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Export Promotion Strategies for Services

Lessons from the developing world

Edited by Nanno Mulder, Martin Roy and Pierre Sauvé

Contents

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Contributors

Rolando Avendano, Economist, Asian Development Bank

Sunil Boodoo, Former Director of International Trade, Ministry of Foreign Affairs, Regional Integration and International Trade

Sumanta Chaudhuri, International trade expert

Pramila Crivelli, Senior Economist, World Bank Group

Ankita Dash, Assistant Professor, Indian Institute of Management Nagpur

Romina Gayá, economist and consultant, Inter-American Development Bank

Ahmed Farouk Ghoneim, Professor, Faculty of Economics and Political Science, Cairo University

Marwa Mamdouh Gomaa, Assistant Professor of Economics, Cairo University

Neil Irwin Moreno, Former supervising research specialist, Philippine Institute for Development Studies

Andrew Jia Yi Kam, Principal Fellow/Professor of International Trade, Institute of Malaysian and International Studies, National University of Malaysia

Krista Lucenti, Lead Specialist, Inter-American Development Bank

Nanno Mulder, Chief of the International Trade Unit at the United Nations Economic Commission for Latin America and the Caribbean (UN-ECLAC)

Fernando Ocampo, Coordinador América en el Centro, Inter-American Development Bank

Gloria O. Pasadilla, Trade Policy Consultant, Asian Development Bank (ADB)

Javier Peña Capobianco, Secretary General, Latin American Association of Services Exporters (ALES)

Javier Pérez Ibañez, Economic Affairs Officer, United Nations Economic Commission for Latin America and the Caribbean (UN-ECLAC)

Maria Cecilia Plottier, Chief of the Investment and Corporate Strategies Unit, United Nations Economic Commission for Latin America and the Caribbean (UN-ECLAC)

Martin Roy, Counsellor in the Trade in Services and Investment Division of the WTO

Mariana Santi, Economist, Inter-American Development Bank

Pierre Sauvé, Senior Research Fellow at the University of Bern's World Trade Institute

Boopendra Seetanah, WTO Chair Programme, Centre of Excellence in International Trade and Investment (CEITI), University of Mauritius

Christian Volpe Martincus, Sector Economic Advisor and Head of Research of the Productivity, Trade and Innovation Sector, Inter-American Development Bank

Executive summary

Services have been the most dynamic component of world trade over the past two decades, growing faster than goods. However, export promotion efforts in many developing economies remain predominantly geared towards goods-producing activities despite the growing significance of services in global trade. Export promotion for services differs fundamentally from that for goods because of the distinctive characteristics of services and the way they are traded across borders.

The effective development of services exports requires an integrated, specialized approach linking trade and investment promotion with other key drivers of competitiveness. A lack of export development efforts specifically targeting services can limit developing economies' capacity to fully exploit cross-border trade and investment opportunities.

Developing economy experiences in boosting services exports is significantly under-researched. Based on a set of country case studies spanning diverse regions, differing national contexts, economic structures and development levels, this publication fills an essential gap in the trade literature. The publication documents the export development strategies of selected services-exporting developing economies in Africa, Asia, Latin America and the Caribbean.

The country case studies identify critical elements of these economies' support for services export development and advance actionable insights and recommendations to support services export capacity building, FDI attraction and skills upgrading that other developing economies can ponder on and adapt (see Box).

Box: Snapshots of services exports in economies featured in this publication

Chile combines a tradition of public-private sector coordination with targeted promotion of services exports and investment attraction. ProChile has created specialized sector teams for audiovisual and digital services, while InvestChile has a dedicated team to attract foreign investors into this sector. The government has established a public-private committee to coordinate services exports and FDI promotion. Programmes emphasize export readiness, with coaching on proposals, Service Level Agreements, and pricing. Chile's strength lies in creative industries and software, though firms still struggle with financing and scale.

Costa Rica is widely seen as a benchmark. It has leveraged FDI to build clusters in shared services, engineering and life sciences, quadrupling services exports since the 1990s. The clear division of labour between the Ministry of Foreign Trade (COMEX, trade policy), the Foreign Trade and Investment Promoter (PROCOMER, export promotion and, since 2023, also attracting FDI), and the Coalition for Development Initiatives (CINDE, solely responsible for attracting FDI until 2023) has created institutional clarity and continuity. The "Essential Costa Rica" brand certifies firms and builds credibility. High reinvestment rates from multinationals reflect strong aftercare and talent pipelines. Costa Rica's model demonstrates how coherence across institutions delivers long-term competitiveness and export success.

Egypt's information and communications technology (ICT) exports have grown rapidly under the "Digital Egypt" agenda. The Information Technology Industry Development Agency leads promotion, offering programmes

Box: Snapshots of services exports in economies featured in this publication (cont.)

such as Export-IT (which reimburses certification costs) and incentives for small and medium-sized enterprises (SMEs). ICT parks provide infrastructure, while data protection reforms build trust. Challenges remain in fragmentation and regulatory bottlenecks, but consolidation under the Ministry of Communications and Information Technology has improved coherence.

India remains the world's largest exporter of information technology (IT) and business process management (BPM) services. Special economic zones, fiscal incentives and strong domestic demand have fuelled the sector's growth. India now seeks to diversify into creative industries such as animation, visual effects and gaming services. A key challenge is ensuring that SMEs and second-tier cities also benefit, as the export ecosystem is dominated by large firms operating in a few dominant hubs.

Jamaica has leveraged its rich cultural assets to promote audiovisual and creative services, alongside its traditional strength in tourism. The Jamaica Promotions Corporation's Export Max programme coaches SMEs and sets measurable key performance indicators. Diaspora engagement is strong, providing mentoring and introductions abroad. Financing and skills shortages remain obstacles, but the creative industries show promising growth.

Malaysia's National Trade Blueprint has encouraged upgrading into knowledge-intensive services. The country has strategically leveraged FDI to catalyse export capacity, particularly in global business services and the digital economy. The Multimedia Super Corridor, and the more recent digital free trade zone, have positioned Malaysia as a hub for e-commerce and data-driven services. Like other economies, Malaysia has promoted financial services exports, but with a distinctive specialization in Islamic finance, a market segment in which it has emerged as a global leader.

Mauritius has positioned itself as a trusted hub for financial services, ICT and higher education exports. Regulatory predictability is central to its appeal. Women-focused ICT scholarships have promoted skilled labour market inclusiveness, broadened participation, and returnee programmes have attracted and brought back international expertise. However, the country must continue to strengthen digital trust frameworks to sustain competitiveness in sensitive sectors.

The **Philippines** has become a powerhouse in BPM services, employing over 1.4 million workers. Special economic zones (Philippine Economic Zone Authority parks), national competency standards, and the IT-BPM Council have created a supportive ecosystem. The challenge now is to upgrade to knowledge process outsourcing and diversify markets beyond North America. The country's institutions have demonstrated adaptability, but sustaining competitiveness will require continuous upskilling.

Uruguay invested early in digital infrastructure, building a globally competitive software and fintech sector. The country leads Latin America in legal predictability and digital readiness. Uruguay XXI's export promotion and agency programme to attract FDI serves as a one-stop shop for exporters and foreign investors, emphasizing aftercare. The Finishing Schools programme co-finances employer-led training to align skills with demand. The software and fintech sectors have thrived, showing that even small economies can become significant exporters with the right enabling environment.

Several key policy insights that emerge from this publication's country case studies include the following:

- Credibility is the currency of services trade. Successful promotion systems need to invest in reputation, branding, certifications and trust-building mechanisms.
- Institutional mission and continuity matter. Costa Rica's COMEX–PROCOMER–CINDE model and Uruguay XXI's approach show that clear mandates and consistent strategies deliver long-term results.
- Skills upgrading is a strategic imperative. Employer-led, co-financed training initiatives (e.g., Egypt's Digital Pioneers, the Philippines' Technical Education and Skills Development Authority (TESDA) standards and Uruguay's Finishing Schools) have directly generated export capacity.
- Investment aftercare multiplies impact. Attracting investors is only the beginning; proactive aftercare services boost reinvested earnings and deepen the ecosystem, as illustrated in Costa Rica's case.
- Smart specialization beats scattergun promotion. Jamaica in audiovisuals, Mauritius in financial services, Uruguay in fintech, the Philippines in sophisticated business services – economies that focus on niche areas build stronger reputations and competitiveness.
- Pitfalls are costly. Common errors include copying goods-oriented tools, over-reliance on fiscal incentives, fragmented institutional mandates and neglect of monitoring and evaluation.
- Attracting FDI and niche specialization can yield significant export results for smaller economies like Costa Rica, Mauritius and Uruguay. In contrast, scale economies are essential in large economies such as India and the Philippines.
- The diversity of models underscores the flexibility of services promotion, but also the need for tailored strategies.

Cross-cutting lessons on investment and skills

Several cross-cutting lessons emerge from the country case studies:

- FDI and skills are symbiotic. Investment attraction creates a strong demand for skills, while the availability of skills ultimately determines the quality and level of the investment attracted. Costa Rica and Uruguay show how aligning these two levers can create virtuous cycles.
- Aftercare and training are continuous functions that should not be treated as one-off interventions. Relationships with investors and training providers must be institutionalized rather than ad hoc in nature.
- Quality beats quantity. It is better to train fewer people to international standards and secure meaningful export contracts than to train large numbers for lower-value-adding roles.
- Inclusivity matters. Programmes that integrate women, youth and underrepresented groups expand the talent pool and enhance reputational capital.
- Adaptability is critical. As technology and global demand evolve, training curricula and investment promotion narratives must be continuously updated. Static programmes quickly lose relevance.

Learning from what does not work

Important lessons can be drawn from what has not worked in attempts to boost services exports. The most common pitfalls include the tendency to copy goods-oriented promotion instruments, such as generic trade fairs and product catalogues, which do little to reassure services buyers.

Over-reliance on tax incentives has also proven risky and fiscally burdensome, attracting investors with limited local integration and exposing economies to external scrutiny. Institutional fragmentation remains a recurring obstacle, with overlapping mandates undermining credibility. Weak data collection and limited monitoring and evaluation systems further compound these problems, leaving agencies unable to learn from experience or demonstrate impact.

Policy recommendations and an agenda for technical assistance

This publication's country case studies and cross-cutting analysis offer several practical recommendations for developing economy policymakers as well as for international partners seeking to provide targeted technical assistance. Such recommendations highlight both what economies can do domestically to strengthen their export promotion systems and where external aid can make a difference.

First, at the national level, a key priority is to clarify institutional mandates and strengthen coordination mechanisms within and across agencies, as well as with external stakeholders. Economies with overlapping or fragmented institutional responsibilities often struggle to deliver consistent messages to international buyers. A coherent structure – whether through a lead agency with a clear mandate or through well-defined collaboration among trade, investment and digital promotion bodies – can greatly enhance policy credibility. Costa Rica's COMEX–PROCOMER–CINDE system and Chile's Public Private Technical Committee for Services Exports demonstrate the benefits of long-term coherence. At the same time, Malaysia's more complex landscape illustrates the risks of duplication and the need for improved coordination and institutional consolidation.

Second, economies should invest in credibility-building instruments. These include certification schemes, branding tied to international quality standards, and financing mechanisms to offset the upfront costs of compliance. Tools such as Costa Rica's Essential Costa Rica certification, Uruguay's emphasis on institutional predictability, and Malaysia's Market Development Grant and Services Export Fund programmes show how governments can help firms overcome the "first sale" barrier in services exports.

Third, governments should promote smart specialization by focusing on niche sectors where they have clear comparative advantages or existing clusters. Attempting to promote too many sectors spreads resources thin and dilutes impact. The experiences of Jamaica in audiovisual services, Mauritius in financial services, and Uruguay in fintech and software confirm that concentrating efforts can generate reputation effects that benefit the entire sector.

Fourth, aftercare must be elevated to a strategic priority. Attracting investment is essential but ensuring reinvestment and upgrading within global value chains is where the developmental payoffs lie. Dedicated account management, systematic satisfaction surveys, and cross-ministerial troubleshooting, as practiced in Costa Rica and Uruguay, provide valuable models.

Fifth, skills development must be tightly aligned with export strategies. Employer-led and co-financed training schemes, competency standards and rapid curriculum adjustments are critical to maintaining competitiveness. Chile's Digital Talent programme, Malaysia's Skills and Technical Enhancement Programme, the Philippines' TESDA standards, and Uruguay's Finishing Schools illustrate how targeted initiatives can contribute directly to export growth.

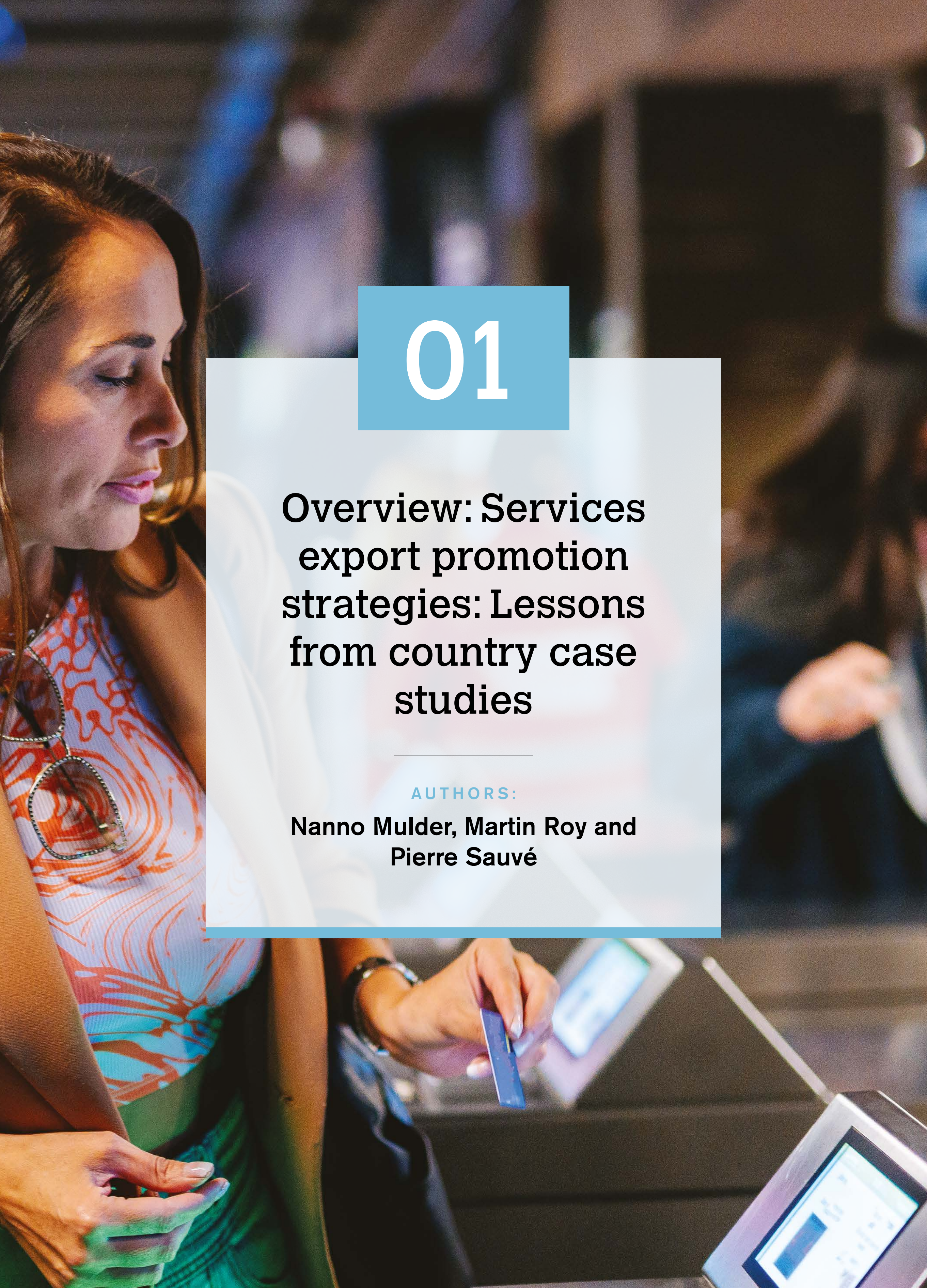
Finally, economies need to strengthen monitoring and evaluation. Too often, promotion agencies count the number of promotional activities delivered or the number of beneficiaries (such as ProChile) rather than outcomes. Robust data collection and pipeline management, such as PROCOMER's dashboards and Uruguay XXI's reinvestment-tracking, enable agencies to learn, adapt and demonstrate impact to stakeholders.

For the international community, several areas of support emerge. One concerns the need for improved data collection and the capacity to diagnose competitive strengths and weaknesses in services trade, including digitally delivered services, where existing statistics remain weak. Another area of focus is capacity-building for trade and investment promotion agencies, which helps them adopt tools such as customer relationship management systems, buyer qualification protocols, and export-readiness coaching. A third area is finance for credibility investments, such as subsidies for certifications, audits and initial market entry activities, which can be especially valuable for SMEs.

International partners can also support skills development partnerships that bring together employers, training providers and governments to align curricula with global demand.

Finally, multilateral institutions, such as the World Trade Organization, the World Bank, and regional development banks, have a role in facilitating policy dialogue on cross-border mobility, recognition of qualifications, digital trust frameworks, as well as in the design, pursuit and implementation of agreements on trade and investment in services.

Taken together, these recommendations highlight a clear agenda. Services export promotion requires a shift from activity-driven to results-driven strategies, from fragmented efforts to coherent systems, and from generic visibility to credibility. International assistance can catalyse such shifts by providing policy advice, data metrics, negotiating capacity, finance, and platforms for policy dialogue. With such support, developing economies will be better positioned to seize opportunities in the expanding global services economy.



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Overview: Services export promotion strategies: Lessons from country case studies

AUTHORS:

Nanno Mulder, Martin Roy and Pierre Sauvé

Introduction

Services are today widely acknowledged as central to growth and competitiveness. The sector supplies about two-thirds of global gross domestic product and half of global employment. Services have also been the most dynamic component of world trade, growing faster than goods over the past two decades. When measured in value-added terms, services account for over half of world trade, reflecting their importance as inputs into manufacturing and agriculture in addition to their direct tradability. Digitally delivered services have expanded especially rapidly since the mid-2000s, creating new opportunities for developing economies to diversify, integrate small and medium-sized enterprises (SMEs) into cross-border networks, build resilience and create high-value employment.

Developing economies now account for more than a third of world commercial services exports, up from 24 per cent in 2005. Countering long-standing export pessimism, developing economies recorded the fastest growth in commercial services exports during this period. Exports from least-developed countries have grown more than fourfold since 2005, while those of other developing economies have increased more than threefold, both well above the growth rate of developed economies. As emphasized by the World Trade Organization (WTO) and the World Bank (2023), the shift to a more services-centric world economy calls for a corresponding shift in policy attention to reap development benefits.

Export promotion efforts in many developing economies remain predominantly geared towards goods-producing activities despite the growing significance of services in global trade. This imbalance poses significant challenges, as most trade promotion organizations (TPOs) still rely on traditional instruments such as catalogues, trade fairs and logistics subsidies – tools mainly designed to support merchandise trade exports. Such instruments are not best suited to the often intangible, customized and relationship-based nature of services trade. Support initiatives for services exporters often replicate, with minimal adaptation, the strategies and tools used for goods, leaving TPOs and business associations ill-equipped to address the specific characteristics and requirements of services export competitiveness.

Export promotion for services differs fundamentally from that for goods because of the distinctive characteristics of services and the way they are traded across borders. Services are often intangible and perishable, and as production and consumption mostly coincide, they are typically experienced rather than owned. Many services are heterogeneous and client-specific, with few that can be fully standardized (Edvardsson 2005; Gallouj and Weinstein, 1997; Klimkeit, Wang and Zhang, 2024). Earlier services export literature characterizes the sale of a service as a “promise to perform” rather than the transfer of a tangible product (APEC, 2004). Because buyers generally cannot inspect the service before purchase, suppliers must establish credibility and trust.

Earlier work on services export promotion also emphasizes the importance of reputation, referrals and professional networks in reducing buyers’ uncertainty (APEC, 2004; Riddle, 2007). These credibility signals can therefore be more relevant to services promotion than product-oriented materials alone.

Because many services exporters are MSMEs with limited resources for international marketing, promotional policies should lower the costs of establishing credibility and reaching prospective clients. Practical support can include network participation, digital visibility, targeted market intelligence and institutional assistance (APEC, 2004; ITC, 2001).

A further dimension distinguishing services from goods trade lies in the diversity of delivery modes and the frequent need for factor mobility. Services cross borders not only through digital means or consumer travel but also via the temporary movement of professionals, foreign affiliates and a host of investment linkages (WTO and World Bank, 2023). Consequently, the promotion toolbox for services must integrate both trade and investment facilitation, addressing complex regulatory barriers such as visa restrictions, recognition of qualifications, foreign equity limits, or licensing rules (ITC, 2001). This multidimensional nature of services trade calls for a whole-of-government approach that aligns export promotion with education, labour mobility, and innovation policies to enhance the visibility and credibility of national service suppliers.

Additionally, market opportunities in services tend to evolve rapidly, and the absence of copyright or patent protection for most services means market information can quickly become outdated. Unlike goods, services are rarely marketed through agents, such that service principals – who often focus on the technical aspects of design and delivery – must typically develop marketing expertise. Such traits can make it difficult for buyers to assess the quality of a service. And uncertainty impacts the strategies employed by TPOs and private business associations to promote services exports effectively. Buyers of services cannot inspect samples; they must rely on credibility signals such as reputation, standards, references, and proven delivery capacity (ITC, 2022).

The effective development of services exports requires an integrated, specialized approach that links trade and investment promotion with other key drivers of competitiveness. Yet in many economies, such coordination remains limited. Efforts to attract foreign direct investment (FDI) – a vital mechanism for transferring knowledge from international markets to local suppliers – are often not aligned with or coordinated with services export promotion efforts.

Similarly, skills development programmes rarely reflect the specific needs of the services industry, and supportive tax frameworks or strong public-private partnerships are often lacking (see García, López and Ons, 2021; Álvarez, Mulder and Hernández, 2020; and Peña Capobianco, 2023). Moreover, while some economies encourage outward FDI, it remains concentrated in manufacturing, even though Mode 3 trade (commercial presence abroad) remains the dominant channel for international services trade.

Purpose and scope of the study

A lack of export development efforts specifically targeting services, or the simple replication of export promotion tools used for goods trade, can limit developing economies' capacity to take full advantage of the cross-border trade and investment opportunities arising in an increasingly service-centric global economy. The study of developing country experiences in boosting services exports is significantly under-researched. Based on a set of country case studies spanning diverse regions, national contexts and development levels, this publication fills an essential gap in the trade literature. It does so in a twofold manner: first, by synthesizing evidence on what works and what does not in promoting services exports; and second, by offering concrete lessons for developing economies seeking to design or adapt their export promotion systems in the sector.

The publication documents the export development strategies of selected services-exporting developing economies in Africa, Asia, Latin America and the Caribbean. The nine country case studies in this publication depict the trajectories of services export promotion followed by Chile, Costa Rica, Egypt, India, Jamaica, Malaysia, Mauritius, the Philippines and Uruguay.

The country case studies identify critical elements of these economies' support for services export development and advance actionable insights and recommendations to support services export capacity building, FDI attraction and skills upgrading in other developing economies.

The best practices and policy insights emerging from this publication can lend support to developing economies interested in designing or reviewing their own export promotion strategies. It can also inform and guide the policy guidance and technical assistance provided by different international organizations and development banks in the context of the Trade in Services for Development Initiative.

This overview chapter distils key findings from the country case studies, highlights best practices, identifies pitfalls to avoid, and offers guidance for policymakers and institutions supplying technical assistance. The chapter concentrates on:

- Strategies and coordination frameworks within the public sector (institutional design, mandates, governance) and with the private sector, academia and other civil society stakeholders.
- Services export promotion instruments (branding, market intelligence, readiness programmes, financing, matchmaking).
- Foreign direct investment attraction and aftercare.
- Skills development initiatives linked directly to export demand.
- Complementary policies (labour mobility, recognition, digital trust, diaspora engagement).

Strategy and coordination frameworks

A coherent national strategy and effective coordination among public and private actors are essential to sustain the growth of services exports. Economies showing sustained advances in this area – among them Chile, Costa Rica, India and Uruguay – demonstrate that well-defined institutional frameworks and long-term strategic visions enable export, investment, innovation and skills-related policies to reinforce one another rather than operate in isolation.

Within government, coordination across ministries and specialized agencies helps to align regulatory reforms, promotion instruments and human capital-enhancing initiatives around shared objectives. Equally important is sound external stakeholder engagement with the private sector and other key civil society actors through permanent dialogue mechanisms, joint committees, and sectoral platforms that translate exporting needs into actionable policy responses. When public-private collaboration is backed by dedicated monitoring systems and clear accountability, continuity is built across political cycles and collective capacity is strengthened to respond to new market opportunities in modern, digitally delivered services. Box 1.1 highlights several best practices in services export promotion emanating from selected country case studies.

Promotion instruments for services: building and signalling credibility

Export promotion for services differs in essential ways from its goods counterpart because the "product" is typically intangible, customized and delivered through people and processes that the buyer cannot easily assess in advance. What is being sold, at the moment of contracting, is a promise to perform – to meet deadlines, uphold confidentiality, respect data and intellectual property (IP), and deliver outcomes that are often complex to specify, measure and verify (APEC, 2004).

The most effective promotional instruments for services emerging from the country case studies are those that build credibility. Such

Box 1.1: Selected best practices on coordination and strategy from the case studies

Public-Private Technical Committee in Chile

Chile has adopted a model of structured public-private collaboration, anchored in its **Public-Private Technical Committee for Services Exports,** created in 2016 and coordinated by the Ministry of Finance. This Committee brings together ministries, ProChile, InvestChile and business associations to set strategic goals. ProChile has developed specialized sector teams for services and the creative economy, which use different support instruments. This allows for tailored approaches to creative, audiovisual and digital services exports. The country complements export promotion with investment attraction through InvestChile, integrates sectoral branding strategies (Ch1l3, Learn Chile), and relies on systematic monitoring and evaluation (customer relationship management systems, annual road maps, firm surveys) to refine programmes and ensure accountability.

Institutional clarity in Costa Rica

Costa Rica has provided a clear example of effective inter-agency coordination for more than two decades. The division of labour is distinct: COMEX handles trade policy, PROCOMER manages export promotion (and attracting FDI since 2023), and CINDE also focuses on attracting foreign investment (shared with PROCOMER since 2023). These institutions share common objectives and indicators, report jointly on progress and coordinate closely. This model has delivered sustained results: high reinvestment rates, diversified services exports, and credibility with foreign investors. The free trade zone (FTZ) regime, the “Essential Costa Rica” country brand, and explicit tools for knowledge-based services – such as specialized talent development programmes and linkage initiatives – reinforce the clarity of the institutional architecture. Costa Rica’s Territorial Economic Strategy 2020–2050 also embeds knowledge-based services (KBS) as a long-term pillar.

Consolidation in Egypt

Egypt has taken steps to consolidate functions within the MCIT, and with the ITIDA as the main export promotion arm for ICT. This has reduced institutional fragmentation and enabled the government to pursue its broader “Digital Egypt” vision with greater strategic coherence. Egypt combines institutional consolidation with strong public-private engagement, talent development for multilingualism, investment in digital infrastructure, and consistent regulatory reforms (e-payments, data protection, licensing streamlining) to enhance ICT competitiveness.

Unified export and investment attraction agency in Jamaica

Jamaica has adapted its export promotion architecture in services around three pillars: tourism, global digital services, and film, animation, and music. The Jamaica Promotions Corporation (JAMPRO) combines export and investment promotion, operating programmes such as Export Max with firm-level performance indicators and mentoring. Sector branding leverages cultural strengths but anchors them in professional signals (studio credentials, delivery track records). Jamaica’s sector strategies combine fiscal incentives (a SEZ regime adapted to services), audiovisual rebates, talent development programmes, and strong cultural branding that links creative industries with digital services and tourism. The country also leverages demand-driven skills programmes and finance instruments to strengthen services for SMEs.

Box 1.1: Selected best practices on coordination and strategy from the case studies (cont.)

Councils in the Philippines

The Philippines demonstrates the power of councils that bring industry and government together. The IT-BPM Council aligns public policies with the evolving needs of the BPM industry. Together with the Department of Information and Communications Technology (DICT) and the PEZA, the Council develops road maps, sets skills standards, and ensures that promotion strategies remain relevant to sectoral dynamics. Export promotion is reinforced by fiscal incentives, SEZs, alignment of training with global qualification frameworks, national skills mapping and strong participation in international business process outsourcing (BPO)/IT fairs.

Integrated approach in Uruguay

The Uruguay XXI initiative operates as a single window that integrates export promotion, investment attraction and aftercare. Exporters and investors alike can access support without navigating multiple bureaucracies. The agency also plays a critical role in data collection and monitoring and evaluation, regularly publishing reinvestment rates and investor satisfaction surveys. Uruguay's predictability and coordination have proven central to its reputation as a reliable services exporter. Uruguay's approach builds on long-standing macroeconomic stability, high-quality digital infrastructure (91 per cent fibre coverage), sector-specific training ("Finishing Schools"), free trade zones and software regimes, and early private-sector leadership.

instruments translate a country's image, talents, professionalism and reliability into legible signals that address a buyer's legitimate due diligence concerns. Export promotion instruments must build confidence in a supplier's ability to deliver reliably.

In practice, this means that branding and market intelligence must be evidence-rich rather than slogan-heavy; that "export readiness" must involve hands-on coaching on proposals, pricing and services contracts; that finance must price and underwrite intangible investments like certifications; and that monitoring and evaluation must track conversion (from lead to contract) and stickiness (from initial sale to repeat business). The case studies provide clear illustrations of how these instruments work when tailored to services, and why they are prone to failure when they imitate the logic of merchandise trade promotion.

The case studies show that the most effective instruments are those that translate skills, professionalism and reliability into signals that buyers recognize and trust. They also reveal pitfalls when instruments are copied from goods promotion without adaptation.

Branding, country reputation and evidence-rich positioning

Across successful service-exporting economies, branding has evolved far beyond visual identity into an evidence-based instrument of competitiveness. A strong national or sector brand translates institutional credibility, quality assurance and business performance into verifiable signals that reduce buyer risk and enhance transactional trust across borders. In the context of globally traded services, where transactions often involve intangible outputs and multiple delivery modes subject to complex regulations, credibility becomes a decisive factor in sustaining market access. Buyers seek reassurance that service providers can deliver consistent quality, adhere to ethical and sustainability standards, and comply with international norms.

Therefore, branding serves as a mechanism for signaling reliability and differentiating capabilities in markets where reputation substitutes physical inspection. It also integrates data-driven validation: performance metrics and certification systems, whilst transparent eligibility criteria ensure that the brand embodies measurable standards rather than aspirational claims. Over time, evidence-rich branding can create reputational capital that benefits all accredited firms, lowers information asymmetries and costs, and enhances the country's overall perceived value in global value chains.

Costa Rica demonstrates what it means to turn a national brand into a due diligence asset. "Essential Costa Rica" is not merely a logo or colour palette. It functions as a quality assurance scheme with eligibility criteria around excellence, sustainability and innovation. Services firms that carry the brand must document internal processes, ensure customer satisfaction and show continuous improvement. In export promotion events, the brand enables PROCOMER and CINDE to showcase a curated portfolio of vetted firms, rather than a disorganized collection of business cards.

Buyers who have worked with a branded Costa Rican firm transfer some of the trust they gained from that encounter to subsequent encounters, lowering search costs for all parties. This is particularly important in shared services, cybersecurity and engineering, where a weak link can pose significant reputational and financial risks to the client. Costa Rica's experience suggests that a brand becomes powerful in services promotion terms when it codifies expectations and screens entrants, not when it merely broadcasts virtues.

Uruguay has followed a complementary path: the brand is the country's predictability – rule of law, early digitalization and a public administration that delivers on time. Uruguay XXI's external messaging leans heavily on comparative indicators (digital government rankings, IP protection, contract enforcement times) and on case narratives of firms that scaled from small mandates to global roles. For software and fintech buyers, the promise is not low cost but low friction: easy incorporation, reliable contracts, bilingual teams, seamless payments, and public agencies that respond to emails. The lesson is that branding for services must translate institutional properties into client benefits that reduce a buyer's perceived risks.

Chile demonstrates how sector brands can evolve from marketing tools into credibility platforms to support export diversification. ProChile's portfolio – spanning Ch1l3, a Digital Country_, Learn Chile, CinemaChile, Chilemúsica and Arquitectura de Chile – translates the country's reliability and creative capacity into recognizable quality signals across global markets.

Each brand combines promotion with governance: participating firms must meet professional, sustainability and innovation standards aligned with the national image strategy. Rather than generic campaigns, these brands serve as collective reputational assets that enable Chile to present curated ecosystems – whether in IT, higher education, or the audiovisual industries – anchored in public-private collaboration. They convey a consistent message of professionalism, technological sophistication and trustworthiness, reducing buyers' perceived risks and positioning Chile as a dependable partner in digitally delivered and creative services.

Jamaica's JAMPRO shows how to blend sector branding with cultural cachet. In audiovisual services – animation, music production, post-production – Jamaica leverages a global reputation for creativity but does so carefully. The pitch to studios and platforms combines cultural identity with professional markers such as studio certifications, producer guild memberships and delivery track records. The tourism brand serves as a platform, but the services brand provides the operational proof studios require.

Mauritius has embraced explicit branding in higher education and knowledge services. The Economic Development Board (EDB) promotes the island as a bilingual, politically stable and multicultural study destination under the "Study in Mauritius" campaign. This initiative, supported by scholarships, international partnerships and the adoption of rigorous quality assurance standards, seeks to position Mauritius as a regional education hub for Africa and Asia. The branding effort combines international marketing with institutional credibility, projecting the country as a secure, high-quality environment for learning and research-based investment.

Market intelligence as a platform, not a brochure

Where goods promotion often relies on broad market briefs and price lists, services promotion must contend with granular buyer requirements: the software stacks used by target clients, procurement pathways and vendor prequalification rules, certifications that unlock gated requests for proposals (RFPs), the typical deal sizes and payment terms by niche sector, and the legal clauses (on data processing, IP ownership, warranty) that cause contracts to stall.

Uruguay XXI's CRM-driven approach is noteworthy because market intelligence is looped back into pipeline management: for each targeted vertical, staff track which firms have the requisite stack and certifications, which have references in regulated industries, which can staff a project in two time zones, and which can deliver services in multiple languages. Instead of publishing a report and moving on, the agency uses intelligence to compose export cohorts that are genuinely pre-qualified for a specific buyer set.

Egypt's ITIDA illustrates the same logic at scale. As demand for outsourcing and freelancing has accelerated, market intelligence has focused on platform dynamics (rates, skills shortages by category, rejection reasons and client satisfaction scores) and on destination-market rules (onboarding, tax documentation and data rules). The resulting guidance to firms is practical, covering key areas such as which badges to earn on platforms, how to pitch a portfolio, how to evidence security practices in a shortlisting call, and how to move from micro-gigs to framework agreements.

One key lesson emerging from the case studies is that market intelligence becomes a true production input only when it directly upgrades what firms do at the moment of sale – helping them adjust concrete behaviours such as how they present credentials, respond to client requirements, structure their offer, or meet compliance expectations during the transaction itself.

Export readiness and capability upgrading: coaching and certifications

The experience of the nine reviewed economies' services export promotion strategies suggests that "generic export training" yields limited returns. What moves the needle is hands-on coaching centred on the concrete sales artefacts and process discipline that international buyers expect. This includes capability statements that describe measurable outcomes rather than lists of activities, and proposals that price risk appropriately rather than rely on flat-rate estimates. It also involves SLAs that operationalize availability, incident response, and penalties – that is, documents that spell out exactly how many hours per day a system or team must be available; how quickly the provider must acknowledge, investigate and resolve incidents; and what financial or service credits apply if the provider fails to meet those commitments.

In parallel, strong project-governance explain escalation, change control and acceptance criteria: they set out how problems move from basic support to higher technical or managerial levels (escalation), how any requested change in deadlines is evaluated and approved (change control), and what objective checks must be satisfied before deliverables are considered complete and accepted (acceptance criteria). Across the case studies, the economies that make these elements teachable and coach firms to apply them in real transactions are those whose SMEs become credible, low-risk partners for international clients.

Chile's pilots for services SMEs are instructive precisely because they de-emphasized general lectures and emphasized shop-floor consulting: mentors sat with firms to rewrite proposals, role-play buyer calls, and map certifications to target RFPs.

Several Chilean animation and digital studios began winning export contracts only once their "creative" offering was paired with a delivery system that international studios recognized and trusted: structured time-boxed sprints (short, fixed-duration work cycles with predefined outputs), named leads (explicit assignment of responsibility to a specific producer, technical director, or project manager), formal asset-handover protocols for delivering files and documentation, and clear evidence of IP hygiene (procedures ensuring that all artwork, code, music and effects are either original, properly licensed, or rights-cleared, and that version control systems document authorship). By adopting these professional delivery practices, Chilean firms reduced perceived execution risk and signalled that they could meet the production standards of global buyers.

Jamaica's Export Max goes further by building accountability into readiness. Participating firms commit to quarterly milestones – rebuilding websites to match buyer expectations; securing at least one international certification; assembling a client reference pack; completing a round of dubbed demos; passing a data-protection audit – with mentors assigned and progress reviewed against firm-level KPIs. The programme's impact rests on the marriage of aspiration and measurement: creative and tourism-adjacent firms are encouraged to export, but only those who demonstrate operational discipline continue to receive intensive support.

Egypt's Export-IT programme provides a cash rebate on the value-added of ICT exports – that is, a direct financial refund calculated as a percentage of the domestic content that Egyptian firms generate when delivering services to foreign clients. By returning part of this value in cash, the programme effectively lowers the upfront costs firms must incur to compete internationally.

These costs often include investments in international standards and certifications (such as information-security or service-management standards), business-development efforts to convince sceptical clients, legal work to adapt domestic contracts to international norms, and participation in global outsourcing and freelancing platforms, where firms must build a visible track record and obtain early verification or trust badges. When the main barrier to exporting is partly financial rather than technical, such rebates materially shorten the payback period on these credibility-building investments and accelerate the ramp-up to export.

In the Philippines, the TESDA competency standards are a macro-level readiness instrument because they make the workforce legible to foreign buyers. When a procurement officer at a North American bank reads a CV that references TESDA's standards or a BPM quality framework, the mental translation required to evaluate talent is smaller. The client can assume a baseline, which speeds up shortlisting and reduces training costs. It is telling that several large BPM firms in Manila treat TESDA certification as a signal in their screening processes; the national standard thus becomes an export-enabling asset.

Buyer intermediation and deal flow: from missions to curated matchmaking

The weakest instrument in services promotion, across economies and over time, has been the generic trade mission. An exhibition space of booths and leaflets can work for products one can touch; it rarely yields contracts for cybersecurity audits or animation pipelines. The practical alternative is curated matchmaking, where every business-to-business (B2B) meeting is pre-qualified on both sides: the buyer has a defined scope and budget; the seller meets capability thresholds; the meeting is framed around a concrete work package and follow-up steps.

Uruguay XXI's practice of convening micro-cohorts – four to eight firms that meet a specific buyer profile – and matching them to a shortlist of prospects derived from CRM data has led to higher conversion rates and lower "no-show" rates. Meetings are deliberately short, with an insistence on a post-meeting artifact (a mini proposal, a pilot plan, a compliance checklist). In creative industries, where cultural fit matters, Jamaica's JAMPRO has experimented with screen-and-scene formats:

curated screenings of short reels to targeted commissioning editors, followed immediately by timed one-to-one meetings. Firms are coached to present referenceable work; editors are briefed on what is realistically on offer; and rights issues are discussed in the room to avoid delays in the process later.

Mauritius's virtual missions during and after the COVID pandemic showed the advantages of remote curation for professional services. Because travel costs were not a binding constraint, the agency could invest in profiling: long pre-calls to determine buyer needs, document checklists to verify supplier readiness, and structured agendas that ended with a "go/no-go" on pilots. Several Mauritian legal and consulting firms used this model to secure their first cross-border retainers, which then produced the case references that their branding lacked.

Finance for intangibles: de-risking the first sale

In services, what separates a business-ready firm from a contract-winning one is often a stack of intangible assets – certifications, security audits, quality management documentation, a polished demo environment, a travel budget to visit a key client, and a polished website – that banks do not readily collateralize. This is why the most catalytic financial instruments in the cases studied are micro-targeted to the moments when credibility is gained or lost.

Uruguay's Finishing Schools are often described as a skills programme. Still, from the vantage point of an exporter, they are a balance-sheet instrument. The State takes 50–70 per cent of the training expense off the books if the programme is co-designed with employers and yields placements. The firm, in return, promises to export or to anchor an export-intensive team domestically. The result is that training, which would otherwise be a risky up-front cost, becomes a co-investment with clear export logic.

Costa Rica's reimbursement schemes for standards and training operate on the same principle. By underwriting the audit and certification step, the State effectively buys firms a ticket into gated RFPs. Once inside the gate, the firm can win on merit. Jamaica's micro-grants for festival participation in film and music recognize that a single screened work can "unlock" a commissioning relationship; the grant is small, the ensuing contract potentially much larger.

More experimental are revenue-based finance pilots. For services SMEs with volatile but scalable revenue, a fixed-payment loan is often misaligned with cash flows. Instruments that take a modest share of export receipts for a limited period, instead of a fixed instalment, appear better matched to services risk profiles. The lesson for TPOs is not to become banks but rather to partner with financiers to design products around the credibility hurdles affecting specific sectors.

Malaysia stands out for its financing instruments that help SMEs overcome credibility and market access barriers. The Market Development Grant reimburses firms for eligible international promotion activities, such as participation in trade fairs, business missions, and export training. Complementing this, the Services Export Fund covers costs related to feasibility studies, tender documentation and certifications. These schemes address the "first sale" problem by reducing the upfront costs of securing export contracts.

The Malaysia Digital Economy Corporation (MDEC) further supports digital firms with specialized programmes that connect Malaysian ICT and creative companies to overseas buyers, while the Professional Services Development Fund encourages upgrading of professional standards. These instruments resemble the reimbursement and mentoring schemes found in Costa Rica and Jamaica but are distinctive in their scale and focus on services.

Standards, privacy and digital trust as trade tools[1]

For many categories of services – software maintenance in finance, healthcare data analytics, legal process outsourcing – the binding constraint is not the lack of buyers but the lack of trust. A foreign client cannot allow a supplier to access production data without clear assurances of robust governance, privacy and security frameworks. This is why Chile's and Egypt's support for ISO/IEC audits is not a bureaucratic flourish but a market access tool. Firms that pass ISO 27001 (information security) or ISO 27701 (privacy) audits can show a buyer that controls exist, that incidents are recorded, and that remediation has a workflow. When paired with sector-specific badges (HITRUST – Health Information Trust Alliance – in health, PCI DSS – Payment Card Industry Data Security Standard – in payments), the combination acts like a visa attesting to reliability for sensitive projects.

The same logic applies at the national level. Uruguay's early investment in digital government – secure digital IDs, e-signatures, interoperable registries – created a demonstration effect. If firms in Montevideo are accustomed to robust digital interactions with the State, they likely possess the competence and habits that foreign clients demand.

Public procurement and demonstration effects

Several country case studies highlight the catalytic role of domestic procurement as a springboard to exporting services. India's expansion of e-procurement and the presence of large domestic buyers (banks, telecoms, public agencies) created a home market where SMEs could build references and practice delivery at scale. Once a firm has delivered a cloud migration for a state utility, it can deploy much the same in Dubai or Dublin. The Philippines exhibits a similar dynamic in BPM: multinationals located in PEZA parks serve as both buyers and references for local suppliers, who then leverage those references to secure offshore work.

Promotion agencies, however, need to tread carefully: substituting for procurement reforms by "forcing" awards to SMEs can backfire if performance suffers. The point is not to direct contracts but to open the channel – standardized RFPs, fast payments for small suppliers and reverse pitches where public buyers explain upcoming needs. In Chile, sector teams that liaise with public buyers have learned to translate procurement pipelines into readiness road maps for SMEs: which standards to acquire this year, which subcontracting opportunities are realistic, and which integration skills will be demanded in the next budget cycle.

Diaspora networks as trusted connectors rather than cheerleaders

Jamaica and Mauritius illustrate how diaspora engagement moves beyond symbolism when it is tied to deal origination and mentoring. JAMPRO's work with diaspora producer networks in North America has yielded concrete introductions that bypass the "cold start" penalty, which first-time exporters all too often face. But the most effective configurations are those in which diaspora mentors co-design the pitch: rewriting a deck to match US studio expectations; flagging red-flag clauses in a work-for-hire agreement; and rehearsing a pricing conversation so that a Jamaican firm does not underquote. The diaspora, in this view, is a specialized salesforce that understands the context of both sides of a services transaction.

Mauritius's experience with returnee incentives tells a different story: encouraging skilled Mauritians abroad to establish boutique service firms at home increases the local stock of international delivery habits – contracting discipline, strengthened data-protection reflexes, stronger client communication rhythm – all of which tend to spill over through labour mobility and subcontracting. Promotion programmes that treat these firms as key players can create positive examples for a broader range of SMEs.

Measurement, attribution and the discipline of follow-through

If credibility is the currency of services trade, follow-through is how it accrues interest. The nine country case studies converge on a simple operational truth: promotion agencies that focus solely on activity numbers (events hosted, meetings held, number of firms supported) rarely get lasting results, while those that track pipeline mechanics (lead quality, conversion rates, time from first contact to signed contract, repeat-purchase ratios) can improve their instruments. Costa Rica's PROCOMER is exemplary in this respect: it publishes dashboards that make staff accountable for conversion, not just outreach. Uruguay XXI likewise treats reinvestment rates as a barometer of ecosystem health. If investors expand mandates locally, it implies that procurement, skills and regulatory support are working together.

Egypt's ITIDA shows how measurement disciplines scale in a fast-growing sector. Reimbursement schemes are contingent on documented outcomes, and SME cohorts are revisited at 6 and 12 months to determine which support instruments have generated revenue gains. Jamaica's Export Max uses firm-level KPI contracts, which are unusual for a creative-industries context. It is precisely the lack of such discipline in many creative sectors that keeps them stuck in a grant cycle with weak export outcomes. Across economies, the lesson is the same: services promotion requires an industrial policy approach to sales operations within the public sector – clear funnels, named account managers, CRM notes that guide action, and reviews that refine the next cohort.

What does not work: export promotion pitfalls to avoid

The downsides depicted in the country case studies are highly instructive for understanding what does not work in export promotion. Repurposed goods-export tools – generic pavilions, broad trade missions, catalogues and mass emails to "potential buyers" – rarely generate service contracts. Several economies, including Jamaica, Mauritius, and early-stage Costa Rica, relied heavily on these instruments in the initial phases of their services strategies. They generated visibility but few conversions: firms reported returning from missions with "contacts, not clients" and little understanding of why meetings failed to advance. The result was a cycle of activity without impact and growing scepticism from SMEs, who perceived that the same few firms benefited from repeated participation while the broader ecosystem saw little change.

Fragmented mandates and overlapping promotion roles also appear across the cases. Before Chile created its Public-Private Technical Committee on Services Exports, agencies responsible for trade, investment, statistics and skills operated with limited coordination. India's services-promotion landscape remains similarly complex, with multiple councils and ministries interacting unevenly with exporters. Mauritius's earlier architecture required consolidation into the EDB precisely to eliminate duplication. In these contexts, buyers and investors faced mixed messages, inconsistent follow-up and uncertainty about who owned the relationship. In high-trust services sectors where reliability and clarity are paramount, this fragmentation undermined credibility and slowed export growth.

Weak follow-through and insufficient aftercare are also common pitfalls. The case studies highlight that many promotion agencies historically focused on "first contact" – introductions at fairs or inclusion in a directory – without tracking whether those leads matured into negotiations. Before the introduction of CRM systems and sectoral teams, Chile struggled with this: firms received contacts but lacked the coaching needed to refine proposals, prepare for technical vetting, or meet compliance requirements. Uruguay and Costa Rica also learned that without structured post-event follow-up – B2B matchmaking, diagnostic support, proposal reviews – initial buyer interest dissipates. The absence of systematic aftercare meant that events created noise, not pipelines.

A fourth pitfall concerns thin or performative measurement, where agencies count activities rather than outcomes. Several economies reported that early services-promotion efforts were justified by the number of missions, firms "attended," or participants trained, rather than the number of contracts signed, capabilities upgraded, or firms graduating into new markets. In Jamaica, for example, firms were often included in missions even if they did not meet buyer-readiness thresholds, because success was measured by participation rather than conversion. In Chile, the lack of unified data systems prevented the evaluation of the effectiveness of export promotion efforts, making it challenging to redesign tools or discontinue low-impact activities. When metrics focus on visibility rather than behaviour change, ineffective programmes become entrenched, and pressure for reform weakens.

Finally, missing or weak buyer-readiness filters undermine trust. Across the cases, buyers repeatedly signalled that they need curated lists of firms that meet technical, governance and compliance standards, not open rosters. Costa Rica responded by transforming the Essential Costa Rica country brand into a quasi-due diligence filter that screens firms for excellence, sustainability and innovation. Uruguay XXI adopted a project-portfolio approach with deeper profiling of firms' capabilities. In contrast, economies without such filters struggled: firms were presented to buyers despite lacking basic artefacts such as capability statements, delivery methodologies, or information security procedures. This damaged the agency's credibility and reduced buyers' willingness to engage with national delegations.

These pitfalls share a common thread: export promotion fails when it prioritizes activity over accountability, visibility over trust, and events over buyer-centred support. Economies that overcame these traps – Chile, Costa Rica and Uruguay most prominently – did so by replacing generic events with targeted intelligence, structured follow-up, integrated governance and outcome-focused measurement. Their experience shows that in services, competitiveness comes not from doing more promotion, but from doing the right things – reliably, consistently and with clear evidence of impact.

Investment attraction and aftercare: from entry mandates to ecosystem anchors

FDI serves not only as a leading mode of service delivery but also as a catalyst for enhancing export capacity. Investment attraction and retention efforts are a key contributor to export promotion strategies. When a multinational enterprise establishes a delivery centre, a software lab, or a creative studio in a developing economy, it achieves two objectives simultaneously: it exports services, and it seeds skills, practices and linkages that local firms can later leverage. The challenge for policymakers is that investment attraction in services is no longer a matter of cheap labour or fiscal holidays. Buyers of services are looking for trust environments: pools of talent that can deliver at scale, legal systems that respect contracts and protect data, and public agencies that respond with agility and predictability.

Beyond tax holidays: talent, trust and timeliness

The country case studies illustrate ongoing shifts in the logic of attraction. In the early 2000s, the Philippines competed for BPM investments primarily on the basis of low labour costs and generous fiscal incentives in PEZA zones. By the 2010s, investors were demanding more: standardized occupational skills, predictable telecommunications infrastructure and evidence that local managers could guarantee 24-hour global delivery. TESDA competency frameworks, PEZA's efficient permitting, and DICT's expansion of bandwidth became as crucial as the tax incentives themselves. In short, the "value proposition" had migrated from fiscal generosity to ecosystem credibility.

Costa Rica presents the clearest case of such a transition. CINDE has deliberately marketed Costa Rica not as a low-cost location but as a reliable partner for complex services. When investors ask about cost arbitrage, CINDE points instead to multilingual talent, a dense network of deep trade agreements worldwide, and the Essential Costa Rica brand as evidence of quality. The result has been a portfolio of high-value investments in engineering services, life sciences and cybersecurity, not just call centres. By setting expectations at the outset, Costa Rica avoided the trap of hosting footloose investors who leave when wage differentials narrow.

Uruguay XXI also exemplifies this reorientation. It rarely emphasizes tax advantages; instead, it trumpets Uruguay's strong track record in the rule of law, early adoption of digital signatures and predictable institutions. Investors in software and fintech often cite the ease of doing business with Uruguayan authorities as a decisive factor in their locational decisions. Such credibility has enabled Uruguay to attract smaller but higher-quality investors willing to expand their mandates over time.

Like the Philippines and Costa Rica, Malaysia has successfully attracted multinational corporations in business services, ICT and logistics. Its Principal Hub scheme provides tax incentives for companies establishing regional headquarters in Malaysia. At the same time, the Global Trading Centre framework encourages firms to use Malaysia as a base for international services operations. But beyond incentives, Malaysia's Investment Development Authority and the Malaysia Digital Economy Corporation (MDEC) have emphasized ecosystem development, providing modern digital infrastructure, regulatory clarity, and talent pools to ensure firms remain and expand their mandates. Aftercare remains uneven, but there are notable efforts to facilitate reinvestment, particularly in the MSC cluster and new data centre projects. Malaysia's trajectory shows both the benefits of targeted incentives and the importance of complementing them with strong aftercare and ecosystem policies.

Aftercare as a primary function

If investment attraction and facilitation represent critical first steps, aftercare is what transforms an initial mandate into durable relationships. Too many economies focus on ribbon-cutting ceremonies but neglect the day-to-day support that keeps investors anchored. The case studies confirm that aftercare is where services investment promotion agencies earn their reputation.

CINDE in Costa Rica assigns account managers to large investors, functioning much like a corporate relationship manager in banking. These account managers maintain regular contacts, anticipate problems and act as problem-solvers with government agencies. Reinvestment is therefore high: multinationals that arrive with one function (say, back-office finance) often expand into higher-value roles, such as analytics and research and development. Costa Rica's ability to secure such mandate expansions is not the result of luck but of systematic efforts to deliver aftercare.

Uruguay XXI follows a similar model, embedding aftercare in its organizational DNA. It conducts regular investor satisfaction surveys and tracks reinvestment rates as a key performance indicator. When investors report regulatory bottlenecks or skills shortages, Uruguay XXI convenes public-private working groups to resolve them. The presence of these mechanisms signals to both current and prospective investors that Uruguay is a reliable long-term partner.

The Philippines has also institutionalized aftercare through its PEZA. Firms located in IT parks benefit not only from initial fiscal incentives but also from ongoing facilitation services, including expedited permits, clear and simplified tax administration, and a regulatory environment adapted to global services delivery. While PEZA has faced criticism for being slow to adapt to the digital era, it remains a cornerstone of the Philippines' ability to retain and grow BPM investments.

Pitfalls in investment promotion

The case studies usefully highlight what does not work in investment promotion. First, overreliance on tax incentives creates vulnerability and diminishing returns. Mauritius, Costa Rica and Uruguay have all used generous tax regimes and free-zone frameworks to attract FDI in services. In Mauritius, successive waves of fiscal incentives – EPZ and Freeport regimes, a flat corporate tax, no capital gains tax, and multiple tax holidays – were central to positioning the country as a regional hub. Costa Rica and Uruguay similarly rely on structured tax exemptions in their FTZs and investment-promotion laws.

But the case studies warn that this model is exposed on two fronts. In Costa Rica, potential changes to international tax rules are explicitly flagged as a risk, underscoring the need to deepen investment in human capital so that competitiveness rests on skills and ecosystem quality rather than on tax considerations alone. In Uruguay, recent reforms to the free zone regime were required to align with the Organisation for Economic Co-operation and Development Base Erosion and Profit Shifting principles, reminding policymakers that incentive regimes must be continuously adjusted to remain credible and compliant. Across these cases, the underlying lesson is that tax incentives can be part of the toolbox, but investment promotion that leans too heavily on them without parallel efforts in skills, infrastructure and regulatory quality becomes increasingly fragile.

Second, fragmented mandates and weak coordination can confuse investors and dilute impact. Several case studies point to the costs of institutional complexity. In India, there is no single nodal body for services, and the Services Export Promotion Council operates with limited resources and overlapping responsibilities vis-à-vis multiple ministries. This fragmentation reduces its visibility among exporters and constrains its ability to shape a coherent services-export narrative. In Mauritius, the EDB serves as the main investment and trade promotion agency, but the case study notes a need for stronger institutional coherence and a high-level coordination platform to align the EDB with sectoral ministries around a shared strategy and KPIs.

By contrast, Egypt's ICT experience shows the benefits of consolidation: the establishment of MCIT and ITIDA as central anchors for ICT policy and promotion has given investors a clear entry point and more consistent messaging. Taken together, these examples suggest that dispersion of mandates without robust coordination mechanisms is a recurring pitfall in investment promotion.

Third, weak linkages with domestic firms limit spillovers and can turn investment promotion into a quasi-enclave activity. Costa Rica has been highly successful in attracting FDI in knowledge-based services and shows evidence of positive spillovers to some local providers, yet the case study explicitly notes that the country has struggled to scale up KBS exports by domestic firms. Outcomes for local SMEs have fallen short of expectations, pointing to the need for stronger local capability-building and entrepreneurship support.

In Mauritius, the EDB responds to investors on a case-by-case basis, providing information on local partners, but the case highlights the absence of a more systematic matchmaking platform and structured follow-up to connect foreign investors to local suppliers. Without deliberate linkage programmes – such as supplier development, joint innovation projects, or structured matchmaking – FDI in services risks remaining an enclave centred on a limited group of large, often foreign, firms.

A fourth pitfall is treating market access as self-executing. Mauritius has secured market access for services through the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community, the African Continental Free Trade Area and multiple free trade agreements, yet the case notes that services exports under these agreements have not progressed as expected. The problem is not a lack of treaties but a lack of domestic and external sensitization: many services suppliers are not fully aware of the opportunities or procedural requirements for using these agreements. This underscores that investment and export promotion must actively translate agreements into usable opportunities – through market intelligence, guidance and targeted promotion – rather than assume that legal access will automatically generate flows.

Finally, generic promotion without a clear project pipeline reduces effectiveness. In Mauritius, traditional tools such as roadshows and generic investment-climate messaging are still used, but the case study recommends moving towards a more project-based approach: identifying priority sectors, designing bankable projects, and selling these to investors. This shift would require recalibrating EDB skills towards project development and impact monitoring. Similar messages appear in Costa Rica and Uruguay, where the most effective promotion strategies combine a strong macro-narrative ("stable, rules-based, skilled") with concrete sector propositions and, in Uruguay's case, aftercare and reinvestment support embedded in Uruguay XXI.

Across the nine case studies, the common thread is that investment promotion underperforms when it relies on generic slogans, fragmented institutions and tax sweeteners, and succeeds when it is coordinated, project-oriented and explicitly designed to generate linkages and learning for domestic firms.

Skills development: talent as strategy

If investment attraction is the spark, skills development is the fuel that sustains services exports. Unlike goods exports, which rely on physical assets and logistics, services exports depend overwhelmingly on people: their education, technical competencies, communication skills, emotional intelligence and cultural fluency. Every case study, without exception, emphasizes the centrality of skills to the success of exporting services. The most successful economies treat skills as an export promotion instrument.

Malaysia has recognized the critical importance of skills to its services exports. The Skills and Technical Enhancement Programme (STEP) and talent facilitation initiatives led by MDEC and TalentCorp aim to align graduates with industry needs in ICT, finance and business services. The MyDigital Blueprint also emphasizes digital literacy and advanced digital skills as key enablers of export growth. Compared to Uruguay's Finishing Schools and the Philippines' TESDA, Malaysia's programmes are more centrally designed but still emphasize industry inputs. STEP, for example, funds training courses developed jointly with employers, helping to address gaps in specialized ICT and financial services skills. Like Mauritius, Malaysia also highlights inclusion, promoting women's participation in ICT through scholarships and capacity-building programmes specifically tailored to market segments where female employment predominates and/or offers significant inclusiveness prospects.

Employer-led, co-financed models

Uruguay's Finishing Schools programme exemplifies a best practice in skills alignment. Instead of offering generic training courses, the programme requires firms to co-design curricula with training providers. The government then reimburses a large share of the costs if measurable outcomes, such as job placements or exports, are achieved. This model ensures that training is demand-driven and that firms have a financial stake in the quality of the training they produce. Importantly, the programme is open not just to large multinational firms but also to SMEs, allowing them to build specialized teams for export projects.

Costa Rica has institutionalized similar partnerships through its National Training Institute (INA) and through direct collaboration with universities. When multinationals signal demand for specific skills – such as cybersecurity analysts or biomedical engineers – training programmes are rapidly deployed. The alignment between CINDE, INA and universities ensures that talent pipelines are synchronized with investment promotion efforts.

National standards as global signals

The Philippines demonstrates how national competency standards can serve as markers of international credibility. TESDA's frameworks for BPM roles – such as customer service, finance and accounting, and IT support – are recognized by global firms. Employers abroad know what it means when a Filipino applicant cites a TESDA certification, which reduces their due-diligence burden. The standards thus operate as an export-enabling instrument rather than just a domestic training policy.

Egypt has taken a similar path with its Digital Pioneers initiative. The programme trains thousands of young graduates in data analytics, cloud computing and artificial intelligence (AI), with curricula co-developed by international technology partners. Certificates are issued jointly, which enhances their credibility with foreign clients. Graduates are often directly linked to outsourcing contracts or platform work, shortening the path from training to export.

Inclusivity and broadening the talent pool

Mauritius has innovated by targeting underrepresented groups, particularly women, in enlarging the country's talent pool. Its women-focused ICT scholarships aim to diversify the talent base and ensure that services exports benefit from the broadest possible pool of skilled workers. By coupling scholarships with mentorship and internship programmes, Mauritius not only trains women but also integrates them into export-oriented roles. Such inclusivity serves both an economic and reputational function: global clients increasingly value diversity in supplier teams.

Jamaica has experimented with programmes to integrate creative professionals into the country's export economy. Training in intellectual property management, digital marketing, and production standards is combined with mentorship from diaspora professionals. While challenges remain – particularly in financing – these programmes highlight the importance of equipping creative workers with the business and contractual skills required for success in global markets.

Pitfalls in skills policy

The case studies also highlight several recurring pitfalls in skills-upgrading practices. The first is the supply-driven trap, in which governments launch large training schemes without ensuring tight linkages to employer demand. While this problem is widely recognized in global skills debates, the country cases illustrate that skills initiatives only gain export traction when employers help shape curricula and validate competencies, as seen in Costa Rica's Pay-for-Results approach and Uruguay's Finishing Schools model.

A second pitfall is institutional fragmentation. Several economies have struggled when multiple ministries or agencies run overlapping ICT or services-skills programmes, diluting effectiveness. The Egypt case shows the opposite trajectory: coordination improved once MCIT and its affiliated bodies (ITIDA, Information Technology Institute) became the central anchor for digital skills and export support, demonstrating the value of consolidation and a single point of accountability.

A third pitfall is short-termism in training design. Programmes that focus only on entry-level roles risk locking economies into lower-value segments. The Philippines illustrates this challenge: after two decades of strength in voice-based BPM, the industry now needs to expand into higher-value knowledge process outsourcing, analytics and AI-related services. The case study notes that TESDA and universities must continue updating their standards and curricula to align with this shift.

A fourth pitfall is insufficient alignment with industry-recognized credentials. Several cases – including Jamaica, Malaysia and Mauritius – show that training expands most effectively when tied to certifications or micro-credentials that foreign clients recognize (cloud platforms, cybersecurity, animation pipelines, agile methods). The pitfall arises not from these economies themselves, but from broader experience: certifications only improve export competitiveness when they map to specific buyer requirements, not when treated as generic add-ons.

A fifth pitfall concerns territorial concentration. Even strong services ecosystems exhibit significant geographic imbalances. In Costa Rica, the case study highlights the persistent concentration of modern services in the Greater Metropolitan Area and the difficulty of building KBS capability in secondary regions due to talent shortages. In Uruguay, most export-oriented services firms supported by Uruguay XXI are still located in Montevideo, despite growing outreach to other departments. The lesson is that without a deliberate territorial lens, skills and services-export capabilities can cluster narrowly, limiting inclusive growth.

A final pitfall is the lack of structured pathways for progression. The cases from Chile, India, Mauritius and the Philippines all highlight the need for mid-career deepening – architects, leads, product managers – not only junior roles. Without mechanisms for workers to advance into supervisory and specialist positions, ecosystems struggle to move into higher-value segments, and firms face persistent shortages of senior talent.

Together, these pitfalls point to a common conclusion: skills upgrading supports services exports only when programmes are demand-driven, internationally recognizable, territorially inclusive, and designed to build not just entry-level workers but full career pathways.

Complementary policies: creating an enabling environment

Beyond export promotion instruments, attracting FDI and targeted skills development, several complementary policies shape whether services exporters can access foreign markets and compete effectively. These policies often fall outside the remit of trade promotion organizations, yet they are nonetheless critical for creating an enabling export environment.

A key first concern is the quality of the trade policy environment. For example, Malaysia has complemented its promotion instruments with policies that enhance the overall enabling environment for services exports. The country's DFTZ, launched in 2017, facilitates e-commerce by simplifying customs and logistics for cross-border online trade. The government has also promoted Malaysia as a regional data hub, supporting investments in data centres and cloud infrastructure. Similarly, Chile and Costa Rica have leveraged the global reach of their preferential trade and investment ties to attract foreign anchor firms in priority services sectors.

Labour mobility and professional recognition also rank among the most significant complementary policies. Many services depend on the temporary movement of professionals across borders – engineers supervising projects, consultants advising clients and creatives working on-site. Some economies, such as India, have secured commitments on professional mobility in their trade agreements, but significant hurdles remain, including visa restrictions, labour-market certification schemes, and the (lack of) recognition of professional qualifications. Mauritius has pursued bilateral accords to facilitate the mobility of its skilled professionals, though take-up has remained limited to date. In the Caribbean, Jamaica has worked through the Caribbean Community to promote the mutual recognition of creative industry qualifications, but progress has been slow and uneven.

These examples illustrate that while legal frameworks matter, the real challenge lies in implementation and in addressing the administrative barriers that prevent commitments from being fully utilized. In the professional services sector, Malaysia actively participates in the Association of Southeast Asian Nations Mutual Recognition Arrangements, which facilitate the mobility of engineers, architects and accountants. Rising worldwide concerns about the risks of illegal migration weigh on prospects for significant advances in labour mobility, even when such movement is temporary and circular. Instruments other than trade agreements, particularly bilateral labour-management agreements, may offer more promising pathways for labour mobility than commitments embodied in trade agreements, whose more rigid, permanently binding nature can prove challenging.

Digital trust and regulatory credibility also play an increasingly important role, given the dizzying growth of digitally delivered services. Services buyers expect (personal) data protection, cybersecurity safeguards and enforceable contracts. Uruguay has established itself as a trusted partner through strong digital governance, including a national e-ID system and legally recognized e-signatures. Egypt introduced a new data protection law to reassure clients in ICT outsourcing. Chile has updated its privacy and e-signature frameworks and enacted a new data protection law in 2024, addressing weaknesses in the country's enforcement regime. Malaysia, too, has invested in digital trust through its data centre strategy and cybersecurity policies, positioning itself as a regional hub for secure data transactions. These measures demonstrate how regulatory upgrades can serve as competitive assets in services exports.

Diaspora engagement is another area where complementary efforts can generate important dividends. Migrants and expatriates often act as bridges to overseas markets, particularly in services where trust and personal networks matter. The country case studies suggest that diaspora initiatives are most effective when they are linked to specific deals and mentoring arrangements, rather than limited to symbolic engagements.

Finally, public procurement can act as a launchpad for services exporters. Delivering for demanding domestic clients provides references that are valued in international markets. India's e-procurement platform allowed SMEs to gain credibility by supplying government agencies. In the Philippines, SMEs established credibility by serving multinational firms within the country's special economic zones. Chile leveraged public broadcasting contracts to help creative firms build portfolios that facilitated their subsequent internationalization. With close to half of global civilian procurement consisting of services, securing enlarged access to foreign procurement markets, a task that trade agreements can readily tackle, represents another potential means of boosting services exports.

Taken together, these complementary policies show that success in services exports depends not only on promotion tools but also on a wider ecosystem of enabling measures. Mobility frameworks, digital trust, diaspora engagement and procurement policies can all tip the balance between services exporters being perceived as high-risk, or as credible and competitive players in global markets.

Concluding remarks

Export promotion in services is still in its infancy. Most developing economies are only beginning to adapt institutions and instruments to the realities of intangible, customized and trust-based trade, elements that characterize many cross-border transactions in services markets. The nine country case studies featured in this publication constitute a laboratory of policy experimentation. The case studies reveal how some economies have built sophisticated systems of branding, aftercare and training, while others are just starting to consolidate mandates and adopt or update promotion instruments.

The overarching message is that services export promotion is not an add-on to goods trade promotion. It requires distinct strategies, instruments and mindsets. Developing economies that recognize this and act early can secure durable, expanded access to regional and global markets, diversify their economies, create high-value jobs, and promote more inclusive labour market outcomes. Those that cling to goods-oriented models risk missing one of the most dynamic drivers of development in the 21st century.

Endnotes

1 In the context of Chilean exporters of digitally delivered services – software, SaaS, BPO, fintech and professional services transmitted across borders – ISO/IEC audits are systematic third-party evaluations that verify whether the company's information security management system meets the requirements of standards like ISO/IEC 27001. Because these exports involve handling client data, source code and confidential information across jurisdictions, the audits provide the objective, independent evidence that foreign clients and platforms demand to onboard suppliers, pass procurement reviews, and sustain long-term contracts. Conducted periodically by accredited certification bodies, they confirm that risks are identified, controls are proportional, and the system is continuously improved – turning information security compliance into a competitive credential for accessing global digital services markets (DNV, 2026).

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02

Integrated support initiatives propel Chile's digital services export dynamics

AUTHORS:

Nanno Mulder, Javier Pérez Ibañez and Maria Cecilia Plottier[1]

Abstract

Chile is among the Latin America and Caribbean (LAC) economies with the highest rate of growth of digitally delivered services exports over the past two decades (7.2 per cent per year on average compared to only 2.8 per cent for total commercial services exports). In addition to a stable macroeconomic environment, an open trading environment and a successful digital transformation, this high growth has also been facilitated by a coherent mix of governance, promotion and capacity building. Policy coordination has gradually improved since the early 2000s, culminating in 2016 with the establishment of the Public-Private Technical Committee for Services Exports, which coordinates around 20 public and private institutions and ensures continuity across government.

Export promotion has been paired with efforts to attract foreign direct investment (FDI). ProChile supports small and medium-sized enterprises (SMEs) in the tech and creative industries, while InvestChile works to attract several global leaders, including Google, Microsoft and Globant. Chile's export promotion model demonstrates strong continuity across administrations and an integrated ecosystem linking trade, investment, innovation and skills development. It combines sectoral branding initiatives such as "Ch1l3, a Digital Country_" and "Learn Chile" with systematic monitoring and evaluation through customer relationship management (CRM) systems, surveys and annual road maps to refine programmes and ensure accountability.

Key points

Main elements of Chile's export promotion strategy:

- Increasing institutional coordination led by the Public-Private Technical Committee for Services Exports (2016), aligning around 20 public and private institutions coordinated by the Ministry of Finance.
- Coordination efforts of the Undersecretariat of International Economic Affairs (SUBREI), ProChile, InvestChile and the Economic Development Agency (CORFO) to link trade negotiations and agreements, export promotion, investment attraction and innovation.
- Comprehensive export promotion toolbox combining training, market intelligence, branding and financial co-funding for small and medium-sized enterprises (SMEs) which are mostly exporting.
- Emphasis on digitally delivered services, supported by free trade agreements (FTAs), the Digital Economic Partnership Agreement (DEPA), digital infrastructure (5G, data centres), and human-capital programmes such as Talento Digital para Chile.
- Public-private collaboration financed by Inter-American Development Bank (IDB) loans focusing on export promotion, digital talent and coordination.

Main achievements and impacts:

- Digitally delivered services exports grew by 7.2 per cent annually over the past two decades, outpacing total services exports (2.8 per cent).
- Over 700 creative-industry and 1,100 services firms supported annually by ProChile; export success rates above 30 per cent of the assisted firms.
- Attraction of 215 global tech and services foreign direct investment (FDI) projects (US$ 5.4 billion); Chile hosts major firms such as Google, Microsoft and Globant.
- 30,000 people trained under Digital Talent for Chile; 68 per cent placed in formal employment; average income +47 per cent.

Challenges:

- Fragmentation among agencies before 2015 → resolved through the permanent Public-Private Technical Committee.
- Double taxation and customs registration gaps → resolved via electronic invoicing, VAT reform and double taxation agreements.
- Skills shortages and lack of standardized statistics → addressed through coordinated digital-talent and data-measurement initiatives.

Good practices:

- Continuity across administrations, ensuring sustained policy implementation.
- Integrated ecosystem approach combining trade, investment, innovation and skills.
- Sectoral branding (e.g., Ch1l3, a Digital Country_; Learn Chile) to strengthen country image.
- Monitoring and evaluation mechanisms using customer relationship management (CRM) systems, surveys and annual road maps to refine programmes and ensure accountability.

Introduction

Chile was the sixth-largest exporter in Latin America and the Caribbean of digitally delivered services in 2024. As a high-income economy with a population of nearly 20 million situated on South America's western coast, it provides a favourable macroeconomic environment for trade in services. Chile's time zone closely aligns with that of the United States East Coast, which serves as its primary market for digitally delivered services exports. The country stands out as a unique case of diversification in its services export basket. Over the past two decades, it has positioned itself as one of the regional hubs for digital, financial, creative, technological and digital infrastructure services.

This relative success is not accidental, but rather the result of institutional sophistication, key regulatory reforms, innovative promotional strategies and collective learning between public and private actors. This chapter reviews how various export promotion strategies have been increasingly coordinated with the private sector, enabling the country to emerge as a prominent regional exporter of services. It starts with reviewing the dynamics of steps taken to promote services exports and FDI inflows. The following section situates the country's services trade growth performance within the macroeconomic, regulatory and digital context, emphasizing governance, competitiveness, infrastructure and trade agreements.

The chapter then details Chile's overall strategy and governance, focusing on the Public-Private Technical Committee for Services Exports and the roles of key institutions, such as the Ministry of Finance, the Undersecretariat of International Economic Affairs (SUBREI), ProChile and InvestChile. It provides an in-depth account of ProChile's institutional set-up, programmes and tools, including training, market intelligence, branding and support for SMEs and creative industries, followed by a review of beneficiaries and regional distribution.

Subsequent sections analyse policies for attracting FDI in the digitally delivered services export sector, the institutional evolution of InvestChile and available incentives, as well as skills development initiatives, such as Digital Talent for Chile (Talento Digital para Chile). The chapter concludes with lessons for other economies, remaining challenges and policy recommendations, underlining the importance of coordination, continuity, human capital and diversification for sustaining Chile's position as a regional hub for digitally delivered services.

Services exports and FDI dynamics

The trajectory of Chile's total commercial services exports was marked by cycles of expansion, crisis and recovery over the 2005–2024 period (see Panel A of Figure 2.1). Following an initial term of sustained growth up until 2008, the sector was severely impacted by the 2009 global financial crisis but experienced a swift recovery in 2010 and 2011. However, from 2012 to 2019, the sector's exports stagnated. The COVID-19 pandemic in 2020 led to a historic decline of 34 per cent in total services exports. The years following the pandemic showed a remarkable recovery. The year 2021 was one of modest recovery (+8 per cent), followed by a rapid surge in 2022 (reaching a record 43 per cent growth), and high growth rates in 2023 (19 per cent) and 2024 (16 per cent). This recent surge suggests that Chile has not only recovered from the global shock (especially in tourism) but is also finding new growth opportunities.

From 2005 to 2022, the absolute annual increase (or decrease) in imports was larger (smaller) than that in exports, resulting in a growing trade deficit in commercial services trade. However, the opposite occurred in 2023 and 2024. The renewed expansion of services exports began to close the gap with imports, as shown in Figure 2.1, Panel A.

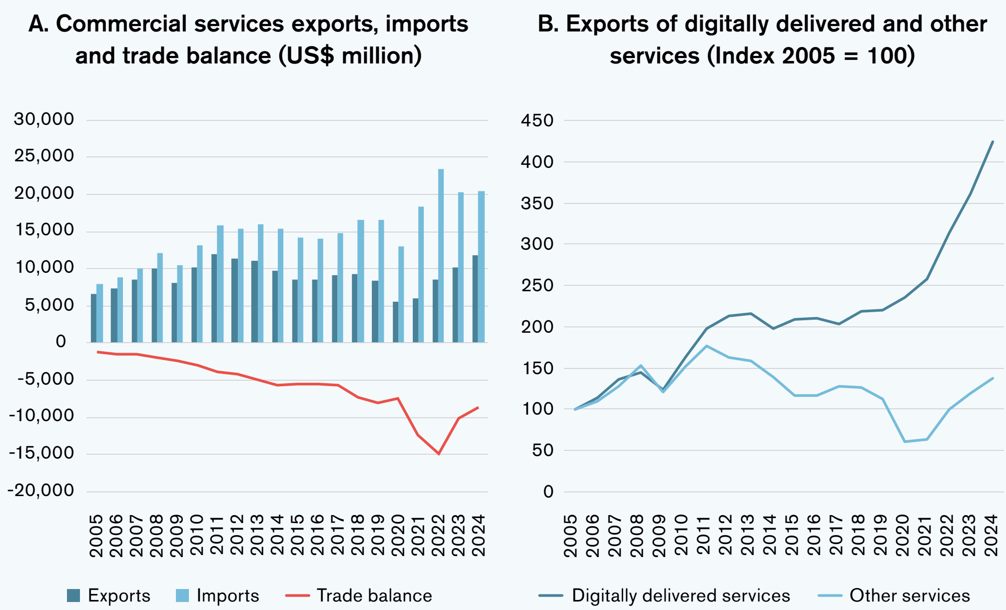
Between 2005 and 2024, commercial services exports grew at a slower pace than goods exports, and the participation of services in total exports fell from 14 per cent to 10 per cent. In contrast, services imports grew slightly faster than goods imports, resulting in an increase in the share of the former, in total imports, from 20 per cent to 21 per cent. In parallel, the share of services exports in gross domestic product (GDP) decreased from 5 per cent to 4 per cent, while the share of services imports remained stable at around 6 per cent.

Exports of digitally delivered services grew much faster than those of "other" services (mainly comprising transport and travel services) (see Panel B of Figure 2.1) between 2005 and 2024. The former category expanded rapidly from 2009 to 2013 and from 2020 to 2024. Due to its faster growth, the share of digitally delivered services in total services exports increased from 13 per cent in 2005 to 32 per cent in 2024. This growth acceleration is partly attributable to the rapid digitalization induced by the COVID-19 pandemic and the increase in demand for specialized services.[2] In contrast, exports of "other" services declined from 2011 to 2020, aggravated by the pandemic, and followed by a recovery.

Within Chile's digitally delivered services exports, financial services and personal, cultural and recreational services grew the fastest during this period, together with computer and other business services (see Panel A of Figure 2.2). The dominance of other business services further increased between 2005 and 2024, alongside the growing contribution of financial and computer services. In contrast, the share of telecom services in exports fell (see Panel B of Figure 2.2).

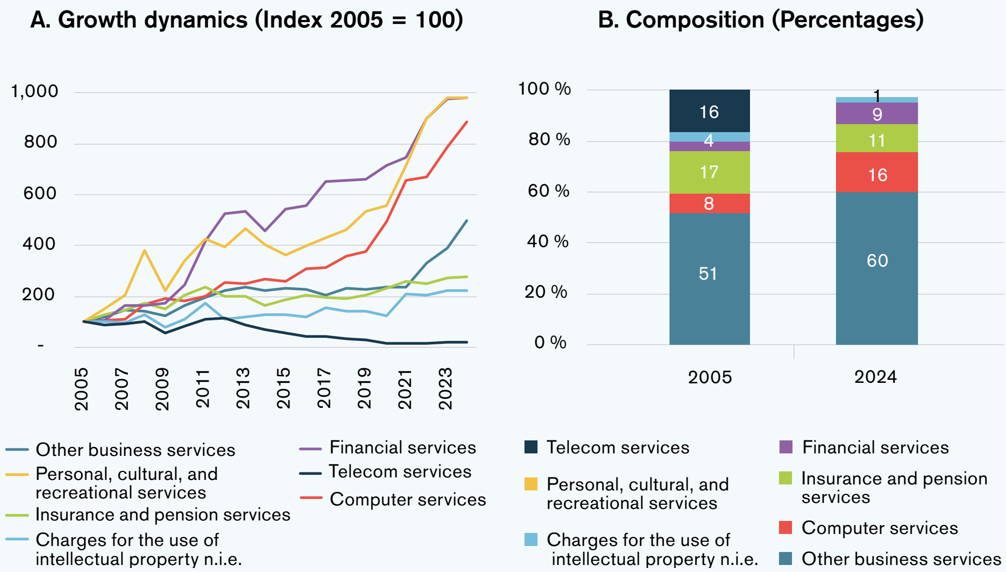
Chile's exports of computer and business services have become increasingly concentrated in the United States, rising from 51 per cent in 2008 to approximately 66 per cent in 2024, while the share to Latin America and the Caribbean fell

Figure 2.1: Chile's trade in commercial services, by category, 2005–2024



Source: Drawn up by the authors based on the World Trade Organization (WTO), Global Services Trade Data Hub, https://www.wto.org/english/res_e/statis_e/services_trade_data_hub_e.htm.

Figure 2.2: Changes in composition of digitally delivered services exports, 2005–2024



Source: Drawn up by the authors based on the World Trade Organization (WTO), Global Services Trade Data Hub, https://www.wto.org/english/res_e/statis_e/services_trade_data_hub_e.htm.

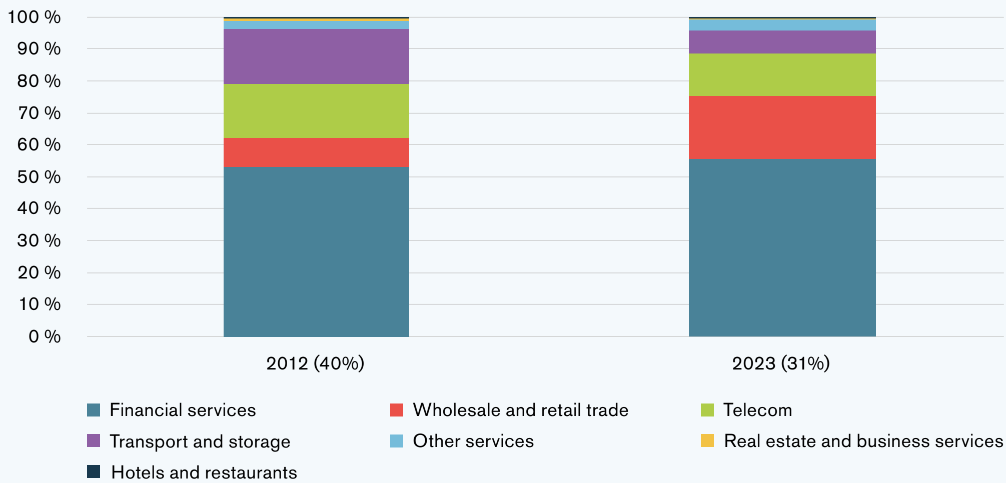
sharply from roughly 40 per cent to 20 per cent (Central Bank of Chile, 2021) during this time.[3]

Chile has one of the highest ratios of inward FDI stock to GDP among the LAC economies. In 2024, inward FDI stock totaled US$ 286 billion, equivalent to 87 per cent of GDP, a figure surpassing the share of other economies where FDI has been a key component of their productive development model, such as Costa Rica (71 per cent) or Uruguay (69 per cent) (ECLAC, 2025). Services accounted for 31 per cent of the inward FDI stock (excluding sectoral unassigned flows) in 2023, with the most significant shares in financial services, wholesale and retail trade, and telecommunications (see Figure 2.3).

According to data from InvestChile, in 2024 the country had 215 projects in global and technological services, valued at US$ 5.4 billion, making it the third-largest sector in terms of value, after energy and mining projects.[4] These figures reflect high growth rates in comparison to 2017, when the country had only 25 technology projects, worth US$ 1.5 billion.

More than 60 major companies in the digitally delivered services sector and digital business are established in Chile, and most of them have received support from InvestChile or prior programmes. In the digital infrastructure sector, companies such as Google, Microsoft, AWS, Oracle, Ascenty, Odata, EdgeConneX and Huawei have enhanced Chile's position as a regional digital hub, often through significant reinvestments since their arrival. Investments in software development centres also thrived, with companies such as Equifax, Globant, EPAM, TCS, Infosys, NTT Data, DXC Technology, Softtek, Softserve, Thoughtworks and Citi Group, which have operations serving regional and global clients (InvestChile, 2024).

Figure 2.3: Sectoral distribution of inward FDI stock in services, 2012 and 2023



Source: Drawn up by the authors based on Central Bank of Chile, https://www.bcentral.cl/en/areas/statistics.

Note: The percentages next to the years in the bar chart represent the share of services in the total FDI stock. Additionally, given the high level of aggregation of sector data in balance of payment statistics, FDI inflows or stock in digitally delivered services cannot be separately identified.

Macroeconomic, digital and regulatory context

Chile has increasingly sought to diversify its economy and reduce its dependence on traditional sectors, such as mining, by promoting investment in high-value, knowledge-intensive industries. Amongst these, the digitally delivered services sector – encompassing information technology, digital infrastructure, business process outsourcing and data services – has emerged as a strategic priority.

Over the past few decades, Chile has gradually developed a relatively favourable ecosystem for the growth and development of digitally delivered services production and exports. From 2005 to 2024, services value added grew faster than overall GDP (4 per cent versus 3 per cent per year on average). As a result, its share in total GDP increased from 52 per cent to 56 per cent. Employment in services also rose faster than total employment during this period, increasing its total share from 64 per cent to 71 per cent (Central Bank of Chile, 2025). Among member states of the Organisation for Economic Co-operation and Development (OECD), Chile registered the third-highest growth rate of service sector productivity from 1995 to 2018 (World Bank and IFC, 2022).

The country consistently ranks among the top performers in Latin America across governance and competitiveness indicators, combining institutional and macroeconomic stability with policy continuity. Within Latin America, Chile ranks second in democratic governance (EIU, 2025), behind Uruguay, and first in economic freedom (Heritage Foundation, 2025). Macroeconomic indicators also support this position: Chile maintains investment-grade ratings, boasts one of the highest GDP per capita levels in South America (approximately US$ 16,710 in 2023) (World Bank, 2025), and managed to contain inflation at 4–5 per cent in 2024 (see Table 2.1).

A second enabling pillar is the rule of law and regulatory predictability. Chile is the second-least corrupt economy in Latin America according to Transparency International (2025), following Uruguay, and ranks second in the region for the rule of law (World Justice Project, 2024). These strong institutions, coupled with reliable protection of property rights, are highly valued by service exporters, especially in data-sensitive sectors.

The third and fourth pillars are talent and digital infrastructure. Chile ranks first in Latin America in workforce competitiveness (INSEAD 2025), highlighting its human capital and capacity to attract and retain skilled professionals. In terms of English, Chile is classified in the "moderate proficiency" band (EF, 2025), and trails some Caribbean and South American peers, such as Argentina and Uruguay.

In terms of infrastructure, Chile boasts the fastest broadband speed in Latin America (Ookla Research/Speedtest, 2025), with a fixed broadband download speed of 334 Mbps. Household internet access climbed from 70 per cent in 2015 to 96.5 per cent by early 2024. By 2025, internet penetration had reached 94 per cent, and mobile subscriptions numbered 30.7 million – approximately 155 per cent of the population.

The 5G coverage is the highest in Latin America (Telecom Advisory Services, 2024). Fibre-to-the-home accounts for over 71 per cent of fixed broadband. Chile has 28 operational data centres, with an additional 30 planned by 2028. Chile's National Data Center Plan – launched in December 2024 – aims to clarify regulation, foster decentralized and sustainable growth, coordinate multi-sector stakeholders, and deploy geospatial digital tools to guide infrastructure siting and environmental assessments (Chilean government, 2025).

Table 2.1: Key competitiveness and enabling environment indicators for global services, 2023–2025

Indicator	Institution	Year	Chile global rank	Chile score	Chile LAC rank	Relevance to global services
Democracy Index	Economist Intelligence Unit (EIU)	2024	29/167	7.83	2nd	Institutional stability, governance
Freedom in the World	Heritage Foundation	2025	—	73/100	2nd	Civil liberties and political rights
Corruption Perceptions Index	Transparency International	2024	32/180	63/100	2nd	Rule of law, business climate
WJP Rule of Law Index	World Justice Project (WJP)	2024	36/142	0.63	2nd	Legal certainty, institutional quality
Global Opportunity Index	Milken Institute	2025	—	—	1st	FDI attractiveness
Index of Economic Freedom	Heritage Foundation	2025	18/176	73.2	1st in Americas	Market openness, stability
GDP per capita (current US$)	World Bank	2024	52/218	~16,710 US$	2nd	Economic attractiveness

Table 2.1: Key competitiveness and enabling environment indicators for global services, 2023–2025 (cont.)

Indicator	Institution	Year	Chile global rank	Chile score	Chile LAC rank	Relevance to global services
Inflation (annual %)	World Bank/ National Statistics Institute	2024	80/218 (est.)	4.3–4.5%	4th	Macroeconomic stability
Credit rating	S&P/Moody's/ DBRS	2025	A	—	2nd	Macro attractiveness
Global Peace Index	Institute for Economics and Peace (IEP)	2024	55/163	1.78	3rd	Societal safety, stability
Legatum Prosperity Index	Prosperity Institute	2023	33/167	—	2nd	Quality of life, well-being
Global Economic Diversification Index	Mohammed Bin Rashid School of Government	2025	~65 /114	—	6th	Economic diversification
Global Talent Competitiveness Index	INSEAD	2025	39/135	—	1st	Workforce quality
International Property Rights Index	Property Rights Alliance	2024	28/125	—	2nd	Intellectual property rights protection, FDI appeal
Programme for International Student Assessment (PISA)	OECD	2022	44/81	52/81 (Maths), 37/81 (Reading) and 43/81 (Science)	1st	Academic skills
EF English Proficiency Index	EF	2025	54/123	Moderate	4th	Service delivery in English
Speedtest Global Index	Speedtest	July 2025	2/153	108 Mbps	1st	Digital access, real-time delivery
Global Services Location Index	Kearney	2023	27/78	—	4th	Offshore attractiveness
Global Innovation Index	World Intellectual Property Organization (WIPO)/ INSEAD	2025	51/139	—	1st	Innovation, offshore services

Source: Drawn up by the authors based on institutional reports (2023–2025) and the Uruguay case study "Uruguay's approach to fostering modern services".

Taken together, these four dimensions – macroeconomic and institutional stability, regulatory predictability and rule of law, a competitive workforce, and strong connectivity – create a highly favourable environment for the expansion of digitally delivered services in Chile. This positioning is reflected in Chile's presence in global benchmarks such as the Kearney Global Services Location Index (2023) and the Global Innovation Index (WIPO, 2025).

Chile also ranks among the world's most active economies in negotiating preferential trade agreements, with 35 of these covering 65 partner economies that represent 5.1 billion people and 88 per cent of global GDP. Nearly 30 of these agreements include dedicated chapters on trade in services, establishing rules and mechanisms to facilitate service flows, such as provisions for the temporary entry of businesspeople. About 13 agreements feature specific e-commerce and digital trade chapters, including the Digital Economic Partnership Agreement (DEPA), and cover almost 50 trading partners. These agreements address issues such as the free flow of data, prohibitions on forced server localization, and a moratorium on customs duties for electronic transmissions. All reflect Chile's commitment to modern, rules-based digital commerce (Fundación Chilena del Pacífico y SUBREI (2025); SUBREI, 2025).

Lastly, Chile has signed 37 double taxation agreements (DTAs), which avoid double payment of taxes in the origin and destination countries when trading services. These tax agreements allow a variety of services, particularly digitally delivered services, to only be taxed locally. In other words, if the company has non-resident clients, the tax treatment is the same as that of a company serving clients resident in Chile. For service exporters and foreign investors, DTAs provide greater legal certainty, reduce tax burdens and improve competitiveness in international markets.

Chile's network of DTAs covers key trading partners in the Americas, Europe, Asia and Oceania, reflecting its strategy to deepen global economic integration. By fostering a more predictable and equitable tax environment, these agreements support the growth of Chile's services trade and its participation in global value chains (Chilean tax authorities, 2025).

Overall strategy and public-private sector coordination

Chile's strategy to promote digitally delivered services exports has evolved over the past two decades from a fragmented, goods-centred approach to a more integrated and forward-looking policy framework. This shift reflects the recognition that traditional incentive-based instruments are insufficient to foster competitiveness in knowledge-intensive activities. Instead, recent policies highlight the importance of governance mechanisms that facilitate collaboration, coordination and collective action among key public and private stakeholders. Section 3, above, examines how this strategy has taken shape in practice.

Main institutions

Five institutions form the main pillars of the strategy for export promotion and for attracting FDI for digitally delivered services. These are:

- **Ministry of Finance:** leads the Public-Private Technical Committee for Services Exports and oversees customs to promote their registration. It is also the counterpart of two loan operations with the IDB aimed at promoting this category of exports.
- **Undersecretariat for International Economic Relations** (SUBREI), formerly known as the **General Directorate of International**

Economic Relations (DIRECON): secures international market access for services providers by negotiating trade agreements that cover cross-border trade in services, investment and digital trade disciplines. These agreements reduce barriers to market entry, guarantee non-discriminatory treatment for Chilean firms, and establish regulatory cooperation frameworks, especially relevant for digital services where data flows, e-commerce and digital security standards are key. SUBREI also represents Chile in international forums where services and digital trade rules are shaped.

- **ProChile** (export promotion agency): supports services firms in their internationalization process. For digitally delivered services, this involves organizing trade missions, facilitating participation in international fairs, and providing market intelligence on emerging niche sectors such as fintech, healthtech and audiovisual services. ProChile also runs sector-specific branding initiatives to enhance visibility of Chile's services globally, while offering training and advisory services to help SMEs adapt to global standards and platforms for digital trade.
- **InvestChile:** in charge of attracting foreign direct investment in sectors that strengthen Chile's services ecosystem. This includes fostering investment in ICT infrastructure, global business services, creative industries,[5] and innovation hubs. By connecting foreign investors with local partners and ensuring a favourable business climate, InvestChile helps position Chile as a regional hub for digitally delivered services.
- **Corfo** (economic development agency): plays a key role in the early innovation and scaling phases of services firms through financing, mentoring and ecosystem development. Its **Consolidate and Expand** programme helps high-impact companies strengthen their business models and implement export-oriented growth strategies. The **GoGlobal** programme, implemented in collaboration with ProChile, assists innovative startups to enter international markets through mentoring, soft-landing[6] and networking opportunities. In parallel, Corfo also has some sectoral initiatives.

Public-private sector coordination

Over the past two decades, Chile has developed a model for effective public-private coordination in promoting services exports. The country transitioned from a fragmented framework – characterized by overlapping responsibilities, weak inter-agency and public-private cooperation, and the absence of an institutional voice for services exporters – towards an integrated ecosystem sustained by formal coordination mechanisms (IDB, 2024). This evolution illustrates the gradual development of institutional capacity building and coordination in an area that the export of goods has traditionally overshadowed.

During the 2000s, Chile developed a coordinated framework for promoting services exports that involved DIRECON, ProChile, Corfo and the Santiago Chamber of Commerce (CCS). The CCS created the Exporters Coalition to articulate the private sector's voice, serving as the first organized interlocutor with the government on trade in services. At the same time, DIRECON expanded Chile's network of free trade agreements and developed market access and regulatory frameworks for services, while ProChile focused on promoting services exports. Together, these institutions laid the groundwork for Chile's first integrated public-private mechanisms for service-export promotion, seeking to diversify the country's traditionally resource-based export structure.

A significant milestone was Corfo's Global Services Cluster (2006–2010) under the National Innovation Strategy for Competitiveness. The Committee of Ministers for Innovation appointed Corfo to coordinate public agencies and manage financial and methodological support for five priority clusters, one of which was global services. The Strategic Public-Private Council for Global Services, established in 2007, comprised representatives from Corfo, DIRECON, CCS, SOFOFA (Chilean Federation of Industry) and higher education institutions.

The cluster initiative yielded concrete results: between 2008 and 2009, over US$ 14 million of subsidies were provided in implementing the Global Services Cluster initiatives, more than

20,000 new jobs were created, and over 60 global service centres were established, 37 of which were supported by Corfo's High-Technology Investment Attraction Programme. This strong coordination weakened after 2010, when the government of President Sebastián Piñera abandoned selective industrial policies in favour of horizontal, market-neutral measures. Corfo's cluster programme was subsequently dissolved, with its responsibilities transferred to sectoral ministries (Álvarez et al., 2021).

The need for institutional coordination resurged under the government of President Michelle Bachelet (2014–2018). Chile established the Public-Private Technical Committee for Services Exports under the Ministry of Finance, which was subsequently institutionalized by Supreme Decree in 2016. The Committee – co-led by SOFOFA and comprising DIRECON, Corfo, CCS and other public and private stakeholders – re-established coordination mechanisms and developed an agenda focused on tax reform, data collection and human capital development. The Ministry of Cultures, Arts and Heritage, National Training and Employment Service (SENCE) and the Ministry of Science and Technology also joined the Committee.

Its mandate extended beyond diagnostic functions, enabling participants to design solutions and collectively monitor their implementation. This horizontal mode of governance represented a departure from earlier patterns of shifting inter-agency responsibility. The Committee also became the principal vehicle for mobilizing external financing to support service sector development. It coordinated two major operations with the IDB.

The first, a US$ 27 million loan (2018–2025), targeted institutional strengthening by improving coordination between Corfo, ProChile and InvestChile, while simultaneously supporting SME internationalization and human capital development, and attracting FDI. The second, a US$ 15 million loan (2025–2027), seeks to consolidate these achievements, with a particular emphasis on digital talent training, enhanced export promotion and continued institutional coordination (IDB, 2024). These resources have been instrumental in financing initiatives such as Digital Talent, the digitalization of customs and tax procedures, and the development of targeted sectoral promotion strategies.

The Committee's operational dynamics have also been notable. Meetings are convened monthly with structured agendas that combine technical updates, presentations by member institutions, progress reports from specialized subcommittees, and reviews of service export statistics provided by customs. Six subcommittees focus on taxation and customs, internationalization, indicators and statistics, the creative economy, human capital and digital talent, and innovation. These serve as technical forums for more detailed and technical discussions. While the Committee does not conduct formal impact evaluations, it engages in an annual process of strategic reflection through the updating of its road map, which tracks achievements, identifies pending tasks and establishes priorities for the subsequent year. This mechanism, although informal, provides a continuous process of evaluation and recalibration. As of 2025, 13 public institutions and six private entities were participating.[7]

Stakeholder interviews highlight that the subcommittees have achieved several significant outcomes, as outlined in Table 2.2. Another important achievement lies in the Committee's institutional persistence. By 2025, the Committee had convened more than 80 sessions, demonstrating a rare degree of continuity in a policy area often subject to fragmentation and political volatility (IDB, 2024). This durability has facilitated the accumulation of trust (Álvarez et al., 2021).

Beyond technical achievements, the Committee has also fostered a more profound cultural transformation. Institutions and stakeholders have increasingly perceived themselves as part of a unified ecosystem, rather than as siloed actors, a shift made possible by anchoring coordination in a backbone ministry with sufficient authority to mediate interests. The sustained participation across successive governments of more than 20 institutions per session has contributed to stability and continuity (Caceres, 2023). Other significant outcomes as highlighted by stakeholder interviews are outlined in Table 2.2.

Table 2.2: Main achievements of the Public-Private Technical Committee for Services Exports, 2016–2025

Subcommittee	Main achievement
Indicators	**National Statistical Institute (NSI) Measurement Project – standardization of culture codes.** This project harmonized statistical classifications to include cultural and creative industries. It also addressed the lack of gender-disaggregated indicators by supporting the SUBREI annual study on the contribution of women-led businesses to Chilean exports and fostering alliances with service providers.
Taxation and customs	**Extension of customs classification** to services to facilitate VAT refunds. **Electronic export invoice – SICEX module – single window portal – services VAT law.** Electronic export invoices have been mandatory and fully digital (Resolutions 113 and 120, 2019). The VAT Law on services helped prevent double taxation, and inconsistencies in tax responses were resolved (Resolution 2733). **VAT refund** extended to services exporters. **Extension of the tax credit mechanism** to services exporters.
Internationalization	**Exporter manuals and updates – regional training and intellectual property (IP) – ENEXPRO.** Manuals for service exporters were updated, alongside capacity-building workshops held in subnational capitals. Specific training on IP was incorporated into these workshops to strengthen exporters' knowledge base. Additionally, ENEXPRO fairs supported firms in accessing international markets.
Creative economy	**State support matrix for creative economy – manual for creative services exports – interinstitutional and private sector coordination.** Publication of a manual for exporters of creative services. Improved coordination across ministries (Ministry of Culture, Corfo, SUBREI). Closure of data gaps on the creative economy and aligning support tools with industry needs.
Human capital	**1,000 programmer scholarships – English and digital talent scholarships**. Corfo developed 1,000 training slots in English for exporters across subnational capitals. Complementary initiatives under "Digital Talent" offered scholarships to train programmers and digital professionals, directly addressing the skills gap that limited service exporters' competitiveness.
Gender gaps	**The Gender Road Map for Services Exports** is a 2023 initiative which aims to integrate gender equality into the country's services export sector. It seeks to increase women's participation in exports through four key actions: promoting women-led businesses, improving gender-disaggregated data, supporting women in science and technology, and mainstreaming gender equality across all institutions involved in services exports.

Source: Drawn up by the authors based on an interview with the Ministry of Finance.

Nevertheless, several challenges persist. These include scaling up SME internationalization, extending participation in the Public-Private Technical Committee to the Ministry of Education, improving the measurement of underreported export modes such as commercial presence abroad, and institutionalizing knowledge to reduce dependence on specific individuals. These challenges notwithstanding, the Chilean case represents one of the most comprehensive and sustained examples of institutional development aimed at promoting services exports in Latin America. It demonstrates that the deliberate creation of platforms for dialogue, coordination and problem-solving can transform entrenched regulatory and institutional bottlenecks into drivers of growth and international competitiveness.

