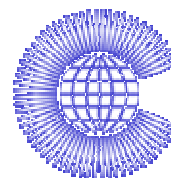


# eme

**Strategic Marketing Plan for the  
Promotion of Professional Services  
Exports – Barbados**

**January 2007**

C A R I B B E A N  
**EXPORT**





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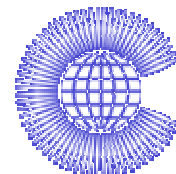
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Prepared for the Ministry of Economic Affairs and Development  
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January 2007





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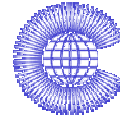


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## Abbreviations

AAIEP	American Association of Intensive English Programmes
ACP	African, Caribbean and Pacific Group of States
ARB	Architects Registration Board
ARE	Architect Registration Examination
BAC	Barbados Accreditation Council
BAPE	Barbados Association of Professional Engineers
BCC	Barbados Community College
BCSI	Barbados Coalition of Service Industries
BDS	Business Development Services
BIA	Barbados Institute of Architects
BIBPC	Barbados International Business Promotion Corporation
BIDC	Barbados Investment and Development Corporation
BPO	Business Process Outsourcing
BTA	Barbados Tourism Authority
CARIBCAN	CARICOM-Canada Trade and Economic Co-operation Agreement
CCEO	Caribbean Council of Engineering Organisations
CE	Caribbean Export Development Agency
CIEET	China International Education Exhibition Tour
CRNM	Caribbean Regional Negotiating Machinery
CSME	CARICOM Single Market and Economy
ECJ	European Court of Justice
ELT	English Language Training
ENT	Economic Needs Test
EPA	Economic Partnership Agreement
EU	European Union
FA	Finance and Accounting
FIDIC	International Federation of Consulting Engineers
GATS	General Agreement on Trade in Services
ICE	Institution of Civil Engineers
ICT	Information and Communication Technology
IDP	Intern Development Programme
ISP	Internet Service Provider
IT	Information Technology
IVF	In-vitro Fertilisation
JCI	Joint Commission International
KPO	Knowledge Process Outsourcing
LAIA	Latin American Integration Association
NAAB	National Architectural Accreditation Board
NASSCOM	National Association of Software and Service Companies
NCARB	National Council of Architectural Registration Boards
RIBA	Royal Institute of British Architects
SPS	Sanitary and Phytosanitary
STA	Special Technical Assistance
TPO	Trade Promotion Organisation
TVE	Technical and Vocational Education
USP	Unique Selling Proposition
UCB	University College of Barbados
UWI	University of the West Indies



## Executive Summary

### The Vision

Barbados faces three key economic challenges:

1. Diversify its economy to reduce the reliance on tourism for growth and the balance of payments. This will call for the establishment of new, export oriented service sectors.
2. Increase value addition in the service economy so that it generates more productive, better paid jobs increasing the return to education. Currently, the bulk of the jobs created in the service economy are unskilled and low paid.
3. Accelerate the transition to a knowledge based economy on which its ability to compete in the global economy of the 21<sup>st</sup> Century will depend.

Promoting the export of professional services can make a major contribution to meeting these challenges. Success in implementing the proposed marketing plan should:

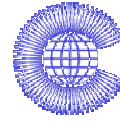
1. Result in an increase in exports of US\$ 100 million by 2012, adding between 2%-2.5% to growth annually as exports of professional services have high value added.
2. Create more and better paid jobs. The majority of the jobs created will be professional or skilled. This should address the jobs gap that currently causes some of the best educated and most skilled to migrate abroad.
3. Address the lack of entrepreneurship and innovation that is the root cause of a narrowly based economy. The professional services are cradles of entrepreneurship.
4. Increase the range of choice and quality of health care and education available to Bajans and improve the competitiveness of the economy by increasing the supply and quality of ICT services.
5. Spur the transition to a knowledge based economy with the aim, in due course, of enabling parts of the economy to become purely intellectual property based, quaternary activities.

The economy that should result would be more entrepreneurial and innovative and the country and its people more confident, reliant on their enterprise and skills rather than natural endowments for their prosperity. Developing professional service exports will help create a virtuous circle of investment in human development leading to growth that creates demand for additional investment in human development

### Overview of the Strategy

Barbados has already established a foot hold in the export of all the six professional service sectors examined. Moreover, it should be able to develop a market offer that will allow it to succeed in what are huge and rapidly growing international markets.

However, it is either a late entrant in these markets or, by international standards, a small niche player or both. It has little profile in international markets and lacks the scale that is necessary for the cluster formation and specialisation that are important success factors in these markets. This lack of market presence makes it difficult for domestic businesses to market their services abroad and to attract significant levels



of foreign investment. Further, the country's export and investment promotion efforts are still oriented towards agriculture and manufacturing.

The potential of promoting professional service exports to benefit Bajans and the economy is yet to be appreciated fully by policy makers. In health and education, policy makers continue to treat local industries solely as public services. They have yet to undergo the mind set change that has made countries such as India declare 2006 as the year of health tourism and which has made the UK's education industry a major exporter earning over £10 billion annually. Hence, there are major enabling environment constraints that cause difficulties for foreign doctors to provide export services and restrict the proportion of places that non-regional students may occupy. In addition, there is a need to address the generic constraints of lack of entrepreneurship, access to finance for SMEs and the use of export and training incentives by all professional service businesses.

Thus, the marketing strategies for all six sectors comprise a set of: i) brand awareness raising activities including, in some sectors, foreign direct investment promotion to increase scale and access to customers; ii) direct marketing support to SMEs and; iii) enabling environment reforms specific to the industry. These measures need to be accompanied by actions to reduce generic constraints. Market access issues are not a major constraint to the growth of professional service exports but, in all sectors, there are a set of issues that the RNM should take up in appropriate negotiating forums.

In summary, the prospects of individual sectors are as follows:

### ***Health and Wellness***

This is a US\$ 40 billion international market growing at 30% p.a.. Barbados is well-placed to benefit from the exponential growth of health care tourism, particularly from the US market where rising health care costs are creating unstoppable drivers to seek lower cost services abroad. Whilst not the cheapest in the region, Barbados's offer of lower cost, high quality treatment, provided by internationally trained professionals in an English speaking, holiday destination is competitive. Recent investment in the public and private sector provides the capacity for expansion of exports. A target of exporting US\$ 45-50 million worth of exports, encompassing medical treatment, spas and alternative medicine, diagnostic and research services and nursing and elderly care, is achievable over a 5 year time horizon.

### ***Education***

The worldwide market for education exports is estimated at US\$30 billion and is expected to triple in size over the next twenty years. The primary opportunity for Barbados is in English Language Training (ELT). Public and private sector training facilities exist and are exporting to students in the region (Martinique, Venezuela). Large markets in the region (Brazil) and the large and growing demand from Asia, especially China, Japan and South Korea, remain untapped. The offer of lower cost tuition than the market leaders (UK, US) in an English speaking, holiday destination has proved a winning formula for countries such as Malta and should do for Barbados. There are opportunities also in technical and vocational education (TVE) aimed at the regional market initially but gradually expanding to the US and other markets. Investment and consolidation to scale up TVE in the public sector and private sectors will provide the capacity. A target of increasing educational exports by US\$ 20 million over 5 years appears realistic.



***Business Development Services***

The global market for outsourcing of business development services (BDS) is large and growing with an increasing proportion of outsourcing going abroad (off-shoring). Within the off-shoring market, the trend towards a mix of off-shoring basic functions to a low cost destination whilst near-shoring higher value functions provides an opportunity for Barbados in serving the US market. However, Barbados does not have the critical mass of even medium-sized firms necessary to compete in the international market for legal and finance and accounting outsourcing or providing management consulting services. Moreover, the country does not have a substantial cost advantage in these services compared to Canadian firms. The best opportunities for Bajan firms are to strengthen their already strong position in the regional market where the country's large numbers of professionals and a few large firms provide it with competitive advantage, particularly over the smaller islands. It may also be possible to attract to Barbados specialist outsourcing firms looking for near-shore presence in finance and accounting services. The Bajan diaspora could help in the process of export promotion. A modest target of increasing BDS exports by US\$ 5 million over 5 years would appear realistic.

***ICT***

Outsourcing and off-shoring in the ICT field is worth US\$ 50 billion currently and growth is projected to be explosive. Barbados stands to gain from the trend towards combining near-shore with offshore outsourcing further a field in serving the US market. The country has established a presence in call centre operations serving the US market and has about 50 firms involved in the IT industry serving the domestic and regional markets. A lack of cost competitiveness against regional competitors such as the Dominican Republic means that the best opportunities in call centres lie in knowledge process outsourcing (KPO) in the financial services industry where Barbados has specialist expertise. It should be possible to attract new foreign investment in this field, especially if financial sector firms based in Barbados can be motivated to establish joint ventures with international call centre operators. For the immediate future, the IT industry's export prospects will lie in serving the regional market where its better trained work force and distributorships for international companies will provide it with competitive advantage. A target of growing exports by US\$ 15 million over 5 years appears realistic.

***Construction Related Services***

Whilst sub-contracting has long been practiced, outsourcing and off-shoring the functions carried out by architects, engineers and construction management firms to others in the industry is relatively new. Barbados ranks along side Trinidad as a regional leader in these services. Its sizeable architectural and engineering firms have developed commercial presence in the other islands and have successfully exported their services to them from Barbados as well. The best prospects will continue to lie within the CSME in the near future. There are good prospects also in the UK market for engineering services. The UK is short of engineers and Barbados has a substantial number of engineers that are members of the UK Institute of Civil Engineers which will help to overcome potential resistance over the quality of service. Barbados is cost competitive. A target of increasing exports by US\$ 7.5 million over 5 years appears feasible.

***Production Services for the Entertainment Industry.***

The world's music and film production and event management industries are large and increasingly international. With an increasing reliance on production services for special effects and the use of digital production technology, they have become



capital intensive. Dubai and India have invested in state of the art film cities. Barbados cannot compete against such facilities. The primary opportunity for Barbados in this sector is in exporting music and video production services, based on the reputation of its music industry, the image of the island and its video production facilities. A target of increasing exports by US\$ 7.5 million over 5 years appears feasible.

### **Key Actions Required**

Taking forward the marketing strategies proposed requires partnerships to be formed within the public sector, between the public and private sectors and within the private sector itself. We recommend the formation of industry working groups for each sector that comprise leading representatives of the public and private sectors. They should be mandated by cabinet to implement and exercise oversight over the marketing strategies for each sector. The Barbados Investment and Development Corporation (BIDC) should serve as secretariat for each working group.

To co-ordinate and support the implementation of individual working groups, we recommend the formation of a small task force reporting to Cabinet under the stewardship of the Ministry of Economic Affairs and Development. The role of the task force would comprise:

1. Obtain wider buy-in for the promotion of professional service exports within the public and private sectors and the general public. Key actions include issuing a policy statement when the proposed Marketing Plan has been agreed endorsing the Plan.
2. Ensure that there are sufficient public resources forthcoming to enable each industry working group to implement its marketing strategy. The public resources required are not large, amounting to US\$ 315,000 initially as well as the time of BIDC staff.
3. Bring to bear the authority of Cabinet in overcoming difficulties experienced by the industry working groups in bringing about enabling environment reforms.
4. Appoint agents to oversee the process of bringing about generic enabling environment reforms.
5. Monitor the development of professional service exports, informing the industry groups of progress and helping them to respond to new export opportunities as they emerge.

BIDC has a central role to play in servicing the industry working groups and in supporting the task force. It will need to bring to bear its export promotion and investment promotion capabilities in an integrated manner. We recommend it appoint a central resource person to service the industry working groups able to draw upon the resources of its export and investment promotion divisions. It will need to work with and support the Barbados Tourism Authority (BTA) especially in the health and wellness and education sectors that are linked strongly with tourism. The BTA's destination promotion capability will need to be harnessed for these sectors.

The BIDC will need help and guidance from Caribbean Export (CE) in promoting professional service exports, attracting foreign investment in these sectors and undertaking enabling environment reforms. There are cost savings to be had from CE pooling data collection and research functions for all CARIFORUM member countries. However, for it to fulfil these roles, it will need to be adequately resourced with the support of its member countries.



# **1 Trade in Professional Services – The Vision**

## **1.1 Background to the Project**

The Caribbean Export Development Agency (Caribbean Export or CE) is a regional trade promotion and development agency and its membership consists of the fifteen CARIFORUM member states. As part of its mandate to strengthen local economies through increased trade, it has committed to promoting trade in new sectors, including services. Recognising that global trade in services is large and growing rapidly, particularly in knowledge-based activities such as professional services, CE approached the Special Advisory Services Division of the Commonwealth Secretariat for technical assistance in developing Strategic Marketing Plans to promote professional service exports. This project has developed Strategic Marketing Plans for Barbados, St Lucia, Dominica and Trinidad and Tobago and is intended to serve as an example for other countries to follow in developing their own strategies.

The Strategic Marketing Plans will enable a shared understanding of market opportunities and key success factors, and bind stakeholders (public and private) together in a common plan with defined targets, milestones and activities. They will also allow CE to determine how it can best align itself with the strategy for each country and fulfil its mandate as the regional trade promotion organisation (TPO). In order to provide focus to the assignment, six services sectors were selected as priority areas: health and wellness, education, ICT, business development services, construction-related services, production services for the entertainment industry. The financial services sector was excluded from the list of professional services because it was felt that Caribbean member states of the Commonwealth had already explored the potential of that industry and many had strategies in place for its development.

## **1.2 Structure of the Report**

This chapter provides a vision of how the export of professional services can help Barbados transform itself to compete successfully in the knowledge based, global economy of the 21<sup>st</sup> Century. It assesses the economic challenges that the country faces, sets out a vision of what successful implementation of the strategy would deliver Barbados and provides an overview of the strategy for promoting professional services, outlining which sectors and markets to focus on and how to position the country.

The following chapters set out in detail market trends, the country's capability and competitiveness and the marketing strategy for each of the six sectors. A concluding chapter sets out the action plan and institutional arrangements for implementing the marketing strategy as a whole.

## **1.3 Economic Structure and Performance**

Barbados is one of the most successful economies of the Caribbean with a per capita GDP of over US\$10,000. Recent performance has, however, been highly varied. The economy declined 3.4% in 2001 and 0.4% in 2002 before rebounding to grow 1.9% in 2003. Activity picked up further and growth was strong at 4.8% and 3.8% in 2004 and 2005. Growth depends heavily on the performance of tourism. Not only is it a major sector in its own right but it also impacts other important sectors such as wholesale and retail trade and transport and communication. Whilst the tourism industry is continuing to perform well, increasing in value rather than volume terms, it



is not likely to provide the momentum for very rapid growth and is likely to prove vulnerable, from time to time, to periodic downturns that will arrest growth in the economy as a whole.<sup>1</sup>

Services are the main economic sector, accounting for over 70% of GDP. In economic terms, agriculture and manufacturing are declining in importance, so the driver of future growth will be the tertiary sector. Within services activity is highly concentrated with financial services, government services, transport and communication and tourism accounting for almost all of services GDP. Employment is concentrated within the services sector with government services especially prominent. The country has been able to progressively reduce unemployment though it remains a challenge.

The country's external position is sound with debt service obligations representing just over 10% of current revenue. However, the current account balance is strongly negative (US\$ 380 million) representing nearly 14% of GDP. Moreover, maintaining even this unfavourable outcome depends upon achieving strong positive balance in services trade to offset the huge deficit in trade in goods. Achieving a positive balance in services depends crucially upon the performance of tourism. In 2000, that sector earned US\$628.9 million net, an amount greater than the net balance of services (US\$602.9 million). It is equally important to note that this is not a one-off occurrence, but took place every year from 1990-2000. Therefore, it follows that most other services sectors are not net earners of foreign exchange. The notable exceptions in 2000 were financial services (US\$70.2 million), business services (US\$33.6 million) and other services (US\$65 million).

#### 1.4 Key Economic Imperatives

**Economic Diversification.** While the pace of growth has picked up in recent years and the macroeconomic situation is stable, over reliance on tourism remains a concern. There is a need to diversify the economy and expand the export base. This is necessary to improve overall economic security and provide a foundation for maintaining rapid economic growth in the future.

The lack of diversity of the economy is a function of a number of historical and natural factors. The decline of agriculture and manufacturing, caused by the erosion of the preferential market access on which they depended, has increased the reliance on tourism. The small domestic market has held back the growth and development of new businesses generally. In addition, a number of specific institutional factors have hindered economic diversification, as follows:

- **Lack of entrepreneurship and a resulting lack of large firms**

There is a lack of entrepreneurship manifest in the fact that the numbers of inter-generational, indigenous businesses are less than a dozen. The lack of entrepreneurship is a cultural phenomenon rather than caused by high costs of doing business or inherent lack of skills in the workforce. Its roots lie in the fact that, traditionally, Bajans worked for others in agriculture and, more recently, in government. This lack of entrepreneurship reduces the probability of successful businesses emerging that will help to diversify the economy. There is a need to

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<sup>1</sup> Over the past decade, Barbados has experienced little growth in numbers of visitor arrivals but visitor expenditure has performed better. According to the CTO, the Caribbean tourism industry is expected to average growth of around 4.5% p.a over the coming decade.



promote entrepreneurship through the education system, in the media and through the various business associations.

- **Perceived lack of attractive opportunities for small scale service providers.** The vast majority of entrepreneurs in Barbados are, in fact, self employed service providers. These individuals are constrained in their vision of the types of business that may be developed by their experiences in the small, local economy. There are few institutions in either the public or private sector that can help them understand and take advantage of opportunities in wider export markets. In the public sector, the Barbados Investment and Development Corporation (BIDC) is only now turning its attention to services. In the private sector, the Barbados Coalition of Service Industries (BCSI) is still in its infancy struggling to define its role and the services it needs to provide.
- **Diminished export competitiveness due to high costs**  
As the country has developed, so wage rates and administrative overheads (especially the cost of property) have increased. Rising costs make it harder to compete in international markets. In the past, Barbados has attempted to attract to the country internationally mobile service industries but success has been limited to relatively cost insensitive, high value added industries such as financial services.
- **Savings and investment not used to fund business expansion**  
Domestic deposits grew by BDS\$585.8 million (11.2%) in 2005 and by 10.2% in 2004,<sup>2</sup> primarily due to a rise in private individual savings and growth in the deposits of financial institutions. However, these funds are not effectively deployed to finance local business expansion, constraining innovation and business diversification. The vast majority of the assets of the commercial banks are consumer loans and mortgages. Overall, fixed capital formation represents just over 10% of GDP rather than the 20%-30% that MDCs need to sustain rapid growth.

***Increasing value added in the service economy.*** With the exception of financial services, the service industries on which Barbados relies are low value added – wholesale and retail, transport and tourism. Despite the image created by its many articulate proponents, tourism is in fact a comparatively low value added industry. Across the Caribbean, the proportion of value added to revenue that the industry generates is close to 50%, no higher than many manufacturing industries: a high proportion of expenditure leaks out through the need to import much of its inputs. The low value added by these industries has two important implications:

- **Lack of export potential.** Because value added is low, these industries have to rely on keeping costs low to maintain international competitiveness. As the cost base in Barbados increases, they will be hard pressed to compete internationally. Already, the only service industries of significant size in Barbados (other than tourism and financial services) are non-traded and hence not open to international competition. They cannot be the source of export growth.
- **Low paid jobs that reduce the return to education.** Because value added is low, these industries tend to provide few high paid, professional jobs.

<sup>2</sup> Central Bank of Barbados, 2005 Annual Report.





Thus, the majority of employment in tourism, wholesale and retail trade and transportation is low paid, unskilled work. This prevents the benefits of growth being translated into better livelihoods for the populace. It is particularly damaging to countries such as Barbados that have invested heavily in education. The lack of sufficient, well paid jobs reduces the returns to education. Whilst unemployment is being reduced, a new type of jobs gap is emerging whereby those with good education and vocational skills are unable to find suitable employment.

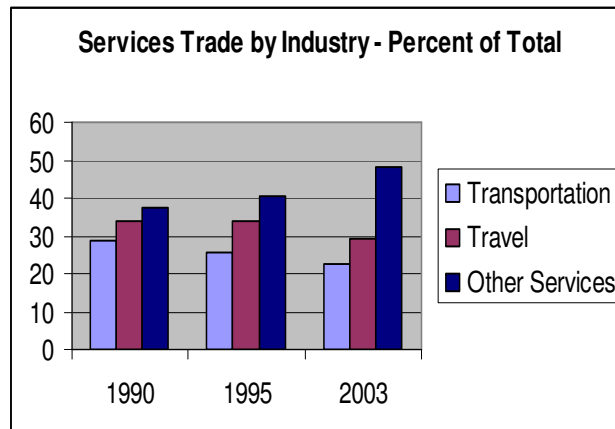
Barbados faces an especially daunting challenge with respect to the low value added in its service industries and the lack of well paid jobs they provide. The nature of tourism in the country is changing, moving away from the hotel and apartment based short stay, stop over tourism to residential tourism. This new tourism focus is creating exciting opportunities for investment in real estate (mixed residential, leisure and commercial complexes) with attendant upgrading of public services. However, the extent to which this form of tourism will create opportunities for continued growth and better paid jobs remains to be seen. There is a danger that it may stimulate only the growth of non-tradable, low value sectors such as wholesale and retail trade, catering and transport providing low paid jobs that Bajans will increasingly be reluctant to take.

**Transition to a knowledge based economy.** Successful economies, with high long-term growth rates, demonstrate an ongoing process of change. As older industries peter out, new industries arise to take their place and drive incomes higher. In economic terms, this process is known as *creative destruction*. Economies must maintain a certain degree of momentum. Those that do not will slowly become uncompetitive and suffocate under the pressures of global competition. This is the situation Barbados faces in agriculture and manufacturing and in its traditional service industries. It must begin the process by diversifying into new economic areas to determine which industries will form the basis of future prosperity.

Whilst the new century is still young, some trends are already evident. A notable trend is that the world economy will increasingly be knowledge based. In terms of economic activity, the world's major economies have already moved from being dominated by primary (natural resources) and secondary sectors (industry) to tertiary services with these now accounting for between 60-70% of the GDP of these nations. Barbados has followed this trend. The dawn of the 21<sup>st</sup> century has coincided with a move from

process-oriented services such as transport and travel or wholesale and retail trade to knowledge-based services such as the six sectors addressed by this project and financial services. It is in the proportion of GDP accounted for by these knowledge based services that Barbados lags behind.

**Figure 1: Services Trade by Industry**



Source: WTO



In terms of international trade, whilst trade in goods is still dominant, trade in services is growing faster. In 2005, the WTO valued exports of services to be worth US\$2.4 trillion representing nearly 30% of total world trade. In the period 2000-2005, merchandise exports averaged growth of 4.5% p.a. but exports of services grew twice as fast at 10% p.a. The fastest growth of all has been in knowledge based professional services. This is illustrated by changes in the composition of international trade in services away from process oriented travel and trade services towards knowledge based commercial services (Figure 1). Barbados is yet to benefit significantly from the growth of professional service exports.

Looking further ahead, a new form of economic activity has emerged in the developed economies. To primary, secondary and tertiary activities, *quaternary activities* have been added. The key distinguishing feature of this form of activity is that it is based, even more than the production of high-value products or knowledge-based services, on the exploitation of intellectual property. The *processes* of producing products or delivering services add almost no value because of advances in technology. Thus, the value of software depends almost entirely upon the intellectual property embodied in its development, not the processes of downloading and installation. Success in quaternary activities depends on managing processes, but the vital processes for value addition are the creation and management of knowledge itself, not the operational processes through which the service is performed.

It is these new quaternary industries that will form the basis of successful economies in the 21<sup>st</sup> century, as has been recognised by many governments worldwide. The government of Barbados has also realised the potential of these industries, as evidenced by its EduTech Project. What has not been addressed in Barbados, though, is that these are full-fledged industries in their own right that require not only human capabilities and the adoption of technology, but the progressive build-up and commercial exploitation of intellectual property so that processes give way to knowledge-based services and they, in turn, to quaternary services. Hence, the ICT industry may start with selling the time of programmers or call centre agents, move to higher value-added, knowledge-based, bespoke solutions and end up at the quaternary activity of selling proprietary software.

To enable this to occur, the structure of these industries must also evolve, gradually increasing specialisation and, with it, strengthening business linkages. Though comparative advantages in terms of education help in this regard, turning them into competitive advantage requires policies in place to establish an enabling environment where the necessary skills are developed, where the substantial risk-taking that is inherent in investing in something as intangible as commercially-exploitable knowledge is facilitated and where there is greater confidence in inter-business cooperation. Creating such an enabling environment will require a significant amount of concerted effort on the part of government, supporting institutions and the private sector itself.

Thus, what is required is for Barbados to recognise that its future prosperity depends upon moving from traditional process-oriented services to knowledge-based services whilst establishing an enabling environment for knowledge-based services to be transformed into quaternary activities. It is on the success of these transformations that the critical outcomes of whether Barbados can bridge the gap in incomes with



the developed countries, develop an economy able to compete in the 21<sup>st</sup> century and provide the productive, high-paid jobs that its people need, ultimately depend.

To summarise, the key economic imperatives for Barbados are to:

1. Diversify its economy away from its current narrow focus on a few service sectors to enable rapid economic growth to be sustained and the fragile balance of payments situation made sound.
2. Increase value addition in its services sectors which are largely oriented to low value added activities that provide low paid jobs.
3. Accelerate the process of moving from a process oriented to a knowledge based economy and from there to develop quaternary services on which its ability to compete in the 21<sup>st</sup> Century will depend.

## 1.5 The Vision

For any government, deciding to adopt and implement a marketing strategy to promote exports has important implications in terms of policy change and commitment of resources. Encouraging growth in a new sector of economic activity, especially one as extensive and far-reaching in terms of impacts on the economy and employment as professional services, cannot be undertaken half heartedly if it is to be successful. Therefore, governments must be convinced that the potential payoff of the strategy is worth the commitment required.

In this section, we have therefore summarised what the Strategic Marketing Plan, if implemented successfully, would help to deliver:

- ***Higher levels of economic growth, broader export base***  
The promotion of professional services exports could, over a 5 year period, contribute an additional US\$ 100 million in service exports, representing 10% of current export receipts. This would represent a significant broadening of the export base. As these would be high value exports, they would add between 2%-2.5% to Barbados's GDP annually.
- ***Greater Entrepreneurship & Innovation***  
The professional services are a natural breeding ground for entrepreneurs. Self employment is widely practiced in healthcare and BDS, though much of it is currently related to life style choices. With the right support and incentive, self employment may become the springboard of substantial, growing businesses. Moreover, industries such as ICT and entertainment are natural incubators of entrepreneurs and innovation, including what is termed intra-preneurship, whereby businesses serve to spin off new businesses.
- ***From jobs to productivity and incomes***  
Developing professional services will help to create skill-intensive jobs which are both more productive and higher-paid and will provide a better return to the investment Bajans make in educating themselves. Critically, it will provide opportunities for both professionals and skilled personnel who are often tempted to migrate because of the lack of job opportunities in the country. Thus, the health and wellness sector will provide opportunities for doctors, dentists, nurses, masseurs and practitioners of alternative medicine and lab technicians; the education sector for teachers and administrators; the BDS industry for lawyers, accountants and book keeping staff; the ICT industry for





a range of personnel trained in banking and insurance as well as software programming and so on.

- ***Overcoming scale disadvantages***

As a small economy, Barbados suffers from disadvantages of scale, and is always challenged to develop the scale required for a viable professional industry and/or enable the specialisation that is now a critical factor for their success. In service industries such as ICT, healthcare and education there is a need for a minimum scale to exist if the clusters on which successful industries depend are to be formed. Exporting these services should provide the scale required for viable cluster formation.

- ***Increasing consumer choice, improving competitiveness of other sectors***

Greater scale and specialisation should increase the choice that Bajan people, businesses and the Government have in obtaining value for money for these services. This should contribute to increasing consumer expenditure and the competitiveness and growth of other sectors of the economy. In healthcare and education, exporting professional services can help a wider range of specialised services to emerge, increasing patient and student choice for Bajans.

- ***Transformation to a knowledge-based economy***

Professional services are the ideal vehicle to spearhead this transformation to a knowledge based economy and later, to quaternary services. Value creation in these services depends upon the knowledge of the provider, not operational efficiency in processes. Gradually, they should enable the development of quaternary activities such as telemedicine and proprietary software.

The country that would emerge from these outcomes would be quantitatively and qualitatively different from the one that exists today. Greater prosperity would be based on the knowledge of its people rather than just the natural beauty of the island (tourism) and concentrated activity in a few main areas (financial services and tourism). Such prosperity would bring with it the incentive to continually upgrade the knowledge and skills of its people, establishing a virtuous circle of economic and human development. The result should be a more confident country and people, assured that their destinies lie in their own hands.

## **1.6 The Potential of Professional Services Exports**

Moreover, the promotion of exports of professional services has strong prospects for success. Already, without the strategy and action plan in place, Barbados has succeeded in developing exporting businesses in all six sectors. The prospects for building a stronger position are favourable because success in each of these professional service industries builds on the country's comparative advantages, namely: i) the demonstrated quality and skill of the Bajan workforce; ii) the high number of tourists from the US and Europe that are familiar with the country; iii) its location near key markets such as the US and Brazil ; iv) the climate and beauty of the country that are excellent assets in developing many of these industries; and v) the flexibility of the workforce which is a critical factor in the success of all these industries. With the strategic plan in place, Barbados should be able to secure a strong and sustainable position in each of these service sectors.



These service industries are experiencing rapid growth globally and are, increasingly, the subject of international trade. Factors such as improved technology, reduction in trade barriers, cheaper travel and telecommunications and the availability of skilled, low-cost labour have given rise to large export industries in the developing countries. Countries such as India have been able to turn their comparative advantages into competitive advantages and develop large-scale service industries that have made a strong contribution to economic growth and provided their population with attractive jobs. These trends make for a favourable global environment that Barbados can benefit from.

However, the level of competition is also high and Barbados has been slow to take advantage of these trends. In order to develop a workable export strategy, it is first necessary to have an understanding of what the emerging trends are in each service sector, the key market niches for various services, what drives potential clients' decision-making in sourcing services and the kind of services that are on offer in different countries and their competitive advantage. A sound analysis of the international competition for professional services trade assessed against a country's service offering allows for a matching up of trends and capabilities. This makes it possible to identify key market segments that need to be developed as part of a successful marketing strategy, and what actions need to be taken to turn comparative advantages into competitive advantages.

In the chapters below, this is what we have attempted for all six sectors under review. Overall, the conclusion that emerges is that Barbados has established a firm base in each of these sectors and is poised for greater penetration of export markets. As a late entrant with limited capacity, it is likely to have to focus on niche markets rather than become a major global player. But as a small country, even a niche position in what are large and rapidly growing markets should be sufficient to have a major economic impact. Certain services can be exported immediately and in other areas, foreign investment or further development of local capability will be required before the sub-sectors are able to realize their potential. Sectors such as health and wellness, education and entertainment would build on the strengths of the country in tourism and, in turn, help to add value to the tourism product. Others, such as BDS and construction related services, would exploit regional comparative advantages of a high skill base whilst the ICT sector stands to benefit from the country's capability in financial services.

In summary, the prospects for the six sectors are as follows:

### ***Health and Wellness***

Barbados is well-placed to benefit from the exponential growth of health care tourism particularly from the US market where rising health care costs are creating unstoppable drivers to seek lower cost services abroad. Whilst not the cheapest in the region by any means, Barbados's offer of high quality treatment, provided by internationally trained professionals in an English speaking, holiday destination is competitive. Recent investment in the public and private sector provides the capacity for expansion of exports. A target of exporting US\$ 45 million worth of exports, encompassing medical treatment, spas and alternative medicine, diagnostic and research services and nursing and elderly care, is realistic over a 5 year time horizon.

***Education***

The worldwide market for education exports is estimated at US\$30 billion and is expected to triple in size over the next twenty years. The primary opportunity for Barbados is in English Language Training (ELT). Public and private sector training facilities exist and are exporting to students in the region (Martinique, Venezuela). Large markets in the region (Brazil) and the large and growing demand from Asia, especially China, Japan and South Korea, remain untapped. The offer of lower cost tuition than the market leaders (UK, US) in an English speaking holiday destination has proved a winning formula for countries such as Malta and should do for Barbados. There are opportunities also in technical and vocational education (TVE) aimed principally at the regional market initially but gradually expanding to the US. Investment and consolidation to scale up TVE in the public sector will provide the capacity. A target of increasing educational exports by US\$ 20 million over 5 years appears realistic.

***Business Development Services***

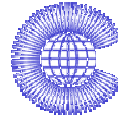
The global market for outsourcing of business development services (BDS) is large and growing with an increasing proportion of outsourcing going abroad (off-shoring). Within the off-shoring market, the trend towards a mix of off-shoring basic functions to a low cost destination whilst near-shoring higher value functions provides an opportunity for Barbados. However, Barbados does not have the critical mass of even medium-sized firms necessary to compete in the international market for legal and finance and accounting outsourcing or providing management consulting services. Moreover, the country does not have a substantial cost advantage in these services compared to Canadian firms. The best opportunities for Bajan firms are to strengthen their already strong position in the regional market where the country's large numbers of professionals and a few large firms provide it with competitive advantage, particularly over the smaller islands. It may also be possible to attract to Barbados specialist outsourcing firms looking for near-shore presence in finance and accounting services. The Bajan diaspora could help in this process. A modest target of increasing BDS exports by US\$ 5 million over 5 years would appear realistic.

