

Belize in the Offshore Services Global Value Chain

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Belize in the Services Offshoring Global Value Chain

Executive Summary	vi
I Introduction	I
2 The Offshore Services Global Value Chain	2
2.1 The Global Offshore Services Industry.....	2
2.2 Offshore Services Global Value Chain	4
2.3 Distribution of Supply and Demand in the Offshore Services Global Value Chain.....	6
2.4 Lead Firms and Governance.....	8
2.5 Human Capital in the Offshore Services Value Chain: Skills and Gender	9
2.6 Standards and Certifications.....	11
3 Belize in the Offshore Services Global Value Chain.....	12
3.1 Belize's Current Participation in the Offshore Services Global Value Chain.....	13
3.2 Industry Organization.....	16
3.3 Industry Evolution in Belize's Offshore Services Global Value Chain.....	19
3.3.1 Economic upgrading trajectories	21
3.4 Human Capital of Belize's Offshore Services	22
3.4.1 Human Capital Challenges for Belize's Offshore Services Industry	24
3.5 Policies Impacting the Offshore Services Industry	27
3.6 Advantages and Constraints	28
3.6.1 Advantages	29
3.6.2 Constraints	30
4 Lessons for Belize's Upgrading in the Offshore Services from Global Experiences	33
4.1 Case Studies	34
4.1.1 Guatemala	34
4.1.2 Jamaica.....	38
4.2 Lessons Learned for Belize	41
5 Recommended Upgrading Trajectories for Belize.....	42
References.....	44
Annex I. Tables and Figures	51

List of Tables

Table 1. Distribution and Growth Rate of New Offshore Services' Centers, 2013-2016.....	3
Table 2. Job Profiles in the Offshore Services Global Value Chain	10
Table 3. Select Industry Quality Standards of the BPO Offshore Services GVC	12
Table 4. Economic and Trade in Services Indicators for Belize and Regional Competitors	14
Table 5. Strategy Action Points for the Offshore Services Industry	19
Table 6. New Employment in the BPO industry.....	21
Table 7. Firm-level Economic Upgrading Trajectories in Belize's BPO industry	21
Table 8. Size of the Talent Pool Relevant for the Offshore Services Industry.....	24
Table 9. Results of Primary School Examination (PSE).....	26
Table 10. Graduates from the Tertiary Level in Belize and Competitors (2015)	27
Table 11. SWOT of Belize's Offshore Services Industry	29
Table 12. Selected Upgrading Trajectories in the Offshore Services GVC	33
Table 13. Major Policies in Guatemala's Offshore Services Industry	37
Table 14. Major Policies in Jamaica's Offshore Services Industry	40

List of Figures

Figure 1. Global Services Revenue and Growth, 2011 – 2017	2
Figure 2. Top 5 Factors Contact Centers Believe Will Reshape the Industry.....	3
Figure 3. Offshore Services Value Chain.....	4
Figure 4. Customer Relationship Management Global Value Chain	6
Figure 5. Dynamics of Supply and Demand in the Offshore Services GVC (2016)	7
Figure 6. Distribution of New Offshore Call Centers, by Region, 2017 (%).....	8
Figure 7. <i>Non-traditional Services Exports</i> in Central America and Belize (2016).....	15
Figure 8. Belize's Offshore Services Industry.....	16
Figure 9. Evolution of Belize's BPO Industry, 2005 – 2018	20
Figure 10. Level of Education of FTE in Selected BPO Firms, by City	23
Figure 11. Ratio of Non-employable Candidates in Selected BPOs	25
Figure 12. Skill Gaps in Belize's BPO Labor Force	25
Figure 13. State of actions of the BPO development program by February 2018 (left); and reasons behind <i>pending execution</i> or <i>pending commencement</i> (right).....	32
Figure 14. Evolution of BPOs Established in Guatemala, 1996 – 2018	35

List of Boxes

Box 1. Belize Enterprise and Innovation Institute (BEI2)	18
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Acronyms

AGEXPORT	Guatemala's Exporters Association (Guatemala)
BPIAJ	Business Process Industry Association
BPM6	Balance of Payment Manual Revision 6
BPO	Business Process Outsourcing
CITO	Central Information Technology Office (Belize)
CRM	Customer Relationship Management
EPDC	Education Policy Data Center (Belize)
EPZ	Export Processing Zone (Jamaica)
ERM	Enterprise Resource Management
ERP	Enterprise Resource Planning
EU	European Union
FTZ	Free Trade Zone
GDP	Gross Domestic Product
GOB	Government of Belize (Belize)
GSP	Global Services Program (Uruguay)
GVC	Global Value Chain
HIPAA	Health Insurance Portability and Accountability
HRM	Human Resource Management
I/BPAP	IT and Business Process Association (Philippines)
IADB	Interamerican Development Bank
IP	Intellectual Property
ISG	Information Services Group
IT	Information Technology
ITO	Information Technology Outsourcing
JAMPRO	Jamaican Trade and Investment Agency (Jamaica)
KPO	Knowledge Process Outsourcing
LAC	Latin America and the Caribbean
MNC	Multinational Corporation
OAS	Organization of American States
PAJ	The Port Authority (PAJ)
PCI-DSS	Payment Card Industry Data Security Standard
PSE	Primary School Examination (Belize)
R&D	Research and Development
SEZ	Special Export Zone (Jamaica)
SME	Small and Medium Enterprises
SWOT	Strengths, Weaknesses, Opportunities, and Threats
TESDA	Technical Education and Skills Development Authority
US	United States
WEF	World Economic Forum
WTO	World Trade Organization

Executive Summary

This report uses the Global Value Chain (GVC) framework to examine Belize's position in the offshore services industry and identify opportunities for local business to improve their position in the sector. Belize is in the early stages of development in the offshore services Global Value Chain (GVC). However, the sector is an increasingly relevant player of the country's economy: in 2017, offshore services exports accounted for 17% of total service exports and 4% of GDP (UNCTAD Stat, 2018; WBI, 2018).

Despite being an English-speaking location in close proximity to the US both in cultural and geographical terms, Belize's offshore services industry suffers from a limited workforce, shortage of skills required by the industry and mediocre work ethic. Several country-wide constraints further threaten Belize's competitiveness moving forward; these include: severe deficiencies in the quality of teaching and poor access to Internet and digital devices across all educational levels; inadequate labor framework; poor quality of available infrastructure (e.g. buildings, telecommunications, electricity, and roads); informality and challenges to identify it; weak data security and intellectual property protection; and absence of policy direction, combined with both coordination and bureaucracy failures.

The Offshore Services Global Value Chain

The offshore services industry describes the trade of services performed in one country and consumed in another. Firms' decisions to unbundle their corporate functions or activities, such as customer support, finance and accounting, and human resource management, and perform them anywhere in the world has played a critical catalytical role in the formation of the industry (Fernandez Stark et al., 2011; Gereffi et al., 2011). The sector consists of general business services that can be provided across all industries as well as services that are industry specific. The first category includes three main segments:

The industry is composed of three groups of key players that govern the industry: i) captive centers or shared services centers; ii) third-party providers; and iii) domestic firms.

- **Captive centers or shared services centers (SSC).** In this model, Multinational Corporations (MNCs) such as Bayer, Coca-Cola and General Electric establish subsidiaries in developing countries to perform non-core activities such as customer care, finance and payroll among others. In this business model, MNCs want to keep internal control of their internal operations and at the same time reduce costs.
- **Third-party providers.** Large specialized companies such as Alorica, Conduent, and Teleperformance that set-up operations in key locations that serve as a platform from which they provide a wide range of IT and/or BPO services. Even though most of these companies are from United States and Europe, the share of Indian third-party providers has been growing since the mid-1990s.
- **Domestic firms.** Comprised by local firms in developing countries that export to both large global corporations and medium-size companies from the developed world and, to a lesser extent, developing countries.

The educational level and skills in local workforces have been key drivers of location decisions in the offshore services industry (Fernandez Stark et al., 2011). Hence, formal education is used as a preliminary screen for potential recruits; in fact, the worldwide IT-BPO industry employs

predominantly tertiary level students and—to a lesser extent—graduates. However, this can vary significantly by country. While completion of secondary level formal education plays an outstanding role for entry-levels, this is generally complemented by further competency evaluations to measure critical skills of to-be-hired operations staff. Required competencies are consistent across countries and include critical thinking, creativity, and complex problem solving (KPMG, 2017).

Overall, the industry expanded based on low-cost, yet educated labor forces around the world. While Asia Pacific is still the leading offshore services' supplier, its share is declining. The distribution of new offshore services' centers between 2013 and 2016 suggests that while Asia Pacific is still the leading region on the supplier-end, Latin America and the Caribbean (LAC) has been growing faster. The number of new offshore centers established in Asia Pacific nearly doubled in the 2013-2016 period, while in LAC it tripled (Everest Group, 2017f).

Belize in the Offshore Services Value Chain

Belize's only recently began participating in the offshore services GVC. Its activity is almost exclusively driven by low-end BPO operations that began as SMEs; further, approximately 50% of current firms began their operations in the past five years (Field Research, 2018). Composed of 21 companies employing approximately 2,764 people—predominantly within the customer support segment of the GVC—total investment in the BPO segment was worth US\$3.5 million in 2016, accounting for 0.2% of GDP (Beltraide, 2016a). Further, offshore services exports accounted for 17% of total service exports and 4% of GDP in 2017 (UNCTAD Stat, 2018; WBI, 2018).¹

Belize's industry is almost exclusively comprised by low-end BPOs offering basic transactional services at the lowest end of the GVC, with 18 operational companies providing call center services exclusively to foreign markets, namely to the US and Canada (Field Research, 2018). Regardless, the 2016 value of offshore service exports per capita was about US\$200, while regional competitors such as Guatemala, Nicaragua, Honduras and El Salvador around export US\$40 per capita (UNCTAD Stat, 2018; WBI, 2018). This would indicate that, despite the basic level of functionality, Belize's low labor costs might be enabling high margins at the firm-level. Involvement in the middle and higher-end stages of the GVC, such as software development, finance and accounting and others pertaining to the ITO and KPO segment, ranges from minimal to nonexistent (Field Research, 2018).

From 2005 to 2016, the industry grew from four to 18 offshore services' operations. The most significant expansion occurred in 2013/14, when 13 SMEs opened new operations. However, between 2013 and 2018, the same number of firms went out of business, exhibiting a highly erratic industry (Field Research, 2018). A notable feature of Belize's BPO operations is the expansion in the number of employees: whereas companies generally began with two to 60 agents, the current range per firm is 67 to 810 agents. More precisely, almost 90% of call-centers or BPOs in Belize began their operation as a micro (25%), small (25%) or medium (38%) enterprise.

¹ Due to the lack of statistics of the offshore services industry, we rely on trade in services statistics gathered by international organizations. To avoid confusions, we define *non-traditional services* to all of those services included in the offshore services industry, but not always delivered as a result of an offshoring outsourcing deal. Briefly, statistics on *non-traditional services* include direct exports and sales of this category to non-residents Belizean territory. To estimate the value of BPO and ITO exports the following three categories of the BPM6 are used: (i) Telecommunications, computer and information services; (ii) professional and management consulting services; and (iii) technical, trade-related, and other business services from the BPM6 classification.

During the past decade, around 80% of BPOs companies still active in Belize have achieved product upgrading within the *Customer Resources Management* GVC exclusively. Most trajectories of this type were attained by moving from outbound services exclusively to blended services—i.e. a mix of outbound and inbound calls. End-market upgrading within the offshore services GVC—shifting from mass market to business-to-business services or more sophisticated clients—is present, but much more recent and limited to large companies with higher degrees of power to recruit the most qualified talents. Finally, functional upgrading within the offshore services GVC—for instance, expanding beyond customer support processes to engage in judgment and knowledge-intensive services, such as finance and accounting or legal process outsourcing—is not yet detectable in Belize (Field Research, 2018).

In concordance, the BPO industry employs predominantly high school graduates. Currently, individuals that have only completed high school educations comprise at least 74% of the industry's FTEs. Around one quarter of the industry is comprised by individuals with associate degrees; however, this average is skewed by one foreign company where around 85% of FTE attained this diploma. Employees in the Belizean BPO industry with a bachelor's degree (student or graduated) is about 3% of total FTE (Field Research, 2018). Considering the number of new FTE hired by the BPO industry between 2012 and 2016, and despite the low employability rate, the size of the talent pool remains well short of BPO saturation levels. This promising outlook combines with the following advantages:

1. **English-speaking workforce at competitive costs and strong presence of Spanish-speaking labor.** The size of the available talent pool by 2018 is around 11,800 individuals. This number is relatively small compared to competitors but still reasonable to sustain growth; between 2012 and 2016 the BPO industry hired an average of 330 new FTE annually. The fact the official language for Belizeans is English provides advantages. Spanish-speaking populations are also present and available to enter the industry; however, this group is concentrated in the west and north areas of the country while the BPO industry is concentrated in San Ignacio and Belize City.
2. **Economic and political stability.** Belize has traditionally enjoyed one of the most stable political environments in the region, having held peaceful and transparent democratic elections since it attained independence on 1981. In 2016, the country ranked 49.05 in the *Political Stability* index of the World Bank, above several competitors, including Guatemala (26.19), Honduras (33.81), Nicaragua (39.52) and El Salvador (44.76) (World Bank, 2018).
3. **Financial and tax benefits and EPZ regime.** Belize does not tax corporate profits on local nor foreign investment and allows 100% repatriation of profits. In addition, the Export Processing Zone (EPZ) Act exempts companies from import and export duties, capital gains taxes, property and land taxes, among other benefits.² Moreover, under the EPZ regime companies can open foreign currency bank accounts and are exempted from import and export licensing requirements. Also, work permits have no cost for all professional and technical staff (U.S. Department of State, 2014).

² Other advantages include dividend and transfer taxes as well as excise, sales, and consumption taxes.

4. **Stable currency and inflation rates.** The Belize Dollar has been pegged to the United States Dollar since May 1976 at a fixed exchange rate of BZD 2 to USD 1. Also, since 2010 the annual inflation in consumer prices has exhibited solid stability (World Bank, 2016b).

Despite these strengths, there are multiple challenges. The most prominent include:

1. **Limited workforce, shortage of critical abilities for the industry, and inadequate labor regulations.** In addition to the small size of the labor market, the employability rate in the BPO industry is around 30%, i.e. only 3 out of 10 candidates that apply to an entry-level BPO position have the adequate set of skills to become employable. Workforce is plagued by mediocre work ethic as well as severe deficiencies in computing, communication, conversational and writing skills. In addition, most individuals struggle with English neutralization and sales skills are nearly absent. The labor framework is also problematic. A shift-based, hourly salary framework does not exist.
2. **Absence of reliable infrastructure.** Growth is currently being hindered by the lack of adequate buildings for the BPO industry, with many firms having to reject opportunities to expand or economically upgrade. Although the government provides tax exemptions for real estate developers constructing BPO facilities, these must secure a BPO tenant first. This burden discourages developers to invest in front of high risk. In addition, only one telecommunications company provides reliable Internet and most technicians lack expertise on industry requirements, standards and specifications. Finally, road infrastructure is poor, causing severe difficulties for employees to be punctual or travel to work; poor accessibility to and from Belize City and San Ignacio—where BPOs are concentrated—is further aggravated by an unreliable transportation system that runs from 7 AM to 6 PM, hindering 24/7 operations. In addition, public transportation is not reliable, which leads to employees arriving late most times.
3. **Informal companies and challenges to identify these.** While the precise number is not known, there are informal BPOs operating from Belize. Despite their scale is significantly small—5 to 10 workers—frequently, these hire remote informal workers as well.³ This constitute a threat for Belize’s positioning in the GVC as reliable destination, especially for higher-end tasks. In addition, informal BPOs can create a downward pressure on profits and wages, which can negatively impact working conditions and discourage talented individuals from engaging in a career path in the BPO industry.
4. **Weak data security and intellectual property protection.** Regulations for protection data in Belize would be obsolete (Beltraide, 2016a). Further, even though Belize has fulfilled its obligation under the World Trade Organization (WTO) to implement the Agreement on Trade-Related Aspects of Intellectual Property (TRIPS), enforcement is lacking.⁴ This discourages economic upgrading and FDI, especially in higher-value added segments, such as high-end BPO and KPO.

³ Informal BPOs started around 2007, expanding significantly between 2015 and 2016. Frequently, these are operated by expats in their own homes or garages; servicing an acquaintance or their own company abroad, the recruiting system is elementary, based on informal referrals. Beltraide has not been able to locate them.

⁴ Belize ranks in the sixth lowest position within Latin America and the Caribbean in the *Rule of Law* index in the WI in 2016. However, regional competitors such as Honduras and Guatemala score below Belize (World Bank, 2018).

- 5. Absence of policy direction, and coordination/bureaucracy failures.** Several foreign BPOs have noted that bureaucracy involved in obtaining the Especial Processing Zone (EPZ) status can take up to two years. Permanent residence procedures can also take up this time, hindering growth of several companies, since it is required for obtaining mortgages and buying buildings. Furthermore, administrative procedures required to operate BPOs are managed by a myriad of different departments, which results in an escalation of times and costs. Interaction among private stakeholders is also lacking; as a result, coordination and organization efforts have consistently failed. Most firms reported that the reason an association body has not been created is that it would require substantial time investments with little probability of success. Finally, the development of Beltraide's strategy to develop the BPO industry is hindered by deficient resource allocation and lack of policy direction (Field Research, 2018).
- 6. Weak visibility of Belize as a BPO destination.** Belize is not listed in any ranking outsourcing/offshoring locations. This is due to the absence of international third-party providers or leading captive centers. Companies such as A.T. Kearney or Everest Group analyze countries performance only once a leading provider is established and proven that the country has the capacity to run and sustain a BPO operation.

Other emerging offshore services countries in the region have utilized different strategies for overcoming similar impediments. Guatemala's workforce development program to both train and certify call-center representatives has enabled that in two years (2015-2017) the rate of applicants with an acceptable English level rises from 50% to 70%. Other successful initiatives include fiscal incentives for call center operations exclusively, a national-wide program aiming at strengthening the economic ecosystem for the offshore services industry, and the development of regulatory frameworks that enable BPO companies to offer different shifts from 6 AM to 11 PM. In Jamaica, strong collaboration between the private and public sector led to the development of a national strategy for the industry development, which involved the appointment of a national coordinator and creation of a BPO task force to coordinate efforts between all stakeholders involved in industry expansion and economic upgrading.

