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 6. Analysis and answering the research questions

6.1 Introduction

As discussed in the introduction to this thesis, the private sector is currently expected to play a critical role in the inclusive development process necessary to achieving the Sustainable Development Goals, yet their contribution to inclusive development (in terms of outcomes and processes) in developing countries has not been explicitly empirically explored. Based on three independent case studies of Dutch firms in the tea, flowers and renewable energy sector in Kenya, this thesis identified and examined the possibility of using the five dimensions of ID (economic [E], socio-cultural [SC], ecological [ECO], spatial [S] and political [P]) in this explorative analysis of the contribution of the private sector to achieving inclusive development outcomes and the processes behind them. Examples of such processes and outcomes are (productive) employment generation, inclusive staff recruitment, knowledge transfer, expansion of the economic space for local businesses and their involvement in the value chains, paying taxes, and corporate social responsibility (CSR) programmes. The literature urged paying particular attention towards possible trade-offs between development outcomes achieved in different dimensions, which may happen depending on the contexts, the commitment and/or interest of national governments and other strategic actors working towards achieving these outcomes (INCLUDE, 2013; Rocha Menocal, 2017b; Widianingsih & Paskarina, 2019).

In order to understand the desired context and mechanisms within each of the sectors, this study applied an exploratory research design with the overarching qualitative method of process tracing, in both its theory-building and theory-testing capacity. To achieve this, process-tracing was combined with case studies, within which 'mixed methods' were used. Within each case, possible links between identified inclusive outcomes and processes are traced by documenting sectors’ and/or individual corporate histories, as well as the historical context of their operations, and the sequence of events within the respective sectors’ developments. This process adopts an inclusive development lens, as posited by Dekker (2017) and (partly) Santpoort, Bosch, Betsema, & Zoomers, (2017). Such an approach has been encouraged by a number of scholars (de Haan, 2015; Kolk et al., 2020; Kolk & Lenfant, 2018; Lashitew & Van Tulder, 2017) yet, to the best of my knowledge has rarely been empirically explored. In doing so, this thesis takes the reader on a historical journey through the main stages of the Kenyan economy in the 20th and 21st century intertwined with corresponding global development orders as seen through the lens of the three studied sectors in their respective development processes. The next section will address the guiding research questions of this thesis before moving to the reflection section, followed by the recommendations that conclude this thesis.

6.2 Addressing the research questions

Based on the review of Dutch development policies as well as the analysis of the processes behind the development of three sectors in Kenya and the case studies of Dutch businesses in the country, this part of the chapter addresses the main research question posed at the beginning of this thesis:

***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*?**

This guiding question was further subdivided into two main sub-questions:

1. What were the key factors and processes supporting or constraining the analysed Dutch private sector in Kenya in achieving inclusive development outcomes?
2. 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)?

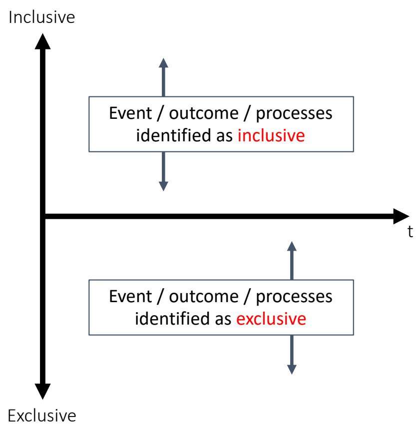
The first sub-question uses the three selected case studies to conduct the theory-building process tracing, while the second sub-question conducts the theory-testing process tracing in the context of the three selected case studies. I will now address these questions.

6.2.1 Addressing sub-question 1
What were the key factors and processes supporting or constraining the analysed Dutch private sector in Kenya in achieving the inclusive development outcomes?

To answer this sub-question, this section will condense the processes traced in detail within the three cases studies (Chapter 3-5) and summarise their respective development outcomes and development processes. My first step is to establish a chronology of events in three case studies and produce a narrative that lead to the emergence of some possible outcomes and processes. Secondly, I position the identified processes and outcomes in a broader context of the inclusive development. As discussed, development outcomes and processes may have inclusive or exclusive (meaning non-inclusive) character. Moreover, analysis of processes automatically implies reference to time and time periods. In search of the potential causal dynamics, it may be worthwhile visualising these outcomes and processes in a broader historical perspective.

In order to do so, I propose using a two-dimensional graph that consists of a horizontal timeline that intersects with a vertical line capturing the inclusive or exclusive nature of events, outcomes and processes within the studied cases according to my argued assessment (Figure 47). This argued assessment was necessary as the vague and untheorised nature of the explicit nexus between the private sector and inclusive development makes it difficult to quantify.[338] Moreover, not all of the above information was available for each of the case studies due to the limitations of and challenges experienced during the field data collection (more about it in the Section 6.4.2 below). The proposed graph will be constructed as follows.

Figure 47. The two-dimensional graph used for the analysis



Source: Own elaboration by the author

The vertical line on the graph depicts the level of inclusivity or exclusivity of the identified events, outcomes and processes in their given dimension, based on my argued assessment. The closer the outcome or the process is positioned to the extremes of the vertical axis, the more inclusive or exclusive nature of this occurrence.[339]

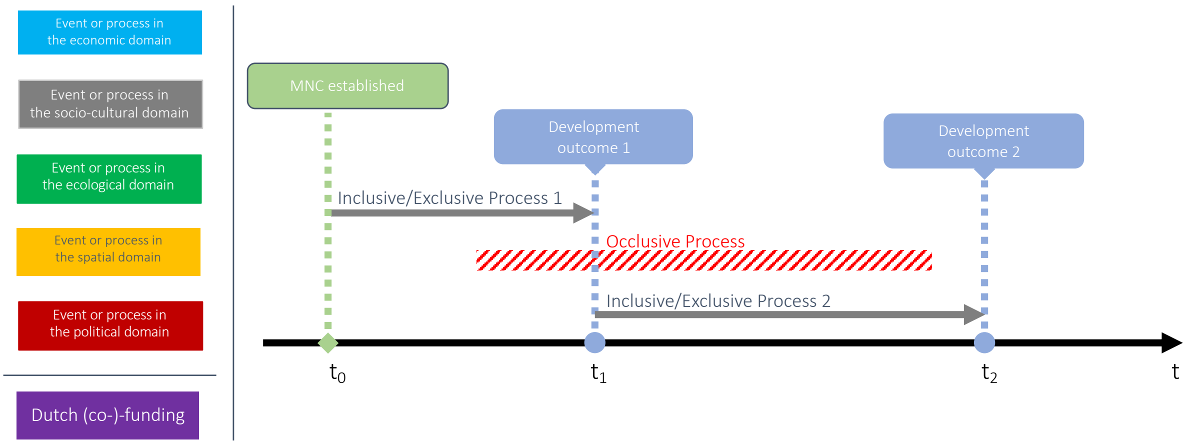
The horizontal timeline marks the beginning of the studied MNC operations in Kenya as well as the identified development outcomes. The empirical chapters attempted to capture the key events, outcomes and processes that led to achieving outcomes in five dimensions of inclusive development (economic, socio-cultural, political, ecological and spatial). The extent to which they are all relevant, thus

[338] The main components of these interactions considered in this thesis – productive employment – can be assessed to a certain extent based on some quantifiable indicators, such as number of jobs created, remuneration or stability of the employment. Potential tax contribution of the private sector can also be quantified. Nevertheless, other factors, such as knowledge transfer, the precise extent of the involvement of the local businesses in the value chains or the impact of CSR programmes were harder to assess in a quantifiable way, as the value chain analysis or evaluation of CSR interventions was not in the scope of this thesis.

