



Outsourcing: Putting Belize on the Map

Summary

Outsourcing – transferring a portion of an organisation’s processes to external entities – has grown significantly over the last 20 years. Developing Commonwealth countries, such as India, Malaysia and Sri Lanka, are among the top 20 most attractive locations for outsourcing worldwide. Belize is a small state that shares its borders with larger countries in Central America. Like many small states, Belize’s competitiveness in manufacturing is constrained by high transaction costs and limited economies of scale. Can the country leverage its strengths to provide business services to clients abroad?

Background

Belize is a small, middle-income country that is vulnerable to natural disasters as well as changes in its terms of trade. Services account for more than 65 per cent of gross domestic product (GDP) and just over 40 per cent of exports. Like many countries in the Caribbean region, Belize was a beneficiary of the European Union’s (EU’s) preferential access regimes on sugar and bananas for many decades. The Belize Government has taken steps to diversify exports, especially since the EU export quotas for these products were replaced with duty-free, quota-free access in the context of the EU–Caribbean Community (CARICOM) Economic Partnership Agreement (EPA). Nonetheless, agricultural products – including sugar and bananas – continue to dominate the country’s exports. These products, together with fisheries products, accounted for 80 per cent of total merchandise exports in 2014.

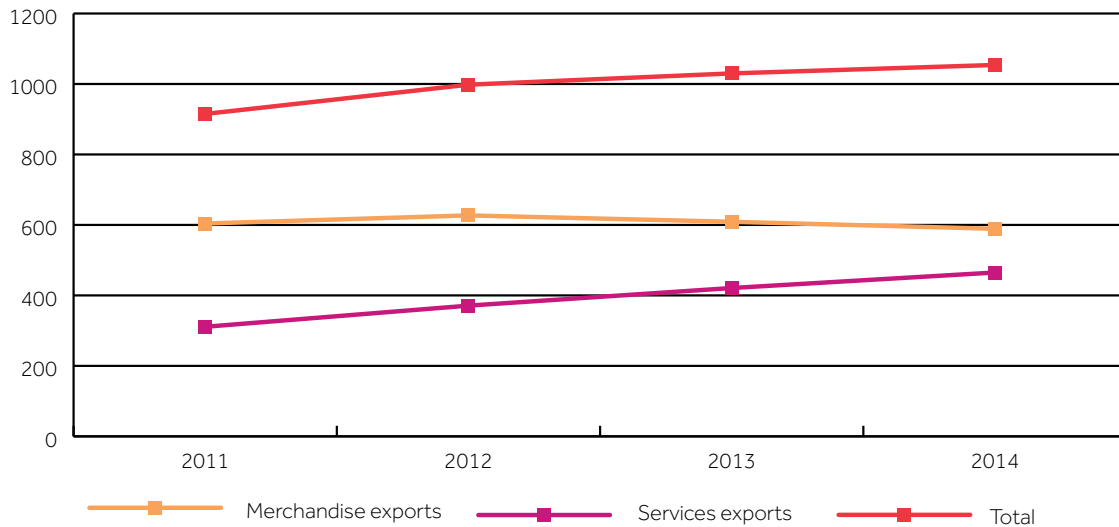
The value of Belize’s total exports grew by 30 per cent between 2007 and 2013, from US\$787 million to just over US\$1 billion. As shown in Figure 1, merchandise exports have been declining since 2012, while services exports have been growing. As a proportion of total exports, services exports increased from 34 per cent in 2012 to 46 per cent in 2015. Travel constitutes

about 80 per cent of total exports, while other commercial services – a category comprising a wide range of business, professional and personal services – accounts for 13 per cent. As regards trade partners, the USA imports 26 per cent of the country’s exports, followed by the UK with 19 per cent. The UK is by far Belize’s most important market in the EU, accounting for 72 per cent of the country’s exports to the EU in 2014. Export diversification is therefore an important objective of the country’s trade strategy.

