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Chapter 7. Conclusions, reflections and recommendations

7.1 Conclusions

General findings

By using the theory-building tracing method in the examined case studies in the tea, flowers and renewable energy sectors, this thesis demonstrates that the Dutch MNCs in Kenya are able to contribute positively to economic, socio-cultural, spatial, ecological and even political dimensions of inclusive development. These findings confirm that the private sector have the capacity to play an important role in achieving inclusive development. The nature of the private sector makes it logical that the outcomes of its operations make the greatest contribution in the economic dimension. The shift towards more conscious and sustainable operations (globally but certainly in the Netherlands) has resulted in inclusive outcomes in socio-cultural and ecological dimensions. In some cases, an important event or process led simultaneously to both inclusive and exclusive outcomes. However, it was observed that the positive outcomes did not happen automatically and did not reach their full inclusiveness potential. They were achieved in economically viable sectors and reached people capable of conducting work in these sectors, living in proximity to the companies or who were able to benefit from them as consumers. Such outcomes rarely accompanied the sectors' development phase (except from LTWP), revealing that time was needed (in all cases), as well as the personal motivation of Managing Directors (all cases) and dedicated internal policies (LTWP) in order to reach such groups. Supportive policies of the 'home' and 'host' country, as well as international pressure were equally important, especially in case of export-oriented firms. This shows the importance of the international private sector in achieving inclusive development, but also the role of supportive policies of the 'home' and 'host' country.

Trade-offs in the political dimension

There were no major trade-offs detected between the outcomes in economic, socio-cultural, spatial and ecological dimensions. Moreover, the spatial inclusion of the neglected area in case of LTWP gave voices to local leaders and politicians leading to an inclusive outcome in the political dimension. Nevertheless, it is in the political dimension where the actual trade-offs were observed. As discussed in Chapter 5, in the African and Kenyan context, the presence and enforcement of a clear regulatory framework and incentives in the renewable energy sector are vital to attract new investors but not sufficient on their own. What also counts is the possibility to negotiate the terms directly with governments. This is not only symptomatic for the renewable energy sector, but appears to be relevant in other cases too.

'Occlusive development'

In all studied sectors, nearly all of the identified inclusive outcomes in economic, socio-cultural, spatial, ecological dimensions were preceded by lengthy and exclusive political processes with active engagement of the studied Dutch companies with the international, national and local governments. These processes were not only exclusive, but also 'occlusive' in nature – they happened behind closed doors among groups of carefully selected strategic actors. Hence, I have coined the term 'occlusive development'. In the studied cases, occlusive processes occurred during the initial stage of foreign private sector establishment in in the studied developing country. They were exclusive in nature but they constituted an integral and (so far) inseparable part of the development process that led to (some) inclusive outcomes. This relates to the role of personal networks and strategic actors operating in a specific context on an international, national and local level. This finding confirms the importance of making a distinction between different dimensions of ID, as well as inclusive, exclusive but also

'occlusive' development outcomes and processes regarding the private sector development in Kenya, particularly when it involves foreign firms.

The importance of political economy and political settlements analysis in a historical context

To truly understand the political complexity and 'occlusivity', it was necessary to put the analysis of the studied companies in a historical context (Utting and Marques, 2010). Such economic history is clearly influenced by political economy and political settlements that determine whether the goal of inclusive development will be achieved or not. The governing coalition, whose primary objective is political survival (Whitfield & Buur, 2014), would be more likely to implement the necessary changes if faced with pressure from (potentially) powerful groups in society (Awortwi & Dietz, 2019; Bates & Bates, 2005; Berendsen et al., 2013; Vlasblom, 2013). The private sector may act as such a powerful group, especially in a country where patronage networks are powerful and extensive, and state and business interests are closely interconnected (Akinyoade & Uche, 2018; Booth et al., 2014; Booth & Therkildsen, 2012). Simultaneously, the private sector is subject to the will of this governing coalition. If the interests of these two groups converge, it may lead to important inclusive development outcomes. This demonstrates how important it is to consider political economy and political settlements analysis in a historical context when discussing the operations of the international private sector in developing countries in order to better understand how the effects of their operations can actually spill over to the local economy.

