



REPUBLIC OF KENYA

Ministry of Labour and Social Protection

**NATIONAL POLICY ON
BUSINESS PROCESS
OUTSOURCING**



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LIST OF ABBREVIATIONS

AFCTA	African Continental Free Trade Area
AI	Artificial Intelligence
AU	African Union
BETA	Bottom-Up Economic Transformation Agenda
BFSI	Banking, Financial Service and Insurance
BI	Business Intelligence
BPO	Business Process Outsourcing
BRS	Business Registration Service
CBET	Competency Based Education and Training
COMESA	Common Market for Eastern and Southern Africa
DDI	Domestic Direct Investment
DDDI	Diaspora Domestic Direct Investment
EAC	East Africa Community
EASY	Enterprise Application Software for You
EPZ	Export Processing Zone
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GOK	Government of Kenya
HRO	Human Resource Outsourcing
ICT	Information Computer Technology
IPR	Intellectual Property Rights
ITES	Information Technology Enabled Services
IT	Information Technology
KEPSA	Kenya Private Sector Alliance
KPI	Key Performance Indicators
KPO	Knowledge Process Outsourcing
LION	Local Integrated Online Network
LPO	Legal Process Outsourcing
M & E	Monitoring and Evaluation
MBPO	Medical Business Process Outsourcing
MCDA	Ministries, Counties, Departments and Agencies
MNC	Multi National Corporation
MSA	Master Service Agreement
MSME	Micro, Small and Medium Enterprise
NGO	Non-Governmental Organization
PPP	Public Private Partnership
RPO	Recruitment Process Outsourcing
SCO	Supply Chain Outsourcing
SDG	Sustainable Development Goal
SEZ	Special Economic Zone
SEZA	Special Economic Zones Authority
SME	Small-Medium Enterprise
TPSP	Third Party Service Providers
UNCTAD	United Nations Trade and Development
USD	United States Dollar
WTO	World Trade Organization

FOREWORD

The Kenya Vision 2030 aims at creating a globally competitive and prosperous nation with a high quality of life by the year 2030. It envisions Kenya as a leading Business Process Outsourcing (BPO) destination in Africa. Hence, the BPO sector has been identified as a new and promising sector for job creation and economic growth.

The National Policy on Business Process Outsourcing has been developed to provide a framework for the effective management of the BPO sector. The policy focuses on five major areas, namely, governance and management, labour and skills development, electronic environment, and investment, trade and industry. The policy is aligned to the Kenya Vision 2030, Constitution of Kenya, Treaty for the Establishment of the East African Community, African Union Agenda 2063, 2030 Agenda for Sustainable Development and ILO conventions.

The National Policy on Business Process Outsourcing has been developed to position the Country to take advantage of the high demand for outsourcing opportunities in the global market. Furthermore, the implementation of the Policy will enable us to curb the high youth unemployment facing the country. This will enable our young people to contribute to socio-economic development and foster increased prosperity for the country.

The Government will partner with the private sector including social and development partners to implement this policy. All stakeholders are therefore called to embrace this policy towards ensuring that it is implemented successfully.

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ACKNOWLEDGEMENTS

The State Department for Labour and Skills Development has been instrumental in spearheading the process of developing this policy in line with its mandate under Executive Order No. 2 of 2023.

The National BPO Policy is a product of the great commitment and concerted effort by various stakeholders in the public and private sector. It has benefitted from the invaluable input and support of Ministries, Counties, Departments and Agencies (MCDAs) and the private sector, including the BPO sector, development partners, Non-Governmental Organizations (NGOs) and civil society.

Gratitude is extended to all the stakeholders for their invaluable contributions. Special gratitude goes to the Kenya Private Sector Alliance (KEPSA), for providing technical and financial support towards developing this policy. Appreciation also goes to members of the technical committee for their commitment and tireless efforts in guiding the formulation of this policy.

We look forward to continued collaboration with all relevant stakeholders as we implement this policy.

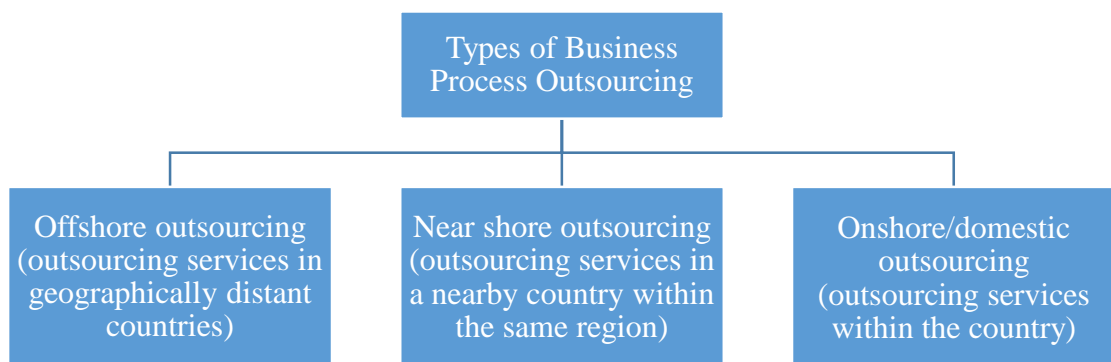
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CHAPTER ONE: POLICY OVERVIEW AND CONTEXT

1.1 INTRODUCTION

Business Process Outsourcing (BPO) is a business practice in which services or job functions are hired out to an external or third party. There are three types of outsourcing, depending on the geographical location of where the outsourced functions and processes are executed. These include offshore outsourcing, nearshore outsourcing and onshore outsourcing as illustrated in the figure below:

Figure 1: Types of Business Process Outsourcing



1.2 PROBLEM STATEMENT

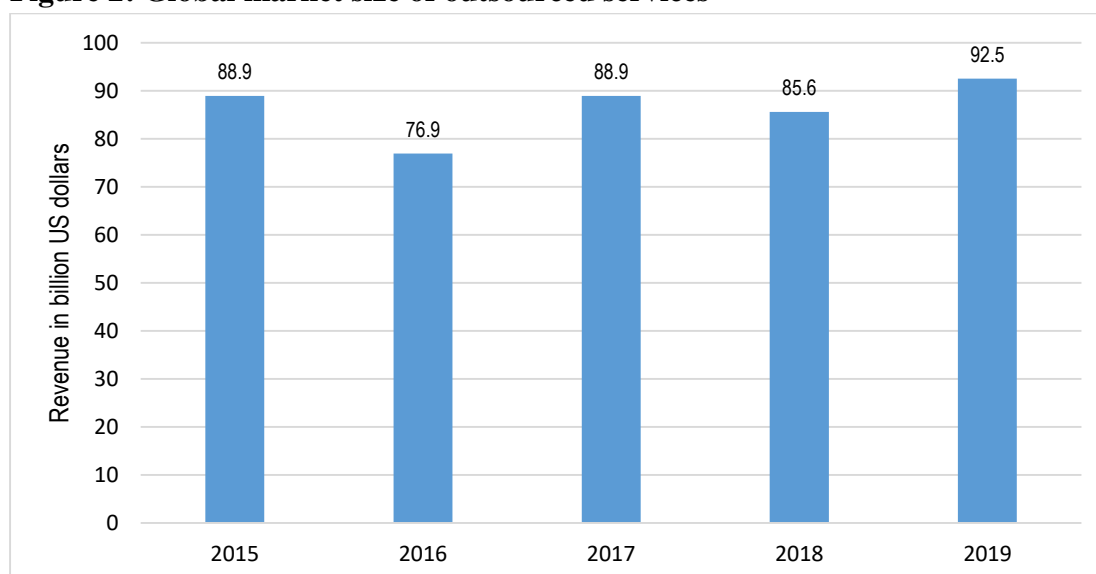
The Government has identified the Business Process Outsourcing (BPO) sector as a key driver for economic growth and development due to its immense potential to increase job creation, revenue generation and productivity. The BPO sector is highly dependent on a skilled labour force and technological advancement. Despite having these critical elements, the BPO sector in Kenya has not responded adequately to the high global demand for outsourcing services. The BPO sector has not been dynamic and competitive enough to serve as a catalyst for job creation and economic growth. For Kenya to become a leading BPO destination in Africa, as envisaged in Kenya Vision 2030, a robust policy framework to drive this process is required.

1.3 RATIONALE

a). Demand for outsourcing services

Kenya needs to maximize on the increased demand for Business Process Outsourcing (BPO) services. This demand has been associated with globalization and the growing competition in the global market. As Multi-National Corporations (MNCs) strive to improve cost savings, value creation, and operational performance without sacrificing quality and productivity levels, they are increasingly outsourcing non-core business functions. In 2019, the global market size of outsourced services was valued at USD 92.5 billion, increasing approximately USD 7 billion from the previous year as illustrated in Figure 2.

Figure 2: Global market size of outsourced services



(Source: Statista, 2024)

b). Supply of outsourcing services

Kenya has a large pool of unemployed skilled youth and relatively lower labor costs compared to markets in developed countries. This makes the country an attractive destination for outsourcing given that the BPO sector is skilled labor-intensive and driven to an extent by an increasing shortage of skilled labor in the developed countries. Against the huge pool of surplus labour that defines the Kenyan economy, the offshore BPO industry has the potential to generate employment for the youth. The unemployment rate in Kenya, measured based on the strict definition of not working, seeking work in the last four weeks and available to work, was 4.9 per cent (960,001 persons) in the fourth quarter of 2022. The age group of 20-24 years recorded the highest proportion of the unemployed at 15.6 per cent (424,474 persons) in the fourth quarter of 2022 (KNBS, 2023).

c). Revenue of the BPO industry

The high demand for outsourced services will result in revenue opportunities for the BPO industry. The ICT output value in Kenya recorded a growth of 7.7 per cent from KSh 564.8 billion in 2021 to KSh 608.1 billion in 2022. The ICT sector recorded a growth of 9.9 per cent in 2022 compared to a growth of 6.1 per cent in 2021. Wireless internet subscriptions increased from 45.7 million in 2021 to 48.0 million in 2022, with terrestrial wireless data recording a growth of 67.4 per cent (Economic Survey, 2023). The offshore BPO sector relies on ICT. In this respect, the offshore segment has the potential to contribute to the revenue share of the ICT sector. Furthermore, the offshore BPO industry stands to contribute a substantial share of GDP through foreign exchange.

1.4 GOAL, OBJECTIVES AND PRINCIPLES

1.4.1 Policy goal

The overall policy goal is to promote Kenya as a global leader in the Business Process Outsourcing (BPO) industry for economic growth and socio-economic transformation.

1.4.2 Policy objectives

The objectives of the policy are to:

- a). Strengthen the governance and management of the BPO sector;
- b). Build the human capacity required for the BPO sector;
- c). Promote ICT as a driver of the BPO sector;
- d). Enhance investment, trade and industry growth in the BPO sector;
- e). Develop a monitoring and evaluation framework for the BPO sector.

1.4.3 Policy guiding principles

The policy guiding principles include: -

a).	Capacity building	Build the capacity required to transform the BPO sector.
b).	Effectiveness	Align resources to the development of the BPO sector.
c).	Fair trade practices	Create and ensure a level playing field that facilitates fair competition.
d).	Linkages	Promote partnerships and collaborations in skills development.
e).	Transparency and accountability	Enhance good governance, information sharing, monitoring and evaluation.
f).	Technology and innovation	Leveraging on technology and innovation to enhance service delivery in the BPO sector.

1.5 SCOPE

The National Policy on Business Process Outsourcing applies to the National Government, County Governments and Non-State actors.

1.6 POLICY CONTEXT

Various laws and policies make reference to Business Process Outsourcing, and will, therefore inform and affect the implementation of this Policy.

African Union Agenda 2063 - This is Africa's long-term vision designed to achieve inclusive growth and sustainable socioeconomic development over a 50-year period (2013-2063). It guarantees full access of the youth to education, training, skills and technology, fostering greater links between skills development and industry, closing the skills gap and elimination of youth unemployment. It also promotes Africa as an attractive destination for foreign direct investment by providing tailored information to potential investors, highlighting the various investment opportunities across different sectors in Africa.

2030 Agenda for Sustainable Development – this framework was adopted by all United Nations Member States in 2015. It provides a shared blueprint for provision of inclusive and equitable quality education and promotion of lifelong learning opportunities for all (SDG4); promotion of sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all (SDG8);

and building of resilient infrastructure and promotion of inclusive and sustainable industrialization and foster innovation (SDG9).

Bottom Up Economic Transformation Agenda, 2022–2027 – presents the key priority areas that the Government will focus on. These include: Agriculture; Micro, Small and Medium Enterprise (MSME) economy; Housing and Settlement; Healthcare; and the Digital Superhighway and Creative Economy.

Competition Act (2010) – seeks to promote and safeguard competition in the national economy; to protect consumers from unfair and misleading market conduct; to provide for the establishment, powers and functions of the Competition Authority and the Competition Tribunal.

Company Act (2015) - aims at consolidating and reforming the law relating to the incorporation, registration, operation, management and regulation of companies; to provide for the appointment and functions of auditors; to make other provision relating to companies; and to provide for related matters.

Competency Based Education and Training Policy (2018) – presents a framework for the delivery and implementation of a Competence Based Education and Training (CBET) system in the Technical and Vocational Education and Training sector.

