

# Community-enterprise relations in the agribusiness sector in Rwanda

Assessing Corporate Social Responsibility as a development  
approach

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## Abbreviations

- CSR: Corporate Social Responsibility
- DFID: Department for International Development
- EDPRS: Economic Development and Poverty Reduction Strategy
- MINAGRI: Ministry of Agriculture and Animal Resources
- MINICOM: Ministry of Industry and Commerce
- PRI: United Nations Principles for Responsible Investment
- SCI: Strategic Community Investment
- RDB: Rwanda Development Board
- UNGC: United Nations Global Compact
- WBCSD: World Business Council for Sustainable Development

## Abstract

In the context of Private Sector Development (PSD) promotion policies and agricultural transformation, foreign enterprises are establishing their businesses in the Rwandan agribusiness sector. This research project intends to analyze how PSD is effectively put in practice particularly regarding the perceptions of three key actors: government, foreign entrepreneurs, and local communities. Secondly, it aims to provide an evidence-based assessment of community- foreign enterprise relations in three areas of rural Rwanda, and to analyze how through Corporate Social Responsibility (CSR) approaches these enterprises are contributing to local development. The findings collected suggest that foreign private sector participation in agribusiness is only starting to grow, and that although governmental policies do create attractive investment opportunities these still face challenges when executed, especially in terms of agro-infrastructure and financial services for entrepreneurs. Additionally, CSR approaches are encouraged in these policies, but are not mandatory thus taking place in an ad-hoc manner. The interviewed foreign entrepreneurs are implementing a business-oriented CSR approach favoring job creation and skills training as their main contribution to the livelihoods of local employees. Broader community investment projects in infrastructure and education did not take place in most of the agribusinesses reviewed. In terms of their own development, local employees valued the employment opportunities and fixed salaries delivered by these enterprises and definitely mentioned them as positive outcomes for their quality of life. The study emphasizes on how these CSR approaches should be more streamlined and move towards the inclusion of social demands in order to generate more benefits for the locals as well as for the businesses themselves.

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# 1. INTRODUCTION

## 1.1 Background and relevance to the study

### Development from the private sector

Private sector development (PSD) has been identified as one of the drivers for the growth of many of the world's developing countries' economies. As mentioned by the World Bank (2000) hope for business and job creation comes from a thriving private sector. Moreover some of the benefits of private sector business activity include that it can create jobs and entrepreneurial opportunities, cultivate inter-firm linkages, enable technology transfer, build human capital, and physical infrastructure, generate public revenue for governments, and offer a variety of products and services to consumers and other businesses, including those operating at what has been termed the "base of the economic pyramid" (Harvard University, 2007:1).

Taking into consideration the aspects mentioned above, private sector enterprises have acquired a more active role in the development context, especially when it comes to poverty alleviation. They are now participating not only by providing resources in specific business fields, but also in the implementation and support of development programs and projects. Next to more traditional actors such as national governments, foreign development cooperation ministries, and donor agencies, the private sector has become a counterpart expected to provide insight to the development debate. Currently, in many business sectors there is acceptance on the fact that "scaling the resources of the private sector and linking community development objectives with core business practices can have a significant and sustainable social impact (UNGC, 2012:5)."

According to the World Bank's Private Sector Development Strategy (2002:11) PSD is critical for poverty reduction in two major ways. First, private markets are the engine of productivity growth and thus create more productive jobs and higher incomes. Second, complementary to government roles in regulation, funding and provision, private initiative can help provide basic services that empower the poor by improving infrastructure, health and education – the conditions for sustainable improvements of livelihoods.

Additionally, in response to global mega trends such as climate change, population growth, urbanization, food and security, and loss of biodiversity, investors are increasingly recognizing opportunities that can generate both required financial returns as well as positive environmental or social outcomes (PRI, 2010). Initiatives such as the United Nations Global Compact (UNGC) evidence how a growing number of businesses are now committed to aligning their operations and strategies with principles in the areas of human rights, labor, environment and anti-corruption. By doing so, business, as a primary driver of globalization, can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere (UNGC website <http://www.unglobalcompact.org/AboutTheGC/index.html>).



However, due to its economic profit driven nature, there is an ongoing questioning of how the private sector should adapt its actions and operation in order to contribute positive outcomes to development, and mitigate both social and environmental risks. Closely linked to this debate is how the concept of Corporate Social Responsibility (CSR) has become one of primary foci of study when discussing the features and outcomes of private sector led development. Much has been debated about the definition and categorization of CSR, and it has been connected to many other concepts such as corporate philanthropy, socially responsible investment, and inclusive business, among others.

### CSR as a vehicle to private sector development

There is currently no blueprint definition for the concept of CSR. This definition may vary from one enterprise to another, depending on its own approach and the nature of its CSR strategy. Garriga and Melé (2004:52) propose a general classification to CSR theories by explaining that most theories and related approaches are focused on one of the following aspects of social reality: economics, politics, social integration and ethics. Therefore, CSR theories are condensed in four main groups: (1) instrumental theories, in which the corporation is seen as only an instrument for wealth creation, and its social activities are only a means to achieve economic results; (2) political theories, which concern themselves with the power of corporations in society and a responsible use of this power in the political arena; (3) integrative theories, in which the corporation is focused on the satisfaction of social demands; and (4) ethical theories, based on ethical responsibilities of corporations to society (Garriga & Melé, 2004:51). The former classification condenses CSR approaches in a way that facilitates the comprehension of this new approach to development. As it can be noted CSR includes several aspects of the business structure of the private sector that inevitably link up to the impacts of an individual's development, such as economic income, job opportunities and in some cases social programs in health and education.

Considering the topics mentioned above, it is important to highlight that a central object of study of CSR theories is the relation established between the enterprise and society itself, as can be observed by the former categorization. Therefore, it is of great interest when discussing CSR strategies to value how this community-enterprise relation unfolds, and how the role of the enterprise changes according to the approach it takes when trying to respond to the social context in which it operates. Furthermore, it is also interesting to evaluate how the economic and social contributions of a private enterprise may or may not have an impact on a community's livelihood.

Zandvliet and Anderson (2009:260) explain how in community-enterprise relations neutrality is definitely not an option. To "get it right" as the authors explain, managers have to recognize that their policies and practices inevitably have impacts on social and political structures and relationships. Evidence shows that it is inevitable that some people gain from the corporate presence and some do not.

## 1.2 Rwanda: A country moving towards the implementation of PSD

Located in East Africa, Rwanda is a small landlocked country aiming to become a middle-income economy by 2020. In 1994, Rwanda was the center of attention due to the

genocide that occurred against the Tutsi population, leaving around a million deaths and a country with a collapsed economy and threatened institutions. Much has been speculated about the root causes of the genocide, but authors point out how it took place under the axis of the Rwandan state itself with the participation of the country's own population (Hintjens, 1999:245). Factors such as the colonial ideology of racial division, the economic and political crisis of the 1980s and early 1990s, the previously very highly organized nature of Rwandan society, and the fragile regional and class base of the political faction determined to hold on to state power at any cost, are all issues mentioned when talking about the causes that led to the genocide (Hintjens, 1999:280). It has also been referred to as an "open secret" event, which the international community neglected until it finally started (Hintjens, 1999:246).

More than a decade later, the country strives to recover. The Rwandan government has been promoting market oriented reforms and increasing Foreign Direct Investment (FDI). It is aiming at fostering both local and foreign investment by undertaking reforms with the objective to make the country a favorable place for investment (Rwanda National Bank, 2012:8). Consequently, the country has been ranked First Easiest Place to Start a Business in East Africa (World Bank Doing Business Report, 2013), further promoting it as an attractive business and investment destination.

The government's goal of increasingly attracting FDI and foreign enterprises is based on the premise that concentration on private sector growth is necessary to increase wealth. Therefore, it is providing measures like tax exemptions, in order to attract new enterprises and investors to the country. This in turn, has led to an increased presence of foreign enterprises and investors in Rwanda.

Due to its importance for the country's economy, one of the sectors in which the government is promoting private sector integration is agribusiness. Like many developing economies, Rwanda is still highly dependent on this particular economic activity. Agriculture constitutes the second biggest component of GDP with 32% of shares. Only as recent as 2005 agriculture was still the main GDP contributor for the country (World Bank 2011:3). The predominance of this sector is explained by the fact that Rwanda is still mostly a rural society. It is estimated that 9.1 million people, or 85% of the total population, live in rural areas (National Institute of Statistics Rwanda, 2012). Deep pockets of poverty still remain in these areas, with rural poverty scaling up to 48.7%, while urban poverty levels are at 22.1% (National Institute of Statistics Rwanda, 2012). Most of the rural poor are dependent on agriculture as their main source of income.

Taking into consideration the context mentioned above, agriculture plays a key role in Rwanda's future development in terms of building incomes as well as food security (Ensign & Bertrand, 2010: 22). On the first hand, when it comes to income generation, the sector occupies 79.5% of the country's labor force (World Bank 2011: 1). In this way, agriculture is one of the backbones of Rwanda's economy and the majority of households in the country are currently engaged in some sort of crop or livestock production activity. Despite notable increases in economic activity over time in industries such as trade and construction, the majority of Rwandese still have "on-farm" jobs either in their own farm or in someone else's (National Institute of Statistics Rwanda 2012:1).

On the second hand, the majority of rural Rwandan households somehow ensure their own food security through crop production. Nearly all households that cultivate produce at least one staple crop and the majority also produces a range of fruit and vegetables (National Institute of Statistics Rwanda 2012: v). By doing so, farmers provide the means for their family members to survive, characterizing this production model as traditional subsistence farming.

Rwanda's agriculture sector will definitely play an essential role in attaining the country's development vision of sustainable growth and increased poverty reduction, also due to its employment weight (World Bank, 2011: vi). Since the sector involves a significant section of the population it is necessary to work for the increase of its productivity over time. Improving farming techniques and productive capacity through new technologies and extension efforts not only leads to increases in production, but also boosts incomes and reduces poverty (Ensign & Bertrand, 2010:22). Additionally, this adds to livelihoods of small farmers which transition from a subsistence model of production to a model, which has a surplus that can be used for sale or trade.

The aspects mentioned above, a government promoting private sector growth and foreign investment with special business services for foreign entrepreneurs, and a local agriculture-based society that interacts with these foreign enterprises provides an interesting context to conduct research on PSD and assess CSR as a new approach to development.

### 1.3 Research questions

This study is based on two main objectives. Firstly, it intends to contribute to the academic debate on private sector led development, how it is effectively put in practice particularly regarding the perception of three key actors: government, foreign entrepreneurs, and local communities. Secondly, it aims to provide an evidence-based assessment of the relation created between foreign enterprises and local communities in the agribusiness sector in Rwanda, and how through CSR approaches foreign enterprises are contributing to local development.

The central research question is:

*“Does the relation created between foreign enterprises and local communities in the Rwandan agribusiness sector generate economic profit while positively impacting the development of local communities?”*

The central argument is supported by the following sub questions:

- How does Rwanda's legal framework/policies for PSD affect foreign enterprise-local community relations?
- What is the CSR approach in which foreign entrepreneurs focus when engaging in local development?
- How do employees perceive the presence of these foreign enterprises in terms of the contribution to their own community's development?

## 1.4 Study area

The study is defined by a cross-sectional approach, which implied doing research in various areas sharing socioeconomic characteristics, but in a single moment in time (Trochim, The Research Methods Knowledge Base: <http://www.socialresearchmethods.net/kb/>). Initially the research intended to focus only on Dutch entrepreneurs present in the agribusiness sector in Rwanda, however because of their limited presence in the country it was later broadened to include different nationalities and thus have a more diverse sample. Due to the fact that Rwanda is a small country and foreign enterprises are not specifically located in one region, the study considers the activities of foreign enterprises in the country's Northern, Western and Southern Provinces, as well as in Kigali City.

Within this sample, three case studies were selected to assess community-enterprise relations and their impact on the livelihoods of local Rwandan communities. The cases selected were: a fish farm in the Gashora District, a horticulture farm in the Rwamagana District and a mushroom and spawn production farm in the Gicumbi District (See Map below). These were selected considering the owner's corporate vision and drivers for investing in Rwanda, and the enterprise's labor policies and community relations approach.

### Rwanda Administrative Map



Source: <http://www.nationsonline.org/oneworld/map/rwanda-admin-map.htm>

### 1.5. Introduction to Research Methodology

The fieldwork undertaken during the process included a series of surveys, both structured and unstructured interviews, and a revision of secondary data sources. It took place in a time period of 12 weeks from February to May 2013. The first month of research was dedicated to identify foreign entrepreneurs present in the Rwandan agribusiness sector and to conduct interviews with them on different aspects of their ventures. The second month of the research was dedicated to meetings with government officials of relevant institutions in the agribusiness sector. Finally, in the third month the survey process with entrepreneurs was finalized, and meetings were scheduled with three of these agribusinesses in order to interview the entrepreneur's local counterparts, their employees as well as to conduct follow-up interviews with the entrepreneurs. (For more detailed information on the methods see Chapter 2: Section 2.5).

## 2. CONNECTING CSR AND THE LIVELIHOOD APPROACH: A LITERARY REVIEW

The concept of CSR only recently became popular and it is only as early as the 1990s that it started to become coined in the development debate. However, it is not surprising that the last few years have witnessed a dramatic rise in the number and scope of voluntary commitments and standards that enterprises are engaging in, all of which have a common mission to drive a more responsible and sustainable private sector activity (UNGC & Accountability, 2013:2).

The appearance of the definition and implementation of CSR activities must be framed in the larger debate of the upcoming role of PSD, in which the resources and initiatives to contribute to development and wellbeing come from a thriving private sector. The growing role of PSD and CSR theories is also linked to the realization that in some cases public expenditures, and state driven projects were not providing sustainable results. Through CSR a new way forward is presented in the development arena, in which enterprises as economic agents realize the importance of contributing to the societal value of the communities in which they operate (WBCSD, DFID & UNGC).

The following chapter presents a literary review on different CSR theories, concepts, and connects this new approach to the livelihood framework that focuses on people's development through five capitals. The first section explains different CSR elements, highlighting the role of the private sector and how it implements certain strategies that lead to society's wellbeing. The second section describes the elements of the "Getting it right" Framework that Zandvliet and Anderson (2009) elaborated to point out the main aspects of community-enterprise relations. The third section describes in detail the elements of the Five Capitals Livelihood Framework approach, linking it up to CSR through the principles of Strategic Community Development. The fourth section analyses the common findings among all the theories and presents the conceptual framework that was the basis for this study. The final section presents in detail the methodology used to undertake the research questions.

### 2.1 An overview of CSR theories, approaches and key concepts

#### 2.1.1 General considerations

A general definition of CSR definitely considers that beyond economic value an enterprise must consider its impacts on environmental, social and governance issues. By defining CSR in these terms, CSR proponents explicitly depart from the view that the only societal responsibility of business is to generate profit (van Huijstee, 2010).

In addition, the following common themes can be considered as important when considering basic CSR principles (DFID, 2010:2). Firstly, The Board of Directors of the enterprise is committed to and promotes CSR. Therefore, most plausible CSR strategies

come directly from the enterprise's top direction, making it easier for the concept to permeate all business spheres of a company.

Secondly, when referring to CSR an enterprise is implicitly complying and respecting local laws and tax rules (DFID 2010:2), thus CSR considers compliance with national laws regarding issues such as labor, anti-corruption, and environmental impacts. In this way CSR "promotes transparency and stands by the acquiescence of well-defined standards that consider for instance labor conditions and the protection of the environment (DFID 2010:2.)"

Thirdly, stakeholder's opinions are taken into account, and these are carefully identified according to the nature of their relationship to the enterprise (DFID 2010:2). CSR recognizes who the enterprise's principal stakeholders are and what their main concerns are regarding the business's activity and operation. Ideally, CSR creates defined communication channels and initiatives for the relationship between stakeholders and the enterprise to develop in a peaceful and transparent manner.

Fourthly, CSR encourages that performance and impact of an enterprise's environmental performance is monitored and reported to the public (DFID 2010:2). In order to foster transparency in a broader spectrum than solely economic performance reporting guidelines institutions such as the United Nation's Global Compact and the Global Reporting Initiative have recently developed social, governance, and environmental indicators. Enterprises are encouraged to report on these indicators periodically, and to challenge themselves to come up with strategies to reduce performance gaps that might be present.

Lastly, awareness raising is also a crucial aspect when discussing CSR. There is a high standard of employee training and steps aimed at raising awareness of the company's responsibility (DFID 2010:2). In CSR a company's main stakeholders are its employees, hence these are the first individuals that should be informed of the company's commitment and CSR strategies. Internal communication campaigns are very common to inform employees of the company's societal responsibilities and of its action plan to mitigate impacts.

### 2.1.2 Categorization of CSR

The aspects mentioned in the previous section highlight common aspects that most CSR strategies share. However it is important to provide certain differentiating characteristics. Garrigá & Melé (2002:52) explain that CSR may be classified in four large groups: (a) instrumental theories, (b) political theories (c) integrative theories and (d) ethical theories. Table I highlights how each of these approaches views CSR and its relation to society.

As it can be observed each of the approaches value CSR in a distinctive manner. For Instrumental Approaches as its own denomination states, CSR is merely an instrument, a means to ensure economic profits. The other three approaches integrate elements of a somewhat more social nature, with Political Approaches acknowledging social duties and rights and the responsible use of power, Integrative Approaches assimilating social demands in order to ensure social legitimacy and Ethical Approaches considering ethical values embedded in CSR that intend to provide common good.

Similarly all of the approaches view the corporation's role in society in a certain way. According to the Ethical Approaches it must create a relation with society that is embedded in ethical values for the protection of human rights and the environment. For the Instrumental Approaches the enterprise must focus all of its social activity in initiatives that generate wealth creation, therefore these are generally targeted at employees and suppliers, an enterprise's main contributors. Integrative Approaches weigh in both the needs of the enterprise as well as those society holds. In this manner it integrates the community in the area that it operates in order to improve their wellbeing. Political approaches evaluate the enterprise as a citizen of a state's political arena, and as such it is expected to be responsible and develop partnerships with society to attend its needs.

**Table I: CSR Approaches**

<i>Instrumental Approaches</i>	<i>Political Approaches</i>	<i>Integrative Approaches</i>	<i>Ethical Approaches</i>
<p>CSR as a mere means to the end of profits...</p> <ul style="list-style-type: none"> <li>- Corporation is viewed as an instrument for wealth creation</li> <li>- Wealth creation: Sole social responsibility of this enterprise.</li> <li>- Social activity is accepted as long as it is consistent with wealth creation</li> </ul>	<p>CSR to accept social duties and rights...</p> <ul style="list-style-type: none"> <li>- Corporation's social power is the emphasis.</li> <li>- Social power: Core aspect of its relationship with society. It accepts social duties and rights</li> <li>- Enterprise has responsibilities in the political arena associated with this power.</li> </ul>	<p>CSR to integrate inherent social demands...</p> <ul style="list-style-type: none"> <li>- Corporation's business ought to integrate social demands.</li> <li>- Business depends on society for continuity, growth and even for its own existence.</li> </ul>	<p>CSR as an ethical obligation...</p> <ul style="list-style-type: none"> <li>- Corporation's relation with society is embedded in ethical values.</li> <li>- Social responsibilities are accepted as an ethical obligation above any consideration.</li> </ul>

Source: Created by author considering Garrigá & Melé classification (2002).

Considering the main features discussed above each of the approaches has different ways of valuing CSR. For their relevance to the study that was conducted, the following section focuses on specific approaches that are included in two of these groups of theories, Instrumental and Integrative Theories. These two approaches were chosen because they combine different elements that match the current state of CSR in the Rwandan agribusiness sector. By considering long-term value maximization and social investments as a competitive advantage, Instrumental Theories are directly linked to foreign entrepreneurs' visions and their CSR practices in their agribusinesses in Rwanda. In addition, aspects inherent to Integrative Approaches such as incorporating existing public policy and stakeholder interests to respond to social issues that affect the enterprise's activities also resulted of great importance to the content of the study due to the existence of national PSD strategies and practices and the entrepreneur's intentions to integrate communities' needs and therefore improve their wellbeing.

Ethical Approaches will not be discussed more in detail in the analysis because the ethical frameworks based on principles of human development and common good, are somehow advanced for the current Rwandan context. Compliance with international laws regarding these aspects are only slowly starting to be considered by foreign entrepreneurs in the



agribusiness sector; therefore empirical evidence and practices regarding these was difficult to identify.

#### Instrumental CSR Approach and Shared Value

The Instrumental CSR classification presented by Garrigá & Melé explains how the enterprise views CSR as a strategic tool to achieve economic objectives and, ultimately, wealth creation (Garrigá & Melé 2002:53). A clear example of this is Porter and Kramer's Shared Value approach. The concept of Shared Value focuses on the connections between societal and economic progress in order to achieve growth. Therefore, the "shared value principle" involves the creation of economic value in a way that also created value for society by addressing its needs and challenges (Porter & Kramer, 2011:4-5).