Although there are important points of differentiation between Belize and the two countries examined in the case studies, there are significant lessons that can be learned by Belizean stakeholders as they attempt to support the expansion of domestic BPOs and attract international offshore services companies. The most immediate of these include the following:

- National strategy and government support are paramount.
- In economies with little visibility in the offshore services industry, FDI is critical to demonstrate credibility as well as to upgrade.
- To attract FDI, heavy investment in adequate facilities and infrastructure is crucial.
- Private associations are key actors of economic upgrading.
- To attain economic upgrading, formal education needs to be aligned to the industry requirements

Belize's potential upgrading can employ similar strategies while addressing the country's location-specific challenges. Specifically, Belize can attempt to following trajectories:

1. **Incremental product and process upgrading to provide more sophisticated services within the low-end BPO segment.** Human capital is the key input of the offshore services GVC. Hence, effective policies or incentives towards aligning existing workers' skills with the demand of the offshore services industry are prerequisites to pursuing economic upgrading trajectories. According to global standards and best practices from small economies, workforce development interventions in the early stages of the GVC are most effective when the private sector is directly involved in the recruiting and training process while the government acts principally as a facilitator and provides financial support and regulation. Widely adopted interventions that have been successful in small-scale countries include tax break incentives and/or subsidies for training developed by the companies in specific skills. By improving the quality of the talent pipeline, services become more sophisticated and companies are able to attract higher-quality clients.
2. **Mid-term functional upgrading towards bundled IT/BPO services including customer support, helpdesk and technical support/device.** Many countries in the region offer the same low-value BPO services as Belize but at larger scales and with lower attrition rates. Within the BPO segment, Belize should focus on offering blended customer support with helpdesk and technical support.⁵ Two firms in Belize have been able to create small technical support/devices operations; however, shortage of workforce with basic IT skills hinder more companies to attain this type of upgrading.
3. **Long-term industry specialization upgrading into Hospitality and Travel BPO.** Belize should leverage its knowledge and experience in both the tourism and banking industries by offering specialized customer and technical support services to these industries and attract international third-party providers specialized in tourism, travel and hospitality. This leads to intersectoral upgrading.

⁵ These services can be found in the low-end ITO segment, within the infrastructure services subsegment.

I Introduction

Belize is in the early stages of development in the offshore services Global Value Chain (GVC). To illustrate, 50% of current operations have established their operations in the last five years. Most operations are performed by domestic firms providing customer support to a wide range of firms in the US. Regardless of its recent entry in the GVC, the sector is an increasingly relevant player of the country's economy: in 2017, offshore services exports accounted for 17% of total service exports and 4% of GDP (UNCTAD Stat, 2018; WBI, 2018).

The offshore services industry began in 2005 with the establishment of Ready Call, a domestic company funded by a Colombian entrepreneur experienced in BPO. With low labor costs, English-speaking population and geographical proximity to the US, confidence in the industry grew; in 2009, two US-based call centers established small-scale delivery centers in the country. Factors such as the Export Processing Zones and improvements in telecommunications were critical to encourage both local and foreign investment. From 2005 to 2016, the industry grew from four to 18 offshore services' firms. The most significant expansion occurred in 2013/14, when 13 SMEs opened new operations. However, between 2013 and 2018, the same number of firms went out of business (Field Research, 2018).

Belize's industry is almost exclusively comprised by low-end operations offering basic transactional services at the lowest end of the GVC. Despite the fact that roughly 80% of firms have attained some product upgrading within the call-center industry, upgrading trajectories within the larger offshore services GVC are absent (Field Research, 2018). Belize's workforce lacks the most basic technical and soft skills to become employable in the industry. In addition to a limited workforce, the industry struggles with inadequate labor regulations, poor infrastructure, weak data security, and absence of policy direction (Field Research, 2018).

The goal of this report is to determine Belize's current participation in the offshore services industry, identify opportunities to increase its gains and examine the key challenges that may detract from its ability to take advantage of these possibilities. This report uses the Duke Global Value Chain Center (Duke GVCC) framework to assist local and regional stakeholders' efforts to appreciate the global structure of the sector and identify new areas for upgrading, as well as to develop a strategy for the future. The Global Value Chain (GVC) framework helps understand how this global industry is organized by examining the structure and dynamics of different actors involved.

The paper is structured as follows: it first provides an overview of the offshore services GVC to present a clear understanding of the scope of the industry, how markets are structured and key supply and demand dynamics. It then analyzes the domestic industry within Belize, first detailing the country's position in the chain as well as recent export and investment trends. After outlining the organization and governance found in the local landscape, the final sections concentrate on analytical rather than descriptive detail. Following an assessment of the advantages and constraints observed in Belize, it looks to Guatemala and Jamaica for comparative case studies. It concludes by outlining potential upgrading strategies to enhance the country's competitiveness.

2 The Offshore Services Global Value Chain

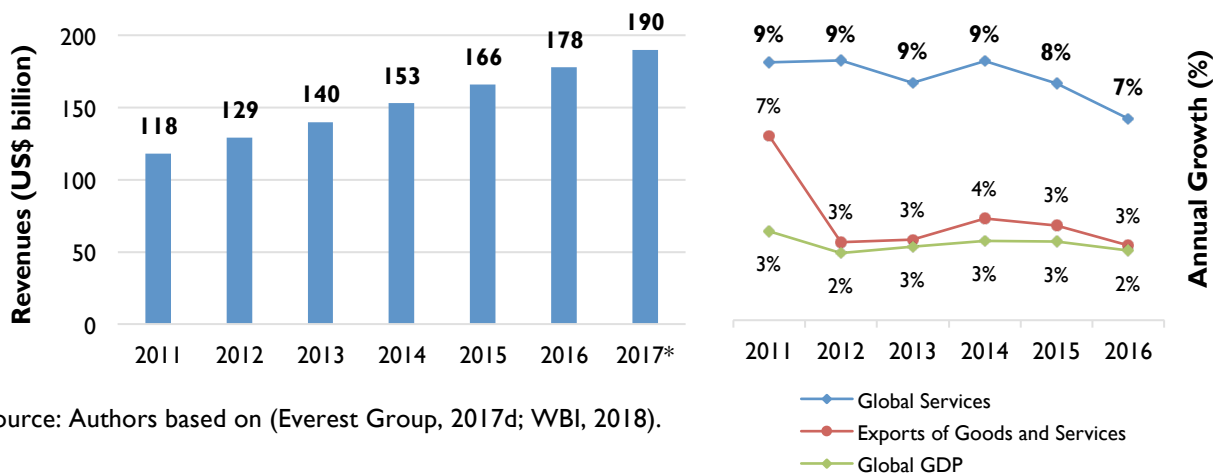
The offshore services industry describes the trade of services performed in one country and consumed in another. Firms' decisions to unbundle their corporate functions or activities, such as customer support, finance and accounting, and human resource management, and perform them anywhere in the world has played a critical catalytical role in the formation of the industry (Fernandez Stark et al., 2011; Gereffi et al., 2011). The sector consists of general business services that can be provided across all industries as well as services that are industry specific. The first category includes three main segments:

- Information Technology Outsourcing (ITO) is the basic building block for the offshore services value chain and is centered around the production and use of software.
- Business Process Outsourcing (BPO) is a highly diverse category that contains activities related to the management of business functions.
- Knowledge Process Outsourcing (KPO) refers to specialized activities that often require professional licensing, such as in the medical, legal, and accounting fields.

2.1 The Global Offshore Services Industry

In 2017, the estimated market size of the global offshore services industry was US\$185-190 billion. Year-on-year growth rates significantly surpass variations in total goods and services exports, as well as in global GDP (Figure 1).

Figure 1. Global Services Revenue and Growth, 2011 – 2017



Several trends have shaped the global offshore services industry in recent years. The following are the most likely to create both threats and opportunities for Belize:

- **Automation is replacing jobs in sophisticated BPO and onshore sites.** Despite strong predictions on the dissolving effect of automation on voice-based work from 2012 to 2015, recent studies indicate that the threat of automation is larger for relatively higher value-added activities within the BPO segment (e.g. finance and accounting) compared to customer support operations (A.T. Kearney, 2017; Lacity et al., 2015). Hence, it is likely that offshore countries are more protected from automation in terms of job losses in the short term, due to higher levels of customer service work.

- **While Asia Pacific is still the leading offshore services' supplier, its share is declining.** The distribution of new offshore services' centers between 2013 and 2016 suggests that while Asia Pacific is still the leading region on the supplier-end, Latin America and the Caribbean (LAC) has been growing faster. The number of new offshore centers established in Asia Pacific nearly doubled in the 2013-2016 period, while in LAC it tripled (Table I).

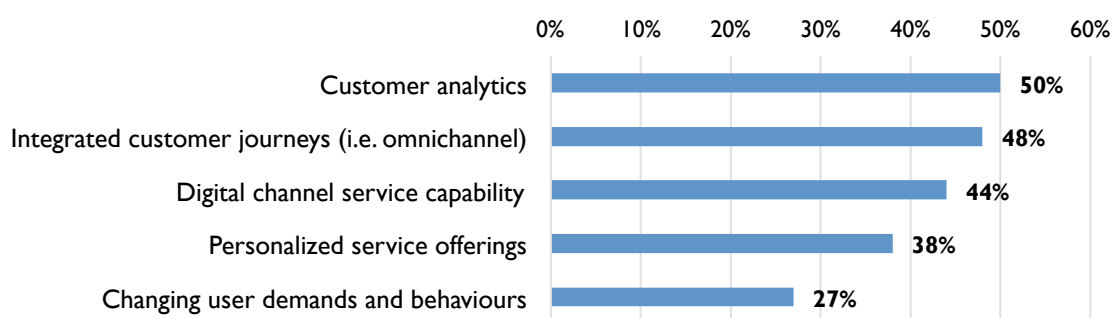
Table I. Distribution and Growth Rate of New Offshore Services' Centers, 2013-2016

Region	2013	2014	2015	2016	Change (%)
Asia Pacific	57	70	87	111	95%
Latin America and the Caribbean	17	38	32	49	185%
Nearshore Europe	26	30	59	80	210%

Source: Authors based on (Everest Group, 2017f). **Note:** Distribution includes both captive centers and third-party delivery centers.

- **Analytics and integrated customer journeys are shaping the call-center industry.** In addition to automation, the contact center industry is likely to be reshaped by customer analytics, integrated customer journeys⁶, digital channel service capability, and personalized service offerings (Figure 2). As the complexity of subject matter and technology tools increases, the quality of contact center talent takes on greater importance. Hence, leading contact center providers are planning to undertake three major strategies: (i) use of analytics to better align staff (73%); (ii) expansion of training programs (63%); (iii) and deployment of flexible work arrangements in an effort to improve retention (53%) (Deloitte, 2017). These trends are likely to drive major changes in the level of education and legal framework required from leading providers seeking for new operations in developing countries.

Figure 2. Top 5 Factors Contact Centers Believe Will Reshape the Industry



Source: (Dimension Data, 2016). **Note:** Original question: "What are the top three things that will reshape the contact center industry during the next five years?". Multiple answers were possible. There were 1,319 respondents, all of them contact center companies with 20 or more agents.

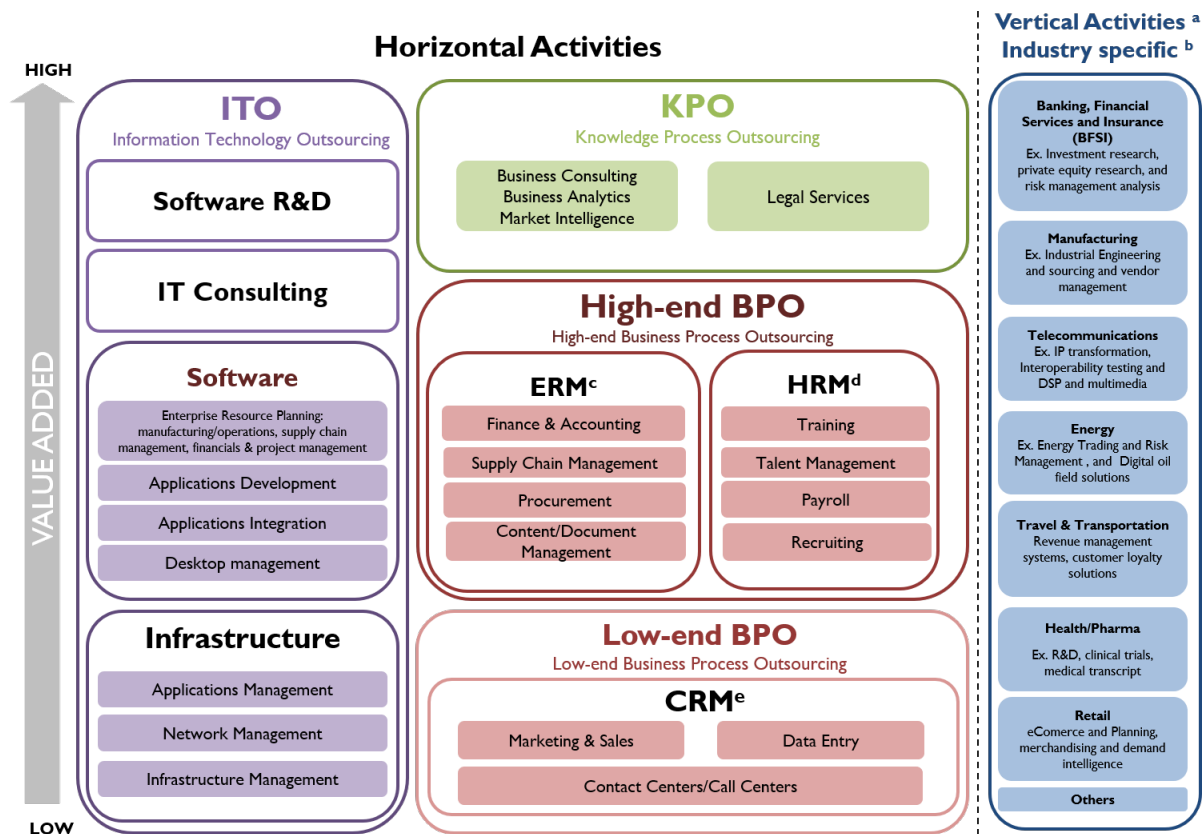
⁶ Customer journey is the sum of all experiences a customer has with a company over the lifecycle of their relationship (Genesys, 2018).

- **Increasing complexity leads to changes in interaction with customers.** Currently, voice is the most important channel of interaction with clients within the customer support industry and will likely remain an important channel for the most complex inquiries. Newcomers, such as video, chat, e-mail and social media, accounting for 26% of all channels in 2017, are likely to increase their share to 43% in 2019. Nonetheless, these will likely be reserved for simpler inquiries and routine transactions (Deloitte, 2017).

2.2 Offshore Services Global Value Chain

The offshore services GVC is composed by different functions organized according to the employee education and experience level. As seen in Figure 3, the GVC can be subdivided in horizontal services provided across all industries (presented on the left of the diagram) and vertical services specific to particular sectors of the economy (presented on the right).

Figure 3. Offshore Services Value Chain



Source: Adapted by authors from Duke University GVCC. **Notes:** This diagram captures the industries with the highest demand for offshore services. ^(a) Each industry has its own value chain; within each of these chains, there are associated services that can be offshored; ^(b) This graphical depiction of vertical activities does not imply value levels; each vertical industry may include ITO, BPO and advanced activities; ^(c) ERH stands for *Enterprise Resource Management*; ^(d) HRM stands for *Human Resources Management*; and ^(e) CRM stands for *Customer Resource Management*.

The activities included in horizontal services support generic business functions and rely on process expertise. These services range from manual, repetitive, and transactional processes to judgement-based operations that depend on analytical skills. There are three main segments:

- **Information Technology Outsourcing (ITO).** This segment comprises 64% of the offshore services GBV (ISG, 2017). The lowest end of the segment, *Infrastructure*, accounts for around half of the global segment market size in the second quarter of 2017, while tasks within the middle-end of the ITO segment, such as *IT Consulting* and *Software*, account for 31%. The highest value-added sub-segment, *Software R&D*, accounts for 17% of the ITO segment.
- **Business Process Outsourcing (BPO).** The segment accounts for around one quarter of the offshore services industry (ISG, 2017). It can be subdivided into two categories: low-end BPO and high-end BPO. The lowest end of the segment, which consists of transactional tasks within the CRM sub-segment, accounts for only 3% of the total market. The highest end of the segment comprises repetitive yet judgement-based activities that can be further categorized in ERM (e.g. supply chain management, finance and accounting, procurement) and HRM (e.g. training, payroll). Most revenue is derived from processes highly connected to trade in goods and commodities (*Supply Chain Management*), accounting for 81% of the BPO segment. The rest of processes pertaining to high-end BPO capture less than one fourth of the segment (Statista, 2017).
- **Knowledge Process Outsourcing (KPO).** This includes higher-value services such as market intelligence, business analytics and legal services. KPO services capture the highest value of horizontal services in the chain. The global legal process outsourcing market was estimated at US\$2.3 billion in 2015, with 80% of the projects being offshored (GVR, 2016).

Vertical services require specific industry knowledge. These may be so highly specialized to their sector that they have limited applicability in other industries; for example, loyalty program management in the travel and hospitality sector and transcription services in the medical sector are all vertical services (Fernandez Stark & Gereffi, 2016).

In the GVC literature, value is generally determined by examining the transformation of inputs to outputs at each stage. Inputs in the services sector, however, are intangible, including factors such as critical thinking, analytical and communication skills. This creates difficulties in accurately depicting “value-add.” Industry analysis shows that participation in different stages of the GVC depends on two key factors: labor costs and expertise (Fernandez Stark et al., 2011). Value in the classification scheme presented in Figure 3 is thus determined by using human capital requirements as a proxy, that is, the approximate employee education and experience level required to perform different service functions for each stage (Fernandez Stark et al., 2010).

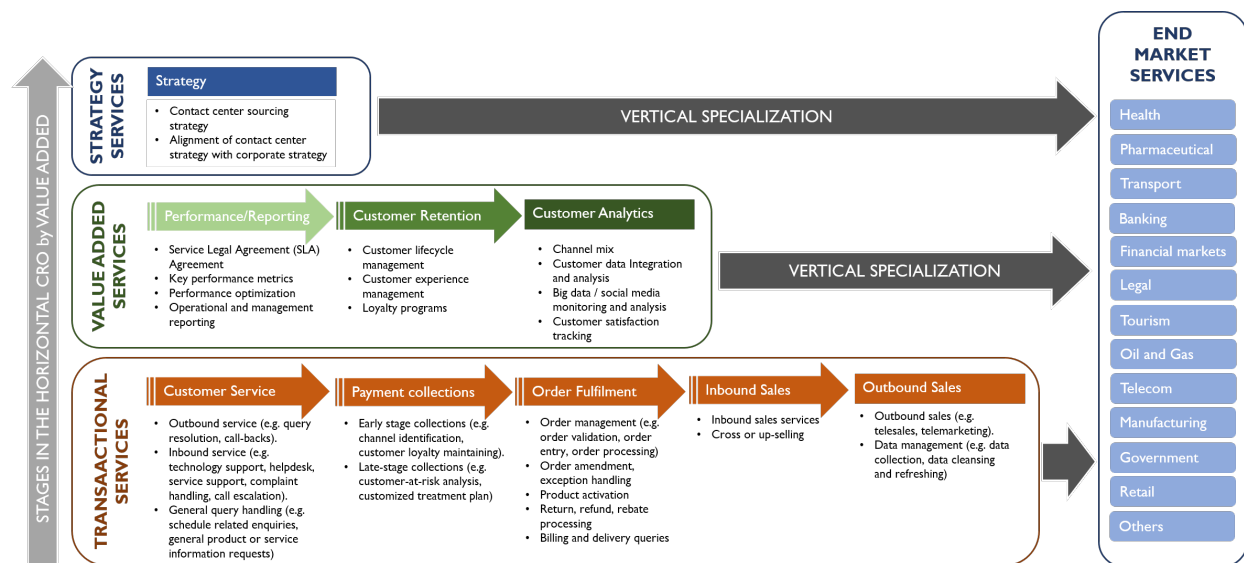
Employees located in the lower part of the value chain diagram have less education and experience, while the employees in the upper section of the value chain are more educated and have more years of experience. By indicating the human capital required at different levels of the offshore services value chain, this classification scheme provides decision-makers with an instrument for determining where they may be best suited to play a role in the industry (Fernandez Stark & Gereffi, 2016).⁷

⁷ Section 2.5 provides more detail of Human Capital within the Offshore Services GVC.

