

The importance of local content issues in fostering sustainable industrialization

**CJ Seminar series
IREK seminar, Day 2
13 August 2021**

**Ann Kingiri
African Centre for Technology Studies (ACTS)**

Outline

- Introduction: Opportunities for making policies that promote capabilities related to RE technologies
- What do we understand by capabilities and local content requirements (LCRs)?
- Gaps and opportunities around capabilities reflected in Kenya's policy process
- Some reflections on LCRs and capabilities for deployment of RE technologies

Introduction: opportunities for making policies that promote capabilities related to RE

- The number of off-grid energy firms arising from RE efforts in Kenya has gone up.
- This creates opportunity for research focusing on innovation and development in this sector
- Our research under IREK analysed the Kenya's policy process through the lens of capabilities
- It sought to answer the following questions:
 - How are industrial capacities and capabilities reflected in the Kenyan RE policy process and what are stakeholders' perspectives about this?
 - What are the opportunities for making policies that promote capabilities related to RE in the future?
- Methods - It was informed by primary data generated from survey and interviews with stakeholders in the sector

Capabilities and LCR

- RE technologies aim to contribute to both a) **political, social and economic** goals and b) **sustainable industrialisation** in emerging economies like Kenya.
 - These include technology transfer, creation of new industries, providing jobs for local people etc.
- LCRs is becoming an important **industrial policy tool** which is largely expected to translate to local employment and private sector development.
- Local content (LC) implies **use of local expertise**, goods, and services, people and business for systematic development of national capacity, and capabilities geared towards the enhancement of the economy.
- LCRs has been used in the RE sector to provide **protection to local young firms** while they **accumulate capabilities** to a level where they can **compete** with local and international firms
 - LCRs – policy provisions bind foreign investors and companies to support nascent local industries

Gaps and opportunities reflected in Kenya's policy process and capabilities

- Early stages of the process (upto 2014) focused largely on social and economic aspects and less on capabilities or LCRs
- **Evidence of capabilities** were later reflected in different policy instruments capturing the following:
 - developing and procuring **capabilities of local workforce, services, and supplies**, for the sharing of accruing benefits.
 - development of **local capacity** for the **manufacture, installation, maintenance, and operation** of basic renewable technologies and **information and guidance** to investors on RE projects.
 - **Use of local personnel and materials.**
 - **Creation of backward linkages** in the **value chain** through requiring **companies to utilise local firms** for **security, transport, clearing, and forwarding** when conducting projects
 - **rules and regulations on qualifications and experiences** relevant for working in the sector, including minimum **standards for training** and **skills** to create an enabling environment for building individual skills.
 - **Licencing** to carry out the generation, exportation, importation, transmission, distribution, and retail supply of electricity
 - **Tax exemptions** for the supply or importation of equipment and materials for development and generation of energy for solar and wind energy technologies.

Gaps and opportunities reflected in Kenya's policy process and capabilities con'td

- There has been a steady process relating to **inclusion of capabilities provisions** in the **energy policy instruments** which is evidence of policy milestones (see previous slide)
- **Promotion** of RE (usually from abroad) significantly **increases** the ability for **local technical** and **managerial capabilities** to be built.
- But - **capabilities** are **inadequate** in both solar and wind sectors **to steer** a **sustainable industrialisation**.
- Emphasis needed on **building capabilities** in the **operations** and **maintenance** field, especially in the wind subsector.
- Kenya **does not** have to **rely on foreign firms for operations** and **maintenance** expertise.

Reflections for policy and practice

- Capabilities building in policies and strategies must combine both **human resource development** (developing skills and competences of technicians and engineers) and emphasis on **local content issues** and **capability development**
- A **participatory** and **inclusive** policy process is critical for setting the right agenda for **pro-capabilities policies**
- Since the Energy Act has provisions for LCRs, stakeholders must **seize** this **window of opportunity** to **develop capabilities** of **local manufacturers** and **firms**.
- Enforcement of LCRs will require **collaboration** between the local and international actors as well as the policy actors at the local level.

Reflections for policy and practice

- Stakeholders have **different understanding of capabilities**. This can impact negatively on capabilities-building efforts. There is therefore a need for **continued awareness creation** amongst different stakeholders, especially policy makers and academics.
- **Evidence** is critical in **influencing** the perspectives of policy makers about the need for a **policy change**, in this case the importance of capabilities in RE.
- In addition to evidence, **timing of engagement** during the policy formulation process is paramount. Researchers engaging in policy processes have a high probability of influencing policy outcome where a window of opportunity arises.

Conclusion

Sustainable industrialisation can only be realised if there is a **conducive policy environment** that supports capabilities including training opportunities, uptake of RE technologies and investment, as well as **collaboration**.