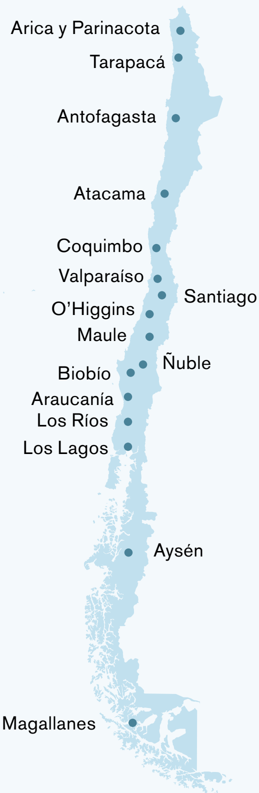
Export promotion of digitally delivered services

Institutional set-up and evolution

ProChile is the leading institution promoting the export of various types of services, primarily those that are digitally delivered. It was established in 1974 as the export promotion entity of the Chilean Ministry of Foreign Affairs. It is headquartered in Santiago and has 16 subnational offices across the country (see Panel A of Figure 2.4), and a significant global presence with 54 commercial offices abroad, strategically located in North America, Europe, Asia and Latin America (see Panel B of Figure 2.4). In 2024, it had 583 employees, distributed between headquarters (338), offices across Chile (82), and abroad (163) (ProChile, 2025a).

Figure 2.4: ProChile offices across Chile and abroad, 2025

A. Across Chile (16 offices)



B. Across the world (+50 offices)

North America
- Canada
- United States
- Mexico

Central America and the Caribbean
- Costa Rica
- Cuba
- Panama
- Dominican Republic
- Guatemala

South America
- Argentina
- Bolivia
- Brazil
- Colombia
- Ecuador
- Paraguay
- Peru
- Uruguay

Europe
- Germany
- Belgium
- Spain
- France
- Netherlands
- Italy
- Poland
- United Kingdom
- Czechia
- Russian Federation
- Türkiye

Africa
- Morocco

Middle East
- United Arab Emirates

Asia and Oceania
- Australia
- China
- Republic of Korea
- Hong Kong, China
- India
- Indonesia
- Japan
- Malaysia
- Chinese Taipei
- Viet Nam

Source: ProChile (2025), *Estrategia sectorial*, Santiago.

Initially focused on promoting goods exports, ProChile opened a department dedicated to trade in services in 2004. This department primarily supported SMEs in key sectors, including construction services, engineering services, environmental services, health services, mining services, information and communications technology (ICT) services, tertiary education services and creative services (primarily audiovisual). From 2009 onward, there was a notable expansion of sector-specific brands focusing on architecture (Arquitectura de Chile), film (Cinema Chile), and universities (Learn Chile). Institutional innovations followed, such as the creation of public-private committees (2015), dedicated units in the Ministry of Finance (2017), and support programmes with backing from the IDB in 2018. From 2016 onward, there was a strategic pivot towards digital transformation, marked by the launch of digital export platforms and brands like Chileservicios, GoGlobal and Global X. The timeline (see Figure 2.5) illustrates a shift from general export promotion towards targeted programmes and branding, institutional coordination and digital trade facilitation to strengthen Chile's position in global service markets (Frohmann, 2024; ProChile, 2025a).

Figure 2.5: Timeline of services export promotion in ProChile and beyond

2004	Creation of trade in services department
2009	Sector-specific service brands: architecture & cinema
2016	Public-Private Technical Committee for Service Exports
2016	New Chileservicios website and Mujer Exporta Programme
2017	First business matchmaking event ENEXPRO Services
2018	First IDB support programme for services exports
2019	Start of GoGlobal soft-landing programme
2021	Start of Global X programme
2023	New E-Commerce Exporta programme
2025	Start of second IDB support programme for services exports

Source: Developed and updated by the authors based on https://www.subrei.gob.cl/ejes-de-trabajo/comercio-de-servicios/manual-de-servicios/experiencia-chilena-en-la-exportaci%C3%B3n-de-servicios.

In recent years, ProChile has also prioritized the inclusion of underrepresented groups. In 2024, the agency supported 745 women-led businesses and 87 Indigenous-owned enterprises – 60 per cent of which successfully sold services abroad. ProChile also assisted 65 firms in e-commerce activities and 146 in sustainability-related actions (ProChile, 2025b). To achieve its goals, ProChile collaborates with multiple public institutions, including the Chilean economic development agency (Corfo), InvestChile, and Ministry of Cultures, Arts and Heritage; Ministry of Economy, Development and Tourism; Ministry of Finance; Ministry of Women and Gender Equality; as well as multiple science and business associations.[8]

As of 2025, two out of the four export promotion divisions in ProChile focused on services. The first division focuses on a broad range of services, including sector-focused digitally delivered services (agtech, biotech, edtech, fintech and healthtech), architecture, construction, engineering, clean energy and energy efficiency, logistics, smart city, water management, industry solutions, hydrogen, higher education services and inbound tourism. The second division focuses on the creative economy, covering animation, performing arts, visual arts, crafts, audiovisual, design, editorial, fashion, music, graphic and illustration, and video games (ProChile, 2025a).

ProChile supports business associations through funding, international promotion and strategic collaboration. Programmes such as the Services and Creative Industries Fund offer co-financing to associations, enabling them to participate in fairs, trade missions and advisory services. Associations gain exposure through collective stands and shared spaces at major global events. For their part, associations collaborate with ProChile in conducting sectoral analyses of the export sector, developing targeted export strategies, and prioritizing support instruments, such as participation in specific trade missions and international fairs.

ProChile documents the results of this collaboration in Annual Exportable Supply Profiles (Perfiles de Oferta Exportable, POEX) for various sectors. ProChile also fosters dialogue via Regional Export Councils and sectoral roundtables, enabling coordination between exporters, associations and regulators. In addition, strategic agreements with associations such as ACTI (Chilean Association of Information Technology Companies) and Chiletec (Chilean Association of Technology Companies), strengthen the technology sector and boost ICT services exports. Finally, several business associations take part in the Civil Society Council, advising ProChile on service quality, inclusion and country image.

ProChile's programmes and tools

ProChile offers a comprehensive range of tools and programmes to promote exports of Chilean firms, mostly SMEs. These initiatives are strategically organized into three pillars: training, market intelligence, and export promotion. Table 2.3 reviews the main instruments under each category, their target groups, descriptions and the number of firms or individuals that benefited in 2024.

Training

To build and improve export capacity among Chilean businesses, ProChile has developed an integrated set of training programmes. These initiatives combine theoretical knowledge with hands-on support, aiming to enhance companies' abilities to manage international operations effectively. One key component is the Virtual Classroom (Aula Virtual), an online platform that delivers courses in international business management. It provides companies with flexible access to educational content developed by ProChile's network of experts. The Virtual Classroom empowers participants to strengthen both strategic and operational export competencies, supporting their transition from local actors to exporters. It offers several courses tailored to services exporters, focusing on topics such as the services export process, artificial intelligence, cross-border e-commerce, digital transformation and taxation in the services sector.

The Virtual Classroom platform is complemented by coaching activities for groups of up to 14 companies within the same sector and with similar levels of export readiness. Delivered in-person, online, or in hybrid formats, these sessions help

Table 2.3: ProChile tools, target group, description and number of beneficiaries

	Programme/tool	Target group	Description	Number of beneficiaries: Services	Number of beneficiaries: Creative economy
Training	Virtual classroom	Services SMEs seeking export training.	An online specialized training programme designed to enhance export skills.	1,840	
Training	Coaching	Up to 14 services SMEs with business plans.	Expert advice to improve international business plans with expert mentoring.	438	358
Training	Mentorships	Up to 12 services SMEs with expert mentoring.	Experts help to develop and improve international business plans.		
Training	Workshops and training cycles	Services SMEs refining export work plans.	Programme guides companies in creating or refining their international work plans.		
Training	Audiovisual material	Services firms needing training resources.	Support materials (including documents, tutorials, capsules, testimonials and videos) to complement training programmes.	No information	No information
Business Intelligence	Digital Knowledge Centre (CDC)	Services SMEs requiring market intelligence.	Platform consolidating market intelligence from ProChile's 50+ offices worldwide.	No information	No information
Business Intelligence	Help Centre	Services exporters seeking guidance.	Digital services providing guidance, FAQs and assistance on export promotion tools.	122	45
Business Intelligence	Sectoral and regional minutes	Services SMEs needing tailored insights.	Tailored sectoral and regional reports are produced on demand through ProChile's regional offices.	No information	No information
Business Intelligence	Export Vision	Services firms seeking market strategies.	A tool offering market insights to support decision-making for internationalization.	No information	No information
Business Intelligence	Chile Pro	Services exporters tracking competitiveness.	Ranking and competitiveness analysis of exports in global markets.	No information	No information
Export Promotion	Sectoral activities	Services SMEs seeking buyers.	Commercial activities include trade missions (TM), agendas, soft-landing (SL) and buyer programmes (BP) to strengthen export capacity.	TM: 174 Agendas: 361 SL: 134 BP: 21	TM: 115 Agendas: 145 SL: 17 BP: 5
Export Promotion	ENEXPRO	Services exporters connecting with clients.	Business matchmaking events connecting exporters with global importers.	314	70
Export Promotion	International fairs	Services firms showcasing abroad.	Participation of firms in major international fairs.	Visitor: 69 Exhibitor: 53	Visitor: 12 Exhibitor: 103
Export Promotion	GoGlobal	Scalable services startups going global, with focus on key markets.	Programme supporting internationalization of scalable, innovative firms through pre-internationalization and immersion stages.	35	0

Table 2.3: ProChile tools, target group, description and number of beneficiaries (cont.)

	Programme/tool	Target group	Description	Number of beneficiaries	
				Services	Creative economy
Export Promotion	ProChile Global X	Innovative services firms interested in exporting to Europe.	Platform accelerating exports of innovative firms to Europe with mentoring, networking and visibility.	9	0
Export Promotion	Sectoral and business competitions	Services firms applying for co-financing.	Competitive funds co-financing export promotion projects for sectors, associations or firms.	No information	No information
Export Promotion	Sectoral brands	Services associations building brands.	Programme financing creation and promotion of sectoral brands abroad to improve positioning.	19	4

Source: Drawn up by the authors based on materials and data provided by ProChile.

participants create or refine their internationalization plans. Guided by experienced mentors, companies collaboratively develop business strategies, culminating in a final evaluation that simulates a board-level review process.

Another complementary tool is the Mentorships (Mentorías) programme, which has supported up to 12 companies per cohort since 2023. This initiative focuses on addressing specific gaps in the export or internationalization process. Through up to five sessions, companies engage directly with one or more experts to receive customized guidance to help overcome obstacles to international growth. Further support is provided through short-term workshops and training cycles, which were developed after the COVID-19 pandemic to build or reinforce export-related capabilities. Workshops typically consist of a single session focused on a specific topic, whereas training cycles are composed of multiple sessions that cover interconnected subjects. These programmes provide flexible learning opportunities that are responsive to the evolving needs of various sectors.

To reinforce these training programmes, ProChile has in recent years developed audiovisual and written materials as supplementary resources. These include documents, video tutorials, testimonial clips, brief educational capsules, and recorded sessions, providing ongoing access to relevant knowledge and enhancing self-learning experience.

Business intelligence

ProChile provides business and market intelligence tailored to the needs of Chilean companies. These tools consolidate knowledge from domestic and international sources to offer timely insights and data-driven guidance. The Digital Knowledge Centre (Centro Digital de Conocimiento) is ProChile's central market intelligence platform, integrating publications, studies and insights generated by the institution and its network of 50+ offices worldwide. To assist companies in navigating these tools and understanding available services, ProChile offers a Help Centre (Centro de Ayuda). This user-support portal provides answers to frequently asked questions, offers guidance on how to apply for programmes, and clarifications on available resources. It plays a vital role in enabling companies to maximize the benefits of what ProChile has to offer.

Additionally, ProChile published a step-by-step guide to exporting services, SUBREI issued a guide to help services exporters benefit from free trade agreements (FTAs), and the CCS published a guide on taxation and regulatory aspects of services trade.[9] ProChile has also published multiple studies on specific service sectors in various economies, public tenders in different markets, and sector- and country-specific studies, such as those on health (Bolivia), hospitality (Colombia), advertising (Germany), construction (Mexico) and biotechnology (United States). Event reports, such as for Chile Week China, and the Chile Summit India 2024, also highlight education, audiovisual and ICT as emerging services export themes. As e-commerce plays a key enabling role across these sectors, additional studies focus on entering global marketplaces, optimizing digital marketing, and managing cross-border logistics or specific e-commerce markets (such as the Dominican Republic and Japan).

Companies can also request customized market information through Sectoral and Regional Briefs (Minutas Sectoriales y Regionales). These briefs are developed on request through ProChile's regional offices and provide focused analyses of specific sectors or geographical markets. By tailoring intelligence to business needs, this tool supports more precise and effective international strategies.

Chile Pro and Export Vision are market intelligence tools for internal use, meaning that each professional at ProChile can access them to advise companies. Export Vision is a planning instrument that identifies emerging global trends, new consumer behaviours and future opportunities. This tool helps companies anticipate changes in international demand and adjust their strategic planning accordingly. Chile Pro is a benchmarking tool that evaluates the competitiveness of Chile's export sectors through global rankings.

Trade support

Trade support is at the heart of ProChile's mission, aiming to help companies integrate into global markets. Through a diverse set of promotional tools, the institution supports companies to enter new markets, building relationships with international buyers, and increasing the visibility of Chilean products and services worldwide.

One of the central instruments is the suite of sectoral activities, which includes trade missions, commercial agendas, soft-landing programmes, and importer inbound missions. These activities are tailored to the specific needs of each sector, helping companies navigate the complexities of entering or consolidating their positions in foreign markets. They are often designed in collaboration with industry stakeholders to ensure alignment with sector priorities. In 2024, 14 export missions were organized for the services sector. Examples include the Chile Summits (Europe and India), Chile Weeks (Brazil and China), the Chile–Mexico Business Forum with a focus on Latin America, and the 11th LAB4+ Entrepreneurship and Innovation Forum of the Pacific Alliance (ProChile, 2025b).

One key initiative is ENEXPRO (Encuentros de Negocios Exportadores), launched in 2013, which is a sector-specific gathering to connect Chilean exporters with international buyers and importers to enable participants to receive logistical and strategic support from ProChile's national and international networks. In 2024, ProChile organized three ENEXPRO events to boost services and creative economy exports: ENEXPRO commercial attachés, ENEXPRO Global Solutions targeting services exports, and ENEXPRO Tech, focusing on technology-driven services – including fintech, edtech, agrotech and cybersecurity (ProChile, 2025b).

ProChile also enables companies to participate in international fairs, where they can present their products and services in national pavilions at high-profile events to raise the profile of what Chile has to offer and generate new business leads. Participation is open to both active exporters and those with export potential, depending on the event. In services, the focus is on technology-driven sectors, including fintech, healthtech, edtech, biotech and ICT, with participation in significant events such as London Tech Week, the BIO International Convention, the Latam FinTech Market and edtech missions across the Americas. In the creative economy, Chile plans to engage in leading book fairs, music and film markets, animation and video game festivals, including the Berlinale European Film Market, Annecy International Animation Film Festival, Jazzahead, and gamescom (ProChile, 2025b).

GoGlobal is a soft-landing programme led by ProChile in partnership with Corfo, designed to accelerate the internationalization of Chilean startups and scaleups with high global potential. Each year, around 48 companies are selected to begin a two-week online pre-internationalization stage, which provides training, mentoring and strategic guidance. This is followed by the immersion stage, where companies connect with the target ecosystem, both remotely and in person, to gain access to tailored commercial agendas, specialized training and key business contacts, and receive support for client acquisition or fundraising. The programme's priority markets are Colombia, Mexico, Peru, Spain and the United States (Miami).

Meanwhile, the ProChile Global X programme focuses on supporting innovation-driven companies that aim to expand into European markets. This platform offers mentorship from industry experts, pitch sessions to potential partners, commercial guidance and opportunities for capital raising and networking. The 2023 portfolio showcased startups in artificial intelligence (AI), sustainability, healthcare, smart cities and renewable energy.

To provide financial support for promotion initiatives, ProChile administers sectoral and business contests (Concursos). The 2026 ProChile Services and Creative Economy Contest will target legal entities such as associations, cooperatives and foundations that represent the services sector. It supports innovative, high-impact export projects with co-financing of up to 25 million Chilean pesos (around US$ 27,000).

Another key tool is the sectoral brands (Marcas Sectoriales) programme. Through a public contest, ProChile funds the creation and implementation of sector-specific brands that contribute to Chile's overall image abroad. This initiative supports public-private collaboration in marketing, enabling sectors to gain international visibility and competitiveness. Each project develops a brand strategy designed to enter one or more international markets through a public-private partnership. This collaborative model leverages economies of scale to promote and position the sector abroad, aligning the brand's image with the values and attributes of the overarching country brand. Several brands were established in the services and creative economy sector (see Table 2.4) (Frohmann, 2024).

A horizontal programme to promote digital services exports is E-commerce Exporta. It provides a set of tools to help Chilean companies expand into international digital markets. It follows a step-by-step approach: "Measure Yourself" offers a self-assessment of digital maturity; "Train Yourself" delivers workshops, webinars and guides on e-commerce; "Connect" links firms with strategic partners such as marketplaces, logistics providers and accelerators; and "Land" helps identify the most suitable international marketplaces through a detailed directory. Together, these instruments support companies from initial assessment and training to building partnerships and reaching foreign customers (ProChile, 2025a).

Table 2.4: ProChile sectoral brands in services

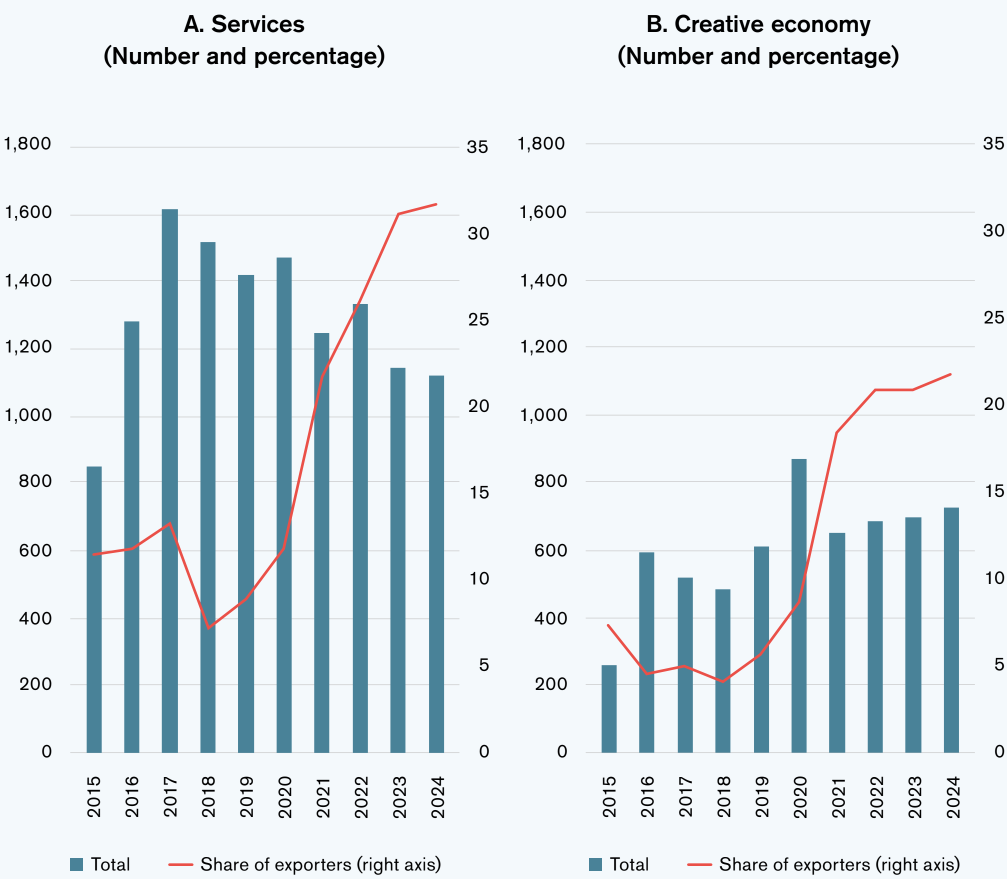
Sector brand	Sector promoted	Year created	Website
Learn Chile	Higher education services	2012	https://www.learnchile.cl/
Shoot in Chile	Audiovisual production locations in Chile	2013	https://shootinchile.net/
SISMICA	Contemporary visual arts	2016	https://www.sismicachile.com
Ch1l3, a Digital Country_	Digital technologies and IT services	2017	https://chiledigitalcountry.com/
Chilean Animation	National animation	2017 (approximate)	https://www.chileananimation.com
Chiledoc	Documentary/non-fiction	2018	https://www.chiledoc.cl
Chilemúsica	Independent music industry	2019	https://www.chilemusica.com
CinemaChile	Cinema (fiction and series)	2009	https://www.cinemachile.cl

Source: Drawn up by the authors based on www.prochile.cl.

Beneficiaries of ProChile's export promotion activities

Over time, ProChile has expanded its role in internationalizing the country's service sectors. Although the number of supported firms increased rapidly from 2015 to 2017, it fluctuated afterwards. However, the proportion engaged in exports has grown consistently, signaling progress in export capacity building. In services (see Panel A of Figure 2.6), the number of supported firms peaked around 2017–2018 at more than 1,600, before gradually declining to around 1,100 in 2024. Despite this decline in absolute numbers, the share of assisted firms that effectively became exporters increased sharply after 2019, rising from below 10 per cent to more than 30 per cent by 2024, suggesting a shift towards a greater export orientation among beneficiaries. In the creative economy (see Panel B of Figure 2.6), the total number of beneficiaries increased steadily from 258 in 2015 to 728 in 2024, while the share of exporters also rose markedly, from around 5 per cent in 2019 to more than 20 per cent by 2024.

Figure 2.6: Number of beneficiaries in services and creative economy sectors, 2015–2024

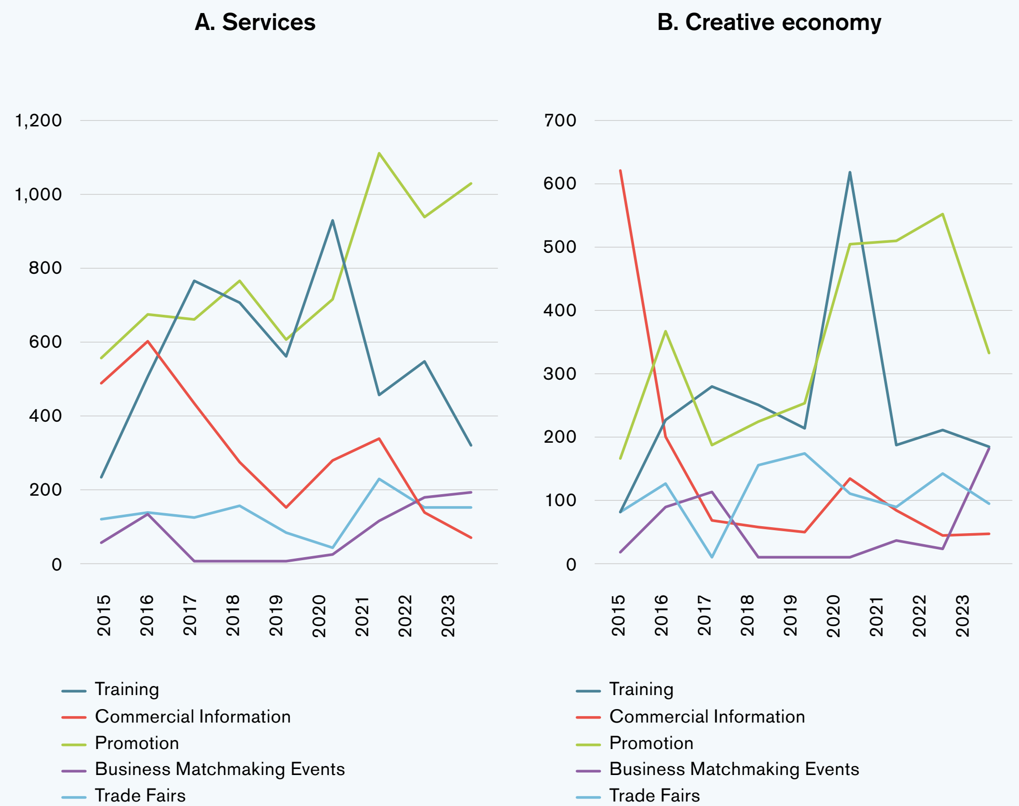


Source: Drawn up by the authors based on data from ProChile.

Overall, ProChile's support profile shows clear contrasts between the services and creative economy sectors, with promotion standing out as the dominant type of support in both, but with greater scale and continuity in services (see Figure 2.7). In the services sector, promotion and training form the main pillars: promotion rose steadily after 2017, peaking in 2020 and remaining high through 2023, while training also registered notable peaks, particularly in 2016 and 2020. By contrast, the creative economy exhibits more volatile patterns, with promotion leading but showing sharper rises and falls – especially in 2019 and 2022 – and training appearing more sporadically.

Commercial information declined steeply in both the services and creative economy sectors after 2016, suggesting a strategic shift away from informational assistance towards more proactive forms of support. Business matchmaking events and trade fairs remained secondary in both sectors but showed modest recovery after 2020, reflecting renewed post-pandemic engagement. Overall, services benefited from a broader and more consistent set of interventions, while creative economy support was more intermittent and project-based, reflecting different levels of institutional maturity in ProChile's sectoral strategies.

Figure 2.7: ProChile – number of non-unique beneficiaries in services and creative economy sectors by type of support, 2015–2023



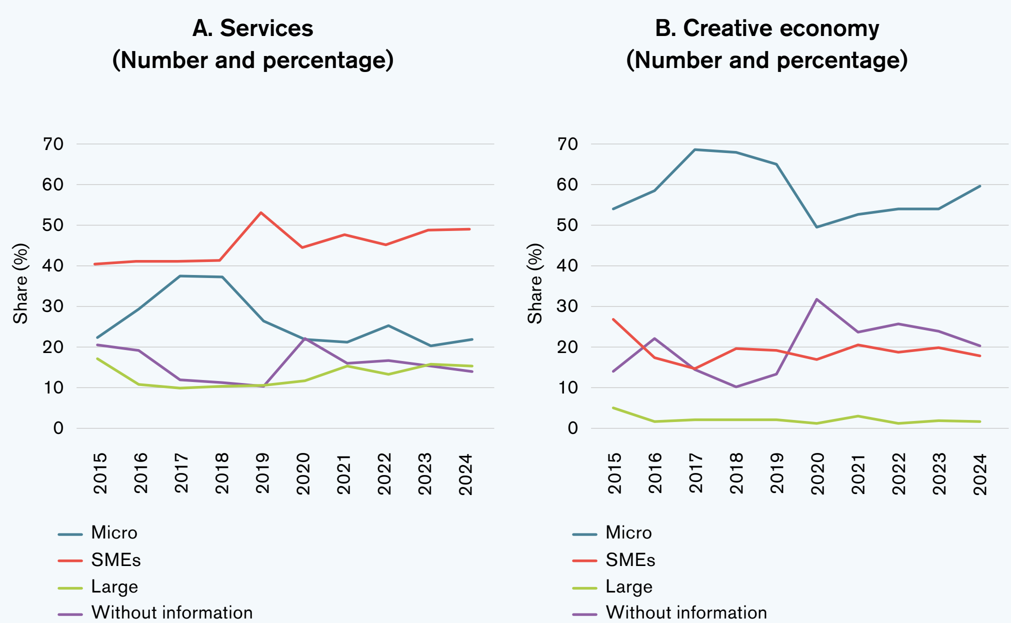
Source: Drawn up by the authors based on data from ProChile.

Over the past decade, ProChile has increasingly focused its export promotion programmes on smaller firms. In services (see Panel A of Figure 2.8), SMEs grew steadily to almost half of the firms supported. At the same time, micro-enterprises, which had experienced strong growth until 2018, declined but remained the second-largest group. Large firms held only a minor and stable share, as these require less support. In the creative economy sector (see Panel B of Figure 2.8), micro-enterprises dominated throughout the period, often accounting for more than 60 per cent of beneficiaries. SMEs, on the other hand, accounted for a smaller but relatively stable portion, while large firms remained marginal.

ProChile concentrates its support in a few strategic sectors and a broad coverage of niche activities in services and the creative economy (see Figure 2.9). In services, most beneficiary firms are clustered in "Other services" (40 per cent) and in technology applied to agriculture, biotechnology, education, finance and health (35 per cent), while more minor but significant shares are found in logistics solutions (10 per cent) and inbound tourism (6 per cent). Additional niche activities, such as higher education services, architecture and engineering, energy efficiency, clean energy, and smart city solutions, receive more limited but still notable backing.

In the creative economy, support is more evenly distributed across subsectors: fashion (14 per cent), handicrafts (13 per cent), publishing (13 per cent) and audiovisual services (13 per cent), followed closely by music (12 per cent), design (7 per cent) and video games (7 per cent). Other fields, such

Figure 2.8: ProChile – size distribution of beneficiary services and creative economy firms, 2015–2024

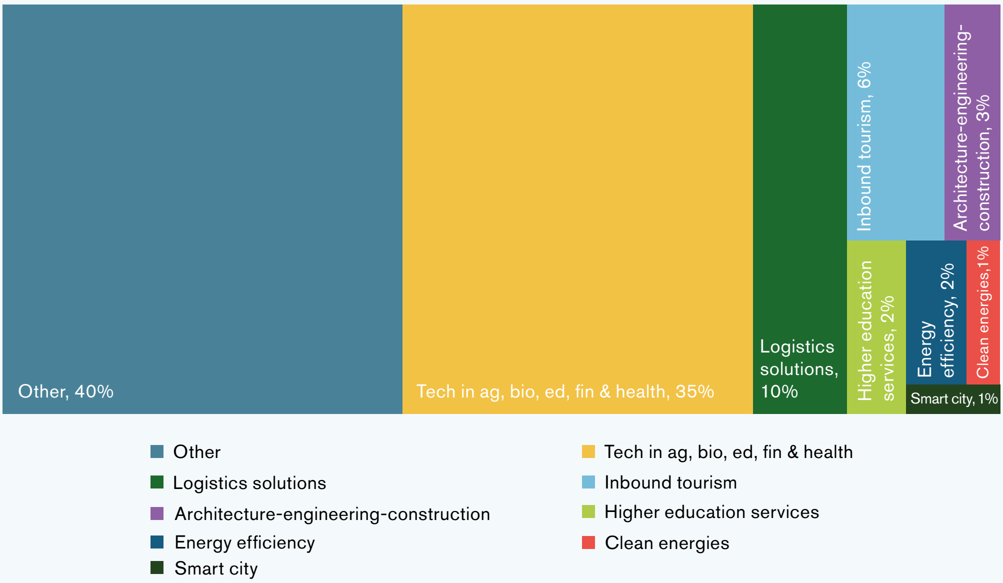


Source: Drawn up by the authors based on data from ProChile.

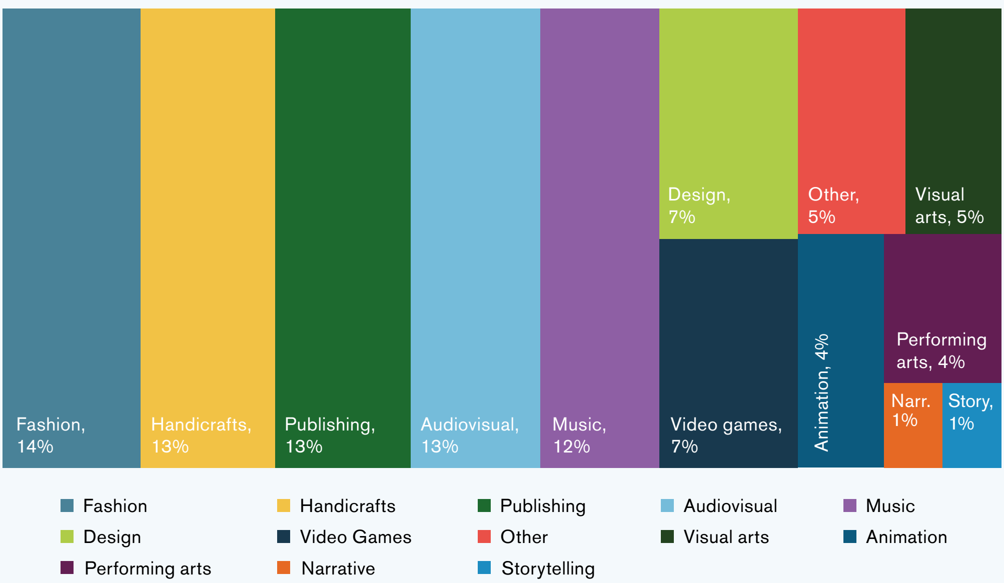
Note: In Chile, micro-enterprises are firms with annual sales below US$ 100,000, SMEs are those with sales between US$ 100,000 and US$ 4.2 million, and large enterprises those with sales above US$ 4.2 million (based on May 2026 exchange rates).

Figure 2.9: ProChile – sectoral distribution of beneficiary services and creative economy firms, 2024 (%)

A. Services



B. Creative economy



Source: Drawn up by the authors based on data from ProChile.

as the visual arts, animation, performing arts, storytelling, make up smaller shares, highlighting the diversity of the industries included.[10]

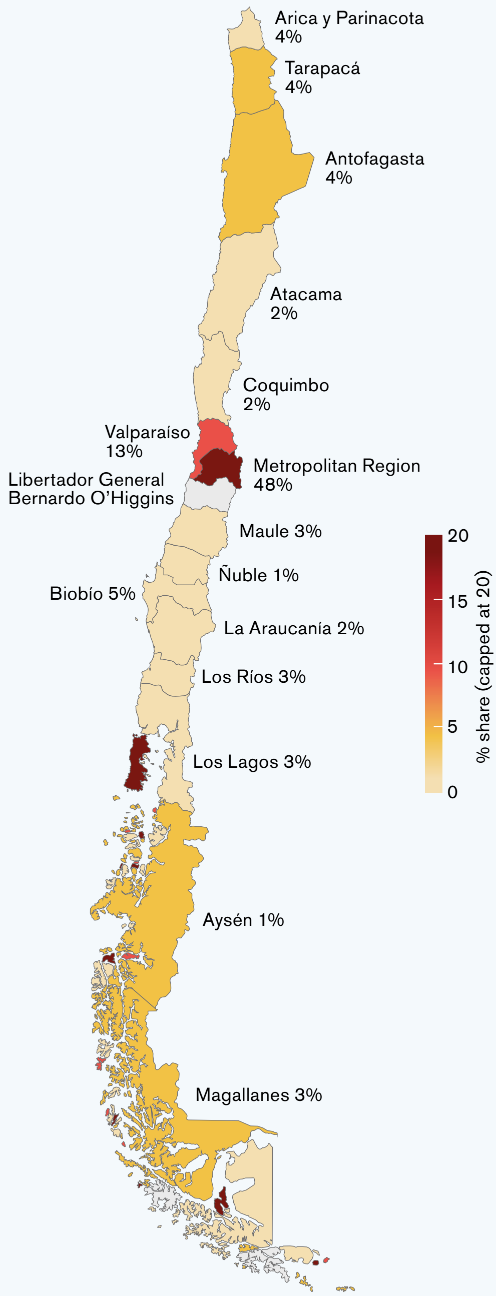
The majority of ProChile beneficiaries are from the Metropolitan Region, where more than one-third of the population is concentrated. Still, firms in other parts of the country also participate to a lesser degree, ensuring that businesses across the country gain access to internationalization opportunities. Figure 2.10 shows that nearly half of the supported firms are concentrated in Santiago, reflecting the capital's role as the central hub of economic and export activity. At the same time, firms in other regions have also received significant benefits: Valparaíso (13 per cent), Biobío (5 per cent), Los Lagos (3 per cent) and Maule (3 per cent) stand out, while northern regions such as Arica y Parinacota, Tarapacá and Antofagasta each account for around 4 per cent. Smaller shares are also present in Coquimbo, La Araucanía, Magallanes and other southern regions.

Over the past decade, there has been a progressive diversification of support beyond Santiago, with certain northern and southern regions strengthening their role in both sectors. In services, the Metropolitan Region continues to dominate, accounting for 40–53 per cent of beneficiaries, but regions such as Biobío, Los Lagos and Maule show a gradual increase in participation. In the creative economy, the Metropolitan Region's share declined slightly from almost 48 per cent in 2015 to around 46 per cent in 2024, while regions like Arica y Parinacota and Valparaíso expanded their share, reflecting a more balanced geographical distribution over time.

ProChile's evaluation framework integrates macro-level accountability with micro-level learning from exporters. At the institutional level, both the Budget Directorate (DIPRES) and ProChile conduct annual evaluations under Chile's results-based budgeting system, though linking short-term activities (like trade missions) to long-term export growth remains a challenge.

At the programme level, ProChile utilizes CRM systems, surveys and qualitative tools – such as focus groups and post-event feedback – to track exporter participation, satisfaction and needs, identifying areas for improvement, including

Figure 2.10: ProChile – geographical distribution of beneficiary firms, 2024



Source: Drawn up by the authors based on data from ProChile.

training on taxation, sustainability and digital marketing. For instance, the 2022 ENEXPRO evaluation highlighted exporters' appreciation of international networking, as well as their demand for stronger regulatory capacity building. ProChile's 2025 agenda prioritized strengthening data systems, deepening results-based management, and expanding impact evaluations to enhance transparency, accountability and institutional trust (ProChile, 2025a).

Collaboration with Corfo

Corfo, in collaboration with ProChile, promotes services exports by strengthening the early innovation and scaling phases of firms through financing, mentoring and sectoral ecosystem development. Its Consolidate and Expand Innovation programme supports companies seeking national or international scaling, including validation and packaging of new products or services for target markets (ChileAtiende, 2024). In parallel, GoGlobal in offering a soft-landing platform, prepares innovative startups for foreign markets through training, mentoring and immersion programmes in key destinations, including Colombia, Mexico, Spain and the United States (ProChile, 2025c).

Sectorally, Corfo's "Transforma" platform underpins high-value service industries. Transforma Turismo is a public–private alliance led by Corfo that promotes innovation, digital transformation and sustainability in tourism, while Chilecreativo – also part of Corfo's Transforma programme – aims to boost the internationalization of creative industries (Chilecreativo, 2023; Transforma Turismo, 2023).

Policies for attracting FDI in digitally delivered services

For more than two decades, Chile has implemented a comprehensive strategy to attract FDI in the digitally delivered services sector, leveraging its institutional capacity, legal certainty and advanced digital infrastructure. From the outset, efforts were oriented towards attracting companies capable of providing services for export and the results show that foreign-invested companies had the largest share of digitally delivered services exports by 2019 (last year with available data, InvestChile 2021).

In the early 2000s, the high-tech investment attraction programme, created by Corfo, offered subsidies to foreign companies that produced or made intensive use of ICT. The aim of the programme was to diversify the productive structure and to establish Chile as a regional hub for the export of technological services. It targeted export-oriented large companies and investment projects in new technologies.

The programme offered seven types of subsidies available to companies that undertook investments equal to or greater than US$ 500,000. Amongst these, the two most commonly utilized were subsidies for investment in immobilized fixed assets; and grants for human capital development (Agosin, 2009). Although its budget was modest, the programme marked a significant shift in Chile's economic policy orientation after a long period in which sectoral neutrality in incentives had been the norm. Between 2000 and 2007, 31 companies started activities and obtained support of the programme (Agosin, 2009). By 2011, after supporting the establishment of several world-class technology firms, the programme was discontinued.

An important milestone followed in 2016 with the creation of InvestChile, a specialized public agency dedicated to promoting FDI, replacing the former Foreign Investment Committee. Unlike its predecessor, InvestChile explicitly prioritized technological services for export – then referred to as "technological services" – as one of its key target industries. This decision aligned the agency's strategy with the government's broader agenda for productive development, led by the Ministry of Economy, Development and Tourism, which sought to advance productivity, innovation and growth. Such coherence between FDI promotion and national development strategies is widely recognized as essential to ensuring effective and lasting industrial policy (ECLAC, 2024 and 2025).

Today, the selection of priority industries is coordinated with the Committee of Ministers, which has identified six strategic work areas, including "Positioning Chile as a Latin American hub for the export of services." The agency's priorities are defined by the Committee composed of eight Chilean ministries, which establishes strategic guidelines in accordance with the policy priorities of each administration.

InvestChile operates with a relatively small team of professionals who provide specialized, no-cost services to potential investors throughout the investment cycle. By 2025, the team comprised 56 public officials – 58 per cent women, five nationalities – which included five industry specialists based primarily in Santiago, supported by investment commissioners posted in seven key international destinations: Canada, France, Germany, Italy, Japan, Kingdom of Saudi Arabia and the United States.

The support provided to foreign companies aims to reduce uncertainty in the decision-making process and to guide investment choices, aiming them towards Chile. Rather than substituting for the market intelligence that firms often acquire from private consultants, these services operate as a complementary source of information. Their distinct value lies in being delivered by professionals embedded within public institutions, who possess both a more realistic understanding of local conditions and the capacity to formulate context-specific solutions. This institutional positioning and the connections these professionals maintain with different levels of government enable them to address regulatory or operational obstacles more effectively and in ways that external advisors are less able to replicate.

As noted, InvestChile assists foreign companies throughout the entire investment cycle, offering a broad set of free and specialized services that range from the early prospecting stage to reinvestment (see Table 2.5). At the outset, the agency provides in-depth market intelligence, including sectoral opportunities, business climate data, legal and tax frameworks, and detailed cost estimates, thereby reducing information asymmetries for potential investors.

During the pre-investment and landing phases, it actively supports project implementation through tailored agendas with public and private stakeholders, site visits and sector-specific as well as legal guidance, while also assisting firms in accessing public incentive programmes. Once projects are established, InvestChile maintains a permanent aftercare service that facilitates expansion and reinvestment by addressing regulatory bottlenecks, engaging in policy advocacy, and connecting companies with networks that foster value-added activities and sustainable initiatives.

These services are made available to all firms, irrespective of their industry. According to InvestChile's experience, global services companies generally request ad hoc information services with a focus on human talent. Among these requests are the availability and cost of labour for their projects (primarily IT profiles); information on public or public-private programmes related to training and reskilling of human capital in IT competencies; information on hiring subsidies; talent attraction services (such as fast-track visa processing); and meetings set up with relevant ecosystem stakeholders.

InvestChile works with a portfolio of projects which meets the following criteria: the company must have expressed an intention to explore Chile as an investment destination; the agency must have direct interaction with the company's project team; and the agency must provide direct follow-up and/or services to the investment project. As of December 2024, the Agency manages a record investment portfolio comprising 474 projects, representing a total committed capital of US$ 56.2 billion. Of these, 215 projects correspond to the global services sector, accounting for US$ 5.4 billion – equivalent to 9.6 per cent of the total portfolio value. Due to the labour-intensive nature of global services, these projects generated

Table 2.5: InvestChile's services provided by investment stage

Prospection	**Knowledge and information** ▪ FDI statistics and business opportunities ▪ Market highlights ▪ Legal and tax advice ▪ Information on set-up costs ▪ Portfolios of public projects and tenders
Pre-investment	**Promotion and advice** ▪ Meetings with public and private stakeholders ▪ Agendas for investor delegations ▪ Investment roadshows, conferences and workshops ▪ Investment incentives and special programmes
Landing	**Guidance and access** ▪ Expert sector advice in different languages ▪ Legal advice on setting up ▪ Contact with key stakeholders and site visits ▪ Assistance in applying for incentives and government programmes ▪ Incorporation into the support network for projects outside the Santiago Metropolitan Region
Reinvestment	**Ongoing support** ▪ Help with project development for established businesses ▪ Investment environment and climate management (policy advocacy) ▪ Free e-consulting to resolve concerns ▪ Support for obtaining an investor visa ▪ Follow-up of unforeseen events and management with public agencies ▪ Media management ▪ Advice on value-added and sustainable development initiatives ▪ Contact with public and private partners to foster synergies and cooperation

Source: InvestChile (2026).

8,325 jobs, representing 39 per cent of total employment associated with the portfolio in 2024. Moreover, since 2017 the share of projects in global services has been growing, from 25 in 2017 – 26 per cent of the total portfolio – to 215 in 2024 – 45 per cent of the portfolio.

The relevance attributed to investment in global services is grounded in InvestChile's understanding that the country possesses specific comparative advantages. These include a qualified pool of human capital, high levels of digital connectivity – comparable in some indicators to those of the United States – as well as the trade agreements previously described. Together, these features provide Chile with a competitive edge in attracting investment. According to InvestChile officials, such characteristics tend to be decisive in determining investment location, often carrying greater weight than sectoral programmes or tax incentives.

Nowadays, Chile's digitally delivered services sector benefits from few direct financial incentives for inward FDI, in contrast to several Latin American and Caribbean economies that offer special economic zones or preferential tax regimes. Instead, Chile's approach relies primarily on its structural competitive advantages and on the proactive efforts of InvestChile to attract new investors and encourage reinvestment. A summary of available incentives is presented in Table 2.6.

Some features may have contributed to the success of the current Chilean strategy. First, the promotion of the digitally enabled services sector is incorporated within a general policy framework which has three desired outcomes: growth, transformation and impact (InvestChile, 2025). InvestChile aims to foster growth and contribute to the United Nations Sustainable Development Goals. Regarding transformation, the goal is to

Table 2.6: FDI incentives for digitally enabled services firms in Chile

Incentive	Description
Value Added Tax (VAT) refund	Income from services exports, including hosting and data processing services, is eligible for benefits such as VAT exemptions and recovery.
Tax incentive for training	Companies are allowed an annual income tax deduction for training expenses in SENCE-approved training activities. The annual maximum deduction equals 1 per cent of the company's annual payroll budget.
R&D tax incentive programme (R&D Law)	Companies that actively participate in research and development (R&D) certified by Chile's Economic Development Agency (Corfo) are eligible for tax benefits.
VAT exemption on capital goods imports	Capital goods imported for research and technological development projects valued at US$ 5 million or more are exempt from import duties and VAT.
Government co-funding programme - IFI Tech	IFI Tech targets the digitally enabled services and technology industry, offering government co-funding for qualifying projects. Companies can access direct co-funding of up to 30 per cent of the resources committed in the first two years of project implementation, with a maximum government contribution of US$ 5 million. Chile's regional governments administer IFI Tech. Each project undergoes a rigorous case-by-case analysis, and the programme requires a minimum investment per applicant of US$ 2 million.
Corporate immigration support	For foreign companies seeking to bring in key personnel, InvestChile facilitates the immigration process through its simplified sponsorship letter programme.

Source: Drawn up by the authors.

develop local capabilities in research, development and innovation, and diversify and upgrade its production and export basket. Finally, the aim is to create permanent and higher-skilled jobs and integrate local firms into global value chains. In this sense, the agency's work has a clear and shared goal across all sectors, aligning with the country's development objectives, which helps identify the type of investors they aim to attract.

Second, InvestChile makes a deliberate effort to articulate its efforts with other public, private and academic agencies involved in supporting the development of the digitally enabled services industry. Among these, are the Public-Private Technical Committee for Services Exports (analysed earlier in this chapter); a programme financed by the IDB for the promotion of the digitally enabled services sector, co-implemented with Corfo, ProChile, SENCE, the Ministry of Cultures, Arts and Heritage, and the Ministry of Science, Technology, Knowledge and Innovation (MinCiencia); the National Data Centre Plan (2024–2030), an initiative led by MinCiencia, in collaboration with other ministries and the private sector; and the National Financial Inclusion Strategy, led by the Ministry of Finance, where a key pillar is the development of the fintech ecosystem. This coordination contributes to a stronger ecosystem, enabling programmes to be adjusted to better serve the goals of the country and its firms, which is key to attracting foreign companies.

Third, the promotion of digitally enabled services and the digital economy have been a State policy. In this sense, since 2016, the government has prioritized the promotion of investments in digitally enabled services and the digital economy, alongside political changes. This continuity provides certainty and is fundamental for decision-making among transnational companies.

Finally, the agency has a highly professional and talented team that works with a clear and specific goal: promoting FDI. This strong focus has enabled them to deliver high-quality consulting and support services to both new and established investors through aftercare.

Skills development initiatives

Local talent has emerged as a key factor underpinning Chile's ability to integrate into the modern global services market. Despite specific gaps in language skills – particularly in English – and in some specialized IT positions, the country's human capital is generally well-balanced. It possesses the capacities required to meet the demands of this highly competitive market.

Chile has a diversified supply of tertiary (university and technical-vocational) education and labour training services, which have been increasingly adapted to the needs of services exporters. Its higher education system encompasses a total of 134 institutions. Universities, which award both professional and technical degrees, account for 43 per cent of the system. Professional institutes provide non-academic degrees (25 per cent), while technical training centres focus on specialized technical qualifications (32 per cent). This range of options supports varied educational pathways and helps ensure a highly skilled workforce for Chile's future (InvestChile, 2024).

A specific labour training programme was created to address the needs of the digital sector – especially the digitally delivered services segment – known as Talento Digital para Chile (Digital Talent for Chile). This project is part of a broader labour reconversion effort aimed at adapting to the changing global context and the new requirements of the labour market. It is an initiative showcasing innovation and sustained collaboration, providing more people with access to learning opportunities for higher-level digital skills that enhance their employability. By articulating the efforts of State institutions, private enterprises and training organizations, Talento Digital has positioned itself as a strategic policy instrument for accelerating Chile's transition towards a knowledge-based economy and strengthening its participation in global digital value chains (Fundación Chile and Fundación Kodea, 2023).

This programme emerged in 2019 as a flagship public-private initiative aimed at addressing the structural challenges posed by digital transformation in the labour market. The programme seeks to address the country's persistent digital skills gap, enhance employability and facilitate labour reconversion for diverse groups, including women, unemployed individuals and workers from vulnerable socio-economic backgrounds, particularly outside the capital, to decentralize human talent.

The initiative is grounded in five interrelated objectives. First, it prepares the national workforce to address the demands and disruptions associated with the digital economy. Second, it establishes linkages between enterprises and training institutions to ensure that human capital training corresponds to market demand. Third, it incorporates training mechanisms, certification and job intermediation designed to improve labour market matching. Fourth, it provides both upskilling and reskilling opportunities, thereby serving individuals with prior training in information technologies as well as those entering the sector for the first time. Finally, it prioritizes inclusivity, explicitly targeting women and disadvantaged groups to facilitate their labour reintegration.

The programme's governance reflects a complex coalition of public and private actors, including the Ministry of Finance, Ministry of Labour, Ministry of Science, Corfo, SENCE, InvestChile, SOFOFA, ACTI, Confederation of Industry and Commerce, Fundación Chile, Fundación Kodea and the IDB (Talento Digital para Chile, 2025). Table 2.7 presents a list of implemented activities.

Table 2.7: Activities of Talento Digital para Chile that have been implemented

Activity	Description
Bootcamps	Short-cycle intensive programmes of three to six months (400–480 hours) covering programming (Full Stack Java, Python, JavaScript, Front-End, Mobile Development), UX/UI design, cloud architecture, data science, DevOps, cybersecurity, and digital entrepreneurship (Fundación Chile and Fundación Kodea, 2023).
Employability module	A 36-hour transversal component designed to strengthen workplace adaptation, job search strategies and professional communication skills (Neilson, Egaña and Humphries, 2024).
Scholarships	More than 30,000 scholarships were managed between 2019 and 2025, selected from a pool of over 180,000 applicants (Talento Digital para Chile, 2025).
Labour intermediation	A network of more than 350 partner firms supports graduates' insertion into the labour market through the Semillero de Talentos (Talent Incubator) (Fundación Chile and Fundación Kodea, 2023).
Focus on vulnerable groups	Approximately 36% of graduates are women, and many participants originate from households classified within the 80% most vulnerable strata (OECD, 2021).
Continuous demand assessment	Training curricula are co-designed with firms to ensure alignment with evolving needs, such as cybersecurity and sector-specific data analysis (Neilson, Egaña and Humphries, 2024).

Source: Drawn up by the authors.

The evidence suggests that Talento Digital has generated substantial benefits for the digitally delivered services export sectors. National statistics and external evaluations indicate that 77 per cent of graduates achieve positive post-programme outcomes, including formal employment, self-employment, entrepreneurship, or continued studies (Talento Digital para Chile, 2025). Moreover, approximately 68 per cent of graduates secure formal employment within six months of completing the programme, and average income levels increase by 47 per cent relative to their pre-programme earnings (Fundación Chile and Fundación Kodea, 2023).

The programme has had a pronounced impact on women, who constitute 36 per cent of graduates, thereby contributing to gender equality in technology sectors where women have historically been underrepresented (OECD, 2021). Internationally, the initiative was recognized by the OECD in its 2021 *Economic Survey of Chile* as an effective response to the human capital challenges of digitalization, and domestically, it received the Avonni Award for Innovation in 2023, in the education category.

The government also has specific initiatives aimed at increasing the digital uptake of micro, small and medium enterprises. One example is the "Digitalize Your SME" (https://www.digitalizatupyme.cl) platform. This offers a range of resources, including diagnostic tools to assess digital maturity, access to digital solutions, and training programmes to enhance digital skills. It aims to empower SMEs by guiding them in implementing digital technologies, improving their online presence, and optimizing their business processes through digital means. By leveraging these resources, Chilean SMEs can enhance their competitiveness and adapt to the evolving digital economy.

Conclusions and recommendations

Chile's experience offers valuable insights into the role of institutional coordination, strategic continuity and targeted policy frameworks. The deliberate alignment of national development goals with sector-specific promotion strategies has not only enhanced Chile's competitiveness but also positioned the country as a regional leader in digital transformation. As global competition intensifies and technological change accelerates, policymakers, industry leaders and academic institutions must build on these foundations. Continued investment in innovation, talent development and cross-sector collaboration will be essential to sustain momentum and ensure that Chile remains at the forefront of inclusive and knowledge-driven economic growth within Latin America.

Lessons for other economies

This section presents the key findings on Chile's services exports and strategies to attract FDI, along with policy recommendations. Some of the key findings are:

- **An extensive network of FTAs partially addresses the challenge of market access**: Chile has developed a vast network of trade agreements, most of which include chapters on services trade and, increasingly, on e-commerce and digital trade. It is also a founding member of the DEPA, a pioneering agreement on digital trade.
- **Institutional coordination addresses the challenge of ineffective isolated policies**: The Public-Private Technical Committee for Services Exports, created in 2016, demonstrates a structured form of coordination both among public institutions and between the public and private sectors.
- **Institutional continuity solves the challenges of erratic policies from one government to another**: Sustaining policy priorities for services exports and attracting FDI across successive administrations has created stability for firms and investors. Other economies can replicate this by insulating strategies from political shifts.
- **A strategic use of investment promotion addresses the weakness of generalized promotion**: The establishment of InvestChile as a specialized, professional agency with a clear mandate has contributed to positioning Chile as a regional hub. Economies seeking to attract FDI can benefit from creating similar agencies staffed with skilled teams.
- **Specific human capital initiatives partly address the issue of labour market shortages for digitally delivered services exporters**: Programmes such as Talento Digital para Chile show the effectiveness of combining training, certification and labour intermediation, particularly when co-designed with industry. Linking skills development to export promotion can be decisive.
- **Branding enhances visibility which helps overcome the issue of lack of country and sector reputation**: Sectoral and country branding initiatives (e.g., Ch1l3, a Digital Country_, Learn Chile, CinemaChile) have raised the profile of Chilean services worldwide. A coordinated branding strategy can strengthen the international presence of other economies' service sectors.
- **A comprehensive ecosystem approach helps address the missing elements across the core pillars required for export promotion**: Chile illustrates the value of aligning trade agreements, tax incentives, digital infrastructure and promotional tools within a single, coherent strategy. This integrated approach prevents fragmentation and magnifies impact.

Remaining challenges

Despite progress, Chile also faces several challenges that may hold lessons for other economies:

- **Gaps in institutional coverage**: The Public-Private Technical Committee for

Services Exports could expand participation to include additional institutions, such as the Ministry of Education, to better align training and skills development with export needs.

- **Weak statistical coverage**: The customs services exports database is limited in its reach. Greater collaboration with the Internal Revenue Service and business associations is needed to encourage firms to register transactions.
- **Persistent skills gaps**: Even with initiatives like Talento Digital, demand for advanced digital and language skills outpaces supply, especially in science, technology, engineering and mathematics, as well as in English. This limits the scalability of services exports.
- **Geographic concentration of exporters**: Most exporters and skilled talent remain concentrated in Santiago, leaving regions underrepresented and restricting inclusive national growth.
- **Data and evaluation limitations**: Monitoring systems capture only part of services export flows and evaluations of promotional programmes are scarce. This hinders evidence-based policymaking and reduces accountability.

Endnotes

1 The authors thank Javier Meneses for statistical support, InvestChile and ProChile for providing data, and the interviewees for their insights. The views are those of the authors only and may not coincide with those of ECLAC and/or its member states.

2 Part of this growth acceleration may also be attributed to a 2022 tax reform (Law No. 21,420), which significantly broadened the sectoral coverage of the value-added tax (VAT). Before this reform, VAT applied only to a restricted set of activities. As of 1 January 2023, all services became subject to VAT unless specifically exempt (e.g., health, education and public passenger transport) (Winter Salgado, 2022). Exporters can claim a refund of this tax, but they must have their service registered with the National Customs Service and use the formal tax procedures (e.g., an export invoice and Form 3600). These steps have tightened registration and compliance for services exports and are expected to improve statistical visibility. According to some experts interviewed for this research, this reporting requirement may have revealed previously unreported or underreported export flows of modern services.

3 No official data is available on the geographical breakdown of other types of digitally delivered services. Chile's customs authority has also published a detailed database of monthly service export declarations since 2018, covering 329 service categories and destination economies. However, this dataset represents only about one-quarter of the total services exports reported in the 2024 Balance of Payments, thereby limiting its analytical usefulness (Central Bank of Chile, 2021; Fernandez Stark, Bamber and Couto, 2021).

4 Global Services include all services produced in a country to be used abroad. They include the following categories: business process outsourcing (BPO); information technology outsourcing (ITO); knowledge process outsourcing (KPO); and intellectual property outsourcing (IPO). See informe-preliminar-ied-eng-pdf-2023.pdf.

5 Creative industries include activities that have their origin in creativity, skills and talent, and involve working in the production of video games, audiovisual, music, publishing, design, performing arts and other creative content industries. See https://www.prochile.gob.cl/en/export-sectors/creative-industries.

6 Soft-landing programmes are support services for companies to establish operations in a new market smoothly by providing help with office space, mentoring and/or regulatory guidance.

7 Public institutions include the Ministry of Finance, Internal Revenue Service, National Customs Service, Undersecretariat for International Economic Relations, ProChile, Ministry of Economy, Development and Tourism, Corfo (Economic Development Agency), InvestChile, INAPI (National Institute of Industrial Property), Ministry of Cultures, Arts and Heritage, National Training and Employment Service (SENCE), Central Bank of Chile, and the National Statistics Institute (INE). Private and associative organizations include SOFOFA (Chilean Federation of Industry), the Santiago Chamber of Commerce, Chiletec (Chilean Association of Information Technology Companies), the Association of Architecture Firms, the Association of Consulting Engineering Companies of Chile, and Fundación Chile – Digital Talent.

8 These include 21 in the service sector: ACESOL (Chilean Solar Energy Association), ACERA (Chilean Association for Renewable Energies and Storage), AGETECH (Agritech Business Association), ALOG Chile (Chilean Logistics Association), AIC (Chilean Association of Consulting Engineers), ANESCO Chile (National Association of Energy Efficiency Companies), AOA (Association of Architectural Offices of Chile), APLOG (Association of Logistics Professionals), Asociación Climatech Chile (Climatech Association), CChC (Chilean Chamber of Construction), CENS (National Centre for Health Information Systems), Chiletec (Chilean Association of Information Technology Companies), CNC (National Chamber of Commerce, Services and Tourism of Chile), Conecta Logística (Logistics Connection programme), EmBIO International (Biotechnology

Cluster), FinteChile (Chilean Fintech Association), InsurteChile (Chilean Insurtech Association), MITI (Chilean Industrial Technology Association), ProconTech (Productivity and Construction Technology programme), Santiago Smart City, and SOFOFA Hub (Federation of Chilean Industry Hub).

In the creative economy sector, ProChile collaborates with ADG (Association of Graphic Designers of Chile), AGAC (Association of Contemporary Art Galleries), Animachi (Chilean Animation Association), APCT (Association of Film and TV Producers of Chile), APSP Chile (Association of Sound Production Professionals of Chile), Cámara Chilena del Libro (Chilean Chamber of Books), CCDoc (Chilean Documentary Corporation), ChileCómics (Chile Comics), Chile Diseño (Chile Design), CNGC (Chilean Graphic Novel Cooperative), Cooperativa Gráfica Chilena (Chilean Graphic Arts Cooperative), Corporación del Libro y la Lectura (Corporation for Books and Reading), Editores de Chile (Publishers Association of Chile), Fundación FilmoCorto (FilmoCorto Foundation), Fundación Santiago Off (Santiago Off Foundation), Fundación Teatro a Mil (Teatro a Mil Foundation), IME (Electronic Music Industry of Chile), IMICHILE (Independent Music Industry of Chile), IMUVA (Music Industry of Valparaíso), La Furia (La Furia Publishers Cooperative), Moda Chile (Fashion Designers Association of Chile), Mustach (Music Tech Association Chile), Te Veo (Chilean Cinema Network) and VG Chile (Video Games Chile) (ProChile, 2025b).

9 For more details, see ProChile, *Step by step services export guide* (Spanish only) https://cdc.prochile.cl/wp-content/uploads/2023/01/MANUAL-DE-SERVICIOS-3-1.pdf; SUBREI (2021) *Manual on services export and the benefits of free trade agreements* (Spanish only) https://cdc.prochile.cl/wp-content/uploads/2021/09/Manual-Exportacion-de-Servicios-y-aprovechamiento-de-tratados-de-libre-comercio-2021.pdf. The latter of these two publications covers definitions and relevance of services in international trade; Chile's legal, tax and administrative framework for exporting services; how free trade agreements address services (including classifications, commitments and specific sectors); the benefits Chile has obtained under its FTAs; and a practical "matrix of classification" tool to help exporters identify applicable treaty provisions. Additionally, the CCS published a further guide in 2021, *Manual for the services exporter: regulatory and tax aspects* (in Spanish only) https://www.hacienda.cl/areas-de-trabajo/finanzas-internacionales/exportacion-de-servicios-globales/documentos/manual-para-el-exportador-de-servicios.

10 Although fashion and handicrafts are not service sectors, they are part of the creative economy cluster and cannot be separated from the rest.

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Interviews

Name	Surname	Job title	Institution
Cristóbal	Bocáz	Director Services Export Programme	Ministry of Finance
Eileen	Burdus	Advisor Services Export	Ministry of Finance
Claudia	Moreno	Chief Department of Services, Innovation and Tourism	ProChile
Marcela	Aravena	Chief Innovation Department	ProChile
Raúl	Vilches	Chief Creative Economy Department	ProChile
Juan Pablo	Candia	Head of Strategy and Climate Division	InvestChile
Juan Pablo	Garnica	Investment Promotion Officer	InvestChile
Salvatore	Giovanni	Head of Investment Promotion Division	InvestChile
Jeannette	Escudero	Executive Director Digital Talent Programme	Fundación Chile
Leonardo	Romero	Staff member Training Department	SENCE
Mikael	Larsson	Integration and Trade Senior Specialist	IADB
Pablo	Perreira	Economist	IADB
Joaquín	Piña	Executive Secretary	Centre for International Trade in Services within the Santiago Chamber of Commerce (CCS)

03

Costa Rica: The architecture of services export success

AUTHORS:
Romina Gayá, Fernando Ocampo, Mariana Santi and Christian Volpe Martincus

Abstract

Costa Rica has emerged as one of the most successful cases in Latin America and the Caribbean (LAC) in promoting knowledge-based services (KBS) exports and attracting foreign direct investment (FDI) in high-value services sectors. KBS exports now account for 9.5 per cent of gross domestic product (GDP) and 24.1 per cent of total exports, positioning Costa Rica as the leading per capita exporter of KBS in the region. The country has also attracted significant FDI in these sectors, with growing diversification and sophistication of its services portfolio.

This success is grounded in a long-term strategic vision, institutional continuity and strong public-private coordination. The country's export and investment promotion strategy is characterized by clearly defined roles, financial and operational capacity and a favourable business climate supported by trade agreements and fiscal incentives under the free trade zone (FTZ) regime. Costa Rica's experience illustrates a distinctive combination of horizontal policies and targeted instruments for promoting exports of KBS, which differ significantly from those applied to goods sectors. Services export promotion requires prioritizing skilled and bilingual human capital over investments, primarily in physical infrastructure.

Costa Rica's experience may offer valuable lessons for other economies, particularly in aligning trade and investment policies, leveraging institutional capacity, and investing in human capital to build a globally competitive services economy. At the same time, the country's initiatives illustrate the specific challenges of promoting KBS and the need for continued policy adjustments. Costa Rica's talent pool remains a key asset, although skills shortages continue to be a limitation for further expansion. Despite sustained linkage programmes and positive spillovers (indirect gains in expertise and technology) to local firms, many still face difficulties in scaling up KBS exports. Moreover, the concentration of talent in the Greater Metropolitan Area (GMA) has limited balanced regional development. Furthermore, despite targeted policy actions, a significant concentration in export destinations and FDI sources persist.

Key points

Main elements of Costa Rica's export promotion strategy:

- Long-term shared vision and consistent policy evolution over multiple administrations.
- Strong complementarity between export promotion and policies to attract foreign direct investment (FDI), supported by clearly defined roles, effective coordination among key stakeholders and adequate financial and operational capacity.
- Favourable business climate, including legal certainty, an extensive network of trade and investment agreements and a predictable fiscal incentive framework (notably the free trade zone regime).
- Development of a relatively highly skilled and bilingual talent pool.
- Strategic focus on high-value sectors with comparative advantages.
- Development and promotion of a unified national brand to enhance visibility and positioning.

Main achievements and impacts:

- Significant growth and diversification of knowledge-based services (KBS) exports, which accounted for 9.5 per cent of gross domestic product and 24.1 per cent of total exports in 2024.
- Costa Rica ranks as the fourth-largest KBS exporter in Latin America and the Caribbean after Brazil, Mexico and Argentina and first on a per capita basis. It also outperforms the regional average in most competitiveness indicators.
- High levels of FDI in KBS sectors, representing 11 per cent of total FDI inflows over the past decade.
- Increasing sophistication and diversification of the services export portfolio.
- Improved productivity in KBS sectors in recent years.

Challenges:

- Persistent skills shortages, as the rapid expansion of KBS has outpaced the supply of qualified professionals, particularly in science, technology, engineering and mathematics fields and languages.
- Talent remains concentrated in the Greater Metropolitan Area, limiting the geographical expansion of KBS and inclusive development.
- Despite strong FDI inflows and evidence of positive spillovers to local suppliers, Costa Rica has struggled to scale up exports by domestic KBS firms.
- Heavy dependence on a single export market and investment source, highlighting the need for greater diversification in both destinations and origins of trade and investment. Need for reduction in vulnerability to external shocks and to increase the probability of survival in export markets.

Good practices:

- Long-term strategic vision sustained across political cycles.
- Institutional continuity and public-private coordination.
- Results-based training initiatives tailored to industry needs. The more sophisticated the talent pool, the greater the ease of moving up in terms of services sophistication.
- Strong investor aftercare services contributing to high reinvestment rates.
- Implementation of a digital single window to streamline investment procedures.
- Data-driven sector prioritization for attracting FDI and for export promotion.

Services exports and FDI patterns over the past two decades

Costa Rica has undergone a profound economic transformation in recent decades, resulting in significant export growth and diversification. Services have played a crucial role in this process and have become a key pillar of Costa Rica's economy, accounting for 68.8 per cent of GDP, 42.6 per cent of total exports and 27.5 per cent of FDI inflows in 2024; services also reflected 70.0 per cent of total employment and 69.0 per cent of FDI projects in 2025 (see Figure 3.1). From 2005 to 2024, commercial services exports grew at a compound annual growth rate (CAGR) of 9.1 per cent, reaching US$ 16.5 billion and generating a surplus exceeding US$ 9.2 billion (see Figure 3.2). During this period, Costa Rica increased its market share in services exports both globally (from 0.12 per cent in 2005 to 0.19 per cent in 2024) and regionally (from 4.1 per cent to 6.5 per cent).

Figure 3.1: Services share in GDP, employment, total exports and FDI inflows, 2005–2025

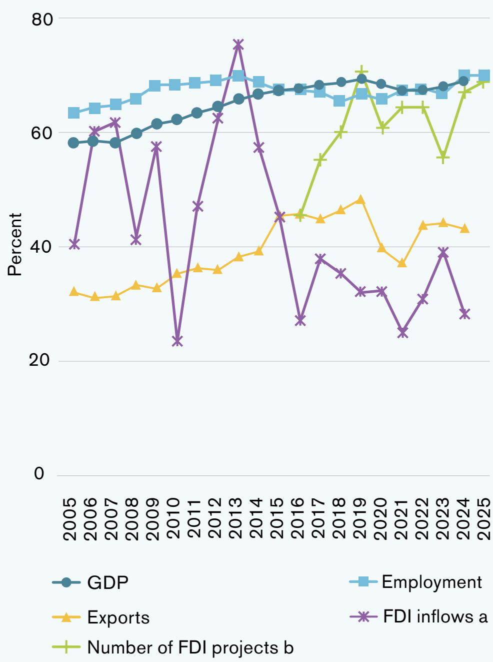
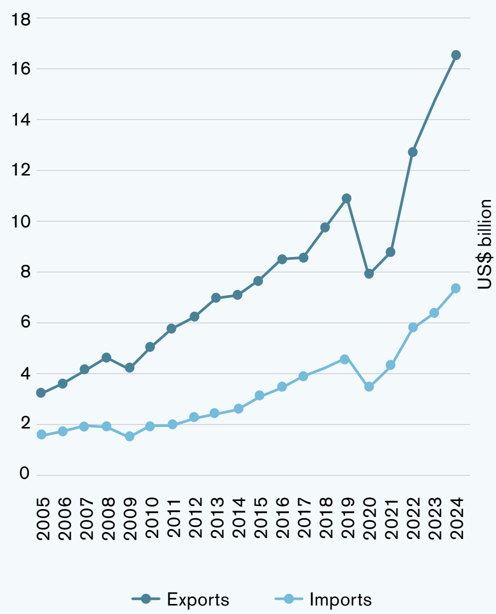


Figure 3.2: Commercial services exports and imports, 2005–2024



Source: Drawn up by the authors with data from the WTO (trade), the World Bank (GDP and employment), Central Bank of Costa Rica (FDI inflows) and the Costa Rican Coalition for Development Initiatives – CINDE (FDI projects).

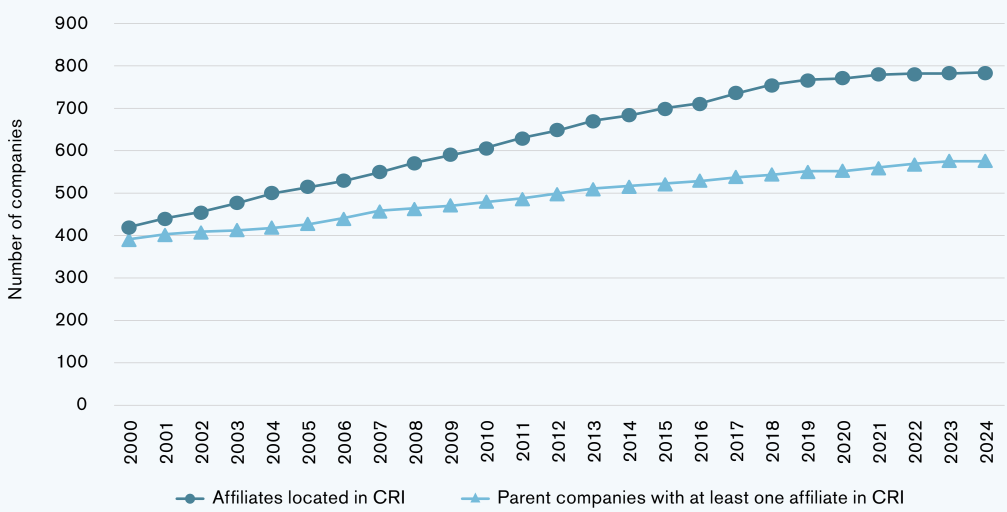
Notes: [a] Accommodation and food services; financial and insurance activities; ICT services; professional, scientific, technical, administration and support products; real estate; and transportation and warehousing.
[b] Number of FDI projects includes greenfield (new facilities built from scratch) and brownfield (upgrading of existing facilities) FDI projects in services and tourism infrastructure.

Following Intel's arrival in 1997, Costa Rica strengthened its position as an attractive destination for FDI. In the years that followed, several companies began developing business process outsourcing (BPO) and information technology outsourcing (ITO) services in Costa Rica. Procter & Gamble was the first company to establish a large-scale shared services operation.[1] These investments further increased after the entry into force of the free trade agreement (FTA) with the United States, the Dominican Republic and Central America (DR-CAFTA) in 2009. This led to the liberalization of the telecommunications sector, improvements in the intellectual property rights framework, and the introduction of ambitious investment-related provisions such as ratchet[2] and standstill[3] clauses. From 2000 to 2024, the number of parent companies with at least one affiliate in Costa Rica increased by 47 per cent (from 394 to 579), while the number of affiliates located in the country grew by 86.5 per cent (from 422 to 787) (see Figure 3.3).

Knowledge-based services (KBS) have played a pivotal role in the development of Costa Rica's services sector. KBS is commonly defined as encompassing four categories within the balance of payments classification: charges for the use of intellectual property; telecommunications, computer and information services; other business services; and personal, cultural and recreational services (Giordano et al., 2024).

Most multinational enterprises (MNEs) that export KBS are established in FTZs. Nearly three-quarters of the MNEs operating in Costa Rica's KBS sectors are US-owned companies. Other major countries of origin include Canada, Germany, India and the United Kingdom (see Figure 3.4). Leading exporters of KBS from Costa Rica include global services sector firms such as Accenture, Amazon, AT&T, Cognizant, IBM, McKinsey, Microsoft, Walmart and DHL. In addition, numerous multinational manufacturing companies have established service centres in the country, amongst them 3M, Bayer, Dell, HP, Intel, Mondelez, Pfizer, Procter & Gamble, Roche and Siemens.

Figure 3.3: Affiliates and parent companies with at least one affiliate in Costa Rica, 2000–2024



Source: Drawn up by the authors with data from Dun and Bradstreet's WorldBase.

Note: "CRI" denotes the ISO 3-letter country code for Costa Rica.

Corporate and business processes were the primary focus for 42 per cent of MNEs operating in these sectors in 2021, while digital services and creative industries accounted for 9 per cent and 5 per cent respectively. Although detailed data on micro-, small and medium-sized enterprises by subsector and country of origin are only available up to 2021, more recent aggregated data indicate that KBS has increased its share in both FDI inflows and the number of projects, and that the United States remains the main source of these investments. Notably, 44 per cent of these companies were active in two or more sectors (see Figure 3.5). Services provided by MNEs include the following: architecture, business intelligence, content creation, customer service, finance and accounting, human resources, procurement, cloud development and support, cybersecurity, engineering, network operations, quality assurance and compliance, software development and maintenance, technical support, data analysis and advisory services.

Services have not only increased their contribution to the Costa Rican economy and exports but have also become more sophisticated. In 2005, traditional services (travel, transport and goods-related services) accounted for more than 80 per cent of commercial services exports, with travel alone representing 59 per cent. By 2024, the travel category made up only 34 per cent of the commercial services export profile. Meanwhile, the share of “other commercial services” increased by 38.8 percentage points, reaching 57.7 per cent in 2024. Almost 98 per cent of the exports in this category correspond to KBS, which have supplied nearly 70 per cent of the total growth in commercial services exports since 2005. The rapid rise of this segment – from 18.5 per cent to 56.5 per cent of commercial services exports – is mainly due to the expansion of professional and management consulting services (36 per cent of commercial services exports) and computer services (14 per cent) (see Figure 3.6).

Figure 3.4: Multinational enterprises in KBS, by country of origin, 2021

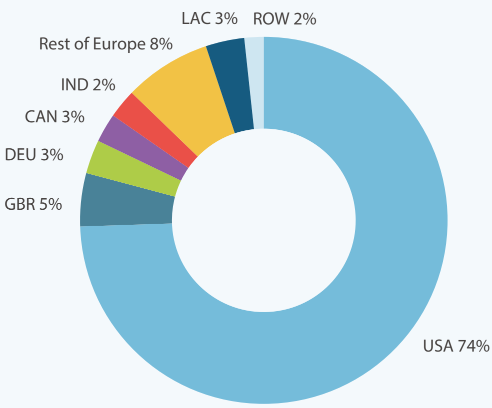
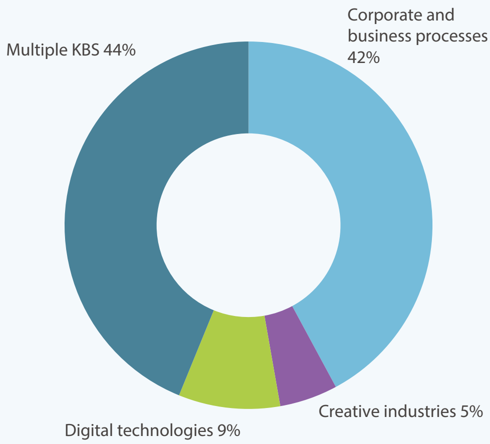


Figure 3.5: Multinational enterprises in KBS, by sector, 2021

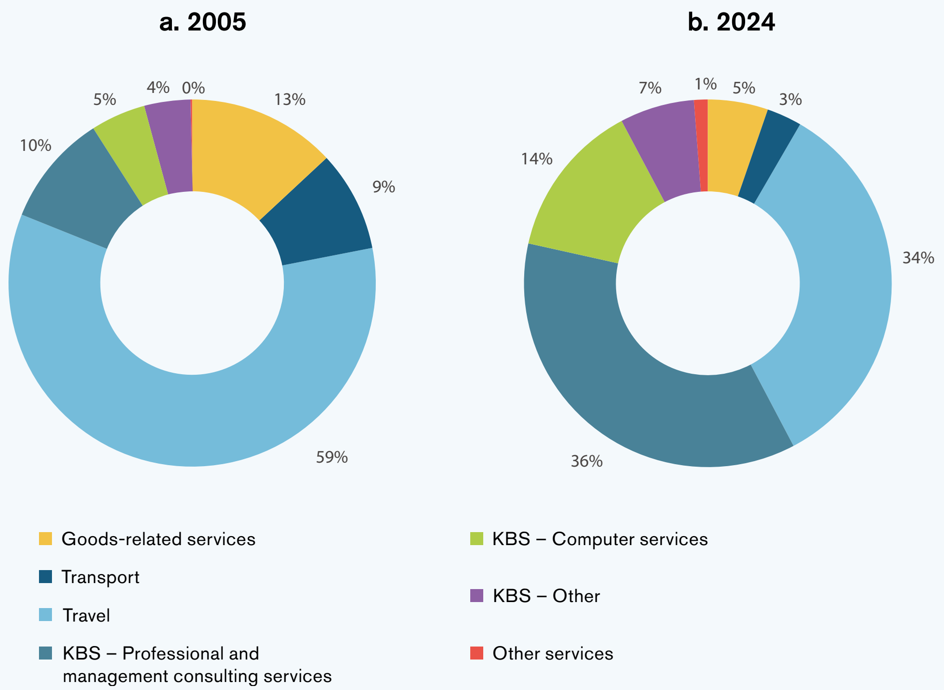


Source: Drawn up by the authors with data from the Costa Rican Coalition for Development Initiatives (CINDE).

Note: “Multiple KBS” denotes multiple knowledge-based services (KBS). The category includes companies that provide services in two or more sectors.

Glossary: CAN – Canada, DEU – Germany; GBR – United Kingdom; IND – India; LAC – Latin America and the Caribbean; ROW – rest of the world.

Figure 3.6: Composition of commercial services exports, 2005 and 2024



Source: Drawn up by the authors with data from the WTO and the World Bank.

This sectoral diversification illustrates not only a shift away from traditionally low value-added activities but also a structural transformation of Costa Rica's services economy, where exports increasingly embody advanced technological capabilities and specialized business knowledge. It reflects the growing sophistication of the country's service supply, based on digital skills, professional expertise and innovation, and underscores Costa Rica's position as a regional hub for KBS.

In 2024, Costa Rica exported US$ 9.1 billion in KBS, becoming the fourth-largest exporter of these services in LAC, after only Argentina, Brazil and Mexico and surpassing larger economies such as Chile, Colombia and Peru. When measured in relative terms, Costa Rica's performance is even more striking: it ranks first in the region, with KBS exports accounting for 9.5 per cent of GDP and 24.1 per cent of total exports (compared to regional averages of 1.2 per cent and 4.6 per cent, respectively). On a per capita basis, Costa Rica exports US$ 1,710 in KBS, far exceeding the LAC average of just US$ 127 (see Table 3.1).

Costa Rica enjoys several significant competitive advantages in exporting KBS. The country outperforms the regional average across most competitiveness drivers – including the quality of regulatory frameworks, connectivity, and the supply of skilled human capital (including education levels as well as linguistic and vocational skills). Moreover, Costa Rica has cultural similarities and a favourable geographic location (proximity and time zone) that facilitate services provision to the United States and other markets in the rest of the Americas. However, in most cases, Costa Rica continues to lag behind its peers in the Organisation for Economic Co-operation and Development (OECD) (see Table 3.2).

Table 3.1: Exports of knowledge-based services in Latin America and Caribbean economies, 2024

Value (US$ million)		Share of total exports (%)		Share of GDP (%)		Per capita (US$)	
LAC[a]	**77,179**	**CRI**	**24.1**	**CRI**	**9.5**	**CRI**	**1,710**
BRA	28,111	URY	20.4	BLZ	6.6	URY	996
MEX	9,527	BLZ	14.3	URY	4.3	ATG	644
ARG	9,377	ARG	9.7	JAM	3.0	BLZ	547
CRI	**9,105**	JAM	8.5	ATG	3.0	BHS	537
COL	5,687	COL	8.5	SUR	2.5	PAN	236
URY	3,491	SUR	7.5	SLV	2.0	JAM	221
CHL	3,358	GTM	7.4	NIC	1.6	ARG	199
DOM	1,862	BRA	7.3	DOM	1.5	SUR	173
GTM	1,428	DOM	6.6	BHS	1.5	DOM	172
PAN	1,066	SLV	5.9	ARG	1.5	CHL	167
PER	934	ATG	5.3	COL	1.4	BRA	132
SLV	719	**LAC[a]**	**4.6**	BRA	1.3	**LAC[a]**	**127**
JAM	607	NIC	3.6	GTM	1.3	SLV	112
HND	436	PAN	3.5	PAN	1.2	COL	108
ECU	333	BHS	3.4	HND	1.2	GTM	80
NIC	310	CHL	3.0	**LAC[a]**	**1.2**	MEX	72
BLZ	225	HND	3.0	CHL	1.0	TTO	71
BHS	219	MEX	1.4	MEX	0.5	NIC	45
SUR	112	PER	1.2	TTO	0.4	HND	41
TTO	101	TTO	1.0	PER	0.3	PER	27
BOL	83	ECU	0.9	ECU	0.3	ECU	19
ATG	67	BOL	0.8	BOL	0.2	BOL	7
PRY	21	PRY	0.2	PRY	0.0	PRY	3

Source: Drawn up by the authors with data from WTO Stats and the International Monetary Fund.

Notes: [a] Weighted average.

Glossary: ARG – Argentina; ATG – Antigua and Barbuda; BHS – Bahamas; BLZ – Belize; BOL – Bolivia; BRA – Brazil; CHL – Chile; COL – Colombia; CRI – Costa Rica; DOM – Dominican Republic; ECU – Ecuador; GTM – Guatemala; HND – Honduras; JAM – Jamaica; LAC – Latin America and the Caribbean; MEX – Mexico; NIC – Nicaragua; PAN – Panama; PER – Peru; PRY – Paraguay; SLV – El Salvador; SUR – Suriname; TTO – Trinidad and Tobago; URY – Uruguay.

Table 3.2: Key drivers of competitiveness in knowledge-based services, selected indicators

Area	Indicator	Unit	Costa Rica	Latin America and Caribbean[a]	OECD[b]
Regulatory framework	Worldwide governance indicators (simple average)[c]	Score (-2.5 to 2.5)	0.65	-0.12	0.46
	Control of corruption		0.65	-0.18	0.45
	Government effectiveness		0.26	-0.15	0.45
	Political stability and absence of violence/terrorism		0.98	-0.03	0.45
	Regulatory quality		0.54	-0.15	0.45
	Rule of law		0.39	-0.15	0.47
	Voice and accountability		1.07	-0.11	0.47
Talent	English Proficiency Index[d]	Score (0 to 800)	534 (moderate)	509 (moderate)	560 (high)
	Network Readiness Index: People pillar[e]	Score (0 to 100)	43.91	38.25	53.91
Connectivity	Fixed broadband subscriptions[f]	Per 100 people	22.52	17.14	35.99
	Individuals using the internet[f]	Share of the population	85.40	77.02	91.50

Notes and sources:

[a] Simple average. 26 economies (Inter-American Development Bank members) except where otherwise indicated.
[b] Simple average. 38 economies except where otherwise indicated.
[c] Simple average of five indexes measuring perception of control of corruption, government effectiveness, political stability and absence of violence/terrorism, regulatory quality, rule of law, and voice and accountability (Kaufmann, Kraay, & Mastruzzi, 2010).
Source: World Bank (2024).

[d] The EF English Proficiency Index is based on test results of 2.1 million adults in 116 non-English-speaking economies and regions. Score/level: 600-800: very high; 550-599: high; 500-549: moderate; 450-499: low; lower than 450: very low. LAC: 19 economies. OECD: 29 economies.
Source: English First (2024).

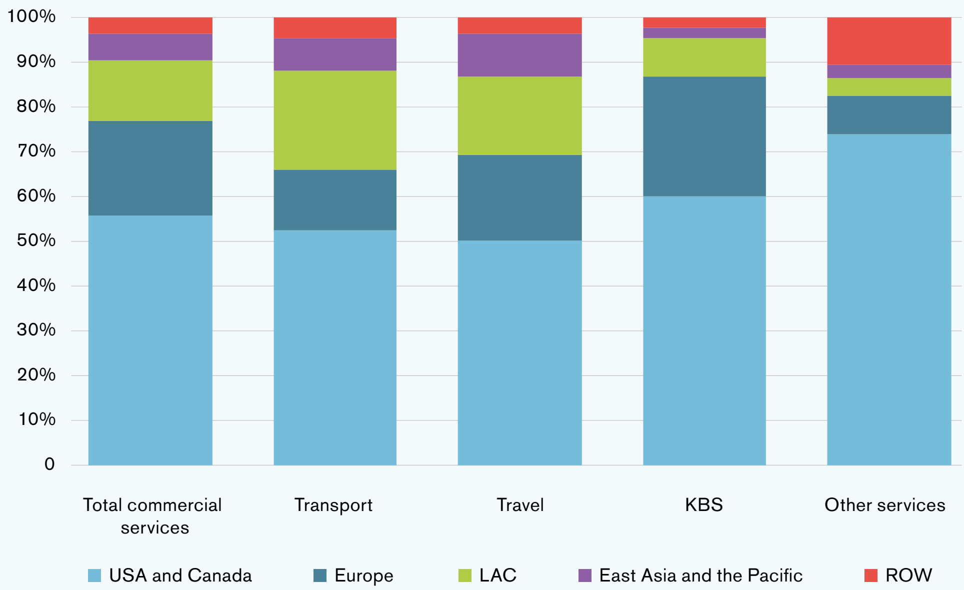
[e] The People pillar of the Network Readiness Index assesses the application of ICT across three facets: individuals, enterprises and public sectors. LAC: 19 economies.
Source: Portulans Institute (Dutta & Lanvin, 2024).

[f] 2023 or last available data.
Source: International Telecommunication Union (ITU).

According to the WTO's Balanced Trade in Services Dataset (BaTiS), the United States is the main destination for all categories of Costa Rica's services exports. Together with Canada, the US market accounted for 56 per cent of Costa Rica's total services exports and 60 per cent of its KBS exports in 2024. This concentration is consistent with the strong presence of US companies in these activities, reflecting the significance of intra-firm trade.

Europe and LAC represented 21 per cent and 14 per cent, respectively, of Costa Rica's total services exports in 2024. European economies – particularly Germany, Ireland, the Netherlands, Switzerland and the United Kingdom – together absorbed 27 per cent of Costa Rican KBS exports. Within the LAC region, Mexico and Panama are the main destinations for these services (see Figure 3.7). Geographical diversification remains a challenge, both to reduce exposure to shocks in the United States and to increase the likelihood of survival in export markets (Volpe Martincus and Carballo, 2011).

Figure 3.7: Commercial services exports by main destinations, 2024



Source: Drawn up by the authors with data from BaTiS (WTO).

Glossary: KBS – knowledge-based services; LAC – Latin America and Caribbean; ROW – rest of the world.

Overall strategy and public-private sector coordination

Main elements of Costa Rica's strategy

Costa Rica has developed a successful strategy to promote and upgrade exports and attract FDI, which has resulted in a significant structural transformation of the economy. The institutional architecture and the instruments used to achieve these goals combine horizontal measures with specific tools tailored to priority sectors, including KBS specifically.

Institutional architecture

The most important institutions involved in service promotion are the Ministry of Foreign Trade (COMEX), the Costa Rican Foreign Trade and Investment Promoter (PROCOMER) and the Costa Rican Coalition for Development Initiatives (CINDE) (see Table 3.3).[4]

- **COMEX** reports to the President of Costa Rica and is responsible for negotiating FTAs. It also designs trade policy and the strategy for attracting FDI. Additionally, the most relevant divisions within COMEX regarding KBS are the Directorate General of Foreign Trade and the Investment Directorate, respectively.
- **PROCOMER** is the export promotion agency of Costa Rica. It is a public institution with operational and financial autonomy that

Table 3.3: Roles and functions of Costa Rica's main institutions responsible for export promotion and attracting FDI

Institution	Policy design		Export promotion	FDI attraction	Policy implementation	Funding	Inter-institutional coordination
	Trade	FDI					
COMEX	Leads	Leads	No	Strategic guidance	Yes (strategic oversight)	Public budget	Coordinates trade and investment strategy
PROCOMER	No	Yes (since 2023)	Leads	Leads (since 2023)	Yes (operational)	Self-financed (fees and export duties)	Coordinates with COMEX, CINDE and private sector
CINDE	No	No (since 2023)	No	Advisory and support (private basis)	No	Private funds/ donors	Supports policy design, education and talent programmes

Source: Drawn up by the authors.

executes the trade policy defined by COMEX and manages the FTZ regime. Since 2023, it has also been formally in charge of attracting investments and implementing policies related to FDI. Both COMEX and PROCOMER operate under a special regime within the public sector with higher wages and more flexible hiring and firing rules.

- **CINDE** is a private, non-profit and non-political organization that previously served as the Costa Rican investment promotion agency (IPA) offering pre- and aftercare services to investors from its creation in 1982 until 2023, when PROCOMER took over this responsibility. Since then, CINDE has been offering its advisory and support services on a private basis.

Other public and private entities are involved in specific areas. For instance, the Ministry of Science, Technology and Telecommunications (MICITT), the Ministry of Public Education, the Ministry of Labour and Social Security (MTSS), the National Training Institute (INA), the Council for the Promotion of Competitiveness (CPC) and various business chambers and companies participate in several initiatives related to innovation, employability and education. International organizations such as the IDB support the strategy through technical and financial assistance.

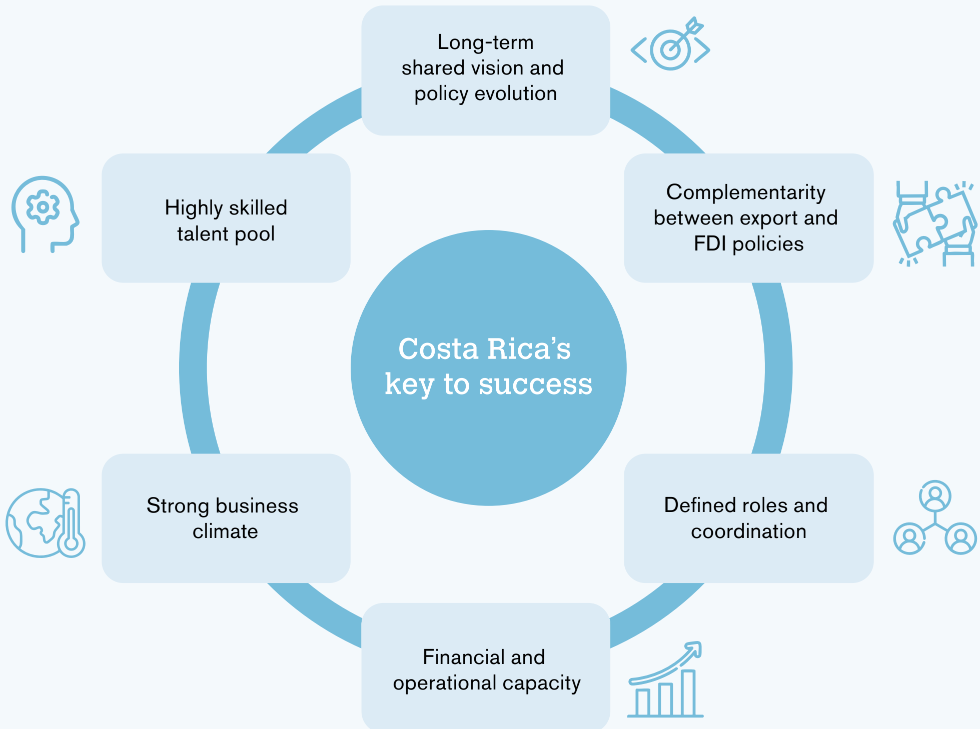
Pillars of the strategy

As illustrated in Figure 3.8, Costa Rica's success rests on six key pillars: a long-term shared vision with evolving policies, strong complementarity between export promotion and policies to attract FDI, clearly defined roles and effective coordination among key stakeholders, financial and operational capacity for export and investment promotion, a strong business climate including fiscal incentives and trade and investment agreements, and a highly skilled talent pool. Each of these pillars is discussed in detail below.

- **Long-term shared vision and policy consistency:** Costa Rica has long acknowledged that, being a small economy, it depends on international markets for growth and development. This shared understanding among key stakeholders has led successive governments to promote exports and attract investment for over four decades. During the last 20 years, governments have systematically included specific targets for goods and services exports, and methods to attract investment in their development plans. These targets have been met in most years.

  Costa Rica also recognized that it could not be competitive in all sectors and therefore chose to concentrate efforts on activities with

Figure 3.8: Costa Rica's strategy in knowledge-based services promotion



Source: Drawn up by the authors.

comparative advantages and export potential, adjusting priority activities over time to foster greater sophistication. While historically focused on low-complexity manufacturing and services such as call centres, the country has, over the last two decades, shifted its emphasis towards higher value-added activities, particularly advanced manufacturing and KBS. The continuity and evolution of trade and investment policies have been essential to this success, building institutional and business experience and knowledge, enabling the country to move up the value chain and increase the complexity of its export basket.

- **Complementarity between export promotion and policies to attract FDI:** Costa Rica has aimed to attract export-oriented (i.e., efficiency-seeking and value-creating) FDI through specific incentives, such as the FTZ regime. At the same time, it has maintained a longstanding linkage promotion programme that assists domestic firms in becoming suppliers to foreign affiliates operating in the country, thereby helping them become direct exporters.
- **Clearly defined roles and coordination:** Costa Rica's strategy includes clearly defined roles and responsibilities and close coordination among key stakeholders, including public institutions, business associations, international organizations and academia.
- **Financial and operational capacity:** Trade promotion and attracting FDI require both

skilled personnel and stable financial resources. PROCOMER stands out in this respect, due to low staff attrition, with employees often remaining in their position for many years. This long-term tenure allows the accumulation of institutional knowledge and provides consistent, high-quality support to companies, while ensuring alignment with the policy priorities defined by COMEX.

As a public non-State entity with financial and administrative autonomy, PROCOMER can offer competitive, secure career opportunities that foster staff retention. At the same time, it is financially self-sufficient and generates its own revenue through export certificates (US$ 3 per certificate) and fees paid by companies in FTZs,[5] while enjoying managerial flexibility. These institutional features underpin the agency's effectiveness and sustainability, distinguishing it from many trade and investment promotion agencies in other parts of the world that depend more heavily on public budgets and face frequent staff turnover when governments change.

- **Business climate:** Costa Rica offers legal certainty, a stable macroeconomic environment and strong institutional and regulatory frameworks that contribute to creating a favourable business environment for export development and attracting FDI. Fiscal incentives under the FTZ regime (discussed in section 2d) have been crucial to the growth of KBS exports and attracting FDI in these sectors. Due to these exemptions, double taxation is not a significant issue for services exporters.[6] Costa Rica also has a vast network of international treaties that include trade in services and investment protection and promotion, and is a member of the Multilateral Investment Guarantee Agency of the World Bank, which provides guarantees to cover non-commercial risks of FDI in developing economies alongside services for related dispute resolution (García, López, & Ons, 2021).[7]

- **Talent:** Despite its small population of only 5 million people, Costa Rica has successfully attracted investment thanks to its human capital. Wages are comparatively high, reflecting the qualifications of the workforce, especially in comparison with other Central American economies. The country has focused on expanding its talent pool by improving the quality of education, encompassing both hard and soft skills, and broadening access to training programmes for undereducated groups.

KBS in the Territorial Economic Strategy for Costa Rica 2020–2050

In 2021, Costa Rica launched the 2020–2050 Territorial Economic Strategy for Costa Rica: Towards an Inclusive and Decarbonized Economy (MIDEPLAN, 2021) to foster sustainable development and achieve a digitalized, decentralized and decarbonized economy.[8] Although this strategy is too recent for its impact to be analysed, it is particularly interesting for this study as it sets out objectives and recommendations that integrate all components of the KBS promotion ecosystem. These include export promotion, attracting FDI, strengthening cooperation between key stakeholders from the public and private sectors as well as academia, and the development of skills and infrastructure. The strategy also emphasizes reducing regional disparities by promoting KBS development outside the GMA, though this remains a major challenge.

One of the Strategy's main goals is to support trade and increase economic complexity through export diversification and sophistication, as well as attracting FDI, which is seen as essential to this objective. The KBS sector is among the five sectors prioritized for their potential to contribute to economic development. The Strategy classifies KBS activities into three groups based on their level of maturity and growth potential. BPO, the most developed segment, is expected to continue expanding over the coming decades. Computer, consulting, advertising, entertainment and recreational services could consolidate by 2030, given the country's existing know-how and enabling conditions. Other activities could also become relevant but will require improvements in digital infrastructure and skills development. This segmentation is used to tailor support instruments and prioritize public-private initiatives based on the growth potential of each segment.

Free trade zone (FTZ) regime

The FTZ regime has played a key role in attracting FDI and expanding exports of goods and services. Originally designed to attract FDI in labour-intensive manufacturing sectors, the regime has since evolved to comply with multilateral regulations, to promote FDI outside the GMA, and to encompass other types of investment in more sophisticated activities since the mid-2000s (García, López, & Ons, 2021). The government created a dedicated Investment Directorate in 2005 and later reformed the FTZ regulation to include service firms. This shift toward higher-value sectors is closely related to the expansion of KBS in Costa Rica.

Many MNEs established BPO and ITO centres in Costa Rica under the FTZ regime (Gómez, Zolezzi, & Monge, 2020). While in 2000, there were only six MNEs in the services sector employing a total of just 1,061 people, this number had increased to 249 companies with 115,096 employees in 2023, representing about one-third of the total workforce in information and communications technology (ICT) services, as well as professional and administrative support services (CINDE, 2023; MTSS, 2023). Costa Rica's labour productivity in KBS exports has also increased since 2021, after a decline between 2018 and 2020 (Zolezzi, 2024).

The FTZ regime offers companies benefits related to agglomeration, infrastructure and support services, along with significant tax exemptions. The incentives – including their scope, duration and the conditions for eligibility – are defined by law, resulting in a predictable and stable legal framework for investments (García, López, & Ons, 2021).

Companies in FTZs pay social security contributions but benefit from several fiscal incentives. These incentives include permanent exemptions from customs duties, withholding tax, interest income, sales tax on local purchases, stamp duty and property transfer taxes, as well as temporary exemptions from corporate income tax. Exemption periods are extended further for companies located outside the GMA (see Table 3.4).

Table 3.4: Tax benefits for services companies under the free trade zone regime

<table>
<tr><th>Benefits</th><th>Inside the Greater Metropolitan Area</th><th>Outside the Greater Metropolitan Area</th></tr>
<tr><td>Customs duties on imports/exports</td><td colspan="2" rowspan="5">100% tax exemption – no expiration period</td></tr>
<tr><td>Withholding tax on royalties and fees</td></tr>
<tr><td>Interest income</td></tr>
<tr><td>Sales tax on local purchases</td></tr>
<tr><td>Stamp duty</td></tr>
<tr><td>Property transfer taxes</td><td>100% tax exemption (10 years) [a]</td><td></td></tr>
<tr><td>Corporate income tax</td><td>100% tax exemption (8 years)
50% tax exemption (4 years) [b]</td><td>100% tax exemption (12 years)
50% tax exemption (6 years) [c]</td></tr>
</table>

Source: Drawn up by the authors with data from CINDE.

Notes:

[a] The 10-year period starts after the 3-year grace period or when the company begins operations, whichever comes first, but the benefit is granted immediately upon approval of the FTZ regime.