Establishing call centers is the most commonly followed development path to enter the global offshore services business. Call center firms manage operations, such as customer service, sales, and technical support for an array of products and companies in multiple sectors (Ahmed, 2013). The industry is export-oriented in most developing countries and requires significant government support, especially in the areas of telecom infrastructure, tax incentives, and human capital upgrading—developing countries value call centers because of their high employment potential for relatively skilled, but often marginalized, female and youth labor (Ahmed, 2013).

Few studies specifically discuss the call center segment of the offshore services industry, and they generally do not apply a GVC framework. To analyze the call center GVC, we adapted the industry stages to the value added that call centers provide to the lead organization; within each stage, we present the processes they cover, based on its level of sophistication and complexity for the third-party provider (Figure 4). Higher-value services in the horizontal chain are tied to the strategy of sourcing the customer relationship management, while transaction-based or operation services entail customer service up to outbound sales services (Figure 4). Similar to any other segment of the offshore services GVC, the CRM segment might achieve a higher level of sophistication with industry specialization (Ahmed, 2013).

Figure 4. Customer Relationship Management Global Value Chain



Source: Authors based on (Ahmed, 2013; Everest Group, 2017c)

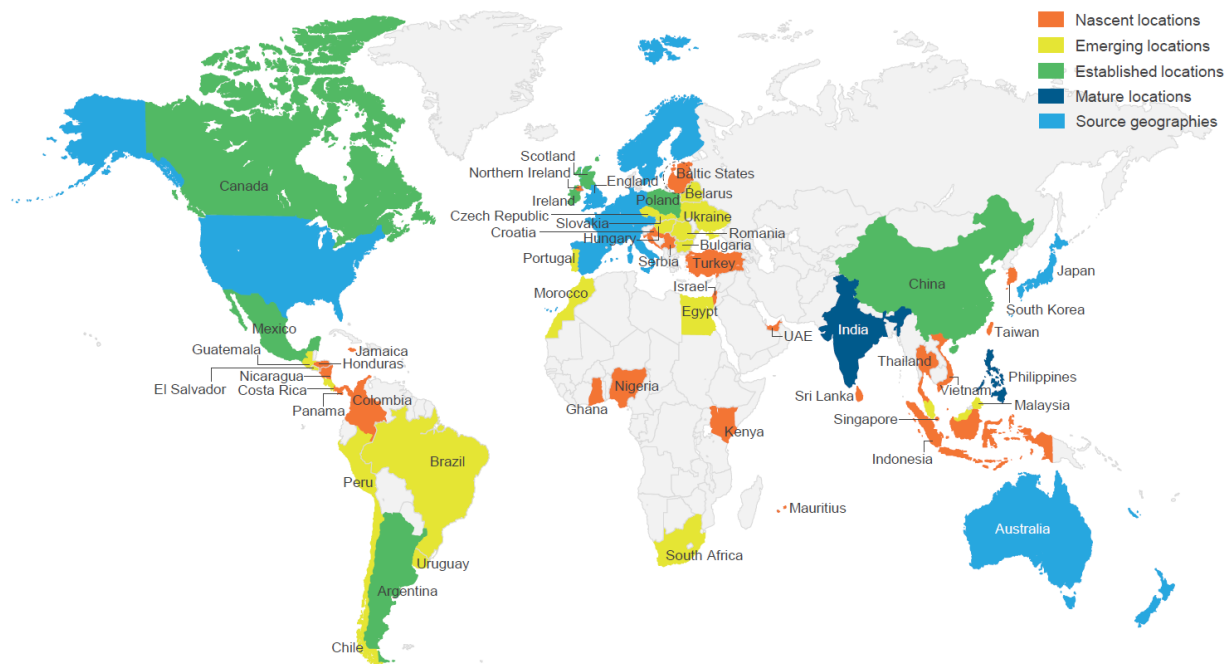
2.3 Distribution of Supply and Demand in the Offshore Services Global Value Chain

Overall, the industry expanded based on low-cost, yet educated labor forces around the world. While India was the first country to become a significant supplier of offshore services, creating 2.6 million jobs by 2016, other mature country providers have also emerged (Everest Group, 2017f). These include the Philippines—a call center powerhouse that accounts for 20-22% of global employment in 2016—China, Mexico and Poland. Emerging locations, defined as employing between 20 and 100 thousand workers are mainly concentrated in Eastern Europe and Latin America and the Caribbean (Everest Group, 2017f). There are also nascent locations (e.g. below 20,000 FTE) emerging in LAC, including Guatemala, Nicaragua and Costa Rica.

Latin America and the Caribbean is emerging as an important offshore services provider, holding almost 20% of the global industry in 2016 (Everest Group, 2017f). While the region offers very distinct advantages over other low-cost locations in Asia Pacific, including time zone positioning and language skills with respect to the North American market, the great majority of countries communicate similar value propositions. However, many have developed different policies to attract offshore services providers and captive centers from MNC, leveraging the advantage of offering educated and inexpensive labor force compared to developed countries.

Demand is concentrated in developed countries. The largest buyer of the GVC offshore services industry is North America (namely United States), accounting for 33% of the outsourcing deals announced in 2016; the European Union and UK following with 27% and 16% of total share (Everest Group, 2017e, 2017f). In recent times, several developing countries are demanding offshore services (Fernandez Stark et al., 2011). The map below (Figure 5) illustrates the geographical distribution of supply and demand (source geographies) in this industry.

Figure 5. Dynamics of Supply and Demand in the Offshore Services GVC (2016)

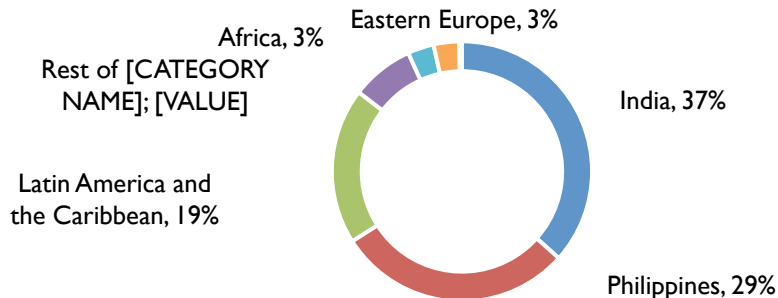


Source: (Everest Group, 2017f). **Notes:** Analysis based on headcount for offshore services exports in 2015, i.e. FTEs employed locally in global services exports across IT and BPO activities. **References:** Nascent locations (<20,000 FTEs); Emerging locations (20,000 – 100,000 FTEs); Established locations (100,000-500,000); Mature locations >500,000 FTEs). Information is based on country or city-level investment promotion agencies, global services organizations, and Everest Group.

Within the low-end BPO segment of the offshore services GVC, the market continues to be dominated by India and the Philippines, with 28 projects involving 24,805 jobs announced in 2017, from a total of about 84,500 jobs in offshore locations (Site Selection Group, 2017). The third position is enjoyed by Latin America and the Caribbean, incurring significant participation in 2017 by creating about 20% of total employment in the call-center industry in that year (Figure 6).

In 2017, within the top 20 largest call center project announcements in LAC, Costa Rica and Jamaica captured 34% and 20% of total employment, respectively. Nicaragua and the Dominican Republic have been very active as well, combining 9% of total FTEs (Site Selection Group, 2017)

Figure 6. Distribution of New Offshore Call Centers, by Region, 2017 (%)



Source: Authors based on (Site Selection Group, 2017).

2.4 Lead Firms and Governance

The industry is composed of three groups of key players that govern the industry: i) captive centers or shared services centers; ii) third-party providers; and iii) domestic providers. These actors utilize different legal forms, either by establishing wholly owned-subsidiaries and/or subcontracting providers abroad. The goal of these companies is reducing operational and labor costs, as well as taking advantage of country's strengths, including time zones, business environments, and human capital. Each group is examined below:

- The first group of companies is named captive centers or shared services centers (SSC). In this model, MNCs such as Bayer, Coca-Cola and General Electric establish subsidiaries in developing countries to perform non-core activities such as customer care, finance and payroll among others. In this business model, MNCs want to keep internal control of their internal operations and at the same time reduce costs. These operations require not only cost advantages, but also strong institutions and economic stability.
- Third-party providers are large specialized companies such as Alorica, Conduent, and Teleperformance that set-up operations in key locations that serve as a platform from which they provide a wide range of IT and/or BPO services. While most of these companies are from United States and Europe (56% and 18%, respectively), the share of Indian third-party providers has been growing since its inception in the mid-1990s. In LAC, the median FTE created by new operations or expansions of third-party BPO providers is 500, ranging from 50 to 4,500 workers per project in 2017 (Site Selection Group, 2017, 2018a). This information is critical from an FDI attraction standpoint, especially for small-scaled countries such as Belize, in which the entire BPO industry employs around 3,000 FTE. Another key data is that in 2017, 53% of new sites in LAC hired less than 500 individuals (Site Selection Group, 2017).
- The third group of players of the service offshoring GVC is comprised by local firms in developing countries that export to both large global corporations and medium-size

companies from the developed world and, to a lesser extent, developing countries. In the mid-2010s, domestic providers crowded out from the bulk of the global services industry; however, most of the smaller domestic companies have been driven to providing outsourcing services to local markets and a few developed niche market strategies (Fernandez Stark et al., 2011).

All three groups of firms have sought cost advantages through the geographic separation of activities and sourcing from low-cost locations that were capable of providing services to acceptable standards (Deloitte, 2016).⁸ As such, the industry provides a clear illustration of how globalization has provided opportunities for both employment and business formation in developing countries where appropriate skills are present (Fernandez Stark et al., 2011). Regardless, buyers have significant power in the offshore services value chain and determine the quality of service, contracts and locations, in addition to being footloose and willing to quickly relocate operations in pursuit of lower costs (Ahmed, 2013).

In addition to the labor arbitrage advantage, lead companies explore both external providers and locations that enable them to focus on the core business, solve capacity issues, and enhance service quality (Deloitte, 2016). Despite the fact that labor availability is likely the most important factor behind the lowest end of the offshore services GVC, economic incentives typically rank in the top five along with other site selection factors such as business climate, taxes and real estate (Site Selection Group, 2018b).

2.5 Human Capital in the Offshore Services Value Chain: Skills and Gender

The educational level and skills in local workforces have been key drivers of location decisions in the offshore services industry (Fernandez Stark et al., 2011). Table 2 outlines the different educational profiles and training requirements for each segment of the GVC. Strategic investments in workforce development by the public and private sectors have facilitated both market entry and upgrading to higher value segments of the industry. These include selective competency-based hiring, minimum formal education, induction sessions, specialized and on-the job training, skill certification, mentoring, and leadership development programs (Fernandez Stark et al., 2011).

Formal education is used as a preliminary screen for potential recruits; in fact, the worldwide IT-BPO industry employs predominantly tertiary level students and—to a lesser extent—graduates. However, this can vary significantly by country; while the minimum level of formal education required to work in the BPO sector could be a high school diploma, the same position may sometimes require a college degree. While completion of secondary level formal education plays an outstanding role for entry-levels, this is generally complemented by further competency evaluations to measure critical skills of to-be-hired operations staff. Required competencies are consistent across countries and include critical thinking, creativity, and complex problem solving (KPMG, 2017). Despite these skills should be provided by a country's formal education system experienced has shown that the skills required for the offshore services industry are not being adequately covered by it.

⁸ See Section 2.6.

Table 2. Job Profiles in the Offshore Services Global Value Chain

Position	Job Description	Formal Education Requirements	Training/Experience	Skill Level
ITO				
IT Technician	Maintains equipment and network devices, provides software support for updates.	Technical diploma/degree	Specific technical courses, on-the-job training, and experience	
IT Software Programmer	Programs software applications for general or customized use.	Technical diploma/degree	Software programming courses and certifications	
IT Consultant	Provides advice to help firms align IT strategy with their business objectives	Bachelor's degree in IT/ Master's degree in engineering	Consulting/management experience	
Software R&D Engineer	Designs, develops, and programs innovative software packages and functions	Bachelor's/Master's/Doctoral degree in industrial engineering/computer science	Software programming courses and certifications	
BPO				
Call Center Operator	Answers in-bound calls regarding specific products and provides general customer services.	High school/Bachelor's degree	Two-three-week of training and on-the-job training	
Finance and Accounting Analyst	Provides accounts receivable and accounts payable processing, reconciliations, ledger keeping, and income and cash statement monitoring.	High school/technical institute diploma in accounting	Technical training and on-the-job training	
Marketing and Sales Representative	Supports inbound and outbound sales, sales order processes, and customer monitoring.	Technical/Bachelor's degree	Short training and on-the-job training	
BPO Quality Assurance and Team Managers	Ensure BPO agents meet specified client service standards and monitor agent performance	Technical and university-level professionals	Technical training and on-the-job training	
KPO				
Finance Analyst	Provide guidance to businesses and individuals making investment decisions; assess the performance of stocks, bonds, commodities, and other types of investments.	Bachelor's degree in business administration	Chartered Financial Analyst (CFA) Certification	
Business Analyst	Provides business services, such as market research, business opportunity assessment, strategy development, and business optimization.	Bachelor's/Master's degree in business administration	Experience	
Legal Analyst	Reviews and manages contracts, leases/licenses. May provide litigation support or intellectual property services	Law degree	Experience and training in specific country legal systems	
Researcher	Undertakes projects to increase the stock of knowledge; develops new products based on research findings.	Master's/Doctoral degree	Experience/industry specialization	

Skill Level	Low	Low-Medium	Medium	Medium-High	High
	No formal education nor experience	Literacy and numeracy skills; experience	Technical education/certification	Technical education/undergraduate degree	University degree and higher

Source: (Fernandez Stark et al., 2011).

Provided that the offshore services industry's pace out rates the ability of formal education systems to change course content and adequately train the trainers, many developing countries have created workforce strategies aimed at reducing the gap between the industry skills

requirements and the available skills within the labor pool. Most strategies entail a complementary educational and training support that aims at complementing—not substituting—formal education (Garcia & Bafundo, 2014).

Gender dynamics in the lowest stages of the offshore services GVC are led by women, accounting for 71% of total FTE in the global call center industry (Hultgreen, 2018). Accordingly, developing countries highly value entrance in the GVC for its high employment potential for women and youth labor (Ahmed, 2013). Female employment in call centers, however, is mostly at the agent level, while management typically are male dominated (Ahmed, 2013; Messenger & Ghosheh, 2011; Schwarzer, 2015). For instance, in 2016, while one third of the Indian IT/BPO workforce were women and this group spent 2% more time in training than men, women managers have increased a mere two percentage points from 21% in 2012 to 23% in 2014 (Economic Times, 2016). Long inflexible shifts, a strong gender bias in role assignation, and a lack of gender-sensitive benefits, such as maternity leave and childcare facilities, are just a few of the constraints that make long-term female engagement in the industry challenging (Ahmed, 2013).

2.6 Standards and Certifications

The offshore services industry is intensive in qualified human capital. Each segment of the GVC has globally recognized professional certifications or global skills standards; these can include working knowledge of global software platforms (e.g. Microsoft, Cisco, and Oracle certifications) or development or financial analysis skills (e.g. CFA certification from the Global FCA Institutes) (Gereffi et al., 2011).

The BPO segment is focused on data security. Most companies stress information security and data privacy across all projects, setting a base on international standards such as ISO 27001 and acts such as Health Insurance Portability and Accountability (HIPAA). Client-specific requirements are also implemented for specific functions and processes when the provider access to customer personal data, such as the Payment Card Industry Data Security Standard (Ahmed, 2013). This and other industry quality standards are detailed in Table 3.

Table 3. Select Industry Quality Standards of the BPO Offshore Services GVC

Standards and Certification	Description
Quality and performance standards	
ISO 9001	International standard for implementing a quality management system. It is primarily based on principles such as customer orientation, employee involvement, leadership qualities, or continuous improvement systems.
ISO 10002	International quality standard focused more strongly on customer satisfaction and complaints management. It stands for the recognition and expedient handling of complaints and evaluates complaints processes.
COPC	Customer service provider global standard that focuses on implementing contact center best practices to improve performance metrics in customer satisfaction and service, inbound and outbound sales, dispatch, collections, retention, remittance processing, fulfillment, and other related operations.
COPC-2000 VMO	The standard for vendor management organizations sets minimum requirements for buyers of third-party customer contact center services. These requirements include leadership and planning, key business processes, key people processes, and goals.
Data Protection	
ISO 27000	The ISO 27000 series of standards cover security. Best practices for privacy data protection include limiting access to personally identifiable information to only those who have a documented need to know, such as payroll personnel, and privacy protection training for individuals with access to that data.
Payment Card Industry Data Security Standard (PCI DSS)	The standard increases controls on financial services to protect consumer information against fraud. For example, call centers cannot record consumers' confidential information, such as security codes.
Health Insurance Portability and Accountability (HIPAA)	The Health Insurance Portability and Accountability (HIPAA) will apply the Privacy Rule to business associates contractors, where any vendor which receives or utilizes protected health information from, or for, the covered entity needs to ultimately ensure the integrity and security of health care information.

Source: (Ahmed, 2013).

3 Belize in the Offshore Services Global Value Chain

Belize's only recently began participating in the offshore services GVC. Its activity is almost exclusively driven by low-end BPO operations that began as SMEs. Although foreign third-party providers account for 66% of the industry, leading international third-party providers such as Sutherland Global, Accenture or Tata Consultancy Services are missing. Nonetheless, it is an increasingly relevant industry in the country's economy, with offshore services exports accounting for 17% of total service exports and 4% of GDP in 2017 (UNCTAD Stat, 2018; WBI, 2018).⁹ The industry is composed of 21 companies employing approximately 2,764 people, predominantly providing customer support services (Field Research, 2018).

⁹ Due to the lack of statistics of the offshore services industry, we rely on trade in services statistics gathered by international organizations. To avoid confusions, we define *non-traditional services* to all of those services included in the offshore services industry, but not always delivered as a result of an offshoring outsourcing deal. Briefly, statistics on *non-traditional services* include direct exports and sales of this category to non-residents Belizean territory. To estimate the value of BPO and ITO exports the following three categories of the BPM6 are used: (i) Telecommunications, computer and information services; (ii) professional and management consulting services; and (iii) technical, trade-related, and other business services from the BPM6 classification.