[339] A more precise positioning of an occurrence is possible if a scale is applied to this axis. One idea would be to use a Likert scale or the Inclusive Development Index (IDI). However, such an approach would require a more quantitative research design and additional data collection, which were beyond the scope of this thesis.

addressed, depends on the case study. These events, outcomes and processes will be classified according to their dimension and marked with a respective colour (Figure 48). As suggested by Awortwi & Dietz (2019), political economy and political settlements are important factors to consider when discussing especially the political dimension of ID. Based on my prediction about the empirical fingerprints of the main causal mechanisms of the process traced in this thesis, I look for potential relationships between the policymakers and businesses within the case studies. These processes clearly emerged in the empirical chapters in all three cases. The political settlements and relationships between different strategic actors, including the state and MNCs, should be seen as dynamic processes. Arguably, they could all be seen as exclusive development processes (as opposed to inclusive processes), but my research has shown that there is more nuance that needs to be taken into account. Exclusive processes may occur openly, in public, but generally the processes described in this thesis happened behind closed doors in a rather 'occlusive' way. These 'occlusive' processes are the moments when settlements are negotiated among selected groups of strategic actors. In the figures, this is marked as a corresponding shaded (bright) red block (Figure 48). The graphs also indicate Dutch financial support provided to the studied sectors. This support is marked in violet. The inclusive or exclusive nature of this support is not assessed and so features randomly in the figures.

Figure 48. Explanation of the timeline used for tracing the process in this chapter



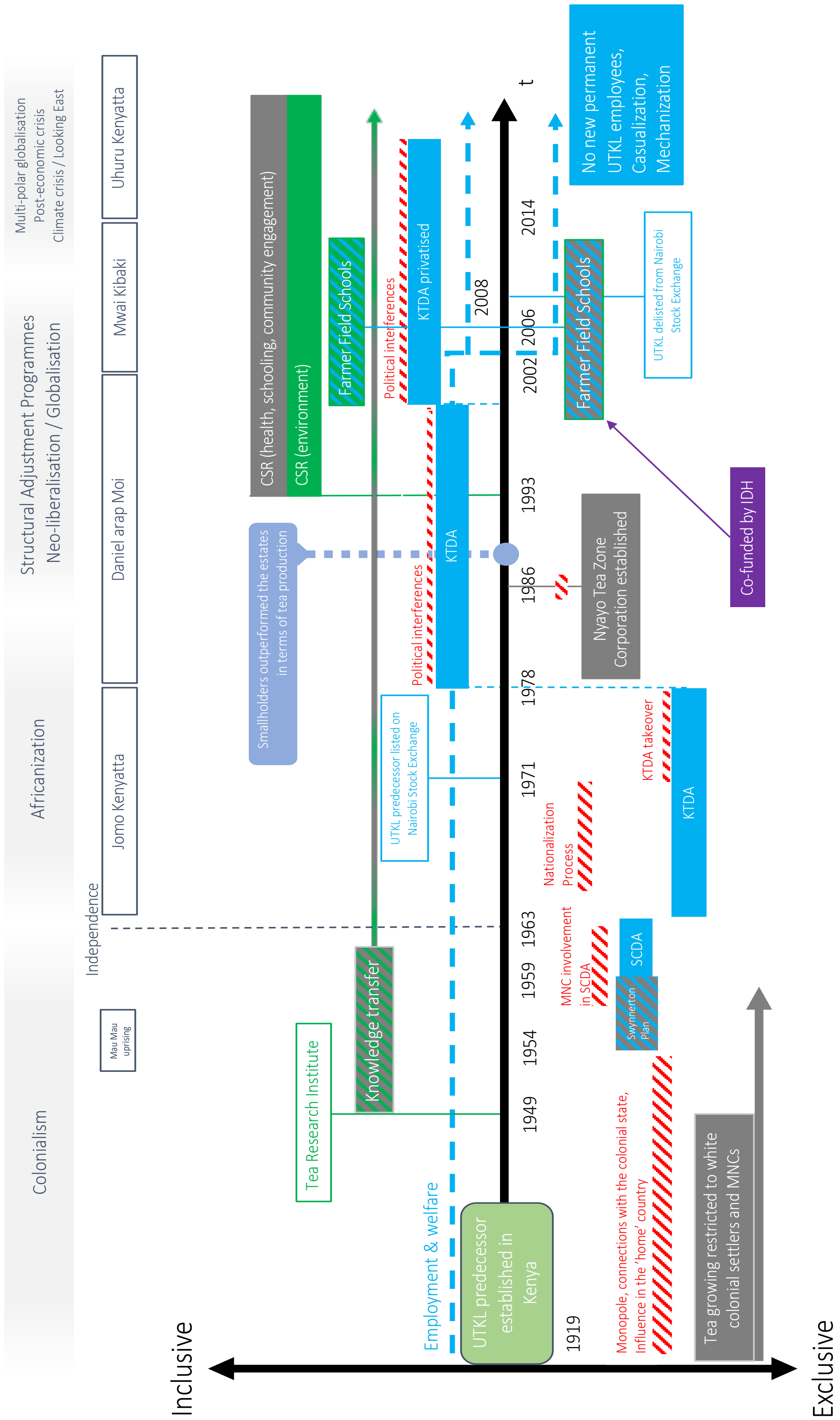
Source: Own elaboration by the author

Taking into account the methodological constraints and mindful of the limitations, I will now present the contribution of the three studied cases to inclusive development in Kenya in its five dimensions within the historical context.

Unilever Tea Kenya Limited

The first case study (Chapter 3) in this thesis 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. UTKL is a Dutch-British MNC that owns one of the largest tea estates in Kenya. This case study described different corporate strategies that this MNC (and its predecessors) has adopted over nearly a century of its operations in Kenya in response to the changing international and national economic and political climate. It deepened the understanding of the contribution of this MNC to the promotion of productive employment and inclusive development in the country. The development outcomes of the operations of UTKL and its predecessors in their respective ID domains and based on their assessed inclusive or exclusive nature are visualised in the historical context on Figure 49 (which is further explained below).

Figure 49. The development outcomes and processes in the tea sector development; the case study of Unilever Tea Kenya Ltd.



