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Master Thesis

Responsible agribusiness in Ethiopia.

The contribution of European entrepreneurs in
sustainable local development.

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“The development of civilization and industry in general has always shown itself so active in the destruction of forests that everything that has been done for their conservation and production is completely insignificant in comparison.”

Karl Marx

1 Introduction

In the past two decades Ethiopia has engaged in a modernization process to achieve socio-economic development. Possessing vast reserves of fertile agricultural land and water sources, Ethiopia has become one of the top five destinations for commercial agriculture in sub-Saharan Africa (Schoneveld, 2011). Its ambitious policies place agricultural development at the core of this modernization process. Policies such as easy access to fertile land and tax benefits to all investors willing to import new technologies and know-how are only a part of the strategies employed by the government to create a favorable business climate. In this developmental path the private sector has gained significant ground as a driver of development complementing government activities and interventions. In the new paradigm of development that has emerged in the past two decades the private sector through entrepreneurship is seen as one of the key drivers of economic progress, poverty alleviation and environmental protection (Porter & Kramer, 2011; Dean, 2007). For companies operating in a development context inclusive business and CSR strategies are expected to stimulate employment, provide services and transfer technology while stimulating economic growth (Visser, 2008).

The policies of the Ethiopian government succeeded in attracting the attention of the global business community triggering a boom of foreign investments in the country. However this boom has also attracted the attention of academics around the world who adopt a more critical stance to the subject. In fact, Ethiopia has gained a considerable position in the academic debate when it comes to the discussion on large scale land acquisitions (land grabbing), especially in the light of reports accusing the government of massive human rights violations and forced displacement of indigenous populations (Oakland Institute, 2013; Oxfam, 2011; Zoomers, 2010). As European investors have a significant share in the foreign investments implemented in the Ethiopian agricultural sector in the past years it becomes of vital importance to examine their activities and make an assessment of their contribution to local development.

This study examines a sample of European companies that will be looked upon through the theoretical framework of responsible business and sustainable entrepreneurship. This framework presents an interesting insight into their activities and business models by highlighting key issues at stake. Through the assessment of practices this paper reveals business practices and models that, if encouraged and replicated, will lead Ethiopia to the path of sustainable development.

This paper starts by outlining the research methodology followed together with the necessary background information that will introduce the reader into the Ethiopian context. Subsequently the results and findings are presented followed by an analysis and discussion part where a critical

reflection of the findings is undertaken. By the end of this text the reader should have a clear picture of European involvement in the Ethiopian agricultural sector as well as an understanding of the different perspectives that exist to this process.

2 Research Design

2.1 Objectives

The overall objective of this research is to assess the impact of European entrepreneurs in the Ethiopian agribusiness sector on sustainable local development through both empirical evidence and theoretical reflection. More specifically, the acquisition of empirical data focuses on the activities and practices of European entrepreneurs while the theoretical reflection draws upon the theory on responsible business and sustainable entrepreneurship to examine the necessary conditions needed to stimulate the creation of a sustainable economy. The central research question which guided the research is:

Box 1: Main research question

What is the contribution of European companies in the Ethiopian agribusiness sector to sustainable local development?

The research took into focus producers in the agricultural sector (vegetable, dairy, flowers) and their practices in terms of responsible business but also supporting companies (logistics, agricultural supplies, services) to examine their impact within the local communities they operate and the Ethiopian economy as a whole.

The main research question is supported by the five sub-questions presented in Box 2 which aim at refining the research objectives and guiding the methodology. The rationale and usefulness of each of the research sub-questions is explained after the box.

Box 2: Research sub-questions

- 1. What are the main characteristics of European entrepreneurial activity in the agribusiness sector?**
- 2. What are the factors influencing European companies towards the adoption of responsible business strategies within the value chain?**
- 3. Do European entrepreneurs contribute to the adoption of better labor and environmental standards by the Ethiopian market?**
- 4. To what extent does technology transfer take place?**
- 5. Can the European business models be replicated by local entrepreneurs?**

1. What are the main characteristics of European entrepreneurial activity in the agribusiness sector?

The first step in the research was to compile a list of European companies active in the agribusiness sector and acquire sectorial information and data on their activities in general. This step was important to create a profile of companies active in the agricultural sector that in order to select a sample for the study.

2. What are the factors influencing European companies towards the adoption of responsible business strategies within the value chain?

Examining the factors that influence the adoption of responsible business practices within the agricultural value chains is necessary to understand the dynamics and driving forces of the sector. This understanding facilitates policy recommendations for the Ethiopian government, international donors and other actors engaged in promoting responsible business practises.

3. Do European entrepreneurs contribute to the adoption of better labor and environmental standards by the Ethiopian market?

This question targets at understanding the extent to which European entrepreneurs have any kind of influence linked to responsible business practices on their domestic or international competitors.

4. To what extent does technological learning take place?

Another important aspect to determine the influence on local development is to observe whether European entrepreneurial activity contributes to technological learning. The import of new technologies and practices in case of adoption by local companies can significantly influence local development and improve the livelihoods of local populations.

5. Can the European business models be replicated by local entrepreneurs?

This question is very important in combination with sub-question 4 as it examines the circumstances under which technological learning can materialize and lead to the creation of new new companies by Ethiopian entrepreneurs. In this context government policy is analyzed as well as its effectiveness in stimulating responsible investments and the creation of a sustainable economy. This questions also opens the discussion on the applicability of the theories behind responsible business and sustainable entrepreneurship in the Ethiopian context. The objective of this discussion is to examine possible ways and strategies to maximize the developmental impact of European companies by creating shared value for entrepreneurs and local communities. In this frame alternative business models are examined that can present a viable alternative to business as usual, maximizing the developmental impact of corporate activities.

2.2 Methodology

In order to fulfill the objectives of this research both quantitative and qualitative data had to be gathered. For the quantitative part a survey was conducted to gather the necessary data needed to answer a part of the research questions. The more qualitative aspects of the research were covered by in depth interviews of relevant stakeholders many of which stretched up to two hours of duration.

The first part of the research required a thorough literature review on responsible business and background information on Ethiopia's development policies focusing mainly on the agricultural sector. This served to construct the necessary analytical framework in order to put the activities of European companies into context. This led to an analytical framework based on three topics: The Ethiopian context, the agricultural sector and sustainable local development through responsible business and sustainable entrepreneurship.

After consolidating the analytical framework preparations were made to start the empirical data collection. As both quantitative and qualitative data were needed to give a complete answer to the research questions the mixed methods approach seemed most suitable for the purpose of this research. Some of the aspects concerning agribusiness could easily be quantified within the boundaries of a survey and other issues such as responsible business and the developmental impact had to be assessed on a more qualitative basis. It has to be noted here the notion of development and therefore also the assessment of the developmental impact are not value free and had to be approached within a solid analytical framework.

The data collection can be split in two parts namely the sectorial data on agribusiness and the data acquired through European companies in the field. The sectorial data consists of quantitative background data that was acquired through institutions and relevant stakeholders with the main source being the Ethiopian Investment Authority (EIA). Subsequently the collected data was processed to compile an inventory of relevant companies to allow interviews and the collection of data on company activities. Stakeholder interviews provided the research with relevant background information and an in- depth understanding of the core issues at stake. By visiting relevant institutions and stakeholders, listings of companies in the sector of interest were gathered in order to compile the sample of the study. The listings from the various stakeholders were then cross-checked and combined in an excel database in which the results of the survey were eventually coded.

After interviewing the relevant stakeholders and compiling the list of companies, the sample of the study was interviewed to fill in a survey providing factual information on company activities but also on issues of responsible business practices such as their involvement with local communities,

labor relations etc. The information collected through the survey was coded in a Microsoft Excel database which facilitated the analysis and data aggregation (where possible).

Finally a number of companies was selected based on their adherence to standards of responsible business in order to examine more in detail the drivers, problems and success factors of their activities judging by their developmental impact. This was done by examining employment conditions, training and education of staff, but also the issue of technology transfer. These in depth interviews gave a more detailed insight into the drivers and constraints of responsible business practices and highlight future opportunities if adopted by a larger number of companies.