Constitution of Kenya - The policy is well-aligned to the provisions of the Constitution and takes into account the constitutional provisions on education and employment. The Constitution affirms the right to education, in Article 43; the right of the youth to access relevant education and training including access to employment, in Article 55; the right of minorities and marginalized groups to access special opportunities in educational and economic fields including special opportunities for access to employment, in Article 56; the right of persons living with disabilities to access educational institutions and facilities that are integrated into society to the extent compatible with the interests of the person, in Article 54; and the right of women and men to equal opportunities in political, social, economic and cultural spheres including affirmative action to address gender inequalities, in Article 27.

EAC Vision 2050 - focuses on development pillars and enablers that will create jobs to absorb the expected expansion of workforce during the duration of the Vision 2050.

Employment Act (2007) – defines the fundamental rights of employees. It also provides the basic conditions of employment of employees and regulates the employment of children.

Export Processing Zones Act (1990) - provides for the promotion and facilitation of export oriented investments and the development of enabling environment for such investment.

Foreign Investment Protection Act (2023) - assists in safeguarding approved and eligible foreign investments.

ILO Conclusions on Skills for Improved Productivity, Employment Growth and Development (2008) – provides practical guidance for strengthening education, vocational training and lifelong learning as central pillars of employability for workers and sustainability for enterprises within the decent work agenda. The conclusions aim to: help countries use skills development to maximize opportunities and mitigate the negative impact of global drivers of change such as technology, trade and climate change; integrate skills development into national and sectoral development strategies;

build seamless pathways of education; and extend access to education and training for those who are disadvantaged in society.

Industrial Court Act (2011) - establishes the Industrial Court. The Court is given powers to adjudicate over cases of employment and labour relations.

Industrial Training Act (2012) – makes provision for the regulation of the training of persons engaged in industry including industrial attachment and apprenticeship.

Industrial Property Act (2022) - provides for the promotion of inventive and innovative activities, to facilitate the acquisition of technology through the grant and regulation of patents, utility models, technovations and industrial designs.

Internship Policy and Guidelines for the Public Service (2016) - provides a framework for engagement and management of internship programmes in the public service. It outlines the various provisions and requirements of the programme, selection procedures and roles and responsibilities of various stakeholders in the internship programme.

Investment Promotion Act (2004) - to promote and facilitate investment by assisting investors in obtaining the licenses necessary to invest and by providing other assistance and incentives.

Kenya Vision 2030 – seeks to transform Kenya into a newly industrializing, middle income country providing a high-quality life to all its citizens by the year 2030. It envisions Kenya as a top BPO destination in Africa.

Kenyan Business Registration Services Act (2015) - constitutes the establishment of the Business Registration Service (BRS), aimed at efficiently administering laws pertaining to the incorporation, registration, operation, and management of companies, partnerships, and firms

Kenya Youth Development Policy (2019) – provides a framework for empowering the youth and harnessing their potential for realization of sustainable development. It outlines the priority areas aimed at improving the quality of life of the youth in Kenya through by enhancing their participation in economic and democratic processes as well as in community and civic affairs.

Kenya Vision 2030 and its Medium Term Plan – Kenya Vision 2030 recognizes the importance of addressing skills shortages, encouraging innovation and linking skills development to industry. Under the fourth Medium Term Plan (2023 – 2027), the Government is committed to supporting skills training as a strategy in order to deliver sustained economic growth to generate employment opportunities.

Labour Institutions Act (2007) - establishes labour institutions such as the national labour board, the committee of inquiry, labour administration and inspection, the wages councils and employment agencies.

Labour Relations Act (2007) - provides for the registration, regulation, management and democratization of trade unions and employers organizations or federations. It promotes sound labour relations through the protection and promotion of freedom of association, the encouragement of effective collective bargaining and promotion of orderly and expeditious dispute settlement.

National Curriculum Policy (2018) – presents a framework for guiding the curriculum reform process at all levels of education and training. It outlines provisions for access and transition of all learners through interdisciplinary and flexible curriculum pathways that develop their abilities and talents; and improving efficiency in provision of education and reducing wastage at all levels.

National Investment Policy (2019) - supports and stimulates the development of the private sector by attracting high value added and inclusive investment that contributes to the country's economic diversification and ultimately to sustainable development.

Occupational Safety and Health Act (2007) - provide for the safety, health and welfare of workers and all persons lawfully present at workplaces.

Sessional Paper No. 09 of 2012 on the National Industrialization Policy Framework for Kenya, 2012-2030 - provides a framework for enabling the industrial sector to attain and sustain annual sector growth rate of 15% and make Kenya the most competitive and preferred location for industrial investment in Africa leading to high employment levels and wealth creation.

Sessional Paper on Reforming Education and Training for Sustainable Development in Kenya (2019) - presents the framework for delivery of inclusive, equitable, quality and relevant education, training and research that promotes life-long opportunities for all.

Special Economic Zones Act (2015) – provides for an enabling environment for the development of all aspects of special economic zones including development of integrated infrastructure facilities; creation of incentives for economic and business activities in areas designated as special economic zones; removal of impediments to economic or business activities that generate profit for enterprises in areas designated as special economic zones; and the regulation and administration of activities within the special economic zones with due regard to the principles of openness, competitiveness and transparency.

Treaty for the Establishment of the East African Community (2007) – promotes linkages among industries within the East African Community (EAC).

1.7 POLICY FORMULATION PROCESS

The formulation of the National Policy on Business Process Outsourcing was undertaken through a consultative and participatory approach. The process involved various stakeholders both at national and county levels. These included the public sector, private sector, industry, Non-Governmental Organizations, civil society, development partners and youth groups.

CHAPTER TWO: SITUATIONAL ANALYSIS

2.1. INTRODUCTION

This section provides a broad sectoral overview of the critical issues that impact on Kenya's progress towards achieving a productive BPO sector. The situational analysis focuses on key development sectors that are thematically sequenced. A range of key issues have been identified in each thematic area.

2.2. GOVERNANCE AND MANAGEMENT

2.2.1. Governance and administration

The BPO sector is managed by various public and private entities. Executive Order No. 2 of 2023 vests in the Ministry of Labour and Social Protection the mandate of formulating policies, strategies, and regulations for labour, employment and skills development; the Ministry of Information, Communications and the Digital Economy the mandate of formulating policies, strategies, and regulations for telecommunications and electronic commerce; and the the Ministry of Investment, Trade and Industry the mandate of formulating policies, strategies, and regulations for investment, trade and industry. In addition, the Business Process Outsourcing Association of Kenya (BPOAK) has been established to promote the BPO sector's domestic and international recognition and enhance its presence and competitiveness in new markets and emerging technologies.

