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iNSiGHT

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3rd Quarter, July- September 2020

Human Capital

Most Valuable Asset

INSIDE

- Petroleum Act 2019: Unpacking the Supply Chain
- How Executives can Enhance Good Mental Heath Among Employees in the Oil and Gas Sector
- Post-budget Insights and Analysis - A Delicate Balancing Act
- O'ptimium Fuels Energizing Engines Across the Country

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Kenya
Middle East Bank Towers
P. O. Box 35227 - 00200
Nairobi, Kenya
+254 794 517 400
www.stabexinternational.com

In this issue

Editorial & Production
Jay and Jey Media Consultants
3rd Floor, Mountain Mall
Thika Superhighway
Tel - 0716 652 011, 0780 652 011

Advertising Agency
ADG
Alison and Davis Group Ltd
6th Floor, Town House,
Kaunda Street
Tel - 020 2320083, 0721 845 944
0723 242 440, 0721 234 838
Email: info@energyea.com

Editorial Board
Wanjiku Manyara and Jennifer Midumbi

Contributors
Wanjiku Manyara, Jennifer Midumbi, Vivienne Ayuma, Gideon Rotich, Daniel Muasya, BCG Team, Dorice Itebaluk and Richard Nandi

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Petroleum Institute of East Africa
Fourth Floor, Bruce House
P.O. Box 8936-00200 Nairobi - Phone: 254-20-2249081,3313046, 3313047
Mobile: 0722 221120
Fax: 254-203-313048
Email: admin@petroleum.co.ke
Website: www.petroleum.co.ke

From the General Manager

We often cite that human capital is the most valuable asset in our organizations-be they public private-hitherto it was easy to state as such without evidence but the situation of this new decade has shifted the ground and jostled employers and employees into viewing, afresh, the place of human capital in organizations.

Admittedly, the nature of our commentary has typically taken the form of business performance specifically on supply, demand and the influencers of these including but not limited to policy, regulatory framework and standards.

At the very least, industries appear to put in place measures that will protect their investments, incomes, innovations, customers and brands. It should be noted though, that unknown to many there are companies whose philosophy is centered around employee's welfare in entirety.

As a matter of fact, companies that are people centric are not only amongst the most profitable but they also perform exceptionally well in matters innovation and creativity. This is indeed demonstrated by the largest telecommunications company, and by far one of the most profitable companies in East and Central Africa and where unique provisions are the norm and especially for lactating mothers.

In our sector, it has been proven time and again that companies with attractive returns are those that are health, safety and environment(HSE) conscious. HSE is the best profit and it overrides financial considerations.

Though the World Health Organization definition of health is all encompassing - state of complete physical, mental and social well-being-there continues to be hesitation in matters mental health which has inadvertently led to exclusion of open conversations on mental wellness.

Our sector operates in the same space with others and the urgent call to action on awareness of mental health and de-stigmatization of mental illness is not lost on us. This is not only because of the data received from our sector on the impact of the current pandemic on people's health but also from the report of the task force on mental health which was submitted to the Country's policy maker on health earlier in the quarter.

"Our sector operates in the same space with others and the urgent call to action on awareness of mental health and de-stigmatization of mental illness is not lost on us. This is not only because of the data received from our sector on the impact of the current pandemic on people's health but also from the report of the task force on mental health which was submitted to the Country's policy maker on health earlier in the quarter

Evidently, there are a number of wrongs that need to be corrected on how mental illness is handled at home and work environment so as to ease and break down the barriers that impede the provision of enablers for accessing necessary information as well as the required intervention for timely control, containment and elimination.

In this issue we have departed from the norm in order to lend a voice to those who, though they'd want to, cannot speak about mental illness. Further, the Editor is directly affected by mental illness and recognizes that not only does ignorance and lack of awareness create stigma but it also aids in promoting discrimination of mentally ill persons.

Mental illnesses are like other medical illness and they are diagnosable by medical professionals who prescribe appropriate treatment which patients respond to and can recover from, then live long and healthy lives.

Wanjiku Manyara
General Manager

Petroleum Act 2019: Unpacking the Supply Chain

The enactment of Petroleum Act of 2019 has brought forth innovation and numerous business opportunities in the oil and gas sector. Investor confidence and stability in the business has also been boosted by the 2019 Act which now aligns the petroleum energy sector legal and regulatory framework with the Constitution of 2010 setting out specific roles of the National and County Governments in relation to petroleum energy.

During an online Stakeholders workshop by PIEA dubbed Petroleum Act 2019 - Unpacking the Supply Chain, PIEA General Manager, Wanjiku Manyara stressed the importance of compliance by all stakeholder's along the supply chain to avert malpractices. This chain constitute of Midstream and Downstream Operations, Specific Activity's such as refining, import, export, storage, transport, retail of petroleum crude or products; Commerce Classification - Petroleum business; Specific Facility's - Pipeline, storage depot, retail dispensing site, merchandise, that the Petroleum itself and business enablers such as license, permit, certificate.

"The reforms in the Petroleum Act 2019 has provided the industry with 3 major opportunities, a) stability – that is the review of existing and crafting of new petroleum regulations, and monitoring, enforcement and compliance. b) Investment – this is seen in the Kenya National Petroleum Master Plan Study, the Petroleum Policy and the Petroleum Strategy; and lastly innovation in product delivery, energy options integration and de-carbonization/renewable energy" noted the G.M

The Petroleum Act that came into force in late 2019, gives clear guidelines when it comes to compliance requirements that include business operations Licenses, permits ,certificates; operational stocks, data and Statistics, standards, designated tanker parking, locate content, Health, safety, environment (HSE) guidelines and training.

The Act also provides for the establishment, powers and functions of the petroleum energy sector entities, information and reporting, regulation of upstream, midstream and downstream petroleum activities. It also caters for the production, supply ,distribution and use of all petroleum energy forms, seeks to ensure sustainable development by giving due consideration to environment, health and safety ideals, local content and capacity building as well as to implement or give life to the strategy/ targets of the approved national energy and petroleum policy.

INDUSTRY NEWS

National Oil and Eni Kenya Support Communities against COVID-19 Effects

COVID-19 pandemic knock-on effects continue to cause major disruptions to livelihoods, economies and the normal general way of life globally. So severe are the effects that they have halted and reversed great progress made especially in Africa, increasing extreme poverty levels by 7% according to various reports.

Closer home, with over 35,000 cases of infections and over 600 deaths reported so far, the effects and pangs of the pandemic have been felt by all Kenyans in one way another. So prone are the vulnerable members of the society who juggle between protecting themselves against infection of COVID-19 and putting a meal on their table every day. However, the hope for a better day lives on, with great optimism.

As the Government continues to put in place measures and ways of dealing with the pandemic, it has called upon organizations and companies to assist as where they can.

National Oil Corporation of Kenya jointly with Eni Kenya B.V. donated over 20,000 surgical face masks and 2,400 litres of hand sanitizers for communities in Mombasa, Kajiado and Kwale Counties in September.

According to National Oil Chief Executive Officer Mr Gideon ole Morintat, the joint partnership with Eni Kenya B.V was aimed at assisting vulnerable communities' fight against Coronavirus.

"We recognize that our assistance today may not solve all the needs of the people of Kwale, Kajiado and Mombasa, but it is our hope that it will go a long way in offering assistance to communities especially to vulnerable households in the fight against Coronavirus" noted the CEO.

His thoughts were echoed by Eni Kenya B.V Managing director, Mr Salmaso Nicola who during the handover ceremonies expressed gratitude to the communities' dedication in the fight against COVID-19 through obedience to Government directives.

"I am very impressed by what I have seen so far. Irrespective of where one lives or social status, people are wearing masks and doing all they can to protect themselves. We are very grateful and we hope we can come again and extend further assistance" he said.

The donations were issued to Huduma Centers and through the County Commissioners to ensure they reach to deserving members of the communities.

Mombasa County Commissioner, Albert Kitiyo, expressed his gratitude to the two organizations and assured them that the donations would reach the most deserving members of the community.

"I am very grateful to National Oil and Eni Kenya B.V. for the kind gesture. I can assure you that we have the up to date data and knowledge of the most deserving areas of the county. We will ensure these donation are used diligently and that they reach to these communities." Said Mr. Kitiyo.

Eni Kenya B.V has operation licenses to carry out exploration activities in six offshore blocks of the Kenyan Coast while National Oil operates in Block 14T, in the Magadi Sub-basin Kajiado County.

NOCK CEO Gideon Morintat (4th Left and Eni Kenya B.V MD Salmaso Nicola.

NOCk CEO handing over hand sanitzers to Kwale County Deputy Commissioner.

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INDUSTRY NEWS

O'ptimium Fuels Energizing Engines Across the Country

OLA Energy Kenya, a superbrand, has gained popularity among motorists due to its O'ptimium fuel which increases engine performance and fuel economy while lowering carbon emissions.

> Every motorist knows that clean fuel makes their car's engine run at its best and for longer. With this in mind, we launched O'ptimium Fuels to help our customers attain just that. Through O'ptimium we have proven to strike an excellent balance in championing better engine performance while lowering carbon emissions

With the ability to clean the engine and its versatility in different car models, O'ptimium fuels by OLA Energy has become a household name adopted by motorists.

"Every motorist knows that clean fuel makes their car's engine run at its best and for longer. With this in mind, we launched O'ptimium Fuels to help our customers attain just that. Through O'ptimium we have proven to strike an excellent balance in championing better engine performance while lowering carbon emissions" said Paul Muema, OLA Energy Retail Manager.

O'ptimium fuels are made through the addition of performance additives that help clean car engines hence controlling deposit build-up in critical points of the engine including inlet valves and injectors. The Retail Manager says that every single drop of O'ptimium fuel provides motorists with a better experience on the roads through increased fuel economy, reduced corrosion, prevention of filter blockage, better car acceleration and overall engine durability.

"At OLA Energy, our customers come first and that's why we strive to cater to their needs especially those that relate to increased fuel economy and engine performance. We acknowledge that we have diverse clients with different car models. Our O'ptimium fuel does not discriminate new or old cars. So, whether your car is new, or a little older, O'ptimium fuels from OLA Energy will keep it performing at its best." he explains.

In recent times, the real test for all stakeholders in the Oil and Energy sector has been the ability to strike a balance of producing efficient fuels at a level that ensures business profitability as well as maintain Health, Safety and Environment (HSE) standards. OLA Energy has demonstrated that this can not only be done but also be made available for all motorists across the countryat no extra cost.

Vivo Energy Kenya Partners with Kenya Railways for Fuel Delivery

Vivo Energy Kenya has partnered with Kenya Railways to deliver fuel to its Nanyuki Depot. The company received its maiden consignment of over 300,000 litres of fuel from it's Mombasa terminal in Shimanzi to it's Nanyuki depot fuel storage.

The fuel, delivered in seven wagons, was transported approximately 755 kilometres from Mombasa to Nanyuki, after being loaded at Vivo Energy Kenya's Mombasa terminal in Shimanzi.

Rail transportation is the second most efficient mode of fuel transportation after the pipeline. In a month, Kenya Railways Corporation targets to deliver five million litres of fuel to Vivo Energy Kenya's Nanyuki fuel storage depot.

Speaking during the maiden fuel delivery ceremony, Managing Director Vivo Energy Kenya, Mr Peter Murungi highlighted that the fully automated depot, built on 11 acres of land, with a storage capacity of 11.5 million litres of petroleum products, lubricants' storage and an LPG plant that can fill up to 800 cylinders per day as very important to the region in fulfilling its petroleum needs.

"Nanyuki, was a strategic location to build the depot since it is a central place where businesses from Meru and Muranga and as far as Marsabit can collect their petroleum products" he said.

The M.D applauded the partnership between Kenya Railways and Vivo Energy Kenya and appreciated the corporation's support in making this product delivery possible.

He also thanked the County Government of Laikipia for providing a conducive environment to do business, and the National government and its various arms, namely the Ministry of Energy, the State Department of Petroleum, the Ministry of Transport, and Kenya Pipeline Corporation for their input in the rehabilitation of the Nairobi-Nanyuki railway line.

Speaking at the function, Kenya Railways Managing Director Mr Phillip Mainga, told the delegation that the wagons used for transporting petroleum had been fitted with new loading and delivery valves to help minimise leakages while on transit, giving the solution an edge over normal road transport. To further enhance efficiency in loading and offloading the product, the wagons come whole and are not compartmentalised, unlike the normal trucks. This aspect allows for the petroleum to be tested for quality at a go,

Kenya Railways, shunting fuel Wagons being into Nanyuki Depot

CS Ministry of Petroleum and Mining John Munyes, Vivo Energy Kenya, Managing Director Peter Murungi and KPC MD Dr. Macharia Irungu open the valves for fuel to flow from the Wagons to the Nanyuki storage tanks.

allowing Kenya Railways to have a competitive pricing model. The normal trucks have different compartments, which mean each compartment is tested for quality therefore increasing time and effort.

Also present at the function was Cabinet Secretary Ministry of Petroleum and Mining John Munyes who appreciated the revival of the Nairobi-Nanyuki railway and the speed at which the railway line was revamped.

"It is very good that this railway line is back in operation, it has taken 6 months to get it running, this is a clear indication that many sectors in this region are going to greatly benefit. The railway will bring efficiency to fuel transportation, curb fuel adulteration and increase road safety since less trucks will be on the road ferrying fuel. The mining and agricultural sectors will also greatly reap from the resumption of the railway line. The project is a legacy that will serve not only the Laikipia county but the whole of Mount Kenya region" said the C.S

SCHOOL OF PETROLEUM STUDIES
TRAINING CALENDAR FOR YEAR 2020/2021

CODE	COURSE TITLE	DURATION		DATE	LOCATION
(B) FINANCING OIL & GAS PROJECTS COURSES					
SPS 001B	Financing oil and gas projects	2 hours	Module 1: General overview	9/10/2020 10.30 a.m-12.30 p.m	Online via Skype
			Module 2: Project financing strategies	12/10/2020 10.30 a.m-12.30 p.m	
			Module 3: Managing risk and uncertainty	13/10/2020 10.30 a.m-12.30 p.m	
			Module 4: Time value of money	14/10/2020 10.30 a.m-12.30 p.m	
SPS003G	Petroleum depots operations & distribution	2 hours	Module 1: Petroleum product storage and handling	30/10/2020 10.30 a.m-12.30 p.m	Online via Skype
			Module 2: Legal and regulatory requirements	2/11/2020 10.30 a.m-12.30 p.m	
			Module 3: Transport route, survey and planning	3/11/2020 10.30 a.m-12.30 p.m	
			Module 4: Emergency response and preparedness plan	4/11/2020 10.30 a.m-12.30 p.m	
(C) HEALTH SAFETY SECURITY AND ENVRIONMENT COURSES					
SPS001C	Petroleum sector occupational health, safety, environmental (HSSE) management course	2 hours	Module 1: Occupational health and Safety legal & regulatory framework	6/11/2020 10.30 a.m-12.30 p.m	Online via Skype
			Module 2: HSSE compliance mechanisms	9/11/2020 10.30 a.m-12.30 p.m	
			Module 3: Emergency response planning & preparedness	10/11/2020 10.30 a.m-12.30 p.m	
SPS 002C	Petroleum sector contractor & service providers health, safety, security, and environment (HSSE) course	2 hours	Module 1: Contractor & service providers HSSE legal and regulatory framework	20/11/2020 10.30 a.m-12.30 p.m	Online via Skype
			Module 2: Occupational health and Safety audit	23/11/2020 10.30 a.m-12.30 p.m	
			Module 3: Emergency response planning and preparedness compliance requirements	24/11/2020 10.30 a.m-12.30 p.m	
(G) PETROLEUM PRODUCTS LOGISTICS & HANDLING COURSES					
SPS001G	Petroleum Inventory management Level 1	2 hours	Module 1: Product measurement	4/12/20 10.30 a.m-12.30 p.m	Online via Skype
			Module 2: Legal and regulatory framework	7/12/20 10.30 a.m-12.30 p.m	
			Module 3: Stock accounting part 1	8/12/20 10.30 a.m-12.30 p.m	
SPS001G	Petroleum Inventory management Level 2	2 hours	Module 1: Stock accounting part 2	9/12/2020 10.30 a.m-12.30 p.m	Online via Skype
			Module 2: Risk management	10/12/2020 10.30 a.m-12.30 p.m	
			Module 3: Product supply and distribution	12/12/2020 10.30 a.m-12.30 p.m	
(H) LUBRICANTS COURSES					
SPS002H	Lubricants Blending & Quality assurance Course	2 hours	Module 1: Global base oil market	26/10/2020 10.30 a.m-12.30 p.m	Online via Skype
			Module 2: Refining and blending process	27/10/2020 10.30 a.m-12.30 p.m	
			Module 3: Lubricants formulation and manufacturing	28/10/2020 10.30 a.m-12.30 p.m	
S PS003H	Insightful highlights of the updated fuel oil and base oil standards and implications on Petroleum sector	2 hours	Insightful highlights of the updated fuel oil and base oil standards and implications on Petroleum sector	26/10/2020 10.30 a.m-12.30 p.m	Online via Skype
(J) EXECUTIVE MANAGERIAL COURSES					
SPS00J	Highlights Of The Amendments To The Companies Act, 2015 by the statute Law (Miscellaneous Amendment Act 2019)	2 hours	Module 1: Role of directors in the New company act	29/10/2020 10.30 a.m-12.30 p.m	Online via Skype
			Module 2: Implications on organizational role and structures	30/10/2020 10.30 a.m-12.30 p.m	

Additional information:

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N/B - Scheduled calendar training sessions: -The training take place as scheduled in the calendar dates/time as listed above. Executive Private/Group sessions- The training is delivered as per trainee's request depending on their availability.

