Tracing inclusivity: Contribution of the Dutch private sector to inclusive development in Kenya. Case study of Unilever Tea Kenya Ltd., the flower sector and Lake Turkana Wind Power project

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Chapter 1. Introduction

1.1 Background of the study

This thesis is part of a larger research project entitled "Dutch Multinational Businesses, Dutch government and the promotion of productive employment in Sub-Sahara Africa: a comparative study of Kenya and Nigeria". This comparative study is a joint effort of the African Studies Centre Leiden University (ASCL), the University of Nairobi (UoN), the Kenya Association of Manufacturers (KAM), African Heritage Institution and Enugu Chamber of Commerce, Industry, Mines and Agriculture. The project is part of the research agenda of the Knowledge Platform on Inclusive Development Policies (INCLUDE),[1] funded by the Ministry of Foreign Affairs through NWO-WOTRO. The main objective of the larger research was to conduct a highly empirical study that would lead to practical advice and policy suggestions for more inclusive African development through structural transformation, with specific attention to productive employment (NWO, 2013).

This particular thesis focuses on the Kenyan part of this larger research. It aims to assess what the contribution of the Dutch private sector has been to inclusive development (a concept that will be defined in the next section) in Kenya and the potential role of Dutch Private Sector Development (PSD) policies in this process. The focus will be on tracing the process behind the developments of three important sectors in Kenya and the role of Dutch multinationals in these processes. These sectors and respective case studies are as follows:

- the tea sector and the case of Unilever Tea Kenya Limited (UTKL);
- the flower sector (a sector-wide analysis);
- and the renewable energy sector, the in-depth case study of Lake Turkana Wind Power (LTWP) project.

In order to investigate (i) whether Dutch multinational business helps or hinders the task of promoting inclusive development in Kenya, as well as (ii) the potential role of Dutch Private Sector Development policies in this process, this thesis is conceptually, methodologically and empirically explorative. Using the approach posited by Dekker (2017) and (partly) Santpoort, Bosch, Betsema, & Zoomers (2017), this thesis will describe the historical, social and economic context, as well as analyse how underlying political economy and power relations shaped patterns of inclusion and exclusion in each of the case studies.

This introductory chapter will start by introducing the main concept of inclusive development used in this research, followed by an explanation of the overall research approach (with more information about the methods used and selected case studies) and the structure of the thesis.

1.2 Introducing the main concept: inclusive development

During the second half of the 20th century and the first decade of the current millennium, the international development paradigm has undergone several shifts in focus. Firstly, there was the trickle-down approach, then the age of structural adjustment and neoliberal growth. We are now in an era of multipolar globalisation, post-economic crisis and climate crises, focused on inclusive development (ID) (Dietz, Havnevik, & Kaag, 2011; Gupta et al., 2015; Islam, 2019; Pouw & Gupta, 2017b). In the literature, ID can mean an active participation in developmental processes of currently marginalised groups,

[1] The Knowledge Platform on Inclusive Development Policies, INCLUDE, was established in June 2012. It brings together researchers from African countries and the Netherlands who work with the private sector, NGOs and governments to exchange knowledge and ideas on how to achieve better research-policy linkages on inclusive development in Africa. The platform is one of five knowledge platforms initiated by the Dutch Ministry of Foreign Affairs to contribute to knowledge and effective policies in the Netherlands, other donor countries and developing countries (INCLUDE, 2019a).

defined as: ultra-poor, women and people with disabilities (Adjei-Amoako, 2016; Altaf, 2019; Koralagama, Gupta, & Pouw, 2017; Narayan, Patel, Schafft, Rademacher, & Koch-Schulte, 2000). It means, therefore, increasing the participation of the marginalised in policy and politics, re-distributing power and resources, as well as building capacity, so people can help themselves (Pouw & Gupta, 2017b).

The increased interest in the concept of inclusive development in the last decade, in both academic and political circles, is a result of the recognition that the poorest groups have not benefited enough from economic growth, especially in sub-Saharan Africa (AfDB, 2015; AUC/OECD, 2018; de Kemp & Lobbrecht, 2018; INCLUDE, 2019b). Bringing the excluded, those who were not affected by the expected trickle-down effect of the economic growth, into this process is a core principle of the current global development agenda adopted by all United Nations Member States in 2015 – the Sustainable Development Goals (SDGs) (Gupta & Vegelin, 2016; Osakwe & Moussa, 2017). In this context, sustainable and inclusive development is translated into the slogan 'leaving no one behind' (Hickey et al., 2015; Rammelt, Leung, & Gebru, 2017; Teichman, 2016a; UNGA, 2015). Thus, the core principle of ID is that everyone's welfare should be improved, meaning that interventions should reduce and not deepen existing inequalities (Teichman, 2016a).

The precise definition of the concept is still debated[2] and often, ID is not clearly distinguished from the concept of inclusive growth (Gupta et al., 2015; INCLUDE, 2019b). The latter focuses only on income and equal opportunities for the poor (Rauniyar & Kanbur, 2010), while ID should be understood more broadly as defined by the INCLUDE Knowledge Platform:

> *"Inclusive development aims to reduce poverty and inequality" (INCLUDE, 2019b: 5).*

This definition of ID will be adopted in this study, as it can be used universally, including in the context of the private sector. It implies that inclusive development is about participating and benefitting from the development process, while further expanding to other dimensions (Pouw & Gupta, 2017b).

According to INCLUDE (2013), the dimensions of ID can be economic, political and social, while Awortwi & Dietz (2019) also point out the importance of political economy within the political dimension and add a spatial dimension (inclusion of marginal areas) to the debate. Gupta et al. (2015) discuss the economic, social, and ecological dimensions[3] of ID and argue that, in practice, there are often trade-offs in favour of the economy at the cost of social well-being and environmental sustainability. Finally, Bebbington (2013) argues that inclusion can have economic, socio-cultural and political components, and these are not necessarily co-present either.

Although the concept of inclusive development may be conceptualized in different ways, it is important to focus on both the processes and outcomes (INCLUDE, 2013; Islam, 2019; Rocha Menocal, 2017b). Equal participation of all relevant stakeholders in the design and implementation of a policy or an intervention is key to inclusive development processes. It thus also increases the chances of realizing inclusive development outcomes. In reality, that is frequently not the case, although non-inclusive, thus

[2] It should be noted that in 2017, the World Economic Forum attempted to quantitatively measure inclusive development by defining the so-called Inclusive Development Index (IDI). IDI is the arithmetic mean of twelve variables grouped in three dimensions. The first of them is called growth and development. It includes per capita wealth, employment, labor productivity and life expectancy. The second dimension, inclusion, averages income per household, poverty rate, and relative inequality for income and wealth. The third dimension, intergenerational equity and sustainability, includes four indicators concerning savings, public debt, dependency ratios and carbon intensity per product unit (Prada & Sánchez-Fernández, 2019). Although it is an interesting and relevant tool, its development came too late to get properly embedded within the frame of this research.

[3] Gupta et al. (2015: 546) defines ID as "development that includes marginalized people, sectors, and countries in social, political, and economic processes for increased human wellbeing, social and environmental sustainability, and empowerment".

exclusive processes, may lead to both inclusive and exclusive (non-inclusive) outcomes (INCLUDE, 2013, 2019b). This means that there may be varying degrees to which ID is achievable in particular contexts and these degrees will often depend on the commitment and/or interest of national governments and other strategic actors[4] working towards this goal (INCLUDE, 2013; Rocha Menocal, 2017b; Widianingsih & Paskarina, 2019). Therefore, to effectively promote inclusive processes and outcomes, a thorough understanding of the local political and institutional context is required.

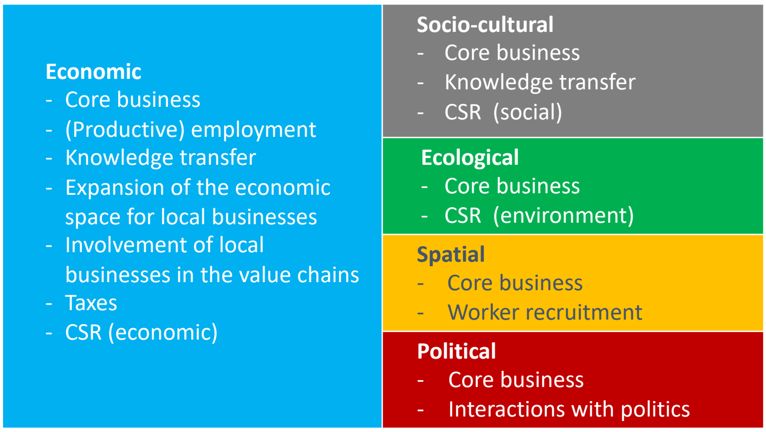
In sum, inclusive development is a broad, dynamic and multidisciplinary concept that is embedded in economic, socio-cultural, ecological, spatial and political dimensions, and requires investigation of the potential trade-offs between inclusive development processes and outcomes in specific contexts.

