a steady supply of higher-value added employees with graduate level education. Expanding the perception of the industry and the employment opportunities therein is of critical importance where the country intends to securely establish itself as a BPO destination; e.g. promoting and raising the profile of the industry through participation in educational fairs (at the secondary and tertiary level) and publicly showcasing the work and profile of the BPO industry.

Priority Initiatives	Expected Impact
<p>❖ Training at Management Levels: While entry-level staffing is seen as one of Jamaica’s strongest selling points, the availability of middle management employees is a consistent challenge for BPO companies in Jamaica. They have noted that they are unable to attract middle managers, with adequate training in supervisory management, organisational behaviour, etc. that are on par with other international locations, largely because of a lack of available training in this area.</p>	
<p>❖ Internationally Accredited Training: To compete globally it is important that the training programme for potential employees into the outsourcing industry be in keeping with the training programmes and standards globally. It is therefore advisable that HEART further expand their curriculum to offer additional internationally accredited courses that will give potential investors the comfort and consistency in their recruitment strategy.</p>	
<p>❖ Finishing Schools & Apprenticeships It is proposed that the concept of a finishing school to supply high-quality graduates in specialised outsourcing areas be packaged and put forward as a business opportunity for private sector to investment. The finishing school would be used primarily to focus specific attention on training for all aspects related to the outsourcing industry. This would be akin to the Workforce Colleges concepts being implemented by HEART across the island. In addition, HEART and finishing schools should be allowed to fully utilise the apprenticeship method to provide hands-on training in GoJ as well as private sector outsourcing and call centre operations.</p>	<ul style="list-style-type: none"> ❖ Increased ability to move up the value chain ❖ Increased attractiveness of Jamaica as an investment location
<p>❖ Training Incentives: As global companies enter the country and invest in the training of our local talent pool, there is a positive exponential impact on the quality of the country’s labour force for the industry. Given the impact of this on the country’s attractiveness and competitiveness as an outsourcing destination, it is being proposed that tax credits be offered to such companies that can provide proof of the delivery of value-added (accredited) training given to their staff. Such credits could also be offered to companies that have signed on to the apprenticeship programme.</p>	
<p>❖ National Training Strategy: The Government of Jamaica should perhaps think strategically about the development of a National Training Strategy (NTS) that would take into consideration the country’s development path and the educational priorities and levels that need to be addressed in order to meet the country’s economic development goals and objectives. The NTS would outline adjustments needed at the primary, secondary and tertiary levels, including for e.g. mandatory Spanish from the primary level, mandatory</p>	

Priority Initiatives	Expected Impact
management training in all degree programmes, etc. A component of the Strategy will be the support infrastructure that will enable its realisation, where priority sectors are duly supported; e.g. scholarships or Student Loan Bureau prioritised loans for training areas.	

III. **Infrastructure Development:** The need for outsourcing space tends to be driven by client demand, where space is created to service a stated and oftentimes immediate need. Typically, firms need to be in a position to locate and occupy premises within a 2–4 month horizon. Global firms usually start with a minimum of 300 seats, which would require approximately 25,000–26,000 sq. ft. Over 3–5 years, these companies can grow to over 1,000 seats, requiring a minimum of 85,000 sq. ft.

In order to deliver an additional 18,000 jobs in this sector over the next 5 years, the space requirement could reach up to 1.2 million sq. ft¹². Given the level of success that the DBJ line of credit has had in creating space through the private sector, and given that at present there is sufficient available space created or being created to meet current demands, it is being recommended that further expansion be done within the context of a Technology Park – i.e. a defined space wholly occupied by outsourcers with shared services and critical infrastructure. If Jamaica is to cement its position as a major player, parks are essential for the country’s marketing thrust, especially in light of offerings/opportunities available in competing locations and also to signal potential investors of the commitment of the country to the sector.

Importantly as well, it is proposed that space in the Tech Park be reserved as incubator space for investors intending to start small to ‘test the market’ and who would require a ‘plug-and-play’ facility for 6-9 months before moving into a longer terms facility.

