



Implication of Multi-National Corporations (MNC's) and Commercial Tea Plantation Agriculture on the Small Scale Farmers of Kericho in Kenya, 1963 -2010

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ABSTRACT

The introduction of tea as a cash crop in Kericho revolutionised farming among the Kipsigis of Kericho. While the independence of Kenya in 1963 was expected to come along with economic empowerment and freedom among its people, many still struggle to meet their daily needs and live below the poverty line. For Kericho residents, MNC's continued their domination in plantation tea farming at the expense of the local communities who are wallowing in poverty. Although MNC's contribute in the provision of social services to the local community as part of their corporate social responsibility, this assistance is a drop in the ocean considering the massive capital and technology that these corporations wield and which have been instrumental in relegating the small scale farmers to the periphery and creating dependency. This study explored the implication of MNC's engaged in plantation tea farming in Kericho District (presently Kericho County) on local peasant farmers.

Key Words: Plantation agriculture, small scale farmers, MNC's, underdevelopment, dependency

INTRODUCTION

This paper will attempt to analyse the operations of the Multi-National Corporations (MNCs) in Kenya and also provide a narrowed down specific study in Kericho. A primary aim of MNC's operations in Kenya, or elsewhere in the world, is the generation of profit for company and its shareholders, however, the government has tried to establish limits on the repatriation of these profits. Furthermore, the presence of such MNC's has been important in the shaping of the agricultural economy of Kericho District during and after the colonial rule in Kenya. MNC's also brings significant advantages to the country of their operations in meeting local competition.

This article also looks at the current relationship as to how the post-colonial policies have shaped the various aspects of the Kipsigis economy with specific emphasis on land tenure and use, liberalization of the market, labour organization and finally provide an analysis of the role of cooperatives in the Kipsigis socio-economy.

Study objective

This study aimed at assessing the origin, evolution and impact of MNCs and commercial tea plantation agriculture on the local people of Kericho between 1963 and 2010. It explores the implication of MNC's on local peasant communities and how their introduction to the world capitalist system affects their daily economic lives.

Research Puzzle

While the coming of MNC's engaged in commercial tea production in Kericho was expected to positively improve the economic prospects of local host communities, this has not been the case for most Kipsigis populations of Kericho District. This study explored the implication of MNC's engaged in plantation tea farming in Kericho District (presently Kericho County) on local peasant farmers. Even though the local population has benefitted from MNC's that provides employment opportunities, provision of social services like education and healthcare, this is a relationship that tends to entrench dependency between locals and MNC's even as MNC's continue to extract profits that is mostly reinvested in the metropolle to the detriment of the periphery.

Theoretical Framework

The state of affairs in the 'underdeveloped countries' was thought of as being due to a lack of capital, know-how and other inputs which had led to 'development' in the advanced industrial countries. Critics of this view argued that on the contrary, the predicament of the 'underdeveloped' countries was due to the application to them of western capital, know-how and political power, often over several centuries, in ways which had structured (and continue to structure) their economies and societies so as to continuously reproduce poverty, inequality and, above all, political and economic subordination to the interests of western capital.¹

Underdevelopment occurs when a dominant capitalist system penetrates into a previously autonomous pre-capitalist formation, creating a dialectic centre- periphery relation leading to domination and subordination. This domineering influence eventually effects the transformation of the pre-capitalist formations so that the existing political, economic, social and cultural institutions are replaced by alien capitalist structures. At such a point, the weaker capitalist system becomes watered down to mere peripheral instruments to the industrialized capitalism. In other words, the starting-point of underdevelopment theory is the period in which any given region of today's 'third world' began to be progressively incorporated into a permanent relationship with the expanding capitalist economy.

The dependency model also neatly linked conditions before and after independence through 'continuity in change' that is the persistence of the relations of dependency and self-reproducing underdevelopment within the apparently changed forms brought by flag independence. Thus colonialism and neo-colonialism were considered explicable within the same theoretical paradigm. The colonial state appeared to be the obvious agent of metropolitan capital in establishing and maintaining the structures of dependence.

¹ Leys, *Underdevelopment*, xiv.