Source: Own elaboration based on Chapter 3

The actual inception and organisation of the commercial tea sector, knowledge transfer, improved farming techniques, inclusion of the smallholder farmers, large-scale employment, as well as welfare and CSR programmes can be classified as development outcomes in the economic (E), socio-cultural (SC) and ecological (ECO) dimension that are associated with the presence of UTKL and its predecessor in the sector. The MNC contributed the most in the economic dimension, as compared to the other dimensions. UTKL, and its predecessors, played a pivotal role in the development, professionalisation and adaptation of more sustainable agricultural practices in the tea sector in Kenya – one of the most important export products to date. The MNC was among the first companies to produce and sell tea locally on a large-scale (E). During the early period of the establishment of the tea industry (±1924-1936), it also substantially invested its corporate capital in the import of seeds (E, ECO). Furthermore, it brought know-how and R&D that, in time, spilled over to smallholder farmers (SC, ECO). The MNC supported the smallholder tea farming schemes in the 1950s and 1960s and the creation of KTDA – the key institution for smallholder tea farming development (E). As of 2006, UTKL has been increasingly involved in knowledge exchange with smallholder tea farmers through Farmer Field Schools (FFS), jointly established with KTDA and co-funded by the Sustainable Trade Initiative (IDH), a Dutch organisation, and the (then) Dutch Ministry of Economic Affairs, Agriculture and Innovation through the Dutch Embassy in Nairobi. This extension method aimed to improve the sustainability of tea production by increasing the rate of adoption of good agricultural practices and to improve the profitability of smallholder tea producers (E, ECO). Furthermore, the company has been one of the largest employers in the country (E). Substantial investments have been made to train managers, build houses for the plantation workers, and provide healthcare and schooling for them and their families (SC). A number of these social welfare actions goes beyond the requirements of the law, and are coupled with an extensive CSR agenda in the education, health and environment domains (implemented on a more structural basis since 1993), with the benefits of it often extending to the wider community (SC).

Figure 49 reveals that, according to my argued judgement, none of these outcomes reached its full inclusiveness potential. There are number of reasons for this. For instance, regarding employment, UTKL, and its predecessors, was in a constant struggle with the representatives of the plantation workers who demanded increased wages and improved working conditions. The increase in labour and other costs eventually led to restructuring of the company and a reduction of permanent staff. Although it was recognised that UTKL did pay a basic wage that was higher than on other estates, the wage remained low and a practice of hiring casual labour on short-term contracts persisted. Thus, this development outcome in the economic dimension, although inclusive, yielded moderate inclusive outcomes. Based on my own argued assessment, these outcomes should partly fall into the exclusive position on the graph after restructuring and introduced mechanisation. Despite its efforts, the work of the sectoral trade union has not been perceived well by its members, who largely feel misrepresented. The marginalisation of women in the sharing of tea income also remained problematic. Moreover, UTKL, and its predecessors, did not hesitate to use its position to influence the shape of the sector and maintain a certain control over tea production, while determining on the global scale what 'sustainability' in the sector is. The MNC supported the smallholder tea farming schemes, as it assured a steady supply of high quality raw materials to their own factories without bearing substantial additional labour costs. This is why FFS, as an outcome, are positioned on both the inclusive and exclusive side of the graph. This was the case in the 1950s and 1960s when the Swynnerton Plan (1954-59) was introduced to undermine peasant rebellion through economic incorporation of a selected group of rural 'progressive' African farmers, and a parallel was observed in 2007, with the decision of UTKL to buy all of its tea from Rainforest Alliance certified sources. In both schemes, UTKL, and its predecessors, as well as international donors (including 'home' governments) played a major role and ensured their interests were safeguarded. Both schemes were also targeting 'progressive' African tea farmers, which made tea a rather exclusive crop. Scaling up proved to be difficult and lengthy, especially for the lower strata farmers, forcing many of them to grow tea illegally (in the 1970s) or consigning their high quality yet non-certified tea farmers to an unprivileged position on the Mombasa Tea Auction (in the 2000s). It therefore reveals a rather exclusive character of the inclusion process of sector development, especially towards smallholder farmers. This results in these development outcomes not being as inclusive as they could have been.

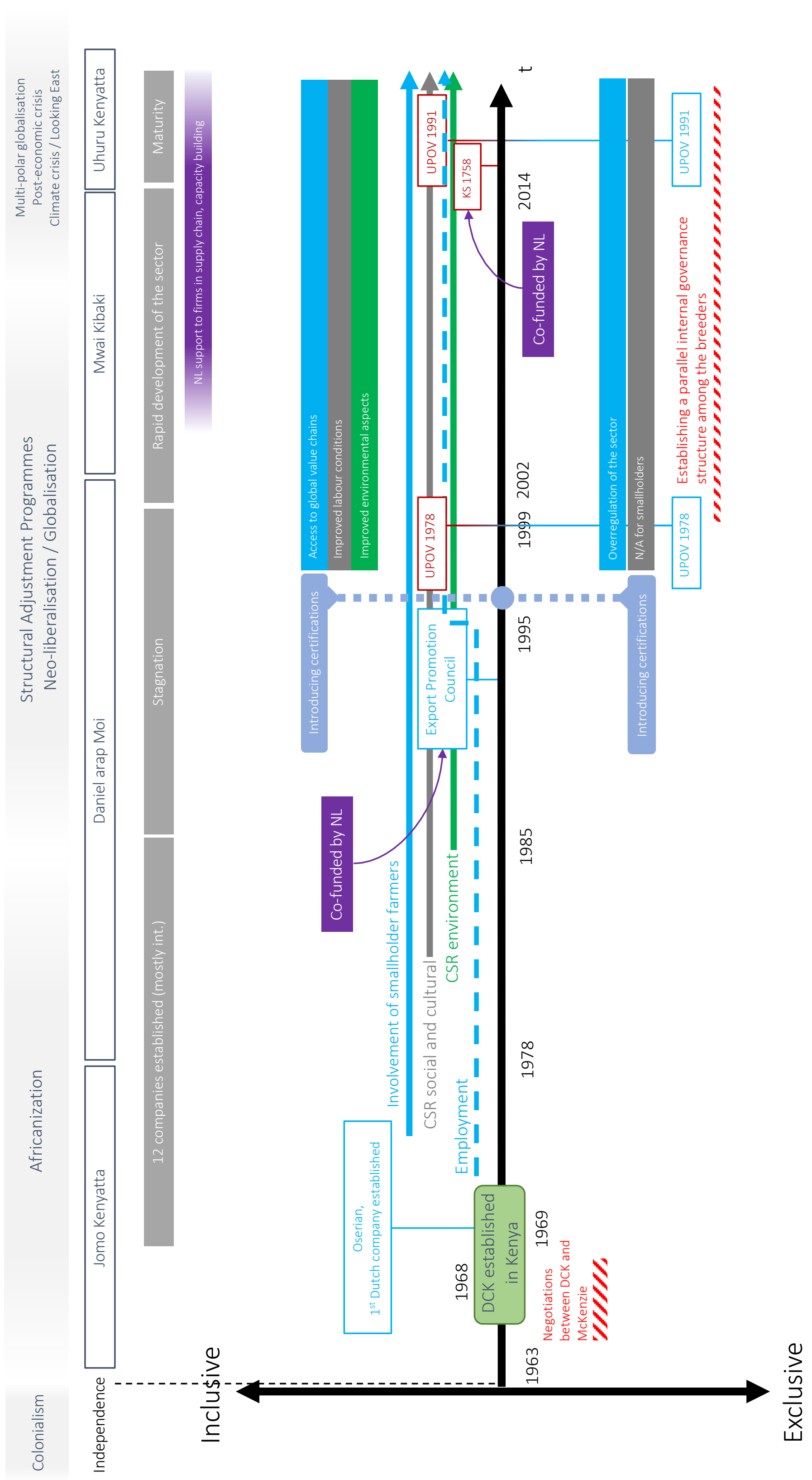
The government, firstly colonial and then Kenyan, played an equally important, albeit sometimes contradictory, role in the inclusion process. Firstly, the highly exclusive developmental process supported by the colonial administration in favour of settlers and multinational companies during the first 25 years of the tea industry's expansion (1924-1948) clearly contributed to the speed and, indirectly, to the success of the UTKL predecessor as one of the main marketers of teas and one of the two largest tea producers in the country. Later, the colonial government again, under the Swynnerton Plan, strategically used the crop as a peacekeeping tool in supporting the development of agricultural capitalists and rich farmers, preferably from the Kikuyu ethnic group. Once the power was transferred to the Kenyan government in 1963, tea remained a highly political crop, attractive for many farmers, including the Kenyan bourgeoisie and political elites. Tea-growing regions (former Central and Rift Valley Provinces) were electoral strongholds of the most important political figures during the period under investigation: Presidents Kenyatta, Moi and Kibaki. Development of tea in these two regions was therefore important for political and ethnic reasons. Ethnic politics played a role in the KTDA takeover of the UTKL predecessor's highly profitable marketing arrangement on the local market in the 1970s. This takeover deprived the MNC of a substantial source of profit and was an example of the successful 'Kenyanisation' of one of the key economic sectors in the country. As a result, the area under tea cultivation more than tripled between the 1970s and 1990s and by 1988, smallholders outperformed the estates in terms of tea production. Establishment of the heavily politicised Nyayo Tea Zone Corporation in 1986 by President Moi is another example of ethnic politics in the tea sector, this time acting in favour of the Kalenjin ethnic group. These 'occlusive' events and processes visualise the importance of the coincidental convergence of interests between smallholders and ethnic politics in the developmental process.