Stabex Gas Rolls Out in Kenya and Uganda

Stabex Gas launch coincides with oil marketers' 10th anniversary celebration

Stabex International has launched its Liquefied Petroleum Gas (LPG) product in both the Kenya and Uganda markets, leveraging its fast expanding network of retail outlets for distribution. The company is presently also building a separate network of supply depots across the two countries.

The product launch coincides with the 10th anniversary celebration for Stabex International, one of fastest growing oil marketers in East and Central Africa, priding in a network of 70 retail outlets. The company now joins other major players in the competitive LPG market.

Stabex Head of Supply and Business Development, Mr Benson Mwangi says the entry in the LPG market presents a unique and strategic proposition for the company in its goal to diversify and meet customer needs.

"More than 70% of households in both Kenya and Uganda presently rely on unclean energy such as firewood and charcoal. At Stabex, we see a huge opportunity in the undeveloped LPG market and we are ready to do what it takes. We are aligning our penetration strategy with the 'UN Sustainable Energy for All' initiative whose goal is to have one billion more people cooking cleanly with LPG energy by 2030" says Mwangi

LPG remains unaffordable to the masses due to high initial cost of acquisition. Stabex has crafted affordability solutions for Stabex Gas cylinders and accessories to increase accessibility and alleviate the consumer burden. Strategic sales teams will focus on opening up new markets for LPG while a set of other strategies will help compete with other gas brands for market share from existing markets.

"We have been actively partnering with regional and county governments in a joint mission to sensitize residence on a large scale to migrate from biomass to LPG for clean cooking" he adds

In Uasin Gishu County of Kenya, Stabex Gas has launched a gas cylinder lease program dubbed, "Malipo Pole Pole" targeting women, boda boda riders and youth groups. The County Executive Member for Finance and Economic Planning Mr Julius Ruttoh has lauded the program as "an initiative that will help ease access to safe and clean energy in the county."

In the County of Nakuru, Stabex targets to achieve 10% more use of LPG in the county in the first three years. Chief Officer in charge of Environment Mr Mureithi Kiogora say this will be a positive contribution as presently only a paltry five percent of Nakuru residents use clean energy. "The largest percentage of our people relies on firewood and paraffin. We welcome unique efforts such as the one of Stabex Gas as these will help us in our efforts to promote use of clean energy."

Stabex International has expanded the Stabex Gas initiative to Nandi, West Pokot and Baringo Counties and hopes to scale it up across the region.

The company projects that Stabex Gas coordinated marketing efforts will grow LPG use by more than 10,000 tonnes in three years, resulting to a market expansion of 6%.

Stabex International marketing team handing over a 13kg filled gas cylinder to Governor Jacson Mandago, Governor Uasin Gishu County, during the Stabex Gas roll out.

Nathan Kiplimo, Stabex International Sales Executive, during Stabex Gas distribution to women of Uasin Gishu County.

Motorcycle rider delivering Stabex Gas in Uganda

Eng Mwangi Elected to Serve on FIDIC Board

Eng James N. Mwangi, the Chief Executive Officer Kurrent Technologies Ltd, has been elected as a board member of the International Federation of Consulting Engineers (FIDIC). FIDIC is a global representative body for National Associations of Consulting Engineers and represents over one million engineering professionals and 40,000 firms in more than 100 countries. FIDIC member associations operate in over 100 countries with a combined population in excess of 6.5bn people and a combined GDP in excess of $30 trillion. The global industry including construction is estimated to be worth over $22 trillion. This means that FIDIC member associations across the various countries are an industry are worth over $8.5 trillion.

FIDIC board had two vacant positions arising from the retirement of two members. Eng Mwangi, representing Kenya, garnered 58 votes beating his counterparts Canada that garnered 47 votes, Denmark 43 votes while France managed 19 votes in results announced during the 2020 FIDIC Annual General Assembly Meeting that took place virtually on 15th September 2020. He will be the only elected African on the FIDIC board.

Earlier in the year, Eng Mwangi was appointed as the chair of Integrity Management Committee of FIDIC. He had applied to serve as member of the Committee alongside other 350 applicants from 80 countries around the globe but was elevated to the position of Chair of Integrity Management Committee. He is also a former chairman of the Executive Committee of FIDIC's Group of Africa Member Associations now known as FIDIC-AFRICA.

Eng Mwangi was elected to serve in the board alongside Catherine Karakatsanis of Canada for a term office of 4 years. In his congratulatory message, FIDIC chief executive Dr Nelson Ogunshakin noted that the new board members will play a key role in the implementation of FIDIC's 2020-2024 strategic plan.

"I'm also very pleased to see our board strengthened with the arrival of James and Catherine, playing a key role as FIDIC moves forward with the implementation of its 2020-2014 strategic plan. I know both will make a significant contribution to our work, not only in Africa and North America, but on the global stage," Dr Ogunshakin said.

The Kurrent Technologies Ltd CEO is also the Chairman of Energy & Extractives Board at Kenya Private Sector Alliance (KEPSA) and Chairman of the Private Sector Initiative Against Corruption (PSIAC) in Kenya at the Multisectoral Forum (MSF). He has also several positions in the engineering profession including Chairman at the Association of Consulting Engineers of Kenya (ACEK). ACEK is affiliated to FIDIC. Eng. Mwangi is a Fellow member of the Institution of Engineers of Kenya (IEK) and is a Member of EBK (Engineers Board of Kenya) and IEK Professional Review Board Panels for Mechanical Engineering. He is also a Board member of PIEA.

"I'd like to express my heartfelt thanks to the FIDIC family for electing me to the board. This gives me a chance to be of service in furthering FIDIC's global agenda. I look forward to working with the FIDIC Board, Secretariat, Regional Groups and Membership Associations," Eng Mwangi said in his acceptance remarks.

COVER STORY

Human Capital in Modern Day Business

Millicent Onyonyi
OLA Energy General Manager and PIEA Chairman

Human capital is the greatest asset to an organization as it brings to life the mission, vision, values and products of the organization.

As such, these employees need to be made aware of their important role to these organizations by way of fair remuneration, providing good working environment and recognizing them publicly for their efforts.

"I believe employees are aware that they are the biggest asset to the companies they work for. However, a reminder goes a long way in keeping them engaged. Apart from fair remuneration, employers need to create environments where employees can be their best and recognize them publicly for their valuable contribution. 'If you want something to happen, you have to enable people and you have to make them want to."- Dr. Steve Kerr (Former Chief Learning Officer of General Electric and Goldman Sachs)' " says Millicent Onyonyi, PIEA Chairman and Ola Energy General Manager.

In the recent past, companies have embraced technology for efficient service delivery. Technology maybe perceived as a threat to human capital ,but on the contrary, the use of technology has increased productivity thus creating employment opportunities especially more so for the youth.

"Technology is developed, programmed, and used by people/employees. It enhances productivity and efficiency making a company more competitive and profitable. This in turn creates more opportunities and therefore jobs. Its important to understand that technology alone cannot achieve everything a company needs. People will work with technology to improve and change the way companies operate" she explains.

With the economy shrinking, more and more companies are now being forced to downsize in order to survive while others have closed shop all together. This has brought about anxiety over job security and other stressed related illnesses. Employee layoffs, says Onyonyi, should be done with dignity and companies can show empathy by providing counseling for staff and discussions/training on how to transition effectively.

"When the need arises to downsize, companies need to release employees with dignity. It is important for organization to transparently communicate the rationale for the decision. Focus should be placed in ensuring fairness and integrity in the process to secure the engagement of remaining staff" the chairman adds.
"The first step of catering for employee's well being is to acknowledge that physical and mental health of employees' is important as it impacts employee engagement and productivity. Organizations can then develop policies to ensure employee well being. This can be supported by training and healthy discussions with health providers on issues that may affect physical and mental health and how to proactively address them."

As the world changes, so does the dynamics of doing business. New skills have been birthed while some old ones have been deemed irrelevant. As companies continue to evolve with the ever changing business environment, its important for employers to equip their employees with relevant skills that help the company to stay competitive.

"The world is changing everyday and organizations need employees who are agile, resilient, and willing to adapt quickly in response to uncertainty. The industry needs to develop leaders and teams that are ready to learn and embrace a new world. Apart from focusing on employee safety and protection, companies can help employees adopt new skills by communicating, training, and allowing staff to raise and discuss issues openly. Companies can also allow more flexibility for staff as they adapt to change" explains Onyonyi.

> **The world is changing everyday and organizations need employees who are agile, resilient, and willing to adapt quickly in response to uncertainty**

"Contractors and consultants offer specialized or expert advise on areas they are hired to handle. To get full benefit of the external services and put employees first, companies need to involve employees in the activities delegated to consultants. This provides an opportunity for employee development as they ask questions and offer an organizational perspective. This engagement makes employees feel prioritized."

"Work-life balance is certainly an area of challenge. Working from home may be of great benefit as it allows employees flexibility which is a much-needed issue for balance. Employees should however be encouraged to take breaks while at home as the start and stop of the day may not be very clear at home. Other areas of consideration include, focus on results/productivity rather that hours put in, insisting employees take vacation time and allowing employees to participate in activities that add meaning to their work through volunteering or community service" concludes the chairman.

COVER STORY

Evolution of Human Resources Policies

Fred Gituku
Human Resources Manager
Vivo Energy Kenya

Human resources policies are formal rules and guidelines that organizations put in place to guide how employees should interact with the organization and with each other. Besides embodying the Employee Value Proposition, a HR policy document is ordinarily anchored in the values and aspirations of an organization, reflects the standards of acceptable behavior and practices as well as consistency with the employment legislation. A HR policy is therefore an important component in the implementation of a HR strategy

HR Policies need to be reviewed periodically to reflect changes in employment legislation, changes in the business environment, the need for change in an organization's cultural orientation, changes in the Employee Value Proposition, technological advancement as well as the evolution of social dynamics. A HR Policy needs to be a living document that resonates with current aspirations of both the business and people and thus the need for review from time to time.

It is important to understand business priorities and to appreciate the internal and external levers of business success in order to ensure that HR policies remain relevant. It is also important to establish people priorities part of which can be achieved by surveying and remaining close to employee sentiment concerning what they need in order to meet their performance objectives as well as have meaningful career experiences.

Most HR policies tend to grow and evolve with an organization. A start up can be expected to have a basic HR policy framework, while a mature organization would have a more comprehensive HR policy. It is prudent to start with the basics, ensuring that the document at least covers the minimum thresholds encapsulated in the employment legislation. Other key components of a HR policy will include: how we hire people, standards of employment, values of the organization, standards of employee conduct etc. The newer the organization is, usually the simpler the document. It would be ill-advised for a start up to have a treatise full of all the bells and whistles that you would expect in a mature organization's HR Policy document. The HR Policy should organically evolve with the needs and objectives of an organization.

Employees as The Most Valuable Asset

Its often said that employees are the greatest asset in any company. The simple way to look at it is that there is no company that could be successful with only the assets stated in their balance sheet. People matter. One moment of truth that has been with us for the recent few months is the COVID-19 pandemic which has in many ways helped to show which companies fully value people and which ones pay their importance lip service. What are the initial reflexes of a company when it faces hard times? To what extent are these reflexes geared towards concern for people? Needless to state, there are times that organizations have to fold but even in such circumstances, it is possible to be sensitive to people's concerns. It is possible to demonstrate the value of employees in any kind of circumstances; when fortunes are raging it is possible to share the spoils of business in the form of bonuses and when adversity beckons, it is possible to be empathetic while putting in place necessary austerity measures that negatively affect the lives of staff.

When it comes to resolving disputes arising from employment terms and conditions, it is important that the HR policy is aligned with the employment legislation and consistent with how the employment courts treat cases. It is also useful to ensure that the HR policy is written in a clear language in order to, as much as possible, avert misinterpretation. The foregoing two points apply to Contracts of employment as well. HR Policies ought to especially cover areas that can easily become points of disputes for example discrimination and diversity.

Whenever there is change of policy, it is important to highlight this to employees, if not to educate them, in order to enhance their understanding and interpretation as they go about their work. The policy needs to make provision for how disputes will be resolved or escalated.

When it comes to employee retention, there are many approaches that accompany the efforts to retain employees and these vary from one company to the other. You can however find in most employee value propositions elements including compensation and benefits, the nature and quality of organizational culture and environment, opportunities for career development, the values and reputation of an organization, meaningful work, capable line management and posture towards diversity and inclusion.

Mental Wellness of Employees

Organizations have tended to focus mostly on physical wellness. It is granted that, one not only needs to be physically well but also mentally sound in order to make optimal contribution at work. Mental health has lately become a topical issue that has especially been highlighted during this season of COVID-19 pandemic. It is easier to pay attention to physical wellness in part because it involves that which is tangible. You cannot take a glance at an individual and immediately diagnose depression, anxiety, panic attacks, stress, etc. yet this could significantly undermine not

COVER STORY

> It is important to understand business priorities and to appreciate the internal and external levers of business success in order to ensure that HR policies remain relevant. It is also important to establish people priorities part of which can be achieved by surveying and remaining close to employee sentiment concerning what they need in order to meet their performance objectives as well as have meaningful career experiences.

only performance at work but also the quality of life for staff.

The stigma surrounding mental wellness has made it difficult to broach the subject. Few colleagues would disclose having heard bleating sounds in their heads if people around them are not having similar experiences. Sometimes the stigma surrounding mental wellness can be a more menacing spectre than mental illness itself. The effort to overcome the challenge of improving mental health amongst staff can therefore not be complete without confronting the associated stigma. Creating a culture in organizations where staff are free to air their concerns, training colleagues on how to handle issues of mental wellness, offering counselling opportunities for those who need it and psychiatric support where applicable can form part of useful mental wellness initiatives.

Work-life balance policies can help to improve the autonomy of workers in terms of coordinating and integrating the work and non-work areas of their lives. HR Policies can provide opportunities for enhancing work life balance by covering areas such as: Leave provisions, Flexible-working arrangements, welfare and family-friendly provisions. Ultimately, the responsibility for Work-life balance is largely in the hands of an employee as habits and tendencies are largely driven by personal values. Employers can nevertheless provide the opportunity and encouragement to staff to prioritize work life balance.

