

THE NIGERIAN LOCAL CONTENT ACT AND ITS IMPLICATION ON TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING (TVET) AND THE NATION'S ECONOMY

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ABSTRACT: *The Nigerian state has been faced with various economic, social, political, educational, and development problems in all sectors of the Nigerian economy. These problems have eventually led to poverty, corruption, kidnapping, unemployment, stealing, terrorism, militancy, and armed robbery amongst others. In order to tackle these challenges facing the nation, the Federal Government of Nigeria, under the leadership of President Goodluck Ebele Jonathan (GCFR), in March 2010 signed into law the Nigerian Local Content Act which aimed at promoting industrialization of the nation's oil and gas industries and thereby improving the economic and social well being of citizens engaged in the industries. Using secondary data, this paper examines the Nigerian local content act, technical vocational education training (TVET) and the implication of Local Content Act on TVET and the Nigerian economy. Therefore, it was concluded that the Nigerian local Content Act adds value to Technical and Vocational Education and Training (TVET) in Nigeria. In addition, for Nigeria to achieve the intended goals and objectives of the Local Content Act, the government, stakeholders, and the board in charge of implementation and monitoring of the Local Content Act must first of all revitalize TVET institutions, train and retrain TVET professionals, and establish more TVET institutions that will help produce the skilled work force needed to implement the Nigerian Local Content Act.*

KEYWORDS: *Local Content Act, TVET, Economy, and Nigeria*

INTRODUCTION

The Nigerian state has been faced with various economic, social, political, educational, and development problems in all sectors of the Nigerian economy. These problems have eventually led to poverty, corruption, kidnapping, unemployment, stealing, terrorism, militancy, and armed robbery amongst others. In order to tackle these challenges facing the nation, The Federal Government of Nigeria, under the leadership of President Goodluck Ebele Jonathan (GCFR), in March 2010, signed into law the Nigerian Local Content Act which aimed at promoting industrialization of the nation's oil and gas industries and thereby improving the economic and social well being of citizens as engaged in the industries. However, for effective implementation

of the Local Content Act, Technical and Vocational Education and Training (TVET) has a great role to play. Thus, the focus of this paper is to briefly explain the Local Content Act and its implication on TVET and the Nigerian Economy.

Conceptualizing TVET

In most advance economies, industrialization most certainly emanate from TVET (Kutz, 2001). Technical and Vocational Education and Training (TVET) is defined by different authors in different ways (Odu, 2011). TVET is a type of education which prepares individuals for the world of work and also, is a viable tool for sustainable development. According to Man (2005), TVET is the systematic and orderly transmission of knowledge, skills, and values to develop a workforce that is able to enhance productivity and sustain competitiveness in the global economy. It encompasses the ability to accelerate economic growth, provide marketable labour supply, minimize unemployment and underemployment, infuse technical knowledge and reduce poverty. TVET refers to all measures whereby people acquire skills and provide them better access to employment and income. Chepkemei, Watindi, Cherono, Ng'isirei, and Rono (2012), in their study opined that TVET is understood to be;

- i. An aspect of lifelong learning and preparation of a responsible citizenry.
- ii. An avenue to prepare for occupational fields for participation in the world of work.
- iii. An important part of education
- iv. An instrument for development

According to Okoro (1999) as cited by Odu (2011) TVET is all those experiences whereby an individual learns to carry on successfully any useful occupation. These experiences may be organized and institutionalized or unorganized and haphazard. TVET is that aspect of education that exposes the learner to acquisition of demonstrable skills that could be transformed into economic benefits (Akerele, 2007).

Technical Vocational Education and Training (TVET) is used as a comprehensive term referring to those aspects of the educational process involving in addition to general education, the study of technologies and related sciences, and the acquisition of practical skill, attitudes, understanding and knowledge relating to occupations in various sectors of economic and social life (UNESCO, 2002). According to Mclean and David (2009) TVET is concerned with the acquisition of knowledge and skills for the world of work to increase opportunities for productive empowerment and socio-economic development in knowledge economics and rapidly changing work environment. Uwaifo (2010) refers to TVET as the training of technically oriented personnel who are to be the initiators, facilitators and implementers of technological development of a nation by adequately training its citizenry on the need to be technologically literate, leading to self-reliance and sustainability. TVET thus equips people not only with technical and vocational skills, but with a broad range of knowledge, skills and attitudes that are now recognized as indispensable for meaningful participation in work and life.

