Politicizing Structural Adjustment Policies in Kenya's Sugar Industry:
Effects on pro-poor development outcomes

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List of Acronyms

ECLA	Economic Commission for Latin America
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
IMF	International Monetary Fund
KESREF	Kenya Sugar Research Foundation
KNTC	Kenya National Trading Company
KSA	Kenya Sugar Authority
KSB	Kenya Sugar Board
MOCO	Mumias Out-growers Company
MSC	Mumias Sugar Company
SAP	Structural Adjustment Policies
UNCTAD	United Nations Conference on Trade and Development
VAT	Value Added Tax
WOKO	West Kenya Out-growers Company
WKSC	West Kenya Sugar Company

Abstract

Recent debates reveal that implementation of agricultural policies that enhance productivity amongst small holder farmers present a viable strategy in promoting pro-poor growth. At the bedrock of globalization, neoliberal policies that advocate for liberalized markets and privatization in agriculture have attracted many proponents world over. In form of Structural Adjustment Policies (SAPs) Kenya initiated these policies in the early nineties in an effort to revamp and stabilize its agricultural sector and by extension the sugar industry. In questioning the outcome of these policies this paper examines the relevance of Kenya's political economy and the role it plays. Through a comparative case study of smallholder farmers in the sugar belt region, the paper focuses on investigating the relevance of neo-patrimonialism in determining the outcome of these policies and to what extent they inform pro-poor development

Keywords

Liberalization, privatization, neo-patrimonialism, pro-poor development

1 Introduction

The emaciated look of a peasant lingers on, burdened with thoughts of anguish, despair and hopelessness. Joy of emancipation eludes him as it is seasonal and unpredictable. The hand that gives seems to be the same that takes away. Do I have a voice strong enough to shake the slithering giants he asks? How possible is it for him to be self-reliant and invulnerable?

1.1 Background

Recent debate within development discourse suggests that poverty alleviation is closely linked to economic growth, hence the importance of fostering it in many of the developing countries. According to (Rodrick, 2007), economic growth remains the most powerful instrument in alleviating poverty and an overwhelming number of economic scholars have hailed the importance of trade liberalization and deregulation as a means towards achieving it. According to (Santos-Paulino, 2002) liberalization of trade could be characterized by reduction or elimination of import and export duties, removal of non-quantitative barriers of international trade, reforms within tariff regimes and relaxation of foreign direct investment regulations.

This concept took root with the inception of the General Agreement on Tariffs and Trade (GATT) in 1947. Their overarching policy at that time was the endorsement of free trade albeit protection of infant domestic industries. This was viewed as a means of encouraging growth and a chance for poorer countries to develop value-adding initiatives that would eventually render them more competitive and adorn them capability to compete internationally. Later in the 1980's however this protectionist approach was deemed a failure (Hunter, 2003) and a more deregulated and liberalized trade approach became desirable.

Kenya amongst other Sub-Saharan countries initiated in the early 1990s, Structural adjustment Policies (SAPs) on the premise that deregulating the economy and liberalizing trade would stimulate economic growth (Read & Parton, 2009:568). A position supported by (Hunter, 2003) who suggests that trade liberalization brings about growth by increasing market access, enhancing international relationships, improving efficiency in domestic markets and reducing prices for domestic consumers. Additionally the (World Bank, 2003) estimated that developing countries would have been US$ 114 billion better off if their food and agriculture markets were more open to trade.

On the contrary however there are those that hold an opposing view. They suggest that pro-growth capabilities of liberalization initiatives have been overrated and other factors that inhibit growth need to be addressed (UNCTAD, 2002; Dornbusch, 1992). Indeed it is imperative not to overlook the structural weaknesses as well as political interests of less developed countries in this discourse. Capable institutions play a pivotal role in ensuring that these countries exploit their resources and translate them into export earnings (UNCTAD, 2002).

Economic development is often linked to improved quality of life however the argument that liberalization reduces poverty assumes the existence of proper institutions and governance structures to support the growth. Despite the adoption of SAPs in Kenya that steered the sugar industry towards a more market oriented approach with a rationalized tariff system, privatization of milling companies, and subsidies on inputs eliminated, the export portfolio in the sugar industry has continued to perform dismally. Moreover there still exist challenges in adequately meeting domestic supply needs which has prompted the country to look outwardly for imports to narrow the deficit.

This rhetoric amidst claims from the government and other stakeholders that there are abundant resources to enhance production that meets domestic as well as international demand sets the basis of this research. Persistent low productivity, low income for farmers and un-competitiveness have characterized the Kenyan sugar industry in the last 10 years despite policy adjustments aimed at stabilizing and making it competitive and profitable.

With the Kenyan government adopting privatization and liberalization policies as means of enhancing growth and alleviating poverty, farmers still remain disillusioned with many left with no option but to persevere through the stinging pangs of poverty while others relatively capable opting to digress to other crops besides sugarcane. On the opposite side of the divide rests yet another group of individuals who see the industry as having evolved from darker times headed towards a brighter fruitful future for all stakeholders; this group comprising a conglomerate of millers, investors and a section of the political elite. This paper seeks to dissect further these divergent views positing that in fact the underlying issues are not as clear cut as stated above but rather are a result of complicated intertwined undertones that consequently form such opinions.

There are agrarian economies worldwide that have flourished with successful efforts of liberalization indeed even within the Kenyan context for instance coffee farming; that has successfully integrated within the global value chain and is a key player in the European market. However similar efforts have borne undesirable results within the sugar sector. It is from this point of departure that this research attempts through empirical data to analyze the embeddeness of neo-patrimonialism within implementation of privatization and liberalization policies, and consequently its effectiveness in pro-poor development outcomes. As was mentioned earlier in quoting UNCTAD, 2002; the capabilities of such policies are often overrated and other inhibiting factors need further scrutiny. A major inhibiting factor that this paper seeks to highlight is neo-patrimonialism a concept whose very definition is controversial and multi-faceted in nature. This will however be discussed in detail in the following chapters.

The Kenyan sugarcane industry is a major employer and contributor to the national economy. It is one of the most important crops alongside tea, coffee, horticulture and maize (KSB, 2010). Currently, the industry directly supports approximately 250,000 small-scale farmers who supply approximately 90 percent of the cane milled by sugar companies. In 2010, the industry employed about 500,000 people directly or indirectly in the sugarcane business chain from production to consumption. In addition, the industry saves Kenya in excess of USD 250 million (about Ksh. 20 billion) in foreign exchange annually and contributes tax revenues to the exchequer (VAT, Corporate Tax, personal income taxes) (KSB, 2010).

In 2009/2010, the industry produced close to 520,000 tons of sugar operating at 56 percent of the installed capacity. The industry has the potential of producing over 1 million tons of sugar if operated at 89 percent of the installed capacity. This would meet the domestic needs, currently standing at about 700,000 tons, and provide a sustained surplus for export (KSB, 2010).

Sugar cane farming is concentrated on the western part of the country, with approximately 90% being small-holder farmers and the rest nucleus estates mainly commissioned by a few milling companies. Today there are 10 active milling companies that support sugar processing seven of which have been fully privatized and three still under majority government ownership. In this study, focus will be on two main sugar producing zones namely; Mumias and West Kenya who provide an interesting case for analysis. One provides a representation of the industry before and after SAPs and how these changes have affected the fortune of producers and other stakeholders, while the other presents a purely privately owned enterprise that equally provide processing services for its sugar cane producers at mutually agreeable terms. The proximity of these two companies presents producers with a choice of where to process their cane consequently the institutional linkages within this relationship provides a framework that assists this paper in further analysis.

1.2 Justification

Most Sub-Saharan Africa countries still heavily rely in the agricultural sector as a means of economic livelihood for most of its population. Hence, in an effort to improve the sector, various interventions have been adopted the most recent being liberalization of trade and markets. In Agriculture this meant a less interventionist approach with measures such as reduction of government expenditure in subsidies, tariff reduction, privatization and removal of cross border flows of financial capital (Miller, 2008:228).

This research acknowledges the attempts made by SSA countries in adopting these measures in addressing persistent poverty yet highlights that the outcomes have yet to be viewed as pro-poor. An in-depth understanding of the policy initiatives adopted in Kenya's sugar industry, how these initiatives have affected producers and their economic empowerment will provide practical insights as to not just the effectiveness of liberalized market policies but also conditions under which such policies prove inadequate or otherwise. To this effect one of the contributions of this paper is the importance of a non- separationist approach towards politics and economics, indeed economic decisions are often made with political interest underneath.

The research aims to further highlight the great impetus neo-patrimonialism possess in directing pro-poor development outcomes. By use of empirical data this paper attempts to bring to the fore this pertinent issue for further debate within developmental policy and governance arenas. The approach is not necessarily in conflict with the importance of taking into account historical structural features of a developing country but rather advocates for a futurist approach to harness past and present experiences in achieving desirable developmental outcomes. Major focus will be particularly on how neo-patrimonialism is embedded within Kenya's sugar industry and how this has progressively defined political interests of certain groups. Consequently these interests have shaped relationships amongst stakeholders, levels of production, compensation for farmers.

Sugarcane is chosen as an area of focus as it has faced heavy political intervention and debate in the country with some viewing it as an industry whose development was deliberately ignored as a result of political differences within the ruling elite. During the period following SAPs the industry faced near collapse, a situation that was interpreted as 'a deliberate attempt by the state to kill the sugar growing community economically' (Wanyande: 2001:125-126).

Secondly it is an area that has been under researched as studies have mainly centered on the main cash crops such as coffee, tea and horticulture, yet sugar is a significantly large contributor to the country's GDP and employs a significant number of Kenyans. Western Kenya was specifically chosen as it remains the largest region in terms of production with a contribution of 85% of total sugar produced in Kenya.

1.3 Research objective

This research is an attempt to firstly explore the evolution of Kenya's Sugar industry contextualizing it within an era of policy adjustments also referred to as Structural adjustment Policies (SAPs). SAPs in reference to this paper will refer to the process of privatization of milling firms and liberalization of trade within the sugar sector adopted by the Kenyan government from early 1990s and beyond. Secondly and more importantly the paper is in essence an attempt to explore the concept of neo-patrimonialism with an aim of inductively bringing to the fore a better understanding of the concept and the intricacies it emits within the context of sugar production in Kenya, indeed how it's relevance in understanding development outcomes.