Family Integration

Different employers attribute different level of importance to the issue of integrating the families of employees in company business. On one hand, some companies would have events such as family fun days and family Christmas parties, to which the members of employees' families are welcome, while on the other, some organizations consider that their involvement should only revolve around the employee. Organizational culture will often determine which side of the balance their practices fall.

The other question that usually comes up in family integration in workplaces is whether it's important for employers to socialize with their employee's families? It would be presumptuous to offer a monolithic prescription to all organizations. To each, his own. Every organization has to answer the questions, "What is the end game? How does it help the organization? How does it benefit the employee? Is this what our employees want?"

Traits of a 21st Century Human Resource Policy

Anthony Munyasya
Managing Director, Galana Oil (K) Limited

A Human Resource Policy (HRP) acts as an organization's guide towards managing its people. It ensures consistency in action and equity in relating with employees. It also forms fundamental principles and values to which employees are bound and ensures compliance with relevant legislation for example the Employment Act.

The policy guides an organization in the interpretation and administration of human resource matters and acts as a reference document for management and employees while making workforce decisions. A HRP also provides clear communication between the organization and employees regarding their condition of employment and forms a basis for treating all employees fairly and equally.

It is therefore essential for all employers, regardless of their company size, to have a human resource policy because it forms an integral part of any enterprise's foundation. The policy establishes a base for a company to manage its human resource affairs effectively with due regard to the complexities of its operations and the individuality of its employees. Further, the HRP clarifies performance expectations and behavior creating a desired workplace culture that is vital for the company to achieve its objectives.

The Human resource function is currently taking a lead role in helping organizations transition to adopt 21st century business models that enable them compete effectively in constantly changing and complex markets. In a 21st century company, employees are the greatest competitive advantage and the best brand ambassadors. They determine the culture of an organization and the customer experience. Human resources policies therefore have to be aligned to 21st century trends to capture emerging issues in the management of people and adoption of technology and innovation.

A case in point is the rise of millennials, the current young work force in organizations, who require a challenging environment and growth in careers. They are passionate about exciting careers and making rapid advancements in their aspirations within a very short period of time. Policies have to enhance engagement, by creating a culture of openness and trust to ensure employee expectations are met and well matched with the opportunities being offered to them at the workplace.

It is also important to leverage on the manager-employee relationship by ensuring easy flow of communication top-bottom and bottom-up and maintain a healthy working environment. In addition, create a culture of knowledge and innovation through job rotations, coaching, mentoring, job sharing and enhance employees' cohesion through staff get-togethers, team events etc.

Formulating and implementing a clear HRP enables employers to arrest disputes arising from employment terms and conditions. Employment disputes can also be resolved by constantly reviewing employment terms and conditions to keep abreast the rapid changes in employees' needs. Fairness and consistency while reviewing performances, effecting promotions and disciplining is of utmost importance.

Promoting employee retention

From the start, employers need to ensure they hire the right people who have the right attitude and meet the organization's expectations. Onboarding and orientation process should teach new staff members not only about the job but also the company culture and how they can contribute and thrive.

Companies need to create an environment that encourages continuous learning and avail relevant training programs, career coaching and mentorship, for employees to advance their professional development. It's important for employers to clearly communicate SMART organizational goals and objectives to their staff, and formulate open and easy flow of communication for employees to air out their views and complaints.

Employees are the most valuable asset in a company. Therefore, organizations should invest in them through training and development, offering fair and competitive incentives, remuneration and compensation packages and fairly reward best performers. On the other hand, poor performers should be put on effective performance improvement plans.

Employers who practice staff recognition and provide monetary and other benefits such as life insurance, retirement savings plans, and medical insurance, paternity leave, introduction of flexible work hours and allowing remote working, among others tend to retain their staff for longer. Conducting and following up on exit interviews can bring out and solve issues such as toxic management practices and departmental conflicts.

Employee Wellness

The physical and mental health of employees is of critical importance in many companies and with the rise in lifestyle diseases and social life challenges, companies need to develop comprehensive wellness programmes that ensure employees maintain a more productive, meaningful and healthy lifestyle.

Employees spend a lot of their time at the workplace and can experience stress, depression, burnout or anxiety. Companies need to address mental health concerns by availing counselors, creating a culture of open communication on issues surrounding mental health, increasing awareness to employees on mental health issues like how to diagnose and get assistance, training of leadership to support the well-being of their staff and encouraging work life balance.

Employers can also offer wellness benefits such as club membership, health and lifestyle coaching, providing child care services through outsourcing or building a nursery, allowing employees attend to family matters e.g. children's sports day and family get-togethers and introduction of flexible work hours.

Other activities include sharing educational content and book recommendations with employees and their families, encouraging employees and their family members to socialize and share personal stories and testimonials about how they used wellness benefits to help them with a major life challenges. In order to ensure the policy is reviewed to effectively and efficiently address issues with a direct impact on the workforce, companies may appoint a review panel or personnel to monitor and ensure relevance of key policy items.

Technology

Technology has transformed human resources management in almost every aspect and is a key trend in human resource management. A case in point is recruiting processes. Unlike the past where companies had to rely on mainstream media to advertise for job for a substantial fee, technology has now enabled HR managers to do the same on company's website and other social networks at no fee at all. Employers are able to present all necessary information related to the job and other requirements needed.

The torture of going through tonnes of paper C.V and other credentials has now been replaced with emails and the use of artificial intelligence (AI) to sift through thousands of emails for specific set of skills on candidates resume making the recruiting process more efficient and less time consuming.

It is only the last stage of the HR process that requires human decision-making abilities. It has been predicted that companies and businesses that rely on tools to help with their recruiting process are bound to be more successful in the future.
Technology has also helped in better management of remote work. With the outbreak of Covid-19, remote work has become a reality. Most employers and business can now thrive by adopting latest remote work technology to keep their team connected, engaged and more productive without having to be physically available at the office.

Human resource technology has provided managers with decision making tools to help them manage costs and reduce time spent on administrative and legal compliance work, while maintaining an efficient and effective workforce to deliver quality service.

There is currently rapid adoption of new technologies by companies in order to ensure their business process remain relevant, flexible and ahead of competition in a changing business environment. Human Resource policies therefore need to embrace current trends in the management of employment relationships and form the foundation of an employee centric culture in order to add real value to the business. HRPs will play a critical role of creating a framework to help companies navigate through the complexities of the future of work in this era of digital transformation.

COVER STORY

The Value of Human Asset in Petroleum Transportation

Mohamed Abdulle
EAPTA Secretary General and Managing Director Dakawou Transport Limited

Investors in the petroleum transport sub sector rate Human Resource as a determining factor as they provide a service as compared to selling a product. Having the right team is a critical factor when handling the hazardous products like petroleum.

According to the East Africa Petroleum Transporters Association (EAPTA) Secretary General and Dakawou Transporters Managing Director Mohamed Abdulle, human resource management(HRM) in the sector becomes critical due to the assets the transport companies acquire and the hazardous product ferried from depots to service stations.

"All our work requires human intervention from loading, in transit driving and offloading of product. In petroleum transport business ,after acquiring the assets the next critical role is to find the right staff to operate the asset (truck and trailer) and offer support services mechanics, maintenance staff, operations and management" explains Abdulle.

"The impact of HRM in our sub sector is that petroleum products are a controlled product, meaning that we need to handle it with utmost care and investors challenge would be keeping up with the standards and regulation. For example, investors need to ensure that on recruitment the person for the role meets all the qualifications and standards."

He observes that as employers, EAPTA transport companies have well established HRM systems in place while other members have ISO Certifications as a standard.

"We are also glad to have EPRA as an intervening body in this regard with driver certification that is now a standard requirement before loading petroleum products. The investor needs to provide training for both drivers and critical support staff to ensure their competence for the job" he notes.

Driver Welfare

In this sub-sector, drivers are categorized as the most critical staff and therefore paramount for employers to invest in their well being which include their health status and good working environment.

"This set of employees are tasked with bringing a return on our investment and as EAPTA, we ensure that we don't take them for granted or make it a norm to hire drivers as casual workers due to their lack of education or social standing in the society. All our drivers are dignified and treated as professionals like any other line of work" explains E.A.P.T.A Secretary General.

"What this means, is our members issue contracts to our employees that cover all the tenets of their welfare and the employers expectations. Our members go ahead to provide medical schemes, company pension schemes, SACCO arrangements and others to ensure that our drivers feel part of the family."

Some EAPTA members go a step further to provide incentives such as drivers leagues that seek to reward drivers exhibiting positive and safe business practices or those covering number of kilometers safely without incidences or issues. These programs, he adds, seek to benefit the employee welfare and also achieve the transporters goal of ensuring safe kilometers are met in their organization.

"Monitoring the physical wellness of drivers is essential for the success of this business. On this, we ensure that successful candidates undertake a medical fitness examination. Due to the COVID-19 circumstances that we are in, all our drivers are now being issued with personal protective equipment(PPE), hand sanitizers and masks for personal protection as they are the front line in the transport companies" he adds.

Early in the year, EAPTA launched a special initiative that saw transporters in the EXPORT line facilitate COVID-19 testing for their drivers at the Kenya Pipeline Company(KPC) loading depots. The association also partnered with Pioneer Road safety consultants to offer a driver Wellness program along the northern corridor.

"This means EAPTA member companies are now able to sign up, at a subsidized fee, for their drivers to have their vital signs examined by a medical officer while they are on their journeys to ensure their wellness is constantly being monitored at no cost to the driver" explains Abdulle.

Mental Wellness of Drivers

Mental health in today's world is actually a big issue even more so for petroleum drivers. These frontline workers have to deal with the pressures of safety of themselves and cargo they carry in the middle of crisis which can easily take a toll on them.

In order to minimise the anxiety and pressure on personal safety, EAPTA has provided personal protective essentials as well as providing counseling support for those in need of the service.

"During this time of pandemic we have the slogan of stay at home and that's a challenge for petroleum drivers who are front line workers that offer an essential service. This means they can't stay home and as such they need a lot of protection, encouragement and support from their employer and other colleagues to do their jobs" says the S.G.

"Most of our members have set up special training for their drivers to be diligent in their practices that can aid their job like social distancing, sanitizing themselves and the vehicles and other monitoring programs. Insurance covers are important for our employees and as such, our members provide WIBA cover for all employees. Additionally, most of EAPTA members have medical covers for their employees" he adds.

Employer-employee dialogue is critical for the success of any business and petroleum transport business is not different. To ensure effective communication and dialogue between the employer and employee, EAPTA members have implemented TOOL BOX TALKS. A meeting held once every week requiring a stand down of all operations for employers to engage their employees on matters safety and other operational issues critical to the business. Employees are also encouraged to give feedback on issues experienced while on transit.

Capacity Building

"As EAPTA, we engage our members in various programs to enhance capacity building. We offer training to members on how to carry out effective TOOLBOX talks to their drivers in order to share best practice" he says.

"We have partnered with health care providers on checkpoints along the northern corridor for our members to enjoy driver wellness programs . Our drivers are engaged in various workshops on standards and requirements implemented so they have the knowledge to carry out their duties i.e. axle control limits and best practice." The association operates on three tenets; Advocacy, self-regulation and compliance. The tenets fall squarely on its members due to the nature of products being ferried.

"Its important to understand that the major risk of an incident is fatigue. Meaning, as an association we need to come up with ways to manage fatigue among our drivers in order to curb accidents and incidences. The law states that driving hours for long distance truck drivers ought to be 8 hours at any given time. However, if a driver is to drive for 8 hours consecutively for 7 days a week, then they are bound to be fatigued and may not perform optimally" stresses Abdulle.

Using the government guidelines for long distance truck driving, EAPTA members have come up with rules that require their drivers to take a 30 minutes break after every 4 hours of driving or alternatively take a 15 minutes break every 2 hours to ensure optimal rest while on transit. Every week, drivers are also required to take a 36hour break to go home and rest as well as have family time.

> **This set of employees are tasked with bringing a return on our investment and as EAPTA, we ensure that we don't take them for granted or make it a norm to hire drivers as casual workers due to their lack of education or social standing in the society. All our drivers are dignified and treated as professionals like any other line of work" explains E.A.P.T.A Secretary General.**

COVER STORY

Health Safety and Environment in Human Capital

Stephen Muchoki
Health Safety and Environment Manager
Vivo Energy Kenya

Oil and Gas risks require a knowledgeable and competent workforce. The effectiveness of established controls is dependent on the awareness of hazards and how risks are managed. The beginning of attaining necessary competencies required to manage such risks is an induction process. Furthermore, on the minimum, it is a legal requirement under the OSHA 2007 act to inform workers of the hazards that they will encounter and controls that are in place.

A formal induction process should be used to cover each section of an Oil and Gas operation for workers engaged for a longer period. Specific training's are required for First Aid, Fire Fighting and application of Permit to Work Systems for those that will be engaged in high risk engineering works.

Policies form a framework of an organizations commitment and arrangement of Health Safety and Environment(HSE). The HSE policy communicates such a commitment , but an oil and gas establishment will require policies addressing specific HSE concerns such as road transport, drug and alcohol and fit to work. The company leadership should have practical measures of ensuring commitment to HSE policies so that workers' safety is guaranteed and there is no opportunity for short cuts in striving to meet production or business needs at the expense of the workers' safety and welfare.

Hearts and Minds are the driving factor towards compliance to HSE requirements. This is attained through systems that enhance awareness, establish non-negotiable minimum requirements to be met by both customers and contractors. Contractors and suppliers should continually invest in improving their HSE systems to match Company's expectations. The biggest risk in Oil and Gas is entrusted to Contractors. Therefore, more is required to ensure that Contractor Management systems are in place from the time of recruitment and throughout the contract period. This is the best opportunity for companies to influence improved HSE in the industry.

Mental Health

The Oil and Gas Sector develops well trained, motivated and experienced workforce. The competencies gained are unique and specific to this sector. The overall well-being of the workforce must be equally addressed so that this talent is retained and remains productive.

Mental health is not addressed to the same extent as physical health. Mental health is not always outwardly visible but in several instances where human error is cited as a source of incidents, the route cause if investigated further would be mental health.

The health of the workforce should be wholesome. The Oil and Gas sector should be able to address psycho-social challenges that include mental and social well-being of the individual. The HSE arrangements should provide an environment that does not exacerbate already existing social challenges that a workforce already faces in the society. The human capital software maintenance is investment in workers wholesome well-being through management engagement, interpersonal relationships, fairness and openness.

While there is increasing awareness of mental health, companies lack specific policies to address mental health at the workplace. This provides an opportunity for improvement.

Its important to note that company leadership drives the business agenda of the company. Sometimes this can come into conflict with the workforce health and safety agenda thus affecting productivity. With the need to increase sales, working hours are constantly changing. While monetary compensation can be given, there is a risk of fatigue build up in the workers and especially the drivers who after loading at night have to come in the morning to deliver the product. Some incidents related to fuel tanker rollovers or at customer locations link to driver fatigue.

For office based staff, the work has moved to homes and challenges are emerging such as poor ergonomics, lighting and non-conducive working environment. Companies can develop practical conducive working environment by providing furniture and tools appropriate for the work. For some types of work water, refreshments, break out areas and times will be needed. Arrangements for fatigue management will include policies for rest and maximum

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With 1294,798,002 litres in export product volume, an additional 81,820,636 domestic kerosene volume marked, a total of 2395 petroleum retail outlet visits for testing and illegal fuel trade was found in 10 sites during the period January to June 2020.

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info.africa@intertek.com

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+254 729 474 369
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work hours regardless of expected financial motivation. The workforce must see and feel that they are being taken care of for increased productivity.

HSE ideals in Company Departments and Operations

HSE leaders solely cannot entrench HSE ideals in all the other company departments and operations. The topmost leaders must take HSE accountability and cascade it to all the levels in a company in their communications. The HSE leaders ride on this framework of top management commitment to drive the HSE compliance within the company. When this support is missing, the rest of the workforce will view HSE as subject for HSE leaders alone.