We have given above all these almost infinitely numberless definitions of TVET based on varying conceptualizations by different experts, so as to make it easy for any new-comer to the area defined

as TVET, to see, at a glance, what TVET really means. However, some of these definitions themselves require critical appraisals by virtue of latest developments the world over, especially in the area of Information Technology (IT) and globalization. Firstly, TVET cannot pretend to ignore the force and relevance of Information Technology (IT) to its practice; indeed no discipline or endeavour of any kind can pretend to do so. Secondly, the fact that there are identical associations of TVET all over the world underscores the relevance of IT and globalization to proper definitions of TVET. Thirdly, within the context of “Technical” and “Vocational” the true meaning of TVET is prescribed circumscribed.

Therefore, it is not sufficient as a matter of terminology for TVET to be defined (as Chepkemei, Watindi, Cheron, Ng’isirei, and Rono (2012), have done) as “an aspect of lifelong learning and preparation of a responsible citizenry” nor as “an instrument for development”. These definitions would seem to be too general, too totally encompassing capable of too many interpretations and rob TVET of the specificity which the presence of “Technical” and “Vocational” in TVET intentionally and incontrovertibly endows it with. Accordingly, we cannot agree more with the definition of TVET as given by UNESCO in 2002 and quoted in paragraph 1, page 4 of this paper, especially those areas that speak of “technologies and related sciences, and the acquisition of practical skills”. Even this definition of UNESCO has not given the relevant emphasis to the importance of IT to TVET, though in the context of 2002 it is understandable. TVET then, in our view, would be that endeavour that aims at, using the modern knowledge and resources of IT and globalization to impart technical and vocational skills to people who could then become pillars of industries at base or foundational level or who could equally become self-supporting and micro employers as entrepreneurs. This definition must include the corollary that its goals would be best served if the endeavour to impart the skills combines both formal and informal framework. In the context of latest developments world-wide, this combination of formal and informal is a precondition, especially in a hurry to develop and move out of the “Third World” nomenclature.

However, the conceptual definition of TVET cuts across formal or school-based, non-formal or enterprise-based, and informal or traditional apprenticeship. Also, TVET has numerous goals which vary from countries to countries. In Nigeria, TVET is part of the formal education system incorporated in the three levels of education (primary, secondary and tertiary) with a view to meeting the nation’s need for skilled manpower and support the economic state of the individual and the nation in general. The goals of technical and vocational education according to the Federal Republic of Nigeria in her National Policy on Education (2004:30) are to:

- (a) Provide trained manpower in the applied sciences, technology and business particularly at craft, advanced craft and technical levels;
- (b) Provide the technical knowledge and vocational skills necessary for agricultural, commercial and economic development;
- (c) Give training and impart the necessary skills to individual who shall be self reliant economically.

From the foregoing, it is pertinent to note that skills and knowledge are the engines of economic growth and social development of any nation (Goel, 2010), and Technical Vocational Education and Training (TVET) holds the key to training the skilled and entrepreneurial workforce needed for the changing technological workforce (Afeti, 2010). This implies that TVET is part of the

nucleus of development of both industries and human capital which also plays an important role in the implementation of the Nigerian Local Content Act of March 2010.

