Jobtech Alliance

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Identifying policy barriers and opportunities in the EU for ICT outsourcing to Africa

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Executive Summary

Africa's rapidly growing digital workforce provides a unique opportunity to address Europe's IT talent shortage, particularly in countries like Germany, where businesses are increasingly struggling to obtain high-quality professionals and services. As a strategic alternative to migration, African Business Process Outsourcing (BPO) companies are well-positioned to provide competitive IT outsourcing services. However, African IT service providers face significant barriers to accessing the EU markets. This report identifies the eight most critical barriers and offers actionable recommendations at macro, meso and micro levels to enhance Africa's position as a trusted IT outsourcing destination. It focuses on Germany, but has general applicability to the EU. These recommendations are, therefore, a 'call to action' for all stakeholders to collaboratively create more seamless pathways for African IT providers and its digital workforce in general to enter and thrive in European markets.

Africa's IT outsourcing sector faces several macro-level trade barriers, including the absence of comprehensive trade policies for ICT services, the complexity of EU regulatory frameworks and challenges related to General Data Protection Regulation (GDPR) and Intellectual Property Rights (IPR) compliance. Perhaps the biggest 'game changer' is the recent commencement of the *Kenya & EU Adequacy Dialogue* which could result in Kenya becoming the first African country to receive an adequacy decision under GDPR thereby eliminating data transfer restrictions and setting a precedent for other African nations. To capitalise on these developments, this report recommends to further expand and replicate trade and regulatory adequacy agreements and exploring mechanisms like regulatory sandboxes to enhance compliance and market access for African IT providers.

At the meso level, African BPOs struggle with high certification costs, complex contracts, and communication gaps with EU buyers. Many European firms require internationally recognised standards like ISO 9001 and ISO 27001, yet the cost and accessibility of certification remain significant hurdles. To address these barriers, this report highlights the need for certification bootcamps, trade facilitation partnerships to develop practical compliance handbooks and branding initiatives to strengthen Africa's reputation as a reliable IT outsourcing destination.

Lack of trust, misconceptions, limited visibility and complex contracts often hinder African businesses, at the micro-level, from securing EU partnerships. To overcome these, the report recommends a GDPR Readiness Toolkit, strengthened IPR awareness, and initiatives like trade promotion, a provider directory, and an EU market readiness assessment tool. Subsidised German language courses could also improve communication and foster stronger business relationships.

This report is a first step in navigating the complex regulatory landscape, encouraging action to remove these barriers, strengthen partnerships and create new opportunities for Africa's digital workforce in the EU.

Unlocking Africa's IT outsourcing potential

The European IT Talent Shortage

Europe, and particularly Germany, is facing a significant long-term shortage of qualified IT professionals. Driven by Germany's aging workforce, low numbers of IT graduates and professionals and vocational choices outside the IT sector, this talent gap leads businesses to look beyond borders. While migration agreements, such as Germany's recent labour deal with Kenya, offer a partial solution, they cannot fully address the growing demand for IT skills. This shortage presents an opportunity for outsourcing IT services from talent-rich regions like Africa.

Africa's Emerging Digital Workforce

Africa's youthful population is driving rapid growth in the ICT sector. With the number of ICT professionals and digital workforce increasing significantly over the past decade, African countries are becoming important sources of digital talent. However, a large portion of this workforce is self-employed or works remotely, as there are not enough established local companies (BPOs) to absorb the growing digital talent.