This case study concludes that although the development of the tea sector in Kenya is considered one of the success stories of the inclusion of the indigenous smallholder farmers in the sector formerly initiated and dominated by MNCs, the fully inclusive character of the sector can be contested. It took decades before allowing meaningful smallholders' representation (even today, it is still not free from criticism), thus for a long period it was and, to some extent, remains a highly exclusive sector. The increase in production by small-scale farmers remains mainly due to expansion in hectarage rather than better agronomic and processing skills/technology. Achieving a greater inclusion of the national farmers was not a given either. It was a time-consuming process and an outcome of long 'occlusive' negotiations, often behind closed doors, between the MNCs, international donors, national and local governments and elites. Therefore, this case study demonstrates how important the role of political settlements and strategic actors is for assuring the spill over effects of the MNCs operations to the local economy.

The flower sector in Kenya

The aim of the second case study (Chapter 4) was to examine the current state of the flower sector in Kenya (based on a sectoral survey and interviews) and trace the processes behind the sector development, as well as to investigate the potential role of the Dutch capital in promoting productive employment and inclusive development. Employment, smallholder production, CSR and some (still contested) environmental sustainability may be considered development outcomes in this sector, covering yet again mostly the economic (E), but also the socio-cultural (SC) and ecological (ECO) dimensions. The development outcomes in their respective domains and based on my argued assessment of their inclusive or exclusive nature are visualised in the historical context in Figure 50 (and further explained below).

Figure 50. The development outcomes and processes in the flower sector development; the sectoral study.



Source: Own elaboration based on Chapter 4

Looking at the timeline and related processes visualised in Figure 50, it is noticeable that the sector developed in a period of rapid globalisation and lacking a strong state. Since liberalisation in the 1990s, the private sector took the lead and the sector has largely been driven by market forces. Foreign investors and partners played a critical role in launching and expanding the floriculture industry in Kenya. The large-scale flower production in Kenya only started as a result of personal connections and an ‘occlusive’ convergence of the political (and personal) interests of the (then) Minister for Agriculture with one of the foreign investors (Danish DCK). Dutch companies followed the Danish company and started flower export businesses alongside DCK, while Dutch and Israeli advisors have been important sources of technical support. It is highly possible that the flower sector developed in Kenya because Dutch entrepreneurs were encouraged by the Dutch government to look for business opportunities abroad. The companies in the sector did not, however, benefit from any of the private sector development instruments available during the initial years. Dutch support for the sector came mostly as the sector matured, with few exceptions implemented during the professionalisation period. Support from the Government of Kenya (GoK) in promoting the floriculture sector has been mixed over the years. As long as the sector remained profitable, the Kenyan government adopted a rather passive approach, which was considered favourable by many exporters at that time. Although subtler than in the case of tea (Chapter 3), the flower sector also attracted prominent (and politically connected) Kenyan families.

In the 1990s, without adequate protection for breeders, the flower industry stagnated, as no new varieties were introduced in the country. Through the years, the largely ‘foreign’-owned floriculture and horticulture sectors have consistently lobbied for implementation and exacerbation of plant breeders’ rights in Kenya. The Government of Kenya officially acceded to the Plant Variety Protection (PVP) scheme under the UPOV 1978 Convention in May 1999 and under the 1991 Convention in May 2016. This move consequently encouraged foreign breeding companies to introduce their flower (and other horticultural) varieties into the country (E). Since then, the sector has rapidly developed and stabilized, while a small group of international breeding companies have taken advantage of the absence of state control and advancing globalisation to take over the key regulatory role in the sector, creating an ‘occlusive’ nearly parallel internal governance structure. The exclusivity also relates to knowledge transfer with regard to breeding techniques. Today, all rose varieties available are of foreign origin, although it should be noted that, under strict breeding regulations, young plant material is increasingly propagated at production facilities in Kenya. Generally, though, a lack of public finance and support for local R&D and public research in this domain in Kenya further hinders the entrance of Kenyan companies to the sector, thus allowing this ‘closed network’ of mostly Dutch and other international companies to regulate the sector in an ‘occlusive’ manner.

Despite criticism regarding the position of the breeders, as well as some productive employment generated by the growers (E), it is argued that within the last decade, the (voluntary) codes and certifications, as well as the amended national employment policy contributed to the improved working organisation (E), environmental aspects (ECO) and (to some extent) labour conditions in the sector (E, SC). A majority of the private flower companies, and nearly all Dutch companies in the sector, have also supported local communities through their CSR activities (SC). Although fragmented, such programmes are seen as an integral part of operations in Kenya and have benefited employees and communities in the proximity of the farms. There is also a significant potential in small-scale flower production for poverty reduction and employment creation (E).

Again, as observed from Figure 50, according to my argued assessment, none of the above-mentioned outcomes reached its full inclusiveness potential and, in some instances, the occurrence generated both inclusive and exclusive outcomes. The UPOV and PVP were important for stimulating the sector’s development, yet the schemes continue to marginalise smallholder farmers in terms of access to quality seed and thus excluding many of them from accessing the global value chain. Certifications are important for the flower growers as they facilitate access international markets and have contributed to improved organisations, environmental aspects and (to some extent) labour conditions in the sector.