The Local Content Policy

In March of 2010, President Goodluck Jonathan signed into law the Local Content Development Act 2010. The Act, among other things envisaged to tackle the problem of insufficient value addition to the Nigerian economy arising from the near lack of local capacity/capability in the industrial sector especially in the petroleum industry (Bello, 2010). The Nigerian Oil and Gas Development Law 2010 defines local content as “the quantum of composite value added to or created in Nigeria through utilization of Nigerian resources and services in the petroleum industry resulting in the development of indigenous capability without compromising quality, health, safety and environmental standards (Gbegi & Adebisi, 2013). It is framed within the context of growth of Nigerian entrepreneurship and the domestication of assets to fully realize Nigeria’s strategic developmental goals. The scheme, which has the potential to create over 30,000 jobs in the next 5 years, is geared to increase the domestic share of the \$18 billion annual spending on oil and gas from 45% to 70%, in addition to enhancing the multiplier effects on the economy, through refining and petrochemicals (Balouga, 2012; Gbegi & Adebisi, 2013).

According to Balouga (2012) and Gbegi & Adebisi (2013), the Local Content Policy action started in 1971 through the establishment of the Nigerian National Oil Corporation, (NOC). NOC was established as a vehicle for the promotion of Nigeria’s indigenization policy in the petroleum sector. It later became Nigerian National Petroleum Corporation (NNPC) in 1977 through NOC’s merger with the petroleum ministry. NNPC flagged off the actual local content initiative through acquisition of interests in the operations of the Indigenous Oil Companies (IOCs). These interests grew to about 70%, with the responsibility of controlling all acreages and other activities. Although conscious efforts were made in the past through Regulation 26 of the 1969 Petroleum Act, enforcement of local content policy, the springboard for sustainable economic transformation of Nigeria, was mere paper work. For an industry that contributes 80% of Nigerian government revenues and 95% of its foreign exchange this is entirely unacceptable to the Nigerian government hence the clamor for change (Balouga, 2012; Gbegi & Adebisi, 2013).

Objectives of the Local Content Act

Government’s objectives for the local content policy initiative are quite noble but have remained unrealized. These objectives include the expansion of the upstream and downstream sectors of the oil and gas industry, the diversification of the sources of investment into the sector such that some of the funds would begin to come from local sources, the promotion of indigenous participation and the fostering of technological transfer. Other objectives are the increase in oil and gas reserves through aggressive exploration; employment generation for all categories of Nigerians; increased production capacity, and perhaps most importantly, the integration of the oil and gas industry into the mainstream economy through local refineries and petrochemicals (Balouga, 2012; Gbegi & Adebisi, 2013).

The Local Content Act and its Implication on Technical and Vocational Education Training (TVET) and the Nigerian Economy

It must be noted that local content is a standard practice undertaken by resource rich countries of the world. While some countries approach it from the point of view of an economic tool which will ultimately create local capacity and capabilities that can compete with foreign companies and in the process develop their economies, others view it as a protectionist measure to protect their local technology and services from disproportionate foreign competition as a result of globalization, thereby retaining the value of their local technology and services within the borders of their countries. Whatever the approach a country takes, local content is about value addition, by optimizing the industrial and other associational values that can be made to a country's natural resources for the overall benefit of its economy (Obasa, 2010).

Consequently, local content may not result in value addition if certain underlying conditions are non-existent. For example, even where exclusive treatment is given to the local service industry for fabrication works, if Local skills and capacity are developed and patronized, if tariffs on steel plate imports and other materials are not significantly lowered for local suppliers, it would mean that local content would actually be costing the economy more, as money which would otherwise have been available to be taxed or used optimally in other industrial sectors would be spent on supporting the local supply and service industry. Other examples of factors which militate against the value adding potential of local content include non-access to long term commercial funding; rising exchange rates; high interest rates; widespread use of global framework agreements and centralized procurement systems by international oil companies; low technological capacity; lack of experience and expertise in certain operating environments and difficult prequalification and bidding requirements for the award of contracts (Obasa, 2009).

The point is that local content works optimally to create value where the necessary technical and vocational education and training (TVET) capacity are available and optimally utilized. The value of local content through the development of Technical and Vocational Education and Training skills to the Nigerian economy is primarily three-fold, i.e. the development of capacity and capability within the petroleum industry and local supply/service industry; the economic impact on the non-petroleum industries and the impact of community development initiatives on the informal economy.