***ICT***

Outsourcing and off-shoring in the ICT field is a well-established practice and growth is projected to be explosive. Barbados stands to gain from the trend towards combining near-shore with offshore outsourcing. The country has established a presence in call centre operations serving the US market and has about 50 firms involved in the IT industry serving the domestic and regional markets. A lack of cost competitiveness against regional competitors such as the Dominican Republic means that the best opportunities in call centres lie in knowledge process outsourcing (KPO) in the financial services industry where Barbados has specialist expertise. It should be possible to attract new foreign investment in this field, especially if financial sector firms based in Barbados can be motivated to establish joint ventures with international call centre operators. For the immediate future, the IT industry's export prospects will lie in serving the regional market where its better trained work force and distributorships for international companies will provide it with competitive advantage. A target of growing exports by US\$ 15 million over 5 years appears realistic.

***Construction Related Services***

Whilst sub-contracting has long been practiced, outsourcing and off-shoring the functions carried out by architects, engineers and construction management firms to

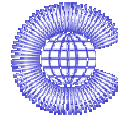


others in the industry is relatively new. Barbados ranks along side Trinidad as a regional leader in these services. Its sizeable architectural and engineering firms have developed commercial presence in the other islands and have successfully exported their services to them from Barbados as well. The best prospects will continue to lie within the CSME in the near future. There are good prospects also in the UK market for engineering services. The UK is short of engineers and Barbados has a substantial number of engineers that are members of the UK Institute of Civil Engineers which will help to overcome potential resistance over the quality of service. Barbados is cost competitive. A target of increasing exports by US\$ 7.5 million over 5 years appears feasible.

### ***Production Services for the Entertainment Industry***

The world's music and film production and event management industries are large and increasingly international. With an increasing reliance on production services for special effects and the use of digital production technology, they have become capital intensive, with Dubai and India investing in state of the art film cities. Barbados cannot compete against such facilities. The primary opportunity for Barbados in this sector is in exporting music and video production services, based on the reputation of its music industry, the image of the island and its video production facilities. There may be opportunities also to export event management services based on the success of Crop Over and other events held in Barbados. A target of increasing exports by US\$ 7.5 million over 5 years appears feasible.

How this potential can be realised is set out in the following chapters and the action plan that follows them.



## 2 Professional Services – Trade Regimes

### 2.1 Introduction

Professional services trade is subject to local and international trade regimes that can both facilitate or constrain trade. This chapter of the report focuses on the local enabling environment and the broader multilateral trade negotiations that impact the export of professional services.

### 2.2 Enabling Environment

Barbados is in the process of extending existing investment regimes originally provided for industry to facilitate services trade. The key legislative instruments and what they provide for are outlined below.

#### **Fiscal Incentives Act, 1974**

Under the Fiscal Incentives Act, approved manufacturing companies can qualify for Fiscal Incentives and may be granted a tax holiday of up to 15 years. Companies can also benefit from duty-free importation of equipment and raw materials required for the manufacturing process.

The Barbados Investment and Development Corporation offers a number of other incentives:

- Special Technical Assistance which is now being offered to service companies in addition to manufacturers; and,
- Subsidised rental or purchase of factory buildings for which services companies are now eligible.

#### **Special Technical Assistance (STA) Programme**

Under the STA Programme participating companies undergo a process of auditing to determine company strengths and weaknesses and benchmarking to analyse competencies such as management, finance, production, and marketing to identify requirements for increased competitiveness.

Activities funded under the STA programme include training and productivity enhancement, marketing, plant upgrade consultation, operational redesign, product development and international standards certification.

#### **Small Business Development Act, 1999**

The definition of a small business under this Act includes enterprises involved in the arts and cultural activities, hotel, restaurant and other tourism-related services and sporting and recreational services. The Act provides for:

- A corporation tax rate of 25%, exemption from import duty on plant and equipment imported for use in the business;
- Exemption from the payment of withholding tax and dividends, exemption from the payment of Stamp Duty on business related documents; and,
- A deduction of corporation tax for 20% of the expenditure incurred in respect of the use of technology, market research and other approved activities directly related to the development of the business.



There is also a facility where an approved Small Business can apply for a loan guarantee under the Credit Guarantee Scheme supervised by the Central Bank of Barbados.

**Tourism Development Act, 2002**

The Tourism Development Act provides incentives to operators defined as individuals, partnerships or companies with an approved tourism product or project, for sustainable development in the tourism industry, not only for accommodation but also in the development of recreational facilities and services and the development of attractions that focus on heritage tourism through the provision of duty free and income tax concessions. An investor can write off capital expenditure and 150 percent of interest. These entities are also exempt from import duties, value added tax, and environmental levies on furniture, fixtures and equipment, building materials, supplies, and equity financing. The approval of applications is predicated on the provision of information such as feasibility studies. The Minister of Tourism must approve all projects under this legislation. The grant of incentives is discretionary and is based on whether the project is practical and would assist with the development of tourism.

To be eligible for incentives under the Act, a project must relate to:

- Construction of a new hotel, the alteration or renovation of an existing hotel or the conversion of a building into a hotel;
- Furnishing and equipping of a building to be utilised as a hotel;
- Provision of tourist recreational facilities and tourism related services;
- Construction and equipping of a new restaurant or the alteration or renovation of an existing restaurant;
- Construction of a new attraction or alteration or renovation of an existing attraction;
- Restoration, preservation and conservation of natural sites;
- Construction and furnishing of villas and timeshare properties; and,
- Addition to a tourism product of facilities or services intended to increase or improve the amenities that the tourism product provides.

It is conceivable that medical and educational tourism projects could be approved under the Act.

**Special Development Areas Act, 1996**

This Act provides for the designation of special development areas and offers relief and financing to work done in these areas including tourism projects highlighting the heritage and natural environment of Barbados as well as arts and cultural investments.

**Electronic Transactions Act, 2001**

The enactment of the Electronic Transactions Act has provided Barbados with a regulatory framework necessary for the development of e-commerce and facilitation of Mode 1 provision of services.<sup>3</sup> The Act, which is part of a legislative package that affects the Evidence and Interpretation Acts, notably gives legal effect to electronic transactions and signatures.

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<sup>3</sup> This must be reconciled with the slow pace of facilitation of online payments.





The Act is based on the United Nations Commission on International Trade Law model law for electronic commerce. As such, it establishes a legal framework for the conduct of e-commerce and processing of electronic transactions. In general, the Act seeks to improve user confidence by addressing concerns over privacy, security and contract enforcement. More specifically, it provides for:

- The recognition of the legal effect, validity, admissibility and enforceability of digital transactions, electronic signatures, communications, records and electronic contracts, in satisfaction of written and paper requirements under the law.
- The admissibility and evidential weight of electronic records in legal proceedings.
- The protection of data and the retention of individual choice by restricting disclosure of information obtained in these transactions to the consent of the natural person or business; and its use to the investigation of any criminal offence or criminal proceedings, or certain civil proceedings; or to the carrying out of prescribed public functions.
- A process of certification and verification that binds the identity of a particular party to a particular signature.

The Act also provides for regulations in respect of encryption, penalties for contravention of disclosure provisions and for records management in relation to the recording of the time and place of dispatch and receipt of electronic records.

#### **Computer Misuse Act, 2005**

The Computer Misuse Act makes provision for the protection of computer systems and information contained in those systems from unauthorised access by individuals or from abuse by individuals with authorised access and for related matters.

A Data Protection Act and a Freedom of Information Act are currently being drafted.

It is important to note that notwithstanding the enactment of this body of legislation, the intellectual property rights legislation (particularly the Copyright Act) still requires amendment to reflect opportunities in the digital environment.

Incentives for the entertainment industry will also be provided under a Cultural Industries Development Act.

The Pioneer Industries Act is being extended to services companies.

The Barbados International Business Promotion Corporation (BIBPC) a statutory corporation has been established to increase investment to the country, enhance the export strategy, and create a dynamic, successful international business sector as well as position the island as premier centre for domestic and international businesses. While the focus on promoting Barbados is encouraging, the proliferation of institutions with overlapping responsibilities reduces economies of scale and can confuse prospective users of their services, both foreign and domestic.



## **2.3 Multilateral Trade Negotiations**

### **2.3.1 World Trade Organisation**

Barbados is a founding member of the World Trade Organisation and has undertaken specific commitments under the General Agreement on Trade in Services (GATS). Under the GATS, members committed to liberalise trade in services based on general obligations and specific commitments. General obligations relate to most favoured nation treatment, national treatment and non-discrimination principles. Specific commitments denoting intention to be bound only by specifically scheduled undertakings were based on market access, national treatment and additional commitments.

With respect to market access, members are obligated to accord services and service providers of other Parties treatment no less favourable than that provided for under the terms, limitations and conditions agreed and specified in its schedule. The intention of the market access provision is to progressively eliminate limitations on the numbers of service providers; the total value of service transactions or assets; the total number of service operations or on the total quantity of service output; the total number of natural persons that may be employed in a particular service sector; measures which restrict or require specific types of legal entity; and the participation of foreign capital in terms of maximum percentage limit on foreign shareholding.

With respect to national treatment, members are obligated to accord foreign services and service suppliers treatment that is no less favourable than that accorded its own 'like services' and 'like service suppliers'.

The commitments for the liberalisation of trade in services were made within the context of four modes of supplying a service into the markets of participating countries. These were the supply of a service:

1. From the territory of one member into the territory of any other member (Mode 1);
2. In the territory of one member to the consumer of any other member (Mode 2);
3. By a service supplier of one member, through commercial presence in the territory of any other member (Mode 3); and
4. By a service supplier of one member, through presence of natural persons of a member in the territory of any other member (Mode 4).

Members scheduled horizontal commitments – applicable to all sectors included in the schedule of the country and referenced by any of the four modes of supplying the service. Members also scheduled sector specific commitments – applicable to the sector, sub-sector or activity; the limitations on market access; the limitations on national treatment; and any additional commitments.

#### **Horizontal Commitments**

Barbados maintains only one horizontal commitment, which relates to the presence of natural persons (Mode 4).<sup>4</sup> Pursuant to the Immigration Act, a natural person must obtain a work permit prior to working in Barbados. Labour market tests are conducted.

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<sup>4</sup> The originally scheduled Property Transfer Tax requirement for non-nationals has been abolished.





## Sector Specific Commitments

### Legal services

Legal services are critical to establishment and provision of the priority sectors being reviewed. Barbados scheduled commitments in legal documentation and certification services (CPC 86130). These legal services can only be supplied by a natural person (as opposed to a corporation) and an attorney-at-law must be admitted to the local bar and registered as required by the Legal Profession Act. The Legal Profession Act provides that only nationals of Barbados or any of the Anglophone Caribbean countries may practice in Barbados. Attorneys trained in or admitted to foreign (non-Anglophone Caribbean) jurisdictions must undergo a six-month training programme at the Sir Hugh Wooding Law School, the Norman Manley Law School or the Eugene Dupuch Law School.

### Medical Services

Barbados scheduled commitments in specialised medical services (CPC 93122). As with legal services these medical services can only be supplied by a natural person and all medical practitioners must be registered under the Medical Registration Act.

### Entertainment Services

Barbados made commitments in theatricals, live band and circus services (CPC 96191).

### Telecommunication Services

Telecommunications services are critical to the provision of professional services. In 1997, Barbados made specific commitments in the negotiations on basic telecommunications in relation to Telecommunication Services for Public Use; Telecommunication Services for Non-Public Use (i.e. closed user group on a non-facilities basis; Value-Added Services; and other Telecommunication Services.

## 2.3.2 CARICOM Single Market and Economy (CSME)

The CARICOM Single Market came into effect in January 2006 with six Member States – Barbados, Belize, Guyana, Jamaica, Suriname and Trinidad and Tobago signing a Declaration of the Caribbean Community marking the coming into being of the CARICOM Single Market. Six other Member States signed the Declaration of participation of their countries in the CARICOM Single Market - Antigua and Barbuda, Dominica, Grenada, St Kitts and Nevis, Saint Lucia and St. Vincent and the Grenadines. The establishment of the CARICOM Single Economy is anticipated in 2008.

One of the major objectives of the CSME is the creation of a single economic space which will provide for *inter alia*, the free movement of goods and services, labour and capital. The movement towards the implementation of the CSME will be the focus of member states' efforts at re-orienting their policies that will not only allow them to survive in an increasingly competitive environment, but also achieve economic growth and development.

As the Caribbean Community intensifies its efforts to create a single economic space myriad challenges confront the region including effectively synchronising internal with external trade arrangements where reciprocity in free trade arrangements is now the order of the day. A related challenge relates to ensuring external partnerships



reinforce and strengthen the internal arrangements.

### **Provision of Services**

Chapter 3 of the Revised Treaty of Chaguaramas establishing the Caribbean Community including the CARICOM Single Market and Economy provides the legal basis for the free movement of services within the CSME. Services can be provided in four ways:

1. Cross border;
2. Consumption abroad;
3. Commercial presence; and,
4. Temporary movement of persons.

Barbados has ratified and enacted the Revised CARICOM Treaty into domestic law. The country has also enacted the Barbados Immigration (Amendment) Act, 1996, which covers the provision of services by skilled CARICOM nationals.

### **Bilateral Trade Agreements**

Members of CARICOM committed in the Revised Treaty to agree coordinate external trade policies with third states and groups of states.<sup>5</sup> As such Barbados is party to the following bilateral arrangements in their respective capacities.

#### **CARICOM and Costa Rica**

CARICOM signed a trade agreement with Costa Rica on March 9, 2004, which has been ratified by Barbados and Trinidad and Tobago. Trinidad and Tobago and Costa Rica began to apply the Agreement provisionally on November 15, 2005. The Agreement provides for duty free or preferential access for a number of products – sensitive products excepted. Services trade is addressed in a GATS-compliant Chapter IX.

Parties to the Agreement specifically anticipate challenges relating to mutual recognition of qualifications and undertake to encourage bodies responsible for the regulation of professional services in their respective territories to:

1. Ensure that measures relating to the licensing or certification of nationals of the other Party are based on objective and transparent criteria, such as competence and the ability to provide a service.
2. Co-operate with the view to developing mutually acceptable standards and criteria for licensing and certification of professional service providers.<sup>6</sup>

Standards and criteria should take into account education, examinations, experience, conduct and ethics, professional development and re-certification, scope of practice, local knowledge and consumer protection.

Professional services are defined as services that require specialised post-secondary education, or equivalent training or experience to be provided, and for which the right to practise is granted or restricted by a Party. The definition does not include services provided by trades-persons or vessel and aircraft crew members.

Chapter X contains a commitment to engage in WTO and plurilateral fora, to develop

<sup>5</sup> Chapter 5, Article 80, Revised Treaty

<sup>6</sup> Article IX.02: 3



the most favourable conditions for achieving further liberalisation and additional mutual opening of markets for investment; contains a commitment to examine the need for further negotiations of disciplines in the area and provides for reciprocal protection and promotion of investments.

### **CARICOM and the Dominican Republic**

The CARICOM-Dominican Republic agreement<sup>7</sup> was signed August 22, 1998. The Agreement is based on reciprocity with the five CARICOM MDCs and non-reciprocity with the LDCs until the year 2005. It provides for the asymmetrical application of the reciprocity principle, as CARICOM LDCs are not required to reciprocate treatment.

The Parties agree to progressively liberalise trade in services between themselves by the establishment of a framework of principles and rules contained in the GATS consistent Agreement on Trade in Services in Annex II. Article VII of the Annex on Licensing and Certification provides that in order to ensure domestic regulation of services sectors or the licensing or certification of nationals of the other Party does not constitute an unnecessary barrier to trade, each Party should endeavour to ensure that any such measure:

1. Is based on objective and transparent criteria, such as competence and the ability to supply a service.
2. Is not more burdensome than necessary to ensure the quality of a service.
3. Does not constitute a disguised restriction on the supply of a service.

CARICOM is currently involved in negotiations with the Dominican Republic to deepen the degree of liberalisation reached for trade in services.<sup>8</sup> Annex III provides a regime for reciprocal promotion and protection of investments.

### **CARICOM and Venezuela**

CARICOM has completed a bilateral trade agreement with Venezuela, which was signed in October 1992 and entered into force in January 1993. The Agreement is a one-way preferential agreement concluded under the facility for non-reciprocal partial scope agreements available to members of the Latin American Integration Association (LAIA).

In addition to making special arrangements for trade in goods and agricultural products, the agreement recognises the need for arrangements for trade in services<sup>9</sup> as well as for reciprocal promotion and protection of investments.<sup>10</sup> It is interesting to note that Venezuela has requested preferential access to the MDC markets.

### **CARICOM and Colombia**

CARICOM has negotiated the Agreement on Trade and Technical Cooperation with the Government of the Republic of Colombia, through a Protocol amending the original Agreement, ratified in May 1998. The first bilateral agreement between CARICOM and Colombia was secured in July 1994. The CARICOM/Colombia Agreement began as a non-reciprocal agreement but the Protocol amending the

<sup>7</sup> Agreement Establishing the Free Trade Area between the Caribbean Community and the Dominican Republic

<sup>8</sup> A meeting was scheduled for December 2006.

<sup>9</sup> Article 13, Agreement on Trade, Economic and Technical Cooperation between the Caribbean Community (CARICOM) and the Government of the Republic of Venezuela

<sup>10</sup> Ibid, Article 9



Agreement signed on May 21, 1998 addressed the issue of reciprocity for Colombian products.

As with the CARICOM/Venezuela Agreement, parties recognised the importance of trade in services for the development of their economies and undertook to negotiate amendments or further expansion of the agreement to develop cooperation in services.<sup>11</sup> Provision is also made for reciprocal promotion and protection of investments.<sup>12</sup>

Because signature of both the Venezuela and the Colombia agreements pre-dated the completion of the GATS, parties agreed to take account and advantage of the outcome of these negotiations rather than establish services trade disciplines.

### **CARICOM and Cuba**

An Agreement on Trade and Economic Cooperation between CARICOM and the Government of the Republic of Cuba was signed on 5 July 2000. In Article 15 of the Agreement parties recognise the importance of services to their development, commit to exchange information about their services sectors and upon completion of CARICOM's services regime, to commence negotiations for a GATS compliant services regime between them. Priority sectors include tourism and travel related services, entertainment, professional, construction and computer services.

### **Prospective Bilateral Trade Agreements**

#### **CARICOM and Canada**

The CARICOM-Canada Trade and Economic Co-operation Agreement (CARIBCAN) currently governs trade relations between CARICOM and Canada. Canada has indicated that it will not seek to renew the WTO waiver for CARIBCAN on its expiration in December 2006. As such, CARICOM has requested negotiation of a trade agreement for which negotiations will commence once Canada receives the necessary mandate.

#### **CARICOM and MERCOSUR**

MERCOSUR<sup>13</sup> have indicated interest in negotiating a trade agreement with CARICOM.

### **2.3.3 ACP/EU Economic Partnership Agreement**

The Economic Partnership Agreement (EPA) is currently the major active negotiating theatre in which Barbados is involved. It is essentially the most important trade negotiation process and involves relinquishing of a protective unilateral arrangement based on historical relations and assertion of potential competitiveness in new economic activity. It is imperative that all professional service suppliers seek to articulate their interests to negotiations and influence the process. The four countries undertook cautious liberalisation commitments at the GATS. It is anticipated that because of the manner in which Caribbean economies have depended on the Lomé

<sup>11</sup> Article 14, Agreement on Trade, Economic and Technical Cooperation between the Caribbean Community (CARICOM) and the Government of the Republic of Colombia

<sup>12</sup> Ibid, Article 18

<sup>13</sup> Mercado Común Del Sur – comprising Argentina, Brazil, Paraguay, Uruguay, and Venezuela



arrangements to the extent that mono-crops economies were created, involvement in the EPA negotiation process means that the region can simultaneously examine means by which to diversify its economy most notably to expand services trade.

The genesis of the EPAs relates to recognition that:

- Trade was restricted under the Lomé Convention.
- Unilateral preferences under the Lomé and Cotonou Conventions required a WTO waiver which would not be extended beyond 2007.
- Unilateral preferences had not adequately addressed the main problems confronted by the ACP countries.

The EPA presents an opportunity for a more dynamic, comprehensive and reciprocal approach to trade between the ACP and the EU, and aims to address barriers to trade by strengthening regional integration whilst being WTO-compatible. Reciprocity under these arrangements is expected to result in a stable trading regime, secure market access to the EU and increased opportunities for investment and productivity. It should be noted that these agreements are being negotiated not on a country-by-country basis but in regional groupings. Barbados is negotiating within the Caribbean Forum of ACP states – CARIFORUM<sup>14</sup> – the Caribbean grouping in the ACP.

The stated objectives of the EPAs include:

1. Sustainable development of ACP countries, their gradual integration into the global economy and the eradication of poverty.
2. Promotion of sustained growth and increased production and supply capacity of the ACP countries.
3. Promotion of the structural transformation and diversification of the ACP economies.

The objectives expressly proposed by the ACP countries are:

1. Acceleration of export-led growth.
2. Preparation of the ACP's adaptation to changes in global markets.
3. Promotion of ACP trade.

The ACP grouping<sup>15</sup> comprises 77 countries from the African Caribbean and Pacific Regions and was created by the first Lomé Convention in 1975 in Georgetown,

<sup>14</sup> CARIFORUM comprises Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, The Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Trinidad and Tobago

<sup>15</sup> The ACP group of countries: Angola, Antigua and Barbuda, The Bahamas, Barbados, Belize, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Republic of the Congo, Cook Islands, Cote d'Ivoire, Cuba, Djibouti, Dominica, The Dominican Republic, Equatorial Guinea, Eritrea, Ethiopia, Fiji, Gabon, The Gambia, Ghana, Grenada, Guinea, Guinea-Bissau, Guyana, Haiti, Jamaica, Kenya, Kiribati, Lesotho, Liberia, Madagascar, Malawi, Mali, Marshall Islands, Mauritania, Mauritius, Federated States of Micronesia, Mozambique, Namibia, Nauru, Niger, Nigeria, Niue, Palau, Papua New Guinea, Rwanda, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, Solomon Islands, Somalia, South Africa, Sudan, Suriname, Swaziland, Tanzania, Togo, Tonga, Trinidad and Tobago, Tuvalu, Uganda, Vanuatu, Zambia, Zimbabwe.



Guyana. The Lomé conventions were established to govern the preferential economies and aid relationship between European countries and their former colonies. The ACP group benefited from non-reciprocal trade preferences for exports to the EU market. The majority of ACP products<sup>16</sup> were afforded duty free access to the EU, banana, sugar, rum and beef excepted. This regime has been challenged within the context of the WTO, which prescribes MFN treatment as one of its fundamental principles.

The Cotonou Partnership Agreement was signed in June 2000, to usher in a new era of ACP/EU economic cooperation. Designed to succeed the Lomé Conventions, new economic and trade cooperation under the CPA had as objectives:

1. Fostering the smooth and gradual integration of the ACP States into the world economy, with due regard for their development priorities and political choices, promoting sustainable development and contributing to poverty eradication.
2. Enabling the ACP States to play a full part in international trade, participate in multilateral trade negotiations, manage the challenges of globalisation, adapt progressively to new conditions of international trade facilitating transition to the liberalised global economy.
3. Enhancing the production, supply, and trading and investment attraction capacity of the ACP countries.
4. Conforming with WTO provisions including special and differential treatment.<sup>17</sup>

Negotiation of WTO compatible Economic Partnership Agreements (EPAs) was mandated to progressively remove trade barriers in all areas relevant to trade. EPAs would enter into force no later than January 2008, the period of negotiations representing a transition period during which the non-reciprocal trade preferences applied under Lomé IV would be maintained<sup>18</sup>. The EPAs will cover trade in agricultural and industrial goods, services and other trade-related areas, such as competition, investment, protection of intellectual property rights, standardisation and certification, sanitary and phytosanitary (SPS) measures, trade and the environment, trade and labour standards, consumer policy regulation and consumer health protection, food security, public procurement.<sup>19</sup>

As such, EPA negotiations between the EU and the ACP as a whole were launched in September 2002. Phase I (September 2002 – October 2003) sought to define the general objectives and principles of the EPAs and issues of interest to all ACP States. Phase II (October 2003-December 2007), negotiations are being conducted bilaterally between the EU and the respective ACP groupings. CARIFORUM's EPA negotiations were in turn launched in September 2005.

### **Contents and General Implications of EPA**

The CRNM reports that the CARIFORUM-EU EPA is guided by a number of principles:

<sup>16</sup> Some 80% according to ECDPM, ICTSD, ODI: "Trade Negotiations Insights-From Doha to Cotonou", vol. 1/issue No. 4, December 2002.

<sup>17</sup> Article 34

<sup>18</sup> Article 36

<sup>19</sup> Articles 45-54





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1. Supporting and building upon the regional integration process;
2. Promoting the development objectives of countries of the Region, while being consistent with their development strategies;
3. Encompassing Special and Differential Treatment, including provisions that go beyond existing WTO measures in addressing the constraints of small size and vulnerability;
4. Flexibility such that countries can individually calibrate the pattern and schedules of implementation, consistent with their national circumstances, while pursuing the objective of regional integration;
5. Incorporating and improving on the Lomé and Cotonou *acquis* regarding market access, for traditional and non-traditional Caribbean exports; and,
6. A binding commitment to engage in consultations on any matter deemed necessary in order to safeguard the benefits of the Agreement.

### Status of Current EPA Negotiations between CARIFORUM and the EU

The scope of the CARIFORUM-EU EPA will follow the pattern of previously completed EU Agreements with third countries encompassing Trade and Trade-related Provisions, Trade and Economic Development Co-operation, Institutional Arrangements and Dispute Settlement viz. WTO compatibility.

With respect to services, CARIFORUM and the EU agree three principal issues – the treatment of development, the nature of regional commitments and cooperation. On development, both sides reaffirm the importance of the EPA being crafted as a tool for development and that all provisions should reflect this common objective.

CARIFORUM is keenly interested in completing an agreement to facilitate improved access to the EU services market and improve inflows of EU investment. The EU has also confirmed its intention to offer CARIFORUM improved access to its markets in the trade of services.

### GATS Sectors of Interest to the EU

The Caribbean Regional Negotiating Machinery (CRNM) reported that the European Union has indicated interest in the following areas of interest to this study:

Sector	Barbados	Dominica	Saint Lucia	Trinidad and Tobago
1A. Professional services:				
a. Legal services	*	*	*	
b-c. Accounting and taxation				
d. Architectural services				
e. Engineering services	*		*	
f. Integrated engineering	*		*	
g. Urban planning				
1. Business services:				
B. Computer services	*	*	*	*
Fa. Advertising	*	*	*	*
Fb. Market research	*	*	*	*
Fc. Management consult.	*	*	*	*
Fd. Services related to management consult	*	*	*	*
Fe. Technical testing				
Fm. Scientific and technical				
Fn. Maintenance and repair				



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Sector	Barbados	Dominica	Saint Lucia	Trinidad and Tobago
2C. Telecommunications	*	*	*	*
3. Construction services	*		*	*
9. Tourism and travel-related:				
A. Hotels	*	*	*	*
B. Travel agencies	*	*	*	*
C. Tourist guides				

With respect to the professional services under review, CARICOM also has export interests in nurses, midwives, research and development, convention services, audio-visual services, educational services, health-related services, and entertainment services. The EU has demonstrated interest in some services that are not of a strong competitive interest to CARICOM such as environmental services and hotel development.

Since submitting requests to CARICOM member states, the EU has made public its initial offer under the GATS.

### EU WTO Offer

#### Mobility of natural persons (Mode 4)

Mode 4 commitments are of paramount interest to professional service providers in the Caribbean as these allow provision of services without significant financial outlay or commitments. The revised EU offer provides additional opportunities as regards the movement of *highly qualified* natural persons. The revised offer will extend access conditions offered in the EU to the new Member States that have to match the degree of liberalisation already offered in the rest of the EU. This concerns the permitted length of stay, the number of sectors that are covered and the length of the underlying contract. In general no economic needs test can be applied within a numerical ceiling whose level will be determined in the course of the negotiations.

Services companies should for example be able to transfer management trainees to their affiliated companies in the enlarged EU, to allow them to get up to one year of European work experience. Overseas companies with a contract to provide services in 21 sectors will be able to send skilled employees to the EU to provide these services for up to six months at a time. Legal services have also been added to those sectors where self-employed services suppliers based overseas will be able to enter the EU for up to six months at a time to provide services to clients based in the 25 EU Member States. In all such cases, EU and national working conditions, minimum wage requirements and collective wage agreements still apply.

#### Professional Services

The revised offer extends access in accounting and bookkeeping services, architectural services, engineering and integrated engineering services and urban planning and landscape architectural services. Subject to the fulfilment of the necessary qualifications required by EU law, foreign accountants will be allowed to compile financial statements and other accounting information for EU clients and foreign architects and engineers will be able to provide plans, designs, projects, specifications or cost estimates to their clients in the EU, without being discriminated against on the basis of their nationality.





With respect to legal services, the offer has extended market opportunities not only to foreign lawyers practicing in law firms and to self-employed lawyers. Foreign lawyers and law firms will be able to establish a commercial presence in any Member State and provide legal services, whether from abroad, through that commercial presence or through temporary entry into the EU, in respect of the law of any country in which the lawyers are *qualified* to practice. The practice of EC law and of the national law of Member States remains subject to admission to a Bar in the EC and the commitments do not cover notary services.

### **Business Services**

The revised offer confirms access in advertising, management consulting and related services, technical testing and analysis services, surveyors and geologists services, maintenance and repair of equipment services and translation and interpretation services.

### **Construction Sector**

The revised offer seeks to reduce market access and national treatment limitations applying to the commercial presence and temporary movement of foreign services suppliers.

### **Education Sector**

Market access in this sector remains unchanged.

### **Health-related and Social Services sector**

Market access in this sector remains unchanged.

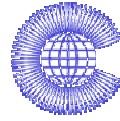
### **Possible Horizontal Requests to the European Union**

The CRNM proposes that the ability of CARIFORUM service providers to participate in the EU market will depend on whether the EU is able to:

- Establish a single EU registration process for professionals from Caribbean.
- Under Mode 3, remove citizenship requirements, discriminatory capital requirements; land purchase restrictions, equity caps, and economic needs tests (ENTs) where still in place.
- Extend eligibility for subsidies to Caribbean juridical and natural persons, including eligibility for education and training scholarships.
- Temporary entry (Mode 4) for small service suppliers should not be associated with the requirement for commercial presence. Small service suppliers from the Caribbean should be granted entry as individuals.
- Under Mode 4, remove citizenship and residency requirements, as well as economic needs tests ENTs and prior years of experience, where they still exist.
- Waive visa requirements by European Member States of the Schengen Agreement for nationals of all CARIFORUM countries.
- Remove requirements for an economic needs test (ENT) for intra-corporate transferees, business visitors, contract service suppliers, and professionals.
- Expand the list of contract service suppliers and independent professionals covered under the EU's Mode 4 horizontal commitments.
- Remove restrictions on legal form, allowing all legally registered juridical persons in CARIFORUM access to the EU market.

### **Specific Market Access in the European Union**

CARIFORUM should seek greater access in the following professional services and



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related areas.

- Legal services
- Accounting/bookkeeping
- Architectural services
- Engineering services
- Nurses and midwives
- Computer services
- Research and development
- Advertising (tourism)
- Management consulting
- Telecommunications
- Audio-visual services
- Educational services
- Health-related services (spas, etc.)
- Entertainment



### 3 Health and Wellness

#### 3.1 Introduction

Health and wellness tourism worldwide is estimated to be worth US\$40 billion a year and is growing at a rate of 30% per annum, much faster than tourism as a whole (4-5% p.a). The total number of health and wellness tourists is estimated as 20~30 million per annum.

The health and wellness tourism market can be divided into four segments: i) medical tourism; ii) wellness and spas; iii) nursing and elderly care; and iv) research and diagnostic services.

Medical tourism covers a comprehensive range of therapeutic services including general surgery, orthopaedics, urology, gynaecology, ophthalmology, dialysis, cardiology and cardiac surgery. The most frequent procedures are major joint replacement, cataract surgery and cosmetic surgery, but the market has now expanded to less traditional areas such as in-vitro fertilisation (IVF). Cosmetic surgery has experienced very rapid growth recently, fuelled by growing demand to look attractive, falling costs (in real terms) of procedures and rising incomes that have made surgery affordable to a substantial proportion of the populations of OECD countries. Dentistry is another fast growing area, offering both curative and cosmetic surgery. The growth of the medical tourism market has been fuelled by rising costs in richer countries and shortcomings in the public health care systems of some countries that have resulted in long waiting times.

A growing focus on health and well-being led to wellness and spa tourism beginning to emerge as a thriving segment in the 1990s across Europe, Asia and North America. The decade was marked by substantial investment in new resort and hotel spas and the refurbishment and upgrade of existing spa facilities. Destination spas and medical spas are the two categories most widely associated with health and wellness programmes. These types of facilities offer visitors the opportunity to 'take the waters' of spas known for their health and wellness properties and to access medical services, fitness programmes and resort amenities.

With aging populations in many developed countries, the nursing and elderly care market is growing steadily. In the US alone, there are currently 10 million seniors who need elderly care. Many people expect to pay for the care out of their own income and assets. The limited role of the state in care provision and the prohibitive cost of nursing homes in richer countries have forced ordinary people to find alternative solutions, including private long term care insurance and lower cost alternatives abroad as means of addressing this issue.

For each market segment, we analyse market trends, decision-making factors, local capability and competitiveness to evaluate prospects, identify target markets and establish realistic export targets. The Chapter concludes with the marketing strategy for the health and wellness industry as a whole.