Research Design

There are many research approaches available for researchers to choose from. However, the broad distinction between research methods is whether they are qualitative, quantitative or mixed method approach (Creswell, 2003). Walliman (2007) explained that, qualitative research usually is to do with people and their activities, and is concerned with variables that cannot be quantified. Qualitative research includes designs, techniques and measures that do not produce discretely numerical data (Mugenda and Mugenda, 2003). More often, the data are in a form of words rather than numbers and these words are often grouped into categories. Creswell (2003) summarizes the characteristics of qualitative research design to include: qualitative research taking place in the natural setting where the qualitative researcher often goes to the site of the participant to conduct research; the use of multiple data collection methods traditionally based on open ended observations; interviews and documents that are interactive and humanistic involving active participation by participants and sensitivity to the participants in the study. Due to the nature of this study, it adopted the qualitative research approach since the targeted data was not discretely numerical but in form of words, ideas and explanations.

Data sources for historical research can be taken from either primary sources or secondary sources. Primary sources are first-person accounts that involve the oral or written testimony of eyewitnesses and these may include documents, letter, observational notes, photographs, recordings, diaries, journals, life histories, drawings, mementos and other relics. Primary sources are usually original artefacts, documents and items related to the direct outcomes of an event or an experience. In general, primary sources are created at or very near the time of the historical event that is being described. In contrast, secondary sources are account descriptions of persons who are not eyewitnesses of the event or who did not personally know the person being studied. They are from people who were not immediately present at the time of the event and these are referred to as second-hand accounts of someone, some happenings or some development. Secondary sources can be in form of biographies, scholarly articles, popular books, reference books, textbooks, court records, lab information, encyclopedias, newspaper articles and even obituary notices.²

In this study, a combination of research instruments was used. This combination allowed for the maintenance of balance between the quality and quantity of the data collected. As a result, much of the analysis revolved around primary and secondary sources of data. The primary sources utilized were oral information gathered from small holder tea farmers and the multinational companies through interviews and questionnaires. Archival sources, which were accessed at Kenya National Archives (KNA) in Nairobi were also used. The selection of these methods was guided by the nature of the research carried out. The library research included a review of both electronic and non-electronic books, journals and dissertations.

MULTI-NATIONAL CORPORATIONS IN KENYA

In most African countries, the absence of an established landlord class or of other elements in the indigenous population with capital accumulated from other forms of economic activities, tended to leave no alternative but industrialization through the agency of foreign firms.³ MNC's operations in Kenya actually predate the end of World War Two. A few MNC's, almost all British,

² Tan, *Historical Research*

³ Leys, *Underdevelopment*, 15.

were involved in the Kenyan economy prior to that time. After World War Two, British firms begun to invest directly in manufacturing as import-substitution industries were developed. Through direct investment, mergers and takeover of existing firms, a number of such MNCs gained a foothold in Kenya.⁴ By the end of the 1960s, such foreign firms were strongly entrenched in Kenya's manufacturing. Since MNCs have their headquarters abroad, they will desire to repatriate the largest amount of profits possible from their operations in Kenya.

Omwoyo argues that moreover, the presence of such Multi-national Companies was important in the shaping of the agricultural economy of Kericho District during and after colonial rule in Kenya. MNCs bring significant advantages to the country of their operations in meeting local competition. These include technological innovation and control, marketing skills, extensive market power and superior management techniques. Not only do these give MNCs an advantage, they are also able to carry out certain of their activities at lower cost within the firm rather than through the market. This, and most particularly their managerial experience, gives the MNCs a considerable advantage, particularly in a developing nation like Kenya.⁵

The MNCs have continuously amalgamated and consolidated into fewer and fewer oligopolies which controls the export as well as the import trade and fixes the prices not only of the imported commodities but also of the exports produced by Africans. The huge profits that accrues from these activities goes to them and not the Africans.⁶ As Rodney points out, colonialism and its continued influence through foreign capital and investments, has also virtually put a stop to inter-African trade by either discouraging or banning them altogether. This has prevented the strengthening of links and the development of new ones that could have proved of benefit to Africans.

The government however, has tried to establish limits on the repatriation of profits, but the MNCs have devised ways of maximizing repatriated profits by 'hiding' them. Swainson states that in theory, the government has created mechanisms to control the conditions under which foreign firms invest in Kenya, although in practice multinational firms are able (through patents and technical agreements) to take advantage of their technological monopoly.⁷ The Multinational Corporations usually do this through the transfer of prices, and the payment by a subsidiary of management and technical fees to the parent companies. Prices are commonly 'transferred' by the technique of under-pricing the MNCs' imports thus creating a net flow of funds to the head office.⁸

Select Tea Multi-Nationals in Kericho

Located within Kericho are some of the world's largest tea estates. The vast, well-tended and lush green tea farms are only interrupted by indigenous and eucalyptus forests, well-marked tarmac roads and paved foot paths. Kericho is home to the Kenya Tea Development Authority and headquarters of Kenya's large-scale tea farming operations that include Finlay, Williamson

⁴ Ibid, 385.