The Potential for IT Outsourcing

IT outsourcing provides a strategic alternative to migration by leveraging African IT providers and talents remotely. For Europe, partnering with African BPOs could ease the IT talent shortage without requiring relocation. However, the African BPO sector needs further development and support to meet European market demands, especially in compliance and quality standards. Access to the German and other EU markets could accelerate growth and maturity for African IT service providers.
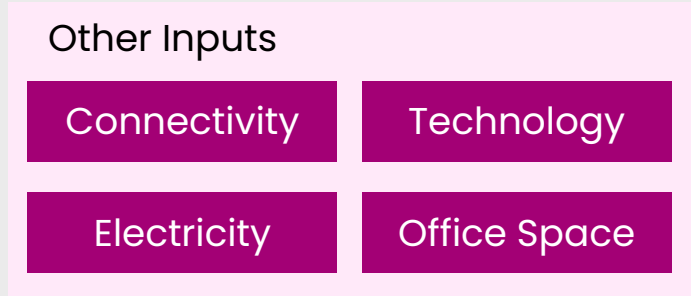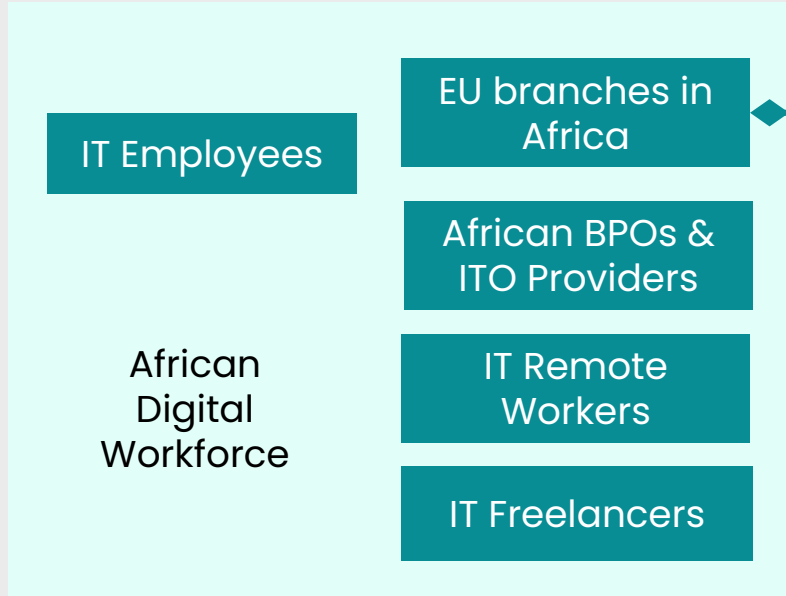
Regulatory and Market Access Challenges

Despite these opportunities, African IT providers face regulatory and market access & entry challenges in the EU. European companies are responsible for ensuring compliance with stringent regulations like GDPR, often relying on detailed contractual agreements. Many African BPOs lack the capacity to fully meet these requirements, making it challenging to scale up and access European markets effectively. This study aims to explore these barriers and recommend ways to bridge the compliance gap and facilitate stronger EU-Africa IT service partnerships.

The global ICT value chain

Africa's Digital Service Ecosystem

IT Employees

African Digital Workforce
- EU branches in Africa
- African BPOs & ITO Providers
- IT Remote Workers
- IT Freelancers

Other Inputs
- Connectivity
- Technology
- Electricity
- Office Space

Local Distribution Channels

African Horizontal Firms

African Industry Verticals
- Financial Services & Insurance
- Energy
- Telecommunications
- Health
- Retail (e-commerce)
- Travel, Transportation & Tourism

EU's Digital Service Ecosystem

Global Distribution Channels

EU BPOs & ITO Providers

EU Horizontal Firms

EU Industry Verticals
- Financial Services & Insurance
- Energy
- Telecommunications
- Health
- Retail (e-commerce)
- Travel, Transportation & Tourism

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# Most common obstacles of ICT Outsourcing from Africa to the EU

Trade Policy and Regulatory Barriers
These include uncertainties stemming from country-level political instability, varying regulations and (lack of) global trade policies that affect IT outsourcing.

Infrastructure and Technological Barriers
Inadequate technological infrastructure, poor internet connectivity, server location and reliance on outdated technologies can hinder outsourcing relationships.
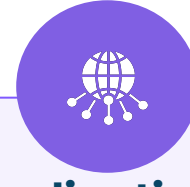
Coordination and Communication Barriers
Deficiencies in cross-border communication and coordination due to geographical distances, language barriers and cultural misunderstandings.
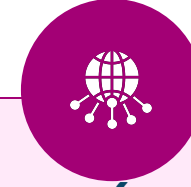
Trust and (Perceived) Relational Barriers
Barriers arise from opportunistic behaviour, lack of mutual trust, prejudice and poor relationship management between African ICT providers and EU clients.

Legal and Compliance Barriers
Barriers related to compliance with EU legal frameworks include data privacy requirements (GDPR), intellectual property rights (IPR), and cybersecurity regulations.

Standards and Certification Barriers
The need for compliance with international standards such as ISO 27000, ISO 9001, and CMMI, which may be costly or difficult for African providers to attain.
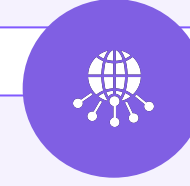
Economic and Financial Barriers
High investment costs in meeting international standards, hidden costs in contracts, and financial instability of vendors can challenge cross-border partnerships.
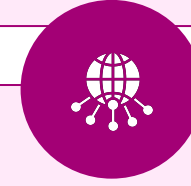
Strategic and Contractual Barriers
Barriers caused by poor strategic alignment between client and vendor, ineffective contract management and a lack of dispute resolution mechanisms.