[b] Multiple additional 8-year renewal periods may be granted if significant reinvestment is made.

[c] Companies with an investment that exceeds US$ 10 million and 100 employees. An additional 12-year renewal may be granted if reinvestment is made (statutory income tax 30 per cent).

However, the geographic concentration of talent and infrastructure still limits the regional diffusion of KBS firms. FTZ benefits are standardized and available to any national or foreign service provider that meets the requirements.

The admission criteria for service companies emphasize the availability of skilled labour, the knowledge intensity of their activities and their potential integration into global value chains. To qualify, service companies must operate in a designated priority sector, commit to a new investment and comply with the Strategic Eligibility Index for Service Companies, which evaluates factors such as the strategic nature of the activity, linkages with other FTZ firms, annual payroll and investment in fixed assets. Although exporting remains their primary focus, companies in FTZ face no restrictions on selling 100 per cent to the domestic market (PROCOMER, 2025a; PROCOMER, 2023b).

According to PROCOMER (2025c), there are 420 service companies operating in FTZs. While services firms accounted for 47 per cent of all beneficiaries in 2010, their share had risen to 67 per cent by 2024 (see Figure 3.9). These companies directly employ 119,928 people and PROCOMER estimates that they generate nearly 40,800 additional indirect jobs. Altogether, this represents 61 per cent of total employment related to FTZs (see Figure 3.10). Most service companies in FTZs are in KBS sectors, including shared services centres (23 per cent), BPO (11 per cent), software engineering (11 per cent) and business and systems consulting (8 per cent) (see Figure 3.11).

Figure 3.9: Number of services companies in free trade zones (FTZs) and share of total beneficiaries of the regime (%), 2019–2024

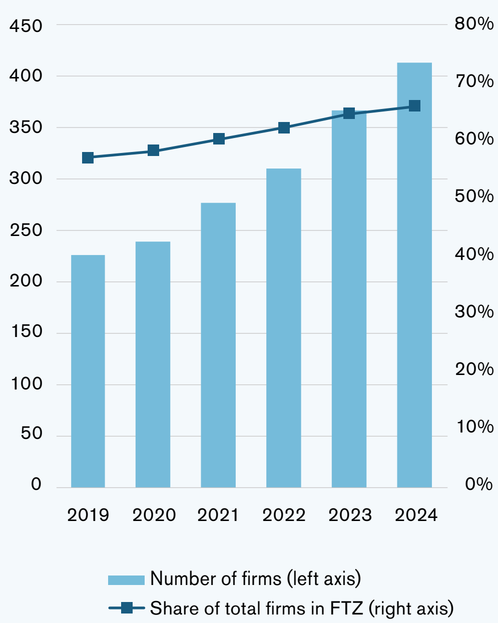
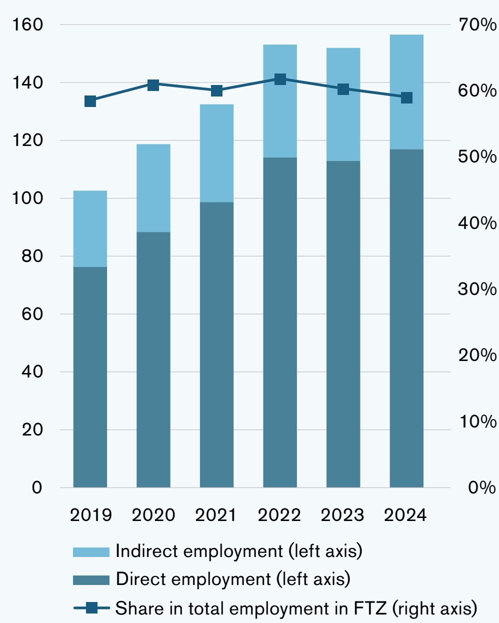
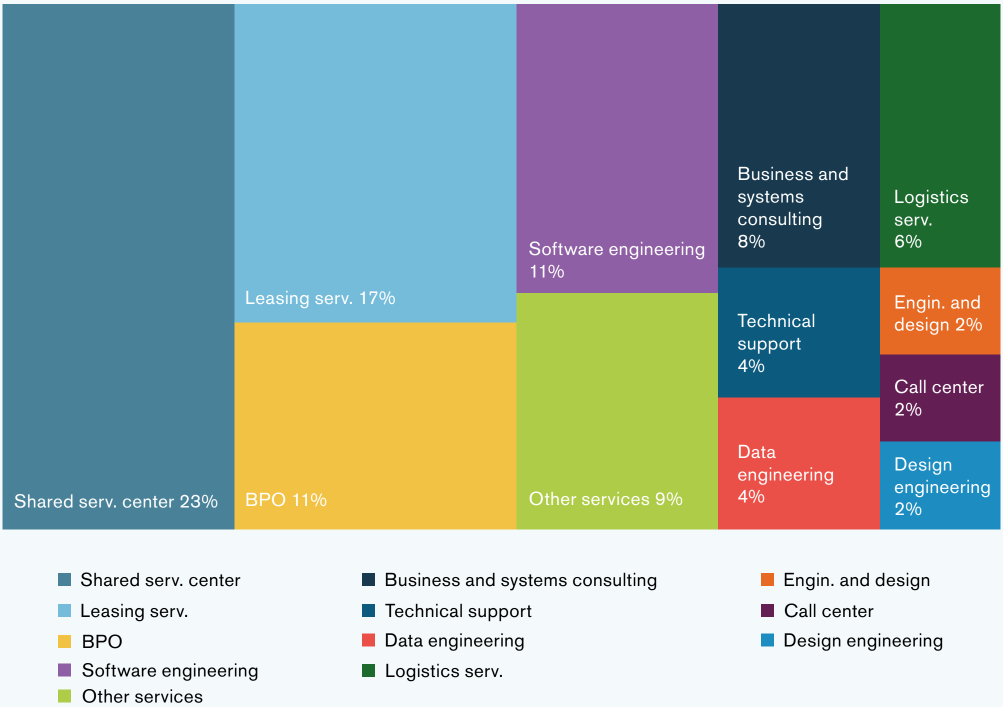


Figure 3.10: Direct and indirect employment in services in FTZs (thousands) and share in total employment related to the regime (%), 2019–2024



Source: Drawn up by the authors with data from PROCOMER (2025c).

Figure 3.11: Services companies in free trade zones, by sector (%), 2024



Source: Drawn up by the authors with data from PROCOMER (2025c).

PROCOMER's evaluation of the FTZ regime is positive, estimating its contribution to be equivalent to 15 per cent of GDP in 2024, considering both goods and services. Over the past five years, the FTZ regime has generated a return of US$ 2.7 for every dollar exempted. Service activities are the main drivers of this positive impact, particularly in terms of direct and indirect job creation. Wages in FTZ companies are twice as high as those outside the regime, with shared services and BPO among the best-paying sectors (PROCOMER, 2025c).

Monge-González and Rivera (2022a) find evidence of positive impacts of the FTZ regime in Costa Rica in terms of spillovers. Their estimates indicate that domestic suppliers of MNEs operating within FTZs benefit from productivity spillovers ranging from 12 to 23 per cent, compared with 5 per cent for firms supplying MNEs outside the regime. They also find that MNEs pay higher wages (14.3 per cent in the FTZ versus 6.2 per cent outside the regime) and that linkages with MNEs increase the likelihood of domestic firms becoming exporters by 8 per cent.

The total aggregate benefit (the sum of productivity spillovers and wage premiums) was estimated to represent over 2 per cent of GDP in 2010–2017, equivalent to 1.5 to 2.3 times the cost of the tax exemptions, resulting in a net positive effect. This remains the most recent rigorous micro-level estimation of spillovers associated with the FTZ regime in Costa Rica. However, PROCOMER (2025c) reports that domestic purchases by companies within the FTZ increased by 135 per cent between 2019 and 2023, reaching US$ 5.6 billion.

Country brand: "Essential Costa Rica"

"Essential Costa Rica" was officially launched in 2013 as Costa Rica's country brand. It is part of a strategy designed to position the country as an attractive destination, not only for tourism but also for export-oriented FDI in other priority sectors such as KBS. The country brand was developed through a collaboration between PROCOMER, COMEX, CINDE and the Costa Rican Institute for Tourism, with technical support from international branding consultants.

Essential Costa Rica is used in official trade fairs, embassies, trade missions, websites and events. Companies can become part of the country brand by undergoing an evaluation protocol that assesses five core values: excellence, sustainability, social progress, innovation and a connection to Costa Rica. These companies are authorized to use the country brand and benefit from training and mentoring activities. They can also participate in trade fairs and missions under preferential conditions, gaining access to networking opportunities with other country brand licensees. More than 270 tourism businesses and over 130 local and multinational service companies – most of which are in the KBS sectors – form part of the country's brand community.

KBS export promotion

Institutional architecture for export promotion

PROCOMER stands out amongst Latin American promotion agencies for its integrated mandate, public-private governance model and sustained technical capacity. It was created in 1996 as an export promotion agency and has more recently assumed the responsibility for attracting FDI. It is also responsible for designing and coordinating export and investment programmes, providing technical and financial support to COMEX for the administration of special export regimes, promoting and protecting Costa Rica's trade interests abroad, centralizing and facilitating international trade procedures and monitoring trade statistics.

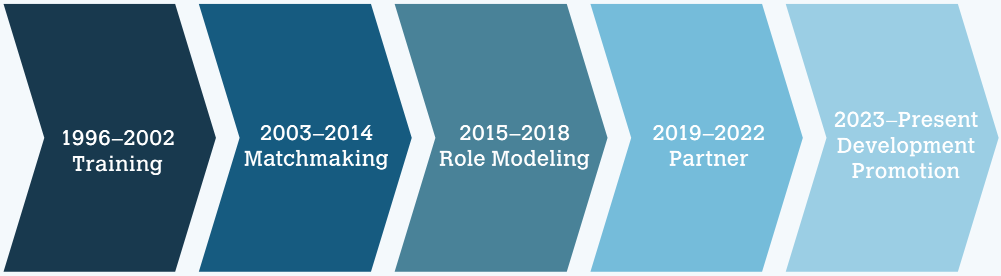
PROCOMER's role, focus and instruments have evolved over time, as both the country and the institution have gained experience and capabilities in supporting internationalization. The institutional evolution reflects Costa Rica's transition from a goods-based to a services-based economy and the export sector's transition from a trade-focused to a development-oriented approach.

As shown in Figure 3.12, PROCOMER initially concentrated on export promotion and capacity building through training, information services, trade missions and related tools. From 2003 to 2014, the strategy shifted towards export growth, with PROCOMER acting as a matchmaker by establishing international and regional offices, fostering business linkages and offering services such as market research and business intelligence. During the 2015–2018 period – the role-modeling phase – PROCOMER focused on export diversification and operational efficiency. For instance, it promoted the consolidation of the country brand and expanded its international and regional office network. Between 2019 and 2022, PROCOMER emphasized the importance of inclusion and purpose-driven business to reduce gaps and promote sustainability, while also strengthening business intelligence and acceleration services.

Since 2023, PROCOMER has expanded its actions beyond export promotion to enhance the attraction of FDI. It now defines itself as a development promoter, focusing on national competitiveness and efficiency. Its current objectives can be summarized as follows:

- To increase and diversify exports in terms of the number of exporters (with broader geographic coverage), products and services, destinations and distribution channels.

Figure 3.12: Evolution of PROCOMER



1996–2002 Training
- Focus on export capacity building
- Export promotion, special regimes, statistics, training, single window for international trade.

2003–2014 Matchmaking
- Focus on export growth
- International and regional offices, business linkages, market research and business intelligence.

2015–2018 Role Modeling
- Focus on export diversification and efficiency
- Country brand, expansion of international and regional offices, certifications

2019–2022 Partner
- Focus on inclusion and business purpose
- Reduction of gaps, sustainability, business intelligence, business acceleration

2023–Present Development Promotion
- Focus on development, competitiveness and efficiency
- FDI attraction
- AI, automation, reduction of regional and gender gaps, talent development, digital transformation

Source: Drawn up by the authors based on PROCOMER (2023a).

- To attract and retain FDI that contributes to inclusive and regional development.
- To promote linkages between domestic and multinational companies, as well as between SMEs and large enterprises.
- To enhance national competitiveness through trade and investment facilitation.
- To foster the development of skills needed to increase and diversify exports.

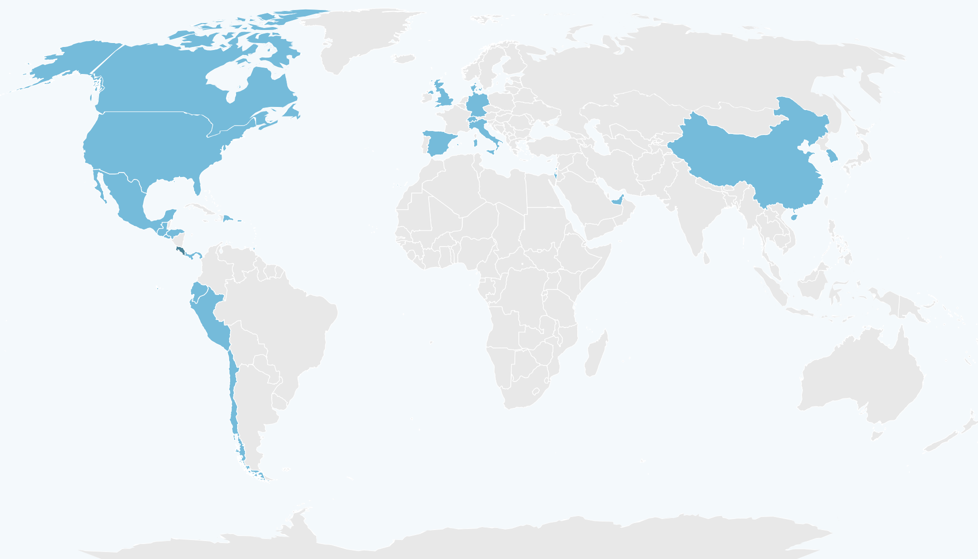
PROCOMER is organized in six departments reporting to the general manager: export development; trade and investment facilitation; innovation and digital transformation; administration and finance; investment; and communication, marketing and market intelligence. The board of directors comprises the minister and the vice minister of foreign trade, three private representatives appointed by the Executive and five representatives of business chambers.

PROCOMER has six national branches across the country and 31 international offices: 11 in LAC, 8 in North America (5 in the United States), 7 in Europe, 3 in Asia and 2 in the Middle East (see Figure 3.13).

Export promotion programmes and tools, beneficiaries and impacts

PROCOMER offers a wide range of services for companies wishing to internationalize their business. Such activities address several costs and market failures that often affect firms when trying to reach global markets. For example, trade promotion programmes address cross-border information frictions (barriers that prevent economic agents from accessing, processing or acting upon relevant information, leading to suboptimal decisions and inefficiencies in markets) and associated externalities in the form of information spillovers. The same applies to linkage promotion programmes (for in-country information frictions).

Figure 3.13: PROCOMER offices around the world, 2025



Source: Drawn up by the authors with data from PROCOMER.

Programmes and tools offered by PROCOMER to service companies

Some of these services are available free of charge to many firms and provide basic tools to begin the internationalization process. Others involve customized technical and financial support (e.g., for skills development, business acceleration, participation in trade missions, etc.). Naturally, the latter are more likely to have a significant impact on exports, but only a limited number of businesses meeting specific requirements are eligible to benefit from them.

- **Basic tools**: These include information on trade regulations, international trade statistics, webinars, market reports. SMEs can use the Exporter's Test, a self-assessment tool that helps companies identify their export maturity, strengths and weaknesses, while also enabling PROCOMER to provide more targeted support throughout the internationalization process.[9] PROCOMER has also developed "Buy from Costa Rica", an online platform that connects international buyers with more than 400 local exporters from various sectors, including services such as ICT, architecture and engineering, BPO, audiovisual services, marketing, and advertising and education.
- **Customized services:** PROCOMER offers several programmes to support business growth and expansion (see Table 3.5) through non-reimbursable grants, training and skills development aimed at enhancing SME competitiveness and expanding global business opportunities. Most of these programmes are available to companies across various sectors – including services – but there are also initiatives specifically designed for service providers in general,

or for certain sectors such as ICT, audiovisual, or services related to agriculture and agribusiness.

- **Trade missions, business matchmaking and supply chain integration:** Building business relationships is essential for export development. Therefore, PROCOMER organizes business-to-business events in Costa Rica where local suppliers can meet strategic partners, and it supports national companies in participating in international trade fairs. Local initiatives include business roundtables between local SMEs with exporting companies, as well as business forums where they can meet potential international buyers and investors. In some cases, participation is reserved for certain firms (e.g., country brand licence holders or SMEs from a specific sector).

Table 3.5: Programmes offered by PROCOMER to services companies, 2025

Programme	Target	Short description	Number of beneficiaries (2025)
Ramp Up	SMEs with little or no export experience.	Business development platform that offers customized training to strengthen the management of SMEs with export or linkage potential.	40[a] (all sectors)
K-GLOBAL	Startups and SMEs.	A platform that strengthens export-ready, high-potential, or local supplier firms by facilitating access to finance and investment through staged models.	N/A
Green Growth	SMEs seeking growth and a lower carbon footprint (excl. tourism).	Provides non-reimbursable seed capital and one year of specialized technical assistance, including six advisory cycles in business or production management.	50 (all sectors)
Trade Promotion in New Business	Exporting SMEs (excl. tourism).	Offers training and mentoring to enhance SMEs' capacity to access new international markets.	30
Technological Boost Programme	SMEs in services sectors.	Promotes digital transformation to enhance SMEs' productivity, competitiveness and access to international markets through funding, training and mentoring.	20
ICT Acceleration Programme	ICT firms that export or have export potential.	Acceleration programme developed with INA to support ICT companies' internationalization to the United States, using Miami as a base to validate their value proposition.	10
Cultiva+	SMEs in agricultural and agribusiness sectors (incl. services).	Provides seed capital and technical assistance to support projects that incorporate innovation and technology.	32[b] (all sectors)
Acceleration Programme for the Film Industry	Film and animation SMEs.	Acceleration programme for film and animation SMEs aimed at promoting locally produced TV shows for international markets. It includes mentorship and participation in MIP Cancun.	5
Impulsa 2025	Women-led SMEs.	It seeks to empower women entrepreneurs through capacity building in key business areas and improving their access to international markets and value chains.	40 (all sectors)

Source: Drawn up by the authors with data from PROCOMER.

Note: [a] Annual average 2020–2024; [b] 2024.

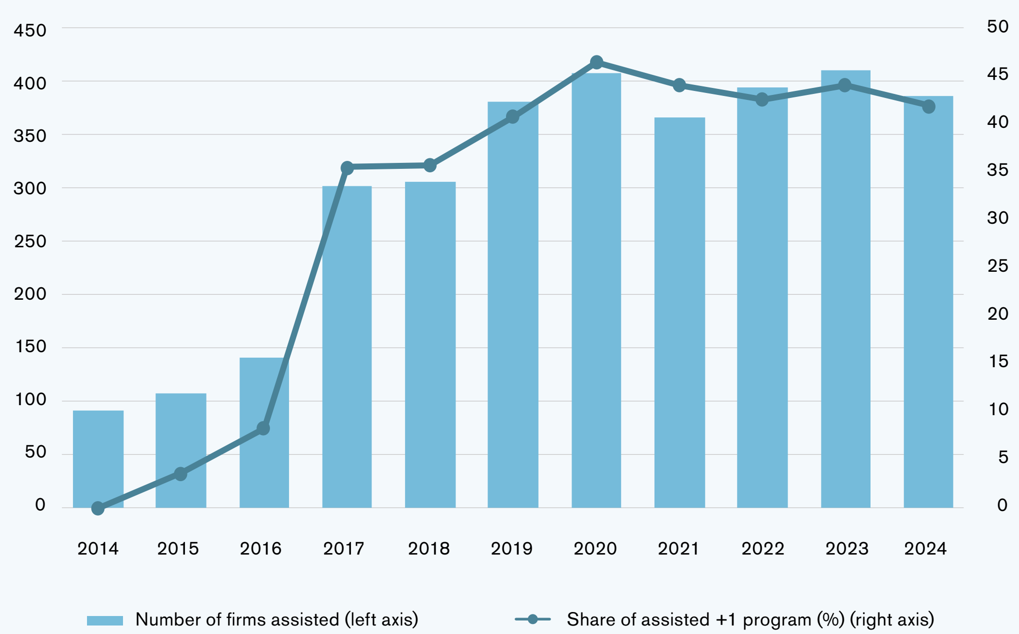
Beneficiaries of export promotion support from PROCOMER

PROCOMER's assistance to firms in the services sector between 2014 and 2024 exhibits the following patterns:

- **Support increased in terms of both the number of beneficiary firms and the number of interventions per firm:** There has been a sharp increase in the number of assisted firms starting in 2017, rising from 142 in 2016 to 304 in 2017 (see Figure 3.14). This upward trend continued, reaching a peak of 414 assisted firms in 2023. In addition to the increase in the number of beneficiaries, firms also received a greater number of interventions. In 2014, no firm obtained more than one type of support whereas by 2017, nearly 40 per cent of firms were accessing multiple types of support (see Figure 3.15). Furthermore, a significant share of firms – almost 70 per cent – were assisted for multiple years throughout the decade, suggesting an increase in the intensity of support per firm (see Table 3.6).

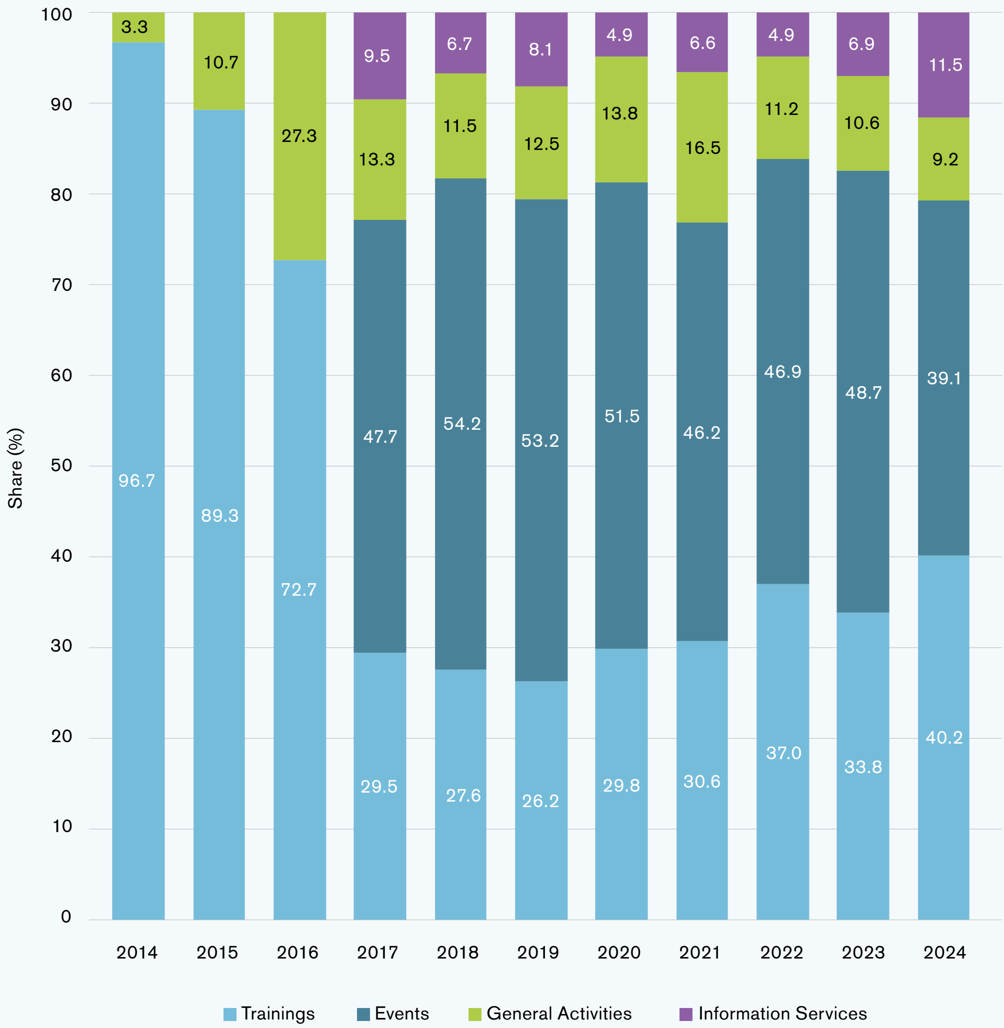
Training was the most common type of support until 2016, after which it was surpassed by events: The types of support include training, events, information services and other activities. Both basic tools and customized assistance are included in these categories. Training represented the main type of support until 2016, after which events became the predominant form, accounting for more than 40 per cent of total support in some years (see Figure 3.15). The most common combinations include training and event participation, as well as general activities and events (see Table 3.7).

Figure 3.14: Number of firms assisted by year and share of companies assisted in more than one programme, 2014–2024



Source: Drawn up by the authors with data from PROCOMER.

Figure 3.15: Distribution of types of support by year (%), 2014–2024



Source: Drawn up by the authors with data from PROCOMER.

Table 3.6: Percentage of firms by duration of assistance (in years) (%)

1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years	9 years	10 years	11 years	Total
27.5%	15.2%	9.0%	9.5%	9.1%	8.6%	5.9%	6.5%	4.3%	2.6%	1.8%	100.0%

Source: Drawn up by the authors with data from PROCOMER.

Table 3.7: Distribution of support combinations by year (%), 2014–2024

Year	Assisted firms	Only 1 type of support	T & E	T & A	T & I	E & A	E & I	A & I	T & E & A	T & E & I	E & A & I
2014	92	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2015	108	96.3%	0.0%	3.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2016	142	91.5%	0.0%	8.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2017	304	40.5%	16.4%	6.3%	4.9%	15.1%	5.3%	1.0%	5.6%	3.0%	1.0%
2018	308	47.1%	19.2%	3.9%	4.2%	13.6%	3.9%	0.6%	3.9%	2.6%	0.6%
2019	384	29.2%	21.6%	7.6%	3.6%	16.1%	7.3%	1.8%	7.0%	2.9%	1.8%
2020	412	12.6%	29.6%	10.2%	3.9%	21.4%	4.4%	1.9%	10.2%	2.9%	1.9%
2021	369	13.8%	20.9%	10.6%	5.4%	23.8%	5.1%	2.4%	10.6%	3.3%	2.2%
2022	398	31.7%	24.6%	7.0%	5.0%	14.6%	3.8%	1.3%	6.5%	3.0%	1.3%
2023	414	25.8%	26.6%	6.8%	5.3%	14.0%	6.0%	2.2%	6.5%	3.4%	2.2%
2024	390	32.6%	22.1%	4.6%	9.5%	11.3%	7.2%	1.8%	4.1%	4.4%	1.8%

Source: Drawn up by the authors with data from PROCOMER.

Note: T=Training, E=Events, A=General activities, I=Information services (consultations).

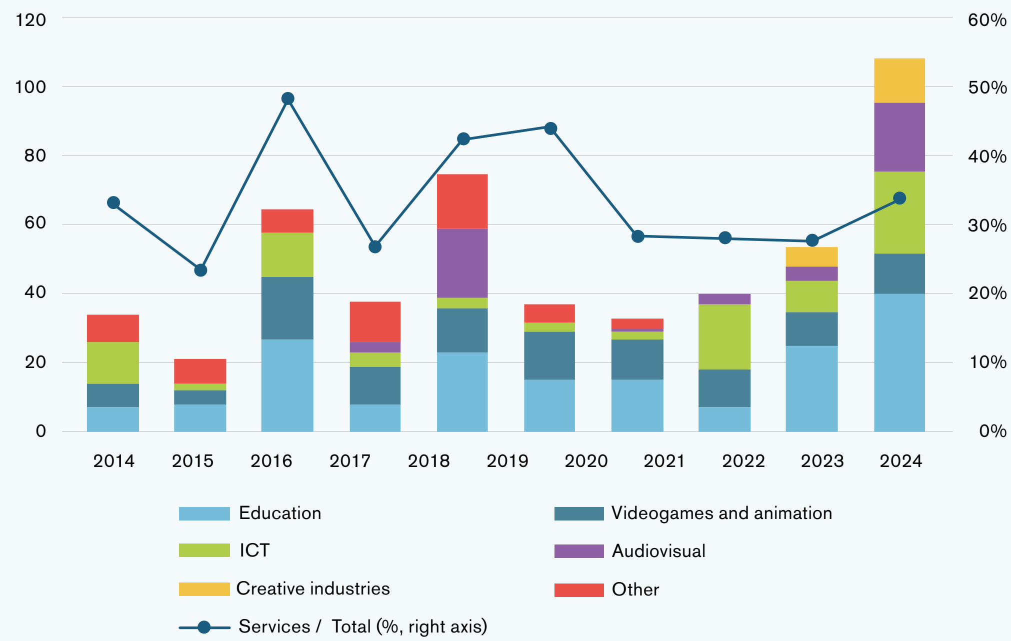
Over the last decade, service companies have represented, on average, one-third of the total firms sponsored by PROCOMER participating in trade fairs abroad (see Figure 3.16). In 2024, 109 service providers participated in 24 events in 10 different economies. Education, ICT services, audiovisual, videogames and creative industries are the KBS sectors with the most participants in these events. In some cases, such as the Association of International Educators exhibition (education), Kidscreen (animation), Game Connection (videogames) and Midsize Enterprise (ICT), Costa Rican firms have participated in most editions over the last 10 years.

- **The central region of the country registered the highest share of beneficiary firms:** When looking at the distribution of supported firms by province, San José accounted for the highest absolute value (see Table 3.8). In 2024, more than half of the firms receiving support operated in San José. However, when considering the share of supported firms relative to the total number of services firms in each province, Cartago led with 20 per cent in 2024, followed by Heredia with 17 per cent (see Figure 3.17).

The growth in beneficiaries outpaced the growth in total firms in each region. The most significant jump occurred in 2017. For example, in Cartago, assisted firms represented 7.5 per cent of all services firms in 2016 and increased to 19.1 per cent in 2017 (see Table 3.9).

- **While initially concentrated on consulting firms, support has recently grown for ICT, educational services and digital animation:** Although its share declined over the decade, the consulting services sector received the highest number of interventions in terms of the number of assisted firms. In 2014, consulting firms accounted for nearly 60 per

Figure 3.16: Number of services companies participating in trade fairs sponsored by PROCOMER and their share among all participants, 2015–2024



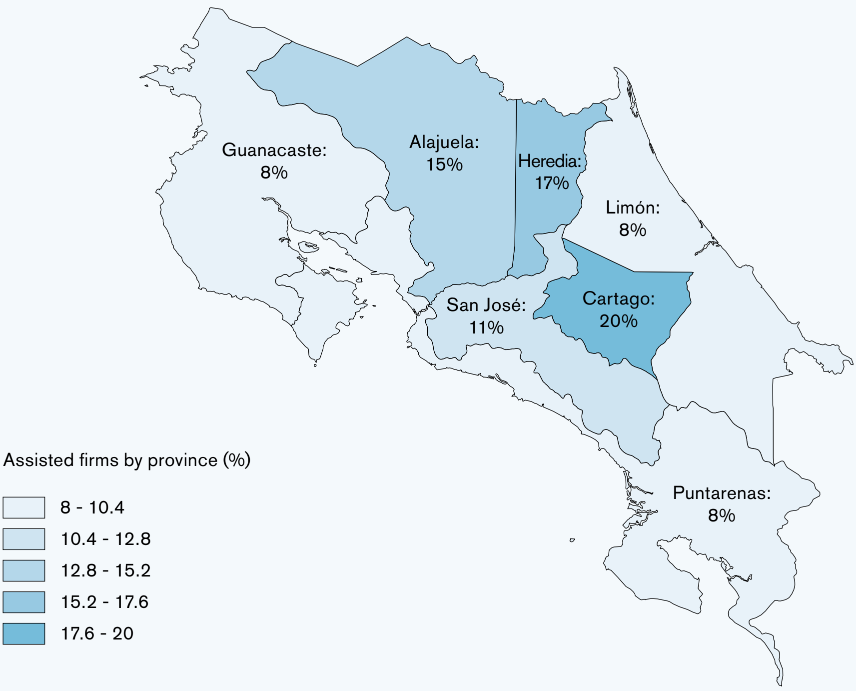
Source: Drawn up by the authors with data from PROCOMER.

Table 3.8: Distribution of support by firm location (%), 2014–2024

Province	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
San José	33.7%	35.2%	43.0%	51.3%	53.2%	54.7%	57.3%	55.3%	54.0%	51.7%	51.3%
Alajuela	17.4%	12.0%	14.8%	14.8%	16.2%	16.7%	15.0%	15.2%	14.6%	16.9%	17.2%
Heredia	27.2%	31.5%	21.8%	16.4%	14.6%	13.8%	14.3%	14.9%	16.3%	15.7%	15.9%
Cartago	12.0%	7.4%	8.5%	10.2%	7.8%	7.8%	6.6%	7.6%	9.0%	8.7%	8.5%
Guanacaste	1.1%	4.6%	3.5%	3.3%	3.2%	2.9%	3.2%	2.7%	2.3%	2.9%	2.8%
Puntarenas	6.5%	4.6%	3.5%	2.0%	2.6%	2.6%	2.4%	2.4%	2.0%	2.7%	2.6%
Limón	2.2%	4.6%	4.9%	2.0%	2.3%	1.6%	1.2%	1.9%	1.8%	1.4%	1.8%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Drawn up by the authors with data from PROCOMER.

Figure 3.17: Share of assisted firms over total firms related to services in each province (%), 2024



Source: Drawn up by the authors with data from PROCOMER.

Table 3.9: Share of assisted over total firms related to services in each province by year (%)

Province	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Cartago	6.9%	5.2%	7.5%	19.1%	14.6%	18.4%	16.7%	17.4%	22.8%	22.0%	19.6%
Heredia	8.3%	11.0%	9.7%	14.8%	14.2%	16.3%	19.0%	17.0%	18.9%	18.4%	17.4%
Alajuela	4.9%	3.7%	5.6%	11.7%	12.3%	15.4%	16.7%	14.2%	13.7%	16.2%	15.0%
San José	2.1%	2.5%	3.8%	9.6%	10.0%	12.6%	15.3%	12.6%	12.4%	12.0%	11.2%
Guanacaste	1.2%	6.5%	6.0%	11.0%	10.6%	10.4%	15.7%	10.9%	7.9%	10.1%	8.3%
Limón	2.6%	6.5%	9.3%	7.1%	7.8%	6.7%	6.2%	9.0%	8.0%	6.6%	8.0%
Puntarenas	8.5%	6.8%	5.6%	6.3%	8.0%	9.4%	10.9%	8.9%	6.8%	8.7%	7.8%

Source: Drawn up by the authors with data from PROCOMER.

cent of beneficiaries, dropping to 33 per cent by 2024. Meanwhile, ICT, educational services and digital animation increased their participation, rising from 15 per cent to 20 per cent, from 3.3 per cent to 7.7 per cent and from 1.1 per cent to 4.6 per cent, respectively, over the last decade (see Table 3.10).

- **Smaller firms increased their participation as beneficiaries:** Companies with fewer than 50 employees increased their share among beneficiaries from 49 per cent in 2014 to 67 per cent in 2024. This shift indicates greater inclusion of smaller firms in the support programmes (see Table 3.11).

Impact of export promotion programmes

Empirical evidence suggests that agency support significantly increases firms' likelihood of becoming exporters. Using a difference-in-differences (DID) framework, we estimate the impact of agency assistance on the probability of exporting. The results, reported in Table 3.12, show that supported firms increase their probability of starting to export by approximately 3 to 4 percentage points. Furthermore, general support activities have the largest impact on the probability of exporting, followed by training and events.

Table 3.10: Distribution of assistance by services sector (%), 2014–2024

Sector	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Consulting services	59.8%	59.3%	52.8%	46.7%	41.2%	39.8%	35.4%	33.1%	34.4%	35.0%	33.8%
ICT	15.2%	11.1%	22.5%	21.1%	21.1%	20.3%	22.3%	19.2%	22.4%	21.0%	20.8%
General services	0.0%	0.9%	0.0%	1.6%	1.9%	1.6%	2.4%	4.6%	5.0%	6.5%	8.2%
Educational services	3.3%	3.7%	2.1%	7.9%	6.5%	7.0%	7.8%	8.1%	7.8%	8.2%	7.7%
Digital animation	1.1%	1.9%	4.2%	2.3%	2.9%	3.4%	3.2%	3.5%	2.5%	2.7%	4.6%
Real estate services	13.0%	13.9%	8.5%	3.9%	4.2%	4.4%	4.1%	5.1%	4.3%	3.6%	3.6%
Biotechnology	0.0%	0.0%	0.7%	3.0%	2.6%	3.6%	3.2%	2.7%	3.0%	2.4%	3.3%
Design and green technologies	0.0%	0.0%	0.7%	2.0%	2.9%	2.3%	3.6%	4.1%	3.5%	3.6%	2.6%
Advertising and marketing services	0.0%	0.0%	0.7%	0.3%	0.6%	0.5%	1.2%	1.4%	1.3%	2.2%	2.1%
Architecture, engineering, design	0.0%	0.9%	0.7%	3.0%	2.9%	3.4%	3.2%	2.4%	2.0%	2.4%	2.1%
Other services	7.6%	8.3%	7.0%	8.2%	13.0%	13.5%	13.6%	15.7%	13.8%	12.3%	11.3%
Total (services)	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Drawn up by the authors with data from PROCOMER.

Table 3.11: Distribution of assistance by size of firm (defined by the number of employees) (%), 2014–2024

Size	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<50 employees	48.9%	45.4%	56.3%	64.5%	67.2%	65.1%	67.0%	65.3%	65.3%	64.7%	66.9%
>50 employees	51.1%	54.6%	43.7%	35.5%	32.8%	34.9%	33.0%	34.7%	34.7%	35.3%	33.1%

Source: Drawn up by the authors with data from PROCOMER.

Table 3.12: The impact of assistance on firms' export outcomes

Type of service	All samples			
	Specification 1	Specification 2	Specification 3	Specification 4
All services	0.036*** (0.006)	0.033*** (0.006)	0.036*** (0.006)	0.030*** (0.006)
Events	0.032*** (0.006)	0.026*** (0.006)	0.032*** (0.006)	0.020*** (0.006)
Trainings	0.031*** (0.009)	0.026*** (0.008)	0.031*** (0.009)	0.025*** (0.008)
General activities	0.091*** (0.016)	0.077*** (0.016)	0.090*** (0.017)	0.061*** (0.015)
Information services	0.014 (0.012)	0.018 (0.011)	0.014 (0.011)	0.017 (0.011)
Firm year fixed effects	Yes	No	No	No
Firm sector-year fixed effects	No	Yes	No	No
Firm province-year fixed effects	No	No	Yes	No
Firm sector-province-year fixed effects	No	No	No	Yes
Observations	13,211	13,189	13,211	12,870

Source: Drawn up by the authors with data from PROCOMER.

Notes: The table presents estimates of variants of the following DID specification: $Y_{it} = \beta T_{it} + \alpha_i + \gamma_t + u_{it}$ where Y_{it} is a binary variable equal to 1 if the firm reports positive export value and 0 otherwise. T_{it} is a dummy equal to 1 from the first period in which the firm i receives agency support, and 0 otherwise. γ_t denotes firm fixed effects capturing time-invariant firm characteristics. γ_t represents year fixed effects that control for common time shocks. u_{it} is the error term. The coefficient β captures the average effect of receiving support on the probability of exporting. Specification (1) includes the firm and year fixed effects described in the baseline DID equation. Specifications (2)–(4) replace year fixed effects with more granular fixed effects: sector–year, province–year, and sector–province–year fixed effects, respectively.

The table is organized by service type. The first panel, "All services," reports the average treatment effect pooling all types of support, where T_{it} equals 1 from the year the firm receives any type of agency assistance onwards. Subsequent panels present results for each specific service type (events, training, general activities, and information services).[1]

Robust standard errors are reported in parentheses. Asterisks indicate statistical significance levels * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

[1] To assess the validity of the parallel trends assumption, we additionally estimate an event study design. The results indicate that, prior to receiving support, there are no statistically significant differences in export probability trends between supported and unsupported firms, lending credibility to the identification strategy. Following treatment, we observe a positive and statistically significant effect on the probability of exporting, which gradually weakens over time.

KBS FDI promotion

FDI promotion, institutional architecture and main initiatives

Attracting FDI has played a central role in Costa Rica's development strategy for decades. As mentioned earlier, CINDE was the main IPA until 2023, when PROCOMER reinforced its efforts to attract FDI. However, CINDE continues to offer its advisory and support services on a private basis. Costa Rica's FDI strategy has been focused on specific sectors where the country has comparative advantages.

Over the last two decades, Costa Rica has aimed not only at attracting more investments, but also at increasing their value added, targeting efficiency-seeking and international market-access seeking FDI (i.e., investments in Costa Rica to provide services to foreign customers) based on talent and competitive costs and an investor-friendly environment, including institutional stability, fiscal incentives and trade agreements (Gómez, Zolezzi, & Monge, 2020; García, López, & Ons, 2021).

CINDE adopted a sectoral approach in 2001 (OECD, 2012). The decision to target specific sectors and the progression over time was data-driven and aligned with the country's existing trajectory, indicating its potential in more sophisticated industries; this led to a major advance in sectors such as medical devices and KBS. In services, the evolution was marked by a transition from traditional contact centres and low-complexity BPO activities to specialized shared services (e.g., engineering and architectural design), ICT services and other KBS. In 2005, COMEX created a directorate responsible for advising on policy priorities and implementing investment promotion guidelines, identifying necessary reforms and coordinating with key stakeholders (OECD, 2012).

DR-CAFTA marked a turning point in the strategy because it opened up opportunities to attract FDI in KBS sectors. During the negotiation and ratification process (the Agreement came into force in 2009), CINDE conducted market intelligence to identify strategic sectors and trends and focused on engaging more effectively with investors by speaking the "same language", identifying talent needs and helping shape skills development strategies aligned with investor needs. Its staff was highly trained and developed industry knowledge through active participation in international events and close engagement with companies.

Costa Rica has also been effective in providing aftercare services to investors. In fact, by 2011 half of FDI in targeted sectors (including KBS) consisted of re-investments from companies that were already established in Costa Rica (OECD, 2012). Aftercare services included two areas: support for companies during set-up, growth and expansion, and coordination with public, private and academic institutions in strategic areas related to FDI (García, López, & Ons, 2021).

CINDE's investment promotion strategy became more specialized, extending beyond traditional promotion. It concentrated on advising investors, offering valuable insights to build long-term relationships and supporting policy advocacy based on real business needs. Its private-sector nature also inspired greater confidence among investors. CINDE also worked towards geographic diversification by, for example, targeting KBS companies from India (especially in ICT services) and Europe.

In 2023, the Costa Rican government decided that PROCOMER should concentrate on both export promotion and attracting investment. The strategy remains focused on activities considered to have high potential. In the case of KBS, PROCOMER's priorities include shared services centres, back-office operations, architecture, engineering and design, network and telecommunications, IT consulting services, game development and animation, cloud computing, customer management services, BPO, sales support, software, data analytics, digital marketing and cybersecurity operations. The sectoral focus remains evidence-based, building on Costa Rica's existing strengths in skills, infrastructure and firms' capabilities.

PROCOMER's investment-related activities include the promotion of Costa Rica as an attractive destination for FDI, as well as facilitating investments through its Establishment and Aftercare Department. Additionally, it collaborates with various institutions to promote the attraction, retention and development of businesses through regulatory enhancements and procedural solutions.

PROCOMER organizes promotional events both in Costa Rica and abroad, provides foreign investors with information on business opportunities, regulations and special regimes, and specifically facilitates business matchmaking between investors and local SMEs. Amongst other things, it offers a supplier directory where companies can find local providers of key services to support their operations in the country (e.g., legal and tax advisors, real estate firms, recruiting agents, FTZ administrators, advertising and public relations agencies). PROCOMER also receives and analyses requests from MNEs and develops tailored proposals that include an evaluation of recommended candidates or offers.

Investment promotion in Costa Rica has proven highly effective, leading to an average 12 percentage point increase in the likelihood of an MNE establishing its first affiliate in the country. This effect is linked to the information services provided by the IPA – especially for economies and sectors facing higher information barriers – and is independent of the FTZ regime. The positive impact is more substantial in non-financial services sectors than in other activities. The effect on reinvestment is weaker, which is consistent with the idea that support aimed at reducing information asymmetries becomes less relevant once a foreign company is already established (Volpe Martincus et al., 2021; Carballo, Marra de Artiñano, and Volpe Martincus, 2021).

Other relevant complementary initiatives

One-stop shop for investments (VUI)

Inspired by the success of the single window for trade in goods and with the support of the IDB, Costa Rica began implementing the one-stop shop for investments (Ventanilla Única de Inversión - VUI) in 2017 to address administrative processing costs by simplifying, centralizing and digitizing the procedures for establishing and operating a company. Initially designed for companies under the FTZ regime, the system was later extended to all types of businesses (OECD, 2025a), regardless of whether they produce goods or services. The system itself does not differentiate between sectors; rather, differences arise from the specific permits required by each activity – for example, sanitary and phytosanitary authorizations for goods producers versus professional or ICT licences for service firms. In both cases, the VUI reduces administrative burdens and ensures greater transparency and efficiency.

The development of VUI follows a flexible methodology that enables process re-engineering, automation and continuous improvement. It is based on the FENIX strategy (according to its Spanish acronym), which consists of five stages (OECD, 2025a):

- Strengthen: A training strategy aimed at building capacities and raising awareness about processes among senior officials in involved agencies through process mapping and defining the baseline.
- Standardize: Efforts focused on process standardization and definition of the technological requirements for digitization and interoperability.
- Normalize: Enact necessary legal reforms to meet strategic objectives.
- Implement: Implementing technological solutions, conducting testing and training users.
- Excel: Continuous improvement and innovation.

The highest political body is the Steering Committee, which defines the direction of VUI. It is composed of representatives from the government (13 ministries, including COMEX, PROCOMER and the Social Security Fund) and the private sector (the five chambers represented on PROCOMER's board of directors, CINDE, the FTZ Companies Association, CPC, the American Chamber of Commerce and the Costa Rican Chamber of Construction). PROCOMER is responsible for the administration and monitors the Steering Committee's agreements and actions (OECD, 2025a).

According to the OECD (2025a), the programme has enjoyed the necessary political and administrative support since its launch. VUI now collaborates with 38 government institutions and encompasses 46 procedures, steps, or processes, with further expansion anticipated.

Using highly disaggregated data for Costa Rica, Scattolo and Volpe Martincus (2025) find that VUI is associated with significant medium-term positive effects. By the third year of implementation, the number of firms increased by approximately 2.5 per cent, employment rose by 7.2 per cent, the wage bill increased by 10.9 per cent, revenue rose by 7.6 per cent, exports increased by 24.7 per cent and imports increased by 165 per cent. These results indicate that process digitization and simplification have a positive impact, although the benefits of VUI are not immediate, as companies need time to adapt to new market conditions and reallocate resources from administrative tasks to more productive activities.

Linkages between FDI and local companies

Costa Rica's successful experience in attracting FDI has been complemented by several programmes aimed at encouraging the integration of local companies with MNEs, including initiatives involving service firms.

In 2005, PROCOMER created the Technical Directorate for Export Linkages and adopted a previous programme – "Costa Rica Provides" – developed jointly with CINDE and other institutions along with the financial support of the IDB. The programme aimed at facilitating business matchmaking between local and foreign firms (García, López, & Ons, 2021). Evaluations found that compared to non-beneficiaries, participant companies showed higher wages, greater demand for labour and increased chances of exporting (Rodríguez-Álvarez & Monge-González, 2013).

The current Linkages ("Encadenados") programme is a business linkage platform that promotes the development of local suppliers serving exporting companies by facilitating networking and providing access to financing and investment opportunities. It includes an annual matchmaking event in which PROCOMER selects participants and organizes business meetings between exporters (buyers) and local suppliers. PROCOMER's priority service activities for the 2025 edition include several KBS sectors, such as education, human resources, business services, marketing, ITO, digital transformation and software development.

MICITT and other institutions have also introduced programmes to strengthen the innovation capabilities of SMEs through scientific and technological training and non-reimbursable grants to fund research and development projects (García, López, & Ons, 2021).

In 2021, Costa Rica implemented the National Cluster Programme with support from the IDB. The programme promotes and coordinates cluster initiatives in sectors with technological and innovation potential, high added value and strong employment generation, ensuring effective collaboration among the public, private and academic sectors. An initial mapping identified 20 cluster initiatives at varying levels of maturity. For instance, the audiovisual and ICT sectors were in an early stage of agglomeration, while biotechnology and cybersecurity were more advanced. The programme developed strategic plans to enhance competitiveness and facilitate coordinated actions across firms and institutions (Torrico & Solís, 2022). Notably, the cybersecurity cluster, known as "Cybersec", started with 12 companies and now includes 63 members.

According to Monge-González and Rivera (2022b), the share of local providers in the total purchases of KBS MNEs in Costa Rica rose from 3 per cent in 2008 to 33 per cent in 2019. Computer programming and computer consultancy, together with facilities management services account for nearly 60 per cent of the specialized inputs these MNEs acquire locally. Evidence also suggests that domestic suppliers benefit from positive spillovers in productivity and wage premiums (Monge-González and Rivera, 2022a).

However, in some areas, outcomes have fallen short of expectations, and several structural challenges persist. Costa Rica has struggled to scale up KBS exports by local firms. For instance, although 85 per cent of exporters of ICT-enabled services are domestic companies, they represent only 16.7 per cent of total export value (BCCR, 2018). This underscores the difficulty of fostering local entrepreneurship in KBS and highlights the need for continued capacity-building efforts.

Skills development initiatives

Talent development in Costa Rica

According to the OECD (2025b), Costa Rica's well-educated talent pool has been a strategic factor in attracting FDI and boosting exports in knowledge-based areas. This includes not only formal education, but also the development of linguistic and vocational skills. Costa Rica is among the top five economies in the LAC region in terms of English proficiency (English First, 2024), an essential capability for high-value exports and nearshoring industries.[10]

Costa Rica has been developing its legal framework for education and skills development since the second half of the 20th century, including the Political Constitution of 1949, which established the obligation of the State to promote employment; the regulation of professional training to improve the employability of the workforce in 1971; and the creation of the INA in 1965, which plays an essential role in enhancing employability by offering training services, technical support and skills certification. For example, in 2015, the INA established a training assistance incentive to train FTZ workers in software development, cybersecurity and other strategic areas (MTSS, 2023; Gómez, Zolezzi, & Monge, 2020).

More recently, the country has implemented several initiatives relevant to talent development in the services sector, comprising actions aimed at developing digital skills and English proficiency, improving STEM education and aligning the qualifications of the labour supply with labour market needs.

Some examples are as follows: the Dual Education and Training Law; the National Employment System; the National Plan for Development and Public Investment; the FDI Strategy (2023–2026); the National Policy for Equality between Women and Men in Education, Employment and Access to the Benefits of Science, Technology, Telecommunications and Innovation (2018–2027); the National Science, Technology and Innovation Plan (2023–2027); the Territorial Economic Strategy 2020–2050: Costa Rica towards an Inclusive and Decarbonized Economy; the Digital Transformation Strategy towards the Costa Rica of the Bicentennial 4.0; and the National Strategic Plan 2050 (MTSS, 2023; MICITT, 2021). In 2023, a standardized test was also introduced to assess reading and listening skills for students in the final year of secondary school.

Costa Rica's vocational education system, which features a highly regarded upper-secondary pathway and dual-education programmes developed in collaboration with the private sector, ensures labour-market relevance and technical readiness (Álvarez-Galván, 2015). In 2024, the National Programme in Technological Training introduced new courses in technology and promoted the use of technology as a learning resource in two out of five schools (OECD, 2025b).

However, demand for advanced skills has outpaced the growth of the labour supply in KBS sectors, presenting a significant challenge. In 2019, more than 40 per cent of service firms had job vacancies and two-thirds of those remained unfilled due to a lack of required skills, work experience, or educational qualifications. One-third of job opportunities in the services sector were for technicians and one quarter for professionals with tertiary education. The scarcity of talent is especially acute in scientific fields and outside the GMA (OECD, 2023).[11] More recent evidence (World Bank, 2023), although not specific to services, points to persistent skills gaps – particularly in digital and technical capabilities and English proficiency – and highlights the need to further develop talent to support knowledge-intensive sectors.

To address these constraints, Costa Rica has implemented several initiatives aimed at developing STEM education and enhancing strategic skills. The National Policy on

Knowledge-Based Society and Economy 2022–2050 (PNSEBC) (MICITT, 2021) seeks to build a coordinated long-term vision for scientific and technological progress and its economic, social and environmental impact.[12] The policy is based on four strategic pillars: knowledge generation, human talent, innovation, and digital transformation.

It states that Costa Rica needs a specialized workforce to improve competitiveness, as well as a population with universal basic digital skills, to benefit from technology and digital services and to exercise fundamental rights, including education, work and access to information. Thus, PNSEBC includes the promotion of STEM education, research and development, and digital and soft skills (problem-solving, teamwork, etc.). It also focuses on reducing gender, territorial and socio-economic gaps in STEM education, seeking to prevent brain drain in these sectors.

The Employability and Human Talent Strategy in Costa Rica (ENETH-CR) 2023–2027 (MTSS, 2023) was designed to address challenges such as the expansion of tertiary education coverage; the provision of more relevant and higher-quality education and training services; the reduction of gaps between individuals' skills and labour market needs; and the strengthening of public employment services to support people actively seeking work, with a focus on vulnerable groups.

A key pillar of the strategy is labour market intelligence, which includes generating and disseminating research on current and future skills demands, particularly in sectors linked to FDI. These studies should identify trends in technical, digital, soft and language skills, as well as certification needs, thereby strengthening the alignment between training programmes and evolving labour market needs. In fact, to design the strategy, the MTSS identified the specific socio-emotional, cognitive, digital, environment-related and technical skills needed in emerging jobs, many of them belonging to KBS sectors (ICT, management consulting services, marketing and advertising, and design, amongst others). ENETH-CR also prioritizes engagement with international organizations, academia and the private sector to ensure occupational demand and skill forecasts are integrated into national training systems.

The ENETH-CR strategy places a strong emphasis on talent reskilling and upskilling through tertiary and vocational education in high-demand fields and fosters curriculum adaptation based on labour market intelligence. It strongly promotes STEM education, the development of digital skills and language proficiency. Programmes implemented in public technical schools focus on areas such as cybersecurity, programming, industrial electronics and customer service. It also aims to narrow the gender gap in employment, both in general and in STEM fields in particular. ENETH-CR supports language training programmes (especially in English), which are essential to meet the needs of global service companies. Additionally, it includes the promotion of entrepreneurship and self-employment, particularly in creative and cultural industries (MTSS, 2023).

In summary, Costa Rica's strategy for talent development has shifted from a general training approach to a more targeted and evidence-based model aligned with productive transformation and FDI demand. Many of these policies have explicitly prioritized skills development for KBS, including ICT, consulting and creative industries, given their strategic role in the country's export and investment agenda. While efforts to expand coverage have progressed, geographic disparities remain significant, particularly outside the GMA, where advanced training programmes are less accessible.

PROCOMER's contribution to talent development

PROCOMER is involved in several talent development initiatives closely aligned with the needs of sectors targeted for FDI, particularly those within KBS. It actively participates in ENETH-CR by conducting prospective studies on labour markets and implementing training programmes based on strategic alliances with educational institutions and public and private entities.

PROCOMER offers two programmes to develop talent for exporting companies: one for beneficiaries of the FTZ regime and another targeting actual and potential exporters under the general regime. Both programmes support the structuring of training pathways in technical and soft skills based on the needs of companies, allowing for partial coverage of total training costs (50 per cent to 90 per cent in the case of free zones and 50 per cent to 70 per cent for the rest of the firms). Companies outside the FTZ may also use the resources to fund language learning programmes (English, French and Portuguese). It also offers talent development programmes in high-demand areas such as digital skills, through an alliance with CISCO and MICITT.[13]

Furthermore, PROCOMER facilitates matchmaking between job seekers and companies seeking talent through Talent Costa Rica. This initiative comprises a digital employment platform and a face-to-face jobs fair.

In May 2025, PROCOMER and MTSS launched Pay for Results (PxR), a training programme focused on English, STEM, as well as soft skills. Under PxR, training centres are paid according to the results they deliver, based on predefined goals and performance indicators. Educational institutions are responsible for delivering courses tailored to employer needs, as well as connecting the trainees with potential employers. According to PROCOMER (2025b), this scheme will offer several benefits, including adaptability; strengthened coordination among training institutions; job placement services; and support for attracting FDI by facilitating companies' access to qualified talent. PxR is expected to train more than 8,000 people by the end of 2026.

Other initiatives

Public-private partnerships play a crucial role in implementing short training programmes in STEM areas under the ENETH-CR, encompassing both basic and advanced digital skills. This collaborative model, led by institutions such as CINDE and the INA, aims to contribute to the development of a competitive, inclusive and future-ready workforce (MTSS, 2023). In 2025, INA was offering 48 educational programmes, 125 training courses and 47 certification exams related to services, including business administration, ICT and languages.

Moreover, CINDE has been working closely with the human resources departments of multinational companies and educational institutions to revise and align the curricula of technical and university-level programmes (Gómez, Zolezzi, and Monge, 2020). In 2025, it offered several talent development programmes, including:

- Bola de Cristal (Crystal Ball): This programme aims to match labour supply and demand in knowledge-based sectors through a digital career guidance platform leveraging artificial intelligence (AI) to predict and recommend personalized learning pathways to help users maintain high employability. The goal is to reach more than 30,000 people and the programme involves an investment of US$ 2.8 million.
- International Strategic Academic Alliances: Based on alliances with key stakeholders, this initiative seeks to accelerate knowledge transfer and reduce existing gaps.
- Talent Place: An online platform that disseminates job opportunities, provides training and certification services and supports companies in recruiting talent.
- GET: A joint strategy by CINDE and multinational companies focused on improving education and training, expanding access to technology and narrowing the gender gap.
- Tools for Success Plus: Scholarships for technical school students to learn English and Portuguese, along with internships in private companies.
- Skills for Life: A joint initiative by CINDE, MTSS and Aliarse that aims to develop soft skills, language proficiency and access to information to improve employability.
- CINDE Jobs: A virtual and in-person jobs fair.

These private-led initiatives are designed to complement national strategies, creating synergies between public training systems and employer-driven talent needs.[14]

Conclusions and policy recommendations

Costa Rica stands out amongst the LAC as a leading example of how a small economy can successfully integrate into global KBS value chains through a comprehensive and coordinated strategy. Over the past two decades, the country has achieved remarkable growth in KBS exports and FDI attraction, which have become central pillars of its economic development.

Good practices

Economies seeking to position themselves in high-value service segments can learn from several good practices that emerge from Costa Rica's experience.

- Costa Rica has created **a predictable and stable business climate**, which has been essential for attracting FDI and enabling export growth. Legal certainty, institutional quality and macroeconomic stability – together with an extensive network of trade and investment agreements and a clear, rules-based fiscal incentive framework – have reduced transaction costs and risks for investors. These factors distinguish Costa Rica from many other developing economies that tend to focus predominantly on tax exemptions.
- **Long-term vision and policy consistency** have been critical. Successive governments have maintained a clear focus on internationalization and prioritized sectors with comparative advantages, enabling institutional learning and the accumulation of private sector capabilities. This has also enabled the progressive upgrading and sophistication of services delivered from Costa Rica, from contact centres to specialized shared services, ICT services and other KBS.
- A **robust institutional framework** with clearly defined roles, autonomy and financial sustainability has enabled PROCOMER to provide high-quality services and maintain staff continuity, an uncommon feature in many developing economies.
- The **strategic alignment of export and FDI promotion** has fostered policy coherence and efficiency in service delivery.
- The **free trade zone (FTZ) regime**, which has been related to export-oriented FDI in KBS, features some good practices including standardization of benefits, eligibility criteria based on strategic priorities, and mechanisms to promote regional diversification.
- Strong **emphasis on talent development**, with cross-sector collaboration and targeted initiatives for English and STEM skills, has allowed Costa Rica to meet evolving labour market demands. The alignment of training programmes with investor needs – particularly through labour market intelligence and performance-based initiatives, such as PxR – is especially relevant. One key lesson is that **the more sophisticated the talent pool, the greater the ease of moving up in terms of service sophistication**, avoiding the call centre/lower end services trap that afflicts some economies. As long as wages are aligned with higher productivity activities, this need not weigh on external competitiveness.
- The use of a **country brand strategy** (Essential Costa Rica) to position the country as a destination not only for tourism, but also for high-value services, contributes to international visibility and cohesion in promotion efforts.
- The **implementation of a one-stop shop mechanism for investments** (VUI) has helped reduce bureaucratic barriers and improve the investment climate, reinforcing Costa Rica's image as an efficient and investor-friendly country.
- In promoting services exports and attracting FDI, Costa Rica's experience shows an interesting combination of horizontal factors such as fiscal incentives, and with specific tools targeting KBS that differ significantly from those in goods sectors. **Services promotion requires prioritizing skilled and bilingual human capital** to increase sophistication and reduce information frictions, **rather than relying primarily on physical infrastructure or scale.**

Risks and challenges

Despite its success, the Costa Rican case also offers lessons on risks and challenges.

- Costa Rica has been successful in attracting FDI, and there is evidence of positive spillovers for local providers. However, the country has struggled to scale up KBS exports by domestic firms. This is an area where outcomes have fallen short of expectations, highlighting the need to strengthen local capabilities and foster entrepreneurship.
- Talent shortages are an ongoing constraint. Although multiple initiatives exist, the pace of labour force adaptation remains insufficient to meet the growing demand for specialized KBS roles, particularly outside the GMA. Costa Rica should strengthen skills development programmes and facilitate international talent attraction, which could also facilitate knowledge transfer to local workers.
- Given that fiscal incentives have played an essential role in Costa Rica's success, potential changes in international tax rules underscore the need to maintain strong investment in human capital development.
- Regional disparities persist, with most activities concentrated in the GMA. Costa Rica is making significant efforts to foster development in other regions by offering greater fiscal incentives and addressing infrastructure and education gaps. However, KBS development outside the GMA is limited due to a shortage of skilled labour. This shows that tax benefits alone have not overcome the structural barrier of talent concentration. A greater focus on territorial equity in the development of human resources will be essential to ensure that the benefits of global integration are widely shared.
- High dependence on a few markets underscores the need for geographical diversification in export and FDI promotion. Costa Rica's efforts to attract Asian investments in KBS sectors have had mixed results. For example, the country was able to successfully attract FDI from India in the KBS sector whereas Chinese investors were primarily interested in the manufacturing sector.

In summary, Costa Rica's achievements reflect a high degree of strategic clarity, institutional maturity and alignment of public–private efforts. While no single model fits all, Costa Rica's experience offers valuable insights for other small and medium-sized economies seeking to leverage KBS as engines of sustainable and inclusive development. However, significant challenges persist, particularly in developing the talent needed to sustain expansion in both volume and sophistication. Strengthening human capital should be a priority in regions with limited skilled labour, so that investment attraction efforts are driven not only by fiscal incentives but also by the availability of talent. This would also help reduce regional disparities. Continued policy adaptation will be essential to address these challenges, foster inclusion, and consolidate a resilient and diversified KBS ecosystem.

Endnotes

1 "Shared services" typically involve the consolidation of business support functions such as human resources, finance and accounting, information technology, supply chain, and other front and back office services.

2 A ratchet provision locks in future liberalization by requiring that any subsequent unilateral liberalization becomes the new binding commitment under the agreement.

3 A standstill obligation requires the parties to list reservations or non-conforming measures that exist at the time of scheduling, so that commitments are bound based on the existing regulatory environment.

4 Both PROCOMER and CINDE have been internationally rewarded for their work. For example, PROCOMER has been recognized by the International Trade Centre as the world's best trade promotion organization for four consecutive years. In 2024, PROCOMER ranked third worldwide and first in LAC in attracting new FDI projects, according to the 9th edition of the Greenfield FDI Performance Index which measures how well economies attract greenfield FDI relative to the size of their GDP. CINDE was rated as the top IPA by the International Trade Centre in 2022 and named as the leading IPA in digital innovation by the World Association of Investment Promotion Agencies in 2023.

5 In 2024, PROCOMER sold more than 1.9 million certificates. The fee paid by companies in FTZs ranges from 0.3 per cent to 0.5 per cent of total sales, with a minimum of US$ 200.

6 Costa Rica lacks a tax credit system and does not permit companies to deduct taxes paid abroad; it has only four double taxation treaties in force (Peña Capobianco, 2024).

7 Costa Rica has FTAs with chapters on trade in services with 47 economies. Investment promotion and protection is supported by national law and 15 bilateral investment treaties.

8 See https://www.mideplan.go.cr/estrategia-economica-territorial-para-una-economia-inclusiva-y-descarbonizada-2020-2050-en-costa.

9 For instance, some webinars oriented to services SMEs are related to the decision to export, to international contracts in services sectors and to digital transformation. Recent reports include studies on the ICT sector in Colombia, Peru and the United States, architecture and/or engineering in Peru and Miami, digital animation and videogames in Canada and the United States, amongst others.

10 Lassmann and Volpe (2025) find that economies with higher levels of English proficiency and advanced digital skills tend to attract more MNEs. English proficiency is significantly more important in services than in manufacturing, given that services are more skill-intensive, more differentiated and involve greater interaction between consumers and suppliers. Such communication is essential to reduce information frictions, which are also more pronounced in services sectors.

11 Another significant challenge is the gender gap. Despite considerable progress, women still face lower employment rates, STEM fields remain male-dominated, and digital access gaps persist (OECD, 2025b). However, Costa Rica is developing several initiatives aimed at reducing gender gaps in access and leadership.

12 See https://www.micitt.go.cr/sites/default/files/planes_estrategias/Politica_Nacional_Sociedad-Economia_PNSEBC_Junio22.pdf.

13 Source: PROCOMER.

14 Source: CINDE.

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Interviews

Surname	Name	Description
Aguilar Víquez	Norman	Planning and Development Coordinator – PROCOMER
Llobet	Gabriela	International consultant. Former Executive Director – CINDE
Monge	Ricardo	President – Academia Centroamérica. Former Technical Secretary – Council of Competitiveness and Innovation
Saborío Marchena	Shirley	First Vice President – CCCR. Executive Vice President – CPC
Vega Rodríguez	Ana Laura	Chief of Staff – PROCOMER
Zolezzi	Sandro	International consultant in FDI. Former Manager, Applied Research, Monitoring and Evaluation – CINDE

04

ICT services export promotion in Egypt: Strategies, opportunities and future prospects

AUTHORS:

Ahmed Farouk Ghoneim and Marwa M. Gomaa

Abstract

This chapter examines Egypt's approach to promoting services exports, with a focus on the digitally delivered and technology-enabled segments, one of the country's most dynamic sectors of the economy. It analyses Egypt's trajectory in fostering information and communications technology (ICT) and outsourcing exports. Drawing on key indicators, policy analysis and stakeholder interviews, the study examines how Egypt has developed a comprehensive, multi-stakeholder strategy to promote the sector and enhance global competitiveness.

The findings suggest that Egypt's emergence as a regional hub is underpinned by macroeconomic and institutional resilience, regulatory reforms and a reliable, multilingual, cost-competitive talent pool. These strengths have been reinforced through major investments in digital infrastructure and broadband expansion, targeted fiscal incentives (e.g., technological zones), specialized institutional support (Information Technology Industry Development Agency – ITIDA), sector-focused training and upskilling programmes (such as those led by the Software Engineering Competence Center), along with early private-sector engagement.

Despite these strengths, several challenges continue to constrain the sector's full potential, including talent outmigration, restrictive banking practices regarding the use of foreign currency and fierce competition from established outsourcing hubs; all of which underscore the need for focused measures to sustain regional expansion, foster innovation and achieve stronger global positioning.

Key points

Main elements of Egypt's export promotion strategy:

- Financial and growth incentives – financial rebates and operating expense (OpEx)-based schemes that reward export performance and job creation.
- Skills development and talent pipelines – digital training, university partnerships, Information Technology Institute (ITI) and Software Engineering Competence Center programmes; inclusion-focused initiatives (e.g., women and youth).
- Global market access and promotion – trade missions, matchmaking, partnerships with industry associations, and participation in international forums and rankings.
- Infrastructure and ecosystem development – broadband expansion, cloud and cybersecurity readiness, and regional tech parks and innovation hubs.

Main achievements and impacts:

- Rising digital and information and communications technology (ICT)-enabled exports, reaching around US$ 4.3 billion by 2023/24.
- Job growth in ICT and outsourcing, supported by domestic and multinational investors.
- International partnerships and global visibility through co-investments and joint programmes.
- Recognition as a leading African outsourcing hub and improved rankings by the International Association of Outsourcing Professionals, Global Business Services (GBS) World, and other indices.

Challenges:

- Talent retention, upskilling and compensation competitiveness.
- Regulatory and governance modernization (data protection, intellectual property, digital policy clarity).
- Infrastructure and regional inclusion gaps, especially outside major cities.
- Moving up the value chain towards higher-value services and innovation.

Good practices:

- Public-private collaboration and co-investment, involving multinationals, small and medium-sized enterprises (SMEs), non-governmental organizations (NGOs) and government.
- Performance-based financial incentives targeting exporters, investors and startups.
- International benchmarking and participation in rankings to guide strategy and visibility.
- Digital inclusion and women-focused employment efforts embedded in training and hiring programmes.
- Building a multi-stakeholder ecosystem, and aligning policy, skills, infrastructure and private-sector growth.

Introduction

The chapter first examines the evolution and growing competitiveness of Egypt's services sector, with a particular focus on the rapid rise of digitally delivered services. The analysis goes on to explore Egypt's emergence as a regional hub for ICT and outsourcing by unpacking the macroeconomic, institutional and human capital foundations that underpin this trajectory.

The chapter subsequently examines Egypt's export promotion instruments, digital economy strategies, investment incentives and capacity-building programmes that collectively reinforce the country's positioning in global rankings. By synthesizing key economic indicators, policy developments and targeted initiatives, the report provides a structured understanding of how Egypt is leveraging services – especially ICT exports – as a driver of competitiveness, sustainable development and global integration. Finally, the paper concludes by providing insights from effective practices, acknowledges persistent challenges, and advances corresponding policy recommendations.

Services exports and foreign direct investment (FDI) dynamics

The services sector has evolved as a fundamental pillar of Egypt's economy, contributing increasingly to gross domestic product (GDP), employment, FDI inflows and export revenues. The sector's performance underscores Egypt's growing capacity to compete as a regional hub for services within the Middle East and North Africa (MENA) region, with dynamism observed, in particular, in digitally delivered and technology-enabled segments. Leveraging its demographic advantages, strategic geographic location and sustained improvements in digital infrastructure, Egypt has enhanced its capacity to integrate into global value chains, notably in ICT and outsourcing. This section outlines key indicators that illustrate the trajectory and diversification of Egypt's services sector, with emphasis on the rising prominence of digital and knowledge-intensive services in shaping its export profile.

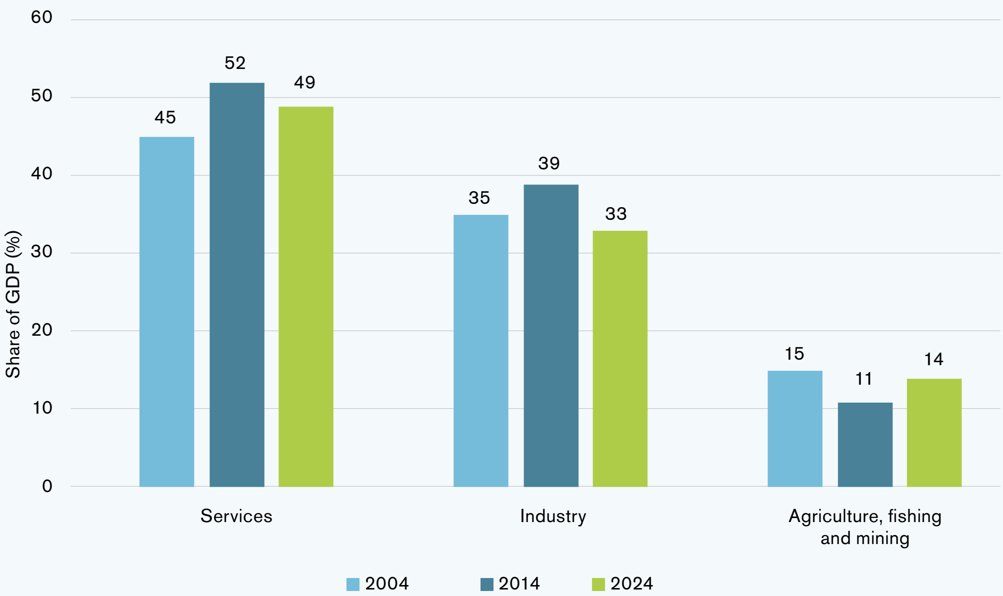
Services as a pillar of Egypt's economy

The services sector in Egypt has consistently accounted for the largest share of GDP over the past two decades. Its contribution increased from 45 per cent in 2004 to 52 per cent in 2014, reflecting the sector's dynamism and its role in driving growth. Although the share decreased slightly to 49 per cent in 2024, services remain the dominant component of the economic structure, underpinning its strong performance and central role in Egypt's economic growth. The sector's resilience and capacity to generate value-added activities highlight its significance not only as a stabilizing force but also as a key driver of future competitiveness and sustainable development (see Figure 4.1).

The services sector also plays a critical role in employment generation within the Egyptian economy. Between 2004 and 2014, the sector consistently accounted for 48 per cent of total employment, reflecting its stability as a major source of jobs. By 2024, its share rose to 53 per cent, underscoring the sector's growing importance in absorbing labour and supporting workforce diversification. This upward trend highlights the services sector's capacity to create sustainable employment opportunities, thereby reinforcing its significance as a driver of inclusive economic growth (World Bank, 2025).

The services sector has also represented a substantial and relatively stable component of total FDI inflows to Egypt in recent years.

Figure 4.1: Egypt's structure of GDP by sector, 2004–2024



Source: Drawn up by the authors based on World Bank, World Development Indicators.

In 2022, total inflows amounted to US$ 25 billion, of which services attracted more than US$ 10 billion, accounting for approximately 41 per cent of total receipts; notably, the ICT segment alone represented around 18 per cent of total services FDI. In 2023, despite a decline in overall inflows to US$ 21 billion, investment in services remained resilient, surpassing US$ 9 billion and increasing its share to around 44 per cent of total FDI.

In 2024, FDI inflows surged to US$ 57.5 billion – primarily driven by large-scale real estate and urban development projects – with the services sector registering US$ 8 billion, of which ICT accounted for 14 per cent. These trends highlight both the consistent role of services as a major destination for foreign capital and the concentration of recent FDI inflows in mega-projects, underscoring the dual challenge of sustaining diversified service-oriented investment while leveraging large-scale strategic initiatives to anchor broader sectoral growth.[1]

Role of services in Egypt's trade

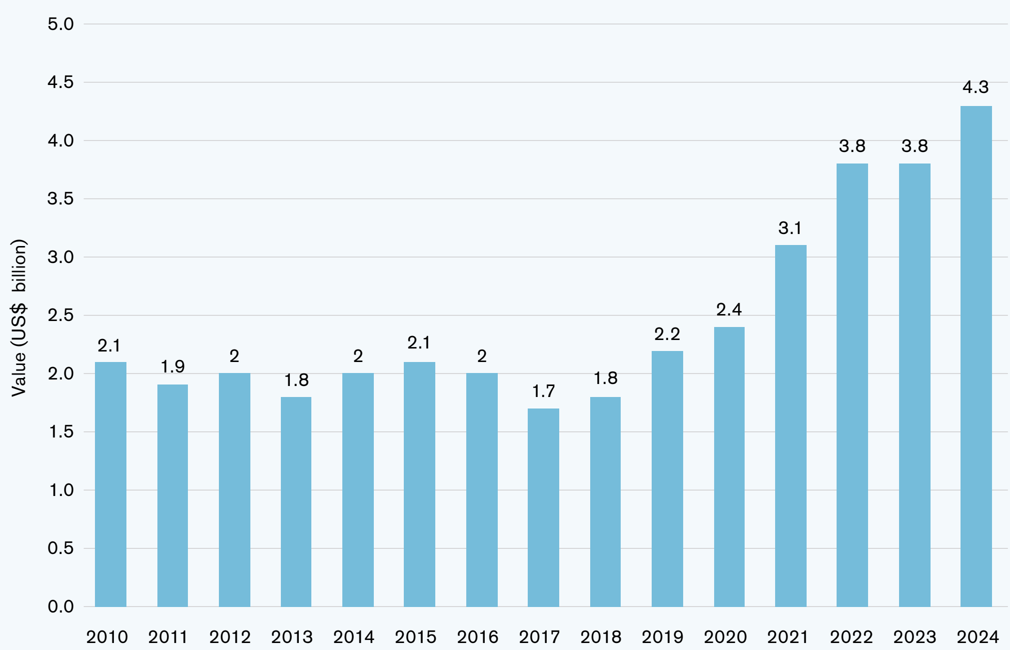
Egypt has established itself as an increasingly services export-oriented country, with services playing a central role in both its economy and external trade performance. Services exports accounted for 10 per cent of GDP in 2000, rose to 13 per cent in 2014, and 14 per cent in 2023, underscoring their increasing relative importance. In value terms, Egypt's services exports expanded steadily from US$ 10 billion in 2000 to nearly US$ 22 billion in 2014, and further to around US$ 34 billion by 2023. Notably, services account for almost 50 per cent of Egypt's total exports of goods and services, underlining the country's structural orientation toward a services-led export profile (World Bank, 2025).

Within Egypt's services export structure, travel services continue to dominate, representing 42 per cent of total services exports in 2023 and affirming the sector's long-standing role as a key foreign exchange earner (World Bank, 2025). Meanwhile, Egypt has achieved notable progress in diversifying its services exports, particularly in ICT whose share rose from 2.7 per cent of total trade in services in 2005 to 5.3 per cent in 2022, nearly doubling over the period. This trajectory aligns with the broader expansion of digitally delivered services (see Figure 4.2), whose share in total services exports increased from 9 per cent to around 14 per cent over the same time frame, underscoring Egypt's growing role as a competitive exporter of modern, technology-driven services alongside its traditional strength in travel (UNCTAD, 2025a).

ICT as a growth engine in Egypt's services economy

The ICT sector has emerged as a dynamic and rapidly expanding pillar of the country's economy, significantly impacting GDP, employment and technological advancement. In 2024, the ICT sector's growth reached 14.4 per cent, making it the fastest-growing sector for six consecutive years. Egypt's ICT market was valued at approximately US$ 19.4 billion in 2024 and is forecast to more than double to US$ 53.1 billion by 2030, at a compound annual growth rate (CAGR) of around 17.6 per cent. The ICT sector's contribution to Egypt's GDP increased significantly, from 3.2 per cent in 2017/18 to 5.8 per cent in 2023/24, with an ambitious government target set to reach 8 per cent by 2030 to drive economic growth, enhance competitiveness, and position the country as a regional digital hub. This target aligns with the government's broader strategy to foster innovation, boost digital infrastructure, create sustainable employment opportunities and reduce reliance on traditional sectors (MCIT, 2024).

Figure 4.2: Egypt's exports of digitally delivered services, 2010–2024



Source: Drawn up by the authors based on UNCTADstat, UNCTAD (2025b).

Foundations of Egypt's competitive services ecosystem

Reflecting the central role of services in Egypt's GDP, trade, FDI attraction and export structure, the country has made notable progress in cultivating a competitive services ecosystem, within which the ICT sector has emerged as a core driver. International assessments increasingly highlight Egypt's ICT capabilities as a leading source of export strength, supported by several key enablers: sustained macroeconomic and institutional reforms, improvements in governance and regulatory clarity, and a large pool of skilled, multilingual and cost-competitive talent. These advantages are further reinforced by accelerated investments in digital infrastructure, broadband expansion and technology parks, all of which have positioned the ICT sector as both a catalyst for wider services growth and a strategic channel for export diversification and high-value FDI.

Acknowledging that macroeconomic stability is a fundamental prerequisite for enhancing its competitiveness in services exports, Egypt has prioritized measures to address persistent foreign exchange shortages. The Egyptian pound has undergone four major devaluations in recent years. The first occurred in March 2022, with a 16 per cent drop, followed by a second in October of the same year, which pushed the rate above 24 EGP/1 US$. Despite these moves, a widening gap with the black market persisted.[2] In January 2023, the value of the Egyptian pound fell by another 25 per cent to reach 30 EGP/1 US$, however foreign currency shortages and inflation – reaching nearly 38 per cent by the end of 2023 – remained. Finally, in March 2024, the Central Bank of Egypt further devalued the pound, resulting in a sharp decline from 31 to over 50 EGP/1 US$. This move aimed at aligning the currency with market forces, boosting exports, and restoring investor confidence.[3]

Egypt has advanced significant regulatory reforms to strengthen its business environment and support services exports, especially in the ICT sector. Efforts include modernizing investment laws, enacting key digital regulations such as the Digital Signature Law (2004), Cybercrime Law (2018), and Data Protection Law (2020),[4] establishing the Egyptian Authority for Intellectual Property in 2023[5] and launching the National Cybersecurity Strategy 2023–2027.[6] All these steps aimed to align Egypt's regulatory framework with international standards and ensure a secure environment for technology-driven industries. These combined efforts have successfully positioned Egypt as a regional leader, with the country achieving a perfect score in the 2024 Global Cybersecurity Index (GCI) and ranking in Tier 1 alongside global frontrunners; this success underscores its commitment to building a competitive, secure and innovation-friendly services ecosystem (see Table 4.1).

Egypt possesses an abundant youth talent pool, with an average age of under 25 (CAPMAS, 2024), multilingual with neutral and easy-to-comprehend language accents, enabling effective communication and service delivery to diverse international clients across Europe, North America and the Middle East. This is further strengthened by Egypt's strategic location, which bridges Europe, Africa and the Middle East, facilitating convenient time zone alignments with primary markets and enabling real-time collaboration and extended service hours. Adding to this are favourable labour costs and exchange rates, which enable global clients to achieve substantial savings, where Egypt offers up to 80 per cent cost savings for entry-level salaries compared to its competitors, Morocco, Poland and Türkiye, positioning it as a cost-effective alternative to traditional outsourcing hubs (Al Saraeji, 2023). Despite this, talent retention remains a critical concern as economic pressures drive skilled professionals towards migration.

Recognizing that a well-developed digital infrastructure is a crucial enabler for industrial expansion and competitiveness, particularly in outsourcing, the government has taken steps to establish a robust digital infrastructure necessary for creating a thriving ecosystem. Egypt has invested heavily in expanding broadband

Table 4.1: Highlights of Egypt's Global Cybersecurity Index (2024)

Attribute	Details
Tier rank	Tier 1 – role modelling
Exact GCI score	100 out of 100 across all five pillars: legal, technical, organizational, capacity development and cooperation
Global standing	Among the top 12 economies worldwide with a perfect score
Regional leadership	Leading the MENA region alongside Mauritius, Qatar, Kingdom of Saudi Arabia and United Arab Emirates

Source: GCI, International Telecommunication Union (2024).

access, data centres and technology parks to support the growth and competitiveness of its outsourcing industries. Over the past three years, Egypt invested around US$ 2 billion in digital infrastructure, elevating the country's fixed broadband ranking in Africa from 40th in 2019 to 1st in 2022, a rank it has maintained ever since.[7] In this way it has enhanced its capacity to deliver high-quality digital services, outsourcing operations internationally and attracting more export-oriented outsourcing business.

Together, Egypt's macroeconomic and institutional resilience, regulatory improvements, skilled workforce and expanding digital infrastructure have positioned the country as a robust, globally recognized entrepreneurial ecosystem – valued at over US$ 8.3 billion as documented by the Egyptian Entrepreneurship Sector Diagnostics Report (2023). Egypt's achievements reinforce its growing recognition in global rankings and underline its potential as a leading destination for knowledge and technology-driven industries (see Table 4.2).

Table 4.2: Egypt's global competitiveness and readiness indicators (2023–2025)

Indicator	Year	Rank	Notes
Global Services Location Index (A.T. Kearney)[a]	2023	23/78	
Digital Skills Development (Coursera Global Skills Report, 2025)	2025	87/109	Reflects human capital readiness
Government AI Readiness Index (Oxford Insights, 2024)	2024	62/193	+3 places since 2023, +49 since 2019
Network Readiness Index (Portulans Institute and Saïd Business School, 2024)	2024	85/134	+6 places from previous edition
Global Startup Ecosystem Report – Startup Genome (Genome and global Entrepreneurship Network, 2025)	2025	Top 100 emerging ecosystems	Top 20 for affordable talent, 3rd in MENA for funding, talent and experience
Global Innovation Index (World Intellectual Property Organization) (WIPO, 2024)	2024	86/133	5th in Africa in innovation capabilities[b] 1st in Africa in hosting science and technology clusters (11 clusters)
GBS World Competitiveness Index (Global Edition) (GBS, 2021) General IT outsourcing	2023	5/76	Strong performance across services categories
Speedtest Global Index (Fixed broadband rankings)	2025	1st in Africa	Maintained 1st place in Africa since 2022, having improved from 40th in 2019

Source: Drawn up by the authors based on institutional reports (2023–2025).

Notes: [a] Ranked on financial attractiveness, business environment, people skills and availability and digital resonance.

[b] Preceded by Mauritius, Morocco, South Africa and Tunisia: https://www.wipo.int/en/web/global-innovation-index/w/blogs/2024/gii-2024-african-innovation-clusters.

Egypt's outsourcing edge in global rankings

Outsourcing has played a pivotal role in Egypt's economic performance and recovery in recent years, emerging as a major contributor to exports and employment. This industry is experiencing robust growth, driven by government support, private investment and increasing global demand. Egypt's outsourcing services grew by 54.2 per cent in 2023 on a year-to-year basis, with value added rising to US$ 3.7 billion. In particular, the information technology outsourcing (ITO) and business process outsourcing (BPO) segments have registered significant growth, with the ITO and BPO markets projected to have generated, respectively, US$ 631 million and US$ 461 million in revenue by the end of 2025.[8] The outsourcing industry in Egypt currently serves approximately 100 economies in over 20 languages, with more than 200 outsourcing service centres and over 185 companies, evidencing rapid industry expansion.

Egypt's competitiveness has also been strengthened by intensified capacity-building programmes, which boosted the country's expertise in emerging information technology (IT) trends, such as big data, the Internet of Things (IoT), virtual and augmented reality and digital transformation services, thus enhancing firms' competitiveness in evolving markets. The GBS World Competitiveness Index (GBS World, 2023) highlights Egypt's growing importance as a leading hub for global business services, especially in outsourcing and digital support.

The 2021 edition marked the inaugural release of the Index, with a primary focus on African markets in the GBS sector, particularly customer experience (CX) management[9] and back-office operations. In this edition, Egypt ranked second, achieving a strong score of 5.93, following South Africa (6.60). Egypt's position reflected its expanding multilingual capabilities, supportive government ICT policies, and rapidly evolving outsourcing infrastructure. Also, Egypt has been recognized among the top five nearshoring destinations for European enterprises regarding outsourcing and CX,[10] according to the Ryan Strategic Advisory 2025 (see Table 4.3).

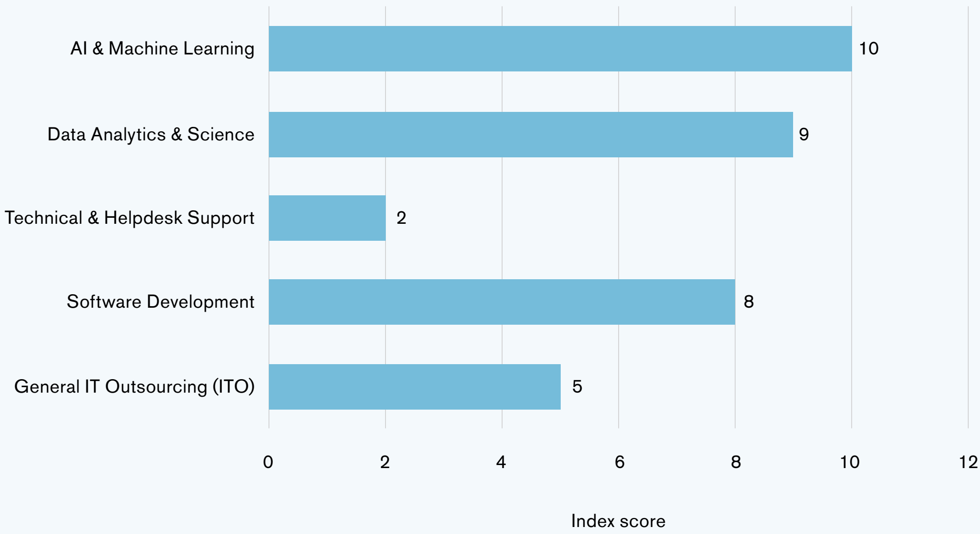
In the 2023 edition, the GBS Index expanded its scope to cover global rankings across multiple service categories. Egypt made a significant leap in recognition, ranking 5th globally in general IT outsourcing, excelling in various services categories, as reported by the World Source Marketplace for Global Business Services (see Figure 4.3). Such a favourable ranking underscores Egypt's continued progress in digital services delivery, technical talent development and cost-competitive IT infrastructure, placing it among the most attractive destinations worldwide for IT outsourcing.

Table 4.3: Top offshore/nearshore destinations for customer experience (2025)

Rank	Country	Highlights
1st	India	Top-rated in most English-speaking markets; strong performance in Asia-Pacific; 3rd consecutive win.
2nd	Philippines	Highly favoured in Australia, Canada, the United Kingdom and the United States; top choice in Singapore and Republic of Korea.
3rd	Poland	1st in Germany and the Netherlands; top 5 in Italy and the United Kingdom.
3rd	South Africa	1st in the United States and Australia; 2nd in Canada and the United Kingdom; dropped from 2nd place in 2024.
5th	Egypt	Maintains 5th place from 2024; consistent appeal across North America, Western Europe and parts of Asia-Pacific.

Source: Drawn up by the authors based on Ryan Strategic Advisory (2025).

Figure 4.3: Egypt's global rank by Global Business Services category (2023/2024)



Source: GBS World Competitiveness Index (2023/2024).

Egypt's strategy for digital transformation: from readiness to sustainability

The Ministry of Communications and Information Technology (MCIT) in Egypt implements a nationwide strategy to modernize the State's administrative apparatus through digital transformation. The approach is ecosystem-based, covering all service-delivery entities, and is structured around three phases: preparation, adoption and sustainability.[11]

Phased implementation of digital transformation: skills development and professional training

The preparation phase ensures institutional readiness by assessing infrastructure, connectivity, device availability, system strategies and employee capabilities. During adoption, digital transformation units staffed by MCIT engineers are embedded within government bodies to manage implementation. Sustainability is achieved through a dedicated government capacity platform that provides continuous training and support beyond project completion. Capacity building is a core pillar of this strategy, targeting government employees and key professional sectors. Training covers essential disciplines such as project management, risk mitigation and international certification pathways such as the Project Management Institute. Specialized programmes extend to journalists, lawyers, judges and accountants, incorporating the use of artificial intelligence (AI) and digital communication tools to enhance professional performance.

Private sector integration and digital inclusion

The strategy also integrates the private sector as a primary implementation partner. To decentralize service delivery, functions traditionally handled by State bodies such as civil affairs and real estate registration are outsourced to licensed private providers which operate under strict licensing and security oversight. Quality assurance relies on competency evaluations and certifications from bodies such as the Software Engineering Competence Center (SECC), often aligned with Capability Maturity Model Integration (CMMI) standards. The strategy promotes startup participation to diversify market engagement. In parallel, digital inclusion initiatives are undertaken via training programmes for targeted groups such as freelancers and residents of rural areas. Collectively, these efforts support wider access and citizen inclusion in the digital economy.

Egypt's ICT development: a multi-stakeholder evolution

The evolution of the ICT industry in Egypt has been a sustained decades-long process, based on a comprehensive, strategic national movement, targeting sector development and global competitiveness. The trajectory has been characterized by consistent state commitment, extensive infrastructure investment, active private-sector involvement and forward-looking policy design emphasizing export promotion, regulatory reform and digital transformation.

Foundational partnerships and infostructure

The foundational phase began in the mid-1980s, when the Egyptian government initiated heavy investments in its technology and information infrastructure ("infostructure") to serve as a platform for economic growth. A crucial factor during the period 1985–1995 was the government-private sector partnership, which had a remarkable impact on building this infrastructure. This led to the establishment of hundreds of informatics projects and centres across various sectors, focusing on developing human, technology and financial infrastructure, thereby contributing to the emergence of an IT-literate society. Nationally, development plans in the 1980s and 1990s started shifting attention towards the role played by the private sector in ICT deployment, a trend also observed globally (Kamel, 2010; Kamel & Rizk, 2017).

Strategic policy and institutional framework

A pivotal shift occurred in 1999 when ICT was established as a national priority, leading to the establishment of the MCIT responsible for developing, regulating and advancing Egypt's ICT industry. Since its inauguration, the MCIT has launched successive national ICT strategies, each building on earlier achievements while adapting to evolving economic and social priorities. The core pillars of these strategies build on infrastructure expansion, e-government development, human capital building, private sector growth and regulatory reform.

ICT development strategies in Egypt: from infrastructure to inclusion

The initial national ICT strategy (2000–2007) marked the beginning of a structured effort to position the country as a regional leader in digital transformation and technology services. It laid the institutional, infrastructural and human capital foundations for Egypt's later growth in outsourcing, business process services and the broader digital economy. On the infrastructure front, Egypt invested in physical and digital infrastructure to attract global ICT companies. One of the earliest and most impactful projects was the development of Smart Village (2001–2003)

– through a public–private partnership (PPP) between the MCIT and private investors – as a flagship technology and business hub that hosted multinational firms such as Microsoft, IBM, Orange and Vodafone, alongside government institutions.

The establishment of Smart Village further signaled Egypt's commitment to building a competitive ICT ecosystem. This commitment was reinforced by the enactment of the Telecommunication Regulation Law in 2003 to liberalize the sector. In parallel, human capital development was another major component, with ICT curricula introduced in schools and universities, the establishment of digital training centres, and national programmes supporting computer literacy and workforce upskilling (Kamel, 2010; ESCWA, 2007).

Industry-specific agencies: ITIDA

A landmark step came in 2004 with the establishment of the Information Technology Industry Development Agency (ITIDA), which became the main entity responsible for promoting IT exports, attracting foreign investment in outsourcing, and supporting technology firms through incentives, training programmes and partnerships. The ITIDA is dedicated to creating a secure and innovative e-business ecosystem, supporting entrepreneurship, enhancing exports, fostering innovation and positioning Egypt as a competitive destination for IT investment and outsourcing. It fulfills its core mission by identifying the needs of local IT industry actors and addressing them through capacity-building programmes, market research, trade promotion in international markets and strategic consultancy services to local and multinational companies. This helps them understand diverse market requirements and regulatory environments and comply with international standards.

Public-private partnerships: expanding tech ecosystems across Egypt

Subsequently, Egypt has pursued the 2007–2010 strategy by focusing on consolidating infrastructure gains and positioning Egypt as a regional ICT hub. It emphasized broadband expansion, regulatory reform, modernization of the postal system and cybersecurity enhancement. Social initiatives promoted affordable access through programmes such as IT clubs and the Egyptian Education Initiative. At the same time, the strategy prioritized the growth of IT-enabled services and outsourcing exports, supported by investment incentives, capacity building and partnerships with multinational firms (MCIT, 2007) (see Box 4.1).

The following 2012–2017 strategy expanded its focus in response to the post-2011 political transition. Under the vision "Towards a Digital Society and Knowledge-Based Economy," it aimed to support democratic transformation, economic revitalization and digital inclusion. Implementation was organized around pillars targeting broadband rollout, export growth, technology park expansion and employment creation in outsourcing. It also emphasized human capacity development through training programmes targeting youth, women and people with disabilities. Legislative modernization in areas such as cybersecurity, e-commerce, data protection and freedom of information reinforced institutional reform, while e-government, green ICT and digital education initiatives further integrated technology into national development efforts (MCIT, 2012).

For instance, in 2016, the MCIT launched a nationwide initiative to establish technology parks as part of its strategy to capitalize on the growing potential of the ICT sector. The project focuses on creating major innovation hubs equipped with advanced infrastructure, support services and collaborative environments to foster entrepreneurship and drive sectoral growth (MCIT, 2024).

The same year saw the launch of the Silicon Waha company, a joint-stock company formed through a strategic PPP, to establish and operate cutting-edge technology parks across Egypt. Silicon Waha's PPP model combines State backing with private-sector participation, including engagement from local firms and multinational companies, to stimulate innovation, boost exports and attract both domestic and international investment. Silicon Waha has since developed four technology parks in New Borg Al Arab, New Assiut, New Beni Suef and Sadat City, providing a scalable technological ecosystem that supports economic development and industry competitiveness.[12]

Box 4.1: Case study of a successful NGO in Egypt's ICT industry

EiTESAL Association

EiTESAL is a private NGO established in 2004 representing around 400 ICT companies. Its member base spans system integrators, BPO and call centre providers, electronic design firms, telecom operators and software companies. The NGO works closely with MCIT and ITIDA to strengthen local companies, particularly SMEs, which form the backbone of the sector. Unlike in other industries, SME classification in ICT is based more on economic output than on headcount, noting that even small teams can generate substantial revenues.

Capacity building is another core activity, with EiTESAL running programmes that strengthen members' technical, managerial, financial and export-readiness capabilities. The NGO also runs successful initiatives in collaboration with the German international development agency GIZ, to train people with disabilities in areas such as software development and testing. Around 80 individuals have graduated so far from these programmes, with plans to scale to hundreds. EiTESAL organizes international promotional efforts – often co-funded by ITIDA or international partners such as GIZ, the United Nations Development Programme, and UNESCO – including matchmaking missions and participation in global exhibitions such as LEAP, GITEX and Web Summit.

Additionally, EiTESAL is an active partner in the Dutch Centre for the Promotion of Imports-led Export Coaching Programme, designed to strengthen the export capacity of 21 selected SMEs in the IT outsourcing sector. The initiative focuses on enhancing firms' export readiness via technical assistance and guidance on certification requirements needed to access European Union markets, with EiTESAL involvement aiming to facilitate coordination and ensuring effective participation of selected firms.

Source: Interview with the Head of EiTESAL, Egypt (2025).

Export promotion strategy and public-private sector coordination

Promoting ICT services exports in Egypt requires a distinct policy approach compared to generic exports promotion. In particular, ICT exports depend on capacity building, digital infrastructure, connectivity, cloud platforms and export certification. SMEs play a distinct role in this domain with small tech companies generating high export revenues. The regulatory environment also differs, where traditional exports rest heavily on trade agreements and customs incentives, whereas ICT services exports centre on laws and regulations that protect data flows, support cybersecurity and intellectual property rights.

Building an export-oriented ICT sector: Egypt's policy trajectory

From the outset, export growth has been embedded as a strategic goal within Egypt's broader ICT agenda. In the initial 2000–2004 plan, the strategy emphasized business development and aimed to position Egypt as an active participant in the global digital economy; this was initially addressed via the ICT Export Initiative (Kamel and Rizk, 2017). This export-oriented vision was reinforced in the revised 2007–2010 strategy, where "ICT industry development" was established as one of the main pillars. The government explicitly targeted a substantial rise in ICT exports – from US$ 250 million to US$ 1.1 billion by 2010 – primarily through outsourcing. Alongside export growth, the updated strategy emphasized innovation, research and development, and the establishment of technology incubators to support SMEs in the sector (ESCWA, 2007; Kamel, 2010).

The subsequent ICT strategy 2012–2017 reinforced export promotion, emphasizing high-value-added services such as software, technical support and IT-enabled services. Quantitative targets included raising outsourcing export revenues to US$ 2.5 billion, intellectual property revenues to US$ 1 billion, and software and embedded software exports to US$ 500 million. Employment targets included the generation of 75,000 direct and 220,000 indirect jobs in outsourcing by 2017.

Institutional framework and export programmes: Export-IT

To institutionalize this vision, the government mandated ITIDA to lead efforts in promoting and supporting ICT exports. As part of its mission, ITIDA has launched several initiatives to enhance Egypt's outsourcing competitiveness and boost the global reach of the country's IT-enabled services industry. Among these, the most prominent is the Export-IT programme,[13] launched in 2010. The first of its kind in the region, this is a cornerstone initiative that integrates export promotion, capacity building and ecosystem development to drive the expansion of Egypt's ICT services exports. Over 15 rounds, more than 370 local companies have benefited from this initiative – with EGP 880 million (≈ US$ 16.41 million)[14] in incentives awarded – facilitating their expansion into regional and global markets.

The Export-IT programme provides direct financial support to eligible Egyptian companies, especially MSMEs, based on the value-added export revenues they generate within a specific year (see Box 4.2). The Export-IT programme functions as a rebate system to incentivize service exports, where companies must complete service delivery and verify payment inflows into Egypt before receiving reimbursements on their value-added export revenues. Such a governance model ensures accountability and encourages companies to expand export activities.

In 2024, two new rounds of the Export-IT programme were launched, covering export proceeds earned in 2022 and 2023. During the 14th (2022) round, 191 Egyptian companies applied, including 45 newcomers from various regions. The 15th (2023) round saw an increase, with 205 applicants from Egypt and another 46 new participants. The main export sectors served were IT and communications (55 per cent). Key export services represented were software and mobile app developers, call centres, business process services, as well as electronic design and engineering services. Top destination markets included the Kingdom of Saudi Arabia, Europe and North America (see Figure 4.4).

Since the programme requires clear documentation and bank-traceable export proceeds, it encourages MSMEs to formalize and streamline their export processes, helping them improve compliance and operational efficiency while reinforcing transparency and accountability – further enhancing sustainable export growth.[15] Box 4.3 illustrates an example of private sector engagement in export promotion initiatives.