In 2008, the Commonwealth Secretariat supported the country’s trade and investment promotion organisation (the Belize Trade and Investment Development Service (BELTRAIDE)) to identify non-tourism services with export



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Figure 1. Composition of Belize exports, 2011–2015 (US\$ million)

Source: WTO, 'World Trade Statistical Review 2016', available at: https://www.wto.org/english/res_e/statistics/wts2016_e/wts16_toc_e.htm

potential. The analysis revealed a number of strengths that the country could leverage to boost competitiveness and the export of services. These include the following:

- Belize is an English-speaking country in a predominantly Spanish-speaking geographical region.
- It is in close proximity to large service markets (USA, Canada) and service providers (Brazil, Costa Rica).
- It can offer a niche tourism brand.
- It has good flight interconnectivity and a good basic services infrastructure.

Several flagship sectors were recommended for further exploitation of export potential, notably:

- real estate services – sales, leasing and rentals, and servicing of retirement properties;
- business process outsourcing (BPO) – firms in Belize could provide customer services and undertake selected human resource functions for organisations abroad.

However, it was clear that key economy-wide reforms were urgently required to provide a business-friendly environment to stimulate and support entrepreneurship and exports. Of critical importance was the telecommunications sector, which the national provider – Belize Telemedia – monopolised, restricting access to emerging technologies that could greatly reduce the cost of international calls. By 2012, the Belize Government

had undertaken reforms to improve competition in this sector. Significantly, Belize Telemedia was required to open its networks to VOIP (Voice over Internet Protocol). These measures reduced broadband tariffs by nearly 50 per cent, putting the country on a firm footing to export services over the internet.

Overview of business process outsourcing

BPO – the delegation of one or more business processes to an external entity – is just one component of the wider outsourcing industry, which also encompasses information technology (IT) and knowledge process outsourcing, as shown in Table 1. Customer management, accounts and finance tasks dominate BPO. According to some industry sources, the global BPO market has grown significantly since 2000 when it was worth nearly US\$46 billion. The market peaked at over US\$100 billion in 2015 and is projected to reach US\$220 billion by 2020¹. The USA is the leading source of BPO contracts while India has been the dominant supplier, offering a large, highly skilled, educated, cost-effective, English-speaking labour pool.

The BPO market is highly dynamic and diverse. Public, private and non-government organisations of all sizes outsource a wide range of services, including book keeping, customer services and IT. Although cost remains an important driver, outsourcers and end clients are focusing more

and more on solutions that deliver higher levels of customer satisfaction, including convenience, how quickly issues are addressed and the ability to address multiple concerns. In terms of client proximity, BPO can be offshore, nearshore or domestic. Offshore BPO is more common. However, domestic outsourcing is becoming more widespread especially in middle-income countries, although prospects are limited for an economy the size of Belize. Offshore outsourcing has faced several challenges, including delays, remote contract management, time differences and cultural differences. Therefore, nearshoring – whereby organisations outsource business processes to smaller units in a country close to their headquarters – has evolved as one of the strategies to bridge this gap. BPO analytics indicate that the Central America and Caribbean region already provides 65 per cent of nearshore talent to US organisations. With the correct conditions, small countries, such as Belize, can attract sufficient BPO opportunities to increase investment and diversify exports, creating jobs and improving livelihoods.

In 2015, the Commonwealth Secretariat supported the Government of Belize to develop policy, institutional and strategic measures aimed at placing the country on the map for higher value outsourcing. At the time, there had been rapid growth in the outsourcing sector and significant investor interest, especially in BPO. It was estimated that about 2,300 people – mainly women and people under the age of 30 years – were employed in the outsourcing sector in 2015.

Although there was some foreign investment, the vast majority of operations were small (less than 200 seats) and established by Belizeans. The emerging outsourcing cluster was dynamic, actively seeking new frontiers and sharing pertinent knowledge and experiences. The range of services provided is summarised in Table 1.

The opportunity

The Global Services Location Index (GSLI)² developed by AT Kearney compares the attractiveness of countries for BPO based on the factors outlined in Figure 2.