Priority Initiatives	Expected Impact
<p>❖ Naggo Head Technology Park</p> <p>With approximately 503,000 sq. ft of space currently available for outsourcing projects, the proposed 750,000 sq. ft. 26-acre Tech Park at Naggo Head could suffice to meet the minimum space requirements to achieve the strategy’s job creation goals. At present, the FCJ is seeking to finalise a lease arrangement that would see the build-out of an initial 120,000 sq. ft. of space.</p> <p>Concurrently, JAMPRO will be working with FCJ to ensure that the remaining acreage can be leased to other interested developers willing to build-out the remaining square footage. There will be requirement for FCJ to invest in the development of common areas – including perimeter fencing, roads, landscaping, etc. – as well as to build-out incubator space for the park as it is not typical that private sector invest in these type of infrastructure requirements. It is being requested that consideration be given for this to be done through Petro-Caribe Funding similar to what obtain for the PAJ build-out of space in the Montego Bay</p>	<ul style="list-style-type: none"> ❖ Increased attractiveness of Jamaica ❖ Signals commitment of Government to the sector

¹² This ratio assumes one job per seat although in reality the creation of one seat could supply up to three (3) jobs.

Priority Initiatives	Expected Impact
<p>Freezone.</p> <p>❖ Competitive Electricity Rates</p> <p>In the 2009 study by Analysis Mason, electricity was cited as one of the most problematic cost factors being faced by existing BPO companies in Jamaica. While the report indicated that the cost was not a deciding factor in their choice to remain in Jamaica, they noted that it was excessive. Layered onto the high cost is that fact that GCT payment on utilities is not exempt under the freezone benefits although other GCT charges that are.</p>	<p>❖ Increased attractiveness of destination</p>

It is important to note that given the near saturation levels for available employees residing in Montego Bay, if the trend of outsourcing investments into Montego Bay continues, the country could face a further infrastructure challenges in respect of housing. This is been highlighted here as a consideration for the Housing Ministry and/or the National Housing Trust to take this into consideration in their own plans for housing infrastructure in that part of the island. Given the target age level for employees in the industry, low-cost dormitory style housing for rent should be considered.

Market Penetration: While JAMPRO has made significant progress in establishing Jamaica’s competencies in this sector, the country is still not known as an outsourcing destination among key global players. In order to establish Jamaica as such, a strong market penetration campaign, with discrete and focused elements, much be funded and executed by the Government. The marketing efforts of Government, through JAMPRO, would also have support from the developers building space who may also seek to contract their own brokers to market their individual properties. Such efforts should however be coordinated in order to ensure that there is no duplication of efforts in respect of multiple people wooing the same set of investors and/or outsourcers.

Priority Initiatives	Expected Impact
<p>❖ In-Market Broker:</p> <p>With no in-market representation in key outsourcing countries, JAMPRO believes that the best avenue to identify and engage new entrants into Jamaica’s outsourcing industry is through contracting an In-Market Broker for ICT. This approach has been employed in the past, where the consultant/firm is paid on a performance-based framework to deliver BPO leads. This initiative proved to be successful, but has not been repeated given the level of resources necessary to allocate to the initiative. It is being proposed that resources be made available for a similar contract to be executed with an entity/consultant that has significant contacts, experience and influence within the sector.</p>	<p>❖ Greater generation of quality leads</p>
<p>❖ Marketing Campaigns:</p> <p>One of Jamaica’s weaknesses has been that it has insufficient brand recognition in the global outsourcing industry. To increase awareness and mindshare around Jamaica, as well as to highlight the country’s value proposition, consistent and sustained marketing campaigns need to be executed in global print and electronic channels.</p>	<p>❖ Greater lead generation</p> <p>❖ Increased top-of-mind awareness</p>

Priority Initiatives	Expected Impact
<p>❖ More Impactful Event Participation: Over the past few years, in the face of budget constraints, JAMPRO has had to reduce the level of participation at international trade shows and/or how it participates in these shows. Ideally, a country yearning to build a reputation in this area should attend all major shows annually to nurture existing relationships, form new relationships and keep the market abreast of developments in the destination. To truly benefit from some shows, an increased presence is required (i.e. sponsorship and/or booth space), in order to access promotional extras and forward lists used to identify and target investors for meetings.</p>	<ul style="list-style-type: none"> ❖ Messaging to larger audience ❖ Greater lead generation ❖ More connect points with attendees

