

What Kenya can do to ensure local people benefit from its oil industry

Six years ago, Kenya [discovered](#) commercially viable oil deposits in the Turkana region. The find is [expected](#) to boost economic growth as about [560 million barrels](#) of oil are expected to be recovered from the South Lokichar Basin. Commercial oil production [is expected](#) in about three to four years.

By [Melba K Wasunna](#) 10 Oct 2018



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But not all Kenyans are happy. Earlier this year, as road transfers of oil to Mombasa [started](#) under the 'early oil pilot scheme', the operations faced [opposition](#) from local communities in Turkana. As a historically underdeveloped part of Kenya, the find was [expected](#) to bring great benefits to the Turkana people. But they have largely been excluded and are demanding jobs, business opportunities, security and a share of oil proceeds.

Some Kenyans and businesses [have](#) gained employment or business contracts, but it's not enough. British oil exploration company, Tullow Oil, the first to discover oil in Kenya, has [a history](#) of discovering significant oil resources in East Africa. By the end of 2017, 30% of the company's supplier spend was with [Kenyan businesses](#), down from 33% in 2016. The bulk goes to foreign companies. Though Tullow Oil does work with some Kenyan firms – like Kapese Transporters and Lopii Contractors – the company has [slowed down](#) on contracting local suppliers.

It is crucial that Kenya figures out how to encourage [the participation of Kenyans](#) in the oil sector through the use of local labour, goods and services. This was the topic at a [recent forum](#) hosted by the [Extractives Baraza](#) – an information centre for the extractives sector based at Strathmore University – in Nairobi.

Major constraints that prevent Kenyans – particularly communities around the oilfields – from benefiting from the oil sector include: [a lack of](#) specialised training or technical skills, [a lack of](#) access to credit which would increase the competitiveness of small-to-medium businesses, low quality of local goods and services and [a lack of modern roads and highways](#) to link the Turkana region with other parts of the country.

The challenges

In terms of human capital, Kenya [ranks poorly](#) in the development of future skills (101 out of 130 countries according to the World Economic Forum) and in the use of specialised skills at work (74 of 130).

Tullow Oil [cited this](#) burgeoning skills gap as the main reason for not including more locals in its workforce. This challenge

most [severe for technical and vocational skills](#) like welding, drilling, repair of heavy equipment and [pipeline design](#)— all in [demand](#) in the oil sector.

But human capital isn't the only problem. [The low quality](#) of locally manufactured or available goods and services, compared to their high costs, has [allowed](#) imported products to take over a large market share in Kenya. This could be attributed to a [lack of understanding](#) as to what the oil sector needs in comparison to what is locally available. Local manufacturers also use [obsolete technology](#) and there's a low level of innovation.

A final, big challenge is the [lack](#) of a robust legal framework to promote local participation. For instance, the [Petroleum \(Exploration and Production\) Act 1986](#) includes an obligation for contractors to give preference to locally available goods and services, and that Kenyan nationals be prioritised in employment and training. But the Act doesn't provide for targets, outlining how much local representation is needed. It also doesn't provide for monitoring or reporting.

The way forward

There needs to be a clear strategy to ensure [local participation](#) in the oil sector.

To start with, the entire oil value chain must be assessed to identify which areas need to be focused on. This will reveal the size and capacity of local businesses, the capabilities of the local workforce, level of participation, and supplier landscape.

Skills need to be developed and there must be a requirement for investors to publicly certify that a local expert is not available before importing skills.

Local manufacturers must adopt modern technology and innovative solutions to produce products that align with the quality goods and services needed in the sector.

Partnerships between the private sector, government (national and county) and academia are critical to bridge the knowledge gap. This will create awareness, ensure that training curricula and facilities are fit-for-purpose, and pool available skills and expertise.

Joint ventures between international companies and local companies are also critical for building links and transferring technology and skills.

Finally, the government must offer legal protection against unfair contractual arrangements, and guarantee recovery of delayed payments for local businesses. It should create a level playing field for local businesses to participate, for instance, by simplifying and fast-tracking business registration processes and ensuring equal access to project information for local businesses. Norway, for example, [included](#) a requirement for oil companies to split up supply contracts into smaller parts suitable for local companies.

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