Technical and vocational education and Training has a strong symbiotic relationship with the Local Content because of its value to the Nigerian economy. This value is derived from certain key capacities and capabilities within the Nigerian economy that have significant inter-sectoral applications, that is, local content can be targeted at and used to harness a hub of skills and technical competence which can be applied to a number of industries. A classic example of this can be seen in the requirements for the 100% mandatory in country welding and fabrication in Section 53 of the Act. Welding and fabrication which are part of TVET cut across the building; construction; automotive; shipping; telecommunications; aviation and rail industries and the impact of this provision on local and foreign investment in capacity development in these activities is expected to produce an exponential increase in size but also in specialization of the industry (Gaius-Obaseki,2010).

Another example of broad value application to the Nigerian economy is the domicilization by the international oil companies of a minimum percentage of their profits within their Nigerian bank accounts which should inject liquidity into the local economy and by extension significantly affect the availability of long term funding for the development of the nation's technical capacities and industrial base. Local content is also valuable to the development of TVET because it stimulates the contribution of local human capacities to the development of rural communities and by extension, the informal sector of the economy. This kind of value is best effected when local content is prescribed as a measurable aspect of the operator and contractor's pre-qualification to receive fresh petroleum interests and licenses, as well, an item for which tax relief may be claimed, and not just as a form corporate social responsibility.

In this case local content is not just targeted at increasing capacity and capability of the local community workforce but is targeted at infrastructure that will support business development in the local economy. Examples include the opening up of trade lines between rural communities through road construction and rehabilitation; the support of local farming communities by the introduction of advanced agricultural techniques; the provision of micro-credit to rural businessmen and women and sponsoring of skill acquisition programmes (both in the petroleum and the non-petroleum industry).

The Provisions of the Local Content Act and its Potential Benefit on TVET and the Nigeria Economy

The intent of the Act is not novel, in that it simply seeks to capture the Federal Government of Nigeria stated policy objectives for Local Content in the petroleum industry, however its unique design and proposed implementation is quite revolutionary. We shall examine below the key provisions of the Act, and in particular, the effects which these provisions are likely to have on the development of Technical Vocational Education and Training and the Nigerian Economy (Ogunfuyi, 2010).

Section 3 (2) of the Act provides that Nigerian indigenous service companies which can demonstrate ownership of equipment, Nigerian personnel and capacity to execute work on land and swamp will receive exclusive consideration for work in those areas. We applaud this provision, as the drafters of the Act have clearly conceived that Nigerian service companies can optimally participate in the local content value chain through the less attractive regimes of swamp and land and that such participation should be encouraged by reserving these areas for them. This provision will stimulate indigenous technical and vocational skills and economic activity in a number of ways, which include establishment of several new service companies(that utilizes local and indigenous technical and vocational skills), strengthening of existing service companies, in-country retention of foreign exchange, increased revenue from taxes and registration fees, capacity development for indigenous personnel (especially those practical/technical skills required), increased availability of commercial funding, deepening of the indigenous service industry across the spectrum of services and the increased impact on the non-petroleum industries (Okiti, 2011).

Section 11 (1) provides, by reference to the schedule of the Act, for a minimum level of Nigerian content in any project executed within the oil and gas industry. We note that these minimum content requirements operate irrespective of whether project is onshore, offshore or deep offshore,

irrespective of the project costs and irrespective of whether the project promoter is foreign or indigenous. The matters for which minimum content requirements have been set include engineering services, fabrication and construction services,(which are technical and skill based activities) materials and procurement, well and drilling services, research and development services, seismic services, transportation, logistics and information technology. The minimum requirements for these services, which are assessable as percentages of man hours, expenditure, tonnage, volume or numbers, will provide significant stimulus for the development of local technical and vocational skills including economic activity in several sectors and identical to the level of activity that will be caused by Section 3 (2) of the Act.

