



REPUBLIC OF KENYA

Ministry of Labour and Social Protection

**NATIONAL POLICY ON
BUSINESS PROCESS
OUTSOURCING**



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LIST OF ABBREVIATIONS

ADR	Alternative Dispute Resolution
AEZO	Africa Economic Zones Organization
AFCTA	African Continental Free Trade Area
AI	Artificial Intelligence
ARIPO	African Regional Intellectual Property Organization
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
DST	National Optic Fiber Backbone Infrastructure
EAC	East Africa Community
EASY	Enterprise Application Software for You
EASSy	Eastern Africa Submarine Cable System
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
IDI	ICT Development Index
ILO	International Labour Organisation
IP	Intellectual Property
IPR	Intellectual Property Rights
ITA	Income Tax Act
ITES	Information Technology Enabled Services
IT	Information Technology
KEPSA	Kenya Private Sector Alliance
KLMIS	Kenya Labour Market Information System
KPI	Key Performance Indicators
KPO	Knowledge Process Outsourcing
LION	Local Integrated Online Network
LPO	Legal Process Outsourcing
M & E	Monitoring and Evaluation
MCDA	Ministries, Counties, Departments and Agencies
MNC	Multi National Corporation
MSA	Master Service Agreement
MSME	Micro, Small and Medium Enterprise
NOFBI	National Optic Fiber Backbone Infrastructure
NDC	Nationally Determined Contribution
NGO	Non-governmental Organization

PPP	Public Private Partnership
RPL	Recognition of Prior Learning
RPO	Recruitment Process Outsourcing
SCO	Supply Chain Outsourcing
SDG	Sustainable Development Goal
SEACOM	South East Asia Commonwealth
SEZ	Special Economic Zone
SEZA	Special Economic Zones Authority
SME	Small-Medium Enterprise
TEAMS	The East African Marine System
TPSP	Third Party Service Providers
TVET	Technical and Vocational Education and Training
UNCTAD	United Nations Trade and Development
USD	United States Dollar
WFZO	World Free Zones Organization
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

FOREWORD

Kenya Vision 2030 aspires to create a globally competitive and prosperous nation with a high quality of life by the year 2030. A key part of this vision is to establish Kenya as a leading Business Process Outsourcing (BPO) destination in Africa. Although Kenya is emerging as one of the top BPO destinations on the continent, it has yet to reach the status of leading global outsourcing destinations such as India and the Philippines.

To effectively position Kenya as a global leader in the Business Process Outsourcing industry, the National Policy on Business Process Outsourcing has been developed. The policy is expected to position Kenya to take advantage of the high demand for outsourcing opportunities in the global market. The policy will help curb the high youth unemployment rate by enabling young people to enter and thrive in the BPO economy.

Additionally, the digital labour force as a new and emerging workforce is addressed within the policy framework.

This policy focuses on five major areas, namely: governance, outsourcing readiness, enabling regulatory framework, trade and investment, and labour market performance. The policy is aligned with several key documents and frameworks, including Kenya Vision 2030, the Constitution of Kenya, the Treaty for the Establishment of the East African Community, the African Union Agenda 2063, the 2030 Agenda for Sustainable Development, and ILO conventions.

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.

Hon. Dr. Alfred N. Mutua, EGH
Cabinet Secretary
Ministry of Labour and Social
Protection

Hon. William Kabogo Gitau
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and the Digital Economy

ACKNOWLEDGEMENTS

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 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.

Shadrack M. Mwadime, CBS
Principal Secretary
State Department for Labour
and Skills Development

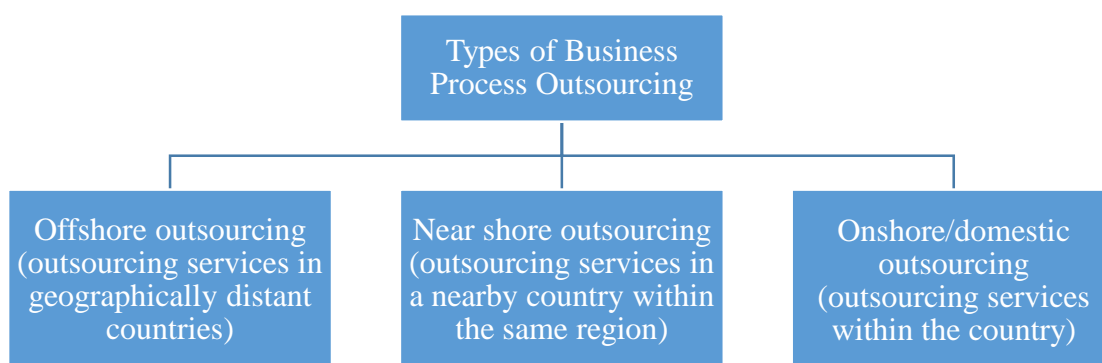
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CHAPTER ONE: POLICY OVERVIEW AND CONTEXT

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

Kenya Vision 2030 seeks to transform the nation into a globally competitive and prosperous country with a high quality of life by 2030. It positions the Business Process Outsourcing (BPO) sector as a pivotal driver for economic growth and development, recognizing its significant potential to create jobs and generate revenue. It envisages Kenya as the leading BPO destination in Africa. Although Kenya is emerging as one of the top BPO destinations on the continent, the country has yet to reach the status of leading global outsourcing destinations such as India and the Philippines. This underscores the need for a robust policy framework to nurture the growth of Kenya's BPO sector and elevate the country to global leader in this industry.

1.3 RATIONALE

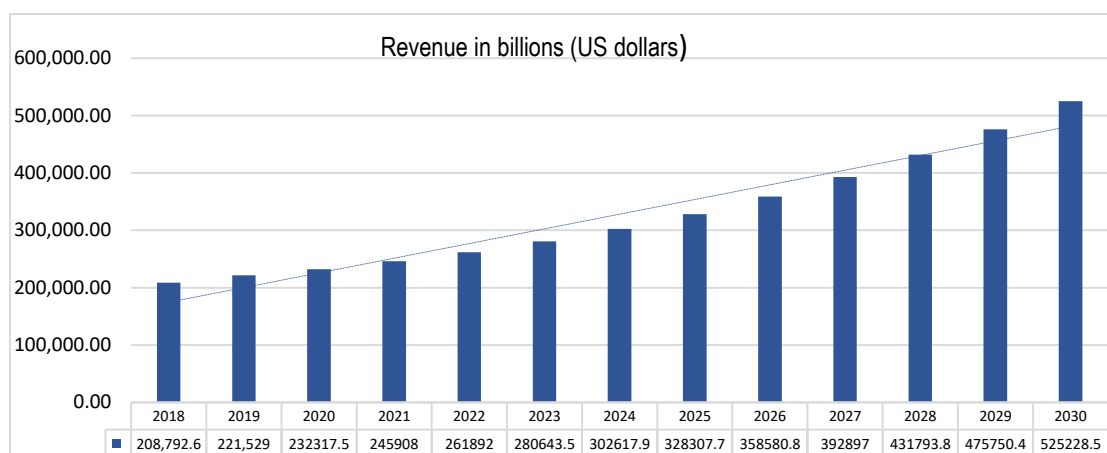
a). High demand for BPO services

The high demand for Business Process Outsourcing (BPO) services is driven by globalization and intensified competition, as companies seek to enhance cost savings, value creation, and operational efficiency. This demand is supported by continuous improvements in IT infrastructure, declining costs of telecommunications and IT equipment, and enhanced internet accessibility. Moreover, the growing use of cloud computing has attracted more businesses to adopt outsourcing services.