Table 1: Overview of empirical data collected

Data	Details	Research Sub-questions
Sectorial data		
Background data	<p>Quantitative data Aim: Acquire the necessary data to compile an inventory of companies and producers; data on overall investment activity; support data acquisition from companies and analysis. Source: Institutional framework, value chain stakeholders</p>	1
Stakeholder interviews	<p>Qualitative data Aim: Get an overview of the sector, prepare for data acquisition from companies Target group: Local NGO's, agricultural consulting companies, institutional stakeholders</p>	1, 3, 5, 6
Company Data		
Company survey	<p>Quantitative data Aim: Acquire factual information on company activities, characteristics and responsible business practices. Source: Farm management or owners</p>	1, 2, 4
In-depth interviews	<p>Qualitative data Aim: Extract information beyond survey boundaries with selected companies concerning innovative business practices, owner motivation, drivers and barriers to their business. Target group: Owners or shareholders</p>	3, 4, 5, 6

The empirical data collected during the field work in Ethiopia can be split into two categories. Table 1 presents an overview of the collected data in connection with the relevant research objectives. Sectorial data was acquired from stakeholders within the institutional framework as well as local NGO's and agricultural consulting companies active in the area. The data collected from these actors enabled the compilation of a list of European companies in the agricultural sector which was necessary to prepare the sample and begin with the survey. Furthermore the interviews of the stakeholders of this category provided the research with relevant background information on the agricultural sector and its dynamics. Company data was collected mostly by visiting the different farms and company offices through interviews with people at higher management positions (usually general managers) or company owners or shareholders. The interviews started in the setting of a semi structured interview to enable the completion of the survey and in some selected cases evolved into an open ended discussion which went beyond the survey, covering issues of responsible business practices, business models as well as opportunities and barriers of operating in the Ethiopian setting.

After data collection was completed the survey findings were analyzed and combined with the information collected from the stakeholder and in depth interviews. The analysis attempted to give a complete answer to all research questions and highlight the different aspects of the European involvement in the agribusiness sector in Ethiopia. The present research expands our understanding on the way European companies influence local development by pursuing opportunities in the Ethiopian agricultural sector.

2.3 Data limitations

This part examines the collected data as well as the sampling methodology in terms of relevance and potential biases that have to be taken into consideration. The three types of data that were collected will be examined individually. Overall sampling was influenced by the quality of data (mainly contact details) provided by the relevant authorities and at the initial steps of the research some snowballing occurred mainly among the Dutch community which was closely interconnected. Furthermore the sample is dominated by Dutch companies and cannot be held representative for the activities of other European companies. Also within the Dutch sample there is an over-representation of floriculturists (7 out of 23 surveyed companies), which makes the sample biased against other companies in the agricultural sector. The non-Dutch companies included in the sample were assessed mainly on a qualitative basis to enable comparison with the Dutch sample.

The data obtained from the Ethiopian Investment Authority (EIA) was incomplete as to the contacts of companies mentioned in their investment inventory. Therefore the sampling had to rely more on the lists provided by the Dutch embassy and the Ethiopian Horticulture Producers and Exporters Association (EHPEA). The research was initially set up with a focus on Dutch companies but later on it was decided to expand the scope of the study to other European companies as well to enable comparisons. Unfortunately incomplete data together with the low interest of other European firms contacted to participate in the research resulted in a sample dominated by Dutch (or partly Dutch) companies which dominate the floricultural sector of the country. Therefore most of the in-depth interviews were conducted with other firms outside the sector (ex.dairy-poultry, agro-related) in order to obtain data on a more qualitative basis on the activities of European companies in the wider agricultural sector of Ethiopia.

Table 2. Overview of conducted interviews

Stakeholders	Company Survey	In-Depth interviews	Total
6	23	10	29*

*In depth interviews were conducted parallel to the company survey.

The above table (2) presents the number of conducted interviews. It has to be noted here that the total number of interviews was 29 as in many cases the survey was filled in during the in-depth interviews. The different opinions collected during stakeholder interviews diverse as they maybe cannot claim to be representative because of the limited number and background of the respondents. As can be seen in table 3 the respondents of the stakeholder interviews are either from an institutional or from an NGO/ consultancy context. Therefore the value of these interviews is purely qualitative and was useful especially during the first stages of the research.

Table 3. Stakeholder interviews

	Dutch	Ethiopian	Total
Institutions	2	1	3
NGO'S/ consultancies	3		3
Total	5	1	6

The table below (4) provides a deeper insight into the companies of the sample. As mentioned above the flower growers are over-represented in this sample and were analysed separately as this specific sector is labor intensive by its nature and heavily influences the statistics obtained by the survey.

Table 4. Surveyed companies by sector

Horticulture (-flowers)	Floriculture	Dairy & Poultry	Consultancies	Other agro-related	Total
3	7	4	3	6	23

3 Regional Background

3.1 Ethiopia

History and Geography

Ethiopia is a land locked country located in the Horn of Africa. It has around 86 Million inhabitants (African Development Bank, 2013) and is bordered by Eritrea to the north, Djibouti and Somalia to the east, Sudan and South Sudan to the west and Kenya to the South. It is the second most populated country of Sub-Saharan Africa and is one of the world's oldest civilizations. Its rich history stretches back to the presence of early hominids and includes ancient civilizations and kingdoms as well as a recent past full of tensions and conflicts with neighbouring countries. Its history is unique among other African countries as it was never under colonial rule with the exception of a short period of Italian occupation from 1936 to 1941. Ethiopia's last emperor, Haile Selassie, came in to power in 1930 and began a modernisation process in an attempt to steer the country away from traditional and backward systems. In 1974 he was overthrown by the military officers under the command of general Mengistu. The Derg regime's military rule pursued a socialist agenda by establishing a one party communist system. Under this regime the country went through controversial reforms which eventually caused destabilization and uprisings. A series of famines in the early 80's led to the formation of the Ethiopian People's Revolutionary Democratic Front (EPRDF) which eventually resulted in the collapse of the Derg regime in 1991. Under its leader Meles Zenawi the EPRDF initiated an ambitious reform program to enable the transition of the country to a democratic rule with decentralized authority. Multi-party democracy was introduced and a constitution was adopted in 1994. Ethiopia's state structure has since changed from being highly centralized to a federal and decentralized system. Many problems remain though as many of the elections held since 1991 have been heavily contested featuring a weak opposition, claims of vote rigging and post-election violence. Today Ethiopia has managed to resolve some of its past problems and remains devoted to its modernisation process.

Ethiopia is the world's 27th largest country with an area slightly over 1.1 million square kilometres. Geographically the country presents a very diverse landscape with high plateaus ranging from 1500 to 2000 meters as well as a great diversity in climatic patterns, soils and natural vegetation. The country is divided by the northern part of the Great African Rift which is characterized by numerous gorges and river valleys. The high plateaus are surrounded by lowlands along the South Sudanese and Kenyan borders and to the East and North West, where one can observe the Danakil depression situated 125m below sea level. The country is often referred to as

the “rooftop of Africa” or the “water tower of Africa” pointing out to its highlands and vast water reserves. This geographic and climatic diversity in combination with fertile and mostly untouched soils and make it suitable for the cultivation of a great variety of crops.

Economy

Although rich in natural resources of all kinds, Ethiopia is one of the poorest countries in the world and is classed as a least developed country with a gross national income of 370\$ per capita in 2011 (World Bank, 2013). The government with its ambitious modernisation plan aspires to reach middle income status (current threshold: US\$ 1,025) within the next decade as it currently lies substantially below the regional average of US\$ 1,257. The country’s economy benefited significantly from the reforms implemented in the 1990s’ and 2000s’ and experienced strong and broad based growth averaging 11% within the last nine years (MoFED, 2013). This growth mainly powered by the service and agricultural sector made Ethiopia one of the fastest growing economies in the African continent. The achieved growth of the past decade has brought in positive trends in poverty reduction both in urban and rural areas with a reduction of almost 10% of people living below the national poverty line of 0,6 USD per day from 2005 to 2010 (WB, 2012). Ethiopia’s Growth and Transformation Plan (GTP) targets to further reduce poverty and also achieve the Millennium Development Goals (MDGs) related to gender parity in education, child mortality, HIV and malaria.