This approach seeks to provide by use of a comparative case study, empirical evidence for the concept of neo-patrimonialism that has been highly criticized as a 'catch all conceptual staple in Africanist scholarship for accounting for and explaining nearly every perceived African sociopolitical malaise, difficulty or problem' (Wai, 2012 : 31). On the contrary however in assessing the prevalent circumstances within the sugar sub sector this paper will attempt to objectively and empirically highlight the said concept in an endeavor to provide further knowledge in interpreting and understanding problems of poverty and income inequalities. According to (Omolo, 2005) the adoption of trade liberalization within the sugar sub-sector in Kenya was successful in increasing trading activity rather than productivity and competitiveness within the sector (Omolo, 2005:2). Such observations additionally create a basis for this study.

Stake holders within the industry including the government, Kenya Sugar board, Kenya Millers Associations, Out-growers association and farmers have been involved in various initiatives in ensuring competitiveness and profitability of the industry yet the outcome has been persistent low productivity and lack of competitiveness in the international markets. Production costs still remain high and local consumer prices are escalating whilst producers (mainly small holder farmers) cry foul on low returns to their produce aggravating the problem of poverty amongst them.

It is in exploring the interests, role played and contribution of these stakeholders that the study aims at determining the relevance of neo-patrimonialism in relation to poverty, low farmer compensation and persistent inequality.

1.4 Research questions

The pivotal focus of this research is the question around continued poor performance of the sugar industry both in the local and international markets and the disillusionment it is causing small holder farmers. Two major variables attributed to poor performance in the industry according to previous studies include low productivity and high cost of production. These are singled out as the major challenges attributing to non-optimal supply in the local industry albeit international markets. With this kind of performance, Kenyan sugar farmers are rendered duly uncompetitive hence vulnerable within a liberalized global market.

In its attempt to understand this current scenario and how best the challenge can be explained this research endeavors to go beyond the implications of market failures and point out at the political interests and nuances that underlie policy adoption, their implementation and how these inform institutional linkages supporting the industry. This approach will hopefully shed light to the relevance of neo-patrimonialism in economic development and how appreciating its existence would assist in initiating change. This framework presents 'another way' in understanding and analyzing the challenges facing small-holder farmers in the industry.

The main research question guiding the study is:

To what extent is neo-patrimonialism relevant in the outcome of liberalization of Kenya's sugar industry and privatization of its milling companies and how has this affected pro-poor development outcomes?

Sub questions that the paper will attempt to address are:-

How has the Kenya sugar industry evolved and how has implementation of various policies shaped the industry?

How have liberalization and privatization policies defined development outcomes of small holder sugar farmers? To what extent is neo-patrimonialism relevant?

1.5 Research methodology and limitations

Methodologically, the paper employs an exploratory and inductive case study analysis within Western Kenya, a region well known for sugarcane farming. Two sugar milling zones within the area i.e. Mumias Sugar Company(MSC) and West Kenya Sugar Company(WKSC) provide the basis of my comparative study that seeks to analyze the effects neo-patrimonialism has had on liberalization and privatization policies and how these have contributed to anticipated development outcomes. The use of a case study in this case was viewed as essential in bringing out a clearer understanding of one of the many ways that firstly the concept of neo-patrimonialism could be applicable: as it connotes various meanings in varied circumstances and secondly how it could be empirically problematized. This could be better summarized in the words of

(O'Leary, 2004:116) stating that a case study offers in-depth understanding of phenomenon and could often 'bring new understandings to the fore'.

The selection of the two zones was informed by Smelser's criterion that includes amongst others; 'appropriateness to theory posed, relevance to phenomenon being researched and empirically invariant to its classificatory criteria (Smelser, 1976:4). Mumias was chosen as it is the oldest and largest miller in terms of tonnage production in the whole of Western Kenya and it is considered the most successful in implementation of privatization after the government surrendered most of its shareholding to private investors. West Kenya Sugar Company is a privately owned enterprise (by a Kenyan of Asian origin) devoid of prior state ownership. It is relatively a recent player in the market and is considered a great competitor to Mumias Sugar Company due to its proximity and its efficiency with farmer payments.

The purpose of the case study is to examine how privatization and liberalization has affected farmers aligned to the two milling companies. This will be done by questioning contract farming as an institutional linkage that is present in both sets of farmers. Are there similarities or disparities or both and why? It is important to mention that the researcher's ultimate goal is not just comparative in nature but rather an attempt to holistically highlight the relationships that exist amongst stakeholders and how these define the developmental outcomes of all.

In answering the first sub question the research adopts a descriptive approach in initially understanding the progress that has taken place over the years in sugarcane production and distribution. In understanding policies that govern sugar production and the guiding rationale to the adoption of these policies, the research employs both exploratory and descriptive approach that seek to uncover how interests of pertinent groups were shaped, implemented and sustained from pre-colonial times to this present day. Afterwards, an analysis of case study findings provides the basis for answering sub question two which focuses on the relevance of neo-patrimonialism in policy implementation and development outcomes. Therefore using a combination of secondary and primary data the research aims to achieve its objective.

A substantial part of the study also relies on document analysis that range from academic and media publications, academic journals, national statistics, government and NGO publications and strategic planning papers. Additionally interviews were conducted amongst farmers who were mostly small-holders, and two farmers associations namely the Mumias Out-growers Company and West Kenya Out-growers association. A total of 10 farmers were interviewed all of whom were suppliers to Mumias Sugar company and West Kenya Sugar company. This relationship and how it affects farmer behavior will be further discussed in the following chapters.

Additionally there were interviews conducted with officials in the government's regulatory arm in the sugar industry known as the Kenya Sugar Board (KSB) initially referred to as KSA (Kenya Sugar Authority). Other interviews were conducted with the officials in the Kenya Sugar Research Foundation (KESREF).

It was rather difficult to obtain records from most of the farmers interviewed as it was not common practice for them to safely store them. However fragmented pieces were collected that aided in analysis. This was also experienced within the local statistical publications especially in relation to trade (imports and export numbers); these were limited and secondly lacked consistency hence they proved unreliable for authoritative referencing.

1.6 Organization of the paper

This paper is organized in five chapters. The first chapter has set out to present the content of the study, its justification and the methodology by which it will be conducted. What follows in the next chapter is a review of concepts and theories that provide an anchor for the study and an analytical framework that would be employed throughout the paper.

Chapter three sets the basis for the study by providing an overview and context on policy framework that has defined the sugar industry. Here, I examine the scenarios that informed and led to various policy adoptions and highlight the uniqueness of Kenya's context that is often informed by patrimonial relations. The following chapter then is a comparative study of two yet un-identical sets of farmers that highlights divergences existent after the adoption of SAPs. Through the study I intend to posit that privatization and liberalization has not delivered the desired outcomes for a certain set of farmer due to neo-patrimonial tendencies that have proved inhibitory rather than beneficial.

Finally the last chapter offers both theoretical and empirical reflections gained from the case study with strong emphasis on strategic value encrypted on empowering small holder farmers within the value chain. I posit here that the asymmetrical relations evident between farmers, millers and the political elite are detrimental compared to the gains that would be realized in the event that more symbiotic and symmetric relations existed. In addition, neo-patrimonialism if incorporated positively in an initiative to address economic development may guarantee more positive outcomes especially for the poor.

2 Theoretical Framework

A dominant discourse that has gained ground amongst economists and policy makers including organizations such as the World Bank elude to the fact that openness to trade and enhanced private property rights provide the impetus required to promote economic growth for all. This chapter engages different debates to this paradigm and establishes an analytical framework with which the study investigates such policies in Kenya's sugar sub sector and how the political context conform with or subvert the outcome of these policies in relation to pro-poor development goals.

2.1 Literature review

The geo-political reality after World War 2 necessitated a deliberate move towards development as many formally colonized countries were languishing in poverty. With the success of Soviet Union's central planning system and a persuasive argument made by the English economist John Maynard Keynes that government intervention could play a key role in bringing economic development, many less developed countries jumped on the bandwagon (Miller, 2008:227). This strand of economics was known as 'development economics' and their theories held that markets in themselves held insurmountable defects and that the government was a powerful tool by which accelerated economic growth could be achieved.

Most political economists advocated that governments could overcome market failures by playing a leading role in allocating resources for investment and setting up public enterprises in large heavy industries (Lin, 2009:8; Hirschman, 1958; Rosenstein-Rodan, 1943). To advance their course some of the tools proposed within this approach included introduction of taxes, subsidies and foreign exchange rate control and protection of domestic industries (Miller, 2008:227).

In addition, other economists led by Prebisch and Singer believed that declining terms of trade against primary commodities resulted to a transfer of income from resource-intensive developing countries to capital-intensive developed countries proving to be counter-productive. They argued that for developing countries not to be disadvantaged they ought to establish their own domestic manufacturing industries through a process termed as import substitution (Lin, 2009).

However, the results were not as positive as anticipated. Many developing countries in Latin America, Asia and Africa were still characterized by high levels of poverty and stagnated growth. In the 1970s, this approach faced criticisms from proponents of 'free markets'. They characterized the previous approach with misallocation of resources, inefficiencies and more particularly affecting the agricultural sector. According to (Miller, 2008:228) Agriculture was the most inhibited as a result of heavy taxation and price control that created no incentive for farmers to increase their yields. They suggested a market oriented allocation of resources and a lesser role by government to control market activities.

As held by Adam Smith(An earlier proponent of this school of thought) and other sympathizers to this thinking, It was assumed that in striving economies all decisions about the economy are made by economic agents interacting in markets free of government intervention (Lin, 2009:6). According to Smith, the price system had the ability to determine what, and how much was produced and by whom. Individuals and firms pursuing their own interests in the market would be led by this 'invisible hand' to make the best choices agreeable to all in society.