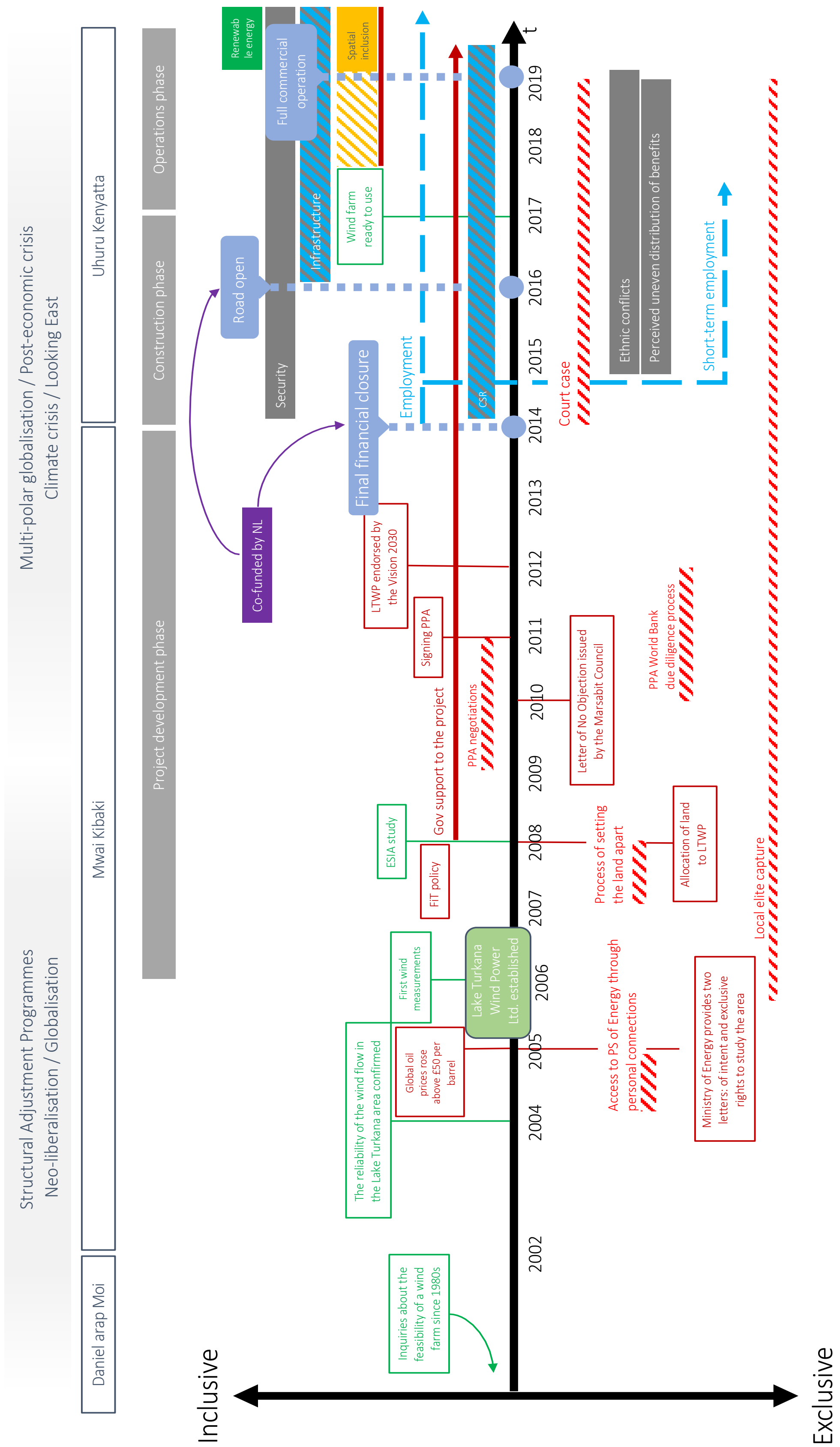
However, it must be acknowledged that floriculture is overregulated, with too many certification labels with overlapping requirements, which leads to higher costs. The existing certifications are designed for medium- and large-scale production and consequently create yet another barrier to smallholder flower growers entering the market. The requirements do not apply to the breeders or propagators, thus the certifications fail to challenge the underlying power structures in the sector's (international) value chain, perpetuating existing inequalities. Finally, the concerns and expectations of the workers themselves regarding obtaining a living wage, greater gender inclusion and representation in the leadership of the trade union, and job security have not yet been fully addressed.

As stabilized African capitalist agricultural production linked to global value chains (Whitfield, 2017) and an important for employment creation 'industry without a smokestack' (Newfarmer et al., 2018), Kenyan floriculture is in the position to generate quality jobs and to create substantial spill-over into the local economy, thus generating inclusive development outcomes. However, as this case study showed, its full potential for inclusivity has not yet materialised and the process has been long and not fully inclusive either. The internal power structure and the plethora of international certification standards have resulted in limited knowledge sharing, exclusion of smallholder flower farmers and slow progress towards more productive employment. Ultimately, this case study indicates that developing countries, like Kenya, appear to be more willing to choose policies that benefit the buyers and international breeders, by e.g. complying with international regulatory regimes, at the cost of raising entry barriers for smallholder farms. It is consequently the UPOV that governs the sector more than the state (and most likely not only in Kenya but in all countries), as the state has limited interest and space for manoeuvring in current governance configurations of the globalised value chain. This leads to a general critical observation that as long as this development remains market-driven and embedded in neo-liberal ideology, it is unlikely that it will reach its full inclusive development potential.

Lake Turkana Wind Power Project

The third case study (Chapter 5) reviews renewable energy policies in Africa and wind energy in Kenya. It further traces the process behind the nearly ten-year development period of Lake Turkana Wind Power (LTWP) project. It is an example of a 'modern' private sector model that looks beyond profit. This in-depth case study describes how LTWP achieved the development outcomes in political (P), economic (E), socio-cultural (SC), spatial (S) and ecological (ECO) domains by being a producer of clean and renewable energy in the era of climate crisis (ECO), employment creation (E), infrastructural upgrade (E, SC), improved security (SC) and Corporate Social Responsibility programmes (E, SC). The project, however, operates in a sector of high national importance on the national level (P), and locally, in the context of pastoral margins (S, P). These factors substantially influenced its developmental process, which is further captured in Figure 51 (and further explained below).

Figure 51. The development outcomes and processes in the renewable energy sector development; the case study of Lake Turkana Wind Power project.



Source: Own elaboration based on Chapter 5

A major achievement and inclusive outcome of the project is the fact that the wind farm was built predominantly by Kenyan companies and Kenyan workers (E). By August 2016, the majority of the positions (57%) were created locally, 39% of the positions were filled by Kenyans from beyond the County and the catchment area, and about 4% of the all positions were given to expatriates. Such composition of labour was possible because the company implemented dedicated policies that promoted local and national recruitment in this priority order. The company policy was also to distribute jobs based on communities and not based on ethnicity in order to minimise the risks of potential conflict. The employment data support this statement. Officially, everyone was hired on contracts drafted according to Kenyan Law. The salary schemes were streamlined among all the contractors and established a decent minimum rate for all employees in order to provide equal opportunities for all employed. Going forward, during operations, the total number of employees was estimated to be 455 people (2018).