The agricultural sector lies at the heart of the Ethiopian economy accounting for 46% of the GDP and 85% of the workforce. The service sector representing around 40% of the GDP but only 10% of the workforce and the industrial sector follows with 14% of the GDP and occupying only 5% of the labour force. Ethiopia is seeking growth through a strategy of increasing exports in an attempt to imitate the successful development experience of East Asian countries (World Bank, 2012). Agricultural production has contributed significantly to the increase of exports with coffee, vegetables, oil seeds and cut flowers being among the top 5 export products of the country. The agricultural sector although suffering from the lack of technological input, knowledge and infrastructure has largely benefited from government policies of the past decade which place agriculture at the heart of the country’s modernization process. This process is being backed by international donors and investors who engage in activities targeting food security and resilience thus contributing to the country’s economic growth and poverty reduction plans.

Box 3: Principles guiding Ethiopia’s long term economic goals (source: MoFED, 2010, p.29)

Ethiopia’s long term vision:

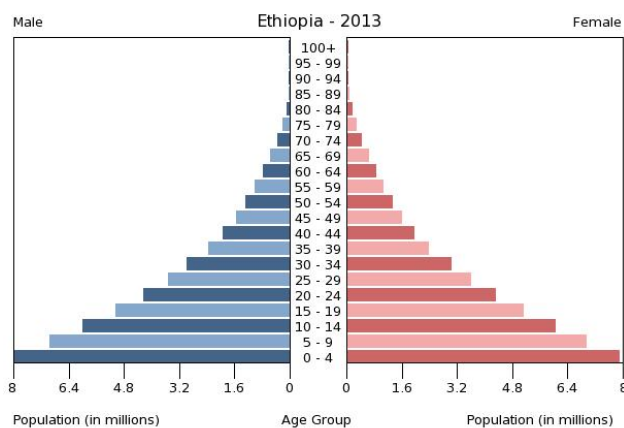
“to become a country where democratic rule, good-governance and social justice reign, upon the involvement and free will of its peoples, and once extricating itself from poverty to reach the level of a middle-income economy as of 2020-2023”

Box 4: Ethiopia's vision for the economic sector:

"Building an economy which has a modern and productive agricultural sector with enhanced technology and an industrial sector that plays a leading role in the economy, sustaining economic development and securing social justice and increasing per capita income of the citizens so as to reach the level of those in middle income countries."

Society and Developmental challenges

Ethiopia is considered the 13th most populated country in the world with a population estimated from 86 to 94 million depending on the source (African Development Bank, 2013; CIA world Factbook, 2013). Despite its rapid urbanization rates being estimated close to 4% Ethiopia's population is predominantly rural at about 83%. As can be observed in the graph below Ethiopia has



a noticeably young population with almost 45% being under the age of 15 years. This can be attributed to factors such as high fertility rates, low life expectancy at birth and declining infant mortality rates. As mentioned earlier Ethiopia is an ethnically and culturally diverse country with more than 70 spoken languages in the different regions of Ethiopia.

Ethiopia's Population Pyramid (Source: CIA World Factbook)

The Oromo (35%), the Amhara (27%), the Somalis (6%) and the Tigrayans (6%) are the ethnic groups with the biggest representation

among the Ethiopian population. Smaller ethnic groups are scattered all over the country's diverse geographical formations. The region of Ethiopia was the first to adopt Christianity as a state religion during the 4th century. According to the census carried out in 2007 the majority of the country's population remains Christian (63%) together with a substantial Muslim representation of about 34% (CSA, 2007). Most Christians belong to the Orthodox denomination and co-exist with other religions and traditional beliefs. The country's official language is Amharic (Amarigna) and English. Amharic has prevailed over Oromigna which is a regional official language due to historical events and the strong political influence of the Amhara.

Despite the remarkable economic growth of the past decade Ethiopia has still a long way to go towards achieving the Millennium Development Goals of combating poverty, illiteracy and improving the health and sanitation conditions of its citizens. The percentage of people living below the official poverty line is still close to 30% despite the significant reduction of 10% which occurred over the past decade. Its predominantly rural populations pose a number of challenges concerning infrastructures and access to public services. Poverty alleviation lies high in the government's agenda which devises a large amount of its budget to investments and pro-poor programs in collaboration with

international donors. International help is often accompanied by conditionalities of good governance, transparency, accountability and empowerment of local authorities. Expansion

of the road network linking together the administrative regions (Woredas) but also rural areas is also within the government's top priorities which targets to reduce the time needed to reach an all-weather road to 1,4 hours by 2015 (3.5 hours were needed in 2010)

List of main developmental challenges

- **Poverty eradication (30% of population below official poverty line)**
- **Improvement of health and sanitation conditions**
- ***Reduce Child mortality***
- ***Fight against malaria and HIV***

(MoFED, 2013). This target seeks not only to improve the road services to citizens but to create the necessary infrastructure to serve the increasing needs for transport and trade of agricultural production which lies at the core of the developmental model followed by the country.

Governance and policy

Historically Ethiopia was governed for centuries by a monarchic centralized structure. After the collapse of the Derg regime in 1991 a transitional charter was adopted, paving the way towards the installation of a pluralist political system with an elected government. Under the constitution of 1994 Ethiopia was federalized into nine ethnically based administrative regions and two chartered cities. The new constitution featured extensive devolution of power to regions, with the federal unity based on equality of nations and nationalities. According to the federal constitution regional states are assigned extensive powers to establish their own government and democracy. The nine regions were divided into 68 zones and further into 550 woredas (districts). The decentralized power structure directly influences foreign investments in the country and daily relations with government officials, but national policies and guidelines exist and are being followed. It is worth mentioning at this point that the recent national policies welcoming foreign investors and providing them with "unused" land creates tensions between the national and the regional governments. The national policies currently pursued are tending towards a more centralized power structure by superseding the power of regional governments for the national interest.

One of the first duties of the new government formed in 1995 was to undertake structural reforms aimed at stabilizing the country's economy and transforming it into a market-oriented model. After economic stabilization was achieved the government drafted long term strategies for social and economic development (ADB, 2009). In 2002 the Sustainable Development and Poverty Reduction Program (SDPRP) was adopted featuring poverty alleviation as one of the government's top priorities. Its main objective was to build a market oriented economy enabling rapid economic development, extricating the country from food aid dependency, while ensuring that the poor would

be the main beneficiaries of achieved economic growth. The SDPRP was based on four pillars: Agricultural Development Led Industrialization (ADLI), justice system and civil service reform, decentralization & empowerment and capacity building (MoFED, 2002).

After 2005 and for the next five years the government put forward the Plan for Accelerated and Sustained Development to End Poverty (PASDEP). This plan continues on the directions pursued by the previous plan and becomes broader by giving emphasis on human development, rural development, food security and capacity building. The main priorities set forward by this 5 year plan were the commercialization of agriculture, enhancing private sector development, industry, urban development and intensifying efforts to achieve the Millennium Development Goals (MoFED, 2006).

Currently the plan being implemented is called the Growth and Transformation Plan (GTP) which covers the period from 2010 to 2015. The objectives of this plan are summarised in the table below. All three plans put great emphasis on accelerated and sustained economic growth, with the agricultural sector having a central position.