The development of the offshore industry in Belize did not begin in earnest until 2014. Approximately 50% of current firms began their operations in the past five years. The sector is challenged by its small scale, severe skills gaps in human capital, poor road infrastructure, and absence of international positioning and branding, among other weaknesses. These factors have contributed to 13 companies going out of business in the last four years. Hence, Belize's involvement in the offshore services GVC is not only embryonic but unstable.

3.1 Belize's Current Participation in the Offshore Services Global Value Chain¹⁰

In 2018, Belize's offshore services industry employed around 2,760 people, accounting for 1.9% of total employment and 6.4% of employment in services and sales (Beltraide, 2016a). In 2016, total investment in the BPO segment was worth at US\$3.5 million, accounting for 0.2% of GDP (Beltraide, 2016a).¹¹

In the absence of industry or firm-level statistics, estimates of services exports related to the offshore service industry (*non-traditional services*) is derived from UNCTAD Stat (2018), which matches with statistics gathered by the Central Bank of Belize.¹² In 2016, *non-traditional services* exports were worth US\$75 million, accounting for 4.3% of GDP (Table 4). This figure is predominantly composed by *other business services*—BPO activities (*technical, trade-related, and other business services*) account for 93% of Belize's offshore services. KPO activities (namely, *professional and management consulting*) account for the other 7% (UNCTAD Stat, 2018).

Due to a lack of available data, we can only assume that certain portion of the US\$57 million derive from traditional call centers, since these should be included in *trade-related services* (IMF, 2009).¹³ Call centers providing computer and technical support would be included in *computer and information services*, which in 2016 totaled US\$14 million (UNCTAD Stat, 2018). Again, only an unknown portion of this amount would pertain to the call-center industry.

¹⁰ Except indication, data from this section is based on information gathered during Field Research in January 2017.

¹¹ Alike most of countries in Latin America and the Caribbean, ITO, BPO and KPO exports are difficult to estimate, provided that the level of disaggregation of traditional datasets do not align with the different stages of GVC analysis.

¹² Information provided by UNCTAD database is based on data from other international organizations (e.g. WTO, OECD) and the Central Bank of Belize. Despite that UNCTAD and Central Bank of Belize use a different classification of activities values match at the highest level of disaggregation—at least in the observed period 2005 – 2016.

¹³ In average, 57% of revenues from call centers in Belize stem from the sales component of the low-end BPO segment (Field Research, 2018).

Table 4. Economic and Trade in Services Indicators for Belize and Regional Competitors

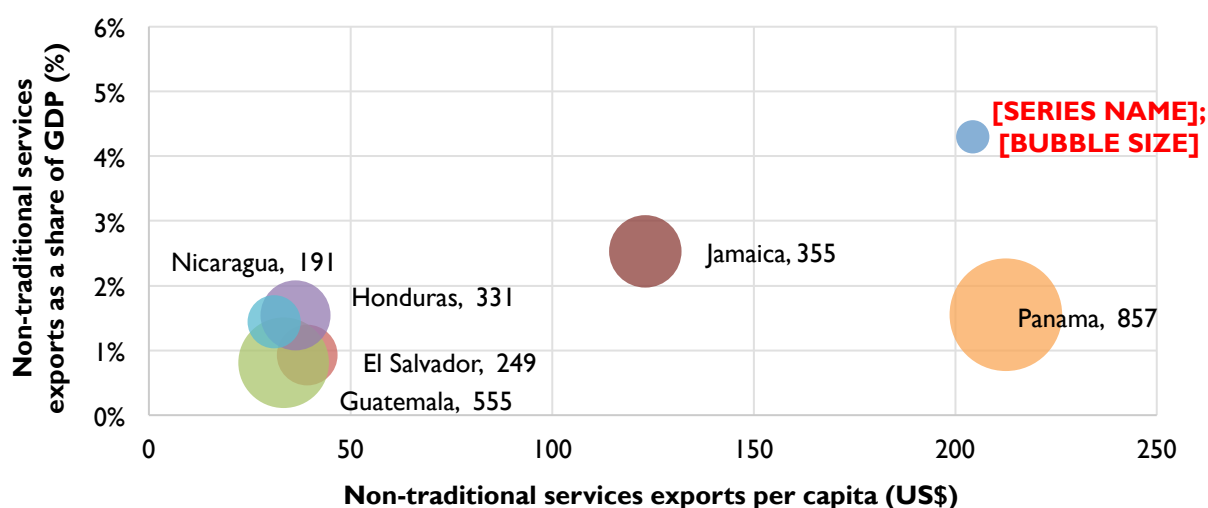
Indicator	Belize	El Salvador	Guatemala	Honduras	Costa Rica
GDP (current, US\$ million)	1,741	26,797	68,763	21,516	57,435
Population (thousands)	366	6,345	16,582	9,113	4,031
Other services ^(a)	110	465	731	409	3,955
	20%	19%	27%	15%	48%
Computer and information services and share over <i>other services</i> ^(b)	14	180	262	258	1,108
	13%	39%	36%	63%	28%
Other business services and share over <i>other services</i> ^(c)	61	69	293	73	2,275
	56%	15%	40%	18%	70%
Research and development (R&D)	-	-	-	-	114
	-	-	-	-	3%
Professional and management consulting services	5	4	24	-	2,381
	4%	1%	3%		60%
Technical, trade-related, and other business services	57	65	269	73	257
	52%	14%	37%	18%	6%
Total, non-traditional services ^(d)	75	249	555	331	3,859
	68%	54%	76%	81%	98%

Source: authors based on (UNCTAD Stat, 2018; WBI, 2018). **Notes:** ^(a) *Other services* includes all services exports but *travel* and *transportation*; share is calculated over total services exports; ^(b) *Computer services and information services* consist of hardware- and software-related services and data-processing services; they exclude non-customized packaged software, and video and audio recordings on physical media; computer-training courses not designed for a specific user; and leasing of computers without an operator. Share is calculated over *other services*; ^(c) *Other business services* cover *research and development, professional and management consulting and technical, trade-related and other business services*; ^(d) Sum of *computer and information services* and *other business services*.

Belize's *non-traditional services* exports are significantly below Central American countries and regional peer such as Jamaica. However, the country is the third highest exporter of offshore services relative to total population within to the same group of countries: in 2016, each Belizean would have exported US\$204 of *non-traditional services*, slightly above Jamaica (US\$123) and Guatemala (US\$33), and moderately below Panama (US\$213). Additionally, Belize's share of *non-traditional services* exports on its GDP is the second highest amongst the region (including Jamaica), surpassing the average share for selected countries by almost 2 percentage points (see Figure 7).

Since Belize's industry is almost exclusively comprised by low-end BPOs offering basic transactional services at the lowest end of the GVC, the findings derived from Figure 7 are rather surprising. A high value of exports per capita might indicate that Belize's low labor costs might be enabling high margins at the firm-level, despite the basic level of functionality provided by offshore service operations.

Figure 7. Non-traditional Services Exports in Central America and Belize (2016)



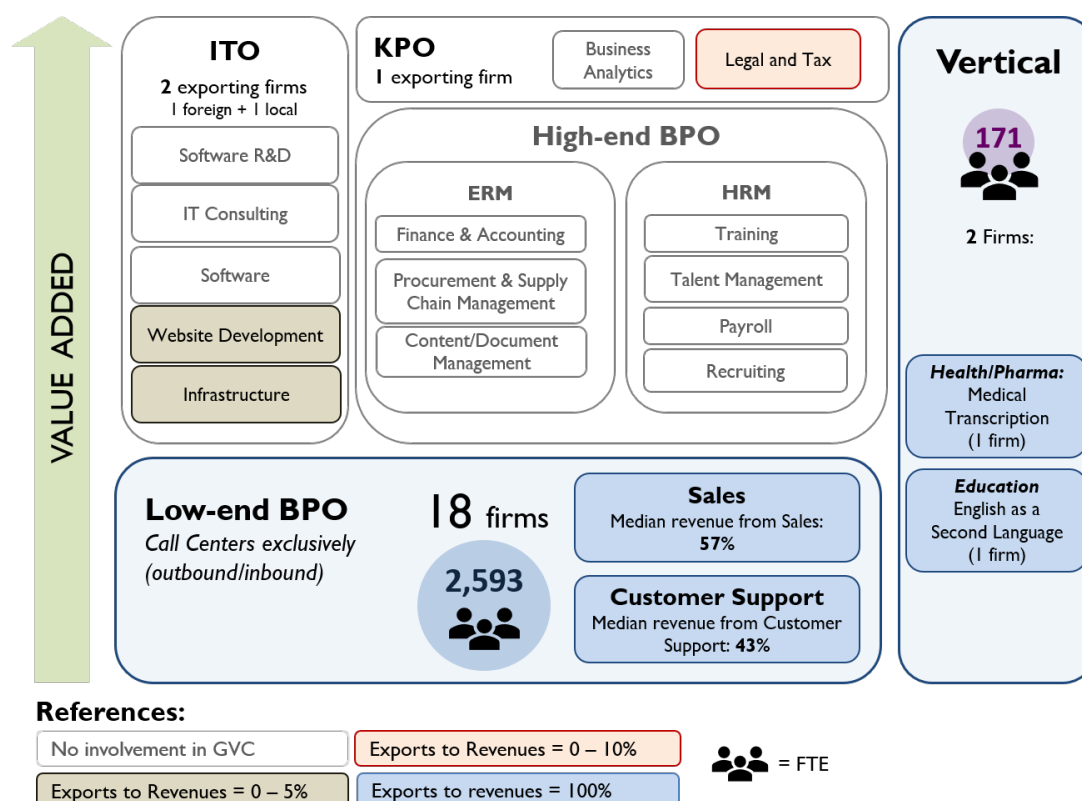
Source: authors calculations from data retrieved from (UNCTAD Stat, 2018; WBI, 2018). **Notes:** the size of the bubble and value represents *non-traditional services* exports in US\$ million.

Despite the fact that 50% of active BPOs have EPZ incentive status, the Central Bank of Belize does not collect data on the EPZ's in terms of export revenues or value of export services; in turn, these are reported to the Ministry of Investment, Trade and Commerce in bi-annual surveys (Field Research, 2018). Thus, in addition to the regular statistical challenge of *non-traditional services exports*, in Belize values are further underestimated. For these reasons, Figure 8 depicts Belize's participation in the offshore services GVC in a simple yet factual way, based on the number of companies and employees in each operational segment, when possible.

Belize participation in the offshore services GVC is predominantly connected to the low-end BPO, with 18 operational companies providing call center services exclusively to foreign markets, namely to the US and Canada. Call centers services exported from Belize include customer support (inbound) and sales (outbound) for an array of products and companies in multiple sectors, primarily transportation, pharmaceutical, healthcare, and the automotive industry. The median share of revenues derived from outbound calls (sales) in Belize's BPO operations is 57%, whilst 42% derives from inbound calls (customer support). For domestic players, even though the sales component of the industry is much less profitable—and difficult to operate in due to the shortage of employees with sales experience—it enables business continuity.

Two vertical firms can also be identified. One provides medical transcription services and the other offers education services in English as a second language for individuals all over the world. The former is a subsidiary of an international third-party provider headquartered Texas (US) providing medical transcription, voice and recognition editing, and medical record services to the health/pharma industry in the US. In 2018, 71 employees with associate degrees worked at this firm, accounting for 2.5% of total employment in the BPO industry. The other company is also a subsidiary from an US-based firm providing English as a Second-Language for individuals in the US; this operation employs high-school graduates.

Figure 8. Belize's Offshore Services Industry



Source: Adapted from (Gereffi & Fernandez Stark, 2010) and based on (BCSP, 2018; Field Research, 2018).

Involvement in the middle and higher-end stages of the GVC, such as software development, finance and accounting and others pertaining to the ITO and KPO segment, ranges from minimal to nonexistent. From about 15 to 20 registered accounting firms that provide knowledge process services to the local market, only one has managed to access international markets. The small share of exports from this company derives from business and tax support provided to non-residents in Belize or potential investors interested in establishing financial offshores in the country. Shortages of accountants and absence of “Big 4” accounting firms (e.g. EY, Deloitte, PwC and KPMG) are the most critical challenges of this segment to grow and attain international competitiveness and participate in the GVC. Within the ITO segment, the number of internationalized firms is also minuscule; the average annual portion of revenues derived from exports is about 5%. The largest constraint within this segment is the shortage of individuals with adequate IT skills.

3.2 Industry Organization

Belize's offshore services industry is composed of about 21 companies employing approximately 2,764 people. There is a high consolidation in the industry, with two companies employing about 43% of the total workforce in 2018. These BPOs retain control over the most critical input of the offshore services GVC—human capital—due to the prevalence of word-of-mouth job-seeking among potential candidates as well as their positioning as attractive employers. Accordingly, for smaller companies, competition for talent is sharp.

The composition of Belize's offshore services industry is unique when compared with regional competitors. The lack of international leading third-party providers is especially notable; by February 2018, while 66% of the industry consisted of foreign third-party providers from the US or Canada, these are significantly small, and none are ranked in the BPO outsourcing providers' rankings (e.g. Everest Group Top 50). Further, only one foreign third-party has operations in other countries elsewhere than in the US and Belize (El Salvador). The rest of BPO operations (44%) are local providers, i.e. firms headquartered in Belize, regardless of the CEO's country of origin.

Clients served from Belize are considerably less sophisticated and smaller—both in terms of employees and revenues—than clients served from leading offshoring locations in LAC. In fact, many local BPOs provide customer support to independent professionals or business-people in the US who require minimal operational support and do not expect any certification from the provider nor data security protection regulations. Retail companies in the US or Canada managed or co-managed by the CEO of the operation in Belize are another common feature. This group of companies has typically followed a cost-cutting strategy by establishing operations in Central America and are somewhat less likely to pursue an economic upgrading strategy.

Only two domestic BPOs—the largest in terms of FTE—have obtained contracts with MNCs that require stringent data security measures, compliance laws of the clients' regulatory framework and international certifications. Although these two firms serve a wide range of clients, it is notable that they are not PCI certified to move away from its telemarketing roots into a more value-added future.

Despite Beltraide's efforts to create a BPO association, the initiative did not continue after 2015.¹⁴ Industry collaboration is completely absent at present. Private stakeholders from the BPO sector are greatly disconnected and the willingness to interact and coordinate strategies is not pronounced. The reasons behind the disinterest depend on the size and origin of the company. Large domestic companies and foreign third-party providers disregard the need to collaborate because the benefits that would emerge are considered irrelevant. Arguably, these companies hold control in terms of technological readiness, sophisticated clients and talented human resources. Smaller companies frequently note that an association would be helpful if the government would address their needs; however, interest has eroded after several years of annual meetings with the public sector in which BPOs would raise concerns but receive little response.

Apart from Beltraide, which is often mentioned as a helpful agency, the BPO industry has little interaction with the government. Even though the Ministry of Economic Development, Petroleum, Investment, Trade and Commerce is responsible for approving the EPZ status of companies, interaction with offshoring firms is limited to administrative procedures. In the light of severe communication failures, coordination between Beltraide and the Ministry—from which the former depends on—is deficient.

Other public and private bodies affiliated with the offshore services industry, such as the Ministry of Education, Universities, and Free Zones Operators, are essentially disconnected from private

¹⁴ This is when the Compete Caribbean Project "Strengthening the Institutional Architecture for Investment Attraction in Belize" ended. Its objective was to strengthen the institutional framework and the necessary capacities of BELTRAIDE to support investment attraction. The BPO industry was supported through the contracting of an officer responsible for the sector and the development of an Association with sector strategies, four-year workplans and websites.

stakeholders, except for certain junior colleges in San Ignacio that support the recruiting process of BPO companies in the area. However, this is a case-by-case scheme; other BPOs mentioned that junior colleges would not provide information about their graduates, even when the intent is to offer job opportunities.

One severe challenge affecting public agencies participation in the industry is the low level of awareness about the offshore services GVC—its dynamics and benefits. To illustrate, the planned Belize Enterprise and Innovation Institute (BEI2), designed to nurture entrepreneurship and innovation, has yet not developed solid linkages with the offshore services industry (Box 1).

Box 1. Belize Enterprise and Innovation Institute (BEI2)

On September 17, 2015, BELTRAIDE, in collaboration with the University of Belize held the ground-breaking ceremony for the construction of the first green building of the country: the Belize Enterprise and Innovation Institute (BEI2). Located on the University of Belize's Faculty of Management and Social Sciences campus in Belize City, the building is designed to nurture entrepreneurship and innovation and strengthen Belize's enterprise competitiveness. In addition to accommodating SBDC Belize and Export Belize, the building will provide meeting rooms, small business incubators, and a resource center. The BEI2 is the first government facility to incorporate both Green and Smart technologies, aimed at becoming a research and teaching hub that accelerates the creation of new companies and jobs, as well as the link between the private sector and the education sector.

At the launch a memorandum of Understanding was signed between BELTRAIDE and the University of Belize as a symbol of an extended partnership, which suggests that joint efforts towards economic development will continue to happen.

Source: (Beltraide, 2015a).

In the past five years the industry has been reviewed twice by large organizations that have provided strong recommendations to improve Belize's positioning in the global market. The first was developed by Avasant and funded by Compete Caribbean from the InterAmerican Development Bank (IADB) in 2013. This report focused on marketing and competitiveness enhancement. The second was designed in 2016 by OCO Global with support from the Commonwealth Secretariat; their report suggested marketing options and a standards framework in terms of human capital, data protection, and buildings for the industry. The actions suggested by both consultations are currently being led by Beltraide (Table 5).¹⁵

A simple analysis of the status of the instructions provided by consultations in recent years indicates that out of 23 recommendations, only nine (39%) are being implemented, although not without challenges. Of these nine, the majority pertain to a group of actions classified as 'secondary'. Reasons behind actions not being implemented are twofold: resource allocation, accounting for 43% of the cases; and lack of policy direction, accounting for 39%.

¹⁵ See Section 3.5.2 for a detail on the status of these actions.

Table 5. Strategy Action Points for the Offshore Services Industry

Component	Specific Strategies
Marketing and FDI Attraction	<ul style="list-style-type: none"> • Redevelop Belize BPO branding, marketing, and investor targeting, including a focus on program spend and external activities. • Creating a permanent / intermittent investment presence in the US. • Regenerate the Belize Outsourcing Association. • Market Belize as an “Outsourcing / Contact Centre Country”, with Belize City as the primary location. • Set realistic input and output investment promotion targets. • Use additional resources to facilitate creation of an integrated marketing strategy. • Work to improve availability of data—including entry into latest World Economic Forum reports. • Monitor market developments and competitors to refine targeting.
Infrastructure development	<ul style="list-style-type: none"> • Develop a “Plug and Play” incubator facility. • Work with external property developers and major real estate consultancies to: host workshops on general and technical BPO real estate requirements, explore what would incentivize construction of more facilities; establish a real estate developers’ focus group. • Explore how telecoms operators and electricity providers can work with the Public Utilities Commission to provide introductory rates for new investors. • Considering the potential to leverage real estate development by offering a risk-sharing solution. • Enter into public/private dialogue on provision of a BPO park in Belize City. • Increase greater competition in telecoms provision. • Securing of infrastructure (streets, sidewalks) in areas deemed appropriate for developing BPO parks.
Skill Development	<ul style="list-style-type: none"> • Development of IT education / awareness in schools - this would include BPO specific courses, legal and accountancy activities; dialogue with schools and universities on current outputs; consider the potential for a BPO Training Institute. • Discuss the possibility of providing one or more additional language schools, especially to focus on increasing the proliferation of Spanish spoken in Belize.
Regulations, Business Environment and Incentives	<ul style="list-style-type: none"> • Enhance the legal framework on data security. • Implementation of Standards Framework • Design and implement a targeted campaign that focuses on encouraging the return of Belizean diaspora back to the country. • Form partnerships with one or more HR / recruitment agencies to offer hands-on recruitment assistance to new BPO investors coming into Belize.
Labor Regulations	<ul style="list-style-type: none"> • Greater flexibility in labor laws to allow part-time and flexible employment.

