

Interim findings

Dutch multinational businesses in Africa

The research project 'Dutch multinational businesses, Dutch government and the promotion of productive employment in Kenya and Nigeria' aims to investigate the policies adopted by Dutch multinational companies (MNCs), as well as by their home and host governments, to identify the conditions that would enable the transfer of skills and the integration of local businesses into international value chains. In Kenya, the project focuses on the flower sector, tea sector (Unilever Tea) and energy sector (Lake Turkana Wind Power). In Nigeria, the team looks at Heineken Nigeria, Tulip Cacao, Unilever Nigeria and FrieslandCampina WAMCO (FCW) as case studies. The following are the project's interim findings and policy messages:

Interim findings

Nigeria

- While the Nigerian government seeks to attract MNCs to boost large-scale agricultural productivity, key issues like inconsistent and erratic government policies, an unorganized civil service, the insurgency in the north-eastern part of the country, and inconsistent and unclear foreign exchange policies have hampered the productive employment of Nigerian farmers and their integration into the value chains of MNCs.
- Government policies are frequently formulated and operationalized in collaboration with economic and political interest groups masquerading as stakeholders, rather than real stakeholders. This has resulted in policies that do little to improve the wellbeing of the business groups they are supposed to support. It is impractical to expect MNCs with little comparative advantage in agriculture to drive government policy in this sector. Hence, there is a need for farmers in Nigeria to establish forums to discuss their problems and influence policy change.
- Despite the many agricultural policies and programmes implemented in Nigeria since the 1970s, very little attention has been paid to supporting sorghum production. Agriculture is key to long-term economic growth and security in Nigeria (and Africa in general), but good policies are needed to unlock the sector's full potential.
- Farmers need access to adequate inputs – seeds and chemicals – to achieve adequate farm yields. Only then can we talk about economic gains.
- The decline in cocoa production after the 1970s is associated with structural shifts in government economic and industrial policies in favour of oil exports. The neglect of the whole agricultural sector has left it with inconsistent and poorly-conceived government policies and poor infrastructure. While the efforts of multinational companies to improve the cocoa value chain in Nigeria are noticeable, success will greatly depend on articulate government agricultural policies and their dedicated implementation.
- In Nigeria, there is a mismatch between national production capacity and the institutional environment, which has created an incentive to import agriculture products instead of producing them locally. The growth of the dairy sector in Nigeria will depend on the existence of supportive infrastructure and an effective national agricultural policy.

Kenya

- Over the past three decades, Kenya has been the only African country that the Netherlands has had sustained development cooperation with.

- Productive employment in Kenya can be promoted through gender-sensitive policies that directly address the economic environment and the labour market. There is a need for a legislative framework that encourages greater policy coherence, technical and vocational education and training (TVET), and private-sector development, especially in sectors with high employment potential. The role of international actors in supporting such a framework is crucial.
- Productive employment in the agriculture sector should be able to put bread on the table. The role of the government should be to facilitate the operation of productive farms.
- Greater professionalization in the economy is desired. However, industries suffer from a mismatch of skills resulting from the inadequate equipment of Kenyan education institutions and out-dated teaching programmes that are not practically based.
- The decreasing involvement of youth in agriculture is caused by lack of access to land, skills and vision. Technology could potentially drive youth to agriculture, but more jobs should also be created in the value chains.
- The flower sector in Kenya provides more than 500,000 jobs (including approximately 100,000 flower farm employees). The majority of farm jobs are for low-skilled workers.
- Females dominate the floriculture labour force, although mainly in production and low-skilled jobs. Men more frequently occupy the executive and managerial positions.
- Kenyan companies dominate the flower growing industry. Only 10% of the flower growing companies are Dutch. However, Dutch companies dominate (80%) the breeding and propagation segment.
- Lack of seed agency and the high cost of royalties established by breeders are barriers to the entry of smallholder growers to the flower sector.
- In the supply chain of the flower industry, the majority of companies are local suppliers. For most of these companies, floriculture is their core business.
- Kenya runs predominantly on renewable energy sources. Although the number of consumers connected to the grid increases yearly, most of the country, especially rural areas, remains off-grid.
- The Kenyan energy sector is male-dominated. The majority of employees are professionals with a high skill set. Technicians are in demand and earn good salaries.
- Africa is currently experiencing a number of green energy mega-projects, like Lake Turkana Wind Power. This case study shows the important role that such projects can play in changing the status of remote and 'neglected' areas to 'defended' areas, as well as how challenging it is to invest in such remote locations.
- The majority of companies in Kenya engage in corporate social responsibility (CSR) activities. However, these activities are mostly in the form of community involvement and local philanthropy. Companies should acknowledge that 'traditional' CSR is out dated. Instead, the private sector should work on creating shared value and proven development additionality by incorporating a living wage standard and intolerance for tax evasion into its core policies.
- In order to promote private sector development, the Kenyan government should introduce more incentives for hiring, improve VAT refund procedures, improve technical skills/address the skills mismatch, tackle tax evasion, and push for local content.