1.3 Inclusive development and the private sector

Opening up markets for new or previously non-inclusive sectors to new strategic actors and activities is considered necessary to achieve greater inclusion (Hickey et al., 2015; Pouw & Gupta, 2017a; Rauniyar & Kanbur, 2010; Teichman, 2016a). To achieve ID, as per the SDG agenda, the private sector was identified as one of the main strategic partners (UN, 2015). The current role of business in society, therefore, contrasts sharply with Milton Friedman's concept that assumed that 'the business of business is business' (Zulkhibri, 2018). The private sector is now expected by states, society and the international community to play a critical role in the inclusive development process that will lead to inclusive development outcomes. This can be done through sustainable and responsibly executed core business operations. These operations generate processes and outcomes that can, in principle, be sorted into five discussed dimensions of ID: economic (E), socio-cultural (SC), ecological (ECO), spatial (S) and political (P) (Awortwi & Dietz, 2019; Bebbington, 2013; Gupta, Pouw, & Ros-Tonen, 2015) (Figure 1). Example of such processes and outcomes are (productive) employment generation (E), inclusive staff recruitment (S), knowledge transfer (E, SC), expansion of the economic space for local businesses (E) and their involvement in the value chains (E), paying taxes to governments (E), as well as providing corporate social responsibility (CSR) programmes[5] to the communities that they work with (E, SC, ECO) (Goris & Vrancken, 2018; Gupta & Vegelin, 2016; Kapstein, 2008; Kolk & Lenfant, 2018; Kontinen & Spierenburg, 2008; Kourula et al., 2017; Osakwe & Moussa, 2017; Porter & Kramer, 2011; Scheyvens et al., 2016; UN, 2015; Utting & Marques, 2010). To encourage greater participation of the private sector in the ID process, businesses need an enabling environment, including a proper regulatory framework, contract enforcement and macroeconomic stability (Zulkhibri, 2018). The role of national governments to ensure these conditions are met is therefore essential (P).

[4] Actors can potentially be identified as strategic when: 1) they have formal decision-making power and are, therefore, in a position to exercise leadership, and 2) have the legitimacy and force to influence decision making (INCLUDE, 2019b).
[5] CSR is understood as "context-specific organizational actions and policies that take into account stakeholders' expectations and the triple bottom line of economic, social, and environmental performance" (Aguinis, 2011: 855).

Figure 1. Expected inclusive processes and outcomes of the private sector operations classified in five main dimensions of ID



Source: Own elaboration by the author

Among the possible contributions of the private sector to ID, as listed above, productive employment is considered to be the cornerstone of the process of inclusive development (Islam, 2019; Szirmai et al., 2013). Productive employment is "employment yielding sufficient returns to labour to permit workers and their dependents a level of consumption above the poverty line." It is composed of three dimensions: 1. remuneration; 2. stability of employment; and 3. working conditions (Marcatelli, 2015; Szirmai et al., 2013).[6] Employment creation depends on changes in productive capacity and economic structures, but again also on supporting policies. Policies can provide incentives for better use of labour resources and enhance the productive capacity of the labour force through the development of human capital or by supporting innovation and technological upgrading (Szirmai et al., 2013). As labour power is often the main productive asset possessed by the poor, access to productive employment can translate into improved standards of living and lower poverty rates (Golub & Hayat, 2014; Islam, 2019).

Business leaders have generally declared that they are ready to accept the mandate to act as global development actors and have already started to work in this direction (Frey & Sabbatino, 2018). "The last great emerging market is Africa", said David Rubenstein, Co-Founder and Co-Executive Chair of the Carlyle Group, an American multinational investment firm. "Africa (…) presents huge opportunities here and now, and many companies and entrepreneurs are already going after them successfully", seconded Tidjane Thiam, CEO of Credit Suisse in the latest and largely optimistic book by Leke, Chironga, & Desvaux (2018) "Africa's Business Revolution: How to Succeed in the World's Next Big Growth Market". Africa is no longer perceived as a "hopeless continent" (The Economist, 2000). With over 400 companies with annual revenues of more than $1 billion (both home-grown and multinational), 89 cities of over 1 million inhabitants expected by 2030 and a total population of currently over 1.3 billion people, which is predicted to double by 2050, there is indeed a ray of optimism shining over the savannah for current and potential investors (Dietz & Akinyoade, 2018; Leke et al., 2018). However, this rapid growth is also a source of concern in the global debate. A vast majority of the current jobs are with low productivity and in the informal sector, while permanent formal sector jobs only represent about 10% of employment (Stampini, Leung, Diarra, & Pla, 2013). It is estimated that 122 million young people in Africa will join the labour force over the next decade but only one in four will find a stable, wage-paying job. If greater numbers of better jobs are not created, this situation will continue and possibly worsen (AfDB, 2016; Louise Fox, Senbet, & Simbanegavi, 2016).

[6] Separate from, but complementary to productive employment is a concept of decent work. Decent work is defined as absence of coercion, equity at work, security at work, and dignity at work. (Marcatelli, 2015; Szirmai et al., 2013).

There is a general positive correlation between the presence of strong and competitive business enterprises and the economic development of the nation (Akinyoade, Dietz, & Uche, 2017). Statistics from 2011 show that in the context of Africa, the private sector accounts for about two thirds of total investments, four fifths of total production, three fourths of total credit and provides approximately 90% of total employment opportunities (AfDB, 2011a). Despite growing and untapped demand, Africa is not an easy place to do business (Asongu & Odhiambo, 2019). The continent represents 54 countries[7] of diverse levels of economic, institutional and regulatory frameworks; over a thousand different languages; huge diversity in income and education levels, resource availability, as well as unequal infrastructure and private sector development rates between and within the countries (Leke et al., 2018). Nevertheless, 'Africa is open for business' (Kgomoeswana, 2015).

In addition to numerous successful indigenous businesses, foreign multinationals have successfully, albeit at times controversially, operated across the African landscape (i.e. Frynas, 1998; SOMO, 2010; Van Beemen, 2019; Van Der Wal, 2009). A multinational company (MNC) is a type of enterprise "which comprises entities located in two or more countries which are linked, by ownership or otherwise" (UNCTAD, 2015). Regardless of their size, per definition all Dutch companies working in developing countries can be considered as multinational companies. Despite the changing nature of international business in Africa (Adeleye, Ibeh, Kinoti, & White, 2015), European and Dutch MNCs have a long history of operating in Africa and remain important actors on the continent (Lem, Van Tulder, & Geleynse, 2013).

Based on the growing recognition of the role of the private sector in the development process, many member countries of the Organisation for Economic Co-operation and Development (OECD) have been scaling up their Private Sector Development (PSD) programmes as part of their Official Development Assistance (ODA). Through diverse funding schemes for private businesses, the objective has been to enhance the role of the private sector across a broad spectrum of development activities, create jobs, improve service delivery and the business environment, and increase tax revenues (OECD, 2018). The Netherlands is one of the OECD countries that has been continuously supporting policies and initiatives stimulating private sector and economic development in developing countries since the inception of their bilateral aid. The main underlying assumption behind the Dutch PSD policies (of 2015 but indirectly, also assumed since the 1960s) was that "with good accompanying policies, economic development and trade are the motor for poverty reduction" (MFA, 2015b) with Dutch companies creating (productive) jobs and promoting CSR in the 'home' and 'host' country. Nevertheless, the evidence supporting this hypothesis so far has been thin.

"We believe that multinationals have a key role to play in investing in the infrastructure of skills-building", said Jay Ireland, president and CEO of GE's Africa (Leke et al., 2018). Indeed, MNCs have great potential to create and support productive employment in their 'home' and 'host' country; thus, to contribute, although not automatically, to inclusive development. However, the precise role of MNCs and international business in poverty alleviation and reduction of inequalities in developing countries remains the subject of debate (Kolk et al., 2020, 2018; Utting & Marques, 2010). An explicit link between the international private sector operations in developing countries and their contribution to inclusive development (in terms of outcomes and processes), to the best of my knowledge, has been little explored in academic literature.[8] The discussions that aim at defining this role often fail to adequately consider key contextual, historical, empirical, political and institutional aspects and therefore remain inconclusive (Boyle & Boguslaw, 2007; Fortanier & Kolk, 2007; Kolk & Lenfant, 2018;

[7] The African Union recognises 55 countries on the continent, including a partially recognized state of Sahrawi Arab Democratic Republic (African Union, 2019).

[8] It is acknowledged here that inclusivity might have meant different things in the past or its manifestation could have been defined as a different concept. The novelty of this study is the explicit focus on the nexus of the foreign private sector operations and its contribution to inclusive development defined in a 'modern' way, as described in the section 1.2 and 1.3.