Table 6: GTP objectives & strategic pillars (Source: MoFED, 2010)

GTP Objectives	Strategic pillars
<ul style="list-style-type: none"> • Maintain high growth (at least 11% average) • Achieve the MDGs in the social sector • Establish favourable conditions to build a stable democratic and developmental state • Ensure sustainable growth within a stable macroeconomic framework. 	<ul style="list-style-type: none"> • sustain rapid growth • emphasize agriculture • promote industrialization • invest in infrastructure • enhance social development • strengthen governance • empower youth and women

3.2 The Ethiopian agricultural sector

The development of Ethiopia’s agricultural sector lies at the heart of the country’s modernization plans and accounts for a large part of the growth achieved during the past decade. The sector is critically important both for the overall economic performance of the country but also for poverty alleviation and food security especially in rural areas. Therefore Agricultural Development Led Industrialization (ADLI) is a central pillar of economic policy visible both in the current growth and transformation plan (2010-2015) but also in the Plan for Accelerated and Sustained Development to End Poverty (PASDEP). This strategy pursued by the Ethiopian government is mainly based on the argument that since 85% of the population depends primarily on agriculture, development requires rapid agricultural growth (Lavers, 2012). Despite the strong performance of the sector over the past decade it is still dominated by subsistence farming which is characterized by low inputs/ outputs and is mainly rain fed (MoARD, 2010). This characteristic makes the entire sector

vulnerable to periodical droughts which can severely damage agricultural output resulting in devastating effects on household food security and poverty levels.

Policy documents on agricultural development indicate that the country has a comprehensive and consistent set of strategies and policies reflecting the importance of the agricultural sector for the development of Ethiopia as a whole. However ambitious the policy documents it is often noted that the institutional capacity for the implementation of these strategies is limited (MoARD, 2010). Civil service reforms are being implemented but the institutional weaknesses in combination with a lack of infrastructures supporting the agribusiness sector are considered one of the main obstacles to the rapid development of the sector. Other sources are highly critical of the strategies pursued. In the light of statistics on food insecurity Lavers (2012) argues that the policy of ADLI has dramatically failed as it has not produced the expected results, and is currently relies completely on foreign aid programs to keep going.

Box 5: Goal and Objectives of the Agricultural Policy and Investment Framework, (source MoARD 2010)

“Contribute to Ethiopia’s achievement of middle income status by 2020”

“Sustainably increase rural incomes and national food security”

One of the key elements in the agricultural sector and one of the government’s top priorities is the increase of smallholder productivity. This issue acknowledges the importance of smallholder agriculture and its connection to rural poverty and the large productivity gap. The enhancement of productivity must be supported by efforts to encourage farmers to abandon the subsistence farming model and turn to practicing farming as a business. This element together with the implementation of sustainable natural resource management is expected to reduce environmental degradation and meet the challenge of combating rural poverty and ensuring food security.

Another key issue to the subject is the ownership of land and the process of land acquisition by domestic and foreign investors. The implementation of ADLI requires the state ownership of land and a guarantee for smallholder rights. The current Ethiopian government has largely maintained the land policies of the previous Derg regime which had nationalised all land and redistributed user rights to smallholders. This line of policies were implemented by arguing that land privatization would lead to distress sales and the displacement of the peasantry (Lavers, 2012). According to Lavers (2012) the policies pursued resulted in the almost complete absence of capitalist agricultural production in Ethiopia with smallholder production dominating the production of all crops and accounting for 95% of the country’s agricultural output. This line of policies started changing only recently with governmental policies promoting investment from local and foreign investors. This

change indicates an emerging dualism that can be observed in the Ethiopian agricultural sector. On the one hand is the dominant and politically sensitive smallholder sector which is central to the government's development plans, and on the other is the rapidly expanding investment sector (Lavers, 2012). Policy documents treat the two sectors as separate claiming that investors are given "unused" land that could not have been used by smallholders due to the lack of resources, resulting in an overall increase in production (MoFED, 2006; Lavers, 2011).

Table 7: Strategic objectives of the Agricultural sector. (source MoARD 2010)

- I. To achieve a sustainable increase in agricultural productivity and production.
- II. To accelerate agricultural commercialisation and agro-industrial development.
- III. To reduce degradation and improve productivity of natural resources.
- IV. To achieve universal food security and protect vulnerable households from natural disasters.

3.3 Land grabbing and European investments in agriculture

In the aftermath of the food crisis of 2007-2008 much has been written on the subject of ever increasing large scale land acquisitions or land grabbing. Literature of the past years puts emphasis on analysing the drivers behind the recent trend in many developing regions around the world (Grain, 2008; Cotula et Al., 2009; Zoomers, 2010). Within the global "land grab" debate Ethiopia is one of the preferred destinations for large scale investments in Africa. According to the Oakland institute (2013), between 2008 and 2011 3,619,509 ha – about the size of the Netherlands- were transferred to domestic investors, state-owned enterprises, and foreign companies, including European agro-enterprises (Oakland Institute, 2013). Another aspect worth mentioning is presented by Lavers (2012) who examines the motivation of governments of developing countries which facilitate the process of the on-going land acquisitions in order to accomplish agricultural transformation and commercialization (Lavers, 2012).

In the context of Ethiopia's ambitious policy targets, the country began to welcome European among other foreign investors in an attempt to import the necessary technologies and knowledge to achieve the commercialisation of Ethiopian agriculture (MoFED, 2006). The scale of European investments cannot be compared to the scale of other foreign investors (ex. Indian, Chinese) but their numbers have been steadily rising in the past years with many investors focusing on capital and knowledge intensive production (ex. Dutch flower growers). This study takes in to scope mainly

Dutch agro-enterprises many of which aspire to serve as demonstration farms and contribute to the intensification and commercialization of Ethiopian agriculture.

4 Theoretical foundation

4.1 Defining Development

Since sustainable local development is the core element of this research it is of vital importance to define development itself, as it is not value free and cannot be easily quantified. This section provides some definitions to development originating from different schools of thought in an effort to create a frame for assessing the developmental impact of European entrepreneurs in the Ethiopian agribusiness sector.

The notion of development for most people is closely linked and often confused with economic growth and its quantitative measurement in terms of GDP growth and other aggregated statistical indicators. According to the Online Business Dictionary it usually refers to the adoption of new technologies, transition from agricultural based to industry based economy, and general improvement in living standards (Business Dictionary, 2013). This line of thinking can be traced back to modernization theorists that regarded development as a process evolving along a fixed predetermined path with a clear emphasis on economic and material aspects such as GDP growth, industrialization levels, urbanization levels and mortality rates. According to modernization theorists, underdeveloped countries have to follow the same path as countries that are already developed by removing internal barriers to economic and social progress. Modernization theory has been very popular during the post-World War II period and has remained influential ever since although many of its assumptions remain controversial and seriously flawed. This theory is important for this paper as it can account for a large part of Ethiopia's growth seeking policies of the past two decades that were mentioned above.

Moving away from modernization theory and the strict economic definition of development it is worth mentioning the position of the United Nations Development Program that defines development on a much broader basis. According to the first UNDP Human development report of 1990 the basic objective of development is *"to create an enabling environment for people to enjoy long, healthy and creative lives"* (UNDP, 1990). This first report states that the primary objective of development is to benefit people, an element which often tends to be overlooked under the gravity of aggregated economic indicators. The philosophical foundation of this definition as quoted in the report goes back to Aristotle and Kant but also to neoclassical political economists like Adam Smith, David Ricardo, Robert Malthus, Karl Marx and John Stuart Mill. This foundation places human wellbeing at the end of development. The above definition has been elaborated and redefined in later reports and work outside the UN. The conceptual and analytic work of Nobel laureate Amartya

Sen and Martha Nussbaum among others has put the emphasis of human development as a paradigm on broadening choices and enhancing capabilities (UN, 2009).

One of the most quoted definitions of sustainable development is that of the World Commission on Environment and Development (also known as the Brundtland Commission) in 1987: *“development that meets the needs of the present without compromising the ability of future generations to meet their own needs”* (WCED, 1987). WCED’s definition vague as it may be puts into frame the elements of environmental degradation and resource depletion and links them to the notion of development. Sustainable development in this sense must include intergenerational equity as far as the use of resources is concerned but must also foster poverty reduction, gender equity, wealth redistribution and environmental conservation. The term “sustainable Development” has been heavily (miss) used in the past decades and been adopted by diverse actors ranging from oil companies to mainstream political parties. Depending on the context the term is used to express a wide range of ideas from corporate sustainability and major reforms of our economic system, to individual consumer behaviour. Sustainability cannot be seen as an end goal in itself as development is not a linear process that will stop at some point in time. Therefore the concept of sustainable development should be seen more as a way of developing, different from what we have been used to till now, keeping in mind the environmental constraints of our finite planet and its scarce resources.