In essence this position assumed that factors such as technological advancements were given. The need to advance traditional ways of production to more sophisticated ones arose automatically as markets widened and demand increased. This position is however faulted as it overlooks the importance of continuous fundamental technological changes which distinguish the modern and pre-modern economic eras (Lin, 2009:7; Kuznets, 1966). These technological changes often occur as large innovation trends that create new industries or even radically alter existing methods of production.

Following the eventual collapse of socialist economies in the 1980s, the structural government interventionist argument could no longer hold and the liberal frontier seemed to carry the day. Their position at the time was that government's intervention was bound to fail as a result of distorting market agents that would otherwise have operated pareto-optimally if un-interfered with.

Indeed with the evidence of Soviet Union's stagnation and frequent financial crises in Latin America a sympathetic approach grew amongst development scholars who now advocated for what was referred to neo-liberal policies .This policy package was later referred to as the Washington consensus due to the support it received from the US government, the World Bank and the International Monetary Fund (IMF). The policy emphasized free markets, privatization, tariff reductions, uncontrolled cross-border capital flows and removal of subsidies. Due to the importance of agriculture in their economies a number of developing countries adopted a liberalized approach in trade as a measure towards achieving economic growth and alleviating extreme poverty, Kenya being one of them.

Well, the outcomes of Washington consensus were considered controversial at the least (Lin, 2009: Easterly, 2001; Read & Parton, 2009). In several developing countries removal of price subsidies on food and fuel was met by extensive riots, and a more elaborate occurrence was the financial crisis that engulfed Asia in the 1990s (Miller, 2008:229). Interventionism as well as Liberalism was met with resistance in equal measure.

Proponents of Marxism however project a different view from both the interventionist and liberalist positions. To them, as much as both approaches have significance in different levels of analysis they exhibit in-built distortions that favor the interests of capitalists over the proletarian (Amin, 1990).

According to Amin, capitalists in developed countries have an extension in the developing countries in the form of elites who represent the interests of global capital and not of their own populace. Through them enormous resources are transferred from poor to rich countries and market based policies advanced by the Washington consensus serves to exacerbate this exploitative relationship.

In regard to this debate, this paper seeks to question the outcomes of implementation of SAPs in Kenya in relation to the small holder farmer. Nevertheless, as debate ensues on whether government intervention or lack therefore suffices, it has become widely acknowledged that 'small holder agriculture is subject to a range of market failures which require supporting public policies' (Birner & Resnick, 2010:1444).The benefits of neo-liberal agrarian policies are visible especially in developed countries and hence a sympathetic view adopted by its proponents remain logical, yet country specific political economies play a significant role on the extent to which such policies address development gaps.

For instance, privatization of sugar milling companies in Kenya has enforced the prevalence of production contracts between millers and farmers which specify conditions of production of sugarcane and marketing it's by product thereafter. In quoting Watts (Zhang, 2012: 463) posits that:

> This form of contracting, which determines, controls and supervises the production process in which labor and land is used, is the most theoretically interesting because it engages small commodity producers and agro-capital in social relations that can involve domination and subordination and can become contentious.

Such observations cannot be ignored given the intricacies surrounding Kenya's sugar industry today. Many small holder farmers despite their huge numbers have adversely been incapacitated by their incapability to lobby for higher stakes within the production chain due to poverty and secondly the muzzling of their associations by powerful rent seeking interest groups. According to (Birner & Resnick, 2010; Holmen, 2005) public support for agricultural production in many African countries has supported clientelistic networks of the state even though such support has been hoodwinked to appear fair. They add that efforts to improve agriculture were often geared towards benefitting the politically influential and their supporters who did not necessarily possess any competences in agriculture.

2.2 A political economy approach

In investigating this problematic formulated in section 2.1, this paper draws from an agrarian political economy perspective that seeks to question the overly reliance on the perfect logic of markets. This approach problematizes the disregard of class relations that exists in agrarian arrangements as well as power asymmetries that define capacities to engage and negotiate. The four key questions asked as borrowed from Bernstein's model (Bernstein, 2010:22) include "who owns what? Who does what? Who gets what? What do they do with it? These key questions according to Bernstein can be applied to different levels of economic activity; global, regional or even national and consequently in holistic manner, explain social relations emergent from such economic activities.

In employing these questions the paper investigates the role of various interest groups in Kenya's sugar industry, how they have influenced policy and how in turn such policies have defined their positions in production. The government here plays a crucial role due to its very nature as the core implementer of policy in the Kenyan context. Many scholars agree that in industries characterized by smallholder farmers as is the case of Kenya's sugar, a range of market failures is prevalent hence the importance of supporting public policies. However persistent debates have pointed to the success of Asian countries (smallholder-based green revolution) in the advent of SAPs albeit failure of their African counterparts (Birner & Resnick, 2010)

According to (Berry, 1993:1055) in her comments in relation to Robert Bates writings on Agricultural Policy in Africa, she applauds his attempts in opening a more realistic analysis of policy formation and its impact in political and economic change. Bates has done this by considering policy formation as endogenous to the economic system rather than exogenous as has been often made by some economists.

African governments in this case are seen as rational actors initiating agricultural policies that uphold their political interest and not necessarily economic gains that improve the sector. This could be summed up below in the words of Sara Berry (1993:1055):

> African governments choose to depress agriculture (especially food crop) prices and invest in numerous inefficient rural development projects because, although such policies stifle agricultural growth and economic development, they yield political gains. For one thing, low agricultural prices benefit urban consumers and manufacturers who tend to be politically more powerful than scattered rural producers, and whose support is therefore more important to governments who wish to remain in power.

Ideally economic inefficiencies within their economies grant the political class power to retain regimes and play patronage to sympathizers whilst punishing opponents. This position is further augmented by the very ethnical nature of Kenya's society. It is recurrent and expected in such societies that regimes would be characterized by political elites affiliated to certain ethnic groups. This gravely affects voting patterns as a change of regime meant realignments within the political class hence electorates tended to vote in favor of their ethnic cronies in an attempt to retain control hence resources.

This sort of behavior is replicated downwards by electorates at the constituency and district levels, where a member of one's community is elected to ascend to a political seat as this virtually guarantees development initiatives to be aligned to that community or so believed. In the following chapters the study will attempt to highlight how political interests shape the manner in which interest groups at different levels intervene in the economy, in this sense drawing attention to the importance of an inclusive not an exclusive approach to politics and economics.

This paper posits therefore that the political orientation of a regime and its guiding ideologies can be seen to influence agricultural policy especially where political decision makers have more autonomy. This is easily depicted in authoritarian regimes however it is also salient in states that are 'democratic' only in theory, yet driven by opposing ideologies. This can be clarified in the example below borrowed from (Birner & Resnick, 2010: 1446):

> It is certainly no coincidence that authoritarian regimes with a strong development orientation, for example China and Indonesia were able to launch a Green Revolution, whereas authoritarian regimes without development orientation, such as Uganda under Idi Amin, were not.

2.3 A state-centered analytical framework

Following the contributions of van de Walle, who proposes a state-centered framework in analyzing policy choices in Africa (van de Walle, 2001:16), I take the same route. However, I will not limit my investigation to policy choices but rather a combination of choice and implementation as these are considered closely intertwined. In his analysis, van de Walle assumes that African states are "neo-patrimonial" in nature which he defines as an "external façade of a modern rational-legal administration with an internal patrimonial logic dyadic exchange, prebendalism, and the private appropriation of public resources by state elites". He further argues that even the new democratic regimes in Africa are governed by the same logic.

This argument has however been refuted by many who have termed it a fluid catch-all concept. In Quoting (Wai, 2012: 31):

> Coming in various guises and forms, neo-patrimonialism has become a catch-all conceptual staple in Africanist scholarship for accounting for and explaining nearly every perceived African socio-political malaise, difficulty or problem-corruption, institutional decay, communication breakdown, authoritarian rule, development failure, economic dysfunction, poor growth, civil and political unrest and especially armed conflicts (all of which are the makers of so called state failure.

Whilst I acknowledge the often indiscriminate and sometimes flawed use of the concept I reiterate that the concept remains useful due to its universality and it's capability to link politics to the exercise of power (Erdmann & Engel, 2007: 114). Indeed, it permits comparative analysis and has contributed in providing far-reaching conclusions such as those accounted by Sarah, Berry, van de Walle amongst others referred to in the earlier sections. Often, the "catch-all" characteristic is entrenched in the lack of proper definition of the term and consequently its application as it easily acquires various connotations. (Booth, 2011:3) argues that there are different forms neo-patrimonial rule can take and it is worth distinguishing them. He further adds that although the concept has acquired a baggage of negative connotations, it remains useful in that it both identifies a common feature of post-colonial arrangements across the region and obscures the sense that African governance patterns are *sui-generis*.

In essence neo-patrimonialism is a combination of two co-existing partly interwoven types of domination referred to as patrimonial and legal-rational bureaucratic domination (Erdmann & Engel, 2007: 105.). Within patrimonialism, all forms of power relations between the ruler and the ruled, political together with administrative are all personal relations, there exists not a distinction between private and the public realm. However under neo-patrimonialism a formal acceptable distinction between public and private exists and public reference is made to it. Hence in states in which such a rule manifests, it takes place within the framework of and with the claim to legal-rational bureaucracy. There is to a large extent an existence of formal rules and structures however in practice; there is no delinking between the public and private spheres. In a sense there are two logics that are run in tandem and concurrently i.e. the patrimonial of personal relations and legal-rational of bureaucracy.

In the words of (Erdmann & Engel, 2007: 105):

> The patrimonial penetrates the legal-rational system and twists its logic, functions and output but does not take exclusive control over the legal rational logic. That is, informal politics invades formal institutions. Informality and formality and intimately linked to each other in various ways and by varying degrees; and this mix becomes institutionalized. Hypothetically people have a certain degree of choice as to which logic they want to employ to achieve their goals and best realize their interests. Thus neo-patrimonialism is a type of political domination which is characterized by *insecurity* about the behavior and role of state institutions (and agents).

An example of the insecurities alluded above is the inability of formal state institutions to fulfill their universal purpose of public welfare.