Digital Egypt Strategy for Offshoring Industry 2022–2026[16]

Another milestone in Egypt's strategy to boost its outsourcing industry was the launch of the Digital Egypt Strategy 2022–2026, an ambitious national strategy unveiled by the Ministry of Communications and Information Technology (MCIT) in 2022 and implemented through the ITIDA. The plan aimed to enhance Egypt's position in the global digital economy, with a target to increase digitally delivered services to US$ 9 billion by 2026, at a CAGR of 19 per cent. In 2024, Egypt's digitally delivered services exports reached approximately US$ 4.3 billion, marking significant progress towards this goal.

Box 4.2: Export-IT rebate scheme

Who qualifies?

- **Eligible IT companies:** Eligible companies are ICT companies with more than 50 per cent Egyptian ownership, headquartered in Egypt and exporting ICT services, embedded software, and IT-enabled services (such as call centre services, consultation and training services related to IT).
- **Programme tailored to micro, small, and medium enterprises (MSMEs):** Companies are classified according to total annual revenue as follows: micro-enterprises generate up to EGP 2 million (US$ 38,400); small enterprises earn more than 2 million and up to EGP 20 million (US$ 384,500); while medium enterprises have revenues exceeding 20 million and up to EGP 150 million (US$ 2.9 million). Companies with total annual revenue exceeding EGP 150 million are not eligible for the programme.

Support rates by company size

Micro-enterprises:

- Up to 35 per cent of value-added exports.
- +10 per cent if based outside major urban cities (Cairo, Giza, Alexandria).

Small enterprises:

- 12 per cent (based on export growth vs. previous round).
- +10 per cent if based outside major cities.
- Higher funding for first-time/new market exporters.

Medium enterprises:

- 10 per cent (based on export growth).
- Full support for total value added for cutting-edge tech exporters.
- Higher funding for first-time/new market exporters.

Extra incentives

- +5 per cent for exporting emerging technologies, e.g., IoT, blockchain, cybersecurity.
- +5 per cent growth incentive for micro and small firms increasing value-added exports (not applicable for small enterprises with annual revenues over EGP 15 million [US$ 290,000]).

Maximum support

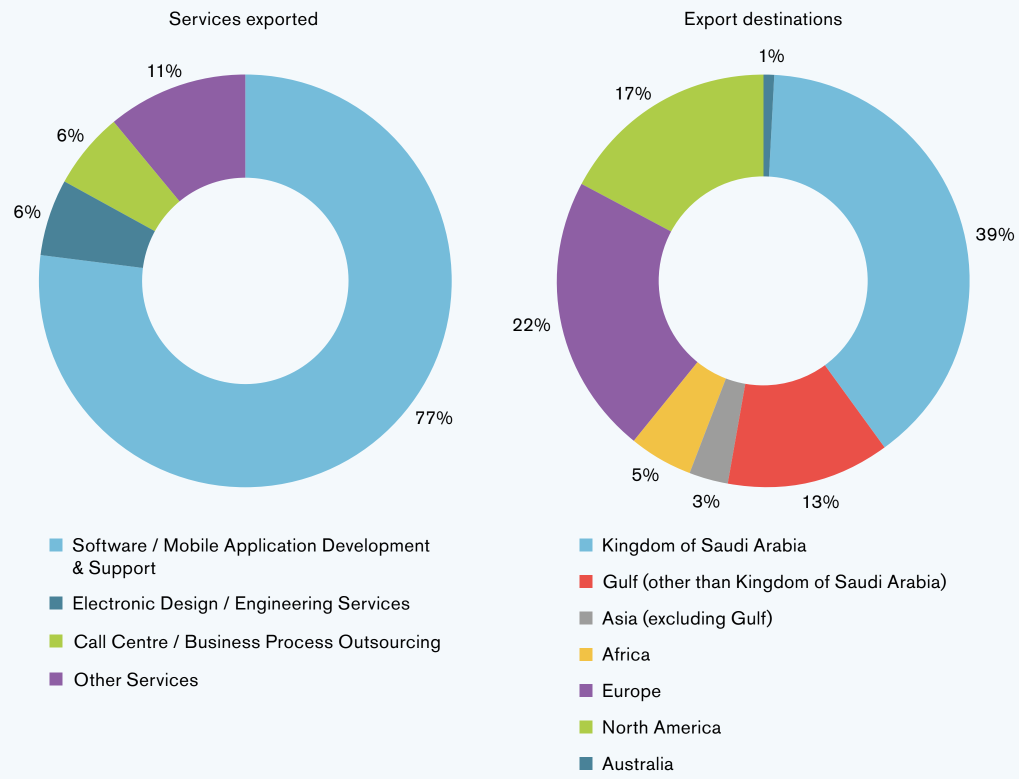
- EGP 2.5 million (US$ 48,000) per company.

Source: ITIDA website https://itida.gov.eg/English/Programs/Export-IT/Pages/Default.aspx.

The Strategy aimed to create over 215,000 sustainable jobs in the outsourcing sector, prioritizing high-value segments, particularly Information Technology Services (ITS), Business Process Services (BPS), Knowledge Services (KS), and Engineering Research and Development services (ER&D) (MCIT, 2022).

With the dual goal of increasing employment opportunities and boosting the competitiveness of local IT exporters, the Strategy adopts an operating expense (OpEx)-based incentive scheme to attract investors, focusing on reducing operating costs and rewarding net headcount growth. Incentives are tiered, based on the number of new hires, and are reduced over five years to encourage early scaling. Incentives are granted over three years for net headcount growth, with a declining scale over time according to a tiered structure: Tier 1 incentives dropped from 100 per cent in 2022/2023 to 40 per cent

Figure 4.4: Export-IT indicators 2023 (% of exports of approved companies)



Source: ITIDA website (2025).

by 2026, Tier 2 from 100 per cent to 70 per cent, and Tier 3 from 100 per cent to 90 per cent.

Eligibility is determined by the number of new jobs created across ITS, BPS and ER&D, with tiers reflecting the scale of headcount growth.[17] Incentives are disbursed only upon meeting minimum hiring thresholds – no payouts are made if less than 50 per cent of targets are met, while 90 per cent is awarded if 80 per cent is achieved (MCIT, 2022).

Investment schemes on offer are multifaceted, with a unified incentive scheme for export-related jobs designed to attract both multinational and local or regional companies, covering new and existing investors. Differentiated incentives are also available based on job complexity, skills availability and the strategic importance of business focus areas. A crucial objective is to reduce the fully loaded operating cost per full-time employee, thereby providing investors with flexibility in utilizing the benefits. The scheme particularly incentivizes job creation through scaled rewards, especially in the early stages, with additional rewards for companies surpassing hiring thresholds.

Since the Strategy's launch, 74 agreements have been signed with local and global companies. The number of companies exporting digitally delivered services has increased to more than 180, up from 64 in 2021, with 200 delivery centres employing over 145,000 specialists (MCIT, 2024).

Box 4.3: Export promotion: private sector engagement

The Egyptian Exporters Association

The Egyptian Exporters Association – ExpoLink (EEA), established in 1997 as a private, non-profit body, supports Egyptian exporters through its "Exporter's Journey" model, with the ICT sector as one of the key sectors it serves. The association focuses on expanding export capacity by identifying new market opportunities, increasing current export volumes, bridging demand–supply gaps and enlarging the pool of qualified exporters. Two core service pillars – export promotion and export development – are delivered by technical experts covering promotion operations, market intelligence and export services. Capacity building is a central component, offering tailored training programmes by accredited professionals to ensure ICT exporters develop skills needed to compete sustainably in global markets. Market research and advocacy are led by the Policy Support Unit and its Market Intelligence Unit, which provide data, export leads, trend analysis and access to global buyer databases.

The EEA promotes ICT exports internationally through organized trade fairs, branded roadshows and collective catalogues that gather exporters' offers for distribution in target markets. These initiatives enable companies to showcase their services, promote visibility and access new demand. The association also fosters year-round networking with key stakeholders via seminars, workshops and meetings, giving exporters access to international partners and decision-makers. To boost companies' competitiveness abroad, the EEA assists in building strong corporate identities and positioning them effectively in global advertising platforms. These promotional and intelligence-driven activities create critical pathways for Egyptian ICT and outsourcing service providers to enter new markets, maintain export channels and enhance international competitiveness.

Source: Egyptian Exporters Association – Expolink, https://expolink.org/.

Foreign direct investment incentive schemes

Egypt's Investment Law No. 72 of 2017 introduced targeted provisions to promote the ICT sector through the creation of technological zones. These zones cover a wide range of ICT activities, including electronics design, data centres, outsourcing, software development and technological education. Projects established within these zones benefit from significant tax and customs exemptions, including duty-free imports of equipment and tools. They also qualify for special investment incentives, such as deductions of up to 50 per cent on investment costs in geographically disadvantaged areas (high-development-need areas) and 30 per cent in other specified areas. Each zone is governed by a dedicated board of directors, which oversees project approvals and sets operational criteria.

Beyond the zones, ICT projects enjoy a package of general investment incentives. These include exemptions from stamp duty taxes and registration fees for five years, a reduced customs tax of 2 per cent on imported machinery and eligibility for location-based tax deductions. The law also provides flexibility in hiring foreign workers (up to 10–20 per cent of staff if local skills are unavailable) and grants investors the right to freely finance projects and remit profits in foreign currency without restrictions or delays. Together, these measures create a favourable investment climate for ICT, aimed at lowering operational costs, encouraging FDI and supporting Egypt's positioning as a competitive global technology hub.[18]

Besides targeted incentives for the ICT sector, the industry also benefits from Egypt's broader reforms that simplify and streamline investment procedures such as the launch of the Investor Service Centre in 2017 as a one-stop shop that centralizes incorporation, licensing and post-establishment services, while improving accessibility for investors across regions,[19] a step that has been particularly critical for ICT and outsourcing firms which depend on speed and operational efficiency. In parallel, the Golden License[20] was introduced in 2022 as a unified approval for strategic projects,[21] granting tax and customs exemptions in return for export commitments, thereby accelerating business operations and supporting export growth.[22] Collectively, these reforms have enhanced Egypt's attractiveness as an investment hub, with the UN Trade and Development recognizing it as Africa's top FDI destination in 2022 (see Table 4.4).

Outward direct investment (ODI) in outsourcing

Egypt is also witnessing an emerging trend of ODI by its outsourcing companies driven by the desire to expand internationally, diversify markets and access advanced technologies. Several Egyptian outsourcing firms are successfully establishing a robust presence abroad – particularly in Europe, the Middle East and Gulf economies – either via subsidiaries, partnerships or a direct presence.[23] These investments help companies to get closer to key clients, integrate into global value chains and gain exposure to new technologies and management practices, further enhancing their capabilities, competitiveness and service delivery.

With government backing and increasing global recognition, Egyptian outsourcing companies are steadily gaining recognition in international rankings,

Table 4.4: ICT investment incentives in Egypt

Category	Incentives	Benefits
Technological zones	Tax and customs exemptions	▪ Duty-free imports of tools, equipment and supplies
	Investment cost deductions	▪ 50% in high-development-need areas ▪ 30% in other specified areas
	Governance	▪ Zones managed by a dedicated board handling approvals and operations
General incentives (ICT projects nationwide)	Stamp duty tax and registration fees	▪ Exempt for 5 years
	Customs on machinery	▪ Reduced to 2% on imported equipment
	Location-based tax deductions	▪ Available for qualifying regions
	Foreign workforce flexibility	▪ Up to 10–20% of staff if local skills unavailable
	Profit repatriation and financing	▪ Freedom to fund projects and transfer profits in foreign currency with no delays
Procedural and regulatory reforms	Investor Service Center	▪ One-stop shop for establishment services
	Golden License	▪ Unified approval for strategic projects ▪ Tax and customs exemptions for export commitments

Source: Developed by the authors based on the regulatory framework outlined in the text.

with four Egyptian outsourcing companies among the Top 100 Global Outsourcing Companies, according to the International Association of Outsourcing Professionals (IAOP) 2025. While other Arab peers may have representation through subsidiaries or shared operations, Egypt leads in terms of domestically headquartered outsourcing providers recognized by the IAOP.[24]

Global recognition of Egypt's investment competitiveness

The comprehensive set of measures taken by Egypt to position itself as a competitive and investor-friendly destination for FDI, in general, and an outsourcing investment destination, in particular, is increasingly recognized globally, reflecting the country's improved rankings in several global indicators. According to the fDi Insights' 2025 report, published by the Financial Times (2025), Egypt emerged as the leading destination in the MENA region for capital investment, securing over US$ 54.5 billion in pledged investments across 139 announced FDI projects in 2024, representing an increase of almost 4 per cent compared to FDI projects in 2023.

According to A.T. Kearney's 2025 FDI Confidence Index, Egypt ranked 13th among emerging markets, up one rank from 14th in 2023, reflecting strong investor confidence.[25] As shown in Table 4.5, Egypt ranks 4th within the MENA region, positioning it as a key emerging market for foreign investors, following the United Arab Emirates (2nd) and the Kingdom of Saudi Arabia (3rd). Egypt's presence in the global top 15 performers underscores its rising attractiveness amid structural reforms and growing opportunities in sectors such as infrastructure and digital services.

Table 4.5: A.T. Kearney 2023 vs. 2025 FDI Confidence Index – emerging markets ranking

Rank 2023	Economy	Rank 2025	Economy	Change in rank
1	China	1	China*	Remains on top
2	India	2	United Arab Emirates	▲ +1
3	United Arab Emirates	3	Saudi Arabia, Kingdom of	▲ +3
4	Qatar	4	Brazil	▲ +3
5	Thailand	5	India	▼ – 3
6	Saudi Arabia, Kingdom of	6	Mexico	▲ +2
7	Brazil	7	South Africa	▲ +10
8	Mexico	8	Poland**	▲ significant leap
9	Argentina	9	Argentina	No change
10	Malaysia	10	Thailand	▼ – 5
11	Indonesia	11	Malaysia	▼ – 1
12	Philippines	12	Indonesia	▼ – 1
13	Viet Nam	13	**Egypt**	▲ +1
14	**Egypt**	14	Türkiye	▲ +1
15	Türkiye	15	Chile**	▲ significant leap

Sources: A.T. Kearney 2023 and 2025 FDI Confidence Index (Kearney 2023 and 2025).

* Including Hong Kong, China. ** The country was not among the top 25 emerging markets ranking as of 2023.

Capacity building and skills development

Egypt has made capacity building a central pillar of its outsourcing and export promotion strategy, launching numerous initiatives to enhance employability and align skills with the needs of the global industry. With a capacity-building budget of EGP 1.7 billion (US$ 30 million) and more than 420 partnerships, a total of 400,000 individuals were trained, and 1,612 direct jobs were created in 2024. Egypt's IT sector employs more than 300,000 workers – 30 per cent of which are female – a level forecast to reach 500,000 by 2026 (MCIT, 2024). To support this growth, Egypt introduced targeted initiatives focusing on capacity building, market access and international promotion to ensure that outsourcing firms stay globally competitive.

Initiatives to promote digital and language skills

Egypt's efforts to enhance digital skills are multifaceted, targeting a wide spectrum of learners, from school students to university graduates. The country aims to build a digitally competent generation by integrating technology education at early stages and expanding advanced training programmes for postgraduates. In this respect, Egypt places strong emphasis on science, technology, engineering and mathematics (STEM) education. The Ministry of Education launched specialized STEM-focused schools in 2011, integrating ICT curricula and programmes to nurture innovation, critical thinking and technical proficiency from an early age. This initiative equips students with the analytical tools needed to compete in international markets. With a current network of 21 STEM high schools across the country, Egypt boasts a youthful workforce, producing over 790,000 annual graduates, with 37 per cent holding STEM degrees (ITIDA, 2024a).

This talent pool is further strengthened via various vocational programmes and initiatives. A prominent player in this field is the ITI, established in 1993, which stands as a national leader in capacity development, offering over 30 specializations in areas such as IoT, AI, data analysis and digital arts in partnership with industry leaders. In 2024, the ITI trained more than 8,000 postgraduates and 23,400 undergraduates, achieving an 85 per cent employment rate. Its programmes covered 90 job profiles aligned with market needs and were delivered through a nationwide network of 21 hubs and 94 training centres. Collaborating with over 70 universities and 500 companies, the ITI has built a robust ecosystem that equips individuals with the digital skills needed to thrive in both local and global markets (MCIT, 2024).

The ITIDA has adopted a structured approach to human capital development through a range of targeted capacity-building initiatives designed to meet the evolving needs of the ICT and outsourcing industries. Programmes such as Learn to Go Offshoring, the Up4Jobs Project, and Train to Hire schemes are implemented in collaboration with private sector partners, training institutions and international organizations (see Box 4.4).

To date, these initiatives have trained more than 14,000 participants, providing comprehensive language and work-readiness training, strengthening trainees' language proficiency and facilitating connections between job seekers and IT-enabled services companies operating in Egypt. They are deployed across multiple regions, including underserved areas such as Upper Egypt, to ensure inclusiveness, widen access to technical training, and align workforce skills with market demand. Collectively, they form a strategic framework aimed at strengthening Egypt's talent base and enhancing the country's competitiveness in global digital services.

For instance, the Train to Hire programme provides specialized training to prepare trainees for employment in outsourcing companies, equipping them with skills tailored to the BPO and ITO industries. The programme partners directly with leading local and multinational companies, enabling them to train and recruit top talent, ensuring a seamless transition from training to employment.

Box 4.4: Capacity building, certification and industry excellence

The Software Engineering Competence Center (SECC)

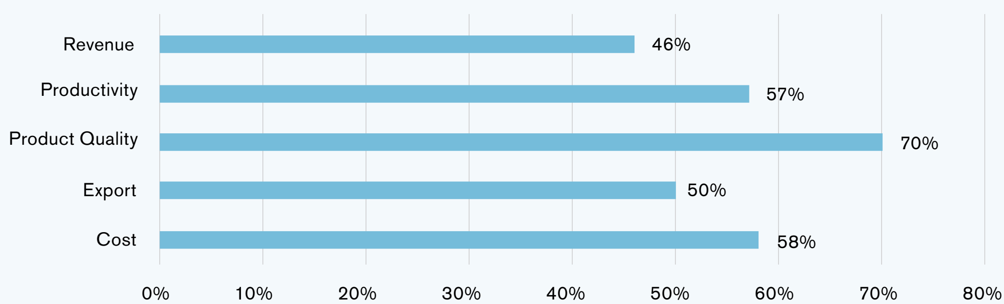
The SECC, founded in 2001 as the first centre of its kind in the Middle East,[26] serves as Egypt's primary engine for elevating the capabilities and competitiveness of the local ICT industry. Its mission is to close the gap between current industry practices and the technological standards required to meet national economic, social and innovation goals. SECC provides specialized consultancy, training and process improvement services aligned with global frameworks such as CMMI and the International Software Testing Qualifications Board (ISTQB). It plays a strategic role in promoting quality assurance, software testing standards and international certifications, including founding the Egyptian Software Testing Qualifications Board.

The centre also supports innovation and modernization through initiatives such as Digital Transformation for IT companies (DX4IT), fosters collaboration with global institutions such as Carnegie Mellon's Software Engineering Institute, connects Egypt to global technology ecosystems by serving as the national focal point for free and open-source software and acting as the National Contact Point for EU-funded ICT research programmes.

To date, the SECC's impact has become both measurable and far-reaching. It has delivered 1,997 training, consultation and assessment services to 1,408 organizations inside and outside Egypt. The centre has provided 411 accreditation services, including CMMI and ISTQB provider accreditations. Its outreach and knowledge-sharing activities include 214 events and the training of 42,408 professionals through public and customized courses.

The SECC has also helped certify 16,759 professionals in fields such as ISTQB, Information Technology Infrastructure Library, Agile, Six Sigma and Control Objectives for Information and related Technology, while attracting 28,187 participants to its conferences, webinars, and Tech Nights.[27] The effectiveness of the SECC's interventions is further evidenced by improved company performance on several fronts (see Figure 4.5). These achievements underscore the SECC's central role in developing human capital, strengthening process maturity and enhancing the global market readiness of Egypt's software industry.

Figure 4.5: Software Engineering Competence Center services' impact (% witnessed improvements)



Source: ITIDA website; https://itida.gov.eg/English/Programs/SECC-Offerings/Pages/default.aspx.

Inclusive capacity building: targeted support for SMEs, startups and female workers

To ensure the inclusiveness and long-term sustainability of the outsourcing sector, Egypt has placed particular emphasis on supporting SMEs, nurturing startups and empowering women. National programmes and targeted initiatives are designed to build the capabilities of emerging ICT enterprises, especially those in early funding stages. At the same time, capacity-building efforts, incentives and skills development programmes actively promote the participation of women, enabling them to contribute more effectively to the growth of IT-enabled services and outsourcing.

Support for SMEs and startups

In Egypt's evolving ICT landscape, the drive to empower talent and fuel entrepreneurship stands at the forefront of national priorities. A key player in this field is the Technology Innovation and Entrepreneurship Center (TIEC), established in 2010, which serves as a hub for creativity and entrepreneurship.[28] On the one hand, it collaborates with universities to incorporate an entrepreneurship curriculum and to enhance students' understanding of the entrepreneurship ecosystem. On the other hand, it offers startups the opportunity to engage with entrepreneurs and innovators, gaining valuable insights from their successes.

The TIEC supports early-stage startups and SMEs through comprehensive programmes, including Pre-Incubation and TIEC's StartIT Incubation. The Pre-Incubation programme accelerates startup growth by enhancing team operations, hiring practices and pitching skills. Over the past decade, it has empowered over 2,000 entrepreneurs and supported 900 startups, attracting more than EGP 16 million (US$ 304,000) in investments. The StartIT programme helps innovators transform their minimum viable product into market-ready businesses by offering equity-free seed capital, expert mentorship, office space and in-kind services, including marketing assistance and cloud computing services from global companies (e.g., Amazon).

In 2024, 16 new startups joined the programme. In addition, the TIEC provides free consultancy services to startups and SMEs across Egypt, focusing on areas such as finance, business development, legal matters and intellectual property. In 2024, the centre delivered over 800 hours of one-to-one online sessions to 120 startups, helping them overcome challenges and achieve growth in various sectors (MCIT, 2024).

A recent notable initiative is Invest-IT, which is designed to attract and support tech startups by providing financial and non-financial incentives to help them scale and become export-ready. The Invest-IT programme, launched by ITIDA in April 2025 in partnership with Flat6Labs[29] and spearheaded by the TIEC, aims to bolster investment readiness for technology startups. The initiative supports 12 Egypt-based ICT startups at the seed and pre-series A[30] stages across various Egyptian governorates.

Invest-IT enhances funding opportunities for Egyptian tech startups by preparing them to successfully attract and close investment deals through a structured, two-phase approach. Phase 1 focuses on investment readiness training, equipping startups with the tools and knowledge needed to engage confidently with investors, thereby enhancing their readiness and ability to navigate the investment landscape. Phase 2 focuses on investor networking and deal facilitation, connecting startups with local and international investors to increase their chances of securing seed or pre-series A funding (ITIDA, 2024b).

The DX4IT initiative is another comprehensive, standards-driven approach that accelerates digital transformation within Egyptian IT companies, particularly SMEs, enhancing their ability to compete internationally and align with global best practices. The programme provides grants for participation, with higher support rates for SMEs (up to 80 per cent for small, 70 per cent for medium, and 60 per cent for large companies). Participating companies undergo an assessment of their current digital maturity, then access training on digital transformation, quality assurance, and international standards, as outlined in a tailored digital transformation road map, along with ongoing consultancy.

A prominent nationwide initiative is the Creativa Innovation Hubs network, which promotes innovation, entrepreneurship and digital skills through 23 hubs across 19 governorates in Egypt. These dedicated spaces offer mentorship, entrepreneurship training, co-working areas and networking events, intensifying efforts to nurture entrepreneurs and accelerate the growth of startups through targeted incubation programmes. They also support academic research and commercialization efforts. In 2024, six new hubs were launched. A total of 394 startups received support, with 28 startups incubated, resulting in over EGP 76 million (US$ 1.5 million) in investments and the creation of 1,076 jobs (MCIT, 2024).

Specific initiatives for female workers and entrepreneurs

The ICT sector has emerged as a crucial driver of women's employment opportunities. While overall ICT employment still represents a small portion of total jobs, it experienced rapid growth between 2009 and 2022, expanding at three times the average annual rate of non-ICT jobs. Notably, women's employment in ICT roles grew at an average yearly rate of 6.4 per cent, nearly twice the pace of men's ICT employment growth, which stood at 3.6 per cent. This rapid increase led to a significant shift in women's representation in the sector, whereby in 2021 the share of women working in ICT more than doubled compared to 2009, rising from 1.0 per cent to 2.3 per cent of total female employment. This trend highlights the vital role of the ICT sector in offering more inclusive and resilient employment pathways for women, especially within a private sector landscape that often presents limited opportunities for female workers (Selwaness, Assaad and El Sayed, 2023).

Egypt places strong emphasis on promoting gender inclusion in the digital economy, focusing efforts on empowering women through targeted capacity-building programmes and inclusive training initiatives. For instance, a women's entrepreneurship initiative, "Heya Raeda," is designed to empower women entrepreneurs by integrating technology into their business ventures. The programme covers key areas essential for building a strong business, including technology, financial fundamentals, marketing and innovation. Participants gain insights into core business modelling and digital innovation, complemented by one-to-one mentoring for tailored guidance, which enables rapid progress in both business and technical skills. In 2024, the initiative made a significant contribution to the growth of women entrepreneurs in the ICT sector, supporting 400 female entrepreneurs.

Empowering women is also enhanced via various proceedings, such as the TechUpWomen Summit, which was held in October 2024, with the aim of empowering, connecting and inspiring women in the tech and engineering fields. The summit offers workshops that provide guidance on launching startups and addressing challenges in the tech landscape, while also offering attendees the opportunity to apply for the Aurora Tech Award, a global prize designed explicitly for women entrepreneurs in the IT sector (MCIT, 2024).

Conclusions and policy recommendations

Egypt has firmly established itself as a promising destination in the global outsourcing industry, supported by several compelling factors. Its strategic geographic location, robust digital infrastructure and large, young, multilingual and cost-competitive workforce give Egypt a competitive edge amongst its peers. The government's strong commitment, evidenced by investor-friendly policies, ongoing infrastructure improvements and tax incentives, has fostered an attractive environment for international companies. Ambitious initiatives, such as the 2022–2026 strategy, signal strategic momentum and long-term commitment. Major multinational players have already invested in the country and Egypt's outsourcing sector has been making significant contributions to both export revenue and employment.

Despite Egypt's ICT sector growth, several challenges exist that could limit its momentum. Talent retention is a major concern, as economic pressures lead skilled professionals to relocate abroad. The absence of direct flight routes – particularly to African markets – raises the cost of participating in global exhibitions, while banking restrictions on international transactions constrain firms' operational flexibility. At the same time, the growing prominence of AI and automation poses a structural threat to traditional outsourcing roles. Moreover, intense competition from established outsourcing hubs such as India and the Philippines underscores the continuous need for sustaining high service quality and fostering innovation to maintain global competitiveness.[31]

While challenges persist, the Egyptian experience provides a replicable model for building a resilient, export-driven digital economy. It underscores the importance of strategic government leadership in creating an enabling environment. Through targeted initiatives led by MCIT and ITIDA, Egypt has managed to establish support structures, including export rebate programmes, digital skills initiatives and investment incentives schemes. These illustrate how State-led coordination can catalyse private sector growth and attract foreign investment when coupled with infrastructure development and regulatory reforms.

On the other hand, Egypt's large, educated youth population is an advantage, yet maintaining a globally competitive workforce requires sustained investments in capacity-building programmes, and pinpoints the necessity for continuous alignment between education systems and evolving industry requirements. Similarly, continued efforts to decentralize the industry beyond Cairo highlight the importance of regional inclusion via infrastructure diversification and targeted capacity-building programmes, which helps broaden the talent pool and foster nationwide growth.

Ultimately, Egypt's case underscores that long-term competitiveness hinges on enhancing service quality, refining regulatory frameworks and fostering international credibility. Upgrading legal and data protection systems has been crucial in reassuring international clients, while active participation in global rankings and forums has helped enhance visibility and foster global trust. For economies aiming to replicate Egypt's progress, the key takeaway is that global integration – through partnerships, certifications and ecosystem branding – can amplify local efforts and open access to international markets.

Endnotes

1 Data retrieved from different issues of the Central Bank of Egypt's Monthly Statistical Bulletin over the referenced period, https://www.cbe.org.eg/en/economic-research/economic-reports/monthly-statistical-bulletin.

2 Parallel (black-market) rates had been nearly double the official rate – about 60 EGP/1 US$.

3 Exchange rate figures were obtained from the Central Bank of Egypt's official exchange rates database, https://www.cbe.org.eg/en/economic-research/statistics/exchange-rates/historical-data.

4 Egypt passed its Personal Data Protection Law, in line with the requirements of the global best practice, the EU's General Data Protection Regulation.

5 In 2023, the Egyptian Authority for Intellectual Property was established to consolidate all intellectual property rights *responsibilities* under one central authority with the aim of enhancing effective intellectual property protection, support the Sustainable Development Goal (*SDG 8 Decent Work and Economic Growth*) of building a knowledge-based economy and promote Egypt's compliance with international standards.

6 National *Cybersecurity Strategy of Egypt (2023–2027) aims to establish a secure and resilient digital environment that supports national security and economic growth. Its core pillars are to develop a competitive cybersecurity industry, strengthen cybersecurity capabilities across sectors, enhance public awareness, and create employment opportunities, particularly for youth.* https://mcit.gov.eg/Upcont/Documents/Publications_1412024000_National_Cybersecurity_Strategy_2023_2027.pdf (in Arabic).

7 Speedtest by Ookla (2025). *Speedtest Global Index: Africa fixed broadband rankings*. https://www.speedtest.net/global-index.

8 Data from Statista (2025). *IT outsourcing – Egypt: Market forecast to 2025*. https://www.statista.com/outlook/tmo/it-services/it-outsourcing/egypt.

9 Customer experience (CX) refers to the strategies, tools and practices that a company uses to improve customers' interaction with its products, services or brand. It revolves around ensuring that customers have a smooth and satisfying experience at every step; before, during, and after using a service.

10 In 2023, Egypt was ranked as the top destination for German CX buyers, reflecting its ability to deliver culturally aligned and high-quality services.

11 Insights are based on a personal interview with the deputy-minister for institutional development, Ministry of Communications and Information Technology (MCIT), Egypt, 2025.

12 For more information about Silicon Waha: https://siliconwaha.com/.

13 ITIDA, Export-IT, https://itida.gov.eg/English/Programs/Export-IT/Pages/Default.aspx.

14 Calculation is based on the exchange rate as of 3 May 2026 (1 EGP ≈ 0.019 US$).

15 Information retrieved from ITIDA: https://itida.gov.eg/English/Programs/Export-IT/Pages/Default.aspx.

16 Digital Egypt Vision for Offshoring Industry 2022-2026 available at https://www.itida.gov.eg/English/Programs/Digital-Egypt-Strategy-for-Offshoring-Industry-2022-2026/Documents/Executive-Summary-of-Egypt-Strategy-fo-%20Offshoring-2022-2026.pdf.

17 For Tier 1, headcount growth ranges are: ITS (30–75), BPS (50–300) and ER&D (30–75). Tier 2 includes ITS (76–300), BPS (301–1800) and ER&D (76–250). Tier 3 applies to large-scale operations with ITS (300+), BPS (1800+) and ER&D (250+) headcount growth.

18 Egypt's Investment Law No. 72 of 2017 available at https://www.gafi.gov.eg/English/StartaBusiness/Laws-and-Regulations/PublishingImages/Pages/BusinessLaws/Investment%20Law.pdf.

19 For more information from the General Authority for Investment and Free Zones (GAFI): *Investor Services Center,* https://www.gafi.gov.eg/English/Howcanwehelp/OneStopShop/Pages/default.aspx.

20 Egypt's Golden License legal framework originated from Article 20 of Investment Law No. 72 of 2017, officially activated by the Prime Minister's Decree No. 230 of 2022 issued on 28 June 2022 and finally operational in September 2022.

21 The 2023 amendment of Egypt's investment law expanded eligibility for the Golden License to include companies incorporated to set up a public-private partnership in telecommunications and IT.

22 For more information from GAFI: *Golden License Guidebook*, https://www.investinegypt.gov.eg/Fact%20Sheets/Golden%20License%20Guidebook.pdf.

23 A key example is Xceed, established in 2001, with a presence in Egypt, Mauritius, Morocco, Kingdom of Saudi Arabia and the United Arab Emirates. Also, Centro, founded in 2010, operating in Egypt, the Philippines, Kingdom of Saudi Arabia, United Arab Emirates and the United States.

24 Those companies are Raya Contact Center and Xceed, categorized as leaders, as well as Centro and Octopus Outsourcing, categorized as rising stars.

25 The report indicates that efficiency of legal and regulatory process and domestic economic performance are the two most important factors for investors when choosing where to make their FDI. See https://www.kearney.com/service/global-business-policy-council/foreign-direct-investment-confidence-index/2025-full-report.

26 The SECC was established under the MCIT in 2001 and later incorporated into the ITIDA in 2005.

27 Information retrieved from the SECC website available at https://secc.org.eg/English/Pages/default.aspx.

28 The TIEC is a subsidiary of the ITIDA launched by the MCIT in 2010 to promote innovation and entrepreneurship in Egypt's ICT sector.

29 Flat6Labs is a startup accelerator and seed fund that supports early-stage tech and innovation-driven companies in the MENA region. Founded in 2011 and headquartered in Cairo, Flat6Labs provides funding, mentorship, workspace and access to a wide network of investors and partners. It typically invests in startups during their seed stage through structured accelerator programmes and follow-on funding.

30 The "Seed" stage is the initial funding phase used to develop the business idea, build a prototype or minimum viable product and conduct early market testing. The "Pre-Series A" stage is a subsequent funding phase, where startups with early traction receive capital to refine their business model, grow operations and prepare for large-scale investment. Finally, the "Series A" stage is a larger funding round aimed at scaling the business, expanding market reach and accelerating revenue growth based on proven performance and a clear growth strategy.

31 Insights are based on a personal interview with ITIDA former deputy CEO and founding chairperson of Silicon Waha for technology parks, Egypt, 2025.

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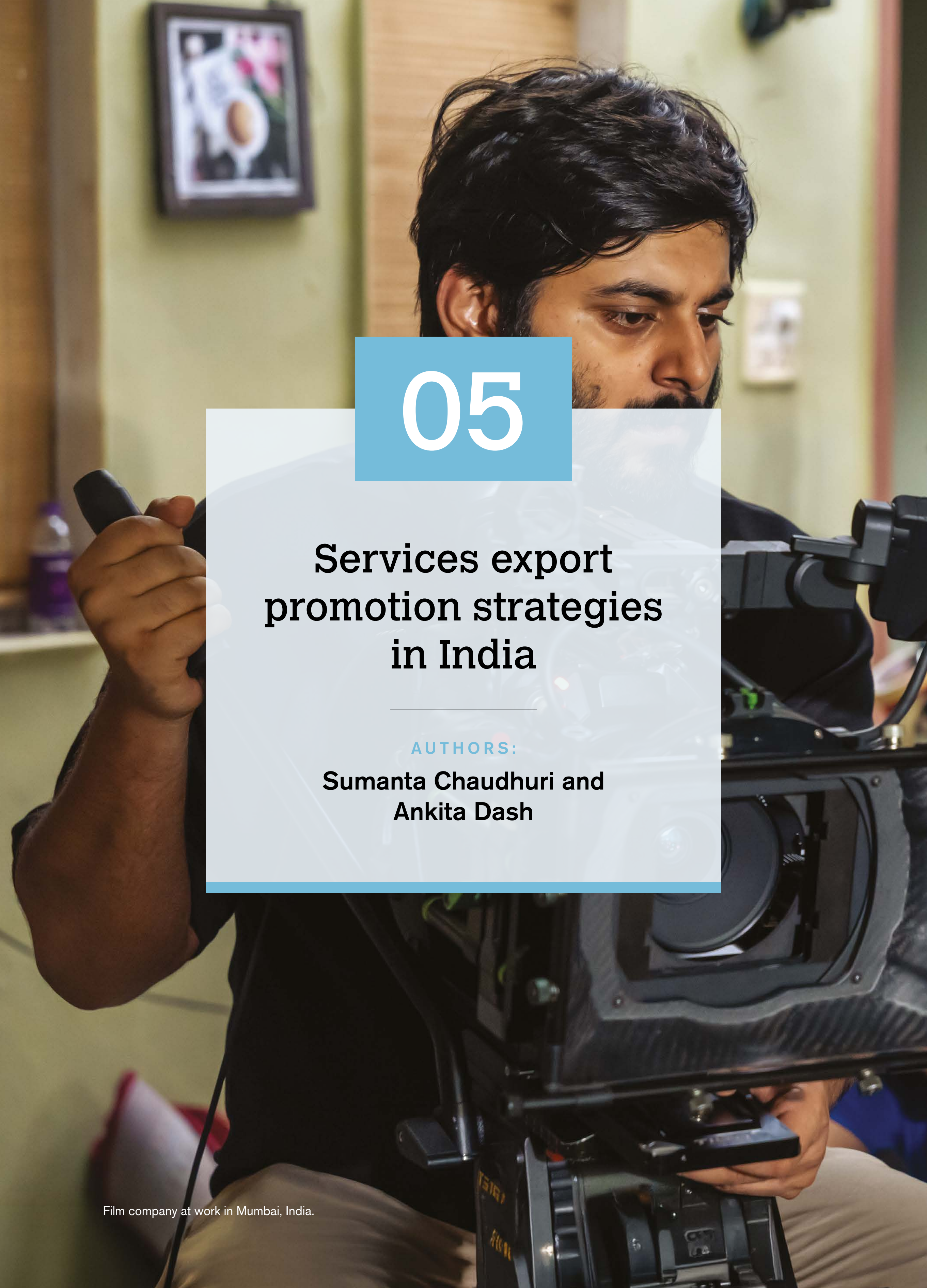


05

Services export promotion strategies in India

AUTHORS:
Sumanta Chaudhuri and Ankita Dash

Film company at work in Mumbai, India.

Abstract

The services sector in India has been the most important sector of the economy since the country undertook the path to liberalization in the 1990s. India's services sector exports grew at a compound annual growth rate (CAGR) of 9.2 per cent between 2005 and 2024 (WTO), making India one of the top seven services exporters in the world, in terms of value as well as growth rate. This study aims to assess the strategies for promoting services exports in India by analysing the role of institutions, private sector collaborations and the country's overall policy framework for services.

The focus of the study is an in-depth analysis of two sectors – computer and related services and media and entertainment-related services. The main objective is to identify the critical elements of India's support strategies for services export development and to suggest actionable insights for services export capacity-building, investment flows and skills mobility that can be replicated by other economies.

Key points

Main elements of India's export promotion strategy:

- Historically, unequal focus on services trade vis-a-vis merchandise trade, with the latter experiencing better financial incentives, institutional support and a stronger micro, small and medium enterprise (MSME) base. Distinctive services trade promotion introduced to foreign trade policy (FTP) since the 2000s.
- Sequenced and progressive sectoral liberalization of foreign direct investment (FDI) along with concurrent setting up of semi-independent regulatory authorities in the liberalized sectors (telecom, insurance, capital markets, etc.).
- No overarching single nodal agency or industry body overseeing all subsectors of services exists to date.
- Focus on complementary infrastructure such as digital infrastructure, including data centres, high-speed broadband and nationwide fibre optic networks.
- Emphasis on technical and managerial education and requisite skills training.

Main achievements and impacts:

- India's share in world commercial services exports rose from less than 2 per cent in 2005 to 4.5 per cent in 2024. India's commercial services exports constituted 46.7 per cent of its total exports in 2024, compared to 34 per cent in 2005.
- India's growth of digitally delivered services exports experienced a rapid rise at a compound annual growth rate of 11.61 per cent in 2005–2024 (WTO estimates) and has become the predominant means of services delivery for India's exports.
- FDI inflows to India have witnessed a steady rise, from US$ 36.05 billion in 2013–2014 to US$ 81.04 billion (estimated) in 2024–2025 with the services sector being the top recipient of FDI.
- India's computer and related services exports are a global success story.
- The Indian media and entertainment (M&E) sector has been experiencing robust growth in recent years but still far below its potential.

Addressing challenges:

- Balancing openness with domestic capacity building has prevented the adverse effects of sudden liberalization in developing economies and ensured sustainability of service-led growth.
- Strategic investment in digital infrastructure has reduced transaction costs, supported remote delivery and allowed firms to connect seamlessly with global clients.
- Focus on the quality of workers' education and training has helped India maintain export competitiveness and generate spillovers into entrepreneurship, startups and innovation ecosystems.
- Government support for plug-and-play studios, incubation centres and incentives for exporters have lowered set-up costs.

Good practices:

- 100 per cent FDI liberalization of selected services sectors with concomitant regulatory mechanisms.
- Incentives sought to be more outcome oriented rather than input subsidy based.
- Sector-specific strategies developed – special economic zones (SEZs) and Software Technology Parks of India (STPI) hugely facilitated exports of information technology (IT) and consulting.
- Recent focus on Global Capability Centres (GCCs) involving largely digital delivery.
- Tapping non-metropolitan regions for setting up facilities and attracting local talent for cost arbitrage and inclusive growth.
- Dedicated e-commerce export policy through creation of e-commerce hubs, automation and paperless trade.

Introduction

The services sector has been the singularly most important sector of the Indian economy since the country's liberalization in the 1990s. As India aspires to become the world's third largest economy (in nominal terms) by 2030, India's services sector, termed as the "Old War Horse" of the economy, is its main growth engine. It is the largest contributor to India's gross domestic product (GDP) and plays a pivotal role in driving employment, investment flows and exports. Hence it becomes an imperative for India to develop carefully planned strategies for each segment of the services sector for sustainable growth, balanced development and long-term gains.

The objective of this study is to identify the key components of India's strategy towards promoting services exports growth and to highlight the key actions for services export capacity-building, investment flows and skills mobility thus far. This study further aims to analyse the role that institutions, private sector collaborations and policy frameworks have played in accelerating India's services exports growth. It also emphasizes the best practices and identifies avoidable pitfalls as lessons for other developing economies. A case study approach has been undertaken to scrutinize two vital services subsectors of the Indian economy – computer and related services and M&E services – in greater depth.

Computer and related services are one of the most successful subsectors in India and have contributed immensely to establishing India's position as a global leader in services exports and in attracting FDI. Powered by a large and skilled workforce, low-cost services delivery, government support and innovation, this subsector will be studied extensively to understand the key factors of success.

The second subsector – media and entertainment – includes AVGC-XR (animation, visual effects (VFX), gaming, comics and extended reality (XR)). This sector holds a lot of promise for the future, especially fuelled by India's talent pool, growing culture of innovation and digitalization, and rapidly growing demand in diverse industries such as entertainment and education. The advent of artificial intelligence (AI) is also expected to provide a boost to this subsector's growth and transformation.

This chapter is structured as follows – the first part provides an overview of the trends and features of overall services trade (including FDI dynamics) in India. The next part outlines India's overall strategy for promoting services exports with key players, including the challenges and policies they face. Subsequently, various skills development initiatives are examined. Two case studies are then presented, each one on the chosen subsectors in focus. The chapter concludes with lessons that have been learnt from India's experience in promoting services exports.

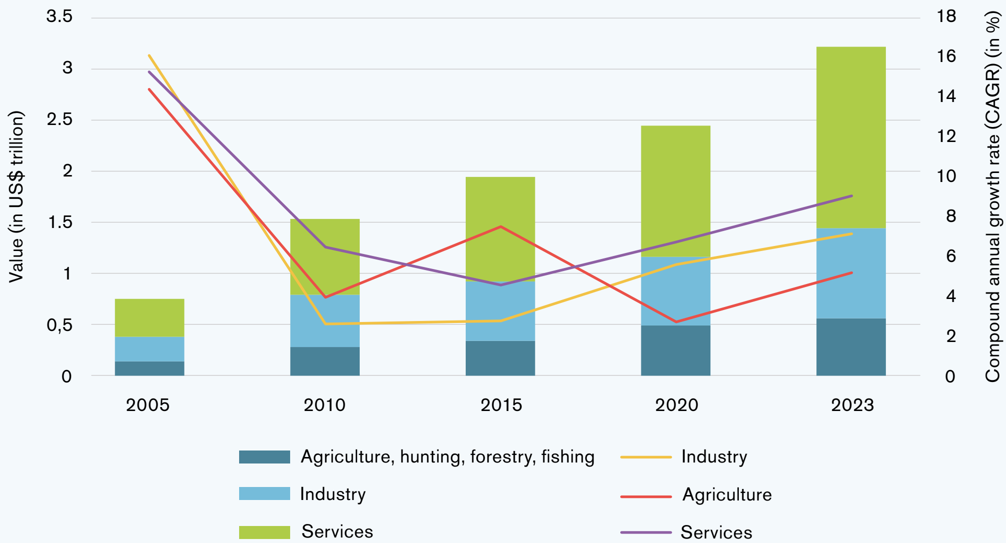
Services exports and FDI dynamics in India

This section provides a brief overview of the services landscape in the Indian economy, in terms of its contribution to GDP, employment, FDI and exports.

Contribution of services to India's GDP

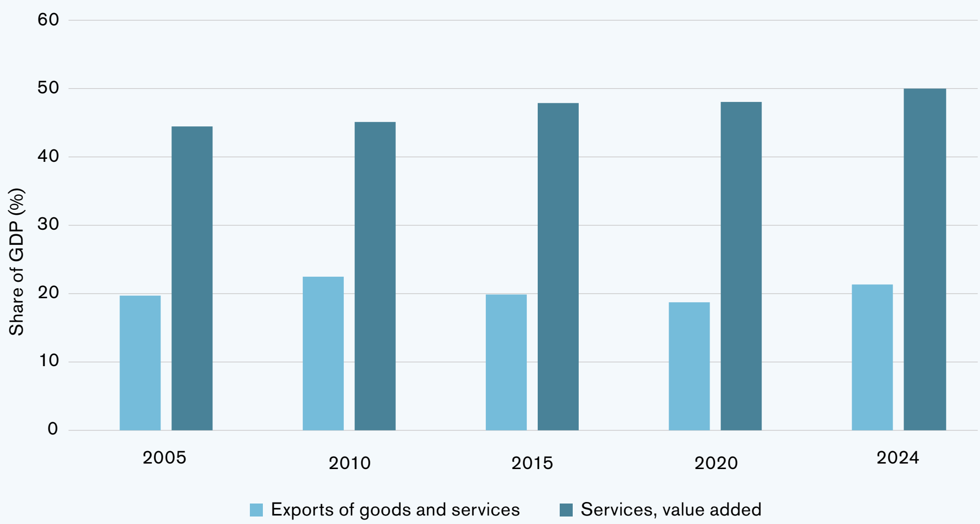
India's services sector has been the steadiest contributor to its GDP with its share of value added at current prices reaching 55 per cent in FY24, up from roughly 50 per cent in FY14 (see Figures 5.1–5.2). In FY24, the services share of GDP was significantly greater than agriculture and allied sectors (16 per cent) and industry (24.75 per cent) in that financial year. The Indian services sector grew at a CAGR of 8.7 per cent between 2005 and 2023. According to the Indian government's Economic Survey 2024-2025,

Figure 5.1: Contribution of different economic sectors to India's GDP, 2005–2023



Source: UNCTADStat, World Bank World Development Indicators, and authors' calculations.

Figure 5.2: Goods and services exports and value added of services as share of GDP, 2005–2024



Source: UNCTADStat, World Bank World Development Indicators, and authors' calculations.

India's services sector recovered steadily from the pandemic, with higher growth than the industry and agriculture sectors, while industry (including manufacturing) was affected by the dampening of global merchandise trade. Figure 5.1 illustrates the sectoral contribution of agriculture, industry and services to India's GDP between 2005 and 2023.

Contribution of services to employment in India

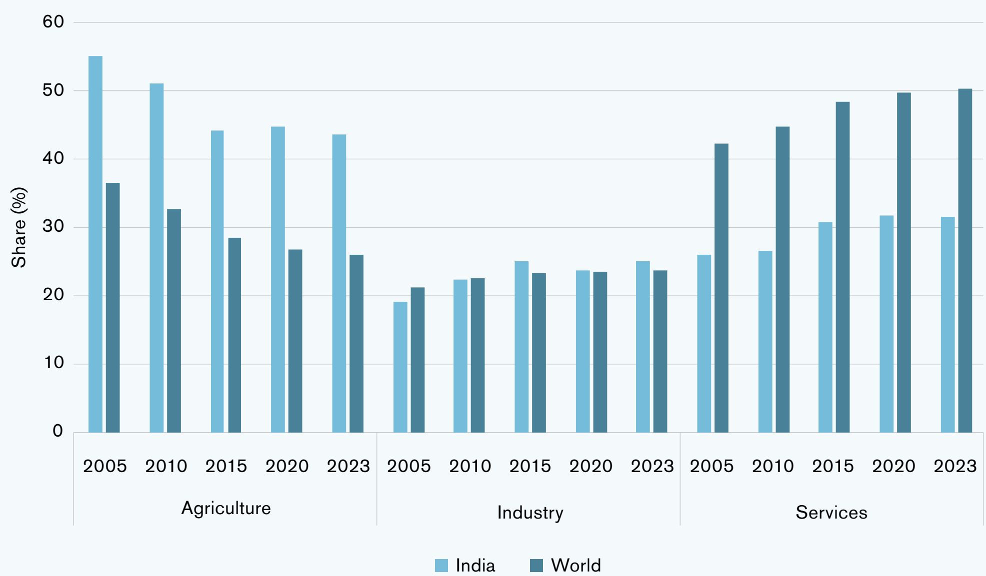
According to the International Labour Organization (ILO), India's services sector employed 31.5 per cent of the country's 565 million-strong workforce, compared to 43.5 per cent in agriculture and 25 per cent in industry (see Figure 5.3). In 2023, the services sector in India employed around 22.5 per cent of the female workforce as compared to the global average of 57.4 per cent. Regarding the male workforce, these figures stood at 34.9 per cent in India and 45.6 per cent globally.

With a large demographic dividend and rising aspirations among the workforce for better standards of living, labour productivity in India could experience dramatic growth by actively shifting its workers, especially female workers, from agriculture to industry and services (Thind and Singh, 2018). India's services sector is gradually transitioning towards emerging and innovative sectors, including technology and digital services, which will present a rising need for higher productivity, improved skills, and rapid industrialization.

Contribution of services to India's exports

While India's merchandise exports have been historically dominant in its trade profile, the growth rate of services exports has outstripped that of merchandise exports since the 2000s. Exports of commercial services grew from US$ 52 billion

Figure 5.3: Share of labour force employed in agriculture, industry and services (2005–2023)



Source: ILO World Employment and Social Outlook Data Finder, available at https://www.ilo.org/wesodata.

in 2005 to around US$ 375 billion in 2024 at a CAGR of 10.4 per cent, compared to 7.8 per cent for merchandise exports over the same period (see Figure 5.4). India's share in world commercial services exports rose from less than 2 per cent in 2005 to 4.5 per cent in 2024. In 2024, India's commercial services exports constituted 46.7 per cent of India's total exports, up from 34 per cent in 2005 (World Bank 2012).

In 2024, India ranked sixth globally in commercial services exports, behind the European Union, the United States, the United Kingdom, China and Singapore. India's share in digitally delivered services exports globally increased to 5.8 per cent in 2024, up from 4.1 per cent in 2014 (WTO Stats).

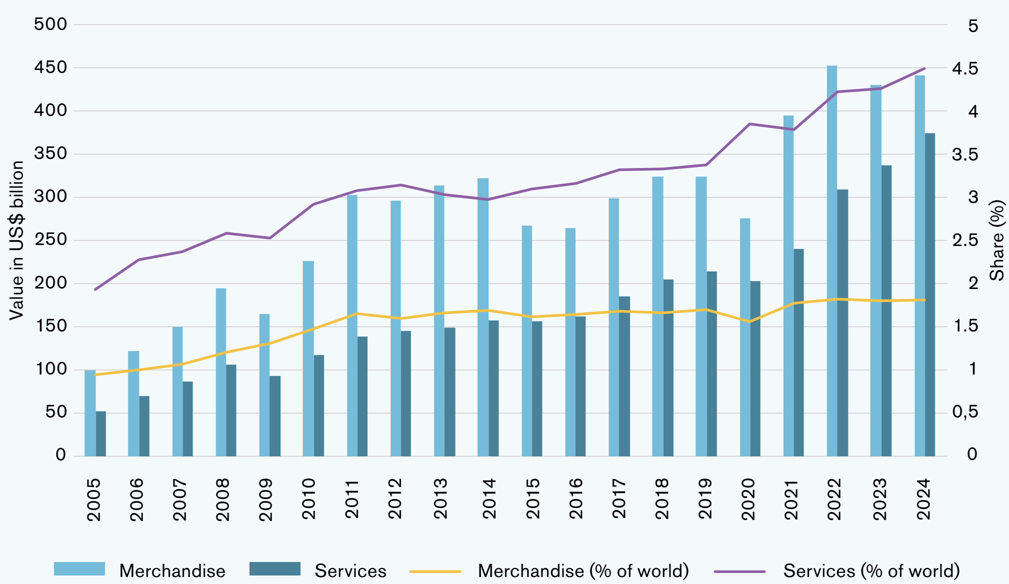
According to WTO Stats – a portal with statistical indicators related to WTO issues – the top services exported by India (as a per cent of total commercial services exported) in 2024 were:

- Professional and management consulting services (33.6 per cent).
- Computer services (32.1 per cent).
- Travel (9.4 per cent).
- Transport (8.9 per cent).

These categories have consistently dominated India's services export profile since 2005. Moreover, in terms of growth, professional and management consulting services have exhibited the highest CAGR of 14.45 per cent over the last two decades, followed by computer (10.5 per cent), transport (8.2 per cent) and travel (8.0 per cent). Thus, there is a heavy sectoral concentration in India's services exports and greater diversification is probably desirable.

In telecommunications, computer and information services, India commanded 10.2 per cent of the global exports market in 2024 and was the world's second-largest exporter in the sector in the same year, reflecting its strong position in IT outsourcing, software development and digital services. The role of GCCs in shaping India's digital services exports is discussed in Box 5.1.

Figure 5.4: India's exports performance (2005–2024)



Sources: UNCTADStat, World Bank Development Indicators.

Box 5.1: Global Capability Centres driving India's services industry and exports

GCCs (earlier known as Global In-house Centres or Captive Centres) are wholly owned offshore or nearshore units established by multinational corporations to perform strategic, technical and operational functions whilst also driving innovation and value creation. GCCs are a specific business model used by multinational corporations.

GCCs represent one of the most significant success stories of India's computer and related services exports. The Indian GCC market grew at a CAGR of nearly 11 per cent between 2015 and 2021. India is currently home to over 1,700 GCCs, with over two-thirds of the Fortune Global 30 and 174 of the Fortune 500 operating such centres in the country. India accounts for 17 per cent of the global GCC market, employing 1.9 million professionals in 2024. As per Ernst & Young estimates, India is expected to have 2,400 GCCs employing nearly 4.5 million professionals by 2030.

These centres that once primarily focused on cost-effective back-office operations have evolved into strategic hubs driving innovation, intellectual property (IP) creation, and digital transformation across various industries. Leveraging India's talent pool, Indian GCCs are now at the forefront of developing AI models, engineering global cloud platforms and enhancing cybersecurity. Within GCCs, AI, including Generative AI, is increasingly embedded in core processes to boost productivity and enable new service offerings, ranging from automated content creation to intelligent decision support.

Cities like Hyderabad and Bangalore are the primary GCC hubs due to their strong infrastructure and talent pool. However, Tier 2 and Tier 3 cities,[1] such as Vishakhapatnam, Indore, Coimbatore and Nagpur, are also becoming increasingly popular due to lower operational costs, a skilled workforce and government incentives. These cities offer a growing IT ecosystem, less competition for talent and better work-life balance, making them attractive for companies looking to optimize costs and reduce pressure on metropolitan city operations.

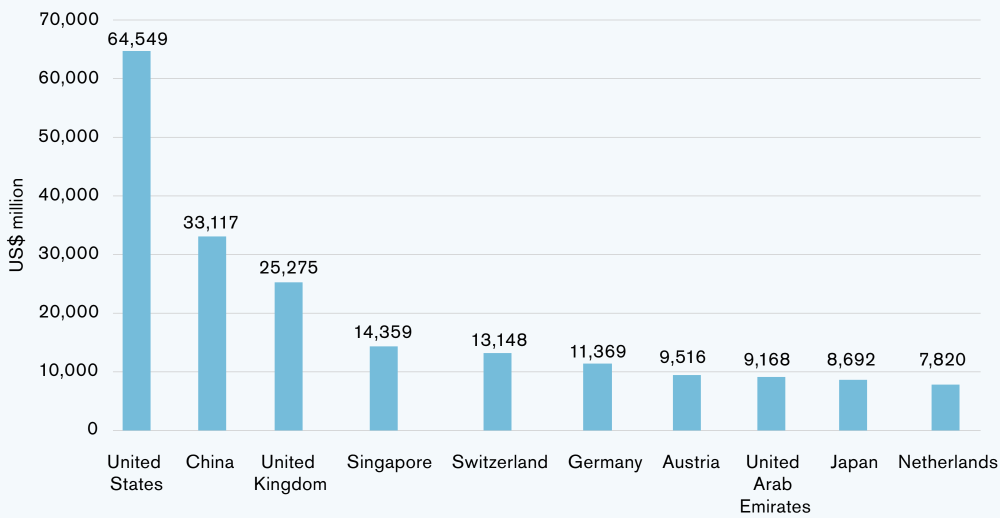
A national framework and policy, piloted by the Confederation of Indian Industry (CII), is currently under active consideration. In July 2025, CII organized a dedicated business summit to advance discussions on this initiative.

Source: Confederation of Indian Industry.

The subsectors where India has a tremendous scope to improve include charges for use of intellectual property (0.45 per cent of India's total commercial services exports), audio-visual and related services (0.49 per cent), insurance and pension services (0.95 per cent) and construction (1.19 per cent). In 2024, construction and audio-visual and related services exhibited the highest CAGR since 2005 at 13.78 per cent and 12.48 per cent respectively.

The destination markets for India's services exports are also currently limited and largely constrained to English-speaking economies. Most of these economies are advanced and import a range of sophisticated services from India. According to the Organisation for Economic Co-operation and Development (OECD)-World Trade Organization (WTO) BaTIS database, the top five destinations of India's exports of commercial services since 2005 are the United States, China (including Hong Kong, China), the United Kingdom, Singapore and Switzerland (see Figure 5.5). These five destinations have collectively accounted for 44.2 per cent of India's total services exports since 2005.

Figure 5.5: Top destinations of India's commercial services exports in 2023 (in US$ millions)



Source: OECD-WTO BaTIS.

Note: For the purposes of this chart, the value for "China" includes: China; Hong Kong, China; and Macao, China

India's exports of digitally delivered services have also witnessed a rapid rise in the past two decades, registering a CAGR of 11.61 per cent (WTO estimate). Digitally delivered services exports are projected to grow at a CAGR of 16.64 per cent between 2023 and 2033, reaching US$ 1.2 trillion by 2033.[2]

Foreign direct investment in the services sector

FDI inflows have witnessed fluctuations over the past decade, rising from US$ 36.05 billion in 2013–2014 to US$ 81.04 billion (estimated) in 2024–2025.[3] This represents a 14 per cent increase from US$ 71.28 billion in 2023–2024.

The services sector has been the top recipient of FDI over the past two decades; this includes other business services, computer (software and hardware), trading, telecommunications and construction. The subsector that attracted the highest share of FDI inflows was computer services (including hardware) which has been a consistent and increasingly growing beneficiary of foreign investment (see Table 5.1).

Among source economies for cumulative FDI equity inflows to India, Mauritius accounted for the largest share (25 per cent), followed by Singapore (24 per cent) and the United States (10 per cent).

The outward FDI (OFDI) from India has been fluctuating over the past two decades. According to the Reserve Bank of India (RBI), India's OFDI commitments have exhibited a massive surge, almost doubling to US$ 25.6 billion in 2024-25, up from US$ 14.29 billion in 2023-24. Key destinations for India's OFDI in 2024–25 were Singapore, the United States, Mauritius and the United Arab Emirates. The services sectors that witnessed the highest OFDI flows were financial services, insurance and business services, wholesale, retail trade, restaurants and hotels, and transport, storage and communication services (RBI).[4]

Table 5.1: FDI equity inflows to India (sector-wise) in US$ million

Sector	Currency (Indian Rupee (INR) crores/US$ million)	Cumulative equity inflows (Apr 2000–Dec 2024)	Share of total FDI equity inflows (%)
Services sector **	INR crores	7,47,413	16%
	US$ million	116,723	
Computer software and hardware	INR crores	7,65,083	15%
	US$ million	108,403	
Trading	INR crores	3,27,217	6%
	US$ million	46,731	
Telecommunications	INR crores	2,40,778	6%
	US$ million	40,036	
Automobile industry	INR crores	2,45,771	5%
	US$ million	37,518	
Construction (infrastructure) activities	INR crores	2,54,631	5%
	US$ million	35,715	
Construction development	INR crores	1,33,703	4%
	US$ million	26,894	
Drugs and pharmaceuticals	INR crores	1,41,586	3%
	US$ million	23,328	
Chemicals (other than fertilizers)	INR crores	1,40,411	3%
	US$ million	22,949	
Non-conventional energy	INR crores	1,55,070	3%
	US$ million	21,335	

Source: Reserve Bank of India.

Notes: Services Sector** includes other business services comprising financial, banking, insurance, non-financial/business, outsourcing, R&D, courier, tech. testing and analysis, other.

The placement of commas in the Indian numbering system is different from the international system and provides a visual cue to identify lakhs and crores, e.g., 10,00,000 (10 lakh), 1,00,00,000 (1 crore). 1 crore is a unit in the Indian numbering system equal to 10 million in the international system.

Overall strategy for services export promotion

This section presents India's overall strategy for services export promotion along with the concomitant challenges and covers the efforts of various key players in enhancing India's services exports performance.

Challenges

While India has established a structured framework for boosting services exports through policy initiatives, several challenges persist in developing a holistic and coherent services exports strategy.

i) **Nature of services**: The inherent characteristics of services (intangibility, non-storability and the need for direct interaction between provider and consumer) have posed significant challenges for policymakers. These include difficulties in terms of standardizing or commodifying services, managing visas for cross-border movement of service providers and consumers, as well as addressing the sector's high dependence on human capital and technology.

ii) **Dissimilar focus on services trade vis-a-vis merchandise trade**: India's trade policy has traditionally been overtly focused on goods trade. Reciprocal or equivalent measures for services trade in terms of incentives, infrastructure and institutional support are much weaker.

- Financial incentives: Goods exporters continue to receive substantial, targeted support in the form of refunds in embedded taxes (on all goods exports), rebates on state and central taxes, levies (for example, on textiles and apparel), and production-linked incentive (PLI) schemes (PLI scheme for 14 sectors).

- Institutional support: While goods have 14 active Export Promotion Councils (EPCs), there is only one overarching Services Export Promotion Council (SEPC) for the entire services sector. Similarly, there is a huge focus on technology and skills upgrading of MSMEs for manufacturing, while equivalent schemes are rarely designed for services MSMEs. The SEPC's performance has been limited in success in terms of export growth, membership expansion, market access and policy impact, as compared to its goods counterparts. Some major gaps include:

  - Low visibility among services exporters: many service providers are either unaware or do not engage with the SEPC as it lacks visibility and strong engagement with the exporter community.
  - Fragmented cooperation: the SEPC faces overlap with several ministries that often do not work together towards a unified goal of promoting India's services exports. The SEPC is also often not included in high-level trade negotiations, reducing its influence in key policy-making.
  - Limited resources: unlike its goods counterparts, the SEPC receives limited funding which in turn affects its ability to fund large-scale global campaigns.

iii) **Absence of a services-centric institution**: There is no single authority or body allocated as a nodal point for services trade in India. While the Ministry of Commerce is responsible overall for international trade, services sectors are disaggregated and under the control of many ministries/agencies. Policy formulation is fragmented, with multiple ministries and agencies involved such as the Ministry of Commerce, Directorate General of Foreign Trade (DGFT), SEPC, India Trade Promotion Organisation (ITPO), Department for Promotion of Industry and Internal Trade (DPIIT), Department of Economic Affairs and the Ministry of Finance. State governments are also key stakeholders, as several services fall under the State List.

In addition, several service sectors have sectoral regulators such as in the case of banking, insurance, capital markets, telecommunications, entertainment and shipping. Given that services trade is broadly influenced by domestic regulations and policies which are formulated and implemented by the above-mentioned agencies – and unlike merchandise trade, which falls primarily under the DGFT – major coordination issues and differences in focus arise. Within the industry as well, there is no overarching and separate services coalition that can advocate and lobby holistically for services in critical policy-making.

iv) **Lack of consistent data**: India's services trade data is still broad and not sector- or mode-specific. It is compiled by the RBI rather than a dedicated trade authority such as the Directorate General for Commercial Intelligence and Statistics in the case of merchandise trade. The data also come with a time lag and do not include disaggregated figures at the bilateral and sector levels. This lack of timely and granular data impedes evidence-based policy-making and limits the ability of the SEPC and industry bodies to supply policy advocacy on market performance, barriers and trends. This compels industry bodies to conduct their own surveys to better understand market realities, which is expensive and potentially duplicative.

Key players

India's standing in international services trade is the outcome of the contributions of several key stakeholders.

Central government

The Government of India (GoI), led by the Ministry of Commerce, coordinates with other ministries and states to promote services exports through sector-specific initiatives, ensuring depth, outreach and regulatory support. A key gap is the absence of a single dedicated department or institution. Policy formulation is fragmented, with multiple ministries and agencies involved such as the Ministry of Commerce, DGFT, SEPC, ITPO and DPIIT, Department of Economic Affairs, the Ministry of Finance and the Ministry of External Affairs. State regional governments are also key stakeholders, as several services fall under the State List. This dispersion has limited a holistic approach to services trade policy, coordinated policy action and sectoral focus.

The central government has made significant contributions to the growth of Indian services exports. The major contributions include:

i) **Policy framework and reforms**: While early trade policies prioritized goods, the 2000s marked a strategic pivot toward services, recognizing their growing contribution to GDP and employment. Key reforms were introduced in FTP to liberalize and support trade in services, creating a stable and enabling environment for exporters.

ii) **Infrastructure and ecosystem**: Reforms such as the simplification of the GST, digitized customs procedures, and expanded e-governance have reduced compliance burdens and transaction costs. Further support has come through sector-specific schemes aimed at skilling, branding and capacity building in key areas such as IT, education, healthcare, tourism and financial services to enhance the global competitiveness of Indian firms. Additionally, SEZs have provided service exporters with dedicated zones offering fiscal incentives, plug-and-play facilities, streamlined procedures and enhanced the ease of doing business.

iii) **Digital infrastructure**: Recognizing the critical role of digital connectivity, the government has prioritized investments in digital infrastructure, including data centres, high-speed broadband and nationwide fibre optic networks. These initiatives have significantly bolstered exports of digitally delivered services – such as Software as a Service (SaaS), fintech, edtech and healthtech platforms – leading to exponential growth.[5]

    The Trade Connect ePlatform further enhances export facilitation by connecting Indian missions abroad with Department of Commerce officials, streamlining coordination and support for international trade. Additionally, the Open Network for Digital Commerce initiative aims to transform digital commerce, indirectly benefiting digitally delivered services exports by empowering small businesses.

iv) **International commitments and trade agreements:** Since 2005, India has signed comprehensive trade agreements invariably covering services trade to obtain preferential market access, greater transparency in grant of work permits/visas and provisions for mutual recognition agreements for identified professional services. In parallel, India has recently included side letters alongside free trade agreements with Australia and the United Kingdom, aimed at exempting Indian workers from dual social security contributions.

v) **Marketing and promotion:** The GoI has significantly expanded efforts to promote "Brand India" across the services sectors. Iconic campaigns such as "Incredible India" (tourism), "Heal in India" (healthcare), and "Study in India" (education) showcase India's global service offerings. The ITPO leads global trade fairs and exhibitions under the Market Access Initiative, supporting participation from IT, fintech, healthcare and the creative sectors. Indian embassies now play a proactive role by supporting exporters with market intelligence, trade advisories and regulatory insights, in collaboration with EPCs.

State governments

Many states have launched tailored export policies offering financial incentives, infrastructure support and skills development for services sectors. For instance, Karnataka's Export Policy (2002–2007) focused on IT and research and development (R&D) services, while Tamil Nadu's 2021 Export Policy supports IT, tourism, healthcare and education services.[6] These efforts aim to leverage local strengths and attract investment in high-growth sectors.

In parallel, many states are improving their single-window clearance systems[7] and creating online platforms to reduce bureaucratic procedures for services exporters. For example, Andhra Pradesh and Gujarat consistently top ease of doing business rankings for facilitating service sector investors.

Export Promotion Councils

The SEPC, set up in 2006 by the Ministry of Commerce and Industry, promotes global business opportunities for India's services sector. It acts as a bridge between government and industry, providing policy inputs, addressing challenges and offering market insights. It advises the government, facilitates incentives, provides market intelligence and promotes "Brand India" globally, supporting both emerging and established services exporters. In 2025, the SEPC partnered with the Internet and Mobile Association of India to strengthen India's digital services exports.

Beyond the SEPC, several product-focused EPCs also promote related services. The Electronics and Computer Software Export Promotion Council supports software and IT services exports, while the Pharmaceuticals Export Promotion Council promotes medical tourism. Similarly, the Telecom Equipment and Services Export Promotion Council facilitates the export of telecom services. Such EPCs, while set up by the Ministry of Commerce, have their own private sector-led management committees.

Industry bodies

While there is no separate services trade body covering all sectors, various apex industry bodies such as the CII, Federation of Indian Chambers of Commerce and Industry (FICCI), and the Associated Chambers of Commerce and Industry of India play a pivotal role in strengthening India's services exports by acting as critical intermediaries between industry and policymakers. Some of these industry bodies are sector specific and some work for wide-ranging sectors. For instance, the National Association of Software and Service Companies (NASSCOM) is the specialized sectoral body for computer and related services.

These organizations engage in policy advocacy, lobby for favourable trade policies, and contribute sector-specific insights during trade agreement negotiations to ensure improved market access and reduced barriers. They also focus heavily on capacity building, offering training programmes, workshops and seminars on international standards, cross-cultural management and global best practices, especially targeting MSMEs to enhance their export readiness.

Private sector

The private sector is the primary driver of India's services exports, with companies actively involved in cross-border trade and investment flows. Some of the key firms in our focus services subsectors are listed in Table 5.2.

Table 5.2: Top leading companies in India in select sectors

Sector	Companies
Computer and related services	TCS, Infosys, Wipro, HCLTech, Tech Mahindra
Media and entertainment services	DNEG, Prime Focus Technologies, Technicolor Creative Studios India, Red Chillies Entertainment (Red Chillies VFX), Reliance MediaWorks, Digikore Studios, Assemblage Entertainment, Prana Studios, Green Gold Animation, and DQ Entertainment

Sources: https://www.globaldata.com/companies/top-companies-by-sector/technology-media-and-telecom/ and FICCI–EY, 2025; Ministry of Information and Broadcasting, Government of India; Post Production Institute, 2025.

Services exports promotion – policies and impact on services exports

India has proactively launched a suite of policy measures to enhance services exports. These initiatives aim to expand India's global market share and deepen its integration into global value chains.

Foreign Trade Policy

Foreign Trade Policy (FTP) serves as the overarching policy framework governing India's services trade. It seeks to accelerate exports, enhance ease of doing business, and promote sector-specific strategies, including digital and district-level trade promotion.[8] Key FTP reforms relevant to services include:

i) Historically, India's trade policy had placed limited emphasis on services exports. This was addressed during the early 2000s, following the success of the IT and software sector, with policies granting export incentives to encourage growth in exports.

ii) The Served from India Scheme (SFIS) was introduced as part of FTP 2009–14, which provided exporters' incentives in the form of transferable duty credit certificates enabling them to pay various duties and taxes based on their foreign exchange earnings.

iii) The SFIS was replaced by the Services Exports from India Scheme (SEIS) in FTP 2015–20. The eligible service categories under SEIS included all firms located in India that received incentives in the form of transferable Duty Credit Scrips, as a percentage of the net foreign exchange earned from exporting those services during a financial year. These incentives were restricted to Modes 1 and 2[9] of service delivery, recognizing their commercial significance. These Scrips could be used to pay basic customs duty and select other applicable duties for the import of inputs and other services. The primary beneficiaries were the hospitality and tourism sectors. SEIS was discontinued after 2020 without any suitable replacement, although no detailed impact analysis was conducted by the Department of Commerce. There was a significant shift from export incentives to remission of actual duties suffered by exporters during the FTP 2023.

iv) FTP 2023 introduced a shift away from export incentives towards remission of actual duties incurred by exporters. It emphasizes export collaboration with key stakeholders, as well as greater trade facilitation through technology, automation and continuous process re-engineering. The policy introduced automatic permissions for eligible exporters, reducing processing time for authorizations under different schemes from seven to 30 days down to one day under the automatic route.

v) The FTP also leverages Indian missions abroad to promote Mode 2 services, particularly in tourism, education and healthcare, through initiatives such as "Heal in India" and "Study in India".

FTP 2023 identifies e-commerce as a key area of focus and outlines several measures to enhance e-commerce exports from India:

- All FTP benefits that have been accorded to goods traders are now extended to e-commerce exporters.
- Departments of Commerce and Posts, along with the Central Board of Indirect Taxes and Customs will upgrade IT systems to support e-commerce exports.
- Special outreach and training activities for small e-commerce exporters to be organized with handholding support through industry and knowledge partners.
- Dak Ghar Niryat Kendras (Post Office Export Centres or hubs to facilitate e-commerce exports for MSMEs and artisans) shall be operationalized throughout the country to work in a hub-and-spoke model with Foreign Post Offices to facilitate cross-border e-commerce and to enable artisans, weavers, craftsmen and MSMEs in the hinterland and land-locked regions to reach international markets.
- Designated hubs with a warehousing facility will be notified, to help e-commerce aggregators with inventory management, easy stocking, customs clearance and returns processing.

Champion Services Sector Scheme (CSSS)

The CSSS, piloted by the Ministry of Commerce, provided funds nearing US$ 602 million to the concerned administrative ministries for 12 identified "champion" sectors, including accounting services, finance services, audio-visual services, communication services, IT and IT-enabled services (ITeS), medical value travel, and tourism and hospitality services, with the objective of boosting global competitiveness. The action plans under the CSSS included the following:

- Address cross-cutting issues, including reforms of the regulatory framework, development of services standards regime, skills development (including foreign language capabilities), visa reforms, along with sector-specific measures.
- Focus on new initiatives to promote value addition in these services sectors.
- Focus on new initiatives to enhance exports of services, including attracting foreign consumers to come to India to utilize services.

However, the scheme suffered due to its fragmented and slow implementation, delays in approvals and release of funds, and weak monitoring, resulting in weak outcomes – based on limited data – for export volumes, job creation and foreign market penetration. Industry perception suggests that given the greater domestic focus of many of the implementing ministries, and execution and implementation challenges, the scheme's desired impact on diversification of services exports was not as apparent as hoped.

Taxation reforms

The Goods and Services Tax (GST) regime, introduced in 2017 and revamped in 2025, subsumed multiple indirect taxes previously prevailing in India. Key provisions pertinent for exporters of services include:

- Exemption from GST charges on services exports.
- Refund of Input Tax Credit: exporters can claim a refund on input tax credit for goods and services used in services exports, thereby avoiding tax cascading and improving working capital efficiency.
- Digital compliance system: GST brought in a digital compliance system, thereby reducing paperwork and making the process faster and more transparent than earlier service tax regimes.
- Refunds on input services and capital goods: exporters of services such as IT, consulting and business process outsourcing (BPO) can claim refunds on input services and capital goods, reducing overall costs and increasing competitiveness.

While past schemes, such as SEIS, offered export incentives, industry feedback has consistently highlighted the need for greater predictability, broader coverage and streamlined processes. Industry stakeholders also emphasize that the actual impact of the evolving schemes will depend on consistent implementation, adequate budgetary allocation, and a proactive stance in addressing non-tariff barriers.

FDI promotion and facilitation

FDI policy and promotion, while not directly linked to services exports, have contributed to accelerating services exports and upscaling the output and quality of several sectors through access to capital, technology, best practices and infrastructure (Srivastava, 2006). The services sector is the main recipient of FDI in India, particularly in key export-oriented sectors like computer software and hardware, telecom and trading, which has contributed significantly to growth in exports. Collaborations with global services companies have also enabled OFDI (Mode 3 exports) in these sectors.

The telecom FDI policy critically contributed to the opening up of the telecom sector leading to much higher broadband and mobile phone penetration and speed of internet services, creating the required infrastructure for exports of IT and IT-related services. Table 5.3 outlines the major initiatives to promote FDI inflows in India that have positively impacted services exports.

It must be pointed out that a more focused FDI policy and promotion campaign on new and dynamic services export sectors would significantly help in attracting the best global services providers and partnerships.

Table 5.3: Initiatives to promote FDI inflows in India and their impact on services trade

Initiatives	Impact on services exports
Liberalizing FDI norms	▪ 100% FDI under the automatic route for key subsectors increased FDI in sectors such as retail, IT and telecom, boosting services exports by facilitating global partnerships. ▪ Higher investor confidence, foreign ownership and scaling enhanced domestic competitiveness, as well as boosted investments, in start-ups and digital services.
Infrastructure development and services SEZs	▪ Services-centric SEZs offered tax incentives, single-window clearances, plug-and-play infrastructure and world class digital connectivity which played a crucial role in IT exports. ▪ The Gujarat International Finance Tec-City is India's first International Financial Services Centre that attracts global FDI in asset management, fintech and offshore finance which could spur growth of fintech exports.
Ease of doing business reforms	▪ Online portals for simplified regulatory compliance streamline the reporting process and make it more efficient and transparent. ▪ Foreign Investment Reporting and Management System portal – an online platform developed by RBI for managing and reporting foreign investment transactions in India where Indian companies and Limited Liability Partnerships can report FDI and related transactions. ▪ National Single Window System – a digital platform to guide investors in identifying and applying for approvals according to their business requirements. ▪ Foreign Investment Facilitation Portal – an online single point interface maintained by DPIIT for investors to facilitate FDI.
Promotions	▪ Campaigns like Make in India and Startup India, to boost India's image as a global investment hub and safe haven for innovation and entrepreneurship. ▪ Invest India, is the National Investment Promotion and Facilitation Agency of the Government of India, set up in 2009 under DPIIT, which seeks to provide comprehensive end-to-end support to domestic and foreign investors interested in the investment lifecycle in India.
Harnessing the start-up culture	▪ Startups in India are driving innovation, creating new markets and boosting economic activity, especially in Tier 2 and 3 cities. They are contributing significantly to sectors such as e-commerce, fintech, healthtech and edtech.

Source: Drawn up by the authors.

Skills development initiatives

India's efforts in skilling have played a significant enabling role in expanding and diversifying its services exports, particularly in IT, business process management, professional services and emerging technology-driven sectors. Some major initiatives which have helped boost India's services exports include the following:

i) **Building human capital:** Large-scale investments in education and skills development, especially IT/ITeS, since the 1990s has helped create India's comparative advantage in these sectors (Chanda and Gupta, 2013; Sahoo and Dash, 2017). Institutions such as the Indian Institutes of Technology, Indian Institutes of Management and National Institutes of Information Technology (NIITs) have created a steady supply of technically skilled workers who could participate in export-oriented services, especially computer and related services. India's skilling policies increasingly emphasize digital literacy and English-language proficiency, crucial for remote service exports via digital platforms.

ii) **Institutional support:** The Skill India Mission (2015) and the National Skill Development Corporation (NSDC) have sought to align training curricula with industry and global market needs, including in IT, healthcare, finance and tourism.[10] The Pradhan Mantri Kaushal Vikas Yojana[11] trained over 13 million youths in skills relevant to both domestic and international markets. India International Skill Centres prepare workers for overseas employment, boosting Mode 4 services exports.

iii) **Moving beyond IT:** Skilling has enabled growth in non-traditional services exports – such as education, healthcare and professional consulting – where domain-specific and soft skills are crucial. Digital skilling (AI, cybersecurity, data analytics) through initiatives such as FutureSkills Prime has supported India's move towards high-value, knowledge-intensive services exports.[12]

iv) **Tapping into non-urban labour markets:** Skilling initiatives have moved beyond the metropolitan cities to train young people in Tier 2 and Tier 3 cities in India, broadening the geographic base of services exporters. This spatial spread enhances inclusive participation in export opportunities, especially among women and youth.

v) **Sector skills councils:** The Media and Entertainment Skills Council (MESC), promoted by FICCI with financial support from NSDC, has organized special training programmes. Initiatives include regional language content development for global platforms such as Amazon Prime and Hotstar; training for international projects – especially in animation and VFX – and assists Indian studios in meeting international production standards, improving the outsourcing potential. MESC certifications and training programmes improve employability of Indian professionals abroad.

Computer and related services

The computer and related services sector, with estimated revenues of US$ 254 billion at 3.8 per cent year on year growth in FY24, is one of India's key contributors to services exports and has cemented India as a global leader. This sector has accounted for more than 7 per cent of aggregate output since 2012 and represented 10 per cent of GDP in 2025. It is projected to contribute more than a fifth of India's gross value added by 2029–30, according to the India Brand Equity

Foundation (IBEF).[13] Computer services exports are majorly driven by India's prowess in software development, IT services and BPO.

According to WTO Stats India's computer services exports represented 14.7 per cent of its total exports and 32.1 per cent of its total services exports in 2024. According to NASSCOM, the total amount of tech exports from India are estimated at US$ 200 billion for FY24, reflecting a growth of 3.3 per cent year on year. As per RBI's annual survey on computer software and ITeS services, exports of software services by Indian companies (excluding their sales through overseas commercial presence) increased by 18.4 per cent during FY23 to US$ 185.5 billion. BPO services accounted for more than 84 per cent of exports of ITeS in the same year.

Strengths

i) **Talent pool:** India is home to a large pool of science, technology, engineering and mathematics (STEM) graduates with English proficiency, strong technical and domain expertise and soft skills to handle global clients seamlessly. Approximately 34 per cent of all graduates in India study in STEM fields.

ii) **Cost competitiveness:** With lower operational and labour costs and high labour productivity per dollar spent (despite rising wages) compared to developed economies, Indian IT services continue to witness outsourcing models based on this cost arbitrage. According to the WTO's TisMOS dataset, computer and related services were exported primarily using Mode 1 and to a lesser extent through Modes 3 and 4 over the years, with Mode 1 being the dominant mode (almost 10 times Mode 4) (see Figure 5.6). Computer services are also a leading sector for India's Mode 4 exports.

iii) **Mature industry ecosystem:** India has a robust and mature IT/ITeS ecosystem with major global firms such as TCS, Infosys and Wipro, and a strong base of small and medium-sized enterprises and startups. Indian companies have perfected the global delivery model, enabling 24/7 service delivery through distributed teams spanning multiple time zones and strong onshore-offshore models that provide both proximity to clients and cost efficiencies. Customizable and scalable services across BPO, knowledge process outsourcing, software and consulting segments have seen strong performance by Indian companies.

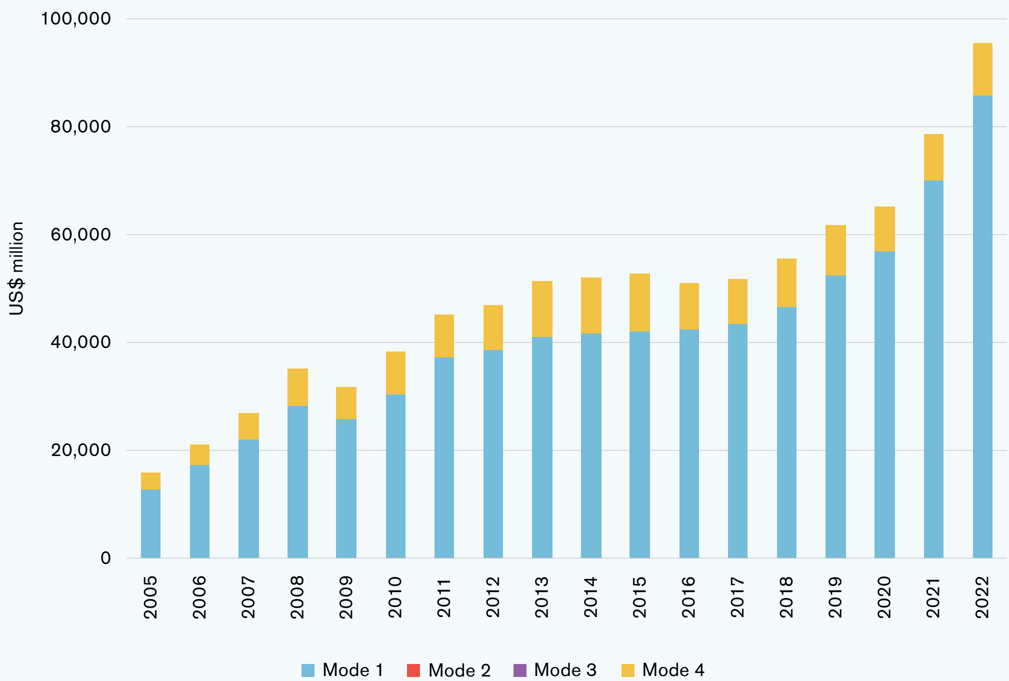
The computer and related services industry has one of the most active and productive industry bodies, including NASSCOM and STPI, both of which support policy advocacy, training and global outreach. India can also boast a robust and expanding digital infrastructure, which forms the backbone of the sector.

iv) Innovation and digital transformation: Indian IT firms have decades-long relationships with Fortune 500 companies and have consistently been recognized globally for high levels of process quality (e.g., Capability Maturity Model Integration Level 5 certification), project delivery reliability and data security. The economy is now marked by growing capabilities in AI, machine learning, the Internet of Things, cloud computing, blockchain and cybersecurity, according to NASSCOM.

v) According to a study by SAP India and Dun & Bradstreet, Indian firms, particularly startups, are massively investing in R&D and innovation labs to move up the value chain. Stanford University has ranked India among the top four economies along with the United States, China and Republic of Korea in the Global and National AI vibrancy ranking based on 42 indicators. GitHub, which is a community of developers has ranked India at the top, with a global share of 24 per cent of all projects.

vi) Government policies and initiatives: India's performance as a global leader in computer and related services exports has flourished due to policy support in developing the ecosystem, infrastructure, human capital and in reducing the compliance burden on services exporters. Some of the key initiatives are outlined here:

Figure 5.6: Computer services exports by modes of supply (2005–2022) in US$ millions



Source: WTO, Global Services Trade Data Hub, dataset on Trade in Services by Mode of Supply: https://www.wto.org/english/res_e/statis_e/services_trade_data_hub_e.htm.

- Export promotion/import liberalization (1990s): Liberalized imports of computers, hardware and software tools that reduced the cost of importing capital goods and inputs for software firms, providing strategic access to modern tools and infrastructure to compete in software exports.
- Software Technology Park Scheme (1991 onwards): Lowered regulatory and infrastructure barriers and reduced set up and transaction costs for services exporters, facilitated easier access to duty free imported hardware and software, reliable electricity and telecom services, and permissions to serve overseas clients via telecom links.
- A conscious policy effort to promote the geographic spread to Tier 2 and 3 cities, facilitating cost arbitrage, and promoting more balanced growth.
- National Policy on Software Products (2019): Focuses on developing product-based start-ups and MSMEs (licensing, SaaS) to move services exports up the value chain. It also strengthens workforce skills, promotes domestic innovation, and encourages IP creation.
- India AI Mission (2024): Through the India Adaptation AI Innovation Centre, the mission aims to establish indigenous AI models aligned with global standards and supported by large-scale shared computational resources. This initiative aims to help firms build AI based products and services – such as AI-assisted analytics, cloud AI and SaaS – facilitating a shift from pure traditional service

exports (e.g., coding or BPO) towards higher value AI product and platform exports that could generate higher margins.

Most of these policies have been helpful in developing the ecosystem, infrastructure, human capital and reducing compliance burden to encourage computer and related services exports.

Current challenges

While India has experienced a global success story in the export growth of computer and related services since the 1990s, there are a few specific challenges that India currently faces and aims to address with evolving policies:

i) **Overdependence on the US and EU markets:** While Indian computer services are exported to over 100 economies, the key markets continue to be Australia, Europe, the Middle East, the United Kingdom and the United States. As the developed world grapples with trade and national security-related issues, India needs to diversify its export markets and increase its penetration in emerging markets in Africa and Latin America.

ii) **Regulatory and data concerns:** Lack of a comprehensive data protection law creates uncertainty for global clients concerned with data privacy and compliance (e.g., General Data Protection Regulation in Europe). Additionally, India has experienced several high-profile data breaches and inadequate cybersecurity preparedness among smaller firms. This raises reputational risks and concerns among international clients regarding the outsourcing of sensitive work.

iii) **High attrition and talent mobility:** The IT industry faces high attrition rates, especially in BPO and mid-level IT roles. This leads to project continuity issues, higher training costs and reduced client satisfaction. The average attrition rate in the Indian IT sector was around 25 per cent in 2024, according to Wisemonk.[14] Hiring rates have also fallen due to the global slowdown in Western economies. Companies frequently complain about "moonlighting" issues and salary pressures, particularly in high-demand areas and Tier 1 cities where the cost of living is increasing.

While India has a large IT workforce, there is a shortage of talent skilled in cutting-edge areas such as AI, blockchain, cybersecurity and quantum computing. The pace of reskilling and upskilling in Tier 2 and Tier 3 cities is slower compared to industry needs.

iv) **Role of AI:** AI is fundamentally altering outsourcing and BPO activities and transforming traditional operations/business models by automating repetitive tasks such as data entry and customer service. For instance, the shift from traditional 9-to-5 services to 24/7 operations, supported by AI-driven chatbots, has reduced the necessity for outsourcing certain services. With Generative AI, a significant percentage of the code writing for specific application programming interfaces will become possible, reducing the need for software developers but creating new demand for skills in training AI.

Box 5.2 summarizes the best practices for promotion of computer and related services exports.

Media and entertainment services

The M&E industry is a broad sector that combines creative arts with technology and business to deliver content through multiple channels such as film and television, music, print media, digital media, performing arts and AVGC. It is one of the fastest-growing sectors in India and holds potential to become a global hub. The sector has been experiencing robust growth driven by technology, innovation and rising digital consumption, and is now the world's ninth-largest market. By 2024, the industry reached US$ 29.4 billion (INR 2.5 trillion), contributing 0.73 per cent

Box 5.2: Best practices in export promotion – computer and related services

SEZs and STPIs

- SEZs have more liberal economic laws and STPIs provide infrastructure, single-window clearance and duty-free import benefits for registered software export units.
- SEZs and STPIs have attracted significant investment and boosted exports by offering tax holidays, duty exemptions and other incentives to developers and units.

100 per cent FDI liberalization in computer and related services

- Computer and related services have enjoyed 100 per cent FDI under the automatic route, which has helped attract significant FDI inflows into the sector.

Parallel development of telecom infrastructure and establishment of regulatory body – Telecom Regulatory Authority of India

- Telecom sector opened up to boost private investments for broadband and mobile penetration, rendering access and affordability to consumers and businesses.
- Regulatory authority enabled creation of level playing field and promotion of healthy competition.

Skilling ecosystem

- The course curriculum right from school imparts skills for developing software-related skills such as coding and testing.
- Specialized institutions like engineering colleges and NIITs help develop the expertise in programming languages, problem-solving, adaptability and communication, which are essential for handling complex projects and meeting client demands.

Industry best practices

- Dedicated industry body i.e., NASSCOM, helped the private sector grow.
- The private sector has developed and established global standards in delivery models, quality standards, certifications and cybersecurity standards.

Source: Drawn up by authors.

to the country's GDP. It is expected to expand at 7 per cent CAGR to reach approximately US$ 36.1 billion by 2027 (see Table 5.4).

Experiential segments, such as online gaming, filmed entertainment, live events and out-of-home media accounted for 48 per cent of the overall growth of the sector. Advertising and enhanced connectivity continue to fuel the rapid growth of the sector. The country's extensive millennial and Gen Z population (exceeding 910 million) combined with one of the lowest data costs in the world, are further accelerating growth. Currently, India boasts 800 million broadband subscriptions, 550 million smartphone users and 780 million internet users, who spend nearly 82 per cent of their time online on entertainment and media apps, according to PricewaterhouseCoopers.[15]

Over The Top (OTT) revenues have increased fourfold since 2019, and the market is expected to double by 2028. India's competitive OTT market comprises around 57 platforms. In 2023, it recorded 101 million video subscriptions, growing at a CAGR of 10.8 per cent, and projected to reach 169 million by 2028. More OTT operators are now offering regional language content to cater to the country's linguistic diversity.

Table 5.4: Growth of Indian multimedia and entertainment sector (2019–2024) (Indian Rupee billion)

Segment	2019	2022	2023	2024	2026E	CAGR (2023-2026)
Television	787	709	696	732	766	3.20%
Digital media	308	571	654	839	955	13.50%
Print	296	250	260	260	288	3.40%
Online gaming	65	181	220	583	388	20.70%
Filmed entertainment	191	172	197	118	238	6.50%
Animation and VFX	95	107	114	103	185	17.50%
Live events	83	73	88	100	143	17.60%
Out of home media	39	37	42	59	54	9.30%
Music	15	22	24	53	78	14.70%
Radio	31	21	23	25	27	6.60%
Total	**1,910**	**2,144**	**2,317**	**2,872**	**3,081**	**10%**
Growth		**21%**	**8%**	**24%**		

Source: Ernst & Young 2024 Report, PwC 2025 Report and IBEF.

India accounts for around 1 per cent of the share of the global online gaming and e-sports market, despite having the second-largest number of gamers globally, according to Ernst & Young. Over the last three years, the Indian gaming sector has witnessed the emergence of three gaming unicorns alongside the presence of 1,400 startups, including 500 gaming studios operating in the online gaming segment. Between 2019 and 2024, the Indian gaming market raised nearly US$ 2.77 billion (INR 255 billion) from domestic and global investors, according to the IBEF.[16]

According to UNCTADstat, India's total M&E (including AVGC) exports have increased from US$ 2.36 billion in FY 2019 to US$ 5.06 billion in FY 2024, reflecting a CAGR of 15 per cent and exhibiting the significant potential of the sector (see Figure 5.7).

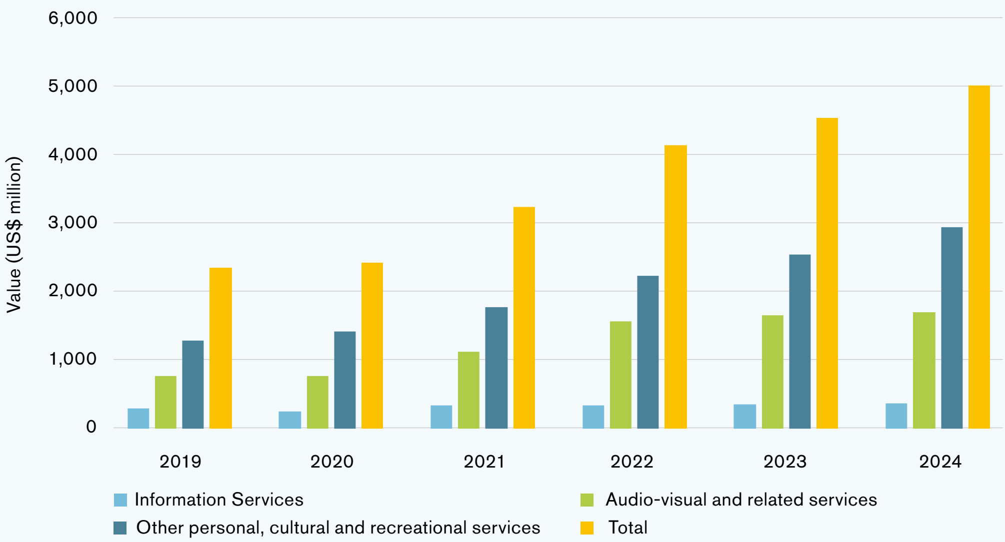
Strengths

The major strengths of this sector in contributing to India's services exports include:

i) **Long years of experience and global demand for Indian content:** India remains the largest producer of films globally, with around 2,000 films releasing annually across 20 languages. Indian content now reaches audiences in over 100 economies on platforms such as Netflix and JioHotstar, driving exports exceeding US$ 462.47 million in 2023–24. Indian movies, TV series, web-series, animated movies and games continue to be well-received globally.

Indian companies have built a strong reputation for delivering high-quality animation, restoration and other services.

Figure 5.7: Export trends of the media, entertainment and animation, visual effects, gaming and comics sector (in US$ million)



Source: UNCTADstat.

Note: “Total” represents the sum of export values for information, audiovisual and related, and other personal, cultural and recreational services combined.

The domestic VFX industry has undergone a significant transformation, shifting from basic post-production tasks to delivering high-end VFX work for global international projects. With surging global demand for 2D/3D animation, VFX, mobile and console gaming and virtual reality (VR) content, India is well-positioned to cater to these diverse market segments.

India is also emerging as a preferred media outsourcing hub. Cloud-driven applications and digital advertising shifts are prompting traditional players to reinvent business models leading to increased mergers and strategic partnerships across the M&E value chain.

ii) **Cost advantage:** According to the SEPC, the cost of providing audio-visual and related services from India is almost one-fifth that of its Western counterparts, thereby making it an attractive sourcing destination for international clients. India is already a preferred destination for global film production, visual effects for Hollywood, and game design and development. India’s international clients include DreamWorks, Electronic Arts, Marvel, Netflix, Ubisoft and Warner Bros. This significant cost arbitrage positions India to become a global outsourcing hub for post-production, as well as editing, animation movies, gaming assets and e-learning content.

iii) **Talent pool:** As of 2024, India accounted for more than 100 visual effects studios and over 400 game development firms that employed a large pool of animators, game designers, VFX specialists and storytellers. Leading animation schools, such as Whistling Woods, National Institute of Design, and Maya Academy of Advanced Creativity continue to produce world-class talent. Smaller cities like Bhopal are emerging as new talent hubs, contributing to the growth of original Indian intellectual property such as “Purple Turtle”, which has gained global recognition.

iv) **Strong digital infrastructure:** India’s robust IT and technological infrastructure is the backbone of this sector. Widespread broadband connectivity, cloud infrastructure and data centres enable high-speed content delivery, while the largely digital nature of these services ensures that exports remain low-cost and borderless.

v) **Advent of AI:** The rapid growth and adoption of AI have revolutionized the way content is created and consumed. AI-driven innovations help reduce costs and shorten production timelines, expanding accessibility to sectors such as education, healthcare and defence. According to Ernst & Young estimates, AI is expected to provide a US$ 5.2 billion boost to the Indian M&E sector by 2027. Many major Indian M&E companies are already using AI to drive efficiencies – it has the potential to impact all segments across the value chain (including content creation, VFX, localization and dubbing, and personalized content recommendations), thereby boosting India’s export potential.

vi) **International collaborations:** Many global studios (e.g., Disney, DreamWorks, Netflix) already outsource VFX and post-production to India. Foreign investments are flowing into domestic industry leaders such as Prime Focus and Red Chillies. With major studios such as Framestore, Industrial Light & Magic, and Netflix-owned Scanline VFX establishing a presence in India, the sector has seen rapid growth. Investments, technology, technical expertise and global standards are also associated with these international players.

Indian companies are also pursuing strategic overseas acquisitions, including in France, Ireland, and Spain, leveraging cost efficiency and creative expertise. Additionally, countries like the Philippines, renowned for their creative talent, represent potential partners for future collaboration.

vii) **Government policies and initiatives:** Policy initiatives in this sector are evolving and will take some time to bring the desired results. Some major initiatives are the following:

- IP-related policies: Revisions to IP-related regulations including the National Intellectual Property Rights Policy (2016),[17] and the Cinematograph (Certification) Rules (2024),[18] intend to address concerns related to ambiguity in regulations regarding online gaming, OTT content, and digital rights, censorship, piracy and copyrights, licensing and royalty collection etc.
- Co-production agreements: India currently has co-production treaties with 17 economies and the government offers a 40 per cent tax rebate to foreign film productions shot in the country. Yet key markets such as the United States and major European nations are missing, and the French co-production treaty only covers films, whereas international television production offers higher market demand.
- National AVGC Export Policy (proposed): a National AVGC-XR Mission will focus on exports, skilling and IP creation, create Indian AVGC showcases at international events (e.g., the Annecy International Animation Film Festival and SIGGRAPH in the United States) and establish AVGC Centres of Excellence across India to serve as export hubs.
- State policies: states including Karnataka, Telangana and Maharashtra have established policies including production subsidies, export incentives and infrastructure support for AVGC units serving overseas clients; several new AVGC incubators to be launched to support IP aimed at international markets.

Current challenges

A series of key policy changes desired by the industry for enhancing exports and attracting more investments include the following:

i) **Addressing the weakness in storytelling:** While India has excelled technically in servicing global clients, it lags behind in creating compelling narratives, apart from in the movie industry. The industry’s growth will depend on its ability to adapt, innovate and create stories that resonate with global audiences.

ii) **Financial incentives for exports:** M&E services need stronger financial and tax incentives (such as those in Canada and France) especially for smaller firms to participate in the AI revolution and compete against other Asian players such as China, Malaysia and Singapore. At present, there is a perception that current tax and incentive systems favour IT and manufacturing, not content creators for audio-visual and related services.

According to an Ernst & Young 2024 report, FDI in M&E remains lower than its potential, given the uncertainty in key growth sectors like gaming (pertaining to retrospective taxation) and relatively lesser incentives provided to the AVGC and content production industries in comparison to other economies.