In this sense, the authors propose that the competitiveness of an enterprise and the wellbeing of the communities around it are closely intertwined. A community that creates demand for an enterprise's products and services and provides a healthy environment is necessary for an enterprise to thrive. Complementarily, a successful enterprise that provides jobs and wealth creation opportunities for the community's citizens is also very much needed (Porter & Kramer, 2011:6). This approach presents interesting views on how to assess the relation created between foreign enterprises and local communities. It proposes to link productivity of the supply chain and business profits and societal needs.

Another interesting aspect that Porter and Kramer (2011:6) point out is how business rarely approached societal issues from a value perspective, but treated them like peripheral matters instead. As the authors explain, this so-called "externalities" actually inflicted significant internal costs to the firm. By investing in technology to better use available resources for example, an enterprise is permeating all parts of its value chain and benefitting the communities that lie in its area of influence. In this sense, it is a "win-win" situation for all of the parties involved.

#### Integrative CSR Approach and Issues Management

An Integrative CSR approach looks at how business integrates social demands, arguing that business depends on society for its existence, continuity and growth (Garriga & Melé 2002:57). Issues Management is one of these Integrative CSR approaches, and it includes the processes by which the enterprise can identify, evaluate and respond to those social and political issues, which may impact significantly upon its business. Also, Issues Management proposes that more systematic and effective responses to particular social issues must come from the enterprise itself (Garriga & Melé, 2002:58).

When evaluating an Issues Management Approach, it is pertinent to consider two concepts that are well known in the CSR arena, stakeholders and materiality. A stakeholder is an individual or institution that is influenced by the activities of an enterprise. This influence can be either positive or negative and of a different scope. In CSR stakeholder engagement is key as companies should be responsible of taking into consideration stakeholder's unmet needs and opinions (AccountAbility, 2006).

Materiality is also a concept that relates to Issues Management. It comes originally from financial reporting, but that has been referenced in publications relating to CSR reporting

when referring to the issues that are “material” for the enterprise and its stakeholders. It connects with Issues Management in the sense that to determine materiality an enterprise should analyze the relevance of these issues and concerns to the organization and its stakeholders, and their importance in relation to the organization’s ability to create and maintain public and private value (AccountAbility, 2006).

#### The concept of Social Enterprises

Having discussed CSR approaches of Instrumental and Integrative nature, and several principles it is interesting to introduce another model that integrates social objectives directly to an enterprise’s mission. Muhammad Yunus (2011) describes social businesses as self-sustaining; it generates enough incomes to cover its costs. Therefore it is a “non-loss, non dividend company”, dedicated entirely to achieving a social goal (Yunus, 2011:xvii).

Yunus (2011:70-71) also points out some essential aspects of the benefits social enterprises may bring to disadvantaged communities. The author explains how social enterprises should target the objectives described herein. First of all social enterprises should provide employment by creating not only individual jobs, but community networks that focus on common goals. Also, social enterprises could improve production and access to markets by enhancing skills, creating knowledge sharing opportunities, thus bringing the developing and developed worlds closer together. This type of enterprises also helps consumers, as they are now able to purchase valuable products and services at affordable prices. Finally, Yunus states that perhaps the most important aspect of this type of business is that they provide disadvantaged communities with certain stability that they lack in case of economic, personal, and social shocks. While allowing them to participate in their own development, social enterprises foster development and in some manner, decrease these communities’ vulnerability.

For social enterprises the creation of societal value is not solely seen as an instrument to create profits, it goes beyond the creation of economic value to consider it as a solution to tackle vulnerable population’s unmet needs. These enterprises create opportunities for them to access certain products and services that would otherwise be unavailable. Furthermore, the social enterprise model has a long-term vision to achieve results that contribute to people’s development and are sustainable in time.

## 2.2 “Getting it Right” Framework for the analysis of corporate-community relations by Zandvliet & Anderson

Taking into consideration some of the general features of CSR and its most relevant approaches for the research conducted, it is now important to focus one of its most relevant aspects corporate-community relations. CSR is inherently dealing with the relation that is created between enterprises and the communities of their area of influence, and how this relation unfolds in time. In their description of how enterprise managers should “Get it Right” with the communities in their area of influence, the Zandvliet & Anderson (2009: 16-18) point out that there are three main areas that should be taken into consideration due to the fact that they may affect enterprise-community relations positively or negatively:

**1) Benefits distribution** considers how tangible benefits (wages, contracts, and community projects) and intangible benefits (company legitimacy) may help some members of the community, affect others, or simply be indifferent to some. Additionally it views aspects such as how companies decide whom to employ and not employ, how these tender their contracts, and how they interact with communities. All of these dynamics are key when analyzing the relationship created.

**2) Behavior** refers to the manner in which the company and its staff show respect, or lack of respect, for the local communities in their everyday activities. It considers company policies and staff actions and how they engage with to local communities considering trust relations, and caring for their wellbeing. Staff and company behaviors are essential because they directly affect long-term company-community relationships.

**3) Side effects** indicate the level of responsibility that a company takes in the longer-term considering impacts that go beyond its sole presence has on local communities. This includes impacts such as migrations of large groups of job seekers who move to the area that concentrates the enterprise's activities, the effects of social cohesion of large amounts of money that flow into this host community, and the range of environmental problems that may be introduced from corporate operation.

Figure I presents the "Getting it right" framework areas and it outlines how important it is for managers to consider the negative and positive impacts that these three areas defined above can have on community-enterprise relations. Columns two and four define the principles in which an enterprise can get one of the areas "wrong" or "right" and columns one and five highlight both the positive and negative impacts that these principles can generate.

To ensure positive community-enterprise relations Benefits Distribution should be fair and transparent. This must also be accompanied by proper Behavior from the company towards the community, an attitude that is characterized by a respectful, caring and transparent action. In addition, a company must be accountable when it comes to the Side Effects generated by its operation. By approaching this in a broad manner, the company ensures transparency. All of these aspects combined have some positive impacts on the livelihoods of communities. Zandvliet & Anderson (2009) affirm that some intangible benefits mentioned by communities themselves are inter group cohesion and cooperation as they are involved together in a common economic activity that strengthens internal community relations. Similarly, communities appreciate the sense of being respected and they feel connected to the outside world, when a company is settled in their own environment. Positive impacts generated by tangible benefits include job creation, contracts, roads and other infrastructure that improve the quality of life of the communities. Additionally, attention to the three areas may also provide benefits for relations with national and local governments as the enterprises may add to their own capacity of providing services and reducing human rights abuses. The latter is possible only if the enterprise is accountable and transparent for its actions.

Contradictorily, if the three areas are neglected in community-enterprise relations negative outcomes will definitely arise. Unfair and non-transparent Behavior causes community fragmentation and may cause former tensions present in a society to surface. Disrespectful

and uncaring attitude coming from an enterprise causes communities to resent an enterprise's presence and its Side Effects may generate threats of violence. Also, not considering their impacts on a community's wellbeing may cause worsen their quality of life, with issues such as lack of security, environmental pollution and disease possibly occurring. In turn this may also cause government relations to be affected, and negligence may lead for instance in an increase in human rights abuses.

**Figure I - "Getting it right" Framework Analysis of corporate-community relations**

Negative impacts	Principles of "getting it wrong"	Areas of interaction with community and government:	Principles of "getting it right"	Positive impacts
Communities 1. Inter or intra group fragmentation or division 2. Worsening quality of life (livelihood, security, disease, culture) 3. Sense of being disrespected 4. Rewarding violence or threats of violence	Unfair Non-transparent	BENEFITS DISTRIBUTION	Fair Transparent	Communities 1. Inter or intra group cohesion and cooperation 2. Improved quality of life (livelihood, security, disease, culture) 3. Sense of being respected 4. Rewarding constructive action for mutual benefit
	Disrespectful Uncaring Non-transparent	BEHAVIOR	Respectful Caring Transparent	
	Narrow accountability Non-transparent	SIDE EFFECTS	Broad accountability Transparent	
Government 5. Substitution 6. Increasing livelihood of human rights abuses				Government 5. Increasing the capacity of government to provide services and security. 6. Reducing human rights abuses

Source: Zandvliet & Anderson (2009:17)

As Figure I underlines it community-enterprise relations can have various positive impacts if handled appropriately, but most importantly if handled together. All of the areas should be regarded, since the model requires attention for all of them for it to work as a whole. Giving more importance to one of the areas may generate imbalances affecting the positive outcomes that the framework may have (Zandvliet & Anderson, 2009:19)

## 2.3 Linking up CSR through to the Five Capitals Livelihood Framework through Strategic Community Investment Approach

### 2.3.1 Strategic community investment

The previous sections discussed general considerations on CSR, as well as different approaches and the importance of well functioning community-enterprise relations. The following section intends to further analyze an innovative CSR approach that grants a strategic denomination to traditional community investment, assuring that if it is mapped out properly considering business orientations its effects on community livelihoods are more tangible.

The International Finance Council has defined Strategic Community Investment as: “Voluntary contributions or actions by companies to help communities in their areas of operation address their development priorities, and take advantage of opportunities created by private investment—in ways that are sustainable and support business objectives (IFC, 2010:)”.

The concept defines that as a general rule, an enterprise should try to establish ongoing engagement on its overall operations before determining the main issues that will be included in its community investment projects (IFC, 2010:25). Therefore the active participation and leadership of local stakeholders is key to generate successful, sustainable community investment.

Additionally, this strategic approach to community investment seeks to involve communities through participatory assessments, to consider their own existing resources and assets and to uncover opportunities to build upon these inherent strengths to meet their development goals (IFC, 2010:42).

In order to determine which are the assets and resources in which an enterprise can build upon to help communities achieve their development goals, the enterprise can consider the Five Capitals Framework based on the livelihood approach described later in this section. By considering physical capital, social capital, human capital, economic capital, and natural capital that a particular community may possess or not, an enterprise may more successfully target how it can engage a community and contribute through a CSR strategy. Similarly, the Framework may also be used to evaluate how the enterprise’s business activities are impacting the livelihoods of households of a specific community by adding to these five capitals. As it was mentioned already when it comes to corporate presence within a community, impacts are always pronounced, either in a positive or a negative way.

### 2.3.2 Five Capitals for Sustainable Livelihoods

Livelihood Approaches in development studies date back to the 1980s-1990s and they are by nature, people centered. They analyze from different perspectives and disciplines people's day-to-day struggle to make a living (Kaag et. Al., 2004:49). These approaches consider that in order for a livelihood to be sustainable, it must be able to recover from shocks and maintain or enhance its capabilities and assets (Scoones, 1998: 3). In this manner livelihood approaches focus on the goods and services that are necessary for individuals and households to attain a reasonable level of welfare. As Scoones (1998:10) explains, "central to the livelihood approach is the need to recognize that those who are poor may not have cash or other savings, but that they do have other material or non-material assets – their health, their labor, their knowledge, and skills, their friends families and the natural resources around them." By recognizing the above, the livelihood approaches propose that poor individuals may break the cycle and stop being considered solely as "passive" or "deprived" (Scoones, 1998: 10) if they build upon their capabilities or assets. A concrete example of these approaches is the Five Capitals Framework.

As shown in Figure II, the Framework is based on a pentagon of assets or capitals that describe people's strengths and how they are able to work with these assets to achieve positive livelihood outcomes. The approach is founded on a belief that people require a range of assets to achieve positive livelihood outcomes; "no single category of assets on its own is sufficient to yield all the many and varied livelihood outcomes that people seek. This is particularly true for poor people whose access to any given category of assets tends to be very limited (DFID 2006:5)."

**Figure II – Five Capitals Framework**



Source: Strategic community investment, IFC 2010 p. 42.

The Five Capitals of the framework include:

- (1) Human Capital: Skills, knowledge, ability to labor and good health that together enable people to pursue different livelihood strategies and achieve their livelihood objectives (DFID 2006:7).
- (2) Social Capital: Social resources upon which people draw in pursuit of their livelihood objectives. These are developed through (DFID 2006: 9):

- a. *Networks and connectedness*, either vertical (patron/client) or horizontal (between individuals with shared interests) that increase people's trust and ability to work together and expand their access to wider institutions, such as political or civic bodies;
  - b. *Membership of more formalized groups*, which often entails adherence to mutually-agreed or commonly accepted rules, norms and sanctions; and
  - c. *Relationships of trust, reciprocity and exchanges* that facilitate co-operation, reduce transaction costs and may provide the basis for informal safety nets amongst the poor.
- (3) Natural Capital: Natural resource stocks from which resource flows and services useful for livelihoods are derived. There is a wide variation in the resources that make up natural capital, from intangible public goods such as the atmosphere and biodiversity to divisible assets used directly for production (trees, land, etc.) (DFID 2006: 11).
- (4) Physical Capital: Basic infrastructure and producer goods needed to support livelihoods (DFID 2006: 13).
- a. Infrastructure consists of changes to the physical environment that help people to meet their basic needs and to be more productive. Includes: transport, shelter, water and sanitation services, energy and communications.
  - b. Producer goods are the tools and equipment that people use to function more productively.
- (5) Financial Capital: Financial resources that people use to achieve their livelihood objectives. The definition used here is not economically robust in that it includes flows as well as stocks and it can contribute to consumption as well as production. The availability of cash or equivalent is a key aspect of this kind of capital (DFID 2006: 15).

## 2.4 Study approach and Conceptual Map

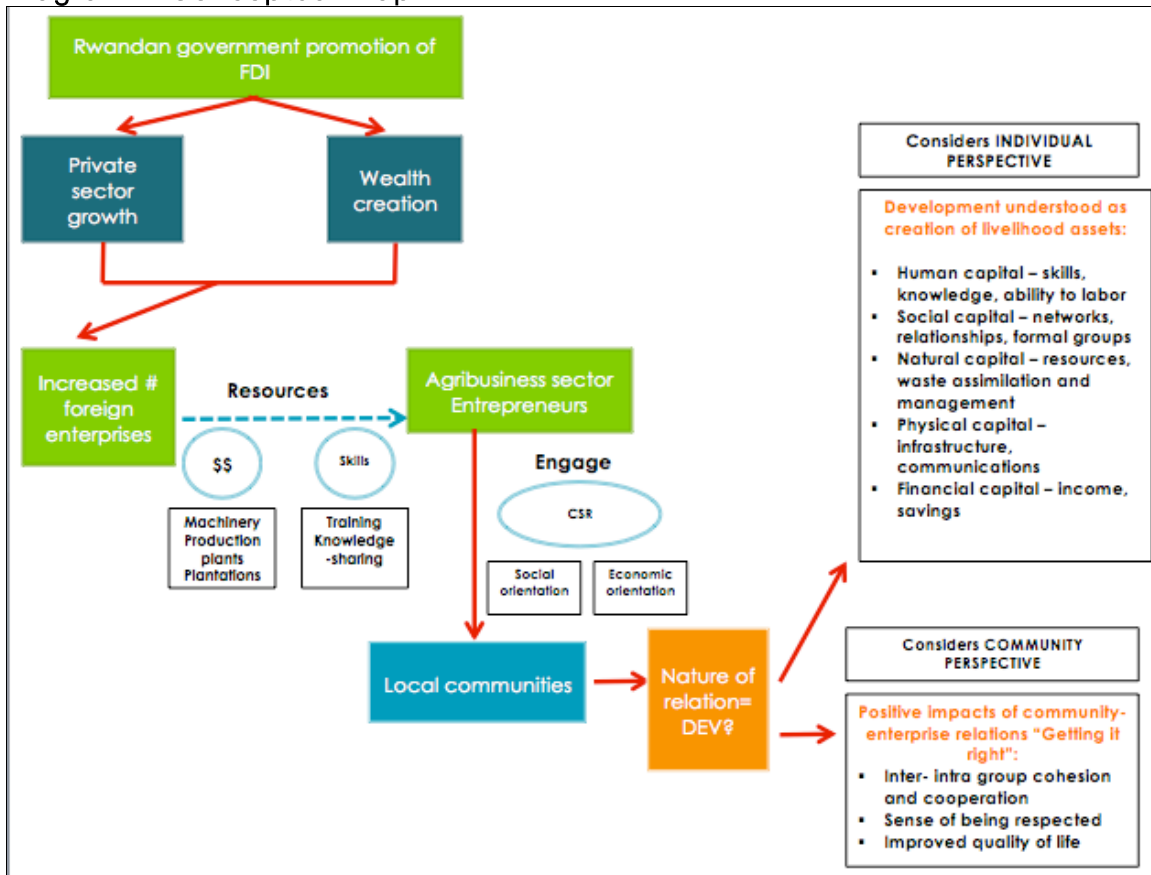
The literary review discussed above shows that CSR as a vehicle to PSD can work through different models and approaches. CSR contemplates the creation of economic value through the consideration of social and environmental impacts as well, thus challenging a traditional capitalist paradigm. Through different CSR approaches of instrumental or integrative nature enterprises can impact communities in their area of influence and add to or affect their livelihoods. In this manner, The Five Capitals Framework is an interesting tool that evaluates these impacts on human social, physical, financial, and natural assets that are essential for an individual's wellbeing.

CSR approaches also propose a way to communicate closely with stakeholders and take into consideration the issues that are material for both their wellbeing and the company's function. In this way transparency, reporting and monitoring of results to the public are also encouraged in order to guarantee that communication runs both ways. This open and respectful dialogue benefits social cohesion and guarantees that the enterprises have social license (acceptance) to operate (Zandvliet & Anderson:2009).

In addition, the “Getting it right” community-enterprise relation analysis framework mentions how through policies and practices that consider a company’s benefits distribution, behavior, and side effects an enterprise can develop a healthy relation with the people in its area of influence. By attending to all of these aspects community-enterprise relations unfold improving the communities’ quality of life and building upon the issues that are of mutual benefit for both actors.

The concepts summarized above all come together to support the object of this study. As it was already mentioned the central objective of the research is to determine if the relation created between foreign enterprises and local communities in the Rwandan agribusiness sector generate economic profit while positively impacting the local communities’ development. Diagram I represents the different variables that will be taken into consideration.

Diagram I: Conceptual Map



As it can be noted the Rwandan government’s promotion of FDI and PSD based on the pillars of private sector growth and wealth creation has led to a number of foreign enterprises entering the country’s economy, due to a favorable business climate and availability of business services. Consequently, these foreign enterprises invest resources such as money and/or skills into different business initiatives of the agribusiness sector in Rwanda. In doing so, foreign entrepreneurs are directly engaging themselves with the local communities present in their area of influence. Some might do through CSR programs of a more philanthropic nature, others through a more economic perspective adopting Porter



and Kramer's shared value supply chain approach. This engagement inevitably creates a relation between the community and the enterprise, but the question to be addressed as explained before is if indeed brings economic profits while providing development for the local communities. This development will be analyzed taking into consideration two perspectives the Individual Perspective, and the Community Perspective. The Individual Perspective will focus on three the dimensions defined by the Five Capitals Framework for Sustainable Livelihoods: Human Capital, Social Capital, and Economic Capital. Natural and Physical Capitals will not be discussed due to the fact that no significant initiatives pertaining these particular capitals were identified when analyzing foreign entrepreneurs community initiatives. These dimensions will be evaluated using the information gathered from local employees working at the foreign enterprises. A number of these employees were interviewed to assess the three example cases that will be further mentioned in the study. (See next section Chapter 2- Section 2.5).

The Community Perspective will exemplify the positive impacts considered in the "Getting it Right" community-enterprise relations framework. It will focus on certain interview questions also described in the example cases regarding impacts on the general community. The combination of these perspectives will provide the elements necessary to evaluate from a local perspective the contribution of foreign enterprises to local development.

In addition, CSR concepts like *shared value*, *social enterprises*, *materiality and issues management* will be taken up to support the survey based study that intends to characterize foreign entrepreneurs present in the agribusiness sector. By doing so, it will be easier to determine the type of approach that these entrepreneurs are taking or not taking in order to implement CSR principles.

## 2.5 Research Methodology

### Mixed methods approach for a multi-perspective analysis

The study undertook a synergized investigation to consider several effects regarding the implementation of CSR approaches by foreign enterprises in the agribusiness sector in Rwanda, and the contribution that these have on the development of local Rwandan communities.

The study comprised both quantitative and qualitative methods in order to create a multi-method research. Triangulation was implemented in order to have different approaches to the research question and to gather data at different times and social situations, thus considering three main actors in the country's current economic and PSD context: government, foreign entrepreneurs, and local communities. In this way the study analyses the perspectives of these actors to then assess a more realistic and balanced approach on the existence of CSR in Rwanda.

The research was developed under three main components:

- An explorative analysis of Rwanda's PSD policies in relation to agribusiness enterprises and local development

- A survey based analysis to characterize key foreign enterprises present in the agribusiness sector in Rwanda
- An assessment of three example cases of community-enterprise relations, which involve interaction of a foreign enterprise and a local Rwandan community represented in this enterprise's employees

### 2.5.1 Rwanda's PSD Policy Analysis

An explorative analysis of the existing PSD policies was made in order to determine how it influences the dynamics of community-enterprise relations and to better understand how the presence of foreign enterprises in the agribusiness sector is catalyzing local development. As it was mentioned before Rwanda has been ranked First Easiest Place to Start a Business in Africa, and it is important to consider not only the economic, but the social considerations that are being required for foreign entrepreneurs to start a business in the country, and how these will influence future local development.