Kolk et al., 2018; Meyer, 2004; Oetzel & Doh, 2009; Utting & Marques, 2010). Consequently, more research that uncovers the context and underlying dynamics of the international private sector operations in developing countries, especially in Africa, is needed (de Haan, 2015; Kolk et al., 2020; Kolk & Lenfant, 2018; Lashitew & Van Tulder, 2017). This thesis aspires to make a contribution to reducing this knowledge gap by analysing the dynamic and contextual challenges of greater inclusiveness in three important economic sectors in Kenya and the role of Dutch MNCs in this process.

1.4 Inclusive development, political economy and political settlement

Governance and political economy factors often play a significant role in shaping policy processes and generating and/or exacerbating constraints to the development of inclusive development outcomes (Hickey et al., 2015; Rocha Menocal, 2017a). This is particularly relevant in the African context, where state power is often achieved and exercised through social, cultural and family network; and state and business interests are closely interconnected (Booth et al., 2014; Booth & Therkildsen, 2012). In the literature, we can distinguish three interconnected political economy factors that may lead to achieving desirable change, in our case, inclusive development. Firstly, rulers' primary objective is political survival (Whitfield & Buur, 2014). A change is likely to occur if the governing coalition faces pressure from (potentially) powerful groups in society that are negatively affected by the current setting or in circumstances when the coalition is set to gain (i.e. political support) from such change (Awortwi & Dietz, 2019; Bates & Bates, 2005; Berendsen et al., 2013; Vlasblom, 2013). Secondly, how power is distributed within and outside the governing coalition shapes its ability to develop and implement policy effectively (Khan, 2010). Finally, certain institutional setups – such as constitutionally defined structures — are hard to change but strongly shape policymaking and implementation.[9] Whether the central government can push sub-national governments to implement policy changes is highly dependent on how 'the rules of the game' structure the formal and informal institutions and society at various levels of scale (North, 1990). For instance, in nation states where patronage networks are powerful and extensive, weak institutions, corruption and cronyism[10] often emerge as important drivers of the relationship between the policymakers and businesses (Akinyoade & Uche, 2018).

It is still not very clear how political economy and, more importantly, (inclusive) political settlements work towards more inclusive outcomes (INCLUDE, 2019b). The political settlements are defined by strongly asymmetrical distributions of power, wealth, access and knowledge that are rooted in systematic exclusion on the basis of group-based identities. In this sense, the actors involved decide on inclusion and exclusion in a given political system, whether it be in terms of process (such as who is included in decision-making) or outcomes (e.g. how wealth is distributed) or both (Rocha Menocal, 2017b). The analyses of political settlements may help explain why 'good' policies often fail to achieve their intended outcomes, why ineffective policies (or exclusive policies) can persist, and why potentially effective inclusive policies are not adopted or, when adopted, not fully or effectively implemented (The World Bank, 2017c). Across Africa, roughly four types of political settlements can be distinguished: development, competitive clientelism, dominant party, and autocratic, although some states have transitioned from one political settlement to another (Khan, 2010). Political settlements continuously evolve as elites and different groups of strategic actors in state and society continue to redefine the nature of their relationships over time (Rocha Menocal, 2017b). This is happening in a rather 'occlusive' fashion – behind closed doors among carefully selected strategic actors. It is possible that, in some instances, the settlements among elites, which are part of the development processes, can produce

[9] Some institutions are easier to change by for example reorganisation or reallocating budgets and responsibilities to different ministries (Isoaho et al., 2017).

[10] Crony capitalism happens where loyalty, bribery, nepotism and tribalism become potential sources of influence (Booth et al., 2014; Harvey, 2007).

distributional outcomes that are more broadly inclusive[11] (Goodwin, 2018; Rocha Menocal, 2017b). It is clear, though, that these processes are highly contextual and by no means linear or straightforward.

It is important to mention here that the recognition of the importance of political economy and political settlements in discussing MNC operations in Africa is generally not a new insight (Langdon, 1974). As this thesis aims to assess the contribution of the private sector to different dimensions of inclusive development outcomes and processes, it recognises that sectors that stimulate growth in particular economies are of great political and economic significance, particularly focused on export markets and energy sector (Geels, 2014; Hochstetler, 2011; Newell et al., 2014; Scoones, Leach, & Newell, 2015). Their developments are, therefore, very closely shaped by "the bargaining power of key economic and social actors in relationship they have been able to forge with the state and parts thereof" (Hickey et al., 2015: 8). Consequently, this thesis will attempt to better understand the underlying power structures and incentive systems that facilitate or hinder the sector's inclusive development in Kenya.

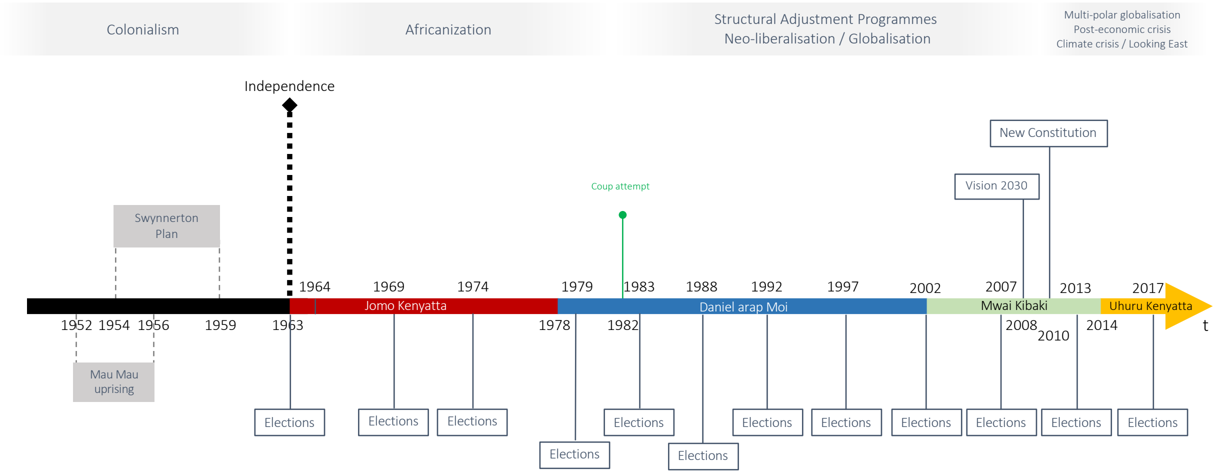
1.5 Kenya setting

Kenya was chosen as the focus country for this study because it has been one of the largest recipients of Dutch aid and investments amongst Dutch partner countries in Africa (Kazimierczuk et al., 2016). Employment creation has been a key policy objective since independence, with even more emphasis in the Vision 2030 of the Kenyan Government (P. Kamau, Kinyanjui, Akinyoade, & Mukoko, 2018). Despite an average of 5.2% economic growth in the past decade, Kenya experienced a growing unemployment rate for youth and vulnerable groups, while poverty levels have remained high. That raises doubts about the inclusiveness of this economic growth.

A central feature of Kenya's political economy is the inseparable link between political and economic interests demonstrated by the deep involvement of politicians in business affairs. Those with economic power, in turn, always tend to look for political cover from those with political influence (Booth et al., 2014). This has been the practice since the colonial period. Kenya became independent from Britain in 1963 and, since then, there have been four presidents in the country: Jomo Kenyatta (1963–78), Daniel arap Moi (1978–2002), Mwai Kibaki (2002–12) and Uhuru Kenyatta (2013 to date). Ethnicity has also been important to the pattern of politics in Kenya. Powerful political elites have established support using state resources since independence, causing widespread grievances over inequalities and long-standing perceptions of exclusion of certain ethnic groups in the distribution of resources (Branch & Cheeseman, 2008; Human Rights Watch, 1995; MacArthur, 2008; Mueller, 2008). The world economy and geopolitical factors have also been powerful ingredients in shaping development possibilities, influencing both opportunities and constraints to inclusive development (Teichman, 2016a). As shown in Figure 2, each administration aligns with an important international developmental paradigm.

[11] For example, in Rwanda, a strong state adopts top-down, but pro-poor, strategies such as access to free health insurance (Goodwin, 2018).

Figure 2. Timeline depicting main political events and development paradigm shifts in Kenya (1888/1952-2019)



Source: Own elaboration based on multiple sources

The election of Jomo Kenyatta in 1964 marks the end of colonialism and the start of the post-independence period. The colonial practice favoured mostly settlers and multinational companies, as well as some indigenous groups over others, which contributed to the intensity of ethnic conflict in the post-independence period (Leys, 1975; Van Zwanenberg, 1975). The post-independence paradigm was marked by rather unprecedented Africanisation during a period that was oriented towards the West and open to foreign capital (Kaplinsky, 1978; Langdon, 1978; Leys, 1975; Swainson, 1980). A few years into the autocratic Moi's presidency, due to a growing global and national economic crisis, Kenya embarked on market liberalisation through structural adjustment programmes (SAPs) prescribed by the World Bank and International Monetary Fund (IMF) in the 1980s (Booth et al., 2014). The liberalisation substantially reduced the role of the state and coincided with a rapid globalisation. Neither the colonial state, nor neo-liberalised economic reforms produced inclusive development outcomes in the country.