A global expansion fund and better access to international venture capital could help Indian studios expand globally. Policy interventions should include incentives for AI startups in the AVGC industry, partnerships with global AI labs, and specialized talent-skilling programmes.

iii) **Shortage of skilled talent:** At present, the curriculum in schools and universities does not sufficiently support advanced skillsets in quality programming, graphic designing, augmented reality/VR, game engines, scriptwriting and soft skills like storyboarding, narrative design, global aesthetics and cultural localization. These shortages have hindered growth, leading industry representatives to urge the government to introduce specialized courses, particularly in Northeast India, where there is untapped potential. There is also a need to attract international professionals from major development hubs such as London, Berlin and San Francisco.

iv) **Global branding:** India needs to advertise and market its domestic content for global audiences. This content can be targeted not only at the Indian diaspora abroad but also at global audiences, as Indian epics and folklore, such as Amar Chitra Katha, Ramayana and Mahabharata hold the potential for inspiring globally recognized IP products.

Box 5.3 summarizes the best practices for promotion of media and entertainment services exports.

Box 5.3: Best practices in export promotion – media and entertainment services

Global collaboration

- Entering international co-productions for shared IP development and joint access to incentives and markets.
- Establishing long-term service contracts with global OTT players, gaming companies and advertising agencies.

Skilling and training

- National Centre of Excellence for AVGC-XR set up following the AVGC Task Force announcement in Budget 2022–23.
- Centre of Excellence in AI for Education being developed to promote tech-driven content creation.

Sector-specific export strategies

- Financial incentives including production subsidies.
- Government support for plug-and-play studios, incubation centres and incentives for exporters.
- Global branding, assistance for participation in fairs and shows.

Lessons from India

Based on this study, there are key lessons to be learnt from India's experience. These are summarized as follows:

i) Recognize the uniqueness of services export promotion

Given the peculiarities of services trade and the complex and heterogeneous nature of different services sectors, blind duplication of merchandise export promotion becomes unfeasible and ineffective. Specific services export promotion measures with sectoral tweaks are essential. India's experience is mixed thus far, with no exclusive focus on services promotion initially, except for computer services which has targeted schemes such as the IT SEZs and STPIs as well as government-backed skilling initiatives. India has designed standalone schemes for services like SFIS, SEIS and "Champion sectors" but has met with limited success largely due to implementation and coordination challenges.

ii) Sequenced and progressive liberalization with sector-specific reforms

Beginning in the 1990s, India's FDI policy framework has played a pivotal role in fostering the expansion and growth of its services sector. India broadly followed a "Negative List" approach to investment liberalization wherein 100 per cent of FDI on automatic route was permitted if not explicitly stated otherwise. India also consciously made the choice of simultaneously setting up semi-independent regulatory authorities in liberalized sectors (telecom, insurance, capital markets etc).

Empirical studies in this area provide similar findings on how policy shifts in services sectors helped generate direct and spillover benefits. These were achieved by: increasing FDI flows into services (financial and non-financial services, telecom, computer software and hardware) that coincided with strong growth in India's services exports (Saleena, 2013; Singh and Siddiqui, 2024); reducing barriers to cross-border data flows (Gordon and Gupta, 2005); improving firm-level productivity and export propensity of Indian firms (Arnold et al., 2016); and enabling market access for foreign firms combined with facilitative regulatory reforms (domestic deregulation, telecom liberalization) that proved to be key policy levers in accelerating services exports (Hoekman and Mattoo, 2011).

India's calibrated liberalization – opening sectors gradually while strengthening domestic regulatory capacity – prevented the adverse effects associated with sudden liberalization in developing economies and ensured sustainability of service-led growth (Panagariya, 2008). Sequenced liberalization allowed firms to scale quickly and meet global standards, showing that sector-specific reforms can be more effective than broad, untargeted measures.

iii) Balancing openness with domestic capacity building

India's experience shows that while openness to foreign participation is crucial, parallel efforts to strengthen domestic institutions, skills development and regulatory oversight are crucial to ensure that benefits are broad-based and sustainable. Eichengreen and Gupta (2013) have explained how India's second wave of service-sector growth was sustained precisely because of this complementary focus on skills development and institutional support, which allowed firms to move into higher value-added segments such as consulting, R&D and financial analytics.

India's emergence as the world's GCC hub driving innovation, IP creation and digital transformation across industries by leveraging the country's talent pool, is an example of this calibrated sequencing. Indian GCCs are currently at the forefront of developing AI models, engineering global cloud platforms and enhancing cybersecurity, thereby significantly upgrading their position in the global value chain. Due to recent tariff policies and visa restrictions by the United States in 2025 for India, Indian GCCs are expected to grow at a faster rate and handle a broader range of services including operations, finance and advanced R&D, according to Reuters.[19]

iv) Human capital development is essential for the services sector

The country's emphasis on technical and managerial education, coupled with the availability of a large English-speaking workforce, has enabled firms to seize global outsourcing opportunities (Chanda, 2002; Mattoo and Mishra, 2009). Unlike primary goods or low-tech manufacturing, most tradable services – IT, finance, consulting, healthcare, design, R&D – are knowledge- and skill-intensive. Export competitiveness in these areas depends more on the quality of workers' education and training than on natural resources or cheapness of labour (Dash, Sahoo and Chanda, 2025; Contractor and Mudambi, 2008).

Skilled professionals not only provide direct services but also generate spillovers into entrepreneurship, startups and innovation ecosystems, which sustain export growth beyond cost advantages. India's skilled labour force has been pivotal in building the country's reputation in international markets and attracting long-term clients. This highlights that trade policy needs to be complemented by investment in education and skills training.

v) Complementary infrastructure reforms are critical

Improvements in telecommunications, internet connectivity and urban infrastructure enabled the growth of services exports in India (Sahoo and Dash, 2017). The rise of IT services exports was also enabled by the establishment of software technology parks (Nath and Liu, 2017; Eichengreen and Gupta, 2013). Strategic investment in digital infrastructure reduced transaction costs, supported remote delivery, and allowed firms to connect seamlessly with global clients, thereby highlighting the importance of services-enabling infrastructure as part of trade strategy.

vi) Diversification will be key to sustained growth

India's services basket as well as its destination market profile is relatively concentrated and that has increased its vulnerability to external shocks (Mukherjee, 2013). The export base remains heavily reliant on computer-related services and other business services, with limited presence in other high-potential sectors such as media and entertainment services, healthcare, logistics, legal and education.

Similarly, India's services exports remain overly dependent on developed markets such as the United States, the United Kingdom, and the European Union. While these destinations have provided scale and stability, they also expose India to concentration risks. Diversifying services exports towards underexplored regions such as Africa, Latin America, the Middle East and Southeast Asia would allow India to tap into new sources of demand and reduce external susceptibilities.

Tapping into Tier 2 and Tier 3 cities as export hubs has played a key role in accelerating exports by decentralizing growth, unlocking regional talent, and making India's export base more inclusive, especially for computer and related services and now GCCs. A similar approach is now being pursued for media and entertainment exports by creating infrastructure, incubators and incentives for services firms in non-metropolitan regions.

vii) Dedicated institutional support for services is essential

Unlike goods, services are often intangible, heterogeneous and delivered through multiple modes. Coordinating policies across these modes requires a unified strategic vision that individual ministries or state governments have struggled to provide in India. As the institutional ecosystem supporting exports in India is fragmented, with multiple ministries and regulatory bodies implementing skilling, trade promotion, investment facilitation and digital infrastructure development (sometimes in silos), this frequently results in divergent focal points, duplication of efforts and conflicting regulations.

Coordination gaps between central and state institutions have resulted in inefficient resource utilization and implementation delays. While Invest India, NASSCOM and the SEPC play important roles, the absence of a unified apex authority for services has hampered cohesive policy design and execution. Similarly, India lacks an overarching services industry coalition covering all sectors, unlike leading service-exporting economies. Furthermore, a mindset change recognizing and acting in unison on a holistic services trade policy is critical.

Setting up a National Services Trade Council to coordinate across ministries, regulators and states will bring coherence to fragmented services trade policy and ensure faster, unified decision-making, including developing a holistic services trade policy. Further institutional support in the form of unified services trade data and intelligence system to track mode-wise exports, emerging market opportunities, and performance across sectors would massively reduce the cost of data procurement and help evidence-based policy-making.

viii) Services-centric financial support

Services exports are better served through performance linked or outcome-oriented incentives rather than the input-centric approach used for merchandise exports. A paradigm shift occurred in the last FTP consisting of export collaboration with key stakeholders and greater enablement of the ecosystem through technology, automation and continuous process-reengineering. Direct export subsidies tend to be less efficient compared to initiatives such as assistance for IP creation and protection, regulatory harmonization and public-private partnerships in skills and retraining.

ix) Adaptation to technological developments

Rapid technological developments – necessitating changes in business models, modes of services delivery, and the emergence of new services – are intrinsic to services trade. These challenges have been brought into sharper focus owing to shocks such as COVID-19, restrictions on cross-border movements, and disruptive technologies such as AI. As a result, export promotion efforts need to be more dynamic and adaptable. Additionally, the widespread prevalence of cross-border or digital delivery across services sectors necessitates the introduction of domestic laws including on data protection, consumer protection, cybersecurity and electronic authentication of documents. India needs to accelerate the adoption of these regulations to provide a supportive ecosystem for data transfer and storage. A dedicated e-commerce export policy, involving creation of e-commerce hubs through logistics support, capacity building and PPPs, could also facilitate services exports.

Endnotes

1 Indian cities are classified into Tiers (1, 2, and 3) based on population size, economic development, and infrastructure quality. Tier 1 includes major metropolitan hubs with high infrastructure (e.g., Delhi, Mumbai), Tier 2 consists of rapidly developing urban areas (e.g., Jaipur, Pune), and Tier 3 refers to smaller, emerging cities.

2 See https://www.sphericalinsights.com/reports/india-digitally-delivered-services-market#:~:text=India%20Digitally%20Delivered%20Services%20Market%20Insights%20Forecasts%20to%202033,currently%20sold%20from%20its%20borders.

3 See https://www.pib.gov.in/PressReleasePage.aspx?PRID=2131716#:~:text=The%20services%20sector%20emerged%20as,billion%20in%20the%20previous%20year.

4 See https://rbi.org.in/Scripts/Data_Overseas_Investment.aspx.

5 See https://government.economictimes.indiatimes.com/news/economy/digital-infra-investment-policy-support-help-services-exports-touch-usd-34-31-billion-in-oct/116764745.

6 See https://www.outlookindia.com/business/full-text-of-the-exim-policy-2002-2007-news-215046; https://www.indembassybern.gov.in/docs/1633931953Tamil%20Nadu%20Export%20Promotion%20Strategy_Sep%202021_compressed.pdf

7 Single-window clearance systems by state governments are digital, integrated and time-bound online portals that allow businesses and investors to submit applications for multiple approvals, licences and permissions from various departments in one place. These platforms replace multiple, separate applications with a single interface, increasing efficiency, reducing paperwork and improving the ease of doing business.

8 See https://ibef.org/economy/trade-and-external-sector.

9 GATS modes define four methods of supplying services in international trade under the World Trade Organization (WTO). They

classify how services cross borders based on the location of the supplier and consumer: Mode 1: Cross-border supply (digital services), Mode 2: Consumption abroad (tourism), Mode 3: Commercial presence (foreign branches), and Mode 4: Movement of natural persons (temporary consultants).

10 See https://skillindiamission.in/.

11 The Pradhan Mantri Kaushal Vikas Yojana (PMKVY) is a flagship skill development initiative of the Government of India, providing free vocational training to young people to make them employable. Run by the Ministry of Skill Development and Entrepreneurship (MSDE), the scheme teaches industry-relevant skills (such as IT, healthcare, retail) to youth across the country.

12 See https://www.futureskillsprime.in/.

13 The India Brand Equity Foundation is a trust established by the Department of Commerce, Ministry of Commerce and Industry, and the Government of India, to promote the "Made in India" brand globally by raising international awareness of Indian products and services.

14 See https://www.elliottscotthr.com/hr-insights/hr-insights-and-trends/attrition-rate-a-rising-concern-in-india/#:~:text=The%20IT%20sector%20is%20dealing,also%20experienced%20high%20attrition%20rates.

15 See https://www.pwc.in/india-entertainment-media-outlook-2024-28.html.

16 India Brand Equity Foundation (IBEF), Media and Entertainment, https://www.ibef.org/industry/entertainment-presentation#:~:text=*In%20February%202024%2C%20the%20Union,years%20(2019%2D2024).

17 See https://www.dpiit.gov.in/ministry/about-us/details/Title=National-Intellectual-Property-Rights-(IPR)-Policy-ITMwETMtQWa .

18 See https://mib.gov.in/sites/default/files/2024-12/final-cinematograph-certification-rules-14032024-1accessible.pdf.

19 See https://www.firstpost.com/world/us-firms-to-shift-more-work-to-india-expand-gccs-after-trumps-h-1b-crackdown-13938185.html.

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06

Jamaica: Creativity, talent and the rise of global services

AUTHORS:

Romina Gayá, Krista Lucenti and Christian Volpe Martincus

Tuff Gong music studio in Jamaica.

Abstract

While services account for more than 70 per cent of Jamaica's exports and nearly all foreign direct investment (FDI) inflows, most trade and investment promotion policies were originally designed for goods and have only gradually been adapted to the specific characteristics of services. Over the past two decades, however, the country has developed a more tailored institutional and strategic framework, combining long-term national strategies – such as the National Export Strategy, the National Foreign Trade Policy and the National Investment Policy – with specialized programmes led by the Jamaica Promotions Corporation (JAMPRO), the national trade and investment promotion agency.

This new framework has targeted three strategic service sectors: tourism, global digital services (GDS) and film, animation and music (FAM). Each plays a distinct role in Jamaica's economy: tourism drives investment volumes and generates extensive local linkages; GDS fosters job creation, skills upgrading and export diversification; and FAM contributes to branding, cultural visibility and spillovers into other sectors such as digital services and tourism. Between 2017 and 2023, these three sectors accounted for about one-third of total capital expenditure but an overwhelming 93 per cent of the new jobs generated by JAMPRO's clients, underscoring their combined strategic relevance.

The agency has coupled export promotion with attracting FDI and business-linkage development, while leveraging instruments such as Export Max, audiovisual incentives and the special economic zones (SEZs) regime adapted to service activities. Complementary initiatives illustrate how demand-driven skills development, business facilitation and targeted finance are integrated into the broader services promotion agenda, which is supported by a more integrated approach to public-private coordination.

Despite structural challenges – such as skills shortages, limited access to finance and data gaps – Jamaica's trajectory illustrates how services-specific strategies can be gradually embedded into broader development agendas. Jamaica's case underscores the importance of institutional continuity, stakeholder alignment and policy adaptation.

Key points

Main elements of Jamaica's export promotion strategy:

- Long-term national strategies such as the National Export Strategy (NES), the National Foreign Trade Policy (NFTP) and the National Investment Policy (NIP) progressively incorporated services sectors as priority areas.
- Creation of specialized programmes such as Export Max and the Film Commission's incentives, which support export readiness, investment promotion and company visibility.
- A strong institutional role for JAMPRO, which combines export promotion, attracting foreign direct investment (FDI) and linkage creation, with an increasing focus on services.
- A demand-driven skills development programme, combined with the strengthening of JAMPRO's capacity to promote exports and attract FDI in knowledge-based services (KBS) sectors.
- Implementation of sector-specific initiatives targeting global digital services (GDS); film, animation and music (FAM) and tourism niches, including talent development and ecosystem support.
- Adaptation of the special economic zone (SEZ) regime to attract service-sector investment, with tailored fiscal and non-fiscal incentives.
- Public-private coordination mechanisms involving ministries, regulators, business associations and training institutions.

Main achievements and impacts:

- Consolidation of services as Jamaica's main export and investment driver, with tourism driving investment volumes and local linkages; and GDS and FAM fostering export diversification and sophistication as well as job creation. Taken together, these three sectors accounted for about one-third of total capital expenditure and 93 per cent of new jobs generated by JAMPRO's clients between 2017 and 2023.
- Increased participation of services firms in SEZs and efforts to foster linkages with local talent and suppliers.
- Recent steps to improve services measurement and inter-agency coordination, including the creation of joint working groups and alignment with national policies.

Challenges:

- Persistent data gaps that hinder the design and monitoring of evidence-based policies for service exports.
- Skills shortages in high-demand areas such as animation, cybersecurity and business analytics.
- Limited access to finance for small service firms due to lack of physical collateral and risk perception.
- Uneven export readiness and international exposure among service firms.

Good practices:

- Gradual adaptation of traditional trade and investment promotion tools to the specific characteristics of services (intangibility, customization, regulation).
- Integrated approaches to skills training and investment promotion are more likely to catalyse export-led economic growth and job creation.
- Institutional continuity and multisectoral governance through JAMPRO and national strategies with clear implementation structures.
- Emerging integration of diaspora engagement, workforce training and business facilitation into the services promotion agenda.
- Use of fiscal incentives under SEZs and alignment of promotion instruments with broader development priorities (e.g., digital economy, youth employment, cultural identity).

Services exports and FDI dynamics over the past two decades

Services are the dominant sector in Jamaica's economy, accounting for 69.0% of total employment, 60.3 per cent of gross domestic product (GDP), 73.4 per cent of exports in 2024, and 80.6% of FDI inflows (see Figure 6.1). Over the past two decades, services have increased their share of employment, exports and FDI, while their contribution to GDP has slightly declined. Between 2005 and 2024, commercial services exports (balance of payment basis) expanded at a compound annual growth rate (CAGR) of 4.4 per cent, reaching US$ 5.3 billion and generating a structural trade surplus of US$ 1.8 billion in 2024 (see Figure 6.2). Although Jamaica's share of regional and global service exports declined, most of the contraction occurred during the first decade. Over the past 10 years, Jamaica's services exports have accelerated, growing at a slightly faster pace than the global average (CAGR of 6.0 per cent and 4.9 per cent, respectively).

Within the services sector, tourism plays a central role in terms of investment, employment, exports, trade surplus and linkages with other industries (WTO, 2024). The relative importance of this activity has grown in recent years. On average,

Figure 6.1: Services' share in Jamaica's GDP, employment, total exports and FDI,[a] 2005–2025 (%)

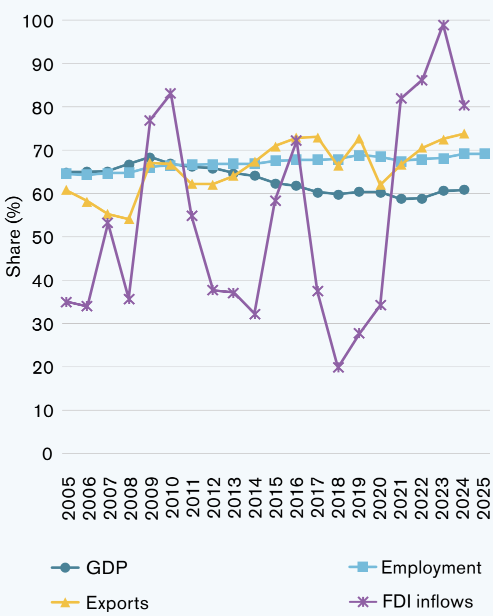
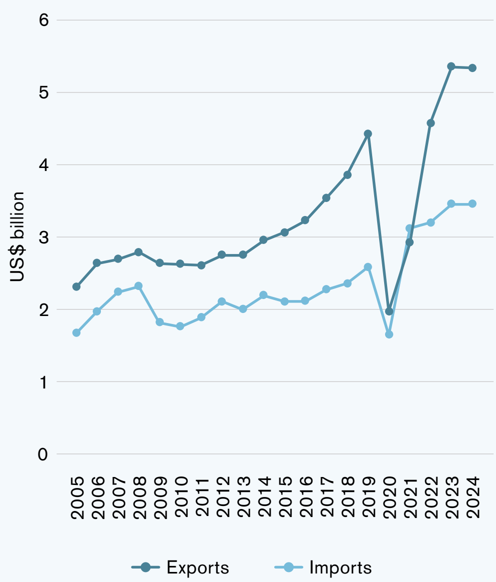


Figure 6.2: Jamaica's commercial services exports and imports, 2005–2024 (US$ billion)



Source: Developed by the authors with data from the WTO (trade), the World Bank (GDP and employment) and the IDB (FDI inflows).

Note: [a] FDI inflows include investments in information technology and communication and tourism.

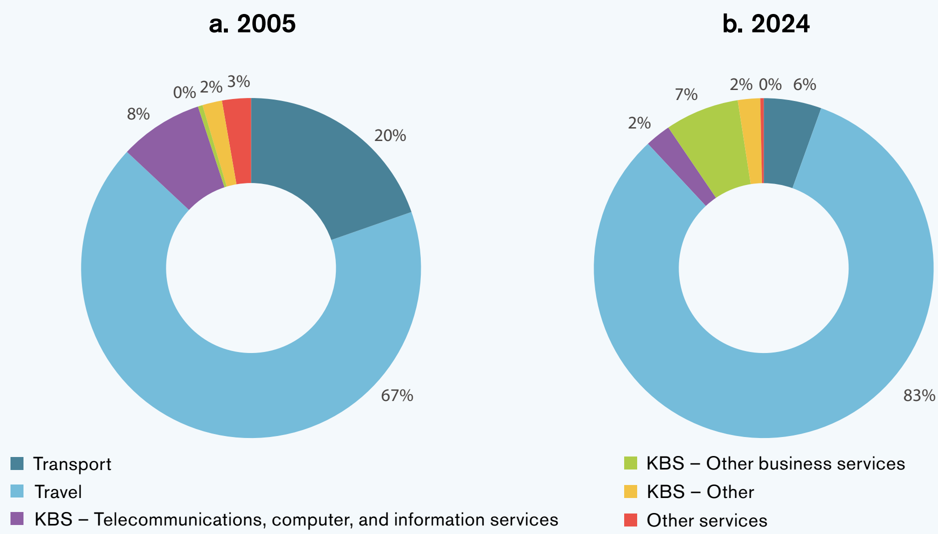
tourism accounted for one-third of total FDI inflows between 2005 and 2023, and its share nearly doubled in the aftermath of the pandemic. Travel exports have also grown more rapidly in Jamaica than in Latin America and the Caribbean (LAC) and the rest of the world. Contrary to global trends, the share of the travel category in Jamaica's commercial services exports increased from 67.3 per cent in 2005 to 82.6 per cent in 2024 (US$ 4.3 billion). In contrast, transport exports declined both in absolute and relative terms over the same period.[1]

In the period 2005–2024, KBS – which include four categories within the balance of payments classification: charges for the use of intellectual property; telecommunications, computer and information services; other business services; and personal, cultural and recreational services (Giordano et al., 2024) – gained modest relevance, increasing from 10.3 per cent to 11.6 per cent of commercial services exports (US$ 607 million in 2024). However, their growth was slower as compared to the global average (5.1 per cent and 8.2 per cent, respectively).

Moreover, their composition changed significantly, particularly within the so-called "global digital services" sector.[2] In 2005, most KBS exports were related to telecommunications, computer and information services, which declined between 2009 and 2013 and then remained flat in absolute terms, resulting in a net decrease (-1.9 per cent CAGR between 2005 and 2024) and a substantial loss of market share (from 8.0 per cent of total service exports in 2005 to 2.4 per cent in 2024).

This contrasts with trends observed in global trade, where such services grew at a 10.6 per cent CAGR and represented the most dynamic category. Conversely, other business services – negligible in 2005 – rose steadily in Jamaica driven by the expansion of business process outsourcing (BPO), outpacing global growth (20.9 per cent and 7.7 per cent CAGR, respectively) and accounted for 7 per cent of total services exports in 2024. Other KBS (including audiovisual services) continued to represent 2 per cent (see Figure 6.3).

Figure 6.3: Composition of commercial services exports (%), 2005 vs. 2024



Source: Developed by the authors with data from WTO Stats.

Note: KBS – knowledge-based services.

As a result of this evolution, KBS exports accounted for 3 per cent of Jamaica's GDP and 8.5 per cent of its total exports in 2024, well above the LAC averages of 1.2 per cent and 4.6 per cent, respectively. On a per capita basis, the country exports US$ 221 in KBS, compared to just US$ 127 in the LAC region (see Table 6.1). Considering KBS exports per inhabitant, Jamaica also outperforms most economies at comparable levels of development.[3]

Table 6.1: Exports of knowledge-based services in Latin American and Caribbean economies

Value (US$ million)		Share of total exports (%)		Share of GDP (%)		Per capita (US$)	
LAC[a]	**77,179**	CRI	24.1	CRI	9.5	CRI	1,710
BRA	28,111	URY	20.4	BLZ	6.6	URY	996
MEX	9,527	BLZ	14.3	URY	4.3	ATG	644
ARG	9,377	ARG	9.7	**JAM**	**3.0**	BLZ	547
CRI	9,105	**JAM**	**8.5**	ATG	3.0	BHS	537
COL	5,687	COL	8.5	SUR	2.5	PAN	236
URY	3,491	SUR	7.5	SLV	2.0	**JAM**	**221**
CHL	3,358	GTM	7.4	NIC	1.6	ARG	199
DOM	1,862	BRA	7.3	DOM	1.5	SUR	173
GTM	1,428	DOM	6.6	BHS	1.5	DOM	172
PAN	1,066	SLV	5.9	ARG	1.5	CHL	167
PER	934	ATG	5.3	COL	1.4	BRA	132
SLV	719	**LAC[a]**	**4.6**	BRA	1.3	**LAC[a]**	**127**
JAM	**607**	NIC	3.6	GTM	1.3	SLV	112
HND	436	PAN	3.5	PAN	1.2	COL	108
ECU	333	BHS	3.4	HND	1.2	GTM	80
NIC	310	CHL	3.0	**LAC[a]**	**1.2**	MEX	72
BLZ	225	HND	3.0	CHL	1.0	TTO	71
BHS	219	MEX	1.4	MEX	0.5	NIC	45
SUR	112	PER	1.2	TTO	0.4	HND	41
TTO	101	TTO	1.0	PER	0.3	PER	27
BOL	83	ECU	0.9	ECU	0.3	ECU	19
ATG	67	BOL	0.8	BOL	0.2	BOL	7
PRY	21	PRY	0.2	PRY	0.0	PRY	3

Source: Developed by the authors with data from WTO and the IMF.

Notes: [a] Weighted average.

Glossary: ARG – Argentina; ATG – Antigua and Barbuda; BHS – Bahamas; BLZ – Belize; BOL – Bolivia; BRA – Brazil; CHL – Chile; COL – Colombia; CRI – Costa Rica; DOM – Dominican Republic; ECU – Ecuador; GTM – Guatemala; HND – Honduras; JAM – Jamaica; LAC – Latin America and the Caribbean; MEX – Mexico; NIC – Nicaragua; PAN – Panama; PER – Peru; PRY – Paraguay; SLV – El Salvador; SUR – Suriname; TTO – Trinidad and Tobago; URY – Uruguay.

Jamaica has also emerged as the leading hub for KBS suppliers in the English-speaking Caribbean. According to the Global Services Association of Jamaica (GSAJ), approximately 110 companies operate in these sectors, employing around 59,500 people. These firms contribute an estimated US$ 1 billion to the economy through wages, office leasing, utilities and other expenditures (JAMPRO, 2025a).

Jamaica's KBS exporters include multinational enterprises such as Alorica, HGS, Startek, Sutherland Global Services, Teleperformance and Xerox, as well as local firms such as Itel, MC Systems and TCS. They serve a wide range of industries: retail, technology, media, financial services and insurance, medical, legal services, public sector, education and professional services, travel and tourism, and healthcare. The sector's portfolio includes web and software development, e-commerce, digital marketing, cloud computing, data analytics, customer support, technical assistance, back office operations (finance, accounting, human resources), market research, claims processing, debt collection, graphic design, telecommunications, banking and logistics, amongst others (JAMPRO, 2017a; ITC and UK International Development, 2025; JAMPRO, 2025a). Jamaica also has a long-standing tradition in audiovisual services, including film production, music and more recently, animation (Robinson, 2019).

Jamaica outperforms the regional average in several categories of export determinants – including regulatory environment, talent and digital infrastructure – although a significant gap remains compared to the Organisation for Economic Co-operation and Development (OECD) average (see Table 6.2). Moreover, as real-time client

Table 6.2: Key drivers of competitiveness in knowledge-based services, selected indicators – Jamaica, Latin America and the Caribbean (LAC) and OECD, 2023

Area	Indicator	Unit	Jamaica	LAC[a]	OECD[b]
Regulatory framework	Worldwide governance indicators (simple average)[c]	Score (-2.5 to 2.5)	0.19	-0.12	0.46
	Control of corruption		-0.11	-0.18	0.45
	Government effectiveness		0.41	-0.15	0.45
	Political stability and absence of violence/ terrorism		0.38	-0.03	0.45
	Regulatory quality		0.10	-0.15	0.45
	Rule of law		-0.17	-0.15	0.47
	Voice and accountability		0.56	-0.11	0.47
Talent	Network Readiness Index – People pillar[d]	Score (0 to 100)	42.50	38.25	53.91
Connectivity	Fixed broadband subscriptions[e]	per 100 people	15.98	17.14	35.99
	Individuals using the internet[e]	% of the population	90.00	77.02	91.50

Sources and notes:

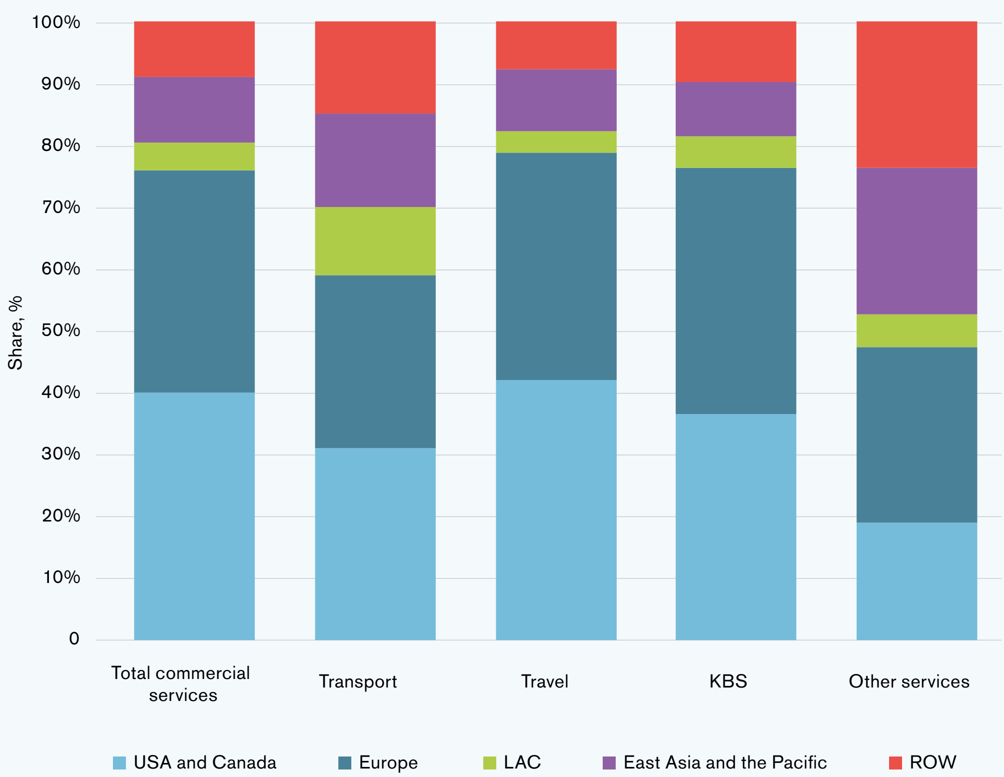
[a] Simple average. 26 economies (IDB members) except where otherwise indicated.
[b] Simple average. 38 economies except where otherwise indicated.
[c] Simple average of five indexes measuring perception of control of corruption, government effectiveness, political stability and absence of violence/terrorism, regulatory quality, rule of law, and voice and accountability (Kaufmann, Kraay and Mastruzzi, 2010).
Source: World Bank.
[d] The People pillar of the Network Readiness Index assesses the application of information and communications technology (ICT) across three facets: individuals, enterprises and public sectors. LAC: 19 economies.
Source: Portulans Institute (Dutta and Lanvin, 2024).
[e] 2023 or last available data.
Source: International Telecommunication Union.

interaction is critical in most KBS segments, Jamaica's status as an English-speaking nation offers a clear advantage for serving key markets such as Canada, the United Kingdom and the United States. Jamaica also benefits from cultural and historical affinities with these economies, as well as a favourable location in terms of proximity and time zone.

According to estimated data from the World Trade Organization (WTO)-OECD's Balanced Trade in Services Dataset (BaTiS), the United States and the United Kingdom are the top two destinations for all categories of Jamaica's services exports.

The United States and Canada together account for 40 per cent of total services exports, including 42 per cent of travel, 37 per cent of KBS and 31 per cent of transport services in 2023. European economies absorbed 36 per cent of Jamaica's services exports and are the leading destinations for KBS (40 per cent), as well as 37 per cent of travel and 28 per cent of transport services. Beyond the United Kingdom, other significant European markets include France, Germany, the Netherlands and Switzerland. Exports to LAC remain limited (only 4 per cent), with Barbados, Brazil, Guyana, Mexico and Panama being the main partners (see Figure 6.4).

Figure 6.4: Share of commercial services exports by sector and destination, 2023



Source: Developed by the authors with data from BaTiS (WTO).

Note: LAC – Latin America and the Caribbean; ROW – rest of the world.

Overall strategy and institutional architecture for services exports and FDI promotion

This section explores Jamaica's strategy for the services sector, with a focus on the institutional architecture and the main initiatives to foster exports and attract FDI, which are recognized by Jamaica as key drivers of economic growth and sustainable development.

Jamaica's institutional framework for service exports and FDI promotion shows an interesting evolution over time, reflecting a transition from policies originally designed for goods and tourism to a broader strategy that explicitly prioritizes GDS and FAM. The strategy for developing services sectors is grounded in long-term planning and a coordinated approach involving key ministries, public agencies and the private sector. This underscores the government's commitment to align stakeholders, but it also increases challenges for implementation.

Jamaica's approach combines broad-based initiatives – such as the NES, the NIP and the SEZ regime – with sector-specific strategies (discussed on page 176), as well as cross-cutting policies that directly or indirectly support service development. One such example is the National Science, Technology and Innovation Policy 2022–2029 (NSTIP) (MSET, 2022). This policy promotes the development of science, technology and innovation through science, technology, engineering and mathematics education, research and development (R&D) incentives and infrastructure investments, among other tools, transforming Jamaica's economy towards the production of more knowledge-intensive, higher-value-added goods and services. The NSTIP also includes specific initiatives to promote the use of science and technology in the tourism industry.

Institutional architecture

Several institutions are involved in services exports and FDI promotion in Jamaica (see Table 6.3). The Ministry of Foreign Affairs and Foreign Trade (MFAFT) is responsible for formulating and coordinating trade policy in collaboration with other public and private stakeholders, primarily through the Jamaica Trade Policy Advisory Group. The MFAFT also leads Jamaica's trade negotiations. Jamaica has trade agreements that liberalize trade in services with 41 counterparts, 11 bilateral investment treaties (BITs) and double taxation agreements (DTAs) with 26 jurisdictions. The number of trade agreements with services provisions and DTAs is above the regional average (26 and 7, respectively) (Giordano et al., 2024), although Jamaica has fewer BITs in force, with the regional average standing at 14.

Other ministries involved in trade in services include the Ministry of Industry, Investment and Commerce (MIIC); Ministry of Tourism; Ministry of Science, Energy, Telecommunications and Transport; and the Ministry of Economic Growth and Job Creation (WTO, 2024). The MIIC is responsible for overseeing the implementation of the country's main strategies to foster exports and investment (NES and NIP, respectively).

JAMPRO, a statutory agency under the MIIC, was established in 1990 to promote export and investment opportunities to both domestic and international investors. Compared to other promotion agencies, JAMPRO targets a wide range of economies and sectors. However, approximately three-quarters of the support provided to multinational companies is directed towards North American firms and over 80 per cent is focused on non-financial services (Volpe Martincus et al., 2021).

Priority export and investment sectors include BPO, FAM, logistics and tourism (WTO, 2024). JAMPRO is headquartered in Kingston, with additional offices in London, Montego Bay, New York and Toronto. The Minister of Industry, Investment and Commerce appoints JAMPRO's board of directors, comprising 12 members. Four represent public institutions while eight, including

Table 6.3: Main institutions involved in services exports and FDI promotion in Jamaica

Institution	Role
Ministry of Foreign Affairs and Foreign Trade	Formulates and coordinates trade policy in collaboration with other public and private stakeholders
Ministry of Industry, Investment and Commerce	Oversees investment and export promotion policies; leads the NIP and NES; chairs the NIP Task Force.
Jamaica Promotions Corporation	Lead implementing agency for export and FDI promotion; supports investors and exporters; focuses on priority sectors, including several service activities.
Jamaica Special Economic Zone Authority	Regulates and supervises the SEZ regime; key for service-sector investment under incentive frameworks.
Global Services Association of Jamaica (private sector)	Represents the interests of KBS firms and works closely with the government on relevant issues for trade in services.

Source: Developed by the authors.

the Chairman, are from the private sector.[4] JAMPRO is headed by a president and structured into four strategic divisions, each led by a vice president. These strategic divisions are:

- **Marketing and opportunity packaging**, which develops initiatives to increase brand awareness and generates leads for both JAMPRO and Jamaican exports.
- **Exports**, which supports the internationalization of Jamaican companies, with a focus on selected sectors such as film, animation and music, through export promotion and facilitation.
- **Investment and linkages**, which identifies investment opportunities, attracts FDI and fosters connections among key stakeholders.
- **Finance and corporate services**, which oversees the efficient use of JAMPRO's financial and operational resources.

The Jamaica Trade Board (former Trade Board Limited) is a regulatory agency under the MIIC responsible for issuing export and import licences. Although it has traditionally focused on trade in goods, it has more recently expanded its functions to include capacity building, digital facilitation and trade readiness – including for services exporters.

Lastly, the **Jamaica Special Economic Zone Authority** (JSEZA) is responsible for regulating and supervising the primary regime for services, namely the SEZs.

Jamaica's institutional architecture for services exports and FDI promotion also involves some industry associations and public-private partnerships (PPPs). For instance, the GSAJ represents the interests of KBS firms and works closely with the government on relevant issues for trade in services and the Creative and Cultural Industries Council is a public-private entity supporting creative industry exports.

The National Export Strategy and the National Foreign Trade Policy

Jamaica has adopted a long-term vision to promote exports based on multi-year strategies and services that have progressively become a key component of these policies. The 2001 New Trade Policy aimed at increasing and diversifying exports of goods and services, but it did not include specific provisions for services, besides a focus on the implications of the following agreements established by the WTO: General Agreement on Trade in Services, the Trade-Related Intellectual Property Rights and the Trade-Related Investment Measures agreements (Hylton, 2001).

The first NES (NES I) was implemented between 2010 and 2013, in line with the National Development Plan launched in 2009. Its main objectives were to strengthen Jamaica's export capacity and to improve the country's overall trade performance, with services identified to play a key role in reaching those goals. NES I included cross-cutting industry strategies (skills development, innovation and technology, energy, national image and branding, trade promotion, financing, etc.), as well as sector-specific strategies for eight industries, including entertainment (with a focus on FAM); and ICT services (comprising software, BPO and telecommunications). Actions included in the functional strategies were also concentrated in these activities. For example, NES I aimed to enhance human capital by implementing specific training and education programmes in each priority sector.

For the selected industries, NES I defined specific targets of exports, new foreign and local investment projects, financing, and the development of business community capabilities, among other objectives (MIIC et al., 2009). In the aftermath of the global slowdown following the financial crisis, results were mixed. While service trade data are not directly comparable to the strategy's export targets, these targets were likely achieved. By 2013, commercial service exports were only 4 per cent higher than in 2009, but KBS outperformed, growing by 38 per cent. Within this category, other business services (including BPO) and personal, cultural and recreational services (including education and entertainment) had more than tripled, while telecommunications, information and computer services had declined by 48 per cent.

In 2015, Jamaica launched a follow-up strategy (NES II) that involved a shift from a broad, resource-intensive plan that sought to cover multiple sectors and cross-cutting issues, to a more selective, market-driven strategy. The goal was to develop a competitive export supply tailored to the needs of foreign customers. Building on lessons from the first NES, Phase II focused on a smaller number of initiatives and priority sectors. It also sought to strengthen institutional capacity for policy design and implementation by ensuring adequate human and financial resources and establishing a more robust monitoring and evaluation framework.

NES II (2015–2019) was designed by the Trade Support Network (JAMPRO, MIIC, MFAFT, the Jamaica Manufacturers and Exporters Association (JMEA) and the Jamaica Trade Board) together with the Commonwealth Secretariat. It prioritized five sectors – including film and animation and ICT-enabled services – and five cross-cutting strategies (logistics and supply chain management, market access and trade information, export financing, standards and quality management, and capacity building) (The Commonwealth Secretariat, 2016).

The provisions of NES II were integrated into the NFTP (2017–2022) that replaced the 2001 New Trade Policy. The policy agenda emphasized the need to strengthen the enabling environment for services exports by addressing structural gaps in data, standards and market access. Priorities included building a robust statistical system in collaboration with the Caribbean Community (CARICOM), the Committee of Statisticians and industry associations to better analyse performance.

The aim was to align promotion strategies with the private sector and the NES, promoting linkages among different services and between services and other industries, and accelerating the development of accreditation systems and mutual recognition agreements to facilitate entry into key markets. Regional collaboration was also seen as essential, reflecting an understanding that services trade growth depends not only on national initiatives but also on harmonized standards and collective action within CARICOM (Ministry of Foreign Affairs and Foreign Trade, 2017).

Concerning cultural and creative industries, the NFTP highlights the need to move beyond talent development to systemic support for international competitiveness. It calls for fostering innovation through education, strengthening marketing capacity abroad and creating an enabling trade environment. Attention is also placed on leveraging existing flexibilities in trade agreements and, critically, on improving data collection to measure the sector's true export value, recognizing that without reliable evidence, planning and market access negotiations remain constrained (Ministry of Foreign Affairs and Foreign Trade, 2017).

These shifts codify the good practice of long-term, services-aware planning while acknowledging persistent data constraints that the policy seeks to address.

The National Investment Policy

Jamaica's National Investment Policy (NIP), launched in 2022, signals an effort to establish a coherent framework to attract both domestic and foreign investment. While Jamaica already grants national treatment to foreign investors with few restrictions (WTO, 2024), the NIP seeks to transform this openness into effective competitiveness by reducing regulatory uncertainty, aligning incentives and strengthening linkages with the domestic economy. Its design reflects recognition that the investment climate depends not only on openness but also on the efficiency, credibility and coordination of institutions. The policy is implemented through a coordinated approach involving the public and private sectors and civil society, under the oversight of the National Competitiveness Council, which is tasked with improving the business environment (MIIC, 2022).

The Policy is embedded in a wider reform agenda that includes the Business Environment Reform Agenda (BERA), the PPP initiative, the SEZ regime and the NSTIP. The NIP is also in line with several sectoral strategies, including some related to KBS, tourism, logistics and creative and cultural services (MIIC, 2022).[5] The NIP identifies these high-potential service sectors as priority areas, confirming Jamaica's intent to move towards investment that diversifies the economy and generates higher value added.

This Policy is based on five principles: business efficiency, public sector cohesiveness, global competitiveness, transparency, and sustainability. The implementation is structured in three levels (direction, coordination and execution) (see Figure 6.5). JAMPRO is the lead implementing agency and its mandate goes beyond promoting and facilitating investments, and includes the revision of the national investment map, strengthening aftercare and fostering domestic linkages.

The NIP identifies 11 key policy areas, each with specific objectives and actions. These include multi-stakeholder planning, regulatory streamlining, promotion of sustainable investment, protecting investors and intellectual property rights, improving labour and immigration policies, optimizing investment incentives (i.e., by monitoring the impact of investments vis-à-vis the cost of fiscal incentives and implementing non-fiscal benefits), enhancing Jamaica's participation in global value chains and increasing investor retention (see Figure 6.6).

Measures adopted under the NIP framework include:

- Jamaica Business Gateway: A government-led initiative that operates as a one-stop shop platform for business-to-government (B2G) transactions. This platform improves the ease of doing business by digitizing and automating over 150 procedures.
- Government Efficiency Index (GEI): This index includes a component related to aftercare, retention and investment, which measures the concerns of the business community in conducting business. Thus, the GEI is already enabling the government to understand these concerns better and improve efforts to develop a business-friendly environment and facilitate processes.
- Defining priority projects: Builds on one of the strategies of the NIP intended to increase investments, job creation and knowledge transfer.
- National Competitiveness Council: A public-private initiative, it was established in 2010 to advance policy advocacy, research and public awareness of reforms needed to improve the business climate. Its activities are related to governance (development and/or amendment of the regulatory framework), digital transformation, institutional strengthening and business process re-engineering.

As of March 2025, 34 per cent of policy strategies had been completed, 25 per cent were ongoing or under continuous implementation and 40 per cent were delayed.

Figure 6.5: Implementation of the National Investment Policy

Direction	Coordination	Execution
Coordinated by the Economic Growth and Job Creation Subcommittee of the Cabinet, led by the Prime Minister. Comprises ministers + heads of all agencies relevant for investment	Led by the NIP Task Force, chaired by MIIC. Facilitates collaboration with agencies, JAMPRO and MOT. It may also consult private sector actors and development partners	JAMPRO is responsible for designing and executing the investment promotion strategy, revising the investment map, fostering linkages between FDI and domestic firms, establishing dispute resolution mechanisms and managing the business portal and investment registry

Source: Developed by the authors based on MIIC (2022).

Figure 6.6: National Investment Policy: policy issues and goals

Coordinated national approach to sustainable investment planning
To establish a high-level coordinating and approval mechanism

Business process and environment reform
To make it easier to do business in Jamaica

Investment promotion and marketing
Implement a robust marketing and promotion campaign that targets sustainable private investments

Treatment and protection of investors
To reduce the incidence and impact of investor disputes on investments

Intellectual property
To support the creation and promotion of a modern legislative framework that allows easy IP protection

Access to land and other Government of Jamaica assets
To enhance and expedite access to Government of Jamaica assets for investment purposes

Labour and immigration
To improve the supply and delivery of labour and immigration services

Incentivizing investments
To create a mechanism to monitor and review incentives to ensure maximum impact

Supply chain and logistics
To increase Jamaica's integration with global trade and supply chains

International trade
To establish efficient trade support and facilitation systems that strengthen investments and economic growth

Aftercare, retention and re-investment
To strengthen investor aftercare services in a bid to ensure retention and re-investments

Source: Developed by the authors based on MIIC (2022).

The special economic zones regime

Most outsourcing firms operate under Jamaica's SEZ regime, which offers a range of fiscal incentives. Eligible service activities include BPO, ICT, R&D, creative services and logistics. Firms in tourism, telecommunications, real estate, healthcare and financial services may operate within SEZs, but under a different regime – the Omnibus Incentives Act – which also offers some fiscal incentives.[6] JAMPRO actively promotes SEZs as a tool to attract service-sector investments, particularly in digital services and BPO. The GDS sector accounts for approximately 70 per cent of firms operating in SEZs (Hall, 2023).

Companies can operate either as "occupants" in an existing SEZ or as "developers" of new zones and both are eligible for similar benefits. These include a reduced corporate tax rate (7.5 per cent), exemptions on customs duties and general consumption tax (GCT), employment and promotional tax credit and capital allowances. However, certain benefits vary depending on the company's status (see Table 6.4).

To qualify for benefits under the SEZ regime, developers must have a paid-up capital of at least US$ 1.5 million. Occupants must also invest a minimum of US$ 25,000 and allocate at least US$ 50,000 to SEZ-related activities during the first year of operation. Micro, small and medium enterprises (MSMEs) must invest US$ 25,000 in infrastructure or equipment and are granted up to four years to meet the full eligibility requirements (JAMPRO, 2017b). JSEZA and MIIC are creating a framework to enable IP-related companies, including some KBS activities such as film production and software development, to benefit from the SEZ regime (Williams, 2024).

Table 6.4: Tax benefits for services companies under the special economic zone (SEZ) regime

Benefits	Developer	Occupant
Corporate income tax (effective rate after approved tax credits)	7.5% (instead of 12.5%)	
Customs duty exemption	Yes	
Exemption from income tax on rental income	Yes	
GCT exemption on all goods and services entering the SEZ	Yes	
Employment tax credit	Yes	
Promotional tax credit (R&D and training)	Yes	
Capital allowance	Yes	
Environmental levy payable	Yes	
Stamp duty payable	50%	
Exemption from income tax dividend	No	Yes
Asset tax relief	No	Yes
Exemption from transfer tax	Yes	No

Source: Developed by the authors with data from JAMPRO (2017a).

Sector-specific strategies for services trade development

Jamaica's efforts to promote services trade have focused on two broad sectors: tourism and KBS. Tourism has traditionally been a key component of the Jamaican economy. Still, the country has developed strategies to attract FDI, strengthen linkages with local providers and develop exports in specific niche areas, such as medical and educational tourism. The promotion of KBS is based on the need for export diversification and sophistication. The focus on this industry includes global digital services and film, animation and music.

Tourism

Jamaica is the leading tourist destination in the Caribbean, attracting both stopover arrivals and cruise passengers. Over the past two decades, travel has accounted for more than three-quarters of the country's services exports. Despite the sector's development, Jamaica has implemented several policies aimed at increasing both the number of travellers and their average spending by enhancing the visitor experience and strengthening linkages with local communities (Ministry of Tourism, 2020). The policy mix combines a funding mechanism with linkage programmes, community-based initiatives and instruments to develop skills and innovation.

In 2002, Jamaica launched the Master Plan for Sustainable Tourism Development, which provided a comprehensive framework to guide the country's tourism sector through 2010. Its goal was to reposition Jamaica as a competitive and distinctive destination by leveraging its natural and cultural assets, while expanding the economic benefits of tourism across regions and social groups. Key pillars included improving the visitor experience, diversifying attractions beyond traditional beach resorts, promoting heritage and eco-tourism and ensuring environmental sustainability.

To implement the plan's recommendations, Jamaica established the Tourism Enhancement Fund (TEF) in 2004. The fund was restructured in 2018 and remains operational. TEF is managed by the Ministry of Tourism and is financed by a fee on cruise and air passengers (US$ 2 and US$ 20, respectively). Its objectives include improving the quality and diversification of tourism, protecting and promoting natural and cultural heritage, building capacity in the tourism sector, supporting marketing initiatives to strengthen Jamaica's brand and fostering community development (WTO, 2024; TEF, 2024)

Maximizing the positive impact of tourism on the local economy has been a consistent priority in Jamaica's tourism policies. Notable initiatives include the Tourism Linkages Network (TLN), active since 2013, which promotes synergies between tourism and sectors such as manufacturing, agriculture and entertainment by fostering the consumption of goods and services that can be competitively provided locally. Another example is the Community Tourism Policy and Strategy (2015) aimed at developing an international competitive community tourism subsector – in other words, to support sustainable, export-ready local initiatives that align with national policies and generate broad social, cultural, economic and environmental benefits (Ministry of Tourism, 2020).

The tourism sector was deeply affected by the COVID-19 pandemic. In response, the government implemented the Tourism Networks Policy and Strategy (TNPS) in 2020, aiming to diversify tourism and increase its resilience by fostering linkages with local production through the sustainable consumption of locally sourced goods and services (WTO, 2024).

The strategy is implemented through the TLN – formally integrated into the institutional structure of the TEF – and promotes the development of five tourism-related networks: gastronomy; health and wellness (physical fitness programmes, spa visits, medical treatment, health farms, beauty treatments, among others); sport and entertainment (cricket, golf, basketball, etc.); knowledge (development of tourism-business skills); and shopping. The TNPS is based on five pillars: access to new markets, development of new products, attraction of new investments, building new partnerships, and human capital development in the tourism sector (Ministry of Tourism, 2020).

The TLN is built on a strategic partnership involving public and private organizations, including the Ministry of Tourism, the Jamaica Tourist Board, JAMPRO, the Jamaica Business Development Corporation, the Rural Agricultural Development Authority, the Jamaica Hotel and Tourist Association and the JMEA.

Its flagship programme, Speed Networking, facilitates direct interactions and collaboration between buyers and MSME suppliers. Since its launch in 2016, the Jamaican economy has benefited by close to JMD 1 billion (US$ 6.4 million) through this initiative. The number of participants has increased over time, rising from 110 providers in 2019 to 140 in 2025, and satisfaction rates are high, with 94 per cent among hotels and 80 per cent among suppliers reporting a positive experience (CMC, 2025; Salmon, 2025; Hohnholz, 2021).

TLN's initiatives align with the tourism-related networks mentioned above and encompass a wide range of activities. Key efforts include the development of a master brand for gastronomy tourism (Taste Jamaica); support for international events such as Reggae Month, the Jamaica Blue Mountain Coffee Festival, Taste Jamaica at the South Beach Wine and Food Festival, World Sustainable Gastronomy Day and international conferences on strategic topics such as tourism, wellness and technology.

Additional activities focus on capacity building and human capital development, including training and seminars, product development workshops, a spa standards and certification programme, and support for local fashion designers. TLN has also launched a platform to showcase shopping options across Jamaica (shoppinginja.com). Other initiatives aim to foster the digital transformation of tourism-related MSMEs and to support farmers in supplying sustainable food to hotels, amongst other efforts (TEF, 2024).

Through the National Export-Import Bank of Jamaica (EXIM Bank) and Jamaica National Small Business Loans, the TEF also offers loan facilities to finance tourism projects developed by MSMEs. Eligible projects must generate a share of their revenue from tourism-related activities and focus on creating jobs and developing sustainable tourism (WTO, 2024; TEF, 2024). In 2016, the TEF committed to providing up to JMD 1 billion (US$ 6.4 million) to EXIM Bank for lending to MSMEs on a revolving basis, with amounts repaid being made available for further on-lending. Indeed, as of 31 March 2024, the total disbursed by the TEF was JMD 1 billion (US$ 6.4 million).

The TEF also entered into similar agreements with the Jamaica National Building Society to provide up to JMD 310 million (US$ 2 million) to finance entrepreneurs in the tourism industry (2007) and a maximum of JMD 50 million (US$ 319,000) for lending for tourism projects related to energy efficiency (2014). As of the end of March 2025, the total disbursed by TEF under these agreements was JMD 257.7 million and JMD 20 million, respectively (TEF, 2025).

The Tourism Entertainment Academy fosters integration between the tourism and entertainment industries by building skills related to performance excellence, entrepreneurship and direct industry connections with Jamaican artists. The pilot programme focuses on reggae, jazz and comedy.

Jamaica has also been promoting higher value-added tourism with a focus on innovation and skills development at different levels. The TEF established the Summer Internship Programme to help young people gain industry experience, enabling more than 4,000 interns to work in 137 organizations over the past decade. In addition, the HEART/NSTA Trust developed a job-readiness programme for new entrants to the tourism industry.[7] The Jamaica Centre for Tourism Innovation, a division of the TEF, delivers globally recognized certifications, strengthening management, analytics and service quality across the industry. The TEF has also created a database of certified professionals to help match skilled workers with tourism companies.[8]

Concerning innovation, the NSTIP 2022–2029 introduced actions aimed at fostering innovation and applying science and technology in tourism to increase the value added of tourism-related products and services, improve tourist safety and security and contribute to the sector's sustainability. Another relevant TEF initiative is the Tourism Innovation Incubator, which supports innovative projects within the sector (MSET, 2022).

JAMPRO complements these efforts by promoting tourism-related investment opportunities, particularly in infrastructure, education, health and wellness tourism, and linkages with MSMEs. In conclusion, Jamaica's tourism strategy combines infrastructure development, community engagement and value-added diversification to enhance sustainability and economic inclusion.

Taken together, Jamaica has built a structured tourism policy ecosystem and travel exports in Jamaica have outperformed global exports of the industry. However, the country still faces challenges in increasing value added. While visitor receipts and arrivals have recovered quickly since the pandemic, productivity indicators – such as real exports per accommodation worker and per international visitor – remain below pre-pandemic levels, suggesting incomplete upgrading.[9]

Knowledge-based services

Jamaica's strategy for KBS is centred on two main subsectors: GDS and FAM. In GDS, the policy trajectory reveals a clear shift from an initial emphasis on job creation and scale under the National Outsourcing Strategy (NOS) (2015) towards sophistication, resilience and value added in the Global Digital Services Sector Strategy (GDSS) (2022). This evolution has been supported by operational projects such as the Global Digital Services Project (GDSP) and the Technology Innovation District Accelerator, which link skills development with export promotion, as well as brand and market-access initiatives such as Upsource Jamaica and UKTP.

The FAM sector, in turn, has been promoted through a combination of fiscal incentives, institutional support from the Jamaica Film Commission and targeted programmes such as JAFTA Propella, FilmLab JA and the Jamaica Screen Development Initiative (JSDI), reflecting a parallel strategy to build capacity and global visibility.

Global digital services

Jamaica has promoted GDS for more than a decade. The approach has shifted from a scale-first outsourcing model focused on rapid job creation to an upgrading agenda, raising value added through skills development, innovation, branding, targeted FDI attraction and support that helps local firms access strategic export markets.

- National Outsourcing Strategy (2015–2020): In 2015, Jamaica adopted the NOS based on four strategic pillars (the policy and incentive framework, labour market development, infrastructure, and market expansion). This strategy prioritized scale, aiming to position Jamaica as a competitive outsourcing hub by rapidly creating jobs. By March 2020, employment exceeded the target by 20 per cent. The COVID-19 pandemic slowed job growth in KBS and led to the establishment of a skills development programme, which is discussed below (JAMPRO, 2025a; MIIC, 2022).
- Global Digital Services Sector Strategy (2022–2025): Approved in 2022, the GDSS reflects a shift in emphasis, focusing on upgrading sophistication and building resilience in Jamaica's KBS sector. It seeks to change the services mix between low- and high-value segments from 80:20 to 60:40. It also aims to attract both foreign and domestic investment, increase the participation of local firms, foster entrepreneurship, boost sector revenues, generate employment and support economic diversification (Avasant, 2022). Given that a qualified workforce is essential to achieve these goals, talent development is a key component of the GDSS (JAMPRO, 2021).

GDSS identifies high-potential segments, including knowledge process outsourcing (KPO) (market research, business and financial analysis, digital content creation and distribution); BPO (omnichannel customer support); information technology outsourcing (ITO) mobile and web development, digital commerce); and vertical specialization (e.g., services focused on a specific activity such as tourism and digital government services).

The GDSS set a target of 70,400 jobs by March 2025. Employment rose steadily since the approval in 2022 and reached 62,000 jobs by March 2024. However, it declined by 11.4 per cent year-on-year in March 2025. This contraction highlights the sector's vulnerability to both global dynamics (reshoring, artificial intelligence) and domestic constraints (cost of doing business) (JAMPRO, 2025a), underscoring the importance of the current policy shift towards resilience.

- Global Digital Services Project: Complementary projects have played a catalytic role by aligning skills training with investment promotion and directly supporting the upgrading process. A good example is the GDSP, funded by the IDB and implemented by JAMPRO to support the NOS and the GDSS between 2019 and 2024. The project generally aimed to promote the growth of global digital services by providing GDS companies with better-skilled workers and enhancing JAMPRO's capacity to expand exports and attract FDI into higher value-added segments. Close collaboration between the Global Services Sector Skills Board and the HEART/NSTA Trust was essential to achieving this goal.

  The project results were extremely positive. High-value services rose to represent 43 per cent of total GDS exports, employment in the GDS sector grew by 47.6 per cent between 2018 and 2024 and its contribution to Jamaica's GDP increased from 4.7 per cent to 5.5 per cent during the same period. Over one-third of graduates from certified "finishing schools" were formally employed one year after completing their training and their wages had risen by 14.4 per cent. For those who completed the Apprenticeship Programme, salaries increased by 36 per cent within 12 months (IDB, to be published).

  Additionally, GDSP can be associated with the 3.3 per cent increase in the value of GDS exports, a 43 per cent share of high-level subsegments of GDS beneficiary firms (up from around 20 per cent prior to the programme), and an achievement of US$ 33.4 million in capital expenditure (CapEx), albeit under the established target of US$ 45.9 million (IDB, to be published). The programme's demand-driven approach also helped the GDS remain resilient during the COVID-19 crisis.

  This project offers a strong example of how integrated approaches to skills training and investment promotion can effectively catalyse export-led economic growth and job creation.

- Technology Innovation District (TID) Accelerator Project (2024): More recent initiatives focus on diversifying markets and strengthening Jamaica's tech ecosystem by providing firms with international exposure and new opportunities. As part of the GDSS, Jamaica created the TID, a one-year, cohort-based programme designed to help technology firms become competitive exporters of digital services. Sixteen companies participated in the programme and took part in trade missions and international fairs in North America, significantly boosting collaboration, exposure and brand awareness (JAMPRO, 2025a).

- United Kingdom Trade Partnerships (UKTP) Programme (2025): Under the UKTP initiative, Jamaican service firms can benefit from incentives to expand their business in the UK market. The UKTP aims to boost exports from MSMEs in the African, Caribbean and Pacific economies to the United Kingdom under its European Economic Partnership Agreements. It is funded by the UK Foreign Commonwealth and Development Office and implemented by the International Trade Centre. In Jamaica, the programme supports 10 KBS companies in their internationalization efforts by providing targeted coaching, export marketing training and assistance to participate in business-to-business (B2B) events, and an exploratory mission to the United Kingdom (ITC and UK International Development, 2025).

- Upsource Jamaica: With the aim of attracting investment to more sophisticated outsourcing service sectors, Jamaica is developing the "Upsource Jamaica" brand focused on specific outsourcing niche sectors, including shared services, legal services, medical processes, finance and accounting, software development, cybersecurity and data analytics (JAMPRO, 2025a).

A summary of the main initiatives to promote GDS exports in Jamaica is provided in Table 6.5. More recently, the government has established a working group with JAMPRO, the Port Authority of Jamaica, and JSEZA to continue strengthening the GDS sector. This group will focus its work on raising awareness of Jamaica as a strategic destination

Table 6.5: Main initiatives to promote global digital services

Initiative	Period	Short description
National Outsourcing Strategy (NOS)	2015–2020	National strategy to rapidly scale employment in outsourcing through incentives, skills, infrastructure and market expansion.
Global Digital Services Strategy (GDSS)	2022–2025	National strategy to shift Jamaica's global digital services towards higher-value services and jobs.
Global Digital Services Project (GDSP)	2019–2024	IDB-funded programme aligning skills and attracting FDI to shift into high-value segments of global digital services.
Technology Innovation District (TID)	2024	One-year accelerator to support tech firms in becoming digital service exporters.
Upsource Jamaica	2025	Branding initiative to position Jamaica internationally in specialized outsourcing niche sectors.
UK Trade Partnerships Programme (UKTP)	2025	UK-funded initiative to diversify export markets, supporting KBS firms' entry into the United Kingdom.

Source: Developed by the authors.

for investments; skills development (including adaptation of education programmes); optimization of processes, institutions, regulations and incentives framework; strengthening the value proposition for this sector; development of an incubator and accelerator programme for MSMEs in KBS; and increasing the share of KPO from 20 per cent to 40 per cent of outsourcing services (JAMPRO, 2025a).

Film, animation and music

Jamaica has long recognized and promoted its cultural and creative industries. In 2007, these sectors were included as a strategic priority area of the "Vision 2030 Jamaica: National Development Plan". This plan highlighted the need to foster these industries to develop their potential linkages to entertainment, education, science and technology, intellectual property rights, media, industrial development, tourism, and the preservation of the environment and national heritage (Planning Institute of Jamaica, 2007).

The NFTP also identifies cultural and creative industries as priority sectors and contemplates actions to develop skills, strengthen marketing capacity abroad, leverage trade agreements and improve data collection to measure the sector's true export value. The policy recognizes that without reliable evidence, both strategic planning and market access negotiations remain constrained (Ministry of Foreign Affairs and Foreign Trade, 2017).

Within the cultural and creative industries, music has traditionally been Jamaica's main export category, while film and animation have gained momentum more recently. The FAM sector is strategically positioned within the services agenda. According to JAMPRO, FAM is the third-largest contributor to Jamaica's GDP, mainly through its linkages to other activities.

Policy design in Jamaica treats the sector as a lever for export diversification, enhancing "Brand Jamaica" visibility and generating spillovers into tourism and digital services. The current toolkit combines horizontal fiscal incentives with sector-specific facilitation through JAMPRO's Film Commission and programmatic pipelines, as well as dedicated finance. The underlying logic is to transition from project-based attraction of foreign shoots towards a more resilient ecosystem by coupling investor attraction with domestic capability-building. The following initiatives illustrate this approach:

- Under the **Fiscal Incentives Act**, in operation since 2014, the FAM sector benefits from employment tax credits and customs duty waivers on imported production equipment. Additionally, buildings used in this industry may also qualify for capital allowance for income tax purposes (CIIF, 2022).

- **Jamaica Screen Development Initiative**: Launched by the Government of Jamaica in 2024, the JSDI financing initiative provides funding for eligible screen-based projects, covering pre-production, production and post-production, as well as marketing, distribution and participation in film festivals and markets. The programme offers production rebates, grants and no-interest loans.
- **JAMPRO's initiatives:** The Jamaica Film Commission at JAMPRO has supported the audiovisual industry since 1984, with current work focused on film, animation and music. The Commission's activities include the promotion of export and investment opportunities with a focus on synergies between local and international clients, sector development initiatives through collaboration with key stakeholders, promoting Jamaica as a global film business location (e.g., by participating in global events), providing film production advisory and facilitation services, and advocating policy improvements (Robinson, 2019).

  JAMPRO additionally backs the film industry through strategic alliances with key stakeholders. Some examples include:

  - **JAFTA Propella:** A joint initiative of JAMPRO, the Jamaica Film and Television Association (JAFTA), and the CHASE Fund established in 2016 to finance production and support participation in workshops and international festivals.
  - **FilmLab JA:** An acceleration programme offered by JAMPRO, The British Council and JAFTA focused on supporting the internationalization of Jamaican film and television companies, particularly their expansion into the United Kingdom (JAMPRO, 2017c).
  - Other incentives include the Film Fund and the UK-Jamaica Co-Production Treaty. In the case of animation, JAMPRO's support includes the organization of the "KingstOOn Animation Festival" and several skills development programmes (e.g., Business of Sustainability for Studios, Train the Trainers, Creative Industries Education and Employment) (Benjamin, n.d.).

Over the past three years, JAMPRO's clients in the FAM industry created between 70 and 125 jobs that generated on average 2,000–2,500 temporary jobs. In the fiscal year 2023–2024, 122 film productions were registered, including high-profile HBO and Netflix productions. In the following two fiscal years, the number of productions and expenditure decreased to 90 and 65 productions, respectively, reflecting the global effects of stalled or cancelled major Hollywood productions (JAMPRO, 2025a).

A summary of the main initiatives to promote FAM exports in Jamaica is provided in Table 6.6.

Table 6.6: Main initiatives to promote film, animation and music services

Initiative	Period	Short description
Fiscal Incentives Act – audiovisual benefits	Since 2014	Provides tax credits and customs waivers for production equipment and capital allowances for building construction.
Jamaica Film Commission (JAMPRO)	Since 1984	Supports film, music and animation through promotion, facilitation and policy advocacy.
JAFTA Propella	Since 2016	Funds film production and supports participation in training and international festivals.
FilmLab JA	Since 2017	Acceleration programme for filmmakers to develop international co-productions with the United Kingdom.
Jamaica Screen Development Initiative (JSDI)	Since 2024	Public financing programme for screen-based projects, including grants, rebates and no-interest loans.

Source: Developed by the authors.

Services-related export and investment promotion programmes and tools

This section focuses on the main initiatives to foster services exports and investments, highlighting specific programmes and tools developed by JAMPRO and other institutions to build firm capabilities that address supply constraints (including export readiness, quality, market knowledge) and to reduce transaction costs and information frictions that affect demand (including buyer intermediation, investment facilitation, and aftercare).

Export promotion

JAMPRO's programmes

JAMPRO's programmes reflect a broad approach that combines export promotion and capacity building to position Jamaican services more competitively in global markets. Public-private collaboration plays a key role in this approach. The programmes focus on priority sectors, including service industries such as medical and wellness tourism, film, television and online content, animation, and ICT and BPO services. In practice, the balance between breadth (reaching many firms) and depth (intensive, customized support) shapes outcomes. Broader tools raise awareness and basic readiness, while cohort-based interventions concentrate resources on firms with higher probability of export success. However, the Exporter Readiness Checker that assesses a firm's preparedness for exporting is currently tailored to goods rather than services.

JAMPRO promotes the internationalization of Jamaican services by stimulating both local supply and demand from abroad. To attract potential importers, JAMPRO provides information on the local services market, organizes reverse trade missions and hosts matchmaking events to connect international buyers with Jamaican firms. For services exporters, JAMPRO offers a range of support services, including conducting training sessions on export procedures and requirements, facilitating participation in international trade fairs and outbound trade missions, and providing both standard and customized market intelligence. It also helps exporters connect with international buyers and delivers targeted business development assistance to address specific challenges.

Within this architecture, the Export Max programme represents the depth end of the spectrum, prioritizing intensive, multi-year firm upgrading and market access support. This programme aims to foster competitiveness and sustainability of Jamaican MSMEs through internationalization and is implemented by JAMPRO in partnership with the Jamaica Business Development Corporation and the JMEA (Williams, 2025).

Participating companies receive mentorship and support on capacity building, advocacy and market access for more than two years. Export Max is organized in two phases. In the first phase, companies receive specialized technical training focused on export development and promotion, alongside small-group sessions tailored to address identified weaknesses. The second phase emphasizes market penetration, supporting MSMEs' engagement in strategically aligned trade shows, targeted inward and outward missions, and specially arranged meetings with buyers and distributors. Throughout both phases, the programme offers coaching on general business practices, market entry and growth strategies (JAMPRO, 2025b). As part of the programme's recent renovation, JAMPRO also established an Exporter Facilitation Team to engage directly with exporters, identify bottlenecks and guide them through regulatory processes.

As in many programmes of this nature, there is a trade-off between reach and individual impact. Export Max's customized support has helped participating companies increase sales and enter new markets, but the number of beneficiaries remains limited (see Table 6.7): only 145 firms have participated since the programme's inception in 2011. Participation, however, has expanded from 15 firms in the first edition to 50 and 60 in the third and fourth cohorts, respectively, when the programme – originally designed for goods producers – was

Table 6.7: Evolution of the Export Max programme

Cohort/Period		Phase I (2011-2013)	Phase II (2014-2017)	Phase III (2019-2022)	Phase IV (2024-2026)
Participating companies	All sectors	15	20	50	60
	Global digital services	0	0	5	6
	Creative industries	0	0	6	8
New markets penetrated (all sectors)		33	N/A	25	N/A
Sales growth (all sectors)		31%	213%	120%	N/A

Source: Developed by the authors with data from JAMPRO.

broadened to include service providers. The current edition includes six firms in the GDS segment and eight in the creative industries.

Financing

Since internationalization often requires substantial investment, MSMEs usually face multiple barriers to access foreign markets, particularly credit constraints and information gaps. Traditional lenders typically demand collateral and financial records that many service firms cannot provide, limiting their ability to scale or take advantage of export opportunities. In fact, Jamaican companies in the professional and other services sectors face higher interest rates than the all-sector average, regardless of firm size or the currency borrowed, except in the case of local currency credit for small firms (Bank of Jamaica, 2024).

To help address these challenges, the EXIM Bank of Jamaica provides low-cost financing to direct and indirect exporters in sectors such as tourism, ICT, creative industries and other service industries. Financing can be used for working capital, equipment purchases, facility upgrades, receivables financing, debt restructuring and market research. Recognizing that financial support alone is not sufficient, the Bank also established a Business Advisory Service Unit to serve as an information hub and facilitate knowledge transfer to MSMEs. This unit aims to strengthen business planning, improve organizational practices and enhance firms' export readiness, thereby complementing financial products with capacity-building services (EXIM Bank, n.d.).

FDI promotion

JAMPRO's programmes

JAMPRO focuses on promoting investment in selected sectors, including entertainment and creative industries, BPO and tourism (WTO, 2024). It supports investors through a variety of services, including assistance with business approvals (such as work permits, visas, duty waivers, certifications and licences), provision of market intelligence, site selection support and matchmaking with local suppliers and key stakeholders. It also engages in business advocacy to facilitate a favourable investment environment (JAMPRO, 2017a).

JAMPRO also identifies investment opportunities in strategic niche areas. In the case of KBS, these include computer services, BPO, management consulting, e-commerce, audiovisual services and education, among others. Investors can also benefit from public financing, with the government offering up to US$ 5 million for investment in infrastructure projects in the GDS industry.

Between 2017/18 and 2022/23, tourism accounted for 20 per cent of total actual CapEx generated by JAMPRO's local and foreign investment projects. Since GDS and FAM require fewer physical assets, their contribution to total investment has been more modest (11 per cent and less than 1 per cent respectively) (see Figure 6.7). Nevertheless, GDS were responsible for more than three-quarters of the new jobs created by JAMPRO's clients during 2017/2018 to 2022/2023 (see Figure 6.8).

Figure 6.7: Capital expenditure generated by JAMPRO's clients in selected sectors. Value (US$ million) and share of total (%), 2017/18 to 2023/24 fiscal years

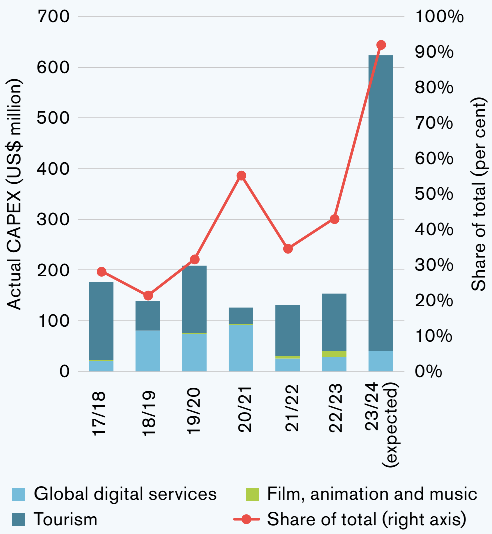
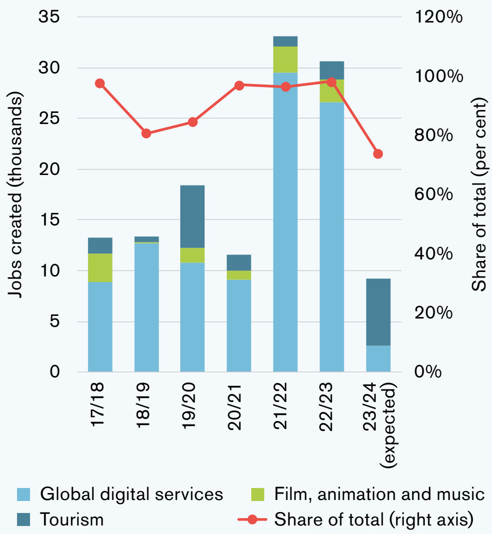


Figure 6.8: New jobs by JAMPRO's clients in selected sectors. Jobs (thousands) and share of total (%), 2017/18 to 2023/24 fiscal years



Source: Developed by the authors based on JAMPRO.

Notes: Global digital services: Outsourcing and ICT-enabled services (2017/2018 to 2021/2022) and global digital services since 2022/2023.

This divergence reveals a structural pattern: tourism drives investment volumes, while GDS drive direct employment creation. This is not surprising, and it is related to the nature of these activities.

Taken together, tourism, Global Digital Services (GDS) and food and agro-manufacturing (FAM) accounted for approximately one-third of total projected capital expenditure (CapEx) but about 93 per cent of the projected new jobs generated by JAMPRO's clients during fiscal year 2023/2024. For fiscal year 2024/2025, these sectors were expected to account for 45 per cent of new projects, 92 per cent of projected CapEx and 74 per cent of projected employment, with tourism alone representing 86 per cent of projected CapEx and 53 per cent of projected employment (JAMPRO, 2025c).

During the 2023/2024 fiscal year, JAMPRO revamped the "Linkages" programme aimed at fostering local activities through their connections with FDI projects. This programme is at the early stages of implementation and includes B2B meetings and hosting linkages forums.[10]

Other relevant complementary initiatives

In 2024, the MFAFT launched the "JA Diaspora Engage" platform. This initiative aims to attract diaspora-led investments, promote entrepreneurship, facilitate knowledge transfers and drive innovation in priority areas. It provides information on investment opportunities, regulation, policies and mentoring, among other topics. The diaspora platform complements both tracks by mobilizing capital, expertise and buyer networks that matter disproportionately in services.

Conclusions and policy recommendations

Jamaica's trajectory in promoting exports and attracting investment in its services sectors reflects a gradual but deliberate process of adaptation and institutional learning. While the country has long depended on services for its export earnings and FDI inflows, its policy frameworks, institutional arrangements and promotion strategies were initially shaped by the logic and requirements of goods trade.

Over the past two decades, Jamaica has taken important steps to develop a more services-specific trade and investment promotion model aimed at increasing sophistication, creating more and better jobs and generating linkages between exporters and local communities. These steps include adopting multi-year strategies that elevate services, approving a National Investment Policy to streamline and coordinate investment promotion, adapting the SEZ regime to services activities, and rolling out JAMPRO-led programmes and sector strategies that combine skills, facilitation and branding.

These efforts have not always been linear or systematic. Still, they offer valuable insights for other developing economies seeking to unlock the potential of knowledge-based services and other dynamic services activities. Jamaica's case confirms that structural transformation in services requires not only technical instruments but also institutional continuity, stakeholder engagement and strategic clarity.

Good practices

One of Jamaica's main strengths lies in its long-term policy commitment to trade and investment promotion. The adoption of the national strategies for exports and investments, both of which explicitly prioritize selected services sectors, signals a strategic shift towards recognizing the growing importance of KBS and the creative economy. While not all elements have been fully implemented or updated, these frameworks provide a reference point that helps to coordinate sectoral efforts and mobilize institutional actors around shared priorities.

JAMPRO's role as a lead implementing agency is another key asset. The agency's operational scope, which combines export promotion, attracting FDI and business linkage development, is particularly well-suited for services, where intangibility, customization and human capital intensity require more holistic support. Over time, JAMPRO has built internal capacity to respond to the specific needs of service firms, including MSMEs and startups. Initiatives such as Export Max, investment facilitation services, and audiovisual sector incentives demonstrate the value of offering tailored support to firms at different stages of internationalization.

The SEZ regime has also contributed to Jamaica's position as a destination for services investors. While SEZs have traditionally been associated with manufacturing and logistics, Jamaica has adapted the model to accommodate digitally delivered services and creative industries and more recently, knowledge-intensive activities based on intellectual property.

Equally notable is Jamaica's gradual move towards more inclusive governance. The coordination of the NIP through the National Competitiveness Council, the participation of multiple ministries in JAMPRO's board, and the creation of sector-specific working groups and stakeholder dialogues illustrate a shift toward multi-sector engagement. While still limited in some areas, this approach helps reduce institutional fragmentation and creates opportunities for collaborative policy design.

Another positive development is the integration of talent development and export promotion. The involvement of training institutions (e.g., HEART/NSTA) and business associations (e.g., GSAJ, JAFTA) in sectoral initiatives – such as film and animation capacity building – suggests that Jamaica is moving beyond a narrow export promotion logic to support the broader ecosystem required for competitive service exports. This alignment between workforce skills, market access and sector incentives is essential for sustaining long-term growth in service industries.

Risks and challenges

Despite these advances, Jamaica continues to face structural and operational challenges that limit the scale and inclusiveness of its services export promotion agenda.

First, many services firms, particularly SMEs, still struggle with export readiness. While initiatives like Export Max were designed to bridge this gap, their coverage remains limited to a small number of companies and their continuity depends on public financing and institutional commitment. This illustrates the classic reach vs. depth trade-off.

Second, access to finance is still a constraint. Services firms often lack the tangible collateral or physical assets required by traditional lenders. Moreover, risk perceptions in financial institutions continue to be elevated, resulting in higher interest rates. While partnerships with institutions like the EXIM Bank have begun to address this issue, the development of specialized financial instruments for services exports remains incipient.

A third challenge relates to skills and human capital. Although Jamaica has made progress in building capacity for specific sectors – such as animation, audiovisual production and BPO – there is still a mismatch between the skills demanded by global markets and those supplied by the country's education and training systems. Additionally, the competition for digital talent is intensifying globally, which could limit Jamaica's ability to scale services exports without sustained investments in workforce development.

Fourth, data limitations also hinder policy effectiveness. There is a lack of disaggregated, timely and sector-specific information that could help guide promotion strategies, monitor results and support investor decisions. Initiatives to strengthen statistical systems and invest in services trade intelligence should be considered a priority.

Finally, although the coordination among public institutions and the private sector has improved – particularly through the implementation structures of the NIP – the successful delivery of complex, cross-cutting strategies will require continued political support, adequate resources and consistent performance monitoring.

In conclusion, Jamaica's experience highlights the importance of tailoring traditional trade and investment promotion approaches to the unique characteristics of services. While challenges remain, the country has demonstrated that progress is possible through a combination of strategic vision, institutional alignment and policy experimentation. For other developing economies seeking to expand and diversify their service exports, Jamaica offers a valuable example of how to lay the foundations for a more resilient and inclusive services economy – one that is aligned with national development goals and capable of responding to global market shifts.

Endnotes

1 Source: WTO Stats, https://stats.wto.org/.

2 JAMPRO uses the term "global digital services" to refer to information technology outsourcing (ITO) and business process outsourcing (BPO) services.

3 Considering other small services-based economies with a comparable level of development (measured by the Human Development Index) and similar per capita income, Jamaica records higher KBS exports per inhabitant. Examples include El Salvador (US$ 112), Fiji (US$ 75) and Sri Lanka (US$ 67). The exception is Moldova, whose KBS exports per capita reached US$ 433 in 2024.

4 Public institutions represented in JAMPRO's board of directors are the Ministry of Tourism; the Ministry of Culture, Gender, Entertainment and Sport; the National Land Agency; and the Urban Development Corporation.

5 The BERA fosters economic growth and job creation by improving the efficiency of government processes to reduce transaction costs and increase transparency and predictability. The PPP Initiative promotes the use of these partnerships to improve infrastructure and the delivery of public services.

6 Under the Omnibus Act, firms can benefit from duty-free imports of raw materials for construction, employee tax credits, reduced corporate income tax, among other incentives.

7 The HEART/NSTA Trust (HEART) is Jamaica's leading human capital development agency and the largest provider of technical and vocational training in Jamaica and the Caribbean. It offers practical, competency-based programmes, including institutional and on-the-job training, mentorship, career guidance, and start-up support. See https://www.heart-nsta.org/.

8 Considering that women account for 63.5 per cent of the workforce in accommodation and food service activities (compared to 46.4 per cent across all sectors), initiatives to develop skills in the tourism industry could help reduce the gender gap.

9 Source: Authors' calculations with data from Jamaica Tourist Board, WTO and BLS.

10 The GDS sector generated four linkages contracts – mainly with providers within the same sector – and the tourism sector secured 18 contracts with providers from several industries (JAMPRO, 2025c).

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07

Malaysia's strategies for services exports

AUTHOR:

Andrew Jia Yi Kam

Malaysia International Trade and Exhibition Centre in Segambut, Kuala Lumpur.

Abstract

Malaysia's approach to promoting services exports has combined market-access mechanisms with fiscal and non-fiscal incentives, generating clear outcomes in high-value segments such as information and communications technology (ICT), data centres, professional services and manufacturing-related research and development (R&D) services. Case studies reveal that robust digital investments, large-scale commercial presence from global technology firms, and strengthened national standards infrastructure have significantly expanded Malaysia's footprint in global services trade.

Malaysia's overall strategy is characterized by a multi-pronged model that deploys financial incentives, buyer-seller connectivity programmes, sector branding, digitalization tools, and talent development to reduce entry barriers and enhance export readiness. Programmes such as the Market Development Grant (MDG), Services Export Fund (SEF), International Sourcing Programme (INSP), eBizMatch, Principal Hub incentive, and Digital Ecosystem Acceleration Scheme (DESAC) have provided Malaysian firms, particularly small and medium-sized enterprises (SMEs), with practical pathways to international markets.

Achievements include rising foreign direct investment (FDI) inflows in services sectors, enhanced SME participation in digital trade ecosystems, and expanding global visibility of Malaysian services providers. Significant obstacles, such as limited SME capabilities, early-stage digital infrastructure, and coordination gaps among agencies, have been progressively addressed through single-window facilitation models, digital customs platforms, and a mission-based policy orientation under the New Industrial Masterplan 2030.

Several best practices emerge from this assessment. Buyer-seller connectivity stands out as the most effective mechanism for generating confirmed export sales, while tiered, mission-aligned incentives provide strong foundations for high-value, technology-intensive services. Malaysia's emphasis on accreditation, standards compliance, and innovation commercialization further enhances credibility and market access for technical and R&D-based service providers. These features demonstrate a coherent strategy that has strengthened Malaysia's integration into global value chains, supported structural upgrading, and positioned the nation for continued expansion in knowledge-intensive services exports.

Key points

Main elements of Malaysia's promotion strategy:

- Gradual transition toward a services-led economy, with policies shifting from manufacturing to services as a key growth driver.
- Strong institutional framework led by the Ministry of Investment, Trade and Industry (MITI), the Malaysia External Trade Development Corporation (MATRADE), and the Malaysian Investment Development Authority (MIDA) with complementary roles in export promotion and investment facilitation.
- Multi-pronged approach combining incentives, buyer-seller connectivity, branding, digitalization and capability development.
- Targeted fiscal incentives (e.g., Market Development Grant, Services Export Fund, Principal Hub, Digital Ecosystem Acceleration Scheme) to lower entry barriers and attract high-value services.
- Strategic focus on knowledge-intensive sectors such as information and communications technology (ICT), digital, professional services, and research and development (R&D).
- Development of digital trade infrastructure (e.g., digital free trade zone) to improve logistics, customs and e-commerce participation.
- Emphasis on standards, accreditation and innovation commercialization to strengthen export credibility.

Main achievements and impacts:

- The services sector now dominates the economy, contributing over 50 per cent of gross domestic product and 60 per cent of employment.
- Services exports expanded significantly, reaching US$ 54.3 billion in 2024 with greater diversification.
- Strong growth in services foreign direct investment, particularly in ICT and digital sectors.
- Malaysia has emerged as a regional hub for digital investments, including data centres and artificial intelligence (AI) infrastructure.
- Buyer-seller programmes (e.g., International Sourcing Programme, eBizMatch) have effectively generated export sales.
- Increased participation of small and medium-sized enterprises (SMEs) in international markets through grants and digital platforms.
- Improved trade facilitation efficiency, including faster customs processes via digital systems.

Challenges:

- Persistent productivity gaps between high-value and low-productivity services segments.
- Ongoing services trade deficit, especially in high-value areas like ICT and specialized business services.
- SME limitations in scalability, awareness and access to support, particularly outside urban centres.
- Skills shortages and mismatches in ICT, engineering, AI, and R&D-related services.
- Institutional coordination gaps and regulatory fragmentation.
- Uneven digital adoption amongst firms, limiting policy effectiveness.
- Vulnerability to external shocks, including reliance on travel-related services.

Good practices:

- Integrated policy approach combining incentives, grants, matchmaking and digital tools.
- Strong focus on buyer-seller connectivity with measurable export outcomes.
- Use of targeted and tiered fiscal incentives to attract high-value service activities.
- Promotion of SME participation in digital trade ecosystems.
- Strengthening of standards, accreditation and intellectual property systems to support services exports.
- Alignment with broader national strategies (e.g., New Industrial Master Plan 2030) for policy coherence.

Introduction

Over the past four decades, Malaysia's services sector has evolved from a supporting component of the economy into its principal driver of growth. Initially overshadowed by agriculture and manufacturing, services began gaining prominence in the late 1980s as the economy diversified and urbanization accelerated. Today, the sector not only generates the largest share of gross domestic product (GDP) but also plays a pivotal role in employment, innovation and international competitiveness.

This report analyses Malaysia's long-term transition toward a services-driven economy and evaluates the institutional strategies that have shaped the growth of its services exports.

Industry profile

From 1975 to 2024, Malaysia's economy experienced a marked structural transformation, shifting from an agriculture- and manufacturing-led model towards one dominated by services.

The most striking structural shift has been the expansion of the services sector, which became the largest contributor to GDP from the late 1980s onward. Services' share grew from around 43 per cent in 1987 to over 53 per cent by 2024, reflecting both the growth of traditional subsectors such as trade, transport and finance, and the emergence of high-value segments like ICT, professional services, logistics and tourism. This shift reflects Malaysia's move towards knowledge- and skills-based activities that rely on human capital, technology and effective regulation rather than resources.

The structural shifts depicted above carry significant implications. The rise of services positions the economy so that it may capitalize on global trends in digitalization, finance and advanced business services, but also demands greater investment in education, skills training and innovation systems. The smaller share of agriculture highlighted the need for productivity-led growth while maintaining its role in food security and rural livelihoods. Manufacturing remains key to exports, but future gains depend on moving up the value chain and integrating with the growing services sector. Overall, Malaysia is shifting towards a more diversified, services-oriented economy focused on sustaining productivity across sectors.

The services sector is also a dominant source of employment. By 2023, services accounted for 62 per cent of total employment, with agriculture's and industry's shares representing 10 per cent and 28 per cent of aggregate employment respectively. This transition mirrors the country's broader economic structural shift, as value creation and job growth have progressively moved from primary and secondary industries, and increasingly towards services-based activities.

As incomes rise, demand for skills- and knowledge-based services grows, driving the shift towards a service economy (Buera and Kaboski, 2012). Malaysia reflects this trend, with expanding information, communication, professional, financial and tech-driven services. However, transformation remains uneven. Wholesale and retail trade still dominate with modest productivity, and low-value services like food and beverage remain steady. While ICT shows notable gains, its overall impact is limited, suggesting the move towards high-value services is progressing but not yet broad or rapid.

Trade performance

Malaysia's commercial services exports fluctuated from 2012 to 2024, contracting sharply in 2020 (US$ 23.2 billion) due to COVID-19's impact on travel and transport, before rebounding to US$ 54.3 billion in 2024. Travel services, once over 50 per cent of exports, fell to 13.4 per cent in 2020 before recovering to 39.2 per cent in 2024. Key contributors include transport, business and ICT services. The share of manufacturing services on inputs owned by others rose from 6.4 per cent in 2012 to 14.0 per cent in 2022 before easing to 8.9 per cent in 2024, highlighting Malaysia's role in global value chains.

Services imports showed a similar pattern, rising from US$ 43.8 billion in 2012 to US$ 56.9 billion in 2024, with a dip in 2020. Transport and travel consistently made up over half of total imports, reflecting reliance on logistics and outbound tourism. Other key imports include business, insurance and intellectual property services, while growing ICT imports highlight Malaysia's increasing dependence on digital services.

Foreign direct investment statistics show that net inflows into Malaysia have been highly uneven across sectors, with services emerging as the dominant recipient in recent years. Between 2014 and 2024, services FDI inflows increased sharply from US$ 1.5 billion to US$ 8.8 billion, overtaking manufacturing. Within services, information and communications saw the most significant jump, surging from only US$ 26 million in 2014 to US$ 5.9 billion in 2024, highlighting Malaysia's emergence as a regional hub for digital investments. Financial and insurance activities also attracted steady inflows, rising from US$ 418 million in 2014 to US$ 1.9 billion in 2024, reflecting Malaysia's developed financial infrastructure and regulatory environment (DOSM, 2024).

The stock of FDI in services stood at US$ 117.4 billion in 2024, significantly surpassing manufacturing (US$ 89.7 billion). This reflects sustained foreign investor confidence in Malaysia's services ecosystem, with financial services leading at US$ 53.7 billion, followed by ICT at US$ 18.0 billion. Other services, including professional, scientific and technical activities, also recorded rapid growth with a compound annual growth rate (CAGR) of 23.5 per cent between 2014 and 2024 (DOSM, 2024).

Guided growth: policy pathways in Malaysia's services transition

The services sector has evolved from a supportive role to the central pillar of Malaysia's economic growth, though this transformation unfolded gradually across several decades. In the 1970s and 1980s, Malaysia's policy focus was firmly anchored in industrialization. The New Economic Policy (1971–1990) promoted rapid industrial development, while the First and Second Industrial Master Plans (IMP1 1986–1995, IMP2 1996–2005) placed manufacturing at the heart of economic strategy. Within this framework, services were largely perceived as ancillary functions, namely facilitating trade, logistics and financial transactions to support industrial and export-oriented development, rather than being positioned as a key engine of growth.

The 1990s and early 2000s marked an important transition. With the introduction of Vision 2020, Malaysia articulated a long-term aspiration of becoming a developed nation, which necessitated the expansion of knowledge-intensive activities. The second IMP (1996–2005) was introduced to transform Malaysia's manufacturing sector from one that was mostly labour-intensive into one that was knowledge-based and generated greater value added. This was a pivotal moment, as it acknowledged the role of ICT, financial services, education, healthcare and tourism as emerging drivers of economic dynamism. During this period, services were positioned as a complement to manufacturing, strengthening competitiveness and attracting investment, while gradually gaining attention as an area of increasing importance in national growth strategies.

A decisive policy pivot occurred in the 2010s, when services were explicitly recognized as Malaysia's primary growth engine. The 10th Malaysia Plan (10th MP) (2011–2015) was the first official policy document to state unequivocally that services would be the key driver of economic expansion, with an ambitious target representing 61 per cent of GDP by 2020. This shift was reinforced by the Economic Transformation Programme, launched in 2010, which identified 12

National Key Economic Areas, eight of which were services-oriented, including financial services, tourism, wholesale and retail trade, education, healthcare, business services, communications and services related to oil and gas (Economic Planning Unit, 2010).

The 12th Malaysia Plan (RMK-12) and the National Trade Blueprint (NTBp) play complementary roles in advancing Malaysia's services sector and promoting its export competitiveness. Both were designed with the lessons of recent global disruptions in mind, including the COVID-19 pandemic, US–China trade tensions, and supply chain fragmentation, emphasizing the need for a more resilient, diversified and high-value economy.

Launched on 27 September 2021, RMK-12 reinforced Malaysia's commitment to strengthening the services sector as a key driver of economic resilience and growth. The plan prioritizes the enhancement of logistics and digital infrastructure, which is essential for improving efficiency in both domestic and international trade. RMK-12 also focuses on empowering micro, small, and medium enterprises (MSMEs) by promoting digitalization, equipping them with skills to meet international standards, and providing a unified portal to improve access to financing. High-value services, particularly those in the digital economy, are highlighted as central to diversifying the economic base and reducing reliance on traditional manufacturing sectors.

Less than a month later, the NTBp 2021–2025 was introduced to complement RMK-12 by offering a trade-focused strategy that leverages services to boost Malaysia's export performance. Although the Blueprint explicitly confines its scope to merchandise and excludes services, the NTBp highlights the strategic role of bundling services with high-value products as a means to enhance export sophistication and elevate Malaysia's position within the global value chain. It also advocates for diversification of export offerings, including both goods and services, to reduce dependence on traditional sectors and mitigate exposure to global economic shocks. Additionally, the Blueprint seeks to enhance the export ecosystem by streamlining procedures, expanding market access, and supporting exporters in navigating international trade challenges.

In a strategic response to a rapidly shifting global economic landscape, Malaysia launched the New Industrial Masterplan 2030 (NIMP 2030) in September 2023. Unlike its predecessors, NIMP 2030 adopts a mission-based approach structured around four interlinked missions: i) Advance Economic Complexity, ii) Tech Up for a Digitally Vibrant Nation, iii) Push for Net Zero, and iv) Safeguard Economic Security and Inclusivity. While primarily aimed at revitalizing industry, the plan identifies three key services sectors as critical enablers of Malaysia's industrial transformation: digital and information and communications technology, global and professional services, and manufacturing-related services (Ministry of Investment, Trade and Industry (MITI), 2023).

The NIMP 2030 promotes trade in services as a complementary pillar to industrial upgrading, focusing on sectors that support high-value manufacturing and export growth. By fostering digital transformation, sustainability and regional services operations, NIMP 2030 seeks to strengthen Malaysia's integration into global value chains and diversify its exports beyond goods.

The services sector is projected to remain Malaysia's growth anchor under the latest 13th Malaysia Plan (RMK-13) 2026–2030. Themed "Reshaping Development", the plan outlines a comprehensive policy framework aimed at advancing the Madani Economic Vision – a development principle (aspiration) with strong emphasis on inclusive growth, high-growth high-value industries, and the digital and artificial intelligence (AI)-driven economy. RMK-13 targets average annual real GDP growth of 4.5 per cent to 5.5 per cent during the 2026–2030 period, with the services sector expected to expand at an average annual rate of 5.2 per cent, indicating its role as a central pillar of Malaysia's economic transformation. A gross export growth rate of 5.8 per cent per annum is also targeted for 2026–2030, with the value of services exports projected to reach MYR 464 billion by 2030.

Institutional framework and export promotion strategies

The development of Malaysia's services trade is anchored within a broad institutional framework that combines policy direction, regulatory oversight and promotional mechanisms. At the centre are government ministries and specialized agencies that shape national strategies, negotiate trade commitments, and facilitate market access for domestic firms. This framework not only ensures compliance with Malaysia's international obligations under the Association of Southeast Asian Nations (ASEAN) and the World Trade Organization (WTO) but also provides the necessary support for services industries to expand globally. Among the key pillars are the Ministry of Investment, Trade and Industry (MITI), which plays a central role in formulating trade policies, negotiating international agreements, and charting the overall strategic direction of the services sector.

Supporting MITI are specialized agencies such as the Malaysia External Trade Development Corporation (MATRADE), which focuses on export promotion, and the Malaysian Investment Development Authority (MIDA), which facilitates investment flows into services. Together, each play distinct yet complementary roles in regulating, promoting and facilitating the growth of services trade.[1]

Malaysia External Trade Development Corporation

MATRADE is the national trade promotion agency under the MITI. Established in 1993, its mandate is to promote Malaysia's export growth by helping local firms expand into international markets. While it traditionally focused on goods, MATRADE has increasingly emphasised services trade, supporting sectors such as ICT, professional services, education, healthcare and logistics. The mandate of MATRADE is as follows:

Export promotion and market access

MATRADE organizes trade promotion programmes, trade fairs and business matching missions that include service providers in sectors such as professional services, ICT, healthcare, education and tourism. This includes participation in international trade fairs (ITFs), export acceleration missions (EAMs), international sourcing programmes, and trade and investment missions (TIMs).

Branding and positioning of Malaysian services

Through campaigns like the Malaysia Services Exhibition and participation in international Expos, MATRADE works to brand Malaysian services as competitive, reliable and high-value. This branding is critical in sectors such as education (attracting international students), healthcare (medical tourism) and ICT solutions.

Market intelligence and advisory support

MATRADE provides Malaysian companies with information on overseas demand, regulatory requirements and potential partnerships. The agency also delivers market insights and intelligence covering local and international conditions, tariffs, regulations and trade statistics, while offering direct support, advice and consultations to both exporters and foreign buyers throughout the export process. In the services sector, this includes guidance on navigating licensing, standards and professional recognition issues in foreign markets.

Support for SMEs and digitalization

MATRADE plays a key role in strengthening the capabilities of Malaysian companies, particularly SMEs, to compete in international markets through training, mentorship, skills development, networking and international exposure. Given that many services exporters are SMEs, MATRADE supports them through targeted capacity-building programmes, the adoption of digital tools and participation in e-commerce platforms. In addition, it facilitates SME access to initiatives such as the digital free trade zone (DFTZ), thereby enabling them to benefit from the expansion of global digital trade flows.

a) MATRADE and services trade promotion

Table 1 (Annex 1) shows MATRADE's key programmes and their documented outcomes. The table highlights the impact of these programmes in terms of market access, export sales generated and diversification of sectors and destinations in advancing both goods and services trade. We have grouped them into four major pillars: (1) financial support and sectoral prioritization, (2) market access and buyer-seller connectivity, (3) branding and strategic market penetration, and (4) digitalization and firm capability development. Accordingly, these four pillars may also be interpreted as key good practices that define MATRADE's trade promotion model. They encapsulate the mechanisms through which its programmes translate into concrete outcomes such as expanded market access, stronger buyer engagement, enhanced branding, and improved firm capabilities.[2]

i) Financial support and targeted sectoral assistance

A cornerstone of MATRADE's strategy is its financial facilitation framework, which lowers export entry barriers for Malaysian firms. The Market Development Grant (MDG), introduced in 2002, provides subsidies for trade fair participation, market research and export promotion activities. Between 2008 and 2022, the programme expanded significantly from US$ 3.5 million disbursed to 897 SMEs in 2008, to generating over US$ 0.5 billion in export sales (ROI 1:222 [return on investment]) involving 2,614 SMEs in 2022. The MDG has supported more than 20,000 SMEs overall, enabling them to access global markets and maintain a presence at major international events. In the services sector, where initial visibility costs are high, MDG has been instrumental in helping engineers, ICT specialists and consultants compete internationally.

Complementing MDG, the Services Export Fund (SEF) focuses specifically on services industries that rely on tenders, project-based contracts and feasibility studies. SEF has facilitated over US$ 1.7 billion in services exports between 2015 and 2021, helping Malaysian engineering, healthcare, education and ICT firms secure contracts in regions such as the Middle East, ASEAN and Africa. By offsetting tender preparations, feasibility studies and negotiation costs, SEF enables Malaysian service providers to compete on a level playing field with global players. These financial instruments exemplify MATRADE's targeted, sector-sensitive design that recognizes the unique needs of services exporters.

ii) Market access through buyer-seller connectivity

MATRADE's market access platforms play a critical role in overcoming one of the most persistent challenges in services trade: establishing credible buyer-seller linkages. The INSP, introduced in 2003, directly connects Malaysian exporters with pre-qualified foreign buyers. It has consistently demonstrated impact; for instance, in 2024, the INSP generated US$ 560 million in sourcing value, with the INSP Malaysia International Halal Showcase (MIHAS) alone reaching US$ 77 million in confirmed sales. These structured, high-quality meetings reduce search costs and provide SMEs with immediate access to global networks that would otherwise take years to build.