The explorative analysis was based on the following methodological tools:

#### Structured interviews

Interviews with key institutional stakeholders were held in order to further understand the PSD policies being promoted by the Rwandan government and their impact on community-enterprise relations and local development. Representatives from the RDB, MINAGRI, Africa Development Bank, RAB, and other institutions participated in the interview process: In total, eight government representatives were interviewed to get an overview of the implementation of national policies, and challenges to be addressed.

#### Secondary sources

Legal documents regarding PSD policies available on Internet sources and/or in libraries of Rwanda were also consulted in order to provide more depth to the policy analysis.

### 2.5.2 Survey based analysis

Getting to know whom the foreign entrepreneurs present in the agribusiness sector in Rwanda were, was an important step to better understand the nature of the activities taking place, the value chains being strengthened, and the drivers to invest in a developing country. In order to do so the following methodological tools were implemented:

#### Surveys

A survey designed by Utrecht University was conducted to foreign enterprises on the Rwandan agribusiness sector in order to identify important aspects of their supply chain, and to get a better understanding of their responsible business practices regarding both social and environmental issues. This survey was developed in the frame of a research process developed in cooperation with MVO Netherland. The enterprise's that participated were identified using contact information from Dutch Embassy in Rwanda, Agriprofocus, RDB, and some contacts provided by the entrepreneurs' themselves creating a snowball effect strategy. Although a useful tool to characterize foreign entrepreneurs, the survey presented a limitation, which was that it solely considered the individual opinion of the representative of the enterprise that participated by answering it. In total eleven entrepreneurs from different nationalities were interviewed during the interview process.

### Second Interviews with enterprise's owners

For the example cases, a second interview was held after the survey with the owners of these companies to get some further information on the company's activities regarding the development of local communities, including opportunities inside and outside the workspace. The objective of these interviews was also to reiterate information revealed on the survey process.

### 2.5.3 Assessment Community-Enterprise Relations Case Examples

The objective of these assessments was to better understand how the enterprises effectively manage their CSR agenda and how it is impacting the livelihoods of local communities. Furthermore, this knowledge was built on the information extracted from the communities themselves, represented in the employees of foreign companies in the agribusiness sector.

The in-depth assessment of three community-enterprise case examples was constructed using the following methodological tool:

#### Semi - structured Interviews with employees

These interviews were held in order to generate insight of the community's perception when it comes to valuing the presence of these foreign enterprises in the agribusiness sector. The objective was to analyze if they value them as an opportunity to build on certain aspects of their development, if they also feel somehow threatened by their presence and to consider some aspects such as impacts on their income. The interview questionnaire was based on common indicators used by expert institutions on CSR reporting such as the Global Reporting Initiative, IRIS, and ETHOS Institute and is available in Appendix I. The interviews took place in both English and Kinyarwanda. The support of a Kinyarwanda translator, a student from National University of Rwanda, was vital for the interviews that took place in the local language. Findings were further discussed by the student and the principal researcher of the study.

Table II summarizes the general characteristics of the example cases and the number of employees interviewed.

**Table II – Case studies general characteristics**

Case studies	Focus of the agribusiness	Location	Number of interviews conducted
Horticulture farm	<ul style="list-style-type: none"><li>- Tissue culture production</li><li>- Disease free plants</li><li>- Seed production and harvesting</li><li>- Extension services to farmers</li></ul> <p>Products include: bananas, tree tomatoes, passion fruit, patchouli, strawberries.</p>	Rwamagana, Eastern Province	12 employees

Fish farm	<ul style="list-style-type: none"> <li>- Fish eggs</li> <li>- Fish growth and breeding</li> <li>- Fish seeds to feed them</li> <li>- Fish sales and distribution</li> </ul> <p>Products include: tilapia fish.</p>	Gashora District, Southern Province	11 employees
Mushroom and spawn production farm	<ul style="list-style-type: none"> <li>- Mushroom spawn for cultivation</li> <li>- Mushroom production</li> <li>- Mushroom sales to clients and local population</li> </ul> <p>Products include: spawn and mushrooms.</p>	Byumba, Northern Province	10 employees

### 3. Policies and practices of PSD in the Rwandan Agribusiness Sector

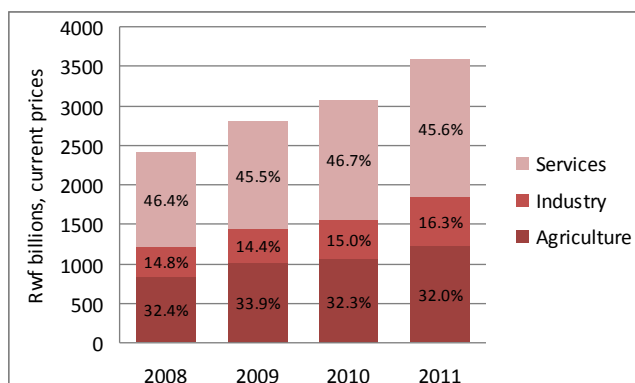
Rwanda is currently one of the African countries that are definitely supporting PSD as an essential approach to support the country’s development. In the past decade, the government has drafted a series of policy documents that enhance the pivotal role of the private sector in the support of certain priority areas of the Rwandan economy. The aim of the following chapter is to describe the main policy documents that prioritize PSD and agriculture and to later discuss how these affect the nature of community- foreign enterprise relations in the Rwandan agribusiness sector. To provide an understanding of the main characteristics of this sector, the first section provides an overview of Rwanda’s agriculture. Next, the second section highlights the most important PSD and agriculture policies in the country’s long and medium term development strategy, contrasting them with current practices. The third section encompasses the main roles of the institutions that are involved in agribusiness sector. The chapter finalizes with a discussion on how the implementation of this national policies affects the relation between local communities and foreign enterprises in the agribusiness sector.

#### 3.1 Agriculture in Rwanda: An Overview

##### 3.1.1 General considerations

The study of Rwanda’s economic growth in recent years shows the importance that the agriculture sector still represents. Like many developing economies, Rwanda is still highly dependent on this particular economic activity. Agriculture constitutes the second biggest component of the GDP with 32% of shares (See Figure III). Only as recent as 2005 agriculture was still the main GDP contributor for the country (World Bank 2011: 3).

Figure III: Sector Output and Shares of GDP (RwF)



Source: EDPRS II Draft, MINECOFIN.

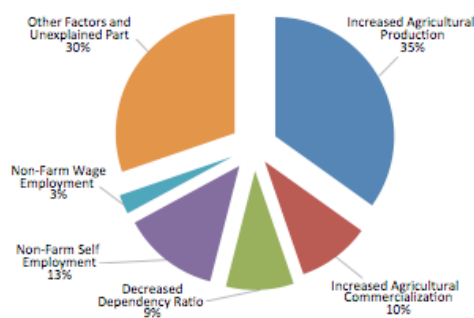
One of Rwanda’s agriculture focuses is crop production. Crop production constitutes the major part of agricultural production for the majority of Rwandan households, with

households producing a wide diversity of crops. Most of the households that cultivate products produce at least one staple crop<sup>1</sup> and the majority also produces different types of fruit and vegetables<sup>2</sup> (World Bank, 2011: v). “The %age of cultivating households producing only staple crops has dropped nationally from 19% to 6% (World Bank, 2011: 9).” The latter is a result of the slow process of moving towards the production of more diversified crops that will not only contribute to food security, but will lead to a higher supply of products that can eventually become developed for exportation. It is important to mention that the growth of agriculture is also framed in the development of certain guiding sectors defined by the Ministry of Agriculture and Animal Resources (MINAGRI) as potential opportunities. These sectors include traditional export crops such as coffee and tea, as well as the naturally grown insecticide pyrethrum.

Although the efforts to diversify remain, six food crops have been classified as a priority for the guarantee of the country’s food security. Thus, the MINAGRI launched the Crop Intensification Programme in 2007 (budget RwF 9.0 billion). Its main goal is to increase agricultural productivity in six high-potential food crops (maize, wheat, rice, beans, Irish potato, cassava) in order to improve food security. Next to the use of improved seeds and fertilizers, this programme involves land consolidation policies. These policies imply that different farmers synchronize their cultivation of crops in lands that are rearranged by the government to form larger ‘and more rational’ holdings (MINAGRI website [www.minagri.gov.rw](http://www.minagri.gov.rw)).

As it was already mentioned in Rwanda agriculture is linked to poverty reduction. “Driven by increased investments in agricultural inputs, land consolidation and infrastructure, agricultural production at household level, more than doubled during the past decade. Together with increased commercialization, reflected in the rising share of harvests sold on local markets, the increase in production accounted for about 45% of the reduction in poverty, observed over the last decade (World Bank, 2013:vi).” (See Figure IV)

**Figure IV: Agriculture Accounted for the Bulk of National Poverty Reduction (Contribution of the Various Factors to Poverty Reduction between 2001 and 2011, %)**



Source: EICV1 and EICV3 and World Bank staff calculations.

Source: Rwanda Economic Update, “Maintaining momentum: With a special focus on Rwanda’s pathway out of poverty”, World Bank, 2013.

<sup>1</sup> Staple crops include rice, maize, sorghum, wheat, other grains, cassava for cooking, cassava leaves, yam, sweet potato, Irish potato, taro, soy, peanuts, dry beans, peas, banana fruits, cooking bananas, beer bananas, fresh peas, cabbage, imbwiya and inyabutongo.

<sup>2</sup> Fruit and vegetables include mangos, papaya, avocados, pineapples, guava, oranges, tangerines/mandarins, lemons, grapefruits, maracouja, plums, strawberries, fresh beans, green beans, tomatoes, onions, garlic, peppers, squash, zucchini, eggplants, carrots, leeks, lettuce, parsley and mushrooms.

### 3.1.2 Challenges to the agriculture sector

Three major issues that must be covered when describing agricultural production in Rwanda are land distribution and tenure, dependence on rain, and reliance on traditional export products. Rwanda is a small landlocked country with total arable land of about 1.4 million hectares; “given a growing population combined with strong reliance on agriculture, it is clear that land is one of the scarcest resources in Rwanda (National Institute of Statistics of Rwanda, 2012: v).” Land scarcity is also a more complex issue due to the fact that Rwanda is a high densely populated country, with high urbanization rates.

Land in Rwanda is mostly state owned, with only a small fraction being owned by private individuals. “Smallholders in rural areas hold an average of four to five plots that make up a land size average of approximately 0.59 hectares, with the median value at 0.33 hectares. This restricts both the productivity of land and the ability of rural populations to escape poverty. It enhances the need for modern farming methods to increase agricultural productivity. (EDPRS II Draft, 2012: 17).” Land management and distribution has become therefore a challenge to the development of the agriculture sector, and the competent authorities struggle to develop initiatives to manage it in the best way possible.

The second issue that directly affects Rwandan agriculture is that it is predominantly rain fed. “As a result, droughts, irregular rainfalls and landslides, and climate change-related phenomena are major concerns for its productivity (World Bank, 2011: 11).” The instability that dependence of the rain phenomena causes is a problem that affects both smallholder farmers as well as large private and state-owned enterprises.

The last issue that must be taken into consideration is how Rwandan agriculture is still heavily dependent on traditional export crops such as coffee and tea. As Ensign & Bertrand (2010:112) explain, the primary exports are traditional ones, coffee, tea, and pyrethrum, which contribute over 60% of exports. Horticulture has recently taken off with exports going to the European Union. However, the a World Bank report argues (2010:7) that “while the Government started the promotion of non-traditional export crops, in order to stimulate growth and increase foreign exchange earnings, the heavy reliance on coffee and tea remained unchanged to date.” This can be observed in current agricultural strategies that promote the increase of hectareage for coffee and tea plantations.

### 3.2 Rwandan Agribusiness Sector – Policy Framework and Practices

The Rwandan Government has devised over time, a framework of national policies and supporting institutions that have key objectives to ensure the transformation of the agriculture sector needed to boost the country’s economic growth and development. This transformation is directly linked to the Government’s premise that the private sector plays a pivotal role in the country’s development.

In the following section, the main policy documents related to agriculture and private sector led development will be discussed, highlighting the most important aspects. In addition, there will be a contrast of these policies with current practices that were identified throughout the research process including insight gathered in interviews with different government officials (For the complete interview list, see Appendix II).

### 3.2.1 Long-term framework - Vision 2020

Vision 2020 describes the aim of Rwanda to become a middle-income country by 2020, enabling the country to become a competitive actor in national and international scenarios. The Vision is framed in the following six interwoven pillars (Ministry of Finance and Economic Planning, Vision 2020, 2000):

#### Pillars of Vision 2020

- I. Good governance and a capable state
- II. Human resource development and a knowledge based economy
- III. A private sector-led economy
- IV. Infrastructure development
- V. Productive and Market Oriented Agriculture
- VI. Regional and International Economic integration

As can be noted both Pillars III and V are of great importance for the analysis of this study. Pillar III describes a private sector-led economy. As described in the text of the strategy such an economy fosters a private sector characterized by competitiveness and entrepreneurship. It becomes the principle engine of the country's economy, providing as a result a vibrant middle class, which will help develop and embed the principles of democracy. The Government will encourage the growth of both foreign and local private sectors, through FDI as well as the creation of a local based business class.

Vision 2020 also highlights that the Government is willing to offer the space for the private sector to provide services when it can do so more efficiently. Therefore, it commits towards a comprehensive privatization policy that will help reduce costs and prices and widen consumer choice. The State will only act as a catalyst; ensuring that infrastructure, human resources and legal frameworks are geared towards stimulating economic activity and private investment.

Pillar V refers to the creation of a productive and market oriented agriculture sector. Vision 2020 points out the necessity to formulate and implement realistic developmental policies that move beyond viable subsistence-based agriculture. Highlighting that low productivity not land scarcity is the sector's main challenge, the strategy proposes that agricultural policy orientation will have to be overhauled, promoting intensification so as to increase productivity and achieve growth rates of 4.5% to 5% per year (Ministry of Finance and Economic Planning, Vision 2020, 2000:17). In order to do so, Vision 2020 states that the focus must be on the production of high value crops and modern livestock management.

#### Vision 2020: Challenges in practice

Vision 2020 is a successful example of PSD inclusion in government strategies. "The government has established structures for building a foundation for private sector development and coordinating government-wide reform efforts. And it has created a well-defined, long-term reform strategy that informs all of the country's short-term development goals (World Bank, 2013:35)." Although it links PSD and the transformation of agriculture as two of the country's development strategy pillars, it still faces some challenges when it comes to implementation.



For instance, despite Rwanda's success in having established a sound investment climate and business services private sector involvement especially from foreign enterprises still remains at low levels. "The private sector is still nascent and would profit much from access to technological know-how and established distribution channels abroad (World Bank, 2011: viii). Several bottlenecks were identified both in the establishment of foreign and national private sector enterprises in Rwanda. Firstly, the private sector is still not sufficiently integrated in the agribusiness sector; this applies for both national and foreign enterprises. As an expert in agricultural economics from the National University of Rwanda mentioned, "Why is the private sector not involved? Although the institutional arrangements and the institutional values to have a conducive environment for this to happen exist (March 2013)."

Secondly, funding opportunities for private enterprises to initiate their activities in Rwanda represent high interest rates that force investors to seek for resources abroad. This is an issue that has been identified by the government, which is seeking to provide solutions. As a representative from MINAGRI explained "That is a bigger issue that we are going to work on, which is to develop some sort of setup fund specifically for agricultural investments with rates that make sense for investors (March 2013)."

Lastly, as many entrepreneurs mentioned, "Starting business in Rwanda is easy, doing business in the country is not." There are still some incompatibilities and misunderstandings when it comes to the implementation of sector specific regulation in agribusiness. Although the Rwanda Development Board (RDB) is the implementation agency, which directly deals with investors, some of these find obstacles and contact the MINAGRI for technical support. As a representative of MINAGRI explains "RDB does investment promotion, but investors also come to MINAGRI for technical information about the crops, and site information. They might also be talking to other ministries like the Ministry of Land to acquire land or rent it. We want this to happen faster and more efficiently so we really need dedicated staff so that's a piece in which we are working on right now (March 2013)."

### 3.2.2 Mid-term view Economic Development and Poverty Reduction Strategy I & II

In this section, key findings on private sector led-development and agriculture in each of these mid term strategies will be discussed:

- Economic Development and Poverty Reduction Strategy I (EDPRS I): 2008-2012
- Economic Development and Poverty Reduction Strategy II Draft Version (EDPRS II): 2013-2017

#### EDPRS I

Defined as both document and a process, EDPRS I is perhaps the most streamlined of mid-term strategies. Taking lessons learned it defines four priority areas (Ministry of Finance and Economic Planning, EDPRS I, 2007:28):

- I. Increase economic growth by investing in infrastructure; promoting skills development and the service sector; mainstreaming private sector development and modernizing agriculture by introducing improved land administration, land use management practices and adopting techniques to reduce soil erosion and enhance soil fertility.

- II. Slow down population growth through reducing infant mortality; family planning and education outreach programmes, while also improving the quality of health care and schooling, particularly for girls.
- III. Tackle extreme poverty through improved food security and targeted schemes of job creation and social protection. It is particularly urgent to create new employment opportunities for young persons just entering the labor market.
- IV. Ensure greater efficiency in poverty reduction through better policy implementation which includes enhanced coordination among sectors and between levels of government; sharper prioritization of activities; better targeting of services for the poor; widespread mobilization of the private sector; and the more effective use of monitoring and evaluation mechanisms.

The Government of Rwanda proposed to target these four priority areas of interest through three main flagship programs:

- The Growth for Jobs and Exports Flagship Programme
- The Vision 2020 Umurenge Flagship Programme
- The Governance flagship programme

The first flagship programme aims to make the business environment in Rwanda the most competitive in the region, thus concentrating on creating the foundations for strong private sector growth in the future. The second flagship program aims to eradicate extreme poverty by 2020 implementing a series of initiatives that intend to release the productive capacities of the poor and extremely poor. The third flagship program seeks to improve governance in several areas including peace and security and the promotion of unity and reconciliation among Rwandans (Ministry of Finance and Economic Planning, EDPRS I, 2007).

Due to its relation and focus in PSD and agricultural transformation, the program that will be discussed in depth is the “The Growth for Jobs and Exports flagship Programme”, for more information on the other two programs refer to the full EDPRS I document.

(Available for consult at:

[http://www.mininfra.gov.rw/fileadmin/templates/EDPRS\\_docs/1EDPRS\\_Final\\_draft\\_11\\_09\\_07.pdf](http://www.mininfra.gov.rw/fileadmin/templates/EDPRS_docs/1EDPRS_Final_draft_11_09_07.pdf)).

The Growth for Jobs and Exports Flagship programme:

As it was already explained, this Flagship programme focuses on the creation of a competitive business environment. To do so that programme was thought to have three phases, a first phase intended to analyze and reduce investment constraints like costs of doing business, innovation freedom for the private sector, and widening financial sector opportunities. The second phase was thought to take the former arrangements and implement them in an improved private sector, which would in turn increase job opportunities for both skilled and unskilled labor. The third phase closely linked to the results of the two others would then allow the export base to expand and therefore reduce the country's dependence on foreign aid (EDPRS I, 2007:49-50).

Agriculture Initiatives within the Growth for Jobs and Exports Flagship programme

In its internal structure the Programme also includes a series of initiatives related to agriculture specifically. The first programme identifies a series of actions to intensify and

develop sustainable production systems in agriculture and animal husbandry. These include soil conservation measures, such as the construction and rehabilitation of terraces and the promotion of agro-forestry technologies for sustainable land-use. An example program is the “One cow Program” (EDPRS I: 2007,67). The second agricultural sector programme focuses on building the technical and organizational capacity of farmers. Cooperatives, alliances with the private sector are the principle means for doing so (EDPRS I, 200: 67). The third programme in the agricultural sector aims to promote commodity chains and support the development of agribusiness. The Government will assist the private sector by improving the investment climate, so that Rwandan exports are competitive in regional and world markets. A related initiative aims to increase the quantity and quality of selected export products (EDPRS I, 2007: 68). The final programme in agriculture aims to strengthen the institutional framework of the sector at central and district level.

The programs discussed touch upon a series of relevant issues for agricultural transformation to effectively take place in Rwanda. Sustainable land use and strategies to reduce vulnerability of agricultural production are key taking into consideration the country’s land scarcity and dependence on rain. Likewise, building skills and knowledge for farmers is important for these to develop priority agribusiness chains and thus strengthen the sector’s economy. The last initiative pertaining institutional framework is also essential due to the inconsistencies that were mentioned as present both at central and district authorities.

Lastly, according to EDPRS I, to ensure that interventions in the agriculture sector are implemented correctly it is pivotal that they are introduced as a ‘package’ and directed towards facilitation of markets and the private sector. These include incentives to acquire the necessary inputs, extension, and farmer group organization (EDPRS I, 2007: 121).

#### EDPRS I: Challenges in practice

Some of the challenges that can be mentioned when it comes to the practical implementation of EDPRS I are mentioned in the following section. Reducing business costs is the highest priority in the medium term because currently Rwanda has the highest transport, energy and communication costs in the region. Physical infrastructures constraints still remain. Electricity costs are high, and cooling systems required for different purposes are lacking especially in dairy production and similar agribusinesses. Additionally, more feeder roads enabled for the transport of goods are still needed (Interviews entrepreneurs and MINAGRI representative, March-May 2013).