⁵ Omwoyo, *The Agricultural Changes*, 157.

⁶ Boahen, *UNESCO General History*, 171.

⁷ Swainson, *The Development*, 17.

⁸ Maxon and Ochieng', *An Economic*, 385.

and Unilever. It is a region known worldwide for its production of high quality black tea prized for its brightness, appealing colour, brisk flavour and fragrant leaves.

James Finlay Kenya (JFK)

Established in 1925 and in its early days known as Africa Highlands Produce, the company is now owned by Britain's John Swire & Sons, Ltd. The estate's factories are ISO 22000 certified and produce both green and black tea extracts.

Jane Ndirangu points out that the estate covers over 10,000 hectares and produces over 30 million kilograms of tea annually. It is one of the biggest tea establishments in the White Highlands. Finlays is known for its black and instant teas of which 95 percent is exported, reaching the world markets of North America and Europe via the weekly auctions at the Mombasa tea auctions. The United Kingdom is Kenya's largest European export market at 17 percent with Egypt taking 21 percent. The balance of 5 percent is sold locally in Kenya where tea is taken three times a day beginning at dawn and frequently after the evening meal.⁹

Uniliver Tea Kenya (UTKL)

Unilever Tea Kenya Ltd, a subsidiary of Unilever, an Anglo-Dutch conglomerate, has been involved in the production of tea, mainly for export. It started as Brooke Bond Kenya (BBK). Tom Rutter, then in charge of Brooke Bond in Calcutta, India, during a hunting safari in Kenya in 1914, realised that the country was ideal for tea growing. In 1922 a BBK sales office was opened in Mombasa and in 1924 the company acquired approximately 400 hectares of land at Limuru and also built Mabroukie tea Factory.¹⁰

In 1925, Kenya Tea Company Limited registered with a share capital of 1 million. BBK's first major Tea Factory in Kenya was completed at Kerenga in 1927. The 1970s saw a major expansion of BBK activities into tea estates, factories and hotels. The name was changed to Unilever Tea Kenya Ltd. (UTKL) in 2004.

Between 1920 and 1939, Brooke Bond controlled all key stages of production, marketing and distribution of Kenyan tea. Between 1947 and 1960, Brooke Bond was able to increase quality and labour productivity by sponsoring research for higher yielding varieties, processing techniques to improve tea quality and introducing new plucking techniques. These advancements were realized at the Tea Research Institute, which was established by the company at Kericho.

Today UTK is one of the largest commercial enterprises in Kenya. Its contribution to the economy as a foreign exchange earner has increased from Kshs. 0.25 million in 1972 to Ksh. 5.5 billion. Its total land holding stands at 16 223 acres. UTK owns 20 tea estates and eight factories manufacturing an average of 32 million kilograms of tea per year.¹¹

⁹ Oral Interview, Jane Ndirangu (Manager, Social Responsibility – James Finlay), 11/05/2013

¹⁰ Oral Interview, Mr. Mitei (PRO- Corporate and Admin. Manager – Uniliver, Kericho) – 21/07/2013.

¹¹ Ibid.

The Interface between MNC Activities and the Socio-economy of Kericho

The independent Kenya has sought to come up with various policies which have influenced and shaped the current relationship between tea farming and the socio-economic status of the farmers. The tea plantation corporations have also attempted to cultivate a harmonious relationship with the people living around their plantations and their economy. According to the respondents interviewed, the corporations have attempted to cultivate this harmonious relationship through the linkages discussed below;

Tea Farming and the Post-Colonial Economy

Adu A. Boahen argues that a clear assumption exists in the fact that the British, just like other colonizers, went out to the colonies primarily, if not exclusively, to enrich themselves and promote their own interests, and those of their commercial firms, companies and banks. The development of the colonized was none of their business. Their main preoccupation was to create and maintain effective conditions for the 'orderly' running of economic activities in the colony which facilitated effective exploitation of colonial resources, both human and material.¹²