Source: (Field Research, 2018). **Notes:** Text in blue means that the specific action is at ongoing implementation; text in red means either that work has commenced but with certain recommendation pending execution, or that commencement is pending based on various factors, namely resource allocation and lack of policy direction.

3.3 Industry Evolution in Belize’s Offshore Services Global Value Chain¹⁶

Belize’s small size of qualified workers as well as its weak visibility as a BPO destination have impeded investments in the sector (Field Research, 2018). The country has had some success establishing call centers, which has also served as an entry point into the offshore services GVC for peers in Latin America and the Caribbean (e.g. Guatemala, El Salvador, Jamaica).

Belize’s offshore services industry began in 2005 with the establishment of Ready Call, a domestic company funded by an expert in the BPO industry from Colombia. This firm obtained a 12-year project with a large independent reseller of prepaid wireless telecommunications services in the

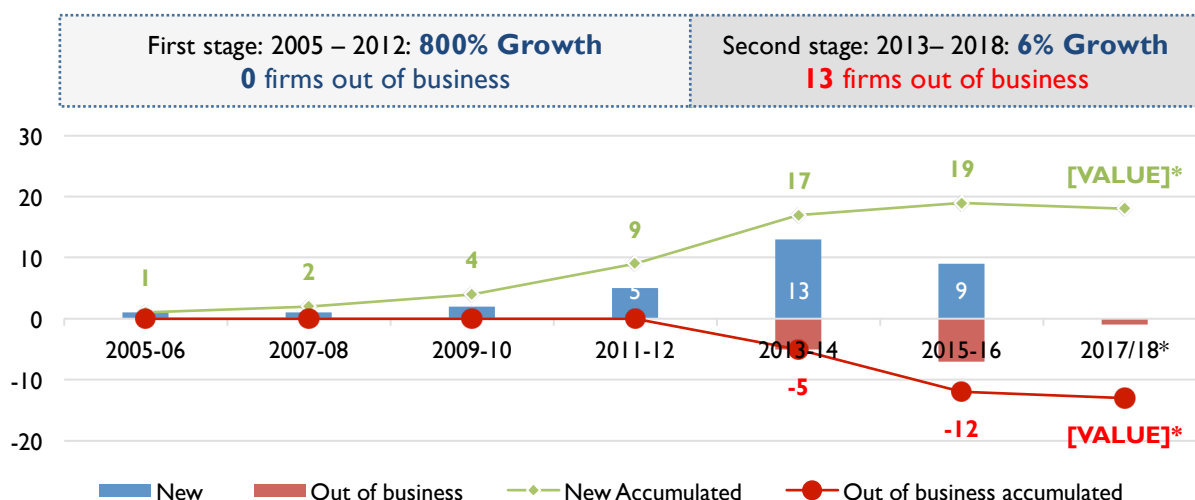
¹⁶ Information from this section derives from official data. It might exist an informal BPO industry operating in workshops with very few agents, or home-based workers. However, these firms are yet out of the radar and are not counted in the study.

US enabling this nascent industry to become an opportunity for Belize's economic development. In 2017, the company became the largest employer in Belize, accounting for 36% of FTE in the industry and 2.4% of employment in services and sales in 2017. One year later, a second domestic call center started a small operation of about seven agents, increasing to 200 in 2018.

With a nascent voice-based services sector flourishing as well as favorable characteristics such as low labor costs and an English-speaking population, confidence in the industry grew. In 2009, two US-based call centers established small-scale delivery centers in Belize City and San Ignacio. Other factors such as the Export Processing Zones (EPZ), improvements in the telecommunications infrastructure, and both cultural and geographic proximity to the US were critical to attract foreign investment and encourage local players to set up small- to medium-sized operations.

From 2005 to 2016, the industry grew from four to 18 offshore services' operations. The most significant expansion occurred in 2013/14, when 13 SMEs opened new operations. However, between 2013 and 2018, the same number of firms went out of business, exhibiting a highly erratic industry evolution (Figure 9). Broadly speaking, the reasons behind the extinction of these firms include insufficient strategic planning, weak social security practices that lead to high attrition, and substandard investments in marketing. These challenges are related to the poor standard of foreign clients—particularly in SMEs—and highly precarious agreements. Even large BPOs commonly fall into bad quality clients due to Belize's lack of credibility and visibility in the offshore services GVC.

Figure 9. Evolution of Belize's BPO Industry, 2005 – 2018



Source: authors based on (Beltraide, 2015b, 2016a; Field Research, 2018). **Notes:** *Authors estimations.

A notable feature of Belize's BPO operations is the expansion in the number of employees. Whereas companies generally began with two to 60 agents, the current range per firm is 67 to 810 agents. More precisely, almost 90% of call-centers or BPOs in Belize began their operation as a micro (25%), small (25%) or medium (38%) enterprise.¹⁷ As per February 2018, there are no

¹⁷ For the categorization the authors considered full time employees criteria according to Speedersaud (2012). The complete definition of MSMEs in Belize includes annual sales, investment in plant and equipment and manufacturing space (Seepersaud, 2012).

MSMEs actively participating in the GVC, with three-quarters of firms employing more than 100 employees.

In terms of exports, *non-traditional services* exports from Belize have increased from US\$30 million in 2005 to US\$75 million in 2016, exhibiting an average annual growth rate of 6%, which is half the average growth rate of *non-traditional services* from Central American countries (UNCTAD Stat, 2018). The category related to the sales component of the low-end BPO segment—*technical, trade-related, and other business services*—grew at an average growth rate of 9% during the 2005-2016 period, in which exports grew from US\$30 to US\$56 (UNCTAD Stat, 2018). *Professional and management consulting services* suffered little changes during that period.

Finally, employment in Belize's offshore services industry has tripled from 961 employees in 2009 to 2,768 in 2016. Annual growth rates fluctuate greatly; however, this is typical in the early stages of development in industries highly dependent on qualified skills such as offshore services. Regardless, the share of new employment in the BPO industry over total new employment has been declining: the participation of the BPO industry in new employment from 2015 to 2016 is almost half the value exhibited three years prior, when the industry experienced the highest growth in terms of new BPO operations (Table 6).

Table 6. New Employment in the BPO industry

Industry	2012-2013	2013-2014	2014-2015	2015-2016
BPO (number)	260	478	249	341
All industries (number)	1,653	6,244	5,954	3,827
Share of employment in BPO to new employment in all industries (%)	16%	8%	4%	9%

Source: Author based on (Beltraide, 2015b, 2016a; SIB, 2012, 2013, 2014, 2015, 2016).

3.3.1 Economic upgrading trajectories

The types of upgrading observed during in the 2005 to 2018 period in Belize's offshore services GVC are summarized in Table 7. As mentioned, most trajectories were limited to the CRM industry, with only one BPO experiencing an upgrading trajectory within the offshore services GVC.

During the past decade, around 80% of BPOs companies still active in Belize have achieved **product upgrading** within the *Customer Resources Management* GVC. Most trajectories of this type were attained by moving from outbound services exclusively to blended services—i.e. a mix of outbound and inbound calls. **Process upgrading** within the CRM, however, is less common. **End-market** upgrading within the offshore services GVC—shifting from mass market to business-to-business services or more sophisticated clients—is present, but much more recent and limited to large companies with higher degrees of power to recruit the most qualified talents (see Table 7).

Table 7. Firm-level Economic Upgrading Trajectories in Belize's BPO industry¹⁸

Type of Operation	FTE (2018)	Within the Customer Relationship Management GVC	Within the Offshore
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¹⁸ Companies selected (11) include all companies interviewed during Field Research (2018).

		exclusively			Services GVC
		Product Upgrading ^(a)		Process Upgrading ^(b)	Functional Upgrading ^(c)
		Blended Services	End market		
Third-party (US)	850	✓	✓	✓	✗
Domestic	800	✓	✓	✗	✗
Third-party (US)	240	✓	✓	✓	✗
Domestic	200	✓	✓	✓	✗
Third-party (US)	170	✓	✗	✗	✗
Domestic	120	✓	✗	✗	✗
Domestic	114	✓	✗	✗	✗
Third-party (US)	100	✓	✓	✗	✗
Third-party (Canada)	57	✗	✗	✗	✗
Third-Party (US)	71	✗	✗	✗	✗
Domestic	42	✓	✓	✓	✓
Share of firms that have upgraded^(d)	-	81%	54%	36%	10%

Source: authors based on Field Research (2018). **Notes:** List is not exhaustive. ^(a)*Product Upgrading*: offering blended services (inbound and outbound), shifting from simple to more complex transactional operations; or expanding markets; ^(b)*Process Upgrading*: call centers adopt multichannel voice and non-voice technology, e.g. e-mail, chat, voice-over-Internet, and cloud (Ahmed, 2013); ^(c)*Functional Upgrading*: shift from CRM to the provision of higher value-added services from the offshore services GVC, such as those within the high-end BPO segment; ^(d)This share is calculated over a total of 11 companies that account for at least 72% of total FTE in 2018, according own estimations.

Functional upgrading within the offshore services GVC—for instance, expanding beyond customer support processes to engage in judgment and knowledge-intensive services, such as finance and accounting or legal process outsourcing—is not yet detectable in Belize. However, one foreign BPO firm based in San Ignacio has been developing a small ITO operation by slowly incorporating technical support and complex help-desk services. These activities still pertain to the bottom end of the offshore services GVC; at the firm-level, they account for 18% of FTE. This singular functional upgrading was based on in-house intensive training of a few tech-savvy individuals and the subsequent knowledge transfer to other employees. During this process, the company reached some tertiary degree institutions to develop a joint training program; however, the latter proved insufficient capabilities to create an adequate curriculum and dialogue quickly ended.

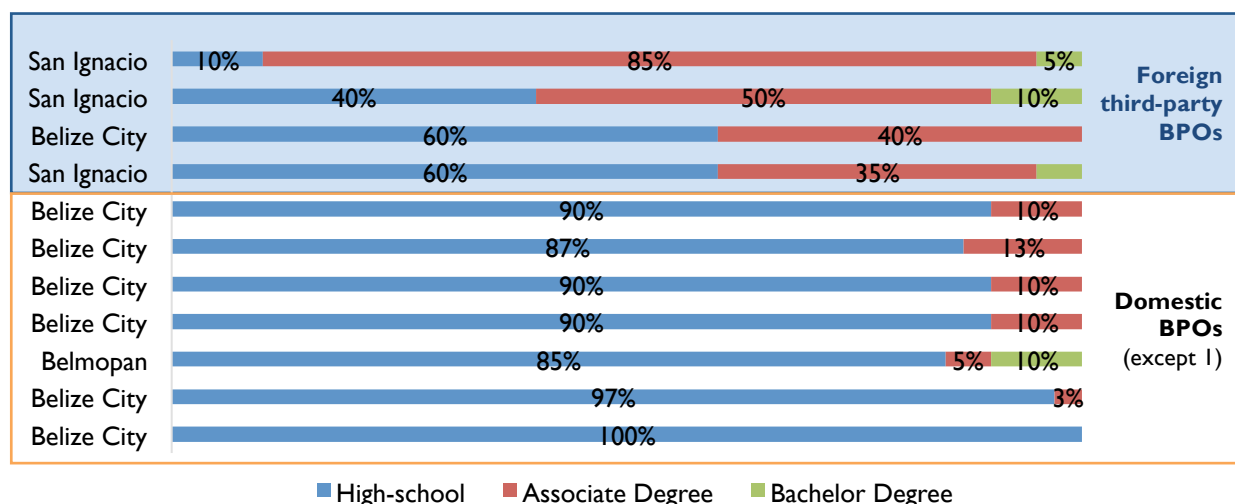
3.4 Human Capital of Belize's Offshore Services

As mentioned in the global section, even at the very low-end segment of the GVC, firms often require young university students or graduates (Gereffi et al., 2011). However, in Belize, the BPO industry employs predominantly high school graduates. Currently, individuals that have only completed high school educations comprise at least 74% of the industry's FTEs. Around one quarter of the industry is comprised by individuals with associate degrees; however, this average is skewed by one foreign company where around 85% of FTE attained this diploma. Employees in the Belizean BPO industry with a bachelor's degree (student or graduated) is about 3% of total FTE (Field Research, 2018).

A firm-level analysis indicates that only four companies in the industry employ individuals with a bachelor's degree; the share of this group in these companies, however, is small, ranging from 5%

to 10%. BPOs with a relevant share of workers with an associate degree are third-party providers headquartered in the US. Further, three of these operations are located in San Ignacio. Figure 10 suggests that domestic players might be providing the most transactional tasks of the Belizean BPO industry, with foreign companies capturing higher levels of complexity and sophistication, i.e. more valuable and profitable clients. Moreover, Figure 10 illustrates that human capital in San Ignacio's operations would relatively more educated than in Belize City.

Figure 10. Level of Education of FTE in Selected BPO Firms, by City¹⁹



Source: Authors based on Field Research (2018).

Currently, about 26% of BPO employees are below 20 years of age while 58% are between 20 and 29 years (Avasant, 2013). Thus, out of 10 workers of Belize's BPO industry, six fall under the global average age, set at 25 years old (Ahmed, 2013). Around three, however, are far younger. In consonance with global standards, there is a high representation of female workers, with 60% forming the BPO workforce (Avasant, 2013). However, there are challenges associated with the female participation, including the lack of a reliable transportation systems for evening shifts—although this is not exclusive to female workers—and limited access to affordable day-care facilities in Belize City (Field Research, 2018).

Belize's BPO industry is challenged by high turnover. The issue is especially pronounced during training periods, with up to one third of new hires unable to handle the demands of the position or unwilling to commit to the hours and regimen that the job requires (Lindauer, 2014).

The new graduates flowing to the BPO talent pool can be estimated at 16,233 in 2015 (Table 8).²⁰ If the number of high-school drop-outs, high-school graduates and junior college enrollees are added, the talent pool for Belize's BPO industry would increase to 29,525 individuals in 2018 and a stock of 111,945 potential workers in the last four years.²¹ However, when considering the average employability rate (40%) the projected size of the talent pool would drop to a flow of

¹⁹ Companies selected (11) are all companies interviewed during Field Research (2018).

²⁰ From this number the share of individuals that follow a different job path is unknown.

²¹ Only about 35% of high school graduates enroll for further education following graduation leaving the majority to seek employment (Avasant, 2013).

11,810 in 2018 and a stock of 44,778. Considering the number of new FTE hired by the BPO industry between 2012 and 2016, and despite the low employability rate, the size of the talent pool remains well short of BPO saturation levels.

Table 8. Size of the Talent Pool Relevant for the Offshore Services Industry

Indicator	Annual Flow				Avg. % in BPO FTE	4 years Accumulated
	2015/16	2016/17	2017/18	2018/19	2018	2011 – 2018
High-school drop-outs	5,599 ^(a)	5,793 ^(a)	5,994 ^(a)	6,202 ^(a)	NA	23,587
High-school graduates	16,761 ^(b)	17,306 ^(b)	17,869 ^(b)	18,450 ^(b)	74%	70,385
Junior college enrollees	4,127 ^(c)	4,362 ^(c)	4,611 ^(c)	4,873 ^(c)	24%	17,975
Talent for the BPO industry	26,487	27,461	28,473	29,525	3%	111,945
Employable talent ^(d)	10,594	10,984	11,389	11,810	100%	44,778

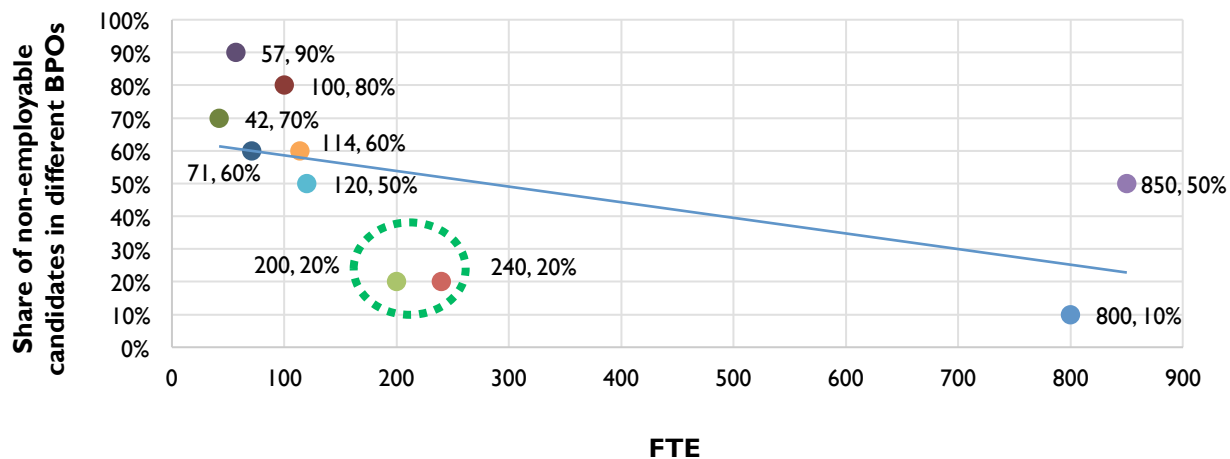
Source: authors based on (Field Research, 2018; Ministry of Education, 2018). **Notes:** ^(a)Estimation based on a 25% drop-out rate calculated in 2011 by the (EPDC, 2014); ^(b)Estimation based on the average annual growth rate between 2010 and 2015 of high-school graduates (3.47%); ^(c)Estimation based on average annual growth rate between 2010 and 2015 (3.47%); ^(d) Sum of *High-school drop-outs* plus *High-school Graduates* plus *Junior College Enrolls* after considering the employability rate (40%).

3.4.1 Human Capital Challenges for Belize's Offshore Services Industry

Generally, Belize's workforce lacks basic technical and soft skills to become employable in a low-end BPO operation. In fact, the median of non-employable applicants to an entry-level position rises to 6. This ratio is slightly lower than Jamaica's BPO industry, set at 7 to 8 in 2017 (Ferrari & Couto, 2017). However, in average, services provided from Belize are relatively less complex than in Jamaica; to this extent, the largest company in Belize indicated that for sophisticated projects in which the client interviews candidates, only three out of 10 applicants would have the required skills to become employable.