The above three mentioned definitions of development depict different aspects and reflect different positions of development thinking. Since this thesis seeks to assess different impacts of European companies on sustainable local development we will have to refine the definition given by the Brundtland commission in 1987 and make some further remarks. What should be clear by now is that development concerns mainly people (Human wellbeing) but is also closely interlinked with economic (growth) and environmental issues (degradation). Another way of presenting this notion of development is through the catchy slogan of the three PPPs, which stand for People, Planet and Profit. A suitable definition close to this notion can be found in the Online Business Dictionary which defines development as: *“The process of economic and social transformation that is based on complex cultural and environmental factors and their interactions.”*(Business Dictionary, 2013).

At this point we must make some clarifications as many of the definitions used are heavily disputed. One of the main assumptions of classical economic thinking which has survived till today is concept of eternal growth. The economic orthodoxy considers economic growth to be a panacea for most problems of developing and developed countries. The Brundtland commission indicated in 1987 that economic growth has to take into consideration that our planets resources are finite and must therefore be carefully managed. The commission expressed environmental concerns about the growth model followed by most countries of the western hemisphere up to that time introducing the

concept of sustainable development. The new concept promotes the idea of reforming and expanding growth to account for the environmental degradation caused. The report does not analyse the modes of production and market mechanisms leading to environmental degradation. It does not question the economic orthodoxy and the dogma of eternal growth and affirms that we can keep growing but in an environmentally sustainable way. Many critics of the concept state that sustainable development is not enough to tackle the world's pressing problems. Some even say that we should move on to the concept of regenerative development by taking specific measures to regenerate soils, forests and watercourses rather than allowing them to be sustained in an increasingly degraded condition as we have done for many years (Girardet, 2013).

4.2 Responsible business & Corporate Social Responsibility

Over the past two decades the prevalence of neoliberal policies has led to a worldwide retreat of the state as an agent of development. In this new paradigm of development private companies complement but also replace in many cases the role of national governments and are seen as the new drivers of economic progress, poverty alleviation and environmental protection (McDade, 2005; Dean, 2007; UNEP, 2009; Porter, 2011;). Lately a lot of attention is being directed towards transparent business models that incorporate societal values and enable economic growth while respecting social and environmental obligations. Within this context the concept of Corporate Social Responsibility has gained significant recognition and has been adopted by multinational companies all over the world. At the core of this concept lies the idea that companies should actively engage with society and its problems instead of just complying with its minimum rules (Jamali, 2008).

The concept of CSR is not new and was originally formulated in 1953 as “the obligation of businessmen to pursue those policies, to make those decisions, or to follow these lines of action which are desirable in terms of the objectives and values of our society” (Choi, 2008, referencing Bowen, 1953). The concept has undergone conceptual developments in the past decades before reaching the level of widespread acceptance it has today. According to Choi & Gray (2008) the concept has evolved historically in three phases going from profit maximization to stakeholder inclusion (trusteeship) and finally societal integration. In the final phase of societal integration companies have the responsibility to help solve or contribute to the improvement of social problems.

There are also other views on the evolution of CSR that suggest a classification into different ages and stages in the development of the concept. This classification suggests a progressive evolution towards a more pro-active and integrated practice of Corporate Social Responsibility (Visser, 2011). On the same path Van Tulder (2006) distinguishes four stages in the practice of CSR:

inactive, reactive, active and pro-active. An overview of the four stages can be seen in table 8. These stages are used later on in this paper as an element of assessing the CSR performance of the companies in the study sample.

Table 8. The four stages of CSR practice. (Source: Van Tulder, 2006)

Inactive	Profit based and inward-turned
Reactive	Responsible in reaction to law or necessity
Active	Based on principles or philosophy (ex. Ethically based)
Pro-active	Base on wide stakeholder interaction and long term thinking

Another important perspective to CSR is presented by stakeholder theory which places businesses within a wide network of stakeholders who have interconnected interests with these businesses (Jamali, 2008). The theory suggests that companies should exercise a duty of care towards all stakeholders which extend beyond the boundaries of the company including shareholders, employees, local communities as well as more abstract ones such as the environment.

The concept of CSR is still evolving and its theories are constantly debated leading at times to broad and complex discussions concerning its applicability. The evolution of the concept is linked to western theories with empirical evidence originating from the practices of European and American businesses and multinationals. However the issues addressed by the context are heavily context and culture specific, especially when it comes to application of its principles in developing countries. Companies operating in this context face a wide range of challenges linked to social or environmental crises. In many developing countries these crises are a result of the vast economic growth attained within the context of globalization. Visser (2008) presents an overview of the application of CSR theory in a developing context together with its driving forces. Within this country specific context Visser identifies ten drivers in developing countries, which “*build up a distinctive picture of how CSR is conceived, incentivized and practiced in emerging economies*” (Visser, 2008, p.480). These drivers are categorized as internal and external and are linked to issues of governance, economic strategy and development objectives. An overview of these drivers can be seen in table 9 below.

Table 9. Drivers of CSR in Developing country contexts (source: Visser, 2008)

Internal	External
Cultural tradition	International standardisation
Political reform	Investment incentives
Socio-economic priorities	Stakeholder activism
Governance Gaps	Supply chain
Crisis response	
Market access	

At this point since the subject of the present paper concerns responsible investments in agriculture it is useful to refer to a set of seven principles formulated by the FAO in cooperation with

IFAD, UNCTAD and the World Bank aiming at contributing to the global dialogue on the subject. These principles were presented in the aftermath of the 2008 food crisis and the consequent trend that emerged featuring large scale land acquisitions and investments in agriculture. The seven principles presented in detail in Box 6 are particularly relevant for the Ethiopian context which has been heavily influenced by recent trends in global agricultural investments.

Box 6. Key Principles for Responsible Agricultural Investment that Respects Rights, Livelihoods and Resources (FAO, 2010)

Respecting land and resource rights

Principle 1: *Existing rights to land and associated natural resources are recognized and respected*

Ensuring food security

Principle 2: *Investment do not jeopardize food security but rather strengthen it.*

Ensuring transparency, good governance, and a proper enabling environment

Principle 3: *Processes relating to investment in agriculture are transparent, monitored, and ensure accountability by all stakeholders, within a proper business, legal, and regulatory environment.*

Consultation and participation

Principle 4: *All those materially affected are consulted, and agreements from consultations are recorded and enforced.*

Responsible Agro-Enterprise Investing

Principle 5: *Investors ensure that projects respect the rule of law, reflect industry best practice, are viable economically, and result in durable shared value.*

Social Sustainability

Principle 6: *Investments generate desirable social and distributional impacts and do not increase vulnerability.*

Environmental Sustainability

Principle 7: *Environmental impacts of a project are quantified and measures taken to encourage sustainable resource use, while minimizing the risk/magnitude of negative impacts and mitigating them.*

The popularity of responsible business and CSR as presented above indicates a significant societal relevance of these concepts. Nevertheless because of the mentioned context dependency, different actors and stakeholders have developed a different conceptual understanding and various definitions of the concepts leading to potential confusion. Box 7 below presents a definition of the concept of responsible business which is relevant to the context of the present study. This definition guides the analysis and discussion of the results of this study and is necessary to clarify the societal relevance of business in a developing country context.

Box 7. Definition of CSR (source: Visser, 2008)

Corporate Social Responsibility can be seen as *“the formal and informal ways in which a business makes a contribution to improving the governance, social, ethical, labour and environmental conditions of the developing countries in which they operate, while remaining sensitive to prevailing religious, historical and cultural contexts”*

4.3 Sustainable entrepreneurship

Within the context of responsible business presented above the concept of sustainable entrepreneurship has emerged in the past years. Entrepreneurship and new ventures are increasingly being held up as a panacea for many social and environmental concerns (Hall et al., 2010). Inclusive business, shared value and corporate social responsibility are terms that have become mainstream among the international business community, especially for western companies operating in a developing context. These companies are expected to stimulate economic growth and employment while providing services and transferring knowledge to local populations.