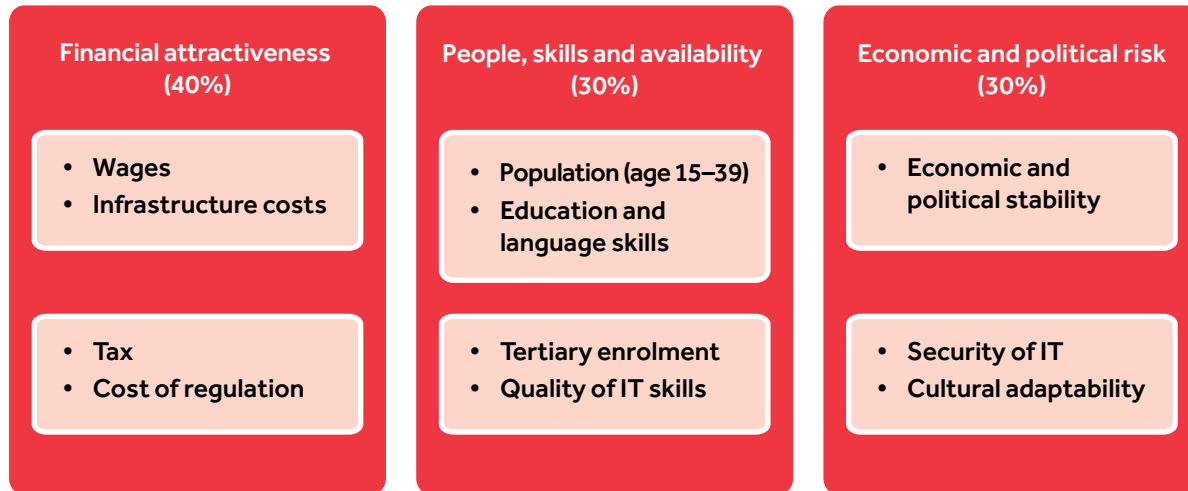
The 2014 GSLI ranked 51 countries, and Jamaica was the only Caribbean island state that featured in the index, but had declined 12 points from the previous year. Three Central and Latin American countries – Mexico, Brazil and Chile – were among the top 20 BPO destinations globally in the same year. An analysis of trends in the customer contact market segment indicates that the Caribbean and Central American region generated US\$8 billion in revenue in 2015 from more than 300 international and indigenous firms, and projected that the number of jobs in this region will rise by more than 100 per cent by 2020. Although Jamaica and the Dominican Republic are the better known BPO locations, industry reports suggest that Peru, Trinidad, Honduras and Belize are key emerging suppliers³.

Available data indicates that there are more than 4,000 global foreign direct investment (FDI) projects in BPO annually. About 9 per cent

Table 1. Outsourcing in Belize

BPO	IT outsourcing	Knowledge process outsourcing
Inbound customer service	Inbound online gaming	Management of accounts
Outbound sales/marketing	Data processing	Business consulting
Lead generation	Social media management	International business corporation and trust facilitation
Non-voice servers and overs	Online marketing	Research and development
General transcription	IT tech chat support	Quality assurance
General data entry	Programming and web design	Virtual management
Chat/email support	Search engine optimisation	Record sorting and summaries
Basic accounting services		
Financial services/credit		
Collections and processing		
Educational transcription		
Medical transcription		

Figure 2. Global Services Location Index



of these are located in the Latin America and Caribbean (LAC) region. Although this is quite a small proportion, the importance of this region has been growing since 2013, largely because of rising costs in traditional BPO destinations as well as the strategic shift towards nearshoring. This suggests that Belize has the potential to attract further investment in BPO, especially as the country becomes better known as a viable destination for providing quality service at competitive costs. As regards subsectors, the LAC region appears to attract mainly business support services, which are more likely to provide the relatively high value outsourcing services that Belize aims to target. There are also opportunities in the IT services sector, particularly in technical support operations. In terms of origin, 59 per cent of BPO projects in the region are from North America, mainly the USA. There are potential opportunities from other locations that invest in the Caribbean, including the UK and EU countries. There may be further opportunities for second-level investment, for which an established BPO investor may wish to either expand in situ or select another site, possibly in another country. Second-level and expansion projects could emanate from existing investors in Mexico, Colombia, Costa Rica and other countries in the region.