The ratio of non-employable candidates would greatly vary depending on the size and location of the company: the number of non-employable applicants decreases as the size of the firm increases (Figure 11). This finding is consistent with the distribution of power in Belize's BPO industry; while large domestic companies and foreign operations (green dotted circle) hold the lowest non-employability rates—hence, they attract the best talent—in smaller companies, at least one half of applicants are found to be not employable (Field Research, 2018).

Figure 11. Ratio of Non-employable Candidates in Selected BPOs

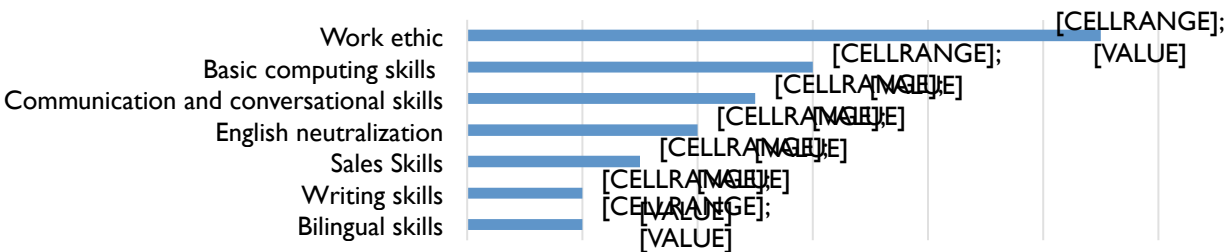


Source: author based on Field Research (2018). **Notes:** Each circle represents a BPO company established in Belize. Firms inside the green dotted circle are in established in San Ignacio.

In San Ignacio, out of 10 candidates applying for an entry-level position, only two are found to be non-employable. According to industry stakeholders, English is slightly more neutral in this city and Belmopan than in Belize City, where Creole is heavier. Also, cultural affinity with the US is relatively higher, thanks to a greater exposure to tourists in comparison with Belize City. Furthermore, companies based in San Ignacio with operations in other nearshore locations (El Salvador and Panama) have found that Belizeans require relatively less training to get them ready-to-work (client-specific). In addition, one firm also based in Panama clearly stated that after training, Belizeans become relatively more productive.²²

The BPO industry is hindered by country-wide constraints that threaten Belize’s competitiveness moving forward. Basic skills of the talent pool are reported as inadequate by stakeholders despite rising public spending on education over the past few years. Figure 12 indicates current gaps in human capital according to private stakeholders, including both technical and soft-skills constraints.

Figure 12. Skill Gaps in Belize’s BPO Labor Force



Source: authors based on Field Research (2018).

Poor work ethic was mentioned by all interviewed companies, including punctuality concerns, lack of commitment and dishonesty. Additionally, 55% of stakeholders indicate that employees lack basic computer skills, such as typing, basic computing tools and software management such as

²² Comparison in terms of productivity was made with El Salvador.

Office or CRMs, owing to a low-quality education system that is faulted in providing obsolete training both in the secondary and tertiary level. According to the majority of private interviewees, educational institutions place too much emphasis on academic subjects and theory, and not enough on occupational training, hindering individuals' opportunities to be quickly employed despite having outstanding qualifications. In addition, most schools lack the required infrastructure and capital to educate students in new technologies.

Other highly frequently mentioned gaps include communication and conversational skills, English neutralization, and sales skills. Although English is the language of instruction in public schools, the Belize Creole language is prominent across the country—especially in Belize City—and teachers in the secondary level frequently speak Creole during classes. In addition, those teaching classes other than English would only grade their students based on content, excluding the grammatical component. Hence, the only place where individuals actually practice proper English and build strong communication skills is in the workplace. As a result of the predominance of Belizean Kriol, many employees would struggle to continue a conversation in English when dealing with frustrated clients. In addition, looking at some of the specific word usage and speech patterns, people in Belize use a version of King's English, which is somewhat outdated for US customers (Kendall, 2017b). Even though the Ministry of Education is trying to improve English in school and ensure that teachers actually speak the language, resources to monitor are highly limited.

Finally, Spanish is spoken by 40% of population (Avasant, 2013). However, this group is highly concentrated in locations closer to Guatemala's and Mexico's borders. However, in those places, many students are not very skilled with English. Hence, bilingual campaigns are very costly to sustain, because BPOs located in Belize City would need to provide transportation to the west and north of the country. For the second largest BPO in Belize (Ready Call), those overheads have already proven to be too high to sustain a small-scale project.

The severe dilemma of the quality of English language and basic computing skills can be identified in the 2017 Primary School Examination. Students failing in English, Math and Science raise to 26%, 49%, and 22%, respectively (Table 9). In all three subjects, the average share of students with less than a satisfactory performance is above 50% (Ministry of Education, 2014).

Table 9. Results of Primary School Examination (PSE)

Grade	English		Math		Science	
	2014	2017	2014	2017	2014	2017
Excellent (80-100%)	6%	5%	8%	13%	36%	13%
Competent (70-79%)	18%	18%	12%	11%	23%	21%
Satisfactory (60-69%)	27%	28%	16%	12%	18%	24%
Adequate (50-59%)	23%	24%	17%	15%	11%	20%
Inadequate (49% and below)	26%	26%	47%	49%	11%	22%

Source: Author based on (Graniel, 2017; Ministry of Education, 2014)

The low level of education generally impacts continuity in studies. Accordingly, the share of secondary school-aged children attending school in 2013 is 35 percentage points below the regional average of 80% (Näslund-Hadley et al., 2013). However, gross enrolment ratio in secondary and tertiary education is above the region median and significantly greater than its main geographical competitors: Guatemala, El Salvador, and Honduras. Despite this, Belize's dilemma is its scale. To illustrate, compared to the next smaller competitor in the region (Jamaica), the

number of students enrolled in secondary education is almost 10 times smaller; compared to the regional median, the gap increased to roughly 400,000 individuals in 2015 (Ferrari & Couto, 2017).

The most substantial challenge to attain economic upgrading within the offshore services GVC relates to the low rates of tertiary students. This is not a current challenge for Belize's low-end BPO firms because most are not interested in tertiary level students nor graduates—their attrition rate is significantly high, as well as their wages in comparison to a high-school graduate.²³ However, product upgrading within the offshore services GVC—upgrading to ITO and/or high-end BPO segments, for instance—depends on the availability of advanced tertiary students. The University of Belize (UB) and Galen University are the two main universities in Belize. The top three degrees sought after by university students include marketing, accounting and international business at Galen University, and management, accounting, primary education at the UB (Avasant, 2013).

Entrance in the KPO segment would depend on the availability of tertiary graduates. However, Belize exhibits a significant shortage of STEM graduates, hindering the country possibility to attain functional upgrading (Table 10). The number of associate and bachelor graduates from programs relevant to the ITO and high-end BPO segments in 2016 is greatly below the number often required by an international third-party providers or multinational companies looking to set up nearshore captive operations. Even though graduates from business programs account for around 60% of both associate and bachelors' degrees, the absolute number is still significantly below the standard demand of the offshore services industry players (Beltraide, 2016b).

Table 10. Graduates from the Tertiary Level in Belize and Competitors (2015)

Country	ITO	High-end BPO
Belize	125 ^(a)	612 ^(b)
Jamaica	410	6,409 ^(c)
Uruguay	400	3,500

Source: Authors based on (Beltraide, 2016b; PAJ, 2017; Uruguay XXI, 2017). **Notes:** ^(a)Includes graduates from associate and bachelor's degrees in IT and Math programs; ^(b) Includes graduates from associate and bachelor's degrees in Business programs; ^(c) Includes graduates from associate and bachelor's degrees in Finance and Accounting programs.

Despite the quantity constraint, stakeholders believe that most graduates from high-school—and even from the tertiary level—lack the critical abilities to succeed in the high-end BPO and KPO segment. The poor performance in judgment and knowledge-based segments of the offshore services GVC is a consequence of severe deficiencies identified in previous studies developed by the IADB and presented in Table A-I, Annex I.

3.5 Policies Impacting the Offshore Services Industry

Despite the financial and technical constraints of institutions that participate in the offshore services industry, the BPO industry is arguably supported by the government, with some initiatives being implemented to improve the skills and size of the labor pool. Since 2011, in collaboration with the Ministry of Education, BTEC (Belize Training and Employment Center) ran three-week BPO training programs designed for entrants into the industry. Curriculum was based on

²³ The reasons behind tertiary students disregard for the industry include very low levels of complexity of the companies' projects and low wages.

consultations with private stakeholders and training was focused on English language, keyboard typing and basic IT proficiencies, as well as customer service/sales (Lindauer, 2014). The project ended in April 2017 because firms were using the program to replace personnel, not to increase the number of employees.

Private stakeholders indicate that the course was unable to meet their needs, since applicants lacked the basic skills to succeed in the training and become employable in such a short period.²⁴ In addition, BTEC's instructional proficiency and institutional capacity to train a large pool of individuals in the skills required by the BPO industry would be inadequate (Field Research, 2018).²⁵ Currently, BTEC strategy towards skill development is completely reactive to companies' demand, which after recruiting a certain number of individuals (minimum of 25, maximum of 50) would send them to BTEC to complete a basic training. Curriculum and trainers are provided by BTEC, except for highly client-specific training modules where trainers from the company are allowed by BTEC. However, for general skills, the institution requires that BTEC trainers provide the training themselves, after being trained by the company (Field Research, 2018).

Beyond specific BPO training, the government has been implementing a program funded by the IADB to improve the quality of primary education and governance of Belize education system. Although the project is not pursuing economic upgrading in the BPO offshore value chain, in the future, this might impact the most critical input of the industry. Briefly, the loan (US\$10,000) aims to prepare primary teachers in student-oriented teaching and outcome based education, supporting principals in leadership and supervision skills, and developing an information system for education management (IADB, 2013). As per December 2017, 86 teachers have been trained in a new set of learning techniques that promote critical thinking amongst the students. Accordingly, the Ministry of Education registers substantive learning improvements in the schools that the project has been implemented.

Finally, according private stakeholders that have attained an advanced degree of economic upgrading, the Central Information Technology Office (CITO) is delivering qualified personnel in IT skills, trained by qualified personnel from international accredited institutions. One program developed at CITO is the 'Kids Computer Summer Program'; its goal is to teach children between 7 and 13 years old to create educational games and learn IT concepts—as well as Math, Spelling, Reading, and Science—through gaming platforms and providing trainings in a lab aimed at stimulating children's creativity and build a foundation in computer science (CITO, 2018; Field Research, 2018).

3.6 Advantages and Constraints²⁶

Belize's offshore services industry is in its early stages. Driven by an English-speaking workforce, cost competitiveness and geographic proximity to the US, there are opportunities for long-term economic upgrading, especially if human capital skills and infrastructure are quickly improved. Table

²⁴ Candidates were not required to have completed high school, which is the basic requirement of the BPO industry in Belize.

²⁵ Typing practice as a homework was not mandatory and the training was not able to dedicate the time to develop this critical ability. In addition, according to one large company, while they could hire up to 100 individuals in a week, BTEC trainings would take three weeks (Field Research, 2018).

²⁶ Except where otherwise indicated, data from this section is based on information gathered during Field Research in January 2017.

II summarizes both the strengths and weaknesses of the Belizean industry. The most prominent advantages and constraints are then outlined in the section that follows. The potential upgrading section expounds on the possible opportunities.

Table II. SWOT of Belize's Offshore Services Industry

Strengths	Weaknesses
<ul style="list-style-type: none"> English-speaking workforce at competitive costs and strong presence of Spanish-speaking labor. Economic and political stability. Financial and tax benefits through the EPZ regime. Belize's currency and inflation rates are stable and fiscal policies do not appear to have any undue fluctuations. 	<ul style="list-style-type: none"> Limited workforce, shortage of critical abilities for the industry, and inadequate labor regulations. Absence of reliable infrastructure, including real estate, related services (telecommunications, electricity, etc.) and roads. Informal companies and challenges to identify these Poor data security and intellectual property protection. Absence of policy direction, and coordination/bureaucracy failures. Weak visibility of Belize as a BPO destination.
Opportunities	Threats
<ul style="list-style-type: none"> Higher growth in nearshore locations compared to offshore locations. Automation is replacing jobs in onshore sites and the high-end BPO segment rather than in offshore customer support operations. Some US-based MNCs have presented investment propositions; most are waiting for office space and/or talent pool expansion. High demand of established BPO operations. 	<ul style="list-style-type: none"> Simple inquiries and routine transactions will shift from voice channels to e-mail, chat, and video, which require a high level of writing skills in both Spanish and English. Regional locations in the Caribbean share similar capabilities/propositions with Belize (i.e. English, nearshore proposition, etc.). The emergence of largely-sized and equally capable destinations across the region that are developing effective workforce development programs

Source: Authors based on (Field Research, 2018).

3.6.1 Advantages

Belize's advantages in the offshore industry revolve around its nearshore location, low-cost English-speaking workforce, cultural affinity with the US, and political/financial stability. These strengths, along with improvements in the telecommunications infrastructure during the past five years, align to low-end BPO location drivers, although they fall short to enable ITO, high-end BPO or KPO operations. The following sub-section expounds upon the strengths indicated in Table II.

- English-speaking workforce at competitive costs and strong presence of Spanish-speaking labor.** The size of the available talent pool by 2018 is around 11,800 individuals. This number is relatively small compared to competitors but still reasonable to sustain growth; between 2012 and 2016 the BPO industry hired an average of 330 new FTE annually. The fact the official language for Belizeans is English provides advantages. Spanish-speaking populations are also present and available to enter the industry; however, this group is concentrated in the west and north areas of the country while the BPO industry is concentrated in San Ignacio and Belize City.

2. **Economic and political stability.** Belize has traditionally enjoyed one of the most stable political environments in the region, having held peaceful and transparent democratic elections since it attained independence on 1981. In 2016, the country ranked 49.05 in the *Political Stability* index of the World Bank, above several competitors, including Guatemala (26.19), Honduras (33.81), Nicaragua (39.52) and El Salvador (44.76) (World Bank, 2018).
3. **Financial and tax benefits and EPZ regime.** Belize does not tax corporate profits on local nor foreign investment and allows 100% repatriation of profits. In addition, the Export Processing Zone (EPZ) Act exempts companies from import and export duties, capital gains taxes, property and land taxes, among other benefits.²⁷ Moreover, under the EPZ regime companies can open foreign currency bank accounts and are exempted from import and export licensing requirements. Also, work permits have no cost for all professional and technical staff (U.S. Department of State, 2014).
4. **Stable currency and inflation rates.** The Belize Dollar has been pegged to the United States Dollar since May 1976 at a fixed exchange rate of BZD 2 to USD 1. Also, since 2010 the annual inflation in consumer prices has exhibited solid stability (World Bank, 2016b).

3.6.2 Constraints

1. **Limited workforce, shortage of critical abilities for the industry, and inadequate labor regulations.** In addition to the small size of the labor market, the employability rate in the BPO industry is low (30%).²⁸ The BPO workforce is plagued by mediocre work ethic as well as severe deficiencies in computing, communication, conversational and writing skills. In addition, most individuals struggle with English neutralization and sales skills are nearly absent. This is the result of several factors, including: (i) severe deficiencies in the quality of teaching across all educational levels; (ii) deficient access to Internet, computers and related devices (e.g. keyboards), and mobile cellular both at school and homes; (iii) absence of vocational and training institutions to respond to the basic needs of the offshore services industry and close the skill gaps; (iv) no formal training specific to the BPO segment in colleges nor universities. In addition, individuals with IT degrees do not seem to be trying to access the BPO labor market, hindering functional upgrading.

The labor framework is also problematic. A shift-based, hourly salary framework does not exist. Belize places more restrictions on the length of fixed-term contracts than any other country in Central America (Doing Business, 2018). The notice period for redundancy dismissal is also higher than most countries in the region.²⁹ According to employers, employees are not obliged to provide a notice period and many times, individuals resign without notice. This reduces flexibility and certainty, hindering economic upgrading.

2. **Absence of reliable infrastructure.** This constraint involves several components, including:

²⁷ Other advantages include dividend and transfer taxes as well as excise, sales, and consumption taxes.

²⁸ The employability rate is the average share of candidates that are considered employable by BPO stakeholders each time an entry-level position is opened. To the extent of this report, an individual becomes employable when it exhibits the adequate basic skills to be hired and trained at an entry-level position in the low-end BPO industry.

²⁹ Notice period for redundancy dismissal in weeks of salary in Belize is 4.7, while in Costa Rica, El Salvador, Guatemala and Jamaica, notice period ranges between 0 and 4.3 (Doing Business, 2018).

- Insufficient buildings for the BPO industry. Growth is currently being hindered by this constraint, with many firms having to reject opportunities due to the unavailability of buildings suited to a BPO requirements. Although the government provides tax exemptions for real estate developers constructing BPO facilities, these must secure a BPO tenant first. This burden discourages developers to invest in front of high risk. Hence, unless firms develop their own commercial building—which is complex and costly due to limited knowledge on standards and lack of construction materials—the possibility of taking on more campaigns and/or clients is minimal. Additionally, low growth rates from BPO companies increase the perception of risk amongst developers. The conditions within existing buildings is also sub-standard, with cramped quarters and inadequate partitions discouraging people from working in the industry and creating a negative perception amongst the population while also creating high overall noise volume, reducing the effectiveness of calls and performance of workers.
- Competition failures and inexperienced telecom services' technicians. In addition to having only one telecommunications company providing reliable internet, most technicians lack expertise on industry requirements, standards and specifications. As a result, most foreign operations have moved critical computer infrastructure to Miami.
- Poor road infrastructure. The percentage of roads considered to be in poor or bad condition increased from 12% to 60% of the total between 2007-08 and 2012-13, respectively (McNish & Granada, 2013). This causes difficulties for employees to be punctual or travel to work.³⁰ Poor accessibility to and from Belize City and San Ignacio—where BPOs are concentrated—is further aggravated by an unreliable transportation system that runs from 7 AM to 6 PM, hindering 24/7 operations. In addition, public transportation is not reliable, which leads to employees arriving late most times. Mitigating these constraints create major overheads for BPO companies, with some firms—frequently, the largest—providing their own transportation services to sustain operations.³¹

3. Informal companies and challenges to identify these. While the precise number is not known, there are informal BPOs operating from Belize. Despite their scale is significantly small—5 to 10 workers—frequently, these hire remote informal workers as well.³² This constitute a threat for Belize's positioning in the GVC as reliable destination, especially for higher-end tasks. In addition, informal BPOs can create a downward pressure on profits and wages, which can negatively impact working conditions and discourage talented individuals from engaging in a career path in the BPO industry.