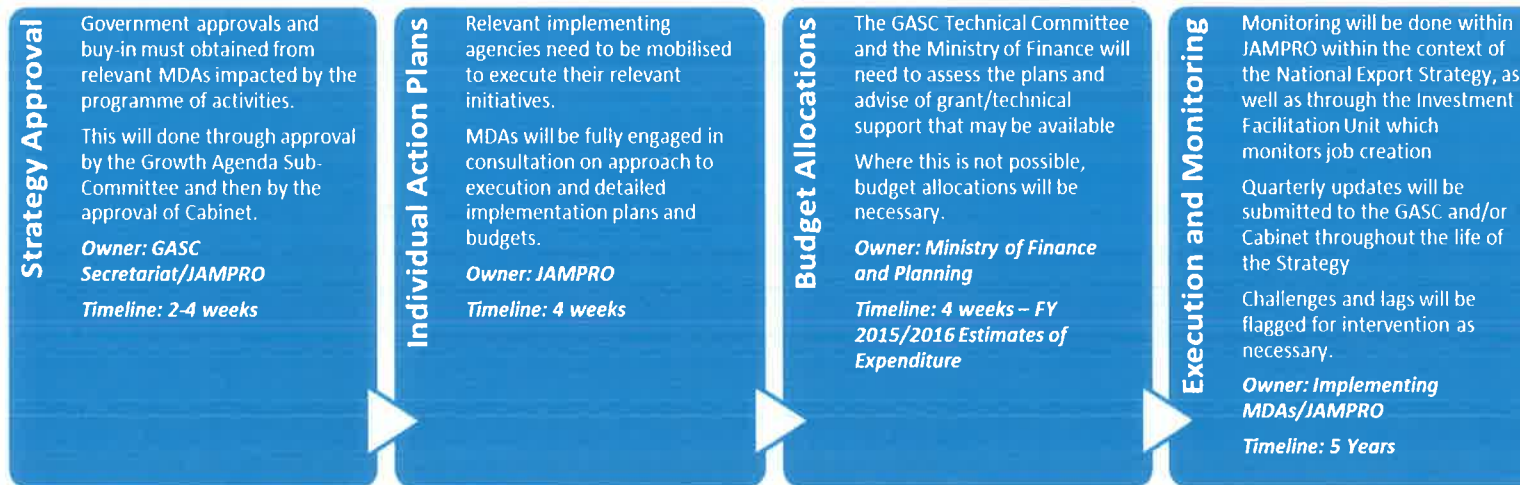
Private Sector Support Role

For any industry development initiative of Government to be successful, it must be understood and supported by the relevant private sector stakeholders. JAMPRO has found that the industry players in Jamaica’s outsourcing have been critical to its market penetration and investment promotion efforts, offering validation of the country’s purported value proposition. The industry association – BPIAJ – in particular has been strong partners in JAMPRO’s development, promotion and facilitation initiatives given their shared mandate to expand the industry. In executing this strategy, support will be required from the private sector in the following ways:

1. **Build-out of Space:** the creation of new space for the expansion in the industry remains primarily a private sector-led prerogative with support from the Government. This has been the case in respect of the DBJ Line of Credit and it is expected to continue with the build-out of the Naggo Head Tech Park, where Government (through FCJ) is only expecting to invest in the common areas, and perhaps incubator space. The remaining 630,000 sq. ft. in the Tech Park is expected to be built-out based on or lease agreements with the private sector.
2. **Line of Credit for Working Capital:** unfortunately, while DBJ has seen significant success from its line of credit, private financial institutions have not yet taken up the challenge of establishing creative loan facilities to support this growing industry. At present, access to working capital presents a significant challenge for developers seeking to retrofit space for lessees, while existing players have limited access to resources in order to expand their operations. In addition, the local financial institutions need to be mobilised in order to ensure that over time, DBJ can exit the market for even providing loan facilities for the build-out of space.
3. **Domestic Linkages:** the opportunity for local outsourcing was noted above and should remain a priority for industry players to woo local clients when seeking to expand their operations. In an effort to reduce the potential net negative impact on jobs, BPO companies should be encouraged to pull new staff from staff being made redundant by companies choosing to outsource. In addition, greater efforts will be made by JAMPRO to introduce BPO Companies with local suppliers of goods and services in order to increase the multiplier effect of the investments and jobs being created by the sector.