Key health and safety information is communicated using various tools available at a company. The Tool Box Talks and safety meetings offer a perfect example but currently challenging to be conducted while observing COVID - 19 controls. These regular meetings provide an avenue to communicate to all workers especially contracted workers who have no other avenue of receiving information.

A robust HSE system is weakened in performance if the public sector does not uphold minimum appreciation of the risks and required controls. This is evident especially in the commercial road transport sector where most petroleum tankers interact with the public. It is in the interest of the Oil and Gas Sector to promote HSE in the public sector starting with the stakeholders where there is a level of influence. Industry forums, Contractors, suppliers, customers and joint venture partners provide a platform to influence best HSE practices through training, contracts agreements, audits and engagements.

Good HSE makes good business sense and ensures that the most important asset, the Human Capital is retained and protected from harm and by extension the company physical assets and investments.

Managing Risks Through Insurance

The petroleum industry contributes about 4% (Institute of Economic Affairs) of Kenya's GDP. It is also a significant driver of livelihoods and jobs thus contributing to poverty eradication and financial inclusion in the country.

The petroleum industry by its sheer size and volume is exposed to a myriad of risks. There is need to provide comprehensive risk management solutions for this sector with the primary aim of protecting business owners and their employees against various risk.

Prudential specializes in life insurance; offering bespoke and client centric employee benefits solutions which are necessary tools in managing workplace risks. Some of the products suited for the petroleum sector include;

1. Group Life Cover (GLA): Ensures your employees and their families are protected against risks of death, disability and first diagnosis of a critical illness.
2. Combined Solution (GLA/GPA/WIBA): Provides protection against accidents (both in & out of the workplace) and loss of life, whilst ensuring that your organization is WIBA compliant. The insurance cover is 24 hours active, 24/7 and provides worldwide coverage
3. Group Last Expense Cover: when loss of life occurs, this cover gives financial assistance to your employees' families at their greatest time of need. Payments are made within 24hrs of full documentation being submitted. Wider family cover is also available to include spouses, children, parents, and parents-in-law.
4. Hospital Cash: is an income protection product that provides a fixed pay-out if employees are unable to work because of hospitalization.

By insuring the petroleum industry, Prudential makes it possible for companies to protect their investments, expand their value chains and hence focus on what is core to them.

To ensure that our products are relevant to our target market, we carry out regular market research to determine the viability of our products. This involves reaching out to our customers directly or engaging with our intermediary partners. We also conduct regular market and product awareness campaigns and programs as well as continuous assessment and reassessment of our product offering for suitability.

Large investments like the ones undertaken by the petroleum industry across the globe command extensive and comprehensive insurance which cut across various classes of insurance. Employers seek covers and propositions for their workforce that go beyond traditional coverage and provide optimal value to their employees, ensuring that the employers are in compliance with the law, that their employees have coverage that extends outside the workplace, and extend beyond traditional working hours. Through our combined solution which caters for GPA/WIBA/ Group Life and other customised solutions, we have found that we are able to accommodate the particular needs of the industry.

Health Insurance

There is an evident protection gap in healthcare provision in Kenya. As of June 2018, registered principal members of NHIF (the biggest healthcare insurance scheme in Kenya) stood at 15.2% of the then total population which was approximately 46 Million (NHIF website, NHIF Performance Report 2018).
The healthcare burden in Kenya can be resolved through the requisite public private partnerships. From a private provider perspective, insurers provide an opportunity to reduce the healthcare burden on individuals and their families by ensuring that hospital bills that are catered for within the cover, are settled by their insurers.
Having a health insurance cover is important as a talent attraction/retention and risk management tool – it allows organizations to transfer the risk & subsequent cost of healthcare to insurers. This, from a preventative and curative perspective, ensures that employers have a healthier and more productive workforce.

Every insurer has its terms and conditions which determine the treatment of ailments. At Prudential, when COVID-19 hit, we made the unprecedented decision to cover all our clients (irrespective of the fact that this was declared a pandemic). In addition, we provided free additional benefits to our clients, which included free diagnosis cover, free hospitalization cover and free ICU cover. The rationale for this was that, as an organization in existence for 170 years and having seen pandemics come and go, we thought it necessary to stand with our clients and give back at this crucial time.
In the same breath at Prudential, we do not discriminate against those with mental illnesses. We are in the business of insuring risk and we therefore take a risk management approach to all our risk and determine the levels of risk and pricing based on years of experience in underwriting practice.

For anyone shopping around for cover, it is advisable to educate oneself on the kind of cover they would be getting themselves into. Requesting for a draft policy document so that one can determine the terms and conditions of cover is one way of ensuring that one is covered for the conditions they seek cover for.

Life Insurance for Workforce

Managing risks consists of the following: risk identification, analysis, monitoring and management. Insurance helps to provide risk management mechanisms, therefore it is critical for businesses to carry out research on the following before purchasing any employee benefits/insurance solution;

- Insurance's company financial standing
- Level of local, regional and global expertise and experience
- Quality and fit-for-purpose of products
- General customer care and underwriting responsiveness
- That their selected insurance provider pays claims promptly

PRUDENTIAL

COVER STORY

Importance of Insurance to Human Capital

It is often said that human capital is the greatest asset for any company. Its with this realization that employers are keen to retain their employees by providing training, flexible working hours and others benefits such as health and life insurance. Petroleum Insight speaks to Henry Njage, and insurance expert on the benefits of insurance to employees.

Henry Njage
Insurance Expert

Excerpts:

1. The industry is one that dictates high level of adherence to safety; what does this mean to the insurance industry?

This is good news to insurers! This industry carries a high potential of total loss purely due to the nature of volatile products it deals with every single day and the huge volume of the said products. Safety must therefore be at the top of the industry's thinking as a constant concern, and it is hoped there is constant research & development in this area. In the long run this strict adherence to safety measures should reflect in savings on premium.

2. Does the insurance industry value human capital and how is this demonstrated?

Human capital definitely carries tremendous value in the eyes of the insurance industry. This is easily reflected firstly in how as an industry we handle our staff. Not only are the salaries competitive but the terms of employment are always on a permanent and pensionable, unlike several other players within the financial sector. Staff downsizing is extremely rare, and has become a new reality only recently. Further to offering competitive salaries insurers also offer benefits such as medical schemes, Group Life cover, house mortgages and other loans geared towards incentifying the staff. Further to this many products offered to the insuring public by insurers revolve around looking after Human Capital. I have already mentioned Medical and Group Life covers; other products include Workman's Compensation (WIBA), Group Personal Accident (GPA) and a diverse range of Endowment based policies. General insurances have the principle of restoration as its underlying foundation; a principle geared towards restoring the policy holder (human capital) as close as possible to the position they were in prior to the risk manifesting itself.

3. The insurance industry is perceived to prefer retention of critical information in fine print other than broadcasting the same to customers. How can the insurance industry exude confidence in its dealings?

I think over time the insurance industry has moved away from the infamous 'fine print' syndrome. There was a time when a good number of insurers relied heavily on this fine print to repudiate claims legally. Perhaps legally they were correct, but it inevitably leaves a bad taste in the policy holders' mouth. Fortunately with the creation of regulatory bodies such as Insurance Regulatory Authority (IRA) combined with competition AND enhanced consumer awareness such practices are extremely rare in the marketplace. In defense of the insurance industry it is nearly impossible to capture every imaginable outcome in contractual form. Many conditions are therefore broad based and cross cutting by nature.

In motor insurance for example a condition may state that any structural adjustment done to the vehicle must be reported to the underwriter immediately. This has often been ignored and only becomes relevant when the underwriter repudiates a claim because accident investigators realized that locally inserted spacers may have contributed significantly to the vehicles' overall stability, leading to the loss of control and rolling of the vehicle.

Of course this narrative is debatable and fraught with diverse opinion, but lets remember the underwriters condition regarding tampering with the vehicle frame. The insurance industry has invested heavily in ongoing Consumer Education and tremendous gains have been seen. There is an overall reduction of disagreements and few cases ever go for arbitration, if any.

4. With reference to number 3 above, are there deliberate efforts to promote transparency in insurance cover policy documents etc?

Indeed there are. As stated above the insurance industry has been on the forefront with regard to Consumer Education. The primary institute tasked and resourced by industry members is the Association of Kenya Insurers; they participate actively on radio and TV talk shows, trade fairs in all major cities just to name a few. The Association in years gone by lobbied actively for Insurance to be included in the University curricular; today nearly all major universities offer insurance not only at degree level but also diploma. The increase of awareness has lead to best practices becoming more the norm than an exception.

5. What drives insurance companies in developing packages? Is it revenue or protection of most valuable asset-human resource? Or both?

As with all businesses shareholders strive to fill a gap or satisfy a need; should they do so with a certain measure of success then it should allow some return on investment as reward for the risk of deploying their capital, and also the 'sweat capital' put to play. But having said that there dwells in each one of us an underlying desire to provide solutions facing mankind in general and, more specifically, those touching on your area of expertise. The genesis of life insurance was as a result of the severe distress created when a breadwinner died leaving behind a young family. Communities then learnt they could alleviate individual financial distress through the common pooling of resources which would then be given to the bereaved. The importance of human resource has evolved tremendously over time; today employers invest heavily in human resource, more so with a view to providing peace of mind so as to enable employees work without being distracted by anxiety; hence the demand for insurance covers such as Group Life, Medical cover, Workman's compensation, Saving based endowments etc.

The insurance industry has reacted well to market needs not only by designing versatile products but also by making them affordable to the buying public and corporate. Investment in research & development is an integral part of the insurance industry.

6. Why do medical insurance covers discriminate against mental illness?

As with most risks considered un-insurable by underwriters the underlying reasons are primarily two; i)The unavailability of accurate data and ii)The data available paints an actuarially gloomy picture which makes it difficult to cost the risk. The fact that mental illnesses carry a strong probability of recurrence is also a negating factor. Lets also remember that the journey to recovery is normally long and can be very costly. Other ailments ordinarily have a 'cut off' date which is fairly predictable; malaria 5-7 days, chest infections 4-6 days etc. We recently witnessed 'discrimination' when a number of underwriters issued notifications treating the COVID-19 pandemic as an exclusion in their medical covers.

7. How do you propose we should remedy no.6 above?

Let me start by stating that not every risk is insurable; the world is full of diverse insurance covers for example soccer players who's legs are insured in the millions of dollars, pianists who's fingers are similarly insured and so on. Still, there will always be un-insurable risks. In order to mitigate against this it is essential that employers put aside a fund each financial year which must cater for un-insurable health related ailments. I once challenged this industry to enhance its synergy by creating such a fund under the auspice of PIEA. In so doing un-insurable illnesses such as mental challenges would be catered for from this fund. I have commented further on this suggestion under Q 10 below. Should the industry need further guidance or commentary on this necessary intervention I would gladly provide it.

8. What advise would you give to businesses purchasing Health Insurance for their work force?

First and foremost I would commend them for purchasing such a crucial staff benefit which is not a mandatory legislative provision for employees. I would then suggest they gather information that will assist in establishing a reasonable budget threshold; this can be done fairly easily by requesting 3 or 4 Insurers to provide diverse quotations based on their in-house human resource numbers including their dependants. For purposes of obtaining independent opinion it is advisory to utilize the services of an Intermediary that specializes in this cluster of insurances. The employer must then make an in-house assessment with a view to determine whether there are special/unique needs within their staffing profile which need to be factored in the provision of health cover.

There could for example be paraplegic employees which may pose a particular risk to the underwriter. Other needs commonly found include where dependants especially children may have peculiar health challenges; these must be declared upfront so as to give the insurer opportunity to underwrite the particular risk and cost it appropriately. The employer must also familiarize themselves with the specific terms and conditions relating to the cover in its entirety. Since there is nothing like the 'perfect' cover i.e one which covers each and every ailment the employer must then determine the quantum of a reserve fund that will be utilized towards catering for uninsured ailments. The employer must then determine an appropriate scope of cover, perhaps broken into categories/job groups. The final decision will be deciding which underwriter to engage and why. End user testimonies are also important to listen to.

9. How can insurance companies and the industry collaborate better in promoting sustainable investments?

The synergy that must exist between insurers and this (or any other) industry cannot be overstated. There is need for constant and intense conversations geared towards analyzing the past quarter claims experience and near misses (if any) and gleaning lessons learnt there from. Employers need to craft a committee composed of HR,

Operations and Finance, and meet on a predetermined schedule every quarter. Should the need arise the employer may allow the underwriter establish a desk on their premises. The benefits arising there from may far outstrip the value of the office space occupied by an underwriter. If these suggestions are diligently followed through the annual renewal of insurances should then be as a matter of course. Risk mitigation opportunities may have arisen and these will always create space for a negotiated premium discount.

10. Any other comments?

Yes; from the outside looking in there seems to be a lot of untapped synergy which I feel the industry needs to explore. At our last webinar I mentioned how the PIEA, which is a major point of convergence for the industry, may be authorized to host medical fund on behalf of the industry which would be utilized to cater for i) outpatient billings and ii) uninsured health related risks which the employer must/should settle

perhaps on a purely ex gratia basis. With proper training and purchase of the right software the industry can save up to 30% of costs of health maintenance. Furthermore, the PIEA would be well placed to craft and roll out "Wellness" programs to industry employees. These are programs geared towards improving the Overall Health Factor of all employees and dependants; the long term effect will be increase in productivity and reduction of costs of healthcare.

Effects of COVID - 19 on Mental Health

by: Njeri Mwaniki, Psycho-social counsellor

The announcement of the first COVID-19 case in Kenya in the month of march, and the different guide lines that have been issued since by the ministry of health from closing of counties to curfew, has seen many Kenyans suffer both financially, emotionally and psychologically which has led to increase in mental health problems.

What is a mental health problem? It can be defined as a psychological effect on how one behaves, reasons or acts. There are different types of mental disorders and the most common ones are depression, bi-polar, schizophrenia and dementia.

Even before the COVID- 9 pandemic there were some people suffering from mental health disorders related to their work environment but the pandemic made it worse and people started realizing some have been suffering silently and the reason why most people suffer silently is because of our culture where if one has a mental disorder they are seen as bewitched . As such many people try and hide or try to act "normal" so as not to be discriminated against.

Government on mental health

The Government has the best mental health hospital which is affordable and accessible and has the best psychiatrists which is Mathari Mental Hospital, but you will find most people shy off taking their loved ones or even walking in to seek medical attention due to the stigma associated with the hospital. You will find most of us grew up making Mathari jokes which has greatly contributed to stigmatization.

In my opinion Mathari Mental hospital, should create awareness and sensitize people on mental health disorders so as to reduce stigma and also educate the public that mental health disorders are like any other diseases which are treatable.

For all government ministries , institutions and parastatals their employees who are affected do receive financial support for rehabilitation, counselling and provision of flexible working hours until they are fully recovered.

Mental health in work place

Work is good for mental health but a negative working environment can lead to physical and mental health problems which can be caused by the type of work, organizational and managerial environment. Also if there is poor communication and management practices ,it may cause employees to suffer mental health problems due to unnecessary pressure and lack of understanding each other, unclear task or organization objectives ,limited participation in decision making and low level of support of employees. Also bullying, sexual harassment and psychological harassment can cause mental problems to employees.

Support at work place

Employers should create a conducive working environment and involve staff in every process of the organization. Also it is advisable for employer to have team buildings regularly and debriefings sessions with their staff to address some of these mental issues and also to get to know their employees better by interacting with them during the team building sessions.

Every organization has a responsibility to support individuals with mental disorders because of the stigma associated with mental disorders by providing flexible working hours, job redesigning to fit the individual. Employers need to ensure that individuals feel supported by being accorded the necessary resources to do their job.

It is necessary that all organizations should have a professional psycho-social counsellor besides the human resource who most of the time handles employee's grievances. A professional counsellor can be able to handle some of employees who might have / display signs of mental disorders. A counsellor can help in holding debriefing sessions with employees within the organization which can help in increasing productivity and addressing some of these issues.