From the early 2000s, infrastructural development along the lines of liberalisation and globalisation entered the official development agenda. In Kenya, general elections in 2002, won by Mwai Kibaki, marked the end of Moi's regime and halted Kalenjin[12]-Asian domination in business and political spheres. The focus of Kibaki's administration was economic recovery. He adopted the recommended liberalised approach to the economy and provided space for people to engage in economic activities without major restrictions. The government also began to undertake major infrastructural programmes, such as building new roads and rehabilitating existing ones. The recovery of the economy provided an opportunity for many: even those without political connections and influence got some share of the expanding economy. Nevertheless, two sets of highly powerful business and political elites emerged during Kibaki's regime. Firstly, a small group of Kikuyu and Meru ministers, known as the 'Mount Kenya Mafia', held an overwhelming proportion of power by controlling the key government departments of finance, defence, internal security, justice, and information (Booth et al., 2014; Wrong, 2009). They were known to influence the making of key government appointments during meetings in Hurlingham, in the outskirts of Nairobi city centre. A second group of powerful business elites, also

[12] The Kalenjin are one of the dominant ethnic groups in Kenya, but in numbers they are only in fourth place, behind the Kikuyu (often including the Meru and Embu), the Luo and the Luhya ethnic groups. Kikuyu is the largest ethnic group in Kenya, which makes up to 22% of the total population (Owino et al., 2016). The Luo and the Luhya have always had a rather marginal (or downright excluded) position in national politics. Other important ethnic groups are the Kamba, the Kisii, the coastal Mijikenda, the Somali, the Maasai and Samburu, Turkana, and other smaller pastoral groups. Kenya also still has a considerable population of 'Asians', 'Arabs' and 'Europeans'.

from the president's Kikuyu community, were members of the Muthaiga Golf Club (Kibaki was also a member) (Business Daily, 2010; Daily Nation, 2016). The Muthaiga group had a history with President Kibaki, however their access to the president was limited or constrained by the presence of the Mt. Kenya elite – also known as the Hurlingham group. The Muthaiga and the Hurlingham groups of influence initially stood in opposition to each other. The Hurlingham group was interested in political influence; the Muthaiga group was interested in influencing business or economic decisions (particularly in the banking, insurance, tourism and agricultural sectors. Some of them were Kibaki's business partners). Nevertheless, the Hurlingham group soon shifted its interest to economics and business as well (Booth et al., 2014; Wrong, 2009).

The two elite groups – the Muthaiga golfers and the Hurlingham politicians – had a hand in the move towards the East. The Hurlingham group urged the President to look east and get support from China, arguing that China would give grants and loans without strings attached and without criticising the government over governance issues. The move towards the East was also an opportunity for the Hurlingham group to undermine the commercial interests of the Muthaiga group. The latter had grown by trading with companies in the West. They had invested in multinational corporations and were therefore keen to preserve government relations with the West. The Muthaiga group could not prevent the move to the East, given the West's stand on corruption in government, they therefore adopted a pragmatic stance and saw it as an opportunity to engage in new trade ventures (Booth et al., 2014; Wrong, 2009).

The start of Kibaki's second term in office (2007–08) saw violent protests with 1,300 deaths and 500,000 people displaced. This was followed by international diplomatic intervention by former UN Secretary-General Kofi Annan and a power-sharing agreement between Kibaki and Raila Odinga. The latter was appointed prime minister, a transitional post created for him.[13] When the crisis linked to the post-election violence unfolded in Kenya in early 2008, it was not solely a reaction to the dispute over the election result, but was rooted in long-term, foundational issues that had remained unaddressed since 1963. Among the main issues were a highly centralised presidency, low trust and confidence in key institutions, and ethnic and regional inequalities with Kikuyus holding a disproportionate number of positions in the civil service. Although the economy grew considerably during the Kibaki I administration, with the growth rate rising from about 1% in 2003 to about 7% in 2007, existing inequalities prevented many from benefitting from this recovery (Barkan, 2008; Kanyinga & Walker, 2013).

The relationship between business and politics altered after the coming to power of a coalition government (Kibaki II) in 2008. The constitution was altered to create the new post of prime minister.[14]

[13] Odinga was defeated in the 2013 elections and again in 2017, losing to the current President Kenyatta. During the 2017 elections, Kenyatta won over Odinga in the first round. However, in an unprecedented decision by the Supreme Court of Kenya, the results were annulled because the elections were not held in accordance with the necessary legal standard. Odinga, however, withdrew from the vote, claiming that there was no prospect of a credible election re-run. Ultimately, the re-run elections were won by Kenyatta (The Guardian 2017, Al Jazeera 2017).

[14] A new government structure with a new constitution came into effect following a referendum in 2010. The new Constitution also devolved a significant amount of power from the National Government to the 47 County Governments (which replaced existing county councils) and split policy duties between the National and County Government. The new constitution was important in another significant way – it sought to address Kenya's longstanding challenges around the land question. It established the National Land Commission with powers to address historical injustices around land and to regulate control of land in general. The subsequent Land Act and Land Registration Act of 2012 impacted further upon all things relating to land in Kenya, yet its implementation has been greatly unsatisfactory due to the lack of proper enforcement (Owino et al., 2016). The trouble is, however, that the structure of land ownership in Kenya is equivalent to the structure of political power. The

Each party in government engaged differently with the business community. Power sharing imposed certain constraints on the linkages between politics and business. Kibaki continued to surround himself with 'old money' (money made from investments during the Kenyatta and Moi regime) and in particular the Muthaiga group, as the Anglo-Leasing corruption scandal[15] weakened and obliterated the influence of the Hurlingham group (Booth et al., 2014; Wrong, 2009). Faced with uncertainty, the business community financed both parties in the 2007 general elections. Those around Kibaki in his second government were well established in business and had ventured into new sectors, while those around Odinga were people who were only interested in start-up investments. Nevertheless, rent-seeking was significant on both sides of the coalition government and led to many subsequent corruption scandals (Booth et al., 2014). Internationally, the global climate change challenge started to gain momentum, while the global financial crisis hit in 2007/2008, which substantially altered the shape of the global development order. The idea of a stronger role for the state in the governance process was resurrected in this era of multipolar globalisation (Dietz et al., 2011). In June 2008, Kibaki launched Vision 2030 – the country's development blueprint, which can be considered as Kibaki's attempt to regain control over Kenya's development process.

A new government was formed in April 2013 and it was reconfirmed in August 2017 after the election victory of the Jubilee alliance: Uhuru Kenyatta (Kikuyu) as the president with his running mate, William Ruto (Kalenjin) as the deputy president continued in the steps of their predecessors. The Jubilee government began by casting itself as 'business friendly' and has been far more open to business than previous administrations. Upon being sworn in, the president and his deputy promised to improve the business environment and to consult the business community regularly in making key decisions about the economy and private sector. With such commitments, the state accepted its role as a regulator, but it also allowed and recognised the role and space for the private sector in the country's development process. This attachment to the private sector and the business community has not been accidental. President Uhuru Kenyatta's family is one of the richest – if not the richest – in the East African region today, while the Rutos are also a wealthy and business-oriented family.[16] As the coalition has only been in power for a few years, the situation is still evolving, but some of the networks of influence established previously remain effective. Within the bureaucracy and the Office of the President in particular, there are, for example, strong cartels influencing security sector tenders (Booth et al., 2014). Outside of the bureaucracy, there are powerful individuals in business who are the links between the political elite and the government on the one hand and companies, such as i.e. the Chinese firms that are engaged in major infrastructural projects on the other (Booth et al., 2014).

Kenyatta family, for instance, owns large tracts in different parts of the country. Similarly, Moi has large holdings in parts of the country. Kibaki also owns large pieces of land, especially in central Kenya (Booth et al., 2014).

[15] At some point during the Kibaki I cabinet, the Mt. Kenya Hurlingham political elite turned to the government contracts in their ministries. With the Ministry of Finance on their side, they sought to influence the contracting process to generate funds to support their political manoeuvres and rents for themselves. They identified a non-existent company, Anglo-Leasing and Finance, which would be contracted to deliver non-existent services. The company was linked to a Kenyan Asian who was renowned for fronting the interests of political leaders in contracts for government services during the Moi regime in the 1990s. The company would be paid millions of dollars for services that were not delivered (Booth et al., 2014; Wrong, 2009).