## 3.2 Medical Tourism

### 3.2.1 International Trends

#### A) Industry Development

The growth of the medical tourism industry has been primarily driven by rapidly rising healthcare costs in developed countries. Factors such as aging populations, better range and quality of treatments, a shortage of healthcare personnel and the high cost of healthcare personnel (due to the high cost of education) have pushed costs up and will continue to do so. These rising costs have led to massive increases in healthcare expenditure. The US is already spending over 10% of its GDP on healthcare and premiums for employer-sponsored health coverage have risen 87% over the past six years. McKinsey predicts that top US companies will spend as much on healthcare on average as they make in profits by 2008. This strong upward movement in costs has led to developed and developing countries with a healthcare cost advantage developing medical tourism industries and has created a market of governments, corporations, insurance companies and private individuals looking for cheaper healthcare alternatives.

#### B) Source Markets

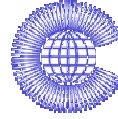
##### The US

Fortunately for Barbados, the world's largest market for medical tourism, the US, is at its doorstep. Within the US, there are three key segments of the market:

- The insured. Insurance companies are looking to contain rising premiums.
- Employers managing their own healthcare plans looking to cut health-related expenditure.
- The 46 million uninsured Americans (36.6% of whom have household incomes over US\$50,000) who will seek cost benefits on an individual basis.

Most Americans pay for healthcare through health insurance. Insurance coverage is obtained from various sources, including government sponsorship, employment-based insurance and individual insurance. 84% of the total population have health insurance coverage. Health insurance generally covers hospitalisation, emergency care and a range of clinical services. Coverage for pharmaceuticals is more variable, but still fairly common. Some health policies include coverage for dental services.

Over 159 million Americans are covered through employer-sponsored health plans. Employers set up a financial arrangement that helps cover employees' healthcare expenses. The employer chooses the type and level of coverage and subsidises that coverage, often paying at least half of the premium. Employers either self-administer their health plans or hire insurance companies to do it. As insurance costs become increasingly higher, companies are either scaling back, dropping health benefits or exploring the opportunity to send employees overseas for medical treatment to cut costs. Surging cost of premiums have forced US employers to look for cheaper programmes offered by insurance companies and to shop abroad for cheaper sources of treatment. For example, United Group Programs, a Florida-based company targeting small businesses, is offering a plan that sends patients to Bumrungrad International hospital in Bangkok. The insurance company Blue Shield of California also offers lower-cost policies allowing members to seek medical care in Mexico.



Individual health insurance provides coverage to those who do not have access to employer-sponsored group coverage or government-sponsored health insurance. Roughly 17 million non-elderly Americans buy health insurance coverage on their own.

Medicare and Medicaid are both government-sponsored programs. There are 38 million Americans enrolled in Medicaid, which is designed for low-income families, and 40 million in Medicare, which is for elderly (65+) and disabled Americans.

Outside of the above three categories, there are 46 million Americans who are currently uninsured. Importantly, more than a third (36.6%) of these uninsured have household incomes greater than US\$50,000, and 18.8% of them have household incomes greater than US\$75,000. Furthermore, in 2002, of households with incomes greater than US\$75,000, 8.2% were uninsured, and this figure rose to 20% for those with household incomes greater than US\$50,000. Many under-insured and uninsured Americans have already gone overseas for medical treatments.

Main destinations for US patients are Mexico, Costa Rica, Argentina, India and Thailand. In the main, there is a preference for middle haul destinations but ethnic ties to India and low cost of treatments in Thailand attract patients further afield.

### **Canada**

Canada offers universal public healthcare to its citizens in a system that is closely related to the UK's NHS. While the quality of care is very good, the waiting times for many procedures can be quite long. This has led to some people paying for private services. With high domestic costs, many of these consumers travel to a lower cost location to combine a vacation with a procedure for less than they would have paid to have the service performed at home. Although Canada has lower incomes than the US, there are enough middle to high income families to make this a viable, if smaller, source market. In 2004, over 24% of total couple families had a total income of CDN\$100,000 (roughly US\$85,500) and over, and 8.2% had a total income of CDN\$150,000 (roughly US\$128,400) and above.<sup>20</sup>

### **The EU**

Most EU countries provide free health care to their citizens through a state-run health care system. Private insurance represents a much smaller part of the total market than the US. EU countries are increasingly extending public healthcare to cover treatment in other member states. In 2001, the European Court of Justice (ECJ) ruled that patients were entitled to receive hospital care in other European Economic Area countries, at the expense of their home government, if the necessary treatment could not be provided within a reasonable period of time. The ECJ has since upheld this ruling in a more recent case in which a British woman who went abroad for treatment successfully sued for the cost of her treatment from the NHS. This will lead to cheaper healthcare suppliers in the EU such as France, Germany, Hungary and Poland attracting an increasing share of patients from the high-cost, capacity-constrained public systems of Western Europe. The European Health Insurance Card allows EU citizens to access a range of state-provided medical services in other member countries. Lower cost providers were already benefiting from cost-benefit

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<sup>20</sup> Statistics Canada. A census couple family consists of a couple living together (married or common-law, including same-sex couples) living at the same address with or without children. Beginning in 2001, same-sex couples reporting as couples are counted as couple families. [www.statcan.ca](http://www.statcan.ca).



seeking private patients and the addition of publicly-funded medical tourism will set up the EU as a largely self-contained healthcare market capable of meeting its own needs. This means that opportunities for accessing this market are limited, but some possibilities do exist.

Barbados does attract many European tourists, particularly from the UK, and it may be able to establish a niche by serving higher net worth individuals who have the capacity and willingness to pay for treatment privately, despite the availability of public care in the EU. While cost savings will be a concern in this market the availability of quality services is likely to also be an important consideration. The attractiveness of the location and a quality of service that equals or surpasses that of Eastern European countries gives Barbados an advantage over those destinations. This will not be as large an opportunity as the US market but is worth pursuing as the country already attracts substantial numbers of EU visitors, particularly from the UK.

### **C) Supply Markets**

Governments around the world, especially those in Asia and Europe, are vigorously promoting medical and wellness tourism in their countries. Major destinations include Belgium, France, Germany, the Czech Republic, Hungary, Poland, Thailand, India, Singapore, Israel, Jordan, Argentina, Mexico, Brazil, Cuba and South Africa.

Travel for medical tourism in Europe is mainly from west to east (cost benefit seekers). The trend has accelerated with the recent EU enlargement. Since joining the EU, many eastern European countries have seen a surge in health tourism. Polish dentists and cosmetic surgeons, and Czech and Polish fertility clinics, are booming as a result. These countries have a clear cost advantage; prices tend to be around half the German levels. Germans are increasingly travelling to Hungary and Poland for high-quality, low-cost dental work. Medical tourism also takes place from west to west (government to government) and east to west (high net worth individuals). In the UK, NHS patients were being sent to France, Germany and Belgium in order to reduce waiting times for routine operations and this is likely to resume as a result of the ECJ ruling. Wealthier patients from Russia and other CIS countries frequently travel to Germany for medical treatment.

So far, Thailand is the biggest player in Asia, attracting approximately one million medical tourists each year. Bumrungrad Hospital in Bangkok was the first hospital in Asia to be certified by the Joint Commission International (JCI), the international arm of the US-based Joint Commission on Accreditation of Healthcare Organisations. Of Bumrungrad's patients, 40% are medical tourists, and the group now has branches in the Middle East, China and other Southeast Asian countries. Thailand treats expatriates across Southeast Asia, many of whom work for multinational companies and have flexible, worldwide medical insurance plans. Thailand has been a preferred destination for Americans.

India, attracting some 150,000~200,000 medical tourists a year, is emerging as a major regional competitor to Thailand. A CII-McKinsey joint study showed that medical tourists could bring US\$2 billion to the Indian economy by 2012. Instead of a few states such as Maharashtra, Kerala and Andhra Pradesh promoting their own facilities, efforts are now being made to build "Destination India" as a complete brand to promote the country as an international destination in healthcare. This will allow private hospitals offering excellent services, such as the Apollo Hospital in Delhi, to also benefit from publicly-funded promotion. The Government has made 2006 "The Year of Health Tourism". The country initially attracted Indians living abroad, but now





also attracts other patients from Europe, the Middle East and North America. Combining surgery with a yoga holiday or trip to the Taj Mahal is popular among medical tourists.

With a rapidly growing medical tourism sector, Singapore now attracts a quarter of a million medical visitors a year. The Government aims to establish the country as the region's medical hub, and to draw one million foreign patients by 2012, generating S\$2.6 billion in revenue (~1% of GDP). Singapore's top markets are Indonesia and Malaysia and it is also targeting the rest of ASEAN and the Middle East. Medical tourism offerings cover a range of services from simple health screening to plastic surgery, knee or hip replacement and heart bypass surgery.

Jordan serves patients from the Middle East. Israel caters to both Jewish patients and people from nearby countries. One Israeli hospital advertises services worldwide, specialising in both male and female infertility, IVF and high-risk pregnancies. A dedicated, large scale Healthcare City is currently under construction in Dubai. Once finished (scheduled for 2010), it will provide a solid foundation to promote Dubai as a regional healthcare hub, attracting patients not only from the Middle East, North Africa and the Indian subcontinent, but also from Europe, the Americas and wider Asian countries.

In Latin America and the Caribbean, Cuba, Argentina, Mexico and Brazil are the leading service providers for medical tourism. Cuba first aimed its services at well-off patients from Latin America. Medical tourism in the country is expanding as demand grows. The country now also attracts patients from Canada, Germany and Italy. Argentina has emerged as a major destination offering medical services to US and European citizens. As demand from domestic patients fell, as a result of the country's economic crisis and the consequent cash constraints suffered by

**Table 1: Comparison of Treatment Costs**

Country	Hip Replacement	Knee Replacement	Cataract
<b>UK</b>	£8,000	£9,500	£2,350
<b>US</b>	£6,250	£6,250	-
<b>France</b>	£5,689	£6,075	£1,742
<b>Germany</b>	£5,296	£5,365	£1,742
<b>India</b>	£3,763	£4,167	£1,100
<b>Norway</b>	£5,685	£6,400	£1,300
<b>Spain</b>	£5,695	£5,695	£1,742
<b>Tunisia</b>	£3,600	£4,000	£700
<b>Turkey</b>	£4,725	£3,600	£562

Source : [www.treatmentabroad.net](http://www.treatmentabroad.net)

government-sponsored medical insurance schemes, the private sector responded by marketing its services abroad. A combination of good quality services at low cost has helped the country become a leader for healthcare services, particularly in the US market which is denied access to services in Cuba. Mexico and Brazil also have large private health care sectors capable of serving medical tourists.

#### **D) Decision-making Factors**

The primary consideration behind the choice of destination for medical tourism is cost, but other factors such as the quality of care and the attractiveness of the location do play a role. Potential consumers in the US market will be price sensitive as the primary objective of seeking

**Table 2: Comparison of Dental Implant Cost**

Country	Procedure Price
<b>UK</b>	£2,000
<b>Bulgaria</b>	£700
<b>Costa Rica</b>	£435
<b>Croatia</b>	£672
<b>Germany</b>	£600
<b>Greece</b>	£600
<b>Hungary</b>	£665
<b>India</b>	£550
<b>Italy</b>	£411
<b>Poland</b>	£750
<b>South Africa</b>	£470
<b>Turkey</b>	£588
<b>Vietnam</b>	£545

Source : [www.treatmentabroad.net](http://www.treatmentabroad.net)



medical treatment abroad for employers, insurance companies and private individuals is cost savings. Private individuals from Canada and the UK will also be looking for cheaper alternatives as the cost of treatment will be coming out of their own pockets. The quality of care and the location will also become factors in the choice of destination.

**Table 3: Comparison of Cosmetic Surgery Costs**

Country	Rhinoplasty	Breast Augmentation	Upper & Lower Eyelids	Facelift
UK	£3,000~4,000	£3,500~5,000	£2,900~3,700	£4,300~6,000
Argentina	£1,270~1,750	£1,800~2,815	£1,165	£1,060~2,415
Belgium	£1,650~2,850	£1,960~2,720	£1,600	£1,650~2,950
Brazil	£1,550	£2,345	£1,550	£1,948
Croatia	£1,150~1,500	£2,250	£1,400	£2,700
Czech	£1,756	£2,346	£1,226	£2,056
Egypt	£1,500	£2,000	£1,200	£2,100
Germany	£3,400	£3,000	£1,900	£3,400~6,000
India	£850	£1,300	£1,050	£1,800
South Africa	£2,100	£2,200	£1,750	£3,300
Spain	£2,400	£2,900	£2,100	£3,200
Tunisia	£1,260	£1,750	£1,190	£2,400
Turkey	£1,600	£1,720	£1,350	£1,600

Source: [www.treatmentabroad.net](http://www.treatmentabroad.net)

Those travelling abroad are often high net worth individuals who place a high value on their wellbeing. They may be driven to purchase abroad because of cost or other factors, but will not want to take chances with their health. Further, some, especially those seeking elective treatments, will want to combine it with a holiday. Other factors that influence the decision are:

- Time to destination. As a rule of thumb, 3.5- 5 hours is the maximum that people are willing to travel.
- Language. Familiarity with the patient language has proved an important factor for many.

Lack of JCI accreditation of institutions is not fatal to this industry and other countries have successfully attracted patients without it. Furthermore, many employers and insurance companies use their own fact-finding missions to decide whether or not an institution is suitable as a service provider. When selecting an overseas service provider, these organisations mainly look for cost and quality competitiveness, a high level of clinical competency, existence of spare capacity, an attractive location that is easy to travel to and language proficiency.

Most US insurance companies restrict where patients may be treated to an approved list. Clients are not allowed to go to other facilities whether in the US or abroad. However, this is not an insurmountable barrier for countries such as Barbados. The insurance companies are willing to include hospitals abroad, as the example of Blue Shield above shows. The insurance companies prefer JCI accreditation but lack of it does not seem to be a barrier. Insurance companies are willing to visit and evaluate facilities for themselves.

Many private individuals use medical travel agents to arrange their visits and firms such as Planet Hospital in the US also have their own screening processes, looking at similar criteria as employers and insurance companies. In addition to cost savings, these agents look for high quality treatment, surplus capacity, a service provider with a strong track record, quality after-care services, ease of travel and





local tourist attractions and an ability to put together packages of travel, treatment, accommodation and after-care. So while obtaining JCI accreditation will improve the visibility and perception of Barbados as a source of quality services and should be pursued by individual institutions with support from government, it is not an essential requirement.

Since medical tourism services are consumed abroad (mode 2), individual doctors will not require foreign qualifications. While a number of Indian doctors are foreign-trained and qualified, a number of other countries such as Cuba and Thailand have managed to establish successful medical tourism industries using primarily locally-trained physicians. This, coupled with the fact that employers, insurance companies and medical travel agents use their own screening process means that Barbados does not need to feature American or British-qualified doctors. Of course, physicians will have to be duly locally-qualified and licensed.

### 3.2.2 Local Capability and Competitiveness

Barbados has well-developed public and private healthcare facilities and there has been a good deal of investment into improving the scale and quality of facilities in both sectors. The Queen Elizabeth Hospital provides a complete range of services and the public sector offering is rounded out by district hospitals and 8 polyclinics. In the private sector, there is a hospital, 3 medical centres, 4 laboratory testing units, a haemodialysis centre, a fertility clinic and a number of medical clinics. Plans for an upscale medical centre focused on overseas markets are being developed. The firms responding to the survey we conducted indicated that excess capacity exists in the country's medical facilities.

There are over 340 doctors in the country and 100 of them work in the public sector, 120 are general practitioners and 120 are specialists. The workforce offers a full range of specialist medical and surgical services. Insurance premiums for local doctors, at roughly BDS\$10,000/year, are affordable. The table below compares the number of physicians per 1000 people in a range of countries to convey a sense of how well-served Barbados is. It provides the most recent information available for each country from the World Health Organisation's Statistical Information System. Based on current data (340 doctors, population of 270,000), the figure for Barbados stands at 1.26, slightly higher than the 1999 figure, which is reproduced in the table for continuity.

**Table 4: Physician Density**

Country	Physicians per 1,000 people	Year
Argentina	3.01	1998
Barbados	1.21	1999
Brazil	1.15	2000
Canada	2.14	2003
Cuba	5.91	2002
Dominica	0.50	1997
India	0.60	2005
Mexico	1.98	2000
St. Lucia	5.17	1999
Thailand	0.37	2000
Trinidad and Tobago	0.79	1997
United Kingdom	2.30	1997
United States of America	2.56	2000

Source: WHO Statistical Information System



The figures are interesting to note, but no clear pattern emerges. Some of the regional leaders for medical tourism have very high physician density; Cuba leads all 13 countries at 5.91 and Argentina is third with 3.01. While this would suggest a high number of doctors in relation to the population is important for a medical tourism industry, other countries such as India and Thailand that have been successful in attracting medical tourists have very low ratios; 0.60 and 0.37, respectively. So this factor does not seem to be a prerequisite to developing a medical tourism industry, so long as the doctors that are in a country have the skills and specialist qualifications to attract foreign clients.

Overall, Barbados has a sound medical infrastructure, with skilled doctors working in quality facilities, factors that are essential to developing a medical tourism industry. It does have a shortage of nurses but the problem is not so acute that it poses an insurmountable barrier to medical tourism. The shortfall has been recognised and is being addressed through foreign recruitment and improving the domestic capacity to train nurses. While the number of doctors is adequate, Barbados could quickly scale up its ability to provide services by allowing foreign doctors to work in the country. There has been resistance to this in the past as there was a feeling that foreign doctors would encroach on the local market. This issue is addressed in detail in the enabling environment section of the marketing strategy.

The immediate opportunity is in the cost-sensitive US market, and Barbados does have an advantage over the States in this regard. Major cardiac surgery costs about US\$50,000 in America and US\$12,000-15,000 in Barbados. While it is not as cheap as places like India which could handle such a procedure for US\$10,000, it has the advantage of a much more attractive location that is more pleasant for a medical holiday, and is closer to the US. Countries such as Argentina, Brazil and Mexico also have cost advantages over Barbados, but in addition to providing a more attractive location, the country can offer treatment in an English-speaking setting. Cuba offers excellent care at lower cost in a similarly attractive setting, but cannot access the major US market. However, it will offer competition for Barbados in attracting patients from Europe and Canada.

### **3.2.3 Market Positioning and Export Targets**

Barbados has an opportunity to establish a niche in medical tourism that will be a valuable source of foreign exchange earnings. It will not be able to rival countries like Argentina or India in the size of this industry, but its combination of cost, quality of service and an attractive English-speaking location gives it an advantage over many of its regional competitors. Its overall offering means that it is well-placed to capitalise on the growing demand for medical tourism in Canada, the UK and, particularly, the US.

Although some exporting is taking place, this is not an opportunity that has been pursued strategically. In 2000, Barbados received US\$800,000 in health-related services travel expenditure. However, levels of investment and activity in this sector have picked up since then and the figure is likely to be much higher now, with a few hundred patients visiting each year. To provide focus to efforts in this area, it is useful to work towards a clear goal in terms of patient numbers. As a 5-year target, Barbados should seek to attract 2,000 medical tourists per year for a major procedure.



Attracting foreign patients to Barbados for medical procedures such as cardiac surgery and joint replacements will generate revenue and create employment opportunities. It is possible to estimate the potential revenue gains if a few assumptions are made. Assuming each patient: 1) brings one friend or relative; 2) has a relatively major medical procedure; 3) spends a total of 20 nights in Barbados (10 in the hospital and 10 in personally-funded accommodation); and 4) undertakes a moderate amount of tourist activities and shopping, the amount spent would be approximately US\$12,500, as per the breakdown below.

**Table 5: Estimated Patient Spend**

Activity	Cost (US\$)
Medical Treatment	7,500
Accommodation	2,500
Dining in Restaurants	1,500
Tourist Activities and Shopping	1,000
<b>Total Spend (per patient)</b>	<b>12,500</b>

If Barbados attracted 2,000 more patients a year, then the total revenue would be US\$25 million. These funds could be used to expand facilities and increase the range of services, thereby generating higher paid jobs in medicine and nursing.

### 3.3 Wellness

Wellness as a whole is a huge market worth hundreds of billions of dollars worldwide. The market is growing dramatically because of higher incomes and an increasing focus on looking and feeling good. Much of this market is served by domestic providers but increasingly, visitors are including wellness treatment in their travel plans abroad.

Within the wellness market, the segment most relevant for Barbados is spas. This covers not only the formal medical spas attached to hotels but also a range of alternative therapies offered by practitioners throughout the island.

Within the spa industry, price and service vary between luxury and economy. A typical massage treatment at a luxury spa costs US\$125, down to US\$30 at a small, day spa. The luxury spa segment is experiencing even higher growth than the economy segment, and it seems that consumers are regarding them as less of an indulgence as before. US suppliers are offering a combination of medical consultation and spa treatments in packages costing US\$ 1000/night<sup>21</sup>. In the US, the household income of a typical spa goer is currently between US\$50,000~74,999, compared with US\$75,000 and higher in the past. The corporate world is changing its philosophy as well, placing greater emphasis on achieving balance between work and lifestyle to increase productivity. A spa experience is becoming more mainstream in the corporate world. Businesses now engage the use of spas to build relationships, motivate employees, and manage employee health.

<sup>21</sup> Health consumerism: The wellness boom, The Economist, Jan 4, 2007



According to the ISPA Consumer Trends Report, strong growth is predicted in the medical spa product line in the future. The concept of an “integrated wellness centre” is becoming more popular. Medical products such as laser treatments, Botox, and medical acupuncture are increasingly on offer. More and more spa goers will use medical spas that offer preventative health treatments and regimens such as nutrition and fitness and health and wellness education.

There is a trend among spa goers toward seeking out authentically local and indigenous products and experiences. Consumers are seeking flexibility in booking spa vacations – shorter but more frequent visits. There is also a growing interest in services for couples, particularly massage and hydrotherapy. More couples are expected to opt for spa honeymoons and romantic spa vacations.

More than one tenth of spa-goers treat spa going as part of a larger health and wellness lifestyle, rather than as an indulgent habit. It is worth noting that one third of leisure travellers regard access to a spa as a primary consideration in making their travel plans. This makes all tourists that visit Barbados potential spa visitors. Stay over tourists will be more likely to visit spas as cruise passengers have access to facilities on board, and often at a lower price, and are only in the country for a day. With 547,501 tourist arrivals and 563,588 cruise ship passengers in 2005, Barbados does have a large supply of potential customers visiting the country.<sup>22</sup> Women still dominate the group of spa-goers but visits by males are on the rise. Last year, over a third (36%) of spa travellers were men. To attract an increasing number of men, spas offer activities like golf, outdoor and wilderness adventure activities, male cosmetic programs and high-intensity fitness programs.

### 3.3.1 International Trends

#### A) Key International Markets

The US is the world's largest market for wellness. In 2003, the US and Canadian spa industries generated US\$11.2 billion and US\$2 billion, respectively, in revenue. Last year, 32.2 million Americans and 3.7 million Canadians visited a spa, over a half of them while travelling. Medical spas are growing rapidly in the US. The number of medical spas has grown from 50 in 2002 to about 2,500 this year and many of them have thrived by offering procedures such as Botox injections in a close-to-consumer setting such as a mall. Often these spas (also known as ‘cosmedical’ clinics) partner with high profile medical institutions as a means of generating credibility and accessing the services of plastic surgeons. The doctors only work part-time and most of the procedures are carried out by a nurse practitioner, with the assurance that qualified surgeons have operational oversight.

Often located in upmarket shopping centres, the spas offer typical services such as massages in addition to cosmetic procedures. At the Klinger spa in Dallas, Botox injections cost US\$400 for one area of the face and Restylane (a filler to add volume) starts at US\$650. The American Society of Plastic Surgeons reports that Botox is the least invasive cosmetic procedure and 3.8 million treatments were done in the US in 2005. The International Medical Spa Association expects revenue from medical spas to top US\$1 billion this year.

Europe is also a huge market. Wellness tourism in Europe primarily revolves around spas. Austria has established itself as a world leader in wellness tourism, with an

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<sup>22</sup> Central Bank of Barbados.



estimated 10% of tourists visiting Austria for reasons of health and wellness, generating revenue of €1.1 billion. Hungary has re-branded itself as a wellness destination to promote thermal water/spa tourism and Croatia and Bulgaria have followed a similar strategy. Bulgaria markets itself as the 'country of curative waters'. Some of the country's specialised rehabilitation hospitals are situated in scenic spa venues such as Velingrad, Pomorie, Sandanski and Banite village. In the UK, the industry is quoted as being worth £1.4 billion per annum with 20 spas opening each week.

Across Asia and Australia, the growth in wellness and spa tourism has been based around each country's heritage and cultural practice. The use of massage, yoga, acupuncture, reflexology, and meditation as preventative practices are well established in many Asian countries and have become popular among Western consumers. More and more international spa travellers are coming to the region to enjoy the vast choice of spa experiences. In the case of Australia, according to Intelligent Spas, international spa travellers account for 10% of total spa visitors, domestic tourists 25% and local residents the remaining 65%.

### **3.3.2 Local Capability and Competitiveness**

Although Barbados is a very attractive location, it does not possess the natural features, such as sulphur springs, of other islands such as Dominica. Therefore it will not be likely to establish an international reputation as a centre for destination spas. Where the country does have capability is in high-end spas attached to hotels and in spas offering medical services such as osteopathic care and a range of alternative treatments. It has a world-class facility at Sandy Lane, which is the flagship of the local industry. Sandy Lane is capable of a broad range of treatments in an upmarket setting, featuring 14 personalised treatment suites.

Given the existing medical and spa infrastructure in Barbados, the medical spa/cosmedical clinic model that has grown rapidly in the US could be effectively replicated domestically, as witnessed in the case of Sandy Lane. The presence of spas in hotels puts them much closer to potential clients than independent medical spas would be. These facilities are able to offer a range of alternative treatments, including reiki, reflexology and Ayurvedic medicine. Medical spas featuring an integrated offering combining conventional medicine, such as plastic surgery, with alternative treatments present a good opportunity for Barbados in the wellness tourism market and would increase value-addition.

Some US companies active in this area, such as Klinger, are planning to franchise, which presents an opportunity for hotels that have not so far gone down the spa/cosmedical route. An important consideration will be licensing of facilities, as complications from poorly performed procedures could have a serious negative impact on what is a nascent industry. The American Society of Plastic Surgeons and the American Society for Aesthetic Plastic Surgery has drafted some guiding principles on supervising non-physicians in medical spas. These guidelines could inform the licensing process.

In addition to medical spas attached to hotels, the country has a very large number of practitioners of alternative medicine. There are mainly self-employed individuals but some are part of small businesses. These appear to offer good value for money, based on sound skills, but are not licensed or accredited. They need support in marketing their services to tourists directly and through the hotels.



### 3.3.3 Market Positioning and Export Targets

Barbados has a well-established system of spas in hotels that puts it in a strong position to capitalise on the existing tourism market. Countries such as Austria that are well-known as spa destinations, usually because of natural endowments such as springs, have been successful in promoting wellness as part of the broader tourism offering. About 10% of Austria's tourists visit spas. Barbados does not have the kind of natural environment that is conducive to the establishment of destination spas, but does have a strong capability in medical spas offering conventional treatments such as massages as well as alternative treatments including Ayurvedic medicine.

Given that the offering is limited to medical spas, we can conservatively assume that Barbados should be able to attract 5% of tourist arrivals to spas. In 2005, Barbados had 547,501 tourist arrivals, which means that it has a pool of over 27,000 potential spa visitors who will use spa services for a few days. We can assume that each visitor will spend roughly US\$500 each and if we conservatively put the number of visitors at 25,000, revenues will be US\$12.5 million. This target of 25,000 additional spa visitors annually from the stay over market should be pursued as a 5-year goal.

Attracting cruise ship passengers will be more difficult because of the short length of their stays on the island and existing facilities on ships. However, specialist, high-profile operators such as Sandy Lane that are attractions in themselves may be able to capture some of this market. We conservatively estimate that spas and practitioners of alternative medicine should be able to attract 1% of cruise ship passengers. There were 563,588 cruise visitors in 2005, so this yields a pool of 5,600 potential spa visitors. The number of spa visitors from cruises should be increased by 5,000 annually as a 5-year target. They will only use services for one day, so we can assume a spend of US\$100 each. This will yield revenues of US\$500,000, bringing total wellness revenues to about US\$13 million.

## 3.4 Nursing and Elderly Care

### 3.4.1 International Trends

#### A) Key Markets

In developed countries, governments play a limited role in nursing and elderly care provision, primarily providing assistance to low income families and people with mental or physical disabilities. Populations are ageing rapidly in most developed countries along with the costs of accommodation in nursing homes and home care in sheltered accommodation. This is fuelling a growing trend to settle in lower cost locations, which, in many cases, also offer a temperate climate. This trend can be observed in many Western European countries and the US, which are the largest potential markets for Barbados.

The US Senate Special Committee on Ageing estimates that there are approximately 10 million Americans who need elderly care today. By 2020, 12 million will need long term elderly care. Most will be cared for at home by family members and friends; these are the sole caregivers for 70% of elderly people. Homecare can be a cheaper option than a care facility, but it still adds up – a home health aide costs around US\$20 or more per hour in most areas, and expenses can easily amount to a few thousand dollars a month. The National Association of Insurance Commissioners estimates that the average rate for a private room in a nursing home is US\$203 a





day, or about US\$74,000 a year. If current annual increases continue, by 2020 the average rate will have risen to about US\$480 a day, or about US\$175,000 annually.

Given the costs and anticipated impact of inflation, as well as the limitations of government programmes, private long term care insurance, which provides the insured with medical and nursing care, offers a solution to tackle the needs of the ageing population. In the US, more than a hundred companies now offer coverage. UnumProvident holds nearly 80% of the group long term care insurance policies in the nation, covering about 550,000 working-age employees. In addition, the company holds about 200,000 individual long term care policies. A Wall Street Journal poll early this year found that 9% of those surveyed have purchased long term care insurance.

There are also nursing needs and demand for long term care from people under age 65. The US Government Accounting Office estimates that 40% of the people receiving long term care services are between the ages of 18 and 64. Nearly 58% of submitted claims for UnumProvident's group long term care insurance are for people under age 65. More than two thirds of all the claimants in this age group received care at home, whilst 17% received nursing home care.

Similar trends may be observed in Western Europe and indeed, the ageing of the population is taking place much faster in the EU than in the US. The European Commission has estimated that the number of older people will reach 69 million by 2010, representing 16% of the total population. Public provision of elderly care is limited, resulting in large scale, private investment in elderly care and nursing homes. Costs in the UK are comparable to the US. Rising costs and the wish to live in countries with a better climate and natural environment are causing northern Europeans to seek alternatives in southern Europe. Enabled by higher property values at home, there is a trend towards retirement in countries such as Spain.

Recognising the need for sheltered accommodation for the elderly, countries such as Malta have developed packages to attract long term elderly residents. Companies are offering individuals life time care for a one-off cost of £50,000 and shorter term packages. The cost in countries such as Malta is roughly half that in the UK.

## **B) Decision-making Factors**

With the rising cost of care in the US and Western Europe, both individuals and private insurance providers are looking for lower cost care provision. As this is a decision about where one will live, the attractiveness of the location, in terms of climate and amenities, is a much more important consideration than it is for a health tourist who only visits for a short period of time. Proximity to the home country is also important as that enables visits from loved ones. The quality of care, both in nursing homes and hospitals, that is available is also a factor as many of these individuals have failing health and will want to ensure that facilities for all their needs, current and future, exist.

### **3.4.2 Local Capability and Competitiveness**

While the number of doctors is adequate, there is a shortage of nurses in the country. Because Bajan nurses are well-trained and highly-skilled, many of them pursue higher-paid jobs in the US. This problem is being addressed by the hiring of foreigners. However, there are enough nurses to staff the country's 5 geriatric hospitals and, according to a Pan-American Health Organisation report, there were





37 private nursing and senior citizen's homes in Barbados at one point.<sup>23</sup> So the necessary facilities are in place.

The quality of nurses that are in the country is high and they are able to offer a good standard of post-operative and long-term care. Increased medical tourism will create a demand for post-operative care which will increase the number of jobs for nurses as well as the pay rates. Long-term care can be offered through two channels, either in nursing care facilities or as home care in retirement communities or private homes.

The 10 million Americans requiring elderly care are the primary market for Barbados and existing tourism channels can be leveraged to generate interest in the country as a destination for long-term care in facilities or home care in a residential setting. With the average cost of a room in a US nursing home going up to US\$480 per day by 2020, demand for places in nursing homes should remain strong. Barbados can provide care in a holiday destination that is familiar to a number of tourists who already know the country. With residential tourism increasing, and typically targeting high net worth foreigners looking for a retirement home, the demand for home care and sheltered accommodation should also be robust. As these retirees age, they will also increase demand for places in nursing homes. Improving the quality of nursing care and medical services in general will also make the country more attractive to potential retirees concerned about the availability of healthcare services.

Western Europe, particularly the UK, also offers opportunities. Barbados is well known as a premier tourism destination because of its excellent natural assets, friendly people and relatively crime free environment. This is giving rise to high demand for holiday homes in Barbados. Providing sheltered accommodation could help to attract the elderly or tempt those with second homes to choose to live in Barbados during their retirement. Cost advantages are likely to be an additional factor in the decision.