Key issues:

- a). Lack of a national overall coordination mechanism for the BPO sector;
- b). Government working in silos has fragmented efforts in developing the BPO sector;
- c). Low capacity of relevant public institutions to facilitate the BPO sector;
- d). Limited awareness of the BPO sector;
- e). Internal opposition to outsourcing;
- f). Associations for the BPO sector require to be robust;
- g). Weak monitoring, evaluation and reporting system.

2.2.2. Legal and regulatory framework

The framework of law and regulation in Kenya provides several safeguards necessary for the BPO sector. These frameworks include the Kenya Information and Communications Act of 1998; the Consumer Protection Act of 2012; the Computer Misuse and Cybercrimes Act of 2018; the Investment Promotion Act (2004); Competition Act (2010) and the Science and Technology Act (2013). In addition, Intellectual Property Rights (IPR) are guaranteed in Articles 11, 40 and 69 of the Constitution; the Industrial Property Act (2001) and the Copyright Act (2001). Furthermore, data protection is provided for by the Data Protection Act (2019); and regulated by the Data Protection (General) Regulations, 2021; the Data Protection (Registration of Data Controllers and Data Processors) Regulations, 2021; and the Data Protection (Complaints Handling and Enforcement Procedures) Regulations, 2021. However, there are international legal frameworks that protect consumer data from unauthorized users and prevent any potential misuse of it. For instance, data protection

laws in the European Union (EU) limit transfer of data to countries outside the EU, particularly countries that do not offer adequate data protection.

Key issues:

- a). Lack of a specific BPO legal and regulatory framework;
- b). Weak compliance to business related legal and regulatory frameworks;
- c). Regulatory environment that hinders ease of doing business;
- d). Weak dispute resolution mechanism for BPO investment related disputes;
- e). International legal frameworks that restrict data sharing particularly for countries that do not offer adequate data protection.

2.2.3. Linkages and collaborations

The BPO sector requires linkages and networks at national, regional and international levels. The key entities involved in such linkages include: Government, Multi-National Corporations (MNC), BPO firms, education and training institutions, research institutions, market intelligence organizations, financial organizations and SMEs. Other linkages include the backward and forward linkages, inter-firm linkages and inter-industry cluster linkages. In addition, diaspora communities are key actors in facilitating business development and knowledge transfer. However, there are weak multi-sectoral linkages in the BPO sector. Furthermore, the diaspora has not played a significant role in developing the BPO sector.

Key issues:

- a). Insufficient regional and international BPO strategic alliances;
- b). Low capacity to negotiate bilateral and multi-lateral BPO agreements;
- c). Weak multi-sectoral linkages in the BPO sector;
- d). Weak BPO industry-education and training linkages;
- e). Weak linkage between SMEs and foreign vendors in the BPO sector;
- f). Weak linkages between the BPO sector and diaspora networks.

2.3. LABOUR AND SKILLS DEVELOPMENT

2.3.1. Skills development

The BPO sector requires a labor force that has the relevant knowledge and capabilities. It requires appropriately educated and trained human resources in sufficient quantity; a digitally skilled workforce; managerial capacity to operate BPO organization; and linguistic capabilities, that is the ability to speak the language of the client. In this respect, Kenya has a large pool of highly skilled, tech-savvy and IT literate people; and an English speaking talent pool with a neutral accent, which enhances their suitability for outsourcing services. However, there is a shortage of workers with the skills and performance standards specifically required by the BPO sector. Furthermore, the dominance of the English language in Kenya, places BPO service providers for non-English speaking countries at a disadvantage in the global market.

Key issues:

- a). Weak alignment of the curricula to the needs of the BPO industry;
- b). Lack of adequately skilled labor to meet the specific demands of clients in the BPO sector;
- c). Inadequate managerial capacity required for the BPO sector;

- d). Low command of foreign languages required for offshore BPO services in non-English countries;
- e). Limitations related to digital skills, soft skills, work ethics and cultural mindset to work with foreign clients in the offshore BPO industry;
- g). Inadequate trainers for BPO related training programmes;
- h). Low private sector investment in skills development for the BPO sector.

2.3.2. Knowledge and technology transfer

Knowledge and technology transfer involves a collaborative process that allows knowledge and intellectual property to flow from clients to BPO service providers. In this respect, the clients require to have the ability and willingness to transfer their knowledge and technology outputs to the BPO service provider; while the BPO service providers receiving these outputs need to use them for improved design, processes, continuity and delivery of services. However, the threats identified in relation to knowledge and technology transfer include intellectual property theft, and data leakages and misuse in the hands of the BPO service providers.

Key issues:

- a). Risk of IP breaches by the BPO service providers;
- b). Risk of data leakages and misuse by the BPO service providers;
- c). Low awareness of data protection and IPR in the BPO sector;
- d). Large informal sector inhibits knowledge and technology transfer in offshore outsourcing;
- e). Limited peer learning networks within the BPO sector;
- f). Inadequate information sharing forums for the BPO sector;
- g). Limited research on the BPO sector in Kenya.

2.3.3. Employment

BPO industries enhance employment in two ways: first, through employment within the BPO industry; and second, through indirect employment resulting from consumption and capital expenditure by the BPO industry and its workers, and in other sectors resulting from the use of ICT and outsourcing services. It is not clear, how the BPO industry in Kenya impacts on employment given that its industry share of the country's employment has not been well documented. Hence the role of the BPO sector in contributing to job creation is not well defined. It may also be difficult to forecast its industry growth.

Key issues:

- a). Lack of labour force data and projections for the BPO sector;
- b). Lack of a comprehensive database of BPO organizations;
- c). Inadequate work based learning opportunities in the BPO sector;
- d). Limited access of the youth, women, and persons with disabilities to BPO jobs;
- e). Emerging threat of automation, robotics and artificial intelligence to low-level BPO jobs.

2.3.4. Decent work agenda

Labour rights in Kenya are derived from several sources including the Constitution of Kenya and various Acts of Parliament as follows: (1) the Constitution guarantees the right to fair labour practices including the right to fair remuneration, reasonable

working conditions, to go on strike and to form, join, or participate in the activities and programmes of a trade union in Article 41; (2) the Employment Act (2007) establishes the minimum terms and conditions of employment; (3) the Labour Relations Act (2007) provides for the protection of employees; (4) the Work Industry Benefits Act (2007) provides for compensation to employees for work related injuries and diseases contracted in the course of their employment; and (5) the Occupational Safety and Health Act (2007) which provides for workers' safety, health and welfare in so far as they are lawfully present at workplace. Despite this progress, there are incidences of labour rights violations in the BPO sector.