Figure 2 presents the global business process outsourcing market between 2018 and 2030. In 2024, the global BPO market was valued at approximately US\$302,617.5 million. This market is expected to reach a projected revenue of US\$ 525,228.5 million by 2030. A compound annual growth rate of 9.6% is expected of the global BPO

industry from 2025 to 2030. In this respect, the BPO sector presents significant opportunities for the economic development of Kenya.

Figure 2: Global Business Process Outsourcing Market, 2018-2030



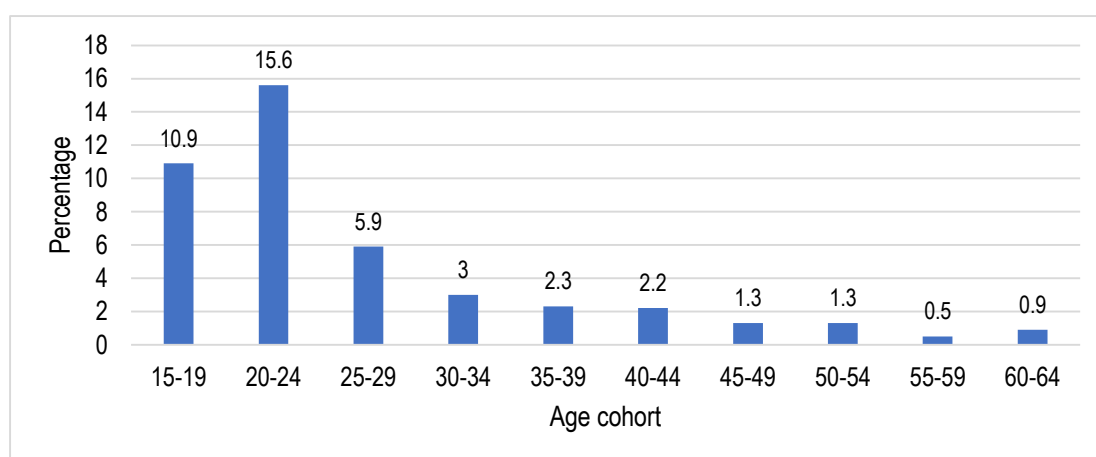
(Horizon, 2024)

b). Job creation potential

The Business Process Outsourcing (BPO) sector holds significant potential for job creation due to its labor-intensive nature. By leveraging this potential, Kenya can address the persistent high youth unemployment crisis. The unemployment rate, 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.

As illustrated in Figure 3, the youth in the 20-24 age group experienced the highest proportion of unemployment at 15.6 percent (424,474 individuals). Regarding the combined rate of unemployment and potential labour force, young people in the age group of 20-24 years recorded the highest proportion of the unemployed at 30.4 percent (1,004,755 individuals). For the long-term unemployment rate, the youth aged 20-24 recorded the highest rate of long-term unemployment at 9.9 percent (268,115 individuals) (KNBS, 2023). The actual realization of job opportunities and their benefit to the youth will depend on Kenya's ability to strengthen its competitive edge in the global BPO market.

Figure 3: Unemployment (strict definition) by age cohorts



(KNBS, 2023)

c). Policy and legal gaps

The digital labour force consists of a new category of workers that operate on digital labour platforms. These platforms can be categorized into three main types: (a) those that mediate work; (b) those facilitating exchanges between businesses and consumers; and (c) those providing digital services. These platforms have penetrated across a wide range of sectors in Kenya such as digital support, customer service, technical support, human resource support, telemarketing, health care services, beauty services, personal services, taxi and delivery services, tutoring, online freelance and micro tasking work.

While the existing policy and legal framework in Kenya provides for traditional employment relationships, it does not cater for the emerging digital labour force. A judicial ruling delivered on September 20, 2024, has brought this issue to the forefront. In the case of Samasource EPZ Limited t/a Sama v. Meta Platforms, Incorporated & 186 others; Kenya Human Rights Commission & 8 others (Interested Parties), the court ruled in favor of reviewing the laws and policies related to the protection of employees' occupational safety and health in the sector of virtual digital work, digital workspaces, and digital workplaces. This ruling underscores the need for the development of a policy framework to ensure the labour rights of the digital labor force.

1.4 GOAL, OBJECTIVES AND PRINCIPLES

1.4.1 Policy goal

To promote Kenya as a global leader in the Business Process Outsourcing industry towards enhancing employment creation and economic prosperity.

1.4.2 Policy objectives

The objectives of the policy are to:

- a). Establish a robust governance framework for the BPO sector;
- b). Provide adequate human, digital, and financial resources for the BPO sector;
- c). Establish an enabling business environment for the BPO sector;
- d). Maximize trade and investment opportunities for the BPO sector;
- e). Strengthen labour market performance in the BPO sector;
- f). Develop a monitoring, evaluation and reporting 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).	Fair trade practices	Create a level playing field that facilitates fair competition
c).	Labour rights	Ensure that workers' rights are upheld and protected
d).	Linkages	Strengthen trade partnerships and collaborations
e).	Market access	Ensure that local firms access global outsourcing markets
f).	Technology and innovation	Leverage on digital technology and innovation to enhance service delivery
g).	Transparency and accountability	Ensure that regulatory frameworks are applied in a consistent, transparent and predictable manner

1.5 SCOPE

The National Policy on Business Process Outsourcing applies to the public and private sector.

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.

Legal framework	Purpose
2030 Agenda for Sustainable Development	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).
African Continental Free Trade Area Ministerial Regulations (2018)	Enhances economic integration, boost intra-African trade, and foster sustainable development.
African Union Agenda 2063	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.
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.
Constitution of Kenya	Affirms the right to education, in Article 43; the right of the youth to access relevant education and 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.
Capital Markets Act (1989)	Establishes a Capital Markets Authority for the purpose of promoting, regulating and facilitating the development of an orderly, fair and efficient capital market in Kenya.
Companies 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.

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.
Computer Misuse and Cybercrimes Act (2018)	Enables timely and effective detection, prohibition, prevention, response, investigation and prosecution of computer and cybercrimes; to facilitate international co-operation in dealing with computer and cybercrime matters.
Children Act (2020)	Provides provisions for children rights and the welfare of children.
Constitution of Kenya	Guarantees the right to employment and relevant education in articles 54, 55 and 56; the right to fair labour practices in Article 41; the right to social security and provision of appropriate social security to persons who are unable to support themselves and their dependents.
Consumer Protection Act (2012)	Provides for the protection of the consumer, prevent unfair trade practices in consumer transactions.
Copyright Act (2001)	Makes provision for copyright in literary, musical and artistic works, audio-visual works, and sound recordings, broadcasts.
County Licensing (Uniform Procedures) Act (2024)	Establishes standard uniform procedures for licensing by county governments.
Data Protection (Complaints Handling and Enforcement Procedures) Regulations (2021)	Facilitate a fair, impartial, just, expeditious, proportionate and affordable determination of complaints lodged with the Data Commissioner.
Data Protection Act (2019)	Establish the Office of the Data Protection Commissioner; to make provision for the regulation of the processing of personal data; to provide for the rights of data subjects and obligations of data controllers and processors.
Data Protection (General) Regulations (2021)	Provide a framework for the processing of personal data in Kenya.
Employment Act (2007)	Establishes the minimum terms and conditions of employment and defines the fundamental rights of employees. It also provides the basic conditions of employment of employees.
Excise Duty Act (2015)	Provide for the charge, assessment and collection of excise duty.
Labour Relations Act (2007)	Promotes sound labour relations through the protection and promotion of freedom of association, effective collective bargaining and orderly and expeditious dispute settlement.
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.