4. **Private-Public Discussions and Interactions:** on-going interface between public and private sector stakeholders will be an imperative to the continued growth of the industry in Jamaica, as well as to the positioning of Jamaica within the global industry. Much of this discussion has already started with both JAMPRO and MSTEM attending the monthly meetings of the BPIAJ, the HEART-BPIAJ MOU, and wide public-private dialogue that has taken place in respect of policies, such as the recent SEZ Policy Dialogue. Consideration could be given to the formalisation of these discussions, e.g. via think-tank, that would facilitated a broadened scope of deliberation on areas such as market penetration and infrastructure development initiatives in order to increase the potential impact. This dialogue would also be critical for the identification and resolution of issues as they arise in the sector whether at the micro (or firm) level or at the national level.

WAY FORWARD/CONCLUSION



This strategy has clearly articulated the strong value proposition that the global outsourcing industry holds for making an impact on Jamaica efforts to grow the country's economy and create jobs for Jamaicans. In order to start creating the right ecosystem to

capitalise on these opportunities, it is imperative that the Government of Jamaica moves quickly to execute this Strategy and attendant 12 month Action Plan in a timely and efficient manner. Important to the way forward as well is on-going discussions with the private sector to ensure that they are consulted in the roll-out of the various initiatives and offer their perspectives. It is also critical that the monitoring and evaluation process allows for the flexibility to adjust the Strategy as necessary in order to take advantage of emerging opportunities, and modify an agreed approach when various factors in the global market shift.

APPENDIX A: 12-MONTH NATIONAL ACTION PLAN

Implementing MDAs	Requires Action/Milestones	Required Timelines	Budget Requirements
MIIC	<ul style="list-style-type: none"> ❖ Finalise SEZ Policy and drive enactment of legislation/regulation <ul style="list-style-type: none"> ○ Update SEZ Policy arising from SEZ Policy Dialogue ○ Obtain Cabinet and Parliamentary approval of Green Paper ○ Develop White Paper for Cabinet and Parliamentary Approval ○ Obtain Cabinet and Parliamentary approval of White Paper ○ Draft Legislation & undertake requisite consultation ○ Enact Legislation ○ Draft and enact Regulations 	<12 months	Budget for legislative drafter identified through World Bank FCG project.
MIIC - FCJ	<ul style="list-style-type: none"> ❖ Implementation of the Naggo Head Project (Phase 1)¹³ <ul style="list-style-type: none"> ○ Finalise arrangement for 120,000 sq. ft ○ Seek Cabinet Approval (if necessary) ○ Obtain requisite planning and building approvals ○ Build-out space 	Immediately	Build-out to be undertaken by private developer
	<ul style="list-style-type: none"> ❖ Build-out of Common Areas and Incubator Space <ul style="list-style-type: none"> ○ Development project plan ○ Design common areas and incubator space ○ Request and obtain approval for ICT DBJ Loan Facility ○ Execute project implementation 	6-9 months	US\$5-7 mn (via DBJ ICT Loan Facility)
MIIC – JAMPRO	<ul style="list-style-type: none"> ❖ Packaging of Finishing Schools <ul style="list-style-type: none"> ○ Identification of specific opportunities ○ Packaging and promotion of opportunity 	3-6 months	Budget – US\$35,000
	<ul style="list-style-type: none"> ❖ Procure in-Market Broker for Outsourcing <ul style="list-style-type: none"> ○ Develop Terms of Reference ○ Launch Procurement Process ○ Execute Contract with Consultant/Firm 	< 6 months	Budget – US\$120,000
	<ul style="list-style-type: none"> ❖ Launch Marketing Campaign <ul style="list-style-type: none"> ○ Develop Campaign ○ Get Campaign Approved ○ Roll-out Campaign 	< 6 months	Budget – US\$80,000
	<ul style="list-style-type: none"> ❖ Execute Other Promotional Activities <ul style="list-style-type: none"> ○ Identify suitable trade shows 	6-9 months	Budget – US\$100,000

¹³ Concurrently, JAMPRO will promote the remaining lots in the Tech Park for lease/development partners.