In terms of institutional framework for the Rwandan agriculture sector, an agency that focuses in increasing investment in services in this particular sector is still under development. “In larger countries such as Tanzania and also Mozambique, governments came up with a corridor idea so they build up logistics and infrastructure in energy and water for example. The corridor idea did not work in Rwanda because of the country’s smaller size. The MINAGRI’s has framed it looking at some priority value chains, and they are in the process of developing an institutional mechanism for delivering these type of services, because right now there is no one dedicated full time to delivering” (MINAGRI representative, March 2013).

Additionally, when it comes to farmer capacity building an interesting model to consider is contract farming. In an effort to address the disaggregation issue of Rwandan agriculture due to land scarcity, different models of contract farming are being promoted by the MINAGRI. “An example is when a company asks farmers to produce a specific crop, that they want to process or export, so they sign contracts with individual farmers or with cooperatives (MINAGRI representative, March 2013).” In most cases these contracts are almost restricted to cooperatives, somehow imposing association and not necessarily targeting individual smallholder farmers that end being excluded from valuable capacity building topics such as the use of seeds and fertilizers.

Agricultural transformation that links to the participation of the private sector in the development of more modern agriculture sector with high yield crops is also an issue to be considered. “It is that its difficult to transition farmers from food security crops to a high value crop because its risky, specially if it is something that they’re not going to eat (MINAGRI representative, March 2013).” Clear examples of these crops are the insecticide pyrethrum, and duranium used for essential oils production. It is a big risk if the crop were to fail, to transition a farmer that has less than hectare of land. “That is a challenge, which means that these food security crops will continue to be important, but over hopefully the next five years there will be others and a quick transition to more high value crops (MINAGRI representative, March 2013).”

Lastly, the focus of linkages between foreign private sector enterprises and agriculture transformation encouraged by the Rwandan government considers increasing productivity as an essential factor. Nonetheless, many gaps on technical and organizational capacity of smallholder farmers have to be strengthened for this to fully be accomplished.

## EDPRS II

Due to the fact that EDPRS I entered its final year of implementation 2012–13, EDPRS II was launched for the period 2013-2018. Characterized as a strategy to “Shape their own development” ,President Paul Kagame has called this policy document the country’s last effort to reach the “home strait” for Vision 2020’s main objective to become a middle income economy. Also heavily relying on private sector growth and development EDPRS II aims to focus government efforts on transforming the economy.

The strategy outlines four thematic areas that will lead the country to reach its middle income status. *Economic transformation and rapid growth*, will target accelerated economic growth and strengthening of the industry and services sectors. *Rural development*, focuses on ensuring that poverty is reduced from 44.9% to below 30% by 2018. *Productivity and youth employment creation*, will ensure that growth and rural development are accompanied by appropriate skills generating employment, especially for the youth section of the population, thus aiming to creat 200,000 new jobs every year. *Accountable Governance*, has the objective of improving service delivery and ensuring citizen satisfaction by increasing participation that will become sustaianable in time (Ministry of Finance and Economic Planning, EDPRS II, 2012). Table X summarizes the priority intervention objectives for these four areas.

**Table X: Summary of Thematic Areas and Priorities for EDPRS II**

<b>Thematic Area I: Economic transformation for rapid growth</b>	<b>Thematic Area II: Rural Development</b>	<b>Thematic Area III: Productivity and youth employment creation</b>	<b>Thematic Area IV: IV. Accountable Governance</b>
<ol style="list-style-type: none"> <li>1. Increasing the domestic interconnectivity of the economy through investments in hard and soft infrastructure</li> <li>2. Increasing the external connectivity of the economy and boosting exports</li> <li>3. Transforming the private sector by increasing investment in priority sectors</li> <li>4. Transform the economic geography of Rwanda by facilitating and pre-empting urbanization and promoting secondary cities</li> <li>5. Pursuing a 'green economy' approach to economic transformation.</li> </ol>	<ol style="list-style-type: none"> <li>1. Integrated approach to land use and rural settlements</li> <li>2. Increasing the productivity of agriculture</li> <li>3. Enabling graduation from extreme poverty.</li> <li>4. Connecting rural communities to economic opportunity through improved infrastructure.</li> </ol>	<ol style="list-style-type: none"> <li>1. Improving skills and attitudes</li> <li>2. Applying technology and ICT.</li> <li>3. Enhancing entrepreneurship and business development</li> <li>4. Improving labor market interventions</li> </ol>	<ol style="list-style-type: none"> <li>1. Citizen participation and mobilization for delivery of development</li> <li>2. Service delivery</li> <li>3. Public accountability and democratic governance</li> </ol>

Source: EDPRS II Draft, MINECOFIN.

#### GOALS RELATING TO THE PRIVATE SECTOR IN EDPRS II THEMATIC AREAS

Within the priorities defined by the four thematic areas of EDPRS II, some are specifically linked to PSD. The transformation of the private sector that Thematic Area I- Priority 3 calls for refers to the small size of the formal private sector in Rwanda, and how it is a limiting factor to the country's economic growth. In order for this scenario to change the private sector needs to undergo a series of alterations that guarantee a significant structural transformation.

The three proposed interventions that intend to transform the private sector will be to "(i) strengthen the investment process to pro-actively target large foreign investors in priority sectors of the economy; (ii) accelerate structural changes in the financial sector by increasing long-term savings with the objective of increasing credit to the private sector; and, (iii) significantly strengthening the business environment through tax and regulatory reform to spur medium and large enterprise growth and attract large investors (EDPRS II, 2012: 20)." By targeting the aspects mentioned in the interventions above, EDPRS II expects to attract investors by providing credit, tax incentives, and long-term saving schemes reducing constraints, and enabling the private sector to expand.

In addition, Thematic Area III- Priority 3 mentions how entrepreneurship and business development should be enhanced. Private sector plays a major role in this objective since it is expected to drive productivity and increase off-farm employment. A stable macroeconomic environment creates the optimum conditions to increase job creation, and this can only be achieved if there is in fact economic growth, agricultural productivity that frees up laborers that will move to move into the non-farming sectors, and accountable institutions that ensure effective service delivery (EDPRS II, 2012: 61).

#### GOALS RELATING TO AGRICULTURE IN EDPRS II THEMATIC AREAS

The importance of agriculture for pro-poor growth in Rwanda is key for Thematic Area II, which seeks to work towards rural development defined as, “the process of improving the quality of life and economic wellbeing of people living in rural areas (EDPRS II, 2012:36).” Due to their important relation to agriculture the five priorities in this Thematic Area will be discussed in this section.

Priority 1 seeks to find an integrated approach to land use and human settlements considering that land scarcity is an issue that affects the agriculture sector’s productivity constantly. In doing so, EDPRS II proposes a strategy to manage a range of land use issues including, human and industrial settlements and solving land disputes amongst smallholder farmers (EDPRS II: 2012,40).

Priority 2 aims to increase agriculture productivity, while securing inclusive growth. In order for productivity to increase commercialization has to take place, and the subsistence-farming model has to be broken by supporting skills and knowledge for Rwandan smallholder farmers. The private sector is seen as the main instrument to achieving greater productivity and increased incomes in agriculture, therefore a shift towards harnessing its potential is seen as necessary. This shift encourages models that connect farmers to agribusiness through aggregation farming models (EDPRS II, 2012: 40).

Priority 3 intends to enable the graduation of citizens from extreme poverty. Although the priority recognizes the importance of social protection programs for poor individuals it sustains that graduation from poverty will be ensured by strong links to complementary public programs and private sector job opportunities so that households strengthen their livelihoods. These job opportunities will facilitate income generation and access financial services. Education is also crucial for people to acquire skills and knowledge (EDPRS II, 2012: 40).

Priority 4 proposes the connection of rural communities to economic opportunity through improvements in infrastructure. Investments in rural infrastructure are critical for rural communities to be able to grow. The supply of public goods in these rural areas will create leverage for private sector investment while contributing to the wellbeing of communities. By providing goods such as on and off grid electric connections, feeder roads and modern cooking sources as biomass, the private sector could invest in projects that create interesting economic opportunities and improved infrastructure for rural settlements (EDPRS II, 2012: 40).

## EDPRS II: Highlights for future implementation

The focus areas defined in EDPRS II point out several interesting issues to be analyzed for future implementation. In terms of PSD and private sector transformation some steps have been already taken to continue attracting investors. Incentives for foreign enterprises and investors are already well underway by providing tax exemptions and breaks for example for on agricultural equipment for processing. Similarly, employment oriented tax discounts are also granted considering the number of local job positions created. However, as it was already mentioned financing opportunities especially for a larger scale type of business are required. National interest rates still remain at high levels.

When it comes to value chain management that will be granted for the private sector, it is first important for specific value chains in the agribusiness sector to be more streamlined for a future transformation strategy. Although food crops and traditional export crops will remain a priority, there is no consensus on other products that could also be of higher value, like horticulture. Separate initiatives are currently taking place, making it hard to focus on a specific range of activities.

Finally, monitoring and evaluation is also an issue that should raise more concern. The role of the public sector should be strengthened in terms of evaluating the participation of private sector companies in the agribusiness sector both national and foreign. Representatives from RDB and MINAGRI both answered that currently monitoring is done more at a sector level, and specially focusing more on environmental issues than on social ones. When it comes to social aspects such as labor conditions, human rights, and gender issues there is still no systematized approach when it comes to monitoring.

### 3.3 Rwandan Agribusiness Sector Institutions

Having discussed the policy framework of national strategies regarding the agribusiness sector, it is important to now discuss key institutions. Various institutions participate in the implementation of PSD and agribusiness policies and their roles sometimes converge to provide the necessary tools for the framework to work.

Table VI details the missions, priority areas and key responsibilities of the main actors in the sector. In addition, important aspects on the roles of each institution are described in the following section.

#### 3.3.1 Institutional Roles and Policy Implementation

The MINAGRI's responsibility is agricultural policy and strategy design. It also reports on general sector performance when it comes to growth, and job creation for local communities. However these reports are for a sector (i.e. rice production and processing), not at the individual company level. There is not a really a detailed monitoring action taking place when it comes to social issues in the agribusiness sector. It exists for environmental issues but through a different authority that is the Rwanda Environmental Management Authority (REMA).

The RDB is an implementation agency. They implement policies proposed by the MINAGRI and MINCOM, but they do not formulate them. To some extent they provide insight for these policies' formulation, bringing up valuable information from the "field." They are a

“one stop center” providing all the information and start-up process services needed to register and operationalize a foreign company in Rwanda. They support companies on a day-to-day basis and report monthly on their general performance. This is part of their mandate and the task has been denominated as “after-care” services. The RDB creates links between companies and the MINAGRI if specific issues arise, and provides solutions to possible constraints the company may have.

An aspect to point out is how the role of the RDB as an investment promotion agency did not necessarily include the responsibility of community-enterprise relations’ management. During the research process one of the shortcomings identified was that the efforts being made to facilitate business services and procedures, did not include a proper channel to identify and respond to the local communities’ concerns. As the RDB representative interviewed explained, issues raised by farmers regarding for example their welfare being affected by a company’s operation are currently handled case by case, and the decisions sometimes are taken at the national level, disregarding the role of district authorities. Similarly, another finding that was encountered during the study was that even though the RDB’s mandate is to handle investor’s difficulties some investors go through MINAGRI when they need to attend to certain issues. They will sometimes directly approach the Minister to advise them, and ask for help to unblock or solve a certain technical situations such as land management and site allocation.

In environmental terms, REMA is the leading authority responsible for the management of the environment in Rwanda, and it coordinates, monitors and supervises all activities in this field. REMA is responsible for the Environmental Impact Assessment (EIA) performed prior to the implementation of a business. The EIA intends to prevent and mitigate adverse impacts and identify positive impacts in order to maximize a development project’s socio-economic benefits and ensure sustainability. Also, the EIA determines if a project is ecologically viable and provides the needed environmental certifications and authorizations (General Guidelines EIA, 2006:1).

The MINCOM also provides policy guidelines in some agribusiness sector. An interesting example is a law expedited for the Rice processing and production sector. If an investor decides to come to Rwanda and invest in this particular activity 40% of their shares will belong necessarily to the farmers (RDB Representative: March 2013).

The National Board of Exports is in charge of managing leading export strategies of three main export crops: tea, coffee and horticulture. As a representative of NAEB (May 2013) explained: “These three sectors are involving many people, thus the ones directly working in the sector are for now the target group of our social and economic programs. The focus is mainly in improving their productivity.”

The Rwanda Bureau of Standards concentrates in quality issues such as business promotion, health, safety and environment protection through the application of standards. Its role on developing quality control of imports and exports, local traded products and services has made Rwanda’s products recognized in the region (ADB Representative, February 2013).

Despite the fact that roles seem to be completely streamlined for each of the institutions sometimes overlapping may happen between their responsibilities. Such is the case of the RDB and the MINAGRI. Although in principle the RDB is in investment promotion and “after



care services” and information, the MINAGRI also supports technical issues that especially foreign entrepreneurs may face because of their lack of knowledge of the country’s agriculture sector. Similarly, the MINICOM also promotes sector specific investment measures that favor foreign entrepreneurs and that are handled independently of the incentives informed and advertised by the RDB.

**Table IV: Institutions and their roles in Agribusiness**

Name	Mission	Priority Areas	Key Responsibilities
<b>Ministry of Agriculture and Forestry (MINAGRI)</b>	To initiate, develop and manage suitable programs of transformation and modernization of agriculture and livestock to ensure food security and to contribute to the national economy.	<p>Modernize agriculture and livestock to achieve food security.</p> <p>Four priority programs</p> <ol style="list-style-type: none"> <li>1. Intensification and development of sustainable production systems</li> <li>2. Support for producer professionalization</li> <li>3. Promotion of product chains and agro-industry development</li> <li>4. Institutional development</li> </ol>	<p>Policy and program implementation</p> <p>Sector monitoring and reporting</p> <p>Capacity building aimed at agriculture modernization</p> <p>Support to foreign investors when it comes to understanding of national legislation and policies related to agriculture</p>
<b>National Board of Exports (Under MINAGRI)</b>	<p>To improve the balance of payment of Rwanda’s economy through increased agricultural exports.</p> <p>The National Agricultural Export Development Board was set up by bringing together three government agencies: Rwanda Coffee Development Authority (OCIR CAFÉ), Rwanda Tea Development Authority (OCIR THE) and Rwanda Horticulture Development Authority (RHODA), responsible for the entire agriculture export and cash crop base under one management.</p>	<p>Management of leading exports products such as tea, coffee, and horticulture.</p> <p>Implementation of national coffee, tea and horticulture strategies.</p>	<p>Participate in elaboration of policies and strategies for developing exports of agricultural and livestock products</p> <p>Implement policies and strategies for promoting and developing agricultural and livestock products for exports</p> <p>Identification of possible factory locations and granting authorization for their allocation.</p> <p>Training of private operators and cooperatives</p> <p>Setting quality standards for exports and ensuring their maintenance</p>
<b>Rwanda Agriculture Board (Under MINAGRI)</b>	Developing agriculture and animal husbandry through their reform and using modern methods in crop and animal production, research, agricultural extension, education and training of farmers in new technologies.	<p>Agricultural extension services through the Crop Intensification Program (CIP)</p> <p>Plant disease control</p> <p>Monitoring activities of production, control and trade of selected seeds</p>	<p>Implement and determine the national policy of agriculture and animal husbandry</p> <p>Provide farmers and consumers of agricultural products with information, techniques and services meant for improving their profession and supplying the internal market</p>

Rwanda Development Board		Livestock and poverty linkages: capacity building for poverty reduction and sustainable development for poor livestock keepers	Identify and provide farmers with new technologies for proper management of land, water and use of agricultural and animal husbandry mechanization  Provide agricultural extension services in accordance with agricultural and animal husbandry
	Fast tracking economic development in Rwanda by enabling private sector growth.  The scope of RDB's work includes all aspects related to the development of the private sector. This involves working with and addressing the needs of companies of all sizes (large, SMEs) and both local and foreign investors	Investment promotion in agribusiness  Policy and business enabling environment advocacy in agribusiness  Support services to companies with high growth potential in agribusiness	Investment promotion campaigns and fairs  Business registration services: license, business plan review,  After- care services once the company reaches operationalization of its activities
Rwanda Environment Management Authority (Under MINELA)	To facilitate coordination and oversight of the implementation of national environmental policy and the subsequent legislation.	Sectoral Environmental Management Functions relating to specific natural resources or environmental services such as agriculture, water, mining, forestry, waste management etc.	Implement government environmental policy  To examine and approve environmental impact assessment reports at any level of socio-economic activities undertaken by any person
		Coordination and integration of environmental management functions in relation to cross-cutting issues such as monitoring and evaluation of environmental policy and implementation of environmental legislation	To ensure adequate monitoring and evaluate development programmes in order to respect instructions on environment in preparation, and implementation  To prepare publish and disseminate manuals relating to principles and laws regarding environmental management or reduce environmental degradation
Ministry of Trade and Industry (MINCOM)	To facilitate Rwanda's economic transformation through enabling a competitive private sector integrated into regional and global markets, while ensuring a level playing field and the protection of consumers.	MINICOM has five strategic objectives:  To create a business environment conducive to growth and the protection of consumers.  To increase the share of services and manufacturing in GDP.  To support private sector growth and job creation with a focus on SMEs.	Formulate, monitor and evaluate sector specific policies  Promote and increase the value of existing exports through policy analysis, export sector monitoring and evaluation and connecting agencies of the major export sectors together with private sector firms  Work to the diversification of exports to foster competitiveness in new sectors.  Increase the level and quality of investment in productive sectors

Rwanda Bureau of Standards (Under MINCOM)		To promote trade integration into regional and global markets with a focus on improving Rwanda's trade balance.	Encourage initiatives that link cooperatives to specific market sectors
		To build an effective human resource base and institutional capacity for delivery.	
Private Sector Federation	To provide standards based solutions for Consumer Protection and Trade promotion for socio-economic growth in a safe and stable environment.	Business promotion, health, safety and environment protection through application of standards.	Develop and implement standards Establish proper test laboratories Offer calibration services Control the quality of imports and exports, local traded products and services Establish a certificate system Establish training facilities for Rwandan industry in the area of standardization
	Advocate effectively and reinforce member's businesses.	Business Development Services	To represent the interests of the private sector
	"Profitable businesses for a prosperous Rwanda"	Private sector advocacy at the national and regional levels	Dialogue with Government on matters related to the improvement of business through the economic partnership forum
		Public-private partnerships	Business promotion and development Promote entrepreneurship and business growth Effective private sector advocacy Support active involvement in Regional and International Trade

Source: Created by author using information from institutional websites.

### 3.4 National policies and their effects on foreign enterprise community relations

The former sections presented the principal PSD and agriculture development policies at the national level, and provided an overview of the different institutions that have a role in their implementation. After these aspects have been analyzed it is now necessary to discuss how these affect the environment of community-foreign enterprises relations, touching upon aspects such as labor conditions, monitoring and evaluation of social conditions, and communication channels.

As it was mentioned already the RDB itself does not have a special department for external labor legislation and community relation issues of the foreign enterprises that it advises through its Agriculture Department. It has a Department of Human Capital that has

identified certain trends of the labor market but it includes all FDI investments, not specifically for the agribusiness sector. (More info available in: <http://www.lmis.gov.rw/ecodata/fdi.php>). In this sense all labor issues are completely defined and aligned by the National Labor Law no. 13/2009 of 27/05/2009 issued by MINFOTRA. All foreign companies are therefore obliged to comply with what is stated in the law when hiring local staff. Complaints that may arise from employees or local community members can be reported through RDB Agriculture Department, and depending on their nature they are then analyzed by the following organizational structure at RDB:

Key Account Manager ⇒ Head of Department ⇒ Senior Management Meeting

It is relevant to mention the organizational structure in order to understand how complaints are attended only after this entire process takes place. If there would a channel defined exclusively for concerns regarding community-enterprise relations this would probably be attended in a more direct and effective manner.

Differing again from the environmental assessment, there is no specific mechanism that assesses social community impacts beforehand. An enterprise is obliged to present a business plan, and in this plan must report on how many job positions it intends to create for the local community. CSR and community expenditures are for now completely voluntary and are not a prior requirement. If negative impacts are reported to the local authorities or RDB these are handled case to case following the structure mentioned above. There is also no established procedure when it comes to remediation or solutions to be granted.

Key issues in community-enterprise relations such as diversity, equal opportunities, and gender sensitization for foreign enterprises are encouraged by the RDB, however it does not impose them. For instance as an RDB representative mentioned: "As a private company, it has certain freedom; we cannot say you have to engage such number of women, and such number of men (March 2013)."

Regulation only demands that the enterprise has to comply with the National Labor Law. Additional channels such as campaigns and specific guidelines intended to inform and motivate foreign companies are not necessarily happening at the moment. If they are, there are not all condensed in a particular balance sheet or report type document. In addition, there are no specific procedures, monitoring or actions taking place for the agribusiness sector in particular.