B. A. Ogot and W. R. Ochieng' further add that the colonial production relations were built within Africa over a span of years, during which the numerous self-sufficient African economies were either destroyed or transformed or subordinated. Their connections one with another were broken. By definition, the colonial economy was an extension of that of the colonizing power.¹³ Kitching notes that the commercial production of tea introduced some changes into the organization of the Kipsigis agricultural production. Consequently, in those households with little land, concentration on the production of cereals alone by the women cultivators would have produced a considerable risk, or perhaps even a certainty (where land holdings were very small) of failing to meet socially determined subsistence requirements. In this situation, the proportion of directly consumed production was reduced, and land planted to cash crops (tea), and an increased proportion of domestic food requirements (in cereals and legumes) was purchased in the market. However, this movement in the crop mix toward greater dependence on the market for subsistence entailed some risks, including sudden rises in prices of cereals at times of local or general harvest failure, and the failure of one's own crops.¹⁴

Robert Maxon and William Ochieng' stated that, tea was among the most important settler export commodity in Kenya and that the most important producers were the large scale estates (plantations) with British capital. However, small scale settler groups also became involved in the production when it was evident that tea provided wider profit margins than most of the other alternatives.¹⁵

At independence, Kenya opted for a strategy of economic growth based on a desire to preserve the links with Western countries and to gain foreign aid and investment. Accordingly, after 1963, Kenya concentrated on growth rather than distribution and opted right from the start for a capitalist development and the expansion of an already developed private economic sector dependent on foreign capital for its growth. The aim of this economic strategy, as W. R. Ochieng'

¹² Boahen, *UNESCO General History*, p. 173.

¹³ Ibid, p. 345.

¹⁴ Kitching, *Class and Economic*, p. 127.

¹⁵ Maxon and Ochieng', *An Economic*, p. 120.

argues, was the achievement of rapid economic growth and a rise in the overall standards of living, but almost at the expense of increasing the levels of inequality between individuals of different socio- economic statuses or classes and between residents of the urban and rural areas. Agriculture was seen as the crucial springboard of Kenya's economic growth.¹⁶

Even several years after independence, this trend was not changed. Maxon and Ochieng' stated that it (can be) generally accepted that independent Kenya did not effect a major ideological, or structural break with the colonial state and that all she did was to expand the former colonial administrative and economic infrastructures.¹⁷ Kenya's leadership has opted for a clear strategy of economic growth, based on a determination to keep existing ties with the major industrial nations, especially Britain, in order to gain foreign aid and investment and build overseas markets for Kenyan products. Kenya has relied heavily on private ownership and market forces.

The indigenous bourgeoisie in Kenya have used the state to support their investment, first in large scale agriculture and then in manufacturing. The post-colonial state also acted to ensure the conditions of capital reproduction in general by ensuring civil order and pressing the labour movements, which has obviously been to the advantage of both local and foreign capitalists.¹⁸ The extension of internal accumulation has been accompanied by an increased penetration of foreign capital in Kenyan manufacturing sector. As a result, foreign investors and MNCs have found their way into the Kenyan economy in a big way and their influence has increased over the years.

Kenya's economy has been established on agriculture and no wonder Bethwell Ogot and William Ochieng' noted that "agriculture was (and still is) the nation's major source of food, foreign exchange, raw materials for domestic industry and development."¹⁹ According to Adu A. Boahen, even though agricultural production has come to constitute the main source of income in Kenya generally, no attempts have been made to diversify the agricultural economy of the country. On the contrary, the production of single or a few cash crops has become the rule. Moreover, because of the concentration on and proliferation of cash crop production, farmers have in fact been compelled to ignore the production of food crops for their own consumption. African farmers in most cases, therefore, have been made to produce what they do not consume and to consume what they do not produce, a clear evidence of the lopsided and exploitative nature of the colonial economy.²⁰

This heavy dependence of the country's economy on agriculture has a lot of impacts. In his work, Eliud Yegon concludes that on one hand, the plantation economy has actual and potential contributions to the economic endeavour of the host country but on the other hand, it has done more harm than good to the host country.²¹

¹⁶ Ochieng' W. R. (1985), *A History of Kenya*. Nairobi, Macmillan Press Limited, p.

¹⁷ Maxon and Ochieng', *An Economic*, p. 259.

¹⁸ Swainson, *The Development*, 17.

¹⁹ Ochieng', *A History of Kenya*, 159.

²⁰ Boahen, *UNESCO General History*, p. 174.

²¹ Yegon, *The Impact*, p. 112.