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.
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)	Provides 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.
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.
Investment Promotion Act (2004)	Promotes and facilitates investment by assisting investors in obtaining the licenses necessary to invest and by providing other assistance and incentives.
Kenya Information and Communications Act (2013)	to facilitate the development of the information and communications sector (including broadcasting, multimedia, telecommunications and postal services) and electronic commerce.
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)	Provides for 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.
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)	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.
Miscellaneous Fees and Levies Act (2016)	Provide for the imposition of duties, fees and levies on imported or exported goods.

National Curriculum Policy (2018)	Presents a framework for guiding the curriculum reform process at all levels of education and training.
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.
National Social Security Fund Act (2013)	Provides for the establishment of the National Social Security Fund, to provide for contributions to and the payment of benefits out of the Fund.
Occupational Safety and Health Act (2007)	Provides for workers' safety, health and welfare in so far as they are lawfully present at workplace.
Persons with Disabilities Act (2003)	Provides for the rights and rehabilitation of persons with disabilities; to achieve equalization of opportunities for persons with disabilities.
Public Finance Management Act (2012)	Provide for the effective management of public finances by the national and county governments; the oversight responsibility of Parliament and county assemblies; the different responsibilities of government entities and other bodies.
Public-Private Partnerships Act (2021)	Provides for the participation of the private sector in the financing, construction, development, operation, or maintenance of infrastructure or development projects of the government through concession or other contractual arrangements.
Registration of Data Controllers and Data Processors) Regulations (2021)	Establishes a framework for the registration of data controllers and data processors in Kenya.
Retirement Benefit Authority Act (2004)	Provides for the establishment of a Retirement Benefits Authority for the regulation, supervision and promotion of retirement benefits schemes, the development of the retirement benefits sector.
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.
Social Health Insurance Act (2023)	Provides for the establishment of a primary health care fund, to provide quality primary health care services for all residents of Kenya.
Special Economic Zones Act (2015)	Provides for an enabling environment for the development of all aspects of special economic zones.
Tax Procedures Act (2015)	harmonizes and consolidate the procedural rules for the administration of tax laws in Kenya.

Treaty for the Establishment of the East African Community (2007)	Promotes linkages among industries within the East African Community (EAC).
Value Added Tax Act (2013)	Provides for the imposition of value added tax on supplies made in, or imported into Kenya.
Work Industry Benefits Act (2007)	Provides for compensation to employees for work related injuries and diseases contracted in the course of their employment.

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

The Business Process Outsourcing (BPO) sector is managed by several implementing entities, as shown in Table 1. Having a myriad of entities involved in the BPO sector, without adequate coordination, contributes to fragmented efforts which leads to reduced efficiency, unrealized synergies and suboptimal use of resources. In this respect, there is need for enhanced coherence and coordination to ensure that efforts are well aligned. Moreover, the Kenya Vision 2030 advocates for a transition from multiple and uncoordinated decision-making levels to a centralized implementation process.

Table 1: Coordination framework of the BPO sector

	Ministry	Mandate
1.	Ministry of Labour and Social Protection	Promote labour, employment, and industry/skills development linkages
2.	Ministry of Information, Communications and the Digital Economy	Promote ICT and the digital economy including telecommunications, digital infrastructure and e-commerce
3.	Ministry of Investment, Trade and Industry	Promote investment, trade and industry including e-commerce and property rights
4.	Ministry of MSME development	Promote Micro, Small and Medium Enterprises (MSMEs) including their access to credit from financial institutions and technology
5.	Ministry of Education	Promote skills development including curriculum development, quality assurance, and research
6.	Ministry of Foreign and Diaspora Affairs	Promote bilateral and multilateral relations and develop an incentive framework for diaspora remittances
7.	County Governments	Promote development at the county level including skills development, investment, trade, and industry
8.	Private sector organizations including the BPO industry associations	Represent, articulate and advocate for the business interests of the industry

Key issues:

- a). Lack of an overall coordination mechanism;
- b). Fragmented and duplication of efforts;
- c). Weak stakeholder engagement;
- d). Need for the BPO industry associations to be strengthened;
- e). Lack of a comprehensive database of BPO enterprises.
- f). Weak monitoring, evaluation and reporting framework.

2.2.2. Sustainable development

Kenya's commitment to the United Nations Framework Convention on Climate Change (Paris Agreement) is outlined through its Nationally Determined Contribution (NDC), which aims to reduce greenhouse gas emissions by 32% by 2030. Furthermore, the Climate Change Act (2016) provides a framework for an enhanced response to climate change and mechanisms to achieve low-carbon climate development. In this regard, BPO enterprises are required to prioritize environmental sustainability in their operations, products, and services. MSEs account for the majority of production units and employment in the economy, and their participation in the transition to a low-carbon economy is crucial for the greening of the BPO sector. However, the green transition presents challenges, including upfront costs and technological limitations.

Key issues:

- a). High resource burden (both financial and human) of greening BPO enterprises;
- b). Investment in new green technologies poses a financial burden for BPO/SMEs;
- c). Burden of compliance with green regulations among BPO/SMEs;
- d). Low awareness of the green transition among BPO/SMEs;
- e). Unpreparedness of the BPO sector to tap opportunities provided by the green transition.

2.3. OUTSOURCING READINESS

2.3.1. Human capital

Kenya has experienced a steady growth in enrollment rates across basic education, Technical and Vocational Education and Training (TVET), and university education (see Table 2). This has resulted in a large pool of skilled and semi-skilled labor that can be utilized to create economic value in the BPO sector. Additionally, the English language, which is highly valued in the BPO sector, serves as the primary medium of instruction. Furthermore, the Kenya Labour Market Information System (KLMIS) has been created to supply labour market information including demand for skills.

However, human capital development continues to face constraints such as the persistent skills mismatch; weak transit from secondary education to tertiary education and training which hinders the supply of specialized skills; digital skills gap, particularly in advanced and specialized domains such as software development and cybersecurity; and low uptake of Recognition of Prior Learning (RPL), which hinders employability. Furthermore, mother tongue influence has at times had an impact on English language acquisition in education and training, yet customer service in offshoring outsourcing requires accent neutrality. In addition, the predominant use of the English language in Kenya becomes a linguistic barrier for BPO enterprises tapping into the non-English speaking global market.

Table 2: Enrollment in the education sector 2019 - 2023

Sector	No. of learners enrolled				
	2019	2020	2021	2022	2023
University Education	509,473	546,699	562,066	562,925	579,200
TVET	430,598	451,205	498,326	562,499	674,800
Secondary Education*	3,260.0	3,520.4	3,692.0	3,858.0	4,109
Primary Education*	10,072.0	10,170.1	10,285.1	10,364.2	10,241

*Number '000'

(Economic Survey, 2024)

Key issues:

- a). Mismatch between the supply of and demand for skills in the BPO sector;
- b). Lack of up-to-date information on the skills demand of the BPO industry;
- c). Low access to tertiary education and training leads to a deficiency in specialized skills required for the BPO industry;
- d). Shortage of digital skills, particularly in advanced areas such as software development and cybersecurity;
- e). Low uptake of Recognition of Prior Learning, which restricts employability in the BPO sector;
- f). Need for accent-neutral English proficiency training to enhance employability in customer service in the BPO sector;
- g). Inadequate foreign language training which restricts BPO market penetration in non-English speaking countries.