> **It is necessary that all organizations should have a professional psycho-social counsellor besides the human resource who most of the time handles employee's grievances. A professional counsellor can be able to handle some of employees who might have / display signs of mental disorders.**

Also having a counsellor on board, he or she can help in making a mental health self-assessment tools available to all employees, offering clinical screening for depression followed by direct feedback and clinical referrals when appropriate. A counsellor will also be able to offer free or subsidized lifestyle coaching and self-management program.

A counsellor can as well help in disbursing materials, such as brochures, fliers, and videos, to all employees about the signs and symptoms of poor mental health and opportunities for treatment, host seminars or workshops that address depression and stress management techniques, like mindfulness, breathing exercises, and meditation, to help employees reduce anxiety and stress. A counsellor can also provide managers with training to help them recognize the signs and symptoms of stress and depression in team members and encourage them to seek help from qualified mental health professionals.

Conclusion

Through a help of a professional counsellor within an organization it is important to start a conversation with employees about mental illness focusing on the most common /known disorders like depression, bi-polar, schizophrenia and addiction.
By providing consultation by an in house professional counsellor, employees do not have to take leave to access these services.

All organizations should have mental health policies separately from Human resource policy.

New Perspectives in Sport and Recreation at the Modern Workplace

By Jason Nyantino

In a speech in South Africa in 1890 long before he became a global icon, Mahatma Gandhi, the patron saint of non-violence and father of India's independence struggle, said this:

"A customer is the most important visitor on our premises. He is not dependent on us. We are dependent on him. He is not an interruption on our work. He is the purpose of it. He is not an outsider on our business. He is part of it. We are not doing him a favour by serving him. He is doing us a favour by giving us an opportunity to do so."

In the decades that followed, many business people adopted this statement, whose truth is self-evident, with a destructive fanaticism. It was pinned, still is, on the walls of many business premises as the North Star of company philosophy. It gave rise to a widely held belief in the workplace that the customer is always right no matter. As a result, thousands of employees have lost their jobs following altercations with customers.

Almost a century and a half since Gandhi made that landmark speech, Richard Branson, the innovative British entrepreneur and founder of the Virgin Group, said something that he has repeated on so many forums that he has gained a big following of his own in the business world.

He said: "Employees come first. If you take care of your employees, they will take care of the clients."

The Virgin Group is a billion-dollar business so the wisdom of Branson's philosophy is also self-evident. Branson is one of the entrepreneurs who have revolutionized the workplace to make it fun. To him, happy and healthy employees automatically lead to satisfied customers. Conversely, no matter how hard the business tries, unhappy employees can never keep the customers coming. The goal, therefore, is to focus on employee well-being and customer satisfaction will take care of itself.

Needless to say, the best known antidote to the dullness and fatigue produced by long hours of work is play. Experts agree that because of their positive effects on the human body, sport and recreation have been proven to produce the highest levels of efficiency in the workplace. And consistency, not quantity, is the key.

Just one hour's exercise every day has so many benefits that it is a wonder many people cannot find the time for it. Experts list a whole package of benefits for both employees and employers in a sustainable programme of sport and recreation in the

KPC staff exercising at the gym located in the company headquarters in Nairobi

> Just one hour's exercise every day has so many benefits that it is a wonder many people cannot find the time for it. Experts list a whole package of benefits for both employees and employers in a sustainable programme of sport and recreation in the workplace. Sport helps to combat stress, making it a great antidote to depression.
>
> Employers reap the benefits of sport and recreation in the form of reduced absenteeism, health costs and employee turnover. Every study done on this subject shows that the costs of a sustainable sport and recreation programme are just a fraction of those without one

workplace. Sport helps to combat stress, making it a great antidote to depression.

It leads to creativity and efficiency. Sport enhances the ability to focus and improves memory. It keeps away negative traits such as alcohol and substance abuse. It promotes positive values such as team work which are solely needed in any organization. Where a sedentary, stressed person sees a problem, a refreshed and finely-tuned employee will see a solution.

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The problem with clichés is that they are just that: clichés. We, therefore, don't take the time needed to internalize the wisdom contained in the well-worn statements. But in this case, it bears repeating that prevention is better than cure. It is also cheaper. A little exercise a day keeps the doctor away – with his huge bills.

There is another key aspect to a good sport and fitness regime: diet and nutrition. Exercising consistently necessarily requires that you eat well. In other words, the two go together just like poor sedentary lifestyles are fed by unhealthy foods. People who exercise watch their diets and this, again, helps keep medical bills low.

One common way to promote employee health and fitness is to provide membership for sports clubs. This, however, applies mainly to the senior leadership of the company. Some big organizations themselves have corporate clubs.

In my own organization, we have been fortunate to be able to sponsor the seven-time Africa women's volleyball champions, the Kenya Pipeline team. But I hasten to add that a clear distinction must be made between competitive and recreational sport. For the bulk of employees, the emphasis should be on recreational sport which, in any case, is where even the highest performing athletes retreat to at the end of their competition years.

Across the globe, the Outward Bound Organization has for decades run tailor-made courses in sport and recreation for hundreds of companies. The Outward Bound Trust of Kenya holds the local franchise of Outward Bound worldwide. It owns the Outward Bound Mountain School in Loitokitok. The school has a full calendar of events every year that includes climbing Mt Kilimanjaro and Mt Kenya, Africa's highest mountains.

After one such course, Nation Media Group and Family Bank chairman Wilfred Kiboro once said: "Going through the wall was a big experience for me…where you are literally at the mercy of people who work below you. It was a very good learning experience and it gave me time to reflect on what our organization is all about and what we as the leaders of the management group ought to be doing for our staff, our company and other stakeholders at large."

Sport and recreation in the workplace are not a luxury; lack of them is. And the challenges of our time, such as the outbreak of the Covid-19 pandemic, only serve to underline this point.

The writer is the outgoing Corporate Communications Manager, Kenya Pipeline Company

Life Balance - Sure Way to Living A Meaningful Life

John Ng'ang'a
Founder Taruma Consultancy

Due to the competitive nature of the oil and gas business, the demand on workforce to deliver at work is very high, which more often than not lead to exhaustion and burn-out due to constraints in employees personal time.

In the recent past, organizations have shifted from the traditional work from office work to working remotely. Companies are forced to adjust to employees clocking in fewer hours than before due to the curfews imposed by governments and other stringent safety measures such as social distancing that has made commuting by public means take longer than usual take longer than usual.

The impact of this, is lower productivity that translates to lower profits forcing companies to downsize and/or slash salaries by a significant percentage without necessarily reducing the workload.

According to John Ng'ang'a, Founder Taruma Consultancy, effect of these changes is a well life balance is not being achieved hence leading to physical fatigue and other mental other mental related illnesses such as stress.

"A work-life balance means allocating adequate time each day and each week to time to earn your daily bread, time be with your family and other social networks, time for rest and exercise. But in the times we are living in, there is limited time for working from the office or other work stations away from home due to the time spent on commuting to work places, considering public transport is carrying half of its capacity due to the social distancing rule together with the curfew rules. This means, work life balance is becoming a challenge" he explains.

"Companies are being forced to reduce the workforce and in other cases impose salary cuts due to low profitability and yet the amount of work may not have been reduced. With reduced income, there is a high possibility of people likely to start side hustles which in turn reduce resting time and leading to fatigue"

A well life balance entails 8 hours for earning daily bread, 8 hours of sleep and 8 hours of family time and other social networks. "When we say someone has a well work-life balance, it means they are able to allocate ample time for each area of their life failure to which they start manifesting repercussions such as physical exhaustion which lead to physical sickness, psychological stress due to lack of support by social networks and emotional instability. These effects end up leading to lower productivity at the workplace which in turn affects the company's performance" says Ng'ang'a.

We talk about someone with a well work life balance when none of these is suffering. When one does not have proper work life balance, the following is the These three lead to lower productivity which translate to less return for every invested hour. Someone can be working for 10 hours but one is producing 3 hours work. Efficiency, someone ends up making more mistakes than usual, end up with un explainable incidences.

To attain a work life balance at the work place, Ng'ang'a urges employers not allow employees to work for more than 8 hours a day and to train their workforce on the importance of rest, exercising and social networks for the benefit of the employees and the company at large.

"Dont give work that cannot be done within 8 hours but should matters arise that require workforce to clock in more hours, the employer should compensate by giving off days. As an individual, one is supposed to sleep for 8 hours for optimum productivity. There are circumstances that force people to sleep for less hours but one should never sleep for less than 6 hours even during a crisis because that ends up creating more incidences and accidents the following day. The employers need to teach their staff the importance of work-life balance and especially why rest is important. The employer can also support their employees by paying for gym membership and other extra curricular activities for the physical wellbeing of the employees" he says.

"As an individual its important to be clear of what you want in life. Have a life mission. Know why you live, what you were created to do and what your life purpose is. Ask yourself what you want to achieve in life and what is your impact to humanity. Imagine what kind of speeches people will be giving on your 80th birthday on what you have done, not what you will do. Ask yourself what will these people say about me, how have I impacted their lives. The first speech will most probably from your spouse, what will he/she say about you as a spouse?

The second one will be from your children, what would you like to hear them say about you as a parent, your grandchildren will also say something about you. What about your friends and former colleagues, what impact would you like to hear you have had on them? Write down a speech that you would like to hear when celebrating that birthday and purpose to live for that speech. Analyze what you have written down and how your life is currently, see the areas you are lagging behind as per your speech and work on them for a positive change."

Post-budget Insights and Analysis - A Delicate Balancing Act

Gideon Rotich
Senior Manager, PricewaterhouseCoopers Kenya

The Cabinet Secretary (CS) for the National Treasury presented this year's budget against a backdrop of an economy battling with the novel coronavirus, food security threats from locust invasions and floods ravaging the country. In respect of these and other factors, the National Treasury revised its economic annual growth estimates from 6.1% to 3%. The plan to achieve this is premised on revenue growth, decreased expenditure and reducing the pace of growth of public debt. With the government operating in a limited fiscal place, it has to re-engineer its strategy of raising revenues to match expenditures as it aims to reduce public debt. The fiscal deficit for FY 2019/20 is targeted to be 8.3% of GDP while that of FY 2020/21 is targeted to be at 7.5% of GDP. Prudent financial management is therefore called for to achieve this objective.

The development expenditure budget has gradually been shrinking when compared to the total annual expenditure – this trend should worry policy makers. According to data from the Central Bank of Kenya, the total government expenditure has tripled over the last 10 years from KES 792 billion in FY 2009/10 to KES 2.7 trillion in FY 2020/21. The biggest contributor has been recurrent expenditure which has accounted for 78% of total government expenditure in FY 2018/19, an increase from 68% in FY 2009/10, and is expected to account for 80% in FY 2020/21. Interest repayments and the public wage bill which has been on the increase over the years are key contributors to the growing expenditure budget. The total debt service as a percentage of revenue has increased from 18.6% in FY 2012/13 to 42.8% in FY 2018/19.

The projected deficit for FY 2020/21 of KES 840.6 billion is expected to be covered by external debt of KES 347 billion and net domestic borrowing of KES 493.4 billion. This is hinged on enhancing revenue collection and containing recurrent expenditure. However, there are challenges in realizing ordinary revenues through KRA collections which fell short of target by KES 60 billion in FY 2018/19 and KES 95 billion in FY 2017/18. Given the prevailing economic conditions, it would be challenging to achieve revenue targets in FY 2020/21. The budget depends on tax measures, the stimulus package proposed in the budget and the resilience and innovativeness of Kenyans to achieve the revenue target of KES 1.89 trillion.

The budget proposed various stimulus packages to cushion Kenyans against the adverse effects of the ongoing pandemic. Funds have been set aside to enhance MSMEs liquidity, a credit guarantee scheme established, tourism revamped, pending bills and VAT refunds prioritized, youth "*kazi mtaani*" program, cash transfers to the elderly and persons living with disabilities and youth programs enhanced. Certainly, even more such interventions are still needed to reach the key populations affected. Transparency, accountability, efficiency and effectiveness is called for in the management of these funds.
In addition to the above, the government proposed several other measures aimed at fostering economic growth, and by association, tax revenue growth.

Expenditure allocation

From an expenditure perspective, the health sector budget is on a steady increase, more so this financial year as a result of the novel corona pandemic. Over the past financial years, the health sector budget has been steadily increasing; between FY 2017/18 and FY 2018/19 the budget rose to 29.9%. The National level budget increased by 49% and at the county level by 17.8%. The health budget is intended to continue sustaining various programs in the health sector. Some of these programs include provision of universal health coverage (UHC) for all Kenyans, reductions of the health financial burden for households, to enable them to attain the highest standard of health care, scaling up of universal health initiatives including Linda Mama and subsidies for the poor, elderly and vulnerable groups, persons with mental illness and the informal sector and expansion of health infrastructure including expanding specialised medical equipment and establishment of centres of excellence in health. There was also increased budgetary allocation towards the COVID-19 response including additional funds to recruit health personnel, supply of beds and beddings to public hospitals.

Access to food and nutrition security is critical to the realization of the Government's Big Four agenda. Agriculture is a major contributor to Kenya's GDP and the majority of citizens depend on it partially or fully for income and employment. The agricultural sector contributes about 33% of Kenya's total Gross Domestic Product (GDP). The sector contributes an additional 27% to GDP through linkages with other sectors such as manufacturing, distribution and services. It employs more than 40% of the total population and about 70% of the rural population.

However, external shocks such as shifts in weather patterns, the desert locust and the notable low global demand for Kenya's main cash crop exports (cut flowers, coffee, tea and fruits) have adversely impacted the growth of the sector. The FY 2020/21 agricultural sector allocation is KES 52.8 billion compared to KES 59.1 billion in FY 2019/20, representing a decline of KES 6.3 billion (11%). The FY 2020/21 allocation is 1.89% of the total national government budget compared to 2.2% of the total budget in FY 2019/20. In the spirit of a One Government approach, additional investment/allocation is expected from the county government contributions to support grassroot-level activities such as extension services, value addition and market linkages. The allocation of 1.89% of the budget to the agriculture sector is not commensurate with the sectors contribution to the overall economy and is not sufficient to inspire the kind of real change in the sector that would contribute substantially to economic growth, increased employment, more disposable income and higher demand.

From an infrastructure perspective, KES. 63 billion was allocated to the energy sector for transmission and distribution of power, development of geothermal, nuclear and coal energy and electrification of public institutions. In a bid to attain universal access to electricity by 2022, the Government is in the process of implementing the fourth phase of the Last Mile Connectivity Project which aims to bring 280,000 more Kenyans to the national grid.

From a devolution front, County Governments were allocated 370 billion in FY 2020/21, with the equitable share being maintained at KES. 316.5 billion to be shared by the counties. The 3rd formula has been forwarded by CRA to the Senate for deliberation and approval. When approved, the formula will be applied from FY 2020/21 to FY 2024/25. The formula has 10 indices to be used in revenue allocation, which is an expansion from the 2nd formula that had 6 factors. The new indices include health agriculture, urban, fiscal prudence, and roads.

Even as the debate on the revenue allocation continues and in light of dwindling revenues at the national level, Counties should step up their revenue collection efforts by sealing loopholes, identifying new revenue streams, automating revenue collection, and expanding the revenue base for existing revenue streams. In addition, Counties should leverage on synergies with the national government to ensure sectoral expenditure creates investment spill-overs and efficiencies in development expenditure thus avoiding duplication of effort.

The government continues to place reliance on both domestic revenue and debt to fund the ever-increasing budget. The reading of the FY 2020/21 Budget came at a time when the world was facing the COVID-19 pandemic which has had an impact on the global and Kenyan economies.