[16] The Kenyatta family has vast amounts of land (estimated to be about 500,000 acres) in different parts of the country. They also own a bank (Commercial Bank of Africa), International Schools (Peponi and Brookhouse schools), a chain of hotels (Heritage Hotels), tented camps in some of the National Parks and Game Reserves, and insurance companies and agricultural holdings, among other properties. The family's dairy company, Brookside, has over 40% share of Kenya's milk market and has opened new operations in the East African region. William Ruto also owns properties in land and in the tourism industry. He made his money in the early 1990s when he joined 'Youth for KANU, 92' (YK 92), a youth group that was campaigning for President Moi against a growing wave of opposition politics. And, as was the practice then, through his activities, he had access to patronage resources including public land, which he would acquire and sell to parastatals. These resources formed the base of his businesses.

As showed above, Kenyan political and economic powers have been strongly intermingled throughout the main periods of Kenyan history and intertwined with global development paradigms. In order to better understand the national (and international) context, this thesis acknowledges these dynamics and assumes that they potentially influence all types of investments in all sectors of the economy of this country. Consequently, this thesis will attempt to understand the underlying power structures and incentive systems in all the studied sectors and cases under examination, while answering the following research questions.

1.6 Research question and contribution to knowledge

The main research question guiding this dissertation is:

What is the contribution of the Dutch private sector operating in the tea, flower and renewable energy sectors in Kenya to inclusive development in that country?

The supporting questions are as follows:

- What were the key factors and processes supporting or constraining the analysed Dutch private sector in Kenya in achieving inclusive development outcomes?
    - What were the key processes and outcomes in the development of the tea, flower and renewable energy sectors in Kenya?
    - What is the nature of these processes and outcomes (are they inclusive or exclusive)?
    - What was the role of the analysed Dutch private sector in these processes?
    - What was the contribution of the analysed Dutch private sector to the achieved development outcomes, particularly through (productive) employment generation and provision of corporate social responsibility (CSR) programmes?
- What was the role of the Dutch government's private sector development policies in supporting the Dutch private sector in becoming more inclusive in their operations in developing countries (and particularly Kenya)?

The study is timely and relevant to academia and the post-2015 Sustainable Development Agenda debate for three fundamental reasons:

1. It will contribute to literature on the importance of the international private sector in achieving inclusive development and the role of supportive policies of the 'home' and 'host' country.
2. It will nuance the debate considering the importance of political economy and political settlement in the development processes. The moments when the settlements are negotiated are dynamic processes that involve selected group of strategic actors, including the state and MNCs. Because these processes happen behind closed doors in a rather 'occlusive' way, this study will refer to them as 'occlusive processes'.
3. It will confirm the importance of making a distinction between different dimensions of ID, as well as inclusive and exclusive development outcomes and processes regarding the private sector development in Kenya, particularly when it involves foreign firms. It will do so by showing that at least in the case of some Dutch firms operating in the tea, flower and renewable energy sectors in Kenya, the private sector is capable of generating inclusive outcomes in economic, socio-cultural, spatial and ecologic dimensions; however, the (political) process that leads to such outcomes is often lengthy and exclusive (and sometimes 'occlusive') in nature.

I will move now to the outline of the research approach, which allowed me to arrive at these three fundamental points.

1.7 Research approach

1.7.1 The INCLUDE research project and its implications

A research that is embedded within a larger research project, like this thesis, comes with both advantages and disadvantages. For instance, the study countries, in my case Kenya, was already predetermined at the beginning of the research. It was similar for the main objective of the larger study, which was highly policy oriented, thus to some extent predetermining the main theme and scope of this thesis as well. On the other hand, being part of a larger team meant participating in broader academic and policy-oriented discussions, and having the institutional support of local partners and a budget for a larger scale data collection. UoN coordinated a sector-wide survey in the flower and energy sector, while KAM's role was fundamental for providing access to some national officials, organising stakeholders' workshops and providing me with a workplace in their office in Nairobi. Furthermore, working on a project, which was funded by and immediately relevant for the Dutch Ministry of Foreign Affairs, allowed for an easier access to the officials in the Netherlands and in the Dutch Embassy in Nairobi. The latter in particular was helpful in providing a letter of support and contacts to Dutch companies operating in Kenya. Finally, for a young researcher like myself, it was simultaneously humbling, enriching, and exciting to work with a team of senior and experienced researchers and practitioners, to engage and exchange interim results with experts and policymakers from the Netherlands, Kenya and elsewhere through events organised by the INCLUDE Knowledge Platform, as well as work on a timely and practical research, which is expected to make a direct contribution to the ongoing debates about making Dutch development policies towards Africa more inclusive.

1.7.2 Research location

The research took place in a number of locations in Kenya, including Nairobi, Limuru, Naivasha, Timau, Kericho and number of locations in the Laisamis constituency. As described in the previous section, the choice of Kenya was predetermined by the frame of the larger research project in which this thesis is embedded. Kenya was chosen as the focus country because it has been one of the largest recipients of Dutch aid and investments amongst Dutch partner countries in Africa (Kazimierczuk et al., 2016). It was assumed that the experience of Kenya, especially given the concentration of Dutch multinational businesses in its agricultural and horticultural sector would yield important lessons that would have wider application in Africa given the predominance of agriculture-dependent economies in the continent. Kenya is also the dominant economic power in the East African region but it is known for its complicated political economy, which is characterised by inseparable links between political and economic interests demonstrated by the deep involvement of politicians in business affairs (as described in the subchapter 1.5). Finally, Kenya is known to be one of the African countries that have adopted a rather open national strategic approach in its dealings with multinational companies. Hence, it was interesting to also investigate how such an approach influenced multinational business responses to the policy objective of promoting productive employment and inclusive development in the country (ASCL et al., 2014).

1.7.3 Research Methods

This research is embedded in a highly practical research framework that is expected to directly contribute to advice about how to make Dutch development policies targeting particularly the African continent more inclusive. Consequently, this thesis starts by reviewing the Dutch development cooperation policies starting as of 1949 with particular attention for private sector development (PSD). It is followed by the empirical section, which constitutes the largest part of this thesis. The focus of this empirical part is on Dutch multinationals in Kenya in three sectors:

- The tea sector: the case of Unilever Tea Kenya Limited (UTKL) (Chapter 3);
- The flower sector (a sector-wide analysis) (Chapter 4);
- The renewable energy sector: the in-depth case study of Lake Turkana Wind Power (LTWP) project (Chapter 5).

The cases were selected during the project kick-off workshop in Nairobi in November 2014, based on the assumed significant potential contribution of each sector to inclusive development of the country.

This study is situated in a relativist position of the constructivist ontological paradigm with an interpretivist epistemology. According to Bryman (2004), constructivism implies that social entities can and should be considered social constructions built upon the perceptions and actions of social actors; while Guba's relativist position implies that there are multiple realities constructed by actors of research, locally and historically specific and none of these constructions can be either false or correct (Guba, 1990). The underlying idea of the interpretivist approach is that the researcher is part of the research, and that they impact on each other. It means that facts and values are not distinct and findings are inevitably influenced by the researcher's perspective and values (Ritchie & Lewis, 2003). Such a position is thus useful for assessing the processes and subjective motives of different actors in the inclusive development process. Consequently, this study made use of mostly qualitative methods.

In the course of the fieldwork, it became evident that one type of data source was insufficient for this exploratory research. As a result, each case study adopts a mixed methods approach. The concept of a 'mixed method' approach to research is often discussed in the context of combining qualitative and quantitative methods. But the same principles apply to using more than one qualitative method to carry out an investigation, since each brings a particular kind of insight to a study (Ritchie & Lewis, 2003). In this research, both definitions are relevant, as among the methods used there is a quantitative sector-wide survey, and qualitative interviews, participant observation, as well as literature, policy and document review. They are all applied under the overarching qualitative lead method of process tracing. Building conclusions on a variety of methods was necessary, firstly, as every case study proved to be different. Secondly, such approach was useful to cross-validate findings, for example by using interviews to triangulate findings from the sector-wide surveys, or confront information from interviews with company officials with employees' views and own observations. The main methods adopted in this research are described in-depth below.

1.7.3.1 Literature, policy and documents review

The data collected through interviews and stakeholder workshops were informed by and further complemented and triangulated with literature specifically addressing the three distinguished case studies: publicly available company information, internal company documents (when available), government policy, as well as scholarly and 'grey' literature and donors' reports. This also provided a background for the sector or the history of the company in the country. These are presented in the beginnings of each of the case studies' Chapters 3 to 5. In addition, a literature, policy and documents review method was used in this thesis to review Dutch development cooperation policies for the years 1949-2019 with particular attention for private sector development (PSD) (Chapter 2).

1.7.3.2 Interviews and participant observation

This thesis collected histories of the companies and the sectors through oral narratives (Oya, 2007; Whitfield, 2017) during fieldwork conducted between October–November 2015, June–October 2016, August 2017 and in January-February 2019. The data was collected using in-depth, semi-structured interviews and participant observations. Interviews were conducted with the firm owners, key staff, government (national and local) officials, and key stakeholders in the sector, through firm visits, as well as through a series of three stakeholder workshops organized in Nairobi by the local project partners.