Digital tools further expand this matchmaking infrastructure. eBizMatch, launched in 2020 during the COVID-19 pandemic, sustained trade continuity by facilitating more than 7,000 virtual meetings between Malaysian exporters and international buyers. ICT, healthcare and education services providers in particular benefited from virtual engagement mechanisms that bypassed mobility restrictions. In addition, the permanent Malaysia Export Exhibition Centre (MEEC), established in 2016, offers inbound buyers a physical venue to explore Malaysian products and services, attracting over 30,000 visitors since its opening. Collectively, these initiatives illustrate MATRADE's multi-pronged strategy to reduce transaction costs, improve export readiness, and expand market reach.

iii) Branding, visibility and strategic market penetration

Branding and visibility remain indispensable for services exports, where reputation and credibility strongly influence market entry. MATRADE's flagship branding platform, the Malaysia Services Exhibition (MSE), first introduced in 2007, showcases Malaysian services capabilities to international audiences. MSE 2009 in Dubai alone generated US$ 1.9 billion in potential projects, while subsequent editions in Abu Dhabi, Surabaya, Astana and Yangon facilitated high-value negotiations and franchise deals. Although these outcomes are more qualitative and harder to measure than direct sales, they significantly enhance Malaysia's visibility as a competitive services provider in global markets.

To complement these large-scale exhibitions, MATRADE undertakes specialized marketing missions (SMMs) and EAMs that target niche and emerging markets. These missions delivered US$ 36.4 million in sales between 2009 and 2021 and facilitated over US$ 667 million worth of projects. Malaysian firms in aerospace, halal services, ICT and engineering have used these missions as "fast-track" platforms to enter markets in Central Asia, East Africa and the Middle East. This combination of broad branding efforts and specialized missions demonstrates MATRADE's dual strategy of building national visibility while securing concrete export opportunities.

iv) Digital transformation and firm capability development

MATRADE has also embraced digital transformation as a long-term investment in exporter resilience and competitiveness. The eTRADE programme, launched in 2015 and expanded under eTRADE 2.0 in 2021, supports SMEs in adopting cross-border e-commerce platforms. By 2019, over 2,500 firms had joined the programme, benefiting from training, onboarding and digital marketing grants. Service providers in education, creative content and professional consulting gained significant advantages by being able to serve clients globally without needing a physical presence.

Beyond digitalization, MATRADE strengthens firm capabilities through the Mid-Tier Companies Development Programme (MTCDP), introduced in 2015. MTCDP provides strategic mentoring, advisory services and tailored global expansion pathways for mid-tier firms. In 2021 alone, 275 companies participated in the programme, representing a 22.5 per cent increase from the previous year. By focusing on upgrading, rather than only on financial support, MTCDP builds long-term competitiveness and helps Malaysian firms transition from domestic champions to credible international players.

b) Assessing the pillars (MATRADE)

Although each pillar contributes meaningfully to Malaysia's export ecosystem, especially for services and SMEs, the market-access pillar generates the most consistent, measurable and high-value outcomes. A key strength of this pillar lies in its ability to translate promotion directly into confirmed export sales, rather than potential leads or indirect long-term impacts. MATRADE's flagship INSP has repeatedly demonstrated this effectiveness. Recent data illustrate this clearly: in 2025, INSP events generated MYR 62.76 million (US$ 14 million) in confirmed export sales, underscoring their capacity to produce tangible trade gains.[3]

This distinguishes the INSP from many grant-based schemes, where the link between financial support and actual export performance may be less direct. The programme's targeted matching of pre-qualified foreign buyers with Malaysian exporters (particularly SMEs) reduces the search, marketing and trust-building costs that usually constrain internationalization. As a result, firms without established global networks can secure contracts they would otherwise struggle to access.

The efficiency of buyer-seller connectivity programmes also enhances their comparative advantage. Unlike initiatives that rely on financial disbursements, the INSP and its digital counterpart, eBizMatch, generate value by facilitating relationships. These connections can compound over time, leading to repeat orders, multi-year contracts, and regional expansion. During the COVID-19 pandemic, eBizMatch helped sustain Malaysia's export engagement by hosting over 7,000 virtual meetings, providing continuity at a time when physical trade channels collapsed. This resilience demonstrates the pillar's adaptability and the long-term benefits of market facilitation beyond one-off matching sessions.

Compared with the other pillars, the superiority of market access is further reinforced. Financial support schemes like the MDG and SEF undoubtedly play a foundational role by reducing initial barriers to export entry. For instance, the SEF delivered an impressive return in 2022, generating MYR 197 million (US$ 43.7 million) in potential exports from MYR 1.465 million (US$ 325,000) in grants. Yet, despite their necessity, these programmes yield mixed results in converting subsidies into contracted export value, and their reach is constrained by grant ceilings and eligibility conditions.

Branding and strategic market penetration initiatives, such as the MSE, have also generated substantial interest and potential projects, for example, MSE Dubai 2009 reported US$ 1.9 billion in potential deals. In 2014, the MSE was expanded into nine separate programmes held across various international and domestic locations, generating over US$ 1 billion in total negotiated projects and sales.

As MATRADE diversified these successful initiatives, the original concept of a single mega-exhibition became less prominent as the main vehicle for services promotion. Instead, MATRADE's strategy to internationalize Malaysia's services sector increasingly relied on targeted platforms such as EAMs, INSPs and stronger financial facilitation instruments including the SEF and the Large Corporation–SME Partnership Programme. However, such outcomes tend to be qualitative, with weaker direct attribution to confirmed export flows. Meanwhile, digitalization and capability development programmes such as eTRADE and MTCDP support long-term competitiveness, but their impact on immediate export sales is diffused and indirect.

Considering these comparisons, the buyer-seller connectivity pillar stands out not only for its measurable successes but also for its enduring strategic value. It equips Malaysian firms, especially SMEs and service providers, with the networks and market intelligence necessary to compete internationally. Moreover, it aligns closely with the realities of services trade, where credibility, relationship-building and customized matching matter more than price competition alone. When foreign buyers meet Malaysian firms through INSP or eBizMatch, the process reduces uncertainty on both sides, lowering transaction costs and accelerating deal-making.

Malaysian Investment Development Authority

MIDA is the country's principal government agency under the MITI. With services now contributing more than half of Malaysia's GDP and increasingly integrated into global value chains, MIDA has expanded its role to cover the promotion and facilitation of investments in services industries, alongside its traditional manufacturing focus. This includes both FDI and domestic direct investment, making MIDA a central institution in shaping the competitiveness of Malaysia's services economy.

MIDA ensures that investment promotion in the services sector aligns with national strategies such as the 12th Malaysia Plan (2021–2025) and the National Investment Aspirations,[4] supporting digitalization, sustainability and high-value job creation. As Malaysia's main investment promotion agency, MIDA serves as a one-stop centre for foreign and local investors, promoting key sectors such as logistics, ICT, education, healthcare, tourism, oil and gas support, and green technology. It facilitates quality investments through advisory services and incentives while helping domestic firms expand abroad. MIDA also drives liberalization in line with ASEAN and WTO commitments to enhance competitiveness, technology transfer and best practices. Additionally, it strengthens the services ecosystem through infrastructure, talent and regulatory improvements to build globally competitive domestic services providers.

a) MIDA and services trade promotion

MIDA categorizes its support into fiscal and non-fiscal incentives, as well as cluster- and sector-specific facilitation programmes. Fiscal incentives, such as tax exemptions and investment allowances, are designed to encourage investments in high-value and knowledge-intensive services sectors, including global business services (GBS), ICT, aerospace, logistics, and halal-related services. Non-fiscal incentives focus on ecosystem facilitation, talent development and industry-academia collaboration to strengthen Malaysia's service capabilities and ensure spillover benefits for the domestic economy.

Table 2 (Annex 1) summarizes the key MIDA instruments that promote services trade. We have also grouped them under four strategic pillars: (1) fiscal incentives, (2) capability-building grants, (3) non-fiscal facilitation, and (4) digital and talent-development initiatives, highlighting MIDA's good practices and effectiveness in promoting trade in services.

i) Fiscal incentives

Fiscal incentives remain the cornerstone of Malaysia's services and investment strategy. Key instruments include Pioneer Status (PS), Investment Tax Allowance (ITA), the Principal Hub (PH) incentive, Green Investment Tax Allowance, and the Automation Capital Allowance (ACA). PS, in place since the 1980s, offers 70 to 100 per cent tax exemption on statutory income for up to five years, and has expanded from manufacturing to services such as GBS, ICT, logistics, aerospace and halal industries. By reducing operating costs, PS allows firms to establish regional service hubs capable of coordinating cross-border operations.

The PH incentive, launched in 2015 and updated to PH 3.0, offers concessionary corporate tax rates of 0–5 per cent for up to 10 years for multinational corporations that centralize regional or global operations in Malaysia. The scheme includes conditions related to network coverage, regional sales thresholds and talent development, ensuring that beneficiary firms anchor high-value, export-oriented functions such as treasury, procurement, shared services and management. These functions inherently generate services exports and embed Malaysia in regional services supply chains.

Other fiscal measures complement these core incentives. ITA offsets qualifying capital expenditure against statutory income, facilitating the development of R&D labs, data centres and logistics hubs which are critical infrastructure for modern services delivery.

Of all the incentives, the PH scheme directly influences the location and scale of export-oriented service operations, thus making this pillar the most effective in generating immediate and high-value services exports.

ii) Capability-building grants

Complementing fiscal incentives, Malaysia employs grant-based mechanisms to strengthen domestic services providers and support high-impact projects. The High Impact Fund co-funds catalytic projects in sectors such as aerospace engineering and electronics design, while the Domestic Investment Strategic Fund (DISF) introduced in 2012, provides matching grants for SMEs in ICT, aerospace, halal and logistics services to upgrade their capabilities through R&D, licensing and standards compliance.

These grants address capability gaps that tax incentives alone cannot fill, enabling firms to meet international standards, enhance technological capacity and develop innovation-driven services. Particularly for SMEs, grants can reduce risk and incentivize engagement in international markets. While their impact is more selective and medium-term compared to fiscal incentives, grants are critical for nurturing export-ready domestic firms and fostering sectoral competitiveness.

iii) Non-fiscal facilitation and regulatory ease

Non-fiscal facilitation measures reduce regulatory friction and enhance investor confidence, a critical enabler of services exports. Key initiatives include the One-Stop Centre (OSC) for Business Travellers, the Strategic Investor Pass (SIP), and the Invest Malaysia Facilitation Centre. OSC, introduced during the COVID-19 pandemic, ensured continuity of cross-border services by expediting essential business travel, supporting Mode 4 services exports. SIP and related long-stay visas facilitate the inflow and retention of skilled professionals and investors, promoting knowledge transfer and operational continuity.

Evidence from Organisation for Economic Co-operation and Development and WTO studies highlights that regulatory transparency and ease of doing business are often more decisive than fiscal incentives for services FDI. By reducing administrative and mobility barriers, MIDA's facilitation measures amplify the effectiveness of fiscal and grant-based incentives.

iv) Digital and talent-development initiatives

The fourth pillar addresses long-term competitiveness through digital platforms and human capital development. Digital tools such as the InvestMalaysia Portal and MYSite Selection Portal streamline investment approvals, improve transparency and reduce transaction costs. These platforms ensure investors can rapidly identify suitable sites, submit applications, and obtain approvals – essential in sectors where time-sensitive service delivery matters.

Talent-focused programmes, including the Skills and Technical Enhancement Programme (STEP) and the Special Taskforce-Talent Facilitation (STF-TF), provide targeted training and recruitment support for high-value sectors such as aerospace, ICT, cybersecurity and industrial automation. MIDA's STEP programme trained circa 2,000 graduates in technical/industrial skills (2022–23) in 24 focus areas, while its STF-TF initiative (launched March 2023) engaged 17 ministries/training institutions and facilitated recruitment of 190+ engineers/technicians in target industries.[5]

b) Assessing the pillars

Each of the four pillars promotes different components of services trade. Fiscal incentives attract export-oriented multinationals, capability-building grants upgrade domestic firms, non-fiscal facilitation reduces regulatory friction and digital-talent programmes strengthen long-term competitiveness. However, fiscal incentives emerge as the most effective pillar because they generate the most immediate and measurable expansion of cross-border service activities. In particular, the PH (PH 3.0) scheme offers concessionary tax rates of 0 per cent to 5 per cent for up to 10 years, directly incentivizing global firms to base regional headquarters, shared services, treasury functions, logistics management and digital operations in Malaysia, functions that inherently produce services exports.

Talent-related measures come a close second, as skills are often the binding constraint in high-value services sectors. Capital expenditure incentives such as ITA and ACA are also highly effective, particularly for digital, logistics, and R&D services, where infrastructure readiness is key. Grant-based mechanisms offer strong catalytic effects when deployed selectively, especially in sectors like aerospace and halal certification, but their impact depends heavily on governance and targeting. Facilitation tools and digital portals tend to have high cost-effectiveness, improving conversion rates by simplifying procedures, though they are inherently enabling rather than transformational.

Green incentives are increasingly relevant but their full impact will depend on global demand for green services and the development of local capabilities. Facilitation tools such as the OSC and digital platforms, which expedite approvals for business travellers strengthen Malaysia's broader services ecosystem. However, their effects are primarily enabling in nature and tend to materialize gradually or over an extended time horizon. By contrast, fiscal incentives directly shape company location decisions and immediately expand Malaysia's participation in regional and global services value chains, making them the strongest driver of services-export growth.

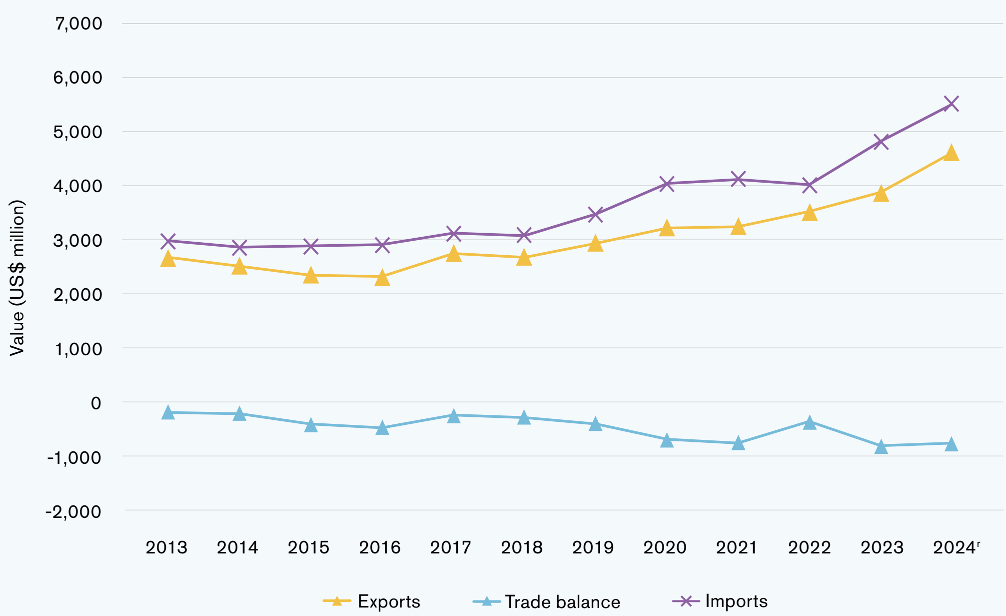
Case studies: information and communications technology and digital services

The digital and ICT industry has become one of the most dynamic sectors driving Malaysia's economic transformation. Over the past two decades, ICT has grown from a supporting sector into a core enabler of national competitiveness. In 2023, ICT and e-commerce combined contributed US$ 95 billion to the economy, equivalent to 23.5 per cent of GDP, while providing employment for more than 1.2 million people or nearly 8 per cent of the total workforce.[6]

Under the New Industrial Master Plan 2030 (NIMP 2030), the digital and ICT industry in Malaysia is defined by two principal components: i) Malaysia digital status industry clusters and ii) ICT-related services.

As illustrated in Figure 7.1, Malaysia's ICT services trade has grown steadily over the past decade but has remained in deficit. Exports rose from US$ 2.7 billion in 2013 to an estimated US$ 4.8 billion in 2024, while imports increased faster, from US$ 3.1 billion to US$ 5.7 billion, reflecting continued reliance on foreign providers of cloud services, enterprise software and cybersecurity solutions. A key turning point occurred in 2020, when the pandemic accelerated digitalization, causing both exports and imports to surge, with imports rising more sharply due to dependence on multinational ICT firms.

Figure 7.1: Malaysia's trade in ICT services (US$ million), 2013–2024



Source: Statistics of International Trade in Services, Department of Statistics Malaysia (DOSM). Converted to US$.
r revised by DOSM.

Malaysia's data centre sector in focus

Malaysia has actively positioned its data centre sector as a key component of its digital economy strategy, aiming to attract foreign investment and strengthen the country's role in the regional ICT ecosystem. Data centres provide cloud computing, data storage and digital infrastructure services.

According to the research firm DC Byte, data centre capacity in the Southeast Asia Five markets, namely Indonesia, Malaysia, the Philippines, Thailand and Viet Nam, expanded at a CAGR of 70 per cent between 2018 and 2023. Within this regional surge, Malaysia has emerged as a leading destination, attracting MYR 99 billion (US$ 21.7 billion) in announced data centre investments over the past two years, with a further MYR 149 billion (US$ 33.1 billion) in the pipeline according to the Malaysia Digital Economy Corporation (MDEC).[7]

Recent impacts of trade promotion efforts

- Amazon Web Services launched its first Asia Pacific (Malaysia) Region in August 2024, backed by a MYR 29.2 billion (US$ 6.2 billion) investment to 2038, with its initial data centre in Cyberjaya. This shows Malaysia's rising appeal to global tech firms and its success in promoting ICT-related services trade via commercial presence.[8]
- ByteDance (owner of social media platform TikTok) plans to invest MYR 10 billion (US$ 2.13 billion) to establish an artificial intelligence (AI) hub in Malaysia, alongside an additional MYR 1.5 billion (US$ 333 million) for data centre expansion in Johor. These investments supported Malaysia's target of raising the digital economy's share to 22.6 per cent of GDP by 2025.[9]
- Huawei has advanced sustainable data centre solutions in the region, launching three efficiency-focused facility innovations in May 2023 that enhance green data centre development in Malaysia and Asia-Pacific.[10]
- Microsoft announced a US$ 2.2 billion, four-year investment to expand cloud and AI infrastructure – its largest in Malaysia. This includes new hyperscale data centres (with the Malaysia West region launched in Q2 2025), a national AI Centre of Excellence, strengthened cybersecurity and AI skilling for up to 300,000 people.[11]
- Google committed US$ 2 billion (MYR 9.4 billion) to build its first Malaysian data centre and Google cloud region in Selangor. Expected impacts include the creation of 26,500 jobs, a MYR 15 billion (US$ 3.33 billion) contribution to GDP by 2030, and strong support for Malaysia's first National Cloud Policy through advanced AI and cloud service capabilities.[12]

a) Promotion of data centre investment and Mode 3 trade: An assessment

Table 3 (Annex 1) shows that the Malaysian government has implemented a range of initiatives and incentives to strengthen its digital economy and attract foreign investment in data centres, thereby promoting services trade through commercial presence (Mode 3). The trade promotion strategies are listed as follows:

i) Targeted and tiered financial incentives

The DESAC scheme specifically targets investment in digital infrastructure, including data centres, subsea cables and ICT facilities. It offers tiered incentives such as investment tax allowances of 60–100 per cent on qualifying capital expenditure and preferential tax rates ranging from 0–15 per cent on statutory income. Importantly, the scheme also encourages environmentally sustainable infrastructure. The DESAC scheme illustrates how tiered incentives can attract both new and expanding investments. By providing substantial financial support for both new and expanding data centre projects, DESAC reduces capital barriers and promotes large-scale foreign investment, enhancing Malaysia's capacity to host global digital services and cloud operations.

The design of DESAC has been particularly effective. These generous tax incentives help defray the very large upfront cost of building data centres. Moreover, the scheme strongly favours sustainability: the MITI has published Sustainable Data Centre Guidelines that set metrics for power usage effectiveness, water usage effectiveness, and even carbon usage, which are tied to eligibility for DESAC incentives.[13] These well-targeted, performance-based incentives are clearly paying off. According to the MIDA and InvestKL, data centre investments approved under DESAC since 2021 amount to MYR 113.8 billion (US$ 24.1 billion), with 90% coming from foreign investors.[14] The scheme has also supported job creation: the 25 DESAC-enabled projects are estimated to generate 1,429 jobs, many of them specialized roles like data scientists, big data analysts and AI engineers.[15]

ii) Integration of service and infrastructure support

Malaysia Digital (MD) Status, which replaced the older MSC (Multimedia Super Corridor) Malaysia Status, focuses on supporting digital services companies. Unlike DESAC, which primarily drives initial investment size and entry, MD Status supports ongoing operations and scaling, making it effective for Mode 3 digital services trade. It provides a comprehensive package of incentives, including income tax exemptions through PS, investment tax allowances ranging from 30 to 100 per cent on qualifying capital expenditure, import duty exemptions for ICT equipment, and greater flexibility in hiring foreign knowledge workers. For data centres, this framework lowers operational costs, enables access to specialized talent, and facilitates investment by global cloud and hyperscale operators.

According to MDEC, MD-era digital investments in Q2 2025, particularly within the Data Centre and Cloud vertical,[16] amounted to MYR 30.95 billion (US$ 6.9 billion) and are expected to create 1,440 knowledge-based jobs. Notably, data centre firms alone committed MYR 13.45 billion (US$ 2.9 billion), indicating continued investor confidence in Malaysia's digital infrastructure and regional connectivity.

iii) Centralized investment facilitation and single-window approach

The Digital Investment Office (DIO), operated under MDEC, acts as a centralized coordination and promotion hub for digital investments. By providing guidance, facilitating approvals, and promoting investment opportunities to both domestic and foreign companies, DIO reduces administrative and regulatory barriers for data centre operators. This single-window approach – through which investors can access multiple regulatory approvals and government services through a single coordinating platform rather than engaging multiple agencies separately – simplifies the establishment of foreign commercial presence, making Malaysia a more attractive destination for global technology firms.

The DIO plays an important enabling role, although the causal evidence has not been empirically examined. Since the DIO does not provide fiscal incentives or infrastructure commitments, its influence is indirect. Nevertheless, past evidence suggests that tax incentives (i.e., DESAC) most likely work most effectively when paired with regulatory facilitation (i.e., DIO). However, they must also be paired with reliable, competitively priced power, water, land and skilled labour.

iv) Promotion of advanced technologies and operational efficiency

The ACA further complements these initiatives by incentivizing the adoption of advanced automation and digital technologies. Data centres, which rely heavily on automated systems for energy management, cooling and server optimization, benefit directly from ACA's 200 per cent allowance on qualifying capital expenditure (up to MYR 10 million (US$ 2.22 million) per year between 2023 and 2027). This encourages operators to implement advanced technologies that improve efficiency and competitiveness, reinforcing Malaysia's attractiveness for foreign investment in high-tech services.

While these benefits are useful for cost efficiency and upgrading the technological sophistication of data-centre operations, no available public evidence suggests that ACA is a key policy instrument in supporting hyperscale projects. MIDA documents describe ACA as cross-sectoral, meaning it competes with incentives from other sectors and is not tailored specifically to the unique constraints of data centres. As such, ACA supports incremental improvements rather than driving investment entry decisions.

Digital free trade zone

Malaysia's DFTZ serves as a strategic platform for advancing services trade by integrating logistics, e-commerce and digital services into a seamless ecosystem that facilitates cross-border commercial activity. Established to position Malaysia as a regional e-commerce hub, the DFTZ enhances services trade by streamlining customs procedures, accelerating digital fulfilment, and promoting end-to-end logistics and supply-chain solutions, which are critical components of modern services exports.

The integration of fulfilment infrastructure, automated customs processes and access to international marketplaces, enhances Malaysia's ability to attract Mode 3 investments in digital and logistics services while expanding Mode 1 digital exports. The DFTZ operates through three key components, namely (i) the e-fulfilment hub, (ii) the e-services platform, and (iii) marketplace connectivity, each designed to strengthen the country's competitiveness in digital trade and services exports.

i) The e-fulfilment hub: physical logistics and services export infrastructure

The e-fulfilment hub at KLIA Aeropolis, located at Kuala Lumpur international airport, serves as the physical backbone of the DFTZ, integrating warehousing, sorting, last-mile delivery and cross-border fulfilment in one ecosystem. KLIA Aeropolis is an integrated airport city and logistics hub designed to support e-commerce, air cargo, and trade facilitation activities by clustering aviation, logistics, and digital services within a single strategic zone. Major logistics players such as Pos Malaysia, Cainiao, and other third-party logistics providers establish facilities or lease warehouse space, paying rent or operational fees as anchor service providers. SMEs do not invest in infrastructure; instead, they simply use the hub's services and pay for storage, packaging, fulfilment and shipping as needed. This model gives firms of all sizes access to high-quality logistics without capital investment. By enabling Malaysian operators to process and ship goods for international markets, the hub effectively exports logistics and fulfilment services and strengthens Malaysia's role as a regional gateway for e-commerce.

ii) The e-services platform: digital customs and trade facilitation

The e-services platform is the digital engine of the DFTZ, integrating customs clearance, trade documentation, e-payments and cross-border tracking. By digitizing these processes, it reduces bottlenecks and speeds up clearance for e-commerce shipments. Firms participate by registering on the platform and paying service-based fees for customs processing and electronic declarations. The platform promotes services trade by enabling more efficient digital logistics, customs brokerage and compliance services, supporting Mode 1 cross-border digital delivery. For SMEs, it lowers the cost and complexity of exporting, making international market entry easier and more predictable.

iii) Marketplace connectivity: linking Malaysian firms to global digital platforms

An integral component of DFTZ is its role in linking Malaysian sellers and services providers to global e-marketplaces such as Alibaba, Lazada, JD Worldwide and other international platforms. This connectivity is supported through Malaysia's collaboration with Alibaba's Electronic World Trade Platform, which provides SMEs with preferential access to digital marketplaces, cloud services, digital marketing tools and e-payment solutions. Companies do not pay rent or invest in physical infrastructure to use this component. Instead, they pay standard marketplace fees, including listing charges, commissions, digital advertising costs and logistics fees. Marketplace connectivity allows Malaysian firms to export not only goods but also digital services such as online branding, marketing, cloud computing usage and digital content creation, thereby broadening the country's services export base.

b) DFTZ performance, challenges and effectiveness: An assessment

A comprehensive assessment of Malaysia's digital free trade zone is inherently challenging, as official and systematic performance data are limited, fragmented and infrequently updated.

Despite these data limitations, available evidence suggests that the DFTZ made material strides in SME participation, though with uneven results. Approximately 2,651 SMEs were onboarded under the DFTZ SME Onboarding Programme, generating MYR 52.1 million (US$ 11.6 million) in total sales, of which MYR 18.1 million (US$ 4 million) were exports. These figures demonstrate genuine engagement and early commercial outcomes for some SMEs.

However, Chin, Foo and Falahat (2025) argue that many SMEs remain sceptical about the benefits of DFTZ, citing high digital adoption costs, lack of digital skills and unfamiliarity with e-commerce cost structures. Nearly 40 per cent of surveyed SMEs in their study expressed doubts about whether DFTZ's value proposition matched their capabilities. This reveals a structural challenge: while the programme successfully increases SME enrolment, the depth of participation and the ability to scale exports remain limited for many firms.

On the logistics and customs side, the DFTZ's physical and digital infrastructure has delivered clearer performance gains. The e-fulfilment hub at KLIA Aeropolis and the associated e-services platform have significantly reduced cross-border clearance times. MITI's fact sheet[17] notes possible improvements in customs processing efficiency, with cargo clearance times reduced from around six hours to roughly three hours. These enhancements demonstrate that the DFTZ has a goal of streamlining logistics operations and reducing trade friction. Nonetheless, operational bottlenecks persist.

However, some sources have reported that coordination among government agencies remains weak, as regulatory bodies continue to operate in silos.[18] This limits the effectiveness of the digital customs ecosystem and slows progress toward a seamless, fully integrated trade facilitation model. Additionally, ASEAN-wide issues such as variations in customs harmonization may create frictions that the DFTZ alone cannot overcome.[19]

In terms of trade and investment ambitions, the DFTZ was launched with high expectations. Government statements forecast that the DFTZ would facilitate US$ 65 billion in cross-border goods and create 60,000 jobs by 2025.[20] The prime minister later projected that SME exports under the DFTZ could reach US$ 38 billion.[21] While these targets helped position Malaysia as a regional digital trade hub, there is no publicly available data confirming whether these goals are being met.

Moreover, the heavy involvement of Alibaba through the Electronic World Trade Platform has generated both opportunities and concerns. On the one hand, Alibaba's participation accelerated ecosystem development and provided Malaysian SMEs with access to global marketplaces, cloud services and digital marketing tools. On the other hand, concerns have been raised about Malaysia's over-reliance on a single foreign platform, floating questions about data sovereignty, bargaining power and long-term strategic autonomy.[22]

A further issue relates to digital talent and institutional readiness. Research indicates that many SMEs struggle with digital marketing, data analytics and cross-border compliance which includes capabilities that are essential to compete on global e-marketplaces. SMEs often lack the skills to leverage DFTZ tools effectively, leading to inconsistent utilization even among firms that are nominally "onboarded." This talent and capability gap poses a significant barrier to fully realizing the DFTZ's intended benefits. Institutional and infrastructural challenges also persist, with some observers arguing that the ecosystem may favour larger logistics players and global platforms over smaller domestic competitors.

Overall, the evidence suggests that what has worked is the DFTZ's ability to streamline customs processes, attract major logistics and e-commerce players, and create a structured pathway for SMEs to participate in global trade. The physical and digital infrastructure, particularly the e-fulfilment hub and e-services platform have delivered measurable efficiency improvements. What has not worked as expected includes limited SME capacity to use the system effectively, weak inter-agency coordination, over-dependence on Alibaba and the lack of transparent, consistent official data to benchmark progress. These shortcomings highlight the need for Malaysia to strengthen institutional governance, diversify platform partnerships and invest deeply in SME digital capabilities to turn initial gains into sustainable, broad-based growth.

Manufacturing-related services: research and development services

Manufacturing-related services encompass a broad range of support functions and specialized activities that are crucial for the operation, enhancement and value chain progression of the manufacturing sector (MIDA, 2020). Within the NIMP framework, it is important to distinguish R&D services as a tradable subsector from general R&D activities undertaken internally by firms.

First, in the context of manufacturing-related services, "R&D services" refer to contract, outsourced, or externally provided research, product design, testing, prototyping, engineering development and scientific consultancy supplied to third-party clients, including cross-border purchasers. These services are commercially transacted, often delivered digitally or through project-based engagements and constitute an identifiable segment of Malaysia's services exports. The policy objective here is to promote the domestic supply and export of R&D services i.e., build/finance/market/contract R&D firms, testing labs, design houses and research institutes such as the Standard and Industrial Research Institute of Malaysia (SIRIM) or the Malaysian Institute of Microelectronic Systems (MIMOS), so they sell R&D services to foreign clients or affiliates. This is one services export promotion strategy.

A separate but complementary definition involves promoting the uptake of R&D within locally established firms to strengthen product sophistication, technology adoption and productivity. These measures, such as tax incentives, matching grants, and industry-academia collaborations, primarily expand in-house R&D and do not directly generate R&D services for export. The policy objective here on the other hand, is to promote firms to do more R&D domestically for their own use i.e., tax credits, grants, or cluster programmes that make local manufacturers perform in-house R&D to upgrade products/processes. This increases domestic innovation but does not necessarily create tradable R&D services.

Although the NIMP addresses both, the following analysis deliberately limits its scope to the first definition. We examine R&D services as a tradable industry, focusing on instruments that strengthen the commercial supply, internationalization, and cross-border delivery of R&D, testing, design and engineering services.

c) Manufacturing-related services (R&D industry): trade promotion and its assessment

As discussed in Section C, Malaysia deploys a set of economy-wide incentives such as Pioneer Status, ITA, R&D double deductions and MATRADE's SEF or MDG facility that also benefit firms supplying R&D services. While these instruments are not exclusive to R&D services providers, they nonetheless reduce the cost of supplying contract R&D and enhance firms' ability to compete internationally. Against this backdrop, the discussion now shifts to the complementary policies that more directly shape the depth, quality and export readiness of the R&D services ecosystem.

i) Trade fairs and exhibitions

Malaysia hosts a number of high-profile trade fairs and innovation Expos that are highly relevant to R&D services providers, especially those seeking to commercialize or export research-based solutions. Local companies may utilize the various funds such as the MDG to get partial reimbursement of exhibition or trade-fair costs. Also, MATRADE maintains the Trade Promotion Management System, a database of promotional events where companies can apply to participate in export-oriented trade fairs and other trade-promotion activities.

Three key technology and innovation events will be discussed here: Malaysia Technology Expo (MTE), National Innovation and Commercialisation Expo (NICE) and Invention, Innovation and Technology Exhibition (ITEX). MTE and ITEX are more business and industry-oriented events focused on bringing innovations to market and fostering professional partnerships, while NICE has traditionally been a more public-facing event designed to inspire creativity and scientific interest in the general population.

One of the most prominent is the MTE, which is organized annually and functions as a major "innovation marketplace." The innovation marketplace at MTE allows researchers, inventors, startups and established firms to present new prototypes, research findings and scalable technologies to potential investors, industry partners and commercial buyers. The Expo is backed by key government agencies such as the Ministry of Science, Technology and Innovation (MOSTI). During MTE 2025, more than 526 innovations were exhibited, including from abroad, signalling strong potential for cross-border collaboration in R&D and innovation.[23]

A particularly important development is the MyTechMart portal, which was launched by MOSTI in conjunction with MTE. The portal serves as a data-sharing and matchmaking platform designed to bridge inventors, researchers and investors. It also assists companies to turn research ideas into marketable services or products.[24] This is highly relevant for R&D service firms because it can help them find commercial partners, licensing opportunities, or clients for contract R&D.

Another key event is the NICE, organized by MOSTI.[25] NICE 2025, for example, includes FundConnect, a dedicated platform to showcase research and foster collaborations between academia, industry and government. The Expo also has thematic tracks tailored to deep tech, AI, biotech, healthtech and "Going Global" with the latter explicitly aiming to help Malaysian innovators break into international markets. NICE therefore helps to push R&D outputs into commercial and export-oriented pathways.

Additionally, ITEX[26] is another long-standing platform in Kuala Lumpur. In its 36th edition (2025), ITEX highlighted inventions, technologies and research-ready outputs with the aim of connecting innovators to investors, manufacturers and potential global partners. Because many of the entries are invention-based or research-derived, R&D services providers including labs, research institutions and tech startups, can use ITEX to validate their work, seek commercial partners, or license their technologies.

Government-backed innovation fairs such as NICE, MTE and ITEX enhance credibility, provide structured matchmaking, showcase public R&D priorities and signal political commitment, helping small R&D firms and startups connect with investors and industrial partners. However, participation costs are not always fully covered, conversion of leads into contracts can be uneven, administrative requirements may be burdensome and Expos alone do not guarantee long-term support or ecosystem development without complementary grants, tech-transfer services, or follow-on assistance.

ii) Standards, testing and certification (quality and credibility)

Quality assurance and accreditation are critical for tradable R&D services, especially testing, calibrating and engineering consultancy. The Malaysian government's national organization for standards, quality and industrial research and technology development, SIRIM, and SIRIM QAS International, which is Malaysia's leading testing, inspection and certification body, provide national testing, ISO certification and ISO/IEC 17025 laboratory accreditation; this allows Malaysian services providers to meet procurement specifications and international buyer expectations.

Accreditation and certification by SIRIM (and Standards Malaysia) therefore function as a practical export enabler by reducing buyer risk and improving market access. SIRIM's accreditation and testing services (ISO/IEC 17025 labs, ISO certifications) materially lower the non-tariff barriers foreign buyers place on technical service providers: labs and testing houses that carry recognized national accreditation can more easily compete for contracts from overseas buyers and multinationals.

Despite the critical role of SIRIM and Standards Malaysia, smaller R&D services firms may face high costs and capacity constraints to obtain and maintain ISO or ISO/IEC 17025 accreditation. Navigating complex certification procedures can be resource-intensive and delays in accreditation may slow participation in international contracts. Additionally, while accreditation improves credibility, it does not guarantee market acceptance, especially in highly competitive global markets. This is common in many developing economies.

iii) Intellectual property (IP) support and technology-transfer intermediaries

Public IP support (MyIPO services, IP clinics and advisory programmes), university technology transfer offices and research organizations (SIRIM, MIMOS, Malaysian Technology Development Corporation – MTDC)) play a direct role in turning research into licensable IP or services offerings. These intermediaries help firms prepare patent applications, draft licensing deals, and turn prototypes into commercially viable services that can be sold overseas. MOSTI's national science, technology and innovation (STI) policy similarly emphasises IP commercialization as part of the research-to-market pipeline.

While their primary mandate is to turn research outputs into licensable IP or market-ready services offerings, this commercialization infrastructure strengthens the upstream conditions that make internationalization possible. By helping firms prepare patent applications, structure licensing agreements and convert prototypes into exportable service solutions, these intermediaries raise the quality, credibility and protectability of Malaysian services innovations. MOSTI's national STI policy, which emphasises IP commercialization within the research-to-market pathway, reinforces this foundation. While these mechanisms do not directly promote services exports in the same way as export-oriented agencies, they reduce commercial and legal risks, improve the market readiness of local firms and expand the pool of knowledge-intensive services that can be positioned for overseas markets.

Although public IP and technology-transfer support enhanced market readiness, firms often encounter complex, time-consuming processes for patent filings, licensing and commercialization. Smaller startups may lack the expertise or resources to fully leverage these services. Furthermore, IP commercialization alone does not directly translate to export opportunities, meaning that without complementary marketing, matchmaking, or export promotion, the benefits of IP support may not be fully realized in international markets.[27]

Conclusions and recommendations

Over the past four decades, Malaysia has steadily repositioned its services sector from a supporting role into the main engine of economic growth. The country's trade promotion strategies, institutional frameworks and targeted incentives illustrate several best practices that have guided this transformation. The MITI has pursued a balanced approach, combining sectoral diversification with depth in selected high-value niches such as ICT, professional services and the halal economy. Agencies such as MATRADE and MIDA have complemented this by providing export promotion, market intelligence, investment facilitation and targeted support for SMEs.

Notable initiatives include the MDG, the SEF and the DFTZ, all of which have lowered barriers to entry for Malaysian firms into international markets. At the same time, Malaysia has leveraged regional agreements and mutual recognition arrangements (MRAs) to expand professional mobility, while embracing digitalization as both a governance tool and a driver of competitiveness.

However, despite these achievements, several structural and policy challenges continue to constrain the full potential of Malaysia's services trade. These challenges highlight the need for renewed attention to competitiveness, inclusivity and resilience as Malaysia seeks to consolidate its role in global services networks.

Issues and challenges

Malaysia's progress in developing its services industry has been significant, yet promoting trade in services remains constrained by a range of structural and policy challenges. A key issue lies in the uneven distribution of productivity across subsectors. While digital services, financial services and professional services have shown strong gains in output and value added, large portions of the sector, particularly wholesale and retail trade, food and accommodation, and traditional logistics, continue to expand based on volume rather than efficiency.

This divergence creates a dual-track services economy: one part moving towards knowledge-intensive activities and another reliant on low productivity and limited upgrading. The dominance of low-productivity and domestically oriented segments limits the economy's capacity to generate a broad base of tradable services, while potentially diverting resources away from scaling up more knowledge-intensive, export-capable activities. If left unaddressed, this structural imbalance may temper Malaysia's transition towards higher-value service exports and, by extension, its broader high-income aspirations.

Another challenge concerns the persistent services trade deficit, especially in transport, insurance, intellectual property and specialized business services. While a deficit by itself is not a concern per se, it indicates various challenges in domestic capacity, particularly in advanced knowledge-based and technology-driven services. For example, Malaysia's reliance on imported ICT solutions, software and IP-related services suggests that domestic firms have yet to fully capture value from the digital economy. Similarly, while Malaysia has built strength in travel services and selected ICT exports, it remains dependent on foreign providers for higher-end business consultancy, R&D services and global digital platforms. This reliance reduces the competitiveness of local firms and limits the scope of positive spillovers from services trade.

The capacity of domestic firms, especially MSMEs, to penetrate foreign markets is also constrained. SMEs often face high entry costs for internationalization, including participation in trade fairs, meeting international standards and navigating complex licensing requirements. Despite the availability of grants such as the MDG and the SEF, many firms find ceilings rather low relative to the cost of competing in global service markets. Furthermore, awareness and access to these programmes remain uneven, particularly outside major urban centres. This limits the ability of smaller firms to scale up, diversify and participate meaningfully in services exports.

Institutional and regulatory barriers further complicate the promotion of services trade. Regulatory fragmentation across different agencies leads to overlapping mandates and sometimes inconsistent standards. While the MITI, MATRADE, MIDA and MDEC each play important roles, coordination gaps can dilute policy effectiveness. For professional services, MRAs within ASEAN have helped, but implementation remains partial, with many professions still lacking recognition frameworks. The absence of streamlined recognition not only restricts cross-border labour mobility but also curtails the expansion of professional service exports.

Human capital constraints represent another pressing challenge. Services trade, particularly in ICT and manufacturing-related services, is heavily skills-intensive, requiring expertise in data analytics, AI, cybersecurity, engineering design and conformity assessment. However, domestic supply of specialized skills has not kept pace with demand. Skills mismatches and limited industry-academia linkages contribute to gaps in talent readiness. This challenge is exacerbated by global competition for high-level expertise, which can draw Malaysian talent abroad while making it difficult to attract and retain foreign specialists. Without addressing these skills bottlenecks, Malaysia risks losing competitiveness in precisely the sectors it has prioritized for growth.

The DFTZ in Malaysia has made notable strides in facilitating SME participation in e-commerce and cross-border trade, but several challenges and limitations constrain its full potential. A primary barrier is the limited digital transformation among many SMEs, who often lack the infrastructure, skills and experience to compete effectively on global platforms. Approximately 40 per cent of SMEs remain hesitant to fully engage with the DFTZ due to insufficient understanding, operational capacity, or familiarity with international customer relations (Chin, Foo and Falahat, 2023).

Structural constraints also exist: the DFTZ favours goods-centric, export-oriented SMEs, marginalizing service-oriented firms, while reliance on centralized e-fulfilment hubs and third-party logistics can impose additional costs and operational complexities.[28] Other challenges relate to competitive pressures and strategic dependencies. Malaysian SMEs face intensified competition from international suppliers, potentially eroding market share and profitability (Tham, 2018), while the DFTZ's reliance on foreign e-commerce giants such as Alibaba raises concerns regarding digital sovereignty and national security.[29]

Finally, external uncertainties also weigh on Malaysia's services trade prospects. Global disruptions such as the COVID-19 pandemic, geopolitical tensions, and supply chain fragmentation (Kam, 2024) have highlighted the vulnerability of travel- and transport-dependent services. At the same time, new digital economy agreements, shifting data governance regimes, and heightened competition from regional peers such as the Philippines, Singapore and Viet Nam add to the challenge. Malaysia's ability to adapt quickly to evolving global standards in digital trade, data protection and sustainability-linked services will determine whether it can sustain growth in an increasingly contested global services landscape.

Policy suggestions

To strengthen Malaysia's position in global services trade, policy measures may address both structural weaknesses and external competitiveness.

First, productivity upgrading across services could be prioritized through the systematic integration of digitalization, innovation and advanced technologies. While initiatives such as the DFTZ, MD Status, and the ACA have laid a strong foundation, further expansion is needed to extend benefits beyond flagship firms to smaller services providers. Policies should encourage end-to-end digital adoption in logistics, retail, healthcare and other services, while fostering indigenous innovation in software, cloud services and AI applications. Embedding technology adoption incentives with requirements for skills training, standards compliance and accreditation will help ensure that productivity gains translate into sustainable competitiveness. A combination of grants and mentoring has been empirically shown to be effective in sectors such as digital creative content (Kam and Jasni Zain, 2025).

Second, enhancing the skills base should become a central pillar of services trade strategy. Human capital remains an important enabler of Malaysia's services export ambitions, particularly in ICT, engineering and R&D-related activities. Efforts should focus on strengthening Technical and Vocational Education and Training (TVET) and higher education pathways aligned with industry needs, supported by targeted partnerships with firms and research institutes. Complementary measures, such as expanding industry-linked TVET programmes and selectively pursuing MRAs within ASEAN to support professional mobility, can help Malaysian talent participate effectively in regional and global markets. While not a direct export instrument, these initiatives contribute to the broader ecosystem necessary to scale high-value, tradable services.

Third, support mechanisms for SMEs and mid-tier firms should be scaled up, integrated and simplified. Programmes such as MATRADE's MDG and SEF have demonstrated value, but ceilings and eligibility criteria should be recalibrated to better support high-growth digital and knowledge-intensive firms. Buyer-seller connectivity programmes, including INSP and eBizMatch, should be expanded, particularly for SMEs without established international networks, to facilitate credible, long-term relationships with foreign buyers. Beyond financial support, structured mentorship, market intelligence and digital readiness programmes are critical to overcoming barriers to entry, and these programmes should be extended outside of major urban hubs to ensure inclusive participation in services exports. A consolidated services export portal integrating information from MATRADE, MDEC and MIDA can streamline access to grants, tenders and market opportunities.

Fourth, Malaysia should pursue greater coherence and coordination among its institutions. MITI's strategic thrusts are supported by multiple agencies such as MATRADE, MIDA, MDEC, the Malaysia Automotive Robotics & IoT Institute, and the Halal Development Corporation – each with distinct mandates. While public-private engagement occurs through consultation platforms, industry dialogues and programme-level feedback mechanisms, coordination remains uneven, particularly across subsectors. Establishing a high-level services trade council under MITI could streamline policies, strengthen structured engagement with the private sector, reduce duplication and ensure consistent monitoring of export outcomes. Such a mechanism would also enable faster responses to global shifts, including changes in digital trade regulations, environmental standards, and evolving market demand.

Assessments of programmes, effectiveness and cost-benefit analysis should be conducted for all trade promotion activities to ensure that public resources are allocated efficiently, interventions are targeted towards the most impactful sectors and outcomes are measurable in terms of actual export performance.

Fifth, Malaysia must leverage regional and global trade and investment platforms more strategically. Agreements such as the ASEAN frameworks, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, and the Regional Comprehensive Economic Partnership should be used not only for market access but also to upgrade domestic standards in digital governance, intellectual property and professional services. Malaysia could take a leadership role in shaping regional rules on digital trade and data flows, positioning itself as a trusted hub for cross-border digital services. Deepening engagement in digital economy agreements with partners such as Singapore, Australia and the Republic of Korea would further strengthen Malaysia's ability to capture emerging opportunities in data-driven trade and platform services.

Finally, policies should emphasize resilience and diversification in services exports. Heavy reliance on travel and transport exposes Malaysia to global shocks, as seen during the COVID-19 pandemic. Future growth should be anchored in ICT, professional services, R&D, conformity assessment and sustainable tourism. Linking services trade promotion to the New Industrial Masterplan 2030 missions, economic complexity, digital transformation and net zero objectives will ensure that services exports contribute to long-term structural upgrading. By aligning trade promotion with innovation, sustainability and digital capabilities, Malaysia can expand its global services footprint while strengthening its position within regional and global value chains.

Annex 1

Table 1: Selected MATRADE programmes and impact on Malaysia's services export development

1. Market Development Grant (MDG)	
Year introduced	2002
Description/ objective	▪ Financial assistance for SMEs to promote exports abroad, covering costs of international trade fairs, missions, market research and branding. ▪ Applications submitted to MATRADE, with grant ceilings per company. ▪ Eligible activities include participation in ITFs, TIMs, SMMs, and the printing of promotional materials.
Industry coverage	All sectors (manufacturing and services).
Documented outcomes	Assisted over 20,000 SMEs; sustained participation in major trade fairs; created long-term SME exposure globally. **Between 2008 and 2022:** ▪ 2008: US$ 3.5 million disbursed to 897 SMEs. ▪ 2009: US$ 5.0 million disbursed to 1,272 SMEs. ▪ 2010: 1,400 SMEs benefited; grant revised to Market Development Grant–Market Service Provider (MDG-MSP) (services focus grant). ▪ 2011: Supported ~70% of MATRADE SMEs; disbursement by sector. ▪ 2016: 1,910 SMEs/associations; US$ 7.75 million disbursed; Selangor 42.7% highest. ▪ 2017: 1,567 beneficiaries; US$ 6.1 million; US$ 153.7 million sales (ROI 1:25); strong uptake in electrical and electronic (E&E), information and communications technology (ICT), merger and acquisitions (M&E), food and beverage (F&B). ▪ 2019: 1,673 SMEs; US$ 6.1 million; 215% export sales growth. Top sectors: food, furniture, beverages. ▪ 2021: Grant ceiling raised to US$ 111,000 ***Program Strategik Memperkasa Rakyat dan Ekonomi*** (PEMERKASA) –economic stimulus plan; extra incentives for export costs, certification, IP fees. ▪ 2022: US$ 500 million sales (ROI 1:222); 2,614 SMEs, US$ 4.3 million disbursed; Selangor 43% highest; scope expanded to virtual trade events.
Remarks/analysis	Cornerstone programme; helps firms overcome initial cost barriers. However, limited grant ceiling can be restrictive for fast-growing firms.
2. Services Export Fund (SEF)	
Year introduced	2002
Description/ objective	▪ Designed specifically to support Malaysian services firms in bidding for overseas projects, feasibility studies, tender preparation and post-project negotiations. ▪ Support includes cost-sharing and outreach sessions.
Industry coverage	Services: construction, engineering, ICT, healthcare, education, oil and gas support services.

Table 1: Selected MATRADE programmes and impact on Malaysia's services export development (cont)

Documented outcomes	▪ Facilitated US$ 1.7 billion in services exports (2015–2021); helped Malaysian firms secure contracts in Middle East, ASEAN, Africa. ▪ Benefited 189 MSPs and generated MYR 7.6 billion (US$ 1.7 billion) in exports (as of 2021).[30] **Between 2008 and 2022:** ▪ 603 service providers approved for grants; projects in China, India, Kingdom of Saudi Arabia. ▪ 409 service providers assisted. ▪ 19 outreach programmes conducted. ▪ 81 companies assisted; US$ 21.5 million sales by SMEs, US$ 422 million project value by large corporations; 2,715 participants from 14 outreach programmes and 9 info booths. ▪ 81 companies benefited; US$ 724 million in export sales (with MDG support). ▪ US$ 45.3 million exports generated; new markets: Guinea, Kazakhstan, Kyrgyzstan, Maldives, Poland, Somalia and Tanzania; 58 organizations assisted with US$ 493,000 of grants via 79 outreach sessions; projects in Indonesia (water treatment) and Thailand (waste-to-energy). ▪ 382 outreach sessions conducted to promote SEF.
Remarks/analysis	Highly targeted; plays a critical role in helping Malaysian service providers compete against established international players.
3. International Sourcing Programme (INSP)	
Year introduced	2003
Description/ objective	▪ Business matching platform held alongside international trade events where MATRADE brings in pre-qualified foreign buyers to meet Malaysian companies. ▪ Implemented in hybrid/virtual formats through MATRADE's global offices, with pre-arranged meetings, networking and visits to MEEC.
Industry coverage	Multi-industry, but strong uptake in food, E&E and services (ICT, healthcare, logistics).
Documented outcomes	▪ Generated US$ 560 million sourcing value in 2024 alone (MATRADE Public Relations, 2024). ▪ INSP MIHAS 2024 recorded US$ 77.1 million in sales; 150+ meetings in INSP franchise 2024.[31] **Between 2017 and 2022:** ▪ Generated US$ 189.2 million in export sales. ▪ For E&E 2021, 22 business matching sessions were arranged. For ASEAN and Oceania, 54 virtual business matching sessions were arranged between 9 Malaysian companies and 53 importers from Uganda, focusing on machine and equipment, professional services, and oil and gas sectors. East Africa INSP arranged 11 business matching sessions. ▪ For Malaysian International Furniture Festival 2022, 20 business matching sessions were organized involving 15 Malaysian companies and 4 importers, generating sales. For the International Greentech & Eco Products Exhibition and Conference Malaysia, 26 matches were made for 11 companies with 14 buyers. Virtual INSP for Europe generated US$ 11.6 million in sales through 12 matches.
Remarks/analysis	Effective for SMEs that may not have overseas networks; provides direct access to serious buyers.
4. Malaysia Services Exhibition (MSE)	
Year introduced	2007
Description/ objective	▪ Large-scale services exhibition to promote Malaysian services brands abroad (notably in the Middle East, South Asia). Involves booths, presentations and networking with foreign partners. ▪ Involves the participation of Malaysian service providers, government organizations and agencies.

Table 1: Selected MATRADE programmes and impact on Malaysia's services export development (cont)

Industry coverage	Services: construction, ICT, healthcare, education.
Documented outcomes	▪ Expanded awareness of Malaysian service capabilities in Gulf Cooperation Council (GCC) and South Asia; contributed to services export diversification. **Between 2008 and 2014:** ▪ 168 companies and agencies joined; 3,656 visitors; insights into West Asia market needs. ▪ 3,521 visitors; 51 potential projects worth US$ 1.88 billion. ▪ Potential projects valued at US$ 2.8 billion; 8 service sectors showcased. ▪ Benefited 1,154 Malaysian companies; wide exposure and project opportunities. ▪ US$ 735 million sales generated across 9 programmes.
Remarks/analysis	An effective branding platform, though it requires significant investment to organize; impact often more qualitative (visibility, credibility).
5. Specialized Marketing Missions (SMMs)/Export Acceleration Missions (EAMs)	
Year introduced	~2010
Description/ objective	▪ Targeted missions for SMEs to explore niche opportunities in specific markets (e.g., halal, ICT, engineering services). ▪ Includes meetings with foreign buyers, project pitching and site visits to connect Malaysian companies with sector-specific demand.
Industry coverage	Sector-specific services and products. Notable successes in ICT, games-related products and services, aerospace, oil and gas, halal products and professional services.
Documented outcomes	▪ Enabled Malaysian firms to establish presence in new/emerging markets (ASEAN, GCC, Africa). **Between 2009 and 2021:** ▪ US$ 36.4 million in sales generated. ▪ US$ 35.3 million in negotiated sales. ▪ Secured >US$ 667 million in projects. ▪ Contributed to sector export growth (multiple years reported). ▪ Mission outcomes: US$ 13.1 million (Cambodia), US$ 12.9 million (China), US$ 35 million (Palembang and Jakarta), US$ 5.9 million (Dubai), US$ 244,000 (London). ▪ Sales range: US$ 12.3 million–US$ 120 million across missions/programmes. ▪ Reported sales: US$ 27.6 million (Hanover), US$ 30 million (Chiba), US$ 32.6 million (UAE). ▪ High ICT services demand noted in East Asia. ▪ Promoted Malaysian aerospace capabilities globally. ▪ 59 business matching sessions (Hungary, Ukraine); demand in palm oil, food and beverages, medical devices. ▪ 70+ business matching and pitching sessions; highlighted Malaysian expertise and quality products.
Remarks/analysis	Acts as a "fast-track" market entry tool; complements MDG and SEF.
6. Malaysia Export Exhibition Centre (MEEC)	
Year introduced	2016
Description/ objective	▪ Permanent showroom at MATRADE HQ featuring Malaysian products and services for foreign buyers visiting Malaysia.
Industry coverage	Cross-sectors.
Documented outcomes	▪ Recorded approximately 30,000 local and foreign visitors since launch; became a key platform for continuous business-to-business exposure. ▪ 500+ exhibitors; ~6,000 visitors annually (pre-pandemic).[32]
Remarks/analysis	Useful for inbound missions; however, limited mainly to buyers visiting Malaysia.

Table 1: Selected MATRADE programmes and impact on Malaysia's services export development (cont)

7. Mid-Tier Companies Development Programme (MTCDP)	
Year introduced	2015
Description/ objective	▪ Coaching, advisory and market linkages to help mid-tier firms scale globally. Jointly implemented with private consultants. ▪ Implemented in waves and comprises two main components: development of new mid-tier companies (MTCs) and "Ramp-Up" programmes for existing MTCs.
Industry coverage	Mid-tier firms across manufacturing and services (engineering, ICT, logistics).
Documented outcomes	▪ Generated US$ 3.95 billion export revenue in 2021 (MATRADE AR 2022). ▪ 275 companies developed in 2021 (+22.5% y/y).[33] **Between 2009 and 2021:** ▪ 21 companies participated in Wave 4; 173 companies assisted since Wave 1. ▪ Wave 2 assisted 57 MTCs; generated US$ 14.8 million in export value. ▪ 21 companies in Wave 4 reported US$ 20.8 million in sales. ▪ Graduation ceremony held for 63 companies.
Remarks/analysis	A "game-changer" programme. Goes beyond funding into mentorship and growth strategy.
8. eTRADE Programme (1.0 and 2.0)	
Year introduced	2015 (2.0 in 2021)
Description/ objective	▪ Supports SMEs in adopting cross-border e-commerce platforms; includes digital marketing, training and onboarding support. ▪ Also includes collaborations with major platforms i.e., Alibaba, Amazon, etc.
Industry coverage	Multi-industry, including services like education, creative content and professional services.
Documented outcomes	▪ By 2017, 1,354 companies were approved, with 106 outreach programmes involving 6,112 companies and generating US$ 14.7 million in sales. By 2019, 2,585 companies were approved. ▪ 109 outreach activities were organized, including customer meeting sessions, information counters at ITFs, briefings at seminars and workshop sessions. ▪ In 2022, 585 SMEs received assistance through eTRADE 2.0, with 438 SMEs benefiting from the Onboarding Scheme and 147 SMEs from the Digital Marketing and Training Scheme.
Remarks/analysis	Accelerates SME digitalization; important during COVID-19 to maintain export flows.
9. eBizMatch (virtual business matching)	
Year introduced	2020
Description/ objective	▪ Introduced during COVID-19 to provide continuity via online meetings between exporters and global buyers.
Industry coverage	Cross-sector (goods + services).
Documented outcomes	▪ Facilitated 7,000+ virtual meetings (2020–21), sustaining trade when physical events halted. ▪ Jan–Jul 2020: 576 matchings; US$ 102.4 million potential sales.[34]
Remarks/analysis	Proven resilience-building measure; remains useful for cost-effective matching in smaller markets.

Source: All data compiled and synthesized by the author based on available information from *MATRADE Annual Reports* (2008 to 2022), supplemented by complementary sources. Specialized or state-specific programmes (e.g., Bumiputera, Women and Youth Exporters Development Programme (BWYEDP), X-SEED's GlobPreneur) are outside the scope, as this analysis focuses on nationwide initiatives. Their importance is, however, duly acknowledged. All figures converted using 1 US$ = 4.5 MYR.

Table 2: Selected key MIDA programmes in promoting services and trade			
Incentive/ programme (name)	**Services sectors covered**	**Description and benefits**	**Link to services trade**
Fiscal incentives			
Pioneer Status (PS)	GBS, logistics, aerospace, ICT, halal services.	▪ Provides 70–100% income tax exemption on statutory income for up to five years (extendable). Encourages new investment in promoted services activities.	Enables firms to establish regional outsourcing hubs and expand logistics/ aerospace services exports.
Investment Tax Allowance (ITA)	ICT services, regional establishments, logistics, R&D centres.	▪ Offers 60–100% allowance on qualifying capital expenditure for 5–10 years, offset against 70% of statutory income.	Facilitates investment in high-value services facilities (data centres, R&D labs, logistics hubs) with cross-border spillovers.
Principal Hub Incentive (incl. Principal Hub 2.0 and 3.0)	Regional headquarters, treasury management, R&D, procurement, shared services.	▪ Ensures that locally incorporated company uses Malaysia as a base for conducting its regional and global businesses and operations. Provides a reduced corporate tax rate (0–10%) for up to 10 years for multinational corporations (MNCs) centralizing regional/global operations in Malaysia. ▪ Conditions: 30:70 sales threshold (PH 1.0); serve a minimum number of network companies (PH 2.0); talent development.	Positions Malaysia as a regional management, finance and innovation hub, directly exporting services functions.
Green Investment Tax Allowance (GITA) and Green Income Tax Exemption (GITE)	Energy-related, green sector, waste management, green logistics.	▪ GITA: 100% allowance on qualifying green investments, offset against 70% of income. GITE: 70–100% income tax exemption for five years for providers of green services.	Boosts Malaysia's role in cross-border green technology consulting, auditing and logistics solutions.
Global Trading Centre/Global Services Hub Incentives	Services sector.	▪ Corporate tax: 5–10% for up to 10 years on services/trading income. ▪ Individual tax: 15% for eligible non-citizen C-suite roles (≥US$ 7,700/month)	Attracting multinational companies to base regional operations in Malaysia, boosting cross-border services and investments.
Automation Capital Allowance (ACA) ~ 2020 (for services)	Logistics, ICT, professional services. MIDA as approving body.	▪ Provides up to 200% capital allowance on the first US$ 2.2 million of qualifying automation expenditure for eligible manufacturing and services companies.	Supports services providers in adopting digitalization/ automation, boosting efficiency in export services.
Domestic Investment Strategic Fund (DISF)	Services SMEs in ICT, logistics, aerospace, halal	▪ Matching grants (often 1:1) to support R&D, licensing, training and international standards compliance.	Enables services SMEs to integrate into global value chains and scale exports.
High Impact Fund (HIF)	R&D, high-tech service activities (i.e. E&E, M&E, aerospace, etc).	▪ Co-funds catalytic projects with ecosystem spillovers, often in tens of millions of MYR depending on project size. Designed to foster economic and employment growth by attracting quality private investments.	Strengthens Malaysia's position in technology-intensive tradable services.

Table 2: Selected key MIDA programmes in promoting services and trade (cont.)

Incentive/ programme (name)	Services sectors covered	Description and benefits	Link to services trade
Non-fiscal incentives and grants			
▪ One-Stop Centre (OSC) for business travellers ▪ Strategic Investor Pass (SIP)	ICT, finance, R&D, professional services.	▪ Streamlined approvals for expatriate posts; some incentives (e.g., Principal Hub) allow multiple expatriates without strict localization ratios. ▪ Allows eligible investors to stay in Malaysia for a minimum of five years.	Attracts foreign expertise and facilitates knowledge transfer, enabling tradable services upgrading.
Investment portals: ▪ InvestMalaysia portal ▪ MYSite selection portal ▪ Invest Malaysia Facilitation Centre (IMFC)	All sectors. (MYSite selection portal is in collaboration with the Federation of Malaysian Manufacturing).	▪ A single gateway portal launched in March 2021 by the Malaysian Investment Development Authority to streamline and digitalize various investment application processes. ▪ Digital platform designed to enhance and streamline the investment process in Malaysia, particularly for local players and potential investors in industrial parks. ▪ Serves as a one-stop centre for investment-related matters.	Collectively, they boost foreign participation, enhance ease of doing business and expand Malaysia's services exports.
Skills and Technical Enhancement Programme (STEP) and Special Taskforce-Talent Facilitation (STF-TF)	All sectors. (Collaboration with Federation of Malaysian Skills Development Centres).	▪ Provides practical training to students, addressing the gap between industry needs and graduate skills. ▪ Targets unemployed graduates. ▪ Fosters stronger industry-academia collaboration.	Builds a skilled workforce to sustain competitiveness and talent for high-value manufacturing and services.

Source: Extracted from MIDA Investment Performance Reports (multiple years).

Table 3: Trade promotion initiatives for data centres

Programme/initiative	Description	Key incentives/benefits	Impact
Digital Ecosystem Acceleration (DESAC) Scheme	Incentive programme targeting digital infrastructure projects such as data centres, subsea cables and ICT facilities.	Tier 1: Investment Tax Allowance (ITA) 100% on qualifying capital expenditure for 5–10 years or Special Tax Rate 0–10% on statutory income. Tier 2: ITA 60% on qualifying capital expenditure or Special Tax Rate 15%. Supports green and sustainable infrastructure.	Attracts large-scale infrastructure investment; encourages new and expanded data centre projects that enable Mode 3 trade in digital services.
Malaysia Digital (MD) status	Replaces Multimedia Super Corridor Status; designed to foster digital services companies.	Income tax exemptions (Pioneer Status). Investment Tax Allowance (30–100% on qualifying CapEx). Import duty exemptions on ICT equipment. Flexible employment of foreign knowledge workers.	Encourages both local and foreign digital services providers, including cloud and data centre operators, to establish commercial presence in Malaysia, supporting Mode 3 services trade.

Table 3: Trade promotion initiatives for data centres (cont.)

Programme/initiative	Description	Key incentives/benefits	Impact
Digital Investment Office (DIO)	Central government office under MDEC to coordinate and promote digital investment.	Provides guidance, facilitation and investment promotion for foreign and domestic digital companies.	Helps attract foreign data centre operators by offering a single point of contact for approvals, investment facilitation and policy guidance; reduces administrative barriers for Mode 3 commercial presence.
Automation Capital Allowance (ACA)	Incentive to promote adoption of advanced automation and digital technologies.	200% allowance on qualifying capital expenditure up to MYR 10 million (US$ 2.2 million) per year (2023–2027).	Supports data centres by offering a tax incentive for investing in automation and Industry 4.0 technologies, which are essential for data centre operations.

Source: Compiled by the author from MIDA and MATRADE annual reports and websites.

Endnotes

1 While this discussion focuses primarily on MATRADE and MIDA as Malaysia's key trade and investment promotion agencies, it is important to acknowledge the complementary roles of other government bodies that contribute indirectly to export promotion. For instance, the Malaysia Digital Economy Corporation (MDEC) supports digital ecosystem development and skills training that facilitate ICT services trade. Although such agencies may not be directly involved in export promotion, their initiatives create enabling conditions and opportunities for international trade, thereby reinforcing Malaysia's broader trade and investment objectives.

2 All data compiled and synthesized by the author based on available information from MATRADE Annual Reports (2008–2022), supplemented by complementary sources. Specialized or state-specific programmes, e.g., Bumiputera, Women and Youth Exporters Development Programme (BWYEDP) and X-SEED's GlobPreneur are outside the scope, as this analysis focuses on nationwide initiatives. Their importance is, however, duly acknowledged. All figures converted using 1 US$ = 4.5 MYR.

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4 Malaysia's National Investment Aspirations (NIA) serves as the national policy framework guiding Malaysia's investment strategy towards attracting quality, high-value investments, supporting industrial upgrading, technology transfer, talent development, supply chain resilience, and sustainable and inclusive growth, while improving coordination among key investment-related agencies.

5 https://www.businesstoday.com.my/2022/12/29/mida-enabling-business-investment-to-see-malaysian-companies-flourish-into-2023-and-beyond/.

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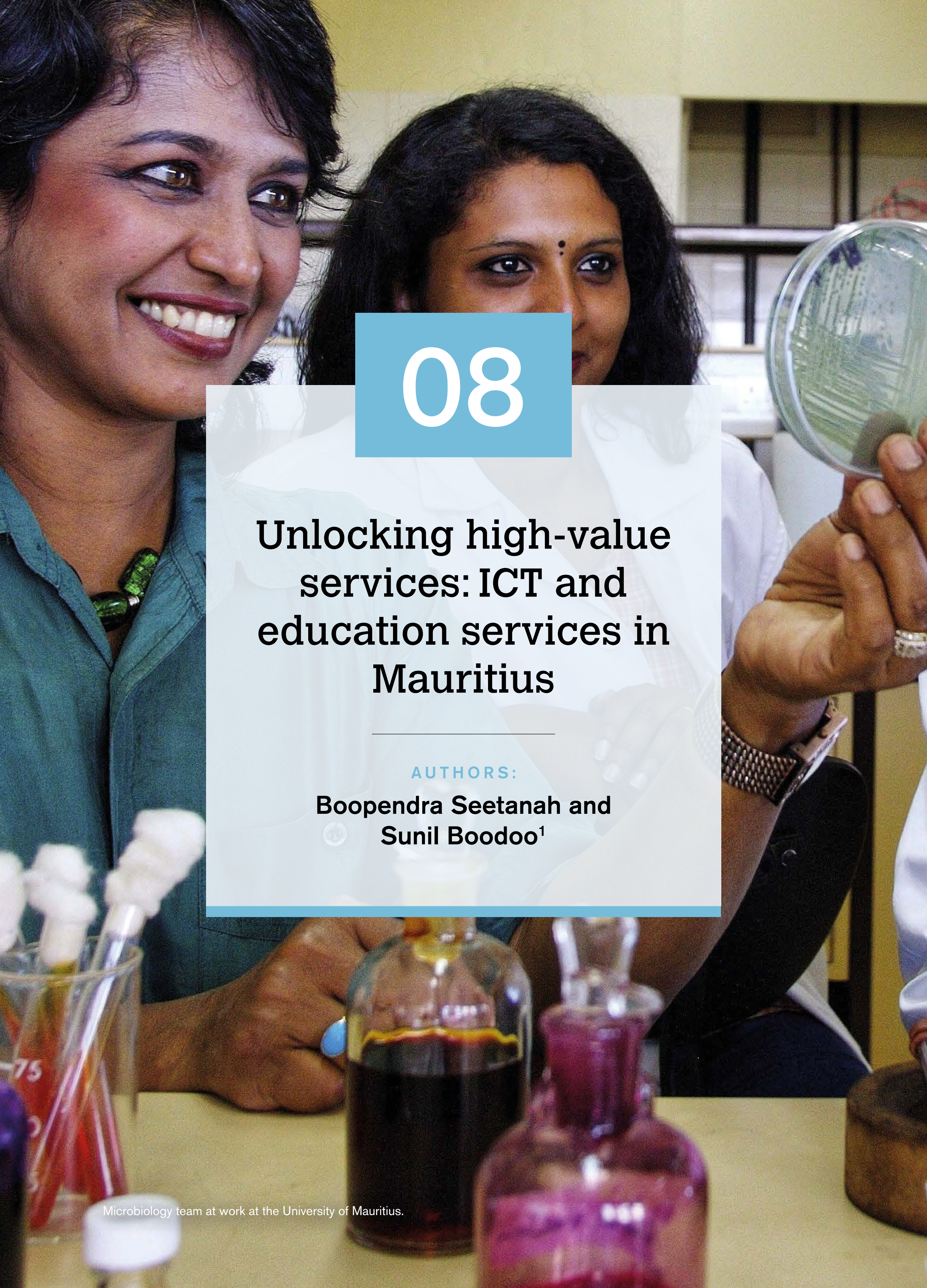


08

Unlocking high-value services: ICT and education services in Mauritius

AUTHORS:

Boopendra Seetanah and Sunil Boodoo[1]

Microbiology team at work at the University of Mauritius.

Abstract

Mauritius is among the African economies with the highest economic growth in recent years. The country has transitioned to a knowledge-based services economy, attracting foreign direct investment (FDI) into key sectors such as financial services, information and communications technology (ICT) and business outsourcing. Strategic planning, solid institutions and effective public-private partnerships have facilitated this transformation. The island's export and investment strategy combines practical governance, distinct roles for promotion agencies, and an open regulatory environment, backed by favourable trade agreements and incentives for innovative, knowledge-driven enterprises. Mauritius emphasizes the cultivation of a skilled, flexible and multilingual labour force to enhance the competitiveness of its services sector.

This chapter evaluates the approaches, obstacles and prospects for advancing services exports and attracting FDI in Mauritius, with a focus on the education and ICT sectors. Although Mauritius has established itself as a regional hub for knowledge and digital services, the contribution of education and ICT to overall services exports remains modest. This is due to various challenges, including domestic skills shortages, limited technology adoption, small local markets, and constraints on trade facilitation. These limit international competitiveness and FDI inflows into these industries. To foster growth, the government has introduced targeted export development funds, branding initiatives and global partnerships, as well as educational reforms and ICT skills development programmes.

Key points

Main elements of Mauritius's promotion strategy:

- Dedicated institution for dual trade and FDI promotion through the Economic Development Board (EDB) established in 2018.
- Targeted trade and FDI promotion campaigns (including trade missions, branding campaigns and participation in international events and fairs) focusing on the services sector.
- Human capital and skills development initiatives through dedicated institutions undertaken to leverage the full potential of the information and communications technology (ICT) sector for export and economic diversification.
- Financial and fiscal incentives provide key support to Mauritius's investment promotion policy, such as unrestricted repatriation of profits, dividends and capital (tax free), reduced corporate tax, investment tax credit and easing of occupational permits.

Challenges addressed:

- Talent and skills shortages: to address the growing demand for skilled labour in the ICT sector, higher education institutions have increased student intake and expanded ICT-related degree options.
- Limited export market access: Mauritius has signed numerous preferential trade agreements to facilitate market access for businesses, enhancing both trade of goods and services, and attracting investment in the region.
- Infrastructure constraints: since 2010, the government has undertaken sustained investment in ICT infrastructure (broadband, state-of-the-art business parks and data centres) to enhance ICT operations and attract global ICT/business process outsourcing (BPO) players.

Good practices:

- Coordinated approach: the EDB has brought a more coordinated approach to trade and FDI promotion of both goods and services, acting as a one-stop shop.
- Regulatory and policy gaps: authorities have sought to reduce regulatory and policy gaps, working closely with the private sector business associations and other stakeholders.
- Export development funding: establishment of an export development fund to expand ICT export markets by providing financial and non-financial support to export-oriented businesses.
- Sector-specific incentives and schemes such as for the export of ICT services, e.g., the Trade Promotion and Marketing Scheme, the Technology and Innovation Scheme, the Export Credit Guarantee Insurance Scheme and e-Export Directory.
- Targeted skills development and capacity-building initiatives undertaken to leverage the full potential of the ICT sector for export and economic diversification.
- Public-private partnership initiatives in the design of joint initiatives in export and FDI promotion, for instance, the establishment of a Digital Industries Academy (DIA) in 2023.
- Sector-specific branding campaigns to promote exports and attract trade and FDI in the ICT and education services sectors.
- Fiscal incentives and other support.

Introduction

With a population of 1.3 million, Mauritius faces several development challenges, including remoteness and limited natural resources. However, the country transformed from a predominantly low-income, monocrop, sugar-dependent economy (since independence in 1968) into an upper-middle-income economy with growing agro-industry, manufacturing, finance, ICT, and tourism sectors. As a result, per capita income grew from US$ 260 in 1968 to US$ 11,900 in 2024. Economic success is linked to several factors, including decisive policy measures, financial transparency, effective use of trade agreements, investment in human capital, political stability, efficient institutions, robust public-private partnerships, and sustained efforts at economic diversification (Seetanah, Sannasee and Nunkoo, 2021; Oya, Ramtohul and Tandrayen-Ragoobur, 2025). Table 8.1 shows multiple solid key macroeconomic indicators over the past half-century.

Comprising nearly two-thirds of gross domestic product (GDP), the services sector drives the economy and employment, in particular in financial services, wholesale and retail trade, and tourism. In recent years, the island has strengthened its ICT sector and fostered the development of new growth areas, including in higher education, the ocean (or "blue") economy, renewable energy, outsourcing and healthcare. However, the size of

Table 8.1: Mauritius: macroeconomic indicators, 1975–2024

	1975	1980	1990	2000	2010	2019	2020	2021	2022	2023	2024
Real GDP growth (%)	3.5	4.9	8.6	10.2	4.2	2.9	-14.5	3.4	8.7	5.0	4.7
Inflation (%)	14.7	42	13.5	4.2	2.9	0.4	2.6	4.0	10.8	7.1	3.6
Exports, goods and services (% of GDP)	50.1	50.5	64.1	60.1	51.2	44	36.8	38.5	49.5	47.5	46.2
Imports, goods and services (% of GDP)	56.9	60.6	71.2	60.4	62.2	51.8	46.5	53.8	63.1	57.6	57.8
Exports of goods (US$ million)	298	1,249	3,446	4,398	5,743	5,747	4,681	5,019	5,784	5,658	2,391
Exports of services (US$ million)					2,656	3,895	2,215	2,250	3,748	4,085	4,193
Government debt (% of GDP)	25.9	30.8	35.6	38.6	50.6	64.0	82.2	94.7	88.9	84.7	83.4
Unemployment rate (%)	8.5	21	9.3	9.1	7.3	6.7	9.2	9.1	7.7	6.3	5.8
FDI (US$ million)	3.9	1.2	41.0	265.6	429.9	444.1	224.7	253.2	579.8	759.8	852.4

Source: Statistics Mauritius and WTO Stats.

these new sectors remains smaller than that of traditional services industries.

Mauritius's trade policy transitioned from import-substitution to export-promotion policies. Relying heavily on goods exports (sugarcane and textiles) in the early post-independence period, the country has gradually diversified its export portfolio to include services exports, particularly after the phasing out of the preferential trade agreements in the 2000s (the Lomé Convention for Sugar and the Multifibre Arrangement for textiles).

Currently, the country relies significantly on services exports, particularly tourism, financial services and ICT, while promoting other sectors such as medical services and higher education. Export promotion and attracting FDI have been anchored in various strategies since Mauritius gained independence in 1968. The country has leveraged its strategic geographic location, a liberal trade regime, and a robust institutional framework to attract high-quality FDI and support services exporters. These policies have been a critical element in the island's economic success, supporting the country's diversification process since independence.

This chapter reviews services export and FDI promotion efforts, with an emphasis on recent trends. Firstly, it examines the services sector's impact on GDP, job creation, FDI inflows and trade outcomes, with emphasis placed on the leading services export categories and target markets. Key performance metrics influencing export competitiveness – including institutions, skills, infrastructure and regulatory governance – are outlined for the primary service sectors. The chapter further presents strategy and coordination efforts between the public and private sectors, examining formal and informal service export strategies, goal setting, tracking, impact assessment systems and the functions of specialized government bodies and industry groups.

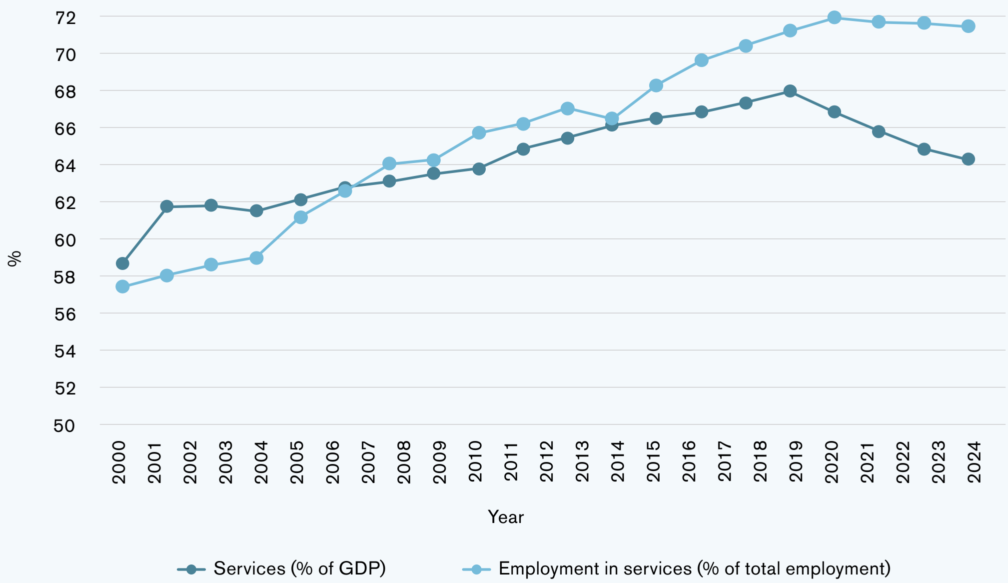
Strategies for attracting FDI include specialized agencies, national branding, special trade zones, market analytics, investor support services, private-sector collaboration, business connections, conflict resolution, investment support and the promotion of outward FDI. Initiatives for skills development are reviewed, with a focus on improving digital and language skills, and science, technology, engineering and mathematics (STEM) education, talent development programmes, support for female workers and entrepreneurs, and digital adoption among micro, small and medium enterprises (MSMEs). The chapter wraps up with essential findings and policy suggestions intended to enhance services export and FDI promotion strategies to foster sustainable economic growth.

The role of services in the economy and trade of Mauritius

In 2024, Mauritius' economy was dominated by services, which generated around 70 per cent of GDP, followed by industry at approximately 25 per cent and agriculture, forestry and fishing at around 4 per cent. The services economy comprises many small and micro enterprises that create opportunities for economic participation, especially for women and individuals with limited resources. The sector's growth is linked to socio-economic advancement and poverty reduction. The increase in exports has enabled Mauritius to shift from an agricultural economy to a more diversified, services-driven economy. Exports are a crucial element of Mauritius's economy and remain an essential driver of job creation and economic development.

The services sector accounted for 64 per cent of total exports (goods and services) in 2024. It also supplied more than 70 per cent of total jobs. Figure 8.1 shows a continuous rise in the importance of services for both output and employment. Given the recent decline in both the

Figure 8.1: Services share in GDP and employment, 2000–2024



Source: World Bank, World Development Indicators, 2025.

service sector's contribution to total GDP and its employment level, it is imperative to assess the potential challenges and opportunities facing the services industry.

Mauritius is a relatively stable and well-managed country in Africa. The robust legal and regulatory system, effective government and minimal corruption provide a solid foundation for sustained growth and investor trust (see Table 8.2). The nation's outstanding position in business convenience and democratic practices enhances its image as a secure and effective environment for operations. Furthermore, Mauritius's focus on education, knowledge development and digital connectivity reflects its commitment to building a knowledge-based, innovation-focused economy.

FDI inflows accelerated in the mid-1980s, partly due to the creation of the Export Processing Zone (EPZ) programme, which attracted investments primarily from Asia in sectors such as knitwear and clothing production. FDI levels remained unchanged in the early 1990s but accelerated after expanding into additional sectors, primarily services.

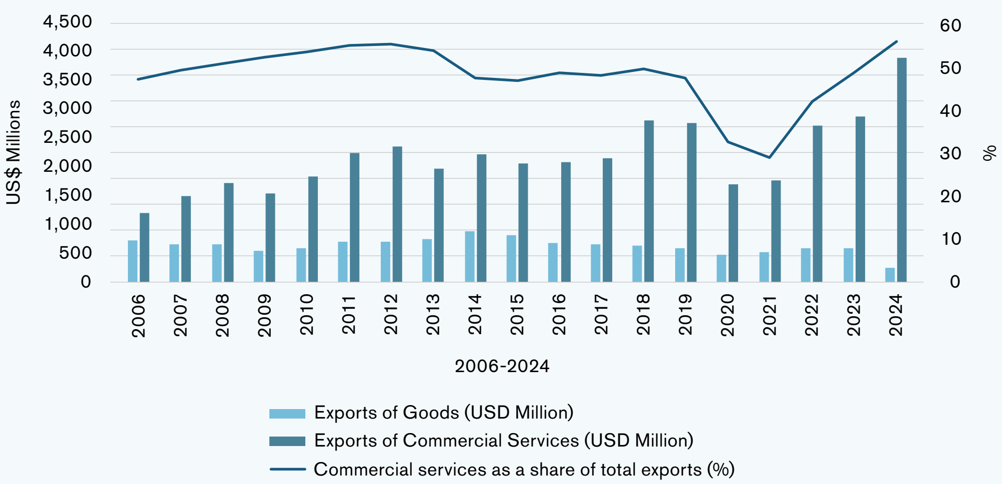
Commercial services exports exceeded goods exports from 2006 to 2024 (see Figure 8.2). This sector grew at an annual rate of 8 per cent reaching US$ 4,193 million in 2024. Following a decline during the COVID-19 pandemic, commercial services exports recovered, accounting for 40 per cent of total exports in 2024, indicating robust growth and continued strength in the services sector. The development of the services sector is strongly associated with solid policy structures that promote economic openness, enhance the business environment and facilitate specific investments – elements evident in the nation's leading positions in Sub-Saharan Africa regarding the investment climate and economic freedom. Nonetheless, persistent structural weaknesses, such as a high dependence on tourism, limited diversification and susceptibility to external shocks, underscore the need for ongoing reforms and adjustments to global shifts.

Table 8.2: Mauritius: Key indicators on the legal framework, talent and connectivity

Area	Indicator	Unit	Value
Legal framework	Control of corruption	Score (-2.5 to 2.5)	0.45
	Government effectiveness		0.71
	Political stability and absence of violence/terrorism		0.78
	Regulatory quality		1.06
	Rule of law		0.81
	Voice and accountability		0.62
	Ease of Doing Business Index	Score (0 to 100)	81.5
	Global Peace Index	Ranking	3rd in Africa
	Democracy Index	Ranking	3rd in Africa
Talent	Knowledge Economy Index	Ranking	63 out of 175 (1st in Africa)
	Education Index	Ranking	63 out of 184 (2nd in Africa)
Connectivity	Fixed broadband subscriptions	per 100 people	36.40
	Individuals using the Internet	Share of the population	80

Source: World Bank, World Development Indicators (2025).

Figure 8.2: Exports of commercial services and goods in Mauritius



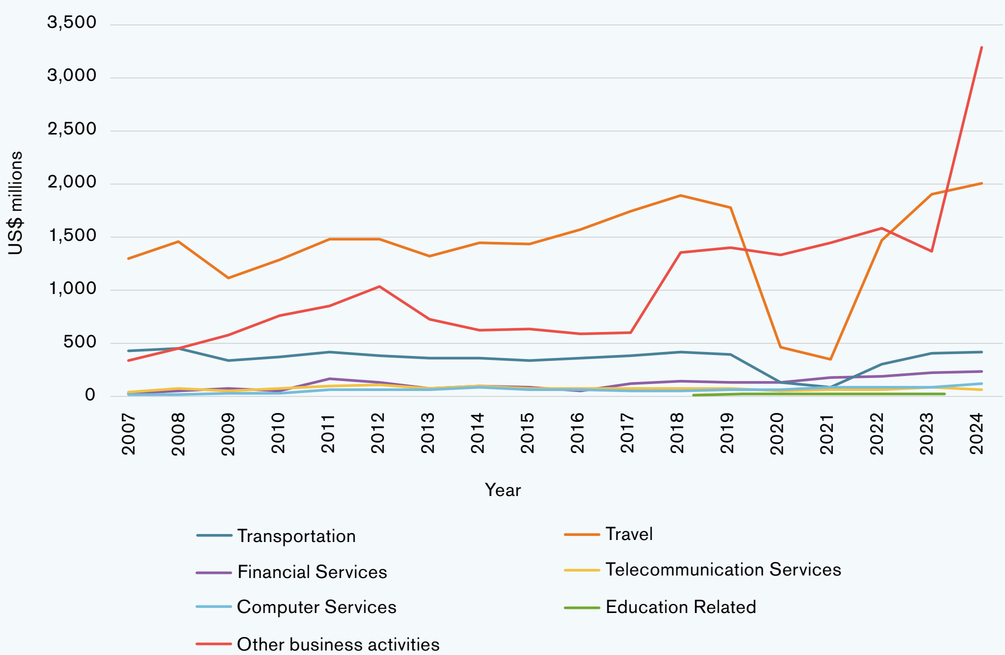
Source: WTO Stats Portal.

Mauritius has enhanced its attractiveness to FDI inflows, supported by targeted reforms, particularly amid the erosion of its prominence among leading multinational investors. The establishment of key firms in the ICT and financial services sectors, including Accenture, Huawei and Ceridian, led to the multiplication of shared services and regional headquarters established in the country. Exports in the services sector and FDI inflows further increased when Mauritius became part of the African Growth and Opportunity Act in 2000 and later signed the Comprehensive Economic Partnership Agreement (CEPA) with India. These frameworks opened multiple economic sectors, enhanced the intellectual property system and implemented strong investment protection and liberalization measures, including ratchet and standstill[2] obligations.

The island's growth as a regional hub for FDI in the services sector is further corroborated by a more than 40 per cent increase from 2015 to 2023 in the number of multinational parent companies with at least one affiliate in Mauritius, hence underscoring the country's importance as a focal point for FDI in key sectors including financial services, construction and ICT.

Digitally delivered services have significantly contributed to the growth of the country's services exports. Compared with traditional commercial services, digitally delivered services enable economies to access new markets with minimal physical infrastructure. When transmitted electronically via digital platforms, these can be a key driver of services exports, particularly for economies that promote knowledge-driven sectors and innovation. Digitally delivered services exports' expansion from 2007 to 2024, and in particular other business services, showcases the advancement in Mauritius's technological capabilities over the years (see Figure 8.3).

Figure 8.3: Commercial services exports of Mauritius by sector, 2007–2024

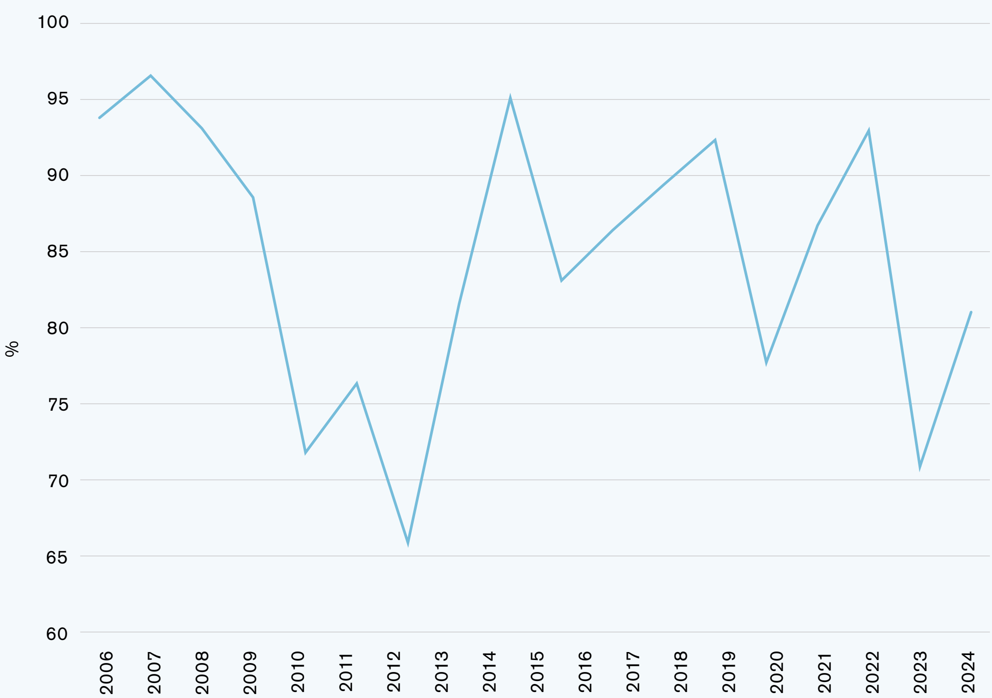


Source: WTO Stats Portal.

Computer and education-related services have to date contributed only marginally to Mauritius's total commercial services exports. Despite global technological advances and clear policy ambitions, Mauritius has yet to harness the full potential of these sectors for substantial export diversification or economic transformation purposes. Efforts to prioritize the robustness of the digital economy through investment in digital infrastructure and the implementation of policies to support innovation have received strong support from the government and relevant stakeholders. Likewise, the education sector has also shown promising growth as an emerging sector. Both sectors present substantial opportunities for diversifying Mauritius's export portfolio. To encourage these sectors' role in economic sustainability, ongoing initiatives are fundamental to improving skills and institutional support.

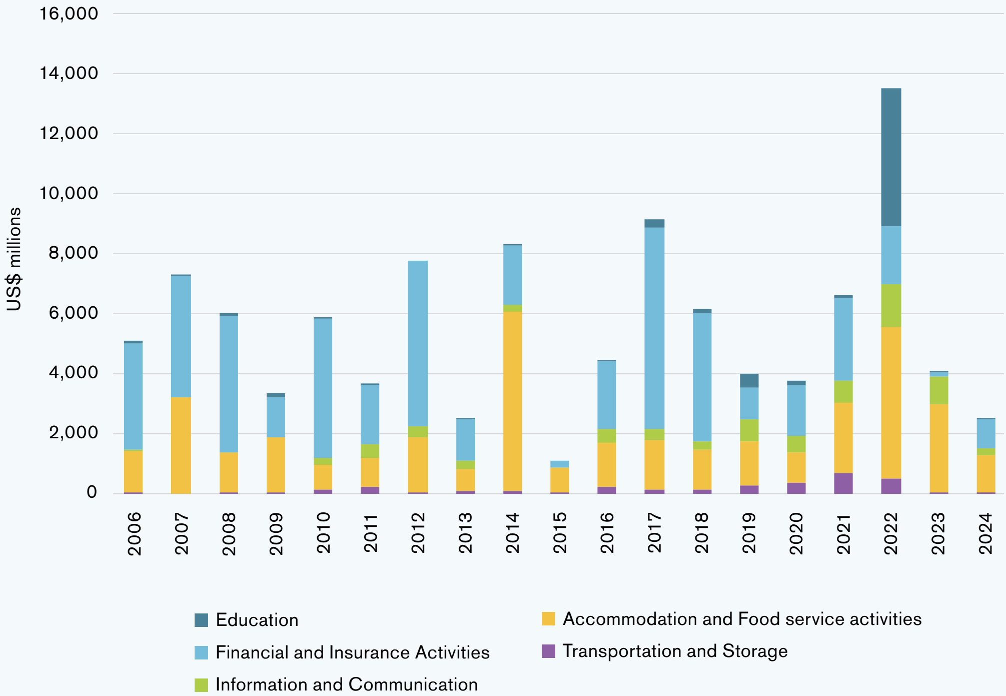
The services sector has long absorbed most FDI inflows (see Figure 8.4). As such, FDI has been a key driver of the country's economic diversification and growth. Over the years, finance and insurance, followed by real estate, have attracted the most FDI (see Figure 8.5). The latter were driven by various schemes, including the Integrated Resort Scheme, the Property Development Scheme and the Smart City Scheme. Construction and tourism also experienced increased FDI inflows. FDI in the ICT industry demonstrates the country's efforts to digitalize the economy. In the education sector, FDI inflows were low in most years, except in 2022, when the African Leadership University made a significant investment in the country.

Figure 8.4: Proportion of FDI inflows in the services sector in Mauritius, 2006–2024



Source: World Bank, World Development Indicators.

Figure 8.5: FDI inflows in selected services sectors in Mauritius, 2006–2024



Source: Bank of Mauritius, direct investment flows, 2024.

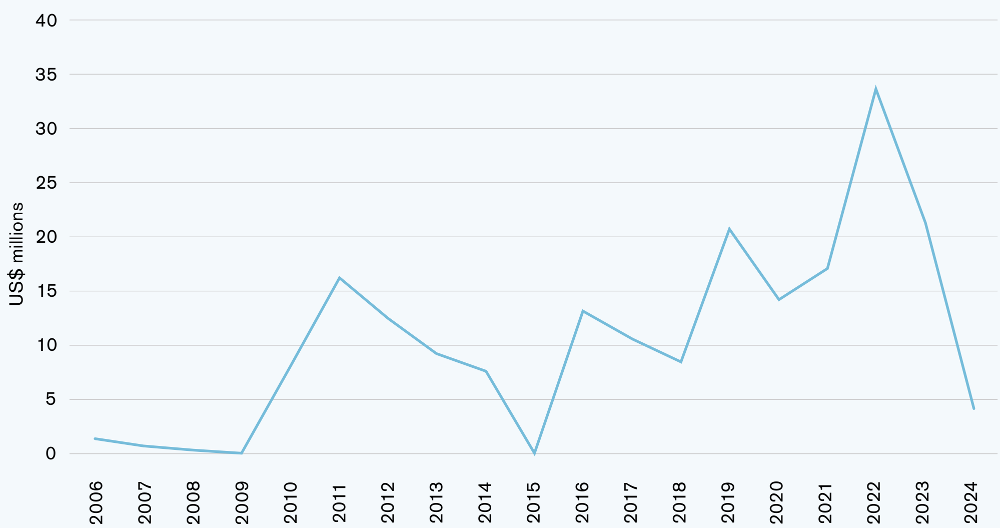
The ICT sector

The ICT sector accounted for 5.6 per cent of GDP and employed around 33,000 professionals across 975 companies in 2024. This sector emerged in the late 1990s, partly due to the implementation of the National ICT Strategic Plan in 1998 and pro-competitive regulatory reforms in the telecommunications industry. The Plan included the ICT and BPO sectors.

The contribution of ICT services as a proportion of total services exports has steadily increased over the years from a contribution of 2.9 per cent in 2006 to 4.1 per cent in 2024. Despite various policy initiatives and significant expansion in the ICT sector, the contribution of ICT services to total services exports remains minimal. This underscores the need to implement strategic measures to position the ICT sector as a key future export engine.

In 2022, FDI inflows to the ICT sector almost doubled (see Figure 8.6), rising from US$ 15 million in 2021 to US$ 30 million and declining to US$ 20 million in 2023. The 2022 FDI peak inflow was partly attributable to robust government policy changes aimed at enhancing economic competitiveness and facilitating business operations. Despite a significant increase over the last 10 years (and a fivefold increase since 2006), FDI in this sector remained limited. Additionally, the share of ICT services in FDI was lower (3 per cent) than that in local investment (5.6 per cent) from 2018 to 2023.

Figure 8.6: FDI in the ICT sector, 2006–2024



Source: Bank of Mauritius.

The educational services sector

Education has been a catalyst for the country's economic growth, partly due to the government's commitment to human capital development. In 2024, the education sector accounted for approximately 4.5 per cent of GDP, a figure that remained relatively stable from 2006 to 2024, ranging from 4.1 per cent to 5.3 per cent. Since 2017, the sector has grown at an average annual rate of 3.5 per cent. With about 26,000 employees, it accounts for an estimated 5.2 per cent of aggregate employment. At present, there are 49 institutions of higher education in the country, 10 of which are publicly funded. These universities offer a range of programmes, from diplomas to PhDs, and over 3,000 international students enrol alongside more than 36,000 local students.

While education services exports increased from US$ 4 million in 2018 to US$ 13 million in 2023, they still account for a small share (0.3 per cent) of total services exports. Almost all education services exports involve international students traveling to Mauritius for in-person learning, rather than online or alternative delivery methods. Although the pandemic disrupted the education sector, the widespread adoption of digital technologies and innovative teaching methods enabled online learning. Furthermore, attracting international students, particularly from Africa and Asia, helped establish Mauritius as a regional education hub.

Various initiatives have improved access, equity and quality of higher education, whilst strengthening its alignment with global market needs (Gokulsing, 2014; Knight and Motala-Timol, 2022). Government initiatives increased access to higher education, as evidenced by a rise in gross tertiary enrolment from 3 per cent in 1970 to nearly 50 per cent in 2024. Funding for technology transfers, research and international partnerships has established Mauritius as a growing knowledge hub. Over the years, Mauritius has aligned its higher education policies with global trends, emphasizing greater access, international collaboration and transnational educational initiatives, including staff and student mobility, joint degrees and overseas campuses (Knight and Motala-Timol, 2020; Gokulsing, 2014).

The internationalization of higher education

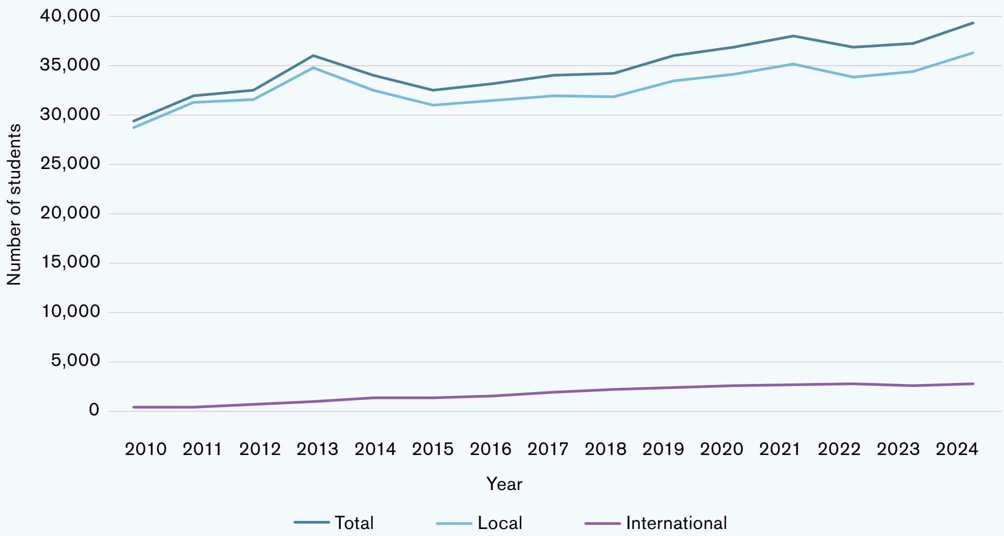
In recent decades, Mauritius has undertaken various initiatives to enhance the international reputation of its higher education sector. The sector's internationalization gained considerable momentum in the late 2000s, driven by a recognition that higher education was essential to improving student outcomes and equipping graduates for the global labour market. The government initiated several programmes to promote student mobility, foster international collaboration and establish partnerships with overseas universities (Matei, Iwinska and Crăciun, 2015). The Tertiary Education Commission was established to oversee the development of higher education in Mauritius, with internationalization as a key goal (Gokulsing, 2014). In 2010, the Ministry of Tertiary Education, Science, Research and Technology was established; in 2015, the government merged it with the Ministry of Education.

The current government, in place since November 2024, reaffirmed its commitment to promoting education. "The government is determined to position Mauritius as a global education hub in order to attract international students while positioning the country as a hub of academic distinction" (Government Programme 2025–2029).[3] For this purpose, the government established a dedicated Ministry for Tertiary Education, Science and Research in November 2024. Through creative policies, strategic actions and robust quality-assurance systems, the ministry seeks to improve the quality of higher education and boost its internationalization.