Key issues:

- a). Decent work deficits in the BPO sector;
- b). Weak adherence to labour laws in the BPO sector;
- c). Gaps in labour laws and bills in regard to the BPO jobs;
- d). Gig workers are not included in the Employment Act;
- e). Risk of workers in the BPO sector being poorly paid and exploited;
- f). Low involvement of labor unions in the BPO sector;
- g). Inadequate social protection mechanisms in the BPO sector;
- h). Lack of a dispute resolution mechanism for the BPO sector.

2.4. ELECTRONIC ENVIRONMENT

2.4.1. Information, Communication and Technology

ICT infrastructure and equipment, and the internet connectivity serve as a foundation for offshore BPO services. In this respect, Kenya has developed a robust ICT infrastructure system and is connected to the international broadband highway through the SEACOM, TEAMS, EASY, and LION undersea fiber cables. Most major towns in Kenya are connected through the National Optic Fiber Backbone Infrastructure (NOFBI). Furthermore, the Konza Technology City is being developed as a flagship Kenya Vision 2030 project, to capture the growing global Business Processing Outsourcing and Information Technology Enabled Services (BPO/ITES) sectors in Kenya. These developments have opened up the electronic environment required for the BPO sector. However, the offshore BPO industry can develop faster, both in terms of export and domestic market, if the ICT infrastructure and equipment is adequate.

Key issues:

- a). The BPO sector is hindered by inadequate digital skills, ICT infrastructure and equipment, and internet services;
- b). Quality of service delivery in the BPO sector is affected by internet connectivity that is not reliable, secure and affordable;
- c). Automation of the BPO industry is affected by the low adoption of new technologies such as Artificial Intelligence (AI) and Robotic Process Automation (RPA);
- d). Inadequate funding for the Konza Technology City flagship project;
- e). BPO industries using ICT are at risk of cyber-attacks.

2.4.2. Online outsourcing in the gig economy

The gig economy provides an opportunity for outsourcing business processes without the overhead costs of full-time employees. The growth of the gig economy has been fueled by the high adoption of the internet and increasing penetration of smartphones, which connect online users over the digital platforms. The gig industry in Kenya is worth USD 109 million. The industry employs approximately 1.2 million gig workers which constitutes about 1.2 per cent of the global gig labour force. 82 per cent of the gig workers in Kenya are in the informal sector. Young people in Kenya are at the forefront of gig work in terms of labour supply (the average age of the gig workers is between 18 – 35 years). The average monthly income is about Kshs. 15,000. Despite this progress, the gig economy experiences decent work deficits.

Key issues:

- a). Use of algorithms that expose Kenyan gig workers to unfair practices and job outcomes;
- b). Strong competition from gig workers in other countries;
- c). Risk of agreements between gig companies to fix wages or other terms relating to gig work that should be subject to competition;
- d). Failure of gig companies to disclose financial details of gig work;
- e). Deprivation of rights to gig workers are entitled under law;
- f). Low bargaining power and non-negotiable contracts of gig workers;
- g). Low earnings and wages below competitive rates;
- h). Low awareness among gig workers about their working conditions;
- i). Fees charged to gig workers to work on the digital platform;
- j). Incidences of tax evasion and non-contribution to social security;
- k). Majority of the gig workers are in the informal sector;
- l). Inadequate skills required to access and maintain online gig jobs;
- m). Anonymous identities in crowd work and fake profiles in the gig economy.

2.4.3. Time zone management

ICT allows offshore BPO services to be provided at different time zones. These time zone differences are the result of large geographical distances that separate the collaborating teams. It is, therefore, essential to master time zone management in global BPO operations to optimize efficiency. Having a time zone difference makes it possible for an offshore company to operate a 24-hour business day. Production that would normally take a longer period in an offshore company will take a shorter period if outsourced from a country located in a different time zone. The ability to provide such services, is dependent on the quality and reliability of the communications network which enables services to be rendered at marginal cost. Kenya has time zone advantages. Services in call centers are provided to the foreign country at night, which would be their normal working hours. Hence, services that do not require the presence of workers at the offshore company and present higher costs during the night, can be outsourced through communications networks.

Key issues:

- a). Time zone advantage is dependent on the quality and reliability of the communications network;
- b). Inadequate capacity for effective time zone management;
- c). Lack of regulations on the shift system of work in the BPO sector;
- d). Risk to occupational safety and health for shift workers in the BPO sector.

2.5. INVESTMENT, TRADE AND INDUSTRY

2.5.1. Investment

Investment promotion is a national strategic priority aimed at attracting both domestic and foreign investments to spur economic growth and competitiveness. In this respect, Kenya is a member of the regional and international organizations, including the United Nations Trade and Development (UNCTAD), World Trade Organization (WTO), African Continental Free Trade Area (AfCFTA), Common Market for Eastern and Southern Africa (COMESA) and East African Community (EAC). During the period 2022 to 2024, Kenya attracted investments worth Kshs. 480 billion in Domestic Direct Investment (DDI), USD 1.504B in Foreign Direct Investment (FDI) and a value of exports under the EPZ program amounting to Kshs 227.51 Billion. Currently, offshore BPOs (foreign vendors) are the major investors in the BPO sector, compared to onshore BPOs (domestic vendors), and are a source of foreign currency revenue for Kenya.

Key issues:

- a). Inadequate investor protection in the BPO sector;
- b). Insufficient efforts to attract foreign investors in the BPO sector;
- c). Lack of an incentive framework for offshore BPOs (foreign vendors);
- d). Geopolitics could affect investments and trade flows in the BPO sector;
- e). Mobilization of diaspora remittances for investments in the BPO sector is required.

2.5.2. Special Economic Zones

Special Economic Zones are aimed at attracting investors and investments to Kenya's manufacturing sector; upscaling manufacturing, and trade; promoting exports and export-oriented growth; enhancing value addition in agriculture, fisheries, and livestock; and generating employment. The SEZs come in the wake of earlier incentive schemes such as: the Manufacturers' Export Compensation scheme, a Manufacturing Under Bond (MUB), and Export Processing Zones (EPZs) which did not generate significant economic impact as anticipated. During the period 2022 to 2024, two (2) public Special Economic Zones (SEZs) were operationalized and eighteen (18) additional SEZs gazette. In addition, local and foreign investments attracted in the SEZs stood at Kshs. 120 billion. Furthermore, the number of jobs generated by the SEZ were 5721.

Key issues:

- a). Complex setting-up and operational procedures of SEZ entities;
- b). Lack of effective aftercare services for SEZ entities;
- c). Lack of a multi-agency approach in the establishment of BPO/SEZ entities;
- d). Lack of flexible performance-based incentives for BPO/SEZ entities;
- e). Low awareness of the development of BPO/SEZ entities.