### **3.4.3 Market Positioning and Export Targets**

Barbados has an existing pool of tourists, both stay over and residential, that know and like the country. These tourists are potential consumers of places in nursing homes and sheltered accommodation. In addition to providing a lower cost of care than in Western Europe or the US, Barbados offers an extremely attractive environment with a good quality healthcare system. It is a bit far from Western Europe, and being that far from their home country may discourage individuals from those markets, but it is ideally situated for US consumers.

If we assume that the cost of care is about US\$100 per day, then the annual spend per patient would be \$36,500. As a 5-year target Barbados should seek to attract 200 more foreign seniors for long-term care each year. This would yield revenues of roughly US\$7 million.

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<sup>23</sup> The report is not dated, so it is difficult to determine what year the information was gathered. Most of the latest dates in the text are 2000, so we have assumed the information is at least 6 years old. While it cannot be viewed as a definitive measurement of the stock of facilities, it does serve as an indicative guide. See [http://www.paho.org/English/DD/AIS/cp\\_052.htm](http://www.paho.org/English/DD/AIS/cp_052.htm).



### **3.5 Research and Diagnostic Services**

#### **3.5.1 International Trends**

Medical research and testing services are emerging as a major export market in their own right. The rising cost of these services in the developed countries is the main driver of international trade. Many pharmaceutical majors have relocated part of their research activities to cheaper countries such as India where researchers and technicians can be obtained at a fraction of the cost in their home countries. The internet and other improvements in communications have resulted in increased outsourcing of testing services. These trends are likely to accelerate.

##### **A) Source Markets**

The US is the primary market for medical research and testing services such as lab testing and diagnostic services such as imaging tests. Potential institutional purchasers of these services include pharmaceutical companies, research labs and clinics and hospitals. The UK and Switzerland are also important potential source markets because of their pharmaceutical industries. The UK's NHS is a major purchaser of testing services. Many health trusts in the UK have outsourced routine testing of blood to internationally-accredited laboratories in India

Medical tourists from the US, the UK and Canada may make use of these services in Barbados as part of their treatment, but some may also independently opt to have some testing done while they are in the country, as waiting times in home countries can be very long and/or the cost of treatment expensive. Finally, some individuals may come to Barbados specifically to have testing services done.

The primary factors that drive both institutional and private clients to use research and diagnostic services in other countries are cost and lack of sufficient availability at home. The quality of the service, in terms of skills and international accreditation are considered essential though for all suppliers

#### **3.5.2 Local Capability and Competitiveness**

Barbados has a capability in lab testing, research and diagnostics, which can supplement the medical tourism market and directly provide outsourced services to foreign institutions. The Barbados Reference Lab conducts stem cell research in addition to a range of other diagnostic tests; imaging, ultrasound and MRI tests are available through the Pine Medical Centre; and Nuclear Medicine Inc. uses nuclear medicine imaging tests to show physiological functioning rather than simply revealing anatomy as other imaging procedures do. The Reference Lab and Nuclear medicine are acknowledged for their international excellence.

#### **3.5.3 Market Positioning and Export Targets**

We are informed that Bajan labs and researchers are already exporting their services. We were not able though to quantify the extent of these exports nor identify the markets to which they are exporting. Qualitative information of the range of services provided was available, but information on capacity was lacking. As such, it is not possible to provide hard export targets or the measure their potential for revenue generation. The marketing strategy recommends that the BIDC take an active role in promoting the health and wellness sector. Through its exposure to



providers and potential purchasers during promotional activities such as marketing missions, it should attempt to gather more information and set some targets for this segment of the health market.

### 3.6 Marketing Strategy

Although up to date statistics are not available, Barbados has traditionally been a net importer of health-related travel services. In every year from 1990-2000, net expenditure in the balance of payments in this area was negative, with net imports of US\$1.7 million in 2000. Since then, there has been substantial investment in the health and wellness sector so the situation is likely to have changed substantially. Across the four segments, the country's market positioning may be summarised as:

1. The explosive growth of health care exports provides a strong demand base that Barbados should be able to exploit to a far greater extent than it has done up to now, especially as the world's largest market, the US is at its doorstep and the country has a strong base of visitors from the UK. Even a small number of visitors would cause a dramatic increase in exports;
2. As a small country with limited medical staff, Barbados is unlikely to become a major player in the market. Nevertheless, its cost advantage compared with the US and UK, its attractions as an English speaking holiday destination and the quality of the services it can offer form the basis of market success;
3. The country though is unknown as a health and wellness destination. There is a need to put the country on the map. Some exporting of healthcare services is already taking place, but this is being done in an *ad hoc* manner rather than in a strategic fashion.
4. Adopting a strategic approach to Increasing exports will require working towards the set of 5-year targets: 2,000 medical tourists, 25,000 visitors to spas, 200 residents in elderly care as well as a yet un-quantified value of research, diagnostic and testing services. Altogether, by 2012, health and wellness exports should total between \$45-50 million annually.

Setting up healthcare services as an export industry requires that brand awareness and direct marketing activities be conducted, while enabling environment constraints are addressed.

#### 3.6.1 Brand Awareness

Although Barbados has an excellent healthcare system capable of providing world-class services, it does not yet have a high profile as source of these services. To raise the country's profile generally, and among potential consumers in the US and UK specifically, 6 brand awareness raising activities are suggested below.

1. Integrated website. The site should offer general information on Barbados, what the country offers, and basic, general information on individual service providers. Links should be provided to specific providers' sites and full contact details should be posted.

Rationale: An integrated website is needed to raise awareness that Barbados is a safe, relaxing and cost-effective place to have high-quality healthcare treatment.

Actions Required	Resources Required
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Actions Required	Resources Required
Hire website developer	US\$2,000
Form committee of healthcare industry (including public and private sector) to guide content; BDC to manage process	25 person days
Appoint BDC official to liaise between developer and committee and, where necessary, develop content	
Maintain website	US\$2,000 per annum

- In-flight, airport, hotel and cruise ship advertisements. Efforts in this area have already begun but have generally been confined to individual service providers advertising their services. The advertising programme should be expanded to cover all of Barbados' healthcare capabilities, including medical, wellness, nursing and elderly care and medical research, diagnostic and testing services. Advertising the whole range of services available in the country will catch a broader range of interest and will raise the profile of the entire industry, rather than just those of individual service providers. Such advertisements should provide readers with details on how they can obtain more information on service providers (i.e. the website).

Rationale: Barbados receives over 1,000,000 tourists each year. These tourists know and like the country, which makes them excellent potential customers and promoters of its healthcare services. Tourists may choose to have wellness or minor medical procedures done whilst they are on holiday. They may also tell their friends and family about healthcare options in Barbados once they return home, especially if they know someone who is a candidate for the services offered.

Actions Required	Resources Required
Hire graphics designer to develop advertisements for healthcare in Barbados; BDC to lead	US\$3,000
Place advertisements in airports, in-flight magazines, hotel brochures and magazines and cruise ship publications – BTA to lead	US\$10,000 per annum

- Internet directories. List on Internet medical directories, such as Treatment Abroad ([www.treatmentabroad.net](http://www.treatmentabroad.net)), Private Healthcare UK ([www.privatehealth.co.uk](http://www.privatehealth.co.uk)), Hospitals Worldwide ([www.hospitalsworldwide.com](http://www.hospitalsworldwide.com)), Spa Finder ([www.spafinder.com](http://www.spafinder.com)).

Rationale: Internet resources are a valuable source of information for people looking for international medical services. It is important that information on Barbados' healthcare facilities can be accessed internationally through reputable portals.

Actions Required	Resources Required
List in Internet medical directories; BDC to lead	US\$ 15,000 per annum



4. Foreign patient-related advertising. Limited advertising directed at potential patients should be undertaken. The advertising should promote healthcare in Barbados as a whole, but could mention specific treatments available. Potential periodicals for advertisements include magazines such as Saga and Retired Magazines. There should also be an attempt to get information on healthcare opportunities in Barbados published in newspapers, and broadcast on shows on foreign television and radio. This could be done by making contact with the 'Heath' reporter at target newspapers and television and radio stations, and perhaps inviting them to Barbados. The Barbados Fertility Clinic has had some success in this regard and was featured on the educational series "Pulse on America", which airs on the Discovery Channel and CNN Headline News.

Rationale: Many of the potential customers for healthcare exports are elderly and may not have a high degree of computer literacy. They may rely on alternative media such as print, television and radio for information and increasing their awareness of Barbados will require advertising in these formats.

Actions Required	Resources Required
Place adverts in select foreign publications; BIDD to lead	US\$10,000
BIDD to liaise with 'Health' reporters in media to get articles/pieces on Barbados' healthcare industry published/aired	20 person days per annum

5. Familiarisation trips. As discussed above, the primary market for medical tourism and, in some instances, wellness will be cost benefit seekers in the US. This includes employers, insurance companies and individuals. The first two will make their own purchasing decisions, while individuals will often make use of the services of a medical travel agent to arrange their visits. Organising familiarisation trips for employers, insurance companies and medical travel agents will expose them to the services on offer and the advantages of sending patients to Barbados.

Rationale: Familiarisation trips are common promotional activities in the tourism industry and this existing expertise should be used to promote health and wellness tourism. Key purchasers of these services in the US may not be aware of what is on offer in Barbados and familiarisation trips and missions provide a means of influencing their decision about where to send patients.

Actions Required	Resources Required
Organise familiarisation trips of roughly 5 days to visit a range of service providers. These trips will require funding for international airfare, 4 nights accommodation and 5 days of per diems. BIDD to lead with assistance from BTA.	50 person days + US\$ 50,000 per annum

6. Foreign investment and partnerships. In the case of medical tourism, many patients rely on their doctors for referrals. Encouraging foreign health care providers to locate in Barbados would bring a captive client base as well as build the country's reputation as a health and wellness destination. Foreign investment in cosmedical spas and to set up care facilities and sheltered villages could help the development of a larger industry. Partnerships between US firms and Bajan



providers need to be fostered to determine what the needs and opportunities are on both sides.

Rationale: Forming alliances with doctors and with US elderly care providers will provide Bajan service providers with direct access to the customer base in its target markets. The partners are likely to have some influence with potential customers and will be able to encourage them to come to Barbados and allay any concerns they have. Foreign investment will add scale and profile to the Bajan industry.

Actions Required	Resources Required
Develop database to track internationally mobile health and wellness providers especially US; BDC to lead	\$ 15,000 in external research
BDC to contact providers directly and facilitate investment promotion, including possible joint ventures and alliances with Bajan firms	One staff member half time per annum

### 3.6.2 Direct Marketing

In addition to raising awareness of Barbados' health and wellness industry, there is a need to provide direct support to service providers to help them generate exports. Direct marketing activities are designed to attract patients to Barbados for health and wellness by accessing improving/establishing effective marketing channels.

1. Marketing missions. Cost-sensitive employers, insurance companies, pharmaceutical companies, clinics and hospitals, medical travel agents and those specialising in the elderly care are the primary marketing channels for medical tourism. Bajan providers need to contact and visit those most likely to generate business for them. They will need help to short list candidates and to make the preliminary approaches that will help to identify who is worth doing business with.

Rationale: Missions are common a way of helping companies develop markets abroad. Bajan health care providers do not know enough about export markets to organise effective trips abroad.

Actions Required	Resources Required
Organise missions of service providers to visit insurance companies, employers, hospitals, clinics, medical travel agents, etc. in the US, UK and Canada. BDC to lead	60 person days of BDC staff time. Delegates to pay their own costs

2. Matching grant facility. The purpose of this facility should be to provide funding for activities designed to generate export opportunities for service providers in the sub-sector. The Government, through the BDC, could contribute funds on a one-to-one matching basis for individual firms to access. These funds could be used by service providers to access specialist expertise to support their marketing activities.





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Rationale: Even if activities such as marketing missions and partnerships with foreign doctors are organised on behalf of firms, they may still need help to identify marketing intermediaries and to market themselves to them. Their marketing staff resources and budgets are limited as most are either SMEs or in the public sector. A matching grant facility provides assistance in this regard.

Actions Required	Resources Required
BIDC to liaise with Ministry of Health and Ministry of Economic Affairs and Development on drafting of fund framework and charter	20 person days
Create application process, including documents and selection criteria, that are suited to the health and wellness export industry; BIDC to lead	15 person days
First-year goal should be to assist 10 businesses	US\$50,000
Launch fund and administer disbursements; BIDC to lead	30 person days

3. Packages. Health and wellness tourists often purchase package trips that integrate flights, treatment, aftercare, accommodation and transfers so that they do not have to make any arrangements themselves. While some service providers already offer such packages, some of the smaller or newer players will require assistance in developing packages of their own.

Rationale: Many medical travel agents, insurance companies etc. will require their suppliers to provide a full package of flights, accommodation, treatment, after care, transfers etc. at a cost that is less than what the customer would have to pay directly. Such packages are the norm in the tourism industry but not the health and wellness. Bajan health and wellness providers will need technical expertise in putting such packages together.

Actions Required	Resources Required
Technical assistance to service providers in developing packages. This will include facilitating contact with hotels and airlines to make specific arrangements and negotiate rates. BTA to lead.	30 person days per annum

### 3.6.3 Enabling Environment

The primary problem in this area is the way the healthcare industry has traditionally been regarded and what the prevailing perception of its role has been. The public sector and, to a lesser extent, the private sector have adopted mindsets that are detrimental to the development of a strong, exporting healthcare sector. These mindsets must be changed if Barbados is to achieve its export targets.

The public sector has regarded healthcare as a system that is designed to serve Bajans, instead of as a strong, high value-added, knowledge-based sector that can be economically viable as an export industry. This sort of thinking has prevented public institutions from actively seeking foreign patients in favour of preserving capacity for locals. While serving local needs is the prime role of the healthcare sector, it should not prevent serving private patients from abroad.





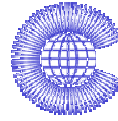
In fact, what health policy makers and the Bajan medical profession need to appreciate is that serving foreign patients, by charging at a for profit rate, should help to increase the funds available to the healthcare industry to improve services. Moreover, it can help to increase the range of services that can be provided economically on the island. Additionally, as exports increase, more jobs for doctors and nurses will be created and the increased number of health professionals will be able to offer improved services across a wider variety of treatments and disciplines to local patients.

The Ministry of Tourism and the BTA are well aware of the potential of health tourism to increase value added to the existing tourism product. They have, however, lacked a coherent strategy for promoting the sector. Hopefully, the marketing strategy above will convince them of how to align their efforts to the needs of the healthcare industry. This should enable them to feature the healthcare and wellness capability of the country far more prominently than at present.

The private sector has been much more active in serving export markets, as evidenced by levels of private investment in healthcare facilities. However, there has been resistance within the private sector to foreign doctors coming into Barbados because of concerns that they would encroach on the local market. This prevents the country from quickly scaling up and offering a more comprehensive healthcare product capable of attracting foreign patients and residential tourists. The use of foreign doctors is a stepping stone to setting up a viable export industry, not a move to replace local physicians. Once Barbados is established as a source of quality medical services, exports will continue to generate work for local doctors regardless of whether or not foreign doctors are still around.

These mindsets in the public and private sector will need to be changed and they will need to work together to address specific enabling environment constraints. An industry working group needs to be established that brings together the Ministry of Health; the Ministry of Tourism; the Ministry of Economic Affairs and Development; the Ministry of Commerce, Consumer Affairs and Business Development; the Ministry of Education, Youth Affairs and Sports; BIDA; the Barbados Tourism Authority; public hospitals; private hospitals; the Barbados Association of Professional Massage Therapists; geriatric homes; the Barbados Association of Medical Practitioners; and the BCSI. This industry working group should create a task force to take charge of the marketing strategy for the sub-sector. The task force should:

- Allocate responsibility for specific activities.
- Estimate resource requirements and determine what the public sector will fund and what the private sector will fund; it will then ensure each sector meets its resource commitments.
- Monitor progress against targets.
- Oversee the following initiatives designed to improve the enabling environment:
  - Expedited planning permission for healthcare facilities.
  - Improved standards and licensing processes. This will involve working with the Association of Medical Practitioners and the Ministry of Health on issues involving licensing of facilities and the registration of doctors, and the Association of Professional Massage Therapists on standards for masseurs and providers of alternative therapy. In



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addition to considering domestic developments, they will need to liaise with bodies established for this purpose at the level of the CSME.

- Liberalising work permit restrictions for foreign doctors. This will include improving access to work permits and broadening the practice rights they confer.
- Pursue JCI accreditation. This will involve determining what is required for public and private hospitals to become accredited, setting out a plan for making the necessary changes and procuring public resources where required.
- Access to finance. Details of what is required are set out in the Action Plan below.
- Market access negotiations. In general, exports in this sub-sector are supplied under Modes 1 (research, diagnostic and testing) and 2 (all other segments), which do not raise too many problems in terms of market access. However, there are two issues that require attention:
  - i) Current EPA negotiations should attempt to enable EU citizens to use the European Health Insurance Card to access healthcare in Barbados. The rationale behind requesting this in negotiations is that local tax payers should not have to bear the burden of funding care for EU citizens who require medical services while holidaying or living in Barbados.
  - ii) Barbados should, as part of GATS or another forum, schedule its commitments to remove all restrictions on healthcare services supplied by any Mode, so long as the healthcare provider is duly licensed and accredited in line with prevailing local standards.

The Barbados Tourism Authority (BTA) will have to play a major role in the delivery of the marketing strategy and will have to work closely with the BDC as a partner. It is suggested that the BTA set aside the funds required to promote health and wellness for activities earmarked above. The BDC should access the remaining funds, develop the content required for brand awareness and manage support for direct marketing activities.



## **4 Education**

### **4.1 Introduction**

The education industry is becoming increasingly global. The worldwide market for education exports is estimated as US\$30 billion and the number of students involved in formal education outside their own country broke the 2 million mark in 2001/02. On top of higher education, about 1.3 million students study English as a foreign language abroad each year. The global market for education services is projected to triple in size over the next twenty years. This growth will be driven by a range of factors including greater demand for linguistic skills, newer and more specialised employment skills required in knowledge-based economies, developing country students accessing better quality education abroad and increased consumption of education services in low-cost destinations by developed country students.

Movement of students for language training and degree education takes place between developed countries, from developing to developed countries and vice versa, as well as among developing countries. Asia is the major source of students, with North America and Europe the most important destinations.

Within the industry, there are two segments of the market most relevant to Barbados: English language training (ELT) and Technical and Vocational Education (TVE). We review international trends and local capabilities and competitiveness for each before turning to the marketing strategy for the sector as a whole.

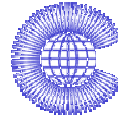
### **4.2 English Language Training**

#### **4.2.1 International Trends**

The emergence of English as the dominant global language is fuelling a boom in demand for ELT as students from many non-English speaking countries are going abroad for instruction. Language Travel Magazine estimates the total ELT market for all English-speaking countries was worth US\$9.2 billion in 2005. Although this was below the US\$9.6 billion estimate for 2003, it represented a nearly 11% increase from the previous year, with both student numbers and total student weeks up on 2004.

Given the strong fundamentals driving the market, the demand for ELT products will undoubtedly grow even larger. Research undertaken by the British Council shows that the current ELT market, in terms of student numbers, is only a small fraction of its potential. Looking at only the largest developing countries around the world, the British Council estimated a potential market size of almost 58 million students. If a modest 5% of those students were to travel abroad for ELT, the market would be almost 3 million students, which would more than double existing numbers.

A typical ELT participant enrolls in a course for anywhere from 2 weeks to an academic year, depending on one's proficiency in English at the start, time available before returning to their studies or job and their objectives in learning English. ELT courses include intensive, semi-intensive and fully-tailored programmes. For instance, the ELS Language Centre, one of the largest ELT providers in the US, offers intensive (30 taught lessons per week) and semi-intensive (20 per week) courses that consist of up to 12 levels from beginning through masters level. For international students, ELT programmes often serve as the gateway to higher



education. Many ELT participants continue to pursue degree studies in the country and contribute further to the local economy. Therefore, a country's reputation as a centre of higher education, based strongly on the reputation of its universities, is an important success factor in the ELT market.

Providing ELT requires developing a product that goes beyond classroom teaching. In fact the product straddles the education and tourism sectors with many successful countries using their attributes as tourism destinations to succeed in the EL market. The benefits of developing an ELT market therefore also go beyond the education sector. For instance, surveys show that, in 2002, the US ELT industry raised US\$2.2 billion in revenue which broke down as follows: tuition US\$660 million, accommodation US\$595 million and miscellaneous living expenses US\$942 million.

Some niche products in the ELT sector offer exceptionally bright prospects. Language plus activity programmes, which tie language tuition with a specific interest (such as English plus film in the UK, Italian plus cuisine in Italy, Spanish and dance in Cuba, English and farm experience in New Zealand), are popular choices for those looking for a different type of language learning experience. Although these are premium-priced products, US participants and 24-30 year olds from Japan are especially interested in these interest-led programmes. These type of programmes represent an opportunity to tie in ELT with TVE in an integrated package.

#### **A) Source Markets**

Currently, two thirds of all international students are from Asia, with Europe and Latin America the next largest sources. In Asia, the dominant sources have traditionally been China, Korea, Japan and Taiwan. Chinese students, who once regarded the US as the most favourable destination for ELT and degree study, have moved away from the country due to visa difficulties. Their most common choices are now Australia and New Zealand followed by the UK, Ireland, Cyprus and Canada. Brazilian students have typically represented an important group for US ELT programmes, traditionally visiting when on seasonal break from studies. Top source countries in Europe include Italy and Russia.

British Council research highlights that East Asia, particularly China, is where a large proportion of future ELT students will come from. Almost 40% of the projected growth in demand for ELT will emanate from China (potential market size of 22 million students). Other source countries generating significant growth include India (16 million), Russia, (4.4 million), Brazil (2.8 million) and Eastern Europe with Poland alone generating 2 million students. Many of these students will be served by increased supply in their home countries. But the numbers of those travelling abroad will continue to rise.

#### **B) Supply Markets**

A number of governments have recognised the potential in this area and are actively promoting the ELT sector, which, in many European countries, dwarfs the higher education market. The UK tops the market with nearly triple the revenue generated by its closest competitor (see Table 6 below). The US is in second position and these two largest destinations account for 70% of the global market.



Though a slight pick-up was observed last year, the US ELT sector has been underperforming for the past five years and its global market share has nearly halved during that period. The decline in student numbers was precipitated by September 11 and has been prolonged by safety concerns and changes in visa procedures. Competition from other leading

destination countries (some of which allow short-term and up to six-month study periods with no visa requirements for many nationalities) also contributed to the decline. Erosion in enrolments has resulted in some ELT providers closing their doors. During 2002/03 alone, 27 ELT schools, or 10% of the total membership of the American Association of Intensive English Programmes (AAIEP), closed down due to low enrolment. In addition to building up capacity of its domestic ELT providers, Barbados does have an opportunity to attract disaffected American firms to the country. They will bring in existing expertise and knowledge of markets and will raise the overall profile of the Bajan ELT industry.

**Table 6: 2005 ELT Ranking**

Destination	Revenue (US\$ mln), 2005	Market Share
UK	4,981.4	53.9%
US	1,475.7	16.0%
Canada	1,191.4	12.9%
Australia	703.5	7.6%
Ireland	550.3	6.0%
New Zealand	201.0	2.2%
Malta	94.1	1.0%
South Africa	44.2	0.5%
Total	9,241.7	100.0%

Other English-speaking countries are becoming increasingly attractive to all ELT participants. Canada and Australia are increasingly popular due to comparatively cheaper costs and the ease of visa acquisition. English as an official language and the presence of franchised UK training gives Malta a competitive edge – it provides UK-certified education at a cheaper price. Maltese ELT providers focus mainly on the European market. Some two thirds of the participants, mainly in the 15~25 age group, come from Germany, France and Italy. In 2005 more than 61,000 people from overseas took ELT courses on this island of 400,000 people.

There is a growing trend to deliver ELT programmes in countries where English is not the first language. In Europe, countries such as Germany and Sweden are now starting to attract foreign students to English language schools that were once exclusively for their own citizens. Across Asia, English schools are being set up in Korea, Taiwan, China and Thailand, often with teachers imported from English-speaking countries.

### C) Decision-making Factors

South Africa continues to be the cheapest ELT destination in the table at right, with an average spend per student per week of US\$532 on tuition, accommodation and extras (such as tourism activities and recreation). New Zealand is the next

**Table 7: 2005 Average Spend and Stay**

Destination	Avg. Spend per Student per Week (US\$)	Avg. Length of Stay (weeks)
UK	1062	8
Ireland	805	6
US	760	10.9
Canada	732	9
Malta	634	2.4
Australia	616	11.3
New Zealand	551	10.2
South Africa	532	6

Source: Language Travel Magazine



cheapest destination (US\$551), followed by Australia (US\$616) and Malta (US\$634).

The UK is the most expensive destination with an average spend per student per week that is well above the US\$1,000 mark. Despite its high cost, the UK remains the clear market leader, indicating that cost is not the primary factor driving the choice of destination. Its appeal is based on its position as a traditional English study destination and a reputation for high-quality education and it has successfully attracted both short-term and long-term students. Because of its strong reputation, its source markets are more diversified, which strengthens its market position.

International enrolment in ELT programmes is sensitive also to factors such as security, work permit restrictions and visa requirements as exemplified by the experience of the US post September 11. The success of countries such as Malta depends strongly upon their reputation as holiday destinations. Students choose to combine study abroad with a visit to an attractive destination. This is a factor that Barbados can exploit.

#### 4.2.2 Local Capability and Competitiveness

ELT and TVE are both provided by the state-run Barbados Community College (BCC) as well as by a number of smaller scale private sector firms.

The BCC offers a range of ELT courses, including 6-week, 1-year and 2-year programmes. In the US, tuition costs per 4-week session this year for intensive and semi-intensive programmes are US\$1,395 and US\$1,045, respectively at ELS. The cost of a 6-week course at the Barbados Community College is US\$500, so Barbados does have a cost advantage over US suppliers. To establish the extent of cost competitiveness, we have also compared the costs of a 6 week ELT course for 16 year olds at the BCC with the costs of a similar programme in London offered by EC, a Maltese-owned English language training provider that has additional schools in Cambridge and Brighton in the UK, Malta and Capetown.

**Table 8: Cost Comparison of 6-week ELT Course**

Item	Cost in Barbados (BDS\$)	Cost in London (£)
Registration	20	40
Tuition	1,000	990
Books and Materials	200	Included in tuition
Room (in private home) and Board	1,800	966 (half board)
<b>Total</b>	<b>BDS\$3,020, ~£770</b>	<b>£1,996</b>

Source: Barbados Community College, EC

The cost of a course in Barbados is significantly lower than in London, approaching a third of the cost. It is also worth noting that the numbers above include full board in Barbados, while the London figure only covers half board. The cost of other meals, in addition to general expenses incurred living in London, are likely to make the actual cost of a course there higher than in the table. Finally, the course in Barbados offers 120 hours of instruction, whereas the London course is based on 90 hours. A 135-hour course is available in London at a tuition cost of £1,320. So Barbados does have a value proposition in ELT instruction.

The BCC reports that the number of ELT students has tapered off recently, and attributes the decline to a lack of marketing. Most of its clients in this area are young students, generally schoolchildren coming for summer courses from Martinique or





Venezuela. The College is constructing a new building to house the Language Centre, which will have 14 classrooms capable of accommodating 220 students. In addition to ELT, the Language Centre offers training in foreign languages. Given the falloff in ELT students, it is likely that part of the reason for increasing capacity is increased demand for the College's foreign language instruction. Nevertheless, there is spare capacity to increase ELT provision if only the college could attract a higher intake.

There is also some capacity in the private sector. The Academy of Learning is a private education institution that offers 1 or 2 week ELT courses combined with a tourist package that is aimed at business people. Training can be provided in client's hotel rooms or in business or other real world settings. The institution suffers from limited capability in terms of infrastructure and personnel, the small size of the domestic market, limited access to finance and lacks the ability to market its products.

Accreditation of educational institutions in Barbados is handled by the Barbados Accreditation Council (BAC) and the Technical and Vocational Education and Training (TVET) Council. The BAC oversees registration of institutions offering post secondary and tertiary education and programmes of study, accreditation and re-accreditation of institutions and programmes, confers titles on institutions and deals with recognition and equivalency of local and foreign qualifications. It also grants certificates of recognition to skilled CARICOM nationals and verifies certificates granted in other jurisdictions. The BAC was expected to form a partnership with the TVET Council to improve recognition and standards in Barbados. Given that there are a number of private training providers in the country, maintaining standards of professionalism is an important issue and the national infrastructure is in place to do this. Some service providers have indicated that the plethora of national accreditation regimes hinders international recognition, and that regional accreditation could improve the situation. A regional accreditation body is in the process of beginning operations and once it is running, national schemes will likely feed into the regional process.

#### **4.2.3 Market Positioning and Export Targets**

Barbados has spare capacity in ELT, is cost competitive against the market leaders and can offer education in a holiday destination. An export base has taken established already. However, the current focus is on comparatively small, regional markets (Martinique, Venezuela). Within the Latin America and Caribbean region, the largest market (Brazil) has yet to be targeted. In addition, the world's largest source markets in Asia have had no attention at all. In addition to China, Japan is a significant source market for Caribbean tourism and, with its potential to sell premium products that combine ELT with other activities (music, crafts, etc) represents a major opportunity.

Up to now, the BTA has paid limited attention to ELT. Thus, all the marketing effort has been undertaken by the BCC and small, scale private sector providers. With the BTA promoting Barbados as an ELT destination and BIDC supporting businesses, the country should be able to make rapid strides from its modest base. A market proposition of learning English in an English speaking country with a strong education system at an affordable cost in one of the world's leading tourist destinations should prove strong. A 5-year target of increasing ELT student numbers by 10,000 annually appears achievable.





The costs (including room and board, but leaving aside personal expenditure) of a 6-week ELT course for school age children and of a one-year ELT course at the Barbados Community College are shown below.

**Table 9: Cost of ELT Courses at BCC**

Item	6-week course (US\$)	1-year course (US\$)
Registration	10	20
Tuition	500	2,550
Books and Materials	100	150
Room (in private home) and Board	900	7,200
<b>Total</b>	<b>US\$1,510</b>	<b>US\$9,920</b>

Assuming all 10,000 students opt for the shorter 6-week course, over US\$15 million in revenue would be generated. And since students will spend money on tourist activities, shopping and other personal expenditure, the actual benefits to the local economy will be larger. Additionally, revenues from students in one-year courses will push the figure higher. This is a deliberately conservative estimate of what increased exports can accomplish and the potential for much larger earnings over the long-term exists.

### 4.3 Technical and Vocational Education

#### 4.3.1 International Trends

As economies develop more specific knowledge-based industries, there is an increasing requirement for employees to have very specific skill sets. Additionally, in rapidly changing sectors such as ICT, where new programming and software applications are continually being developed, those working in the industry often require ongoing training. With an increasing range of technology and applications developing in the workplace, the demand for specialised skills is increasing. Developing expertise in these new disciplines does not always require a degree-length programme. This has created a need for focused instruction in a variety of technical and vocational areas.

To date, much of the response has come from domestic providers serving domestic needs. Both the universities and the TVE industry have developed a range of short and long courses aimed at students and those in work. In addition to publicly funded TVE systems, a huge TVE training industry has developed in the private sector in the developed countries. In the UK, the publicly funded universities and the TVE industry, both public and private, have been marketing their services abroad under the umbrella of the British Education Suppliers Association or individually. Education is increasingly regarded as an export industry of note contributing £10.3 billion in 2001/2.

This change in the way that education and, with it, TVE is perceived is being picked up by other countries. Canada and Australia now regard their education systems as industries with increasing export focus. They promote them vigorously in their own right by developing national websites, assisting local providers to market their services abroad and as part of their destination promotion activities. The links between tourism and education remain weak but they are growing. Smaller players such as South Africa and Malta are also following suite. Malta, in particular, has seen the benefits of combining ELT and TVE provision with students in the former



encouraged to stay on for services of the latter. A new business association has been formed that combines ELT with TVE and this is now promoting both together.

In the Caribbean, travel abroad to undertake university or TVE training is a well established practice because small countries cannot hope to meet education needs comprehensively in-country. However, the provision of education remains focused on meeting the needs of local students with little attention given to exporting. Indeed, a system of restricting places on offer to foreign students is common and Barbados is no exception. The advent of foreign investment in medical and nursing schools has aroused interest in exporting education but this is viewed as an enclave activity. Policy makers have not embraced the changed thinking regarding the role education can play as an export industry.

Nevertheless, the market for TVE exports within the Caribbean exists and is likely to grow as a result of greater demand for specialist skills. The regional demand could form the spring board for exports further a field.

#### **4.3.2 Local Capability and Competitiveness**

TVE is available at the BCC, the Samuel Jackson Prescod Polytechnic, the Erdiston Teachers' Training College and through a number of smaller scale providers in the private sector. The BCC is increasing its course and degree offering by merging with the Samuel Jackson Prescod Polytechnic and the Erdiston Teachers' Training College to form the University College of Barbados (UCB). Although the number of students in ELT at the BCC has fallen, demand for training in other areas remains strong, and the College has been turning away qualified domestic and foreign students. In fact, in most courses there is a limit on the number of foreign students admitted, usually 10% of the class size.

Within the CSME, Barbados presents a strong TVE offering. The BCC currently offers a range of TVE courses with demonstrated international expertise in training paramedics, managing emergency paramedical services and nurses. The country's TVE offer represents extremely good value for money compared with the US and the developed countries. But there has been little attention paid to developing export markets. In the private sector too, much of the TVE provision is domestically oriented, provided by small scale providers. For instance, the Academy of Learning offers training in a wide range of technology (mainly computer software and hardware) and business-related skills mainly to locals.