The arrival of LTWP to the remote part of Kenya where it is located, brought many changes, predominantly perceived as positive. New and upgraded infrastructure has been the major change (E, SC, S). The construction and upgrade of 208 km of road cost €22.5 million. To finance it, the Government of the Netherlands, through the African Development Bank (AfDB), contributed €10 million and the balance of €12.5 million was provided by LTWP. The Dutch government, through FMO, also provided a loan of €35 million for the project's development. The road upgrade was primarily to allow for the wind turbines to reach the site, but the road was expected to additionally open the area for further development and improve accessibility to and for all the local communities (S). At the time of the fieldwork in 2016, the local economy was vibrant, which led to an increased local availability of foodstuff and goods. Bus connection, M-PESA, shops, bars, hotels and lodges, and even highly perishable miraa became accessible to almost everyone in the area (E). The spatial inclusion of the area thanks to the road and the project itself, as well as the policy of LTWP to consult and interact with local political and traditional leaders also translated into their inclusion in the national political debates, thus an inclusive outcome in the political dimension (P). Another major positive outcome of the project and the road according to the respondents was the substantial security improvement in the area, which used to be marred by recurrent inter-ethnic violence (SC).

LTWP accepted its role as development agent from the outset. Its ambitious long-term corporate responsibility programme is channelled through the Winds of Change (WoC) Foundation (E, SC). The Foundation became fully operational only after the wind farm had been connected to the grid and started generating income. Nevertheless, before LTWP became operational, the company invested €2.1 million in a 'fast track' implementation of CSR activities during the construction period. It focused on 'quick wins' in order to meet the most pressing needs of the communities and enhance harmony between LTWP and the local people. For these projects, LTWP contracted local businesses only. LTWP has also been increasingly working in partnership with the County government, especially on programmes that provide services and projects that are conventionally delivered by the state. To indicate its serious and inclusive engagement in the local community development, LTWP tried to fund CSR projects among all communities to better balance the distribution of CSR benefits within the whole constituency. A substantial number of local contractors have also been hired as suppliers of goods and services to LTWP and subcontractors.

The above-described outcomes can be considered inclusive; yet, based on my argued assessment captured in Figure 51, again not in their full potential. The upgraded infrastructure was coupled with a resettlement of Sarima village and bypassed two local villages that were situated along the former route. The jobs provided during the construction phase were short-term for the majority of the local employees, thus they could only act as a catalyst for spill over economic activities and it is too early to assess their long-term impact. With money available from the associated employment it became much easier to pay for many things, including alcohol, miraa and women, with their associated problems. Despite great efforts, tensions arose between the Turkana and the Samburu over the perceived distribution of the casual jobs among their respective ethnic groups. Some people argued that local politics and nepotism played a role in the process. The company's CSR programme, although appreciated, was criticised for patchy community consultation and for limited activities on the ground. High expectations and impatience persisted. The company regretted not having started their CSR activities before the actual construction phase to assure a positive local perception of the investment already ahead of time. Such a view supports the critical voices that CSR is not really 'for' local people but it is ultimately 'for' the company, so they can assure a peaceful and least-problematic implementation of their project, particularly in such complex areas. Finally, the communities in question have not benefitted directly from the green energy produced on their territory, as they are not connected to the grid. Thus, with regard to current power distribution, the wind farm benefits the private investor and the rest of Kenya connected to the grid, rather than the local communities.

LTWP has always claimed to be an apolitical project; yet, as the biggest private investment in the country and a flagship project of Kenya Vision 2030 it was high profile. The chronology of the LTWP project development illustrates a number of 'occlusive' processes that took place at the local, national and international level during the project's development. At the international level, the process related to the initial involvement, due diligence process and, ultimately, the withdrawal of the World Bank from the project remains highly contested and 'occlusive'. At the national level, the exclusive access to study wind in the area was obtained from the PS of Energy to whom access was granted through a personal connection of the 'founding fathers'. The PPA negotiations were taking place behind closed doors (the negotiated tariff for LTWP was ultimately lower than the rates in the freshly approved FiT though).[340] Locally, LTWP had strong support from a number of the local leaders and the AIC mission. However, when in 2014, the construction activities intensified, so did the tensions between rival pastoralist groups over the leased land and potential of rent-seeking, which led to both ethnic and political conflict. Ultimately, a politically motivated lawsuit against LTWP for illegal land acquisition was filed by a group of local politicians. The process of land acquisition remains to this day unclear. The company presents the necessary paper trail but the role of the government in the process, especially on the local level remains questionable and occluded.

The case of LTWP is yet another example of a Dutch private investment in Kenya that has been essential in developing a national sector. This time it is wind energy. The 'founding father' spent ten years meticulously developing the project, while the key personnel devoted this time to developing relations with the local communities; getting to know their customs, culture and local dynamics. LTWP should be complimented for their efforts to understand national and local cultural norms and values, and skilfully (and patiently) navigating them in search of the most pragmatic compromises. However, achieving a balance between international, national, local and company's interests was no easy task. The process was long and required the company to compromise. Often, the compromises achieved had a rather exclusive character, especially in the short-term. Over time, the company started to slowly and carefully introduce its own rules of the game for their activities, which ultimately led to the project's successful completion and to a number of inclusive outcomes.

[340] As it was the first PPA for the wind energy, the individual negotiations between the company and the government actually led to substantial capacity building within the Ministry of Energy and related institutions in this regard.

6.2.2 Addressing sub-question 2
What was the role of the Dutch government's private sector development policies in supporting Dutch private sector in becoming more inclusive in their operations in developing countries (and particularly Kenya)?

This thesis started with a review of Dutch development policies (since the 1949) in the context of private sector development and (productive) employment creation (Chapter 2). This is done from a historical perspective to provide a background on the motives and main attitudes of the 'home' policies that potentially influenced Dutch companies to be more inclusive in 'host 'countries.

This review shows continuity in the Dutch approach towards development policies as a way to promote Dutch businesses and exports to developing countries. Poverty alleviation, private sector development and security were the three dominant focus areas for the Netherlands over the years. PSD in particular played a central role, as it was assumed that poverty could only be alleviated when the economy of a country is stimulated.[341] In the 'home' country, available PSD instruments, such as ORET, PSI and DGGF, required Dutch companies to adhere to international CSR principles and create productive employment, but there has only been a greater emphasis on employment creation in developing countries in the last two decades. Since then, the role of embassies has changed and expanded to also engage in 'economic' diplomacy. Embassies are expected to assist Dutch firms in their entrepreneurship efforts in the 'host' country, as well as to provide them with the necessary insights and connections at the local level (Van Tulder, Osmochescu, & Vink, 2014).

Since the establishment of the ministerial post for Development Cooperation and Foreign Trade in 2013, Dutch self-interest and the combination of trade and development cooperation were officially placed at the core of national development cooperation policy. The general agreement among various stakeholders is that development cooperation should support economic opportunities in developing countries, as long as it is done in a responsible way. However, issues of tax avoidance by MNCs, a limited focus on supply chains, insufficient knowledge infrastructure and the continued lack of a broadly accepted evaluation framework for business' impact on inclusive development (which also remains vaguely defined) hamper the assessment of the role of government funding and instruments for private sector development as well as the quality of employment created.

Establishing the precise impact of the Dutch PSD through more rigorous methods was beyond the scope of this thesis. One of the objectives of this dissertation was to explore the possibility of verifying the main assumption behind the Dutch PSD policy by using the theory-testing process tracing method in the context of the three selected case studies. The theorised assumption introduced by the Dutch government in their development policies established a causal mechanism between increased economic collaboration stimulated by development policies (bilateral aid, exports and direct involvement of the Dutch private sector in developing countries), and the creation of (productive) employment, thus contributing to inclusive development in developing countries. To confirm the validity of the tested policy assumption, one must identify a precise and direct causal mechanism between Dutch development policies and the contribution of the Dutch private sector to inclusive development in studied sectors in Kenya. This has been done based on the policy reviews and the process traced and narratives provided by the representatives of the Dutch firms in tea, flower and renewable energy sectors in Kenya.