In the case of LTWP, to analyse the perception of local communities of positive and negative changes in the project area, an exercise from PADev methods was loosely adapted, mostly for the style of reporting from the interviews (Dietz et al., 2013, Kazimierczuk, 2009, 2010).

1.7.3.3 Sector-wide survey

In the framework of the larger research project, the University of Nairobi (UoN) and the Kenya Association of Manufacturers (KAM) took the lead in conducting a questionnaire survey in two sectors: flower and energy. I was integral to this process, starting with questionnaire design, pilot, main data collection and the analysis. During the data collection, the core project team was supported by a number of student assistants.

The primary objective of the survey was to assess the extent to which the sectors and the jobs created have been sustainable, inclusive and productive; and whether there are any differences between practices and quality of employment created by the international players, particularly Dutch companies, in comparison to non-Dutch counterparts. The secondary objective was to assess and understand the main challenges for the companies in the sectors to create and maintain (productive) employment, as well as other pitfalls in their day-to-day operations. The surveys were followed by a case study of selected companies drawn largely from the survey information to get in-depth information, as well as interviews with some companies in the supply chain. This thesis makes use of the results of these surveys too in the case of the flower sector. The more detailed description of the methods for this case study and the results of the survey can be found in Chapter 4.

1.7.3.4 Process tracing and selection of case studies

Due to the highly exploratory and practical nature of this research, process tracing was chosen as one of the overarching methods for this research. Process tracing is an adequate method if we wish to gain a greater understanding of the causal dynamics that produced a certain outcome in a particular historical real-life situation (Beach & Pedersen, 2013). P. Hall (2003) also argues that process tracing should be used if a researcher wishes to understand mechanisms within their specific institutional and historical environment, because things do not happen 'ceteris paribus' – context and time matter.

Beach and Pedersen (2013) identify three types of process-tracing, namely: theory-testing, theory-building, and explaining outcome process tracing. According to Beach and Pedersen (2013) 'explaining outcome process-tracing' is the most common in practice, and it is used in a "situation where we want to explain a particularly puzzling historical outcome" (2013: 11). More inductive, theory-building process-tracing "involves building a theory about a causal mechanism between X and Y that can be generalized to a population of a given phenomenon, starting from a situation where we are in the dark regarding the mechanism" (Beach & Pedersen, 2013: 11). The most inductive form of process tracing is used to deliver a historical explanation of a specific outcome. In this case, process tracing is close (but not identical) to historical explanations (Trampusch & Palier, 2016). In contrast, more deductive theory-testing process-tracing is used when it is possible to theorize a mechanism linking a cause or causes with an outcome. The overall objective of process tracing is to provide a narrative explanation of a causal path that leads to a specific outcome (Beach, 2016). To achieve this, process-tracing can be combined with a case study research design.

The primary defining features of a case study are that it draws from multiple perspectives and is rooted in a specific context that is seen as critical to understanding the researched phenomena. Those multiple perspectives may come from multiple data collection methods, and from multiple accounts, such as people with different perspectives. The study may involve a single case or multiple cases, selected carefully to enable comparison (Ritchie & Lewis, 2003). Process tracing is a single-case method, meaning that only inferences about the operation of the mechanism within the studied case are possible. However, it allows to generalise beyond the studied case, as long as it is coupled with other similar case studies analysed using comparative methods (Beach & Pedersen, 2013; D. Collier, 2011).

In this dissertation, a mix of both theory-building and theory-testing process-tracing methods is used to investigate a possible contribution of the Dutch private sector and Dutch PSD policies to inclusive development (both in terms of outcomes and processes) in Kenya. Such a link has been little explored in academic literature, nor theorised from this angle before; thus, using the theory-building process will allow to make a contribution to academia. My first step in the theory-building process tracing will be to establish a chronology of events in three case studies and to produce a narrative that leads to the emergence of some possible outcomes and processes. Based on the literature discussed above, I make a prediction about the empirical fingerprints of the main causal mechanisms (Beach, 2016). In the case of this research, I expect to confirm the importance of the political economy and political settlements in the process of private sector development. I will therefore pursue this clue by seeking potential relationships between policymakers and businesses within the case studies and position identified processes and outcomes in a broader context of the inclusive development debate.

On the other hand, the Dutch PSD development policy is based on one main underlying assumption, which possibly may allow for the theory-testing in the context of the three selected case studies. This theorised assumption presented by the Dutch government has already established a causal mechanism between increased economic collaboration stimulated by development policies (bilateral aid, exports and direct involvement of Dutch private sector in developing countries), and the creation of (productive) employment, thus contribution to inclusive development in developing countries. To the best of the author's knowledge, this assumption has not yet been tested empirically using the theory-testing process tracing method.

In order to deepen the understanding of the inclusiveness potential of the selected sectors, this thesis adapts the approach posited by Dekker (2017), partly merged with the one presented by Santpoort, Bosch, Betsema, & Zoomers (2017), and adjusted to the context of the private sector in Africa. Following their suggestions, it is first necessary to understand the context (also historically) in which the private companies operate. It is acknowledged that their interaction with the political, social and economic environment has a significant impact on the outcomes of their operations. Secondly, it is important to understand the mechanisms and processes that lead to potential inequalities. Finally, the research should go beyond looking only at the employment the private sector has generated. It is necessary to document where and how the jobs are created, and how and where the benefits of the private sector operations are distributed in society. To this end, a number of qualitative and quantitative methods described above were adopted within each of the case studies.

Choosing case studies was an important step in the research process. The large research project focused on Dutch MNCs in Kenya, thus this was the starting point of the selection process. According to (unpublished) scoping document prepared by the author based on information provided by SOMO, *Financieel Dagblad*, the Dutch Embassy in Nairobi and other external sources at the beginning of the research in 2014, there appeared to be over a hundred active Dutch companies in Kenya. After analysing all the companies using available internet sources, the final number of Dutch multinationals was lowered to 57, with as many as 76 active direct investment enterprises.[17] The case studies were selected from this pool during the project kick-off workshop in Nairobi in November 2014, based on the presumed high concentration of Dutch business in each sector and the contribution of each sector to direct or indirect employment creation in the country. Based on this assumption, the tea, flower and renewable energy sectors (with subsequent case studies) were chosen for this study. A more detailed background description of the selected sectors and case studies can be found below.

[17] Some of the companies that initially were indicated as a self-standing enterprise, in fact belong to a bigger holding or MNC from the Netherlands or elsewhere. Hence the big drop in relation to the initial number provided.

Case study 1: The tea sector: the case of Unilever Tea Kenya Limited (UTKL)

In 2017, Kenya was the third largest exporter of tea in the world and the host of one of the biggest tea auctions (Business Day, 2017; World's Top Exports, 2017). In 2017, over 219,000 hectares were under commercial tea cultivation, in total producing 439,858 tons of the crop – almost all for export worth KES 147,251 mln (~EUR 1.254 bln) (KNBS, 2018). This currently makes tea Kenya's second-biggest source of foreign-currency earnings after remittances (Business Day, 2017). Moreover, in 2006, the tea sector created an estimated – both directly and indirectly – 3 million jobs (Largo, 2011; Van der Wal, 2011). Tea is not, however, an indigenous plant to Kenya, nor to the African continent. The first tea bushes in Kenya were introduced on an experimental basis by European settler C.S.L. Caine who planted the Indian seedlings on less than a hectare farm in Limuru in 1903 (N. Hall, 2000; Talbott, 2002).[18] Since then, tea production has grown rapidly and established deep roots in the Kenyan economy. By 1924, the tea production had remained marginal until two multinational companies – Brooke Bond (predecessor of Unilever Tea Kenya Limited) and James Finlay - decided to enter the country and radically transformed the tea sector (Mohan, 2018).

The development of the tea sector in Kenya is considered by many as one of the success stories of the inclusion of the indigenous smallholder farmers in the sector formerly initiated and dominated by MNCs. UKTL, and its predecessors, played an important role in the development and professionalization of the tea sector in Kenya – one of the most important export products until today. Moreover, UTKL, and its predecessor, was listed on the Nairobi Stock Exchange between 1971 and 2008, which facilitated the access to official company data for this period. To date, no long-term and up-to-date business history of UKTL's operations in Kenya has been written.[19] This created an excellent opportunity to investigate the history of this company between 1919 and 2008 and apply the inclusive development lens to the analysis of their operations in the country. A possibility to follow a timeline of nearly a century of the business operations was an occasion to make a very clear distinction between inclusive development outcomes and processes.