Increasing exports of education services will require a shift in the current thinking that prioritises local over foreign students. The point that needs to be appreciated by policy makers is that increased revenues from higher foreign tuition fees can be used to expand facilities and fund increased training capacity for Bajans. The charging of fees to foreign students should therefore be on a for profit basis with subsidies provided to locals and, if dictated by considerations of reciprocity, citizens of other CSME countries. Currently, extra-regional students typically pay twice as much in tuition as regional students, but it is not clear whether the level of fees represents a healthy financial return to the investment made.

#### **4.3.3 Market Positioning and Export Targets**

The quality of the TVE offered in Barbados is attested to by the fact that demand exceeds supply for many courses and there are pockets of international excellence.



New capacity will come on stream as a result of investments made by institutions such as the BCC and as part of the formation of the UCB. A 5-year target to increase the number of extra-regional TVE students studying in Barbados annually by 500 should therefore prove feasible, provided the current 10% cap on extra-regional students is removed.

Total tuition and administrative costs for a 1-year course at the BCC for extra-regional students comes to US\$4,300. From Table 9 above, the cost of room and board in a private home for a year is US\$7,200, yielding a total spend per student of US\$11,500. If the target of 500 students is achieved, this would result in revenues of US\$5.75 million. In setting the target for increased export earning in the education sector, the figure has been reduced to US\$5 million. Again, since students will spend money on tourist activities, shopping and other personal expenditure, the actual benefits to the local economy will be larger.

#### **4.4 Marketing Strategy**

Despite the presence of some foreign students in Barbados, the country is a net importer of education-related travel services. From 1990-2000, Barbados spent an average of US\$10.4 million on imports in this area, and expenditure was US\$12 million in 2000, the latest year information was available. In 2000, Barbados did receive US\$7.1 million of inward flows in this area and given the steady pace of activity in the sector since then, growth has likely been solid but not dramatic. So an overall target of education services receipts over US\$20 million should be achievable.

Reaching this target will require marketing to raise awareness of the Bajan education sector in general as well as marketing support to public and private institutions to help them export directly. Enabling environment constraints will also need to be addressed.

##### **4.4.1 Brand Awareness**

Barbados does not have a high profile in the international education market for ELT or TVE and the activities suggested below are designed to promote the country's overall offering in education services.

1. 'Study in Barbados' website. The website could be based on the Canadian model – [www.studyinbarbados.ca](http://www.studyinbarbados.ca) or <http://studyinaustralia.gov.au/Sia/Splash.aspx>. The site should include sections with general country information, costs, what it is like to live in Barbados and course options. Basic information on specific institutions should also be available, with links through to the institutions' own websites. The website should be designed to provide useful country-level information that allows potential students to make the decision about where to pursue their studies. They can then go on to decide which institution and course(s) they wish to take within Barbados. The website should have links to the Ministry of Education's website, which should contain information on licensed, private sector providers. This will help to create confidence in the quality of the services offered by private institutions.

Rationale: Research has shown that the first decision that most international students make is which country to study in. Currently, there is no unified resource where international students can access comprehensive and unbiased



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advice on studying in Barbados. Since many students rely on Internet research to gather information on their options, a website is essential.

Actions Required	Resources Required
Hire website developer	US\$2,000
Form committee of education industry (including public and private sector) to guide content; BDC to manage process	25 person days
Appoint BDC official to liaise between developer and committee and, where necessary, develop content	
Maintain website	US\$2,000 per annum

2. 'Study in Barbados' advertising. This should be limited and targeted to preserve resources for other uses. Should include ads in key websites and periodicals read by students in the 15-23 year-old age bracket in key target markets. Generic brochures focused on educational opportunities should be created and distributed to embassies, at education fairs, and sent to targeted schools.

Rationale: Awareness about educational opportunities in Barbados is limited. Advertising is needed to boost awareness and create interest and can be useful for reaching students who, because they have no knowledge of the opportunities in Barbados, might not come across the website.

Actions Required	Resources Required
Hire graphic designer to develop advertisements and brochure; BDC to lead	US\$3,000
Place advertisements in select few websites and periodicals; examples are listed below; BDC to lead	US\$15,000 per annum
Print and distribute brochures to foreign education institutions, local education institutions, embassies, and schools identified in target markets as likely to have students study abroad; BDC to lead	US\$3,000 per annum

Potential websites and periodicals

**Multi-country**

International Student, International Education Site ([www.intstudy.com](http://www.intstudy.com)), Study Abroad Magazine ([www.studyabroadmagazine.com](http://www.studyabroadmagazine.com))

**China**

Chinese Student, 21<sup>st</sup> Century ("Er Shi Yi Shi Ji"), Overseas Students ("Liu Xue Sheng") and Work & Study Abroad ("Chu Guo Yu Jiu Ye")

**Korea**

Cindy the Perky, Synrome, Junior, Ceci, With, Yuha eng, Hot Music

3. Raising the profile of the University of the West Indies (UWI) and the University College of Barbados (UCB). A large number of universities around the world are trying to raise their international profile, so this will not be easy. But it also makes it that much more important. A multi-faceted approach would be best. Potential



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actions include strategic alliances with foreign universities to offer combined programmes and offering partial scholarships to a select few top foreign students. The UWI has such alliances in place, but needs to continue to develop its programmes.

Rationale: The reputation of a country's education system is strongly affected by its universities. For example, Oxford and Cambridge boost the international prestige of the British education system, despite the fact that most students do not attend these universities. The UWI has a strong regional reputation, but its international profile could improve. Although the UCB is being formed from existing institutions, it will have to establish its own reputation among regional and international students.

Actions Required	Resources Required
Develop strategic alliances with foreign universities to offer or continue to offer combined education programmes	1/2 time position at UWI, UCB
Offer scholarships covering tuition cost to top foreign students	US\$20,000 (services provided in-kind)

- Using foreign students as ambassadors. Foreign students currently studying in Barbados are an excellent source of marketing information and can be useful in marketing activities. With a little bit of training, foreign students can be used to promote studying in Barbados to their countrymen on their holidays or after graduation. For example, current students can be used as support at trade fairs, and to provide a legitimate, experienced voice on the benefits of studying in Barbados. They can also conduct 'Study in Barbados' seminars at schools in their home country that could provide good future candidates. Foreign students can also provide information on why they decided to study in Barbados, and what guided their decision. This information can then be incorporated into future marketing efforts. Those studying ELT can be targeted for TVE courses.

Rationale: Prospective students will be interested in hearing about what the study experience in Barbados is like. One of the best sources of this information (from their perspective) will be students from their country who have studied in Barbados. Additionally, information provided by students may carry more weight with other students than information provided by representatives of Bajan education institutions. ELT students are likely to have a high conversion rate to TVE courses.

Actions Required	Resources Required
Recruit and train foreign students to promote studying in Barbados in their home country; BIDC to lead	30 person days per annum
Hold regular roundtable discussion with foreign students about why they decided to study in Barbados, what guided their decision, and their experience of studying in Barbados. Target ELT students for TVE courses - industry task force to lead	

- Attract US ELT companies. As discussed above, a number of US ELT providers have lost significant business in the States since 9/11 and may be looking to set



up operations in locations that are more 'ELT-friendly', particularly in terms of obtaining visas. There is a possibility to attract international ELT providers based in Europe also but the US industry has a more compelling driver to locate elsewhere.

Rationale: Bringing established foreign ELT companies to Barbados will raise the profile of the industry, which will benefit local providers. Additionally, foreign companies will bring with them industry expertise and knowledge, as well as an existing student base that will generate direct economic benefits for Barbados. The American Association of Intensive English Programmes should be a useful resource for developing a shortlist of prospective companies.

Actions Required	Resources Required
Contact AAIEP to shortlist service providers and then contact individual companies to gauge interest, at a later stage, familiarisation visits may be required; BDC to lead, working with the BTA to conduct familiarisation trips	100 person days in year one, 40 person p.a. thereafter.

#### 4.4.2 Direct Marketing

Direct marketing activities are designed to support education institutions in the public and private sectors market their services abroad. We suggest two specific activities:

1. Education fairs. Delegations including public and private sector actors should be assisted to attend a few important fairs each year. Each delegation should represent the country as a whole, providing unbiased advice to potential students and agents. However, they should also market their own products. Through its involvement the BDC should ensure the contact information and market intelligence gathered is passed on to other Bajan service providers, thereby ensuring that public investment in organisation and participation results in public benefits.

Rationale: Attendance at education fairs is important for recruiting students, particularly in some Asian countries including China. For example, the China International Education Exhibition Tour (CIEET) is dedicated to promoting overseas education services and is one of the country's most influential events in the area. More than 354 international education institutions from 27 countries participated in this year's event and the size of the audience was estimated at 153,300, composed mainly of students and parents. 16% of the audience were interested in language studies and 64% in degree programmes. Events such as the CIEET provide valuable opportunities for directly contacting foreign students and boosting enrolment. Multi-country fairs provide an opportunity to access students from markets other than Asia.

Actions Required	Resources Required
Send delegation to five education fairs per year, including one in East Asia; BDC to lead	50 person days + support for organising Barbados stand. All cost of travel and preparing individual stands to





### Potential education fairs

#### **Multi-country**

Alphe ([www.hothousemedia.com/alphe](http://www.hothousemedia.com/alphe)), ICEF Workshops ([www.icef.com](http://www.icef.com)),  
a2 International Education Fairs ([www.aafair.com](http://www.aafair.com))

#### **Brazil**

Salão do Estudante ([www.salaodoestudante.com.br](http://www.salaodoestudante.com.br))

#### **China**

Beijing International Education Expo ([www.edufair.com.cn/en/](http://www.edufair.com.cn/en/)), China  
Education Expo ([www.fairlink.com.cn/education/](http://www.fairlink.com.cn/education/)), China International  
Education Exhibition Tour ([www.cieet.com](http://www.cieet.com))

#### **Korea**

Study Abroad & Language Fair ([www.kamc.com](http://www.kamc.com)), Korea Student Fair  
([www.yuhak2min.com/e/study\\_1.php](http://www.yuhak2min.com/e/study_1.php))

2. Developing Marketing Channels. Building relationships with reputable education agents in Brazil, China and other Asian countries is the key to UCB and private sector providers developing a continuous stream of students. Reputable agents should provide high-quality, legitimate students, thereby reducing visa and human-trafficking problems. However, identifying which agents are reputable is not always easy and most institutions lack the resource to undertake the research and to promote themselves. There is a need to employ the services of those who are knowledgeable about the source market. For example, C&S Associates is a leading Brazilian fair and exhibition organiser. In addition to organising education fairs, it hosts workshops for education agents (both Brazilian and international) and could provide a useful starting point for making contact with established agents in that market (see [www.csglobal.net](http://www.csglobal.net)). Paying for such assistance can be shared between the export promotion agency and the educational institution

Rationale: In China, research has suggested that as many as 80% of students use the services of education agents. Agents offer a way of tapping into this significant market through a trusted advisory resource. The public and private institutions involved lack the resources to identify and promote themselves to such agents.

Actions Required	Resources Required
Develop a network of reputable agents and other marketing channels for providers with the capability to develop exports. Operate an assistance scheme on a matching grant basis; BIDD to lead	\$ 20,000 representing half the cost of marketing assistance for 2 providers per year. 40 person days BIDD staff time to identify suitable providers of assistance and to manage the assistance programme

### **4.4.3 Enabling Environment**





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The perception of the role of public sector training institutions has traditionally been that they are there to educate Bajans. They have not been seen as potential earners of foreign exchange through high value-added exports. The 10% limit on foreign students in classes at the BCC is prime example of this type of thinking. Increasing the number of foreign students will provide more revenue through higher tuition fees that can be used to expand facilities and improve the course offering, which benefits locals. This point and the potential gains from exports need to be communicated effectively to bring about a change in existing mindsets. An industry working group should be formed to set about the process of changing this thinking and removing the enabling environment constraints that have come about because of this type of thinking.

The industry working group will need to bring together the Ministry of Education, Youth Affairs and Sports; the Ministry of Tourism; the Ministry of Economic Affairs and Development; the Ministry of Commerce, Consumer Affairs and Business Development; BIDC; the Barbados Tourism Authority; UWI; the BCC/UCB; private training providers; and the BCSI. This industry working group should:

- Allocate responsibility for specific activities.
- Estimate resource requirements and determine what the public sector will fund and what the private sector will fund; it will then ensure each sector meets its resource commitments.
- Monitor progress against targets.
- Oversee the following initiatives designed to improve the enabling environment:
  - Improve the student visa and work permit regime. Some smaller service providers have indicated that the application process is overly bureaucratic and can require a high level of personal attention. The application procedure for students and firms should be streamlined. There is a need also to examine the work permit regime to make it comparable to that operated by the UK. The British Council may be able to provide technical assistance.
  - Improved permit, planning and licensing processes to facilitate ongoing business operations as well as new ventures.
  - Review standards for accreditation. The task force should work with the Barbados Accreditation Council and the Technical and Vocational Education and Training Council to improve the accreditation process, particularly with regards to private sector institutions. Once the regional accreditation body is running, this tripartite partnership should lobby for national standards to be accepted across the region.
  - Access to finance. Details of what is required are set out in Action Plan below.
  - Market access negotiations. In general, exports in this sub-sector are supplied under Mode 2, which does not raise too many problems in terms of market access. However, one issue should be addressed:
    - Barbados should, as part of GATS or another forum, schedule its commitments to remove all restrictions on education services supplied by any Mode, so long as the service provider is duly licensed and accredited in line with prevailing local standards.



## 5 Business Development Services

### 5.1 Introduction

Global markets for business development services (BDS) are large and are growing rapidly. Legal services worldwide are a US\$260 billion industry, with America alone accounting for roughly US\$160 billion. In the finance and accounting segment, outsourcing alone is predicted to be worth almost \$48 billion in the next two years. Management consulting, once IT is removed, is a US\$50-\$60 billion industry. Although most of the market is served domestically, there is a growing trend to outsource and to offshore, which provides opportunities for countries such as Barbados.

The distinction between outsourcing and offshoring is worth noting, as these terms are often used interchangeably, which is not correct. For the sake of clarity, these terms are used as follows:

- Outsourcing refers to moving a function that was previously performed in-house to a location outside of the company.
- Offshoring refers to moving a business function to distant location, but does not necessarily mean that the function is moved outside of the company. For example, a company may use a low cost base of operations to carry out its procurement activities. The activity remains within the company so it has been moved offshore but has not been outsourced.

A function can be both outsourced and offshored, and this is what occurs when, for example, American firms use independent Indian companies to provide services. Opportunities to develop exports may arise from offshoring, either through companies locating in-house operations in Barbados or through outsourcing and offshoring to independent service providers in Barbados. Offshoring can take two forms: nearshoring to countries that are easily reachable from the customer's home country or conventional offshoring to cheaper but more distant locations.

### 5.2 Legal Services

#### 5.2.1 International Trends

##### A) Key Markets and Industry Trends

Outsourcing of legal services is a relatively new development in the industry, but it is growing and estimates of the size of the market vary from US\$3-\$5 billion. As in other outsourcing sectors, India is the global leader, and has established a role in serving the US market. The activities being outsourced range from lower-value added tasks such as secretarial support services, billing and preparation of transcripts to higher-end activities such as due diligence, patent applications and general legal research. The US, with its large legal market, leads on outsourcing of legal services, and other countries have been slow to follow suit. However, even within the US, there are divisions in the profession about the appropriateness of sending legal work abroad.

The US accounts for over two-thirds of global spending on legal services and remains the primary market for legal outsourcing providers. India, with its low cost base and supply of skilled and often US-trained lawyers has emerged as the leader in serving this market. Work that large US firms would bill at \$250/hour or more can



be done at a fraction of the cost in India, where, depending on the type of service, billing rates can range from \$12-125/hour. This huge potential for cost savings has led to increased outsourcing of legal services, and two distinct models have emerged:

- Corporations with offices in India setting up captive in-house legal departments to serve their global operations.
- The creation of Indian firms that focus on providing legal services to foreign clients. While the clients are mainly corporations, law firms use these services to a lesser extent.

General Electric is a good example of the first approach. In 2001, GE created a legal branch within its Indian operations to take on legal compliance and research for its Plastics and Consumer Finance Divisions. GE estimated the savings in 2001 at half a million dollars and a further reduction of 50% the following year.

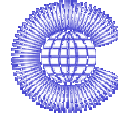
In the second model, both law firms and outsourcing companies offer a range of services. Intellectual property work, such as preparation of patent applications, has emerged as a strong niche, and firms such as Intellevate, which is now owned by Computer Patent Annuities, specialise in this area. Large corporations such as Microsoft are among its clients. In addition to specialised firms, there are companies that essentially provide the services of a large law firm. Lexadigm is one such outfit and it charges between \$65 and \$95/hour for work that would be billed at \$250/hour or upwards by firms in the States. It also handles patent applications, but provides additional services such as the drafting of appellate briefs. Salaries for lawyers at the firm range from \$6,000 to \$36,000, which is often more than what is on offer at corporate firms in India.

Initially, the type of legal work that was sent overseas was lower-level, secretarial or paralegal-type work such as typing of dictation, monitoring of filing dates or reviewing of documents. With this type of work, the primary advantage of outsourcing is cost savings, and, because the fees it commands are low, significant scale is required to make the proposition profitable.

More recently, high-end legal work such as litigation and contract support has begun to be sent offshore. This has led to a concern in the industry about maintaining professional standards. Lack of control over the process is a concern in any outsourcing decision, but issues of professional responsibility, confidentiality and quality are particularly important in law. These factors have led to the reluctance in some quarters within the US, and in most other countries, to send complex legal work overseas. The fact that the UK is a less-developed market than the US was made clear by a report to the October 2006 meeting of the Law Society of England and Wales' Regulation Board.<sup>24</sup> In his report, the chief executive of the Board warned that ethical issues relating to outsourcing of client-related work were areas of rising concern. His comments came in response to a trend among firms to outsource routine business processes, which provides an indication that the UK is behind the US in terms of the level of work outsourced. The report acknowledged the cost benefits but pointed out that protecting client confidentiality, maintaining quality controls and ensuring transparency and accountability present ongoing challenges.

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<sup>24</sup> The Law Society Gazette, 2 November 2006. The article by Jonathan Rayner appears at page 8.



In the US, despite the fact that outsourced work is supervised and vouched for by members of an American bar, and that commissioning legal research in India is not much different than having law students at US firms do it, similar concerns persist. Even firms that have outsourced legal work are sensitive to this issue, and worry about backlash from their employees or customers. This leads them to be secretive about their use of Indian legal services, and the client lists of outsourcing companies are often not made public.

Nevertheless, growth in this sector appears to be strong. Some predictions estimate that US firms will outsource US\$5 billion in litigation support this year. A report by Forrester research predicted that about 12,000 legal jobs would shift to low-cost countries in 2004, with the majority going to India. Reports of what actually occurred vary considerably, with the National Association of Software and Service Companies (NASSCOM) of India indicating that less than a few hundred jobs have moved to the country. This is consistent with estimates of an employee base of 600-700 that are engaged in legal outsourcing from India. Despite the discrepancy between Forrester estimates and NASSCOM reports, it is worth noting that Forrester predicts that 35,000 US legal jobs will be outsourced by 2010. NASSCOM estimates that up to 70% of these jobs will come to India. As resistance to legal outsourcing subsides, as it has in other outsourcing sectors, it seems likely that activity will pick up and the estimates and the reality will come closer together.

### **B) Decision-making Factors**

India's attractiveness as a legal outsourcing destination is based on the following factors:

- Low cost.
- Quality, English-speaking labour in abundance; the presence of some US-educated personnel is an advantage.
- Favourable time difference that allows overnight delivery of services to the US.

The cost advantage has been discussed and corporations that have in-house legal departments in India report a savings of 60-80%, net of outsourcing overhead. For corporate clients, cost savings is the primary consideration. The time difference allows US companies to request something in the afternoon and have it by the start of business the next day. This increases their scale and frees up staff to work on higher-value added tasks that remain in the domestic office. English is the language of the legal system in India and many lawyers are US-educated and often belong to a US bar association. In many cases, the fact of the US training is what has led to the development of legal outsourcing firms. Strategic partnerships between individuals and firms with US and Indian connections have led to a model in which an office in the States is supported by operations in India. Clients, who are often reluctant to outsource for the reasons above, are usually courted over time and a strong relationship-building element is essential to success. The margin between salaries and billable rates is high, encouraging entrants to the market, so the degree of competition is also high and firms must be well-organised in their marketing and operations to compete effectively.

### **5.2.2 Local Capability and Competitiveness**

Barbados has a large base of lawyers and the Bar Association has approximately 520 members. Local lawyers are well-educated and their English common law-



based legal system provides them with legal skills required for conducting outsourced work from the US legal system, which is also based on English common law.

However, there are two limitations in the capability and competitiveness of the industry:

- A lack of medium-sized firms. Companies such as those in India that have been able to attract outsourced legal work are generally medium-sized, indicating that some scale is required in this field.
- A lack of cost competitiveness due to a buoyant local market that is able to pay reasonable fee rates

The implications of these limitations is that the comparative advantage of the country lies in the quality and size of its legal profession in relation to the region (CSME). It is not well-placed to provide outsourced, offshored services to the US or, for that matter, the UK markets. The high cost base and comparatively small workforce in relation to major suppliers such as India means that Barbados is not likely to attract companies looking to offshore their in-house legal functions.

Therefore the best prospects for developing exports of legal services will remain within the CSME. However, it is worth continuing to explore the prospects for supplying outsourced services to the US market, which is growing rapidly and against whose local suppliers Barbados does have a cost advantage. To achieve this, Bajan firms will need to forge alliances with legal practitioners in the US. The Bajan legal diaspora in that market may provide a source of such alliances.

## 5.3 Finance and Accounting Services

### 5.3.1 International Trends

#### A) Key Markets and Industry Trends

Outsourcing of finance and accounting functions is a well-established trend that has been growing rapidly, a pattern that looks set to continue over the medium to long-term. A July 2004 report by market intelligence firm IDC predicts a compound annual growth rate of 9.6% in finance and accounting outsourcing and estimates the market size will top \$47.6 billion in 2008. A range of services are outsourced, including lower-end, process-oriented jobs such as bookkeeping and accounts receivable and payable as well as more complex activities such as budget forecasts and risk management. India remains the market leader and the US the largest market. In 2002, outsourcing consultants Everest Group estimated that 80-90% of finance and accounting activity outsourced by US companies was sent offshore. Much of the work projected to be offshored is expected to go to India or Eastern Europe.

The finance and accounting (FA) outsourcing market can be broken down as follows:

- **Transaction management:** this includes activities like accounts payable and receivable, credit and collections and billing/invoicing.
- **Finance:** this covers activities such as investing, fundraising, financial and performance analysis and reporting, capital planning and budgeting and forecasting.
- **General accounting:** this involves tasks such as fixed assets management, general ledger, account reconciliation, banking relations, management



accounting, financial statements preparation, project accounting and inventory accounting.

- **Treasury and risk management:** this segment includes functions such as cash management and planning, bank account reconciliation, funding, insurance, foreign exchange, internal audit, compliance, internal controls and risk management strategy.
- **Tax management:** this covers activities like tax planning, tax filing and tax processing.<sup>25</sup>

Initially, FA outsourcing was concentrated on the basic accounting activities mentioned above. However, as confidence in service providers has grown, an increasing amount of more sophisticated work is being outsourced. The IDC report pointed to accounts payable as the most widely outsourced FA function, and from 2004-2009, transaction management at 9.8% was the segment expected to see the fastest annual growth in spending. Over the same period, annual spending on tax management was to grow at 9.3% and general accounting at 8.3%.

In terms of markets, the US remains the largest outsourcer of FA functions. However, the Europe, Middle East and Africa region is expected to be the fastest growing in terms of spending in the short-term. According to research from Deloitte, India leads in terms of financial service offshoring, accounting for 80% of the market.

## **B) Potential Cost Savings**

The cost savings from FA outsourcing can be significant. Accenture puts the savings from outsourcing between 25 and 30%, and when the functions are moved offshore, the numbers are even higher. Estimates vary, with Deloitte reporting a 32% savings from offshoring and some firms claiming savings of around 50% from using India. The difference in annual salaries between the US and India demonstrates the potential for cutting costs:

- American accountant: \$41,000, Indian accountant: \$5,000.
- American financial operations: \$37,625, Indian financial operations: \$5,500.

Despite India's obvious cost advantage, some Canadian outsourcers have had success in serving both the domestic and the US markets. Canada still affords a savings over America and many of the large, established and technologically-advanced US firms such as Accenture and IBM have Canadian divisions. In some cases, total costs can be 30-40% less than in the States, and other benefits include proximity, cultural similarities and similar time zones. Aside from the large players, Canada does feature some providers that serve smaller businesses. One of these, BPM Outsourcing has set up a processing centre in Jamaica. While the President of the country is Jamaican, which undoubtedly influenced the choice of location, the difference in cost between Jamaica and India when balanced against the proximity advantage was not deemed to be high enough. BPM Outsourcing offers bookkeeping packages from \$85 to \$125/month and its clients include accounting firms in addition to small businesses. For an accounting firm, it makes more sense to farm out bookkeeping than to hire high-priced staff to cope with the volume.

Aside from the cost advantage, outsourcing has one other important benefit: it frees up financial officers and other accounting staff to focus on strategic management

<sup>25</sup> IDC, Asia/Pacific (Excluding Japan) Business Process Outsourcing Taxonomy 2006. Phil Hassey, Romaia Ravi, Conrad Chang., January 2006.





issues. By providing home office employees with more time and more timely financial information, they are better able to address management analysis, planning and control.

### **C) Outsourcing Models**

As with legal outsourcing, a number of distinct models can be identified:

- The “regular” model involves outsourcing operations to a single location.
- Some larger organisations outsource more strategically. Under this approach, they commonly send basic functions to a low-cost area such as India and management accounting to a more respected nearshore destination, such as Canada in the case of US firms.
- Other large companies use captive centres rather than third party providers.

There are a few advantages to using the second model over the first. These include:

- High-level strategic functions are near HQ, often only a 2-3 hour flight away, allowing for easier monitoring and better control.
- Using different locations allows firms to take advantage of local expertise if they are looking to expand into new markets in addition to saving on costs by outsourcing.

For large multinationals, setting up their own outsourcing centre allows them to benefit from a low-cost location and centralise functions from far-flung subsidiaries. Again, GE is one company that has taken this approach. General Electric Capital International Services has more than 11,500 employees and handles the FA functions of 32 GE subsidiaries, in addition to providing other services such as IT support.

FA outsourcing has become increasingly reliant on the use of technology, which can allow for automated outsourcing. Accenture uses a system that recognises printed characters, so a digital or faxed invoice can be automatically processed. This approach has proved useful for mass billing that involves a large number of standardised invoices. Since the system requires a minimum of human involvement, large scale tasks can be handled without a large scale labour force. This type of approach requires that a quality ICT infrastructure is in place, along with a legislative data protection regime.

Despite the maturity of FA outsourcing in comparison with legal outsourcing, some companies still have concerns about making their use of low-cost providers public. Some of this is due to the negative attention from the media and labour unions that comes with importing jobs. However, the idea that India provides lower quality does persist in some circles and confidentiality agreements are still in use.

### **D) Decision-making Factors**

As India is still the preferred destination for outsourcing, looking at its advantages offers some insight into factors that attract companies to service providers. India features:

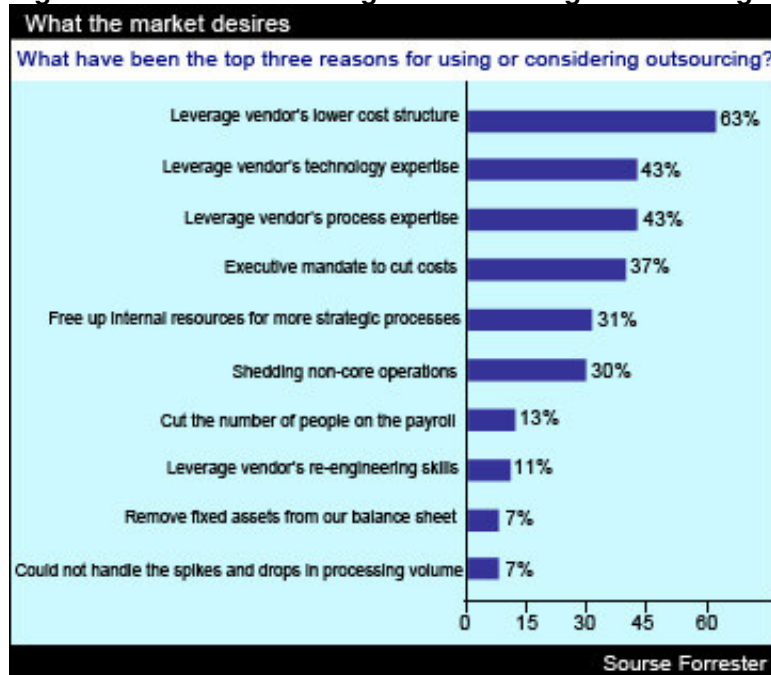
- A very large pool of inexpensive, educated, qualified and English-speaking workers.
- An education system that produces over 2 million college graduates a year.



- An established reputation as a quality supplier of a range of outsourcing services.
- A time difference that allows firms, particularly in the US, to offer clients a round-the-clock service.

As Figure 2 shows, low cost is the primary reason driving outsourcing, and this holds true for FA outsourcing as well. But as outsourcing providers have gained expertise, more companies are turning to them for assistance with strategic business solutions as well. As clients' demands are becoming more sophisticated, outsourcing companies have to offer a more sophisticated product. This is less true of smaller business and for the process-oriented functions of accounting firms. As the Canadian example demonstrates, some clients are willing to forego larger savings for a nearshore solution with the balance it strikes between cost and control through proximity.

**Figure 2: Reasons for Using or Considering Outsourcing**



### 5.3.2 Local Capability and Competitiveness

The local accounting industry is well-developed and is able to offer quality services across a wide range of specialities. The Barbados Institute of Chartered Accountants has roughly 600 members, but roughly 2/3 of them are employed directly by companies and so are not part of the available labour pool that could export services.

The structure of the private practice accounting industry is similar to the legal sector in that there are a few large firms (the big four are present) and the rest of the accounting landscape is dominated by 1 or 2 member firms. The few large firms have the bulk of the market share and generally have local offices or partners in other Caribbean markets. The smaller firms are limited in terms of the range of services they can each offer for export and lack the resources to handle large projects.



Most small firms have concentrated on serving the domestic market, in particular providing services to the large financial sector. While some firms provide offshore services to Canada, this type of business has tended to result from a personal relationship that has created the contact, i.e. a Canadian working in the Bajan firm, rather than through a systematic export marketing process.

The starting salary for an accounting graduate is roughly US\$1,250 per month and the cost of wages and business operations in Barbados is high for the region, which diminishes competitiveness in terms of regional exports. However, given current cost levels, the quality of services offered, the attractiveness of the location and the proximity to the US market, Barbados should be able to attract nearshore outsourcing of FA functions in the Canadian mode.

The disadvantage Barbados has in comparison to Canada is the size of its firms. One or two person operations do not have the resources to market service exports effectively, they do not have the scale to cope with even mid-sized outsourced work and they cannot project the type of corporate image often required to convince clients to outsource key functions (even though the capability may well exist). These constraints could be addressed in a few ways:

- Inward investment from existing FA outsourcing providers seeking a nearshore location to serve the US.
- Development of strategic partnerships using contacts in the diaspora to generate export possibilities.

## 5.4 Management Consulting

### 5.4.1 International Trends

The size of the international market for management consulting services is difficult to pinpoint because many of the functions and services are integrated with the IT market. If we exclude IT, we can estimate that the global market is somewhere between US\$50-60 billion.

This segment of BDS can be broadly grouped into services for two types of clients, the public and private sectors. Some of the advisory services typically provided to clients in each sector are as follows:

- **Private sector:** Human resources outsourcing; organisation, including corporate governance and institutional system design; and strategy, including activities such as corporate branding and coordinating shared functions.
- **Public sector:** Efficiency improvement, policy design, organisation (including governance) and development consulting.

A trend that has emerged in the industry is for the large and well-known players such as McKinsey and A.T. Kearney to expand globally as they follow their clients into new markets. McKinsey, for example, now has operations in 46 countries. On the public sector side, development assistance is set for a large increase. At last year's Gleneagles summit, the G8 pledged to increase aid by US\$50 billion annually by 2010. Development projects are becoming increasingly larger, more complex and multi-disciplinary.



#### **5.4.2 Local Capability and Competitiveness**

Barbados has about 15-25 firms that can be grouped into this category, but the number of strict management consultants in the country is probably less than 50. Our survey identified at least one medium-sized firm (11 employees ranking from qualified professionals upwards) that has successfully exported services within the CSME.

The country does not offer a cost advantage over the US or Europe, as charges range from US\$125 per hour at a small firm to between US\$350 and \$500 per hour at larger operations. Despite these costs, which are certainly high for the region, there does appear to be demand for these services in the CSME. Given the small size of the industry, promoting it as a cohesive offering internationally will be difficult.

In terms of development consulting, the cost of consultants can vary considerably, from US\$300-800 per day. A large number of donors, including the EU, the Inter-American Development Bank, the World Bank, USAID and DFID, are operating in the region. Publicly tendered projects from these donors represent a large opportunity for development consultants, who require assistance with networking so that they can associate themselves with large firms capable of delivering large-scale projects.

#### **5.5 Market Positioning and Export Targets**

Opportunities for increasing legal exports in the near future are likely to be limited to further expanding into the CSME market and some exports to the US. Tapping into the US market will require development of strategic alliances with American legal firms, perhaps by using contacts in the Bajan diaspora.