The role of Dutch PSD policies

The Dutch PSD policies were important for encouraging Dutch entrepreneurs to invest abroad but its precise contribution to the inclusive development in Kenya was not possible to determine. The history of Dutch development policy provides a number of interesting solutions in terms of how to use a country's knowledge and skills to work in favour of less developed regions in mutually beneficial arrangements to stimulate economic development.

Final remarks

To conclude, this thesis broadly defines inclusive development as development that "aims to reduce poverty and inequality" (INCLUDE, 2019b: 5). In the context of three studied sectors (tea, flowers and renewable energy) in Kenya, it is confirmed that inclusive development prompted by the operations of the private sector can contribute to poverty and inequality reduction in its five dimensions (economic, socio-cultural, spatial, ecological and political) but does not facilitate full inclusiveness. It is important to remember that private companies operate in a very specific environment and must also adapt to existing circumstances. These systems are not automatically inclusive. Without adequate oversight and assistance, the private sector may simply reinforce these non-inclusive systems. Therefore, full inclusion may not actually be possible in the context of private sector operations (and possibly more generally) as long as development remains market-driven and embedded in neo-liberal ideology.

International pressure, dedicated internal or national policies, as well as the individual motivation of the Managing Directors are crucial for encouraging inclusiveness. Primarily, inclusive outcomes can be achieved if the interests of the private sector and governing coalition converge. This requires lengthy 'occlusive' negotiations between groups of strategic actors, including the private sector. These exclusive and often 'occlusive' processes in the political dimension may ultimately lead to inclusive outcomes (as long as they provide a window of opportunity for the involved actors), but the settlements achieved rarely challenge existing power structures; rather, they reproduce them.

Economic diplomacy should thus focus on promoting of policies that encourage inclusive development. Moreover, support given to the private sector in developing countries is important, but PSD policies need to be more realistic about what the private sector, in the specific context, can actually do to contribute to a specific dimension of inclusive development in a country. For this to happen, tapping into the actual knowledge of Dutch business(wo)men already experienced in doing business in the country is key, while PSD programmes should establish internal learning mechanisms for their private sector grantees to identify the challenges and on-going dynamics and swiftly adapt to the local context. Finally, such policies and programmes should not operate in a vacuum, but rather holistically support the ‘host’ country’s national government, sectoral organisations, trade unions, and civil society organisations to jointly create a conducive and inclusive business environment.

7.2 Reflections

7.2.1 *General reflection on the role of the private sector in inclusive development*

Although careful not to generalise the results of this research, the main message of this thesis is that the private sector, encouraged by appropriate policies in both ‘home’ and ‘host’ countries, has the capacity to contribute to some inclusive development outcomes and can be an important development agent. But its role is not straightforward. Embedded in neo-liberal ideology and driven by profit, the private sector, as in the case of my study (Dutch private sector in Kenya) is rooted in national realities and highly dependent on the business environment in the given historical, social and political context. Especially the bigger and more profitable companies, such as MNCs or companies operating in sectors of high national importance, are of interest to local elites in terms of potential rent-seeking and patronage. Furthermore, some of the companies, like, for instance, LTWP, but arguably other infrastructural projects as well, cannot operate without adequate state approval. That immediately makes them a target of political interests. As their survival depends heavily on this political embrace, as well as on the existing business environment in general, they must adapt and play by the national rules of the game. In the Kenyan context, this means navigating within a complicated political economy set-up characterised by patrimonialism and (ethnic) clientelism, with only some enclaves of bureaucratic expertise. The private sector is not in a position to challenge this status quo, whilst the risk is high that it will actually promote and reproduce the existing power structures in order to ensure its own survival.