2.5.3. Trade and marketing

Trade and marketing are key drivers of the BPO sector. While progress has been made in these areas, there are various issues that need to be addressed. Although the offshore BPO sector in Kenya contributes to a share of the GDP, there is inadequate data on export revenue earnings, market size, market share, and growth rates of the BPO sector. This implies that the contribution of the BPO sector to the economy is not well defined. Furthermore, competition is strong from countries such as India, the Philippines, China

and Mexico that already have global BPO firms that have been successfully attracting large offshore customers. While potential clients from most industrialized nations are well aware of the brand of these countries, the Kenyan brand is not well known abroad as a potential offshore destination.

Key issues:

- a). Inadequate data, including data on export revenue earnings, market size, market share, and growth rates, in the BPO sector;
- b). Inadequate BPO market research and intelligence awareness;
- c). Strong competition from other countries with well-established BPO sectors;
- d). Limited African BPO market share;
- e). Kenyan brand is not well known as a potential offshore destination;
- f). Limited scale and scope of BPO services offered.

2.2.4. Industry growth

The re-organization of production through Global Value Chains (GVCs) carries profound implications for Kenya, since it provides new opportunities for the country to be integrated into the global economy through outsourcing. Over the last decade, offshore, nearshore and onshore outsourcing have become a distinctive feature of the Kenyan economy. Onshore outsourcing is undertaken through procurement outsourcing, supply chain outsourcing, research process outsourcing, human resource outsourcing, legal process outsourcing and knowledge process outsourcing. Nearshore and offshore outsourcing is growing steadily with the advancement of ICT technology and the declining trade barriers. Currently, over 40 BPO firms have been established in Kenya.

Key issues:

- a). Low number of BPO firms in Kenya;
- b). Limited access to reliable financing options for BPO start-ups;
- c). Low capacity of the private sector to drive the growth of the BPO sector;
- d). High cost of doing business for the BPO sector;
- e). Unfavorable tax regime for the BPO sector;
- f). Inadequate infrastructure and technology to support the growth of the BPO sector;
- g). Lack of regulations on public sector knowledge process outsourcing.

CHAPTER THREE: POLICY PRIORITY ACTIONS

3.1 INTRODUCTION

This chapter outlines the policy priority areas of the National Policy on Business Process Outsourcing (BPO). The policy commitments are anchored on the situational analysis outlined in the previous chapter. Policy actions taken on each priority area are expected to guide skills development. This chapter therefore outlines the specific policy priority areas and the policy actions.

3.2 GOVERNANCE AND ADMINISTRATION

Policy statement

The Government shall strengthen the governance and administration of the BPO sector.

Policy actions:

- a). Establish a national coordination mechanism for the BPO sector;
- b). Develop a multi-stakeholder engagement framework the BPO sector;
- c). Create awareness of the BPO sector in the public and private sectors;
- d). Build the capacity of the associations of BPOs;
- e). Strengthen monitoring, evaluation and reporting systems.

3.3 LEGAL AND REGULATORY FRAMEWORK

Policy statement

The Government shall strengthen the legal and regulatory framework for the BPO sector.

Policy actions:

- a). Develop an enabling legal and regulatory framework for the BPO sector;
- b). Restructure and strengthen regulatory institutions to ensure effective compliance to business related legal and regulatory frameworks;
- c). Review, rationalize and develop a conducive regulatory framework for doing business;
- d). Develop an effective dispute resolution mechanism for BPO investment related disputes;
- e). Ensure that the BPO sector complies to intellectual property and data security and privacy laws and regulations.

3.4 LINKAGES AND COLLABORATIONS

Policy statement

The Government shall strengthen the linkages and collaborations related to the BPO sector.

Policy actions:

- a). Facilitate the development of regional and international BPO strategic alliances;
- b). Build the capacity of institutions to negotiate bilateral and multi-lateral BPO agreements;
- c). Establish multi-sectoral linkages in the BPO sector;
- d). Enhance BPO industry-education and training linkages;

- e). Facilitate the linkage between SMEs to foreign vendors in the BPO sector;
- f). Strengthen the linkages between the BPO sector and diaspora networks.

3.5 SKILLS DEVELOPMENT

Policy statement

The Government shall enhance access to skills development that is aligned to the needs of the BPO industry.

Policy actions:

- a). Facilitate the provision of labour market information, occupational standards and curricula for the BPO sector;
- b). Enhance access to BPO related skills development including reskilling, upskilling and managerial skills development programmes;
- c). Enhance access to foreign language programmes for provision of BPO services in non-English countries;
- d). Ensure that the development of digital skills, soft skills, work ethics and a cultural mindset to work with foreign clients is incorporated in BPO related skills development;
- i). Increase the number of trainers required for BPO related training programmes;
- j). Incentivize the private sector investment in skills development for the BPO sector.

3.6 KNOWLEDGE AND TECHNOLOGY TRANSFER

Policy statement

The Government shall enhance knowledge and technology transfer in the BPO industry the BPO sector.

Policy actions:

- a). Strengthen the Office of the Data Protection Commissioner (ODPC);
- b). Strengthen the Intellectual Property Tribunal (IPT);
- c). Create awareness of data protection and IPR in the BPO sector;
- d). Facilitate the formalization of the informal sector to enhance knowledge and technology transfer required in offshore outsourcing;
- e). Facilitate the establishment of peer learning networks within the BPO sector;
- f). Institutionalize periodic information sharing forums for the BPO sector;
- g). Strengthen research on the BPO sector in Kenya.

3.7 EMPLOYMENT

Policy statement

The Government shall enhance employment growth in the BPO sector.

Policy actions:

- a). Ensure that labour force data and projections for the BPO sector are developed and made accessible;
- b). Create and maintain a comprehensive database of the BPO organizations;
- c). Incentivize corporations to provide BPO work based learning opportunities;
- d). Enhance access to BPO jobs for youth, women and persons with disabilities;
- e). Facilitate the creation of high-level BPO jobs.

3.8 DECENT WORK AGENDA

Policy statement

The Government shall integrate the decent work agenda in the BPO sector.

Policy actions:

- a). Ensure that a decent work toolkit for the BPO sector is developed;
- b). Enhance adherence to labour laws by the BPO sector;
- c). Review the relevant labour laws and bills to incorporate BPO workers;
- d). Review the Employment Act to include gig workers and their rights;
- e). Develop specific wage guidelines for the BPO sector including the Gig economy;
- f). Facilitate access of BPO workers to trade union membership;
- g). Ensure that social protection mechanisms are developed for workers in the BPO sector;
- h). Establish a dispute resolution mechanism for the BPO sector.

3.9 INFORMATION, COMMUNICATION AND TECHNOLOGY

Policy statement

The Government shall strengthen ICT infrastructure to enhance the IT-BPO sector.