As we see in this thesis, a number of Dutch companies are present in three key sectors in Kenya: tea, floriculture and renewable energy. These companies played a crucial role in the sectors' establishment

[341] These policies were naturally also influenced by the Dutch political economy processes with its own complex dynamics. Exploring these dynamics, however, was not a part of this dissertation but could be found in some of the literature referred to in Chapter 2 (i.e. Stokke, 2019).

and development. Their presence directly and indirectly contributed to employment creation in the host country (although often not fully productive) and their CSR activities (although fragmented or not yet at full capacity), supported, to some extent, the local communities in which they operate. However, in the studied cases (Chapter 3-5), only a few companies benefited from direct financial support through Dutch PSD programmes and mostly in the mature phase of the sector's development (Table 39). LTWP is the exception, as it received such support in its development phase (some of which was further used during the construction phase). Some of the initiatives funded by the Dutch government may have or had an important impact on the sector as a whole. For example:

- In the case of UTKL, the Sustainable Trade Initiative (IDH) co-funded the Farmers Field Schools (FFS) which worked towards knowledge transfer and greater inclusion of the smallholder tea farmers.
- In the flower industry, support to the Kenya Flower Council (KFC) to drive an update of the national horticulture standard for flowers and ornamentals (KS 1758 Part 1) was meant to assure a greater environmental inclusion by pushing for more appropriate environmental conditions and safer use of chemicals in the whole sector.
- In the case of LTWP, the direct contribution of the Dutch government to the road construction and upgrade, as well as in the project itself through the loan provided by the Netherlands Development Financing Company (FMO), was not only useful for the wind farm, but also opened up the long-neglected area. In this sense, it contributed to alleviating its territorial exclusion and to economic and political inclusion of some local groups.

Table 39. Dutch government support in analysed case studies

<table>
<tr><th></th><th>Unilever Tea</th><th>Flower sector</th><th>LTWP</th></tr>
<tr><td>Phase: Development</td><td>None</td><td>None</td><td rowspan="2">10 mln € road
FMO co-funding</td></tr>
<tr><td>Phase: Professionalization / Construction</td><td>None</td><td>Co-funding EPC,
Capacity building for smallholders</td></tr>
<tr><td>Phase: Maturity / Operations</td><td>Support to FFS through IDH (2008)</td><td>Supporting the companies operating in the flower sector supply chain; capacity building within the sector through KFC (esp. KS 1758)</td><td>N/A</td></tr>
</table>

Source: Own elaboration

On the other hand, these initiatives were not uncontroversial. FFS have been criticised for their exclusive character, i.e. only being accessible for 'frontrunner farmers' and certified farmers, as well as the problems of achieving the necessary scale. They are also seen as a contributing factor to the decreasing numbers of permanent workforces and increasing casualisation of employment on the tea estates. As for the flower sector, Dutch PSD support went predominantly to companies operating in the flower sector supply chain, including some breeders and propagators. Given their already strong position, this may lead to further exclusion in terms of knowledge transfer and inclusion of smallholder farmers. With regard to the road and LTWP itself, the road and the wind farm construction caused one local village (Sarima) to be resettled in a process that has been contested by local opponents of the project (Danwatch, 2016). As discussed, the process of land acquisition for the project, as well as issues related to equitable distribution of benefits (employment and CSR) during the construction phase sparked a number of controversies at the local and national level.

Unfortunately, the data collected does not make it possible to pinpoint a precise and direct causal mechanism between Dutch development policies and funding provided to Dutch firms in the studied sectors and, in turn, their contribution to inclusive development in Kenya. Consequently, it is not possible to confirm the validity of the tested policy assumption. This is a matter of great complexity that requires a more systematic approach that was not possible to adopt in this exploratory study. However, a specific link has been observed between the 'home' policies and the companies operating in the studied sectors: Dutch development policies, among other important factors, did encourage Dutch businesses to invest in developing countries. Since 2005, these policies have also put increased pressure on Dutch firms working in developing countries to do so in a responsible way. Dutch businessmen have been present in Kenya for decades and have played an important role in the development and professionalisation of the national tea, flower and renewable energy sectors. Ultimately, these companies have created substantial direct and indirect employment and engaged in a number of CSR programmes. With the Dutch attitude oriented towards broad consultations and partnerships (Hanemaaijer, 2019), Dutch businessmen were often the driving force behind establishing sector organisations that supported the better organisation and representation of the sectors. Finally, the Dutch Embassy is playing an important role in bringing the Dutch business community together through their monthly Dutch Business Council meetings.

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

The study shows that the Dutch private sector operating in the tea, flowers and renewable energy sectors in Kenya contributed to achieving inclusive and exclusive development outcomes in economic, socio-cultural, spatial, ecological and political dimensions. The processes that were critical to achieving some of the inclusive outcomes occurred predominantly in the political dimension and were mostly exclusive and 'occlusive' in nature. The identified outcomes per ID dimension, both previously identified from the literature as well as new additions from the case studies, are summarised in Figure 52 and further described below. This description is guided by a sideband in colours corresponding to different ID dimensions, as used in this figure and in previous sections of this thesis.

Figure 52. Identified inclusive outcomes of the private sector operations classified in four main dimensions of ID*

Economic
- Core business
- Expansion of the economic space for local businesses
- (Productive) employment
- Organisation of the sectors
- Involvement of local businesses in the value chains
- Access to international value chains
- Knowledge transfer
- Taxes
- Markets
- Internal dividend policy
- Infrastructure development
- CSR (economic)

Socio-cultural
- Core business
- Knowledge transfer
- Infrastructure development
- Improved security
- CSR (social)
  - Access to education for employees' children
  - Access to healthcare
  - General support to the initiatives and events in the local communities

Spatial
- Core business
- Worker recruitment
- Turning a neglected part of Kenya into a productive producer of green energy

Ecological
- Core business
- Renewable energy
- More sustainable operations
- CSR (environment)
- Certifications
- Adoption of sustainable agricultural practices

Political
- Core business
- Parallel internal governance structure
- Number of 'occlusive' processes in the political dimension that took place on the local, national and international level

* In yellow/brown: identified outcomes of the three studied cases in addition to previously identified outcomes in Chapter 1.

