



Services: New Frontier for Sustainable Development



Building Supply and Export Capacity: The Case of Offshored Services

This publication is part of a series entitled “Services: New Frontier on Sustainable Development.” It results from the Global Services Forums in Doha in 2012 and Beijing in 2013. This publication provided an UNCTAD perspective for a discussion on building supply and export capacity in offshored services.

This publication begins by defining the conceptual framework of outsourcing and offshoring in order to underscore the development importance of this topic. The origin and evolution of outsourcing and offshoring are reviewed, as well as determinants and recent trends. Finally, the document identifies key policy challenges for developing countries seeking to maximize development gains from trade and the policy action spheres for building supply-side capacity and promoting the export of offshored services.

There are two main challenges for countries that wish to capture greater opportunities from the global services offshoring market: attracting clients and maximizing the potential positive effects while minimizing the potential negative effects. Research conducted by UNCTAD shows that Governments have a fundamental role to play in ensuring that companies in developing countries benefit from existing opportunities in outsourcing and offshoring markets.

To ensure that services offshoring can contribute to achieving development objectives, strategies aimed at the promotion of such services should be embedded in a broader development strategy. Support for services offshoring may fall under different policy spheres such as investment, industry, technology and innovation. In order to maximize benefits, these policy spheres should be coherent.

Four policy areas, infrastructure, human and business skills, a policy framework and a regulatory framework, are crucial in building domestic capacity for offshored services, in order to achieve the following objectives:

- Providing access to competitively priced high-speed Internet connectivity lines;
- Promoting the requisite skills to develop the sector, establishing a standard to certify the quality of skill provided and attracting candidates for certification and deployment in the sector. At the personal level, such skills may include languages, computer literacy, basic customer orientation and behaviour and knowledge that is specific to ICT-enabled serviced functions, as well as other skills that enable the undertaking of more sophisticated tasks. At the business level, such skills may include entrepreneurship and managerial competencies, as well as problem-solving and communication skills and legal skills for negotiating offshoring services contracts;
- Implementing an enabling regulatory framework that facilitates business operations, defines and enforces labour standards, promotes competition and ensures contract stability, the protection of private data and the protection of intellectual property.

Promoting the export of offshored services mainly involves marketing. Key areas for action to capture offshoring opportunities include promoting existing opportunities to potential investors, building business partnerships and developing awareness of the offers of local service providers. In promoting exports through offshoring, recognition of increased interlinkages among service supply modes is necessary. This aspect is also relevant for trade negotiation strategies and the identification of barriers to trade in these services, in order to address them effectively.