The best opportunities for Bajan firms in the FA segment are to develop export capability by serving the regional market, use contacts in the diaspora to develop export opportunities and attempt to attract FDI from leading outsourcing providers interested in serving the US market from a nearshore location. Using the diaspora may provide opportunistic and strategic export possibilities. One-off work may come from contacts in the US markets and this could lead to more formal partnering arrangements in which the US firm acts as the marketing centre and the work is performed in Barbados.

Large international management consulting firms are increasingly expanding their global reach and following their customers into new markets. These global firms tend to dominate the world market. Due to the size of the Bajan management consulting industry, the best opportunity for exports is within the region.

Given the overall potential across these three segments, a 5-year target of increasing BDS exports by an additional US\$5 million should be an achievable goal.

#### **5.6 Marketing Strategy**

The BDS industry is not structured in a way that favours outsourcing of services beyond the region. There has been some regional exporting despite the fact that Barbados is high cost for the CSME and this represents the immediate opportunity in this sub-sector. Barbados does have some of the elements that should allow it to compete with Canada as a nearshore destination for outsourced BDS work from the US, but the structural deficiencies in the industry present a challenge to winning



business. As such, the focus of the marketing strategy for BDS is on creating partnerships that can overcome this constraint.

### 5.6.1 Brand Awareness

Outside of the region, Barbados has a very low profile as a source of quality business development services. Some focused marketing activities are required to raise awareness of Barbados and brand the country effectively so that it is considered a potential source of services by prospective customers and investors.

1. Integrated website. The site should promote Barbados as a data safe location for quality legal, accounting and management consulting services. It should also offer general information on Barbados, information on the business environment, information on investment/export incentives, information on the legal and accounting sectors (such as the size and skills of the labour pool) and general information on individual service providers. Links should be provided to specific providers' sites and full contact details should be posted.

Rationale: An integrated website is needed to raise awareness that Barbados offers quality BDS in a business-friendly environment that favours FDI and exports of services.

Actions Required	Resources Required
Hire website developer; BDC to lead	US\$2,000, to be funded by private sector
Form committee of BDS industry associations to guide content	25 person days
Appoint BDC official to liaise between developer and committee and oversee development of content	
Maintain website	US\$2,000 per annum, to be funded by private sector

2. Foreign advertising. Limited advertising should be directed at key decision makers in companies, both those that outsource services and those that provide outsourcing services. This will involve placing ads on websites and in magazines such as "The American Lawyer" ([www.americanlawyer.com](http://www.americanlawyer.com)) and Outsourcing Today ([www.outsourcingtoday.com](http://www.outsourcingtoday.com)), which also publishes Finance and Accounting Outsourcing Today.

Rationale: As Barbados has a low profile, it is not often considered by investors looking for a nearshore destination or by firms looking for an outsourcing provider. As such, they may not come across the website, which is a passive advertising tool. Therefore, some more direct forms of advertising will be required to reach these key decision-makers.

Actions Required	Resources Required
Hire graphic designer to develop advertisements; BDC to lead	US\$3,000



Place advertisements in select few websites and periodicals	US\$15,000 per annum
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- Identification of potential investors. There is a need to conduct research on established foreign BDS outsourcing companies from India, Canada and the US to explore the possibility of them using Barbados as a nearshore location to serve the US FA market. A database should be created to track contact with potential investors. Information on industry trends also needs to be gathered.

Rationale: To focus the FDI courting process, a list of interested parties should first be compiled through research. Targeted efforts to convince them to invest in Barbados can then be conducted. FA outsourcing continues to evolve and as the industry in Barbados develops from its fledgling state, it has an opportunity to develop in a way that mirrors the trends in the industry. Market information should be provided for domestic firms so that they can tailor their service offering.

Actions Required	Resources Required
Research into foreign outsourcing providers that may be suitable partners for joint ventures or other forms of FDI, research into industry trends; BIDD to lead	US\$15,000 + 20 person days
Creation of database to track status of contact with potential investors; BIDD to lead	50 person days

- Circulate a free monthly electronic newsletter to contacts within the database. This should also be sent to any potential investors within the CSME. This will keep clients and decision-makers informed of developments and opportunities in the BDS sector. Using the information in the client database, any business opportunities should be matched up with potentially-interested clients and postings to these clients should be followed-up with phone calls.

Rationale: A newsletter will advertise potential opportunities to clients. It will also facilitate ongoing relationship building by keeping contacts informed of the evolution of the local industry and will provide an "excuse" for conducting follow-up phone calls.

Actions Required	Resources Required
Drafting and circulation of newsletter, follow-up phone calls; BIDD to lead	60 person days per annum

## 5.6.2 Direct Marketing

As local capacity to export services is limited, direct marketing activities will be focused on forming strategic partnerships to generate export opportunities.

- Undertake investment promotion activities. BIDD needs to use the information collected in the database of potential investors to start to court FDI. This is likely to take the form of marketing missions and participating in exhibitions to raise the profile of Barbados (as it currently does for the ICT sub-sector) as well as direct contact with firms that show the most interest in the country. BIDD should also promote contact between Bajan FA firms and those investors who may wish to seek a joint venture or alliance.





Rationale: To enter the FA nearshore market, Barbados needs to attract foreign investors.

Actions Required	Resources Required
Undertake direct promotion of Barbados as a FDI destination; BDC to lead	50 person days
BDC to court the 50 most promising investors and refer them to Bajan FA firms	50 person days

2. Market intelligence. As many of the firms in the industry are small, they do not have spare capacity to gather information on upcoming projects and opportunities in the public and private sectors. The BDC should compile information on opportunities within the CSME. Since some BDS opportunities will come through public procurement, training to service providers on how to prepare competitive tenders could help them to win projects.

Rationale: As many firms do not have the resources to track projects as they are being developed, they do not become aware of opportunities until they are in the public domain, which puts them at a disadvantage. Even in publicly-tendered work, it is often necessary to have some knowledge of upcoming projects so that preparations for a competitive bid can be made before the work is publicly announced.

Actions Required	Resources Required
Gather information on upcoming projects by visiting contacts in the public and private sectors. Within the public sector, visits should be made to governments in target markets as well as to development banks and agencies, such as USAID, the Millennium Challenge Corporation, the CDB and the IADB. Through its contact with firms for investment promotion purposes, the BDC should be able to gather information on upcoming opportunities in the private sector.	40 person days per annum
BDC to prepare and deliver training on proposal preparation	30 person days

### 5.6.3 Enabling Environment

The exporting of BDS that has taken place to date has come about because of the high quality of service provision in Barbados. However, concerted attempts to increase exports have not been made. While this strategy provides an approach to promoting exports, it requires that an industry working group is in place. Such a group will be able to take charge of the strategy and by working towards a common set of targets, will be able to address the enabling environment constraints to exporting.

The industry working group should draw together the Barbados Bar Association, the Institute of Chartered Accountants of Barbados, representatives from the management consulting profession and the BDC. This industry working group should take charge of the marketing strategy for the sub-sector and should:



- Allocate responsibility for specific activities.
- Estimate resource requirements and determine what the public sector will fund and what the private sector will fund; it will then ensure each sector meets its resource commitments.
- Monitor progress against targets.
- Oversee the following initiatives designed to improve the enabling environment:
  - **Incentives:** The investment and export incentive regimes that exist in Barbados have been designed for goods. Recently, many of the goods-related incentives have been transferred to cover the services sector. While this is a positive initial step, there is a need to tailor the BDS incentive regime so that Barbados is attractive to FDI and so that it supports the development of export-oriented businesses.
  - **Legislative Framework:** The Electronic Transactions Act of 2001 provides the legal framework for electronic commerce, the processing of electronic transactions and protection of data in these transactions. However, the mechanisms for enforcing the Act have yet to be developed.
  - **Technology:** The business community has stated that the infrastructure for e-payments is not in place yet and data protection in other areas is lacking. Additionally, outsourcing increasingly makes use of technology such as systems that recognise printed characters and automatically input them into databases for processing. This allows firms to take on large-scale tasks without the need for large-scale labour. As domestic capability develops, Barbados will need to have the technology to compete with international outsourcing centres as well as the legal and practical framework to protect the information its firms deal with. Such technology can be acquired through FDI and or provided by exports sourced from abroad.
  - **Trade Negotiation Issues:** Given that most BDS service exports are supplied cross-border (mode 1), market access issues are not a major obstacle to increasing exports. However, there are some barriers to trade that should be addressed. The CSME has already put in place measures to allow the free movement of professionals and this should enable greater market access for the Bajan BDS industry. Initiatives to establish mutual recognition of qualifications in the CSME are also underway, but there are practical barriers to lawyers and accountants practicing in other countries which will need to be removed. In the wider international market, the ability to practice law and accountancy is restricted in most countries. A practical way to address this barrier is by enabling mutual recognition of qualifications and easing the conditions that allow new entrants to become qualified to practice.



## 6 ICT

### 6.1 Introduction

Outsourcing in the ICT field is a well-established practice and growth is projected to be explosive. According to Gartner, worldwide spending on offshore research and development will increase by 860% from US\$1.25 billion in 2004 to as much as US\$12 billion in 2010. Offshore spending on application development services will more than double from US\$23 billion to as much as US\$50 billion. The US IT offshoring market will be worth \$14.7 billion by 2009. The value of business process outsourcing (BPO) and IT-enabled services that will be outsourced is expected to reach US\$140 billion by 2008. Such growth volumes present tremendous opportunities for offshore and nearshore outsourcing.

### 6.2 International Trends

#### A) Supply Markets

India continues to dominate the market for IT outsourcing and BPO. It holds a 44% share of the global offshore outsourcing market for software and back office services. And Gartner predicts that India will continue to attract the bulk of global offshore spending on IT services. Part of its dominance is due to the labour cost advantage it enjoys. Table 10 below provides some indicative comparisons between the cost of labour in India and other countries. It is important to note that China and the Philippines compete closely with India on cost.

**Table 10: Indicative Labour Costs**

Country	Programmer (2-3 years experience)	Call Centre Agent (2-3 years experience)	Programmer (average cost)
India	\$6,000 to \$9,000	\$5,500 to \$7,000	\$7,500
China	\$5,500 to \$9,600	N/A	\$7,550
Philippines	\$6,500 to \$10,900	\$7,600 to \$9,200	\$8,700
Ireland	\$21,000 to \$28,000	\$16,000 to \$25,500	\$24,500
Mexico	\$18,000 to \$23,000	\$3,000 to \$15,000	\$20,500
Singapore	\$27,300 to \$34,600	\$22,300 to \$28,400	\$30,950
Canada	\$25,000 to \$50,000	\$18,600 to \$28,300	\$37,500
USA	\$45,000 to \$85,000	\$25,000 to \$40,000	\$65,000
Malta	\$18,000 to \$21,000	N/A	\$19,500

In addition to its cost advantage, India benefits from the fact that it dominates perceptions as the leading supplier of services in this sub-sector, particularly in the large US market. Over 82% of American companies rate India as their primary choice for software outsourcing. However, some trends in outsourcing have led to the rise of nearshore locations as part of a more rounded service offering.

Canada has become the most widely used nearshore location for outsourcing from the US. From 2002 to 2003, the number of outsourced agent professionals in Canada grew by 8.3%. The cost of Canadian labour can be up to 30% lower than in the US, and, as a standard of comparison, Mexico affords a 50% savings on labour.



After accounting for all costs including labour, telecommunications, travel, and dual-management required for different cultures, Canada presents a 20-30% savings over the US while Mexico comes in between 25 and 30%. Aside from the savings issue, Canada is particularly attractive to US firms as the two cultures are very similar, allowing for strong client-facing relationships.

### **B) The Rise of Nearshoring**

As outsourcing has matured, companies have moved away from a simple model of using a home location that is supported by outsourced services, usually located offshore. A trend over the past few years is the use of a mix of on-site, offshore and nearshore services to provide a delivery model that balances risks and rewards. Generally functions are divided between those that are provided on-site and those that use off-site delivery. Off-site activities are assessed for their suitability for offshoring, and if that route is not chosen, they are carried out at a nearshore or onshore location. Activities can be broken down as follows:

- **Typical on-site activities:** program management, requirements definition, prototyping, high-level design, usability testing, acceptance testing, user training, and implementation/cutover.
- **Typical nearshore activities:** quick-turnaround development, emergency fixes, interactive development, prime-time support, iterative testing, risk diversification, and an alternative to on-site work for high level design.
- **Typical offshore activities:** detailed design, coding, unit testing, documentation, ongoing maintenance, and project management of offshore staff.

Diversifying operations in this way allows companies to benefit from cost effectiveness, high productivity and round-the-clock service while minimising risk. As a result of this approach, several nearshore destinations have arisen to serve the large US and European markets. Typically, Canada, the Caribbean and Central America serve American outsourcing needs while countries such as Ireland and Poland handle Europe.

The desire for a diversified service offering has led service providers to situate higher value-added services closer to their clients' headquarters with the majority of their process-oriented and labour-intensive functions in low cost locations such as India and, to a lesser extent, nearshore destinations. Additionally, major Indian service providers have matured and are considering the use of nearshore options not only to provide better service but to expand their reach and tap new markets. A number of firms, including TCS, Infosys and Satyam are setting up operations in Eastern Europe to serve the broader European market. In terms of North America, centres have been established in Canada, Mexico, Brazil and Puerto Rico. A number of these operations were created through acquisitions or joint ventures, and were direct responses to specific client needs.

### **C) Decision-making Factors**

The key factors driving the decision to outsource ICT functions are:

1. Quality of labour pool
2. Cost savings
3. Control
4. Risk
5. Quality of service



India offers a good mix of the above 5 factors. It is worth noting that the well-trained labour pool is continuously supported by the addition of 120,000 trained IT professionals to the industry each year. As people who have been in the workforce for some time progress to higher-value added tasks, the supply of recent graduates ensures the country has the scale to continue to deliver the lower value-added services which formed the basis of its outsourcing industry in its infancy. Aside from these factors, a country's reputation as a source of ICT outsourcing services also has an effect on purchasing decision-making. As indicated above, over 82% of US companies rate India as their first choice for software outsourcing, which demonstrates how a strong reputation can influence the purchasing decision.

From the nearshoring perspective, a principal factor is the difference in the cost of labour between the originating location and the destination. There must be a sufficient cost differential to warrant the use of a nearshore location over an offshore one. Nova Scotia has, through a concerted effort to become a hub for IT outsourcing and research and development, emerged as a popular nearshore destination in North America. As such, it is worth considering as an example of the level of cost savings that can make a nearshore destination attractive. In 2004, KPMG reported that Nova Scotia enjoyed a 30% cost advantage over Western Europe and a 20% cost advantage over the US (ranging up to 30% cheaper than Boston). So it seems that a 20-30% savings is enough to enable a nearshore destination to compete successfully with an offshore location.

In addition to cost, the location must afford a high quality of service and a high quality labour pool that provides the ability to scale up. Factors such as risk and control are more favourable in a nearshore destination as compared with an offshore site. Proximity and cultural affinity with the customers' market is also important. The following is a comprehensive list of the factors that drive the decision-making of service providers when they consider a nearshore destination:

- English skills (other language skills like Spanish, French or German are also a factor depending on the target market).
- Location (geographic and time zone proximity).
- Labour pool (size, diversity, maturity).
- Cost (real estate, equipment, operations, wages, etc.).
- Infrastructure (quality, stability and cost).
- Enabling environment (including tax incentives, double taxation treaty, favourable policies, subsidies, etc.).
- Domestic market opportunities.
- Globalisation maturity (legal system, regulatory environment, immigration policies, business sophistication).
- Cultural compatibility.
- Political and economic stability.
- Educational system (determines quality and size of the workforce that will be produced in the future).
- Security and privacy.
- Travel and living expenses (connectivity with the US through multiple carriers and source/destination choices).



### 6.3 Local Capability and Competitiveness

#### A) Structure of the Industry

There are an estimated 50 ICT firms in operation. Although most of them are small enterprises, a few large and medium-sized firms exist. These larger operations have had some success in exporting their services, mainly in the region, but some of this work has been the result of funded programmes, rather than direct exports to foreign firms. Domestic capabilities include:

- Software design and development, IT consulting, data services, database training, systems integration, network administration and support, management consulting (strategic planning, MIS auditing, etc.), security solutions, managed services, communications including VoIP/IT hardware, graphic design and web support.

Pricing of services varies considerably between firms, with some small outfits charging between US\$57-67/hour, medium-sized firms about US\$125/hour and large firms roughly US\$150/hour. The small domestic market represents a constraint to business expansion and development of specialised services, and firms have expressed a desire to establish a more solid presence in export markets. The main barriers to doing so are a lack of market intelligence and a lack of resources to develop export markets.

The quality of services seems to be high and the industry is supported by a sound education system that produces between 300-400 ICT graduates yearly. The BCC produces about 100 and the University of the West Indies about 200-300. However, these figures cover a broad range of technology-related disciplines and not all of these graduates end up working in the ICT industry. Within the region, the scale and quality of education can only be matched by Jamaica and Trinidad and Tobago. Despite this, the private sector finds that many graduates lack the specific skill training necessary to 'hit the ground running'. This situation could be improved through the creation of a Public-Private Partnership between employers and education institutions so that more relevant curricula can be developed. While there is a partnership on TVE involving the UWI, the strong views expressed by the private sector would suggest that it has not been an effective forum.

The general business operating cost in Barbados is high for the region and this is reflected in the cost of bandwidth. Although the connection of a third fibre optic cable is expected to lead to reductions in the cost of bandwidth, the fact that an effective monopoly persists has led to some scepticism about whether price drops will occur. This is an important factor in the competitiveness of a location for ICT services.

#### B) Software and IT – Capability and Competitiveness

Barbados does have a strong regional capability in software development and IT services and does offer a cost savings over providers in the US. However, it lacks larger companies capable of attracting and delivering the scale of work that is generally outsourced from the US.

Attracting an established service provider that can meet these requirements would be a possible solution, but Barbados is unlikely to be the first choice nearshore location for providing software and IT services to the US market. Indian providers that are looking to set up nearshore locations for their US clients provide the best opportunity for foreign investment. However, in selecting a location, they opt for a destination





that is publicly perceived as a mature nearshore hub with a critical mass of service providers. Barbados is not perceived as mature, and actually has quite a low international profile as a source of outsourced software and IT services, and lacks a critical mass of service providers. Canada, which has emerged as a key nearshoring location for serving the US, meets these two criteria and in fact many of the large Indian vendors (revenues of US\$250 million and above), have already established software development and IT nearshore hubs there. The fact that many of these companies also have a Canadian client base gives that country another advantage over Barbados. So while it can rival Canada on cost savings, other factors make it unlikely that Barbados will be able to attract the kind of foreign investment that will allow it to attract outsourcing from the US.

However, it still has the capability to provide software development and IT services to the CSME and by increasing regional exports, firms can develop scale and expertise. This will improve local providers' ability to export to the US and will make the country more attractive to investors looking for a nearshore destination to serve the American market.

### **C) Call Centres – Capability and Competitiveness**

Barbados does have an existing capability in call centres and had 3 centres, a total of 243 seats and 263 agents in 2002.<sup>26</sup> While the size of operations in Jamaica, the Dominican Republic, Puerto Rico and Trinidad and Tobago dwarf the Bajan industry, that is not a fatal prospect in this market segment as Barbados should not be pursuing high-volume business.

High-volume call centre work is not the target for Barbados because it does not have the scale to compete with other countries in the Caribbean and because it cannot match some of them in the cost of labour and operations. Even in Trinidad and Tobago, which is one of the higher cost locations in the region, labour costs are only slightly higher for skilled labour (US\$13.50/hour versus US\$12.00/hour in Barbados) and are lower for unskilled labour (US\$2.88/hour vs. US\$4.66/hour). Factoring the Dominican Republic into the equation makes the cost disadvantage more evident; skilled labour costs US\$4.47/hour there and unskilled labour costs US\$1.47.<sup>27</sup>

Barbados does have an advantage as its expertise in financial and insurance services is among the best in the region. This existing expertise can be combined with its capability in call centres to offer knowledge process outsourcing services (KPO). Outsourcing of such services is not as dependent on extremely low labour costs and the 20-30% savings Canada can offer has been sufficient to attract exports and foreign investment. Barbados offers a 30-40% cost savings over US call centres so it is a cheaper option than Canada. The attractiveness of the location is another advantage and Barbados is better placed to serve the southern US.

In fact, a number of Canadian and US outsourcing firms are already operating out of Barbados. The names of these firms and the services they provide are:

- NCO: Debt collection, credit verification
- ICT: Receivables management, telemarketing

<sup>26</sup> Caribbean Call Center Overview by James Beatty. Published by Customer Inter@ction Solutions, November 2002. The article reproduces information taken from a report released that year on the Caribbean call centre industry.

<sup>27</sup> World Bank, figures are for 2004.



Strategic Marketing Plan for the Promotion of Professional  
Services Exports

- GC Services: Telecoms, order processing, customer support, receivables
- Crucible: Insurance claims management, adjudication
- Marcus Evans: Telemarketing, order processing

Many of these firms are providing financial and insurance sector-based KPO services such as credit verification, receivables management and claims management. It is in these niche areas that Barbados has the most potential for attracting higher value-added exports. Additional efforts should be made to create links between call centres and financial and insurance services firms to increase the availability of services, thereby developing critical mass in the local industry that will make it more attractive to FDI. This will also provide a stepping stone for outsourcing of more complex KPO services that are not linked to call centres such as actuarial and risk management services in insurance and equity research and asset management in the financial sector.

#### **D) Need for Industry Oversight**

Maintaining standards in the ICT industry is difficult as nearly anyone can open a business and claim they are an ICT professional. This is a problem as it can harm the overall perception of quality that is a key part of attracting outsourcing clients. A number of the constraints to developing ICT exports that have been identified could be addressed by an industry association. The Barbados Association of ICT Professionals is the nascent industry association and it will have to be strengthened before it can become operational and effective. Once established, it should be able to help:

- Gather and disseminate **market intelligence**, both on export opportunities and public tenders. It should also provide guidance on how to prepare strong bids.
- Form an effective **PPP between employers and the UWI and the BCC/UCB** to ensure that training programmes provide students with the most relevant skills. Engagement with the Edutech initiative might be another appropriate channel. The private sector firms that participated in consultations indicated that the initiative has not delivered the level of improvement to skills expected.
- **Set standards for professionalism** by vetting firms and only admitting as members those who meet publicly-available criteria. The list of accredited members should be made publicly available, particularly to potential clients.

#### **6.4 Market Positioning and Export Targets**

In the software development and IT services segment, Barbados has a competitive advantage in the region and should concentrate export promotion efforts on the CSME. As scale and expertise develop, some exporting to the US may be possible and the prospect of investment in nearshore operations may improve.

Barbados should be able to provide KPO call centre services to the region, to the US and should be able to attract FDI in this industry, particularly if financial sector firms can partner with call centre operations to increase the range and quality of services offered.

Within the next five years, Barbados should attract at least one foreign investor that will set up a financial sector KPO call centre operation focused on the US market, and the ICT industry association should represent 60% of the firms in the country and take the lead on promotional activities. Over this period, it should be possible to



generate additional revenues of US\$15 million from increased exports of ICT services.

## 6.5 Marketing Strategy

The marketing strategy will involve support to SMEs in developing CSME markets as well as targeting of the US market and courting of FDI in KPO call centre services. Many of the activities under the marketing strategy would normally be led by an industry association, but the Bajan ICT association is in its infancy and cannot take on this role yet. Indicative activities and resource requirements are provided below and responsibility for much of the work has been assigned to the BIDC for the time being. As the ICT association becomes more well-established, it should take over activities from the BIDC.

### 6.5.1 Brand Awareness

Barbados is a new entrant into a mature global industry and so there is a need to create awareness of the country and the services it can offer.

1. ICT industry website. The site should brand Barbados as a centre of quality ICT skills and services in the Caribbean. To firmly establish its position in the regional market, to attract FDI and to tap into the US market, Barbados needs to differentiate itself from other countries. It can do this through the use of a Unique Selling Point (USP) that highlights the country's strong regional capability. A website provides a vehicle for showcasing the USP and for providing information to potential customers and investors. The site should contain information on Barbados in general, information on the business environment, information on investment and export incentives, information on the ICT sector and information on individual service providers. Links should be provided to specific providers' sites and full contact details should be posted

Rationale: A website is often the first point of engagement for potential investors and businesses looking for strategic partnering opportunities, as well as for customers looking for service providers. Due to its high degree of accessibility, it is also an important tool for promoting brand awareness. In addition to offering information on Barbados, a website can also serve as a means of promoting business opportunities and can serve as resource on industry trends. Due to its importance, it is vital that it is well-designed and information is clearly laid-out.

Actions Required	Resources Required
Hire website developer	US\$2,000
Form committee of ICT service providers to guide content and select USP; BIDC to lead	25 person days
Appoint BIDC official to liaise between developer and committee and oversee development of content	
Maintain website	US\$2,000 per annum

2. Image building advertising. These activities must be focused on increasing awareness of Barbados within international ICT circles. Ads should be placed in industry specific periodicals and brochures should be distributed at industry fairs



and through international channels such as embassies and through joint national Chambers of Commerce.

Rationale: Barbados has a low international profile as a source of ICT services. Companies often must 'sell' the destination as well as their product, which makes marketing more difficult. While the website will address some of these problems, it is by nature a passive marketing device, requiring that industry players visit it of their own accord. Strategic, targeted advertising will reach those who may not access the website.

Actions Required	Resources Required
Hire graphic designer to develop brochures and advertisements for periodicals; BIDC to lead	US\$3,000
Place advertisements in select few foreign periodicals. Potential periodicals are listed below	US\$15,000 per annum
Distribute brochures to embassies, joint national Chambers of Commerce and at trade shows	US\$3,000

Potential periodicals

US: CIO Magazine ([www.cio.com](http://www.cio.com))

Europe: Information Age

UK: Computer Business Review, Computing

- Strengthen the ICT industry association. The association is new and needs to draw together more firms that will generate support for its activities. An established industry association should be responsible for:

- Providing information to its members on overall trends and opportunities locally and abroad.
- Briefing members on regulatory issues and competitor activity.
- Working with government agencies to develop a clear and consistent brand for Barbados and a defensible market position.
- Helping to build and support cooperative ventures between members to take advantage of business opportunities abroad.
- International marketing through organisation of delegations and attendance at tradeshow, publishing of newsletters and missions to targeted customers/investors.

Rationale: Local firms lack the resources to market themselves internationally and no unified body has taken on the responsibility for promoting the industry abroad either. This lack of marketing activity has contributed to the low profile of the Bajan ICT industry. A well-functioning industry association provides a point of engagement for foreign interest and can market on behalf of the entire industry. In this way, it will increase awareness of Barbados as a source of ICT services.

Actions Required	Resources Required
BCSI to assist industry association in increasing member base	30 person days
Association's brand awareness development activities to include drafting and circulation of newsletters, sending	To be provided by industry association



delegations to trade shows and presenting information  
seminars

### Sample Industry Associations

The industry associations given as examples below provide an indication of best practice. Given the relative lack of maturity in its ICT industry, Barbados will not be able to directly adopt these approaches as models. Rather, certain elements of the approaches these countries have taken should be used to inform the development of the local association.

ICT Ireland ([www.ictireland.ie](http://www.ictireland.ie))

NASSCOM – India ([www.nasscom.org](http://www.nasscom.org))

Australian Information Industry Association ([www.aiia.com.au](http://www.aiia.com.au))

4. Identification of potential investors. There is a need to conduct research on established foreign KPO call centre companies from markets such as India to explore the possibility of foreign investment in nearshore operations to serve the US market. A database should be created to track contact with potential investors. Information on industry trends also needs to be gathered.

Rationale: To focus the FDI courting process, a list of interested parties should first be compiled through research. Targeted efforts to convince them to invest in Barbados can then be conducted. Marketing efforts should focus on attracting investment in areas where Barbados has existing expertise, such as insurance and financial services. ICT outsourcing is based on rapidly evolving technology and as the industry in Barbados develops, it must keep abreast of industry trends. Market information should be provided for domestic firms so that they can tailor their service offering.

Actions Required	Resources Required
Research into foreign providers that may be suitable partners for joint ventures or other forms of FDI, research into industry trends; BIDC to lead	US\$15,000 + 20 person days
Creation of database to track status of contact with potential investors; BIDC to lead	50 person days

5. Circulate a free monthly electronic newsletter to contacts within the database. This will keep clients and decision-makers informed of developments and opportunities in Barbados. Using the information in the client database, any business opportunities should be matched up with potentially-interested clients and postings to these clients should be followed-up with phone calls.

Rationale: A newsletter will advertise potential opportunities to clients. It will also facilitate relationship building by keeping contacts informed of the evolution of the local industry and will provide an “excuse” for conducting follow-up phone calls.

Actions Required	Resources Required
BIDC to draft and circulate newsletter, make follow-up phone calls	60 person days per annum



### 6.5.2 Direct Marketing

The focus of the direct marketing activities is to create export opportunities in US and regional markets and to attract FDI.

3. Undertake investment promotion activities. BIDD needs to use the information collected in the database of potential investors to start to court FDI. This is likely to take the form of marketing missions as well as direct contact with firms that show the most interest in the country. BIDD should also promote contact between Bajan call centres, financial and insurance firms and those investors who may wish to seek a joint venture or alliance.

Rationale: To add scale to its KPO call centre industry, Barbados needs to attract foreign investors.

Actions Required	Resources Required
Undertake direct promotion of Barbados as a FDI destination; BIDD to lead	50 person days
BIDD to court the 50 most promising investors and refer them to Bajan FA firms	50 person days

4. Market intelligence. As many of the firms in the software development and IT services industry are small, they do not have spare capacity to gather information on upcoming projects and opportunities in the public and private sectors. The BIDD should compile information on opportunities within the CSME. Since some opportunities will come through public procurement, training to service providers on how to prepare competitive tenders could help them to win projects.

Rationale: As many firms do not have the resources to track projects as they are being developed, they do not become aware of opportunities until they are in the public domain, which puts them at a disadvantage. Even in publicly-tendered work, it is often necessary to have some knowledge of upcoming projects so that preparations for a competitive bid can be made before the work is publicly announced.

Actions Required	Resources Required
Gather information on upcoming projects by visiting contacts in the public and private sectors. Within the public sector, visits should be made to governments in target markets as well as to development banks and agencies, such as USAID, the Millennium Challenge Corporation, the CDB and the IADB. Through its contact with firms for investment promotion purposes, the BIDD should be able to gather information on upcoming opportunities in the private sector.	40 person days per annum
BIDD to prepare and deliver training on proposal preparation	30 person days



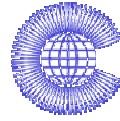


### 6.5.3 Enabling Environment

The exporting of ICT services has taken place in an *ad hoc* manner and concerted efforts to increase exports have not been made. While this strategy provides an approach to promoting exports, it requires that an industry working group is in place. Such a group will be able to take charge of the strategy and by working towards a common set of targets, will be able to address the enabling environment constraints to exporting.

The industry working group should draw together the Barbados Association of ICT Professionals, representatives from the financial and insurance sectors, representatives from call centres, representatives from software development and IT firms and the BIDC. This industry working group should take charge of the marketing strategy for the sub-sector and should:

- Allocate responsibility for specific activities.
- Estimate resource requirements and determine what the public sector will fund and what the private sector will fund; it will then ensure each sector meets its resource commitments.
- Monitor progress against targets.
- Oversee the following initiatives designed to improve the enabling environment:
  - **Access to Sites and Planning Permission:** To increase ICT services exports, some FDI will be required. To facilitate large-scale developments and make the country attractive to potential investors, access to sites will have to be provided and planning permission expedited.
  - **Incentives:** As in other services sub-sectors, the incentive regime that exists has not been tailored to the ICT industry. Specific FDI incentives and export incentives need to be designed to improve Barbados' competitiveness as a FDI destination.
  - **Training:** Although Barbados has a reasonable number of yearly ICT graduates for a country of its size, the private sector repeatedly expressed the view that graduates do not enter the workforce with an adequate skill set. Although there is a partnership on TVE involving the UWI, it appears that this forum has not been able to improve the responsiveness of the education system to the needs of the private sector. All education institutions delivering ICT programmes need to participate in a partnership with the private sector to identify specific training needs and provide tailored courses that reflect those needs. The industry association could play an important role in setting up and facilitating such a partnership.
  - **Partnerships:** Domestic firms should associate on tenders for large projects and larger local firms should subcontract work to smaller local providers. Associating on tenders provides a way that firms can overcome the limitations they face because of their small scale. If larger firms pass on work to smaller providers, they will be able to have the work done at lower cost and will be able to concentrate on further business development and higher fee-earning work. The smaller firms benefit because they develop expertise and an established track record and increase their business. The industry



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association will need to encourage this activity and facilitate contact between businesses.

- **Access to Finance:** The task force should work with the Ministry of Commerce, Consumer Affairs and Business Development and the Central Bank to improve access to finance. For further details of what is required, please see the Action Plan.



## **7 Construction-related Services**

### **7.1 Introduction**

The world market for construction related, knowledge-based services, principally architecture and engineering, is estimated to be worth around US\$600 billion. A quarter of these, US\$150 billion, are carried out in-house by construction companies, another quarter by firms whose principal business is not consulting engineering, and roughly a half (US\$300 billion) by firms who are principally architects and consulting engineers. This suggests that a world market worth around US\$300 billion is contestable by specialist architectural and consulting engineering firms. A high proportion of this market is made up of engineering services.