Higher education institutions in Mauritius have experienced a sharp increase in the number of overseas students. The enrolment of international students in the country climbed steadily from 2014 to 2024 (see Figure 8.7), rising from 1,200 to over 3,000 (Higher Education Commission, 2021, 2023, 2025). The main areas chosen by international students were medicine (35 per cent), information technology (14.4 per cent), administration/management (11.5 per cent), business/commerce/marketing (9.6 per cent), and law (4.8 per cent). They represented 8 per cent[4] of all students enrolled in higher education institutions in 2024. Students from India account for 39 per cent, followed by Madagascar (20 per cent). Economies making up the "others" category primarily come from Africa (Kenya, Nigeria, Rwanda, South Africa, Tanzania, and Uganda). The Higher Education Summit, held in 2025, set a target to triple the number of international students over the next 10 years.

Partnerships with international higher education institutions contributed to enhancing the quality of education and research. Subsequently, collaborative programmes encouraged the transfer of knowledge and capacity among local institutions, thereby improving the overall academic environment (Gokulsing, 2014). Additionally, engagement with diverse cultures and global perspectives has enabled local students to develop competencies that are increasingly valuable in the international job market. This has positioned graduates of Mauritian institutions favourably for employability (Lopukhova, Makeeva and Zhuravleva, 2019). Another positive outcome has been the improvement of Mauritius's research capacity, with research collaborations contributing to a stronger research culture. This has enabled local organizations to engage in significant research that addresses regional challenges and contributes to global knowledge (Gokulsing, 2014).

Figure 8.7: Number of students enrolled in institutes of higher education, 2010–2024



Source: Higher Education Commission Annual Report, 2025.

Export and FDI promotion

Export and FDI promotion have been key to boosting services exports, as articulated in various National Development Plans (OECD, 2024). Since 2018, the EDB has promoted the island as an international trade and investment hub to achieve high-income status through sustainable growth (twin objectives).[5] Tourism is promoted separately by the Mauritius Tourism Promotion Agency, established in 1996.

To promote services, the Board of Investment (BOI) created services clusters, including financial, ICT, medical tourism and knowledge-related services. Dedicated professional staff were recruited with the necessary profiles and each cluster had a budget earmarked for investment and export promotion efforts as well as its own cluster strategy. It should be highlighted that while Mauritius could use its preferential access to various markets as a trade promotion tool, it could not do the same for services since it did not have preferential access for export of services. Instead, it promoted services by emphasizing Mauritius's attractiveness, particularly its openness, business-friendly environment, bilingual professional staff, business facilitation, and high-quality physical and soft infrastructure, including high-speed internet access.

Services export promotion was and still is undertaken through multiple initiatives, including roadshows, sector-specific investment in Mauritius and targeted markets, participation in international conferences, and publication and media coverage. However, Mauritius has over the last decades concluded several preferential trade agreements (PTAs)/free trade agreements (FTAs), thereby opening up market access on preferential terms covering almost two-thirds of the world population.

All these agreements now include comprehensive chapters on services, covering major sectors such as financial services, telecoms, professional services, tourism, distribution, transport and energy-related services. Henceforth, these preferential trade agreements are factored into all trade promotion activities, positioning Mauritius as an investment gateway for services providers, in particular targeting the African continent.

The country also leveraged its historically good State-Business Relationship (notably with the collaboration of the then Joint Economic Council (now Business Mauritius), the Mauritius Chamber of Commerce and Industry, and the Mauritian Export Association). These business associations play a key role in trade promotion and policies, market intelligence and capacity building for existing and potential exporters (Rojid and Seetanah, 2010).

Furthermore, the National Export Strategy (2017–2021) provided a cohesive framework to improve export competitiveness, strengthen institutional collaboration and encourage innovation and value added. It prioritized both established and new areas, including financial services, software development, scientific and medical products, cultural tourism and education. The Strategy focused on developing a knowledge-based economy and establishing Mauritius as a key hub for global trade.

Several measures were introduced to further encourage the export sector through the government's export incentives and schemes, although primarily related to the exports of merchandise (for instance reduced corporate tax, air freight export rebates and sea freight export subsidies through the Trade Promotion and Marketing Scheme (2017), introduction of an Export Credit Insurance Scheme (2015), the multiple-currency Exchange Rate Support Scheme (2018) and the SME (small and medium-sized enterprises) International Fairs Refund Scheme).

Mauritius has signed more than 45 bilateral Investment Promotion and Protection Agreements (IPPAs) to position the nation as an investment hub in Africa. In addition, the country has signed numerous preferential trade agreements to facilitate market access for businesses, enhance trade of goods and services, and attract investment in the region.[6] In trade in services, the island has negotiated specific commitments under the Protocol on Trade in Services of the African Continental Free Trade Area (AfCFTA). These commitments focus on five priority service sectors: financial, transport, communication, tourism, and business services. Mauritius also ratified the Southern African Development Community (SADC) Protocol on Trade in Services in 2015 (in force since 2022). This Protocol provides for the progressive liberalization of trade in all service sectors across the region, thereby creating a single market for trade in services. The country is also actively involved in COMESA-level trade in services negotiations.

Established in 2001 under the Investment Promotion Act of 2000, the BOI was created as a one-stop shop to attract, facilitate and retain FDI in Mauritius. Operating under the then Ministry of Finance and Economic Development, the BOI provided advisory, licensing and facilitation services to both domestic and foreign investors and contributed to legislative and regulatory reforms to improve the investment climate. Initially focused on manufacturing and textiles, the BOI progressively expanded its mandate to services – ICT and financial services, in line with the government's strategy to position Mauritius as a services-oriented economy and a regional business platform for investment in Africa.

FDI promotion centred on showcasing Mauritius's ease of doing business, political and economic stability, and strong governance framework, including through targeted promotion missions at home and abroad. In subsequent years, the BOI was restructured as the Economic Development Board, consolidating investment and export promotion functions to scale up services-sector FDI, job creation and services exports.

The Export Processing Zones (EPZs) Act of 1970 marked a foundational step in Mauritius's export and FDI promotion strategy. The EPZ regime offered a comprehensive incentive package, including reduced corporate tax rates, duty-free imports of machinery and raw materials, full export rights, preferential financing, and the free repatriation of profits and dividends. These incentives were particularly effective in attracting investment to the textile sector during the 1980s, when preferential access to European markets under trade agreements further strengthened export performance. By the late 1980s, EPZ firms accounted for nearly two-thirds of total FDI inflows, generating substantial gains in exports and employment. The incentive framework was subsequently revised under the Industrial Expansion Act of 1993 to reflect evolving development priorities.

Financial and fiscal incentives remained central to Mauritius's investment promotion policy beyond the EPZ phase (Hanson, Tang and Muguto, 2018). In 1992, the Mauritius Freeport was established to position the country as a regional trade and logistics hub, offering incentives for light processing and re-export activities, particularly towards African markets. During the 1990s, additional measures – including preferential offshore regimes, full liberalization of foreign exchange, and eased bank lending constraints – supported the rapid expansion of the global financial services industry and tourism, notably high-end hotels. In the 2000s, Mauritius further diversified its FDI strategy towards higher value-added sectors through targeted schemes such as the Information and Communication Technology Scheme, the Integrated Resort Scheme, and the Freeport Act of 2004, reinforcing the transition toward a more services- and knowledge-oriented economy.

To streamline business processes, the government passed the Business Facilitation Act in 2006 and a total of 26 statutes have since been modified. These factors, together with the nation's attractive tax structure (including a flat corporate tax of about 15 per cent, no capital gains tax, a reduction in registration duty from 13.2 per cent to 5 per cent, and free profit repatriation), are considered crucial to attracting FDI.

The authorities have introduced multiple stay permits to attract foreign investors and facilitate FDI in Mauritius. For instance, foreigners are eligible for a residence permit by making a qualifying FDI contribution to carry out business or by investing in approved residential property. A 20-year Permanent Residence Permit can be granted with an investment of at least US$ 375,000 in a qualifying sector, and residency for as long as the property is owned is also permitted with US$ 375,000 invested in a G+2 (ground + 2 floors) property.

Foreign nationals may work and reside in Mauritius under three categories with an Occupation Permit, which is a combined work-and-residence permit, as investor, professional or self-employed. Legislators have been streamlining the process for foreign nationals to purchase real estate and obtain company licences and, to achieve this, the authorities have consolidated the Building and Use Permit and the Occupation Permit. Furthermore, in recent government budgets, measures were implemented to enhance the country's economic and trade environment by lowering the minimum salary threshold for professional Occupation Permits, digitizing the application process, and introducing an e-licensing platform. For other fiscal incentives, see Box 8.1.

ICT services exports promotion

Export promotion initiatives for the ICT sector started with the formation of Mauritius Telecom in 1988. The government transferred the operations of the fixed-line telephone network and related assets from the Department of Telecommunications to a new government-owned company, Mauritius Telecom. This transfer was enacted under the Telecommunications (Transfer) Act 1988, which separated the operational functions of the government department into a corporate entity. This played a crucial role in building infrastructure and enhancing connectivity (together with other operators).

Mauritius acceded to the World Trade Organization (WTO) in 1995 and undertook specific commitments under the General Agreement on Trade in Services in the financial services, tourism and telecommunications sectors. In telecommunications, Mauritius committed to gradually liberalizing the sector and ending its telecom monopoly in 2004. However, this goal was achieved as early as 2000, with access for international services providers ensured by the commitments.

Box 8.1. Mauritius: Key fiscal investment incentives

- 100% foreign ownership and unrestricted repatriation of profits, dividends and capital.
- Tax-free dividends and no capital gains tax.
- Reduced corporate tax rate (3 per cent) for companies engaged in global trading activities.
- Accelerated depreciation on the acquisition of plant, machinery and equipment.
- Imported equipment is exempt from customs duty.
- Annual allowance of 100 per cent on the capital expenditure for the acquisition of a solar energy unit.
- Investment tax credit of 5 per cent over three years on the cost of new plant and machinery.
- 5-year tax holiday for companies collaborating with the Mauritius Africa Fund for the development of infrastructure in special economic zones.

Source: Mauritius Trade Easy (2025), https://www.mauritiustrade.mu/en/market-intelligence/explore-markets/mauritius/investing2.

A significant step towards liberalizing Mauritius's ICT industry was taken when France Telecom took a 40 per cent stake in Mauritius Telecom. The cooperation improved service quality and significantly modernized the telecommunications infrastructure by introducing foreign technology, funding and expertise. In accordance with the WTO reference paper on pro-competitive regulatory disciplines, Mauritius also pledged to incorporate regulatory principles into its laws. Mauritius is notable as the only African nation to have ratified the first and second WTO Information Technology Agreements in 1997 and 2015, respectively, which eliminated tariffs on all computer hardware and software products, as well as telecommunications, which had previously reached a high of 80 per cent. Together, these pledges have helped to establish ICT as a new economic pillar and to position Mauritius as a regional information technology (IT) hub.

The National ICT Policy (NIP) (2007–2011) provided further impetus to the government's vision of making ICT a central pillar of the economy and transforming Mauritius into a regional ICT hub. Recognizing the limited domestic market, the NIP explicitly targeted export-led growth for ICT and IT-enabled services (ITES). Another goal was to shift the ICT sector towards high-end, export-oriented services. Foreign ICT companies were encouraged to establish development centres in Mauritius to serve the export market in areas such as software and mobile application development, BPO and ITES, digital marketing and consulting, cybersecurity, cloud computing and fintech. The government has invested in a resilient telecommunications infrastructure, including submarine cable networks for international connectivity. In this way, a conducive legal framework has been enacted to facilitate e-commerce and ensure data protection and cybersecurity.

Key actions included establishing an Export Development Fund, managed by the Economic Development Board, to expand ICT export markets by providing financial and non-financial support to export-oriented businesses. Financial support comprised services such as term loans, project finance, and innovative trade finance solutions to support working capital, capital expenditure, while non-financial support included advisory services, project preparation facilities, bank guarantees, and relay facilities and de-risking instruments, among others.

The EDB also introduced sector-specific incentives and schemes (through an Export Development Certificate) to support and promote the export of ICT services. These include, i) the Trade Promotion and Marketing Scheme; ii) the Technology and Innovation Scheme to encourage investment in technology; iii) the Export Credit Guarantee Insurance Scheme; and iv) the e-Export Directory, which is a platform created by the EDB to connect Mauritian services providers (including ICT) and manufacturers with international buyers and investors, enhancing global visibility for local businesses.

The above schemes were further supported by funding from the Mauritius Research and Innovation Council (MRIC) for innovation, research and commercialization with a view to developing high-end ICT services. For instance, the innovation and commercialization schemes provide funding ranging from Mauritian rupees (Rs) 1 million to Rs 10 million (US$ 21,500 to US$ 215,000) to support innovation and bring new ideas to market.

In 2018, the Ministry of Technology, Communication and Innovation developed the Digital Mauritius 2030 Strategic Plan to foster the adoption of emerging technologies (including artificial intelligence, blockchain and fintech) and to enhance export capabilities. The strategic plan focused on cultivating a creative, efficient and sustainable public sector while promoting an environment that encourages business growth. The plan prioritized digital government, ICT infrastructure, innovation, talent management and cybersecurity.

The National Export Strategy (2017–2021) was a comprehensive State initiative to boost exports and position the country as a strategic trade hub. It identified seven high-potential sectors for export growth, including ICT and software development. The main elements of this Strategy aimed at strengthening export sectors, improving the business environment, fostering innovation, enhancing exporters' capacity, and building institutional support. The Strategy proposed enhancing ICT export potential focused on innovation by encouraging technological and skills development. As a result, the Digital Industries Academy was established in 2023, serving as a central industry training platform to address skills shortages and create a national talent pool. Furthermore, through specific schemes established by the Mauritius Research and Innovation Council, incubators were set up in high-growth sectors such as software development and ICT.

The EDB also implemented a comprehensive branding strategy (2021–2022) to promote Mauritius as a world-class outsourcing and BPO destination. It leverages digital platforms and runs targeted campaigns to attract foreign clients and communicate its value proposition to a global audience. Mauritius regularly features at major international events to connect with decision-makers and showcase its capabilities. The EDB has specific strategies to position Mauritius as an ideal hub for businesses to access the African market. Recent missions have explored opportunities in West African economies, such as the Ivory Coast and Togo, particularly in digital solutions for e-government, logistics and mobile banking.

Through the International Trade Centre SheTrades Mauritius hub, the EDB organizes export promotion missions for women-led businesses, including those in the ICT and related sectors. Support (through the International Fairs Refund Scheme) was extended for Mauritian participation in international ICT trade fairs and exhibitions. Such schemes provide logistical support and reimburse participation costs for international fairs, including booth fees, airfare and accommodation, helping ICT firms showcase their products and services to a global audience. In 2024, the EDB assisted five startups to showcase artificial intelligence (AI), fintech and big data at the Africa Tech Festival[7] in South Africa.

The Digital Champion Scheme offers a 25 per cent refund on investments (minimum Rs 500,000 or US$ 10,750) in new technologies and equipment for SMEs in the ICT sector. The initiative was introduced in the 2024–2025 national budget to encourage digital transformation, boost innovation and advance entrepreneurship within the ICT sector.

The EDB's "Mauritius Expo" virtual exhibition platform promotes locally manufactured products and services, including BPO and emerging technologies such as AI and fintech, to increase the visibility of Mauritian enterprises in new markets, whilst content marketing reinforces these points. Firms such as Talenteum provide detailed online resources that outline the advantages of outsourcing to Mauritius for specific markets. These materials address cost reduction, talent quality and legal structures.

To further enhance exports, the EDB launched its Virtual Platform for IT Services in 2023 to connect Mauritian companies prepared for export – especially in the services and ICT sectors – with global buyers, distributors and investors around the clock. It serves as an international platform for Mauritian products and services, providing complementary exposure for Mauritian companies to broaden their market presence and enhance their reputation worldwide. The platform features virtual booths to display products and brands; networking tools for online meetings, chats, and appointment scheduling to engage potential buyers; and global matchmaking, linking companies with an international database of potential buyers and distributors, enabling virtual events and business-to-business matchmaking.

The Digital Transformation Blueprint 2025–2029 aims to create a digitally prepared nation and modernize the country through digital initiatives. The strategy seeks to establish Mauritius as an "Intelligent Island" and a frontrunner in AI implementation in the region. A key component of this plan is the creation of a National AI Strategy to enhance the export of ICT services by integrating advanced technologies across sectors. Unveiled in May 2025, the blueprint outlines a people-oriented, ethical and inclusive strategy for integrating AI across the public and private sectors to drive economic growth and enhance services.

As part of broader efforts to promote Mauritius as a technology and AI hub in the region and to foster exports, companies with a Robotic and Artificial Intelligence Enabled Advisory Services licence have been eligible for an 80 per cent partial tax exemption on their income from 2024, subject to meeting substance requirements. Companies and services targeted are, i) companies providing automated wealth management and investment advice (robo-advisors); ii) firms developing innovative technology solutions to comply with regulatory requirements or operate within the insurance sector (RegTech and InsurTech); and iii) companies providing financial advisory services through AI-enabled algorithms (AI developers).

Recognizing the importance of the ICT sector for economic and export diversification, the government has since 2010 undertaken sustained investment in ICT infrastructure (broadband and data centres). Investing in ICT infrastructure is a crucial strategy for attracting global ICT and BPO players (eventually boosting exports in this sector), who require robust and reliable connectivity to operate effectively.

The country has invested substantially in a robust telecommunications infrastructure, including the South Africa Far East, LION/LION2, EASSy, WACS, METISS,[8] and the more recent T3 submarine fibre-optic network, which provides the high-speed access required for ICT exports. Another project, the T4 cable, is underway to further increase capacity and enhance connectivity with India and Singapore. Indeed, an enhanced fibre network is crucial to the development of the digital economy across 5G, cloud services, e-commerce and fintech. Deployment of 5G networks in Mauritius began in 2021.

The government has also encouraged the development of state-of-the-art business parks and data centres to enhance ICT operations and foster a data-driven economy. The most successful technology park in Mauritius, Ebène Cybercity, was originally established to attract companies in the ICT sector. It has since expanded to host more than 45 office blocks for a wide range of businesses (including major financial institutions, offshore companies, ICT and consulting firms) and employs more than 30,000 people.

Whilst the island already hosts several data centres, including some certified Tier IV facilities that provide high-availability infrastructure for business continuity, a new Data Technology Park (Côte d'Or Data Technology Park) is currently being implemented and is planned to feature state-of-the-art infrastructure to encourage rapid development and innovation through a dozen specialized centres. It is intended to serve as a platform for big data analytics and other data-intensive services and to attract investments in high-value-added sectors such as AI, fintech, blockchain and cybersecurity.

FDI promotion in the ICT sector

The EDB has implemented targeted marketing, promotion and branding campaigns to attract FDI to the ICT sector. These include trade missions, branding campaigns and participation in international events and fairs to raise the country's profile as an outsourcing hub, forge new trading partnerships and attract foreign investment in the ICT sector. The EDB also promotes the country's strategic advantages, including a highly skilled, bilingual workforce, robust IT infrastructure and a favourable business environment. Strategic marketing campaigns were conducted in France, India, South Africa and the UK to attract ICT/BPO and digital services operators.

Several memorandums of understanding have been signed with technology companies, including Huawei, to exchange know-how and innovation. In particular, foreign companies were targeted to establish centres in Mauritius for software development, disaster recovery and cloud services, among other activities, leading to investment in Mauritius by well-known global firms such as Accenture, Infosys and Oracle.

Various preferential tax regimes provide reduced tax rates and specific tax holidays for certain activities, including in the ICT sector. ICT companies may qualify for an 80 per cent tax exemption (subject to prescribed conditions) on specific foreign-source income streams. This measure was recently extended to companies with a Robotic and Artificial Intelligence Enabled Advisory Services licence.

Several tax holidays have been introduced to incentivize innovation and investment in the ICT sector, particularly for new and existing companies developing intellectual property (IP). For instance, the 2021 Premium Investor Certificate scheme promotes the emergence of pioneering industries, innovative sectors and first movers. It offers several incentives (upon recommendation by a Technical Committee and approval by the Minister) to companies investing over US$ 11 million in strategic sectors such as ICT, including exemptions and preferential rates. The 2019 Regulatory Sandbox Licence facilitates investment in innovative projects for which there is no legal framework or adequate provisions under Mauritius's current law. The EDB works closely with relevant regulators to provide a suitable framework for these initiatives.

To facilitate the establishment of electronic platforms and their ancillary operations in Mauritius, the authorities introduced the Mauritius E-Commerce Scheme in 2020, which offers a five-year tax exemption. The initiative provides e-commerce businesses with assurance of a positive business environment and establishes Mauritius as the premier platform for internet entrepreneurship.

Dedicated incentives related to occupation permits were also introduced to enhance the country's attractiveness. The Innovator's Occupation Permit, a combined work and residence permit whereby foreigners with innovative projects can live and work in Mauritius (for up to 10 years and renewable), is one of them. It allows entrepreneurs to live and work in Mauritius by submitting an innovative project to the EDB for approval or registering with an accredited incubator through the National SME Incubator Scheme (NSIS).[9] Permits for ICT professionals are fast-tracked, and they also benefit from a lower income eligibility threshold than other professionals.

The Central Electricity Board, in consultation with the Outsourcing and Telecommunications Association of Mauritius (OTAM), launched the ICT Sector Carbon Neutral Renewable Energy Scheme in 2024 to support the ICT sector's goal of achieving carbon neutrality and to increase the island's attractiveness for FDI in the ICT sector. The programme allows eligible ICT companies to invest in renewable energy generation and sell surplus electricity back to the national grid at a preferential rate, thereby optimizing their utility costs.

Higher education services export and FDI attraction measures

In 2010, a dedicated Ministry of Tertiary Education, Science, Research and Technology was created to promote the internationalization of higher education and position the country as an educational and knowledge hub in the Indian Ocean. Since then, government strategies have focused on expanding access to higher education, with a gross tertiary enrolment rate[10] reaching nearly 50 per cent in 2024 (the highest in Sub-Saharan Africa), demonstrating both domestic capacity and export potential. As a result, Mauritius has invested significantly in higher education infrastructure and research facilities.

Several initiatives and programmes were introduced to support this sector and promote the education industry's services exports. Some examples around regulations and quality assurance include the following:

- The 2017 Higher Education Bill and Quality Assurance Authority established a robust regulatory system, including a Higher Education Commission and a Quality Assurance Authority, to uphold high standards, foster quality and instill confidence in higher education.
- The establishment of branch campuses by esteemed international universities (including Middlesex University, the University of Central Lancashire, Université Paris-Panthéon-Assas, and Curtin University) has increased its appeal to international students.
- Alignment of its education system with global standards through the Mauritius Qualifications Framework. This alignment facilitates credentials recognition and improves the mobility of students and graduates.

In the 2025–26 budget, the government announced that its strategy for tertiary education will comprise initiatives in research, science, innovation, and workforce transformation. The government is determined to position Mauritius as a global education hub to attract international students and establish the nation as a centre of academic excellence. A powerful and comprehensive branding and marketing campaign under the banner "Study in Mauritius" will be launched.

The EDB actively promotes Mauritius as a regional education hub through targeted international marketing campaigns and strategic partnerships with prestigious foreign universities and institutions. Central to this effort is the Study in Mauritius campaign, which highlights the country's competitive advantages, including an affordable and well-regulated higher education system under the Higher Education Act, a bilingual (English-French) learning environment, internationally recognized academic and professional qualifications, and a stable, secure, and multicultural society. These attributes – combined with modern infrastructure, quality student support services, diverse programme offerings, and streamlined visa and scholarship procedures, particularly for African students – are designed to attract international students primarily from Africa and Asia.

Since 2013, the government has operated the Mauritius-Africa Scholarship Scheme (MASS) to provide scholarships to students from across Africa. Students from African Union member nations can apply for full-time scholarships at Participating Financial Institutions in Mauritius (based on merit). This initiative aims to increase enrolment from the continent and strengthen Mauritius's reputation as a knowledge hub. The MASS Edition 2024 included 40 new grants, raising the total number of available scholarships to 92.

In addition to fast-tracking the admission of international students, there has been a sustained effort to streamline the student visa process, making it faster and more efficient. The scheme also allows international students to work part-time while studying, enhancing Mauritius's appeal as a study destination. Moreover, foreign students who have completed at least an undergraduate degree at a tertiary institution in Mauritius are eligible to apply for a Young Professional Occupation Permit, as provided under the Economic Development Board Act 2017 and the Immigration Act 1970.

In June 2025, the Ministry of Tertiary Education, Science and Research convened all stakeholders in the sector to its Higher Education Summit to discuss the findings and recommendations of various groups on key issues.[11] The deliberations have culminated in the National Higher Education Strategy 2025–2035, focusing on digital transformation, research excellence, internationalization and industry engagement. The Internationalization Strategic Pillar is of particular interest, as the government views it as essential not only for economic and export diversification but also for attracting global talent, enhancing research collaborations, and promoting academic excellence. Recommendations include:

i) attracting more international students through simplified visa procedures
ii) the introduction of the "Study in Mauritius" initiative
iii) an enhancement of the Mauritius-Africa Scholarship Scheme (MASS)
iv) a revisit of the student working permit programme.

This Strategy aims to attract a critical mass of foreign students. It emphasizes global partnerships, for instance, recruiting international higher education providers (primarily from Europe, India and the United Kingdom) and fosters academic partnerships to offer joint and dual degrees, ensuring that programmes align with international standards and provide internationally recognized qualifications. International quality assurance benchmarking, mutual recognition of accreditation and degrees, the Micro-credentials Framework, a National Credit Value and Transfer System, and enhanced industry engagement are also essential components of the plan.

The government has made continuous efforts to support research collaborations and innovation. Through the Higher Education Commission and the MRIC, several research and innovation funding schemes have been established since 2010, including a grant scheme for collaboration with the private sector, other stakeholders, international institutions and foreign universities. Universities have also introduced numerous funding schemes for research and internationalization purposes. Moreover, these universities have been highly sought after for initiatives such as Erasmus+, and have facilitated numerous exchanges of staff and students, with all their accompanying benefits.

Mauritius has also introduced several sector-specific incentives and FDI marketing promotion efforts for foreign investment in higher education. Examples include:

- Full foreign ownership of education businesses.
- A 15 per cent corporate tax rate, tax-free dividends, no capital gains tax.
- An eight-year tax holiday for primary, secondary and tertiary educational institutions.
- VAT exemptions on IT systems, related materials, plant and machinery and equipment, and construction for educational projects, making it financially attractive for investors.
- Land conversion tax exemption for the construction of a purpose-built building for the provision of education.

Capacity building and skills development initiatives

Since 2010, several skills development and capacity-building initiatives have been undertaken to leverage the full potential of the ICT sector for export and economic diversification. These were led by the EDB, the Mauritius Digital Promotion Agency (MDPA), and the National Computer Board (NCB).

Digital literacy and ICT education have been introduced at an early stage of schooling in the country. The NCB and MDPA, set up in 2023, aim to attract talent through awareness campaigns and in coordination with the private sector. Both the NCB and the MDPA also prepare the national ICT upskilling programme and run multiple capacity-building programmes:

- A Digital Proficiency Course, a comprehensive programme for citizens (including children) to gain essential digital skills in areas such as online communication, data analysis and cybersecurity.
- The Children Innovative Learning and Design programme, which implements coding and robotics education in primary schools to foster interest in science and engineering (STEM subjects).
- The Digital Lab on the Go mobile lab initiative provides interactive demonstrations of emerging technologies, including virtual reality, Internet of Things, and 3D fabrication, directly to communities.
- Regular boot camps and events to encourage girls to pursue careers in STEM subjects in support of the annual International Girls in ICT Day.
- The National Learn-AI School Innovation Challenge, launched in September 2025 by the Ministry of Education and Human Resources, and the Ministry of Information Technology, Communication and Innovation, which aims to spark Grade 12 students' interest in technology and equip them to become solution architects for national challenges. In 2025 it attracted 650 participants from 72 secondary schools and received 94 innovative project submissions.

The government has also trained the general population through the Universal ICT Education Programme (UIEP) since 2006. This provides an internationally recognized Internet and Computing Core Certification course to establish a benchmark for digital literacy (over 250,000 people have already been trained under the UIEP). The Community Empowerment Programme is designed to enhance community access to ICT tools and the internet through free wifi hotspots in public places and "Learning Corners," thereby encouraging participation in the country's socio-economic development. Finally, an empowerment programme for unemployed beneficiaries provides free, targeted training to enhance basic ICT skills and increase employment prospects.

More recently, the Digital Transformation Blueprint 2025–2029 also provides additional support for skills development and capacity building, particularly in AI. For instance, to build the necessary skills, AI policy guidelines, and a proficiency programme will be introduced in schools. A mandatory AI module will also be implemented in all public higher education curricula. An AI platform, "mytGPT for Education," has also been piloted for students and teachers. Additionally, through the "AI For All" booklet, the government is building capacity and raising public awareness about AI among the general population. This initiative aims to make AI accessible and understandable to all Mauritians. For professionals, the strategy will include capacity-building programmes and upskilling initiatives to ensure the workforce is equipped with the necessary AI-related skills.

To address the growing demand for skilled labour in the sector and align with the government's vision, higher education institutions have increased student intake and expanded ICT-related degree options. The University of Mauritius, the premier and largest state university in Mauritius, established a dedicated faculty, namely the Faculty of Information, Communication and Digital Technologies, in 2017, with government support. The faculty, which began with approximately 800 registered students, has grown to over 2,000 students to date, offering approximately 10 undergraduate and postgraduate programmes, as well as doctoral studies.

In addition, in the recent 2024/2025 national budget, the University of Mauritius and the University of Technology, Mauritius were asked to significantly increase their student intake to meet growing labour demand in this sector. The Human Resources Development Council (HRDC) and the University of Mauritius are collaborating with industry partners to offer specialized, fully funded programmes that guarantee employment upon completion (for instance, the MSc in Applied Software Technologies with Accenture).

In addition, the HRDC organizes roundtables and studies to link industry with education/training providers to align programmes with evolving technological demands and bridge the skills mismatch, and the council is facilitating and funding other specialized courses (e.g., MSc in AI and MSc in Financial Technologies) with universities of the island. This includes a sustained effort to expand faculty capacity and output to align with national economic goals. Since July 2024, AI-related training courses have been eligible for a 90 per cent refund for employers contributing to the HRDC training levy (up to diploma level).

The new National Higher Education Strategy aims at enhancing the quality of higher education and research and supporting sectors such as software development (among others), identified in the National Export Strategy as having high export potential. The Strategy aims to develop a workforce ready to meet the demands of export-oriented industries, making the higher education sector a crucial component of the Export Strategy.

Another initiative is the EDB's Digital Industries Academy (DIA), established in 2023 through a public-private partnership. The DIA addresses the shortage of specialized skills in the ICT/BPO sector and is building a national talent pool. The academy operates a Training and Employment Scheme that includes a refund programme for employers, covering 25 per cent of training costs for new recruits and their first month's salary, to support trainees' employability. It also offers courses (in collaboration with Polytechnics Mauritius Ltd.) in soft skills, including communication, customer service, leadership, business English/French and professional ethics, to enhance youth employability in the BPO/ICT industry.

Furthermore, the DIA also extends such collaboration to the private sector. For instance, in 2023, approximately 350 participants completed a training programme in advanced AI, ICT and cloud computing offered by the DIA in partnership with Huawei and Polytechnics Mauritius.

Other incentive schemes administered by the EDB include the NSIS and the Innovation and Commercialization Scheme. Both support startups and foster an innovative culture. The MRIC also provides research funding schemes (which include a component of capacity building) in identified core areas (including ICT) to assist research and development. One relevant scheme is the Collaborative Research and Innovation Grant Scheme, whose objective has been to improve Mauritius's competitiveness through collaboration between research and industry since 2020. Local companies in partnership with a local research/tertiary education institution are encouraged to fund innovative, collaborative research and development projects with commercial potential.

Numerous skills development and capacity-building initiatives have been implemented to support the education sector's internationalization agenda and achieve the goal of becoming a regional education and knowledge innovation hub. This requires a highly qualified academic community and strong research capacity to enhance the study destination's quality and attractiveness. With respect to capacity building and skills development in the higher education sector, initiatives focus primarily on upgrading qualifications and enhancing research at higher education institutions; such initiatives have been undertaken primarily through the Higher Education Commission (HEC).

Several support actions have been initiated, including increased access to doctoral and postdoctoral programmes at universities in Mauritius. The number of doctoral students increased from 496 (1.3 per cent of total enrolment) in 2019 to over 600 in 2024 (approximately 2 per cent of total enrolment). Moreover, various doctoral scholarships were introduced to increase enrolment, the most significant being the Higher Education Commission MPhil/PhD scholarship scheme. Thirty-three such scholarships were awarded in 2024, bringing the total to 103 doctoral students currently receiving HEC scholarships. This excludes around a dozen MASS scholarships and a few HEC Postdoctoral Research Fellowships. Individual higher education institutions in Mauritius are also actively encouraging their academic staff to pursue PhD programmes, often fully subsidizing the cost of this training.

In addition to the above, the HEC provides several other capacity-building schemes. For example, the Research Fellowship scheme for academic staff in publicly funded higher education provides partial funding to academic staff of public higher education institutions in Mauritius to enable them to spend 8–12 weeks at a university or research institution overseas to advance their research capacity. The fellowship is intended to assist local researchers in pursuing and fostering international research collaborations. Moreover, under the international faculty recruitment scheme, universities are funded to bring over international faculty members for a period up to one year, in a bid to enhance the quality of teaching, share best practices, trigger cross-fertilization of research ideas, and engage in sustained collaborations (over a dozen international faculty members have benefited from this scheme since its creation).

As such, the Nobel Laureate Scheme aims to provide a platform for eminent Nobel Prize Laureates from around the world to share insights in their fields, stimulate interest among the higher education community, and interact closely with and inspire their Mauritian counterparts. Universities have also facilitated international teaching mobility agreements with partner universities, partly through the Erasmus+ programme, for over a decade.

Other research schemes enhance the country's research, provide a platform for research dissemination and networking, facilitate participation in capacity-building workshops, and incentivize research. Examples include the HEC Research Publication Incentive Scheme, the Scheme for International Conferences/ Workshops, the Individual Research Support Scheme, the Interdisciplinary team-based research scheme, and the recently introduced Centres of Excellence scheme. The latter promotes research production and capacity building for young scholars. The HEC also provides separate funding to publicly funded higher education institutions to cover the costs of conferences/workshops and other events that contribute to capacity building in the sector. The new National Higher Education Strategy 2025–2035 also prioritizes investment in professional development through capacity building.

Mauritius is also actively focusing on skills development for its higher education staff to align with the integration of AI. The Technology-Enabled Learning project, in collaboration with the Commonwealth of Learning, aims to digitalize the higher education sector by developing online and Open Educational Resources courses, building capacity for online facilitation, and integrating AI guidelines into teaching and learning. Overall, Mauritius is taking proactive steps to equip its higher education staff with the skills needed to harness AI and achieve its internationalization goals, while acknowledging and addressing existing policy and infrastructure challenges.

Conclusions and recommendations

Mauritian policymakers have long recognized services exports (including digitally delivered services) and FDI as key drivers for economic development. Since independence, numerous support policies and incentives have successfully promoted services trade and FDI. Mauritius has made considerable progress in creating a business-friendly environment and negotiated numerous free trade agreements, including services chapters, which offer significant market access opportunities. Enhanced efforts should continue to support and encourage exports and FDI, particularly in the services sector.

To enhance services exports and FDI, regulatory and fiscal incentives need to be complemented by marketing and promotion efforts, especially given Mauritius's remoteness and characteristics as a Small Island Developing State. The EDB has made notable progress in attracting FDI and expanding services exports. However, Mauritius's full investment and services export potential remains underutilized, particularly given its recent PTAs, which offer significant market access. The EDB is responsible for developing and articulating a coherent strategy aligned with the nation's development priorities to stimulate investment and promote exports, with specified objectives. This entails prioritizing activities, allocating resources where needed, and assessing impact to ensure targets are met. There is also a need to implement a system of key performance indicators and monitor and evaluate results.

Although the EDB responds to investors on a case-by-case basis, offering information on collaboration with local suppliers and partners when requested, exploring the implementation of a more formally organized matchmaking platform for foreign investors and local partners, and implementing systematic follow-up would add greater value.

There is a need for greater institutional coherence and coordination among the EDB, sectoral ministries and other stakeholders. Creating a high-level coherence and coordination platform that unites key stakeholders from the public and private sectors to deliver a national strategic action plan in a coherent, synchronized manner is desirable to inform strategic decisions that position Mauritius as an investment hub in the region and a provider of services.

While roadshows and investment and trade promotion activities are helpful as traditional tools, the EDB could consider adopting a project-based approach, especially for investment promotion. Investors must be informed about Mauritius's business-friendly climate and available incentives. However, a more focused and targeted approach would be to design and sell projects in priority sectors identified in the national development plan to potential investors. This will require recalibrating the EDB's expertise to focus on project development.

Mauritius has opened up market access opportunities in around 100 sectors/sub-services sectors in the COMESA and SADC regional markets, the AfCFTA, the China FTA, the Comprehensive Economic Cooperation and Partnership Agreement with India, and the Comprehensive Economic and Trade Agreement with the United Arab Emirates, while also in the process of finalizing an Economic Partnership Agreement with the European Union. This combined market provides a consumer base of over 5 billion people, representing a GDP of approximately US$ 50 trillion. Services exports under these agreements have not grown as expected, partly due to limited awareness, both domestically and abroad, of the trade opportunities they offer. Services providers are also not fully aware of the procedural requirements for accessing the benefits on offer. In this context, national campaigns on market access for services exports under these FTAs could unlock export opportunities.

Export opportunities and market intelligence should be improved through market surveys, and matchmaking exercises should be undertaken. Investment and trade promotion agencies in the target economies, as well as Mauritius's embassies and missions abroad, are expected to play an essential role in this. A database for each potential export market, detailing available opportunities, must be developed, widely shared and regularly updated.

Economic diplomacy has yet to be optimally leveraged to fully explore export and investment opportunities. One of the key mandates of diplomats posted abroad is to promote Mauritius as a service provider, not only in sectors such as ICT and financial services, which have reached a high degree of maturity due to their significant contribution to GDP and employment, but also in emerging ones such as the higher education sector.

Another concern is the lack of technical assistance to help small services firms develop the information base and the capacity to export. They need company-level counselling and advisory services to help them develop export capacity, meet market requirements, and become export-ready. This requires developing and implementing a national, coordinated capacity-building strategy based on a comprehensive needs assessment. As such, focusing on the supply side by supporting the development of the services sector and improving the quality and standard of the services provided is advisable. This can be done in collaboration with other relevant institutions, such as the

National Productivity and Competitiveness Council, particularly for SMEs.

There is also a need to implement a robust system for recording statistics on the export of services, classified by the four modes of supply, as well as at a higher level of subsector disaggregation. This is crucial for effective monitoring and marketing, as well as for informing policy decisions.

ICT exports and FDI

ICT exports and foreign direct investment are expected to further contribute to the island's development. Investments remain key not only in digital infrastructure and technology but also in other associated capital projects, such as electricity.

The talent shortage remains a significant challenge, even as universities and other institutions have substantially increased enrolment. Although there are existing programmes to attract talent for new and emerging technologies, where the market is limited, there is a need to increase awareness among companies in the ICT field. Consequently, mutual recognition of qualifications to facilitate the movement of professionals could help attract foreign talent in emerging technologies.

Marketing and promotion are other key drivers of exports and foreign direct investment. Traditional approaches, such as trade shows and product displays, may be less suitable for services. Services trade and FDI require more targeted promotion strategies, such as digital marketing, networking and participation in international service platforms. These marketing and promotion tools rely on precise, pertinent market data for these services sectors.

Higher education exports and FDI

Collaboration between the government, educational institutions and industry stakeholders should be strengthened to develop a unified recruitment strategy and strengthen the country's standing in higher education. For this purpose, a collaborative committee comprising all relevant stakeholders could enhance Mauritius's status as a knowledge hub in an organized and effective manner. A Higher Education Development Advisory Council could be established to advance a shared vision for positioning Mauritius as an educational hub.

A cohesive branding initiative to attract international students is essential as the country intensifies efforts to boost exports in this area. This must feature a unique logo, tagline and promotional materials that emphasize the special advantages of studying in Mauritius. Additionally, simplifying visa and right-to-work applications and developing a centralized digital platform for international student admissions, visa processing and housing could help.

Despite the establishment of accreditation and quality assurance frameworks, concerns remain about their consistency and effectiveness. Robust quality-assurance accreditation processes are essential to attract international students and institutions that prioritize globally recognized, accredited programmes. Despite efforts by the Higher Education Commission, MRIC and certain research-oriented universities, research resources and financial support remain insufficient. This limitation obstructs the nation's ability to engage in global research partnerships and attract international researchers. Creating a dynamic research environment and allocating resources for research infrastructure and funding are essential for improving Mauritius's international academic reputation. The Ministry of Tertiary Education, Science and Research will conclude its strategic plan for higher education (projected to be in mid 2026), after the Higher Education Summit (held in 2025), which will address these concerns.

Mauritius encounters fierce competition from renowned regional educational destinations such as Australia, Malaysia and South Africa. These economies have well-established educational frameworks that attract international students. To remain viable, Mauritius must keep focusing on improving the quality of its higher education services with a view both to boosting educational exports and inward FDI as well as supplying its labour market with the skills required for sustained competitiveness.

Endnotes

1 Excellent research assistance from Ms Kilvanee Mootooperian is acknowledged.

2 A standstill obligation is when a party commits to not making the market more restrictive than it is at the time an agreement is signed. A ratchet obligation means that if the party later liberalizes further, that extra openness becomes locked in and cannot be rolled back below the new level. These clauses are common in trade and investment agreements because they create predictability for investors and trading partners.

3 https://govmu.org/EN/programme/Documents/Government-Programme-2025-2029.pdf.

4 The share of international students to total students in higher education institutions is around 8 per cent in Mauritius compared to 6.5 per cent in South Africa, 9 per cent in Malaysia, 25 per cent in the United Kingdom, and 30 per cent in Australia.

5 The Mauritius Export Development and Investment Authority (MEDIA), founded in 1985, was the first organization promoting trade and investment. In 2001, investment functions were transferred to the newly established Board of Investment (BOI). Following the abolition of MEDIA in 2004, a new public-private agency, Enterprise Mauritius (formerly the Mauritius Industrial Development Authority, MIDA), assumed responsibility for promoting exports. In 2018, the Economic Development Board (EDB) of Mauritius was established in 2018 under the Economic Development Board Act of 2017, following the merger of BOI, Enterprise Mauritius, and the Financial Services Promotion Agency.

6 The nation signed agreements with China (the Mauritius–China Free Trade Agreement) in 2021 and the Comprehensive Economic Cooperation and Partnership Agreement (CECPA) with India in the same year. It also joined the Indian Ocean Rim Association (IORA) in 1995, the Southern African Development Community (SADC) in 2012, the Common Market for Eastern and Southern Africa (COMESA) in 2014, the East African Community (EAC)-COMESA-SADC tripartite agreement in 2015, and the AfCFTA in 2019. The Mauritius–United Arab Emirates (UAE) Comprehensive Economic Partnership Agreement (CEPA) has recently entered into force, marking a significant step toward strengthening bilateral economic and trade ties between Mauritius and the UAE. The European Union and Mauritius have finalized a Deep and Comprehensive Economic Partnership Agreement (DCEPA) and implementation is already in the initial stages.

7 https://edbmauritius.org/event/africa-tech-festival-2024.

8 South Africa Far East, LION/LION2, EASSy, WACS, and METISS refer to major submarine cable systems that connect African countries to each other and to global internet networks, increasing bandwidth, reducing connectivity costs, and improving digital access.

9 The NSIS (operational since 2017) is meant to promote innovative businesses through a nurturing and training process in a conducive environment provided by accredited incubators driven by the private sector. It has produced over 50 successful startups and had 65 ongoing projects as of the end of 2024, many in the ICT sector.

10 The gross enrolment ratio in tertiary education is the ratio of total enrolment in higher education as a percentage of the population of the five-year age group following on from secondary school.

11 This effort was preceded by two initiatives that contributed to a road map for the future of higher education, research and innovation. First, in May 2023, the Higher Education Commission organized the “Futures of Higher Education” to develop a strategic plan for the subsector over the next decade. This effort complemented the “2022 Assises de la recherche” initiative, led by the Mauritius Research and Innovation Council.

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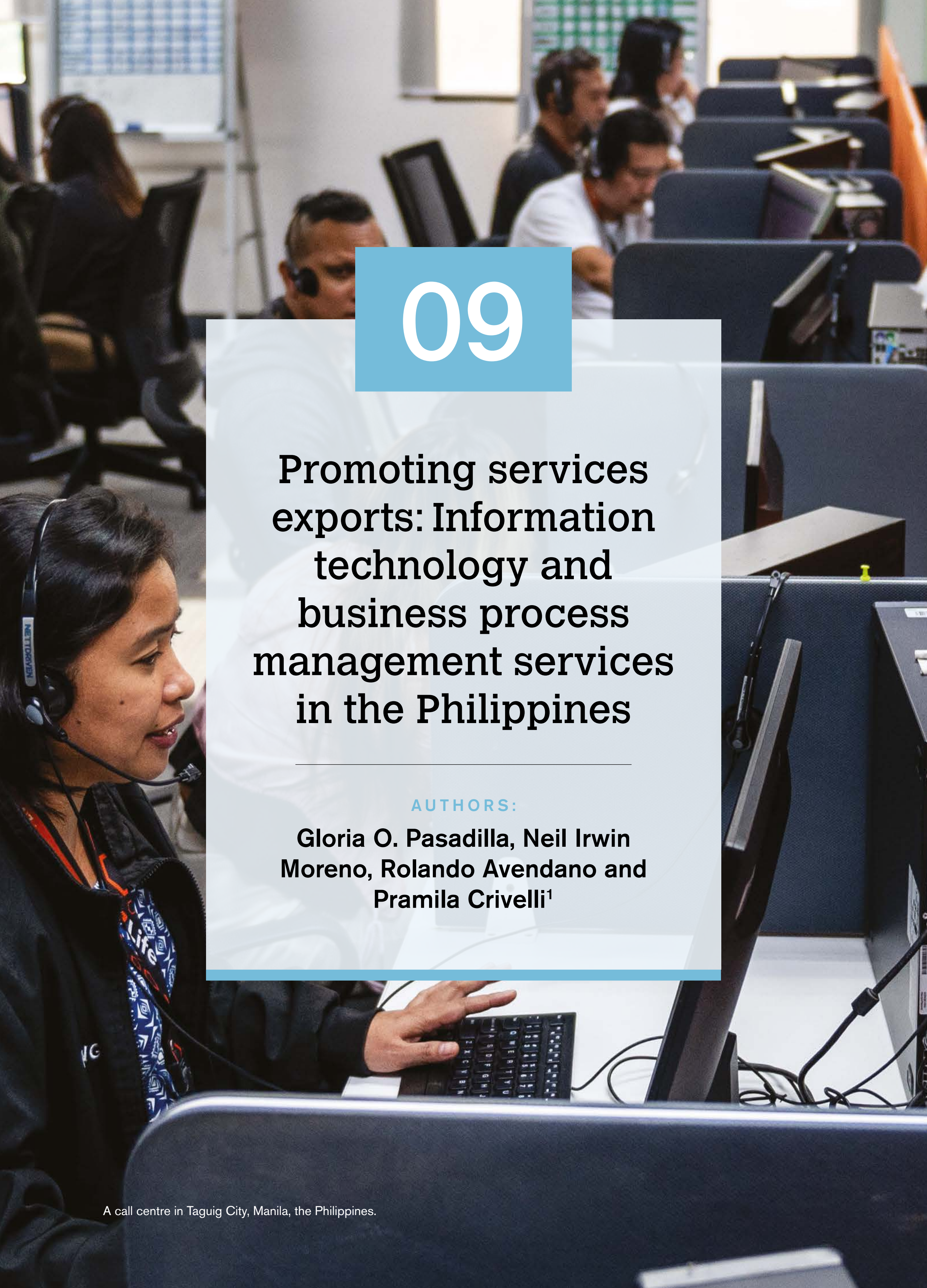
Seetanah, B., Sannasee, R.V. and Nunkoo R. (2021). *Mauritius: A Successful Small Island Developing State*. London: Routledge.

Interviews

Name	Designation
Mrs P. Sewpal	Senior Manager, Emerging Technology, ICT
Mrs T. Benydin-Koolwont	Senior Manager, Knowledge and Creative Industries
Dr D. Ramdenee	Secretary General, Mauritius Chamber of Commerce and Industry
Mr V. Armoomoogum	Manager, Strategic planning, Economic Development Board
Mr K. Ramkalaon	CEO, Business Mauritius
Dr K. Bhujun	Director of Tertiary Education, Ministry of Tertiary Education, Science and Research
Mrs J. Chan	President, Outsourcing and Telecommunications Association of Mauritius



09

Promoting services exports: Information technology and business process management services in the Philippines

AUTHORS:

Gloria O. Pasadilla, Neil Irwin Moreno, Rolando Avendano and Pramila Crivelli[1]

A call centre in Taguig City, Manila, the Philippines.

Abstract

The Philippine information technology and business process management (IT-BPM) sector is the country's leading services export and a major source of employment, including in regional areas outside of Metropolitan Manila. This paper discusses the industry's performance, the key drivers behind its growth, and the broad suite of government support mechanisms, including export promotion initiatives, fiscal incentives for foreign investments and talent development programmes, implemented to address both past and long-term challenges.

Key points

Main elements of the Philippines' export promotion strategy:

- The growth in the export of the Philippines' information technology and business process management (IT-BPM) industry has been mostly due to foreign direct investment (FDI) as well as various government support measures, including export promotion, fiscal and investment incentives, and industry-aligned talent development initiatives.

Main achievements and impacts:

- These government interventions, namely export promotion strategies, tax and investment incentives, and industry-driven skills development initiatives, have helped attract significant investments and generate substantial employment. The Philippines is now considered the world's "call centre capital," and ranks second only to India in global services offshoring.

Challenges:

- Ongoing challenges include the need to continuously upskill the labour force, further streamline business procedures and focus on low-end business process outsourcing (BPO) activities. Targeting BPO activities with higher value added remains a priority for the Philippines in the medium term.

Good practices:

- Good practices include: aligning technical and vocational training with global qualifications standards; developing a national skills framework to guide skills training; involving industry stakeholders in needs assessment and training; and exposing local service providers to international markets via participation in trade fairs, conferences and digital industry events.

Looking ahead:

- Export promotion activities for services share many features with those for goods, such as business matchmaking and support for participation in international events. However, the nature of participation differs: goods exporters display physical products, while services exporters often present digital proofs of concept (e.g., games or software) in finished or unfinished forms, service portfolios, or client references. Looking forward, export promotion activities should incorporate other modalities for presenting or advertising services industries.

Introduction

The services sector has emerged as a cornerstone of the Philippine economy, significantly contributing to growth, employment and foreign investment over the past four decades. With its increasing share of gross domestic product (GDP) even during global disruptions such as the COVID-19 pandemic, the sector has proven resilient. Within services, the IT-BPM industry stands out for its contribution to export earnings, employment and regional development.

The Philippines has emerged as a global IT-BPM hub, second only to India in terms of workforce size and services delivery capabilities. The industry covers a wide range of activities – from customer support and financial services to software development and knowledge process outsourcing – delivered through digitally enabled platforms. Its success is underpinned by a young, English-proficient labour force, cost competitiveness and strong cultural affinity with Western markets.

Despite its growth, the industry faces challenges in infrastructure, talent upgrading and regulatory efficiency. Addressing these will be key to sustaining its growth and competitiveness (ADB, 2022; WTO, 2021).

This case study provides an analysis of the IT-BPM sector's contribution to the Philippines' exports, employment and investment, and discusses the government-led strategies, including export promotion, fiscal incentives and workforce development that have supported its growth.

Services sector and the economy

The services sector spans a broad range of industries – from retail, hospitality, education, healthcare, transportation to high-value, ICT-enabled services such as finance, insurance, communications and BPO. Since the 1980s, services have been the main driver of economic growth in the Philippines. In 1997, services contributed less than 50 per cent to GDP; by 2015, the share rose to 58.8 per cent, increasing further to 60.7 per cent in 2020, and reaching 62.9 per cent in 2024. This share is comparable to that of the Republic of Korea and higher than that of China. Over the same period, the share represented by agriculture and industry declined to 8.0 per cent and 29.1 per cent of GDP, respectively. In the first quarter of 2025, services accounted for 3.9 percentage points of the total 5.4 per cent GDP growth.

Employment

As of early 2025, 62 per cent of employed Filipinos worked in services, compared to 20 per cent in agriculture and 18 per cent in industry (PSA, 2025). This shift mirrors broader trends across Southeast Asia, where urbanization and the growth of transport and information technology (IT) sectors have drawn large numbers of workers into service-related occupations (ASEAN, 2021). Within services, the largest share of employment is in administrative and support services activities, followed by wholesale and retail trade.

Investment

FDI inflows to the Philippines have increasingly targeted the services sector. According to data from the Central Bank of the Philippines (BSP), the majority of net FDI is concentrated in manufacturing and services. Within services, financial services received the highest average share (13 per cent) of FDI between 2011 and 2024, followed by real estate activities (11 per cent) and information and communications technology (ICT) (7 per cent).[2] However, FDI in services remains volatile, subject to fluctuations from large one-off transactions or divestments. For instance, the financial sector experienced net outflows of US$ 90 million in 2023 and US$ 125 million in 2024, as some foreign investors scaled investments back or repatriated funds. Similarly, telecommunications FDI surged with the entry of a new market player but remained flat in other years.

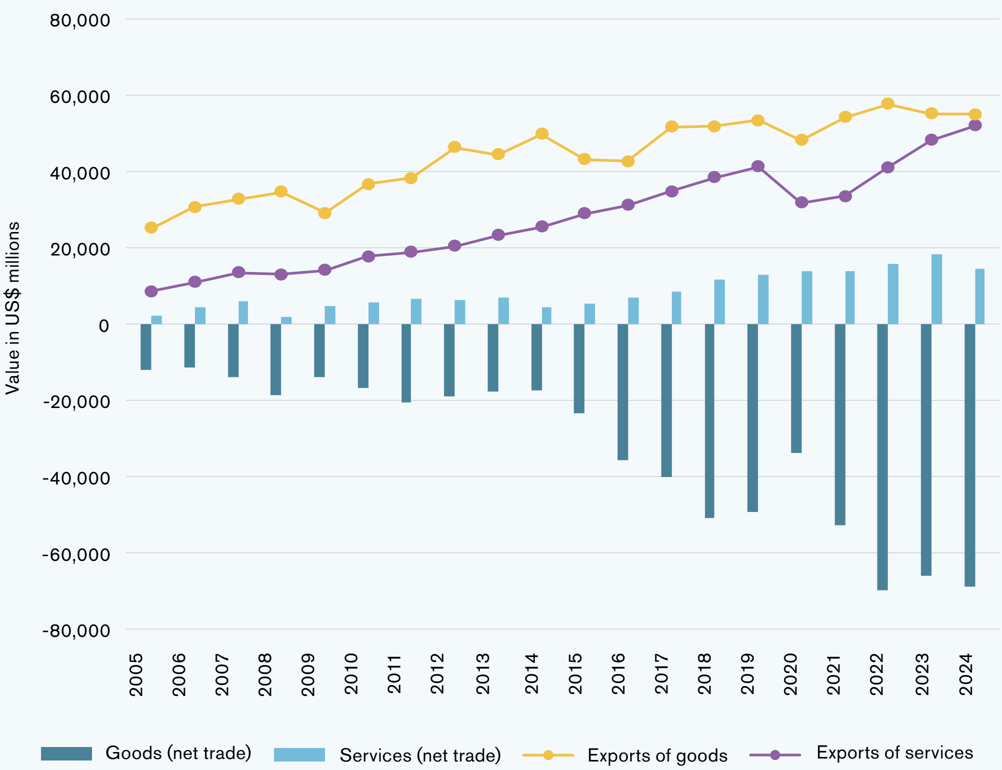
Trade

Except for the pandemic-induced disruption in 2020, the Philippines' commercial services exports (balance of payments statistics) have grown steadily over the past two decades, posting a compound annual growth rate of 10 per cent. In 2024, services exports reached US$ 52 billion, almost equalling merchandise exports at US$ 55 billion. Furthermore, the services trade balance has consistently been in surplus, in contrast to the persistent deficit in merchandise trade (see Figure 9.1).

Structure of services exports by mode of supply

According to World Trade Organization (WTO) estimates, the bulk of the Philippines' services exports are delivered via Mode 1. In 2022, Mode 1 accounted for 64 per cent of total services exports (US$ 49 billion) (see Table 9.1). The share of services provided to foreign consumers visiting the Philippines (Mode 2) also rose to 21.5 per cent. Exports delivered by Philippine businesses operating abroad (Mode 3) held steady at 11.5 per cent. Mode 4 (temporary movement of Philippine services providers) declined sharply, from 14 per cent in 2015 to just 3 per cent in 2022, largely due to travel restrictions.

Figure 9.1. Philippines: Merchandise and services trade (US$ million), 2005–2024



Source: Drawn up by the authors based on BSP balance of payments data.

Table 9.1. Share of services exports by mode of supply (%)

Mode	2015	2016	2017	2018	2019	2020	2021	2022
Mode 1	58.9	53.5	50.8	49.0	48.0	67.5	68.4	64.2
Mode 2	16.2	22.2	26.4	28.2	30.1	16.5	15.1	21.5
Mode 3	10.7	11.2	10.8	11.4	10.5	13.1	13.5	11.5
Mode 4	14.2	13.2	12.0	11.5	11.3	3.0	3.0	2.8
Total services exports (US$ million)	**34,265**	**36,832**	**41,126**	**45,402**	**48,209**	**38,636**	**41,117**	**48,860**

Source: WTO Trade in Services by Mode of Supply (TiSMOS).

Structure of services exports by sector

Philippine services export data from the central bank underscore the country's dependence on business and ICT-enabled services exports which reflect strong global demand for IT-BPM activities. In 2024, "other business services" accounted for 50 per cent of total commercial services exports (approximately US$ 25 billion). "Other business services" include a diverse range of technical, professional and research and development (R&D) services, although nearly all fall under the "technical, trade-related, or other business services" category. "Telecommunications, computer and information services" contributed 17 per cent of exports, followed by "Travel services" at 16 per cent (see Table 9.2). "Manufacturing services on physical inputs owned by others" and "Transport services" contributed a combined 15 per cent.

Together, "Telecommunications, computer and information services" and "Other business services" make up the core of the Philippine IT-BPM industry,[3] accounting for 67 per cent of the total services exports in 2024. The next section delves more deeply into the development and government support of the IT-BPM industry, given its central role in services export performance and employment creation.

The IT-BPM sector: growth and performance

Overview of the IT-BPM industry

The global IT-BPM offshoring industry plays a crucial role in supporting business operations and technological needs across industries. It spans a broad range of services, including customer relationship management (CRM), finance and accounting outsourcing, human resource outsourcing, legal process outsourcing, software development, animation and game development, and knowledge process outsourcing (KPO). In 2005, the global IT-BPM market was valued at approximately US$ 55–65 billion. In 2023, it was estimated to be worth US$ 300 billion and forecast to expand to US$ 480 billion by 2033.[4] The key drivers are the accelerating digital transformation, increasing use of digital platforms, hybrid work models and shortage of talent in the developed world.

In the Philippines, the Philippine Statistics Authority (PSA) defines IT-BPM as encompassing selected subcategories of the PSIC under Sections J (Information and Communication) and

Table 9.2. Exports of commercial services by sector (% share)

Sector	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Transport	6.6	6.1	7.0	6.7	6.6	4.6	4.4	6.0	6.6	6.3
Insurance and pension services	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Travel	16.7	15.3	18.3	19.0	22.1	7.1	3.2	9.2	16.5	15.8
Telecommunications, computer and information services	11.1	15.1	14.6	14.8	14.3	17.0	18.1	17.0	16.7	17.3
Other business services	56.2	52.5	48.8	47.6	45.5	58.8	60.0	54.7	49.5	50.1
Manufacturing services on physical inputs owned by others	7.1	8.3	9.4	10.0	9.5	10.9	12.2	10.9	8.7	8.3
Miscellaneous services	2.0	2.2	1.6	1.5	1.4	1.1	1.2	1.4	1.3	1.5
Total services (billion PHP, constant 2018 prices)	**1,717**	**1,897**	**2,210**	**2,437**	**2,548**	**1,900**	**1,947**	**2,348**	**2,674**	**2,886**

Source: Bangko Sentral ng Pilipinas (Central Bank of the Philippines).

Note: PHP=Philippine peso.

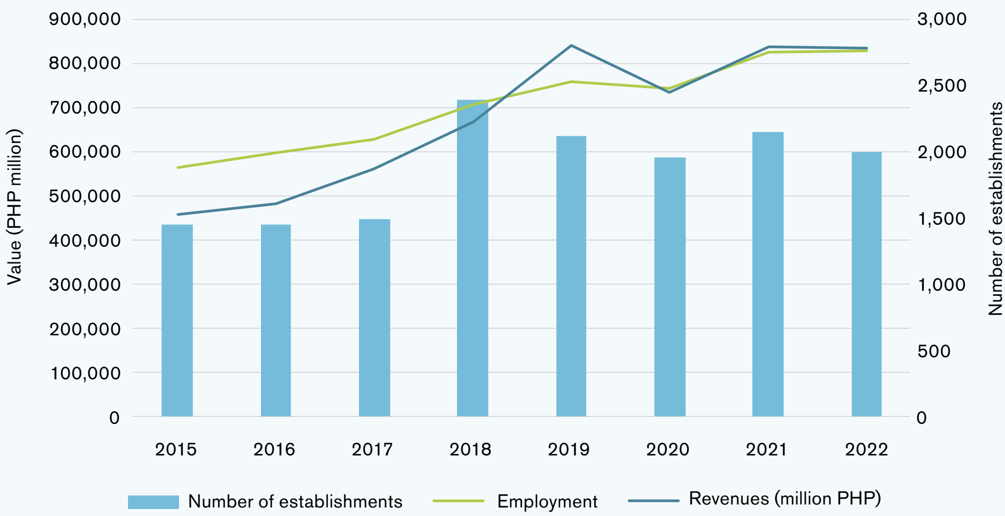
N (Administrative and Support Service Activities), as detailed in Annex 1. The sector provides integrated ICT-based labour services and the necessary infrastructure to support or manage business functions. Examples of these services include financial transaction processing, payroll, human resources (HR) management, logistics, production scheduling and customer support services such as call centres and help desks. Specialized services such as outsourced legal or engineering functions in specific industries like energy and chemicals are also included (PSA, 2024).

Growth and economic importance of the IT-BPM sector

The Philippines is the world's second-largest IT-BPM hub after India, accounting for approximately 16–18 per cent of the global industry workforce[5] (IBPAP 2023). It offers a wide range of services – from customer experience and healthcare support to finance, HR and IT services, including application development and infrastructure management. This broad portfolio positions the Philippines as a major global service delivery centre (BOI, 2023; IBPAP, 2023).

Based on the Annual Survey of Philippine Business and Industry (ASPBI) and Census of Philippines Business and Industry (CPBI), the number of IT-BPM establishments has increased since 2015, reaching 2,450 in 2018. This number declined slightly to just over 2,000 by 2022 (see Figure 9.2). Despite this dip, sectoral employment remained resilient, peaking at around 850,000 in 2022.[6] While this represents only around 2 per cent of aggregate employment, the industry's indirect employment impact is significant, particularly in sectors such as retail, food services, real estate, transportation, healthcare and security. Estimates suggest that each IT-BPM job generates up to three additional jobs in these related industries.[7] The sector has also supported job creation in regional areas through investments in 30 designated Digital Cities.

Figure 9.2. Key statistics of the Philippine IT-business process management sector, 2015–2022



Source: Authors' calculations based on PSA ASPBI and CPBI.

Note: PHP 1.00 (Philippine Peso) equals US$ 0.016.

Revenues followed a similar pattern. After a brief decline in 2020 due to the pandemic, earnings rebounded, exceeding PHP 800 billion (approximately US$ 13–14 billion) by 2021. IT-BPM services now account for over 60 per cent of the country's total services exports.

While there is no official estimate of small and medium-sized enterprises (SMEs) or women-led enterprises in the IT-BPM sector, several indicators point to the significant role that SMEs play. The IT and Business Process Association of the Philippines (IBPAP) member database shows that approximately 17 per cent of its members have fewer than 200 employees and are thus classified as SMEs. In comparison, a PSA 2019 survey reported that 99.5 per cent of all business establishments in the country are SMEs, with more than half falling into micro and small enterprise categories.

Of particular relevance, around 5 per cent of SME establishments operate in sectors that comprise the IT-BPM industry – specifically, the information and communications, and administrative and support service activities. SMEs account for 99.5 per cent of establishments in information and communication, and 94.2 per cent in administrative and support services. The discrepancy between IBPAP and PSA figures may be explained by IBPAP's focus on export-oriented offshoring firms, which are typically larger, whereas the PSA surveys all businesses regardless of their export orientation.

Nevertheless, the data underscore the crucial and widespread presence of SMEs in the Philippines, including within the IT-BPM sector.

The IT-BPM value chain

The IT-BPM sector comprises three main pillars:

1. **Information technology outsourcing (ITO)** – includes network administration, application development, IT consulting and software R&D.

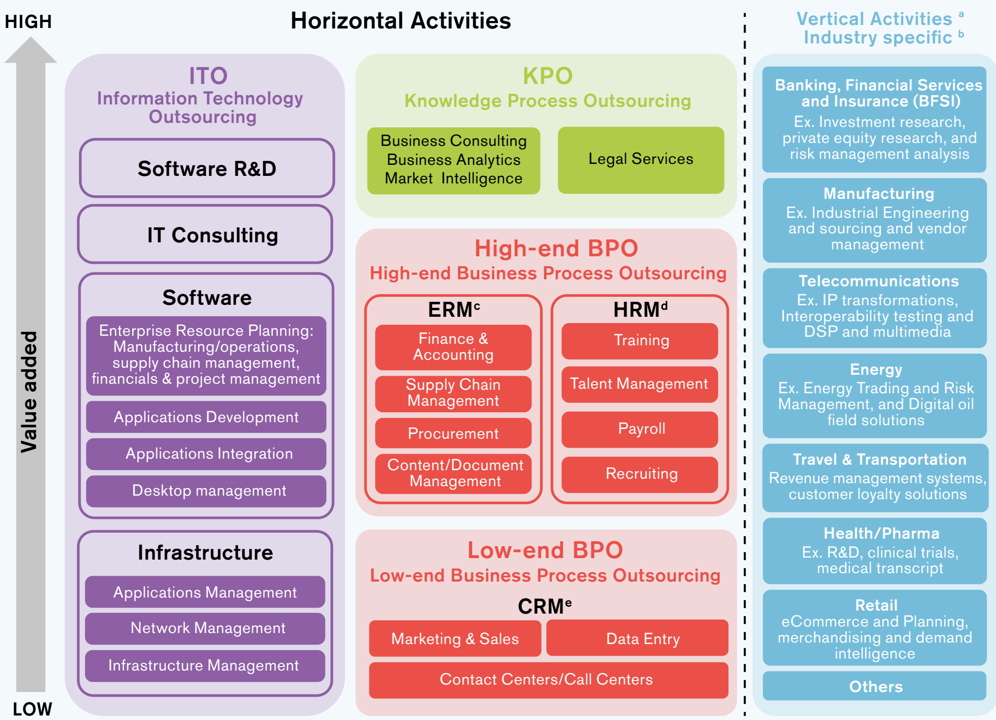
2. **Business process outsourcing (BPO)** – includes functions such as customer support, payroll, accounting and HR services.
3. **Knowledge process outsourcing (KPO)** – involves high-value tasks such as legal services, market research, and analytics that require specialized skills.

These services are divided into horizontal services, such as CRM and HR, which cut across industries; and vertical services, which are industry-specific and often involve proprietary or sensitive systems such as those in finance or healthcare.

Figure 9.3 illustrates how human capital intensity increases along the value chain, from low-skill BPO tasks like call centres, to high-skill KPO functions such as business consulting or legal services (Gereffi and Fernandez-Stark, 2010). Likewise, within ITO, tasks range from routine application management to advanced software R&D. On the other hand, certain economic or vertical activities include a range of skill levels, from low- to high-value-added activities.

This value chain framework is used in the paper to further analyse the industry and recent shifts towards higher-value services. It also helps inform government policy and public-private training initiatives aimed at moving the workforce up the value chain (discussed in more detail below).

Figure 9.3. Offshore services value chain



Source: Gereffi and Fernandez-Stark (2010).

Note: a=vertical activities apply to all activities in the value chain; b=industry specific means specific sectors e.g. health, energy, etc.; c=ERM (enterprise resource management); d=HRM (human resource management); e=CRM (customer relationship management).

Subsector trends: revenues, employment and establishments

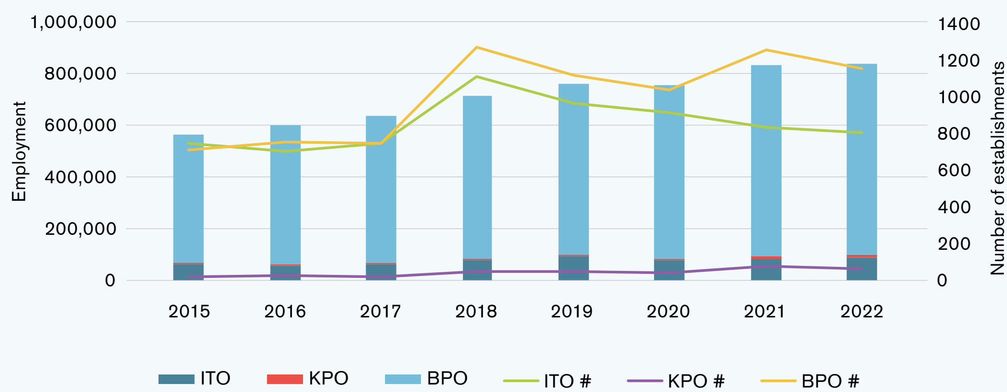
BPO remains the largest subsector in the Philippine IT-BPM industry, accounting for over 70 per cent of total revenues and 88–90 per cent of employment (see Figures 9.4 and 9.5). ITO contributes around 25 per cent of industry revenue but only about 11 per cent of employment. KPO remains a smaller segment but is rapidly evolving, with revenues showing sharp year-on-year growth: 200 per cent in 2019 and 350 per cent in 2021. This perhaps indicates a reliance on one-off project-based work rather than stable long-term or multi-year outsourcing contracts. While volatile, the KPO segment represents a major growth opportunity, particularly if supported by investments in skills training, including curriculum development, especially in higher education (Lim, 2025).

Figure 9.4. Revenues in ITO, KPO and BPO, 2015–2022

Source: Authors' calculations based on PSA and World Bank data.

Note: ITO=information technology outsourcing; KPO=knowledge process outsourcing; BPO=business process outsourcing.

Figure 9.5. Employment and establishments in ITO, BPO and KPO, 2015–2022



Source: Authors' calculations based on PSA and World Bank data.

Notes: ITO=information technology outsourcing; KPO=knowledge process outsourcing; BPO=business process outsourcing. ITO#, KPO# and BPO# represent number of establishments in each subsector.

Within the BPO subsector, we distinguish between low-end BPO – which includes data entry, telemarketing and basic customer services; and high-end BPO – which involves services such as accounting, payroll, medical transcription and training, requiring higher education levels.[8] Low-end BPO dominates the industry, contributing over 90 per cent of BPO employment and revenue. While high-end BPO remains relatively small, it is growing – albeit inconsistently – at a faster rate than low-end BPO (see Figures 9.6a and 9.6b).

Figure 9.6a. High-end vs. low-end business process outsourcing (BPO): employment

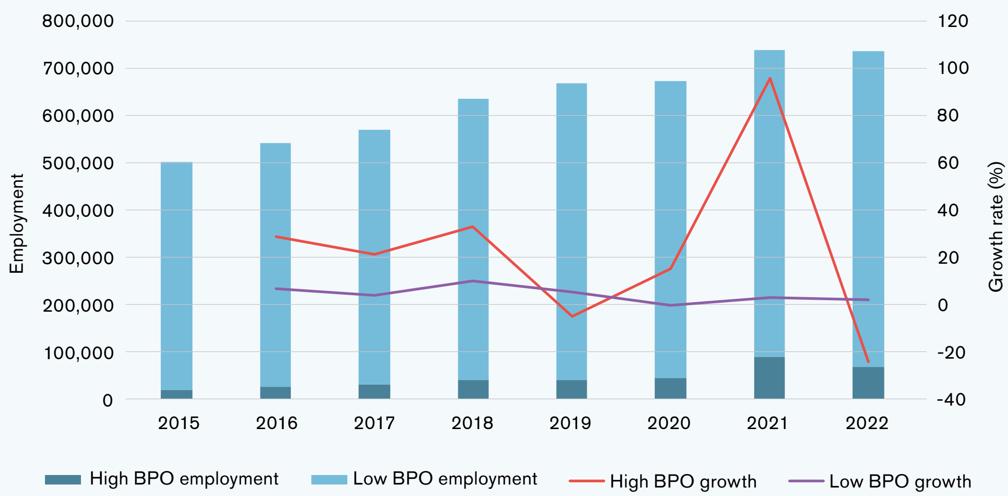
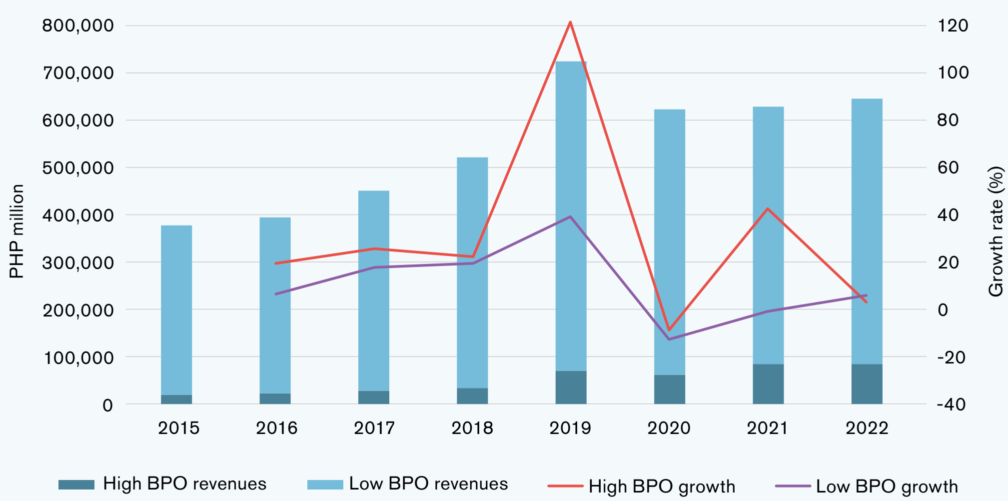


Figure 9.6b. High-end vs. low-end business process outsourcing (BPO): revenues



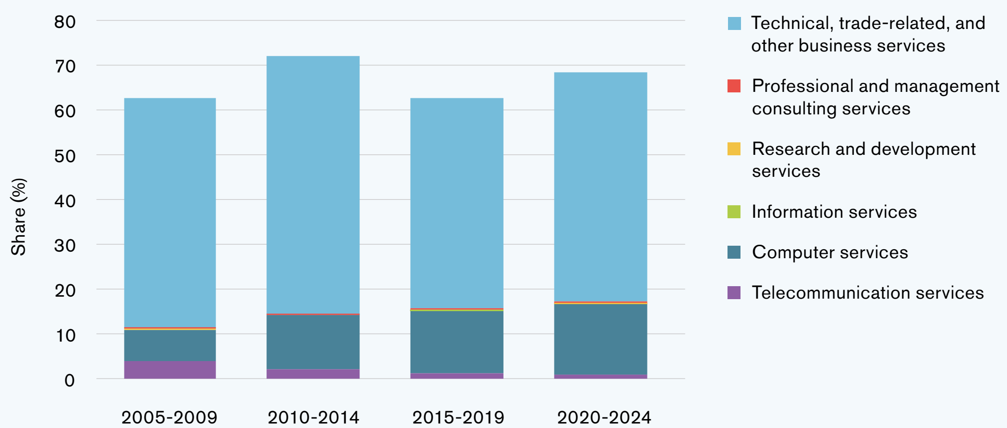
Source: Authors' calculations based on Philippine Statistics Authority data.

IT-BPM and Philippine services trade

IT-BPM services are classified under “computer and information services” and “other business services” in the country’s balance of payments (see Annex 2). Together, these account for 60–70 per cent of total services exports (see Figure 9.7). Within this category, “technical, trade-related, and other business services” – which include call centres – comprise the largest share but show slowing growth (see Table 9.3). “Computer services” and KPO-related services, such as R&D and consulting, while smaller, have grown steadily. For example, computer services increased from an average of 6.9 per cent of total services exports in 2005–2009 to 15.5 per cent by the early 2020s (see Figure 9.7 and Table 9.3).

Among IT-BPM subsectors, BPO is the most export-oriented, with 45 per cent of revenues derived from exports in 2022, higher than the industry average of 39 per cent (see Table 9.4).

Figure 9.7. Share of IT-business process management in services exports, 2005–2024



Source: Authors’ calculations based on Central Bank of the Philippines data.

Table 9.3. Share of IT-BPM in services exports (% of total services)

	2005-2009	2010-2014	2015-2019	2020-2024
Telecommunications, computer and information services	10.83	13.99	15.24	16.48
Telecommunication services	3.91	1.93	1.23	0.97
Computer services	6.91	12.05	13.93	15.49
Information services	0.01	0.01	0.07	0.02
Other business services	51.50	57.76	47.13	51.59
Research and development services	0.11	0.12	0.17	0.13
Professional and management consulting services	0.13	0.14	0.26	0.39
Technical, trade-related and other business services	51.25	57.50	46.70	51.07

Source: Bangko Sentral ng Pilipinas (Central Bank of the Philippines).

Table 9.4. Share of exports in total revenue (%)

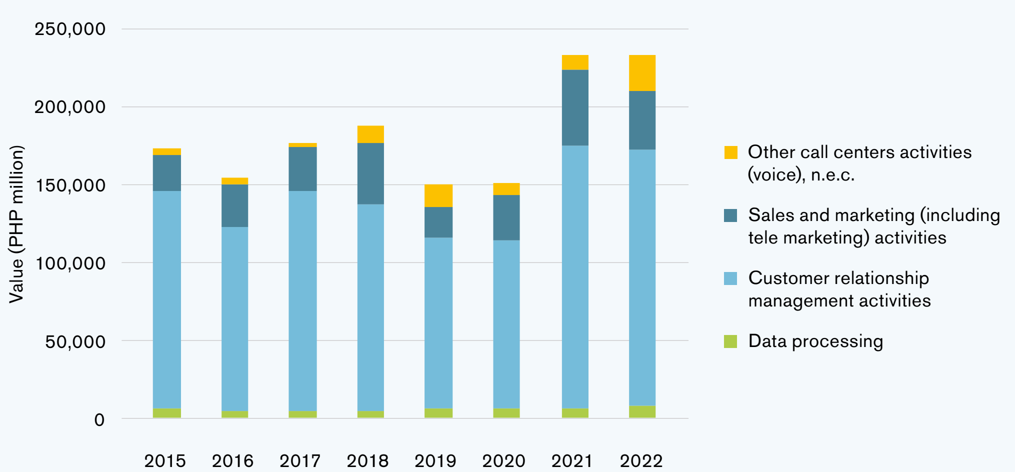
	2015	2016	2017	2018	2019	2020	2021	2022
ITO	22.1	17.5	11.5	22.4	29.8	15.8	17.1	23.6
KPO	44.4	8.0	81.6	18.3	3.2	21.5	26.7	19.5
BPO	51.6	44.8	43.7	41.5	26.4	28.9	45.8	44.7
High-end BPO	*46.9*	*47.0*	*27.9*	*45.8*	*42.4*	*28.7*	*43.9*	*43.5*
Low-end BPO	*51.8*	*44.7*	*44.8*	*41.2*	*24.7*	*28.9*	*46.1*	*44.8*
Total IT-BPM	44.6	38.1	35.6	36.2	26.9	26.1	37.1	38.6

Source: PSA ASPBI, CPBI.

In terms of specific export activities, low-end BPO – CRM and telemarketing activities – are the top earners. In high-end BPO, finance and accounting activities and administrative support activities (mostly back-office work) lead. Medical transcription is overshadowed by other BPOs such as online placement or publishing outsourcing and document processes activities. In ITO, computer programming and other IT services dominate exports. Animation and gaming, priority IT-BPM sectors for the Philippines, have relatively negligible export figures as of last survey, but are expected to grow. Finally, in KPO, legal services and engineering outsourcing are emerging areas of strength. Details of export earnings by sector and activity are presented in Figures 9.8a-9.8d.

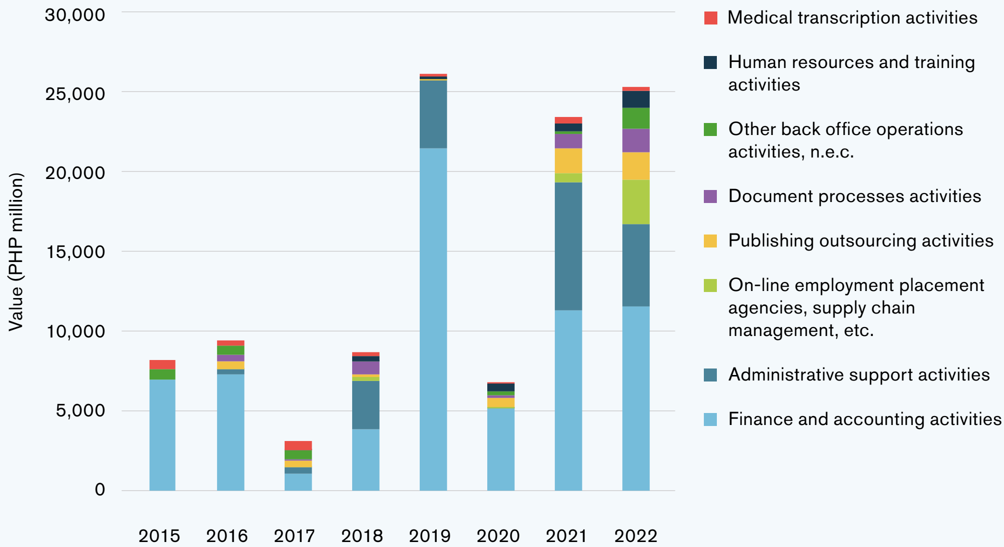
Figures 9.8a-9.8d. Export earnings by subsector and activity, 2015–2022

Figure 9.8a. Low-end business process outsourcing exports



Source: Authors' calculations based on Philippine Statistics Authority survey data.

Figure 9.8b. High-end business process outsourcing exports



Source: Authors' calculations based on Philippine Statistics Authority survey data.

Figure 9.8c. Information technology outsourcing exports

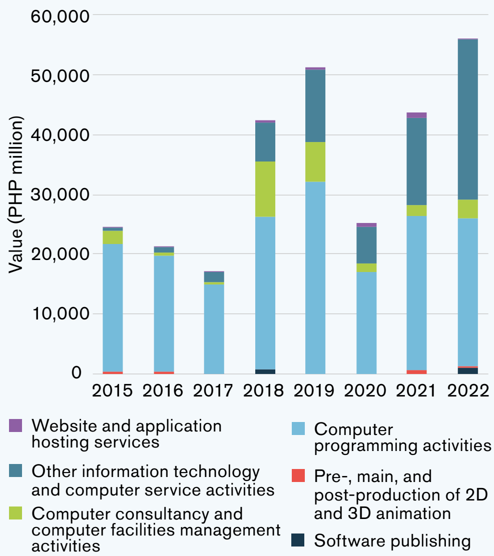
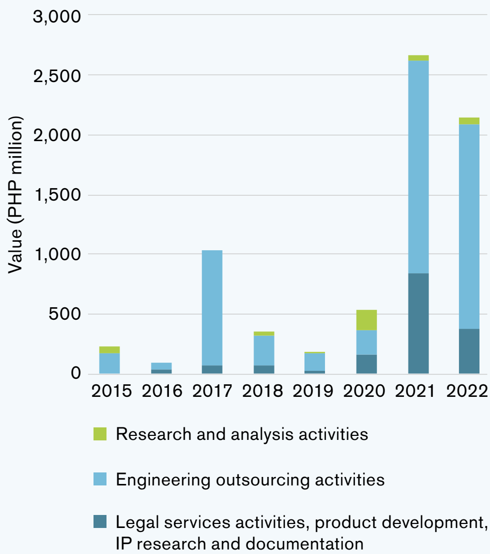


Figure 9.8d. Knowledge process outsourcing exports



Source: Authors' calculations based on Philippine Statistics Authority survey data.

Summary

The IT-BPM sector is a critical driver of the Philippine economy, yet its full potential is still unfolding. Voice-based (e.g., call centres), low-end BPO continues to dominate, particularly in terms of exports. However, non-voice and higher-value services – such as finance, accounting and engineering outsourcing – are showing promising growth. Emerging sectors like animation, gaming and broader creative industries remain underexploited but offer significant opportunities. With targeted skills development and strategic policy support, the Philippines has the potential to move further up the IT-BPM value chain – unlocking higher revenues, generating more jobs and enhancing resilience in a rapidly digitalizing global economy.

Comparative advantages and challenges in IT-BPM

The IT-BPM sector in the Philippines began with basic encoding services in the 1980s and has since evolved into a key driver of job creation and foreign exchange earnings, generating revenues that now rival remittances from overseas Filipino workers. Today, the industry delivers a broad array of services beyond traditional call centre operations.

While the academic literature typically categorizes the industry into BPO, ITO and KPO, the industry itself identifies five main subsectors: contact centres, IT and software development, animation and game development, global in-house centres (or global shared services), and healthcare information management. Of the global BPO market, the Philippines commands a 10–15 per cent market share.[9]

Comparative advantage: young talent and language proficiency

The sector's primary growth driver is the large pool of young, skilled and cost-competitive labour. The country ranks consistently high in literacy and English language proficiency (see Table 9.5) – key assets for voice-based services and knowledge outsourcing. These factors, along with its cultural affinity with Western markets – particularly the United States[10] – have enabled the Philippines to become the global leader in call centre services, overtaking India as the "call centre capital of the world." Global companies such as J.P. Morgan and Citibank have established major service centres in the country.

Beyond contact centres, the Philippines is expanding its presence in high-value services such as healthcare information management and has a rapidly growing creative sector, particularly in animation and gaming.

India remains the Philippines' primary competitor in IT-BPM, particularly in non-voice services such as IT support, software development, and analytics where it has a clear edge; lower operating costs, especially in second-tier cities, and a larger talent pool for technical roles.

While India holds a distinct advantage in complex IT functions, the Philippines retains its lead in voice-based services due to accent neutrality, cultural compatibility and stronger English communication skills. The Philippines is actively working to expand into non-voice and higher-value services, including healthcare information management, data analytics and financial services – sectors in which India is currently more advanced.

Infrastructure, governance and business environment

The sustained growth of the BPO sector in the Philippines hinges on continued access to affordable, skilled labour and reliable digital infrastructure. While various initiatives are

Table 9.5. Literacy rate and English proficiency (selected Asian economies)

Economy	Literacy rate (% of population aged 15+)	EF English Proficiency Index Rank
Philippines	98	22
Brunei Darussalam	98	-
Cambodia	84	111
Indonesia	96	80
Lao PDR	88	-
Malaysia	96	26
Myanmar	89	93
Singapore	98	3
Thailand	91	106
Viet Nam	96	63
India	77	69

Source: EF Education First (2024), World Bank (2024), PwC (2025), Sudan, et al. (2010).

being implemented to equip graduates with both technical and soft skills – particularly in high-demand fields such as IT-BPM – challenges persist, particularly in governance, infrastructure and overall ease of doing business as discussed below.

Infrastructure challenges

One of the key concerns for the sector is the high cost of electricity, especially for energy-intensive operations such as 24/7 BPOs and data centres. The Philippines has among the highest industrial electricity rates in Southeast Asia, at US$ 0.139 per kilowatt-hour, which undermines its competitiveness (see Table 9.6).

Internet connectivity – a critical requirement for digitally driven sectors – is generally reliable in urban areas. Telecommunications operators have deployed more than 1.6 million kilometres nationwide of fibre optic cables. This expansion has been complemented by the government's National Fiber Backbone programme, which extends high-capacity connectivity to underserved regions.

However, broadband affordability remains a major weakness. Business internet in India, for example, costs only US$ 8 per month, compared to the Philippines' average of US$ 30. Thailand, which has a robust digital infrastructure, offers rates nearly half that of the Philippines.

This high cost is largely attributed to a historically uncompetitive telecommunications market, characterized by limited infrastructure sharing and a shortage of third-party providers. Although recent reforms – such as the entry of a third telecom operator and the Common Tower Policy[11] – have been introduced to improve competition, reductions in user costs have been slow to materialize.

In terms of commercial space, the Philippines offers ample supply through IT parks and dedicated business centres. However, average office rental rates stand at US$ 581 per square metre per year, placing it in the mid-to-high range compared to its Association of Southeast Asian Nations (ASEAN) peers. Delhi National Capital Region has slightly lower rental rates, and even lower costs are observed in cities outside the capital.

Table 9.6. Average utility and office rental costs

Economy	Electricity cost (US$/kWh, 2025)	Internet cost (US$/month, 2025)	Office rent (US$/sqm/year)
Philippines	0.139	30.00	581
Brunei Darussalam	0.045	29.13	-
Cambodia	0.150	18.00	-
Indonesia	0.062	26.00	646
Lao PDR	0.033	8.25	-
Malaysia	0.099	27.00	323
Myanmar	0.060	5.00	-
Singapore	0.195	36.00	1,259
Thailand	0.092	17.00	495
Viet Nam	0.068	9.00	829
India	0.08	8.00	525[a/]

[a/] Delhi National Capital Region.

Source: Philippine Department of Energy (DOE), cable.co.uk (2024), www.jll.com (Jones Lang Lasalle Inc.), Statista, worldpopulationreview.com, Knight Frank.

Regulatory environment and tax policy

The Philippines has made progress in improving its corporate tax environment. Through the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act and the CREATE MORE Act, the corporate income tax rate was reduced from 25 per cent to 20 per cent, putting it on par with Viet Nam and Thailand. However, the rate remains higher than Singapore's 17 per cent and lower than India's 35 per cent (for foreign firms) (see Table 9.7). Favourable tax environments are one of the factors that helps attract regional headquarters and IT-BPM investments. From the Philippine perspective, it is also a way to mitigate other disadvantages that the country is still trying to address, such as poor infrastructure.

In terms of business climate, the Philippines underperforms in the World Bank's B-READY indicators, particularly in Pillar 2 (Public Services) and Pillar 3 (Operational Efficiency).[12] These dimensions reflect common investor complaints around starting a business, obtaining construction permits, paying taxes and enforcing contracts.

Nevertheless, the government has undertaken several reforms to improve competitiveness. Laws such as the Retail Trade Liberalization Act, Foreign Investments Act, the Public-Private Partnership Code, and the Public Service Act have liberalized key service sectors, including telecommunications, to promote competition. Moreover, one-stop shops have been established in special economic zones (SEZs) to simplify procedures for investors – similar to practices in India's SEZs and Software Technology Parks.

Strategic incentives for priority sectors

The Philippine government continues to provide strong support for strategic industries through targeted incentives. Under the 2025–2028 Strategic Investment Priority Plan (SIPP) of the Board of Investments (BOI), the IT-BPM sector is identified as a priority industry alongside

Table 9.7. Governance and business environment indicators

Economy	Corporate tax rate (%)	B-READY Pillar 1: Regulatory Framework (World Bank score)	B-READY Pillar 2: Public Services (WB score)	B-READY Pillar 3: Operational Efficiency (WB score)
Philippines	20[a/]	70.78	50.80	57.95
Cambodia	20	62.83	39.14	60.66
Indonesia	22	63.93	63.44	61.31
Malaysia	24	-	-	-
Singapore	17	72.46	70.40	87.33
Thailand	20	-	-	-
Viet Nam	20	66.77	53.41	72.48
India	35[a/]	-	-	-

Source: World Bank (2024), PwC (2025).

Notes:

[a/]For the Philippines, the 20 per cent rate took effect in 2024 (down from 25 per cent). India's rate is for foreign companies; domestic companies pay between 25 per cent and 30 per cent, depending on turnover. India is not yet ranked in the B-READY Index.

renewable energy, advanced manufacturing, healthcare, education, agriculture and logistics.

Investors in these sectors are eligible for a wide range of fiscal and non-fiscal incentives, including income tax holidays, special corporate income tax rates, enhanced deductions of certain expenditures (e.g., for training), duty-free importation of capital equipment, and VAT exemptions (discussed in the next section). Combined with the country's competitive labour profile and improving policy environment, these incentives aim to further position the Philippines as a competitive global hub for IT-BPM, especially in high-value, non-voice segments where the country seeks a stronger foothold.

Promotion of IT-BPM exports

FDI incentives and fiscal benefits

Foreign direct investment from multinational corporations (MNCs) establishing call centres or back office operations has been a key driver of the Philippine IT-BPM industry's growth. These MNCs were attracted not only by a large pool of affordable and skilled labour but also by generous fiscal incentives provided to encourage strategic investments. These incentives are administered by the BOI and other investment promotion agencies (IPAs), such as the Philippine Economic Zone Authority (PEZA). Incentives and fiscal benefits remain a critical component of the government's IT-BPM promotion effort.

Beyond incentive-granting institutions, several other government bodies contribute to the sector's development. The Department of Education (DepEd), the Technical Education and Skills Development Authority (TESDA), and the Commission on Higher Education (CHED) lead workforce upskilling efforts. The Department of Trade and Industry (DTI) and its attached agencies, such as the Export Marketing Bureau (EMB), provides crucial help in marketing, investment facilitation and other policy support. The Department of Information and Communications Technology (DICT) develops policies and digital infrastructure, and the Department of Science and Technology (DOST) supports research, innovation, and incubation (see Table 9.8). The Department of Economy, Planning and Development (DepDEV, formerly the National Economic and Development Authority) guides national development planning and integrates IT-BPM growth into broader national development strategies. Local governments also play a crucial role in implementing programmes and enabling local ecosystems.

The IBPAP is the industry's main coordinating and advocacy body. It represents over 400 member companies and collaborates with six sector-specific associations: the Animation Council of the Philippines, Inc., Global In-House Center Council Philippines, Contact Center Association of the Philippines, Game Developers Association of the Philippines, Healthcare Information Management Association of the Philippines, and the Philippine Software Industry Association. It works closely with government to shape policy, co-develop training and education courses tailored to industry needs, and crafts and implements industry road maps. For instance, it launched the Digital Cities 2025 initiative with the DICT to expand IT-BPM hubs beyond the major urban centres such as Metropolitan Manila and Cebu.

Income tax holidays, special tax rates and enhanced deductions

IT-BPM projects registered with BOI, PEZA or other IPAs may be eligible for an income tax holiday (ITH) ranging from four to seven years, depending on market orientation (export or domestic), project type and location. Technology-driven and innovation-intensive projects classified as Tier III projects under the 2025–2028 SIPP receive the most generous terms, with longer ITH periods offered to firms located outside Metropolitan Manila and other urban centres.

After the ITH period, companies can choose between:

- A 5 per cent Special Corporate Income Tax (SCIT) on gross revenues; or
- The Enhanced Deductions Regime (EDR), allowing expanded tax deductions for specific business expenses.

Details of incentive options under the CREATE MORE Act are listed in Table 9.9.

Table 9.8. Key government institutions empowering the IT-BPM industry

Department	Role in IT-BPM
DTI, BOI, PEZA, EMB	Investment promotion, incentives, export support (marketing, business matching, networking)
DICT	Digital infrastructure, policy, talent development
DOST	R&D funding, tech incubation, advanced training
TESDA, DepEd, CHED	Skills training, technical and higher education, certifications, on-the-job training, curriculum development
DepDEV	Integration into national development strategy
Local government units (LGUs) and public-private partnerships	Local economic integration and ecosystem development

Source: Elaborated by the authors.

Table 9.9. Incentive options under the CREATE MORE Act (2024)

Options	Registered export enterprises (REEs)	Domestic market enterprises (DMEs)	High-value projects (FIRB-approved)
Option 1	ITH 4-7 years + SCIT or EDR (10 years)	ITH 4-7 years + EDR (10 years)	ITH 4-7 years + SCIT/EDR (20 years)
Option 2	Immediate SCIT/EDR (14 to 17 years)	Immediate EDR (14-17 years)	SCIT/EDR (24-27 years)

Source: CREATE MORE Act Implementing Rules and Regulations (Government of the Philippines).

Note: ITH=income tax holiday; SCIT=Special Corporate Income Tax; EDR=Enhanced Deductions Regime; FIRB=Fiscal Incentives Review Board.

The duration of incentive entitlement varies by project classification, activity type and location, and is subject to approval by the respective IPAs or, in the case of high-value investments, by the Fiscal Incentives Review Board (FIRB). As a priority sector under the SIPP, some IT-BPM projects may qualify for the maximum allowable duration of incentives for Tier III investments.

Enhanced deductions for REEs and DMEs

Registered enterprises can deduct additional expenses beyond the standard allowable ones under the tax code which include:

- 10 per cent additional depreciation on buildings; 20 per cent for machinery/ equipment
- 50 per cent additional deduction on labour expenses
- 100 per cent additional deduction on R&D and training expenses
- 50 per cent additional deduction on domestic input costs and export promotion
- 100 per cent additional deduction on power expenses
- Enhanced Net Operating Loss Carryover – losses during the first three years may be carried over and deducted within five consecutive years following either the ITH period or the year of the loss (for firms electing EDR).

Customs and VAT incentives

BOI- or PEZA-registered export enterprises or domestic enterprises engaged in specific priority projects are exempt from customs duties on imported capital equipment, raw materials and other operational inputs not sufficiently available locally. They also benefit from VAT zero-rating on local purchases related to registered activities. While REEs enjoy VAT exemptions, DMEs remain subject to the standard 12 per cent VAT on their purchases. Local sales by REEs, DMEs or High-Value Domestic Market Enterprises, however, are subject to 12 per cent VAT. To address delays in VAT refunds, Revenue Regulation No. 3-2023 simplifies the process, eliminating the need for prior approval and improving compliance efficiency (Santos, 2023). Additionally, the Philippines has Double Taxation Avoidance Agreements with 44 economies, providing tax certainty and minimizing withholding tax liabilities for foreign investors.

Evaluating the impact of incentives

While incentives under CREATE and the CREATE MORE Act are now competitive within ASEAN, their effectiveness remains unclear. Some reports show an increase in FDI approvals and job commitments, but studies have yet to isolate whether incentives alone drive these outcomes. Past research suggests that fiscal incentives alone are insufficient unless accompanied by improvements in infrastructure, labour quality and regulatory efficiency.[13] Still, in light of the Philippines' relatively higher non-tax costs, improved fiscal incentives serve as a second-best tool for attracting investments.

Streamlined regulatory processes

To improve the ease of doing business, the government passed the Ease of Doing Business Act in 2018 to entice entrepreneurs to open businesses by expediting transactions such as for permits and licences and holding government officials accountable for graft and corruption. Similarly, the revised Joint Venture Guidelines (2023) were designed to enhance competition for joint venture projects between the government and the private sector and strengthen checks and balances to ensure the technical and financial viability of government projects. In this context, PEZA and Bureau of Internal Revenue have streamlined registration and tax compliance through one-stop shops and simplified filing systems. Regulatory flexibility was also introduced in response to the shift to remote work during the COVID pandemic. In particular, the government allowed IT-BPM firms to transfer registration from PEZA (which is location-bound) to BOI to maintain incentives while enabling remote operations.[14]

Further addressing this need for flexibility, the CREATE MORE Act now legally allows up to 50 per cent work from home arrangements for ecozone-registered IT-BPM firms without forfeiting fiscal benefits (Olarte, 2024). Besides eliminating the need for firms to transfer registrations from PEZA to BOI, the adjustment supports modern work models while retaining the country's competitiveness.

Talent development in the IT-BPM industry

Talent and skills are critical to global competitiveness especially in the IT-BPM industry. From the early 2000s, the Philippine government, in partnership with the private sector, introduced programmes to address both immediate and future workforce requirements.

The IBPAP, together with TESDA, co-developed IT-BPM courses tailored for call centres and IT roles. Over time, these programmes expanded to serve other BPO and KPO subsectors. In the 2010s, the CHED launched the Service Management Programme as a higher degree track in 17 state universities and colleges. More recently, in collaboration with DOST, advanced courses related to artificial intelligence (AI), data analytics and other tech-driven fields are being offered in higher institutions of learning to meet the evolving demands of the industry.

While there is no systematic public data on IT-BPM programme graduates and employment outcomes, the Training for Work Scholarship Program (TWSP), where TESDA appropriated PHP 500 million (approximately, US$ 10 million) for the IT-BPM sector in 2011, provides useful insight. The report shows a 70 per cent employment rate among beneficiaries – higher than the 60 per cent average across all TWSP-funded programmes including for agri-business, tourism, health and wellness, electronics and semi-conductor sectors.[15]

From the outset, the government has recognized workforce development as the IT-BPM industry's backbone. Through non-formal and some formal training, skills training programmes were specifically tailored to the requirements of the sector. Today, in light of AI and automation, programmes are evolving to future-proof skills across industries.

Formal and informal training initiatives

The country's education system, comprising TESDA, CHED and DepEd, collaborates with the private sector to deliver customized training and update curricula.

TESDA accredits enterprise-based programmes, issues national certificates after assessments, and ensures alignment with global frameworks. Since 2018, the Philippine Qualifications Framework (PQF)[16] has enabled TESDA certificates to be recognized internationally, raising the employability and credibility of Filipino workers.