A representative from the MINAGRRI mentioned "From the social perspective I mean I don't think there is anything in the pipeline now, even tough in an ad-hoc way the Minister, and everyone who interacts with an investor is going to ask on what they're doing, but there is not a systematized approach to it. I've seen reporting from companies here and they always include indicators like increasing farmer income, and some type of community development issues. So people do it is in an ad-hoc way (March 2013)." This outlines how initiatives intended to target social indicators are still not necessarily being required by Rwanda's institutions as strictly as reporting on economic performance and environmental impacts. This affirmation portrays an interesting aspect to look into, due to the fact that most national PSD policies are specially targeting the development of rural communities.

In terms of promoting the creation of a positive relation between local communities and foreign enterprises in the agribusiness sector representatives from RDB and MINAGRRI both

mentioned that they believed that the most interesting projects are the ones that provide more development for the locals through job creation, and skills education. They work closely with district governments and local cooperatives to link them with foreign enterprises helping them to enter the local markets. At the RDB, they identify the foreign companies needs for example in raw materials and connect them with a local suppliers. As an RDB representative affirmed: “The company needs locals, and local people need the company. Negotiation and collaboration is key, you cannot go behind it, it is inevitable, but again, no imposition (March 2013).” It is clear that RDB principles in light of promoting a positive business climate, limit themselves to existing national laws in order not to reduce investor incentives.

Communication and transparency are also essential for community-enterprise relations, when addressed on the creation of communication scenarios (community advisory forums, surveys, multi-stakeholder dialogue forums, workshops) with important local stakeholders when it comes to decision-making of foreign enterprises it was not clearly stated in any particular policy. Again it is encouraged, but definitely not compulsory. To some extent RDB handles the relationship with district governments if the company is facing pressing issues with the local community.

Reporting on community impacts through social balance reports is also not mandatory. The company is only obliged to report on their financial status. However the RDB has identified CSR initiatives that have taken place but it is a general report, not exclusive for companies in the agribusiness sector.

### 3.5 Final remarks

Chapter 3 has reflected upon the main agribusiness and PSD policies, the institutions that implement these policies and the effects that result from their existence when it comes to community-enterprise relations. As it has been exposed the increase of agricultural productivity needs to be supported by a thriving private sector in order to break the subsistence model of smallholder farmers and improve communities livelihoods. This will occur when certain obstacles are surpassed, and enterprises gain more knowledge about the sector and the needs of the communities in their area of influence. Institutions should further encourage enterprises to report on their social impacts in order to obtain a clear picture of what is needed to support rural development.

## 4. CSR IN THE RWANDAN AGRIBUSINESS SECTOR: A FOREIGN ENTREPRENEUR’S PERSPECTIVE

As in other Sub-Saharan economies, in Rwanda the concept of CSR is still somehow only emerging. Even though national governmental policies highlight the role of the private sector in the development agriculture and its transformation and modernization; CSR approaches are only slowly starting to be introduced in the country’s agribusinesses. Similarly, social development coming from the business sector is starting to be identified as an opportunity by foreign entrepreneurs interested in investing in a developing economy such as Rwanda. It is also important to consider that CSR approaches in this context are definitely influenced by economic, social and political factors of the country’s different regions.

Because of its favorable climate conditions, and availability of business services Rwanda has become an appealing destination for foreign entrepreneurs interested in investing in agribusiness, however this participation is still nascent. This chapter provides an overview of the main features of eleven foreign enterprises involved in different activities in the Rwandan agribusiness sector (Section 4.1). Additionally, it assesses four aspects inherent to CSR approaches: market relations, enterprise-worker relations, environment, and firm-community relations (Section 4.2). Finally, it concludes with a discussion that summarizes the main strengths and weaknesses pointed out by entrepreneurs as foreign investors, as well as the CSR approaches that they implement in order to contribute to local development.

### 4.1 The role of foreign entrepreneurs in Rwanda

The survey that was conducted with key representatives of foreign enterprises located in different areas of Rwanda, and it considered various aspects including enterprise characteristics, main suppliers and customers, labor considerations, environmental aspects, and community relations. It was answered by the entrepreneur’s themselves so the data available is based on their own business vision and opinions.

#### Survey overview

Despite the favorable business climate, the presence of foreign businesses in the agribusiness sector is still slowly growing. Historically, foreign investors have played a small role in Rwanda’s agriculture, with privatization processes taking place only in the late 1990s. For the survey conducted, the researchers met with representatives of five multinationals and six SMEs (See Table V: An overview of survey).

**Table V: An overview of survey**

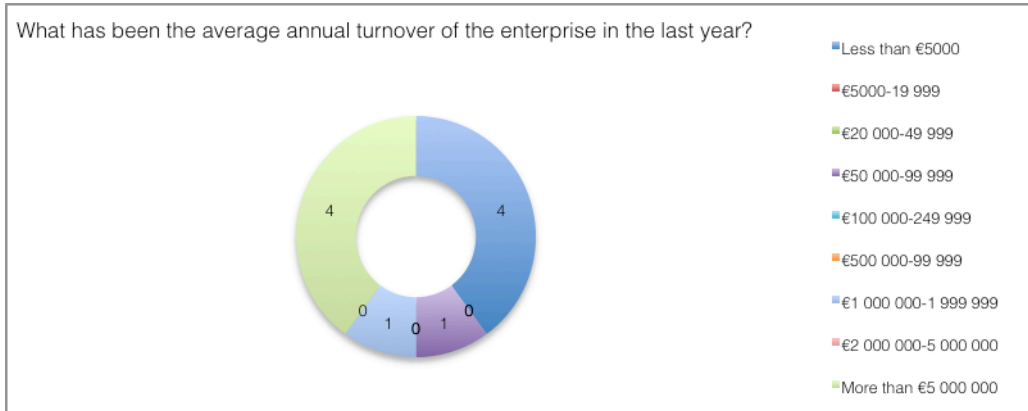
No.	Ownership of enterprise	Sector/ description	Classification *	Start of operation	No. of employees	Certification schemes
1	Dutch (75%)	Beer brewery and soda /maize	Large business	1959 (Dutch involvement)	500 (permanent) 1000 (casual)	ISO 1401, OHSAS 18001, ISO 22005, ISO

				since 1971)		19001:2002
2	Indian (100%)	Sugar cane	Large business	1994 (Indian involvement since 1997)	500 (permanent) 6000 (casual)	
3	UK (90%)	Tea	Large business	1982 (British involvement since 2004)	550 (permanent), 4500 (temporary/outgrowers)	Rain Forest Alliance ISO 22000
4	US (83%)	Tea	Large business	1975 (American involvement since 1975)	500 (permanent)	ISO 9001:2008; ISO22000:2005; fairtrade; RBS; rainforest alliance certificate
5	Canadian (100%)	Stevia	Medium business	2011	54 (permanent) 100(temporal) 2-10 (casual)	
6	Dutch (35%)	Maize milling	Medium business	2006 (Dutch involvement in 2011)	60 (permanent) 30 (temporal) 20 (casual)	East African Standards
7	US (55%)	Fish Farming	Small business	2009	12 (permanent) 0-10 (temporal)	
8	US (100%)	Virus free fruit plants	Small business	2011	27 (permanent) 0-10 (temporal)	
9	Belgian (97%)	Mushrooms	Small business	2010	14 (permanent) 26 (temporal)	
10	Indian (100%)	Agri-chemicals, fertilizers	Small business	2007	12 (permanent)	ISO /GMP /CE
11	US (100%)	Dairy	Small business	2010	15 (permanent)	

\* The size classification was relatively assigned based on employment and average turnover. This does not necessarily fit any national/international standard.

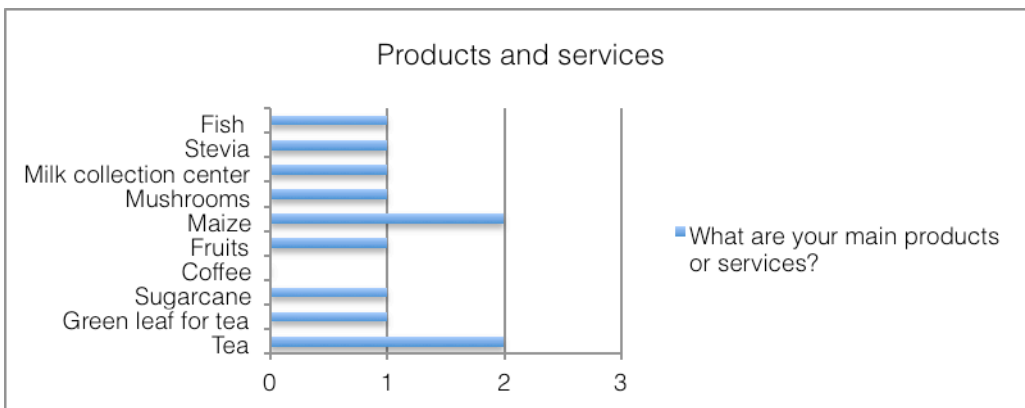
The larger businesses have been long active as Rwandese businesses before foreign investors got involved. The SMEs and micro enterprises are remarkably young, as all five of them have been established between 2007-2011. Due to this fact, most SMEs have shown considerable increases in terms of turnover and number of workers in the past five years. Similarly, the average annual turnover of the enterprises interviewed evidences that the sample is rather polarized with one company earning more than one million euros, one company earning more than 50.000 euros, four companies earning between 20.000-49.999, and finally other four companies earning less than 5000 euros. This can be partly explained by the relatively young age of the businesses, but it also has to do with the micro-scale of operations. Several business owners explained that within their first two years of operations they are still not making any profits.

**Graph I- Average Annual Turnover<sup>3</sup>**



In addition, the enterprises interviewed have enterprises in then non-foods (4), food crops (3), dairy (1), and other (3) agribusiness sectors. As can be observed in Graph II the companies interviewed were providing the following products and services: fish, stevia, maize, fruits, and tea. Tea is a well-known export commodity, and the tea sector has been privatized rapidly in the last few years (see for the policy framework OCIR-the 2006). The latter has resulted in several foreign parties investing in tea companies, examples are Westheim Tea Importers (US) investing in Sorwathe Ltd., LAB International (UK) investing in Pfunda Tea, and Jay Shree Tea & Industries Ltd (India) investing in Rwanda Mountain Tea. The same counts for sugar cane production. The Madhivani Business Group (India) has invested in the last 15 years some \$13 million in Kabuye Sugar Works, the very first Rwandese company to be privatized after the genocide (Ansoms 2010). Nowadays, this company alone produces 30% of Rwanda’s sugar and it reaches a turnover of \$1,8 million annually (Interview, February 2013).

**Graph II- Main products and services<sup>4</sup>**



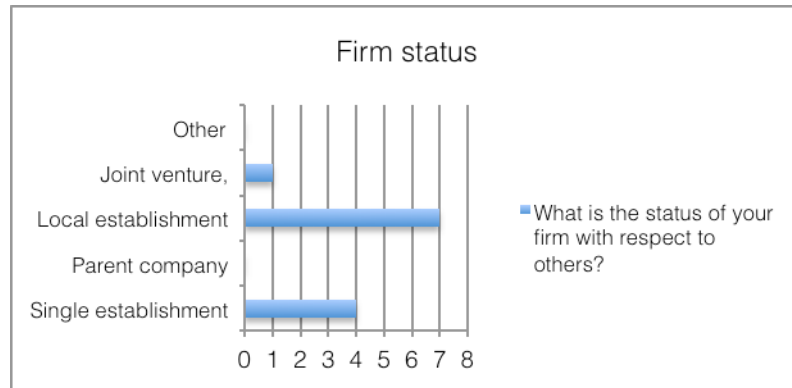
<sup>3</sup> n=10/11

<sup>4</sup> n=11



The participation on the survey also evidenced that there are constituted foreign owned enterprises from India, United States, The Netherlands, Great Britain, Canada, Belgium Canada and Sri Lanka (See Table I), and that they are mostly involved in activities such as farming, processing and manufacturing. Additionally, the majority of the enterprises interviewed are Local establishments of a parent company, as can be viewed in Graph III.

**Graph III- Firm status<sup>5</sup>**



In terms of the customer-side of the value chain there are several considerations to be taken into account. Almost all agribusinesses sell their product mainly on the domestic market. The most important exception is the tea sector due to its categorization as a traditional export product for the Rwandan market. Both tea companies produce tea for the international (and non-African) market. Over 95% of their tea is packed in Rwanda and transported to the East Africa Tea Auction in Mombasa (Kenya). Besides these tea companies, three other businesses export their products. The largest domestic beer brewery of Rwanda has an export rate of only 5% and their products go to Uganda and Eastern Congo. The maize milling multinational, exports some 33% of the products related to milled maize, mainly to neighboring countries and the World Food Programme. Finally there was one agribusiness involved in informal export to the Eastern Congo. However, in general, it is safe to state that the agribusinesses in our sample focused predominantly on the domestic market, despite the fact that it is a rather small one.

It is also important to differentiate the agribusinesses interviewed in terms of employment offered. Self-evidently, the largest companies have the highest number of employees. The sugar cane enterprise had the largest number of employees (some 500 permanent and over 6000 casual workers). The beer brewing company also had also 500 permanent employees, but far less casual labor (1000). In addition, the tea companies have large numbers of permanent employees (respectively 500 and 550, see Table V). The middle range of the sample shows a great variety in terms of quantity of labor as well as the character of employment (see Table V for the division permanent/temporal/casual workers). Thereby it is also important to note that, except from the one Indian owned distributor of fertilizers and veterinary drugs, all businesses employed mostly hire local workers.

<sup>5</sup> n=11

## 4.2 Entrepreneurs' view on CSR indicators

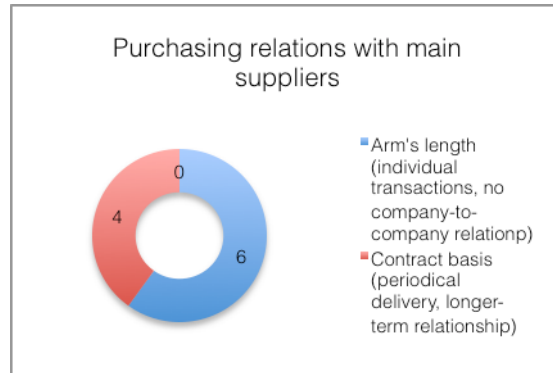
In the survey based analysis CSR indicators were divided in four dimensions, all of them essential to CSR approaches: market relations, firm-worker relations, environment and firm-community relations. It is important to realize that the data reflect the perceptions of the entrepreneurs/respondents, rather than they present the result of an impact analysis.

### 4.2.1 Market relations: an overview of the relationship with suppliers and customers

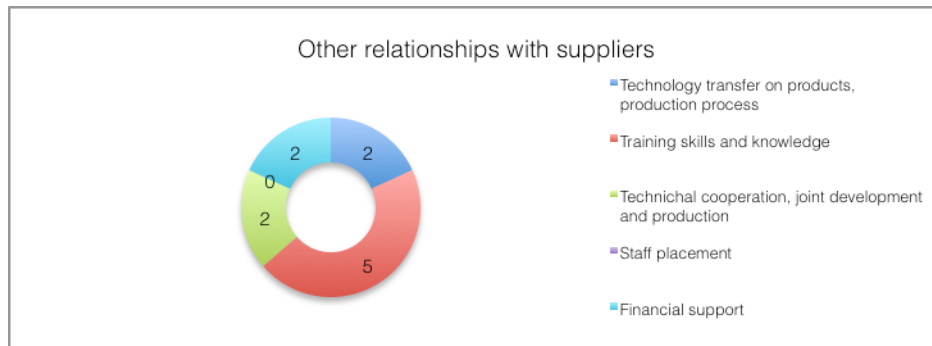
The general characteristic of the market relations dimension is that relations with suppliers are handled in an informal manner, mostly with no contracts being issued for procurement of products and/or services.

Graph IV shows six of the respondents mentioned that their relation with suppliers is handled "arm's length", individually, and depending on the company's need at the time. No formal company-supplier relation is then created.

Graphs IV Nature of purchasing relations with suppliers<sup>6</sup>



Graph V – Other relationship with suppliers<sup>7</sup>



Graph V shows other ways in which enterprises encompass their relation with their suppliers. The most common way in which enterprises of our sample engage with their suppliers other than in their commercial relation is by providing training in certain skills and knowledge. In this way, enterprises are giving their suppliers certain tools that they lack for

<sup>6</sup> n=10/11

<sup>7</sup> n=11

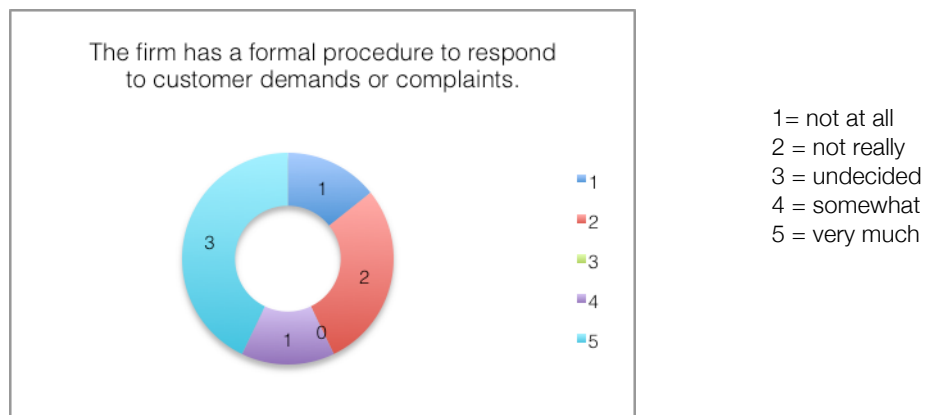
their relation to be even more enriching. This however is not necessarily framed in a specific program in many cases, it is established as knowledge gaps are identified and need to be attended to ensure more productivity.

**Graph VI Compliance standards as a criterion to select suppliers<sup>8</sup>**



Graph IV points out how only three of the entrepreneurs completely agreed that compliance with standards and certification is a criterion used when selecting a supplier. This can be partly explained because when it comes to certification, it is an aspect considered for the enterprise's own value chain, it does not derive to reach external actors. Additionally, internal certification is mostly common for export products such as tea, which will be entering international markets. It is also more common in larger enterprises as opposed to smaller enterprises that have smaller budgets (For more input on certifications see: Table V).

**Graph VII – Customer demands mechanism<sup>9</sup>**



<sup>8</sup> n=8/11

<sup>9</sup> n=7/11

The entrepreneurs that did not answer these questions related to market relations with customers and suppliers is because they believed these didn't apply to their value chain.

Similar dynamics were identified when entrepreneurs were inquired about their relations with customers. Informality was again the trend that was identified as the main characteristic of this dimension. However, an exception must be noted because larger companies managed more formal relations with their customers as opposed to SME. At the same time, certification factors appeared to be less important for this relationship as only two respondents stated that certain certification schemes are factors for customer selection. Graph VII points out, how most of the entrepreneurs seemed to believe that having proper channels of communication to respond to customer demands and complaints was only somewhat important. Moreover, as the previous sector indicates, the supply chains of SMEs were locally embedded to a small extent (the picture is different from micro and large enterprises). Several respondents complained in this respect about the underdeveloped supply chains and agro-infrastructure in Rwanda.

#### 4.2.2 Enterprise-worker relations and labor considerations

The National Labor Law no. 13/2009 of 27/05/2009 regulates labor issues in Rwanda. Foreign entrepreneurs as well as national ones are obliged to comply to what it is stated in this law regarding employment conditions. Table VI summarizes some of the main points of the Labor Law in terms of leave provisions.

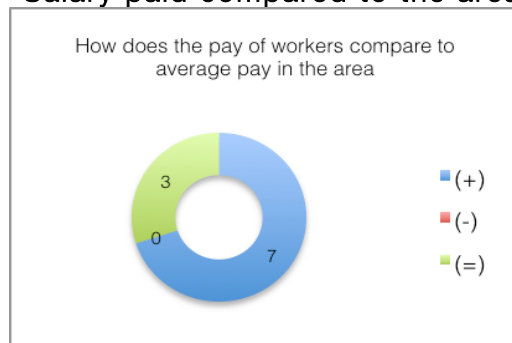
**Table VI – Leave provisions**

Type	Conditions
Working hours	9 hours
Annual leave	30 days once a year
Sick leave	30 days max (6 months if approved by medical committee)
Maternity leave	12 weeks

Source: RDB Investor Info Pack

The following were some relevant findings when it comes to labor in the foreign agribusinesses interviewed. Most of the companies mentioned that their salaries are higher than the minimum salary proposed by the government (See Graph VIII). In this way, they are incentivizing their workers to earn a more significant economic income, which assists them in the improvement of their livelihood. Similarly, most companies are also investing in their employees' training to enable them to work well and thus enhance their productivity (See Graph IX).