General findings on private sector engagement in development

- Dutch (European) policies supporting private sector development through official development assistance (ODA) should go beyond promoting (Global North) investments in developing countries. There is a need to better ensure the clear development outcomes of such initiatives, which should be linked to international and national poverty reduction strategies in African countries.
- Very solid and clear regulations that enforce sustainable and inclusive business practices on national and

international levels are vital.

- Lack of reliable mechanisms for the monitoring and evaluation of private sector activities, as well as lack of reliable data in developing countries, poses a problem when assessing the contribution of private sector activities to development.
- Funding for private sector development should not only promote new investments. There should be additional support for existing (international) companies in developing countries to become more responsible and sustainable.
- Policy coherence is crucial: a sustainable private sector should be promoted through both development and non-development instruments and mechanisms and through different ministries.
- Greater coherence should also be promoted through domestic policies in developing countries, with a focus on industrialization, regional trade and local content.

Policy messages

- **Promote sustainable and inclusive private sector involvement in development cooperation:** Ensure greater policy coherence and push for the inclusion of more voices from the private sector, particularly from the South, in policy and funding mechanisms and development processes. Furthermore, establish provisions for monitoring and evaluation and reporting on private sector activities in developing countries, as well as for improved industry data collection, in order to adequately assess the contribution of private sector activities to development.
- **Ensure sector-wide consultation and the identification of real stakeholders:** Policymakers should consult with the stakeholders participating in the value chain of multinationals before making (and operationalizing) policies that will affect these stakeholders. To identify the 'real' stakeholders it is recommended that criteria be set for becoming a representative of a stakeholder group. These could include, for instance, proof of active participation in the main business of the stakeholder group for a minimum number of years.
- **Promote the professionalization of African economies by supporting skills development initiatives:** To close the gap in the skills mismatch, more collaboration is needed between education institutions, industry and local institutes that link industry with academia.
- **Promote the generation, expansion and use of local raw materials:** The governments of Kenya and Nigeria could do more to promote the use of local raw materials by MNCs for industrial production.
- **Promote meaningful local value chain schemes:** The expectation that MNCs should play a prominent role in promoting economic activities in their supply chain is not always practicable. To be sustainable, meaningful value chain promotion schemes, especially those based on backward integration, need to be supported by clear government-driven policies and schemes. Host governments must play their part in promoting the use of local raw materials by MNCs. This can be done by putting in place policies that ensure that such raw materials are in abundant supply, rather than expecting MNCs to produce them.
- **Look at agriculture as a business and ensure its profitability by providing adequate institutional support:** African countries can achieve this by prioritizing certain crops and ensuring that the process is done in a participatory and inclusive way.
- **Promote the development of supportive and inclusive policies by African governments:** African policies must be fit for the development of Africa, and the development and operationalization of such policies cannot be outsourced to MNCs – national governments must play an active and supportive role.