Implementing MDAs	Requires Action/Milestones	Required Timelines	Budget Requirements
	<ul style="list-style-type: none"> ○ Conceptualise participation ○ Obtain approvals ○ Execute events 		
MOE – HEART	<ul style="list-style-type: none"> ❖ Training in Management Levels <ul style="list-style-type: none"> ○ Development of Training Curriculum for Management Levels ○ Consultation and Finalisation of Curriculum ○ Execution of Training 	< 1 year	TBC
MoFP	<ul style="list-style-type: none"> ❖ Provide adequate resources to the priority initiatives. <ul style="list-style-type: none"> ○ Collate information on required budgets ○ Identify funding resources (grant, technical assistance programme, fiscal allocations, etc.) ○ Support implementation of programme 	Immediately	No budget required
	<ul style="list-style-type: none"> ❖ Support to Outsourcing under the Income Tax Relief (Large Projects and Pioneering Industries) Act, 2013: <ul style="list-style-type: none"> ○ Review Draft Regulation to ascertain eligibility 	Immediately	No budget required
	<ul style="list-style-type: none"> ❖ Training Incentives <ul style="list-style-type: none"> ○ Develop and agree a framework to allow tax credits for training 	3-6 months	No budget required
MSTEM	<ul style="list-style-type: none"> ❖ Competitive Electricity Rates 	Immediately	Initiative already underway

Other Initiatives (for which either Owners need to be identified or further consultations are necessary to finalise Detailed Action Plans):

- ⇒ Data Protection Laws
- ⇒ Internationally Accredited Training Programmes
- ⇒ National Training Strategy

APPENDIX B: A. T. KEARNEY ASSESSMENT MATRIX

Category	Subcategories	Metrics
Financial attractiveness (40%)	Compensation costs	<ul style="list-style-type: none"> Average wages Median compensation costs for relevant positions (call-center representatives, BPO analysts, IT programmers, and local operations managers)
	Infrastructure costs	<ul style="list-style-type: none"> Rental costs Commercial electricity rates International telecom costs Travel to major customer destinations
	Tax and regulatory costs	<ul style="list-style-type: none"> Relative tax burden Corruption perception Currency appreciation or depreciation
People skills and availability (30%)	Remote services sector experience and quality ratings	<ul style="list-style-type: none"> Size of existing IT and BPO sectors Contact center and IT center quality certifications Quality ratings of management schools and IT training
	Labor force availability	<ul style="list-style-type: none"> Total workforce University-educated workforce
	Education and language	<ul style="list-style-type: none"> Scores on standardized education and language tests
Business environment (30%)	Country environment	<ul style="list-style-type: none"> Investors' and analysts' ratings of overall business and political environment A.T. Kearney Foreign Direct Investment Confidence Index™ Security risk Regulatory burden and employment rigidity
	Infrastructure	<ul style="list-style-type: none"> Overall infrastructure quality Quality of telecom, internet, and electricity infrastructure
	Cultural exposure	<ul style="list-style-type: none"> Personal interaction score from A.T. Kearney Globalization Index™
	Security of intellectual property (IP)	<ul style="list-style-type: none"> Investor ratings of IP protection and ICT laws Software piracy rates Information security certifications

Notes: BPO is business process outsourcing. IT is information technology. ICT is information and communications technology.

Source: 2014 A.T. Kearney Global Services Location Index™

APPENDIX C: JOB GROWTH PROJECTIONS – REQUIREMENT SCENARIOS OVER 5 YEARS

Total Jobs	Policy and Incentive Framework	Labour Pool Enhancement	Infrastructure Development	Market Penetration (Annual Budget Allocation)
Baseline – 14,000 (Growth Rate: 6%)	– Export Freezone Act (end 12/2015)	– HEART/Community Colleges graduates/yr = <7,166	– Over 1,000,000 sq. ft of space (over 600,000 sq. ft is publicly held)	– JAMPRO Average Annual Budget Allocation for BPO – US\$62.5 k (JA\$7 mn)
Target – 32,000 (Growth Rate: 18%)	– SEZ Policy (to replace EFA) – Data protection laws – Access to Working Capital	– HEART/Community Colleges graduates/yr = 10,800 (min) – HEART Management Training – Accredited Training – National Training Strategy	– + 1,530,010 sq. ft. of space (Investment: US\$306 mn)	– In Market Broker – US\$120k – Marketing Campaigns – US\$80k – Trade Shows – US\$150k TOTAL → US\$350k
Scenario 1 – 41,000 (Growth Rate: 24%)	– To enter KPO segments a review of work permit strictures may be required	– HEART/Community Colleges graduates/yr = 16,200	– + 2,294,978 sq. ft. of space (Investment: US\$459 mn)	– In Market Broker – US\$180k – Marketing Campaigns – US\$120k – Trade Shows – US\$225k TOTAL → US\$525k
Scenario 2 – 50,000 (Growth Rate: 29%)		– HEART/Community College graduates/yr = 8,400	– + 3,059,972 sq. ft. of space (Investment: US\$612 mn)	– In Market Broker – US\$240k – Marketing Campaigns – US\$160k – Trade Shows – US\$300k TOTAL → US\$700k