**Graph VIII- Salary paid compared to the area<sup>10</sup>**



<sup>10</sup> n=10/11

Graph IX – Initiatives for wellbeing<sup>11</sup>



In terms of the wellbeing of their employees the majority of the respondents (8) mentioned that they took specific measures to ensure the wellbeing of their workers. They highlighted the fact that they provide resources in order for the employee to have health insurance, and in some cases it covers one or more members of their family. The most common health schemes mentioned were the public community insurance Mutuelle du Santé, and the RAMA insurance. Other wellbeing initiatives included training on health, safety and regulation on the work place in order to ensure that the employees were developing in a safe work environment. Some employers also mentioned that they included a meal plan in order to provide them with the adequate nutrition. Financial support is also a common practice that was mentioned by some of the entrepreneurs, they provide small loans and have introduced to them to some extent to financial education concepts such as bank accounts and the importance of savings. Concrete examples of these practices were mentioned by the employers these are summarized in Table VII.

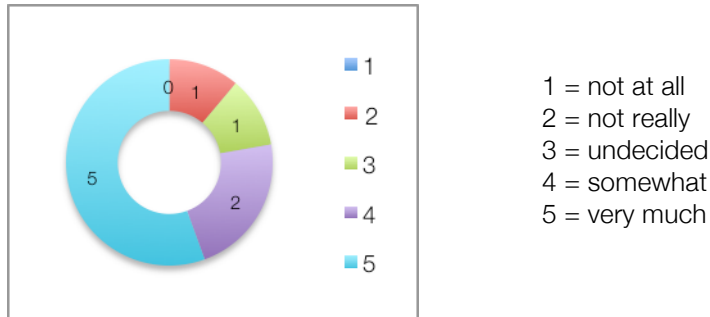
Table VII – Reflections on initiatives for employee's wellbeing

Entrepreneur 1	<i>"Paying them on time, full and above the local rate. Besides this I opened a bank account for every permanent worker so they get familiar with the concept of saving money."</i>
Entrepreneur 2	<i>"The company works closely with the cooperative to generate employment and skills training for local farmers. We also promote safety regulations in the workplace, as well as health and hygiene practices (accident rack records are kept). We aid providing houses for the permanent workers; and doing laundry for the worker's uniforms".</i>
Entrepreneur 3	<i>"We involve our workers in many ways. We provide jobs for the local farmers. Also we assist them so they can apply to loans with local banks. Sometimes we ourselves provide the loans so they can cover for example their children's school fees."</i>
Entrepreneur 4	<i>"We provide jobs and cover medical insurance for up to 3 members of their families."</i>

<sup>11</sup> n=9/11

When asked to reply on the procedures to monitor compliance with relevant employment laws and regulations most of the interviews answered that they very much agreed to their importance (See Graph X). However if you would further ask on particular channels for employee communication and representation, these rarely existed. Particular comments or criticism is handled case to case, not necessarily through a particular vehicle.

**Graph X - There is a procedure to monitor compliance with relevant employment laws and regulations.<sup>12</sup>**



Employee association in Trade Unions was also an issue addressed with the entrepreneurs. The existence of these Trade Unions is only promoted by the large enterprises with more than a hundred employees. As for the small and medium agribusinesses this figure is non-existent, and as it was already mentioned any type of grievance communication is handled individually directly with the owner or manager.

#### 4.2.3 Environmental Issues

Environmental issues pertaining the Rwandan business sector are handled though the Rwanda Environmental Management Agency (REMA). Categorized as a strict, consistent authority by entrepreneurs, it monitors environmental compliance. The following section summarizes some of the practices the entrepreneurs mentioned in terms of handling resources in a responsible manner.

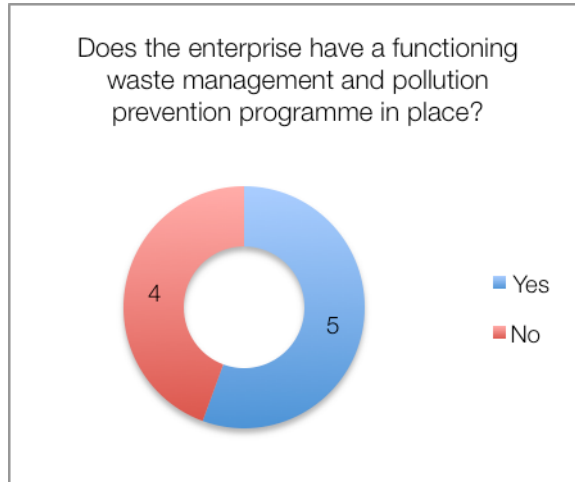
##### Waste management and control

Five of the respondent companies have a waste management and pollution program in place, some due to strict national regulations, and others because of their goal to become certified. However, four companies mentioned that they do not have such program, making it possible to say that is a almost an equally divided situation with almost half of the respondents having a plan and half not having a defined plan, but some scattered initiatives (See Graph XI).

Some of the initiatives mentioned regarding waste control included: recycling programs, on site waste bins, compost waste, and monitoring of green house gas emissions.

<sup>12</sup> n=9/11

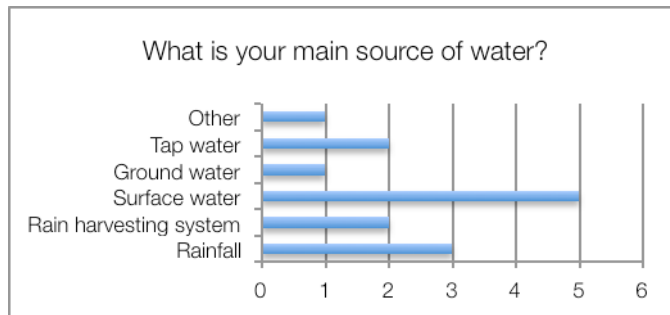
Graph XI – Waste management and pollution prevention system<sup>13</sup>



#### Water sources

The use of certain water sources for their productive activities was another of the issues that was discussed with the entrepreneurs interviewed. Five of them mentioned that their main source of water was surface water coming from rivers, lakes and other water bodies.

Graph XII- Main water sources<sup>14</sup>



The second most common source of water was rainfall. Several of the respondents mentioned that they have devised special equipment such as rainwater tanks and harvesting systems to take the most advantage possible from this natural resource. Other initiatives that should be taken into account in terms of water management are water recycling through purification systems and the use of microorganisms.

<sup>13</sup> n=9/11

<sup>14</sup> n=9/11

## Land

Land scarcity has been classified as one of the bottlenecks that most company's mentioned when asked about their investment in agribusiness in Rwanda. Land is definitely scarce in this densely populated country (For more information on the issue of Land revert to Chapter 3 – Section 3.21). The government owns most of the land in the country, although the private sector has access to ownership through different mechanisms, leasing being the most common one. Table VIII explains land categorization in Rwanda, and the years of lease granted by land type.

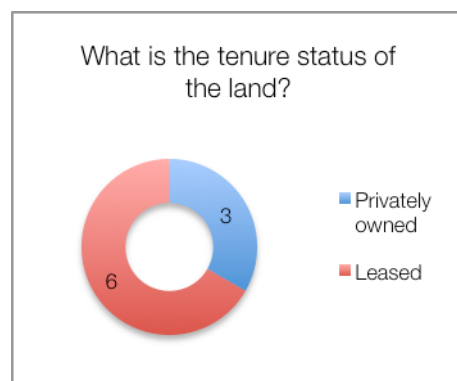
**Table VIII – Categories of land**

Land Type	Ownership Type	Years of lease
Individual land	Lease hold or free hold	99 years
Private state land, Private Kigali City land and Private District Land (designated for tourism, forestry, agriculture, and animal husbandry)	Lease	49 years
Private District land (designated for commercial, social, cultural and scientific uses)	Lease	30 years
Private District land (designated for residential activities approved in wetlands)	Lease	20 years
Fishing in waterways (subject to license) 15 years	Lease	15 years

Source: RDB Investor Info Pack.

When inquired about the tenure status of the land in which they are based the agribusiness interviewed mentioned that most of their land is leased from the government from periods of 40 up to 100 years (See Graph XIII).

**Graph XIII – Tenure of land status<sup>15</sup>**



Lastly, nine of the entrepreneurs interviewed mentioned that it was highly important to for their enterprises to make careful use of land.

<sup>15</sup> n=9/11



#### 4.2.4 Community-firm relations

Most of the entrepreneurs interviewed were very open when explaining that they did not have specific CSR programs through which they handled their relation with the community of the surrounding area. However, all of them acknowledged the importance of developing a positive relationship with them, and described some of the activities they engaged in to foster this relationship. Table IX summarizes some of the entrepreneur’s views on how their enterprises involve the surrounding communities.

**Table IX – In what way is the enterprise involved with the surrounding communities?**

<p><i>“Generating jobs for members of the local communities, and assisting in particular infrastructure projects such as road construction. We also have made some donations from our budget.”</i></p> <p>-Indian entrepreneur</p>	<p><i>“As the only employer in the village I am providing jobs and structural cash flows within the workers households. Because of this the community is changing; houses became better:”</i></p> <p>- British entrepreneur</p>
<p>“The enterprise is sharing knowledge about veterinarian care, and milk conservation. For example it taught the communities the importance of understanding how milk should better be stored in stainless steel cans, than plastic cans.”</p> <p>– American entrepreneur</p>	<p><i>“Besides generating employment for local communities and skills specific to the tea sector, our company is involved with the community through the following projects:</i></p> <ul style="list-style-type: none"> <li>- Environmental education for children</li> <li>- Infrastructure projects for tea transportation such as roads, bridges, drainage, hangers.</li> <li>- Internships to promote and educate communities on sustainable, environmentally responsible manufacturing processes.</li> <li>- Ensuring proper agricultural practices among the community</li> <li>- HIV prevention education and condom distribution</li> <li>- House renovation.”</li> </ul> <p>–Indian entrepreneur</p>

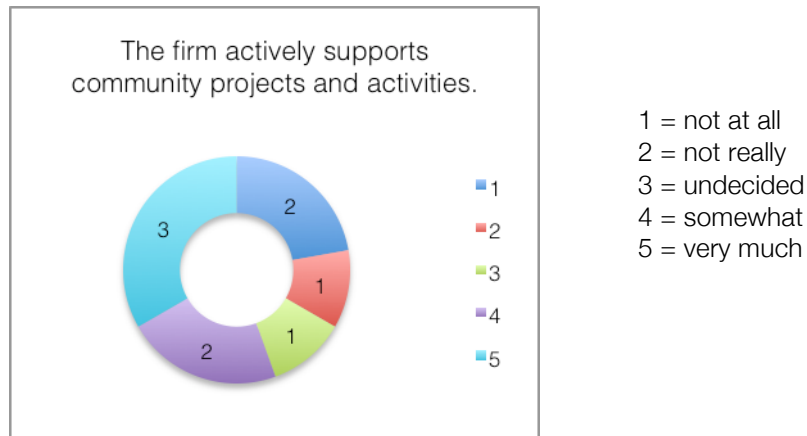
As it can be noted in Table V most entrepreneurs identify job creation as their greatest contribution to the development of local communities. Although some of the employees do not have permanent contracts they do have a formal place of employment that guarantees them certain stability. This in many of Rwanda’s rural areas was inexistent prior to the settlement of these foreign entrepreneurs’ agribusinesses.

When it comes to the support of community projects there were some examples of contributions to infrastructure and again knowledge and capacity building, but all very related to the nature of the agribusiness itself. Therefore, skills development in agricultural techniques and the correct use of fertilizers are one of the most common examples of community development within these firm-community relations.

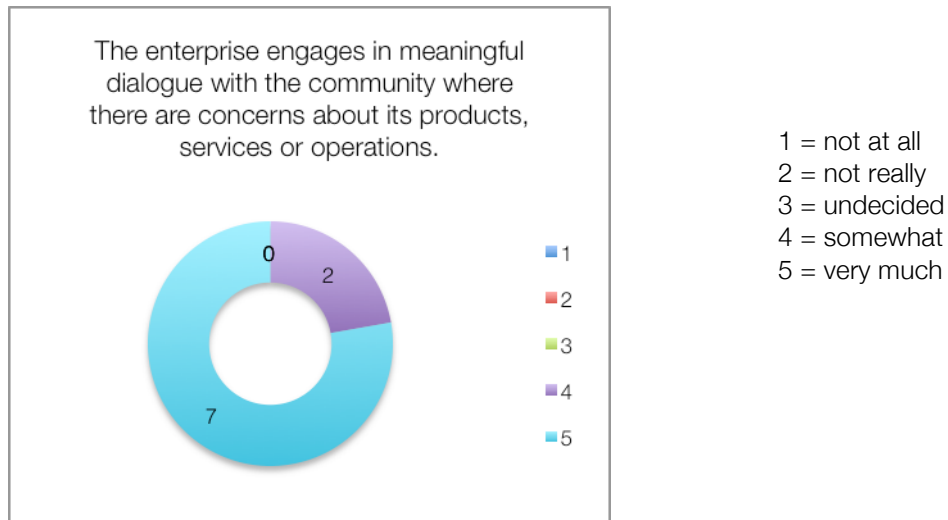
Graph XIV shows that the respondents answers to the inquiry on the support of community projects and activities is fairly varied. Most companies, especially the small and medium agribusiness, agreed that as starting businesses they did not exactly have a budget

designated for these type of activities, but that they planned to be more active in the future. Larger companies all agreed that they thought these types of activities were very much important for their enterprises as an active counterpart of local community development.

**Graph XIV – Firm support to local projects and activities<sup>16</sup>**



**Graph XV – Dialogue with communities<sup>17</sup>**



Dialogue and open communication was perhaps the most important aspect identified by the entrepreneurs in terms of firm-community relations. 78% of the respondents argued that meaningful dialogue with the community to clear any inconveniences that might be present with the local communities is very much important for their mission and operation.

<sup>16</sup> n=8/11

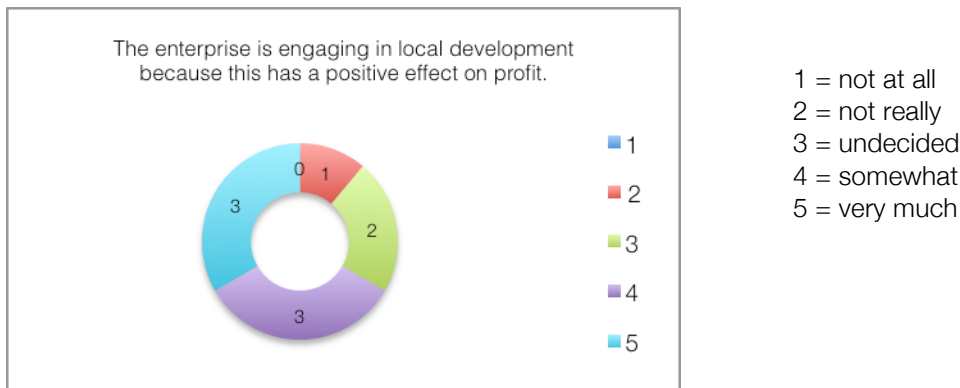
<sup>17</sup> n=9/11

### 4.3 Foreign enterprises in the agribusiness sector & CSR

CSR is a fairly new concept only being recently recognized in the national business sector, and slowly becoming familiar to the foreign agribusiness sector as an interesting possibility. It is still done in an ad-hoc way, leaving the enterprise the freedom to decide or not if it wants to implement such an approach or not.

In practice CSR initiatives coming from foreign enterprises in the agribusiness sector are more aligned with a CSR instrumental approach. The concept of Shared Value explains the current Rwandan context very accurately, as it focuses on the connections between society's needs and the economic progress needed in order to achieve an enterprise's growth, combining both to create a competitive advantage (Porter & Kramer: 2011). The activities of foreign companies interviewed concentrate on providing employment, and skills training in specific activities relating to the sector. Most of the companies hire locals from the villages in which their operations are located.

**Graph XVII – Relation local development and profit<sup>18</sup>**



Graph XVII portrays foreign entrepreneurs' vision on the relation of investing on local development as means to have positive effects on profit. The philosophy of this statement is again very much connected to the instrumental CSR approaches view in which the firm values wealth creation as the sole social responsibility that the enterprise must respond to. Opinions were divided again, however entrepreneurs majorly agreed that local development definitely had on a minor or major level on impact on profit, creating a virtuous circle in which both businesses and communities benefit from.

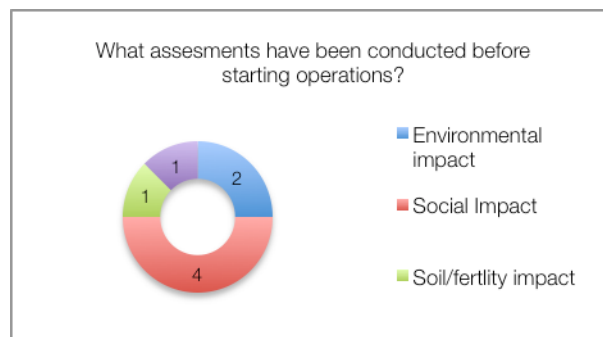
It is necessary to mention that in general, other than job creation and compliance with the National Labor Law, foreign companies are not expected to incur in any other type of activity relating to the more social dimension of CSR. However, entrepreneurs affirm that the participation of local communities in the development of their business has been key for their success. Additionally, most of them agree that providing communities with the knowledge of certain tasks in the sector will not only enrich their business, but the sector in general, and eventually lead to a greater market for their production to further develop. As in national strategy policy documents, foreign enterprises have also identified that increasing productivity is key in order for smallholder farmers to break the subsistence farming methods, and improve their livelihoods.

<sup>18</sup> n=9/11

Another interesting aspect that was identified during the study was how the productive relation between foreign agribusinesses and local communities unfolds mostly with cooperatives and not with individual smallholder farmers. Most initiatives that are framed in the Shared Value view already explained are taking place with farmer associations, and benefitting them almost exclusively. Therefore, this scenario is somehow forcing association to happen. Although it might be beneficial in some cases, it excludes from benefits the farmers that do not have the possibility to associate due to their geographic location or because they prefer not to do it.

In terms of the more environmental dimension of CSR, requirements are more streamlined. Foreign enterprises must comply with the guidelines proposed by authorities such as the Rwanda Environmental Management Authority and the Rwanda Bureau of Standards in aspects such as resource management, emissions and waste control. However, these guidelines are mostly carefully watched by companies pursuing certification schemes, and mostly for the export sector.

**Graph XVIII – Impact Assessments prior to the start of operations<sup>19</sup>**



#### 4.4 Final remarks

All in all the overview provided above gives a diverse picture of what foreign entrepreneurs' value of the Rwandan agribusiness sector. On the one hand Rwanda's government privatization, provision of business services, and production up scaling policies make it more attractive to invest in this particular sector. Moreover, the foreign involvement in agriculture may become more significant in the near future as it is likely that recent investments have a positive impact on agro-infrastructure and value chain developments. On the other hand, investors and potential investors face many obstacles and challenges of which the highlight scarcity of land, the limited export possibilities, and the prominent/impatient role of the state in economic development. Table XI summarizes the main opportunities and obstacles defined by the respondents.

<sup>19</sup> n=8/11

**Table X - Opportunities and obstacles for investors in the agribusiness sector of Rwanda**

Opportunities	Obstacles
Growing and stable economy	Scarcity of land
Enabling government policies...	...but with interventionist practices
Privatization and up scaling of agricultural production	Landlocked country = high costs of exports
Healthy business climate	Underdeveloped value chains and agro infrastructure
Promotion and prioritization of emerging sectors (Crop intensification Programmes, horticulture)	Small domestic market
High demand for investors in various sectors	Political instability and human right concerns
Presence of enabling institutions (Agri-profocus, Rwanda chamber, PSF, RDB etc.)	Limited physical infrastructure such as electricity sources and feeder roads

Source: Scapendonk, Van der Pol, & Marquez, 2013.

In sum, CSR approaches in the foreign Rwandan agribusiness sector are dominated by an economic driven instrumental approach. The overview provided above suggests clearly how many of the investments made in community relations are primarily based on the positive effects it has on business. Additionally, the main target group of benefit programs are the enterprise's own employees, not the extended community of the area of influence. The efforts that are somehow being made by the larger enterprises are still very difficult to identify since they are not part of an organized CSR program, but more scattered and depending on the needs that may be identified in time.

## 5. COMMUNITY-ENTERPRISE RELATIONS IN THE RWANDAN AGRIBUSINESS SECTOR: DEVELOPMENT FROM A LOCAL PERSPECTIVE

Chapter 4 described the main characteristics and CSR approaches of a number of foreign enterprises in the agribusiness sector in Rwanda from the perspectives of foreign entrepreneurs themselves. The aim of this chapter is to assess the perspectives of their counterparts, their employees, in terms of the development being brought at an individual level and in terms of their broader local community.

The first section focuses on successful examples of Strategic Community Investment (SCI), coming from foreign entrepreneurs identified by their employees. The second section evaluates development from an individual perspective, mentioning how employees have built up their Human, Social, and Economic Capitals due to their engagement with foreign agribusinesses. The last section focuses on the perception of employees in terms of their own community's development focusing on the positive impacts that the "Getting it right" enterprise-community relations' framework proposes.

### 5.1 Strategic Community Investment in Rwandan Agribusiness

#### Study Cases

After the survey process with foreign entrepreneurs was finalized three agribusinesses were chosen to conduct interview sessions with their local employees. These cases were chosen based on the fact that the entrepreneurs showed interest in sharing their agribusiness techniques and entrepreneurship opportunity with their local counterparts. Additionally, these entrepreneurs were open and willing to allow the research to be conducted. Box I provides an overview of the main characteristics of the three study cases.