Knowledge products

Scientific articles

- Akinyoade, A, Ekumankama, O, & Uche, C (2016) The use of local raw materials in beer brewing: Heineken in Nigeria, *Journal of the Institute of Brewing*, Vol 122 Issue 4, pp. 682–692, <http://onlinelibrary.wiley.com/doi/10.1002/jib.383/abstract>
- Kazimierczuk, AH (2015) Overview of development policies in the Netherlands (2010–2015) in the context of private sector development, *CII Analyses Bulletin* (6): 16–26, <https://openaccess.leidenuniv.nl/handle/1887/37791>

Publications aimed at the general public

- Kazimierczuk, AH (2017) *Taking off against the wind: Impact of the wind mega project on inclusive development in Kenya*, <http://includeplatform.net/research-update-taking-off-wind-impact-wind-mega-project-inclusive-development-kenya/>
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- Kazimierczuk, AH (2016) *Challenges for inclusive development in the flower sector in Kenya*, <http://includeplatform.net/challenges-inclusive-development-flower-sector-kenya/>
- Kazimierczuk, AH, Dietz, AJ & De Vink, N (2016) *Partner countries for Dutch bilateral development assistance 1962–2015*, ASCL Thematic Map no 14, <https://openaccess.leidenuniv.nl/handle/1887/37733>
- Kazimierczuk, AH (2016) *Trade, investments and development cooperation in Sino-Dutch relations*. [News post], <http://www.ascleiden.nl/news/trade-investments-and-development-cooperation-sino-dutch-relations>
- Lucassen, C (2016) *54 jaar Nederlandse overheidshulp in Afrika*, One World, https://www.oneworld.nl/research/54-jaar-nederlandse-overheidshulp-afrika?utm_content=buffer073a0&utm_medium=social&utm_source=twitter.com&utm_campaign=buffer
- Kazimierczuk, AH (2015) *Historical overview of development policies and institutions in the Netherlands, in the context of private sector development and (productive) employment creation*, ASC Working Paper 122/2015, African Studies Centre, Leiden, <https://openaccess.leidenuniv.nl/bitstream/handle/1887/36351/ASC-075287668-3704-01.pdf?sequence=2>

Other research output

- Research Team (2017) *Project stakeholder meeting on Productive Employment in Kenya*, Second stakeholder meeting report in Kenya.
- Kazimierczuk, AH (2016) *Points raised as a invited panel expert during the Vijverberg session (part of the food FIRST series) on ‘Moving forward on youth inclusiveness in agricultural transformation’*, <http://knowledge4food.net/wp-content/uploads/2016/12/Vijverberg-session-points-Kazimierczuk.pdf>
- Kazimierczuk, AH (2016) *Research on the Dutch flower sector in Kenya*, Video presentation prepared for the INCLUDE MFA lunch seminar on inclusive development in Africa, <https://www.youtube.com/watch?v=ZhUVSk6xJrY&t=1s>
- Research Team (2016) *Capacity strengthening workshop Abuja and Ibadan*, Advocacy and second stakeholder meeting report Nigeria.
- Research Team (2016) *Project stakeholder meeting on productive employment in Kenya*, First stakeholder meeting report in Kenya.
- Kazimierczuk, AH (2016) *Aid=trade: Historical overview of Dutch development assistance and current Sino-Dutch bilateral trade relations*, Paper prepared for the conference at Fudan University in Shanghai.
- Research Team (2016) *Project mid-term review workshops and stakeholder meeting on productive employment in Nigeria*, Mid-term and first stakeholder meeting report Nigeria.

- INCLUDE (2014) *Dutch multinational businesses*, Kick-off workshop report Kenya, <http://includeplatform.net/downloads/minutes-start-workshop-nairobi-kenya/>

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