In examining the situation of Africa, policy debate has focused on questions around whether SAPs have actually helped or hurt smallholder farmers (Birner & Resnick, 2010). Two main opposing positions have emerged following this debate. The first position holds that the limited impact following liberalization policies is as a result of partial or reversal of implementation by states that has deterred the participation of private sector. The second position holds that it is difficult for agricultural development to take off under SAPs as these policies often neglect market failures that affect smallholder farmers, a position this paper agrees with. Moreover the adaptability of a political economy context of states to liberalization policies play a crucial role in the failure or success of those policies, as is the case evidenced by the divergent outcomes seen between some Asian and African economies.

Scholars such as (Cammack & Kelsall, 2011: 88; Booth, 2010: 4) posit that in as much as neo-patrimonialism can work in ways that block provision of public goods that enhance inclusive economic growth there are conditions under which neo-patrimonial governance could support positive economic growth. They are persuaded that social networks and other informal arrangements are capable of advancing the role of enabling long-distance market transactions to take place efficiently in a sense fulfilling the function that mainstream institutional economics assign only to formal institutions (Booth, 2010).

This form of neo-patrimonialism is often referred to as 'developmental neo-patrimonialism cited by scholars such as Kelsall, Booth and Khan in the cases of Malawi under president Banda in the seventies or recently in Rwanda under President Kagame. In both instances governance involved a pattern of centralized, long-horizon rent management. The mechanisms used for management varied but they usually entailed a concentration of power around the person of the President or a similar leader with such power (Booth & Golooba-Mutebi, 2012: 383). In such arrangements there is evidence of systemic clientelism and informal use of state resources hence obscuring of the distinction between public(state) wealth and private wealth of rulers, corresponding to the our definition of neo-patrimonialism (ibid.). However, similar to regimes in Asia such as china and Indonesia, rents were deployed in ways that advanced the provision of public goods and didn't serve to enrich only the few in power.

Using the guidelines of this state centered approach the study will attempt to analyze the case of Kenya's sugar industry in relation to structural adjustment policies adopted and how Kenya's neo-patrimonial tendencies have defined the outcomes of these policies in relation to economic growth.

2.4 Discourses surrounding trade liberalization

As a route for economic growth for most developing countries and specifically Sub-Saharan African countries, many economists increasing recommended development strategies based on market oriented re-forms that included as a fundamental component the reduction of trade barriers and the opening of international trade to foreign competition. Even the staff of the United Nations Economic Commission for Latin America (ECLA), at one time the most ardent supporter of protectionist policies, began to favor outward orientation (Edwards, 1993:1359).

Additionally, the World Bank, the International Monetary Fund (IMF), and other multilateral institutions routinely required the developing countries to establish trade liberalization policies as part of the conditions for receiving financial assistance (Edward, 1993; Himbara, 1994). This was further exacerbated by the collapse of the Communist system in the soviet- union that had initially embraced a state governed economic system which produced dire consequences that necessitated policy reform and structural adjustment.

There are however other economists who have questioned the rationality of this argument one of whom is Jeffrey Sachs. According to him, the premise that trade liberalization is a necessary component of successful outward oriented strategies is questionable (Sachs, 1987). He argues that the success of the East Asian countries was to a large extent due to an active role of government in promoting exports in an environment where imports had not been fully liberalized, and where macro-economic and especially fiscal equilibrium was fostered (Sachs ,1989).

While simple Hechscher-Ohlin trade theory suggests that in relatively unskilled labour-abundant countries trade liberalization will relieve poverty, in practice other factors may need to be considered (Winters et al., 2004). For instance, trade liberalization may be accompanied by skill-biased technical change, which can mean that skilled labour may benefit relative to unskilled labour. In developing countries where farmers are mainly small scale, challenges of output and productivity often arise due to low levels of skill and resources. Such scenarios are likely to render them uncompetitive unless there is in existence strong safety nets to cushion them.

In summary, such liberal policies can be viewed through their inherent feature of 'reconstituting social relations in the image of a brutal reading of competitive-market imperatives' (Peck & Tickell, 2002: 385). In as such, competition for the sole purpose of individualistic gain becomes normative hence justification of the imperfections the market bring about. Some scholars have vehemently pointed out that at the core of such policies rests the objective of reshaping power relations.

In Kenya, Sugar industry has been a subject of concern not only amongst economists but to politicians alike. The struggling state of the industry has often been interpreted by a section of the political elite as a way of marginalising a certain community economically. Besides, farmers have blamed millers of exploitative terms of engagement after the government pulled back support with the inception of liberalization and privatization of most of the milling companies. The current scenario could loosely be explained as a situation of interests group realigning themselves in a manner that best serves their interest.

Those in possession of resources and power undertake to maintain a status quo, in essence propagating hegemonic stability within the industry, while those that view their position as disadvantaged, persistently device ways of bargaining for their interests or give up all together.

2.5 Theorizing privatization

There are many connotations and definitions of privatization mostly contextual in nature hence recognition of that fact. For the purposes of this paper the definition adopted is as described below. In countries with many state-owned enterprises, including many developing countries, post-socialist countries, and countries in Western Europe, privatization is the transfer of enterprise ownership in whole or in part from the state to private hands also often referred to as denationalization or destatization (Sava: 2000: 291). This process is often seen as a measure in combatting mismanagement, unprofitability and lack of competitiveness within state managed parastatals.

Proponents of privatization do not deny the importance of government especially an effective one; they are not anarchists. They maintain that government intervention in society and the economy in various forms and to varying degrees is necessary. The classical reasons are to supply risk capital when massive investments are needed in uncharted areas; to establish rules for an increasingly interactive, urbanized nation where people get in each other's way; to plan for and provide, directly or indirectly, services deemed necessary and to subsidize them if unaided market forces cannot satisfy society's need; to handle external costs that otherwise desirable activities impose on others; and to regulate natural monopolies (Sava, 2000).

As this paper posits, the importance of interests that inform the privatization process cannot be ignored as this aid in analysis and appropriate interventions when the process does not result to positives highlighted earlier rather establish further complexities that are a threat to development and equality. According to (Kelman, 2002), privatization has the capability of defeating its very purpose of public purpose and public service. He further states that this process could easily shift power to those who can more readily exercise it, and not just power but also income and wealth depending on specific form of policy adopted.

It is the norm for private service providers to maximize profits, not by producing services more efficiently but by seeking out the least costly clients [for social services] or by employing lower-wage workers, often on a part-time basis (Sava, 2000:296). Since wages tend to be more equal in the public sector, privatization is likely to skew income in the direction of greater inequality.

Furthermore, while unions have lost ground in the private sector, they have generally made advances in organizing public employees. Privatization tends to undermine these gains. This will be demonstrated in the following chapters drawing from the cases of two sugar cane farmer associations that have since become irrelevant and incapable of effectively bargaining for the farmer's interests. In extreme cases, privatization is seen as an instrument of class politics. Where privatization is used to break up public employee unions and reduce the provision of services, it effectively represents a means of reordering class relations.

In an agrarian setting such as is presented by Kenya's sugarcane farmers on the one hand and millers on the other, salient undertones driven by power relations cannot go unnoticed. One reason attributed to this is the closed policy spaces that discount participatory approaches instead advocate debates only within secluded circles of the legislature and agricultural ministry. The ratification of a policy brief that allows civil servants to engage in personal business activities besides their formal government obligations has exacerbated the tendency for these business interests to mire adequate policy formulation. Often adopted policies by extension serve to meet such interests.

3 Evolution of Kenya's sugar industry

This chapter presents key contextual settings within Kenya's sugar industry. It examines how the sugar industry has evolved pre and post- colonial period with focus on political nuances and neo-patrimonial tendencies that stem from colonial period and as such defining policy choices and characterize the organization of the industry as we know it today. Further on, to the end of the chapter the case study that attempts to expose empirical data will be introduced.

3.1 Pre-colonial and immediate post-colonial period (1920s-1980)

Kenya's sugar industry dates back to colonization period when Asians first came to Kenya as laborers working for the British in the construction of Kenya-Uganda railway line. The Asians later engaged in agricultural activities and established the first sugar production plant at Miwani in the western part of the country and later Ramisi in Coast province (Wanyande, 2001: 124). During the period prior to independence these two firms were privately owned and managed by Asians together with the corresponding large-scale farms that supplied cane to the plants.

Post-independence, the state began to participate directly in boosting sugar production as was with all the other agricultural sectors and to this end two strategic policy papers were adopted namely the Swynnerton Plan of 1954 and Sessional Paper No.10 of 1965(Aseto & Okelo, 1997; Wanyande, 2001).These documents were to provide a broader framework with which the state was to revolutionize its agricultural sector, sugar cane farming included (Wanyande, 2001). It was clear through these policy documents that whilst Kenyan leaders appreciated the role of foreign direct investment and large scale domestic non-Africans as drivers of the economy, they didn't wish that the development process be premised on these forces exclusively. Rather they envisaged a situation where its local citizenry not only possessed political power but also power to pursue wealth (Himbara, 1994: 470)

A key feature of the Swynnerton plan adopted in 1965 was its allocation of individual land tenure system far from the prior arrangement where land was communally owned. In this dispensation individuals could register land and own title deeds a move that propagated private property rights. This was a welcome move amongst the populace as it was seen as an attempt to empower Kenyans to cultivate profitable export crops hitherto an exclusive monopoly of white settlers and Asians (Migot-Adhola, 1984: 203). The government on its part viewed this as a move towards making Kenya self-sufficient in sugar and a means of improving incomes and eventually standard of living for producers.

Politically this initiative could be viewed in the following two scenarios. Firstly there was an African capitalist breed that was emerging under the wings of the government that was eager to control resources and various key sectors of the economy through a process referred to by Himbara as 'Kenyanization' (Himbara, 1994).

According to Himbara, Kenyanization involved a strategy where the government played an entrepreneurial role while facilitating the rise of African capitalists in the private sector. This meant that the commercial and industrial strategy adopted in Kenya intensified state capitalism whilst creating an African capitalist class that would eventually take over this function (Himbara, 1994:471). Secondly this move was important in cementing the legitimacy of the government in view of the many promises it made to its citizens after independence important of which was the land issue. Already there was growing anti-government sentiments from ethnic groups that felt alienated from the development process and this move was an attempt to safeguard political interests of the incumbent government. It is important to note at this juncture that the political scenario in Kenya is characterized by ethnic affiliations and demarcations such that political leaders are seen as ethnic ambassadors who represent the interests of their ethnic communities first before the nations.