Macro   **Meso**   **Micro**

# Lack of trade policies for (ICT) services between EU and Africa

Apart from Kenya in Dec 2023, the EU and Africa have not been able to integrate services in any of their bilateral trade relationships [Source].

EU-Kenya EPA

The EU-Kenya Economic Partnership Agreement (EPA) aims to promote sustainable trade by providing duty-free, quota-free access to the EU market for Kenyan goods, while allowing Kenya to gradually open its own market to EU imports.

It includes provisions not only for goods but **also for enhancing trade in services which could benefit sectors like IT.**
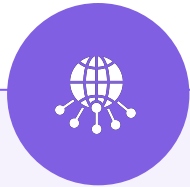
AfCFTA's Digital Trade Protocol

The Digital Trade Protocol under the AfCFTA was adopted in February 2024. The Protocol is set to reshape the economic landscape of Africa by fostering a unified digital market. The emphasis on harmonising regulations, ensuring data protection and facilitating digital transactions opens unprecedented opportunities for businesses, especially SMEs and entrepreneurs. [Source]

A significant challenge for the EU was in the past that trade deals that include IT services could only be negotiated bilaterally with each African country individually.

However, the African Continental Free Trade Area (AfCFTA) provides a unique opportunity for the EU to negotiate a far-reaching 'trade in service' deal with the African Union (AU). The recently launched Digital Trade Protocol offers an unprecedented opportunity for the EU to enter a digital partnership with Europe.

Despite these positive developments, the practical implications and benefits of both EPAs between African countries (like Kenya) and AfCFTA's Digital Trade Protocol are still unclear for most BPOs and call for more research and guidance.

Need to navigate complex EU regulatory framework
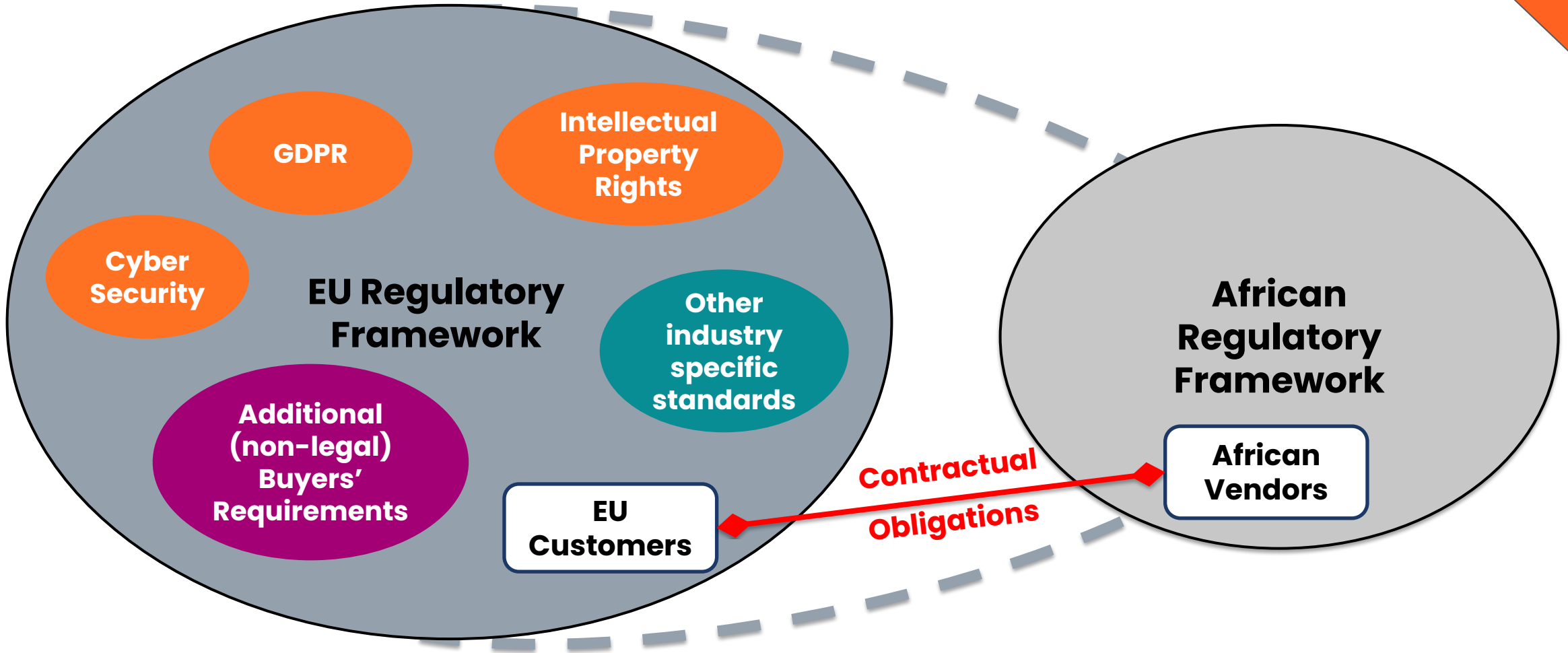
General Data Protection Regulation (GDPR)