It is of utmost importance that business in Africa, but also globally, is done in a responsible and ethical way. To paraphrase Friedman, in this new era: business’ business should be responsible business, yet it remains business. It is therefore up to national and international governments to provide a framework and conducive environment for the private sector to thrive, while ensuring that they uphold ethical and sustainability standards. It is the governments’ responsibility – not the private sector’s – to provide social protection and welfare for their people as well as space for civil society who can keep actors in check. To this end, partnerships are important yet not sufficient, as each actor has its own important role to play. The private sector is a key strategic partner in global developmental efforts and surely the SDGs cannot be achieved without it. Equally, the private sector cannot do it alone either.

7.2.2 *Methodological reflections*

On process tracing

In its exploratory spirit, this thesis set out to investigate the possibility of using the process tracing method in its theory-testing and theory-building capacity to gain a greater understanding of the 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 these two angles. Process tracing is an adequate qualitative method for

cases where context and time matter. It was therefore perceived as the right method to adopt in this study. Moreover, despite being a single-case method, meaning that only inferences about the operation of the mechanism within the studied case are possible, process tracing allows for generalisation 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). By analysing three different Dutch companies in Kenya, I attempted to reach more general conclusions regarding the contribution of Dutch businesses and Dutch PSD policies to inclusive development in Kenya.

In practice, using the process tracing method in research involving the private sector proved challenging. The fact that the precise link between the operations of the private sector in developing countries and inclusive development has not yet been explicitly theorised allowed me to engage in the theory-building process tracing exercise. This method requires certain rigour in terms of data collected to systematically build a theory. My first step was to establish a chronology of events and produce a narrative that led to the emergence of some possible outcomes and processes. Based on the literature, I made a prediction about the empirical fingerprints of the main causal mechanisms (Beach, 2016). In the case of this research, I expected to confirm the importance of the political economy and political settlements in the process of the private sector development. I further pursued this clue to look for potential relationships between the policymakers and businesses within the case studies and position identified processes and outcomes in a broader context of the inclusive development debate. The emerging patterns in my analysis clearly hinted at their important causal relationship. Nevertheless, due to access and time constraints, explained in the section about the limitations of the study, I did not manage to follow a detailed tracing of causal sequences in all the studies cases, but rather I constructed an explanation of the process instead (George & Bennett, 2005). As such, especially in the case of the flower sector but to some extent in the other two cases as well, the research makes use more of “explaining-outcome process tracing” (Beach & Pedersen, 2013) rather than the preferred sequence necessary for a theory-building process. This means that I was still able to map the different influences and actors that contributed to or played a role in the inclusive development outcome and process, without always having to follow a linear sequence of events.

Despite encountering challenges that limited the scope of my results, I find that process tracing has a great potential to be used in similar types of research, especially more practical ones, which want to trace the developmental processes of the private sector in developing countries or test the assumptions behind policies and their respective Theories of Change. It may be, more effective, however, if access to necessary data to make a proper in-case analysis is granted from the outset of the research.

On conducting research with the private sector

Conducting research on, in and with the private sector is not an easy task. Access to companies in the selected sectors was the first major challenge in this research. Some mistrust exists between the managers of the firms and researchers. It is not surprising considering the vast amount of academic literature and activist reports criticising MNCs operations in developing countries (i.e. Frynas, 1998; SOMO, 2010; Van Beemen, 2019; Van Der Wal, 2009). In the case of my research, time was also not on my side. For instance, the flower sector in Kenya has been under continued scrutiny and critique for years. Prior to my fieldwork, another critical documentary on the Dutch flower sector in Ethiopia screened in the Netherlands and it raised concerns among the Dutch flori-businesses in Kenya that it would spark renewed interest in their operations too. Similarly, for LTWP, just two weeks before the main field visit, Danish NGO DanWatch published a highly negative (although largely contested) report about the project that was also picked up by a Dutch radio podcast. It goes without saying that my ‘timely’ research requests must have raised some eyebrows among management.