The presence of the tea growing companies in the area has played an important role in the stabilization of the general economy of the area. The multiplier effect of the earnings from the tea sector makes the economy of the whole district in general very strong in relation with other districts in the country. In fact, the business community in the area is drawn from all parts of the country and is engaged in trading in different commodities.²² Yegon noted that during the 15th day of every month, when tea labourers get their advance pay and at the end of the month, the people who sell second hand clothes come from as far as Nairobi, about 300 kilometres away to sell their clothes and other commodities.²³ The research found that the companies have built shelters and shops to cater for these transactions, thus, strengthening the economy of the area.²⁴

The people living around the tea estates sell their farm produce in the estates. Maize and beans (which is the staple food in the area) are the most frequently sold farm produce. Kitching noted that in the case of the Kipsigis, it was the rapid expansion of the nearby tea estates in Kericho that rapidly expanded the market for maize and maize flour.²⁵ Since the estates would like to have enough stock for the whole year, the management entices the farmers by offering prices slightly higher than the market prices. Farmers then sell their produce to the companies, which in turn store them for later distribution to its workers at subsidized prices. Other farm produce sold in the estates include milk and pineapples.²⁶

Taxes from tea are remitted to the districts for development purposes. Indeed, tea is subject to produce sale tax, local authority charges, land rates, value added tax, corporate tax and tea board cess. Therefore, since tea is one of the most heavily taxed crops in the country, a lot of money is remitted to the district headquarters for the maintenance of feeder roads in tea growing areas.^{27, 28} This money is calculated on the quantity of the tea produced and is remitted to the local government through the Kenya Tea Growers' Association (KTGA).

Land Tenure and Use and tea Plantation farming

There had not been major reviews of land policy (in Kenya) since independence. The situation that existed combined colonial land tenure laws with the independence practices in a complex pattern that made it difficult to operate a land policy.²⁹ The Sessional Paper No. 1 of 1986 acknowledged that the sanctity of private land ownership (would) be respected in Kenya. But this could only operate if private land was used in socially responsible and productive ways. On land tenure and use, the Paper further stated that to ensure both food security and adequate export growth, the limited quantity of land must be used as productively as modern seed

²² Oral Interview, Paul K. Kiprono (Socio-Economist, Tea Research Foundation of Kenya - Kericho), 20/07/2013.

²³ Yegon, *The Impact*, p. 114.

²⁴ Oral Interview, Mr. Mitei (PRO- Corporate and Admin. Manager – Uniliver, Kericho) – 21/07/2013.

²⁵ Kitching, *Class and Economic*, p. 51.

²⁶ Oral Interview, Kenneth Talam (Deputy Manager – Kenya Highlands Sacco Ltd, Kericho) – 18/07/2013.

²⁷ Kenya Tea Growers' Association 1999.

²⁸ Oral Interview, Kenneth Talam (Deputy Manager – Kenya Highlands Sacco Ltd, Kericho) – 18/07/2013.

²⁹ Republic of Kenya (1986), *Sessional Paper No. 1 of 1986 on Economic Management for Renewed Growth*. Nairobi, Government Printer, p. 90 (para 5.79).

technology, complementary inputs and farming methods could make possible. Any short of optimal land use would jeopardize the economic future of the country.³⁰

The Sessional Paper No. 1 of 1986 further identified seven commodities, one of which was tea, (as being) central to achieving the development goals that were established for agriculture. ... tea expansion (was) the foundation for growth of both agricultural incomes and exports. Programmes to expand production of these seven commodities was crucial in ensuring that agricultural income grows at 5 per cent a year to the end of the century. It further notes that, if these seven intensification and expansion programmes do not succeed, there would be no alternative package of investments of similar magnitude that could make Kenya's agriculture prosperous in so short a time. The Paper states that "Kenya can also grow and export substantially more tea than it does. Government's target (was) to almost triple tea exports by the year 2000, through production programmes for smallholder, commercial tea estates and new Government-owned estates on the forest fringes."³¹

With the above provisions and the land policies adopted in the later years of 1990s, gave the already established (pioneer) tea farmers an upper hand in their farming enterprise. They got the advantage of progressing their farming "empires" and further expanding their acreages through buying of land from the then less established farmers.³² Even a few decades after independence, most of these "empires" continued to progress (even after the initial pioneer farmers had demised) with the management of pioneer's children. The case example of Mzee Tengecha's and Mzee Maina's (discussed in Chapter 4) farms continued to expand and even further engaged in businesses and investments. Their families continued to wield power, influence and respect in the community. After independence, their children ascended to higher political and leadership positions. Their grandchildren have become influential and respectable business people in Kericho area and are even key opinion leaders. All these is attributed to the parents who pioneered in farming and thus provide the foundational basis for the prosperity of their families. Their family names are accorded much respect and influence in the Kipsigis community.³³