Coincidentally tensions emerged amongst the political elites during this period that culminated to the resignation of the then vice president. The Luo community from Western part of Kenya felt marginalized both politically and economically sentiments that were echoed by allegations that the then president's (Jomo Kenyatta) ethnic community was being favored in the development process (Wanyande, 2001). Western Kenya region, the area that is the largest producer of sugar cane is residence to the then vice president (Oginga Odinga) who left government with claims of inequitable allocation of resources amongst regions. These ethnic intonations within the political elite are engraved and have evolved overtime reflected in voting partners and political appointments in government and major parastatals.

Despite the tensions that existed between the two ethnic communities eminent to this day the government endeavored to grow the industry through acquisition of large pieces of land that were later turned to settlement schemes which were allotted to the landless and the poor. The government endeavored to provide subsidies, extension services and financial assistance to farmers. Parallel to this was the establishment of other milling companies that were largely state owned to supplement those that were initially privately set up by the Asians. By 1980, there were a total of six milling companies(all in Western Kenya) five that were state owned and one privately owned after another of the Asian companies collapsed due to mismanagement.

The sugar industry at this point was characterized by heavy state domination and control. It is safe to state that during this period, policies formulated to support agricultural productions were characterized by subsidized finance, low taxation, administered price mechanisms and public investment in infrastructure (Adam, et al., 2011:218).

Through a major state agency, Kenya National Trading Company (KNTC) which had acquired a monopolistic position in wholesale and retail trade of all commodities, the state had taken control of distribution of sugar. Indeed KNTC had monopolized the purchase of sugar from millers at a price determined by the state leading to lack of incentive for higher productivity amongst farmers (Wanyande, 2001). Additionally The Trade Licensing Act (1967) and Import, Export and Essential Supplies Act (1967) were enacted to assist state enterprise and private sector African capital in competing with foreign firms and domestic large-scale non-African capitalists (Himbara,1994: 472).

3.2 The emerging policy shift (1980s-1990)

With the formation of state agencies also known as parastatals such as KNTC, Kenya expected to achieve its dual mandate of deepening state capitalism and creating an African bourgeoisie (Himbara, 1994:474). It however emerged later that this caused more harm than good. Consequently in with the shift of power from the Late Kenyatta who was the first president to Daniel Moi, the incumbent's regime felt that inventions in the ailing economy were inevitable. Several commissions into the inquiry of parastatal performance were set up and one such commission was the Waruhiu commission.

According to the commission it was paramount that parastatals be reviewed as their conduct proved to be threatening the economy's sustainability. In fact it emerged later that Kenya did not possess adequate financial and technical capabilities to handle the crisis created by the parastatals hence the commission's recommendation that the country 'should approach the World Bank for assistance to carry out an extensive review of the management, operations and future investment plans of these parastatals and their financing' (Republic of Kenya, 1979: 28)

KNTC for instance, failed to facilitate regular supply of commodities to retailers and failed to establish a presence in the commercial market alongside the well-established Indian owned firms instead it was reported to have made losses of Ksh. 666 million by 1987(Himbara, 1994:475) which was attributed to mis-management, corruption and unskilled personnel.

In 1991,following the seemingly incapability of the state to resolve the problem coupled with mounting pressure from donors the matter shifted to the international arena with World Bank and IMF imposing a comprehensive reform plan that included mainly privatization amongst other measures. Further donor support was tied to meeting this requirement prompting the Kenyan government to provide the donor consultative group with a detailed privatization plan involving 139 parastatals (Himbara, 1994:475).

3.4 Yet another policy shift (1991-2000s)

At the end of 1991, as pressure mounted from development partners within the international community on the dismal performance of state agencies the government would inevitably cede ground. The ideology that liberalization of markets and privatization enhanced economic growth and improved performance respectively was popular during this era. Endorsements from institutions such as the World Bank and IMF and even powerful leaders like Thatcher and Reagan made it possible for such policies to be embraced by developing countries (Aseto & Okelo, 1997:26).

The reforms typically included removal of price controls and opening of borders to promote international trade, this was viewed as a means for improved trade relations that would increase productivity and provide opportunities for knowledge transfer. Another component of the reform program included privatization of state-run agencies that were aimed at greater managerial innovation and minimizing state involvement. All these measures were viewed by many as a means of stabilizing the agricultural sector and by extension the sugar industry.

However there were those that argued that it is important to recognize 'other political considerations' that informed policy reform. For instance, following numerous criticisms from the public on the degree to which parastatals such as KNTC had embezzled funds and monopolized the agricultural sector hence crippling farmers, the newly formed President Moi's government responded to internal public pressure by endorsing privatization even though his ideology as the vice president in the former government was that of a protectionist rather than a liberal. This was seen as a means to legitimizing his government (Aseto & Okelo, 1997: 27).

Furthermore, privatization would give the new government an opportunity to divest itself from the already financially crippled agencies meaning reduction of costs incurred in bailing out. Well, this would be a reprieve only in a democratic arrangement where there is an active opposition frontier that provides checks and balances to the ruling party. During this period however Kenya was under one party rule hence malpractices committed with the previous regime were 'written off' literally.

Early attempts to streamline the industry included the release of a paper called the Sugar Sub-sector Restructuring Study (SSRS). The study proposed amongst other matters the privatization of milling companies such as Mumias, Chemilil, and Muhoroni, sale of government shares to the public, hiring of technically competent consultants and the introduction of performance contracts for the employees managing the milling companies(Omolo, 2005:3). This was done amidst a major move by government to liberalizing various markets and privatizing some parastatals albeit lack of proper legal or policy framework. Trade liberalization in the sugar sub-sector eliminated barriers restricting the flow of trade and removed price controls which had the effect of increased trade activity but not productivity. This increased trade activity was as a result of an influx of cheap imported sugar that occasioned a glut in the local sugar market. The resulting oversupply proved detrimental to local producers whose highly priced sugar could not compete effectively pointing back to the lack of a suitable policy framework able to effectively tackle the challenges posed by the industry. It was clear that the local industry had not developed enough to withstand competition from other international players.

3.5 What is the outlook today

Following the unparalleled crisis of the late nineties that led to the near collapse of the industry, the Sugar Act (2001) was enacted in a bid to revitalize the industry. The Act was officially effected in 2002 with its initial strategy being to empower the newly created Kenya Sugar Board (KSB) to develop the industry and its regulations (Omolo, 2005:3). KSB replaced the Kenya Sugar Authority (KSA) which had previously undertaken a similar task but had failed to register desired outcomes. Additionally, a task force mandated by the Ministry of Agriculture in March 2003 to oversee and address challenges facing the industry was also established. Some of the challenges highlighted in a report compiled by this taskforce included; incompetence in management, lack of proper marketing strategy and poor infrastructure. Consequently a team of stakeholders from the sector in conjunction with the ministry of agriculture developed the Kenya Sugar Industry Strategic Plan (5-10 years) from the recommendations of the task force (ibid.).

To date, the industry has witnessed the establishment of ten milling companies, most of which were initially state-owned and have since undergone privatization. Additionally it has since adopted price control mechanisms and minimized subsidies. And on the political landscape, through the inception of multi-party politics in 1992, Kenya has witnessed a more democratic dispensation. The incumbent president is seen to have been elected on a democratic frontier despite the heavily contested 2007 elections that turned violent to the dismay of not just Kenyans but the international community as a whole. This new era has been seen by many Kenyans to be the glimmer of hope that will bring the demise of patrimonial relations engraved in the past two regimes. However, according to (Ngethe, et al., 2004: 18) 'while the change in government and the recent reform initiatives are very significant they are unlikely to be sufficient to address the underlying problems of pernicious role of patronage in politics.'

In the recent past some sugar companies such as Mumias Sugar Company (MSC) have recorded profits in the wake of privatization and managements changes. However the main beneficiaries have been sugar importers on one hand and millers on the other. Farmers and local consumers seem to hold the shorter end of the stick as many are still impoverished whilst consumers periodically complain of higher prices and unregulated commodity prices.

According to the Institute of Economic Affairs some of these anomalies could be attributed to various factors summed in the following quote: (Omolo, 2005:4-5)

> Inconsistencies in policy, weak institutional and marketing structures have been contributing factors to the industry woes. Moreover, the key stakeholders have not been fully involved in the creation of the industry policies. Instead, the government through excessive control of the sector may have been instrumental in the industry decline. Though the Sugar Act 2001 is meant to address the poor performance of the sugar industry, it has a lot of weaknesses that fail to tackle the problems. The Act grants the government immense control in the sector particularly in the management structure. The primary stakeholders, the farmers and farmers' organizations, do not have sufficient control the Kenya Sugar Board (KSB) the key institution of the industry.

However it's no intention of this paper to totally dismiss the efforts accomplished by policy makers and other stakeholders rather to highlight further on aspects that need scrutiny hence providing a holistic view of the challenges. In this sense the study offers a complementary view to the initiatives that have already been undertaken.

To this end a comparative study was carried out on Mumias Sugar Company and West Kenya Sugar Company to acquire in-depth understanding on outcomes registered with the implementation of structural adjustment programs. Further investigation into contract farming amongst these two sets of small holder farmers presents an opportunity to critically analyze these outcomes and how they could be understood. This case study which revolves around two milling companies; Mumias Sugar Company and West Kenya Sugar Company seeks to highlight the intricacies involved around contract farming between farmers and the milling companies. One company represents an initially state-owned company that has since been privatized and the other represents an outfit that is purely private and has not encountered previous state involvement. Before embarking on the following chapter that details the case study of relevance to it would be the sugar regulatory arm and the supporting research center whose mandate I seek to explain briefly in the next section.