Policy actions:

- a). Strengthen the BPO industry through the provision of adequate digital skills, and ICT infrastructure and equipment, and internet services;
- b). Enhance the quality of service delivery in the BPO sector through the provision of internet connectivity that is reliable, secure and affordable;
- c). Promotion of local manufacture and assembly of ICT equipment and accessories;
- d). Enhance automation of the BPO industry through the adoption of new technologies such as Artificial Intelligence (AI) and Robotic Process Automation (RPA);
- e). Provide adequate funding for the Konza Technology City flagship project;
- f). Establish an agency to enhance cybersecurity in the country.

3.10 ONLINE OUTSOURCING

Policy statement

The Government shall strengthen online outsourcing in the gig economy.

Key issues:

- a). Ensure that best practices related to regulating AI or algorithm-based decision-making in the gig economy are adopted;
- b). Enforce the competition law and increase deterrence of restrictive trade practices in the gig economy;
- c). Enhance the protection of gig workers from unfair and misleading market conduct in the gig economy;
- d). Facilitate the establishment of trade unions and associations for gig workers;
- e). Develop a labour administration and inspection toolkit for the gig economy;
- f). Create awareness among gig workers about their labour rights;
- g). Ensure that a complaint handling mechanism is created for gig workers;
- h). Facilitate formalization of the gig economy;
- i). Enhance access to skills development required to access and maintain gig jobs;
- j). Leverage on advanced technologies to secure gig workers on the digital platforms;
- k). Develop minimum standards for working in the gig economy.

3.11 TIME ZONE DIFFERENCES

Policy statement

The Government shall leverage the time zone advantage to expand the growth of the BPO sector.

Policy actions:

- a). Leverage on a quality and reliability of the communications network to optimize on the time zone advantage;
- b). Build capacity on effective time zone management in the BPO sector;
- c). Develop regulations on the shift system of work in the BPO sector;
- d). Enforce the occupational safety and health law in the BPO sector.

3.12 INVESTMENT

Policy statement

The Government shall increase investment in the BPO sector.

Policy actions:

- a). Strengthen investor protection in the BPO sector;
- b). Establish a one-stop mechanism to enhance on-boarding of BPO investors;
- c). Increase Domestic Direct Investment (DDI) and Foreign Direct Investment (FDI) in the BPO sector;
- d). Conduct geopolitical anticipation assessments and review BPO strategies accordingly;
- e). Leverage diaspora remittances to strengthen the BPO sector.

3.13 SPECIAL ECONOMIC ZONES

Policy statement

The Government shall increase investment in the BPO sector.

Policy actions:

- a). Simplify the setting-up and operational procedures for BPO/SEZ entities;
- b). Develop effective aftercare services for BPO/SEZ entities;
- c). Develop a multi-agency approach in the establishment of BPO/SEZ entities;
- d). Develop flexible performance-based incentives for BPO/SEZ entities;
- e). Build capacity on the development of BPO/SEZ entities.

3.14 TRADE AND MARKETING

Policy statement

The Government shall increase the contribution of the BPO sector to the country's GDP.

Policy actions:

- a). Enhance access to data analytics of the BPO sector, including export revenue earnings, market size, market share, and growth rates;
- b). Enhance access to BPO market research and intelligence;
- c). Develop a marketing strategy for the BPO sector;
- d). Brand Kenya as a potential offshore outsourcing destination;
- e). Build capacity on expanding the scale and scope of BPO services offered;

3.15 INDUSTRY GROWTH

Policy statement

The Government shall provide a favorable environment for rapid growth of the BPO sector.

Policy actions:

- a). Increase the number of BPO firms in Kenya;
- b). Enhance access to reliable financing options for BPO start-ups;
- c). Build the capacity of the private sector to drive the growth of the BPO sector;
- d). Simplify regulatory and bureaucratic processes that can impede BPO operations;
- e). Establish a favourable tax regime for the BPO sector
- f). Ensure provision of adequate infrastructure and technology to support the growth of the BPO sector;
- g). Develop regulations for knowledge process outsourcing.

CHAPTER FOUR: INSTITUTIONAL AND IMPLEMENTATION FRAMEWORK

4.1 INTRODUCTION

This chapter presents the institutional and implementation framework for implementing the National BPO Policy. A multi-sectoral approach will be used in the implementation of this policy. Hence, various institutions have been identified to facilitate implementation of BPO initiatives within the existing legal frameworks.

4.2 THE NATIONAL BPO COUNCIL

The National BPO Council shall be a high level body. Its mandate shall be to facilitate coordination, strengthen stakeholder participation and mobilize resources for implementation of this policy. Its membership shall include representatives of MCDAs and the private sector including industry, informal sector, employers, workers, organizations for persons with disabilities, development partners, civil society and youth organizations.

4.3 NATIONAL BPO PLAN

To operationalize the National BPO Policy, a five-year National BPO Plan shall be developed. This plan shall guide the annual costed work plans of the various implementing entities. It will cover the period 2023 – 2027.

4.4 IMPLEMENTATION FRAMEWORK

This policy will be implemented by various actors including Ministries, Counties, Departments and Agencies (MCDAs), constitutional commissions, private sector, development partners, civil society organizations among other key actors as indicated below:

- 4.4.1 Ministry of Labour and Social Protection** - Shall provide technical support on matters related to labour, skills development and social protection within this policy.
- 4.4.2 Ministry of Information, Communication and the Digital Economy** - Shall provide technical support on matters related to ICT within this policy.
- 4.4.3 Ministry of Investments, Trade and Industry;** Shall provide technical support on matters related to investment, trade and industry within this policy.
- 4.4.4 Ministry of Education** - Shall provide technical support on matters related to education and training within this policy.
- 4.4.5 Ministries of Foreign and Diaspora Affairs; and East African Community, the ASALs and Regional Development** - Shall provide technical support on matters related to knowledge management within this policy.

- 4.4.6 Ministry of Youth Affairs, Sports and the Arts** - Shall provide technical support on matters related to youth empowerment within this policy.
- 4.4.7 Ministry of Gender, Culture, The Arts & Heritage** - Shall provide technical support on matters related to gender and affirmative action within this policy.
- 4.4.8 Ministry of Co-operatives and Micro, Small and Medium Enterprises (MSME) Development** - Shall provide technical support on matters related to MSMEs within this policy.
- 4.4.9 Ministry of Public Service, Performance and Delivery Management** - Shall provide technical support on matters related to the public service within this policy.
- 4.4.10 Commissions: Public Service Commission; Teachers Service Commission; Commission for University Education** - Shall provide technical support on relevant matters to their mandate within this policy.
- 4.4.11 National Treasury** - Shall avail adequate budgetary resources for implementation of this policy.
- 4.4.12 State Law Office and Kenya Law Reform Commission** - Shall provide technical support on all matters related to drafting and amending legislation required to implement this policy.
- 4.4.13 Council of Governors** - Shall provide technical matters related to pre-primary education, vocational and technical education that are relevant to the Counties within this policy.
- 4.4.14 Research, education and training institutions** - Shall provide technical support on matters related to research, education and training within this policy.
- 4.4.15 Development partners** - Shall provide technical and financial support at various levels to support the implementation of this policy.
- 4.4.16 Employers/industry/private sector/social partners** – Shall provide technical and financial support for all aspects of BPO within this policy.
- 4.4.17 Civil society organizations** - Shall provide technical support on monitoring and evaluation of this policy.
- 4.4.18 Media** - Shall provide support to enhance awareness about this policy.
- 4.4.19 Individual citizens including the youth** - Shall participate in providing relevant support for designing, implementing and monitoring the policy.