The General Data Protection Regulation (GDPR) is designed to protect individuals in Europe from privacy and data breaches. It aims to give people more control over their personal data and gives businesses equal opportunities for the use of data.

The GDPR applies to all companies that process the personal data of individuals in Europe, **regardless of a company's location.**

Enforcement

The European Data Protection Board (EDPB) is an EU body that works to help ensure that the data protection law is applied consistently across the EU.

Each EU member state has its own Data Protection Authority (DPA). Role and responsibilities of national DPAs are enforcing and monitoring the EU data protection law.

Sanctions

Each organisation's liability for individual damages if they don't comply with the EU's data protection law.

A range of sanctions, including suspension of activities and fines can be imposed if your company doesn't comply with EU law on data protection.

The company/organisation must respect several key rules, including:

- Personal data must be processed in a **lawful and transparent manner** (*'lawfulness, fairness and transparency'*);

- A company/organisation can't simply collect personal data for undefined purposes (*'purpose limitation'*)

- A company/organisation must collect and process **only the personal data that is necessary to fulfil that purpose** (*'data minimisation'*)

- A company/organisation must ensure the personal data is accurate and up-to-date (*'accuracy'*)

- A company /organisation can't further use the personal data for other purposes

- Personal data must be **stored for no longer than necessary** (*'storage limitation'*)

- A company/organisation must install appropriate technical and organisational safeguards that ensure the security of the personal data (*'integrity and confidentiality'*)

Impact of GDPR on ICT services trade

International transfers of personal data

According to GDPR, when personal data is transferred outside the EU, European companies must attend to special safeguards to ensure that the _protection travels with the data._

Adequacy decisions

The European Commission (EC) has the power to determine whether a country outside the EU offers an adequate level of data protection.

The EC has so far recognised Andorra, Argentina, Canada, Faroe Islands, Guernsey, Israel, Isle of Man, Japan, Jersey, New Zealand, Republic of Korea, Switzerland , the United Kingdom under the GDPR.

Thus, until now, no African country has been recognised by the EU...

Kenya & EU Adequacy Dialogue

In May 2024, Kenya and the EC have entered the first GDPR Adequacy Dialogue on the African continent. This dialogue comes at a very important time when the EU and Kenya are strengthening their cooperation on digital matters.

If successful, these talks can result in an Adequacy Decision which would mean that personal data can flow freely from the EU to Kenya without any limitations or restrictions.

According to Kenya's Data Commission, Kenya is expected to gain immense economic benefits should it attain an adequate decision on data governance with the EU. GIZ is currently conducting a study to establish the extent of these benefits.

Need for GDPR support for non-EU companies

Business Support for Third-Party Countries

In accordance with GDPR, specific contractual clauses ensuring appropriate data protection safeguards can be used as a ground for data transfers from the EU to third countries.

The European Commission issued modernised **Standard Contractual Clauses (SCCs)** under the GDPR for data transfers which buyers and/or sellers can add to their contracts.

These can be found here: https://commission.europa.eu/publications/standard-contractual-clauses-international-transfers_en

Business Perspective / GDPR in Practice

While non-EU companies can rely on SCCs by attaching these clauses to their contracts, the real implications of GDPR are often not well understood by both EU buyers and sellers (both African and EU) and, therefore, cause friction.

Further, several business owners complain that GDPR is overregulating and not practical. For example, in practice, quite often, only small bits of data (which often don't even entail any sensitive information) are sent across borders. Still, GDPR requires IT service vendors to comply fully.

Proposed Support

- Ideas for new support structures: training programmes, capacity-building initiatives or partnerships between European firms and African IT providers to help navigate GDPR requirements.

- Recommendations for fostering better compliance support from governments, trade bodies, or tech alliances.