Marketing Policies: Liberalization and commercial tea farming

Up to early 1990s, the government had full control of the forces of market. A taskforce formed by the Ministry of Agriculture to look into the restructuring of the tea sector, established that smallholder factory companies were protected against 'poaching' of green leaf raw material, through the Kenya Tea Development Authority Order. Rules issued under the Order prohibited any small-holder tea grower from delivering tea leaf to anybody other than to a specified tea factory or to KTDA itself. Further, the Tea Board protected the investment of the small-holder tea growers by declining to license tea factories in areas adequately served by existing tea factories. And where a new tea factory become necessary as a result of expansion of tea growing, the small-holder tea farmers (would) themselves secure finances to construct an

³⁰ Ibid, p. 89 (para 5.77)

³¹ Ibid, p. 68 (para 5.16)

³² Oral Interview, Zephaniah Kimetto, 05/07/2013.

³³ Oral Interview, Cheruiyot Arap Mursi, 04/07/2013.

additional tea factory.³⁴ By around late 1990s, however, the government seems to be changing its perspective on market controls and thus adopting the strategy of liberalization. This could be attributed to the recommendations by the World Bank on Structural Adjustment Programmes. The process to liberalize the tea industry started in 1992 when the Government of Kenya and the World Bank (IDA) signed an agreement under the Public Enterprise Reform Programme; a strategy for liberalizing and restructuring parastatals including KTDA.³⁵

According to Chumba, liberalization entails the removal of rules which governments have traditionally put in place to regulate the activities of state owned firms. Chumba further argues that liberalization, more commonly known as the "free trade" agenda, sounds reasonable in itself. Much of the language used to describe it portrays the removal of restrictions, barriers and obstacles to free trade as a positive trend.³⁶

Prior to liberalization initiatives, the Ministry (of Agriculture) was charged with the role of decision making in agriculture and its functions spanned the entire sector, leaving little, if any, individual entrepreneurial decision making in the hands of farmers, especially for scheduled crops. While this arrangement was useful in those times, with the globalization of economies, it has become necessary to restructure some of the economic sectors with a view to enhancing the private sector involvement.³⁷

The liberalization of smallholder tea sector in Kenya was carried out with the aim of replacing a vertically integrated production- marketing system of providing services to farmers by a broad system run by different institutions. Structure, Conduct and Performance framework was used to describe the structure of the market after liberalization. The results indicate that smallholder tea farmers have more channels for their produce after liberalization.³⁸

Major changes to the policy framework for liberalizing the tea industry were published in Sessional Paper No. 2 of 1999, debated in parliament and gazetted as "The Tea (Amendment) Act, 1999" in January 2000. The Sessional Paper focused on strengthening TBK to control and regulate the industry and on restructuring and privatizing KTDA to give farmers more say in tea collecting, processing and marketing through their tea factories. Under this change, KTDA would continue to carry out management and development for the smallholder while

³⁴ Republic of Kenya (June 1998), *The Report of the Taskforce on Liberalization and Restructuring of the Tea Industry in Kenya: Reforms in the Tea Board of Kenya and the Privatization of the Kenya Tea Development Authority*. Nairobi, Government Printer, p. 7 (para 6.3.2)

³⁵ Republic of Kenya (March, 1999), *Sessional Paper No. 2 of 1999 on Liberalization and Restructuring of the Tea Industry in Kenya: Reforms in the Tea Board of Kenya and the Privatization of the Kenya Tea Development Authority*. Nairobi, Government Printer, p. 4 (para 4.)

³⁶ Chumba J. (2004). *The Effects of Liberalization on the Performance of Tea Industry in Kenya*: Acts Press. Nairobi, Kenya.