2.3.2. Digital infrastructure

Kenya has made remarkable strides in enhancing the digital infrastructure required to support economic growth and development. Currently, the digital infrastructure is connected to the international broadband highway via SEACOM, TEAMS, EASSy, and LION undersea fiber cables. Most major towns in Kenya are linked through the National Optic Fiber Backbone Infrastructure (NOFBI). In 2023, there were notable advancements in internet infrastructure: available bandwidth capacity surged by 44.5% to 17.3 million Mbps; total fixed and wireless internet subscriptions grew by 7.3% to 37.8 million; and broadband subscriptions increased by 14.9% to 52.3 million (Economic Survey, 2024). Notwithstanding this progress, Kenya ranks 134th out of 170 economies in the 2024 ICT Development Index (IDI) with a score of 58.4 (ITU, 2024).

Key issues:

- a). Relatively low level of ICT development in comparison to other countries;
- b). Digital disparities including unequal access to internet connectivity;
- c). High internet access costs that drives up BPO operational expenses;
- d). Need for quality, reliable and affordable energy;
- e). Vandalism and destruction of digital infrastructure, poses significant risks to BPO operations.

2.3.3. Financial capital

Financial capital requirements for establishing BPO enterprises differ based on factors such as the scale of operations, geographical location and specific services offered. While financing is not a major challenge for Multi-National Corporations (MNCs) looking to expand their BPO operations in Kenya, it remains a significant hurdle for Micro and Small Enterprises (MSEs). Financial institutions have tailored their credit services for formally registered businesses that meet specific criteria, including a solid asset base, collateral and borrower credit history. MSEs, especially those in the informal sector, rarely meet these criteria. High lending rates, coupled with limited financial literacy, further restrict credit access for MSEs. Hence, MSEs are yet to become major investors in the BPO sector compared to foreign companies.

Key issues:

- a). Setting up BPO enterprises requires substantial initial capital, which is a major barrier for MSEs;

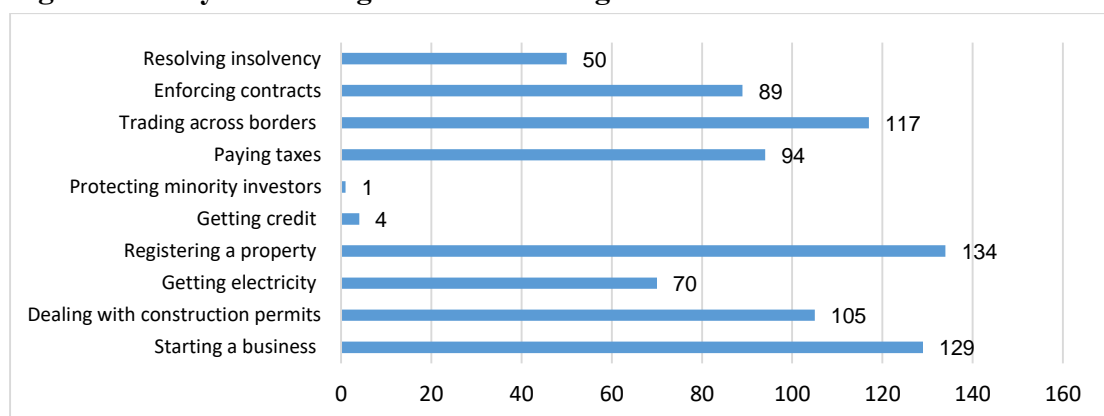
- b). MSEs have difficulty securing credit due to their informal status, lack of collateral, limited credit history, high interest rates, and low financial literacy;
- c). Women, youth and persons with disability have low access to credit which hinders their capacity to start BPO enterprises;
- d). MSEs are yet to become major investors in the BPO sector compared to foreign companies.

2.4. ENABLING BUSINESS ENVIRONMENT

2.4.1. Ease of doing business

Countries that are ranked high in ease of doing business tend to become a preferred choice of global investors. The World Bank's 2020 Doing Business Report ranked Kenya 4th on ease of doing business within the African region (with a score of 73.2), behind Mauritius, Rwanda, and Morocco. Globally, Kenya stood at 56th out of 190 countries. A closer scrutiny at the global ranking report reveals that Kenya lagged behind other countries in some critical areas of doing business. Out of 190 countries, Kenya was ranked 134th in regard to registering a property; 124th in starting a business; and 117th in trading across borders (see Figure 4). In order to attract more global investors and boost the growth of the BPO sector in Kenya, the ease of doing business needs to be improved.

Figure 4: Kenya's ranking on Ease of Doing Business



(World Bank, 2020)

Key issues

- a). Ease of doing business in Kenya requires improvement;
- b). Kenya's low rankings in property registration, business startup, and cross-border trade pose challenges to the growth of the BPO sector;
- c). High cost of doing business;
- d). Alternative Dispute Resolution (ADR) serves as an effective method for expediting the resolution of business disputes;
- e). Need for digital integration to enhance ease of doing business.

2.4.2. Entrepreneurship

Kenya has a robust business regulatory framework which includes the Foreign Investment Protection Act (2023), County Licensing (Uniform Procedures) Act (2024), Public-Private Partnerships Act (2021), Special Economic Zones Act (2015), Kenyan Business Registration Services Act (2015), Companies Act (2015), Consumer Protection Act (2012), Competition Act (2010), Investment Promotion Act (2004), Export Processing Zones Act (1990), and the Capital Markets Act (1989).

The private sector has identified several challenges related to business regulatory framework. The Kenya Association of Manufacturers (2020) have highlighted the variation in regulatory frameworks across counties, duplication of roles and mandates of regulatory bodies, and the high cost of compliance, all of which contribute to the increased cost of doing business. More recently, the Kenya National Chamber of Commerce and Industry (2025) noted that businesses are facing unfavorable government policies which will have a detrimental impact on employment creation in the private sector.

Key issues

- a). Unfavorable business regulatory framework;
- b). Multiple regulatory requirements, including multiple licenses and permits, across different counties;
- c). The high cost of compliance with business regulations escalates the cost of doing business for BPO enterprises;
- d). Duplication of roles and mandates among business regulatory bodies is an administrative burden for the BPO sector.

2.4.3. Taxation

Kenya has developed a robust taxation regulatory framework which includes the Miscellaneous Fees and Levies Act (2016), Excise Duty Act (2015), Tax Procedures Act (2015), Value Added Tax Act (2013), Public Finance Management Act (2012), East African Community Customs Management Act (2004), and the Income Tax Act Cap 470. Additionally, BPO enterprises that provide services to foreign vendors via digitally mediated mechanisms are subject to the Digital Service Tax (DST). This tax is levied on income derived or accrued in Kenya from services offered through a digital marketplace at a rate of 1.5% of the gross transaction value. Both resident and non-resident digital service providers, as well as digital marketplace providers, are subject to the DST.