#### Box I: General Characteristics Study Cases

##### CASE I: Horticulture in Rwamagana

The first enterprise selected is a horticulture farm in the Rwamagana District. Producing virus free plants of various fruit crops such as banana, passion fruit, pineapple, tree tomato, is their main objective. Using a tissue culture process to extract pieces of healthy plants, these are produced based on natural selection processes. There is no genetic manipulation involved, and plants are reproduced in a faster manner.

Additional to crop production the activities of the farm focus mainly on providing extension services for farmers in order for them to better understand proper use of fertilizers, multiplication of seeds, adequate protection of crops with a limited use of insecticides, and suitable seed selection. By doing so, the enterprise ensures that plants have a more

longevity and are not constantly threatened by disease, pests and inadequate crop management.

#### **CASE II- Fish farm in Gashora**

The second enterprise is located in the very rural and poor area of the Gashora District. It centers its activities in the growth, sales and distribution of fish. Located in the shores of the Mirayi lake, the farm grows fish in large tanks from eggs that hatch on their own site. They grow both African catfish, and tilapia and they own their own facilities to smoke their produce.

After a proper cooling process takes place, the farm distributes its products to a network of local and domestic customers. These include local community markets, restaurants, and resellers. The fish farm is one of the country's lead suppliers of fresh fish.

#### **CASE III- Mushroom spawn and mushroom production farm in Gicumbi**

The third enterprise is a mushroom farm based in Gicumbi. It is a for-profit social business that wishes to bring high-impact crops to Rwanda. The enterprise's goal is to transfer spawn and substrate technology, to enable growers in local communities to profitably cultivate mushrooms, reducing their price up to half of its current value. Of the three cases this is actually the only enterprise constituted a social enterprise with the mission of targeting malnutrition and providing food security through the enhancement of mushroom production, so it becomes a cheaper product that is consumed by the local population, due to its high nutritional value.

Mushroom growing consists of 3 stages: (1) Multiplication of spawn tissue, (2) Mushroom feeding so it digests the substrate (this is made from wheat water) and (3) Actual mushroom growth. The enterprise focuses mostly on the second part of the process, and has been working with cooperatives of local farmers in the Northern Province, which provide wheat straws for the wheat water that is the main ingredient used to make the substrate needed to grow mushrooms.

#### **Strategic Community Investment (SCI) Identified by Local Employees**

SCI includes several aspects related to community development, concentrating its efforts on those assets that individuals need to build upon to improve their livelihoods. "While the biggest contribution a company normally makes is in the positive impact of the business itself—through employment, contracts, its supply chain, and payment of taxes—voluntary community investment programs offer an important additional avenue for enhancing positive impacts and socioeconomic benefits. Through community investment, companies support capacity building, access to social services and infrastructure, livelihoods development, skills transfer, and microfinance (IFC, 2010: ii)."

When addressed about their engagement with foreign companies local employees identified some of the SCI aspects just listed above. In the following section these will be further discussed, and concrete examples of the study cases will be provided.

Capacity building is perhaps one of the most central aspects of SCI identified in the three cases that were

*"I've been granted further knowledge on the mushroom business for my own future subsistence."*

- Employee Gicumbi Mushroom Plant, Female, 28

studied. The model is based on providing skills training in different agribusiness techniques for the locals to enrich their knowledge in the sector and contribute not only to the business, but also to their own wellbeing. It is business oriented and takes advantage of “efficiencies and competencies in support of local communities (IFC, 2010: 1).” The most common examples of capacity building were different trainings provided in areas related to the particular businesses the enterprises work in. For the horticulture farm these consisted of training in aspects such as the multiplication of seeds, protection of crops, use of insecticides and fertilizers, and seed selection.

*“I am now able to create my own business without constraints. I have learned how to prepare seeds in order to use them in my own agriculture practices.”*  
 - Employee Rwamagana Horticulture Farm, Male, 32

In the mushroom growing process in particular, the production of cheaper spawn in bulk was highlighted since it is now allowing producers to ensure a more stable harvest at a cheaper price. Similarly, in the fishing farm employees also emphasized on the how they are more capable in fish growth, and care and how this knowledge will guide them in the future. They have learned techniques that enable their fish to have a longer lifespan, which has contributed to their food security.

*“I now speak the language (of the business), type of fish, protection from diseases, and how to feed fish.”*  
 - Employee Gashora Fish Farm, Male, 23

Additional to capacity building employees also identified social services as one of the aspects that they value the most from their working relation with foreign entrepreneurs.

*“Besides having a self-sustained economic activity I now also have Mutuelle health insurance for me and my wife.”*  
 - Employee Gashora Fish Farm, Male, 57

Medical insurance was a service that employees could not afford prior to acquiring a job with the three foreign enterprises studied. However, it is important to make a remark and it is that even tough enterprises are providing health insurance; they are not necessarily investing in additional health

programs or campaigns for their employees and their families. This is also common for all of the cases.

Employees correspondingly mentioned some livelihood developments as a result of their job position in a foreign enterprise. From this perspective it is essential to note that these developments were acquired because the employees understood the three entrepreneurs intention that seeks to challenge the view of community investment as “Giving” Rather Than “Investing” (IFC, 2010: 1). In these sense their gains have been achieved with work, enabling them to appreciate them even more over time.

*“They are giving jobs to the community, and salaries. Also we are allowed to have animals in the site of the fish farm.”*  
 - Employee Gashora Fish Farm, Male, 35

*“Farmers come to the farm to learn about what is going on. They can also buy seeds and plant them in their own farms after picking up the techniques.”*  
 - Employee Rwamagana Horticulture Farm, Male, 27



## 5. 2 Human, Social, and Economic, Capitals for Individual Development

### 5.2.1 Human Capital

Human capital represents the skills, knowledge, ability to work and good health that together enable individuals to pursue different livelihood strategies (DFID, 2006:7). As it was previously discussed for all of the cases studied the building of essential skills and knowledge was mentioned as an important asset of human capital obtained while working for foreign enterprises. Box III contains several examples of employees' positive affirmations in terms of skills and knowledge sharing provided by their foreign employers.

Box II – Skills and knowledge sharing	
<p><i>“Foreign companies they pay well, even better than the government. They have certain skills and techniques that are very hard to find elsewhere.”</i></p> <p>- Employee Rwamagana Horticulture Farm, Male, 55</p>	<p><i>“I have acquired the mindset I need for the business: skills about the products and mushroom growing.”</i></p> <p>- Employee Gicumbi Mushroom Plant, Female, 25</p>
<p><i>“Salary, technology, learning and skills, are all benefits of working for a foreign company.”</i></p> <p>- Employee Rwamagana Horticulture Farm, Female, 24</p>	<p><i>“They (foreign entrepreneurs) can help people develop better living conditions through jobs and skills. They enrich national knowledge”.</i></p> <p>- Employee Gicumbi Mushroom Plant, Male, 27</p>
<p><i>“The main benefits from my current job are the knowledge from work, and various skills related to fish farming.”</i></p> <p>- Employee Gashora Fish Farm, Female, 25</p>	

All of the examples expressed above summarize the value that employees give to the skills and knowledge acquired in their workplace. They are a contribution to their individual livelihoods in the sense that they are now able to perform better, to have positive results, and to have a greater advantage for their future development.

### 5.2.2 Social Capital

Social capital features include the societal bonds that individuals draw upon in the pursuit of their livelihood objectives (DFID 2006). This particular capital includes interwoven relationship networks that may be either “vertical (patron/client) or horizontal (between individuals with shared interests) (DFID 2006:9).” Additionally, social capital considers memberships to more “formalized society groups” in which and individual assumes a set pattern of norms and/or restrictions (DFID 2006:9).”

The employees interviewed for the three study cases gave various examples of initiatives that strengthened Social Capital. Relations between the owners or “bosses” were described in all cases as very amicable. A clear example was given by an employee in the horticulture farm in Rwamagana as she described the farm as “a family”, and explained that

all of them meet regularly with the administration to discuss performance and any other issue or inconformity (Employee Rwamagana Horticulture Farm, Female, 24.)

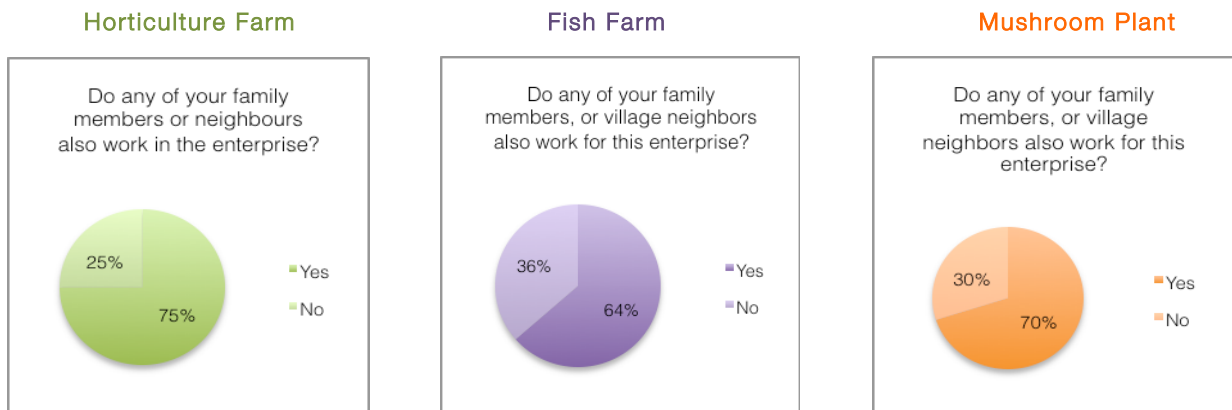
In addition, throughout the interview process with the horticulture and fish farm employees mentioned that entrepreneurs encouraged local farmers to work through organized cooperatives, not only ensuring more efficiency and as well as productivity, but also some grade of social integration. However it is interesting to note that one of the head entrepreneurs of one of these agribusinesses mentioned that he felt that by encouraging this model, he was not reaching the “little guy” at the bottom of the pyramid (Personal conversation, May 2013).

Many employees in both the horticulture farm and mushroom plantation, mentioned cooperatives were scenarios where community members could meet to support themselves and their businesses. They recognized them, as knowledge-sharing spaces where multiple benefits could be obtained. Box III includes some of the employees’ views on the role of cooperatives.

Box III – Contributions to Social Capital	
<p>“The company has contributed by forming a cooperative in which the members can help each other in many ways.”</p> <p>– Employee Gicumbi Mushroom Plant, Female, 25</p>	<p>“They (local communities) form cooperatives and they receive trainings. Other specialists (agronomists) are now coming to train people.”</p> <p>– Employee Rwamagana Horticulture Farm, Female, 56</p>

In addition to cooperatives, family ties were also valued when it comes to hiring of employees in foreign enterprises. When inquired if their family members or village neighbors also worked in the enterprise, most employees answered affirmatively (See Graph XX). This situation also enriches social ties, as members of the community work together to achieve their welfare.

**Graph XIX - Do any of your family members, or village neighbors also work<sup>20</sup> for this enterprise?**



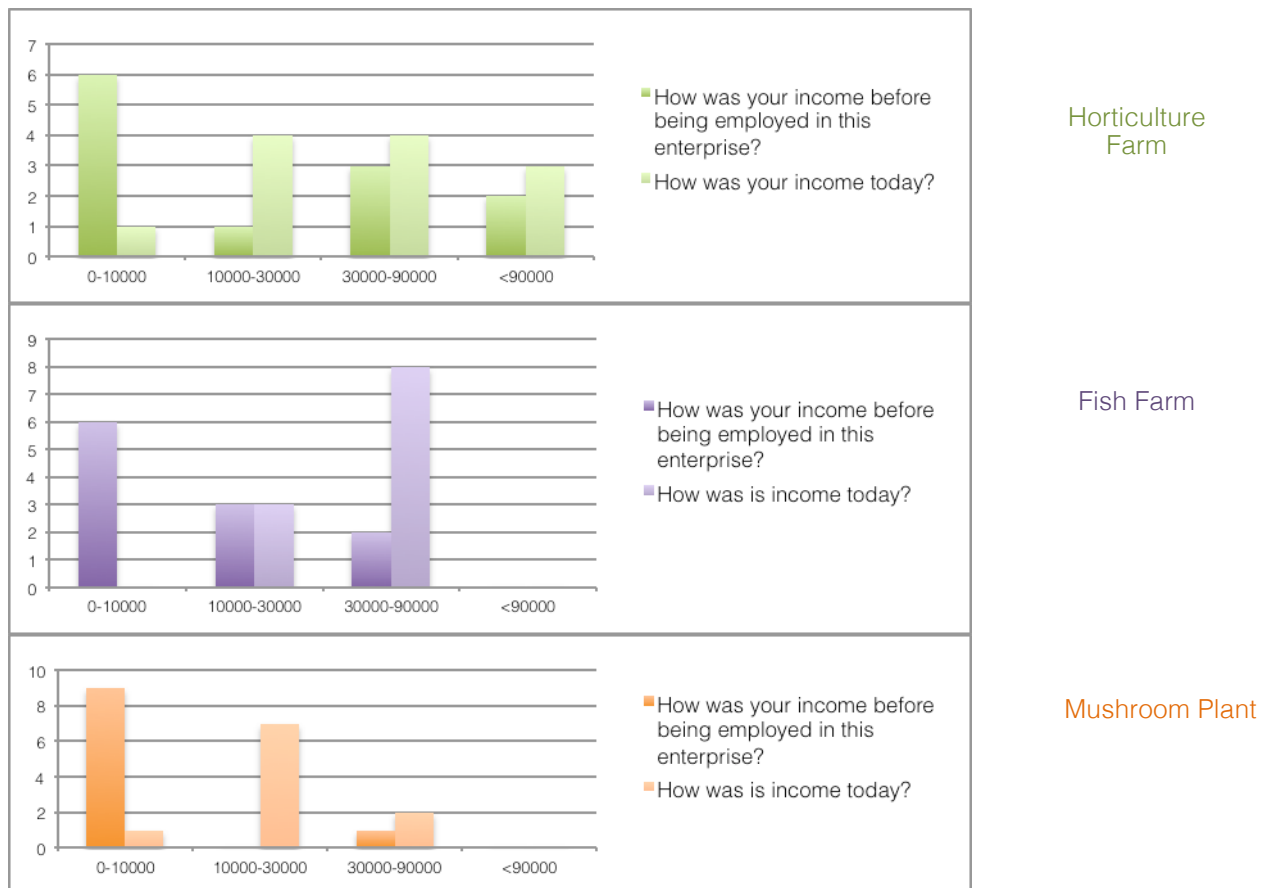
<sup>20</sup> Horticulture Farm n= 12; Fish Farm n= 11; Mushroom Plantation n=10

As it can be noted in Graph XX for the Horticulture Farm, Fish Farm and Mushroom Plant, more than half of the employees mentioned that some of their community members worked for the agribusinesses. This outcome is aligned with the interviewed entrepreneurs' and government's vision of bringing wellbeing specifically to their direct area of influence.

### 5.2.3 Economic Capital

In a context of financial vulnerability, economic capital is definitely an important asset for an individual to be able to have a better livelihood. For the study conducted perhaps the most important aspect of economic capital that contributed to the development of local employees, can be measured in terms of income. Graph XIX evidences how in the three case studies employees went from not having a salary or having a very low one, to one of the higher salary categories. Especially in the case of the Gashora Fish Farm it can be noted how most of the employees, in their majority fishermen, migrated to the third salary category<sup>21</sup>. This graph is very revealing of the employee's precarious economic situation before they started working for the company.

**Graph XX: Income comparison before and after entering the enterprise<sup>22</sup>**



<sup>21</sup> The salary categories in Graph XX were defined according to national earning standards considered by the National Institute of Statistics of Rwanda.

<sup>22</sup> Horticulture Farm n= 12; Fish Farm n= 11; Mushroom Plantation n=10

Another important aspect of economic capital that is worth citing is savings. Employees stated how this concept was introduced to them as they were learning to manage the fact that they were also receiving a fixed salary. “The company encourages their employees to save money from their salary for future purposes (Employee Gashora Fish Farm, Male, 23).” As an employee depicted, enterprises are encouraging their employees to save part of their income to cover for their own and their families’ future needs. In order to do so, the Gashora Fish Farm owner opened bank accounts for all of their employees to grant them the opportunities to access financial services and to provide proper income management. As he explained, “I opened a bank account for every permanent worker so they would get familiar with the concept of saving money. I initially started paying them weekly, then every two weeks, and finally every month. Every time I changed the payment scheme employees would complain, until they finally learned to manage their salaries (Personal conversation, May 2013).”

Complementarily, employees also mentioned that working for foreign agribusinesses gives them access to certain loan facilities and incentives that they can access through their employers. Employees of all of the cases mentioned that loans are both in money and products. The following quotes in Box IV describe some of the examples identified.

Box IV – Loans and financial incentives	
<p><i>“We receive financial incentives from the boss when we have achieved certain goals.”</i></p> <p>- Employee Horticulture Farm Rwamagana, Male, 27</p>	<p><i>“Sometimes we can get access to (spawn) production without paying immediately.”</i></p> <p>- Employee Gicumbi Mushroom Plant, Female, 43</p>
<p><i>“Through the cooperative we can have access to resources like small loans that we would not otherwise access through a bank.”</i></p> <p>- Employee Gicumbi Mushroom Plant, Female, 25</p>	<p><i>“We (the employees) can easily access the farm’s fish production so we can eat it.”</i></p> <p>- Employee Gashora Fish Farm, Male, 57</p>

### 5.3 “Getting it right” and its effect on Community Development

Having analyzed the perspectives of local employees in terms of their individual development measured in the Framework Capitals, it is as significant to review their own perceptions on their broader community’s development. To do so, in the interview exercise the employees were asked certain questions relating to the impacts on their community, inhabitants of the foreign enterprise’s area of influence, These inquiries were formulated with some of the basic components of the “Getting it right” corporate-community relations’ framework. It highlights the following premises as positive intangible outcomes of community- enterprise relations:

- Sense of being respected
- Inter- intra group cohesion and cooperation

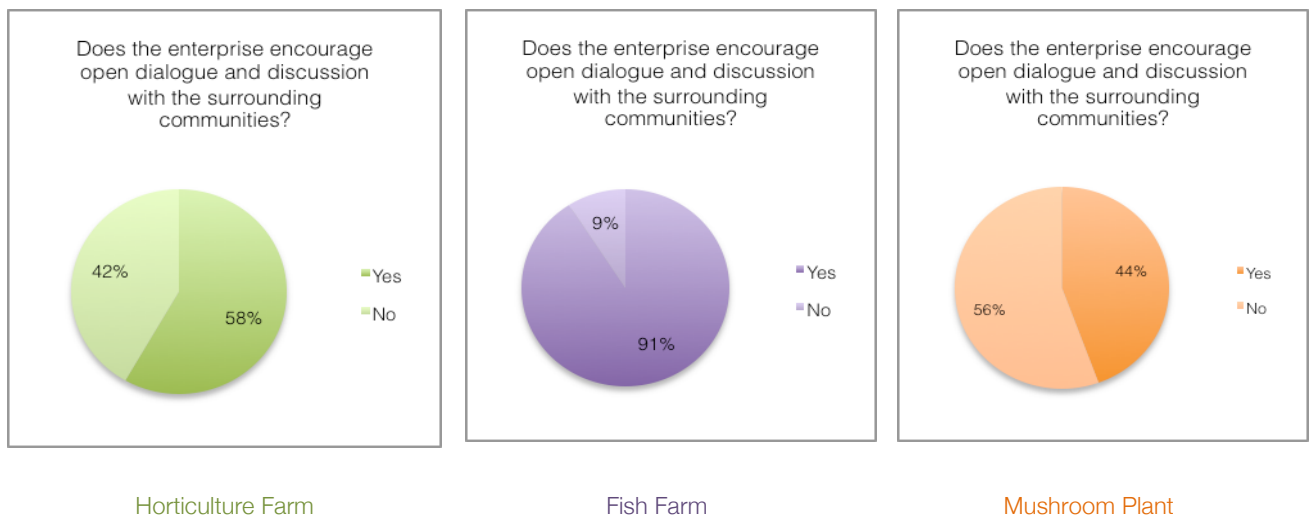
In the following sections each of these will be discussed in order to assess how foreign enterprises are contributing to local development from a community perspective.

### 5.3.1 Sense of being respected

In “Getting it Right” as a community develops a relation with a foreign enterprise it is expected that the company behave in a respectful and transparent manner. This implies that it engages in dialogue with the community when there are concerns related to the any of the businesses activities. Graph XXI portrays employee’s opinions on how the foreign enterprise that they work for engage or not in meaningful dialogue with the surrounding community. To some extent, the three cases are finding some scenario to incur in dialogue with the communities. However, in all of the cases the frequency in which is done varies.

As it can be observed in Graph XXI only in the case of the Fish Farm most employees assured that this dialogue took place, in the other two cases, opinions were closely divided.