³⁷ Republic of Kenya (March, 1999), *Sessional Paper No. 2 of 1999 on Liberalization and Restructuring of the Tea Industry in Kenya: Reforms in the Tea Board of Kenya and the Privatization of the Kenya Tea Development Authority*. Nairobi, Government Printer, p. 3 (para 4.1)

³⁸ Chepngeno W., Sulo T. & Rono P., *Post Liberalization Marketing of Tea Leaf in Kenya: Market Concentration, Price Spread and Conduct Analyses*. Lambert Academic Publishing (2012-06-22)

registered tea growers in the area would be able to own factories through shareholding. The shareholders in each factory elects members to form the board of directors to run the factory.³⁹

The corporations' plantations links with the surrounding community through the liberalization system whereby small-scale tea farmers can sell their green leaf directly to the MNCs or individuals. Here, the buyer (middle man) has no other contractual obligations to farmers once a purchase price has been agreed between them and payment thereof being made.⁴⁰ This system however, has been viewed as a response to the present on-going liberalization of the economy which incidentally coincides with the farmers' dire need for an alternative tea marketing system; the liberalization system is in line with the liberalization process of this sub-sector.⁴¹

The liberalization and restructuring of the tea industry began in 1999 with the publication of the government "Sessional Paper and the Tea Amendment Bill" that was discussed in parliament. The documents discussed the role that the government, KTDA, tea factory companies and farmers' organizations should play in a liberalized economy. They also provided a legal framework for the regulation of the tea industries with an intention of eliminating the constraints inherent in the KTDA operations. Prior to the liberalization, the small-holder tea production, processing and marketing was subject to government controls. These controls were implemented by the KTDA, which was established in 1964 under the Agricultural Act Cap 318 (Sections 190 and 191) and the Tea Act Cap 343.⁴² Through these Acts therefore, the KTDA had exclusive control and supervision over the provision of planting materials and extension services to the small-holders, provision of fertilizers, inspection and collection of green leaf from farms, quality control, processing and marketing of small-holder tea.⁴³

Apart from being a response to the liberalization process, this link is also a response to the constraining factors that led to stagnation in the productivity levels like the low levels of fertilizer use, poor husbandry practices on farms and poor management of public factories. It might also be attributed to the delays in tea collection at the buying centres, payment problems by KTDA and the continuous squabbles between farmers and the KTDA. Such constraints prompted farmers to look for alternative ways of marketing their produce.⁴⁴

Effects of liberalization to farmers is mixed: On the positive end, farmers have been relieved of monopolistic tendencies of KTDA such as unilateral price determination and farmers have had a much bigger say in the management of tea factories. The main advantage of liberalization to farmers is that they are paid immediately instead of by the monthly or semi-annual payments that KTDA makes. However, if the parallel markets are encouraged without clear guidelines on how farmers can be supported, they are likely to lower tea production because they offer the smallholder farmers no input supplies or services. Benefits to farmers are doubtful because of

³⁹ Nyangito, H. O., *Policy and Legal Framework for the Tea Subsector and the Impact of Liberalization in Kenya*. Productive Sector, Division Kenya Institute of Public Policy Research and Analysis (KIPPRA) Policy Paper No. 1 November 2000, p. 10

⁴⁰ Oral Interview, Mr. Mitei (PRO- Corporate and Admin. Manager – Uniliver, Kericho) – 21/07/2013.

⁴¹ Oral Interview, Kenneth Talam (Deputy Manager – Kenya Highlands Sacco Ltd, Kericho) – 18/07/2013.

⁴² The Tea Board of Kenya 1986, p. 96.

⁴³ Oral Interview, James Marete (Tea Board of Kenya - Kericho), 20/07/2013.

⁴⁴ Oral Interview, Mr. Mitei (PRO- Corporate and Admin. Manager – Uniliver, Kericho) – 21/07/2013.

an inadequate regulatory system of trade. Farmers have no bargaining power, leaving them open to predatory pricing and payment arrangements. Also, the system seems to engender theft of green tea leaves from farms especially at night other effects include: Declining bonuses that farmers used to earn.

Multi-National Corporations and Corporate Social Responsibility

The study found out that most of the management and the supervisors come from the immediate community that comprises of the Kipsigis though this is not the case with the junior employees. In fact, on several occasions the research found out that, the majority of the workers in the senior categories are Kipsigis while the lower jobs in estate are 'meant' for other neighbouring communities.⁴⁵

The workers, both permanent and casual, are entitled to a number of benefits that are provided for by the tea companies. The benefits include free health care provision, housing, water, schools for their children and a few workers are allocated small portions of the land where they can grow food crops for their daily sustenance.

On health care, each of the two large tea companies provides clinics or dispensaries in each of their tea estates. These are manned by nurses and medical officers and are equipped to cater for minor illnesses. Each of the companies has a hospital which caters for major illnesses and inpatient care for all their workers. This privilege is extended to both permanent and casual workers, however it discriminates the dependents of casual workers who are charged a fee for use of the benefit.

