



Situating local capabilities in local content requirements discussions: the case of Kenya's renewable energy

Policy makers and stakeholders around the globe have made concerted efforts to support adoption of renewable energy technologies through using a variety of policy tools and incentives all aimed at accelerating access of energy. One such policy tool is the local content requirements (LCRs). The IREK project explores how local policy issues influence adoption of renewable energy (solar and wind) in Kenya. Specifically, it focuses on what local policies are needed to maximize up-take of capability building by firms and individuals as well as creating jobs and income generation. This briefing note aims to discuss the role of local capabilities in local content requirements discussions in relation to renewable energy in Kenya.

Engagement with stakeholders is a critical aspect of the IREK project. During the four years that the project has been running so far, the IREK researchers have embraced interactive learning and the insights that it offers. One important lesson from interactions with stakeholders is the importance of political economy and local content requirements in sustainable development and diffusion of renewable energy in the Kenyan context. This briefing note exposes some of the local content issues that stakeholders consider critical in deployment of renewable energy (RE) and related capabilities building. The major purpose of the brief is to elicit a discussion amongst the stakeholders towards providing them with a better foundation of choosing these technologies in a sustainable manner.

Local content and capabilities building dilemma

WTI (World Trade Institute) Advisors (2013) assert that local content requirements (LCRs) are provisions that bind foreign investors and

companies to a minimum threshold that must be procured or purchased locally. The aim is to promote local manufacturing thus creating job opportunities through numerous suppliers of goods and services.

Scholars assert that the introduction of local content policies and regulations aimed at protecting local industries has led to development of renewable technologies and related capabilities. However, these policies have also led to global trade conflicts at various levels such as the World Trade Organization (WTO) agreements on Trade Related Investment Measures (TRIMs) which prohibits the use of measures related to LCRs. As demonstrated in this brief, lessons from the IREK stakeholders' workshops and policy engagement activities show that local content and political economy issues cannot be ignored in the deployment of RE in Kenya.

Perspectives of stakeholders on local content, capabilities and political economy issues

During discussions at the IREK stakeholders' workshop in January 2019 the IREK project insights on stakeholder's perspectives was summarised and discussed. The following issues were exposed:

- The basic innovation system framework that explores the actors' linkages and dynamics around a technological innovation does not explicitly explain political economy issues.
- Local content requirements are key if local actors (including local manufacturing firms) shall benefit from introduction of RE in Kenya. Experiences from elsewhere have shown that international companies and related collaborations tend to circumvent the local actors, which leads to value being extracted outside.
- There is a disconnection between intentions on local content requirements and free trade. There is a fear that free trade regime can be highly constraining of possibilities for local firms to be nurtured to build up capabilities. As such, there is need to find out what kinds of support and strategies are available to governments that can help build these capabilities as well as the extent to which international policy could help build these capabilities.

Following the enactment of the Energy Act, 2019, the IREK project takes note of the incorporation of following aspects into the ACT that were part of the IREK recommendations to the Kenya's parliamentary committee on Energy 2018 (see IREK Briefing Note. No. 5, 2018):

- In Kenya, policy makers and stakeholders have considered solar and wind energy as avenues for building local capabilities as well as job creation.

- The energy Act 2019 has given out provisions for local content, where contractors are required to give priority to goods and services provided in Kenya.
- With regards employment, first priority should be given to qualified and skilled Kenyans at all levels.
- Any person undertaking or working under this Act should comply with local contents. As such he/she should submit annual and longterm local content plans including employment and training, research and development. These plans should correspond with the work program for approval by authority.
- The Act has given provisions to Energy and Petroleum Regulatory Authority to enforce aspects of the local content requirement.
- The Rural Electrification and Renewable Energy Corporation has been mandated to promote renewable energy, in collaboration with other agencies. This includes the development of appropriate local capacity for the manufacturing, installation, maintenance and operation of renewable technologies such as solar systems, turbines and other renewable energy technologies.

In the globalised policy shifts around RE and sustainability, the IREK study suggests the need to reinvestigate the following policy issues:

- There is a need to redefine local content in RE projects.
- The issues of tariffs and licencing need clarity in the light of local content requirements and implication for capabilities.
- Appropriate trade-offs between local content requirements and international trade related obligations in the context of learning and local capabilities building should be considered.

- How can local content requirements responsibly contribute to communities' welfare and development?
- Business models that can guide local entrepreneurs to enhance local capacities to absorb, maintain and utilise technology should be explored.
- How can the local content aspects be captured in the basic and vocational training curricula?
- Local systems of innovation focused on RE needs to be developed. This is one way to enhance interactive learning, capabilities and feedback loops across the different actors.

Some recommendations

- There is need to address the lack of focus on power and politics because in addressing aspirations for more local content, political economy is necessary.
- Political economy has a major role in sustainability debate as well as building requisite local capabilities associated with RE deployment.
- Since the Energy Act, 2019 provides for local content requirements and capabilities related matters; the government should endeavour to institute requisite regulations and guidelines for monitoring purposes.
- Evidence needs to be generated about local content requirements and local capabilities development.

Further reading

WTI Advisors, 2013. Local content requirements and the green economy. Paper prepared for the Ad Hoc Expert Group Meeting on Domestic Requirements and Support Measures in Green Sectors: Economic and Environmental Effectiveness and Implications for Trade, 13–14 June, Geneva. Paper accessed from: https://unctad.org/meetings/en/Contribution/DI_TC_TED_13062013_Study_WTI_Summary.pdf

Hanlin, R., Kingiri, A., Tigabu, A., Lema, R., & Andersen, M. H. (2017). Collaboration and capabilities in Kenya's wind and solar industries: perception of stakeholders (IREK Report No. 3). Copenhagen/Nairobi/Eldoret.

IREK Briefing Note. No. 5, March 2018, irekproject.net

The implementation of the IREK project has involved a number of stakeholders' workshops and other policy engagement activities as an essential part of the analysis of the stakeholders' perspectives on renewable energy in Kenya.

Following a stakeholders' survey, key informant interviews and an initial policy analysis, the IREK project presented its recommendations for the Energy Act 2019 on 15 March 2018 to Kenya's Parliamentary Committee on Energy. Subsequently, the IREK project invited 35 representatives from research institutions, non-governmental organizations, the private sector and the government to a workshop on 29 March 2018 in Nairobi. This was followed by an IREK stakeholders' workshop held on 28 January 2019.

Find out more about the IREK stakeholder activities and research at irekproject.net



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IREK is a development research project on Innovation and Renewable Electrification in Kenya with research partners at Aalborg University (Denmark), African Centre for Technology Studies (Kenya) and Moi University (Kenya). IREK seeks to provide a better foundation for selecting and deploying available technologies in a way that increases inclusiveness and contributes to poverty reduction. The Ministry of Foreign Affairs of Denmark supports the research: Grant DFC 14-09AAU.