Low awareness of intellectual property rights

Intellectual Property Rights (IPR)

Intellectual property rights entail the legal regulations that protect original products, innovations, industrial design, artistic works, trade secrets, and any other goods and services created by the human mind. The rights grant their creators exclusive rights to use them.

The main types of intellectual property rights are:

- Patents
- Registered Trademark
- Copyright (also include programming codes)
- Trade secrets
- Industrial design right

EU Intellectual Property Regulations

The Directive on the Enforcement of Intellectual Property Rights ('IPRED') requires all EU member countries to apply effective, dissuasive, and proportionate remedies and penalties against those engaged in counterfeiting and piracy.

Strengthening Compliance and IPR Protection

African BPOs face often significant challenges in navigating these EU's IPR regulations, mostly due to a lack of awareness or the complexity of compliance requirements. While unintentional breaches of IPR regulations may occur, African IT SMEs also need stronger protections for their own innovations, ensuring that their intellectual property is not undervalued or misused in international contracts. Without clear frameworks, awareness raising and capacity building initiatives, these businesses risk legal disputes, market exclusion and limited growth opportunities.

Macro-level recommendations

- Monitor Kenya-EU Trade and Migration Agreements (i.e. EU-Kenya EPA and Kenya-Germany migration agreement) as well as Kenya-EU Data Adequacy Dialogue to facilitate the replication process with other African countries.

- Review AfCFTA's Digital Trade Protocol (DTP) to assist **member countries to fully harness the benefits of the DTP** and eventually build entry points for AfCFTA-EU (or additional bilateral) service trade agreements and regulatory (GDPR) adequacy dialogues (building on lessons learnt from the Kenya & EU Adequacy Dialogue).

- In the absence of clear data adequacy agreements, explore the feasibility of a **'regulatory sandbox' for IT outsourcing** between African BPOs and German buyers. This initiative could build on elements of EPZs, where controlled mechanisms are put in place to facilitate secure data transfers that are compliant with GDPR or other EU laws and regulations.

EU buyers require standards and certification

European buyers typically favour BPOs with established certifications, as these signal consistent, high-quality service delivery and reduce perceived risks.

While many African ICT SMEs recognise the importance of these certifications, achieving them remains a challenge due to the high costs of preparation, training, and accreditation, compounded by the limited availability of certification bodies in many African countries.

Quality management

ISO 9001 and CMMI are the most widely used quality management systems in the outsourcing market.

ISO 27000 series

ISO 27000 series contains common information security standards and guidelines. ISO 27001 is an internationally recognised standard with requirements for information security management systems.

Industry-specific standards

Other sector-specific and/or industry-specific standards or codes of practice (e.g. Basel III standards for banking, etc.)

For EU buyers, these certifications act as a proxy for trust and mitigate risks, especially when partnering with non-EU vendors. These standards assure consistent quality, reliability and efficient resource and contract management, making them essential when working with IT providers from regions with different legal and regulatory environments.

African ICT providers lack adequate financing support to match global standards

Compliance with international standards comes with high investment costs. However, African SMEs often face high interest rates when seeking financing for such essential investments.

Due to the lack of clear regulatory alignment between the EU and Africa, EU buyers must establish **detailed and often quite complex contractual agreements** with African ICT vendors to ensure compliance with EU regulations.

However, setting up these contracts is expensive due to their legal and compliance complexities. They require legal expertise/advice and often customisation since contracts are not "one-size-fits-all."

There are also hidden costs to ensure continuous compliance and manage risks (such as compliance monitoring, dispute resolution, IP protection, etc.)

Cross-border communication and coordination challenges

Cross-border communication challenges

Cross-border communication challenges arise due to differences in time zones, languages, and cultural business practices, making real-time coordination and clarity difficult. E.g. the importance of deadlines and quality standards may not be well understood. Also, adhering to meeting etiquette, such as being punctual and keeping small talk brief, can sometimes be overlooked. These factors can often delay responses and disrupt project timelines.

Language Barriers

While English is widely spoken, some German businesses (particularly family-owned SMEs and more traditional sectors) prefer to communicate in German. Sometimes language barriers can mean that certain nuances in communication or technical terminology can cause misunderstandings, particularly when dealing with complex software development or IT solutions.

Therefore, GIZ, for example, started to provide German classes for IT professionals in various countries.

Technology Gaps

Disparities in the use of project management tools and platforms can create inefficiencies. African vendors might not always have access to the same technology stacks or tools that their EU counterparts use, leading to challenges in integrating systems or managing projects collaboratively.