4 Inclusive Development: A Case for Public Goods

This chapter seeks to lay ground on our case study that focuses on two milling companies serving approximately 90, 000 small-holder sugar cane farmers within cane growing zones of close proximity. The whole section is dedicated to documentation of findings made as a result of field work conducted with the aim of situating the case study as a supporting handle to the theoretical discussions held in the previous chapters. Through a comparative investigation of contract farming as one key institutional arrangement that exists between the millers and farmers, the case of both West Kenya and Mumias farmers offers rich analytical ground. From the voice of mainly the farmer and then other key stakeholders the study seeks to further understand how they view and interpret policies of privatization and liberalization and how these have shaped their socio-economic position within the broader society.

4.1 Overview of West Kenya and Mumias Sugar zones

West Kenya Sugar Company

West Kenya Sugar Company (WKSC) was established in 2001 as a privately owned company. It has no nucleus estate and depends solely on cane supply delivered by small-holder farmers. According to the latest statistics there were about 35,000 small holder farmers delivering 603,229 tonnes of cane to the milling company in 2011[1]. Despite its late entry into the industry it is considered one of the best performing milling companies amongst all the farmers interviewed due its favourable contract terms.

Mumias Sugar Company

Mumias Sugar Company is the country's single largest milling company. It started its operations in 1971 and supports approximately 70,000 small holder farmers. In 2011 the total cane delivered at the milling factory was 1,920,461 tons, 80% of which was attributed to the small holder farmers and the rest to the nucleus estate managed by the milling firm[2]. In an attempt to making the company more competitive the government yielded part of its ownership to the public. However the government still owns majority 30% shareholding in the company.

Farmers within both zones prescribe to farmer associations that are meant to serve as a representative body that advance their interests within the broader value chain. Farmers from West Kenya belong to West Kenya Out-growers Company (WOCO) whilst those from Mumias zone belong to Mumias Out growers Company (MOCO). The association represents almost all the farmers within the zones with their 'official' mandate being; provision of extension ser-

[1] See Yearbook of Sugar Statistics 2011-pg3

[2] Ibid.

vices to its members, negotiating for favourable terms and preventing exploitative arrangements between farmers and millers, facilitating proper payments for delivered cane on behalf of farmers, provision of resources and dissemination of knowledge and technology to enhance productivity and competitiveness of farmers[3]. It is noteworthy to posit at this point that the above stated mandate is a far outcry to what was established on the ground during field work hence the word official here represented in quotes. This will be consequently further elaborated through the views of interviewees captured herein.

4.2 Re-examining liberalization and privatization

The following quote extracted from the Institute of Economic Affairs (K) publication written by (Omolo, 2005:3) introduces as to this section:

> There is no effective representation of farmers as the main stakeholders in decision-making bodies of the sub-sector. Though the Sugar Act 2001 is meant to address the poor performance of the sugar industry, it has a lot of weaknesses that fail to tackle the problems. The Act grants the government immense control in the sector particularly in the management structure. The primary stakeholders; the farmers and farmers' organizations, do not have sufficient control over the Kenya Sugar Board (KSB) the key institution of the industry.

In an interview held with head of corporate planning at KSB, Patricia Njeru,[4] she indicated her enthusiasm and confidence on the positive impact liberalization of the industry has had especially in increasing the number of milling companies and fostering competition amongst them. The government in her opinion was in the right track towards restoring a vibrant and profitable industry. With the privatization of most of the milling companies, positive results on productivity and return to shareholders have been registered turning some of the initially lose making enterprises to profit making. She reiterated the board's commitment to commercializing milling companies through divesting and paving way to private sector involvement. Citing an example she said:

> Take an example of Butali Sugar Company; it is a new player barely three years in the market yet if performed relatively better than Mumias Sugar Company (MSC) that has been around longer than most of the other companies. I am not saying that Mumias has not turned into profitability since privatization, we have all seen the turn around. My point is that various players are entering the market creating competition that is healthy and beneficial to the sector[5].

Whilst the sentiments made above by KSB's head of corporate planning are undisputable, it was important for me to question whether the positives elaborated above meant a relatively equitable distribution amongst all shareholders(especially farmers) or the profits were only subsumed by a few.

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[3] See Sugar act 2001- section 29 part 5. Republic of Kenya

[4] Personal interview with Patricia Njeru, Head of Corporate Planning (KSB), held on the 12th July 2012 at her office (hereinafter Njeru interview).

[5] *Njeru* interview.

As highlighted earlier on in one of the chapters, previous studies have indicated that privatization of agribusiness has naturally enforced a relationship between processors and farmers often referred to as production contracts. In this arrangement, 'farmers and other firms engage in contractual arrangements oral or written that specify conditions of production and marketing of agricultural produce' (Zhang, 2012: 463). According to (Watt, 1992: Zhang, 2012) this sort of arrangements engage small holders and owners of agro-capital in social relations that could involve dominion, subordination and often contentious.

In response to a question on farmers' concerns on the exploitative nature of contract farming by some millers and its effects of exacerbating poverty this is what she had to say:

> The condition of farmers especially in mumias zone is just pathetic. I have personally driven in those farms and the sheer reality of poverty there is sickening. In my visits there I have met farmers who after deductions done by MSC as payment for farm inputs, they take home close to nothing. I have told these farmers time and time again to divest from sugarcane as it was not taking them anywhere, instead use their farms to produce other crops. On the other hand, I have met farmers in other areas of the sugar belt who are very successful by all means. They have overcome their overreliance on support from millers and have initiated survival mechanisms through innovative interventions.[6]

The above response demonstrates that the government's major concern is profitability of the industry albeit their biasness towards farmers who are relatively capable with less regard to how many or to what extent this policy is marginalizing a large number of farmers hampering their efforts towards alleviating poverty. Its intervention is no longer developmental in nature but rather profit driven to the benefit of a few stakeholders. This scenario could be clearly understood by localizing Kaplinsky's analysis of the rent seeking, non-equitable behavior of participants within a commodity chain. He posits in (Kaplinsky, 2000a: 126) that:

> Competition induces participants throughout the chain to search for new forms of rent. In achieving this, the more powerful actors in the chain are increasingly required to induce (and assist) their suppliers to change their own operating procedures. At the same time, they continually search for new suppliers (systematically striving for lower barriers to entry in other links on the chain and customers.

Out of the five farmers interviewed in Mumias sugar zone four lacked neither the financial muscle nor the technical expertise to individually manage their sugar plantations hence heavy reliance on a pre- production contract which oversaw the supply of all farm inputs ranging from fertilizer, seedlings, transport and harvesting by the miller. This meant that the farmer only provided for labor and land and hence the accompanying costs would be debited before they received their final dividends at the time of harvest. In comparison to their West Kenya sugar zone counterparts however the story was different. Albeit their similarity in terms of their lack of capital and technical expertise to run their farms, three out of the five farmers attributed their success to their

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[6] *Njeru* interview

membership in the farmer association that offered them inputs at subsidized rates. Some of the sentiments of farmers from mumias zone are captured below:

> Mkulima hachukuliwi kama mtu wa maana na mumias. Tumeumia sana baada ya serikali kupunguza usaidizi. Kwavile hatuna namna ya kununua mbolea na mbegu ya miwa, mumias inatupatia hizo zote kwa bei kali tena na ushuru. Wanapokata pesa zao matokeo ni duni sana. Angalia risiti yangu, kama si kwasababu ya kukata vitu vingi ningekuwa nimepata shilingi laki moja sasa nimebaki na shilingi elfu kumi tu. Hii haiwezi kupeleka watoto shule na kunilisha.
>
> (A farmer is not viewed as someone important by Mumias Sugar Company (MSC). We are really suffering after the government stopped offering subsidies and cheap loans for farmers to cultivate the land; instead we now rely on MSC to provide fertilizer and seedlings which is highly priced and taxed. At the time of payment deductions made by MSC leave us with very little to take home. Look at my receipt, if it were not for these many punitive deductions I would have taken home Ksh. 100,000 (approximately, Eur. 1,000) yet I remain with only Ksh. 10,000 (Eur. 100). This money is not sufficient to feed my family and take the children to school.[7])
>
> Mimi sitakudanganya miwa saa hizi haina pesa kama zamani. Mambo yamearibika na kwasababu ya ukame, saa inigine inabidi niuze mbolea kwa bei ya chini ndio niweze kupeleka mtoto hospitali ama nilipe karo kama amefukuzwa shule.
>
> (I will not lie to you. Sugarcane no longer has money like it had before. Things are bad and because of poverty I am forced at times to sell off my fertilizer at a cheaper price to be able to take a sick child to hospital or to pay fees when they are chased from school.[8])

With an exemption of one farmer interviewed from this zone, all of them had similar sentiments that alluded to the fact that sugarcane farming was not yielding the desirable returns even after SAPs; indeed they pointed at lack of subsidies as a major impediment to notable success.

An interview with the farmer who had a different opinion[9] revealed that he did not reside in the rural area but travelled occasionally to monitor progress of his farm that was under the care of his mother. The interview established that he practiced sugarcane farming as a source of extra income and also because it's an activity passed on from previous generations. He lamented on the precarious conditions of rural farmers who were mainly poor and were not well adjusted to withstand competition that had been brought about by the establishment of various milling companies as well privatization of the previously state

[7] Personal interview with Mr. Leletia, a smallholder farmer since 1990, He owns 8 acres. Interview conducted at his home in Mumias on the 20th July 2012(hereinafter Leletia interview).

[8] Personal interview with Mr. Obeto, a smallholder farmer since 1978, He owns 5 acres. Interview conducted at his home in Mumias (hereinafter Obeto interview).

[9] Personal interview with Mr. Willis Keya a smallholder farmer since 1980, also a corporate manager in a bank. He owns 15 acres of land. The interview conducted on 21st July 2012 at his mother's home in Mumias (hereinafter, Keya interview).

owned ones. The assistance farmers used to obtain from the state is non-existence and that is what prompted him to move into 'private farming' because after initially engaging in the pre-production contracts with MSC, he felt his returns had dwindled significantly.