Within the academic discourse on sustainable development there is a recent attempt to examine the contribution of entrepreneurship to sustainable development. The science of Environmental economics suggests that environmental degradation results from failure of markets that are inherent in our economic system (Dean et Al., 2007). The literature on the role of entrepreneurship in sustainable development suggests that these market failures can be seen as opportunities for entrepreneurs who will take action to resolve environmental issues, leading to the creation of the concept of sustainable entrepreneurship (Hall et Al., 2010). This concept implies that entrepreneurs and business in general will adapt to a new way of doing business and contribute to the transition to sustainability. According to Dean, the synthesis of theories on entrepreneurship, environmental and welfare economics leads us one step further to the concept of environmental entrepreneurship in which entrepreneurial action resolves environmental challenges by lifting the barriers that prevent the efficient functioning of markets for environmental resources (Dean, 2007). The bottom line of the concepts of responsible business and sustainable entrepreneurship is that companies are no longer seeking short term profits regardless of the social and environmental consequences of their activities. Instead companies view themselves as part of society with rights but also responsibilities towards the society and the natural environment in which they operate. Exercising this responsibility is not only an image optimization but creates real strategic value and advantage over competitors.

The concepts described above are useful for the subsequent analysis of the findings that will follow in the next chapter. As this study is based on the concepts of responsible business and

corporate social responsibility, it tries to assess whether the companies participating in the study comply with responsible business practices by looking at their social, economic and environmental performance. Furthermore some companies with innovative business plans that can be put into the category of sustainable entrepreneurship are presented. The findings indicate that they may present a viable alternative to business as usual and therefore it is useful to analyse whether their activities can be increased in magnitude and scale, while creating shared value for all stakeholders involved. Taking these examples as a point of departure this study examines the feasibility and applicability of ventures of that kind. The question to be answered within this framework would be: Is sustainable entrepreneurship the way to go forward for achieving sustainable local development?

5 Results and findings

This chapter presents the findings of the study conducted in Ethiopia in March-April 2013 among Dutch and other European companies in the agribusiness sector. The part begins by presenting an overview of the characteristics of European entrepreneurs operating within the Ethiopian context by analysing their CSR performance and motivations behind it. The facts presented below are based on the survey and in-depth interviews conducted during the period of the study.

5.1 Characteristics of entrepreneurial activity

Compared to other countries of sub-Saharan Africa Ethiopia has a significant presence of Dutch companies operating in -or related to- the agribusiness sector. The total number of active companies is close to 100, with most of them having appeared in the country within the past decade. This is especially true for floriculture companies which came to the country only after 2005. Besides horticulture there is also a significant presence in the dairy and poultry sector but also in supporting services and supplies to the wider sector (e.g. Machinery supplies, consulting services, animal feed, laboratory services).

The survey together with the in-depth interviews were conducted among company (co-)owners or employees at higher management positions (usually general managers). This fact has a positive influence on the quality of information provided both for the survey and especially for the in-depth interviews. As can be observed from the table below 17 out of 23 (74%) respondents were of Dutch origin and 5 (22%) were Ethiopians. In terms of positions versus nationality this is a strong indication that Dutch firms encourage Ethiopians to take over upper management positions and in some cases the general management of the company.

Table 5. Position of respondents vs nationality

	Dutch	Ethiopian	Other	Total
(Co-) Owners	5	-	-	5
General Managers	4	2	1**	7
Upper management	6	3	-	9
Other positions	2*	-	-	2
Total	17	5	1	23

*Two interviews were carried out with a consultant and an advisor of the company visited.

**One of the respondents was of South African origin.

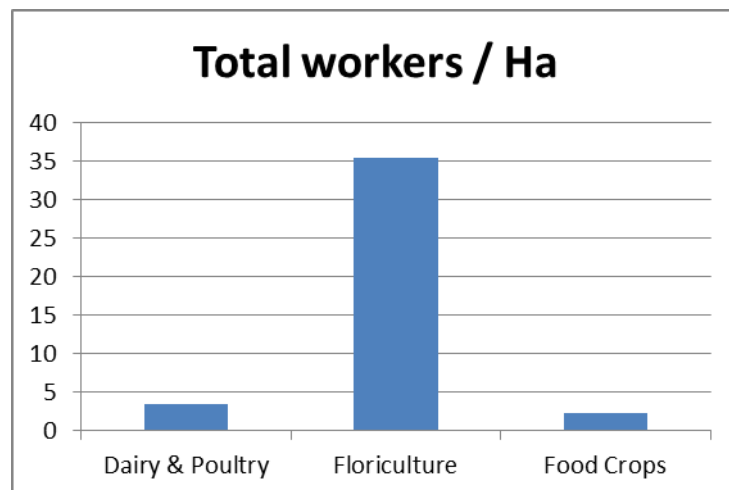
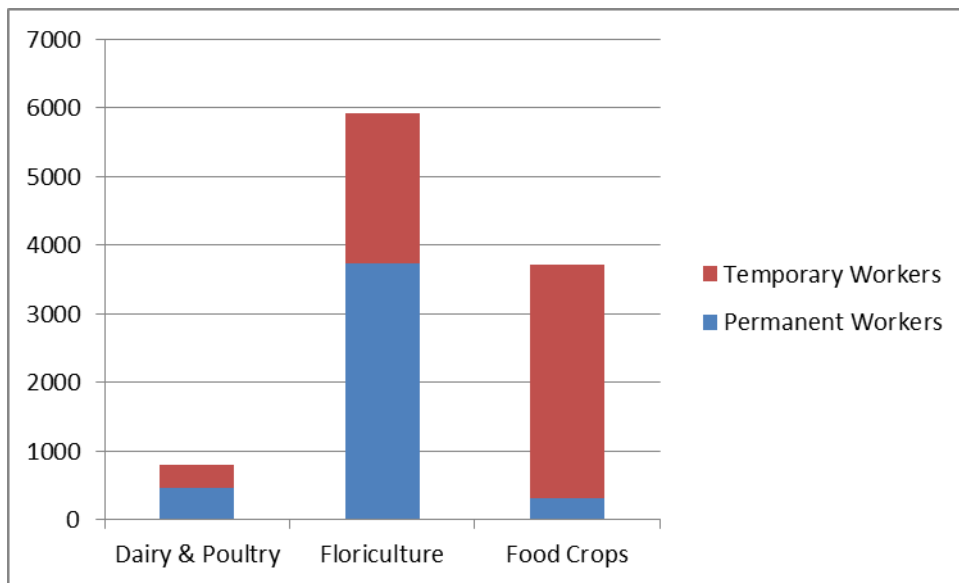
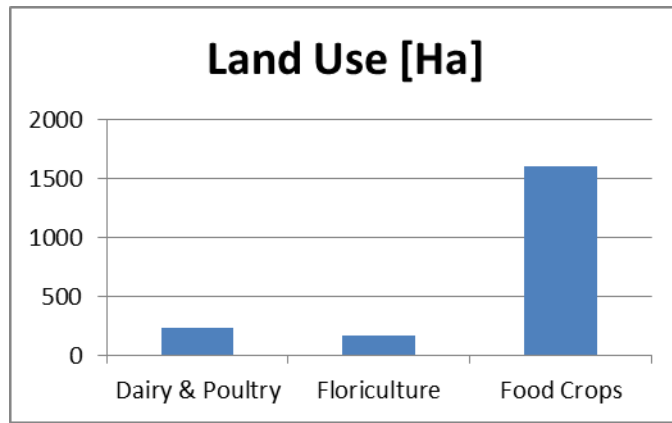
The 23 companies interviewed were of Dutch (or partly Dutch) origin. Other nationalities included in the study population were German, Belgian, UK and USA most of which were in joint ventures with Dutch or Ethiopian partners. More information on the ownership status of the firms interviewed can be seen in table 1 of the appendix. Although the focus of this study concerns agricultural investments in general, the floricultural sector is overrepresented in the study population with 7 out of 23 companies. This overrepresentation may seem obscure but in reality the floricultural sector lies at the heart of Dutch entrepreneurship activity in Ethiopia and is of great economic importance to the country.