However, gaining access became easier with the support of the Dutch Embassy in Nairobi, who provided direct contact details and a letter of support. I must admit that there were very few Dutch

companies that refused to meet with me, although some were more open than others. The fact of working on a project funded through NWO-WOTRO and INCLUDE, thus indicating a direct link to the Ministry of Foreign Affairs, was also helpful. Through this, I gained initial credibility (or at least a benefit of the doubt) that helped to alleviate some of the inherited trust issues. It often won me my first meeting. This meeting was usually crucial, as it was the moment where management would either see or not see the added value of my research. Being introduced or recommended by a respective key actor in the sectors was also helpful in opening some doors. This shows the importance of networks not only for the Dutch businessmen in Kenya, but also in the context of conducting research.

For the case studies, building necessary relationships with the company of interest, especially in 'sensitive' sectors or companies under reinforced scrutiny, must be the priority for the researcher. I learnt this first-hand during the fieldwork when I 'lost' a possibility to study in-depth one of the companies in the flower sector. Due to limited time available for data collection, I made a mistake and moved too fast with my research before establishing the necessary *rapport* and trust with the management of this particular company. Learning from this experience, I moved much more carefully when building my relationship with the management of LTWP.

Gaining access was the initial challenge. Managing the relationship throughout the research process was the next stage. Sometimes a researcher may be confronted with certain limitations imposed by the researched company. In my case, I faced such a situation once in the case of LTWP. I must state that the people working for LTWP were very open and forthcoming in nearly all aspects of their work and operations. I also stayed fully transparent and followed the agreed research protocol that was approved by both sides. The only limitation that was put on me in the field by the company was a request not to go to Sarima village. This was partly, but not only, a matter of security; as described in Chapter 5, the village was facing a number of challenges at the time of my fieldwork. As I was the first academic researcher to be officially allowed to conduct the study on site since the project began in 2013, I knew that my behaviour and ethics may determine whether the company would be willing to allow other academics to conduct their studies with the active participation of the company in the future. I (reluctantly) respected this limitation and accepted the alternative solution (that some local residents came to the LTWP 'village', so I could conduct my interviews). I knew that disrespecting this request would end my relationship with the company and perhaps close the door for subsequent academics (at least for some time). With this in mind, I decided to compromise on this point.

Finally, an important step in managing the relationships with the researched company is to provide it with a possibility to validate the results. Each of the companies studied in detail had an opportunity to read and respond to the sections that directly related to their case (wherever possible³⁴²). It was important for the participating companies to be informed of how the results of our meeting would be presented and it provided a good opportunity to cross-check some details that might otherwise have been missed. Such validation rounds are time-consuming, yet necessary and recommended to assure full transparency in the research involving the private sector.

7.3 Recommendations for further research

The concept of inclusive development remains contextual, but I believe that this is actually a good thing. The concept as such calls for context-specific solutions, thus it is not possible to have one precise definition of it, as inclusive development will mean different things under different circumstances. What is important, though, is that more research adopting the inclusive development lens will be conducted to assess more broadly who actually benefits from the international private sector's operations in the developing countries, who is excluded, and why, especially in Africa. Such research

³⁴² Some contacts unfortunately were no longer working for the company during the validation round and it was not possible to receive feedback from their colleagues.

should discuss key contextual, historical, empirical, political and institutional aspects of the private sector operations (de Haan, 2015; Kolk et al., 2020; Kolk & Lenfant, 2018; Lashitew & Van Tulder, 2017), as well as consider them in five ID dimensions (economic, socio-cultural, political, ecological and spatial) (Awortwi & Dietz, 2019; Bebbington, 2013; Gupta et al., 2015).