Revenue raising measures

In terms of revenue raising measures, the CS in his budget speech reiterated some of the tax proposals contained in the Finance Bill 2020. The CS had published the Finance Bill 2020 on 5 May 2020 before reading the Budget on 11 June 2020 which was a departure from previous years when the National Treasury would publish the Finance Bill after the reading of the Budget. The reading of the budget comes at a time when the world is facing the COVID-19 pandemic

“In order to increase the collection of taxes, especially corporate income tax whose collection rate is considered lower than is typical amongst Kenya’s economic peers, the National Treasury has introduced a raft of new taxes such as a minimum tax and the digital service tax. From a tax policy perspective, the minimum tax objective is intended to ensure that all taxpayers account for income taxes but in actual fact may result in unintended economic effects, especially where it represents an additional cost to businesses rather than a tax on actual income earned by the businesses.

which has had an impact on the global and Kenyan economies. At the same time, the Kenya Revenue Authority (“KRA”) has been struggling to meet tax collections targets set by the National Treasury in recent years.

In that context, the National Treasury has reduced slightly the tax collection target of KRA to KES 1.621 trillion in FY 2020/21 compared to the target of KES 1.64 trillion in FY2019/20. Despite the National Treasury having reduced the tax collection target for FY 2020/21, KRA is still likely to struggle to meet the target due to the prevailing economic situation. Furthermore, in the short term, tax collections may be negatively impacted by the recent tax changes aimed at cushioning the citizens against this pandemic. Some of these measures included the reduction of the corporate tax rate from 30% to 25%, the reduction of the Value Added Tax (“VAT”) from 16% to 14%, the expansion of Pay As You Earn (“PAYE”) tax bands and the reduction of the marginal rate of tax from 30% to 25%.

In order to increase the collection of taxes, especially corporate income tax whose collection rate is considered lower than is typical amongst Kenya’s economic peers, the National Treasury has introduced a raft of new taxes such as a minimum tax and the digital service tax. From a tax policy perspective, the minimum tax objective is intended to ensure that all taxpayers account for income taxes but in actual fact may result in unintended economic effects, especially where it represents an additional cost to businesses rather than a tax on actual income earned by the businesses.

The National Treasury has also introduced a digital service tax. The tax applies to income arising from a digital marketplace. The introduction of such unilateral tax measures in other countries (particularly in Europe) has resulted in a backlash from the United States of America where many of the largest, global information technology companies are situated.

Other measures the Government is looking at in order to increase tax collections include introduction of the Voluntary Tax Disclosure Program where taxpayers will be granted waivers of penalties and interest, which is expected to promote tax compliance amongst taxpayers and fast tracking of Tax Appeals Tribunal cases and moving cases from Court to Alternative Dispute Resolutions in order to resolve tax disputes quickly and unlock tax revenues as well as leveraging on information technology such as i-tax systems to improve collection efficiency.

Gideon Rotich – Senior Manager, PricewaterhouseCoopers Kenya.

How Executives can Enhance Good

Daniel Muasya
Resident Country Representative and Upstream Manager
Shell International Exploration and Production – Kenya

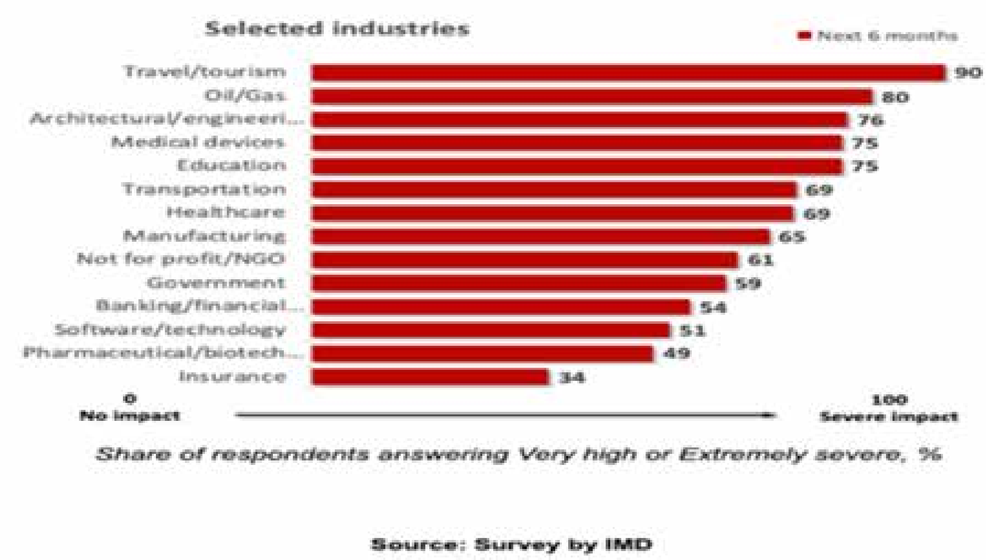
Over the years, Physical safety has been the number one focus of management in the oil and gas industry. However, many organizations leaderships had realized that, employee mental health is of almost equal importance and had started focusing on wellness programs that enhance employee performance and good mental health even before COVID-19 struck early this year.

Poor Mental health can manifest itself in several ways from mild anxiety, depression to severe phobias and addiction; and when it hits, the impact is normally quite severe. Poor mental health makes seemingly simple tasks seem impossible and seriously hinders life's daily activities. According to WHO, one in every five adolescents has a mental health condition and the numbers rise steadily among the middle age working class. On average, the world loses 877,000 people due to suicides every year which mostly arises out of mental problems. Currently these numbers are at an extremely all high especially as the world continues to adapt to the new normal after the massive pivoting that has happened due to effects of COVID- 19 pandemic. These and other statistics paint an area that needs closer attention and that executives should not lose sight of as they navigate their organizations through the new pivots.

Whereas all industries have been affected significantly by the effects of COVID- 19, to the already struggling oil and gas sector, this was like a last nail in the coffin. The industry was already suffering the effects of crashed prices as a result geopolitics and depressed demand. It's no doubt the organizations are navigating this storm and will eventually emerge from the crisis , but several long-term effects that will take years to fully recover from, and other's that they will have to live with have been evident.

Executives have had to struggle with cash preservation while maintaining employee engagement and productivity. Due to crash in oil prices, and significant effects on operations due to limited staff mobility, managements have had to start reshaping organizations by cutting down on people costs and recalling thousands of expatriate staff from their stations of duty. According to HoustonChronicle.com, the USA lost a total of 118,000 jobs, which represented 15% of the jobs in the sector in the period between March 2020 and July 2020 as the Corona Virus plunged demand of oil and gas products. In addition to these losses of jobs and work disruptions, the remaining workforce is faced with uncertainty as all Oil Executives talk about planned reshapes and reorganizations as they purpose their organizations to remain competitive in the world of low oil prices and shift to clean energy.

In their article https://www.imd.org/research-knowledge/articles/COVID-19-under-pressure/. IMD have ranked the oil and gas as one of the severely affected industries by COVID 19 hence the need for management to place the wellness of their employees as a top priority. The pictorial below highlights which other industries will be impacted and projects how this will shift beyond the six-month post COVID- 19 Period.



The impact of crisis across industries in the next 6 months

Mental Heath Among Employees in the Oil and Gas Sector

A sense of purpose will help employees navigate high levels of uncertainty and change and ensure that their efforts are aligned with the highest-value activities. It is of importance that Oil and Gas executives train managers on how to link their daily engagements with their bigger purpose of being.

In addition to the industry specific causes, the other key causes of poor mental health around COVID-19 have been Loss of loved ones through death, stigma associated with the Pandemic, long periods of lock down and working hours hence resulting to lack of physical activity and social interactions.

World Health Organization, Centers for Disease Control and other key governments agencies have proposed ways in which organizations can adapt in order to help employees navigate the ravaging effects of the disruption. The following two will be helpful especially in the Oil and Gas sector which has significantly been affected and is expected to face another wave of job's insecurity as employers rethink their business strategies.

Frequent communication and transparency

In the current socially distanced environment, connecting with people is more important especially with your organizational teams. Executives have been and must remain visible and must be open to hearing what their employees have to say so they can guide them via a genuine sense of human connection. Companies who take such an immersive and interactive approach to communication can expect to foster connection, openness and clarity; and, as a result, employees will feel confident that change is unfolding in a manner that's planned, empathetic, consistent and shared.

Impressively most companies successfully pivoted towards virtual technology to enhance communication during this period. It is important organizations continue to leverage on technology in engaging their multi locational employees and especially in obtaining feedback from them. A holistic review mechanism will be helpful so that managers can get to connect with employees which is necessary during this period.

In addition to regular connection through communication, leadership needs to be transparent on critical decisions especially those that affect people and security of their jobs. It is of importance that management communicates how certain decisions have been arrived at and how they link to business strategy. Historically, organizations that have embraced transparency during difficult times as much as they have during good times are synonymous with high performance and motivated teams. It is critical that executives in oil and gas sector retain transparency as a key priority during this season.
However unpleasant the information could be. It drives certainty to employees, and this could have not been more important in any other season like now.

Focus on employee effectiveness and well being

Since most oil and gas employees have had to shift to working from home for the past six months a robust mental health support and services continues to be critical for employees as organizations implement return to work strategies. In an industry that has suffered at least three downturns occasioned by oil price crashes in the last six years ,there is need for staff emotional support more than any other industry however resilient they might be.

In its recent researched report, McKinsey.com found out that in order to address employees needs and help them thrive, executives need to focus on safety, security, relationship, culture and purpose. Its no doubt that oil and gas players have perfected the art of ensuring safety and security for its people. Every discussion or meeting across all organizations is preceded by a safety moment or a safety tool kit talk, and organizations don't spare any cent in their budgets in order to ensure safety of their employees.

In addition to safety and security, social capital is important during this season. Enhancing relationships will be critical in enhancing employee productivity during this season. Activities that would help improve relationships among employees include encouraging one on one relationships, setting up network of team that give fellow employees psychological safety. This will give employee a sense of belonging to a 'big' family and communicate stability. During this season, close relationships are, and will be critical.

Purpose as a driving force during conversations is always compelling, given its overarching impact on all aspects of work and business. A sense of purpose will help employees navigate high levels of uncertainty and change and ensure that their efforts are aligned with the highest-value activities. It is of importance that Oil and Gas executives train managers on how to link their daily engagements with their bigger purpose of being.

It is clear that this is a very uncertain period for everyone in the industry, however, Executives have a huge responsibility of ensuring that they lay emphasis on people first as the lay out strategies that will get them out of the effects of COVID-19.

The writer is the Resident Country Manager – Shell International Exploration and Production – Kenya:
Mail Address – Daniel.Muasya@shell.com

South Sudan Targets New Oil Sector Investment

By Neil Ford

Image Credits: South Sudan Ministry of Petroleum

Hon Eng. Awow Daniel Chuang
Undersecretary of the Ministry of Petroleum

The recent political agreement between the government and opposition forces, coupled with oil industry reforms, could finally allow South Sudan to make the most of its hydrocarbon resources. Africa's youngest country has struggled with the legacy of many years of conflict, first with Khartoum and more recently with domestic rebel forces. Yet the gradually improving situation should now enable oil companies already operating in the country to boost production on established fields, while opening up new areas for exploration.

South Sudan produced about 180,000 b/d of crude oil before the Coronavirus crisis, making it the ninth biggest oil producer in Africa, but output could be much higher. Production in the independence era peaked at 247 million b/d in December 2013 but even this could underestimate its potential. The combined output of Sudan and South Sudan reached about 480,000 b/d prior to independence in July 2011, while South Sudan controls about 75% of the previously combined reserves.

National proven oil reserves stand at about 1.1 billion barrels but the real figure is likely to be significantly higher because of the lack of exploration in many prospective parts of the country, particularly during the long wars with Khartoum in 1956-1972 and 1983-2005. There appears to have been some readjustment of known reserves because the official figure stood at 3.5 billion barrels in 2012, which at that time was the third biggest in Sub-Saharan Africa after Nigeria and Angola. Some sources still stick with this number.

Oil sector investment had also been deterred by the civil armed conflict that affected the country since late 2013, but hopes of a long-term settlement have risen since a peace deal was struck between President Salva Kiir and the leader of opposition forces, Riek Machar, in September 2018. Further negotiations resulted in a binding peace agreement being signed in February 2020, with power-sharing deals covering parts of the country.

Some conflict has continued, yet the overall situation is improving and oil companies are resuming production on fields that were damaged during the fighting. The government hopes that the peace agreement will encourage upstream firms already active in the country to increase their investment in operational fields and encourage other oil companies to bid for exploration licences on new blocks.

At the same time, relations with neighbouring Sudan have greatly improved since President Omar al-Bashir's 30-year rule in Khartoum came to an end following a series of popular protests. The economic fortunes of the two countries are closely tied because of Juba's reliance on Sudanese oil pipelines to export its oil and so they have far more to gain through cooperation than conflict.

Productive areas

Oil is currently produced in two of the three established centres of oil production: Blocks 3 and 7, which are held by the Dar Petroleum Operating Company (DPOC); and Blocks 1, 2 and 4, which are operated by the Greater Pioneer Operating Company (GPOC). Production on the Sudd Petroleum Operating Company's (SPOC) Block 5A is due to resume shortly. Most equity in the three consortia is owned by three Asian oil companies: China National Petroleum Corporation (CNPC), Petronas of Malaysia and Oil and Natural Gas Corporation (ONGC) of India, while South Sudan's state oil company Nilepet holds stakes in all upstream projects.

DPOC's Blocks 3 and 7 in Upper Nile State should yield about 130,000 b/d but operations have been affected by COVID-19-related logistics problems. DPOC is owned by CNPC (41%), Petronas (40%), Nilepet (8%), Sinopec of China (6%) and Egypt's Tri-ocean Energy (5%). The two blocks produce 200,000 b/d as recently as 2014, so it will be interesting to see whether the increased investment triggered by the improving security situation will allow DPOC to achieve a similar figure in the future.

The Undersecretary of the Ministry of Petroleum, Hon Eng. Awow Daniel Chuang, said that a de-bottlenecking project was being implemented on the two blocks to overcome obstacles to higher output, including expanding existing production facilities to cope with the high volume of water in the oil produced.

"The expansion has already been completed but is not yet fully functional due to some technical challenges. The facility is now being modified as there may have been some errors in the construction of the design. The modifications should be completed by the end of this year", he said.

The Paloch oil fields in South Sudan.

Greater Pioneer Operating Company

Production on Blocks 1, 2 and 4 was shut down for five years until 2018 after fighting between government forces and rebel groups damaged some oil industry infrastructure. However, GPOC – which is owned by CNPC (40%), Petronas (30%), ONGC (25%) and Nilepet (5%) – is gradually bringing fields back on stream.

Production resumed at the mothballed Toma South and Unity fields in September 2018 and January 2019 respectively, while production is currently being ramped up on the El Toor, El Nar and Al Har fields. The three blocks currently yield about 52,000 b/d. The Ministry hopes that more reserves can be developed, both to maintain output on existing fields that are being run down and to increase total production.

SPOC, which comprises Petronas (67.9%), ONGC (24.1%) and Nilepet (8%), is in the process of resuming production on Block 5A. Chuang said, "Once production starts in Block 5A, it will add significant volumes to the target." Initial output is predicted to be 15-20,000 b/d. The heavier crude produced on Block 5A means that production is typically restricted to about 10% of all oil transported by the Greater Nile Petroleum Operating Company (GNPOC) pipeline through Sudan, in order to not significantly degrade the total oil throughput.

Future production levels

The government is confident that output should rebound to pre-crisis levels once the COVID-19 pandemic is over. Juba has set targets of boosting oil production to 250,000 b/d "in the near future" and 350,000 b/d by the end of 2023.

The Ministry of Petroleum predicts that oil production will steadily fall between now and 2035, to perhaps as low as 15,000 b/d, without more investment in existing fields and further exploration, both in established areas of production and in other prospective areas. However, such a dramatic situation also applies in many other oil producing countries, as many fields become exhausted in less than 20 years.

The government hopes that the various consortia will be able to invest in enhanced oil recovery techniques but concedes that this will not be possible if oil prices remain low and probably not for at least the next two years. Chuang commented, "In the past, the civil war destined that we could not access some of the oil-rich areas. We are confining ourselves to the current exploration areas, because when investing companies make a major discovery, they will concentrate on a localised area".