Besides floriculture the study population included 5 companies involved in the dairy and poultry production and processing. These companies differ greatly to the flower sector in many aspects such as size, economic importance and owner motivation. The differences between the two sectors will be presented later on in this chapter. Companies being active in agro-related branches such as logistics, consulting, agricultural supplies, soil analysis and animal feed were also an important part of the population (9 out of 23). As this category contains companies with diverse fields of activities they will be presented separately within the context of their operating industry. The last 2 companies of the sample were involved in the production and processing of agricultural products namely: fruits and sesame.

Table 8: Sector vs. Land use and job creation

	Land use (Ha)	Permanent workers	Temporary + casual workers	Perm. Workers/ Ha	Total workers / Ha
Dairy & Poultry	232	457	350	1,9	3,4
Floriculture	167	3725	2200	22,3	35,4
Food crops (production and processing)	1600	315	3400	5	2,3
Total	1.999	4.497	5950		

The graphs below illustrate best the contents of the above table and demonstrate the relation between land use and employment creation for each of the sample categories. The 14 companies of the sample in these three sectors use in total around 2.000 ha of land and create 4.500 permanent and about 6.000 temporary or casual jobs.



In the following sections the results for three categories mentioned above will be presented in detail focusing on the three aspects of corporate social responsibility, opportunities and barriers and motivations behind their CSR programs.

5.2 *The dairy and poultry sector*

General information

The Dutch dairy and poultry sector in Ethiopia is an interesting object of analysis as it has significant differences from the rest of the companies interviewed. The entrepreneurs interviewed belonged to a cluster on the outskirts of the capital Addis Ababa with the first company arriving there in 2005. This cluster is mainly dominated by Dutch companies which in some cases formed joint ventures with local or international partners. The first companies that arrived in the area recognised the potential of setting up a business there but were also partly driven by a religious motivation, attracting through time more entrepreneurs to this area with similar motivations. These individuals mentioned as their primary motive the intention to help and spread knowledge to surrounding farmer communities. Profit was also an important part in their decision making process but certainly not the deciding factor. Their size based on their land usage is relatively small in comparison to the Ethiopian agricultural sector with a total of 230 Ha of cultivated area. The 5 companies combined create 450 permanent jobs and 350 temporary (for seasonal harvests). The dairy and poultry sector is oriented towards high productivity by using modern mechanized farming techniques. Some of the farms visited wanted to serve as demonstration farms for intensive agriculture, encouraging local farmers to adopt modern farming methods. Therefore the workers per Hectare ratio is comparatively low at around 2 permanent workers per Ha.

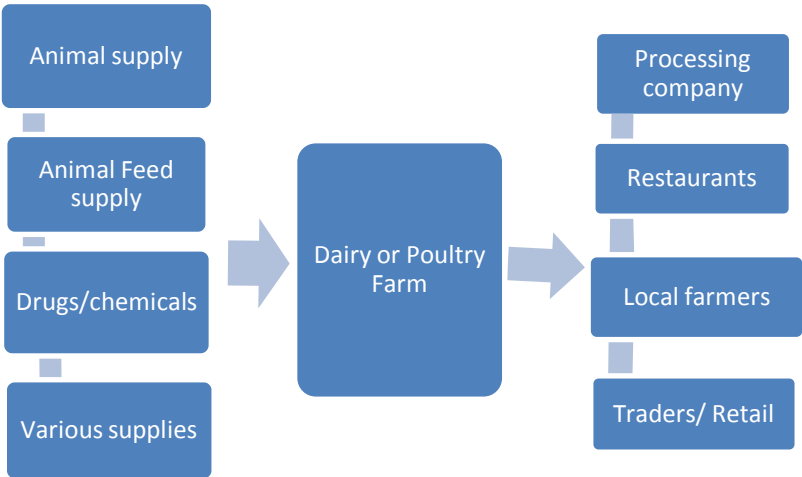
Economic performance

These newly established sectors are very dynamic in terms of development and expansion. As far economic issues are concerned the majority of the companies visited were very profitable with their turnovers increasing at a very rapid pace. Some entrepreneurs even went into detail mentioning that since their establishment they have witnessed a doubling of their turnover every year. Three out of the five companies had an average turnover of over 5 Million Euros. This is mainly due to the vast local and regional market that is able to absorb their entire production. The dairy and poultry sector is developing rapidly together with the ever increasing demand for dairy products that cannot be met by the current levels of production. The emerging Ethiopian middle class is in that case the main consumer of the processed dairy products (milk, cheese etc.).

Besides the increases in turnover all companies indicated a significant expansion in terms of locations, workers and client base. To demonstrate the intensity of the boom some of the respondents made a comparison to previous experiences with agribusiness in Europe. They stated that the profitability they experienced during their first years resulted in a payback period on their investment in only five years whereas in Europe this time lies at about eight to ten years. An

important question that will be discussed in the next chapter concerns the issue of whether the model of intensive agriculture demonstrated by some farms can be replicated by local entrepreneurs. To answer this it is useful to look at the invested amounts which in most cases are over one million euros. Another important element in this discussion is the fact that that 2 out of the 5 companies received over 500.000 Euros each in subsidies from the Dutch government in order to set up these demonstration farms.

Graph 1: Dairy & Poultry Value chain



Social impact – Labour relations

As far as working conditions are concerned this cluster is characterized by good business practices that put value on good worker relations and working conditions. The majority of these companies pay salaries above the regional average and provide in many cases health insurance that goes beyond the minimum requirements of the Ethiopian labour proclamation. This means that in some cases workers enjoy full medical coverage, in others free first aid and seminars with emphasis on preventive medicine. In all cases the labour proclamation was followed which guarantees the workers with a medical insurance and provisions for medical leave and a newly established pension fund. Workers also receive job specific trainings to increase their skills and take on more responsibilities, thereby also increasing their salaries. The “model” farms even organized trainings for farmers belonging to the local communities concerning theory and practice of modern farming techniques. Some of these trainings were organized together with external consultants that would help local farmers increase the quality and quantity of their output in order to be able to supply the Dutch milk processing plant in the area.

The companies that did not pay higher salaries had provisions for the workers to have access to groceries produced on the farm at very low prices. A very widespread practice that was observed also in the other sectors was the heavy subsidizing of meals for the workers. The gender division of

the labour force was quite balanced with some companies employing more women than men and others (especially those practicing intensive farming) having more men in their work force (~ 60%). Another widespread practice that was observed at all the companies visited was the involvement with community projects. This includes the funding of schools, clinics, water projects, charity to the poorest members of the community and even micro credit schemes in combination with trainings to encourage locals to start up small businesses (e.g. small chicken farms). Some of these projects were set up with the support of church based organizations that mobilized financial resources together with volunteers who were more than happy to offer their work at a school or a clinic.

Environmental Impact

The environmental impact of the companies of the sector does not look as bright as their social engagement. From the five interviewed companies only one had a system to monitor emissions caused by the company's activities. It must be noted that good intentions exist such as the provision to install a biogas digester that would provide energy for milk processing and natural fertilizer for the fields, but at the moment of visitation the plant was not operational. The person interviewed from that same company stated that the use of fertilizers and pesticides was kept at low levels to keep the production costs as low as possible as these materials are imported from abroad. Some entrepreneurs interviewed admitted that some of their practices concerning waste disposal have been banned in Europe since decades. The same people complained about the complex government regulations existing in Europe concerning environmental issues and were happy to be in a country where they could operate their enterprises with more freedoms. The fact is that the environmental laws existing in the country are quite lax and have not yet adapted fully to the intensive methods of production imported from Europe and elsewhere. Officially things look quite differently as four out of five companies had to submit an environmental impact assessment study prior to starting their operations. The reality is that this study was regarded more as a formality and that it is quite easy for European companies to adhere to Ethiopian environmental standards. One last issue concerns the water sourcing of these companies. All five companies had access to ground water by drilling deep wells. As water is abundant in Ethiopia this does not create any problems in the near future but it should be kept in mind as the agricultural sector is steadily moving towards intensification and industrialization.