This qualitative research in its exploratory nature and with experienced limitations was not able to produce more generalised results. Realising the methodological and practical constraints, the three case studies can serve, however, as an important contribution to the broader theoretical reflection about the potential contribution of the international private sector to inclusive development. By positioning it all within a historical context, the adopted method also allows me to establish certain propositions that can be further explored in possible follow-up research. These propositions are as follows:

- P1: The private sector contributes to inclusive development mostly in the economic dimension but these outcomes have not reached their full inclusiveness potential, as the positive effects of their operations are not always equally distributed in the society.
- P2: The development stage of the international private sector's operations (esp. MNCs and companies operating in sectors of high national importance) cannot avoid political interference. The exclusive and often 'occlusive' processes in the political domain may ultimately lead to inclusive outcomes in the economic, socio-cultural, spatial, ecologic and political dimensions of inclusive development. These processes, however, take time and may reproduce existing power relations.
- P3: The involvement of the international private sector in developing countries is important for contributing to inclusive development but it is not sufficient in itself. The government must play an equally important role in this process, alongside civil society and academia.

7.4 Recommendations for enhancing the contribution of the Dutch private sector to inclusive development in developing countries

Based on my research, I make the following recommendations to the Dutch Government for enhancing the contribution of the Dutch private sector to inclusive development in Kenya and other developing countries:

Practical level:

- Acknowledge that the private sector has the capacity to play a key role in achieving inclusive development as long as the supportive policies of the 'home' and 'host' country are in place. Therefore, concentrate on promotion of policies encouraging inclusive development in 'home' and 'host' countries. The latter can be done through the economic diplomacy efforts of Dutch embassies.
- Provide adequate local support to new Dutch companies entering the Kenyan market from the Dutch embassy, as well as mentorship from other Dutch business(wo)men with experience of doing business in the country.
- Require Dutch MNCs to adjust their business models to account for greater inclusive development outcomes. Such outcomes should include productive employment creation and far more ambitious CSR plans that go beyond current models. The companies should also make internal efforts to deeply understand their local context and stakeholders.
- Recognise the importance of providing support to the private sector in developing countries in its development and maturation period. Support professionalisation and development of national standard compliance mechanisms. At the same time, holistically support Kenya sector's associations, trade unions and forms of national public-private dialogues to strengthen

the voice of the private sector and civil society in designing and developing national economic strategies for a more inclusive national system.

- Provide more support to local research and development, as well as public research to promote more inclusive knowledge transfer to challenge the existing power structure in the 'host' country and unlock the inclusivity potential of the sector

Programming level:

- Context and time matter! Historical, social and economic contexts, particularly underlying political economy and power relations, shaped patterns of inclusion and exclusion of the private sector in developing countries. Programmes supporting private sector development should be mindful of these dynamics (including 'occlusive' processes) and appropriately factor them into their planning and expected results. Support for more transparent (currently 'occlusive') process may be needed.
- Integrate appropriate learning mechanisms within PSD programmes, which would allow companies and funders to identify and adjust faster to the best context-specific approach in order to achieve common objectives.
- Enhance efforts to develop a holistic way of assessing the impact of the PSD instruments. Moreover, research analysing the regional concentration of Dutch businesses in developing countries should be conducted to better target under-served areas.
- Provide greater support and incentives for companies that invest in training and promote the development of their employees. Furthermore, provide support to companies that hire people with disabilities (also to increase job opportunities for this group).

Policy level:

- PSD policies and programmes must become more realistic about the role and limitations of the private sector in national development processes in 'host' countries. Acknowledge that the contribution of the private sector to inclusive development is most pronounced in the economic dimension and may not lead to full inclusion in all the dimensions under the current global economic system. Furthermore, recognise that time is needed to achieve inclusive outcomes.
- Promote and encourage policies enhancing balanced approaches between the government, private sector and civil society. The 'home' and 'host' governments should work towards creating conducive business environments with adequate oversight mechanisms.
- Avoid 'one-size-fits-all' policies. Different sectors face different challenges and actors involved are not a homogenous group. The needs of all actors should be taken seriously to assure full inclusion.
- Conduct more studies testing the underlying assumptions of the PSD policy using the process-tracing method. To cater for the challenges related to data access in the field, the companies that will be considered for such research should be willing to participate from the start. Private companies that benefited from the Dutch government funding should be particularly encouraged to participate in such research.
- Recognise and account for political economy and political settlements factors in Dutch PSD policies planning as well as in the assumptions behind their respective Theories of Change.