Assumptions	Risks
<ol style="list-style-type: none"> JAMPRO currently estimates job creation of 2,500 per year Policy and Incentive Framework: <ol style="list-style-type: none"> SEZ Policy would replace the Export Freezone Act – benefits are reduced and impact unknown Access to working capital would be required for all scenarios while data protection laws could increase jobs beyond targets Labour Pool Enhancement: <ol style="list-style-type: none"> 1 in 3 HEART (or Community College) graduates will obtain a job in the industry HEART Management Training, internationally accredited training, and a National Training Strategy would be required to support the achievement of all scenarios Entering the KPO space will require significantly more tertiary graduates – which is not accounted for in the table above (the graduate to employee ratio should also be higher at the university level) 	<ol style="list-style-type: none"> Economic conditions can influence job creation rates Change in incentives package could halt the progress of the industry Hacking scandals can reduce Jamaica’s attractiveness as a location Training strategy may not keep pace with demand Training might outstrip demand Build out of space might not be in sync with demand

Assumptions	Risks
<p>4. Infrastructure Development:</p> <ul style="list-style-type: none"> a. Each additional seat created would require approximately 85 sq. ft. of space b. While each seat can create up to 3 jobs, the assumption here is one seat per job targeted c. It cost approximately US\$160-US\$200 to build-out and fully retrofit 1 sq. ft. of space – the upper limit is used here 	

APPENDIX D: COMPARATIVE INCENTIVES FOR SELECT PLAYERS IN THE GLOBAL OUTSOURCING INDUSTRY

The following is a comparison table of the major categories of tax incentives offered by global and regional leaders in outsourcing vis-a-vis the offerings in Jamaica. The comparison table is followed by more detailed information on these incentives.

Benefits	Jamaica	Panama	Dominican Rep.	Philippines	Mexico	Costa Rica
TAX EXEMPTIONS:						
• Corporate Income Tax Exemption	✓	✓	✓	✓		✓
• VAT/GCT Exemption	✓	✓	✓		✓	
• Capital Tax Exemption		✓	✓			✓
• Property Tax Exemption		✓				
• Transfer Tax Exemption		✓	✓			
• Licensing Tax Exemption		✓				
• Municipal Tax Exemption			✓			
• Tax Credit				✓	✓	
						✓
BORDER TAX INCENTIVES:	✓	✓	✓	✓	✓	
• Import Duties Exemption	✓	✓	✓	✓	✓	✓
• Export Duties Exemption		✓	✓	✓	✓	✓
• Excise Duties Exemption		✓			✓	✓
OTHER:						
• Entry to Local Market	✓					✓
• Employment & Training Benefits					✓	✓
• Employment of Foreign Nations				✓		
• Repatriation of Funds	✓	✓		✓		✓
• Expedited Custom Services						✓
• Financial Grants for Set-up					✓	
• One-stop Shop for Set-up					✓	
• Permanent Residence Status				✓		