Other areas

South Africa's Strategic Fuel Fund, which manages Pretoria's crude oil stocks, has begun to branch out into upstream exploration elsewhere in Africa and secured an Exploration and Production Sharing Agreement (EPSA) for South Sudan's Block B2 last year. It was supposed to conduct geophysical surveys and set up an office in Juba but the pandemic appears to have postponed all activities.

Nigerian firm Oranto has already undertaken a seismic survey on its Block B3 EPSA, including collecting data from the air, but further work has again has been delayed because of the pandemic. Under the current regulatory regime, EPSAs in South Sudan last for six years, so both companies should have sufficient time to complete their exploration programmes - Oranto's EPSA has four more years to run, while the Strategic Fuel Fund has five. Elsewhere, the government has held talks with Total over a concession for Block B1 but the acreage remains vacant.

Chuang said, "The geology for South Sudan's unexplored reserves is very promising, providing we believe an even bigger opportunity. This is why we are launching new licensing rounds. We know new companies will make more discoveries in South Sudan once they start to explore." Exploration was halted for many years during the long conflict between Khartoum and what was to become South Sudan but oil companies often spoke enthusiastically of the territory's potential.

The Ministry of Petroleum has been acquiring the equipment needed for the seismic mapping of the entire country for both the oil and mining industries. The survey, which is expected to take three years, is intended to provide the government with information on which to base its natural resource plans, including tender bidding processes.

First licensing round

The big change in the regulatory environment has been Juba's decision to move away from direct negotiations with oil companies over upstream concessions, in favour of open licensing rounds. A licensing round for 14 new blocks, including blocks A1-A6, was due to be launched in Q1 2020 but was delayed due to the Coronavirus crisis.

Chuang said, "No-one would have been interested in the launch if we had continued with it" but added that it could now be opened next year. The Licensing Round aims to attract diverse foreign investors to the oil sector, including from the West in general and the United States in particular, according to the Ministry's oil sector development plan, which was finalised in June 2019. More blocks could become available if the Ministry follows through on its plans to resize existing blocks, breaking up some existing concessions to attract more investors and reduce the time required to develop hydrocarbon resources.

After a difficult start since independence, South Sudan could finally be turning the corner politically and economically. A more stable operating environment for oil companies should allow increased production, which will provide Juba with more revenue to finance wider development across the country. It will not be an easy process, particularly at a time of COVID-19 affected oil prices but little-by-little the country could achieve its ambition of regaining pre-independence oil production levels.

GUEST COLUMN

East Africa's Rebound: How Businesses Can Emerge Stronger from COVID-19

By Mills Schenck, Takeshi Oikawa, Sisi Pan, Pablo Adloff, Patrick Dupoux and Shalini Unnikrishnan

The COVID-19 pandemic has caused significant human and economic tolls. In East Africa, the COVID-19 situation remains uncertain: reported prevalence appears low given limited testing levels, and the severity (as measured by reported deaths) appears much lower than what has been observed globally. The economic figures are more unequivocal: COVID-19 has significant impact across East Africa, from macro to consumer-level. Global shocks and local restrictions aimed at curbing the virus spread have severely impacted businesses across sectors, particularly for small and medium-sized enterprises. Consumers have already adjusted spending, primarily driven by household financial strain.

To respond, East African businesses will need to tailor their strategies to uncertain disease progression scenarios, global market dislocations, and shifting consumer behavior. In this paper, we recommend four actions to ensure near-term business continuity and four potential opportunities to create advantage in adversity. We also highlight how governments can support businesses in capitalizing on these opportunities.

Four actions to ensure near-term business continuity

1. Workers and workplace: Prepare to operate in the new reality
2. Cash and liquidity management: Actively manage cash and liquidity
3. Demand and supply stabilization: Ensure continuity of customers and operations
4. Data-informed scenario planning: Maintain a dedicated team to track data, assess business impact, and plan for different scenarios

Four potential opportunities to create advantage in adversity

1. Capitalize on shifting supply chain dynamics: Future-proof supply chains, while capturing value from global businesses seeking to do the same
2. Align portfolio with evolving consumer needs: Ensure value proposition aligns with needs by adjusting product, portfolio, and channel mix
3. Invest in the digital customer experience: Make "no-regret" digital bets
4. Explore M&A opportunities: Pursue strategies to save, grow, or extend the core

While the challenges ahead cannot be understated, we firmly believe that East African businesses can take decisive actions to rebound stronger.

COVID-19's Economic Impact, from Macro to Consumer-Level

The economic figures tell a more unequivocal story: COVID-19 has had a tremendous impact across East Africa, from macro to consumer-level. The IMF revised its 2020 projection for global real GDP growth rate from an increase of 3.4% to a decrease of 3%, and the East African Community's growth from an increase of 6.0% to only 1.8%. The prognosis may worsen depending on the disease situation, as total confirmed cases globally have already increased five times since these projections were released in early April. On a macro-level, COVID-19 impacts East African businesses in two distinct yet related ways: (1) global demand and supply shocks and (2) disruptions caused by local restrictions.

First, global demand and supply shocks impact businesses, irrespective of the disease situation within any given East African country. On the demand side, exports materially drive GDP in the region, with $25 billion in 2018 exports and major categories such as Transport, Tourism and Agriculture at high risk. (See Exhibit 1.) In Kenya, for instance, tea prices in the Mombasa Tea Auction declined by 18% year-over-year in May, reaching the lowest point since 2014; coffee sales declined by about 50% in April versus the previous month; and fresh cut flower sales declined by about 40% in March versus the previous month. On the supply side, global disruptions have led to shortages or delays for critical inputs, with consequent price increases. For example, some staple food prices have increased, including a 19% rise for dry maize, a largely imported Kenyan staple, and a 20% higher retail price for teff in Addis Ababa.

EXHIBIT 1 | More Than $25B of EAC Exports at Risk Due to COVID-19

Source: WTO, UNComtrade, press clips; BCG analysis.
[1]Burundi, Kenya, Tanzania, and Uganda. No data available for Rwanda. 2. Other manufactures categories small - next-largest are plastics and auto parts.

Second, many countries established restrictions to curb disease spread. These restrictions were often stringent yet allowed sectors to remain partially operational, unlike in other parts of the world where sectors were fully shut down. Still, restrictions within East African countries directly impact the ability of businesses to operate, particularly for Travel & Tourism, Manufacturing, Agriculture, and Education.

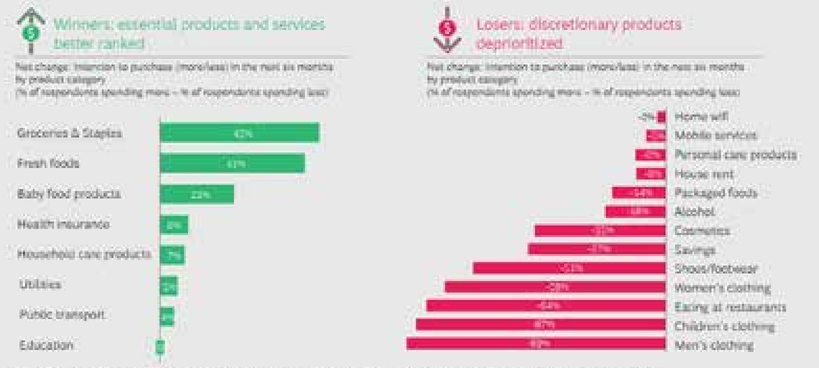
For Travel & Tourism, domestic tourism is a small but growing segment in East AfriCa, now halted by internal movement restrictions, such as Kenya's cessation of movement in and out of the domestic tourism hubs Nairobi and Mombasa. Moreover, restrictions on air travel have reduced overall air freight capacity, driving up logistics costs for Agriculture and Manufacturing businesses. In Kenya, total air freight capacity can only meet about half of demand, with prices nearly doubling.

In Rwanda, prices have increased by 30%. For Education, school closures have put over 300,000 jobs at risk in Kenya, with the impact on students and communities extending far beyond the immediate crisis.

Taken together, macro-level impacts materially affect all sectors, though with notable differences by sector. Kenya's NSE20 Index decreased by about 17% between March 2 and March 31, with the first case in East Africa confirmed on March13. At a sector level, companies in Industrials, Agriculture, ICT, Essential Retail, and Media experienced an average market cap decline of less than 10%, versus about 10% to 20% for Energy, Construction & Real Estate, Logistics, and Financial Institutions, and more than 20% for Nonessential Retail and Travel & Tourism. The differential impact by sector can apply to all businesses, though this data more directly reflects larger, listed companies.
Moreover, these macro-level impacts disproportionately affect small and medium-sized enterprises (SMEs), which comprise the majority of businesses across East Africa. SMEs tend to face greater liquidity constraints and more limited access to financing, according to surveys conducted with businesses in May 2020 by the Kenya Private Sector Alliance, the Economic Policy Research Centre in Uganda, and the World Bank in Ethiopia. In Kenya, about 78% of microenterprises and about 85% of small companies report high to very high impact, versus about 70% of large companies. In Uganda, approximately 17% of microenterprises can withstand the current situation for over one year, compared to 33.3% small, 67.2% medium, and 90.5% large companies. In Ethiopia, 43.6% of microenterprises fully ceased operations in the 14 days prior to the survey, versus 26.9% of relatively larger firms.

Individual consumers are also modifying behaviors, and these shifts will likely shape demand well beyond the immediate crisis. In a recent survey conducted by BCG on Kenyan urban consumers across all income levels, 22 92% have already delayed or reduced spending due to COVID-19, and 93% have experienced a negative impact on their household finances. Lower diaspora remittance levels, a meaningful source of foreign exchange for many African countries, further strains household finances. In the next six months, spending is expected to continue shifting towards basic necessity categories, more economical brands, and more cost-effective channels, such as informal retail outlets. (See Exhibit 3.)

EXHIBIT 3 | | Expected Shift Toward Essential Product Categories



Source: BCG COVID-19 Consumer Sentiment Survey (Kenya), May 18-22, 2020 (N = 501). Excludes categories with N < 25.

To cushion against these severe shocks, governments across the region have announced economic packages ranging from 1.4% to 3.3% of GDP. These packages are largely aimed at providing liquidity to companies (as in, loans to SMEs and fiscal relief to maintain jobs) and social protection measures (as in, provisioning of food and emergency shelter). Businesses will need to survive the immediate fallout and prepare for the rebound against the backdrop of continued disease uncertainty, global market dislocation, and shifting consumer behaviors.

First Things First: Survive and Maintain Business Continuity

Managing COVID-19 will be a journey over several phases—Flatten, Fight, and Future. As previously discussed, the true prevalence of COVID-19 and the extent to which East African countries have flattened the curve remains unclear. Nevertheless, many are beginning to plan for how to resume activities in the Fight phase, given the depth of economic impact.

In light of uncertain disease progression, we recommend four priority actions for East African business leaders to ensure near-term survival and continuity.

1. Workers and workplace:

Prepare to operate in the new reality. As businesses reopen, it is crucial that they implement safety and compliance protocols to reduce disease spread. For example, supermarkets that remained operational under local restrictions now take temperatures before allowing entry, limit the total number of shoppers, provide masks and gloves, and place signs to direct foot traffic and socially distanced queuing. Similarly, many sectors are preparing detailed SOPs for health, hygiene, and social distancing to ensure readiness for workplace reopening.

2. Cash and liquidity management:

As all businesses will be materially impacted by COVID-19, it is imperative to manage cash positions and liquidity. Effective cash management includes establishing a cash office early on to manage inflows and outflows, monitoring liquidity positions, and securing financing. Banks play a key role in providing liquidity to businesses across the region, as many currently restructure their loan books to avert non-performing loans and to ensure business continuity. According to the Central Bank of Kenya, Kenyan banks have restructured KSh 273 billion of loans, approximately 10% of total gross loan books.

3. Demand and supply stabilization:

Engage customers and ensure continuity of supply chains and operations. Businesses will need to explore a variety of levers to stabilize immediate demand, including adjusting product and channel mix, assessing pricing opportunities, and lowering cost to serve. On the supply side, businesses will need to actively manage suppliers, improve end-to-end planning, and optimize logistics and distribution. We see examples of these levers applied across the region. For instance, many tourism operators engaged with customers at the start of the crisis, encouraging them to reschedule rather than cancel upcoming reservations. In Nairobi, some hotels were converted into isolation facilities for patients and health care workers who did not want to expose their families. This retained some demand during the immediate crisis, while contributing meaningfully to the national health response. Moreover, to solidify supply, businesses in Kenya that sourced heavily from China sought out alternative markets, though many reverted once China reopened.

4. Data-informed scenario planning:

Maintain a dedicated COVID-19 response team through at least the end of 2020 to track data, assess business impact, and plan for different scenarios. Businesses must be able to plan dynamically, since the duration and shape of the pandemic across East Africa remains unclear. Global analogs on how other countries are approaching recovery and outcomes to date can be instructive. For example, early indications from both China and the US reveal different recovery rates by sector—food retail and pharmaceuticals are recovering quickly, while vulnerable sectors such as energy and hospitality are slower to come back. BCG has developed a proprietary integrated decision support tool, Light-house, which leverages real-time data monitoring and analytics to help private and public sector clients conduct scenario planning and dynamic decision making.

Advantage in Adversity: Opportunities for Businesses to Re-bound Stronger

As countries resume activities, we propose four potential opportunities for East African businesses to create advantage in adversity and highlight how governments can support them. These offer potential pathways for businesses to strengthen their positions during the Fight phase for a stronger, longer-term Future phase.

1. Capitalize on shifting supply chain dynamics:

COVID-19 has underscored the need for global supply chains to be both cost-efficient and resilient, to withstand future disruptions. East African businesses must future-proof their supply chains while positioning themselves to benefit from global businesses that are looking to do the same. This may involve inshoring manufacturing of previously imported products or orienting businesses to capitalize on global trade shifts.

COVID-19 added urgency to the existing trend of East African countries inshoring manufacturing to secure supply and to capture more value. In Kenya, for example, manufacturers reconfigured factories to produce critical medical supplies. There are over 60 companies producing PPE at the time of writing, with a drastically reduced turnaround time of 48 hours for the government to approve a local manufacturer. Furthermore, Toyota Kenya developed an innovative ventilator prototype and re-purposed its auto parts production as other countries banned ventilator exports.

Moreover, the pandemic may accelerate an existing trend of global businesses diversifying their source markets. For example, Ethiopia's textile industry may be well positioned to capitalize on shifts away from Asia. Ethiopia has been a source market for global fashion companies, such as Inditex, H&M, Decathlon, and Primark, since 2014. TAL Apparel, a clothing firm from Asia, employed 27,000 people in a new industrial park in Hawassa before COVID-19. Going forward, there is an opportunity to capture additional share as global businesses continue diversifying supply chains.

Governments have two major levers to support East African businesses. First, reduce barriers to trade across the region, enabling local manufacturers to scale and become more cost competitive globally. This may include public infrastructure investments that countries such as Kenya are including in their COVID-19 recovery programs. Second, provide clear incentives to set up businesses and investments in priority sectors that have a potential regional or global footprint. This includes clarifying the regulations on special economic zones and export processing zones, whose slow uptake to date has partially been attributed to a lack of clarity.

2. Align portfolio with evolving consumer needs:

Consumers have already adjusted spending, driven by financial necessity and personal adjustments to the new reality of social distancing. Business value propositions need to align with evolving needs, which may require changes to product, portfolio, and channel mix. For example, Sokowatch, a B2B company that enables informal retailers (that is, dukas) to order products via SMS or mobile apps, has increased their shop partners since the crisis started by promoting same-day delivery offers that traditional suppliers cannot match.

Airlines offer another example, with all major regional airlines across East Africa re-purposing passenger flights for cargo to close the gap on total air freight capacity needs. Governments can support businesses to pursue this opportunity by providing liquidity to SMEs and by implementing social protection measures to cushion house-hold finances. For example, Kenya is providing cash transfers to vulnerable house-holds, and Rwanda plans to extend cash transfers to more households, particularly those earning incomes in informal sectors. Insofar as businesses can adapt, governments can support those smaller businesses in particular while protecting consumption.