Training programmes are designed around industry needs. TESDA's technical-vocational education and training (TVET) programmes cover customer service, IT support, software development, animation, bookkeeping and more (see Table 9.10). Many are delivered through accredited TESDA training centres, schools and enterprise partners, often with scholarships available.[17] Other modules such as digital citizenship, communication skills, Microsoft Office, English as a Second Language or AI fundamentals are delivered as free online courses via the TESDA Online Program.

Table 9.10. Examples of TESDA skills training programmes for the IT-BPM sector

Programme	Key skills	Industry relevance
Contact Center Services NC II	Communication, customer handling, IT tools, English	Call centre agent roles
Computer Systems Servicing NC II	Hardware/software troubleshooting, networking	Supports IT helpdesk and infrastructure roles
Web Development NC III	HTML, CSS, JavaScript, CMS	ITO and KPO sectors
Animation NC II	Storyboarding, 2D/3D animation tools	Creative and multimedia outsourcing
Visual Graphic Design NC III	Adobe tools, layout design	Digital content and marketing
Bookkeeping NC III	Accounting, financial reporting, QuickBooks	Finance/accounting outsourcing
Programming NC IV (Java, C#, Python)	App development, debugging, database	Software development roles
Digital Literacy/Basic Computer Operation	Computer foundations	Entry-level digital roles

Source: TESDA.

Industry collaboration

TESDA partners with IBPAP and affiliated associations (e.g., Animation Council of the Philippines, Contact Center Association of the Philippines) to anticipate skills needs and train new hires. IBPAP was also financially supported to implement the Training Methodology Plus programme to upskill IT-BPM trainers.

When new skills emerge, TESDA develops training regulations with industry input. As technologies evolve, continuous updating and development of training regulations remains critical.

Table 9.11 offers examples of skills requirements gathered from the private sector, ranging from entry-level positions to highly specialized technical roles.

Table 9.11. Examples of technical job qualifications in the IT-BPM industry

Subsector	Technical jobs/skills qualifications
Animation	2D and 3D animation artist, storyboarders, digital ink and paint artist, video editor, motion graphics animators
Game development	Front-end and back-end game developer, user interface/user experience artist, game animator, digital editor
Contact centre and BPO	Customer service representative, workforce managers, computer transcriptionist, performance manager,* AI/data mining specialist,* big data project manager,* quality assurance/quality engineering and testing,* subject matter expert/(legal, engineering, architecture),* virtual assistant*
Information technology	Software developer, cloud administrator, augmented reality/virtual reality specialists, cybersecurity analysts, business analysts, researchers
Health information management services	Remote healthcare manager,* medical coding and billing,* telemedicine,* bioinformatics, medical claims representative*

Source: TESDA.

Note: * denotes high-demand roles as per TESDA (2021).

Other skills development initiatives

CHED has been updating curricula in AI, blockchain and quantum computing. It implements skills mapping and credit transfers to support lifelong learning and develops global academic linkages.

DepEd, in partnership with IBPAP, has enhanced the Work Immersion Program – a mandatory internship – for senior high school students and partnered with private firms (e.g., Canva, Khan Academy) to strengthen digital readiness.

In 2021, the DICT partnered with Microsoft to launch the DICT Workplace Learning and Development Platform – a free portal offering courses tailored to 21 digital job roles (e.g., IT support, cybersecurity, data analytics).

The DTI leads the Philippine Skills Framework which defines sector competencies and career pathways for curriculum design and HR planning. Skills frameworks for six sectors, including animation and game development, are already in place, with frameworks for AI, call centres and data analytics underway.

The PQF, institutionalized in 2012, ensures national and ASEAN alignment of credentials – enhancing global recognition while also increasing the risk of brain drain.

The Digital Cities programme, a joint DICT-IBPAP-Leechiu Property Consultants initiative decentralizes IT-BPM growth to other regional/provincial locations dubbed as “digital cities”. As of 2023, 30 cities have been identified as digital hubs based on talent availability, ICT infrastructure, cost-effectiveness and overall business environment, generating approximately 486,000 countryside jobs.[18]

Other programmes by various government departments designed to future-proof the workforce are discussed in Box 9.1.

Box 9.1. Future-proofing the IT-business process management workforce: various initiatives

SPARTA (Smarter Philippines through Data Analytics, R&D, Training and Adoption) under the DOST aims to build national capacity in data science and analytics through self-paced online training. For now, the six-month SPARTA training is focused on workers in the BPO, in academia and government but plans are afoot to open it to more interested participants.

The Centre for AI Research (CAIR), established by the DTI in 2024, is a national hub for collaborative AI-powered innovation, policy support and industry-academia joint research. It enables shared AI infrastructure, joint R&D, training programmes and commercialization of AI applications across sectors.

Examples of AI collaboration through CAIR include:

- Commissioned R&D from IT-BPM firms (e.g., machine learning tools, automation, fraud detection, customer analytics).
- AI Consulting and prototyping services.
- Joint innovation labs and training programmes with multinational tech companies.
- Alignment of TESDA’s AI-related programmes with industry research needs.
- Integration of AI content into DICT’s reskilling platforms.
- Graduate recruitment from SPARTA into research assistantships.

In the long term, CAIR aims to build a comprehensive AI talent pipeline – from TESDA short courses to SPARTA micro-credentials to university degree programmes, research internships and startup incubation.

Source: Compiled by the authors.

Marketing and other export promotion support

While the BOI and the PEZA are primarily tasked with attracting FDI, DTI's EMB[19] plays an important aftercare role. It supports both incoming investors and domestic enterprises seeking to expand into export markets.

For domestic firms – particularly those in emerging sectors such as animation, content development, and the gaming industry or healthcare information management – EMB provides crucial market information, capacity-building programmes and technical training. These include coaching on negotiation or pricing strategies, brand and project management, intellectual property protection, and marketing plan development.

EMB also facilitates the participation of Philippine businesses in international trade fairs and exhibitions. At times, the government sponsors a national pavilion where Philippine products and services are showcased. These platforms provide vital exposure and enable business-to-business (B2B) matching and networking between local companies and foreign partners.

Furthermore, EMB organizes inbound and outbound trade missions in coordination with DTI's Philippine Trade and Investment Center, the Foreign Trade Service Corps and other foreign trade posts. These missions often involve close collaboration with exporters, industry associations and chambers of commerce to select companies best suited to join such delegations.

While it is difficult to quantify the precise impact of these networking and promotional activities, historical performance suggests their effectiveness. For instance, the growth of the IT-BPM sector in the Philippines – particularly in call centres and CRM services – since the 1990s was bolstered in part by consistent government promotion and facilitation efforts.

Promoting goods vs. services

Export promotion activities, such as trade missions, networking events, B2B matching and participation in global fairs, are generally similar for goods and services. However, the nature of exhibitions differs. For goods, actual finished products are typically displayed. For services, there may be no physical product to showcase. Instead, participants often present project concepts, prototypes, storylines, or proof-of-concept demonstrations.

A notable example is the Filipino-American animation project *Sun Chaser*, rooted in Filipino mythology and identity. Developed by Bobby Pontillas and Bernard Badion, it won the “Animation du Monde” prize at the Annecy International Animation Film Market in France in 2025, while still in its pitch phase.[20] This success illustrates how services can be promoted and recognized even before final production.

Other Filipino animation projects have similarly gained international recognition, both in pitch and completed forms (see Table 9.12).

Participation in global festivals like these opens the door to international collaboration, partnerships with foreign studios, and potential funding. These events also foster strategic business and government-level engagement. For example, the Philippines and France signed a Cinematographic Co-Production Agreement in May 2025, enabling Filipino and French producers to jointly develop film, TV and animation projects recognized as domestic productions in both countries.[21]

In the gaming industry,[22] the Philippines now hosts the Annual Game Development Summit (GDS), an international event that convenes studios, developers and industry advocates to share insights, showcase innovations and explore collaboration. Much like Singapore's FinTech Festival, GDS boosts international visibility and supports the growth of Filipino game developers.

Beyond promotional events, EMB and DTI also play a crucial advocacy role. They mediate with

Table 9.12. Examples of international awards won by Filipino animators

Project	Who/What it is	Nature of award/contest
Sun Chaser	Story of a child caught between two worlds, exploring his own identity. Created by Bobby Pontillas and Bernard Badion.	Winner, Animation du Monde at Annecy International Animation Film Market 2025 in France (concept phase).
Iti Mapukpukaw (The Missing)	A full-length Filipino rotoscope/traditional animation by Carl Joseph Papa/Project 8 Projects.[23]	Best Feature Film, 17th International Animation Film Festival (IAFF) (Poland).[24] Best Animated Film, Asia Pacific Screen Awards.
Sulayman	A short animation film based on a Maguindanao folktale by Tuldok Animation Studios, directed by Nelson "Blog" Caliguia Jr.[25]	Best Animated Film, PENSACON Short Film Festival 2024; Best Traditional Animation, FantaSci (Florida) (completed short film).
IAMANNIKA	Short animation by Dan Verzosa (Tuklaw Films, De La Salle-College of Saint Benilde).[26]	Southeast Asia Audience Award, CRAFT International Animation Festival.

Source: Compiled by the authors.

other government agencies when regulatory issues arise that may hinder the growth of export industries.

For example, the Optical Media Board under the National Telecommunications Commission requires clearance for importing specialized equipment used in the video game industry. Due to concerns about potential misuse (e.g., for gambling), obtaining clearance can be difficult. DTI and EMB advocate on behalf of the industry to facilitate these imports.

Similarly, when jurisdictional disputes over taxation among local government units affect businesses operating in special economic zones, BOI and DTI mediate to resolve conflicts through dialogue.

In summary, promoting services exports differs in some respects from promoting goods. While goods rely on tangible products for exhibition, service exports – especially in creative industries – often depend on strong ideas, compelling pitches and early-stage concepts. What seems to yield the most impact is consistent visibility: being seen, heard and recognized both locally and globally.

Nonetheless, there are many overlapping strategies in promoting both goods and services: organizing regular trade missions and business delegations, offering market intelligence and delivering skills-building programmes (e.g., branding, negotiation, project management) remain effective tools in a comprehensive export promotion strategy.

Concluding remarks and policy recommendations

The Philippine IT-BPM sector has proven to be a dynamic and resilient driver of economic growth, employment and services exports. Its evolution from basic data encoding to a globally competitive industry offering higher-value services reflects the country's strategic positioning in the digital economy. With over 60 per cent of services exports attributed to IT-BPM activities, the sector continues to generate significant foreign exchange earnings and is a major source of employment as well as of inclusive and regional growth through initiatives like the Digital Cities programme. Consistent with international evidence that exporters tend to be big, the IT-BPM exporting sector is mostly composed of large domestic or multinational firms, with only around 17 per cent classified as SMEs.

Together with fiscal benefits, investment incentives and other export promotion/marketing support, the Philippines' IT-BPM industry has been built on a strong foundation of workforce development, supported by government-industry collaboration. While its traditional strengths in English proficiency and cost competitiveness remain, the future of the sector depends on its ability to pivot towards advanced skills, AI-driven capabilities and globally recognized certifications.

Despite its success, the industry faces persistent challenges that could hinder its long-term competitiveness. Infrastructure costs, regulatory challenges, and emerging talent shortages, especially in high-value segments, require targeted policy interventions. The government has responded with a suite of fiscal incentives, liberalization measures and talent development programmes, including TESDA's TVET offerings, CHED's curriculum reforms, and DTI's AI research initiatives to position its talent pool to expand into higher-value services and emerging technology domains.

The Philippines must also continue investing in digital infrastructure, streamline business processes, continue its collaboration with the industry and foster stronger linkages between industry and academia. By addressing growth constraints, leveraging its comparative advantages, and future-proofing its workforce for AI and automation, the country can solidify its role as a major global hub for IT-BPM services.

Annex 1. IT-BPM industries

PSIC code	Industry description	IT-BPM sector
	IT-BPM under Section J (Information and Communication Service Activities)	
J58190	Other publishing activities	High BPO
J58200	Software publishing	ITO
J59112	Pre and main production of traditional and 2D animation	ITO
J59121	Post-production of traditional and 2D animation	ITO
J59122	Post-production of 3D animation	ITO
J59123	Pre and main production of 3D animation	ITO
J62010	Computer programming activities	ITO
J62020	Computer consultancy and computer facilities management activities	ITO
J62090	Other information technology and computer services activities	ITO
J63111	Data processing	Low BPO
J63112	Website hosting services	ITO
J63113	Application hosting services	ITO
	IT-BPM under Section N (Administrative and Support Service Activities)	
N78103	Online employment placement agencies	High BPO
N82211	Customer relationship management activities	Low BPO
N82212	Sales and marketing (including telemarketing) activities	Low BPO
N82219	Other call centre activities (voice), n.e.c.	Low BPO
N82221	Finance and accounting activities	High BPO

PSIC code	Industry description	IT-BPM sector
N82222	Human resources and training activities	High BPO
N82223	Administrative support activities	High BPO
N82224	Document processes activities	High BPO
N82225	Payroll maintenance and other transaction processing activities	High BPO
N82226	Medical transcription activities	High BPO
N82227	Legal services activities	KPO
N82228	Supply chain management activities	High BPO
N82229	Other non-voice related activities, n.e.c.	High BPO
N82291	Engineering outsourcing activities	KPO
N82292	Product development activities	KPO
N82293	Publishing outsourcing activities	High BPO
N82294	Research and analysis activities	KPO
N82295	Intellectual property research and documentation activities	KPO
N82296	Security outsourcing activities	High BPO
N82299	Other back-office operations activities, n.e.c.	High BPO

Source: PSA and authors' contribution.

Note: The above PSIC classification is defined by the PSA. The classification by value chain segment (i.e., ITO, KPO, high and low BPO) is the authors' own.

Annex 2. Categories of IT-BPM services and the balance of payments

Outsourcing type	Example activities	EBOPS 2010 category
BPO (Business process outsourcing)	Call centres – HR and payroll –Data entry – Accounting services	**2.2.2 – Technical, trade-related and other business services** incl. payroll, accounting, call centres
ITO (Information technology outsourcing)	Software development – IT support – hosting – database management	**2.1.1.1 – Computer services** incl. software development, hardware support, hosting
KPO (Knowledge process outsourcing)	Market and financial analysis – legal services – R&D – engineering – business and management consulting	**2.2.1.1 – Research and development services** **2.2.1.2 – Business and management consulting and public relations services** **2.2.2 – Technical, trade-related and other business services** **2.3 – Financial services** (e.g., advisory, analysis)

Source: International Monetary Fund, Balance of Payments Manual 6.

Note: EBOPS=Extended Balance of Payments Services.

Annex 3. Top 20 Philippine services export partners (2023)

Partner	Exports (US$ billion)
United States	10.23
Hong Kong, China	4.95
China	3.68
Japan	3.43
Singapore	3.10
Germany	1.73
United Kingdom	1.71
Korea, Republic of	1.47
Switzerland	1.23
Ireland	1.15
Australia	1.11
Netherlands	1.07
Chinese Taipei	1.03
India	0.74
Thailand	0.73
France	0.67
United Arab Emirates	0.66
Canada	0.60
Saudi Arabia	0.56
Malaysia	0.46

Source: Asian Development Bank (2024).

Endnotes

1 The authors wish to acknowledge the research assistance of Dorothy Jean Castaneda, University of Asia and the Pacific.

2 ICT together with administrative support services – J (Information and Communication) and N (Administrative and Support Service Activities) Philippine Standard Industry Classifications (PSIC) – account for 8.6 per cent of FDI over the same period.

3 See Annex 1 and 2 for subsectors included in the IT-BPM industry. Advice and support for financial services are also included in the IT-BPM industry based on the PSIC. However, presumably based on Annex 2, their export revenues are not part of financial services as per the balance of payments manual.

4 https://www.businessresearchinsights.com/market-reports/it-bpm-market-124706.

5 Based on 2022 estimates of a 1.5 million headcount for the Philippines vs. 9–9.5 million global workforce (IBPAP, 2023).

6 Official PSA estimates of employment differ from the IBPAP headcount. In an interview with a government official, he conjectured that the PSA survey may not be able to capture the "verticals" in the IT-BPM industry, i.e., the Global In-house Centres, for multinational banks for example, which may be classified in the PSA survey under financial institutions, instead of under IT-BPM.

7 https://www.gabtechglobal.com/blog/exploring-the-course-the-philippines-it-bpm-journey-to-2028.

8 Annex 1 has details of the sectors within high- and low-end BPOs, as identified by the authors.

9 https://www.movate.com/articles/outsourcing-bpo-services-to-the-philippines-the-global-leaders/.

10 See Annex 3 for major BPO export destinations.

11 The Common Tower Policy is the recently introduced government policy that seeks to promote a shared, efficient and cost-effective telecom infrastructure ecosystem across the country. Under the policy, towers built by telephone companies or mobile operators should allow sharing or co-location, i.e., other telecom companies can install equipment (e.g., antennas, transmitters, radio frequency (RF) modules), ensuring open-access and non-exclusivity under transparent, fair and non-discriminatory terms.

12 https://www.worldbank.org/en/businessready/economy/philippines.

13 See for example, Revilla (2016).

14 https://firb.gov.ph/firb-approves-transfer-of-registered-it-bpm-enterprises-to-boi-irons-out-long-standing-wfh-problem/.

15 https://www.tesda.gov.ph/Media/NewsDetail/349.

16 Aligned with international standards such as the ASEAN Qualifications Reference Framework.

17 Scholarships are available under the Training for Work Scholarship Program (TWSP).

18 https://cms-cdn.e.gov.ph/DICT/pdf/Digital-Cities-2025-Primer.pdf.

19 EMB resulted from the merger of the former Bureau of Export Trade and Promotion and parts of the Center for International Trade Expositions and Missions and other trade promotion arms.

20 https://www.animationmagazine.net/2025/06/disney-veteran-bobby-pontillas-details-his-fun-new-filipino-series-sun-chaser/.

21 https://www.philstar.com/entertainment/2025/12/14/2493983/co-production-pact-opens-new-era-philippines-french-film-industries.

22 In the IT-BPM industry, EMB's focus is now less on the more stable and better internationally known call centre and CRM BPOs but more on other IT-BPM sectors like animation and game development, as well as healthcare information management systems where higher growth for Philippine exports are anticipated.

23 https://philstarlife.com/geeky/748933-iti-mapukpukaw-best-feature-film-17th-iaff-animator.

24 https://www.gmanetwork.com/news/lifestyle/content/911849/iti-mapukpukaw-best-feature-film-17th-iaff-animator-poland/story/.

25 https://culturalcenter.gov.ph/press-release/sulayman-a-contribution-to-the-future-generation/.

26 https://www.adobomagazine.com/advertising-awards/animation-award-winning-benilde-film-iamannika-bags-international-prize/.

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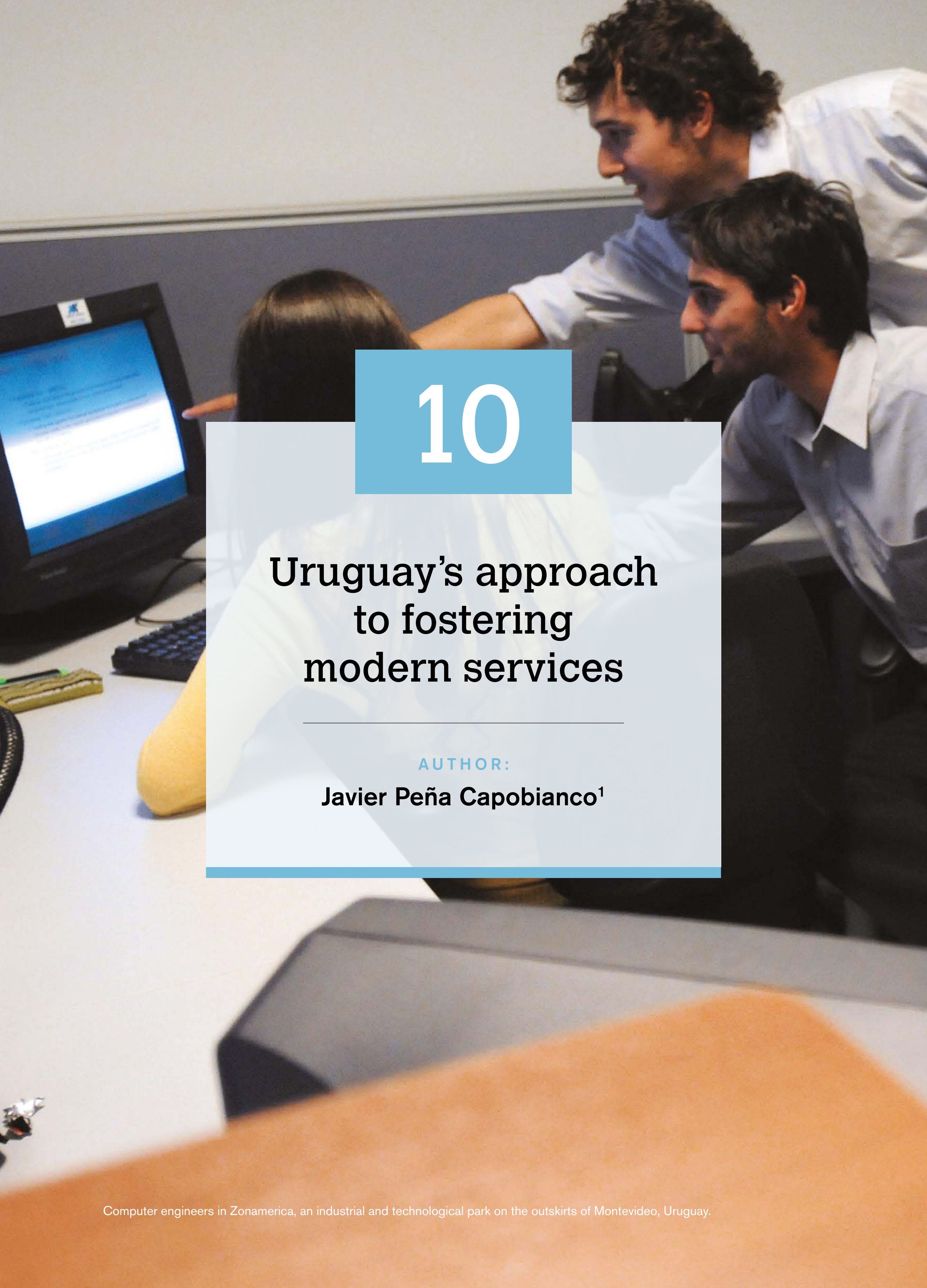


10

Uruguay’s approach to fostering modern services

AUTHOR:

Javier Peña Capobianco[1]

Computer engineers in Zonamerica, an industrial and technological park on the outskirts of Montevideo, Uruguay.

Abstract

This chapter examines Uruguay's approach to promoting services exports, focusing on modern services, one of the country's most dynamic parts of the economy. It reviews the policies to foster this sector, drawing on secondary data, stakeholder interviews and relevant literature. The findings suggest that Uruguay's performance results from the interplay of multiple enabling factors embedded in its domestic context.

Chief among these are long-standing macroeconomic and institutional stability, a predictable regulatory environment, and the availability of highly skilled human capital, which are intangible assets that have proven critical to the sector's growth. Additionally, Uruguay benefits from a high-quality digital infrastructure. These foundational elements have been complemented by targeted fiscal incentives (notably through the free trade zone and software regimes), specialized institutional support (Uruguay XXI), sector-specific training programmes ("Finishing Schools"), and early private-sector leadership by internationally oriented entrepreneurs.

Key points

Main achievements and impacts:

- Services have become a key pillar of Uruguay's economy, accounting for 73 per cent of gross domestic product (GDP), 72 per cent of employment, and roughly 30 per cent of total exports.
- Modern services (information technology (IT), business services, creative industries, architecture and engineering) now account for nearly 57 per cent of services exports, and 5 per cent of GDP, reaching US$ 3,949 million in 2024.
- Uruguay has successfully attracted major multinational investors in IT, finance and shared services, while also fostering the internationalization of local firms.
- The Inter-American Development Bank (IDB)-supported Global Services programme (2012–2018) consolidated dispersed efforts into a structured framework, combining investment attraction, export promotion and talent development.
- Institutionalizing the programme within Uruguay XXI ensured continuity after IDB funding ended, maintaining specialized staff and prioritizing sectoral segments.

Key enabling factors:

- Long-standing political and macroeconomic stability, with predictable policy continuity despite changes in government.
- A credible regulatory framework, including the free trade zone regime and software tax exemptions, offering investors long-term legal certainty.
- High-quality human capital, reinforced through targeted initiatives such as so called “Finishing Schools”.
- Robust digital infrastructure, with 91 per cent of households connected to fibre optic cable; Uruguay is Latin America's first country to launch 5G.
- Early leadership of internationally oriented entrepreneurs who identified cross-border opportunities and invested in free trade zones and IT ventures.

Good practices:

- Creation of an aftercare unit to encourage reinvestment and improve investor satisfaction.
- Development of public–private coordination spaces, e.g., the Video Games Roundtable for sector-specific collaboration.
- Integration of country branding with services promotion, positioning Uruguay as a stable, reliable hub for knowledge-intensive activities.
- Addressing gaps in technical and language skills to meet market demand.

Challenges:

- Lack of a clear, overarching national strategy. Efforts remain fragmented between various stakeholders. Requirement to improve inter-institutional coordination to align sectoral boards, innovation initiatives (e.g., Uruguay Innovation Hub), and long-term strategic planning.
- Disruptive trends such as artificial intelligence and the rise of peer-to-business microsourcing models that bypass traditional firms, need to be addressed.
- Need to adapt fiscal incentive regimes to comply with the Organisation for Economic Co-operation and Development (OECD) Global Minimum Tax, while preserving Uruguay's credibility and competitiveness.

Services exports and foreign direct investment (FDI) dynamics

"*We chose Uruguay for three main reasons. The first was its government, which offered economic and social stability, ease of doing business, minimal bureaucracy, and low levels of crime and corruption. The second was the quality of its internet connection – an essential factor for our company, as we rely on data transmission to support our team and technologies. However, the most important factor was human resources, as our services depend on people*."

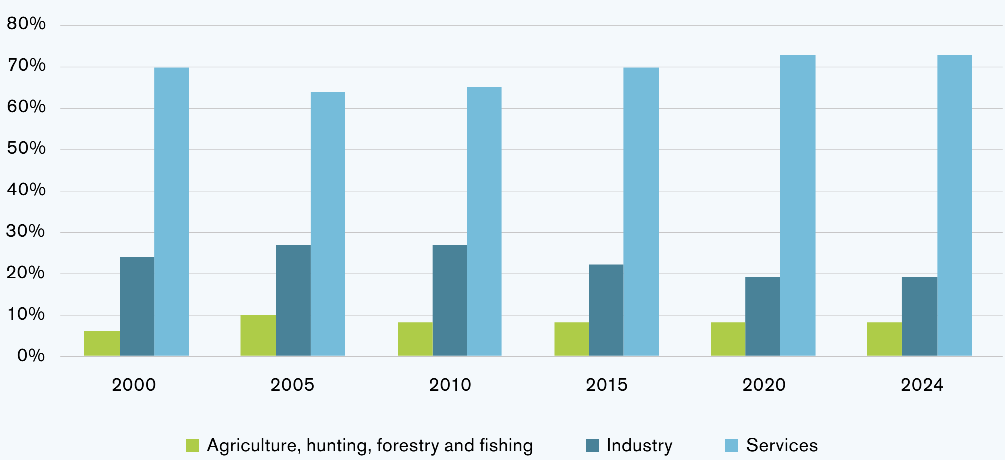
Berthold Ebner, Former General Manager – BASF Services Americas (Uruguay XXI, 2024b).

The services sector has become a key pillar of Uruguay's economy and international trade. Over the past two decades, services have consistently contributed a rising share of GDP, employment, FDI and exports. This structural transformation reflects Uruguay's success in positioning itself as a competitive service-exporting country in the region. This section highlights key quantitative indicators to show the growth and specialization of the services economy, focusing on the increasing significance of modern services (computing, business, intellectual property and financial services) (Loungani et al., 2017; WTO and World Bank Group, 2023), especially in comparison to traditional services (transport and travel).

Services as a pillar of Uruguay's economy

Over the last two and a half decades, the services sector has become a key driver of Uruguay's economy and international trade. As of 2024, services accounted for 73 per cent of the country's GDP – up from 70 per cent in 2000 – placing Uruguay on par with advanced economies such as Italy (73 per cent), Germany (71 per cent), Japan (70 per cent), and Canada (70 per cent) (UNCTAD, 2025). Simultaneously, the contributions of manufacturing and agriculture fell, reflecting a shift towards a service-based economy (see Figure 10.1).

Figure 10.1: Structure of GDP by economic sector (as % of GDP), 2000–2024



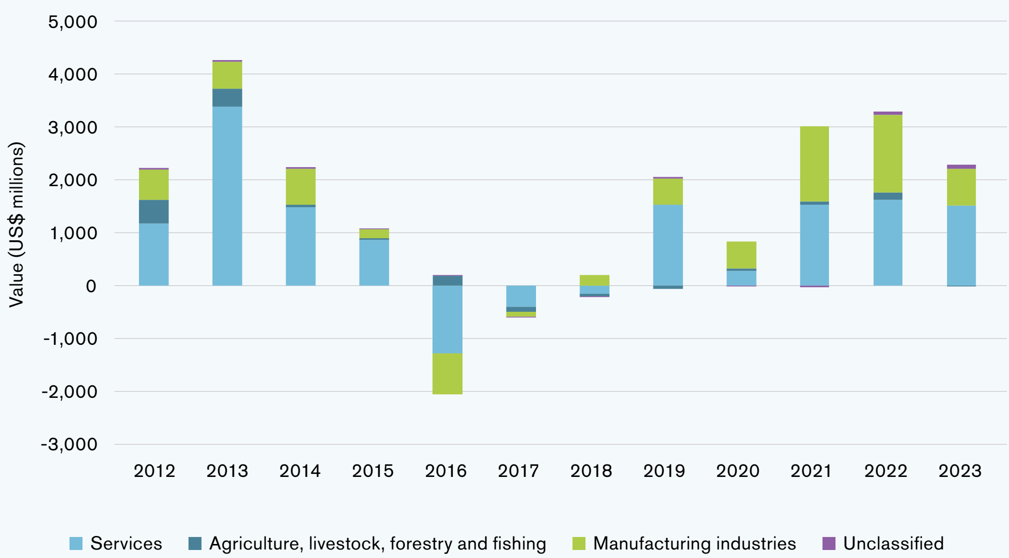
Source: Drawn up by the author based on UN Trade and Development (UNCTAD) (2025).

The sector also plays a dominant role in employment, accounting for 72 per cent of all jobs. This reflects a notable shift from the early 1990s, when services employed 66 per cent of the workforce. Importantly, services are a central channel for women's participation in the labour market. Today, 87 per cent of employed women work in services, compared to 60 per cent of men. While male participation in services has remained relatively stable over the past two decades (from 59 per cent in 2004 to 60 per cent in 2023), female participation has risen from 83 per cent to 87 per cent during the same period (World Bank, 2025).

Additionally, employment conditions in services exporting companies are generally better than those in companies focusing on the domestic market. Export firms tend to pay higher wages. Also, the workforce has distinct characteristics: it is younger, more educated, and the proportion of female workers is higher than in the broader labour market. Nevertheless, gender disparities persist as female workers are concentrated in routine, part-time, or lower-paying roles. In contrast, men dominate more technical, full-time and higher-paying positions (Couto and Lalanne, 2022).

Regarding FDI, over the past two decades, the services sector has played a central role. It was the leading recipient of FDI in 2012–2015, in 2019 and between 2021 and 2023. Between 2012 and 2023, services attracted an average of US$ 962.1 million in FDI per year – almost double the average received by the manufacturing sector (US$ 483.4 million) and over 10 times the amount directed to agriculture, livestock, forestry and fishing (US$ 90.8 million) (see Figure 10.2). Most services investments have targeted non-traditional sectors, particularly financial and insurance services, professional, scientific and technical activities, and information and communication technologies. These inflows are primarily investments in services, with multinational enterprises establishing affiliates in Uruguay to serve their headquarters and/or regional subsidiaries throughout Latin America and beyond (Uruguay XXI, 2024a).

Figure 10.2: Inward FDI flows (US$ million), 2012–2023



Source: Drawn up by the author based on data from the Central Bank of Uruguay (2025).

Uruguay's services exports

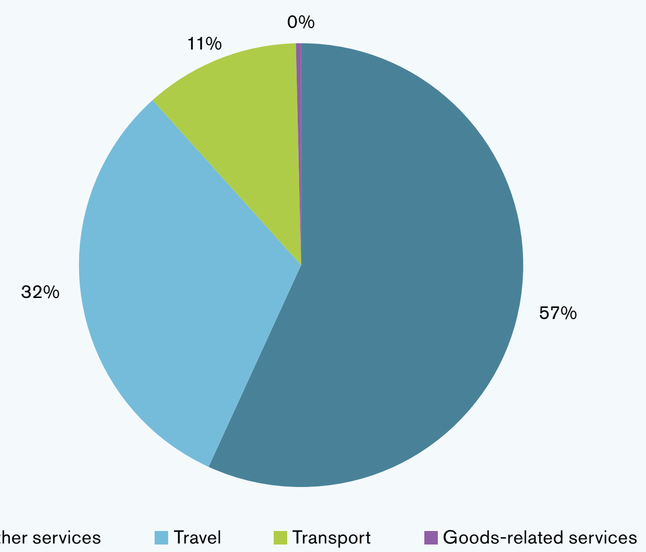
A key driver of this growth has been the rapid expansion of modern services, defined in this study as the commercial services category in the balance of payments, minus transport, travel, and goods-related services (i.e., other commercial services). In 2024, modern services accounted for US$ 3.9 billion, or 57 per cent of total services exports, while travel (32 per cent), transport (11 per cent), and goods-related services (less than 1 per cent) account for the rest (Central Bank of Uruguay, 2025) (see Figure 10.3).

As seen in Table 10.1, over the past decade, modern services have grown at a compound annual growth rate (CAGR) of 5.5 per cent, while travel services fell by -0.3 per cent, transport services increased modestly by 2.7 per cent and goods-related services fell by -0.74 per cent. Uruguay's export specialization in modern services is also evident in per capita terms: in 2024, modern services per capita reached nearly US$ 1,150, second only to Costa Rica in the region (Giordano, 2024). The most dynamic subsectors within modern services have been telecommunications, computer and information services (11.9 per cent CAGR between 2015 and 2024), and charges for using intellectual property (11.7 per cent CAGR) (Central Bank of Uruguay, 2025).

Foundations of Uruguay's approach to fostering a competitive services ecosystem

In addition to the relevance of services in Uruguay's GDP, trade, FDI and exports, the country consistently ranks among the top performers in Latin America across a range of international governance indices (Table 10.2). These rankings highlight four key enabling pillars of Uruguay's business environment, which, according to international organizations and consultancy firms, have been instrumental in the country's approach to fostering modern services: (i) macroeconomic and institutional stability;

Figure 10.3: Share of services exports by sector (%), 2024



Source: Drawn up by the author based on data from the Central Bank of Uruguay (2025).

Table 10.1: Exports of commercial services, 2024 (balance of payments)

Services segment	Total exports (US$ million)	Compound annual growth rate (%), 2015–2024	Share of total exports (%)	Share of total services exports (%)	Share of GDP (%)	Per capita exports (US$)
Total services	**6,948**	**2.95**	**29.78**	**100.00**	**9.00**	**2,017.27**
Transport	784	2.71	3.36	11.28	1.02	227.62
Travel	2.189	-0.27	9.38	31.51	2.83	635.55
Goods-related services	26	-0.74	0.11	0.37	0.03	7.55
Other commercial services	**3,949**	**5.48**	**16.93**	**56.84**	**5.11**	**1,146.54**
Insurance and pension services	54	7.18	0.23	0.78	0.07	15.68
Financial services	347	0.60	1.49	4.99	0.45	100.75
Charges for the use of intellectual property	115	11.71	0.49	1.66	0.15	33.39
Telecommunications, computer and information services	1,354	11.92	5.80	19.49	1.75	393.12
Other business services	1,923	3.77	8.24	27.68	2.49	558.32
Personal, cultural and recreational services	99	1.90	0.42	1.42	0.13	28.74

Source: Drawn up by the author based on data from the Central Bank of Uruguay (2025).

(ii) rule of law and regulatory frameworks; (iii) workforce capacity and adaptability; and (iv) technological infrastructure.

Firstly, Uruguay stands out for its institutional and macroeconomic stability, which are critical assets for developing the modern services sector. The country has experienced smooth power transitions among ideologically diverse governments yet has maintained a consistent orientation towards modern service sector development. Macroeconomic indicators further reinforce this stability. Uruguay has Latin America's highest GDP per capita (World Bank, 2025), has low inflation rates, and enjoys investment-grade ratings from major international credit agencies.

Reflecting this environment, Uruguay holds the highest regional ranking in democratic governance (15th globally), surpassing advanced economies such as France, the United Kingdom and the United States (Economist Intelligence Unit, 2025). It also ranks second in Latin America in terms of peace (Institute for Economics and Peace, 2024), economic freedom (Heritage Foundation, 2025) and prosperity (Legatum Institute, 2023) and is considered the region's second most attractive destination for FDI (Milken Institute, 2025). Additionally, Uruguay ranks fifth regionally in economic diversification (MBRSG, 2025).

Secondly, Uruguay's regulatory predictability and adherence to the rule of law are among its most distinctive features. The country exhibits the lowest perceived levels of corruption in the region (13th globally), according to Transparency International (2024). It also maintains a robust protection of civil liberties and property rights, which is critical for firms offering data-sensitive services.

Thirdly, the quality and adaptability of Uruguay's talent pool constitute a key competitive advantage. Uruguay ranks second in Latin America in workforce competitiveness (INSEAD, 2023) and third in English proficiency (EF Education First, 2024).

Fourthly, Uruguay has invested in robust digital infrastructure. The country leads the region in internet connectivity, with 91 per cent of households connected, and was the first in Latin America to deploy a nationwide 5G network. Fibre-optic coverage is widely available, supporting the needs of firms that depend on real-time data processing and high-speed digital communication.

The interaction of these four dimensions – institutional and macroeconomic stability, regulatory predictability and rule of law, the quality of human resources, and solid digital infrastructure – creates a unique environment for developing modern services in Uruguay. As a result, Uruguay is part of service location rankings, including the latest editions of the Kearney Global Services Location Index (see Table 10.2 for detailed information).

Over the past few decades, Uruguay has also established targeted sectoral strategies and institutions for traditional services (travel and transport). Tourism, a long-standing cornerstone of the national economy, has been overseen by a dedicated ministry (MINTUR) since 1986, maintaining an institutional framework that has endured through successive political administrations. Similarly, the logistics sector gained institutional importance in 2010 with the establishment of the National Logistics Institute (INALOG). This public–private coordination platform involves key stakeholders from business chambers, government ministries, and regulatory agencies. While these initiatives reflect Uruguay's broader commitment to services export development, this study focuses specifically on modern services or other commercial services – an area that, due to its dynamism and increasing export share, now occupies a central role in the country's economy (see Table 10.1 for more detailed information).

Table 10.2: Key competitiveness and enabling environment indicators for modern services (2023–2025)

Indicator	Institution	Year	Global rank	LAC* rank	Relevance to modern services
Democracy Index	Economist Intelligence Unit	2024	15/167	1st	Institutional stability, governance
Freedom in the World	Freedom House	2024	17/210	1st	People's access to political rights and civil liberties
Corruption Perception Index	Transparency International	2024	13/180	1st	Rule of law, business climate
WJP Rule of Law Index	World Justice Project (WJP)	2024	24/142	1st	Rule of law, business climate
Global Opportunity Index	Milken Institute	2025	44/116	2nd	FDI attractiveness
Index of Economic Freedom	Heritage Foundation	2025	29/176	2nd	Macroeconomic stability, market openness and investment freedom
GDP per capita (current US$)	World Bank Group	2023	62/218	1st	Consumption capacity and macroeconomic and institutional attractiveness

Table 10.2: Key competitiveness and enabling environment indicators for modern services (2023–2025) (cont.)

Indicator	Institution	Year	Global rank	LAC* rank	Relevance to modern services
Inflation, consumer prices (annual %)	World Bank Group	2024	103/218	12th	Macroeconomic attractiveness
Credit rating	S&P Moody's DBRS	2025	56/172	2nd	Macroeconomic attractiveness
Global Peace Index	Institute for Economics and Peace	2024	52/163	2nd	Institutional stability and societal safety
Legatum Prosperity Index	Prosperity Institute	2023	38/167	2nd	Wealth, economic growth, personal well-being and quality of life
Global Economic Diversification Index	MBRSG**	2025	59/114	5th	Economic diversification
Global Talent Competitiveness Index	INSEAD***	2023	43/134	2nd	Workforce quality
International Property Rights Index	Property Rights Alliance	2024	25/125	1st	Protection of innovation and intangible assets, FDI attractiveness and institutional quality
EF English Proficiency Index	English First (EF)	2024	36/116	3rd	Service delivery capacity in English-speaking markets
Worldwide Broadband Speed League 2024	BestBroad bandDeals	2024	14/229	1st	Access to cloud services and digital tools, and real-time integration with clients and global teams
Global Services Location Index	Kearney	2023	58/78	9th	Offshore attractiveness for modern services

Source: Drawn up by the author based on institutional reports (2023–2025).

Notes: *LAC – Latin America and the Caribbean; **MBRSG – Mohammed Bin Rashid School of Government; ***INSEAD – Institut européen d'administration des affaires.

Overall export promotion strategy and public-private sector coordination

Uruguay's strategy for developing the modern services sector has evolved gradually over the past 20 years. The country relies on a framework built on tax incentives, institutional support, and targeted human capital development programmes. Uruguay has implemented a de facto approach, notable for its consistency over time, even through successive government changes.

Building a modern service sector without an explicit strategy

Unlike goods, where export promotion strategies are usually clear due to longstanding tools, measurable results, and the historical importance of agriculture and manufacturing, services face unique challenges in strategy development. Their intangibility, heterogeneity and rapid technological changes make creating comprehensive strategies in the early stages challenging. Additionally, the growth of modern services as a globally tradable sector is relatively recent, only gaining significant international attention in the 1990s and 2000s. This might explain why no explicit national strategy appeared in Uruguay during that period, despite the sector's increasing importance. Instead, the country relied on a strategy in practice based on macroeconomic and institutional stability, regulatory trust, talent availability, free trade zone regimen, and early private initiatives – especially in finance and IT – giving the sector its initial international exposure.

The lack of an explicit strategy also highlights a broader debate: whether it is better to promote entirely new sectors without prior domestic development or to add value to traditional industries. For example, Chile's international success in engineering services mainly comes from its copper mining specialization, leveraging services capabilities rooted in existing industrial strengths. Conversely, Uruguay pursued modern services without an established industrial base, partly explaining its de facto strategy based on horizontal enablers (e.g., human capital, digital infrastructure, stability and tax incentive regimes such as free trade zones) rather than a sector-specific strategy during the early stages. Over time, as services exports reached a critical mass, Uruguay XXI's Global Services programme was created in 2012, which unified previously fragmented initiatives into an organized promotional framework (see Box 10.1).

The gradual approach to fostering the sector reflects a consistent set of regulatory and institutional milestones, leading to a strategy in practice, that has remained stable over time, despite changes in political leadership. One of these key regulatory milestones was the Free Zone Law of 1987, which provided investors with strong legal guarantees, including exemptions from all present and future national taxes. Although not initially designed for modern services, the private sector's ability to capitalize on this enabling environment proved pivotal.

The framework quickly became attractive to international firms. Financial companies were among the first to establish operations in Uruguay's free zones, particularly in Zonamerica, which was launched in 1990 and began attracting foreign firms by 1997. In the early 2000s, Zonamerica expanded its scope to include software companies, call centres and trading operations. By 2014, new free trade zones explicitly focused on modern services in urban areas (see further details on the free trade zone regime in the next section – Services export promotion – and Table A1 in the Annex).

In addition, by the late 1990s, when the IT sector's export potential became clear, the government implemented targeted measures to reduce the tax burden on firms outside the free trade zones. This included declaring software production a national interest and granting income tax exemptions for software exports in 2000 (Bianchi and Snoeck, 2010).

As mentioned, Uruguay's strategy for expanding its modern services sector has gradually developed through a grassroots approach, creating a supportive regulatory and institutional environment. When Uruguay XXI launched the Global Services programme in 2012, with financial and technical support from the IDB, it represented the country's first organized attempt to set sector priorities and unify promotional activities. Its primary objectives were to boost Uruguay's international presence in modern services and to increase the supply of skilled human capital in the sector.

Uruguay XXI forms the core of the institutional framework for FDI and export promotion. As a public–private organization, it is governed by a 10-member board comprised of representatives from five ministries, four private-sector delegates, and its executive director. The agency has four key departments: Export Promotion, Investment and Aftercare, Competitive Intelligence, and Country Branding.

As a result of the Global Services programme, Uruguay XXI developed a comprehensive 360-degree strategy for sector promotion aimed at (i) attracting new foreign companies, (ii)

Box 10.1. Uruguay's Global Services programme (2012–2018)

The Global Services programme, implemented from 2012 to 2018 with support from the IDB, was Uruguay's comprehensive strategy to establish the country as a hub for modern services exports. Managed by Uruguay XXI, the national investment and export promotion agency, the programme aimed to address structural barriers facing the sector, including Uruguay's weak international reputation as a services location, with a limited supply of highly skilled human capital, and specific regulatory rigidities.

The main goal was to help grow Uruguay's modern services exports market through a two-pronged approach: strengthening Uruguay XXI's ability to identify, attract and keep investors while supporting domestic companies joining global value chains. To achieve this, the Global Services programme used two key tools: promoting investments and exports and developing human capital for the services industry.

The Global Services programme made a significant contribution to sectoral development. From 2014, the programme supported the realization of 22 new investments in the modern services sector – comprising nine greenfield investments, nine expansions of existing firms in the country, and four mergers and acquisitions that resulted in the expansion of current operations. Since receiving programme support up until 2018, these investments generated approximately 1,950 new jobs and added around US$ 445 million to Uruguay's modern services exports (Alvarez et al., 2018). Simultaneously, the programme supported local companies' internationalization by enabling their participation in promotional events abroad, increasing their visibility through the "Uruguay Smart Services" brand, and promoting public–private collaboration that allowed smaller firms to benefit from the sector's collective positioning.

Human capital development was the programme's second primary focus. Through the Finishing Schools scheme, over 5,000 people received training in technical, language and soft skills aligned with industry needs (Alvarez et al., 2018). The programme also launched Smart Talent, a labour intermediation platform for the modern services sector. After the programme became part of Uruguay XXI in 2018, funding for Finishing Schools was moved to the National Institute for Employment and Professional Training (INEFOP). However, the scheme has continued to operate with the same rapid and straightforward approach as in its original design (see Section 10.5 – Skills development initiatives – for detailed information).

The evaluation of the Global Services programme highlighted several lessons. First, integrating investment promotion with enterprise internationalization and talent development created significant synergies, supporting the growth of a modern services ecosystem in Uruguay. Second, institutionalization proved vital for sustainability: including Finishing Schools in national policy frameworks ensured continuity beyond the project cycle. Third, although attracting new investors was effective, limited efforts in proactive international positioning, such as establishing offices abroad or regularly participating in global rankings, restricted a greater impact. Lastly, an unexpected but crucial result was the development of public–private synergies in the modern services sector, which fostered social capital, reduced coordination costs, and provided a consistent narrative to promote modern services internationally (Alvarez et al., 2018).

Overall, the Global Services programme experience showed that simultaneously addressing foreign investors, local businesses and human capital can build lasting capabilities for fostering modern service exports.

Source: Drawn up by the author based on Uruguay XXI information.

supporting the growth of existing ones, and (iii) encouraging the internationalization of local firms. The programme focused on four key sectors: business services, pharmaceuticals and health, information technology, and architecture and engineering. It established a specialized team to implement integrated strategic plans and targeted tools. Among these, two mechanisms stood out: creating a dedicated aftercare unit to support reinvestment by current investors and launching Finishing Schools, a co-financing programme for firm-specific training in technical and soft skills. The Global Services programme strengthened the sector's institutional foundations and clearly defined Uruguay's strategy for promoting modern services.

When IDB funding for the Global Services programme ended, the initiative was integrated into Uruguay XXI. This ensured continuity, as specialized staff and the sectors prioritized by the programme remained in place. However, the governance model changed: while the programme previously connected an integrated sectoral strategy that combined FDI, exports and talent development, responsibilities are now divided among the agency's existing departments. Segments mainly composed of domestic firms, such as audiovisuals, video games, architecture and engineering, are managed by the Export Promotion Department, while those led by foreign investors, like corporate service centres, fall under the Investment Promotion Department. Due to its hybrid nature, both departments continue to address the IT sector. Coordination between these departments occurs at the executive level, where professionals share information, align strategic goals and collaboratively plan events and initiatives.

While Uruguay XXI regularly engages public and private stakeholders through annual and ad hoc consultations, no dedicated institution is currently responsible for defining a long-term strategic plan for developing modern services exports. Multiple actors, including the Ministry of Economy and Finance, the Ministry of Industry, the Ministry of Foreign Affairs, the National Research and Innovation Agency (ANII), the National Development Agency (ANDE), and the Central Bank of Uruguay (BCU), are involved in services-related policymaking. The lack of a coordinating authority beyond promotional efforts has led to a perception of institutional overlap and fragmented mandates among public entities (Peña Capobianco et al., 2020). This presents a challenge, especially with emerging issues such as artificial intelligence, or initiatives like the OECD's global tax, which could erode tax incentives in economies such as Uruguay.

Nonetheless, the lack of a centralized mechanism for defining a comprehensive strategy for developing the modern services sector, similar to Chile's Technical Public-Private Committee on Services Exports, has not hindered progress in specific subsectors. A good example is the establishment of the Video Games Roundtable in 2016, which has successfully encouraged coordination among key public and private stakeholders to support the growth, professionalization and exports of the video game industry.

This interinstitutional working group includes the Ministry of Industry, Energy, and Mining, through its National Telecommunications Directorate; Uruguay XXI; the Creative Industries Department of the Ministry of Education and Culture; the National Telecommunications Administration; Ingenio, the Technological Laboratory of Uruguay's (LATU) technology incubator; and the Uruguayan Chamber of Video Game Developers (CAVI). The roundtable promotes participation in international events, organizes domestic activities such as Level-Uy, and conducts training workshops with national and international experts.

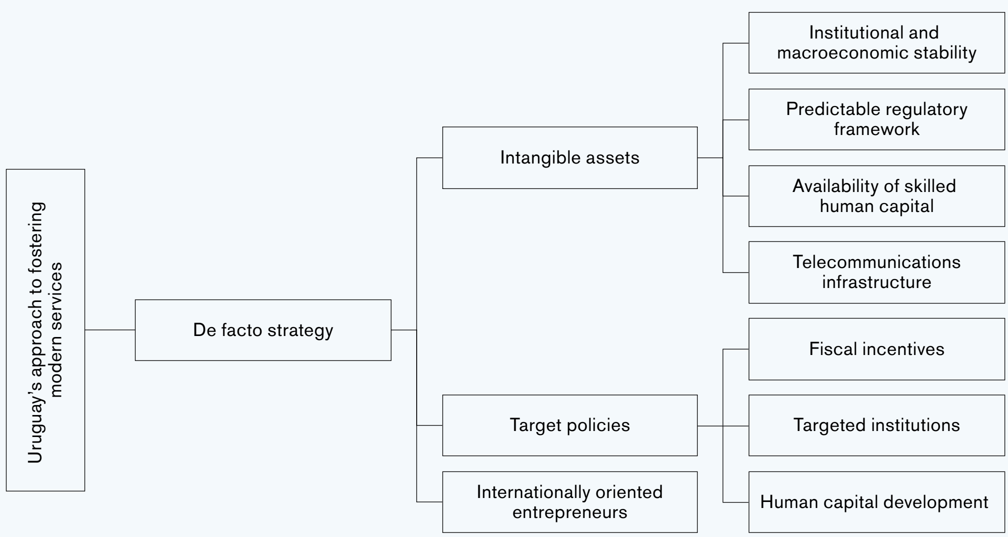
In recent years, Uruguay has launched broader innovation initiatives aligned with a de facto strategy that has gradually developed to support the modern services sector. One such initiative is the Uruguay Innovation Hub (UIH), a national strategy launched in 2023 to strengthen the country's innovation and entrepreneurship ecosystem in advanced digital technologies, biotechnology and green technologies. The UIH is governed by a high-level steering committee composed of representatives from the Ministry of Industry, Education and Economy, the Office of Planning and Budget, and the ANII. The UIH promotes science, technology, and innovation projects in partnership with the private sector.

Since its establishment, the UIH has launched two initiatives: the Acceleration Programme, which promotes public–private partnerships to develop training programmes for startups; and the Company Building Programme, specifically designed to support the creation of biotechnology firms. In 2024, the initiative established an Innovation Campus within the LATU technology park, fostering collaboration among startups, venture capital funds, academia and international innovation hubs, including La Nave (Spain), Cubo (Brazil), NewLab (United States), and Station F (France).

In 2025, a newly elected government launched Uruguay Innova, a strategic programme to strengthen the national science, technology, and innovation system. Structured around four pillars – knowledge, innovation, internationalization, and regulatory quality – the initiative also includes the creation of a Secretariat for Science and Knowledge Generation tasked with advising the government's Executive Branch on long-term innovation policy.

In summary, Uruguay's modern services strategy reflects a de facto approach built on the country's intangible assets – macroeconomic and institutional stability, regulatory predictability, a skilled talent pool, and robust telecommunications infrastructure (see Figure 10.4). Over time, these contextual advantages have been complemented by specific tools, such as tax incentives in free zones and the software sector. Notable progress was made through the Global Services programme and ad hoc coordination efforts led by Uruguay XXI; however, the lack of a permanent, cross-cutting governance mechanism remains a challenge that could limit the sector's future growth. Strengthening inter-institutional alignment and institutionalizing long-term coordination will be essential to solidifying Uruguay's position in an increasingly competitive modern services market, especially as the country faces emerging challenges such as the disruptive effects of artificial intelligence and the implications of the OECD Global Minimum Tax.

Figure 10.4: Uruguay's approach to fostering Global Services



Source: Prepared by the author based on his own analysis.

Services export promotion

Uruguay has established a specialized institutional framework to promote the internationalization of its modern services sector. The national trade and investment promotion agency, Uruguay XXI, has launched various initiatives based on four main pillars: professionalization, support for commercial management, prospection, and dissemination. The Export Promotion Division mainly targets IT, the creative industries and professional services. This focus stems from the presence of local companies in these sectors. Meanwhile, responsibilities for the IT sector are shared with the Investment Division.

Institutional support and tools for modern services promotion

In order to promote the internationalization of services companies, Uruguay XXI applies its strategy across various sectors, with modifications to meet the specific needs of industries such as 1) information technology, 2) architecture, engineering and construction, 3) creative industries such as video games, audiovisuals, advertising, music and publishing, and 4) fashion and design.

The professionalization pillar includes export readiness and investment readiness programmes that train firms to overcome challenges to internationalization. This involves workshops on preparing pitches for global investors, mastering sector-specific business practices, and developing the managerial skills needed to compete internationally. Tailored interventions are offered based on the subsector; for example, in the editorial industry, Uruguay XXI organized masterclasses in 2025 with leading publishers from Spain and Brazil to introduce local firms to international publishing practices.

The agency also provides the Exporter's Test, an online self-diagnostic tool that evaluates a firm's export readiness and guides the development of a plan for entering international markets. Specifically for service firms, a self-assessment tool – developed within the Latin American Services Association framework, in which Uruguay XXI participates alongside 27 public and private institutions from the region – helps companies identify capacity gaps and offers tailored recommendations for international expansion. The Export Skills Training Programme includes workshops and technical courses on key aspects of international trade, from general marketing strategies to advanced methods such as Building Information Modeling for engineering services.

The second pillar, supporting commercial management, emphasizes helping companies participate in international trade fairs, trade missions, and networking events. These activities include cost-sharing mechanisms that balance public funding with private contributions, making them accessible for small and medium-sized enterprises (SMEs) while ensuring participant commitment. For example, during the trade mission to Paraguay in 2025 for the IT and architecture sectors, Uruguay XXI co-financed up to 60–70 per cent of agenda coordination costs for SMEs, while larger firms covered their own expenses.

The Export Promotion Department builds institutional connections with other public agencies, such as ANDE or ANII, which offer various programmes for companies. Uruguay XXI also collaborates with sectoral associations such as CUTI (information and telecommunications technology), CAVI (video games), and CUSAI (engineering and architecture services), as well as with the country's diplomatic missions abroad.

The prospection pillar adopts a proactive approach to finding and engaging potential clients. Uruguay XXI consistently collects and directs leads from international fairs and events to local companies, and organizes "reverse missions," bringing foreign buyers to Uruguay for structured business meetings. This direct matchmaking reduces information gaps and transaction costs, enhancing local service providers' credibility.

Finally, the diffusion pillar focuses on creating sector-specific promotional materials – often called "business cases" – that showcase the value proposition of each industry. These materials are distributed through multilingual websites, digital marketing campaigns, and sector-specific portals, such as Uruguay VideoGames or audiovisual industry platforms. These resources act as visibility tools and repositories of industry information for potential international buyers. Additionally, Uruguay XXI manages the Exporters Catalogue for International Buyers, a searchable platform that connects global buyers with Uruguayan companies by sector and business profile.

A key institutional aspect is the shared governance of IT promotion between Uruguay XXI's investment and export divisions. While the export team helps local companies access markets, the investment division focuses on attracting multinational firms in IT and related services. Both roles are often combined in joint international initiatives, allowing Uruguay to benefit from synergies between FDI attraction and export promotion.

Through its Competitive Intelligence Unit, the agency develops industry-specific studies and market profiles focusing on priority sectors, including modern services, IT, creative industries, engineering and financial services. These reports provide strategic insights into target markets. Examples include Argentina's architecture and design, Miami's creative sector, and consulting in Ecuador.

Uruguay XXI plays a key role in national branding through a dedicated department that promotes a unified image of the country on international markets. Besides the overall country brand, the agency has led sector-specific branding platforms – such as Uruguay Audiovisual, Uruguay Technology, Uruguay Digital, Uruguay Smart Services and Uruguay VideoGames – that boost the visibility, credibility and positioning of Uruguayan services exporters across various industries.

The data shows that Uruguay XXI's efforts to promote exports have significantly increased firm participation and diversification across various sectors. In 2024, 603 companies received support, with more than half being new exporters (55.8 per cent). Services accounted for nearly half of the total (48.3 per cent) and generated 48.8 per cent of the 17,601 supported jobs – highlighting the growing role of services in Uruguay's export sector. Geographically, the concentration in Montevideo (72.1 per cent) emphasizes the capital's dominance as a hub for export-oriented companies, though outreach efforts also extended to other departments such as Canelones, Maldonado and Colonia. The sector breakdown reveals the increasing importance of modern services: IT comprised 22 per cent of supported companies, followed by design (19 per cent), creative industries (16 per cent), architecture, engineering and construction (7 per cent), and professional services (4 per cent).

Although quantifying success can be challenging, observing qualitative differences in how goods and services are promoted provides valuable insights. For goods, international promotion mainly emphasizes highlighting products' tangible qualities and features. Meanwhile, promoting services depends less on describing the service itself – due to its intangible, diverse and client-specific nature – and more on building credibility and trust. This credibility is established by demonstrating that providers come from a country with a strong, established industry, often by showcasing firms' track records, certifications, international clients, awards and operational consistency.

In this context, two key aspects of Uruguay's export promotion efforts stand out: i) consistent participation in the same international fairs and events has been vital for increasing visibility and credibility, especially for SMEs; ii) the effect of these tools varies by subsector. The video game industry, for instance, benefits from global networking at events like the Game Developers Conference in the United States, where exposure to international buyers leads to contracts beyond the host country. Other sectors, such as architecture and engineering, depend more on targeted missions in specific regional markets like Paraguay or Brazil.

In practice, firms in modern services adopt different strategies: for professional services like engineering and architecture, being invited to speak at international conferences has been particularly effective in building trust with potential clients. In the IT sector, companies emphasize that industry-specific events (e.g., in banking or health) often lead to better business opportunities than general technology fairs because credibility is strengthened by demonstrating solutions relevant to the industry. These factors suggest that ongoing engagement and a strategic focus on credibility – rather than single promotional efforts – are essential for enhancing Uruguay's performance in modern services exports (see Box 10.2).

Evaluations of Uruguay XXI's activities reveal a significant impact on firms' export performance. Impact assessments show that Uruguay XXI's assistance increased the likelihood of domestic firms beginning to export by 2.6 percentage points, while also boosting total export values by 15 per cent and expanding the number of destinations served by more than 8 per cent. These results suggest that the agency's interventions – essentially by reducing information barriers and facilitating access to foreign markets – contributed to both the intensive and extensive margins of trade, enabling new firms to internationalize and existing exporters to diversify their markets (Martincus et al., 2020).

Along with institutional support from Uruguay XXI, services exporters also benefit from value-added tax (VAT) exemption and a wide range of fiscal incentives. These include the Investment Promotion Law, the Free Trade Zone regime, and sector-specific promotional programmes, especially for software, shared service centres, and trading, which provide reductions or full corporate income tax exemptions (see the subsection on "Attracting FDI" and Table A1 in the Annex for details on tax incentives).

Box 10.2. The information technology sector: a long-term strategic commitment

Uruguay's IT sector represents a notable example of state-driven services export promotion, marked by a sustained policy commitment across successive governments. The process began in 1999, when software production was declared a sector of national interest (Decree No. 84/999), making firms eligible for the incentives established under the newly enacted Investment Promotion Law (Law No. 16.906). This framework was subsequently reinforced in 2000 with income tax exemptions for software exports (Decree No. 387/00) and value-added tax exemptions (Decree No. 386/00).

Beyond tax incentives, various other factors contribute to Uruguay's growth in the IT sector. Chief among these is the availability of a highly skilled talent pool. Foreign companies like Tata Consultancy Services (TCS) have also played a critical role, creating spillover effects by training professionals who later become entrepreneurs targeting international markets. Meanwhile, the Uruguayan Chamber of Information Technology (CUTI) – which now has nearly 400 member companies – serves as a platform for collective action and sectoral representation, further strengthening the industry's focus on exports.

Today, the IT sector is a strategic pillar of Uruguay's economy, with over 400 firms, contributing approximately 4.4 per cent of GDP and generating more than 20,000 high-skilled jobs. Between 2015 and 2024, IT exports grew at a CAGR of nearly 12 per cent. Moreover, in 2024, IT services exports accounted for 20 per cent of total services exports.

The continuity of this policy framework, maintained across seven national administrations regardless of political shifts, has been critical to the sector's expansion. IT promotion is one of the clearest examples of a long-term, cross-party industrial policy in Uruguay's services export agenda (Uruguay XXI, 2024c).

Source: Drawn up by the author based on Uruguay XXI information.

Uruguay had also negotiated 25 double taxation agreements by 2025. Based on OECD and United Nations model conventions, these agreements cover key partner economies across North America, Europe, Asia and Latin America, and address the issue of double taxation.

Finally, recognition of the sector's export capacity is also reflected in initiatives led by the private sector. The Export Effort Award, promoted by the Uruguayan Exporters Union, annually recognizes outstanding achievements in export performance and, in recent years, has included a dedicated category for services exports.

In summary, Uruguay's approach to promoting modern services is grounded in a dedicated institutional framework and a diverse set of instruments that enhance the country's international standing. Through Uruguay XXI, the government delivers technical assistance, market intelligence, training programmes and sector-specific support tailored to the needs of services firms. These efforts are complemented by a broad range of fiscal incentives, contributing to expanding Uruguay's modern services' international presence.

Attracting FDI

Uruguay's strategy for attracting FDI in the services sector relies on two main pillars: i) a comprehensive legal framework that mainly offers tax exemptions as the primary incentive. The most common tools include the Investment Promotion Law, the Free Trade Zone regime, and targeted promotional programmes for sectors such as software development, shared service centres and trading; ii) a dedicated institutional infrastructure for investment and aftercare support is established through a specialized division within the national promotion agency, Uruguay XXI. The area of aftercare was created as part of the Global Service programme. Despite different administrations, the regulatory and institutional frameworks have remained remarkably stable, with no significant changes. As a result, foreign investors consistently regard Uruguay's macroeconomic stability, institutional strength and legal predictability as the most critical factors in their decision to invest.

Attracting investment in modern services

Uruguay represents a case of a sustained, state-led effort to attract foreign direct investment, grounded in a stable and transparent regulatory framework and supported by dedicated institutions. This policy orientation is articulated through several key legal instruments that constitute the backbone of the country's investment regime

First, the Investment Promotion Law (Law No. 16.906 of 1998) constitutes the legal cornerstone of Uruguay's investment promotion policy framework. It designates investment promotion as a matter of national interest and guarantees national treatment for foreign investors, alongside equal conditions for market entry and operation. The law ensures protection against arbitrary or discriminatory state measures, guarantees the free transfer of capital, profits and other investment-related payments in freely convertible currency, and allows investment entry without prior authorization or registration. In the event of a dispute related to the application or interpretation of the law, where the investment has been formally promoted, either party may refer the matter to domestic courts or international arbitration.

The law also provides a structured system of tax exemptions, including deductions from corporate income tax (IRAE) liabilities based on a transparent scoring model. This model assesses project performance across multiple dimensions, such as job creation, regional decentralization, export potential, adoption of clean technologies, research and innovation, and sector-specific priorities. Additional benefits include exemptions from net wealth tax on eligible fixed assets, import duties on capital goods, and VAT on locally sourced inputs related to construction works and project implementation.

Second, under the Investment Promotion Law, the government may grant promotional status to specific investment projects and entire sectors or subsectors. This status makes beneficiaries eligible for the tax exemptions and incentives established in the law, such as corporate income tax reductions. As a result, sector-specific tax exemptions have evolved into a strategic policy instrument for attracting investment in targeted areas, particularly in the services sector.

Among the most frequently utilized regimes for modern services activities are those for software or IT development (Title 4, 2023 Consolidated Tax Code; Decree No. 150/007), trading activities (Tax Authority Resolution No. 51/997), and shared service centres (Decrees Nos. 251/014, 361/017, and 281/019). Other promoted services sectors include biotechnology (Decree No. 011/013), remote customer service centres (Decrees Nos. 207/008, 379/011), research and development (Law No. 19.739; Decree No. 407/019), and offshore financial intermediation (Chapter 18, Title 3, 2023 Consolidated Tax Code). While the scope of tax benefits and eligibility requirements varies across sectors, the regimes are centred on exemptions or reductions from corporate income tax, VAT, and other national taxes. Further details on the specific legal instruments and incentive structures associated with each sector can be found in Table A1 in the Annex.

Third, the Free Zones Law (Law No. 15.921) was enacted in 1987. Users operating within free zones are exempt from all existing and future national taxes, except social security contributions. The State guarantees the stability of these benefits throughout the user's contractual agreement, with legal liability in case of breach. Goods and services of any origin entering a free zone are exempt from import duties and related taxes and may be re-exported or transferred without fiscal charges. The 2017 reform of the Free Zones Law introduced two significant changes. Firstly, it allowed free zone users to provide services to clients within the country. This adjustment aligned the regime with the principles of OECD/G20 Base Erosion and Profit Shifting, to prevent "double non-taxation" and ensure profits are taxed where economic activities occur. Secondly, it established the concept of thematic service zones, specifically designed to support audiovisual, entertainment and recreational services, thus expanding the sectoral scope of the regime in line with Uruguay's evolving services export strategy.

The Free Trade Zone regime has been particularly relevant for the services sector, with specialized zones such as Zonamerica, Aguada Park, WTC Montevideo Free Zone, and Parque de las Ciencias serving as key hubs for modern services activities. Additional zones, including WTC Punta del Este Free Zone, Zona Franca del Plata, and Punta del Este Studios, are currently under development, explicitly for audiovisual services. In 2019, services exports from free zones accounted for about 75 per cent of Uruguay's total services exports. It is also estimated that approximately 40 per cent of employment in the modern services sector – totaling around 36,000 jobs – is concentrated within free zones. Employment generated under the free zone regime is also notable for its quality: over 50 per cent of employees hold tertiary education degrees, and average wages in free zones tend to exceed those in the non-zone economy across comparable sectors (Couto and Lalanne, 2022).

Fourth, in line with international trends, Uruguay has signed Bilateral Investment Treaties (BITs), a process initiated in the late 1980s and expanded significantly since the 2010s. As of 2025, the country had 32 agreements with 34 economies, covering a diverse set of strategic and regional partners. Additional treaties have been signed but are not yet in force, and negotiations for new agreements are ongoing (Ministry of Economy and Finance, 2025). These treaties form a key component of Uruguay's strategy to provide legal certainty and reinforce investor protections in cross-border operations. A central feature of most BITs is the inclusion of investor–State dispute settlement mechanisms.

Earlier treaties signed up until the mid-1990s, typically required investors to exhaust domestic legal remedies before resorting to international arbitration, under specific conditions. In contrast, more recent agreements allow investors to choose between domestic courts and international arbitration from the outset, with that choice being final. Several treaties also include explicit advance consent by the State to submit disputes to international arbitration (Garcia López and Ons, 2021), reflecting Uruguay's commitment to ensuring predictable and enforceable protections for foreign investors. In addition, in September 2025, Uruguay became a founding member of the Future of Investment and Trade Partnership (which also includes other economies such as Chile, Costa Rica, Iceland, New Zealand, Panama, Singapore, Switzerland and the United Arab Emirates), an initiative dedicated to promoting open and fair trade, as well as improving investment flows.

The role of Uruguay XXI in promoting FDI

The agency's structure reflects the characteristics of the services economy. In areas dominated by local firms – such as audiovisuals, video games, architecture and engineering – promotion is mainly driven by the Export Promotion Division. Conversely, the Investment and Aftercare Division focuses primarily on global service centres, including headquarters, administrative offices, financial services and IT operations. The IT sector, which involves local firms and multinational investors, is managed jointly, emphasizing internationally recognized brands and high-potential startups.

Coordination between the two divisions occurs through shared planning, executive-level meetings and regular information exchange to align their goals. In practice, this usually means that at a single international event, the focus is twofold: attracting new investors to the country and helping Uruguayan firms generate leads and expand their client base abroad. This model, the separation between the export and investment divisions for modern services, reflects a shift from the Global Services programme (2012–2018), when the sector was managed as a single division covering exports, investment and talent under one umbrella. Currently, the approach is more segmented but still coordinated through inter-departmental mechanisms.

The Investment and Aftercare Division handles both attraction and facilitation efforts. On the pre-establishment side, it promotes Uruguay's value proposition and investment opportunities, produces customized macroeconomic and sectoral reports on investor request, coordinates site visits and offers guidance and public–private networking support. On the post-establishment side, it facilitates interactions with government agencies, strengthens business networks and innovation ecosystems, and assists in improving the regulatory and investment climate. It also helps investors access talent development programmes, supplier links and research and development projects, while actively encouraging reinvestment opportunities. Additionally, to promote investment, Uruguay XXI has created a digital platform that connects local projects with international investors, with about 40 per cent of these projects related to modern services.

As part of its investment facilitation services, Uruguay XXI coordinates a fast-track mechanism to expedite the issuance of temporary residence permits for foreign personnel linked to services export-oriented firms. The programme targets investors, managers, technicians and skilled workers, offering an accelerated process through the National Directorate of Migration. Applicable to foreign nationals recruited by local or international exporters – whether applying from within or outside Uruguay – the fast-track scheme is designed to reduce administrative barriers and support timely talent relocation. Between 2020 and 2024, Uruguay XXI managed over 290 fast-track visa and residence applications with the National Directorate of Migration.

Uruguay XXI plays a crucial role in shaping the country's strategy to attract FDI. Promotion efforts are conducted both domestically and internationally through participation in events and targeted digital marketing campaigns, utilizing tools such as Sales Navigator, Waalaxy and advertising on platforms such as Meta, LinkedIn and Google. In 2020–2024, Uruguay XXI facilitated over 600 investment opportunities and supported over 130 new investments, and mergers and acquisitions announcements, with 47 per cent of these in modern services.

Uruguay XXI's investment and aftercare efforts have proven most effective when combining consistency, credibility and tangible success stories. Maintaining consistent participation in international events has been crucial. Instead of occasional attendance, Uruguay's ongoing presence at the same sector-specific global events has increased visibility and strengthened the country's position over time. Promotional campaigns go beyond showcasing fiscal incentives to highlight Uruguay's macroeconomic stability, regulatory consistency and strong rule of law. This long-term stability and clear aftercare services reassure foreign investors who seek certainty for their operations. Success stories from multinational investors have played a key role in strengthening Uruguay's reputation as a services hub. For instance, TCS set up its first Latin American operations in Uruguay, creating a demonstration effect that prompted other global companies to consider doing the same.

Similarly, BASF's shared services centre for the Americas shows how companies select Uruguay as an entry point and expand their operations and workforce once established. These examples demonstrate the strategic importance of securing early "anchor investors," whose presence signals credibility and viability to the larger international business community – similar to Intel's catalytic role in Costa Rica's development as a service hub.

Impact evaluations of Uruguay XXI's investment promotion activities show that such assistance increased the probability that a multinational would establish its first affiliate in Uruguay by 5 per cent. These findings highlight the agency's effectiveness in reducing informational and coordination barriers for investors, strengthening Uruguay's position as a competitive hub for regional headquarters and service operations (Martincus et al., 2020).

In late 2023, Uruguay launched its Single Window for Investment (VUI), a facilitation mechanism designed to improve the country's productivity and competitiveness by streamlining administrative procedures and reducing business transaction costs. The VUI aims to simplify and digitize interactions between investors and public entities, particularly those required to establish and operate a business. By reducing paperwork, unnecessary delays and institutional fragmentation, the initiative seeks to enhance the ease of doing business, improve service quality and transparency, and strengthen Uruguay's position as an attractive investment destination.

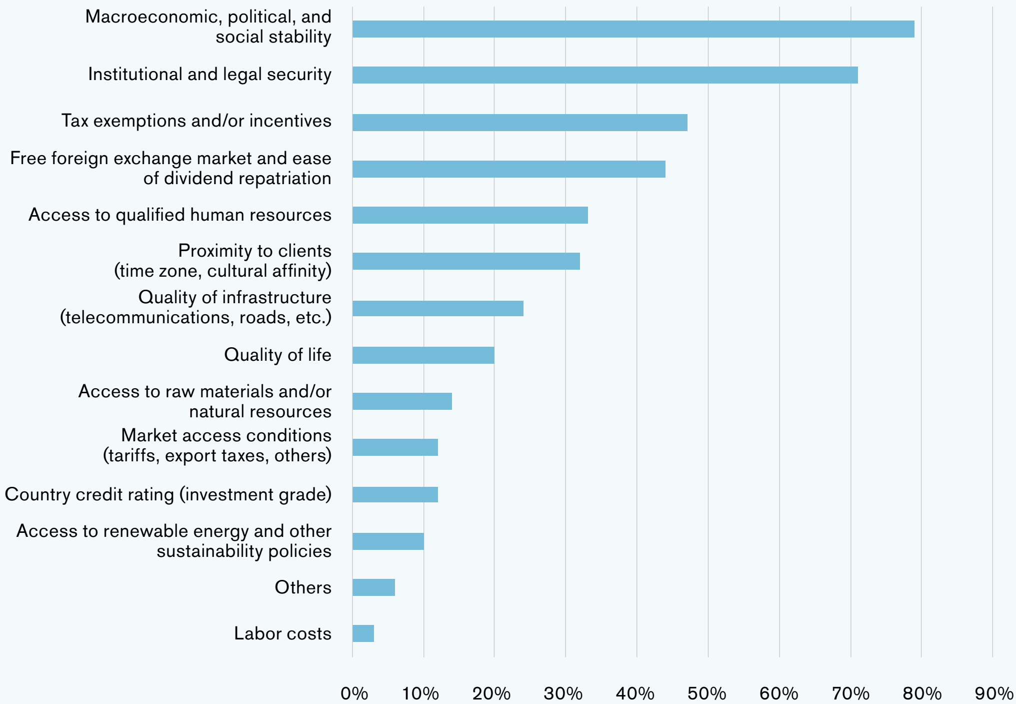
In 2024, Uruguay joined the Investment Facilitation for Development (IFD) Agreement, along with 126 other economies. This World Trade Organization initiative provides international benchmarks to help economies improve their business and investment climate. IFD aims to make it easier for investors across all sectors to invest, operate daily, and expand their businesses (WTO, 2025).

How foreign investors assess Uruguay's value proposition

Investor perceptions confirm the attractiveness of Uruguay's overall FDI climate and specific sustained state-led efforts to attract and retain foreign investment (see Figure 10.5). According to the third edition of a survey conducted by Uruguay XXI (Uruguay XXI and Equipos Consultores, 2023) among foreign firms operating in the country, 84 per cent of respondents reported being satisfied or highly satisfied with Uruguay as a location for investments. Satisfaction levels were particularly high among firms in the modern services sector.

Nearly 80 per cent of respondents identified macroeconomic, political and social stability as a key strength, followed by institutional and legal certainty (71 per cent), tax exemptions and incentives (47 per cent), and exchange rate freedom and profit repatriation (44 per cent). Notably, more than 80 per cent of surveyed firms had reinvested or expanded operations in the past five years, primarily to grow their business (47 per cent) or sustain ongoing operations (37 per cent). Almost half of these investments were financed through retained earnings, and an additional 32 per cent through fresh capital injections, underscoring investor confidence in the Uruguayan market.

Figure 10.5: Key factors for attracting investment in Uruguay (% share of survey respondents), 2023



Source: Prepared by the author based on Uruguay XXI and Equipos Consultores (2023).

Looking ahead, over 40 per cent of respondents indicated a high probability of increasing their investment in the country over the next five years. In particular, investors highlight institutional and macroeconomic stability (79 per cent) and regulatory predictability (71 per cent) as the main reasons for investing in Uruguay, both ranking significantly higher than tax exemptions (47 per cent). Other key factors include the existence of a free foreign exchange market (44 per cent) and the availability of qualified human capital (33 per cent) (Uruguay XXI and Equipos Consultores, 2023).

These results match Uruguay's position in global rankings: the Milken Institute ranked the country as the second most attractive investment destination in Latin America and the Caribbean after Chile, based on its performance in macroeconomic fundamentals, business environment, institutional strength, financial services and alignment with international policy standards (Milken Institute, 2025).

In summary, Uruguay's strategy to attract FDI in the modern services sector has relied on broad tools such as the investment promotion law and free trade zones, and targeted measures such as those for the software and shared services sectors, supported by tax exemptions. However, despite the variety of tax exemption options, foreign investors prioritize macroeconomic and political stability, as well as regulatory predictability, as the most important factors influencing their investment decisions in the country.

Skills development initiatives

Skills development has become a vital part of Uruguay's strategy to boost modern services exports, reflecting the growing recognition that human capital, beyond tax breaks, is essential for competitiveness in knowledge-intensive sectors. In response to the rapid expansion of these services, the country has implemented a multi-layered approach to talent growth. A key element has been the Finishing Schools programme, initially created within the Global Services programme of Uruguay XXI, with support from the IDB. Designed as a demand-driven training mechanism, it co-funds customized technical, linguistic and soft skills programmes that directly match the hiring needs of modern services companies. After the Global Services programme was institutionalized within Uruguay XXI, the Finishing Schools initiative continued under the management and funding of the National Institute for Employment and Vocational Training (INEFOP).

Developing human capital for modern services

The rapid growth of Uruguay's modern services sector – especially IT – has laid bare the need to strengthen national science, technology, engineering and mathematics (STEM) skills. Improving these skills is essential for the sector's long-term success and competitiveness. Therefore, Uruguay has launched various initiatives, ranging from broad education programmes to more targeted efforts tailored to the needs of the modern services industry.

The country has pioneered several youth initiatives to develop foundational digital and technical skills. A notable example is Plan Ceibal, launched in 2007, one of the first nationwide implementations of the One Laptop per Child initiative. It provides laptops for all students and teachers in primary and secondary education. The programme has significantly helped reduce the digital divide: from 2010 to 2019, internet access in the poorest households increased from 22 per cent to 70 per cent, while in the wealthiest families it grew from 64 per cent to 99 per cent (ANEP, 2020).

Expanding on Ceibal, more targeted STEM programmes have emerged. One example is Young People and Programming (Jóvenes a Programar, JaP), launched in 2016, which trains and supports young people (ages 18–30) in entering the tech workforce. Delivered through a partnership involving Ceibal, CUTI, and the IDB, JaP provides training in programming, software testing and related fields. From 2016 to 2023, around 5,500 young people graduated from this programme (Jóvenes a Programar, 2025).

Additional talent development efforts have surfaced in response to rising demand for digital skills. One such programme is Uruguay Bootcamp, a scholarship-based training initiative led by INEFOP, with support from Uruguay XXI, CUTI and ANII. It provides intensive, full-time training in programming and IT skills. Meanwhile, Sembrando TIC was launched in 2020 as a fully online training programme for individuals aged 18 to 35. The programme offers scholarships to train junior programmers over eight months, supported by the Office of the Presidency and companies such as Mercado Libre, Globant, ManpowerGroup, CUTI and the IDB.

Gender-focused interventions have also gained momentum. In 2020, the National Public Education Administration, with support from the EU-funded EUROSociAL+ programme, launched a national plan to improve access to STEM training for girls and adolescent women. This initiative supports educational pathways from early childhood through adolescence, enhancing women's participation in technical and professional careers and future job opportunities.

Furthermore, in firm-specific skills development, Uruguay XXI has introduced several complementary tools under its Global Services programme. One of the most significant initiatives is Finishing Schools, initially created within the framework of an IDB-supported programme and later implemented in partnership with INEFOP. This scheme co-finances training programmes in technical skills, languages and soft skills tailored to firms' hiring needs, covering up to 70 per cent of training costs. Between 2012 and 2018, the Global Services programme trained over 5,000 individuals. Once the programme was formalized within Uruguay XXI, Finishing Schools continued to operate with INEFOP funding, maintaining the same principles of simplicity and agility that characterized the original programme.

Since then, Uruguay XXI has served as a channel for proposals focused on creating new jobs within companies, while training for existing roles has been managed directly through INEFOP's system. Between 2020 and 2024, an additional 1,900 people were trained through Uruguay XXI's platform, funded by INEFOP. Another key initiative of the Global Service programme was the Smart Talent portal, an online platform focused on job placement in modern services. It helped companies advertise vacancies, connect with skilled candidates and provide career-related information to job seekers, strengthening the services ecosystem. The portal aimed to increase the sector's visibility as a career option, especially for young people, by showcasing where opportunities were and which subsectors offered pathways for professional growth.

Uruguay has also implemented a digital nomad visa system through Decree No. 238/022 in response to the global increase in digital nomadism. This visa allows remote workers employed by foreign companies and self-employed professionals to live in Uruguay for up to six months, with the option to renew for another six months. The application process is simple and can be completed online upon arrival. For those wanting more extended stays, the visa also offers a pathway to apply for temporary or permanent residency. This policy aims to attract international talent and strengthen Uruguay's position as a hub for modern services. Supporting this effort, the government launched liveinuruguay.uy, a digital platform designed to showcase the country's advantages for global professionals and nomads. In 2024, over 100 digital nomad residence permits were issued, highlighting the growing importance of this programme in diversifying the talent pool available to the sector.

Efforts to boost digital adoption among small businesses are also important. The Prodigital programme – administered by ANDE – provides non-reimbursable grants covering up to 80 per cent of digital transformation projects. The programme focuses on groups of at least 10 micro, small and medium enterprises with technological needs, aiming to enhance collective productivity and competitiveness.

Finally, the private sector has strengthened the country's human capital base through collective efforts such as Uruguay for Knowledge (Uruguay por el Conocimiento, UyXC). This inter-institutional alliance was launched in 2022. It unites diverse business associations, academic institutions and civil society actors dedicated to fostering a national culture of technological literacy and increasing access to knowledge-based opportunities. UyXC is guided by a shared vision that Uruguay has strong potential to succeed in the knowledge economy. Its main activities aim to promote interest in technology careers, raise awareness of STEM education, and encourage the development of innovative, tech-driven training programmes. The initiative also aims to support reskilling and upskilling efforts, especially in professions connected to the digital transformation of the economy.

Conclusions and policy recommendations

Uruguay's most dynamic services export growth has occurred in modern services. In this study, the term refers to the other commercial services in the balance of payments, including IT, business and professional services, financial and other high-value-added segments. This group has shown sustained expansion in export value, employment quality (Couto and Lalanne, 2022), and productivity contributions (Baumol, 2012).

While prior literature has assumed that economies' strategies for promoting modern services are a variation of a "race to the bottom," focused primarily on reducing labour costs, relaxing regulatory requirements and/or offering tax holidays (Baldwin, 2006; Herreros & Durán, 2023; Vaillant, 2008), Uruguay's experience suggests that long-term success in this sector depends on a broader, more context-dependent set of enablers. As Tsang and Colpan (2025) and Welch et al. (2011) have noted, contextual factors are not merely background conditions but can be explanatory variables in their own right.

In Uruguay, the emergence of an evolving strategy for modern services has been driven by several reinforcing factors that have created an enabling environment for sector development. These include: (i) sustained institutional and macroeconomic stability; (ii) a predictable regulatory framework; (iii) the strategic use of tax incentives – most notably the Free Trade Zone regime and the income tax exemption for software activities; (iv) the availability of qualified human capital, supported by targeted talent development programmes; (v) dedicated institutional support, particularly through Uruguay XXI and its Global Services programme, staffed by sector-specific professionals; and (vi) robust digital infrastructure. Crucially, a core driver has been the early leadership of visionary entrepreneurs who recognized opportunities in cross-border services provision and invested in infrastructure such as free trade zones.

Uruguay's experience developing its modern services sector offers important insights for policymakers in other developing and emerging economies. The country's trajectory demonstrates that sustained growth in modern services requires more than tax exemptions or well-written strategies; it calls for macroeconomic stability, institutional continuity, talent development, infrastructure, legal certainty and entrepreneurship.

Notwithstanding the country's advances, Uruguay faces continued and new challenges. The increasing global competition for modern services, the growing importance of artificial intelligence and automation, the rise of the peer-to-business microsourcing delivery models (Peña Capobianco, 2023), and international tax reforms will require a proactive and coordinated strategy to respond effectively. In this context, the following recommendations are proposed to consolidate and expand Uruguay's position internationally in the modern services sector.

First, developing a medium- to long-term national strategy for the modern services sector is essential, supported by effective inter-agency coordination and shared public–private ownership. Such a strategy would be a unified road map to align public and private stakeholders around common goals. It should also be complemented by establishing a permanent public–private dialogue mechanism, inspired by Chile's Public-Private Committee for Service Exports, to co-design, implement and monitor policy initiatives.

Second, enhancing data collection on services exports and programme evaluations will also enable a more precise assessment of services exporters' performance and reinforce evidence-based policymaking.

Third, Uruguay should continue expanding its network of double taxation treaties with key partners because it is one of the most significant issues for services exporters.

Fourth, human capital development remains a strategic pillar for Uruguay's modern services competitiveness. The country would benefit from conducting a forward-looking skills assessment to anticipate future labour market demands related to artificial intelligence and its transformative impacts on the modern services sector. Based on these insights, Uruguay should develop a national upskilling and reskilling strategy that guides public and private training programmes. Computational thinking should be officially integrated into primary and secondary school curricula.

The above recommendations aim to enhance Uruguay's sustainability in its modern services strategy. By leveraging its institutional credibility, significant human capital, and early-mover advantages in the Latin American region, Uruguay is well-placed to further develop modern services as a key driver of economic transformation and long-term growth.

Annex

Table A1: Promotional regimes for attracting investment

Regime	Benefits	Requirements	Legal basis
Free trade zone (FTZ)	▪ Full tax exemption: 100% exemption from Corporate Income Tax (IRAE), Net Worth Tax, and any other current or future national taxes (guaranteed by the State). ▪ Dividends: dividends paid to foreign shareholders are exempt from taxes in Uruguay. ▪ Foreign staff: option to contribute to Uruguay's social security system or their country of origin. ▪ VAT: purchases and sales of goods and services with foreign economies, and transactions within the FTZ, are exempt from VAT. ▪ Domestic operations: companies may sell to the domestic market without tax exemptions. ▪ Non-resident entities: exempt from IRAE for activities involving goods in transit or stored in the FTZ (up to 5% may be sold domestically without losing the exemption). ▪ Customs duties: goods traded between free trade zones and the rest of the world are exempt from customs duties.	▪ Commercial, industrial, or service activities are allowed inside FTZs. ▪ Legal entities must have an exclusive purpose related to FTZ activities. ▪ No distinction between domestic and foreign investments; foreign investors face no special approval process. ▪ Up to 25% of staff may be foreign nationals (this percentage can be increased with proper justification).	Law No. 15,921 and its amendments, and Decree No. 309/018
Investment Promotion Law	▪ IRAE: investors can deduct 30%–100% of the investment amount from IRAE, depending on the project's score in the official evaluation matrix (national IRAE rate is 25%). ▪ Net Worth Tax: exemption on fixed assets (movable goods and civil works). ▪ VAT (IVA): refund of VAT paid on materials and services used for civil works. ▪ Customs duties: exemption from import taxes and duties on fixed assets declared "non-competitive" with the domestic industry.	▪ Projects must be declared "promoted" by the Executive Power to qualify. ▪ Eligibility and benefits are based on a scoring matrix, which evaluates factors such as employment generation, exports, innovation and environmental impact.	Law No. 16,906
Software	▪ IRAE exemption.	▪ Services must be performed, at least partially, in Uruguay. ▪ Intellectual assets must be registered under Uruguayan intellectual property protection legislation.	2023 O.T. (Decree No. 150/007)
External financial intermediation institution	▪ Companies shall be exempt from all types of tax obligations related to their activity, business operations, assets, or income.	▪ External financial intermediaries may operate exclusively with non-residents.	Decree-Law No. 15,322 and Decree No. 381/989
Contact centres	▪ IRAE exemption for a period of 10 fiscal years starting from the application date, depending on the level of the contribution.	▪ 100% IRAE exemption requires the creation of more than 150 qualified direct jobs. ▪ 70% IRAE exemption requires the creation of more than 100 qualified direct jobs.	Decrees No. 207/008 and No. 379/011

Table A1: Promotional regimes for attracting investment (cont.)			
Regime	**Benefits**	**Requirements**	**Legal basis**
Biotechnology	▪ IRAE exemption: 50% for fiscal years starting between 1 January 2020 and 31 December 2025.	▪ Assets resulting from research and development activities must be registered under Uruguayan intellectual property protection legislation. ▪ Services must be carried out at least partially within the country.	Decrees No. 150/007 and No. 011/013, and 2023 O.T. (Decree No. 150/007)
Shared Services Centre	▪ IRAE exemption: 90% for several fiscal years, depending on the level of counterpart contribution. ▪ Net Worth Tax exemption for the same period as the IRAE exemption.	▪ To qualify for a 90% IRAE exemption for five years, companies must create at least 150 new direct qualified jobs, with at least 75% of these positions occupied by Uruguayans. Additionally, the company must implement a training plan with a minimum expenditure of US$ 1,300,000. ▪ To qualify for a 70% IRAE exemption for five years, companies must create at least 100 qualified jobs and invest more than US$ 650,000 in human capital training.	Decrees No. 251/014 and No. 361/017
Global Services	▪ IRAE exemption: 90% for several fiscal years, depending on the level of commitment (counterpart). ▪ Net Worth Tax exemption for the same period as the IRAE exemption.	▪ To carry out the activity outside an 80 km radius from Montevideo. ▪ To generate at least 15 new direct qualified jobs, with employees hired under a dependent employment relationship and working at the previously fixed location; at least 50% of these jobs must be filled by Uruguayan nationals (temporary reductions may be authorized). ▪ To provide the specified services to at least five entities.	Decree No. 281/019
Trading	▪ The net taxable income is calculated as 3% of the difference between the sales and purchase price of goods (or services). Applying the 25% IRAE rate to this notional base results in an effective tax rate of 0.75%.	▪ Trading regime applies to all IRAE taxpayers. ▪ Companies must comply with the same formalities regarding corporate bookkeeping as any other Uruguayan company. ▪ Invoicing is carried out electronically, so a billing system is required.	Resolution No. 51/997

Source: Drawn up by the author based on the regulatory frameworks outlined in the text.

Endnotes

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Abbreviations

ACA	Automation Capital Allowances
AI	Artificial intelligence
ANDE	National Development Agency (Uruguay)
ANII	National Research and Innovation Agency (Uruguay)
ASEAN	Association of Southeast Asian Nations
BOI	Board of Investment
BPM	Business process management
BPO	Business process outsourcing
BPS	Business process services
BSP	Central Bank of the Philippines (Bangko Sentral ng Pilipinas)
CAGR	Compound annual growth rate
CAIR	Centre for AI Research (Philippines)
CapEx	Capital expenditure
CCS	Santiago Chamber of Commerce
CHED	Commission on Higher Education (Philippines)
CII	Confederation of Indian Industry
CINDE	Costa Rican Coalition for Development Initiatives (Coalición Costarricense de Iniciativas de Desarrollo)
CMMI	Capability Maturity Model Integration
COMESA	Common Market For Eastern And Southern Africa
COMEX	Ministry of Foreign Trade (Ministerio de Comercio Exterior) (Costa Rica)
CORFO	Economic Development Agency (Chile)
CPC	Council for the Promotion of Competitiveness (Costa Rica)
CREATE	Corporate Recovery and Tax Incentives for Enterprises (Philippines)
CRM	Customer relationship management
CSSS	Champion Services Sector Scheme
CUTI	Uruguayan Chamber of Information Technology
CX	Customer experience
DEPA	Digital Economic Partnership Agreement
DepEd	Department of Education (Philippines)
DESAC	Digital Ecosystem Acceleration Scheme (Malaysia)
DFTZ	Digital free trade zone (Malaysia)
DGFT	Directorate General of Foreign Trade (India)
DIA	Digital Industries Academy
DICT	Department of Information and Communications Technology (Philippines)
DIO	Digital Investment Office (Malaysia)

DIRECON	General Directorate of International Economic Relations (Chile)
DME	Domestic market enterprise
DOST	Department of Science and Technology (Philippines)
DPIIT	Department for Promotion of Industry and Internal Trade (India)
DTA	Double Taxation Agreement
DTI	Department of Trade and Industry (Philippines)
ECLAC	Economic Commission for Latin America and the Caribbean
EDB	Economic Development Board
EDR	Enhanced Deductions Regime (Philippines)
EEA	Egyptian Exporters Association – ExpoLink
EMB	Export Marketing Bureau (Philippines)
ENETH-CR	Employability and Human Talent Strategy in Costa Rica (Estrategia de Empleabilidad y Talento Humano de Costa Rica)
EPC	Export Promotion Councils (India)
EPZ	Export Processing Zone
EXIM Bank	National Export-Import Bank of Jamaica
FAM	Film, animation and music
FDI	Foreign direct investment
FIRB	Fiscal Incentives Review Board (Philippines)
FTA	Free trade agreement
FTP	Foreign trade policy
FTZ	Free trade zone
GBS	Global business services
GCC	Global Capability Centre
GCI	Global Cybersecurity Index
GDP	Gross domestic product
GDS	Global digital services
GDSP	Global Digital Services Project
GDSS	Global Digital Services Sector Strategy
GMA	Greater Metropolitan Area (Costa Rica)
GSAJ	Global Services Association of Jamaica
GST	Goods and services tax
HEC	Higher Education Commission (Mauritius)
HR	Human resources
IBPAP	IT and Business Process Association of the Philippines
ICT	Information and communications technology
IDB	Inter-American Development Bank
INA	National Training Institute (Instituto Nacional de Aprendizaje) (Costa Rica)
INEFOP	National Institute for Employment and Professional Training (Uruguay)

INSP	International Sourcing Programme (Malaysia)
IoT	Internet of Things
IP	Intellectual property
IPA	Investment promotion agency
IRAE	Corporate income tax (Uruguay)
ISTQB	International Software Testing Qualifications Board
IT	Information technology
ITA	Investment Tax Allowance (Malaysia)
IT-BPM	Information technology and business process management
ITeS	IT-enabled services
ITEX	Invention, Innovation & Technology Exhibition
ITF	International trade fairs
ITH	Income tax holiday (Philippines)
ITI	Information Technology Institute (Egypt)
ITIDA	Information Technology Industry Development Agency
ITO	Information technology outsourcing
ITPO	India Trade Promotion Organisation
JAFTA	Jamaica Film and Television Association
JAMPRO	Jamaica Promotions Corporation
JMEA	Jamaica Manufacturers and Exporters Association
JSDI	Jamaica Screen Development Initiative
JMD	Jamaican dollar
JSEZA	Jamaica Special Economic Zone Authority
KBS	Knowledge-based services
KPI	Key performance indicators
KPO	Knowledge process outsourcing
LAC	Latin America and the Caribbean
MASS	Mauritius-Africa Scholarship Scheme
MATRADE	Malaysia External Trade Development Corporation
MCIT	Ministry of Communications and Information Technology (Egypt)
MD	Malaysia Digital
MDEC	Malaysia Digital Economy Corporation
MDG	Market Development Grant (Malaysia)
M&E	Media and entertainment
MEEC	Malaysia Export Exhibition Centre
MENA	Middle East and North Africa
MFAFT	Ministry of Foreign Affairs and Foreign Trade (Jamaica)
MICITT	Ministry of Science, Technology and Telecommunications (Ministerio de Ciencia, Innovación Tecnología y Telecomunicaciones) (Costa Rica)

MIDA	Malaysian Investment Development Authority
MIIC	Ministry of Industry, Investment and Commerce (Jamaica)
MITI	Ministry of Investment, Trade and Industry (Malaysia)
MNEs	Multinational enterprises
MOSTI	Ministry of Science, Technology and Innovation (Malaysia)
MRA	Mutual recognition arrangements
MRIC	Mauritius Research and Innovation Council
MSE	Malaysia Services Exhibition
MSME	Micro, small, and medium enterprise
MTCDP	Mid-Tier Companies Development Programme (Malaysia)
MTE	Malaysia Technology Expo
MTSS	Ministry of Labour and Social Security (Ministerio de Trabajo y Seguridad Social) (Costa Rica)
NASSCOM	National Association of Software and Service Companies (India)
NES	National Export Strategy
NFTP	National Foreign Trade Policy (Jamaica)
NGO	Non-governmental organization
NICE	National Innovation and Commercialisation Expo (Malaysia)
NIMP	New Industrial Masterplan (Malaysia)
NIP	National Investment Policy (Jamaica)
NOS	National Outsourcing Strategy (Jamaica)
NSIS	National SME Incubator Scheme (Mauritius)
NSTIP	National Science, Technology and Innovation Policy (Jamaica)
NTBp	National Trade Blueprint (Malaysia)
OECD	Organisation for Economic Co-operation and Development
OFDI	Outward Foreign Direct Investment
OSC	One-Stop Centre
OTT	Over The Top
PEZA	Philippine Economic Zone Authority
PH	Principal Hub (Malaysia)
PPP	Public-private partnership
PROCOMER	Foreign Trade and Investment Promoter (Promotora del Comercio Exterior de Costa Rica)
PS	Pioneer Status (Malaysia)
PSA	Philippine Statistics Authority
PSIC	Philippine Standard Industry Classification
PTA	Preferential trade agreement
RBI	Reserve Bank of India
R&D	Research and development

REE	Registered export enterprise
RFPs	Requests for proposals
RMK-12	Twelfth Malaysia Plan
ROI	Return on investment
SaaS	Software as a Service
SCIT	Special Corporate Income Tax (Philippines)
SECC	Software Engineering Competence Center (Egypt)
SEIS	Service Exports from India Scheme
SEF	Services Export Fund (Malaysia)
SENCE	National Training and Employment Service (Chile)
SEPC	Services Export Promotion Council (India)
SEZ	Special economic zone
SFIS	Served from India Scheme
SIP	Strategic Investor Pass (Malaysia)
SIPP	Strategic Investment Priority Plan (Philippines)
SIRIM	Standards and Industrial Research Institute of Malaysia
SLA	Service-level agreement
SME	Small and medium-sized enterprise
SMM	Specialized Marketing Mission
SOFOFA	Chilean Federation of Industry
SPARTA	Smarter Philippines through Data Analytics, R&D, Training and Adoption
STEM	Science, technology, engineering and mathematics
STEP	Skills and Technical Enhancement Programme
STF-TF	Special Taskforce-Talent Facilitation (Malaysia)
STPI	Software Technology Parks of India
SUBREI	Undersecretariat for International Economic Relations (Chile)
TEF	Tourism Enhancement Fund (Jamaica)
TESDA	Technical Education and Skills Development Authority
TID	Technology Innovation District (Jamaica)
TIEC	Technology Innovation and Entrepreneurship Center (Egypt)
TLN	Tourism Linkages Network (Jamaica)
TPO	Trade promotion organization
UIH	Uruguay Innovation Hub
UKTP	United Kingdom Trade Partnerships
VAT	Value-added tax
VFX	Visual effects
WTO	World Trade Organization
XR	Extended reality

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World Trade Organization
154, rue de Lausanne
CH-1211 Geneva 2
Switzerland
Tel: +41 (0)22 739 51 11

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As services play an increasingly important role in the global economy and international trade, developing economies face an urgent challenge: how to build competitive service sectors and leverage them as engines of growth, employment and resilience. Yet, most export promotion initiatives remain largely designed for goods.

Drawing on nine in-depth country case studies from Africa, Asia, Latin America and the Caribbean, "Export Promotion Strategies for Services" provides a comprehensive examination of what works — and what does not — in promoting services exports. From Costa Rica's investment-led digital transformation and the Philippines' business process management boom to Uruguay's information technology success and Jamaica's creative industries, the book distils practical lessons on strengthening institutional cooperation, attracting investment, developing skills, enhancing branding, and promoting public-private collaboration.

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