4.5 RESOURCE MOBILIZATION

The successful implementation of this policy will require adequate financial, human and technical resources to ensure effective and efficient implementation for desired policy outcomes. The primary funding mechanisms for the policy shall be:

- a). Budgetary allocation from the National Treasury;
- b). Support from the private sector, development partners, industry, civil society, philanthropic bodies, individuals and other funding agencies;
- c). Public-Private sector partnerships;
- d). Fundraising activities.

CHAPTER FIVE: MONITORING AND EVALUATION

5.1 INTRODUCTION

A monitoring and evaluation framework shall be developed to ensure that this policy is implemented effectively. This framework shall be anchored on Results Based Management and aligned to the National Performance Management System. It will form the basis for continuous improvement and act as an important accountability mechanism for funding agencies and stakeholders.

5.2 MONITORING AND EVALUATION

Policy statement:

The Government will establish a monitoring and evaluation framework to ensure that the policy interventions are monitored, tracked and evaluated.

Policy actions

- a). Develop a national monitoring and evaluation framework;
- b). Develop a risk management framework;
- c). Establish baselines upon which to measure outputs and outcomes;
- d). Develop and implement a score card system on key targets;
- e). Develop a budget for monitoring and evaluation;
- f). Build capacity to undertake monitoring and evaluation;
- g). Conduct mid-term and end-term evaluation;
- h). Conduct rapid annual assessments.

5.3 POLICY REVIEW

This Policy shall be reviewed within five years to assess its effectiveness and relevance in dealing with national, regional and global skills development issues.

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APPENDICES

Appendix 1: Definition of key terms

Term	Definition
Back-Office	Part of most organizations where tasks dedicated to running the operations of the entity take place.
Billing Matrix	Summary of billing terms of all clients for whom services are rendered by the entity.
BPO Industry	It includes entities operating in Kenya as BPO, and all other forms of back office operations outsourced either in entirety or partially, irrespective of services being rendered in Kenya or outside Kenya.
Business Process Outsourcing (BPO)	This is a general term used to describe outsourcing of critical, but non-core, business processes of an organization.
Call Centre	A centralised office used for the purpose of receiving and transmitting a large volume of requests by telephone.
Contact Centre	In addition to a call centre, collective handling of letters, faxes, live chats, and e-mails are also done at one location.
Contract	Includes Master Service Agreement, Service Level Agreement, Statement of Work, Purchase Order or such other official formal agreement entered by the entity with the client related to provision of service.
External Service Provider	An entity having any legal form providing outsourced services to a client in Kenya or abroad.
Gig workers	A person who is matched to clients on a per-task (gig) basis through platforms enabled by digital technologies.
Human Resource Outsourcing (HRO)	Outsourcing or transferring all or part of human resource management function of an entity to an external service provider.
Knowledge Process Outsourcing (KPO)	Knowledge Process Outsourcing (KPO) is the outsourcing of high-end business functions in an organization. These functions may include both core and non-core activities.
Legal Process Outsourcing (LPO)	Outsourcing legal support services of an outside law firm or legal support services entity to an external service provider.
Master Service Agreement (MSA)	A contract that states the responsibilities, rights and obligations of one party with another.
Medical Business Process Outsourcing (MBPO)	Outsourcing all or part of medical record documentation, patient client history, case history, etc., to an external service provider.

Off-shoring	Outsourced business functions done in another country.
Multi-sourcing	Framework in which different parts of the client business are to be sourced from different external service providers.
Off-shoring	Outsourced business functions done in another country.
Outsourcing	Outsourcing is the process of sourcing ‘from outside the purview of the firm’, where an organization transfers ownership of a process to an external service provider. It includes Business Processing Outsourcing (BPO) too. Outsourcing of all or part of the procurement activities to an external service provider.
Procurement BPO	Outsourcing of all or part of the procurement activities to an external service provider.
Recruitment Process Outsourcing (RPO)	Outsourcing or transferring all or part of recruitment activities to an external service provider.
Research Process Outsourcing (RPO)	Outsourcing of all or part of the research work to external service providers.
Supply Chain Outsourcing (SCO)	Outsourcing of all or part of activities related to supply chain management to an external service provider.

Appendix 2: Policy Coordination Action Plan

	Component	Activity	Indicator	Responsible	Timeline				
					2024/25	2025/26	2026/27	2027/28	2028/29
1.	Public awareness of the National BPO Policy	Undertake public education and sensitization of the Policy	Capacity Building Report	Ministry of Labour and Social Protection; Ministry of Investments, Trade and Industry; and Ministry of Information, Communication and the Digital Economy	√				
2.	National BPO Action Plan	Develop the National BPO Action Plan	National BPO Action Plan	Ministry of Labour and Social Protection; Ministry of Investments, Trade and Industry; and Ministry of Information, Communication and the Digital Economy	√	√			
		Develop the M&E framework	M&E framework	Ministry of Labour and Social Protection; Ministry of Investments, Trade and Industry; and Ministry of Information, Communication and the Digital Economy	√	√			
		Implement and monitor the NSDP Plan	Quarterly & annual progress and M&E reports	Ministry of Labour and Social Protection; Ministry of Investments, Trade and Industry; and Ministry of Information, Communication and the Digital Economy	√	√	√	√	√
3.	National BPO Act	Develop the National BPO Bill and table it in Parliament	National BPO Act	Ministry of Labour and Social Protection; Ministry of Investments, Trade and Industry; and Ministry of Information, Communication and the Digital Economy	√	√			
4.	Review the National BPO Policy and Action Plan	Review the National BPO Policy	National BPO Policy	Ministry of Labour and Social Protection; Ministry of Investments, Trade and Industry; and Ministry of Information, Communication and the Digital Economy					√
		Review the National BPO Action Plan	Reviewed National BPO Action Plan	Ministry of Labour and Social Protection; Ministry of Investments, Trade and Industry; and Ministry of Information, Communication and the Digital Economy					√
		Review the M&E framework	Reviewed M&E framework	Ministry of Labour and Social Protection; Ministry of Investments, Trade and Industry; and Ministry of Information, Communication and the Digital Economy					√