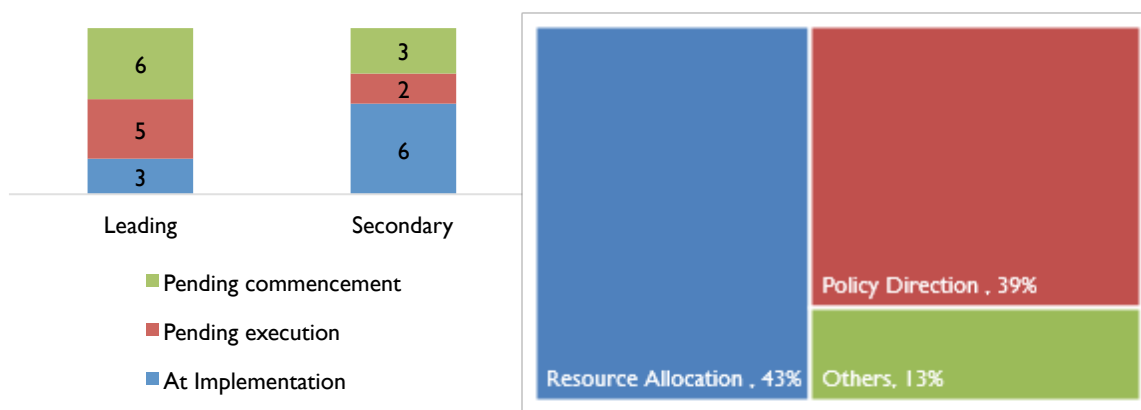
³⁰ According to the last Global Competitiveness Report in which Belize was incorporated (2011), the country stands at 103rd of the 142 countries in quality of roads, which is rated at 3.0 and falls below the 3.6 and 3.9 average for Central American and Caribbean countries, respectively (VEF, 2011).

³¹ In 2017, Ready Call closed an operation 40 km away from Belize City, located in Ladyville. In addition to the fact that the contract with the company providing all the work ended, the company decided to move to Belize City because offering transportation for all employees, with half of its FTE living in Corozal or Cayo, was a substantial effort, to the extent that the firm was almost turning into a transportation services company.

³² Informal BPOs started around 2007, expanding significantly between 2015 and 2016. Frequently, these are operated by expats in their own homes or garages; servicing an acquaintance or their own company abroad, the recruiting system is elementary, based on informal referrals. Beltraide has not been able to locate them.

4. **Weak data security and intellectual property protection.** Regulations for protection data in Belize would be obsolete (Beltraide, 2016a). Further, even though Belize has fulfilled its obligation under the World Trade Organization (WTO) to implement the Agreement on Trade-Related Aspects of Intellectual Property (TRIPS), enforcement is lacking.³³ This discourages economic upgrading and FDI, especially in higher-value added segments, such as high-end BPO and KPO.
5. **Absence of policy direction, and coordination/bureaucracy failures.** Despite attractive incentives for investors, foreign BPOs have noted they seem to be administered in an ad-hoc rather than formal or comprehensive manner. Investors have complained that the bureaucracy involved in obtaining the EPZ status can take up to two years. Permanent residence procedures can also take up to two years; this is hindering growth of several companies, since it is required for obtaining mortgages and buying buildings. Furthermore, administrative procedures required to operate BPOs are managed by a myriad of different departments, which results in an escalation of times and costs. Interaction among private stakeholders is also lacking; as a result, coordination and organization efforts have consistently failed. Most firms reported that the reason an association body has not been created is that it would require substantial time investments with little probability of success. Finally, the development of Beltraide's program to develop the BPO industry is hindered by deficient resource allocation and lack of policy direction (Figure 13).

Figure 13. State of actions of the BPO development program by February 2018 (left); and reasons behind pending execution or pending commencement (right).



Source: author based on Field Research (2018).

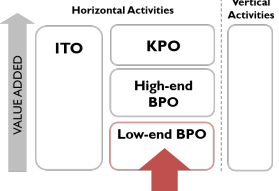
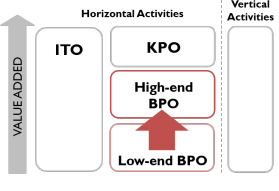
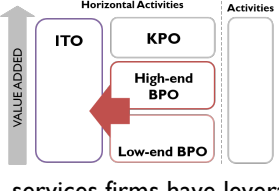
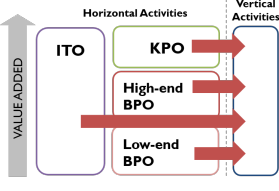
6. **Weak visibility of Belize as a BPO destination.** Belize is not listed in any ranking outsourcing/offshoring locations. This is due to the absence of international third-party providers or leading captive centers. Companies such as A.T. Kearney or Everest Group analyze countries performance only once a leading provider is established and proven that the country has the capacity to run and sustain a BPO operation.

³³ Belize ranks in the sixth lowest position within Latin America and the Caribbean in the *Rule of Law* index in the WI in 2016. However, regional competitors such as Honduras and Guatemala score below Belize (World Bank, 2018).

4 Lessons for Belize's Upgrading in the Offshore Services from Global Experiences

Economic upgrading is defined as actors moving to higher value activities in GVCs in order to increase the benefits from participating in global production (Gereffi et al., 2005). In the offshore services GVC, five principal upgrading trajectories can be identified (Table 12).³⁴

Table 12. Selected Upgrading Trajectories in the Offshore Services GVC

Type	Diagram and Description
Entry into the value chain	 <p>This has been achieved by developing countries principally through the provision of call centers services. These operations rely on scale; hence, are best suited for developing countries with large populations. Examples: countries entering the value chain through call centers include El Salvador (Dell, Sykes and Teleperformance), Jamaica (Teleperformance, Sutherland Global, Alorica), Panama (HP and Caterpillar) and Guatemala (Exxon Mobil, ACS and 24/7 Customer).</p>
Upgrading from low-end BPO to high-end BPO Functional Upgrading within the BPO segment	 <p>This encompasses the shift from basic customer support services to the provision of services within high-end BPO segment; it is a common trend for countries entering the GVC through the low-end BPO segment. High-end BPO activities rely on repetitive and transactional functions, as with call centers, although they draw on a relatively more educated labor force, including advanced tertiary students and—to a lesser extent—graduates. Training in BPO functions is predominantly carried out by the private sector and on-the-job. Educational institutions and governments help to develop course content and provide scholarships. Examples: In Central America, offshore service firms have entered principally to provide call center services in Spanish for the Hispanic market in the US, but they have rapidly expanded their services to include English-speaking agents, while some companies sought certification in data security standards. In other countries, such as South Africa, Uruguay, and Chile, the government has provided financial support for training in the high-end BPO segment.</p>
Upgrading from BPO to low-end ITO Functional Upgrading ITO	 <p>This encompasses the provision of IT processes, either by incorporating these in BPO operations or simply attracting IT operations. It has been a common trend in small-scale countries with high maturity in IT exports. Training can be carried out by the private sector, but more than often firms rely on educational institutions and government support in coordinating actors and providing incentives. Examples: In the South American region offshore services firms have leveraged the local capacities establishing low to intermediate ITO processes. Governments have developed educational policies focused on adopting technology from early ages and STEM; for instance, in 2007 Uruguay provided one computer for each student from the public system education.</p>
Industry Specialization End-market upgrading	 <p>Companies offering some ITO, BPO and KPO services for a wide range of industries often specialize and focus on key industries in which to expertise. This trajectory is closely correlated with leading develop productive industries in the host country. Inflationary pressure, caused by the high demand for labor from a small workforce, quickly forces the country to change its offshoring approach to focus on niche higher value activities. Examples: Chile exports engineering services related to mining, India exports pharmaceutical R&D to lead MNCs, and Uruguay exports sophisticated expertise on cattle traceability.</p>

Source: Duke GVCC.

³⁴ For more information about upgrading trajectories in the offshore services industry, please see Fernandez-Stark, K., P. Bamber and G. Gereffi (2011).

4.1 Case Studies

This section examines the successful upgrading experiences of two countries: Jamaica and Guatemala. Even though there are notable differences in scale and economic growth indicators of the case studies and Belize, both Jamaica and Guatemala managed to successfully enter the offshore services value chain and commence to gradually upgrade with solid support from the Government and the private sector. Table A-2 in Annex I provides a summary of indicators relevant for the offshore services industry for Belize, Guatemala, and Jamaica.

4.1.1 Guatemala

Guatemala's entry in the offshore services GVC dates to the mid-2000s. Driven by low labor costs and the largest and youngest labor force in the region, international BPO third-party providers such as Atento, Alorica, Capgemini, Genpact and Xerox established customer support delivery centers, namely in Guatemala City. In 2015, Guatemala's BPO industry employed about 35,600 agents collecting US\$750 million in revenues. Foreign investment in the offshore services industry is estimated at US\$105 million in 2015, allowing the sector to account for 1.2% of the country's GDP (BPO Guatemala, 2018).

Most companies participate in the low-end BPO segment of the GVC, with 68% of total revenues derived from customer support activities and other slightly more sophisticated solutions, such as collections, subscriptions, helpdesk, database maintenance, and data feeding (Connect Americas, 2018). Within customer support operations, the great majority (90%) are voice-based, with only 1 out of 10 agents providing non-voice customer support. The remaining 32% of the industry is based on high-end BPO services, such as finance and accounting, procurement and supply chain management, and human resource management (BPO Guatemala, 2018)

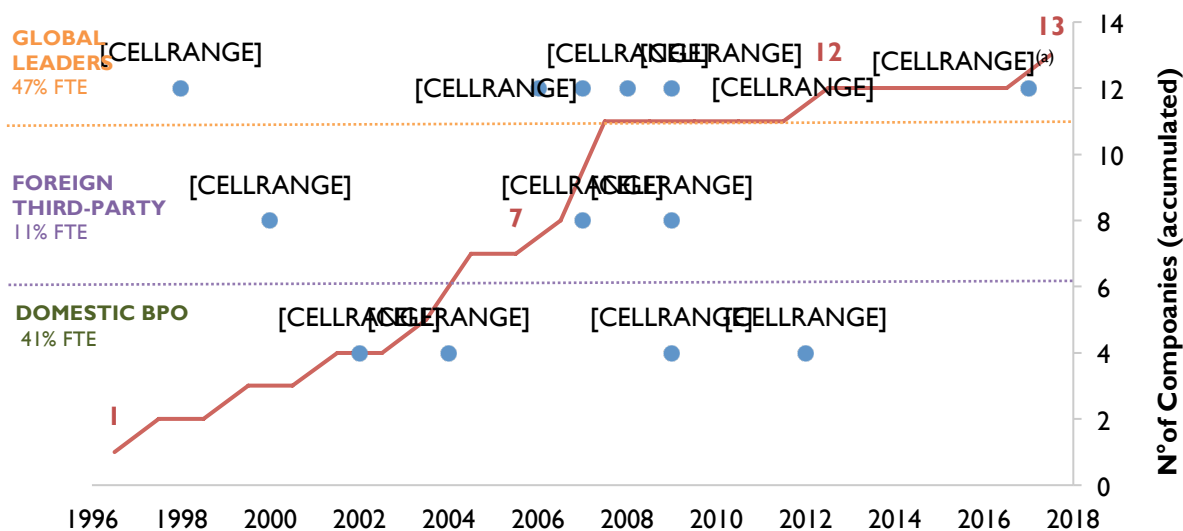
Currently, 56% of BPO providers are from United States (e.g. Alorica, 24/7, Xerox, Conduent), followed by European-based companies (33%), including Spain, UK and France (e.g. Atento, Serco, and Capgemini, respectively). Despite having one the largest labor pool in the region, Indian providers are limited, accounting for less than 1% of the total market (e.g. Genpact).

Industry Evolution and Upgrading Trajectories

As in Belize currently, Guatemala's BPO industry was a local initiative driven by domestic entrepreneurs back in the mid-1990s. During the subsequent decade, companies would only serve the local market. The shift towards foreign clients—thus, entry in the GVC—arrived ten years later, after the first foreign investment from a leading BPO provider, Xerox. By 2016, the great majority of revenues from the BPO industry (82%) derive from the international market, namely from the US (50%), Mexico (11%) and other countries in LAC (11%) (BPO Guatemala, 2018)

As per 2018, Guatemala's offshore services industry is composed by about 15 BPO companies employing 36,000 workers in total. Six of these companies account for 47% of FTE; these are global leaders, recognized by Everest Group as major contenders or star performers of the contact center outsourcing market (Everest Group, 2017b). Three other foreign third-party providers account for 11% of total workforce; the rest are domestic companies, accounting for 41% of FTE (Figure 14).

Figure 14. Evolution of BPOs Established in Guatemala, 1996 – 2018



Source: Authors based on (AGEXPORT, 2014; Invest in Guatemala, 2014) and companies' websites. **Notes:** ^(a) Conduent is a result of the division of Xerox and Conduent. The latter was launched in January 2017 to provide BPO services. Since then, Xerox provides ITO services exclusively (Gándara, 2017).

Moreover, Guatemala's BPO industry has shown a solid expansion within the past decade, with revenues going from US\$191 million to US\$750 million from 2009 to 2018, growing at a CAGR of 15% within this period (BPO Guatemala, 2018; Invest in Guatemala, 2014). During this stage, the establishment of third-party providers grew from 1 to 13, with global leaders such as Capgemini, Atento, Genpact, and Alorica taking the lead between 2006 and 2010.

Guatemala's upgrading in the offshore services GVC can be divided into three key trajectories of interest for Belize: (i) *Process upgrading in low-end BPO*: focus on improving the talent pool's English skills; (ii) *Vertical specialization of low-end BPO*: focus on travel and hospitality; and (iii) *Functional from low-end BPO towards high-end BPO*: transition to more sophisticated BPO engagements, namely Finance and Accounting.

- (i) *Process upgrading within the low-end BPO segment*: this trajectory was driven by a strong coordination effort amongst private stakeholders, which enabled companies to train individuals with an intermediate level of English in advanced language skills and other critical technical and soft abilities to work in the industry. Since its beginning in 2015, the project (named 'Finishing Schools') trained over 800 individuals, most of which were hired by the companies that sponsor the project, including [24]7, Allied Global, Atento, Alorica, Genpact, Telus, and Xerox. As a result, the rate of applicants to entry-level positions with an acceptable level of English grew from 50-60% to 70% (Kendall, 2017c). This translates to an increase in labor productivity, strongly supported by the government and Guatemala's Exporters Association (AGEXPORT) (Bamber & Fernandez Stark, 2016).

- (ii) *Vertical specialization of low-end BPO*: in 2013, the firm Royal Caribbean announced the creation of 215 jobs within the Xerox customer service operation in Guatemala, with an absolute focus on Travel and Hospitality, serving also Celebrity Cruises and Azamara Club Cruises. This project entailed the relocation of Royal Caribbean's call center in the UK to Guatemala, by means of a US\$2 million investment to support customers in Europe, Mexico, US and Brazil (Ammachchi, 2013). The multilingual project complements the strategy with locations in Romania and the Netherlands.
- (iii) *Functional upgrading from low-end BPO to high-end BPO*: this trajectory was led by one of the world's leading BPO providers, Capgemini. Established in Guatemala in 2007 with merely 77 seats providing customer support, the company quickly obtained a major contract to deliver Finance and Accounting services to Coca-Cola by blending the operations of its center in India (Chennai) with its recent nearshore center in Guatemala (Ammachchi, 2014; Peck, 2017). After analyzing that 30% of Guatemala's university students (51,000) were studying finance related degrees, and 40% of technical schools' students (124,000) were pursuing an accounting degree, the head of Global BPO delivery for Capgemini declared that Guatemala would no longer be considered a Tier-II location receiving dismissed projects from other offshore operations; instead, the company would advance in developing a Tier I location in Guatemala (Bargent, 2012; Peck, 2017). Currently, the company currently provides F&A services from Guatemala to ten clients, including Nokia Siemens, Warner Brothers, Office Depot and Unilever (Bargent, 2012).

Policies and Programs for Upgrading

Guatemala's current position in the offshore services GVC is the result of competitive advantages such as large availability of talent and fiscal incentives, as well as specific policy interventions lead by coordination efforts between the government and private sector. The most critical constraint of Guatemala has been the shortage—both in quality and quantity—of English speaking individuals: in 2016 the mean total score of TOEFL examinees was 83/100, slightly below El Salvador, Honduras, Nicaragua and 8 points less than Costa Rica, the leading offshore destination in LAC (TOEFL, 2016).

Accordingly, the BPO Committee of the Exporters' Association (AGEXPORT) implemented a training program to improve English skills and raise the employability rate of near-hires. This and other major initiatives used to drive upgrading in Guatemala are depicted in Table 13.

Table 13. Major Policies in Guatemala's Offshore Services Industry

Initiative/s and Year	Description and results (if available)
Decree 19-2016, Emerging Act for the Conservation of Employment, 2016	In 2016, the Guatemalan Congress approved the Law for Conservation of Employment (Decree 19-2016), amending Guatemala's two major incentive programs dismantled on December 2015 per WTO requirements. ³⁵ This Law exempts import tax for 10 years for call centers operating in the country. Alorica's expansion in 2016 followed the approval of this Act, which provided the leading company with legal certainty, while opening a thousand new employment opportunities for Guatemala.
Finishing Schools (AGEXPORT and INTECAP), 2016	In 2016, AGEXPORT and Guatemala's national training institute (INTECAP) launched a certification for call-center representatives, focusing on 'near-hires', i.e. students lacking the adequate accent or fluency required by the industry but with an intermediate language level. To ensure that the curriculum would suit the needs from the private sector, the organization established a board made up of executives from eight of the most prominent companies in the country, including [24]7, Telus, Allied Global, and EGS. Student recruitment was supported by different Municipal governments, which implemented local employment fairs. In about two years (2015 – 2017) Guatemala's workforce development program allowed the BPO industry to increase the rate of applicants with an acceptable English level from 50-60% to 70%.
National Competitiveness Program, 2017	The National Competitiveness Program (NCP) aims at strengthening the economic ecosystem for several industries, including ITO and BPO. The program priorities include: diminish corruption, enhance the justice system, reduce the cost of violence, improve the educational quality, reduce bureaucracy, ensure the sustainability of the infrastructure, enlarge technical training, and develop an adequate ecosystem for entrepreneurs and investment attraction.
Tier-II cities, 2017	Within the NCP, Guatemala's government is also seeking to develop Tier-II cities for offshore services companies. According to private stakeholders, the BPO industry would be able to create 5,000 new positions annually, contributing to the development of Tier-II cities. This entails the following components: (i) developing new teaching methodologies; (ii) ensuring the support of INTECAP for expanding the size of classroom space and the number of teachers; (ii) quantifying the number of individuals that speak English in those cities; (iv) establishing training programs within the formal education curriculum.
Part-time Employment Law, 2017	BPO companies can offer different shifts from 6 AM to 11 PM. The specific law allows night shifts, i.e. 6 PM to 6 AM (at a maximum of 6 hours per day or 36 hours a week) and over time. Also, upon mutual agreement between the employer and the employee, the law enables the extension of one regular shift up to four more hours per day, as long as the total shift does not exceed 12 hours per day and the worker is paid 1.5 times the regular hour wage.

Source: Author based on (Ammachchi, 2014; Bargent, 2012; Central America Data, 2016, 2017; Invest in Guatemala, 2014; Kendall, 2017b, 2017c; MINECO, 2017; Nearshore Americas, 2016; Pronacom, 2018; Sanchez et al., 2015; Wade, 2016)

³⁵ These include the Law on Promotion and Development of Export and Maquila Activities (Decree 2989) and the Free Zones Act (Decree 65-89 of Congress). The second dismantled Law benefited companies from exoneration of customs duties and value added tax (VAT) for all machinery, equipment, furniture, tools and other materials destined mainly for the construction of infrastructure. Further, the Law offered the exemption of 100% of Rent Tax for up to 10 years, 5-year exoneration of Property Tax for all properties used in the FTZ, and the exemption of all other taxes existing and to be created that could affect the equity and profits of the company, for this specific period of time (Invest in Guatemala, 2014).