The companies have built and maintain educational facilities within their estates for workers' dependents. This benefit is non-discriminatory in regard to the employment status of the worker. These companies also provide secondary and university scholarships to students annually who are children of employees and children from the neighbouring communities of Kericho, Bureti and Bomet districts.

The companies provide housing and water to their workers as well. In each of the estates, a section of the land is allocated to the provision of housing for workers and these are known as estate villages. Certain sections are also allocated to the different cadres of employees. In each village, there are communal toilets and bathrooms that are disaggregated according to sex. Unilever for example, provides chlorinated water to estate villages and are working towards improving the sanitation standards in the villages. The companies have provided a community centre in each of the villages which is composed of a shop, butchery, a bar and a large room that is used for meetings. The shops sell an array of groceries from vegetables to cooking oils and are owned by retired workers. The workers are allowed to take groceries and meat from the butchery and the grocery shop on credit and their expenditure is deducted from their wages.⁴⁶

⁴⁵ Oral Interview, Paul K. Kiprono (Socio-Economist, Tea Research Foundation of Kenya - Kericho), 20/07/2013

⁴⁶ Kirui, J. K., Tirop, H. C. and Rotich, J. K., *Socio-Economic Effects of Liberalization of Small Scale Tea Sector in Kenya: Evidence from Tea Farmers in Konoin District*. *Research Journal of Finance and Accounting*, Vol. 5, No.24, 2014.

The corporations assist the children of the neighbouring communities in the educational endeavours. This is usually done through the apprentice training whereby the pupils who have finished standard eight and form four are taken to various workshops in the estates so that they can be trained on various informal sector activities. Similarly, the top students in the district in their Kenya Certificate of Secondary Education (KCSE) are fully or partly sponsored by the companies in their university education. The companies are also actively involved whenever there is fundraising in aid of any school in the locality.⁴⁷

Apart from the above educational assistance, the companies through their affiliated cooperatives, assist the neighbouring community in managing the tea farms owned by various farmers. It is presumably argued that these corporations have found inadequacies in owning large tracts of land in developing countries and have therefore found an alternative way of supplementing their activities through the management assistance. The corporations have taken provision of technical and administrative assistance as viable alternative to subsidize their income.⁴⁸

The cooperatives have also been very instrumental in facilitating the provision of agricultural extension services (farmer education), loan facilities and fertilizers to the tea farmers. According to Mr. Talam, the farmers' cooperative societies in the region have been playing a very crucial role in organizing and undertaking farmer education through field days and sponsoring farmers for trainings. These cooperatives have also been assisting farmers to procure fertilizers and high yielding seedlings needed for improving their production. On the other hand, the savings and credit cooperatives (commonly known as Saccos) have been facilitating the farmers to access financial support through loans for expanding acreages and also for purchasing agricultural implements in their bid to mechanize their farming operations.⁴⁹

CONCLUSION

This paper set out to analyse the operations of the MNCs in Kenya and also provide a narrowed down specific study in Kericho. The study found out that since MNCs have their headquarters abroad, they would desire to repatriate the largest amount of profits possible from their operations in Kenya and any other host country. However, the independence government has tried to establish limits on the repatriation of these profits. It has also sought to establish ways of balancing the operation policies of these Multinationals with the National economic policies. The article also sought to look at the current relationship as to how the post-colonial policies have shaped the various aspects of the Kipsigis economy with specific emphasis on land tenure and use, liberalization of the market, labour organization and finally provide an analysis of the role of cooperatives in the Kipsigis socio-economy. It is evident that the policies on land tenure and use have not undergone much changes since independence and most of what is in place now is a combination of colonial land tenure laws with the independence practices in a complex pattern. However, these policies have continuously acknowledged that the sanctity of private land ownership should be respected in Kenya. The government, up to early 1990s, had full

⁴⁷ Oral Interview, Mr. Mitei (PRO- Corporate and Admin. Manager – Uniliver, Kericho) – 21/07/2013.

⁴⁸ Oral Interview, Paul K. Kiprono (Socio-Economist, Tea Research Foundation of Kenya - Kericho), 20/07/2013

⁴⁹ Oral Interview, Kenneth Talam (Deputy Manager – Kenya Highlands Sacco Ltd, Kericho) – 18/07/2013.

control of the forces of market until 1992 when an agreement between the Government of Kenya and the World Bank (IDA) was signed under the Public Enterprise Reform Programme as strategy for liberalizing and restructuring parastatals including KTDA. It has emerged from the study that these changes have, to some extent, left the independence government in a position where it does not have much control over land tenure and use.

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