The DST tax presents several challenges. According to the Kenya National E-Commerce Strategy (2022), the DST functions as an 'advance' tax or pre-payment for Kenyan service providers. This poses a risk for start-up Kenyan firms, especially those not yet profitable, as they may struggle to offset the tax paid in advance against any end-of-year income. Consequently, the tax becomes an additional cost of doing business when these businesses are at their most vulnerable. Moreover, inconsistent taxation codes expose trading parties to risks of double taxation or arbitrary taxation. Compliance with the DST has been minimal due to inadequate infrastructure for registering taxpayers, low motivation among businesses to comply, and gaps in monitoring compliance.

Key issues

- a). Unfavorable tax regime which hinders the growth and competitiveness of BPO enterprises;
- b). The Digital Service Tax increases the costs for start-ups and new BPO businesses entering the market as it is paid in advance;
- c). Inconsistent taxation codes expose BPO businesses to double or arbitrary taxation;
- d). Compliance to the Digital Service Tax is weak due to inadequate infrastructure for registering taxpayers, low motivation among businesses to comply, and monitoring gaps;
- e). Low awareness of the taxation system in the BPO sector.

2.4.4. Data protection

BPO service providers have access to extensive personal information and sensitive data of their clients. This data should be protected to prevent breaches in data privacy including identity theft, data leakages, data misuse, data security lapses and the loss of financial information. The legal framework in Kenya, which provides for data protection, includes the: Kenya Information and Communications Act (2013); Computer Misuse and Cybercrimes Act (2018); Data Protection Act (2019); and regulated by the Data Protection (General) Regulations (2021); 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 limit the transfer of data to foreign countries, particularly those countries that do not offer adequate data protection.

Key issues:

- a). Need for interoperability between local and foreign data protection regimes;
- b). Cybersecurity risks pose a significant threat to data security in the BPO sector;
- c). Prevalence of algorithmic bias in the BPO sector;
- d). Low awareness of data protection laws and regulations within the BPO sector;
- e). Data protection laws and regulations are complex, creating compliance burdens for BPO/MSEs;
- f). Gaps in monitoring compliance to data protection regulations in the BPO sector.

2.4.5. Intellectual property rights

BPO firms often handle proprietary information and processes from their clients. Protecting intellectual property rights is crucial for mitigating risks, and misuse and theft of proprietary information. The Kenya legal system provides Intellectual Property Rights (IPR) protection under: The Constitution of Kenya (Articles 11, 40 and 69); Industrial Property Act (2001); and the Copyright Act (2001). Kenya is also a member state of the African Regional Intellectual Property Organization (ARIPO) and the World Intellectual Property Organization (WIPO). In addition, multiple agencies have been established to manage the protection of intellectual property, including the Anti-Counterfeit Authority, Kenya Industrial Property Institute and Kenya Copyright Board. Although the intellectual property legal framework is robust, there is limited awareness of intellectual property rights in the BPO sector.

Key issues:

- a). Low level of awareness of intellectual property rights within the BPO sector;
- b). BPO enterprises face compliance challenges when dealing with foreign vendors, each with their own intellectual property laws and regulations;
- c). The BPO sector faces competition from countries with IP systems that meet global standards;
- d). National intellectual property laws and international treaty obligations are complex, affecting compliance among MSEs in the BPO sector;
- e). Inefficiencies and duplicity of roles among the multiple agencies managing intellectual property rights;
- f). Gaps in enforcement of intellectual property rights in the BPO sector.

2.5. TRADE AND INVESTMENT OPPORTUNITIES

2.5.1. Trade partnerships and collaborations

Kenya is a member state of the East African Community (EAC), African Continental Free Trade Area (AfCFTA), Common Market for Eastern and Southern Africa (COMESA); Africa Economic Zones Organization (AEZO); World Free Zones Organization (WFZO); United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organization (WTO). The trade agreements within these blocs contain provisions for the digital economy, trade and e-commerce. Hence, Kenya is uniquely positioned to leverage these provisions for the development of the BPO sector. Additionally, the linkages between the BPO industry and the Kenyan diaspora hold significant potential for investments, connections with large Multi-National Corporations (MNCs), and mentorship for local firms. However, these opportunities have not been fully utilized to promote the BPO economy.

Key issues:

- a). Inadequate utilization of existing trade agreements to promote the BPO sector;
- b). Insufficient linkages between the Kenyan diaspora and the BPO sector;
- c). Unfair trade practices in the global BPO market, including algorithmic biases;
- d). Emerging technologies like block chain, artificial intelligence and cloud computing are not fully integrated into trade agreements;
- e). Need for trade agreements to incorporate comprehensive provisions on cyber security;
- f). Insufficient capacity among BPO/MSEs to fully capitalize on the opportunities presented by the trade agreements.

2.5.2. Special economic zones and export processing zones

Special Economic Zones (SEZs) and Export Processing Zones (EPZs) are instrumental in attracting foreign and domestic direct investment. They include free trade zones, industrial parks, free ports, ICT parks, science and technology parks, agricultural zones, tourist and recreational zones and business service parks. The benefits of the SEZs and EPZs include: tax waivers, reductions, exemptions, holidays, and simplified administrative procedures, as illustrated in Table 3.

Table 3: Tax incentives for SEZs and EPZs

Category	Tax incentives for EPZs	Tax incentives for SEZs
1. Imported goods	Exemption of import duty and VAT on raw materials and machinery	Fully exempt VAT, excise duty, import duty, import declaration fees
2. Corporate tax	Preferential rates 10 year corporate tax holiday; Next 10 years: 25 %; Subsequent years: 30%.	Preferential rates: First 10 years: 10%; Next 10 years: 15 %; Subsequent years: 30%.
3. Local government fee	Exempt from advertisement fees; Business permit fees	Exempt from advertisement fees; Business permit fees
4. Withholding tax	10 year withholding tax holiday	Dividends exempt; Royalties exempt for first 10 years; Gains on transfer of property exempt; Other payments (commission and rent): exempt for first 10 years
5. Investment deduction allowance	100% allowance on capital expenditure on building and machinery; 100% foreign ownership allowed	100% allowance on capital expenditure on building and machinery; 100% foreign ownership allowed
6. Stamp duty	Perpetual exemption	Perpetual exemption
7. Local supplies	-	Zero rated VAT

Ministry of Investment, Trade and Industry, 2024

At present, Kenya has established 101 Export Processing Zones (EPZs) and 47 Special Economic Zones (SEZs), some of which cater specifically to the BPO sector. Examples of SEZs and EPZs that are involved in the BPO sector include: The Konza Technology City, a flagship project under Kenya Vision 2030 initiated in 2009, which aims to capitalize on the growing global BPO/ITES sector. Others include the Two Rivers International Finance and Innovation Centre (TRIFIC), ADEC Kenya Services (Export Processing Zone) Limited, and Africa Apparel EPZ Ltd, Olivado EPZ Kenya. These entities are set to transform Kenya into a leading BPO hub that attract international investors.

Despite this progress, several challenges persist. According to KPMG (2024), developers and enterprises in SEZs are purportedly exempt from income tax; however, they are actually subject to a 10% income tax rate for the first 10 years and 15% for the subsequent years as per the Income Tax Act (ITA). Additionally, SEZs provide more attractive incentives compared to EPZs, intensifying competition among these zonal entities within the country.