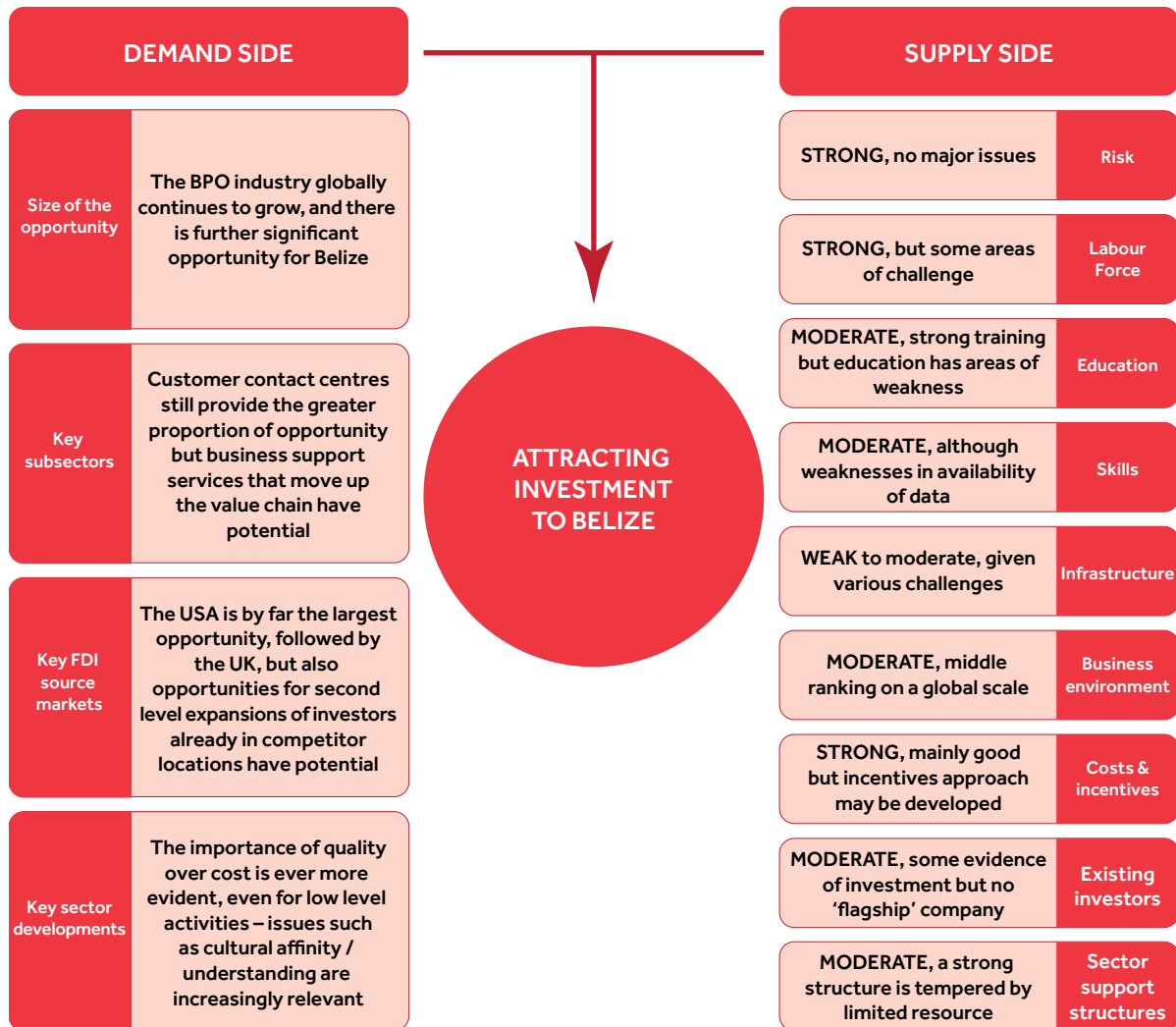
Why Belize?

As part of the assessment of the competitiveness of Belize in this industry, the analysis considered key success factors derived from the GLSI (Summary presented in Figure 3 below). The country's political and economic risk was

found to be low, because of the overall strong macroeconomic management and governance. Similarly, Belize has a favourable business environment: a low corporate tax rate (1.5 per cent) as well as additional incentives for export-oriented companies that obtain export processing zone (EPZ) status. The country's overall labour position is also relatively strong because of its young population, familiarity with customer-facing applications and a wide availability of English-speaking staff in a predominantly Spanish-speaking region. It is estimated that the current BPO labour pool could provide an extra 3,500 positions. Existing BPO operators reported a low contact centre churn rate, suggesting relatively high rates of labour stability in the sector. However, this advantage must be counterbalanced against other factors, such as education. According to data from the United Nations Educational, Scientific and Cultural Organization (UNESCO), the adult literacy rate for Belize in 2014 was 82.8 per cent.⁴ This is below the world average and lower than other BPO destinations in the region. In 2010, only 28.4 per cent of Belizeans were educated to secondary level or higher. This will potentially limit the rate of growth of the BPO sector, as upgrading the education profile of an entire population takes years to bear fruit.