Like the construction industry itself, the world market is highly concentrated geographically. Some 75% of the total market is likely to be concentrated in the top 10 nations by spend on construction: the US, Japan, China, Germany, France, the UK, Italy, Spain, Canada and the Netherlands. Over the past decade, demand has been growing rapidly, led by high rates of economic growth and rising asset prices that have resulted in a boom in construction. Particularly rapid growth has been recorded in the emerging markets with China and the Middle East representing hot spots for the growth of demand.

The vast majority of the market is supplied domestically, though international trade in these services is increasing. Engineers and architects from other countries are being engaged to supply services, particularly on large projects, where the domestic industry has yet to develop competence. The development of large scale commercial complexes in China and the Middle East are an example. In addition, large firms with international reputations, based in the more mature OECD markets, are increasingly engaged to work on high prestige projects.

There is a mix of modes employed in delivering services internationally. When working on projects abroad, a high proportion of trade is cross border (mode 1), as the home office of large firms will provide much of the service. Commercial presence (mode 3), in the form of local offices or representation, is playing a greater role. The larger firms, particularly consulting engineers, are beginning to establish global networks of offices whilst medium to large firms are appointing representatives. Almost all projects will involve some travel of persons abroad (mode 4) for client meetings and site inspection.

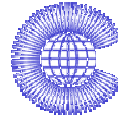
### **7.2 Engineering Services**

#### **7.2.1 International Trends**

##### **A) Development of Trade in Engineering Services**

The supply of services remains predominantly domestic because practicing as a consulting engineer in most countries requires engineers to have a local presence and be registered with a locally accepted professional association. Nevertheless, international trade in consulting engineering services is increasing. The factors driving the growth of the international market are:

- The increasing globalisation of the construction industry itself as a result of cost differentials and increasing specialisation. As the construction industry



becomes globalised it, in turn, causes consulting engineers to become global to serve their clients;

- The growing importance of large, complex, prestige projects that can only be serviced by large, international firms of civil engineers that have the necessary expertise, experience and scale;
- The shortage of engineers in some countries (e.g. the UK) and the large differentials in earnings between engineers based in the richer developed countries and those from central and eastern Europe or low cost Asian countries; and
- The small but rapidly growing market for outsourcing engineering services either in-house between the offices of international firms or externally to firms based in cheaper locations.

### **B) Offshoring**

The international trade is dominated by large firms which have opened networks of offices to provide their services globally, though most are strong only in one or two regions of the world other than their home base. These firms choose to establish offices in countries based on the volume of work they are likely to obtain. Hence, all the major international firms have offices in growth hot spots such as China and the Middle East. Countries that are likely to provide smaller volumes of work are often covered by appointing representatives.

The growth of ICT is changing the roles of local offices based in lower cost countries. With the ability to send drawings and data instantaneously to all parts of the world, the larger firms are increasingly using their network of offices to offshore services to cheaper destinations. Offices located in complementary time zones that enable work to be carried out when the home office is closed for the night are particularly attractive as they allow 24 hour working. The services offshored tend to be the less critical, labour intensive such as the production of drawings and support for drawing up bills of quantities.

Cost differentials are mainly due to employment costs. Engineers in the richer developed countries are likely to earn several times (US\$4,000-US\$5000/month for a draughtsman) those in low cost countries in central and Eastern Europe or India and China (US\$1000-US\$2000 for a draughtsman). In addition, cost of accommodation and other overheads are also lower. As the engineer or draughtsman is trained by the firm and the quality assurance system is likely to be identical to the home office, reliability of quality is not a concern for offshoring. Nevertheless, the office generating the business is unlikely to outsource the higher value-added services because these are likely to be the most profitable and critical to client satisfaction.

### **C) Outsourcing**

Outsourcing engineering services has been part and parcel of the industry for some time taking the form of sub-contracting services in which the principal supplier is not strong. Such practices are especially prevalent amongst medium and small firms who frequently may not have the full range of skills needed for a project in-house. Such outsourcing is usually localised or at least within national borders, based on long-established relationships between firms.

A more recent development has been external outsourcing across international borders. This is still in its infancy but likely to grow rapidly as a result of cost differentials and specialisation. The main constraint to its growth is concern over professional standards and skills. However, where the firm providing the service is



run by engineers that are qualified and registered to practice in the country of the client, there is likely to be greater confidence in the professional competence of the supplier and hence the quality of the service that will be received. At present, international trade is limited to labour intensive, low-value added functions such as draughtsmanship but, with greater trust, the type of service provided could be higher value-added.

#### **D) The Caribbean Engineering Industry**

In the Caribbean, because of the small size of the market, the numbers of firms of consulting engineers is limited in each country. Barbados, Trinidad and Jamaica have the three largest consulting engineering industries. The largest industry association, the Barbados Association of Professional Engineers (BAPE), has 180 corporate members. Of its corporate members, some 40% actually work for companies whose main business is not engineering consultancy. The Association of Consulting Engineers of Trinidad and Tobago, which represents the special interests of firms and individuals in private consulting practice, has 45 members. Dominica and St. Lucia have very small industries consisting of a handful of firms, most of which are small.

Most firms serve local markets. However, the larger firms are becoming pan-Caribbean, opening offices in other countries, thereby driving the growth of trade in engineering services within the CSME. In addition, specialisation is increasing within the industry, spurring the use of firms based in other CSME member countries. Tenders launched for large commercial projects and donor agencies are open to firms internationally, allowing firms to work across the region. Outsourcing within the region is limited to the larger firms passing on work to their network of offices and the sub-contracting of specialists from other islands.

As the CSME becomes a reality, the trade in engineering services within the region will increase. The free movement of professionals, mutual recognition of qualifications and better ICT links will enable trade in engineering services to increase using all 3 of the relevant modes of trade. This will enable greater specialisation to occur which should lead to a more efficient industry. However, overall, the growth of the consulting engineering industry will continue to be limited by low levels of gross fixed capital formation in the region. Achieving high rates of growth will depend upon the industry being able to export its services to larger markets such as the US and the UK.

The Caribbean industry should be able to compete on price in these markets. In the UK, the average salary of a draughtsman is US\$55,000. And the UK is short of engineers. There are also pockets of excellence in the Caribbean, such as environmental management and disaster mitigation in Barbados and services to the oil industry in Trinidad, which could form the basis of competitiveness in international markets. The key issues will be the extent to which the larger Caribbean firms have the ambition to invest in developing international markets and can overcome the challenges of managing businesses with international customers.

#### **7.2.2 Qualifications and Accreditation**

As is the case with architects, local presence and compulsory membership of a professional association are commonly required by law for an engineer to practice in a country. Barriers to practicing internationally are, however, progressively being removed, as indicated by the following:



- Recognition of foreign qualifications is more advanced in engineering than in architecture. In a number of countries, foreign professionals do not need local licenses if they have a license to practice from their home country. For example, there is a mutual recognition agreement between NAFTA member countries for temporary and permanent licensing of engineers.
- The Washington Accord's nine signatories – Australia, Canada, Hong Kong, Ireland, Japan, New Zealand, South Africa, the UK and the US – recognise the substantial equivalency or comparability of engineering education courses that have been accredited in any of the signatory countries (the "Accredited Engineering Degree Courses"). The Accord does not, however, address the mutual recognition of professional credentials, such as the professional engineer, or chartered engineer.

Internationally, there are two main bodies that are important for the consulting engineering industry.

- The International Federation of Consulting Engineers (FIDIC) is the largest professional association globally. FIDIC membership today numbers 74 member associations representing some one million professionals. Many national associations, including those in Barbados and Trinidad, are not members of FIDIC. FIDIC membership does not confer advantages in terms of mutual recognition of professional qualifications or licenses to practice.
- The London based Institution of Civil Engineers (ICE), is a global membership organisation that promotes and advances civil engineering around the world. ICE now has nearly 80,000 members in 150 countries. Currently there are 196 members recorded as living in the West Indies. Again, membership of ICE does not confer advantages in terms of licenses to practice.

At present, given the restrictions on practicing in other countries, only those Caribbean engineers that have obtained a license by living in the US and UK are likely to be able to supply these markets through mode 4. However, providing services on an outsourced basis to firms of consulting engineers located in these countries should be open to all.

The draft Economic Partnership Agreements with the EU, if formalised, would help to reduce barriers to providing engineering services from the Caribbean. They would enable Caribbean engineers to travel to the EU to work temporarily without economic needs tests. They also provide the basis for mutual recognition of qualifications but how these are to be implemented remains to be determined.

### **7.2.3 Local Capability and Competitiveness**

In terms of both size and quality, the engineering sector in Barbados is among the best in the region. There are 180 corporate members of the Barbados Association of Professional Engineers and estimates put the number of chartered engineers in the country at around 40. Although there are a few large and medium-sized firms in the country, the industry is mostly made up of micro and small enterprises. The fact that there are 213 individual members of the BAPE against 180 corporate members provides an indication of how prevalent small firms are. One or two person firms face difficulty in exporting, even to the region, and may need to partner with each other to overcome these difficulties.





The larger firms that do exist have a track record of exporting within the CSME and, to a lesser extent, the UK. Some of them have offices in other countries in the region. The best opportunity for these firms is to broaden their presence in the CSME export market while considering specific opportunities in the UK and, to a lesser extent, the US. The primary driver of existing engineering exports has been the quality of services on offer. Bajan engineers are well-trained and have a good reputation in the region.

A particularly strong capability in civil and structural engineering exists in Barbados and several of the larger exporting firms specialise in this area. Services that are common to all of these firms include planning, design, construction supervision and project management. Other areas of expertise include hydrology, environmental engineering and disaster mitigation.

In terms of costs, Barbados has some advantage over the UK and the US. Hourly rates vary with experience, with a mid-level engineer charged out for around US\$100 per hour. At the higher end of the scale, rates are around US\$160 per hour. These fees offer some savings over the cost of engineers in the UK and the US, but are not significant enough to allow Barbados to match low-cost locations like China and Eastern Europe.

The fact that the Caribbean is not a large market for engineering services means that Barbados is unlikely to attract investment from global firms looking to set up offices to serve the region. Individual firms may be able to act as representative offices but even these are unlikely to attract offshored services because of the availability of lower cost locations. The main opportunities will be for firms to export by winning contracts directly or by providing outsourced services.

#### **7.2.4 Market Positioning**

Given the structure of the local industry and its capabilities, the best opportunities for increasing exports are in the following markets:

- The CSME region. Although Barbados is expensive, it has a history of exporting in the region and this market is the primary opportunity for increased exports for all firms.
- The UK. There is a shortage of engineers in the UK and some Bajan firms have exported services to that market under modes 1 and 4. The main opportunity is in supplying draughtsmanship (in an engineering context) and other low value-added engineering services to UK firms on an outsourced basis. Cost differentials make this an attractive market. The new foreign entrants to the UK market are large US engineering firms with which Barbados should be able to compete. The firms most likely to have the capacity and capability to supply these markets are the larger engineering firms that have started the process of global expansion by opening offices in other Caribbean countries. If there is sufficient appetite amongst these firms for entering the UK market, the way to develop this market will be to arrange marketing trips for the larger firms to visit interested firms in the UK to offer outsourcing services. Firms with staff who are members of the ICE or are chartered engineers will have a greater probability of success as their competence will be recognised by UK firms. Providing outsourced services could lead to Bajan firms winning contracts in the UK directly, in time.



- The US. The opportunity in the US is based on the fact that Barbados offers quality outsourced services at a lower cost. The US is a less-established market for Bajan exports than the UK and so is a secondary opportunity. Nevertheless, it is worth pursuing as a long-term objective because of its proximity and size.
- Europe. The EPAs, could allow local engineers to access the wider European market. This is a long-term possibility and is discussed in more detail under the Enabling Environment Section below.

### **7.3 Architectural Services**

#### **7.3.1 International Trends**

##### **A) The State of Trade in Architectural Services**

International trade in architectural services is growing for many of the same reasons as engineering services. The globalisation of the construction industry, the growing importance of large, complex projects that require large or specialised architectural firms and growing cost differentials between architects from the rich developed countries and the rest of the world, are common to the growth of both types of service. However, global trade in architectural services is likely to be considerably lower in value than engineering services for a number of reasons:

1. Foreign architects need to be registered locally to be able to practice architecture. Registration is considerably harder than for engineers (see the Qualification and Accreditation Section below) requiring foreign architects to practice as interns and pass exams, all but preventing the supply of services on a temporary basis (mode 4) unless the architect has registered previously.
2. Many countries specify who may apply for planning permission, limiting this key function to those who are registered to practice architecture in the country.
3. The nature of architecture means that the types of work that may be sub-contracted or outsourced is more limited than engineering.
4. The large architectural firms are smaller and less globalised than their engineering counterparts and hence less able to drive international trade.

What these trends imply is that international trade in engineering services is not only much greater in value today but is also likely to grow at a faster rate. International trade in architecture will grow rapidly, but will be driven mainly by the international expansion of large firms. Outsourcing will remain limited to a few labour-intensive processes such as draughtsmanship. This is borne out by the fact that the outsourcing of architectural services has received far less attention from within the profession than outsourcing of engineering services has.

The market for architectural services is also fairly strongly contested. In the UK for instance, charges for an architect (not senior) range from US\$85/hour to US\$115/hour and for an architect's assistant, US\$65/hour to US\$85/hour. Whether the difference in pricing is sufficient to compensate Caribbean architects for investing the time and money in developing a market overseas and still enables them to undercut domestic service providers remains to be determined.

##### **B) The Caribbean Architectural Industry**

Within the Caribbean, trade in architectural services is being driven by a combination of the larger firms opening offices in other islands and sub-contracting or alliances



with specialists based in other countries. The larger architectural practices are based in Barbados, Jamaica and Trinidad. They have opened offices in other islands. In addition, in the OECS, there is evidence of a growing intra-regional trade in architectural services.

As the CSME emerges, it is enabling greater movement of persons. Currently, each country has its own association of architects and the right to practice in that jurisdiction is linked to membership of the association by law. Reducing the barriers to mutual recognition of registration should not pose a problem. The Caribbean School of Architecture, at the University of Technology, Jamaica, is the only School of Architecture in the English-speaking Caribbean. Further, a large proportion of Caribbean architects are registered with the Royal Institute of British Architects (RIBA). This provides the basis for a common recognition of qualifications and registrations.

Encouraging greater freedom to practice across the CSME would be helpful in developing the capability to provide architectural services to more attractive markets in the US and UK. It would enable larger firms to emerge that would have the capacity to supply services to these markets. And it would enable specialisation to increase, enabling competitive advantage to develop in niche segments.

### **7.3.2 Qualifications and Accreditation**

#### **A) UK and EU**

To practice in the UK, architects must be registered with the Architects Registration Board (ARB). Britain is a world leader in architectural education, evidenced by a high enrolment rate by international students. In 2000/01, 15.4% of architecture students entering British universities were from overseas. The ARB does not recognise any qualifications obtained outside the UK (including international courses validated by the RIBA) except those covered by the European Commission Architects' Directive 85/384/EEC. Appropriately-qualified architects from EU Member States registered in their own country are able to register in other Member States. Most UK architectural qualifications are recognised under the Directive and UK architects registered with ARB may register in other EU member countries.

For architects qualified in other EU member countries via one of the academic programmes listed under Directive 85/384/EEC, s/he may register with the ARB following two years European professional experience and go on to practice as an architect within the UK. Statutory control over who may practice varies from one Member State to another. Whist countries such as Denmark, Ireland and Sweden exercise no state control, others reserve some functions for domestically registered architects or put in place various restrictions such as who may make planning applications.

In the UK, the sole professional body is RIBA. RIBA represents 24,000 architects in the UK and a further 3,000 overseas. Its main function is to promote the development of the profession in the UK, though it plays an important regulatory role with the ARB in registering architects. RIBA membership provides recognition of professional competence and is hugely important in the UK market. To be a RIBA member, one has to train for a minimum of seven years, which normally involves three key stages:

- A five-year degree programme, on a course that is recognised by the RIBA and the ARB.



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- A minimum of two years Professional Experience in an architects' office or equivalent.
- This is followed by the RIBA Examination in Professional Practice and Management.
- For those who wish to apply for chartered membership of the RIBA, s/he must have completed five years professional experience since finishing listed qualification.

In addition to individual membership, most of the UK's architectural practices are also corporate members of RIBA. The key criteria for RIBA Registered Practices include:

- A minimum of 80% of registered architects within the practice are RIBA Chartered Members.
- The active Principal or Executive Company director of the practice is currently a RIBA Chartered Member.
- They have management systems in place to ensure their architects comply with RIBA Continuing Professional Development obligations.
- A RIBA registered practice may register overseas, following the requirements and process set up by the national registration body of that particular country.

For architects qualified from outside the EU to register as an architect in the UK, s/he needs to apply for an assessment by the RIBA and the ARB through the ARB RIBA Assessment Panel to obtain recognition of her/his qualification and then sit the Professional Practice Examination run by the RIBA. For those who have their architectural education partially completed overseas and plan to complete studies within the UK, they will first need to have their international study assessed for equivalence to UK standards before undertaking further study on RIBA ARB recognised courses in the UK. Hence, for those architects that have studied and qualified in non-EU countries, there are substantial barriers to supplying services to the EU. All that is open, for now, is to provide non-critical services such as producing drawings.

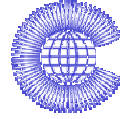
The EPAs would change this substantially. The draft EPAs indicate that architects would benefit alongside engineers by having greater access to EU markets.

## **B) US**

US federal laws governing the practice of architecture are both "title" and "practice" statutes. With only minor exceptions, no one may engage in acts that constitute architectural practice without first being registered. In addition, no one may use the title "architect" or advertise his or her services as an architect or otherwise represent oneself to be an architect without first being registered.

The National Council of Architectural Registration Boards (NCARB) is the national agency to establish registration or licensing policies. Each state has a state board that registers and regulates architects. NCARB requires a degree accredited by the National Architectural Accreditation Board (NAAB) in the study of architecture. NAAB does not accredit foreign professional degree programmes. Foreign-educated individuals, who do not hold such a degree, may be directed to have all of their post-secondary education evaluated by NAAB.

NCARB requires candidates for certification to have completed an internship (the Intern Development Program or IDP). Most state boards similarly require IDP. In the IDP, training is measured in training units; one training unit equals 8 hours of



acceptable experience. To satisfy the IDP requirements one must earn a total of at least 700 training units, with prescribed subtotals in various training areas. The maximum credit allowed for foreign experience in architecture is 235 training units if under the supervision of an architect not registered in the US or Canada. Every NCARB member board requires interns to pass NCARB's Architect Registration Examination (ARE). Those who practice architecture outside of the US or Canada must also pass the ARE to qualify for registration in the US. An alternative to the IDP training requirement is provided for a person who has practiced for at least five years as a principal in a foreign architectural firm.

For foreign qualified architect to become a registered architect in the US, most states require that the person (1) holds a professional degree in architecture which is equivalent to a program accredited by the NAAB, (2) has satisfied the IDP requirement and (3) has completed the ARE.

Neither citizenship nor residency is required in order to obtain the NCARB Certificate. A non-US person who meets NCARB's standards may obtain the Certificate. In many cases, education and training outside the US are fully credited by NCARB. However, due to non-existence of bilateral agreement on registration between US and other countries, with the exception of Canada, they cannot practice architecture in a US jurisdiction without acquiring a license to practice in that jurisdiction.

The US is currently seeking a mutual recognition agreement with China to enable its architects to practice in that country.

### **C) Canada**

Regulation of the profession of architecture, including the registration/licensing of architects, is the responsibility of each province. All 10 provinces have self-regulating associations to govern the profession of architecture and to establish registration/licensing requirements. Fortunately, all provincial associations have common admission standards, regarding education, experience and examination. Such standards facilitate reciprocal registration/licensing from province to province.

For any non-US foreign trained architect to practice in Canada, s/he is required to register as an intern with the appropriate provincial association. Each association (except Quebec) requires interns to pass NCARB's ARE. Some provinces may have additional requirements before registration, such as the completion of a certain number of hours of practical training.

### **D) Australia**

Anyone using the title 'architect' or offering services to the public as an architect, must by law be registered with the architects' board in the relevant state or territory. Each state and territory has its own architects' board. Generally, to register as an architect one needs:

- a recognised academic qualification in architecture, a pass in the National Program of Assessment, or a pass in the relevant registration board prescribed examinations where offered;
- a period of training through experience followed by successful completion of the AACA Architectural Practice Examination; and
- to apply for registration to the architects' board in the state or territory in which registration is sought.



### **7.3.3 Local Capability and Competitiveness**

Architecture is a smaller industry than engineering and this general pattern is reflected in the sizes of the two industries in Barbados. There are roughly 24 architecture firms in the country and the Barbados Institute of Architects (BIA) has 64 members. Most local firms are one or two person operations that lack export capacity. Although the industry lacks scale internationally, it matches up well on quality. The Bajan architectural industry is among the largest in the region and can rival any other country for standard of service.

The cost of services in Barbados is competitive with the UK. The hourly fee for a draughting technician in Barbados ranges from US\$20-\$55. Whereas an architect's assistant in the UK, a position that involves draughting, can cost between US\$65 and \$85 per hour. So a competitive advantage exists in this area. However, the current accreditation scheme makes it difficult for architects to supply services to the UK through mode 4. And since outsourcing in the industry is limited to labour-intensive activities such as draughtsmanship, these activities are more likely to go to lower-cost destinations with the ability to handle high volumes of work. Accessing the UK and the rest of the EU market will be dependent on easing of registration requirements through the EPA negotiations. Similarly, outsourced work from the US is not likely to be sent to Barbados, and the registration regime will have to be eased through trade negotiations before mode 4 service supply becomes feasible.

Therefore, the primary opportunity for exports in this market segment lies within the CSME.

### **7.3.4 Market Positioning**

The size, quality and maturity of the Bajan industry give the country a competitive advantage in the CSME. Exporting to the region has already taken place and this market continues to present the best chance for increased exports. Trade negotiations should seek to open up the EU and the US to architects and if that is done, there may be long-term possibilities in those markets. At the moment, higher value-added services are not outsourced, but if this were to change, Bajan architects could attempt to supply such services to UK and US firms via cross-border supply, which would allow them to avoid onerous registration requirements. However, the EU and the US are not feasible target markets at present.

## **7.4 Construction-management Services**

### **7.4.1 International Trends**

The top ten nations in terms of spending on construction are the US, Japan, China, Germany, France, the UK, Italy, Spain, Canada and the Netherlands, accounting for 75% of the global market. Much of the services for these markets have been supplied domestically. Growth in the world economies continues to underpin strong growth in demand. The very high levels of economic growth in some emerging markets have been paralleled by high growth rates in the construction sector. China is becoming a very large market and the oil-driven boom in the Middle East has financed massive projects in those countries that have greatly increased construction activity.





Projects are becoming increasingly complex and require the services of large, global firms that possess an array of expertise, including construction-management skills. However, they continue to make use of local firms to assist in the execution of this work as they may not be familiar with the local operating environment.

#### **7.4.2 Local Capability and Competitiveness**

Much of Barbados' construction industry is centred on tourism projects. As such, firms have particular expertise in delivering construction-management services to the tourism industry. Local firms have experience in developing hotels, resorts, restaurants and shopping complexes. In addition, Barbados's active residential tourism industry means that service providers have a strong capability in putting up villas, residential complexes and homes.

Firms will not be able to compete for the type of massive projects that are going on in the Middle East because they cannot offer the range of specialist expertise or the scale required. The best opportunities for exporting will continue to be within the CSME, serving tourism projects.

#### **7.5 Export Targets**

Exporting of services within all three market segments encompassed by construction-related services is already taking place within the CSME, which will continue to provide the best opportunities in all areas. Engineering services can focus on attracting business from the UK market and will likely yield the greatest share of increased revenues of the three segments. In 2000, Barbados received US\$2.8 million from exports of construction services. Considering the growth since then and the potential in the target markets, a realistic 5-year goal is to add an additional US\$7.5 million to earnings from construction-related services.

#### **7.6 Marketing Strategy**

Clearly, the size of the international trade in engineering and architectural services that is contestable by firms specialising in these services is large (US\$ 300 billion). However, international trade is dominated by engineering services and this is likely to remain the case in the foreseeable future. Of this market, a sizeable proportion is likely to be served by the larger, international firms. Third party outsourcing is only now becoming an established practice, though it is likely to grow rapidly in some areas. The strategy is focused on increasing regional exports in all market segments, creating opportunities in extra-regional markets (primarily the UK and primarily for engineering services) and on improving long-term export prospects.

##### **7.6.1 Brand Awareness**

The first step in the process is to increase the profile of the sub-sector internationally. Barbados has a good regional reputation, but this needs to be showcased in a more focused way that has a global reach.

1. Redesign of industry association websites. The website of the Barbados Association of Professional Engineers is currently laid out as an information resource for members and the public. It needs to be redesigned to promote engineering services as a commercial product. The site should promote Barbados as a location for quality construction-related services and should profile



particular areas of expertise. It should also offer general information on the country, information on the business environment, information on relevant investment/export incentives, information on the engineering industry (such as the size and skills of the labour pool) and general information on individual service providers. Links should be provided to specific providers' sites and full contact details should be posted. The website of the Barbados Institute of Architects was under construction at the time of writing, so it was not reviewed. However, assuming it is similar in structure to the BAPE's site, it should be reworked along similar lines.

Rationale: An industry website provides a focal point for highlighting the services Barbados can offer and establishing its strong regional reputation in a marketable form that has international reach. It also serves as a way of differentiating Barbados from the service offering in other countries, which is an important aspect of competing in the international export market. Branding the country through the use of a USP can help in this regard.

Actions Required	Resources Required
Hire website developer	US\$2,000 per site, relevant industry association to bear cost
BAPE and BIA to lead on development of their sites, perhaps by appointing a sub-committee; BIDC to advise on development of content	25 person days per site
Maintain website	US\$2,000 per annum per site, relevant industry association to bear cost

## 7.6.2 Direct Marketing

These activities are designed to create export opportunities in the target markets for firms and to provide support to activities taken on independently.

1. Marketing trips. Trips for the larger, export-ready firms in the local industry to meet with UK firms should be arranged. As indicated above, the UK is suffering from a shortage of engineers and firms in this market will be more likely to require strategic partners to help cope with the resultant lack of capacity. Delegations comprising representatives from a number of firms should be organised so that a broad range of services and providers are exposed to potential customers.

Rationale: UK firms looking to outsource engineering work or partner on projects may not be aware of what is on offer in Barbados and marketing trips will address this constraint. Marketing to engineering firms instead of potential clients for engineering services will avoid the high cost of directly marketing for individual contracts. The UK firms will attract the business and, if they are convinced of the benefits of using Bajan suppliers, they will continue to provide export opportunities. This allows local firms to benefit from the marketing efforts of UK firms. Aside from raising the profile of the industry, trips will allow local firms to gain valuable information about upcoming opportunities and how UK firms select



foreign partners. The exchange of information may lead to some immediate partnering or outsourcing opportunities.

Actions Required	Resources Required
Compile a list of UK engineering firms with potential interest in outsourcing/partnering; this may require the assistance of a consultant familiar with the UK engineering landscape. The BAPE and individual firms should be able to inform the selection process. Contact the firms and arrange meetings; BIDD to lead	30 person days + cost of potential consultancy
Organise and send delegation to meet with firms; BIDD to lead	Privately funded by delegation members + 20 person days for trips (10 days for each of 2 trips)

- Marketing support and market intelligence. Although the level of technical capability in this sub-sector is high, even in smaller firms, the ability to market that capability is sometimes lacking. While many firms may be more than capable of carrying out a job, in some cases, they cannot make this expertise clear in public tenders. Training to service providers on how to prepare competitive tenders could help them to win projects. Additionally, information on upcoming projects and opportunities should be compiled and disseminated industry-wide.

Rationale: Much work in the construction-related services sub-sector is awarded through public procurement. To ensure their future viability, firms must be able to put together competitive proposals. While they will develop expertise in doing this through experience, training could improve their success rate in a more immediate way. Even in publicly-tendered work, it is often necessary to have some knowledge of upcoming projects so that preparations for a competitive bid can be made before the work is publicly announced. For example, it may be necessary to form a consortium to bring in the full set of skills required for the job, and this means partners need to be identified at an early stage. As many firms do not have the resources to track projects as they are being developed, they do not become aware of opportunities until they are in the public domain, which puts them behind their competitors. This information could be compiled nationally for all firms.

Actions Required	Resources Required
Develop and deliver training programmes on preparing project proposals. The BAPE and BIA may take on this function in cooperation with the BIDD	30 person days per annum
Gather information on upcoming projects by visiting contacts in the public and private sectors. Within the public sector, visits should be made to governments in target markets as well as to development banks and agencies, such as USAID, the Millennium Challenge Corporation, the CDB and the IADB. A list of major construction-related services firms operating in the target markets should be compiled and then visits should be conducted. Again, the industry associations could take on this role and work with the BIDD	40 person days per annum



3. Matching grant facility. The purpose of this facility should be to provide funding for activities designed to generate export opportunities for service providers in the sub-sector. The Government, perhaps through the BDC, could contribute funds on a one-to-one matching basis for individual firms to access. These funds could be used by service providers to finance their marketing activities. Although engineers and architects are not allowed to advertise their services, they can undertake business development and this is what such funds are intended to support.

Rationale: Even if activities such as marketing missions are organised on behalf of firms, they will still have to contribute some resources. Their marketing budgets for these collective activities, as well as for their individual business development efforts, might be limited. A matching grant facility provides some assistance in this regard.

Actions Required	Resources Required
BDC to liaise with industry working group on drafting of fund framework and charter	20 person days
Create application process, including documents and selection criteria, that are suited to the construction-related services industry; BDC to lead	15 person days
First-year goal should be to assist 10 businesses	US\$50,000
Launch fund and administer disbursements; BDC to lead	30 person days

### 7.6.3 Enabling Environment

The exporting of construction-related services that has taken place to date has been based on the quality of services offered; a directed effort to commercialise the industry outside of Barbados has not been made. The marketing strategy is an attempt to make this push and to be successful, it needs an industry working group to take the lead and address the enabling environment constraints to exporting.

The industry working group should draw together the BAPE, the BIA, representatives from the construction-management services profession and the BDC. This industry working group should take charge of the marketing strategy for the sub-sector and should:

- Allocate responsibility for specific activities.
- Estimate resource requirements and determine what the public sector will fund and what the private sector will fund; it will then ensure each sector meets its resource commitments.
- Monitor progress against targets.
- Oversee the following initiatives designed to improve the enabling environment:
  - **Free movement:** As much of the initial export focus will be on serving countries in the region, it is important that Bajan professionals can work in these markets. A common view in the private sector is that the Government should require local content in its construction-related projects to protect the local industry. However, given Barbados' strong position in the regional industry, local firms stand to benefit



more by a level regional playing field. The CSME should alleviate requirements for local accreditation and ensure that local content requirements are reduced, thereby facilitating access to regional markets. Negotiations on access need to be monitored by the industry to ensure that markets genuinely open up. The Caribbean Council of Engineering Organisations (CCEO) is expected to eventually have regional oversight over training and accreditation, which would be an improvement over the multitude of national schemes that exist now. Once in place, CCEO-accredited professionals should be able to work throughout the region.

- **Improve International Market Access for Engineers:** While accreditation is not required when taking on outsourcing work, it does become an issue when personnel are required to work abroad. The process of obtaining foreign qualifications for engineers and architects can be quite onerous and pursuing these standards is not always feasible, even for those who train in the region. Rather than having individuals obtain foreign qualifications, international trade policy negotiations should facilitate movement of persons. This issue is already on the agenda in the EPAs, and once they come into effect, they should allow temporary work in Europe without qualifications. The EPAs also address mutual recognition of qualifications but how this will be implemented is uncertain. What should be pursued is a NAFTA-style arrangement that allows for temporary and permanent licensing of engineers who are licensed in their home jurisdiction or CCEO accredited, when that regime comes into place. Similar regimes should be pursued with other countries such as the US and attempting to join the Washington Accord, although it only deals with mutual recognition of engineering education programmes, may be a starting point.
- **Improve International Market Access for Architects:** The draft EPAs indicate that architects would benefit alongside engineers by having greater access to EU markets. They should seek to have Caribbean qualifications recognised under the EU's Directive 85/384/EEC and grant Caribbean professionals European treatment. This would essentially allow Caribbean architects to register in European countries following the Directive once they have 2 years professional experience.
- **Skills:** A number of firms have reported difficulties in recruiting skilled labour. And if Barbados is to pursue outsourcing of construction-related services, it will need to ensure that skilled labour is in adequate supply. For example, outsourcing of draughting services will require that the supply of draughtsman is increased. While many more qualified professionals that have the capability to do this work exist, their high rates make them uncompetitive in such services. The private sector will need to liaise with training institutions to guide the development of education programmes so that graduates enter the workforce with relevant skills.
- **Incentives:** As in other service sub-sectors, there is a need to develop export incentives that are tailored to the construction-related services sub-sector. This will make exporting more profitable, which will be important as the CSME opens up the local market. SMEs also suffer from a lack of access to finance. This is a common problem in many of the service industries and the issue of access to finance for SMEs



should be approached as a general problem, rather than individually by service sub-sectors. The possibility of obtaining donor funding for technical assistance on this issue should be explored.