By private farming he means that he self-sponsors the supply of inputs until cane is mature for harvesting. The only cost that is catered for by MSC is transportation and harvesting because he says "it's not cost effective to invest in such capital intensive machinery yet his piece of land is not big enough." To him sugar cane farming since then has been profitable. In fact he has often leased land from struggling farmers who find the pre-production contracts by MSC exploitative. He added that mobilization of farmers to collectively acquire such inputs and machinery would have greatly ameliorated the state of farming in the area and boosted the livelihoods of many but the famers association that was formed and mandated to do this has failed miserably. He accused the association of not genuinely addressing the needs of farmers but rather has resorted to patrimonial politics that favor the millers and the association officials at the expense of farmers. This has led many farmers to abandon sugarcane farming and move back to subsistence farming as a mechanism for survival, a move that is retrogressive and is affecting the education of young people from the area.

In comparison however west Kenya zone farmers expressed slightly different experiences. The farmers pointed to obvious challenges they faced brought about by withdrawal of government support that necessitated other interventional mechanisms from their end. Generally they cited instances where their fellow farmers opted out of sugarcane farming to venture into other crops such as maize and beans and some livestock and fish rearing. To these farmers, the meager returns realized from sugarcane farming were not consummate to the large pieces of land devoted to the same. Most left sugarcane farming entirely or opted to set aside a smaller piece of land to the exercise while devoting the rest to other forms of farming activity as listed earlier.

Some sentiments raised by the farmers are captured below:

> I used to supply my cane to MSC before but after extension services from the government ceased, it became very expensive and unreliable to run my farm with reliance from MSC. I felt the amount I was receiving from sugarcane was not acceptable and besides the payments often delayed despite numerous complaints that farmers had placed to the miller through our association Mumias Out growers Company (MOCO). I was introduced to West Kenya Sugar Company (WKSC) by one of my relatives and I have never looked back. Their payments are often on time and their association West Kenya Out grower Company (WOCO) is very sensitive to farmer's needs[10].

> I prefer WKSC because they pay better. For every ton of cane weighed they pay Ksh. 4,200(approximately Eur. 42) compared to MSC that pays

[10] Personal interview with Mrs. Agneta Yumbi a smallholder farmer since 1979, she owns 13 acres of land. Interview conducted on 23rd July at Mumias town (hereinafter, Yumbi interview).

3700(approximately Eur. 37). Besides, because WOCO assists in providing seedlings and fertilizer at a subsided rate, I get good returns in the end.[11]

In comparison, farmers allied to WKSC demonstrated that efficiency in payments and assistance from their association has enabled them withstand the challenges occasioned by government's withdrawal of support. A situation that was different in MSC, where the association failed to effectively fulfill its mandate and farmers were left to fend for themselves individually. As has evidently been stated by farmers interviewed, competition seems to be a constant driving factor within markets often characterized by winners and losers.

4.3 Neo-patrimonialism: The thread that binds

In the wake of market failures as a result of liberalization amongst other factors, farmers within the sugar sub sector have garnered their collective bargaining through membership in cooperative societies or farmer associations. These associations have given farmers representation at the sugar board as well as an umbrella body that voice's farmers' concerns to the millers. Moreover, they have enabled smallholder farmers mitigate their challenges by collectively providing for land inputs at subsidized and affordable rates. Capital is also provided through a mechanism of saving and borrowing that works well for farmers who are unable to raise large sums of cash needed when preparing the land or at the time of harvesting.

Members of WOCO (West Kenya Out-grower Company) seem to have benefited more through this initiative with many citing the assistance from the association as a key contributing factor for their success as recorded earlier in the interviews. All the farmers interviewed expressed their satisfaction on the services rendered especially on the Ksh.20, 000 (Eur. 200) loan that was available to them payable after harvest. In an interview with Jack Muna[12], an official of WOCO he stated that he understood the reasons of MOCOs failure. He explained that unlike MOCO his association had realized that for the sake of survival, farmers had to unite and the association had to be fully committed to enhancing their capabilities to overcome market challenges. "We look at the long term welfare of our people but MOCO officials have allowed themselves to be guided by their selfish and short sighted interests. They have to put the welfare of every farmer at heart and not their individualistic gains alone.[13]"

Farmers allied to MOCO (Mumias Out-grower Company) however accused it of failing to attend to their challenges citing amongst other issues misappropriation of funds, patronage and lack of commitment. One of the farmers expressed his dismay at the level at which MOCO had deteriorated even to non-existence. He stated that no one is ever in those offices anymore despite officials having been elected to represent them.

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11 Telephone interview with Mr. Majid Wabelele a smallholder farmer since 1991, he owns 10 acres of land. Interview conducted on 23rd July (hereinafter , Majid interview)

12 Telephone interview with Jack Muna, treasurer WOCO held on 27th July 2012 (hereinafter, Muna interview)

13 Muna interview

> I no longer go for those elections anymore because, what is the point and you will not receive services from them? Board members pay desperate farmers as little as '200 bob' (Eur. 2) for them to be elected despite farmers not getting any support from them. They do this because they always hope that there will be change and because they are kinsmen from the same clan[14].

In response to my question on whether MOCO was still in operation a former employee Mr. Charles Amula stated that the association has since 'gone under'[15]. He recounted that he had to leave the association to look for meaningful employment as it was engulfed with financial issues resulting to persistent delays and inconsistencies in salary payments. He sighted external political interference as well as internal patronage behavior by the officials of MOCO as a key impediment to the failures witnessed.

> I realized that the board members of MOCO were working together with the miller (MSC) yet not to the benefit of the farmer but themselves. When I first joined this organization farmers used to get assistance but now the wealthy MSC bosses have corrupted the minds of our officials through financial gifts that induce them to be bias in negotiating for farmer contracts. They no longer advocate for cheaper rates on fertilizers, better transport arrangements and soft loans for farmers, they all have to deal directly with the millers whose main drive is profit and not the farmer's plight. Besides most of the officials lack technical competencies and skills to run the associations. Many often are not qualified but rather elected by virtue of belonging to certain communities. A majority of farmers are driven by the belief that people from 'outside' cannot take those positions so they advocate for those from their own clan or community.[16].

Farmers elect their own representatives who sit on the board of the association and engage on their behalf in numerous negotiations aimed at cementing the best contract arrangements for farmers. This process however is mired with lobbying and manipulation that result in pre-determined outcomes that fail to address the real needs that farmers ought to address. During elections most farmers are lured by a few wealthy individuals who through handouts influence their independent judgment. On the other hand there are the so called 'telephone farmers' who are urban dwellers and monitor their farming remotely with occasioned visits to the rural area. These have the insight and capability to challenge and define the electoral process but often do not participate in it because most engage in private farming so do not rely on the association for survival.

In the Keya interview, he explained that he has personally participated in a number of campaigns prior to the elections in trying to sensitize farmers on the need to elect competent representation for the purpose of formulating sound cane farming policies. The MOCO constitution stipulates that these representatives have a two year term that if appropriately used to articulate and genuinely address issues affecting them would make a huge difference.

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[14] Leletia interview

[15] Personal interview with Mr. Charles Amula former administrator of MOCO and has been there since 2004 to 2011. Interview conducted on 24th July (hereinafter, Amula interview)

[16] Amula interview

> People in 'mashinani' (rural area) do not think beyond their nose because all they care about is what they are getting now and not long term objectivity. They line up behind their clansmen regardless of quality. There is a high level of knowledge gap among farmers. Actually majority of them do not know the role of the member being elected making them more vulnerable and easily compromised; a very difficult system to beat I must say. I remember myself campaigning for some gentleman whom I felt had the capability but he could not be elected because he had neither the money nor the intention to bribe his way into an election. The farmers dismissed me telling me that they would vote for someone who gives them money and I simply did not have their interests at heart because I had a job and was comfortable. Making them understand that as a fellow farmer I was also a stakeholder in this matter did not bear any fruits and today most of them have pulled out of the business[17].

A recurring theme herein is the inability of Mumias zone farmers to adopt a social mobilization mechanism that would well equip them in facing challenges associated with failures in liberalized markets. Engraved patrimonial tendencies still dictate their loyalty to accept 'perceived power' through sustained kinship/clansmen voting patterns despite its irrational short term benefits. This sits contrary to how West Kenya zone farmers interpret the scenario which I would swiftly attribute to the fact that West Kenya Sugar Company (WKSC) is treated as an 'outsider'. Being a company owned by Asians, the farmers are united by the thought of 'protecting their interests from a foreigner' hence collaboration and coordination became desirable and a necessity. Poverty has a way of narrowing and limiting one's choices to very short term consideration as demonstrated by the choice of accepting handouts rather than proper leadership and representation that assures meaningful long-term benefits.

4.4 Status quo or change

Compared to West Kenya Sugar Company (WKSC) which is a privately operated enterprise, the government still holds a majority 30% shareholding in Mumias Sugar Company (MSC). With the appointment of a new managing director in 2004, MSC turned around its performance towards profit making. The same period of his appointment saw the enactment of a staff rationalization program that reduced the workforce by almost 1000 people. According to Stella Mkambo a communications manager at MSC, most people lost their jobs around this time as the managing director was committed to introducing a new culture and attitude in the organization.[18] She added that this was interpreted by many as a means to end the patrimonial networks within the organization which were viewed as detrimental to its performance.

In a rejoinder however, one of the farmers interviewed stated that "shida zilianza tu Kidero alivyoingia Mumias" (Problems started when Kidero came to

[17] Keya interview

[18] Telephone interview with Stella Mkambo, Communications officer, Mumias sugar company on 27th July 2012 (hereinafter, Stella interview)

MSC)[19]. He further stated that while some people lost their jobs during the retrenchment exercise, others were also employed at very senior levels and these become very powerful individuals with close ties to the managing director. Many of them bought and leased big pieces of land within Mumias zone and became wealthy sugarcane farmers. They later became instrumental in influencing officials of MOCO in abandoning their mandate and engaging in enriching schemes without the plight of poor farmers. What has since resulted into a categorization of the 'haves and have-nots'[20]. In answering a question as to whether employees of MSC are farmers, the communication manager stated that the company did not bar any of its employees to engage in sugarcane farming in fact there are affordable loan facilities offered to those interested in adopting the venture.[21]

Evans Kidero, the managing director of MSC has been heading the company since 2004 until early this year when he resigned to contest for an elective political position in the next coming general elections. He is credited for turning around the once loss making entity into a profitable one yet some, especially farmers and their associations blame his strategies for their woes. In the Amula interview, he informed me that MOCO's failure can be attributed to the selfish interests of senior and powerful employees at MSC who have turned to be partisan farmers. He stated that 'these people because of their ability to access quality seedlings, cheap fertilizer and resources they care little about poor farmers instead they capitalize on the desperation of farmers who are willing to sell- off or lease part of their lands.