Case study 2: Flower sector

The development of the flower sector has been considered by some as one of Kenya's major economic success stories (Dolan & Opondo, 2005; English, Jaffee, & Okello, 2006; Steve Jaffee, 1995; Steve Jaffee, Henson, & Rios, 2011) and as a curse by others. Since the sector's rapid development, flower companies have been criticized for poor labour standards (Böhm, Spierenburg, & Lang, 2018; HIVOS, 2013; KHRC, 2012; Leipold & Morgante, 2013; Riisgaard, 2007, 2009b), cases of sexual harassment (Barrientos, Dolan, & Tallontire, 2003; Dolan, Opondo, & Smith, 2002; Dolan & Sorby, 2003; KHRC, 2012; Lowthers, 2015), unsafe use of chemicals (FAO, 2002; Hale & Opondo, 2005; Leipold & Morgante, 2013; Lim, Nabeegh, & Qing, 2010; Mlynska, Wass, & Amoding, 2015), negative environmental impact (Barlow, 2008; Daily Nation, 2011a, 2011c; English et al., 2006; Leipold & Morgante, 2013; Vasagar, 2006; Williams, 2007), tax avoidance practices (Daily Nation, 2010, 2011b; Irgungu, 2013), land issues (Kirigia, Betsema, Van Westen, & Zoomers, 2016; Mlynska et al., 2015), over-certification (Riisgaard, 2009b; Wijnands, 2005), and marginalization of smallholder farmers (Dolan & Sorby, 2003; Kirigia et al., 2016; Mitullah, Kamau, & Kivuva, 2017; Muthoka & Muriithi, 2008; N. Mwangi, 2017; Zylberberg, 2013) among others. Despite the negative press, with earnings equivalent to Ksh 82.2 billion[20] (in 2017)

[18] It was done in response to growing uncertainties in another British colony at that time – India and Ceylon – which were the major tea suppliers to the UK at that time (Mohan, 2018).
[19] Swainson (1980) wrote a detailed business history of Brooke Bond in Kenya (which was later bought by UTKL in 1984) for their operations ending in 1977.
[20] 100Ksh = ±1 $; 100Ksh = ± 0.80 €.

(Andae, 2018; Kariuki, 2018), floriculture remains one of Kenya's top foreign exchange earners[21] (Mwaniki, 2017), directly contributing 1.1% of the GDP (2016). Moreover, the flower sector remains a major employer in the country. The Kenya Flower Council (KFC) estimates (although the figures are slightly out of date now[22]) indicate that the sector generates about 90,000 jobs directly at flower farms and about 500,000 indirectly. Through backward linkages, the floriculture industry has an impact on over 2 million livelihoods (KFC, 2017), which equates to 5% of the current Kenyan population.

The floriculture value chain consists of a variety of players involved in activities, such as plant development and growing, providing necessary inputs, transport and handling – each of them generating a part of the direct or indirect employment. The most visible (and most criticized) part of the chain is located on the flower farm. Within the plant growing sub-sector, three main activities can be distinguished: breeding (developing new varieties), propagation (multiplying by any process of natural reproduction from the parent stock) and growing plants. Growers provide the highest employment opportunities in the entire chain, predominantly for women (Dolan & Sorby, 2003; Leipold & Morgante, 2013; Mitullah et al., 2017; Opondo, 2002; Riisgaard, 2009b; Whitaker & Kolavalli, 2006a). Due to the nature of their work, breeders and propagators hire less people. However, breeders contribute substantially to indirect employment creation. Indirect employment is also created by a number of local and international companies that provide necessary materials, chemicals, fertilizers, transport and other logistics, as well as vendors who consolidate the flowers from smallholder farmers to sell them on the international market.

In 2016, approximately 190 flower farms, owned by 145 companies – mostly medium and large multinationals – were under commercial floriculture.[23] Additionally, it is estimated that approximately 2,500-5,000 smallholder farmers are also involved in the flower production (Mitullah et al., 2017; Riisgaard, 2009b); nevertheless, their overall contribution to the sector remains marginal although it is gently increasing. The initial development of the sector in the 1970s and in the 1980s was largely driven by European (Dutch) investors. However, the composition of the industry has changed considerably during the last thirty years. Contrary to popular belief, that mostly Dutch companies grow flowers in Kenya, the flower growing is done predominantly by Kenyan-owned farms. Dutch companies do dominate breeding and propagation activities. Over the years, the sector has matured and is considered well developed. The sector can currently be considered saturated, so mergers and fusions are not uncommon, but there are still newcomers, mostly local, entering the sector each year. Consequently, the sector remains an important employer in the country. It has been estimated that it accounted for over 65% of new jobs created in the agricultural sector between 2010 and 2015 (Mitullah et al., 2017), but the quality of this employment is less clear. This raises questions about the extent to which the sector and the jobs created are sustainable, inclusive and productive, and whether there are any differences between practices and quality of employment created by the international players, particularly Dutch companies in comparison to the non-Dutch companies.

The Kenyan flower sector is an excellent case study for illustrating the potential and challenges of the private sector to contribute to the inclusive development of an African country. The sector is an example of an African stabilized capitalist agricultural production linked to global value chains (Whitfield, 2017) and a potential 'industry without a smokestack'[24] (Newfarmer, Page, & Tarp, 2018). Foreign (private) investors and partners played a critical role in launching and expanding the floriculture

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[21] In 2017, horticulture was the fourth main foreign exchange earner after remittances, tea and tourism (Mwaniki, 2017).
[22] The same estimates have been in circulation since 2010 (Maina, Mutitu, & Ngaruiya, 2011; Perry, 2012).
[23] Own calculations based on desk research and multiple internet sources. As the sector is very dynamic, mergers and/or takeovers are quite frequent.
[24] The industries without smokestacks include tradable services (e.g., IT, tourism, transport), horticulture, and agro-industry, which can provide new opportunities for export development in low-income countries and in turn drive economic growth (Newfarmer et al., 2018).

industry in Kenya, but, over time, flower growing has been taken over by Kenyan-owned farms, potentially indicating an inclusive character of the sector in terms of local entrepreneurs taking a larger share of it. Furthermore, in contrast to some other agricultural sectors (Whitfield, 2017), very limited state support, or rather the state's 'do not disturb' approach, allowed the floriculture to stabilize over the years. As a mature sector dominated by private medium- and large-scale companies, the Kenyan floriculture has a high potential for generating quality jobs and inclusive development.

Case study 3: The renewable energy sector: the in-depth case study of Lake Turkana Wind Power (LTWP) project

The African continent has become a popular destination for large-scale renewable energy investments due to abundant natural resources and the associated potential economic development benefits. Increasingly, such projects are located at the pastoral margins.[25] Lake Turkana Wind Power (LTWP) is among the most ambitious large-scale renewable energy projects in Africa. The idea to build a wind farm on the east shore of Lake Turkana goes back to the 1980s when Willem Dolleman – a Dutch entrepreneur involved in horticulture production in Kenya – was visiting the lake site on numerous family trips. The 'story of origin' of the project says that Dolleman had the idea after he experienced difficulties caused by a heavy wind while fishing and putting up a tent on the lake's shore. Stories about this strong and constant wind also accompanied the first explorers of the area and has always been present in the books describing it (such as in Brown, 1989; Hillaby, 1964; Imperato, 1998; Parker, 2004). Yet, it was not until 2006 when the Dutch company KP&P (which later formed LTWP) decided to harness its potential for commercial use.

Lake Turkana Wind Power is Africa's biggest wind farm. This high-profile 310MW wind energy project, with a budget of €620 million, is the largest private investment and one of the on-going so-called mega projects[26] in Kenya. Once completed and operational, LTWP would save Kenya €120 mln each year in oil imports, contribute €22.7 mln a year in taxes, reduce the need to depend on unreliable hydropower and generally contribute to national economic development (Kenya Vision 2030, 2012). The project has gained international acclaim by winning the title of the African Renewables Deal of the Year 2014 (IJ Global Awards 2014 Europe & Africa) and the Power Deal of the Year 2014 (Africa investor (Ai)). It fits well into the new global sustainability and climate-conscious agenda (SDG, Power Africa, UN Sustainable Energy for All [SE4ALL], African Development Bank New Energy Deal for Africa or the United Nations Framework Convention on Climate Change [UNFCCC] Conference of the Parties [COP] 21 Africa Renewable Energy initiative) and has been recognised at the national level as one of the key projects contributing to Kenya's transition to a middle-income country. To this end, it was chosen as a private sector flagship project of Vision 2030 – Kenya's key long-term development blueprint and it is a member of the Kenyan Regional Mega Projects Coordination Council (RMPCC)[27] (Kazimierczuk, 2017). The development of the project took nearly ten years during which LTWP faced many challenges, starting from a lack of adequate political and institutional framework in Kenya at the initial stages of project

[25] The pastoral margins are remote, so far neglected thus underdeveloped and poor regions of the continent inhabited by people whose livelihood depends predominantly on livestock and strategic mobility to access water and grazing resources (African Union, 2010). Pastoralism is under threat, though, since the 1970s, and alternative sources of income, employment and livelihoods are crucial, to avoid deep poverty and major insecurity threats (e.g. Dietz, 1987). Another flagship project developed in the region is the Lamu Port South Sudan and Ethiopia Transport (LAPSSET). Also in the neighbouring Turkana County (on the west side of Lake Turkana), a major oil discovery and exploitation by Tullow oil takes place (Elliott, 2016; Kochore, 2016; Lind, 2018; Mosley & Watson, 2016; Schilling, Weinzierl, Lokwang, & Opiyo, 2016).