4.1.2 Jamaica³⁶

Jamaica is one of the fastest growing BPO market in the Latin America and the Caribbean. In 2017, the island accounted for 10% of new offshore services operations—including third-party and captive centers— and 20% of new call-centers operations established by leading third-party providers in the region (Everest Group, 2017f; Site Selection Group, 2018a).

The island entered the industry in the early 2000s and now stands out as one of the few countries in the Caribbean with an established and growing BPO industry. With the largest pool of English speakers in the region, geographic proximity to the United States and competitive labor costs, the nation is currently as a preferred location for nearshoring operations. However, due to substantial rates of organized and unorganized crimes, Jamaica presents one of the highest operating and business risks of the region (Everest Group, 2017d). In addition, quality of education presents severe shortcomings in providing the most basic skills required by the industry.³⁷ Recent initiatives supported by the Government and private sector are trying to address the challenge through short trainings.

Jamaica's offshore services industry is composed of 48 companies employing approximately 25,000 people. There is a high consolidation in the industry, with the largest six companies employing 67% of the total workforce (JAMPRO, 2017).³⁸ The vast majority of offshore services companies in Jamaica are foreign (73%), mostly from United States (83%) due to Jamaica's nearshore advantage and English-speaking population. The rest of foreign firms are global providers from India (9%), Canada (6%) and the Philippines (3%) (JAMPRO, 2017).

Even though the country is most active in relatively low-skill BPO tasks, Jamaica benefits from the presence of leading players of the BPO offshore services GVC, including Teleperformance, Alorica, Conduent, Concentrix, and Sutherland Global Services. Globally, three of these companies participate not only in the low and high-end BPO segment of the value chain, but also in vertical industries, including financial services, life sciences, and insurance. Furthermore, Conduent's and Teleperformance's revenues are the second and third highest of the third-party providers, respectively (Everest Group, 2017a).

Industry Evolution and Upgrading Trajectories

Jamaica's offshore services industry has expanded significantly since its inception. The industry had around 3,000 employees in 2001; by 2016, employment reached to 25,141 with exports of US\$323 million (JAMPRO, 2016; Tholons, 2016). In the three years between 2013 and 2016, the industry nearly doubled employment, growing by 80% (JAMPRO, 2017; Tholons, 2016). However, the expansion has been driven almost exclusively by customer support operations; hence, in comparison with other Caribbean and Latin American locations (e.g. Costa Rica, Uruguay, Chile, Colombia), Jamaica is still in the initial phase of the offshore services GVC.

³⁶ Jamaica's case study is based on the forthcoming report "Jamaica in the Offshore Services Global Value Chain", prepared by Vivian Couto and Karina Fernandez-Stark, Global Value Chain Center, Duke University. The public version is available in the following link: <https://gvcc.duke.edu/cggclisting/jamaica-in-the-offshore-services-gvc/>

³⁷ Estimates are that only between 1% and 3% of individuals interviewed are hired.

³⁸ The largest six companies are Conduent, Sutherland Global Services, Team HGS, Alliance One Inc./Teleperformance, Advanced Call Center Technologies and Vistaprint.

Two major stages in the offshore services industry in Jamaica can be identified based on the entry of new foreign firms into the country. The inflection point between these stages is the end of the telecom monopoly within the Free Trade Zone regime in 2012:

- **First Stage, 1995-2011:** Jamaica was successful in attracting data processing operations in the 1980s and BPO operations in the late 1990s. The industry began to firmly develop in the mid-1990s after a critical international marketing effort from Montego Bay Free Zone (MBFZ) owned by the Port Authority of Jamaica (PAJ). In the following 10 years, 13 foreign firms established nearshore delivery centers in Jamaica to provide data entry operations and customer support, namely to the US. With 56% of total foreign offshore services firms established, this stage enables Jamaica to arise as an emerging low-end BPO location for US companies.
- **Second Stage, 2012-2016:** The second stage of Jamaica's offshore services development starts in 2012, after experiencing a major turning point—the liberalization of the telecom industry within the export free zones. From 2013 to 2016, the industry nearly doubled employment, growing by 80%. Furthermore, 26 new foreign companies established presences in the country, accounting for 44% of current offshore services operations. Led by new operations and expansion of existing players, from February 2016 to March 2017, the square feet of space within the BPO industry grew from 8,000 to 1,300,000 (Stabroek News, 2017). Nonetheless, from the largest six companies in the industry (more than 1,000 workers), only one was established during this stage—the rest has been in Jamaica for several years now.

Jamaica's upgrading in the offshore services GVC can be divided into two key trajectories of interest for Belize: (i) *Functional Upgrading within the BPO segment:* gradual incorporation of high-end BPO operations by global third-party providers, such as Conduent and Sutherland Global; and (ii) *Entry into the ITO segment:* focus on software development for Canada and the US.

- (i) *Functional Upgrading to the high-end BPO segment:* despite Jamaica is still very much in the earlier stages of development, with 80% of employees performing low-end BPO activities exclusively, 12% of FTE perform some kind of high-end BPO task in large global leading companies (HEART Trust/NTA, 2017a).³⁹ Accordingly, one fifth of companies present in Jamaica would be providing some type of high-end BPO services, such as finance and accounting, human resources outsourcing, or IT support. Accordingly, many firms—namely, captive centers—have been employing a higher share of tertiary graduates, including accountants, human resources professionals, designers, and programmers. Furthermore, since 2012, two global captive centers began to develop shared services units, centralizing high-end BPO activities, including audit support, payroll processing, human resources, project management, market research, and finance and accounting, among others. One of these operations almost doubled employment in the last five years and is expected to continue growing in the immediate future.
- (ii) *Functional upgrading to the low-end ITO segment:* by 2017, a couple of foreign IT third-party companies performing software development are active in the global market, exporting to Canada (where the headquarters is located) and its clients in the United States. Additionally,

³⁹ The remaining 8% are administrative, supervisory and managerial roles for both ends of the BPO segment.

some captive centers established in Jamaica, such as Vistaprint, are gradually incorporating IT services, including design and software development (Couto & Fernandez-Stark, Forthcoming).

Policies and Programs for Upgrading

Jamaica's current position in the offshore services GVC is the result of specific policy interventions lead by high authorities and several government agencies in cooperation with the private sector. Similar to Guatemala, the Jamaican BPO industry is well supported by a private organization— Business Process Industry Association of Jamaica (BPIAJ)—that is composed of approximately 26 companies, accounting for 60% of the industry and 80% of employment. Table 14 indicates major policies in Jamaica's offshore industry that enabled either the industry expansion or economic upgrading.

Table 14. Major Policies in Jamaica's Offshore Services Industry

Initiative/s, leading stakeholder, year	Description
Education Programs for Skill Development, UWI and JAMPRO, 2012	The UWI Mona Western Jamaica Campus has partnered with offshore services companies by hosting over a dozen of job fairs. In addition, between 2013-2014, 20% of graduates from UWI got a job in the industry within the first 6 months after graduation (i.e. 70% of campus' graduates).
Skill Development, Office Space, Infrastructure, and Regulatory Framework, BPIAJ, 2012	BPIAJ is recognized as a valid interlocutor for both public and private stakeholders. In recent years, the association has played an active role in the industry development, fostering the improvement of several competitiveness factors.
2015-2020 National Strategy for the Development of Jamaica's Outsourcing Industry, 2015	The strategy draws four priority areas for Government's intervention: policy and framework, labor pool enhancement, infrastructure development, and market penetration. In addition, within the Medium Term Socio-Economic Policy Framework 2015-2018, the Government of Jamaica outlined another priority strategy related to the IT and offshore services industry: the expansion of IT focused business parks for major service provider.
National BPO Task Force, JAMPRO, 2015	Coordination body to advance in the steps required to support the industry expansion and upgrading.
Finishing School Pilot, HEART TRUST/NTA and JAMPRO, 2017	Heart Trust/NTA has been involved in enhancing the talent pool skills and size since 2013, having launched a 120 hours pilot program for 200 entry-levels in customer support in mid-2017. The Agency projects to certify 12-13,000 individuals in BPO related programs every year for the next three years.
Ongoing office spaces for IT-BPO locators, PAJ and Ministry of Economic Growth, 2017	From February 2016 to March 2017, the total space of BPO facilities grew from 8,000 to 1,300,000 square feet led by the expansion and addition of six new BPO players. The Government is investing in the construction of more than 400,000 square feet of new BPO space. An additional 50,000 square feet of existing governmental buildings are being retrofitted.
BPO Incubators, Ministry of Economic Growth, 2014	BPO incubators are being developed by the government through a US\$500,000 fund granted by the InterAmerican Development Bank. Currently, there are two incubators in the country, with 300 and 200 seats respectively.

Source: Author based on (Anderson & Longworth, 2016; Bandele, 2016; Ferrari & Couto, 2017; HEART Trust/NTA, 2017a, 2017b; Jamaica Observer, 2016, 2017; JAMPRO, 2015; Nearshore Americas, 2012; PAJ, 2014, 2017; Stabroek News, 2017; The Gleaner, 2016; Tholons, 2016; Tingling, 2017; World Bank, 2015, 2016a).

In addition to BPIAJ, several government offices have a presence in the industry, providing strong support in terms of human capital development, office space construction, regulatory framework, and international promotion. Moreover, the offshore services industry is a prioritized sector under the National Export Strategy of Jamaica, which aims at growing the IT sector by 15% annually, adding 18,000 new jobs by the end of 2019 with an overall focus on higher value-added segments such as KPO (Bande, 2016).

Finally, educational centers such as the University of the West Indies (UWI) and University of Technology (UTech) have also played a relevant role by renting office spaces and supporting curricula adjustment to the industry needs. Moreover, from 2013 to 2015, graduates related to high-end BPO and some KPO segments (Legal Process Outsourcing) experienced significant increases: professionals in the finance and accounting field increased from 4,824 to 6,409—a jump of 33%; and attorneys and law professionals grew from 263 to 591, doubling the amount of available talent pool for LPO tasks (PAJ, 2017). Furthermore, the Portmore Community College recently developed an Associate Degree in Business Process Management.

4.2 Lessons Learned for Belize

Although there are important points of differentiation between Belize and the two countries examined in the case studies, there are significant lessons that can be learned by Belizean stakeholders as they attempt to support the expansion of domestic BPOs and attract international offshore services companies. The most immediate of these include the following:

National strategy and government support are paramount. Both Guatemala and Jamaica have developed national strategies to strengthen the enabling environment and labor market framework as well as to ensure infrastructure development and market penetration. One critical first step to attain government support is creating awareness amongst public officials on the potential of the offshore services to foster economic development. In Guatemala, for instance, as soon AGEXPORT learned that the Institute of Social Progress was running a study in the BPO market, they became partners to demonstrate how the BPO industry could benefit the lives of workers. AGEXPORT was able to identify that individuals working in the BPO industry—after five years—increased their social index rating by 40 percentage points (Kendall, 2016).⁴⁰ This data was later showcased to several ministries (Economy, Labor, and Finance), which helped raise awareness among government authorities, diminish the negative perception on the industry and guarantee investment in its development (Kendall, 2016). Similarly, in Jamaica, the government approved financial support from the IADB once several actors involved in the industry (e.g. PAJ, BPIAJ, JAMPRO, Heart Trust/NTA) developed reports indicating the BPO potential in reducing unemployment. The Ministry of Economic Growth and Job Creation then appointed a National Coordinator for Outsourcing, and the National Task Force was launched to coordinate efforts between all stakeholders involved in industry development.

In economies with little visibility in the offshore services industry, FDI is critical to demonstrate credibility as well as to upgrade. Most frequently, prosperous entry in the offshore services GVC happens once an international third-party establishes in one country. To illustrate, neither Guatemala or Jamaica were integrated in global rankings—such as those

⁴⁰ Guatemala's social index ranking is composed by tangible assets and healthcare coverage.

developed by Everest Group or A.T. Kearney—until one or two global companies were able to successfully establish and grow their operations.

Hence, efficient FDI promotion policies are a key factor for economic upgrading.

Guatemala and Jamaica have demonstrated that companies are relatively more prone to establish value-added operations in countries that focus on improving the overall business climate, such as reducing bureaucratic hurdles, improving the judiciary by guaranteeing property rights or increasing the level of security. Similarly, active after-care by Investment Promotion Agencies (such as Invest in Guatemala and Jampro) focusing on resolving informational asymmetries or easing migration restrictions for C-levels are paramount.

To attract FDI, heavy investment in adequate facilities and infrastructure is crucial.

Both Guatemala and Jamaica heavily invested in developing rentable spaces for BPO companies, as well as in robust and reliant connectivity. Due to resource allocation constraints, both Guatemala and Jamaica signed agreements with international organizations (e.g. IADB and World Bank) to fund the creation of BPO incubators and technology parks.

Private associations are key actors of economic upgrading. BPO associations in both Guatemala and Jamaica play an integral role in skills development and regulatory framework adjustment, among other factors. Both AGEXPORT and BPIAJ were the bodies that implemented the training initiatives for skills upgrading in Guatemala and Jamaica, respectively. This role included the design of a curricula for entry-level positions in the BPO industry, as well as coordinating efforts with each country training institute—INTECAP and Heart Trust/NTA, respectively. Moreover, these associations have had an active role in fostering the improvement of several competitiveness factors, including the construction of ready built spaces, the revision of the cybercrime or intellectual property legislation, and the establishment incubators for SMEs.

To attain economic upgrading, formal education needs to be aligned to the industry requirements. Specific workforce development initiatives are complementary to formal education, thus, not a sufficient solution for the offshore services industry. To illustrate, due to weak institutional capacity and instructional proficiency of TVET institutions leading the workforce development strategies in Jamaica and Guatemala, several BPO firms have opted for alternative solutions. These companies partnered with tertiary colleges to incorporate BPO programs into their curricula, as well as associate degrees in business studies and engineering studies. These partnerships suggest that synergies between the private sector and the formal education system are critical. Government support to foster these is paramount.

5 Recommended Upgrading Trajectories for Belize

The analysis presented earlier shows Belize currently participates in the low-end BPO segment of the value chain, driven by domestic companies and a few US-based firms. Until now, the English-speaking population and low labor costs have facilitated entry into the offshore services industry by providing basic customer support services. However, poor education outcomes both in primary and secondary levels limit the country's ability to ascend into higher value-added segments. Due to Belize's small scale, the low-end BPO segment could also prove challenging over the long term. For these reasons, the main upgrading approach focuses on skill development as well as incorporating IT services related to BPO and vertical specialization in industries that Belize's is experienced. This report recommends three upgrading trajectories for the country's offshore services sector:

- 1. Incremental product and process upgrading to provide more sophisticated services within the low-end BPO segment.** Human capital is the key input of the offshore services GVC. Hence, effective policies or incentives towards aligning existing workers' skills with the demand of the offshore services industry are prerequisites to pursuing economic upgrading trajectories. According to global standards and best practices from small economies, workforce development interventions in the early stages of the GVC are most effective when the private sector is directly involved in the recruiting and training process while the government acts principally as a facilitator and provides financial support and regulation. Widely adopted interventions that have been successful in small-scale countries include tax break incentives and/or subsidies for training developed by the companies in specific skills.⁴¹ By improving the quality of the talent pipeline, services become more sophisticated and companies are able to attract higher-quality clients.
- 2. Mid-term functional upgrading towards bundled IT/BPO services including customer support, helpdesk and technical support/device.** Many countries in the region offer the same low-value BPO services as Belize but at larger scales and with lower attrition rates. Within the BPO segment, Belize should focus on offering blended customer support with helpdesk and technical support.⁴² Two firms in Belize have been able to create small technical support/devices operations; however, shortage of workforce with basic IT skills hinder more companies to attain this type of upgrading.
- 3. Long-term industry specialization upgrading into Hospitality and Travel BPO.** Belize should leverage its knowledge and experience in both the tourism and banking industries by offering specialized customer and technical support services to these industries and attract international third-party providers specialized in tourism, travel and hospitality. This leads to intersectoral upgrading.

⁴¹ Within the offshore services industry, the workforce development strategies are commonly denominated Finishing Schools, defined as trainings to reduce the gap between one industry skills requirement and the available skills within the labor pool, through a training support that aims at complementing—not substituting—formal education (Garcia & Bafundo, 2014).

⁴² These services can be found in the low-end ITO segment, within the infrastructure services subsegment.

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Annex I. Tables and Figures

Table A- 1. Previous findings on quality of education in Belize (2013)

Finding	Brief description
Belize's percentage of untrained teachers is one of the highest in the region.	Belize's rates of teacher training remain lower than those of many of the countries in Latin America and the Caribbean. Throughout all subject areas tested by the PSE, in 2013 teachers obtained merely a "B" grade, on average, with only one third obtained an "A" grade on the exam.
The proportion of trained teachers is particularly low at the secondary level	Of the teachers contracted between 2003 and 2013 at secondary level institutions, most have no more than a secondary-school education.
Majority of the professors at the tertiary level are not qualified.	Only 15% of the faculty at the University of Belize has completed a doctoral program, and only 20% of the professors at most of the junior colleges have at least one teacher with a doctoral degree. Around 60% of the professors at most of the junior colleges have a bachelor's degree or less, whilst internationally, teachers from junior college level can have a combination of a master's degree and relevant experience.
The pedagogical models and materials used in teaching are outdated.	The teaching methods currently implemented in Belizean classrooms are predominantly teacher-centered. Teachers rely heavily on the presentation and repetition of math procedures, sometimes combined with drills, and memorization of concepts, facts, and formulas. Students spend most of their time copying from the blackboard and plugging numbers into formulas.
With few exceptions, principals lack the necessary skills to be able to ensure good quality levels in their schools	There are no standards or competencies that define the knowledge, skills, attitudes, and dispositions that principals should have. As a result, most principals lack training both as instructional and administrative leaders.

Source: authors based on (Antigua Observer, 2010; GIS Barbados, 2016).

Table A- 2. Economic & Industry Indicators for the Offshore Services Industry, 2016

General Country Indicators	Belize	Jamaica	Guatemala
Population	366,954	2,871,934	16,582,469
Gross Domestic Product (GDP) (US\$ billions)	1.7	14	68.8
GDP per capita (current US\$)	4,745	4,879	4,147
Exports of non-traditional services (US\$ millions)	75	323	555
Exports of non-traditional services (% GDP)	4.3%	2.3%	0.8%
Total labor force	166,785	1,487,500	6,613,075
Labor force in offshore services	2,593	25,141 ^b	36,000
Entry Year	Mid-2000	Early 2000	Mid-1990
Entry Point	Call Center	Call Center	Call Center
Highest Value Activity	Technical Support	F&A	F&A

Source: Authors based on (IADB, 2013; JAMPRO, 2017; Näslund-Hadley et al., 2013; WBI, 2018)