	Tax Benefits	Other Benefits
Jamaica	<p>Under the Jamaica Export Free Zone Act to get free zone status a company must:</p> <ol style="list-style-type: none"> i. be registered under the Companies Act; ii. export at least 85% of its production, and <ul style="list-style-type: none"> – Exemption from income tax on profits for an indefinite period – Exemption from import duties/fees for an indefinite period – Repatriation of foreign exchange without any form of recourse on the part of the government. – Exemption from General Consumption Tax for goods and services bought locally (with the exception of utilities and telecommunications) 	<ul style="list-style-type: none"> – BPO companies operating in the free zones can sell 15 % of their production on the local market with the approval of the responsible
Costa Rica	<p>The Costa Rican Free Trade Zone Regime grants beneficiary companies :</p> <ul style="list-style-type: none"> – 100% exemption on import duties on raw materials, components and capital goods – Machinery or equipment imported duty free 5 years or more, may be transferred, re-destined or placed in the national customs territory freely without paying taxes – 100% exemption on corporate income taxes – 100% exemption on export taxes, local sales and excise taxes, and taxes on profit repatriation – 100% exemption on capital taxes 	<ul style="list-style-type: none"> – Companies established in zones of lesser relative growth will for 5 years receive bonus equivalent up to 10% of the total amount of wages paid in the previous year less amounts paid as social security to the relevant Costa Rican authorities – No restrictions on capital/profit repatriation or foreign currency management – Expedited on-site Customs clearance – Possibility of selling to exporters within Costa Rica – Possibility of selling up to 25% in the local market and 50% if in services sector.
Dominican Republic	<p>Dominican Republic's Free Zones include exemption from the following duties or taxes for a renewable 15 year period (starting on the first day of production):</p> <ul style="list-style-type: none"> – Corporate Income Taxes – Incorporation and Capital Increase Taxes – Municipal Taxes and Export Duties – Taxes on title transfer of real property, construction and mortgages – Business taxes, included VAT – In addition, a company may import the following free of any import duties: <ul style="list-style-type: none"> o Equipment and materials used to establish and operate the company o Trucks and other vehicles, vans and buses the company may wish to bring for worker transportation o Materials or equipment brought in to provide special health care, cafeterias or child care facilities for workers 	<ul style="list-style-type: none"> – Foreign companies are unrestricted in their access to foreign exchange. – No requirements that foreign equity be reduced over time or that technology be transferred according to defined terms. – No conditions on foreign investors concerning location, local ownership, local content, or export requirements.
Mexico	<p>Mexico provides the following incentives to ICT outsourcing firms:</p> <ul style="list-style-type: none"> – Cash grant of up to 50% of the total space infrastructure cost of the project. – Tax credit of up to 30% of total R&D expense. 	<ul style="list-style-type: none"> – ProSoft, an umbrella organization comprising private and academic sectors, services organizations, state and federal government, provides a centralized contact point/information

	Tax Benefits	Other Benefits
	<ul style="list-style-type: none"> - 100% exemption on import duties on raw materials, components and capital goods. - Exemption on export taxes, local sales and excise taxes. 	source for incoming ICT outsourcing firm
Panama	<p>Panama offers the following incentives to foreign ICT outsourcing :</p> <ul style="list-style-type: none"> - Exemption from Service and Personal Tangible Asset Transfer Tax (ITBMS) on machinery, equipment, vehicles, appliances and materials purchased or necessary for the operation of companies accepted into the City of Knowledge Technopark. - Exemption from any taxes, fees, duties or levies on overseas money remittance for companies in the City of Knowledge Technopark. - Innovating companies producing, assembling or processing high-tech goods or rendering similar services for sale in the local or international market at the Panama International Technopark (PIT) will have the following benefits: <ul style="list-style-type: none"> o 100% exemption from taxes, levies, fees, duties and national taxes, including income tax, on their operations, transactions, procedures and transfers of personal and real property, purchase and import of equipment and construction material, raw materials, machinery, tools, accessories and supplies o Exemption from direct national taxes, including patent or license tax on capital 	
Philippines	<ul style="list-style-type: none"> - Tax credits for import substitution. - Tax and duty free importation of capital equipment, raw materials, spare parts, supplies breeding stocks, and genetic materials. - Corporate Income tax holiday of four years for non-pioneer or six years for pioneer projects. Ordinary companies pay 33% to 35% corporate income tax. - A special corporate tax rate of 5% of gross income in lieu of all national and local taxes after the income tax holiday. - Exemption from wharf age dues, export tax, and import fees on production related equipment. - Tax credits on domestic capital equipment, breeding stocks, and genetic materials. 	<ul style="list-style-type: none"> - Additional deductions allowed on incremental labour expenses and training expenses. - Unrestricted use of consigned equipment - Special Investor's Resident Visa: <ul style="list-style-type: none"> o Permanent resident status for foreign investors and immediate family. o No entry visa requirement for foreign nationals o Employment of foreign nationals o Remittance of earnings without prior approval from the BSP (central bank of the Philippines).