Key issues:

- a). SEZs and EPZs are critical in attracting investment in the BPO sector;
- b). Conflict between the income tax law and the tax incentives offered in SEZs acts as a barrier to investment in the BPO sector;
- c). SEZs offer enhanced incentives compared to EPZs creating unnecessary competition between the two zonal entities;
- d). Competition from countries that offer more favorable zone incentives than Kenya;
- e). Limited awareness in the BPO sector regarding the benefits associated with SEZs and EPZs;
- f). High initial costs of developing SEZs and EPZs for the BPO sector;
- g). Low capacity of Konza Technology City to capture the BPO/ITES market.

2.5.3. Marketing

Kenya needs to position itself as a strong contender and preferred destination in the global BPO industry. However, the country faces intense competition from dominant players like India and the Philippines, as well emerging offshore destinations such as the Czech Republic, Mexico, and China. These countries have successfully attracted significant offshore clientele and have a larger established BPO workforce, larger pool of professionals with advanced technical skills, and larger scale of digital infrastructure development. Furthermore, there is a shortage of market research and intelligence required to develop evidence based marketing models which are essential for competitively positioning the BPO sector on the global market. Data regarding revenue earnings, market size, market share, and growth rates regarding the BPO sector is inadequate. Moreover, data on the BPO sector has not been adequately incorporated into the national statistical system. Hence, BPO sectoral data has neither been recorded in a standardized format nor maintained in a condition that makes it accessible, interoperable, and reusable.

Key issues:

- a). Inadequate branding of Kenya as a preferred global outsourcing destination;
- b). Inadequate institutional capacity to effectively market the BPO sector;
- c). Intense competition from established and emerging offshore destinations;
- d). Low penetration in the nearby outsourcing market;
- e). Low access to BPO marketing research and intelligence;

- f). BPO sectoral data deficits;
- g). Integration of BPO sectoral data into the national statistical system is weak;
- h). Weak linkage between the BPO industry, and research and development institutions.

2.6. LABOUR MARKET PERFORMANCE

2.6.1. Job creation

The BPO industry generates direct employment through hiring individuals in various roles. Additionally, it stimulates indirect employment through increased consumption and capital expenditure. The ripple effect extends further as the adoption of ICT and outsourcing services promotes job growth in related fields. Furthermore, the BPO industry offers numerous remote job opportunities with flexible work arrangements, making them an attractive option for individuals with caregiving responsibilities or mobility challenges. These remote jobs enhance labour market participation, fostering inclusivity and diversity within the industry. In spite of its job creation potential, the BPO industry faces significant threats, including automation and protectionist policies from host countries.

Key issues:

- a). The BPO sector has a high capacity to create jobs for the youth;
- b). BPO remote work provides flexible work arrangements which will increase labour market participation, inclusivity and diversity;
- c). Artificial intelligence and Robotic Process Automation pose a significant threat to low-skilled jobs within the BPO industry;
- d). Protectionist policies fuelled by fears of domestic job losses in developed countries are a threat to the BPO sector.

2.6.2. Decent work agenda

The decent work agenda comprises four pillars: social dialogue, social protection, rights at work, and employment. The BPO sector faces significant decent work deficits, as illustrated in Table 4. Key challenges in the BPO sector include low hourly earnings (with some workers earning less than the minimum wage), long working hours exceeding the standard 40-hour workweek, a substantial amount of time spent on unpaid tasks, limited access to social protection, high levels of stress and safety concerns, and restricted access to unionization. The increase in strikes and legal disputes initiated by BPO workers can be attributed to these deficits in decent work.

Table 4: Trends in working conditions of outsourced workers

Category	Employment status	Average hourly earnings trend (Kshs)	Hours of paid and unpaid work (per week)	Access to social protection	Occupational safety and health	Access to trade unions
1. Domestic-workers platform	Temporary workers	80 – 100	35	Low access	High level of stress	Low access
2. Beauty workers	Self-employed	252 - 332	27	Not eligible	Low safety concerns	Low access
3. Health care workers platform	Temporary workers	203 - 289	39	High access	High level of stress	Low access
4. Tutors platforms	Independent contractors	194 - 220	49	Not eligible	High level of stress	Low access
5. Personal services*	Independent contractors	234 - 295	40	High access	High level of stress	Low access
6. Taxi drivers & delivery workers	Self-employed	158-209	63-66	Low access	High level of stress	Low access
7. Online freelance & micro task platforms	Self-employed	231-278	38-46	High access	High level of stress	Non-existent

*Home-based repair/ maintenance services

(ILO, 2024)

Key issues:

- a). Low hourly earnings, with some BPO workers earning less than the minimum wage;
- b). Long working hours exceeding the standard 40-hour workweek, with a substantial amount of time spent on unpaid tasks among BPO workers;
- c). Limited access to social protection for BPO workers;
- d). High levels of stress and safety concerns among BPO workers;
- e). Restricted access to unionization, leading BPO workers to resort to collective bargaining through informal groupings;
- f). Recurrent workers' protests and legal disputes, attributed to decent work deficits in the BPO sector.

2.6.3. Digital labour force

The rise of the digital labour force is a relatively recent phenomenon, and existing labor laws in Kenya have not kept pace with these changes. The Employment Act (2007) sets forth the relationship between an employer and a worker as it defines the benefits, duties and obligations of the employer and the worker. This Act was designed with traditional employment relationships in mind, primarily covering individuals working under a *contract of service*. However, the digital worker often operates under a *contract for service*, which falls outside the scope of this definition. Hence, the Act has not classified the digital labour force within the employment relationships. As independent contractors, digital workers are thus not entitled to labour rights and protections under the under the Employment Act (2007); Labour Relations Act (2007); Work Injury Benefits Act (2007); and Occupational Safety and Health Act (2007).

Other countries, such as the Philippines, India, and the UK have made notable progress in classifying the digital workforce, including gig and platform workers; and affirming their labour rights and protections (see Table 5). The court rulings and legal actions in these countries underscore a growing global trend towards recognizing and safeguarding the rights of the digital labour force. Kenya's recent court ruling aligns with this trend and marks an important step in ensuring that digital workers are granted labour rights and protections.

Table 5: Comparative analysis of the digital labour force

Country	Legal framework	Digital labour force classified	Digital labour force with labour rights and protection	Types of digital labour force defined	Legal developments
Kenya	Employment Act (2007)	x	x	-	On September 20, 2024, a court ruling regarding Samasource EPZ Limited t/a Sama v. Meta Platforms, Incorporated & 186 others; Kenya Human Rights Commission & 8 others (Interested Parties) held that digital workers must be granted labour rights and protections.
Philippines	Labour Advisory No. 14 Series of 2021	√	√	Independent contractors	On September 21, 2022, the Supreme Court ruled that Lazada riders were employees rather than independent contractors; and, entitled to legal protections and employee benefits.
India	Code on Social Security (2020)	√	√	Gig workers and platform workers	In 2021, the Union of India filed a case against the Indian Federation of App-Based Transport Workers (IFAT) to have gig workers recognized as 'unorganized workers' under the Unorganized Workers' Social Security Act, 2008, entitling them to social security benefits.
UK	Employment Rights Act (1996)	√	√	Employee, workers, self-employed	On February 19, 2021, the UK Supreme Court ruled that Uber drivers are classified as "workers" and are entitled to minimum wage and paid holiday.