The analysis found the cost and availability of key infrastructure to be major weaknesses. The country had 210 secure servers per 1 million people, which is among the highest in the region. Although the costs of telecommunications have gone down, call rates to the USA are, in some cases, more than double the regional average.

Figure 3. Belize BPO attractiveness summary



These costs are offset by the relatively low costs of real estate. However, there is a shortage of 'BPO-ready' facilities.

The strategy

Based on the market and demand-side analysis, a strategy for Belize to optimise this sector was recommended. The main thrust of the strategy is to double the available BPO capacity in 3–5 years: principally, the number of seats should be increased to at least 4,600. This is to be achieved through a range of short-, medium- and long-term measures. The immediate strategic priorities are outlined below.

1. Branding and attracting investment

As Belize is a newcomer to the industry in the Central American and Caribbean region, concerted efforts need to be taken to improve the name recognition of the country in relation

to outsourcing. Currently, there is no defined BPO brand in Belize. Without brand awareness, it is likely that Belize will not feature among the top locations for BPO in the region for years to come. Brand building and marketing are therefore critical to the success of this industry in Belize. The basic institutional framework exists: BELTRAIDE – the country's trade and investment promotion agency – has already taken steps to attract BPO investment. This organisation has improved the visibility of the sector and participated in selected BPO events. Although these are important elements in marketing for FDI, they are less effective for investor targeting, as success depends on meeting the right company, which has the right project, at the right time and at the right event. Combining event attendance with a wider campaign of securing investor meetings,

before and after the event, can be more effective. Therefore, more needs to be done with regard to key target markets, notably the USA.

2. Creating shared 'plug and play' incubator facilities

The current BPO companies in Belize are operating at near-full capacity. This leaves little room for trialling new services, or upscaling quickly to meet new demand. Similarly, there are no facilities for foreign investors who may wish to test the Belize environment before a full-scale launch. Such facilities could potentially facilitate the expansion of BPO operations in new geographical locations in the country.

3. Continuous upgrading of skills and standards

There is a need for measures to be put in place to build a strong pipeline for 'BPO-ready' skills. Although effective IT, numeracy and communication skills are critical for the BPO industry, upgrading the entire labour profile of the country will make Belize more competitive in the services sector as a whole. BELTRAIDE has taken steps in this direction by establishing a training agency that equips potential BPO staff with basic skills. However, the secondary school and technical vocational curricula need to be reviewed to ensure the longer term availability of these skills. As regards BPO operators, there is a need for common minimum standards to be agreed and applied throughout the industry. The recommended approach is to adopt a combination of both statutory and voluntary measures to guide the quality of staff and facilities; campaigns; and operations and processes.

Implementation

Doubling the current BPO capacity over the next 3 years will require a co-ordinated approach by key agencies in government and the private sector. A number of lead agencies were identified, including the ministries responsible for education, telecommunications and labour, as well as the national standards organisation. BELTRAIDE will continue to drive investment promotion, branding and retooling, as well as mobilisation of various lead agencies to undertake agreed tasks. An outstanding challenge is the absence of an effective outsourcing industry association to act as the 'voice' of the operators in dialogue with the Belize Government and an advocate for business-friendly policies and rates, to ensure effective regulation and to increase the awareness of outsourcing as a viable career path for young people.

Conclusion

The outsourcing industry has the potential to contribute to Belize's long-term development objectives, providing quality jobs for young people and building economic resilience. The Belizean business community has actively pursued export opportunities, mainly in the USA, and has increased both the number of seats and the scope of services offered over time. There is growing foreign investor interest, suggesting the growing confidence in Belize as a viable location for outsourcing. This must be matched by government investment, particularly with regard to enhancing the availability of a BPO-ready infrastructure, upgrading skills and stepping up branding.