Section 25 requires the establishment of project offices by project promoters and operators in catchment areas where projects are to be carried out. These offices are to be established before the commencement of the projects and are required to have authority to take decisions on project management and procurement. This provision has the capacity to compel contractors to utilize local skills and in so doing, local technical, vocational education and capacity will be enhance across time. More so, the provision of this section has potential to bring about rural development and deepen Nigeria's economic base as it should cause significant relocation of project offices/operations to the catchment areas that would in turn help to promote urbanization of the development and utilization of indigenous vocational and technical crafts and technologies (Okiti, 2011). These offices will take along personnel to man them, in addition to those who will work on the projects. These personnel, who will usually remain at project locations for long stretches of time will in turn, require facilities like office space and equipment, accommodation, hospitals, banks, markets, supermarkets, standard transportation, petrol stations, efficient telecommunications, schools and leisure/recreational facilities. Increased government presence should also follow in the form of relocation of some governmental offices/departments, levying of taxes/levies, improved infrastructure/utilities and better security, and hence urbanization.

The requirement that procurement decisions be carried out locally will also stimulate the development of local capacity in the area of supply and service industry in the catchment areas. Sections 43-45 require operators to not only support technology transfer through establishment of joint ventures, alliances/partnerships and execution of licensing agreements, but also fashion out programmes that will lead to the actualization of capacity development in the Nigerian supply and service industry. We believe that this is the fundamental function of local content in Nigeria where local capacity is presently unable to adequately meet supply and service needs of operator and project promoters in the petroleum industry (Local Content Act, 2010). Local companies must establish significant partnerships with international supply and service companies, with whom the international oil companies majorly transact, in order to provide goods and services of the quality, pricing and reliability that they are used to. In the process the local industry will also obtain for itself the gradual transfer of comparable capacity and capabilities (that is local technical and vocational skills and competence) with its international equivalents. The end result being the development of (TVET), local capacity, skills, technology which can compete with its international equivalents locally and internationally and then optimally utilize the transfer of jobs to the local industry, the substitution of local technology for the foreign ones, or the reservation of certain industry operations will add greater value to local craft and technology thereby adding greater value to the larger economy.

Other important provisions are Sections 47-48 which make it mandatory for the Minister of Petroleum Resources to make regulations that will require any operator to invest in or establish production, manufacturing or service capacity which is currently being imported into Nigeria and in return seek appropriate fiscal framework and tax incentives for such operators. Although other fundamental fiscal, economic, legal and operational conditions must exist before they can work optimally, these provisions have significant potential for improving our foreign direct investment profile, retaining foreign exchange within our economy, generating employment (for those with relevant skills and technical competence) and boosting industrial capacity (Ogboodu, 2011).

Sections 49-53 exclusively domicile to Nigerian service providers all insurance, financial, legal and fabrication/welding business, respectively, in the Nigerian petroleum industry. The potential it creates is that it should develop the relevant industry technical and vocational skills (capacities and capabilities), increase exportable expertise in these areas, and position Nigeria as a regional hub for the provision of these services (Umeagudos, 2012).

CONCLUSION AND RECOMMENDATIONS

There is no doubt that the Nigerian local Content Act adds value to Technical and Vocational Education and Training (TVET) in Nigeria. Although, the board responsible for the implementation has not given TVET institutions and personnel the opportunity to contribute their quota to the successful implementation and sustenance of the Nigerian Local Content Act. However, most TVET professionals in formal TVET institutions in Nigeria are not yet aware of the Local Content Act which by all indication is a viable means of promoting TVET in the oil and gas industries. Therefore, the Act has not started to impact favourably on the TVET institutions. It is therefore imperative that, for Nigeria to achieve the intended goals and objectives of the Local Content Act, the government, stakeholders, and the board in charge of implementation and monitoring of the Local Content Act must first of all revitalize TVET institutions, train and retrain TVET professionals, and establish more TVET institutions that will help produce the skilled work force needed to implement the Nigerian Local Content Act.

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Being a Paper Presented at the Nigerian Association of Teachers of Technology (NATT) 27th International Conference on Exploiting the Gains of TVET and Local Technology for Sustainable Industrial Transformation in a Developing Economy holding at New Multi-Purpose Hall, Federal College of Education (Technical), Akoka, Lagos State from Monday 20th – Friday 24th October.