Key issues:

- a). The digital workers, including gig and platform workers, are not covered under the Employment Act (2007) as they operate under contracts for services, which falls outside the scope of this Act;
- b). As independent contractors, digital workers are not entitled to the same minimum terms and conditions of employment as regular employees under the Employment Act (2007);
- c). As independent contractors, digital workers have limited access to collective bargaining rights which are guaranteed under the Labour Relations Act (2007);
- d). As independent contractors, digital workers are not entitled to compensation under the Work Injury Benefits Act (2007);
- e). As independent contractors, digital workers are not covered under the Occupational Safety and Health Act, 2007;
- f). The labour legal framework lacks specific provisions addressing remote outsourcing work, including flexible working schedules.

2.6.4. Informal gig workers

The gig outsourcing economy has seen remarkable growth, driven by the widespread adoption of the internet and the increasing penetration of smartphones, which seamlessly connect users over various digital platforms. It is currently valued at a notable USD 109 million. It employs approximately 1.2 million gig workers. Young people are at the forefront of this growing sector, with the average age of gig workers ranging from 18 to 35 years. On average, gig workers in Kenya earn around Kshs. 15,000 per month. In spite of this progress, a substantial 82 percent of gig workers in Kenya work in the informal sector (Africa Practice, MasterCard Foundation, and eMobilis Technology Institute, 2024).

Key issues:

- a). A significant proportion of gig workers operate in the informal sector;
- b). Informal gig workers are more susceptible to exploitation and abuse, with limited avenues for seeking redress or justice;
- c). Many informal gig workers operate outside the tax system, resulting in loss of revenue for the government;
- d). Risk of informal gig workers being excluded from legal and social protections and benefits that are available to formal sector workers.

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

Policy statement:

The government shall establish an effective governance framework for the BPO sector.

Policy actions:

- a). Establish a national overall coordination mechanism for the BPO sector;
- b). Adopt a whole-of-government approach to coordinate the BPO sector;
- c). Establish a multi-stakeholder engagement framework for the BPO sector;
- d). Strengthen the capacity of BPO industry associations;
- e). Develop and maintain a comprehensive database of BPO enterprises;
- f). Establish a monitoring, evaluation and reporting framework for the BPO sector.

3.3 SUSTAINABLE DEVELOPMENT

Policy statement

The government shall promote the development of green enterprises within the BPO sector.

Policy actions:

- a). Provide adequate financial and human resources to support greening BPO enterprises;
- b). Provide incentives for BPO/SMEs to adopt green technologies;
- c). Simplify and harmonize environmental regulations to reduce the compliance burden on BPO/SMEs;
- d). Create awareness of the green transition among BPO/SMEs;
- e). Promote reskilling and upskilling to adopt green technologies.

3.4 HUMAN CAPITAL

Policy statement

The government shall enhance access, equity, relevance and quality in the provision of skills for the BPO industry.

Policy actions:

- a). Ensure that skills developed are aligned to the needs of the BPO industry;
- b). Disseminate regulate updates on in-demand skills in the BPO industry;
- c). Enhance access to tertiary education and training to expand specialized skills required for the BPO industry;

- d). Enhance access to digital skills, particularly in advanced areas such as software development and cybersecurity;
- e). Improve the uptake of Recognition of Prior Learning for improved employability in the BPO sector;
- f). Promote accent-neutral English proficiency training for improved employability in the BPO sector;
- g). Enhance access to foreign language training for BPO market penetration in non-English speaking countries;
- h). Strengthen continuous professional development of teachers to deliver the skills required for the BPO sector.

3.5 DIGITAL INFRASTRUCTURE

Policy statement

The government shall develop and enhance the digital infrastructure required by the BPO sector.

Policy actions:

- a). Prioritize investments in digital infrastructure for the BPO sector;
- b). Promote sharing of digital infrastructure to minimize costs;
- c). Promote assembling of digital equipment locally;
- d). Enhance competition among internet service providers to lower costs and improve service quality;
- e). Enhance provision of quality, reliable and affordable energy;
- f). Strengthen the security of digital infrastructure.

3.6 FINANCIAL CAPITAL

Policy statement

The government shall enhance access to financial capital for BPO startups.

Policy actions:

- a). Develop an incentive framework for financial institutions to offer affordable credit to support BPO startups;
- b). Leverage special purpose funds to support youth, women and persons with disabilities to start BPO enterprises;
- c). Promote the establishment of credit guarantee schemes for BPO startups;
- d). Enhance access to Business Development Services tailored for BPO startups.

3.7 EASE OF DOING BUSINESS

Policy statement

The government shall improve ease of doing business in the BPO sector.

Policy actions:

- a). Develop regulatory reforms to enhance ease of doing business;
- b). Reduce the procedures, length of time and costs associated with starting a business;
- c). Reduce the number of procedures required to register a property;
- d). Enhance the quality and efficiency of land administration services;
- e). Decrease the time and cost involved in importing goods;
- f). Promote Alternative Dispute Resolution (ADR) to expedite the resolution of business disputes.;

- g). Develop and integrate digital systems to facilitate ease of doing business;
- h). Identify and adopt best practices to enhance ease of doing business.

3.8 ENTREPRENEURSHIP

Policy statement

The government shall provide an enabling business regulatory framework to support the BPO sector.

Policy actions:

- a). Reform the business regulatory framework to create a more favorable environment for BPO enterprises;
- b). Harmonize business regulatory requirements across different counties to enhance operational efficiencies for BPO enterprises;
- c). Simplify business regulations to reduce compliance costs for BPO enterprises;
- d). Consolidate regulatory bodies with overlapping roles and mandates to minimize administrative burdens on BPO enterprises.

3.9 TAXATION

Policy statement

The government shall provide a favorable taxation regulatory framework to support BPO sector.

Policy actions:

- a). Reform and simplify tax structures and remove compliance bottlenecks;
- b). Develop tax incentives and reliefs specifically aimed at fostering growth and competitiveness in the BPO sector;
- c). Develop a differentiated tax bracket system to reduce the financial burden on BPO startups;
- d). Review the Digital Services Tax to address high costs for start-ups, inconsistent taxation codes and compliance constraints in the BPO sector;
- e). Strengthen efforts to raise awareness about the taxation system relevant to the BPO sector.

3.10 DATA PROTECTION

Policy statement

The government shall ensure the highest standards of data security in the BPO sector.

Policy actions:

- a). Harmonize local data protection regimes with international best practices;
- b). Establish an agency to oversee cybersecurity efforts;
- c). Identify and adopt best practices regarding responsible AI use in the BPO sector;
- d). Develop a data protection toolkit for the BPO sector;
- e). Build the capacity of the BPO sector on data protection laws and regulations;
- f). Simplify data protection regulations for easier compliance by BPO/MSEs;
- g). Enhance compliance with data protection laws and regulations in the BPO sector.

3.11 INTELLECTUAL PROPERTY RIGHTS

Policy statement

The government shall protect and safeguard intellectual property rights in the BPO sector.

Policy actions:

- a). Create awareness of intellectual property rights within the BPO sector;
- b). Harmonize national intellectual property laws with global standards;
- c). Develop simplified guidelines on compliance with intellectual property rights tailored to BPO/MSEs;
- d). Harmonize the mandates of the multiple agencies dealing with intellectual property management;
- e). Enforce compliance with intellectual property rights in the BPO sector.