[26] Megaprojects are large-scale investment projects typically costing more than € 0.5 billion that are risky, long-term, large in size and scope and often located in remote and/or inhospitable areas.

[27] RMPCC is a multi-stakeholder body that ensures that Kenya's industry, service sector and human capital are developed to play an increasing and significant role in the delivery of the on-going and upcoming mega projects in Kenya.

development, through lack of necessary infrastructure, withdrawal of a main donor, technical issues to challenges related to timely construction of the transmission lines.

LTWP is one of the most prominent examples of a private renewable energy investment at the pastoral margins. It is located on the south-east side of Lake Turkana in Marsabit County inhabited by semi-nomadic pastoralists. It is one of the most remote, underdeveloped and poor regions of Kenya – so far excluded and seriously neglected by the government and investors. The project's remote location and long-term neglect, complex local dynamics and lack of necessary infrastructure were the main challenges that the investors had to overcome on the local level. In order to make the project functional, everything had to be built from scratch: the wind farm, 150 housing units for the staff (called "The Village"), admin offices, a fully equipped turbine maintenance workshop, the substation to connect the wind farm with the national grid, 438 km high voltage transmission lines, and the construction, or rather the upgrade of the road from the A2 highway at Laisamis to the project site (O'Hanlon, 2015). The construction of the wind park, the camp and the road were executed under LTWP supervision, while the construction of the transmission lines was taken over by the state-owned Kenya Electricity Transmission Company (KETRACO).

The wind farm and the road were built predominantly by Kenyan companies and Kenyan workers. The construction (by August 2016) involved over 1,400 people,[28] the majority being local and national, as well as some international from more than twenty companies, both international and Kenyan. The construction of the road and office units started in October 2014 and was finished by February 2016. To make way for the new road, one local village (Sarima) had to be resettled,[29] as well as a few houses in two villages along the old road, namely in Illaut and Namarey. From March 2016 on, the wind park consisting of 365 wind turbines started to be erected, on average one turbine a day. A year later, the wind park was ready for commercial use.[30] Within a span of two years the area has experienced a number of major changes, particularly in terms of infrastructure but also in social terms.

The founding fathers highlighted that the project was a good business opportunity for the investors but also a good opportunity for Kenya and for the long-neglected local communities. One of the founders' hopes was that LTWP would transform the previously neglected northern parts of Kenya "from a pastoralist 'periphery' into productive heartland" (Cormack & Kurewa, 2016: 2). Consequently, they insisted that their investment would be accompanied by an ambitious community development plan and funds available to realise it. Despite obvious financial benefits to the founders, which would be reached after 11 years of operations, LTWP is an excellent example of a 'modern' private sector initiative that from its very beginning has had a very strong sense of corporate responsibility coded in its DNA.

This case study illustrates that even for a company that strives for both inclusive processes and inclusive outcomes from the very beginning of its operations, it remains very difficult to accomplish both in practice. LTWP did achieve some inclusive outcomes[31] but the process that led to it has been long and

[28] During the entire construction phase, which ended in June 2017, the Project employed an overall total of over 2,500 people (of whom about 75% came from Marsabit County) (LTWP, 2017). In December 2018, the Project employed 455 people, of whom 73% were from Marsabit County, 24% were from other parts of Kenya and 4% were expatriates.

[29] Sarima village was resettled 800 m from its previous location not to be located directly on the road. The resettlement of Sarima became a controversial topic that met a number of complaints about inadequate compensation (cf. Danwatch, 2016).

[30] The construction of the wind farm was completed in April 2017. The project, however, remained non-operational until September 2018 due to the delay in construction of the transmission lines executed by a state-own KETRACO company.

[31] The project is still in its initial stage, so more research will have to be done to assess whether the outcomes have been sustainable.

in itself was not necessarily inclusive. It was affected by a number of external forces on local and national level, and as a foreign investor, an additional international layer added to its complexity.

1.7.3.5 Summary of the case studies and methods

This research draws on a variety of methods under the overarching lead method of process tracing. In practice, each of the three case studies proved to be different and depending on its nature, as well as access in the field and availability of data, imposed a different blend of methods. Table 1 provides an overview of the various methods applied by each of the case studies. The detailed description of each of these methods, as well as process of the data analysis per case can be found in subsequent case studies' chapters 3 to 5.

Table 1. Overview of research methods per case study

Sector & Case Study / Method used	The tea sector Unilever Tea Kenya Ltd. (MNC)	The flower sector Sector-wide study	The renewable energy sector LTWP (Mega project)
Literature and policy review	X	X	X
Company documents review	X		X
Sector-wide survey*		X	
Interviews and participant observation	X	X	X
In-depth company case study (incl. PADev)			X

*used in this dissertation

Two comments regarding the methods that have been used must be mentioned here. First, as the concept of inclusive development, and particularly the nexus between inclusive development and the international private sector, have not yet been extensively theorised, it allowed for the adoption of an exploratory approach. Consequently, the exact research methods were not fixed at the start of my fieldwork. Rather, they developed during the process of research during interaction with research subjects, supervisors and the field. Each case had to be adjusted in the field, depending on the availability of data and willingness of the sectors' stakeholders to participate in the research. Second, the wide scope of methods applied was possible since this research was embedded in a larger project that allowed for using the capacities of the University of Nairobi and Kenya Association of Manufacturers.

1.7.4 Limitations of the study

Adopting an explorative approach comes with a number of very ambitious aspirations at the beginning of the research, which are then adjusted by the reality in the field. That was the case for this research too. The initial assumption was to apply identical methods in all three case studies for the comparison of the processes traced within each of the case studies: conduct an in-depth literature review on the sector, conduct a sector-wide survey, identify companies within each sector for an in-depth case study, analyse internal company documents, interview the management and staff of each of this company, as well as relevant stakeholders in the sector. In practice, carrying out fieldwork and data collection among the private sector is highly dependent on the prevailing conditions on the ground, time of the year, and willingness of the businessmen to dedicate their time to participate in such study and grant access to their employees. Not all companies openly embrace the idea of being researched by an entity that they did not commission, especially in sectors that have experienced long-term criticism from the side of academia and activists. That was the case for the flower sector. Consequently, it was not possible to conduct an in-depth company case study in this sector, as initially expected. Time was also a limiting factor for the data collection, thus there was not enough time to conduct such an in-depth company case study with UTKL. To mitigate this limitation, there was extensive reliance on triangulation of data from multiple sources. Consequently, only the case study of LTWP is analysed in-depth.

Conducting research in a foreign country is usually related to the language barrier. For once, this was not the case. With the exception of a part of the data collection among the local communities in the case of LTWP, the interviews were conducted in English without assistance from a translator/interpreter. Researching Dutch business in Kenya meant interactions with Dutch businessmen, the management of such businesses which in all of the cases was fluent in English, as well as a number of officials and key stakeholders, who per definition of their positions were fluent in English.

Finally, given the qualitative and exploratory nature of the research, as well as the challenges encountered during the data collection, this dissertation provides three individual cases of the processes behind the three sectors' developments in Kenya and the role of some Dutch companies in fostering inclusive development. The findings should not be generalised, nor considered as fully representative of all Dutch companies in Kenya or Africa. However, the study findings may be used as input into the design of follow-up research on the contribution of the Dutch private sector to inclusive development in Kenya or elsewhere, and hopefully also stimulate debate among policymakers and business leaders.

1.8 Structure of dissertation

The remainder of this dissertation is organised as follows: Chapter 2 starts as a more general review of Dutch development policies (since 1949) with attention to the promotion of private sector development in order to examine a potential role of Dutch development policies in creating an enabling environment for the 'home' (Dutch) and 'host' (recipient) private sector to contribute to inclusive development through (productive) employment creation. Chapter 3 is the first empirical chapter and the first case study in this thesis. It documents a process behind nearly a century of tea sector development and the role of Unilever Tea Kenya Limited (UTKL), and its predecessors in it. Chapter 4 – the second case study – examines the current state of the flower sector in Kenya and traces the processes behind the sector development since the 1970s, as well as investigates the role of international (especially Dutch) capital in promoting productive employment and inclusive development. Chapter 5 presents the in-depth case study of Lake Turkana Wind Power (LTWP) – Africa's biggest wind farm – an investment initiated and implemented by a group of Dutch entrepreneurs. It examines the Kenya energy sector, with particular attention to wind energy, documents the process of nearly a ten-year period of project development, as well as LTWP's contribution to inclusive development through employment creation and their Corporate Social Responsibility programme. Finally, Chapter 6 provides the summary of processes traced within each of the case studies and reflections on the practical, theoretical and methodical implications of the findings. This dissertation concludes with a set of recommendations for further research and to policy.