He cited a number of experienced and well-meaning MOCO officials who left the organization because they could not tolerate the biased and discriminatory changes that were being introduced by MSC that would negatively impact on farmers yet many officials would not resist them because they were compromised by the same miller. He pointed at a court case involving MSC and MOCO where MOCO was claiming an amount of Ksh.3.5billion as payment owed to them by the miller for services rendered on behalf of farmers. He said that the case is still pending in court with the miller undermining its justifiable conclusion.

Apparent positive gains were experienced with the appointment of a new director and restructuring of the work force in abid to make MSC profitable. In equal stride was an establishment of a different 'network' that sourced its power from a central point man, in this case the managing director. The discrete and invisible natures of this 'power network' were further obscured by the existence of formal organizational structure existing in MSC. However the behavior of its senior employees demonstrated a non-separationist approach to the private and public, where private interests superseded those of the larger public. In other words the patrimonialism within personal relationships infiltrates the legal rational system and co-exists in bringing out notable profitability.

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19 Personal interview with Shem Okweto, a smallholder farmer since 1980, also a businessman. He owns 20 acres of land. The interview conducted on 21st July 2012 at his business premises in Mumias town (hereinafter, Shem interview)

20 Ibid.

21 Stella interview

MSC has no doubt succeeded where a more pronounced state- interventionist approach failed because unlike the former state appointments done with lack of proper scrutiny of technical prowess of employees, Evans Kidero is a highly qualified individual who together with like-minded individuals attained the desired outcomes. This new paradigm has however created a demarcation of societal social strata that disadvantages the smallholder farmer a situation that is further exacerbated by the very nature of a liberalized dispensation which advocates for private property and competition; many are left by the wayside as a result evidenced by the opinions of those interviewed herein.

A struggle lingers on, of those that benefit from the status quo and believe in the perfect logic of markets and its ability to self- actualize in the event of disequilibrium yet there are those who continuously suffer from the disabling market pressures. Some manage through collective social mobilization, many others are 'too weak' to even try.

4.5 Synthesis of findings

In summary, findings from the field work reveal that the relevance of neo-patrimonialism in the implementation of SAPs is difficult to ignore as it intricately defines development outcomes for smallholder farmers in the sugar-subsector. With the withdrawal of government support inform of subsidies and tariffs, competition has driven and shaped the markets rendering ill equipped smallholder farmers disadvantaged in facing resulting pressures.

Despite challenges of social mobilization, some farmers have managed to collectively form safety nets to overcome their need for farm inputs and resources as well as establish mutually acceptable production contracts. They seem to have fully endorsed themselves as an equally befitting shareholder whose interests should be given pre-eminence. On the other hand however we have also experienced a group of farmers who are strongly subjected to patronage and clientelism as they subscribe strongly to the importance of their community members holding positions of power even if there are no meaningful long-term benefits. They seem to ascribe kinship as a ticket to closeness to favours which sometimes has negative repercussions especially where technical and competencies are a requirement for success.

Neo-patrimonialism has been depicted in various networks both with negative and positive intonations. As the new managing director at MSC was able to accomplish profitability in the organization this was a welcome move by the government. However provision of public goods such as infrastructure and cheap credit to benefit all farmers seem not to be government's priority. Their reductionist approach to supporting endeavours such as privatization to enhance economic growth yet ignoring the importance of equitable growth remains questionable.

Contrary to orthodox neoliberal discourses that hails the importance of 'getting the price right' a position further refined by institutional economists who not only support the right price but right institutions, this study reveals through an account of Mumias zone farmers that the situation is further complicated when politics come into play. Even as interests groups are engaged in situations of negotiations the question of "who owns what, who does what, who gets what,

what do they do with it" as coined by Bernstein, remain valid hence defining development outcomes for the poor.

At the inception of SAPs, it is clear that choices made were state-centered and defined by the ideologies of the incumbent leaders. The underlying tensions within the political class were well defined by ethnic and kinship ties, which trickled to policy adoption and implementation. Since political positions are synonymous to wealth, following tribal, interpersonal and regional cocoons policy choices were made as informed by such affiliations. As accumulation becomes the center of liberal policies the political elite invariably implement them under the beckoning of neo-patrimonialism as there is no clear differentiation of what is within public or private realm. Often these are formal rules in theory but not in practice hence private interests of the elite often overshadow policy implementation that benefit the poor within an enabling environment characterized by legal-rational bureaucracy.

5 Neo-patrimonialism an impediment or not

It is a far cry from those with a will to overcome yet too weak to rise above their seemingly insurmountable challenges. Their deplorable situation has made their disillusioned souls easily manipulated by those who refer to themselves as resilient, opportunists and hard workers. Is poverty a result of laziness, is it our fate they ponder? Many realise the importance of a long term visionary approach to overcoming their challenges still they have no courage or means to do it.

5.1 Re-engaging neo-patrimonialism

Through insights provided by the case study, neo-patrimonialism has been depicted not just as a state-centeredness of power that rests with the president but a myriad of relational networks replicated in the socio-economic arena. The study has highlighted a replica of such networks that manifest within legal-rational bureaucracies which are formal and publicly endorsed.

Evidenced by the move by the MSC's (Mumias Sugar Company) managing director to restructure the organization he wiped out a number of workers tainted with patrimonial links that were associated with non- performance and spearheaded the company to success. Ironically he achieves success by employing those allied to himself (referred in earlier interview as wealthy bosses of MSC) a similar arrangement to his predecessors. Why different outcomes? Evans Kidero is a highly qualified and experienced technocrat and those he endorsed to work with him bore the same qualifications. That is how the company turned around to profitability. However because there was no separation between public and private interests the millers leaned towards capitalistic tendencies of wealth accumulation with little regard as to whether the system is exploitative to others or not. Indeed that is the cannibalistic nature of capitalism where the 'big fish' swallow the small ones. According to (Ngethe, et al., 2004: 37)

> The political elite have been able to capture public institutions and resources to serve their personal interests, power is heavily concentrated, highly personalised and is maintained through complex web of patron-client relationships based on interpersonal, kinship and ethnic ties. In these conditions corruption has flourished and the capacity of public institutions to deliver public goods and pro-poor services has been substantially eroded

The positive results indicated at MSC speak to the desirable outcomes that could be realised if what Booth suggests as "working with the grain is instituted (Booth, 2011:2). According to Booth, the notion of 'good governance' as an agenda in Africa fails to reflect the more universal experience that institutions work best with what already exists rather it exemplifies a euro-centric notion of what is good without putting into account the historical differences these regions exhibit. This implies recognition of how a people's culture or ideologies define political or economic choices. Consequently as posited in (Kelsall, 2008), there are a set of beliefs and values concerning power accountability and social morality that have proved durable and powerful hence developmental initiatives should take into account such values.

For instance the derivative of such held beliefs are expressed in the voting patterns of farmers in Mumias zone when we critically examine the behaviour of MOCO association officials in seeking elective positions from farmers. Through hand-outs and employing predatory politics they captured the hearts of their electorates. As one farmers justification for voting for a representative he said; "yule ni mototo wetu, atatuangalia vizuri"[22] (he is one of our own, he comes from this community so he will take care of our interests). Elections are done in a partisan manner and little regard is given to one's legibility or competencies. It seems comforting enough that the person comes from your community. Apart from a few that could be easily financially compromised by millers many such representatives are not knowledgeable enough to understand the intricacies involved in contract agreements so they often fall short in effectively bargaining for their plight.

We have seen a demonstration of how neo-patrimonialism could either be developmental or otherwise based on conditions such as the existence of rent seeking behaviour supported by a competent economic technocracy or lack thereof. Either way it's a key component to Kenya's political economy worth serious consideration.

5.2 Agency and public good challenge

The problem of public good provision remains a key challenge in driving propoor development agenda. Economic growth could indeed be stimulated by liberalization however there is the real concern of income inequalities that could threaten economic stability in the long run if public goods such as education, infrastructure, accessibility to credit, more importantly the provision the very basic needs such as food and water which is lacking in many rural Kenyan homes. The trickle- down effect purported by mainstream economists as a result of trade

The interviews revealed the desperation that is associated with poverty such that short-sighted needs are prioritised over long term goals making them vulnerable to predatory tendencies from political leaders on the one hand and their own inability to counteract market-driven pressures on the other. However farmers from West Kenya have demonstrated that collective action has its benefits and have lured some from Mumias zone to join them. Though their circumstances are slightly different this could be an initial shift to a more serious consideration to what benefits they stand to gain in employing such an approach.

It is apparent that class relations and power asymmetries being a conglomerate of capitalism in liberalised markets have managed to define the relationships that exist between farmers versus millers, association versus farmers and the broader political elite versus the electorate. In the event of market driven pressures these relations dictate the capacity with which stakeholders engage and negotiate with the farmer at a disadvantaged position

[22] Leletia interview

5.3 Conclusion

The intention of this research was to establish the relevance of neo-patrimonialism in the outcome of liberalization of Kenya's sugar industry and privatization of its milling companies and to what extent it has affected pro-poor development outcomes.

My conclusion is that neo-patrimonialism is indeed relevant and will continue being relevant in as far as policy makers engage in search for workable solutions that promote development. In this sense, the recognition that this concept is enclave not just within the political elite but in the society at large draped in complex highly personalized relations defined by interpersonal, kinship and ethnic ties is important. Apart from evidence gathered from document analysis in relation to policy implementation at the national level findings from fieldwork reveal the preeminence such relations have been accorded even at lower levels of community engagement amongst smallholder farmers.

Liberalization and privatization of the sugar subsector has therefore been associated with variable outcomes influenced by neo-patrimonialism. Contrary to the widely acknowledged assumption that this concept negates development and in extreme cases resultant to state failure, "working with the grain' has the potential of realising positive results.

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