**Graph XXI – Dialogue and discussion with the surrounding communities<sup>23</sup>**



Several examples were given as to where these dialogue and discussion takes place. An employee<sup>24</sup> from the Rwamagana horticulture farm mentioned the following: “They (entrepreneurs) meet with the sector's Executive Director, agronomists from the community and other key stakeholders. Based on knowledge acquired they train the community.” The horticulture farm’s employees also described how small farmers from the area come frequently to learn about cultivation of disease free plants, and that every once in a while a member of the technical staff may visit them to provide further insight.

<sup>23</sup> Horticulture Farm n= 12; Fish Farm n= 11; Mushroom Plantation n=10

<sup>24</sup> Male 33 years old

Similarly, an employee<sup>25</sup> from Gashora fish farm affirmed:  
*“At the end of the year they have a party, the enterprise invites the community to advice them, inform them about job opportunities, and give them counseling on entrepreneurship and how they can create their own business.”*

Furthermore an employee<sup>26</sup> from Gicumbi mushroom plant acknowledged:  
*“There are regular visits to inform them (mushroom producers) how to manage their own production.”*

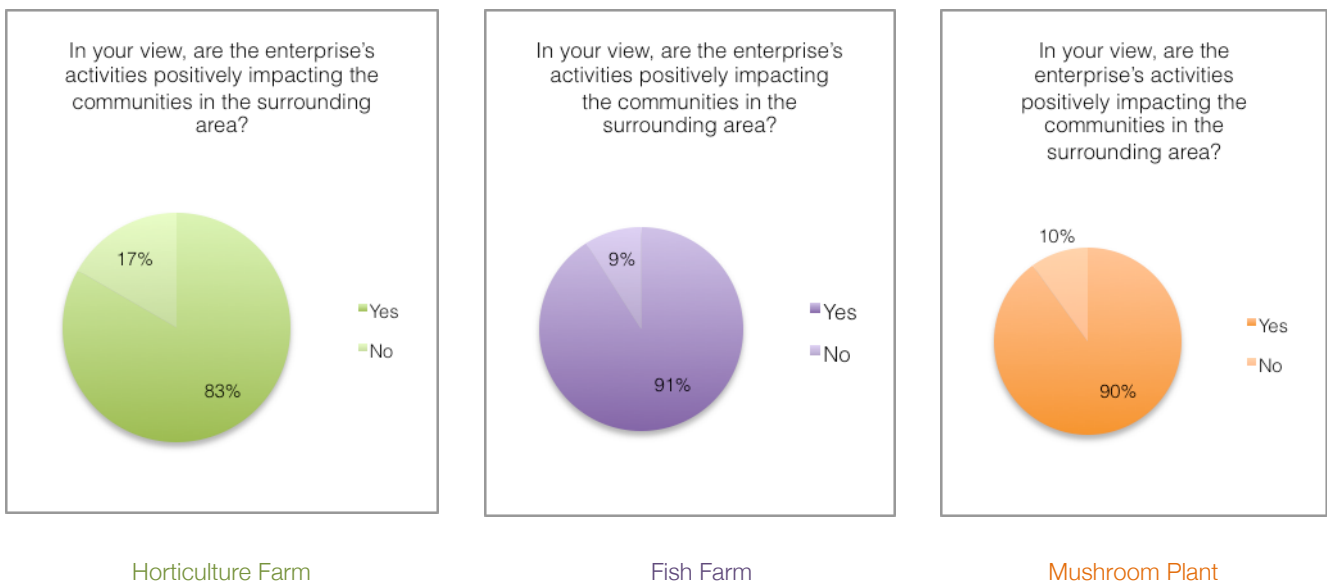
The initiatives to create dialogue vary from one enterprise to another; however, it was possible to identify that there are different communication mechanisms in all of the enterprises, and that although their intentions vary, entrepreneurs are finding the way to establish a healthy open relation with the communities in their area of influence.

### 5.3.2 Inter- intra group cohesion and cooperation

The second feature of “right” community-enterprise relations mentions how a fair benefits distribution scheme, a transparent behavior, and a responsible take on an enterprise’s actions result in a community’s cohesion and cooperation, as well as a positive relationship with the firm (Zandvliet & Anderson, 2009). Throughout the study it was noticeable that local employees valued foreign enterprises as a positive influence on their communities development.

In all three cases (See Graph XXII) employees mostly valued the presence of foreign enterprises as positive for the communities in their area of influence.

**Graph XXII- Positive impacts for the community in the enterprise’s surrounding area<sup>27</sup>**



<sup>25</sup> Male, 26 years old.

<sup>26</sup> Male, 41 years old

<sup>27</sup> Horticulture Farm n= 12; Fish Farm n= 11; Mushroom Plantation n=10

Some of them mentioned that these positive influence was due to aspects such as job creation, payment of better salaries, knowledge sharing, and in the case of the Horticulture Farm and Mushroom Plant, even permission for the community to use the agribusiness' land as a place to learn how to manage their own crops and sometimes even plant them on the enterprise's site.

Concrete examples of positive impacts to be rescued in community-enterprise relations at a group level can be extracted from the following quotes:

*"Production, job creation, salaries to employees, also they invite them for activities."*  
– Employee Gicumbi Mushroom Plant, Male, 41

*"They (entrepreneurs) give jobs to people living close by."* – Employee Gicumbi Mushroom Plant, Female, 28

*"They (communities) are invited to use the enterprise's techniques as a reference so they can implement them as well."* – Employee Rwamagana Horticulture Farm, Male, 33

*"They (communities) come to learn how to cultivate like the enterprise. Also, the company provides them with jobs, while fostering a good healthy relationship. "* – Employee Rwamagana Horticulture Farm, Male, 55

*"The locals can buy fish from the company's production. They also call them over to teach how to handle and grow more of them."* – Employee Gashora Fish Farm, Male, Age not defined

*"They (entrepreneurs) provide jobs, development, and also helps with advice. The boss may be easily contacted."* – Employee Gashora Fish Farm, Male, 43

The employees that answered "No"<sup>28</sup> (See Graph XXII) when asked if they believed the enterprise had positive impacts on the community agreed that the enterprise's operations were simply indifferent to the member's of their area of operation. Most of them chose not to elaborate in their answer, but the ones that did express their reasons said that they believed the company was not doing anything additional or special for these areas.

## 5.4 Final remarks

This last section can be reviewed as a summary of points that come together from the last sections. By assuring a healthy respectful relation with the surrounding community based on dialogue, knowledge sharing and cooperation, an enterprise's activities can lead to an improvement in a community's livelihood. Many of the positive outcomes in terms of livelihoods have already been mentioned along the different citations in this chapter, therefore it is important to summarize them and also point out some weaknesses that could be identified by taking into consideration some of the employee's perspectives along the process (See Table XI).

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<sup>28</sup> The number of employees who answered "No" to this question are as follows: Horticulture Farm n=2/12; Fish Farm n=1/11; Mushroom Plant n=1/11

**Table XI - Strengths and weaknesses in the improvement of quality of life of communities**

<i>Strengths</i>	<i>Weaknesses</i>
Job creation	Temporary contracts
Payment of higher salaries	Informal hiring policies and practices
Recruitment processes with neighboring community	Relationship with the community is sometimes valued as: employer-customer
Access to enterprise produce: food crops	Limited or inexistent community investment initiatives for employees' families
Agribusiness skills training	Lack of additional health and basic education programs
Knowledge sharing	Alliance building strictly through cooperatives

Most of the outcomes of the community-enterprise relations can be framed in positive feedback dynamic between the foreign entrepreneurs and the local communities. Nonetheless, certain aspects have to be reviewed to make a more accurate analysis of the employee's perception. Most contracts of the employees of these foreign companies are temporary contracts expedited in a need-to basis. Once the enterprises activities require it they are seeking labor, but not necessarily sustaining it over time. Furthermore, the relation that unfolds between local communities and entrepreneurs is commonly framed as employer-customer, in which the entrepreneur is sometimes selling their product to some extent, and making use of his competitive advantage. Another facet of this relation that needs to be stated is how community investment programs are limited to their employees, and do not reach their family members or other community stakeholders, thus only providing the basic for the employees and not creating a more significant impact. Finally, as it was already mentioned alliance building and skills sharing is sometimes exclusively linked to cooperatives, creating an exclusion of smallholder farmers that remain isolated from these associations.



## 6. CONCLUSIONS

This study has analyzed the main features of relation created between foreign enterprises and local communities in the Rwandan agribusiness sector, giving a special focus to the development deriving from it both on an individual level and in a broader community sense. This final chapter has two main objectives. Firstly to summarize the main findings of the three components of the research: explorative examination of policies and practices, survey based analysis on entrepreneurs and their CSR approaches, and discussion of the local perspective on their livelihood developments via SCI initiatives put into action by foreign the interviewed enterprises. Secondly, the chapter will provide a discussion on how all of these components come together to determine if in fact the relation created between these foreign enterprises and local communities is providing development that goes beyond an economic sphere.

### 6.1 Findings on local development in agribusiness from three perspectives: government, entrepreneurs, and local employees

The research project analyzed in the chapters of this study was centered in the main question:

*“Does the relation created between foreign enterprises and local communities in the Rwandan agribusiness sector generate economic profit while positively impacting the development of local communities?”*

After finalizing the fieldwork that took place in Kigali City and three rural areas of Rwanda, and after meeting with key actors representing government officials, foreign entrepreneurs and local employees the following findings can be concluded.

#### PSD institutions, policies and practices in Rwandan agribusiness

PSD in Rwanda seeks to create a direct link between income generation and development. In this sense, and as it defined in national policy documents, the agribusiness sector is of great importance due to the amount of people it currently employs. Furthermore, the relation between foreign private sector and agriculture transformation encouraged by the government is in terms of increasing productivity as an essential factor. However, for this to happen building the technical and organizational capacity of smallholder farmers is necessary.

The favorable business climate with incentives such as tax exemptions for foreign enterprises is indeed of interest for investors. Yet, the number of foreign companies in the country is only slowly starting to grow. Many obstacles remain in terms of scarcity of land, lack of agribusiness infrastructure, and misunderstanding of national laws regarding the sector in general. A positive aspect highlighted by the interviewees is the zero tolerance for corruption campaign promoted by the Rwandan government, however more streamlined requisites should be available for entrepreneurs to consider other additional social and environmental activities other than just strictly complying with what is stated by law.

In terms of institutions and their roles it is imperative to mention some interesting findings. The RDB as an investment promotion agency and main contact of foreign enterprises is currently not sufficiently involved in community development projects in order to ensure that the foreign investments in the agribusiness sector may benefit even more the locals involved. It was noted that CSR initiatives are voluntary, and still done mostly in an ad-hoc way. There is currently scarce reporting on community-related aspects of foreign investments, although some minor negotiations do take place between the RDB and local district authorities. Environmental and resource management monitoring is periodical and based on the proposed guidelines of REMA, the national environmental authority that monitors compliance on this issues, and provides impacts assessments as well. The REMA's procedures were regarded as well structured processes by both the entrepreneurs and the national authorities interviewed.

#### A foreign entrepreneur's vision on CSR approaches and development

The relation between the foreign enterprises and community members that participated in this study, is framed in a completely business oriented model. The surveyed entrepreneurs do implement certain SCI initiatives in order to make the relation work fluently, but mostly because it is an essential part of their businesses success. Therefore, the CSR "social" or "philanthropic" initiatives documented along the research were few, scattered and difficult to identify. The strength of community-enterprise relations framed in this model is skills training on specific agribusiness sector activities, or the provision of certain services and supplies (i.e. fertilizers, transportation). These alliances made with foreign companies in the scope of the analysis is done are mostly through cooperatives not with individual smallholder farmers, somehow forcing association to happen, and excluding some individual farmers.

In terms of SCI as a CSR approach, the research identified that for the three cases employees are the target group of the company's initiatives, and these do not necessarily favor their families or other members of their broader community in a direct way. Although most of the foreign companies studied do pay higher salaries than other kind of business of the same nature, these economic benefits only reach some individuals of a community. Similarly, contracts in most of the enterprises considered are still on a temporal basis, which does not provide total stability to the locals hired.

#### A local vision of individual and community development

The local employees interviewed value the opportunity of working for a foreign company because it provides them with knowledge, skills and income unavailable to many before they started working for them and earning a fixed salary. The general perception of the employees seems to be that these enterprises are positively impacting their areas of influence especially because they are sharing techniques and products with the surrounding communities, and involving them in an enriching way. Complementarily, dialogue and discussion takes place between the enterprise and this employees on a regular basis, involving them in frequent meetings with high representatives of the company for them to share their concerns and their vision of the enterprise. The enterprises studied also integrate communities somehow in a social event once a year, but this does not necessarily mean they are targeting their most important social needs. The entrepreneurs interviewed rely on the basic provisions of their business, salaries, contracts, and social

services and value that this is and should be their most important contribution to local development. In this sense, income generation is definitely something new for many of the local communities included in the project, so by creating jobs enterprises constitute a positive relation with their counterparts.

In some cases, employees that were interviewed mentioned that they have migrated to the area of the enterprise in order to pursue a job position with a foreign company. Furthermore, they mentioned that once they acquired their employment placement they encouraged their family members and village neighbors to apply for one as well. In turn, the enterprises reviewed tried to provide these existing colleague's community members with jobs as well, strengthening community values and cohesion. Something to note is that some the foreign companies mentioned are also creating interesting opportunities for university graduate young locals to work in mid-higher management positions.

## 6.2 Final considerations on community-enterprise relations and local development

After reflecting upon the findings relating to the three pillars discussed in the last section, it is now possible to reflect upon the central research question. Considering the current institutional context, Rwanda was definitely an interesting research location due to the multiple linkages among actors and the possibilities of connecting agricultural transformation to development. In a broad sense, the development brought by the participation of the studied foreign enterprises is mostly in economic terms. As it was explained in the prior discussions along the chapter of the study, the main CSR approach adopted by the entrepreneurs surveyed was basically instrumental. Their business-oriented model focused on seeing community investments as how they are entailed, as investments directly related to the wellbeing of their business. The idea behind this type of approach is not necessarily mistaken, but it definitely limits the future developments in terms of a community's livelihood due to the fact that it is business centered with objectives and financial goals to accomplish. It is important to note that to a certain extent, aligning SCI to the activities of agribusiness may also have benefits, specially in a rural context like Rwanda in which farmers benefit from skills training and knowledge.

Other aspects must also be considered in terms of CSR in the context analyzed during this research process. In a developing economy like Rwanda political, economic and social factors definitely affect the implementation of such approaches. Even though the national policies are very much rooting for PSD and its pivotal role there are constraints that lead to challenges in the implementation. Regulation although existent, is not necessarily focusing on providing guidelines to streamline PSD, thus causing it to be still in a very nascent process. In terms of economic context the vulnerable situation definitely gives an advantage to the way the foreign entrepreneurs interviewed are valued by their local counterparts. They do provide jobs, and fixed salaries to locals who previously were not familiar to paid labor. However, the question remains if the conditions that they are currently providing are the best that they can really offer.

When it came to PSD regulation in the country it was interesting to see how policy officials and entrepreneurs assessed seemed to disagree upon the simplicity of the process of doing business in the country. Most of the government representatives interviewed ensured

that most of the necessities were covered at the beginning or start-up phase of the company, and once the company started operations. However, the entrepreneurs although they highlighted that this was helpful still mentioned that further accompaniment was required once the business started its activities. This was a common problematic emphasized by the majority of the entrepreneurs interviewed.

In terms of referring to their agribusinesses as responsible, it was not surprising to see that most entrepreneurs surveyed mentioned they owned or managed responsible business establishments. However, if one would really look into the detail of what responsible is in international standards, some of the participants did not necessarily fit this profile entirely. The entrepreneurs observed do comply with national legislation, but certain aspects may be evaluated as lacking some attention. Perhaps the most important of these aspects that was not given too much importance by many of the entrepreneurs interviewed, was the informality of contracts for employees, suppliers, and customers especially in smaller businesses. Similarly, some of the SMEs that participated in the research process did not have specific environmental and social procedures with monitoring indicators necessary to measure their possible negative impacts on the environment, and on the community's development.

Another interesting aspect to observe during the research project was how the entrepreneurs' and local employees' visions about their agribusinesses matched; even though they were individually expressed. Both of them agreed about the importance of job creation as the main contribution to the development of the local livelihoods, and also they approved on the importance of creating a healthy relationship with each other in order to benefit the most from a work partnership. Nevertheless it is key to mention that there was bias found in the study because the locals interviewed were individuals benefiting directly from the foreign agribusinesses' activities. In these sense, employees mentioned no shortcomings when it came to their job positions, despite that in some cases the main researcher tried to further enquire about the subject in an indirect manner. Then again, most of them were just recently given an opportunity to have an employment and provide for their families, this in their opinion was always expressed as priceless.

An additional critical aspect that must be considered in that the development outcomes previously discussed primarily refers to the individual development of the local employees interviewed. When it comes to community development the findings are based on these employees' perspective, and what they value has been done for the broader community in terms of SCI projects and community dialogue. The opinions of members of the surrounding community were not considered, since they were not interviewed. This could present a limitation in this section of the study because maybe they were not necessarily benefiting from the enterprises' activities. It is important to mention though that the entrepreneurs studied were clear and expressed their focus was on employee wellbeing, and many accepted that in the time being there were slim to no activities concentrating on broader local development of surrounding communities. The development process according to them, took place as an indirect result of their businesses' establishment.

In conclusion, development brought to Rwanda by the foreign agribusinesses reviewed in this study is slowly starting to show some positive results specifically to the directly

benefited, local employees. However for these outcomes to go beyond economic benefits and to become more tangible for a wider population, CSR approaches must move from an instrumental approach to a more integrative one, thus considering social demands.

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# Appendices

## Appendix I

### Structured community interview

I invite you to take place in an unstructured interview as part of my thesis research project, which seeks to assess how foreign enterprises in the agri-business sector are contributing to local development of Rwandan communities, with a special focus on community-enterprise relations. The interview will take place on dd/mm/yy. Participating in this process is completely voluntary, and the results will be used solely for academic purposes.

#### General profile

Name:

Sex:

Age:

Married:

Single:

Nationality:

Number of children (If it applies):

#### SECTION 1

##### Status of the employee in the enterprise

I. How long have you been working for the enterprise?

II. a) Where you familiar with the enterprise's activities before you actually started working for them?

- Yes
- No

b) Explain how.

III. a) Do you live close to the enterprise's area of operation?

- Yes
- No

b) Did you live in this area before you started working for the enterprise or did you move here because of your job?

- Yes
- No

IV. a) Prior to being employed in this enterprise were you employed elsewhere?

- Yes
- No

b) Where?

c) In which position?

d) For how long?

e) Why did you choose to come work in this enterprise?

- Better conditions
- Salary
- Distance
- Other, specify.....

f) How was your income before being employed in this enterprise?

- 0-10000
- 10000-30000
- 30000-90000
- 90000+

g) How is your income today?

- 0-10000
- 10000-30000
- 30000-90000
- 90000+

V. How did you acquire your current job position? (Mention if it was through a specific training program, enterprise recruitment, community meetings, or personal relations).

VI. Do any of your family members, or village neighbors also work for this enterprise?

- Yes
- No

## SECTION 2

### Image of foreign enterprises

VII. What was your first impression of a foreign enterprise, before you started working for one?

VIII. a) In your current job position do you have additional benefits?

- Yes
- No

b) Mention which ones.

c) How do you value the quality of their products compared to ones you used to buy before the enterprise began.

- Very good
- The same
- Lower

d) How are the enterprise's products' prices compared to the ones available before their arrival?

- More expensive
- The same
- Cheaper

IX. a) Would you say that working for this enterprise has any shortcomings?

- Yes
- No

b) Mention which ones.

X. a) Have you participated in any type of training as part of your current employment?

- Yes
- No

b) Mention which ones.

c) Has this training contributed to an increased knowledge or additional benefits? Explain.

d) Has the training provided by the enterprise enabled you or other employees to establish your/their own business?

- Yes
- No

e) If any, how many do you know?( a number)

XI. a) Other than skills training, does the enterprise encourage other activities related to your wellbeing?

- Yes
- No

b) If yes, mention which ones.

c) Did you participate?

- Yes
- No

d) Do any members of your family also participate?

- Yes
- No

XII. a) In your view, are the enterprise's activities positively impacting the communities in the surrounding area?

- Yes
- No

b) Mention which ones.

c) In your view, are the enterprise's activities somehow affecting the livelihoods of the communities in the surrounding area?

- Yes
- No

XIII. a) Does the enterprise encourage open dialogue and discussion with its employees about its activities and organizational structure?

- Yes
- No

b) How does this discussion take place?

c) How often do they take place?

XIV. a) Does the enterprise encourage open dialogue and discussion with the surrounding communities?

- Yes
- No

b) How does this discussion take place?

c) How often do they take place?

## Appendix II

### Interviews Institutional Framework

Rwanda-SAKSS Coordinator MINAGRI

Professor of Agricultural Economics NUR and consultant for MINAGRI

Agricultural Specialist Africa Development Bank

Chairman of Agriculture Chamber Private Sector Federation

Key Account Manager Agricultural Department RDB

Grow Africa Forum and Africa Governance Initiative MINAGRI

Head of Tea Division at National Agriculture Export Board