- **Public-Private Partnerships:** These partnerships will be a key element to the success of the marketing strategy. The private sector will have to inform trade policy negotiations and the development of training programmes and formal partnerships with the public sector will need to be formed to do this.
- **Private-Private Partnerships:** Domestic firms should associate on tenders for large projects and larger local firms should subcontract work to smaller local providers. Associating on tenders provides a way that firms can overcome the limitations they face because of their small scale. If larger firms pass on work to smaller providers, they will be able to have the work done at lower cost and will be able to concentrate on further business development and higher fee-earning work. The smaller firms benefit because they develop expertise and an established track record. The industry associations should serve as the contact point for setting up these partnerships.
- **Access to finance:** The task force should work with the Ministry of Commerce, Consumer Affairs and Business Development and the Central Bank to improve access to finance. For further details of what is required, please see the Action Plan.





## 8 Production Services for the Entertainment Industry

### 8.1 Introduction

Production services in entertainment encompass a range of activities in a variety of areas which can include animation, advertising, film-making, photography, music and events management. As the areas most relevant to the Caribbean are production services relating to film, music and the staging of events, this analysis will concentrate on these areas.

### 8.2 Film

#### 8.2.1 International Trends

##### A) Industry Trends

Worldwide expenditure on film production has increased from US\$5.6 billion in 2001 to US\$7.3 billion in 2005. Despite the 30% growth over this period, expenditure in the US rose only marginally, by 4.3%, from US\$3.24 billion to US\$3.38. Meanwhile, production outside the US jumped by 135% to top US\$3.8 billion, eclipsing spending in the States. Within America, California retains a competitive edge because of its talent base and infrastructure and accounts for over 60% of the domestic market.<sup>28</sup>

Some countries have been able to successfully develop as production or post-production hubs for major film projects. These locations feature world class studio facilities with high quality equipment and sophisticated production facilities. India, due to its large pre-existing film industry features such infrastructure, and locations such as Ramoji Film City at Hyderabad have facilities on par with those in Hollywood. Post-production services often concentrate on adding animations, computer graphics and special effects. Due to these state-of-the-art facilities, combined with good shooting locations and a low-cost base, several Hollywood films are already being made in India. It is important to note that the film-making process that is going on there involves more than simply the use of an attractive location and the creation of low-paid employment. India is providing higher value-added, skilled services by participating in the production and post-production on films.

Canada has also been successful in attracting Hollywood productions due to appealing filming locations, availability of skilled labour, a lower-cost base and an attractive incentive regime. In 1998, the Federal Government introduced a Production Services Tax Credit which offered an 11% rebate on qualified Canadian labour. This was supplemented by many provinces offering additional rebates on regional labour varying from 11-47%. As a result, film production expenditure in Canada rose from US\$430 million in 1998 to US\$1.2 billion in 2005. However, the rate of growth has been even more significant in Eastern Europe where expenditure grew nine-fold over the same period, rising from just US\$30 million to US\$308 million.

##### B) Potential Cost Savings

An overseas production location can provide a cost saving that ranges between 10-15% of the total budget. Current savings on labour from the US to Canada are 42.1%; a film production technician in the States that would cost US\$25.00/hour is available at US\$14.49/hour in Canada. The same technician costs US\$16.14 in

<sup>28</sup> CEIDR



Australia and US\$13.71 in New Zealand. In some Eastern European countries with low wages and a favourable exchange rate, the cost can be just US\$2.50.

### **C) Decision-making Factors**

As the capabilities of special effects improve, small differences between relatively similar shooting locations become less important and the quality of incentive structures becomes more important as a decision-making factor. However, the shooting location is still a consideration and figures more prominently in projects that require a particular setting such as specific natural environments. In addition to incentives and appropriate location, factors affecting the choice of filming and production services include a low-cost base (including labour), the availability of skilled labour and the availability of world-class production facilities.

### **8.2.2 Local Capability and Competitiveness**

Barbados cannot match locations like Dubai and India in terms of the large-scale film production facilities that can be a draw for movie productions and lags behind Canada which is a mature market that has been hosting Hollywood TV and movie productions for some time. It can offer an attractive filming location but faces competition in this regard from many other Caribbean islands. And because of its high cost base, it is not competitive with places such as Dominica, St. Vincent and the Grenadines and the Dominican Republic that offer similar locations at cheaper prices. For these reasons, Barbados is unlikely to be competitive in providing movie production services.

Where it does have capability is in smaller-scale video production for TV and advertising purposes. Firms have the necessary facilities and the necessary skills to provide these services and exports provide a good opportunity to grow beyond the boundaries of the local market. The industry is small and has a relatively low-profile by international standards, so the primary exporting opportunity will be in the CSME region.

## **8.3 Music**

### **8.3.1 International Trends**

#### **A) Structure of the Global Market**

The global market for music is worth over US\$100 billion. Table 11 overleaf breaks out the components of the global market into individual segments; physical recordings at US\$31.4 billion is the largest sector. Other key activities related to production services include live performances (US\$14.4 billion), music publishing (US\$6.9 billion), ring tone revenues (US\$3.5 billion) and digital recordings (US\$2 billion). Live performances is a growing area and the upward trend is being driven in part by the growth in music festivals, including very large festivals, in the US and Europe. One such event is the Couleur Café Festival that is held annually in Belgium during the summer. It draws in artists from all over the world, including Jamaican artists, 3 of whom appeared in 2006. A number of other festivals exist, including MIDEM, WOMEX, Oslo World Music Festival, the Masala World-Beat Festival in Hanover and Glastonbury in the UK.



**Table 11: Music Industry Revenues by Segment (US\$ billions, end user prices)**

Segment	Revenue
Physical Recordings	31.4
Radio Advertising	29.9
Live Performances	14.4
Portable Digital Players (global)	9.0
Music Publishing	6.9
Audio Equipment Sales (US & Europe)	4.8
Ring Tone Revenues (after royalties)	3.5
Digital Recordings	2.0
Radio Subscriptions	0.8
<b>Total</b>	<b>102.7</b>

Sources: IFPI, Global Media & Entertainment Outlook, Pollstar/Music & Copyright, IFPI (from IDC & Apple announcements), Music & copyright, CEA (USA) EITO (Europe), Informa Media, IFPI, Citigroup (from Sirius & XM announcements) as published in 2006 Global Recording Industry in Numbers: the Definitive Source of Global Music Market Information

A growing trend within the physical recording segment is growth in digital music sales, which surpassed US\$1 billion in 2005. This represented 5.5% of total music sales and primarily occurred in the form of mobile or online sales. The rise of digital commerce in music has impacted CD sales and they dropped from 84% of total sales in 2004 to 82% the next year. Sales of recorded music by country appear in the table below.

**Table 12: Recorded Music Sales by Country (includes digital sales)**

Country	Percentage of Total Sales
US	34%
Japan	18%
UK	10%
Germany	7%
France	6%
Canada	3%
Australia	2%
Italy	2%
Spain	2%
Brazil	1%
<b>Total</b>	<b>85%</b>

Source: IFPI 2006 Global Recording Industry in Numbers

France, which ranks 5<sup>th</sup> by sales, has a market size of US\$1.9 billion. 3% of its sales by genre from 2001 to 2005 were in world/reggae music. While up to 2/3 of these sales come from domestic sources, this is a market that has demonstrated openness to diverse forms of music.

## **B) Decision-making Factors**

Physical recordings and music publishing require studios and skilled producers to arrange the music artists produce. The attractiveness of locations has traditionally been influenced by the availability of quality equipment, but more importantly by the skills and reputations of individual producers. As this expertise grows and becomes more well-known, the result is a greater perception that a particular location is a centre of quality music production. This sort of reputation plays a key role in the decision about where to go for production services. Jamaica is a good example of a



country with a well-established reputation and many foreign artists go to the country to work with talented producers in quality studios.

### **8.3.2 Local Capability and Competitiveness**

The country has good quality studios, skilled producers that have the capability to produce music and a capability in artist management services. The success of Bajan artists such as Rihanna and Rupee has raised the international profile of the domestic music scene and created a sense that there is a unique Bajan 'sound'. This provides a platform for increasing exports, but the opportunity is a small one in economic terms. Even Jamaica, which is the clear regional leader in this area only exports about US\$40 million in music services. Jamaica will also be the main competitor for Barbados. The focus should be on providing music production services to artists within the region as well as soca and calypso extra-regional artists.

Crop Over is important because of its links to the music industry. Much of the production capability that exists domestically is a result of this large-scale event. Crop Over has also created a domestic and international market for Bajan music and offers an opportunity to showcase local styles and talent.

## **8.4 Events Staging**

### **8.4.1 International Trends**

#### **A) Cultural Tourism**

Cultural tourism is a growing market and 2002 estimates called for an annual growth rate of 15%. Driving this trend is the retirement of the well-educated, well-travelled baby boomer generation, which will leave these individuals with more time to visit different countries. The World Tourism Organisation has estimated that 37% of all international trips include a cultural component. The activities that fall under the definition of cultural tourism are broad and include:

- The sale of recorded music to tourists.
- Live performances – music, dance, theatre, fashion shows, etc. at concerts, in hotels, night-clubs, etc. (performance revenue & performance royalties).
- The sale of craft & visual arts, literature.
- The sale of local cuisine and food products.
- Heritage tourism – trips to museums, heritage tours.
- The presentation of local films and audio-visual products.

Of primary interest to the events management section is the component of cultural tourism that involves attendance at live performances. As cultural tourism grows, demand for live performances of all kinds, including music, dance and theatre will increase. Staging of these shows will require event management services. As tourism is attracted to these events, greater awareness of the entertainment product that is on offer increases. This should fuel consumption of other products such as film and music that also involve the use of production services.

Large-scale festivals require a great deal of organisational and technical skill to stage. With the growth of such events around the world, opportunities for planning and participating in their execution exist.

#### **B) Decision-making Factors**



As in the music industry, production services relating to staging events are dependent on the reputations of the individuals putting the events on. As smaller scale events are successful, reputations grow and larger opportunities come along.

Cultural tourism is somewhat different. Tourists are more likely to choose to travel to a destination based on their understanding of its heritage, rather than on the strength of the reputation of an individual producer staging a performance. A perception of a destination as culturally-rich is necessary to attract the initial visit. Once tourists are in a country, factors such as marketing and positive word-of-mouth (domestic and international) will affect their decision about which events to attend.

#### **8.4.2 Local Capability and Competitiveness**

Crop Over is the major local cultural event and its length and scale has given rise to a strong local capability in events staging. Local music, performance styles and design capability (e.g. costumes) have evolved and Barbados has the ability to tie together varied types of artists and performances into an integrated festival. Local producers have demonstrated expertise in handling the logistics of such events, including all aspects from initial promotion to final staging. Crop Over is a well-established event and the skills that have developed as a result of it can be applied to staging of other events. Bajan companies have the ability to stage shows locally for the rapidly growing cultural tourism market as well as to go abroad and put on events.

#### **8.5 Market Positioning and Export Targets**

The world's music and film production and event management industries are large and increasingly international. With an increasing reliance on production services for special effects and the use of digital production technology, they have become capital intensive, and a number of countries boast state of the art film cities. Barbados cannot compete against such facilities.

The primary opportunity for Barbados in this sub-sector is in exporting music and video production services, based on the reputation of its music industry, the image of the island and its video production facilities. Exports in music and video production will primarily be to the CSME market, but music services could also be provided to local genre artists based outside the region. There may also be opportunities to export event management services based on the success of Crop Over and to export through events and shows attended by tourists in Barbados. A target of increasing exports by US\$7.5 million over 5 years should be achievable.

#### **8.6 Marketing Strategy**

The entertainment industry in general is fragmented and difficult to promote cohesively. The strategy is focused on conducting some direct marketing activities that will hopefully lead to increased exports while raising awareness of Barbados' capability in production services.

##### **8.6.1 Brand Awareness**

Bajan music and entertainment has been able to gain some international recognition, primarily through the success of Crop Over and individual artists. Concerted efforts



to raise the profile of the industry through marketing have not been made and the activities suggested below are intended to fill that gap.

1. Tourism website. The website of the Barbados Tourism Authority does contain information on Bajan music and culture, including events, but it does not contain information on specific production facilities and services on offer. A section with this information should be added to the site. The site does brand Barbados as a centre for culture, but this branding should be expanded so it highlights the country as a centre for creative production services. Information on individual service providers should also be made available.

Rationale: The tourism website, which already contains information on the music industry is a natural place to house information on Barbados' production services capability. The purpose of the website is to create awareness of what Barbados has to offer in a range of areas and it can easily be expanded to take on the same function for music and video production services as well as events staging services.

Actions Required	Resources Required
Form committee of music and video production firms to develop content for website in association with BTA	25 person days
Add new content to website	US\$1,000

2. In-flight, airport, hotel and cruise ship advertisements. This is already being done but is generally used as a direct marketing tool to attract tourists to cultural events. Advertisements that focus on promoting Barbados' general cultural offering should also be placed in the channels above. This will raise the profile of the industry in general.

Rationale: Barbados receives over 1,000,000 tourists each year, including cruise ship passengers. These tourists know and like the country, which makes them excellent potential customers. They need to be made aware of the entire cultural offering of the country. Not only will this lead to increased attendance at events, these people will create awareness of the industry through word-of-mouth.

Actions Required	Resources Required
Hire graphics designer to develop advertisements for culture in Barbados; BTA to lead	US\$3,000
Place advertisements in airports, in-flight magazines, hotel brochures and magazines and cruise ship publications; BTA to lead	US\$10,000 per annum

3. Foreign advertising. Some limited advertising directed at potential clients for music and video production should be carried out. The ads should profile the general services on offer in Barbados and provide information on how to contact individual service providers (perhaps by referencing the website). Potential publications include Televisual ([www.televisual.com](http://www.televisual.com)), SocaVibe Magazine ([www.socavibe.com](http://www.socavibe.com)), Soca News ([www.socanews.com](http://www.socanews.com)) and The Source Magazine ([www.thesource.com](http://www.thesource.com)). The Source is a hip-hop magazine but it has a broad readership and would reach a wider audience than ads in soca-themed publications. Attempts should also be made to increase exposure of local





producers through media coverage. Crop Over provides a good opportunity to do this.

Rationale: Potential clients for music and video production services may not come across the website, which is a passive marketing tool. Ads in publications and increased media coverage are more active ways of promoting the services on offer in Barbados.

Actions Required	Resources Required
Hire graphic designer to develop advertisements; BTA to lead	US\$3,000
Place advertisements in selected publications; BTA to lead	US\$15,000 per annum
BTA to liaise with media to get articles/pieces on local producers published/aired	20 person days per annum

4. Familiarisation trips. Existing expertise in conducting tourism familiarisation trips should be drawn on to organise similar visits for potential consumers in the CSME and the US. Producers of music, videos and events management companies should be targeted as they will provide as access point to a wider client base without the expense of mass marketing.

Rationale: Showcasing the range of firms and skilled producers available in Barbados may convince individuals in the music, video and events businesses to use them. A few of the trips should focus on potential consumers from the CSME and a few on potential clients from the US. The US is a very large market and established producers and recording companies produce music in large volumes. They, along with CSME customers, may not be aware of the capability and unique sound on offer in Barbados and a few trips may allow for some penetration into these market. While the potential for exporting video production services and events staging services to the US is not high, the trips involving US consumers who have an interest in these fields should visit pertinent local service providers.

Actions Required	Resources Required
BTA to organise and lead familiarisation trips of 5 days to visit a range of service providers. These trips will require funding for international airfare, 4 nights accommodation and 5 days of per diems.	US\$50,000 + 50 person days per annum

## 8.6.2 Direct Marketing

The purpose of these activities are to create export opportunities for firms.

1. Marketing trips abroad. Identifying target customers and carrying out missions abroad is another means of generating export opportunities. Again the focus should be on music and video producers and events management companies as they can then channel production and staging work to Barbados.

Rationale: Marketing trips will allow firms to make valuable contacts in the US and CSME markets and will also provide a source of information on how they select partners to work with.



Actions Required	Resources Required
BTA to develop list of potential customers, perhaps through consultation with well-established artists and producers (both local and in the diaspora)	30 person days
BTA to organise missions of service providers to visit contacts	Privately funded by delegation members + 20 person days (10 days for each of 2 trips)

### 8.6.3 Enabling Environment

Many of the service providers in this already fragmented industry are very small operations and for the marketing strategy to work, an industry working group to oversee its implementation must be formed. The industry working group should draw together the Barbados National Cultural Alliance, the National Cultural Foundation, representatives from music production firms, representatives from video production firms, representatives from events staging companies, the BCC/UCB (to input on skills training) and the Barbados Tourism Authority. This industry working group should take charge of the marketing strategy for the sub-sector and should:

- Allocate responsibility for specific activities.
- Estimate resource requirements and determine what the public sector will fund and what the private sector will fund; it will then ensure each sector meets its resource commitments.
- Monitor progress against targets.
- Oversee the following initiatives designed to improve the enabling environment:
  - **Access to finance:** Details of what is required are set out in Action Plan below.
  - **Local Partnerships:** Because providers lack scale, they may need to forge partnerships with other firms to improve and expand their product offering. This would allow them to compete more effectively for exports. As an additional benefit, the exchange of information and consolidation of views could also be used to more effectively lobby the Government for industry reform. The Barbados National Cultural Alliance seeks to promote a broad range of cultural exports. The organisation was formed in April 2006 and so it is still trying to attract membership, but it could provide a forum for firms to meet and explore partnering opportunities.
  - **Skills:** Music and video production and events staging are increasingly technologically-driven. To compete in export markets, Barbados needs to have a labour force that is well-versed in the latest techniques and applications. This means that the industry must liaise with training institutions to ensure that education programmes provide the necessary skill training.



## 9 Action Plan

The marketing strategies elaborated above provide guidance on the actions to be taken to promote exports in each of the six sub-sectors. In this chapter, we outline how the country may take forward the initiative to promote professional service exports as a whole. It focuses on issues of how to obtain buy-in and to co-ordinate the actions of the many actors involved across the public and private sectors, how to address enabling environment constraints that affect all the six sectors and the specific roles and responsibilities of the agencies and organisations involved in implementation.

### 9.1 Obtaining Buy- In

In the process of undertaking the research required to prepare this document in Barbados, it became clear to us that one of the key constraints to developing an enabling environment for the promotion of exports of professional services was a lack of appreciation amongst policy makers and the private sector of the scale of opportunity that these sectors represent and the capabilities of the country to succeed in them. Sectors that are in decline such as agriculture and manufacturing and the well-established service sectors of tourism and financial services are likely to command far greater attention than professional services.

Moreover, in the case of health and education, there is a need to change mindsets within policy makers that have regarded these industries as public services provided solely for the purpose of the local populace. Policy makers need to regard these as industries in their own right which have tremendous export potential. They need to appreciate that the twin goals of serving the domestic population and exporting are complementary, not contradictory.

The lack of importance and traditional mindsets are changing with key ministries such as Economic Affairs and Development and agencies such as BIDD paying far greater attention to professional services. However, much more needs to be done in this regard. The wide circulation of this document in the public and private sectors should help to start the process.

The successful implementation of the marketing strategies described above will depend upon the enterprise and skills and investments made by the private sector. However, kick starting the growth of new or underdeveloped sectors, especially when the private sector is weak, calls for leadership from the public sector. We suggest the following actions that will signal the intent of government to provide such leadership:

1. When this document has been discussed, amended as necessary and hopefully endorsed, a policy statement should be issued by the Minister of Economic Affairs and Development endorsing its findings. The policy statement should set out cabinet level commitment to developing professional service exports and implementing the contents of the document.
2. Obtaining media coverage of the policy statement and the opportunities these sectors provide should be the responsibility of the BIDD.



3. As the process of implementation unfolds, the BIDC, which already features IT and call centres in its list of Investment Opportunities, should start to feature other professional services.
4. As progress is made, it should be reported through the press so that the private sector can see that its efforts are being acknowledged by policy makers and the public.

## 9.2 Co-ordination & Oversight

The marketing strategies set out above reveal that to deliver the enabling environment for the export of professional services, partnerships, built on dialogue to facilitate effective cooperation, will be needed in all six industries. The partnerships should, ideally, encompass three types of co-operation:

- *Public-Public Partnerships:* This would bring together the Ministries and government agencies involved in each industry to ensure that there is consistency in the development and implementation of policy towards the industry.
- *Public-Private Partnerships:* To ensure that the public and private sectors are mutually accountable for the delivery of the export strategies, there is a need to mutually agree performance targets, the actions needed to achieve them and the means of monitoring performance to learn lessons that will help policy formulation and implementation in the future.
- *Private-Private Partnerships:* There is a need to bring together representatives of the different types of businesses in each sector to ensure that the private sector can articulate its policy recommendations consistently and coherently to the public sector, that there are effective mechanisms in place to share the cost of services that would benefit the industry as a whole and that there is a regular flow of information to alert businesses of market trends, new opportunities, the capabilities of businesses in the sector and possible ways to cooperate in exploiting market opportunities.

As suggested in the marketing strategies, an effective way of forging such partnerships is to establish industry working groups. Empowering these industry working groups is essential if they are not to become 'talk shops' that will die through inaction. We suggest therefore that these groups be recognised as special task forces appointed by the cabinet and charged with the responsibility to exercise oversight and co-ordinate the implementation of the marketing strategies for their sectors. They need not be formally constituted and the BIDC can act as their secretariat. Nor do they need to have control over public funds: the public resources required can be provided through the appropriate government agency; BIDC or the BTA. This will avoid the need to establish new organisational structures with attendant administrative overheads and bureaucracy.

To enable effective co-ordination of these working groups and oversight over the development of professional service exports, we recommend the formation of a small task force reporting to cabinet. The composition of the task force on professional service exports should comprise:

- The ministries of: Economic Affairs and Development (chair); Foreign Affairs and Trade; Commerce, Consumer Affairs and Business Development; Tourism and International Transport and the Ministry of Education, Youth Affairs and Sport. The first four ministries have an important stake in the



development of professional service exports whilst the education ministry is vital to ensure that skill constraints do not hamper their growth;

- Representatives of the BCSI and the Barbados Chamber of Commerce and Industry to provide private sector perspectives.

The BIDC could act as the secretariat of the task force. Apart from oversight of the industry working groups, the task force could play the following roles:

1. Ensure that there are sufficient public resources forthcoming to enable each industry working group to implement its marketing strategy.
2. Bring to bear the authority of Cabinet in overcoming difficulties experienced by the industry working groups in bringing about enabling environment reforms.
3. Appoint agents to oversee the process of bringing about generic enabling environment reforms described below.
4. Monitor the development of professional service exports, informing the industry groups of progress and helping them to respond to new export opportunities as they emerge.

To monitor progress in developing professional service exports, the task force will need access to reliable statistics. This is problematic at present. Unlike goods, there are no border points at which the export of services may be recorded. The four modes through which services may be exported – cross border supply (mode 1), consumption abroad (mode 2), through commercial presence (mode 3) and the presence of natural persons (mode 4) – together with the use of ICT to deliver mode 1 services - make such recording extremely difficult.

Precedence set by well established services such as tourism is also not helpful in this regard. The tourism industry opted for consumer surveys using questionnaires administered to tourists at the point of entry to or exit from the country. These do not provide an accurate picture of receipts, frequently overstating tourism expenditure compared with actual receipts. Tourists may include costs that do not accrue to the country. For instance, whilst the tourist may report the full cost of a package holiday, the country may not receive the cost of the airfare and only some 40% of the amount spent on accommodation. The discrepancies between tourism receipts reported by tourist boards and central banks are a continuous bone of contention.

The only meaningful way of capturing the performance of service exports is through receipts of foreign earnings by the central bank. Currently, the Central Bank of Barbados records service receipts at a fairly aggregate level (BMP-5). It should be possible to work with the Bank to arrive at a disaggregated classification that will provide more meaningful data for monitoring purposes. Thus, it should be possible to track performance of all six sectors if not individual sub-sectors within them. We suggest that BIDC work with the Bank to establish what is feasible.

### 9.3 Enabling Environment Reforms

Each of the industry working groups has an agenda of industry specific enabling reforms that it should be tasked to bring about. There are, however, a set of generic enabling environment reforms that the task force on professional service exports will need to oversee. The most important of these reforms are:

1. **Promoting entrepreneurship.** The Ministry of Education needs to introduce opportunities for entrepreneurship in professional services into the careers



guidance provided in schools and in vocational training establishments such as the University College of Barbados. The BDC needs to promote entrepreneurship in these services as part of the counselling it provides potential and existing entrepreneurs and through its interaction with private sector organisations such as the BCSI and the Barbados Chamber of Commerce.

**2. Improving Access to Finance.** There are two types of finance at issue:

- Firstly, the Central Bank needs to work with the commercial banks to improve access to debt finance. There are usually sound reasons why the commercial banks are reluctant to lend to small businesses, especially those who may find it difficult to provide collateral or charges over fixed assets. The major issues of collateral requirements, high transaction costs of loan appraisal and monitoring in relation to the value of the loan and obtaining information on credit worthiness and how to appraise business plans developed by professional service exporters, need to be addressed systematically through co-operation between the commercial banks and the Central Bank. There are a number of potential solutions provided by precedence set in other countries. The two sides will need to see which are appropriate for Barbados;
- Secondly, there is the issue of venture capital which is especially pertinent in the case of the sectors such as ICT where uncertainty over gestation periods caused by the need to turn knowledge into a product, make debt finance inappropriate. Other knowledge based industries suffer the same uncertainty to a greater or lesser degree. Providing venture capital for SMEs suffers particular constraints, especially in countries such as Barbados where the capital market is weak. The Government of Barbados has recognised this and established facilities to provide venture capital to small businesses. These facilities have, so far, not played a significant role in financing professional service businesses. The BDC needs to investigate the cause and, working with the fund managers, provide solutions to the issue.

**3. Improving Access to Investment Incentives.** Traditionally, the export incentives and business support services available in Barbados were targeted at the manufacturing sector with tourism having its own set of incentives. Recently, the decision was taken to allow service businesses to avail themselves of export incentives. However, in practice, professional service businesses report that they have not availed themselves of these incentives nor have they accessed other forms of government support such as training grants which are especially valuable to them, especially in the ICT sector. The main cause appears to be unfamiliarity with what can be accessed and how. BDC needs to launch an awareness and facilitation programme to remedy this.

#### **9.4 The Role of BDC**

The recommendation to form industry working groups is designed to ensure that the key stakeholders are able to coordinate and cooperate in taking forward the strategies for their individual industries and, in particular, to establish an enabling environment. There is a need for an agency of government to serve as the secretariat for the industry partnership groups and to assist the Cabinet sub-committee in monitoring progress of individual industry strategies. We recommend that BDC be charged with these functions.





BIDC is also the government agency best placed to take forward the strategic actions of providing market support to Barbados' industries and businesses and to promote FDI in health and wellness, education, ICT and in the finance and accounting sub-sector of the BDS industry. BIDC has experience of providing market support to Bajan businesses, organising missions abroad and arranging participation in trade fairs. These are useful tools that will also have a role to play in providing marketing support to Bajan exporters of professional services. In addition, in order to provide Bajan professional service industries with the visibility they require, BIDC will need to add generic marketing of Barbados as a source of professional services to its range of marketing support tools. In this regard, it has much to learn from the BTA.

In many respects, the process of decision making that foreign buyers make on sourcing professional services is akin to the two-stage process involved in choosing a holiday: buyers start by short-listing countries that may potentially meet their needs and then consider which service providers best meet them. Hence, buyers frequently think of the UK for ELT, India for ICT and so on. BIDC will need to follow the example set by the BTA in making potential buyers aware of the capabilities of Barbados's industries so that they include them in their list of prospective sources of supply. They may then be assisted in finding the appropriate suppliers in Barbados that are able to meet their needs.

BIDC is well placed to provide export marketing support and target specific foreign investors. It has a division responsible for each function. The role of providing support to industry working groups will provide the opportunity to integrate the two functions – export and investment promotion – in support of the export strategy for individual industries. To make effective the integration of the functions, it would be useful to give the industry working groups the authority to direct, guide and monitor the work of staff from BIDC's Export and Investment Promotion divisions. This should be facilitated by appointing a single point of contact within the BIDC, that person to serve as the secretariat of the working group and to assign to the individual a team of colleagues in each division that they can call on.

## **9.5 The Role of Caribbean Export**

BIDC will need help in fulfilling its role and function. Whilst the organisation has had considerable experience in promoting exports and investment in the agriculture and manufacturing sectors, it is comparatively new to the field of professional service exports. Its staff will need guidance on:

1. How to service the industry working groups and the cabinet task force to ensure that they remain effective in discharging their role and function.
2. Possible solutions to overcoming generic and industry specific enabling environment constraints that have proved effective elsewhere.
3. How to promote exports and investment in the six sectors.
4. The sources of data and reliable sources of expertise in these industries and their target markets.
5. Knowledge of what other Caribbean countries are attempting with respect to professional service exports so that BIDC does not, inadvertently, step on their toes or indulge in competitive practices that may start a race to the bottom as far as export promotion support or investment incentives are concerned.

As other Caribbean countries attempt to increase their own professional service exports, they will also need the same guidance as their TPOs are equally unfamiliar



with professional service exports. There is an important role, therefore, for CE to play to work at the CARIFORUM level to provide guidance and co-ordinate. The co-ordination role could be minimal, restricted to letting each other know what others are doing and avoiding a race to the bottom.

There are also substantial cost savings to be had by centralising databases and tracking potential candidates for foreign investment. Hence, instead of each country paying for research to identify potential investors and marketing intermediaries, tracking their responses, keeping abreast of industry trends and new opportunities and so on, these functions could be centralised at CE.

However, to ensure that there is no resource gap, Barbados will need to work with its member partners to ensure that CE has the resources it needs to play the roles of providing expert guidance and acting as a central resource base effectively. At present, CE does not have the required resources. They may be made available to the organisation in one of two ways:

1. A special membership levy that is ring fenced for the promotion of professional service exports;
2. An application to the European Development Fund supported by all members.

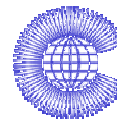
## 9.6 Resource Requirements

The total public resource requirements across the six sectors are as follows:

**Table 13: Public Resource Requirements**

Sector	BIDC Expenditure per annum (US\$)	BIDC staff (person days)	BTA Expenditure per annum (US\$)	BTA Staff (person days)
<b>Health</b>	147,000	325	10,000	35
<b>Education</b>	45,000	300	-	5
<b>BDS</b>	33,000	325	-	-
<b>ICT</b>	40,000	325	-	-
<b>Construction</b>	50,000	235	-	-
<b>Entertainment</b>	-	-	82,000	140
<b>Total</b>	<b>315,000</b>	<b>1,510</b>	<b>92,000</b>	<b>180</b>

These indicative budgets will need to be reviewed and amended by the industry working groups when they have been formed and by the agencies themselves. It should be the responsibility of the Ministry of Economic Affairs and Development to ensure that, when firm budgets are available, that the required resources are made available.



## 10 Appendix I – List of Presentation Attendees

Name	Position	Company/Organisation
Philip Goddard		Public
Marlene Hewitt	Senior Business Development Officer	Ministry of Economic Affairs and Development
Françoise Hendy	Director of International Business	Ministry of Economic Affairs and Development
Celeste Foster		Private
Taiana Mora-Ramis	Executive Director	Caribbean Export Development Agency
Anthony Bradshaw	Manager, Operations	Caribbean Export Development Agency
Veona Maloney	Manager, Core Services	Caribbean Export Development Agency
Tonika Sealy	Technical Advisor – New Sectors	Caribbean Export Development Agency
Patrick Hinkson		ICAB
Oral Dowell		Barbados Coalition of Service Industries
David Atherley		Private Sector
Dennis Shemeluck		ICAB
Sharifa Powell		Caribbean Regional Negotiating Machinery
Brian Linton	Chief Information Officer	Garnet Technologies Inc.
Maureen Pollard		Cricket World Cup
Henderson Clarke	Manager – Export Promotion Division	Barbados Industrial Development Corporation
June Fowler		Academy of Learning
Michelle Hustler-Small		Barbados Coalition of Service Industries
Lavine Small		Barbados Coalition of Service Industries
George Vanderpool		Private Sector
Lynette Holder		CASME
Andrew Braithwaite		Public Sector
Ken Mullin		Public Sector
Sherwin Phillips		Public Sector
Carol Lynch		University of the West Indies
Charmaine Napolem-Ramsey		Private Sector
Barbara Cadogan		Barbados Community College
Ayanna Young Marshall		Consultant
Ricardo Blackman		JER Associates
Carlos Wharton		Consultant
Katrina Bend		The Nation
Steven Williams	Chief Executive Officer	Sunisle Communications Inc.
Peter Thompson		Barbados Association of



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Name	Position	Company/Organisation
		Professional Engineers
Mark Gajadhar		BIA
Kenny Bovell		Barbados National Cultural Alliance
Michael Thompson		Spar 1 Music Management. Inc
Peter Boyce		Mad Entertainment Company
Shirland Clarke	Operations Manager	Health Care Barbados
Betty Braithwaite		Deloitte & Touche
Ian Lowe		Carinetworks
Jean-Marie Burgaud		Consultant
Peter Earle		Earle & Earle Associates
Allan J Paul		OECS
Rudy Gibbons		B.I.M.A.P
George Nicholson		Caribbean Dialysis
Erica K Smith		Copyright Society of Composers & Publishers
Stephen Broome		Systems Consulting Ltd
Kevin Lorde		Ministry of Economic Affairs & Development
S.H. Allyson Francis		Caribbean Regional Negotiating Machinery
Antonette Willock		Ruk-a-tuk Inc
Ian Walcott		National Cultural Foundation
Ramesh Chaitoo		Caribbean Regional Negotiating Machinery
Dr. Winston Harvey		Casse Engineering Inc
Norma Shorey-Bryan		Catalyst Consultant
Edward Ince		PRISM