Meso-level recommendations

- Establish **certification bootcamps and training programmes** in partnership with existing ISO and IT certification providers to equip African ICT SMEs with internationally recognised standards. Develop and roll out a standardised, scalable certification programme leveraging on group discounts to reduce costs. (Where possible) Engage local certification providers to streamline the process and ensure cost effectiveness and strengthening the local ecosystem. This initiative will provide better and more affordable certification accessibility for African IT service providers, making them more competitive in the global market.

- Foster partnerships with the German Import Promotion Desk, and the German Chamber of Commerce (or any other suitable trade facilitation organisation) to translate the previously mentioned policies **into actionable and digestible handbooks that guide the private sector** (both targeted at German buyers and at vendors located on the African continent).

- Develop open-source **model contracts for specific EU-Africa corridors** to simplify legal frameworks, reduce compliance costs and streamline partnerships between African ICT providers and EU buyers.

- Build partnerships between African export bodies, business membership organisations (BMOs), NGOs, industry leaders and their German counterparts, such as German BMOs (like Bitkom), the German VC/Start-Up scene, the German Chamber of Commerce and the African IT Diaspora in Germany (like BlackInTech Berlin) to brand and promote African countries as attractive outsourcing destinations.
  - Develop and launch **an African ICT branding initiative tailored for German SMEs** highlighting competitive advantages, success stories, and trusted partnerships in IT outsourcing.

Lack of trust and misconceptions

Trust barriers

Trust barriers in cross-border IT outsourcing often stem from concerns about vendor reliability and the ability to deliver on expectations, particularly when dealing with legal, compliance, and intellectual property issues. EU buyers may perceive vendors from African countries as less predictable due to differing business environments, regulatory frameworks and cultural norms.

Lack of Mutual Trust

Trust issues can be exacerbated by physical distance and cultural differences. For instance, if an EU buyer lacks on-the-ground presence or regular in-person interaction, they may struggle to build the same level of confidence in the vendor's capabilities and intentions compared to a local or closer partner.

Limited Visibility into Vendor Operations

EU buyers may perceive African vendors as lacking transparency in their internal processes, such as project management, compliance with EU regulations (e.g., GDPR) or cybersecurity practices, further increasing the risk of trust erosion. This can lead to increased oversight requirements which are both costly and inefficient.

Complex and costly business contracts

As shown in slide 7, in the absence of coherent and adequate regulatory alignment between the EU and Africa, European buyers are often **forced to establish detailed contractual agreements** with African IT vendors to ensure compliance with EU regulations. These include:

Data Transfer Mechanisms

Complying with GDPR's cross-border data transfer requirements might mean adding **Standard Contractual Clauses (SCCs)** to their contracts. If local data protection laws in Africa do not meet EU standards, buyers and sellers might also need to negotiate data and server localisation requirements.

Intellectual Property (IP) Protection

Contracts must include clauses protecting intellectual property. However, enforcing these clauses in countries where IP laws are not as stringent or where enforcement mechanisms are weak might lead to loss of intellectual property that was not initially anticipated.

The **enforcement and jurisdiction** of these contracts will likely be within the EU which can bring additional risks for African IT providers. As well as the above-mentioned costs for legal advice and potential conflict resolutions.

Micro-level recommendations

- Strengthen capacity of African BPOs as core businesses as well as to satisfy GDPR, IPR and other relevant global compliance standards.

  - Develop a **tailored GDPR Readiness Toolkit for African ICT SMEs** providing practical guidance, easy-to-use templates and hands-on training. Run workshops and crash courses to help IT providers understand GDPR compliance requirements and apply best practices in real-world scenarios.

  - **Strengthen IP and EU IPR awareness and support for African BPOs** by providing targeted training, practical guidance, and compliance tools to help them meet EU regulations while safeguarding their own innovations (e.g. Uganda's ICT IP Guidelines).

- In order to make it easier for German companies to engage African providers:

  - Organize more market exposure visits (of Germany/EU companies to Africa and of African ICT providers to German/EU trade shows), support direct sales and trade promotion of African BPOs in Germany/EU.

  - Develop a directory of African providers that meet global standards.

  - Develop **an (online) quick and easy EU market readiness assessment tool** to help African IT providers gauge their compliance with key EU requirements, identify gaps and receive tailored, yet standardised, recommendations for market entry and compliance.

  - Offer subsidised German language courses (in partnership with GIZ and/or Goethe-Institut Kenia).

Thank You

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