3. Invest in the digital customer experience:

Consumer behaviors developed during crises can become sticky. In a BCG survey of Kenyan urban consumers, about 91% are using digital banking more often, of whom about 78% expect to continue doing so in the future. Total volume of mobile transactions has increased 50% in Kenya and 100% in Rwanda. Investing in digital offerings can be a no-regrets move, given the increasingly digitally savvy population and expectations for more digital engagement in the new reality.

For example, Credit Bank in Kenya launched an online banking platform to allow corporate customers to process checks remotely, just as restrictions were being implemented. In Uganda, Jumia partnered with the UN to launch an online platform for SMEs to connect with consumers, despite movement restrictions. The consumer can request products, to be packaged by market agents and delivered by a Jumia rider. In Ethiopia, Ethiopian Airlines developed a mobile app for cargo customers, which includes a number of self-service features such as flight schedule checks, cargo tracking, and charter requests. Governments can create enabling conditions for digital business models. For instance, Rwanda's post-COVID-19 recovery plan includes increased spending on digital infrastructure and scaling up of high-tech jobs and skills, with the goal of becoming an outsourcing destination for call centers and other services.

4. Explore M&A opportunities to save, grow, or extend the core:

For businesses that retain financial flexibility and have cash on hand, the disruptions caused by COVID-19 create a compelling landscape for greater M&A activity. We expect different types of M&A strategies to emerge as a result, in order to save, grow, or extend core business operations.

To save the core, deals will focus on divesting non-core assets or protecting less profitable companies that are important for the country through privatization or nationalization. To grow the core (that is, to access markets and establish a regional or pan-African footprint), deals will focus on consolidation for scale and cost-efficiency. To extend the core, deals will look to integrate the value chain for synergies, or to invest opportunistically in distressed assets.

Governments can ensure fair and favorable conditions for these strategies, which may include policies on foreign capital entry, priorities placed on critical sectors such as Tourism and Agriculture, and improvements to the financial and legal services ecosystem needed to execute deals.

https://media-publications.bcg.com/East-Africa-Rebound.pdf

Petroleum Taxes

	Import Duty	" Former Rate of Excise Duty Kshs/Litre "	" Current Rate of Excise Duty Kshs/Litre "	VAT	Road Mainten. Levy	" Petroleum Devel. Levy Kshs/Litre "	Current Rate of Import Decl. Fee	Railway Development Levy	Remission Kshs/Litre	" Adulteration Levy Kshs/Litre "
Motor Spirit (Gasoline) Regular	-	20.5095	21.5227	8%	18.00	5.40	3.50%	2.00%	0.45	-
Motor Spirit (Gasoline) Premium	-	20.9196	21.9530	8%	18.00	5.40	3.50%	2.00%	0.45	-
Aviation Spirit	-	20.9196	21.9530	8%	-	0.40	3.50%	2.00%	0.45	-
Spirit Type Jet Fuel	-	20.9196	21.9530	8%	-	0.40	3.50%	2.00%	0.45	-
Special Boiling Point & White Spirit	-	8.9378	9.3793	8%	-	-	3.50%	2.00%	0.30	-
Other Light Oils and Preparations	-	8.9378	9.3793	8%	-	-	3.50%	2.00%	0.30	-
Partly refined (including topped crudes)	-	1.5247	1.6000	8%	-	-	3.50%	2.00%	0.30	-
Kerosene type Jet Fuel	-	6.0514	6.3503	8%	-	0.40	3.50%	2.00%	0.45	-
Illuminating Kerosene (IK)	-	10.8357	11.3710	8%	-	0.40	3.50%	2.00%	0.45	18.00
Other Medium oils and preparations	-	5.5730	5.8483	8%	-	0.40	3.50%	2.00%	0.30	-
Gas Oil (automotive, light,amber for high speed engines)	-	10.8357	11.3710	8%	18.00	5.40	3.50%	2.00%	0.30	-
Diesel Oil (ind heavy, black for low speed marine and stationery engines).	-	3.8906	4.0827	8%	-	0.40	3.50%	2.00%	0.30	-
Other Gas Oils	-	6.6245	6.9517	8%	-	0.40	3.50%	2.00%	0.30	-
Residual Fuel oils 125 cst.	-	0.3155	0.3310	14%	-	0.40	3.50%	2.00%	0.30	-
Residual Fuel oils 180 cst.	-	0.6309	0.6621	14%	-	0.40	3.50%	2.00%	0.30	-
Residual Fuel oils 280 cst.	-	0.6309	0.6621	14%	-	0.40	3.50%	2.00%	0.30	-
Other residual fuels	-	0.6309	0.6621	14%	-	0.40	3.50%	2.00%	0.30	-
Lubricating oils	25%			14%	-	-				-
Lubricating greases	25%			14%	-	-				-
Batching oils	25%			14%	-	-				-
Butanes (Petroleum gases)	-			-	-	0.40				-
Petroleum Bitumen	10%			14%	-	0.40				-
Bituminous or oil shale and tar sands	10%			14%	-	0.40				-
Bituminous mixures	10%			14%	-	0.40				-

***The Commissioner General ("CG") of the Kenya Revenue Authority ("KRA") vide Legislative Supplement No. 107 Legal Notice No 194 of 2020 dated 1st October 2020 published new excise duty rates on certain excisable goods with specific rates. The new rates have been adjusted for the average inflation rate for the 2019/2020 financial year of 4.94% in accordance with Section 10 of the Excise Duty Act effective on 1 October 2020.**

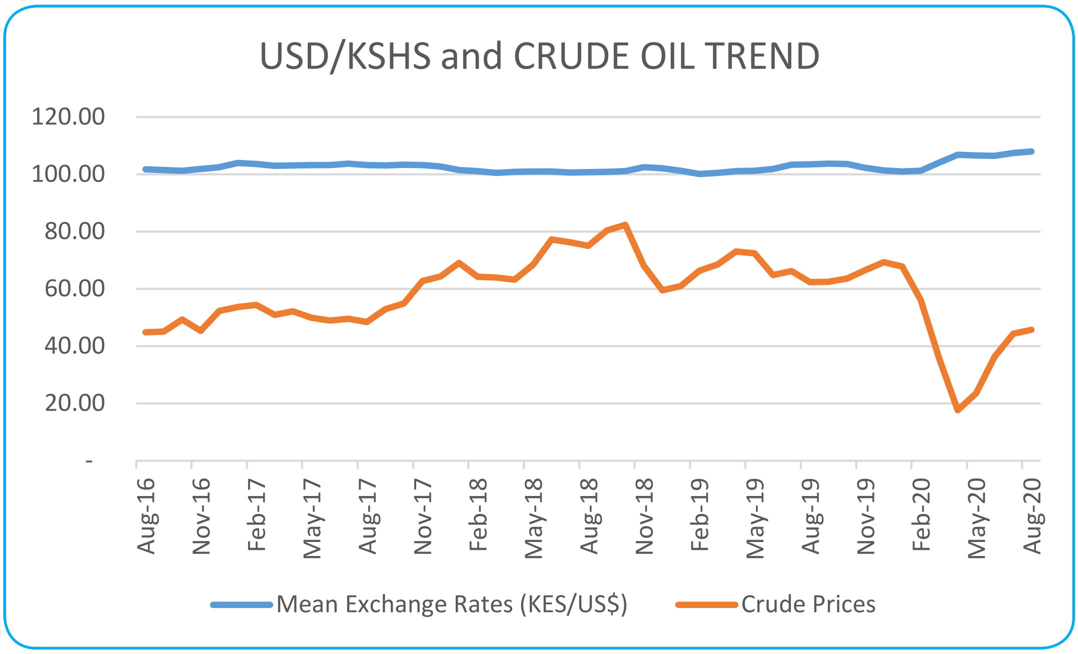
SOURCE: KRA

STATISTICS

STATISTICS

Crude Oil Price Trend

Crude Oil Analysis		
Year 2018 - 2020	**Mean Exchange Rates (KES/US$)**	**Crude Prices**
Apr-18	100.87	63.22
May-18	101.01	68.43
Jun-18	101.01	77.20
Jul-18	100.60	76.30
Aug-18	100.71	75.05
Sep-18	100.88	80.35
Oct-18	101.16	82.30
Nov-18	102.44	68.00
Dec-18	102.16	59.50
Jan-19	101.30	60.95
Feb-19	100.17	66.35
Mar-19	100.47	68.60
Apr-19	101.12	73.05
May-19	101.20	72.35
Jun-19	101.89	64.80
Jul-19	103.31	66.15
Aug-19	103.44	62.30
Sep-19	103.79	62.44
Oct-19	103.55	63.6
Nov-19	102.2	66.6
Dec-19	101.32	69.25
Jan-20	100.97	67.8
Feb-20	101.27	56.1
Mar-20	104.05	35.58
Apr-20	106.83	17.64
May-20	106.65	23.52
Jun-20	106.48	36.34
Jul-20	107.46	44.28
Aug-20	107.93	45.74



Pump Prices

Maximum pump prices (15th September 2020 to 14th October 2020)					
PRODUCT	**MOMBASA**	**NAIROBI**	**NAKURU**	**ELDORET**	**KISUMU**
Super Petrol	104.18	106.55	106.26	107.18	107.18
Automotive Diesel	92.73	95.09	95.02	95.94	95.94
Kerosene	81.37	83.73	83.69	84.61	84.60
Maximum pump prices (15th August 2020 to 14th September 2020)					
PRODUCT	**MOMBASA**	**NAIROBI**	**NAKURU**	**ELDORET**	**KISUMU**
Super Petrol	101.57	103.95	103.70	104.62	104.62
Automotive Diesel	92.26	94.63	94.57	95.49	95.49
Kerosene	81.29	83.65	83.62	84.54	84.54
Maximum pump prices (15th July 2020 to 14th August 2020)					
PRODUCT	**MOMBASA**	**NAIROBI**	**NAKURU**	**ELDORET**	**KISUMU**
Super Petrol	98.11	100.48	100.26	101.18	101.17
Automotive Diesel	89.50	91.87	91.83	92.75	92.74
Kerosene	63.09	65.45	65.47	66.40	66.39
Maximum pump prices (15th June 2020 to 14th July 2020)					
PRODUCT	**MOMBASA**	**NAIROBI**	**NAKURU**	**ELDORET**	**KISUMU**
Super Petrol	77.19	79.68	79.55	80.51	80.51
Automotive Diesel	62.66	65.15	65.19	66.16	66.15
Kerosene	50.56	53.04	53.12	54.08	54.08
Maximum pump prices (15th May 2020 to 14th June 2020)					
PRODUCT	**MOMBASA**	**NAIROBI**	**NAKURU**	**ELDORET**	**KISUMU**
Super Petrol	71.42	73.90	73.81	74.77	74.77
Automotive Diesel	66.46	68.94	68.98	69.95	69.94
Kerosene	67.86	70.35	70.38	71.35	71.34
Maximum pump prices (15th April 2020 to 14th May 2020)					
PRODUCT	**MOMBASA**	**NAIROBI**	**NAKURU**	**ELDORET**	**KISUMU**
Super Petrol	81.56	84.03	83.86	84.84	84.83
Automotive Diesel	86.25	88.71	88.69	89.66	89.65
Kerosene	65.97	68.43	68.47	69.44	69.42
Maximum pump prices (15th March 2020 to 14th April 2020)					
PRODUCT	**MOMBASA**	**NAIROBI**	**NAKURU**	**ELDORET**	**KISUMU**
Super Petrol	108.41	110.87	110.63	111.60	111.60
Automotive Diesel	99.17	101.65	101.61	102.58	102.87
Kerosene	92.99	95.46	95.44	96.41	96.41
Maximum pump prices (15th February 2020 to 14th March 2020)					
PRODUCT	**MOMBASA**	**NAIROBI**	**NAKURU**	**ELDORET**	**KISUMU**
Super Petrol	110.40	112.87	112.61	113.59	113.58
Automotive Diesel	101.98	104.45	104.41	105.38	105.37
Kerosene	100.21	102.69	102.65	103.61	103.61
Maximum pump prices (15th January 2020 to 14th February 2020)					
PRODUCT	**MOMBASA**	**NAIROBI**	**NAKURU**	**ELDORET**	**KISUMU**
Super Petrol	108.15	110.20	109.80	110.60	110.60
Automotive Diesel	100.27	102.32	102.12	102.92	102.92
Kerosene	101.91	103.95	103.76	104.57	104.56
Maximum pump prices (15th December 2019 to 14th January 2020)					
PRODUCT	**MOMBASA**	**NAIROBI**	**NAKURU**	**ELDORET**	**KISUMU**
Super Petrol	107.45	109.50	109.10	109.90	109.99
Automotive Diesel	99.74	101.78	101.58	102.39	102.38
Kerosene	100.26	102.31	102.11	102.91	102.91

STATISTICS

EPRA Petroleum Prices

Breakdown of the costs of Super Petrol (PMS), Diesel (AGO) and Kerosene (DPK) in Nairobi: 15th June 2020 to 14th July 2020				
Cost Item	**Cost Description**	**Super Petrol**	**Diesel**	**Kerosene**
		Kshs/Litre	**Kshs/Litre**	**Kshs/Litre**
Landed Cost (a)	Weighted average cost for all imports	35.63	35.82	30.61
Pipeline Transport (Msa - Nrb)	Pipeline (100% PMS, AGO & IK)	2.17	2.16	2.16
Road Transport (Msa-Nrb) - Bridging	Road (0% PMS, AGO & IK)	0.00	0.00	0.00
Pipeline Losses	Pipeline (0.25%)	0.03	0.03	0.02
Depot Losses	0.5% PMS, 0.3% For DPK & AGO)	0.41	0.22	0.19
Delivery within 40kms of Nairobi	Delivery to petrol stations	0.54	0.54	0.54
Storage and distribution (b)		**3.15**	**2.95**	**2.91**
Importers Margin	Wholesale	4.20	4.17	4.17
Dealers Margin	Retail Investment Margin	4.05	4.05	4.05
	Retail Operating Margin	4.14	4.14	4.14
Oil Marketing Companies Margins (C)		**12.39**	**12.36**	**12.36**
Excise Duty	Tax	21.95	11.37	11.37
Road Maintenance Levy	Levy	18.00	18.00	0.00
Petroleum Development Levy	Levy	5.40	5.40	0.40
Petroleum Regulatory Levy	Levy	0.25	0.25	0.25
Railway Regulatory Levy	Levy	0.67	0.68	0.58
Anti-adulteration Levy	Levy	0.00	0.00	18.00
Merchant Shipping Levy	Levy	0.03	0.03	0.03
Import Declaration Fee	Levy	1.18	1.18	1.01
Value Added Tax (VAT)	**Tax**	7.89	7.04	6.20
Taxes and Levies (d)		**55.38**	**43.96**	**37.84**
Retail Prices in Nairobi (a) + (b) + (c) + (d)		106.55	95.09	83.73
Summary		**Super Petrol**	**Diesel**	**Kerosene**
		KShs/Litre	**KShs/Litre**	**KShs/Litre**
Products Costs (a)		35.63	35.82	30.61
Distribution and Storage Costs (b)		3.15	2.95	2.91
OMC Margins (c)		12.39	12.36	12.36
Taxes and Levies (d)		55.38	43.96	37.84
Retail Prices in Nairobi		**106.55**	**95.09**	**83.73**

SOURCE: EPRA

NOTE: The computation of pump prices has taken into account the changes effected by the Tax Laws (Amendment) Act, 2020 which was assented to on 25th April 2020. All the changes in the Act became effective on that date, except the change in the basis of calculating VAT on petroleum products, which became effective on 15th May 2020. While the VAT was retained at 8%, the calculation of VAT now includes excise duty, fees and other charges in line with the East African Community Customs Management Act (EACCMA). Therefore, the basis of charging VAT at the point of entry includes the CIF value, the applicable customs duty and excise tax but excluding IDF fees and Railway Development Levy.

Petroleum and Petroleum Products Data is Accessible from the PIEA Secretariat.
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