Endnotes

1. Global Industry Analysts, Inc., available at: http://www.strategy.com/MarketResearch/Business_Process_Outsourcing_BPO_Market_Trends.asp (accessed 4 November 2016).
2. See <https://www.atkearney.com/> (accessed 12 November 2016)
3. Zagada Institute, 2012, Caribbean & Central America (CCA) BPO & Contact Center Report http://www.zagada.com/pdf/CCA2012-LeadingtheCoreNearshoreMomentum_sponsors_final.pdf (accessed 24 November 2016).
4. UNESCO Institute for Statistics, available at: <http://data.uis.unesco.org/>

Trade Competitiveness Section

The Commonwealth Secretariat's Trade Competitiveness Section (TCS) of the Trade Division provides technical assistance (TA) to member countries for improving their trade competitiveness in global markets. Recognising the limited size of the domestic market in many member countries, TCS has a strong focus on export development, with interventions targeted at the national level and where requested, escalated to the regional and international level. The Section has been recently given added responsibility for implementing the Commonwealth Secretariat's Trade Finance Facility in their work program.

TC's specific areas of expertise include:

1. **Market Access** – Interventions in this area of work aim to secure sustainable market access for priority exports. The Section is helping member states in identifying 'New Products and New Markets' and developing schemes around them to diversify their exports. TA is being provided to many countries on targeted action plans for linking into regional and global value chains. The Section is also helping the member states in their multilateral, regional as well bilateral trade negotiations.
2. **Export Development Strategies** – This initiative supports member countries to design and implement strategic plans for trade competitiveness and export development, underpinned by mechanisms for effective dialogue with governments and non-state actors. National Trade Policies as well as National Export Strategies have been designed for many member states.
3. **Enhancing the development and exports of services** – Exports of services can provide opportunities to create employment, diversify exports, enhance productivity and empower low skill workers. This area of work allows member governments to benefit from the new opportunities created by globalisation and trade liberalisation.
4. **Trade Facilitation** – Trade facilitation encompasses the process of identifying and addressing bottlenecks imposed by the weakness in trade related logistics and regulatory regimes that prevent the timely cost effective movement of goods. To deliver this short term outcome, interventions focus on assisting member countries to reduce the costs of doing business and, as signatories to the WTO, to meet their international obligations in this area. Interventions are made through the development of strategic action plans, benchmark studies and reports, and capacity building in trade facilitation.

The Trade Competitiveness Section works in response to the requests received from the Governments or apex institutions and provides technical assistance to address the above competitiveness issues. Areas of expertise include export diversification strategies; gender sensitisation of trade policies; implications of trade agreements and related policy advocacy; implications and compliance to WTO agreements; GATS and Trade in Services Agreements; Mega FTAs like Trade in Services Agreement (TiSA), Economic Partnership Agreements (EPAs), etc; trade facilitation measures and Trade Facilitation Agreement (TFA) along with cost of compliance to the TFA. For 2015/16, the Section is providing TA to 14 countries with 19 projects.

Trade Express will share information and lessons learned from recent Commonwealth Secretariat interventions. Articles will discuss design and implementation processes; in particular, practical solutions for the perennial problems surrounding appropriate trade policy design, advocacy and strategic trade interventions.

Forthcoming issues

Issue 6: Creating Financial Architecture to Support Exports

It is imperative to address the structural weaknesses in export development and consequently modify the institutional framework for export credit. The Trade Competitiveness Section at the Commonwealth Secretariat provided technical assistance to Sri Lanka's SLECIC agency to develop the export credit tools to boost exports in the country.

Previous issues

Issue 4: India's Global Value Chains: Integrating LDCs



In order to raise the value captured by India in global value chains (GVCs) and support its 'Make in India' initiative, the intervention is designed to identify India's lead products where it can initiate its own GVCs and upgrade its small and medium sized firms. Integrating LDCs into these chains will enhance global cost competitiveness of India's products and diversify exports of LDCs. Overall the outcomes from this intervention will buttress India's effort to increase the uptake of its LDC package of support and develop its own GVCs.

Issue 3: Kenya Poised to Adopt International Transportation System



The geographical location of Kenya, combined with the status of Mombasa as a key transit port for neighbouring economies, particularly EAC member states, underlies the rationale for ratifying and implementing the TIR Convention. Both the Northern Corridor and the planned LAPSSET Corridor would derive benefit from a transit regime streamlined within a TIR environment. The Export Promotion Council of Kenya (EPC) worked with the Trade Division to develop a strategic plan of action to institutionalise the TIR Convention.

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