3.12 TRADE PARTNERSHIPS AND COLLABORATIONS

Policy statement

The government shall facilitate trade partnerships and collaborations to improve the competitiveness of the BPO sector.

Policy actions:

- a). Leverage trade agreements to promote the BPO sector;
- b). Facilitate trade linkages between the Kenyan diaspora and the BPO sector;
- c). Advocate for fair trade practices within the global BPO sector;
- d). Incorporate emerging digital technologies like block chain, AI governance, and cloud computing into trade agreements;
- e). Incorporate comprehensive provisions on cyber security in trade agreements;
- f). Build the capacity of BPO/MSEs to fully capitalize on the opportunities presented by trade agreements.

3.13 SPECIAL ECONOMIC ZONES AND EXPORT PROCESSING ZONES

Policy statement

The government shall promote investment in the BPO sector within Special Economic Zones and Export Processing Zones.

Policy actions:

- a). Establish sector-specific zones within SEZs and EPZs that cater to the unique needs of BPO companies;
- b). Harmonize the income tax law with the tax incentives offered in SEZs and EPZs;
- c). Enhance collaboration between SEZs and EPZs to leverage on their strengths;
- d). Provide competitive zone incentives that are sustainable in the long term, while ensuring that they do not undermine the country's fiscal health;
- e). Create awareness in the BPO sector regarding the benefits associated with SEZs and EPZs;
- f). Encourage public-private partnerships to develop SEZs and EPZs for the BPO sector;
- g). Strengthen the capacity of Konza Technology City to attract investors for the BPO/ITES market.

3.14 MARKETING

Policy statement

The government shall promote Kenya as a preferred global outsourcing destination.

Policy actions:

- a). Develop a marketing strategy to position Kenya as a preferred global outsourcing destination;
- b). Strengthen institutional capacity to effectively market the BPO sector;
- c). Establish and enforce quality standards and best practices for the BPO industry to maintain a competitive edge in the global market;
- d). Leverage Kenya's geopolitical stability to attract nearby countries to outsource services in Kenya;
- e). Enhance provision of timely and up-to-date market research and intelligence related to the BPO sector;
- f). Ensure inclusion of BPO sectoral data in the national statistical system;
- g). Strengthen the linkage between the BPO industry, and research and development institutions.

3.15 JOB CREATION

Policy statement

The government promote job creation within the BPO sector.

Policy actions:

- a). Facilitate job placement and support services for the youth to access employment opportunities in the BPO sector.
- b). Promote BPO remote working to enhance labour market participation, inclusivity, and diversity;
- c). Promote reskilling and upskilling for occupations in the BPO sector in response to emerging automation technologies;
- d). Promote the diversification of the BPO sector to attract clients from emerging markets and reduce dependency on specific markets.

3.16 DECENT WORK AGENDA

Policy statement

The government shall integrate the principles of the decent work agenda in the BPO sector.

Policy actions:

- a). Ensure that workers in the BPO sector receive fair compensation;
- b). Develop working time regulations for workers in the BPO sector;
- c). Develop social security programmes tailored for BPO workers;
- d). Develop mental health support and work-life balance programmes specific to the BPO sector;
- e). Develop measures for BPO workers to join existing or new trade unions;
- f). Promote the use of alternative dispute resolution mechanisms to resolve labour disputes in the BPO sector;
- g). Enhance monitoring of BPO companies to ensure compliance to labor laws and regulations.

3.17 DIGITAL LABOUR FORCE

Policy statement

The government shall establish a comprehensive legal framework to safeguard and enforce the labor rights and protections of the digital workforce.

Policy actions:

- a). Amend the Employment Act (2007) to explicitly provide clear definitions of digital workers, including gig and platform workers, and their minimum terms and conditions of employment;
- b). Introduce specific provisions addressing remote outsourcing work, including flexible working schedules, in the Employment Act;
- c). Amend the Labour Relations Act (2007) to ensure that digital workers, including gig and platform workers, have the right to join trade unions and engage in collective bargaining;
- d). Amend the Occupational Safety and Health Act (2007) to cover digital workers, including gig and platform workers, ensuring they have access to safety, health, and welfare rights;
- e). Amend the Work Injury Benefits Act (2007) to ensure digital workers, including gig and platform workers, are entitled to compensation for work-related injuries and diseases.

3.18 INFORMAL GIG WORKERS

Policy statement

The government shall ensure that labor rights and protections for informal gig workers are upheld and enforced in accordance with applicable laws and regulations.

Policy actions:

- a). Simplify the registration process to make it easier for informal gig workers to join the formal economy;
- b). Improve access to legal avenues for informal gig workers to seek redress and justice for any exploitation or abuse they may face;
- c). Incentivize compliance to the taxation system among informal gig workers;
- d). Expand social protection programmes to include the informal gig labour force;
- e). Create awareness among informal gig workers about their labour rights and protections, as well as the benefits of formalization.

CHAPTER FOUR: IMPLEMENTATION FRAMEWORK

4.1 INTRODUCTION

This chapter presents the 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.
- 4.4.1 BPO and diaspora associations** - Shall provide technical and financial support for all aspects of BPO within this policy.
- 4.4.2 Civil society organizations** - Shall provide technical support on monitoring and evaluation of this policy.
- 4.4.3 Media** - Shall provide support to enhance awareness about this policy.
- 4.4.4 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 BPO issues.

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APPENDICES

Appendix 1: Definition of key terms

Term	Definition
Algorithm	Defined sequence of steps, taken to solve a problem or obtain a result.
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 centralized office used for the purpose of receiving and transmitting a large volume of requests by telephone.
Competitiveness	Ability of an economy or a company to perform at par with similar foreign offerings in a given market.
Data	Grouped information that is obtained, recorded, held or used in a particular way or by a particular body.
Digital economy	The global network of economic activities, commercial transactions, and professional interactions enabled by ICT.
Digital labor	This represents an emergent form of labor characterized by the production of value through interaction with information and communication technologies such as digital platforms.
Digital trade	Trade in goods and services that is digitally enabled, including cross-border data flows, e-commerce, and other online services.
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.
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.

Appendix 2: Policy Coordination Action Plan

	Component	Activity	Indicator	Responsible	Timeline				
					2025/26	2026/27	2027/28	2028/29	2029/2030
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, all relevant MCDAs and private sector	√				
2.	National BPO Action Plan	Develop the National BPO Action Plan	National BPO Action Plan	Ministry of Labour and Social Protection, all relevant MCDAs and private sector	√	√			
		Develop the M&E framework	M&E framework	Ministry of Labour and Social Protection, all relevant MCDAs and private sector	√	√			
		Implement and monitor the NSDP Plan	Quarterly & annual progress and M&E reports	Ministry of Labour and Social Protection, all relevant MCDAs and private sector	√	√	√	√	√
3.	National BPO Act	Develop the National BPO Bill and table it in Parliament	National BPO Act	Ministry of Labour and Social Protection, all relevant MCDAs and private sector	√	√			
4.	Review the National BPO Policy and Action Plan	Review the National BPO Policy	National BPO Policy	Ministry of Labour and Social Protection, all relevant MCDAs and private sector					√
		Review the National BPO Action Plan	Reviewed National BPO Action Plan	Ministry of Labour and Social Protection, all relevant MCDAs and private sector					√
		Review the M&E framework	Reviewed M&E framework	Ministry of Labour and Social Protection, all relevant MCDAs and private sector					√