Source: Own elaboration by the author

Economic dimension

The outcomes of the operations of three case studies are primarily concentrated in the economic dimension, through the expansion of economic space for local business. Foreign private investors, in this case mostly Dutch, played a critical role in launching and expanding all three studied sectors in Kenya. Starting operations in new sectors further created an opportunity for the greater involvement of local companies in these sectors or in MNCs value chains and (productive) employment creation. The wind farm was built predominantly by Kenyan workers, with relatively equal distribution of jobs among local communities. Such distribution was possible thanks to the company's dedicated internal policies. The flower sector generated about 90,000 direct and about 500,000 indirect jobs in 2010, while the tea sector created an estimated – both directly and indirectly – 3 million jobs in 2006. These two studied sectors were therefore important for generating necessary large-scale long-term employment, especially for low-skilled labour. It appears that all the studied Dutch companies offered wages that were above the requested legal minimum and additional benefits for the workers and their families. Other forms of economic inclusion happen through CSR programmes focused on economic stimulation, infrastructure development (in case of LTWP), some knowledge transfer that encouraged local entrepreneurship and organisation in the studied sectors, involvement of local businesses (all cases) and smallholder farmers (in the flower and tea sector), tax contributions or access to global value chains (tea and flowers). The inclusion can take different forms (Bebbington, 2013) and can have different scopes (INCLUDE, 2013; Rocha Menocal, 2017b; Widianingsih & Paskarina, 2019). From the argued assessment of the inclusive or exclusive nature of these outcomes, illustrated in Figures 49-51 above, it is concluded that the full inclusiveness potential of these development outcomes have not yet materialised. The wages offered rarely reached the level of a living wage. Employment generated on the local level by LTWP was mostly temporary. Jobs created in the tea and flower sectors, according to literature, are not fully productive, and a more in-depth analysis of who exactly got these jobs was not possible due to the limitations of this study related to data access (see Section 6.4.2). Both flowers and tea are grown for export, with limited local consumption, which led to partial local market exclusion (although this is more the case for the flower sector than the tea sector). Over the years, UTKL adopted an active dividend policy, while Dutch breeders maintained their dominant and exclusive position in the sector. Finally, the road construction and upgrade by LTWP was important for opening up the area to new economic activities for the local population. Moreover, as a public good, it comes closest to being considered a fully inclusive outcome, yet it was placed just beneath this line. The information gathered was not enough to determine full inclusiveness potential, while it is known that the positive effects of similar infrastructure developments are not always distributed equally, socially or spatially (Rammelt et al., 2017).

Socio-cultural dimension

The road was considered a development outcome in both the economic and socio-cultural domain as it also contributed to improved access to healthcare and education, social inclusion (to some extent) and, together with the project, it led to improved security in the area. Knowledge transfer from the MNC to local firms and farmers was important too in both economic and socio-cultural dimensions, as it supported development of local knowledge and facilitated access to increased businesses opportunities, which led, indirectly, to improved access to healthcare, nutrition and education for children. In all three cases, CSR programmes supporting local communities contributed to achieving some inclusive outcomes in this dimension, such as access to education for employees' children, access to medication, or general support for initiatives and events in the local communities. It should be noted that all these programmes are voluntary, thus they depend on the good will and personal motivation of the companies' managing directors.

Ecological dimension

The examined case studies also contributed to certain inclusive development outcomes in the ecological dimension. LTWP is the most obvious example, as clean and renewable energy is at the core of its operations. UTKL, with its own dam constructed within the Kericho estate, is also a renewable energy producer. Some Dutch flower farms installed renewable energy solutions and adopted a number of sustainable practices in their operations in order to minimise their ecological footprint. All companies also engaged in CSR programmes promoting environmental sustainability in their respective areas. LTWP assisted communities with water access and solar panels for local schools and clinics. In the flower and tea sector, Dutch capital and know-how was important in introducing certifications and in the adoption of more sustainable agricultural practices.

Spatial dimension

LTWP was the only company from the studied cases to contribute to the spatial inclusion of the area where the wind farm is located by transforming currently neglected parts of Kenya into a productive producer of green energy and an important contributor to Kenya's energy security (Dietz, 2016). Surprisingly, in the case of LTWP, spatial inclusion led to some inclusive outcomes in the political dimension too, namely, LTWP consulted and interacted with local political and traditional leaders in order to get the project off the ground. These actors from the north, rather marginalised so far in national political debates, now have a voice in what happens to the project and the area.

Political dimension

Finally, the political dimension of inclusive development. The interaction between the studied Dutch private sector and international, national and local politics is possibly the most essential aspect of this analysis. The examined sectors were of great political and economic significance for Kenya's economic development. They developed during different global and national historical periods, thus their developments were shaped by different underlying power structures and incentive systems relevant for the given era (Hickey et al., 2015). Tea development started during the colonial period, with high levels of state protection for MNCs. UTKL's predecessor did not hesitate to use its position to influence the shape of the sector and maintain control over tea production. Once power was transferred to the Kenyan government, tea remained a highly political crop, attractive for many farmers, including the Kenyan bourgeoisie and political elites. The Kenyan nationalisation process, which was unprecedented in remaining open to foreign capital, was strategically used by the MNC to strengthen its position and create a form of political insurance. After independence, the tea industry was considered an attractive investment for many farmers, while the Kenyan bourgeoisie and political elites increasingly owned large tea estates and held important posts within KTDA. Moreover, the tea-growing regions (former Central and Rift Valley Provinces) were electoral strongholds of all Kenyan presidents. Development of tea in these two regions was therefore important for political and ethnic reasons. It also created incentives for patronage. Ethnic politics played a role in the KTDA takeover of the UTKL predecessor's highly profitable marketing arrangement on the local market in the 1970s, as well as in establishing the Nyayo Tea Zone in 1986. These events show how coincidental convergence of interests between smallholders and ethnic politics played a pivotal role in advancing smallholder interests at critical points in time. Although the process was rather lengthy and 'occlusive', it led to some inclusive development outcomes in the sector.

The flower sector, in contrast, developed in a period of rapid globalisation and lacking a strong state. Taking advantage of this reality during the sector's stabilisation period (since 1999), a small group of international breeding companies took over the key regulatory role in the sector. This led to the creation of an 'occlusive' and exclusive nearly parallel internal governance structure within the sector. Similarly, despite a number of advantages, international certification schemes may be seen as yet another parallel regulator in the sector. This time, though, they resulted from the pressure put on the growing companies by international consumers (which also led to some inclusive outcomes, see above). Nevertheless, the market-driven and globalised character of the floriculture chain embedded in neo-liberal ideology, in combination with an absent state, impeded the flower sector in Kenya from reaching its full inclusive potential.

Finally, the case of LTWP was implemented in the 'new era' in Kenyan politics, where the state accepts its role as a regulator, but allows and recognises the role and space for the private sector in the country's development process. Yet, apart from this change, the inseparable link between political and economic interests, coupled with patrimonialism and clientelism, remain a central feature of Kenya's political economy and is likely to do so for some time to come (Booth et al., 2014; Teichman, 2016b). Teichman (2016a: 21) argues though that "beneath the political fray, even in a highly fragmented and heavily contested contexts and even when patrimonialism is rampant, enclaves of bureaucratic expertise can emerge, persist, and expand, and contribute to the achievement of an improved inclusionary outcome – if not in the short term, possibly in the medium to longer term when conditions are ripe." This statement is well illustrated by the case of LTWP. The local networks built over the years by the project's 'founding fathers' proved a critical factor in the project's success. It was thanks to these networks that LTWP gained the support of a competent key official who recognised the potential added value of the project. This individual's support later translated into national government's support and gained LTWP the status of a flagship project of Kenya's Vision 2030. With such support, LTWP ultimately reached financial closure and could finally start the project. The LTWP chronology illustrates a number of 'occlusive' processes in the political dimension that took place on the local, national and international level during the project development. These exclusive and very 'occlusive' processes in the case of LTWP also led to some inclusive outcomes in the longer-term.