Supporting companies

Within this Dutch cluster there were also two companies directly connected to the above sectors through their products which are important inputs to the production process. These companies are closely linked to the dairy and poultry sector with business but also social relations.

The first company is one of the oldest companies in terms of Dutch presence in Ethiopia and is focused on the production of animal feed. It produces enriched animal food of high quality by combining local resources with imported vitamins and minerals. This company supplies all Dutch owned farms in the area but also has many local customers due to the good relation between price and quality. Working conditions in the company are according to government regulations and salaries are close to the official minimum wage. Future plans include expansion to the production of new products and improving the level of salaries.

The second one is a packaging company which arrived in the country in 2011 and produces cups for dairy products. Their main customers are two milk processing plants in the area one Dutch and one Ethiopian. Their business model is quite simple and the working conditions in the company are acceptable even for European standards. Medical insurance for the workers is completely covered by the company and salaries are above the regional average. The company is mindful of many problems in the community in which they operate and have specific plans for the future which include the organization of a fire brigade and a recycling centre for plastics.

Main problems – Future prospects

The entrepreneurs in this sector listed the access to foreign exchange and the erratic nature of government regulations as their main problems. They mentioned that regulations change very often and putting obstacles in their day to day activities or their expansion plans. Sometimes even government officials were not up to date with the latest regulations resulting in misunderstandings and bureaucratic hassle. Even though these companies they try to source most of their resources from the local market they are still dependant to some degree on imports and access to foreign exchange to complete their transactions. As the country is currently going through a period where FOREX is scarce, the companies have to apply months in advance for it at a national bank. Because of the scarcity the government has made a list of priority in favour of export oriented companies that have FOREX generating capabilities. As all of the companies of this cluster are oriented towards supplying the local market they are experiencing a great deal of difficulties when in need of importing products. Furthermore many complained about the heavy taxation that currently exists on all imported products and machines. Another problem mentioned by some entrepreneurs was the mentality of the workers the majority of which do not work in a responsible way and could not be trusted. Despite facing all these difficulties all companies had plans for expansion for the near future that include upgrading their farm capabilities and generating some more added value to their products through processing and packaging.

5.3 The floricultural sector

General information

The recent appearance of Floricultural companies in Ethiopia together with the important position they managed to attain in less than a decade reveals that we are dealing with a very dynamic, competitive and export oriented business sector. The Ethiopian highlands with their fertile soil coupled with the favourable climatic conditions and the access to abundant water resources and cheap labour costs were the deciding factors that led many European lower producing companies to establish a branch in Ethiopia. In less than a decade the sector developed at such a rapid pace that it is today the 4th major income source of the country and has positioned flowers among the top five export products of Ethiopia.

All companies interviewed in this sector arrived in started their operations in Ethiopia after 2004. These companies were looking forward to an environment where they could gain a competitive advantage over their competitors due to the favourable conditions for floriculture both in terms of weather but also in terms of investor friendly government policies that began around 2003. This element already differentiates these entrepreneurs from the previous group as their primary objective is profit. The average size of the flower farms is relatively small at around 24 ha but the sector is characterized by high labour intensity. The seven farms visited cultivate a total area of 167 ha and employ all together 3725 permanent and 2200 temporary and casual workers. The ratio of workers per Ha is around 22 for the permanent workers. This number is ten times that of workers per ha needed by the dairy and poultry sector. This is also one of the reasons why floriculture fits perfectly into the government’s plans of agricultural industrialization. This issue will be discussed more extensively in the next chapter. The investments in the sector peaked around 2006 and have been declining even since for reasons that will be examined later on.

Graph 2: Floricultural Value Chain



Economic performance

Floriculture is an extremely profitable sector that can generate market value of up to 7.000€per ha in the production of cuttings. To put this number in to context the market value of teff, which is used to create the most widespread staple food in Ethiopia, lies at around 300 €per ha. As mentioned above the sector is of great economic importance for the Ethiopian government for two reasons. Firstly

it generates foreign exchange which is vital for the continuation of the current large scale investments in infrastructure undertaken by the Ethiopian government. Secondly the sector perfectly embodies the vision of the governments' plans for agricultural industrialization by creating high value on small pieces of land and providing jobs to thousands of people.

All companies interviewed expanded in the past five years in terms of turnover, number of workers and clients. Six out of seven companies also mentioned expanding their activities to new locations in the same area or region. Concerning their estimations for future development again six out of seven companies have concrete plans for further expansion within the next years. Exception to this is one company that mentioned that further expansion is not feasible due to the existing scale of their operations and infrastructural constraints. In terms of turnover two out of seven companies were above five Million Euros, two reported being somewhere between two and five Million Euros and the remaining three were between one and two Million Euros. In contrast to the dairy and poultry sector only one of the companies interviewed received a subsidy from the Dutch government.

The floriculturists are heavily dependent from imports and source the great majority of their inputs from the international market. These include a variety of chemicals, greenhouse supplies, pesticides and fertilizers, none of which are produced in Ethiopia. The most common inputs that were locally sourced were carton boxes and packaging materials. According to the farms managers interviewed the companies try to avoid sourcing their inputs locally due to inferior and instable quality of the provided products. Some mentioned that even the packaging materials supplied locally were not up to international standards and resulted often in partial damage of their extremely fragile products.

An important characteristic of this sector is the fact that the transportation costs account for 50% or more in some cases of the total production cost. This element makes logistics and transportation together with the necessary supporting infrastructure a crucial element of the flower value chain. In comparison labour costs account for 6-8% of the total production cost. The first fact explains to an extent why the Ethiopian government obliged all flower producers to use the Ethiopian Airlines air cargo for the transportation of their products. In this way the government started an attempt to maximize revenues from the sector after the companies enjoyed a period of tax holidays to establish and solidify the newly established industry.

Social impact – Labour relations

Putting aside the economic aspects of this sector we move on to the equally (if not more) important social impact of the floricultural activities. As mentioned before the sector creates a great number of jobs especially for women. Among the seven interviewed companies 70% of the workers are female. This is not without reason as the handling and care of flowers is a very delicate work that requires careful attention. Also according to the people interviewed women are considered to be

more hard working and reliable than men and can generally be trusted in following precise instructions or taking on more responsible positions. For these two reasons women are generally preferred as employees by the flower companies. This element alone indicates that the flower sector is transforming local societies in the regions where production takes place. The company representatives mention the empowerment of women as one of the most positive influences of the flower industry together with the creation of a large amount of jobs in rural areas where people were mainly living on subsistence farming. The argument of empowerment goes even further with the farm managers claiming that women that have a job tend to spend more money on their children's education. Unfortunately this claim cannot be verified by the present study but would be an interesting topic for further research in the context of the societal transformation happening in the areas affected by floriculture.

At this point it is useful to look at salaries and other labour issues. The floriculture is often accused of employing people in sweetshop like conditions with very low salaries. Fact is that the average salary in the floricultural sector lies below the threshold of 1 US\$ per day. One of the agricultural consultants interviewed mentioned that in many farms there were issues of exhaustion of workers who fainted in greenhouses or at the end of their working day. However among the European companies in the sample the situation looks somewhat different.

All companies reported paying their workers above the average pay in their area. One of them even claimed paying among the highest salaries in the flower business with the lowest salary being at 750Bir (40 USD) per month. The lowest pay recorded in the sample was that of 22 Bir (1.17 USD) per day for a casual worker. According to the results from the survey and interviews the European entrepreneurs are among the highest paying employers of the sector with the lowest salaries being a little over one USD per day for casual workers. For comparison consultants interviewed mentioned that in many cases European companies pay twice as much as their Ethiopian or Indian counterparts in the same sector. The salaries mentioned above increase with time and experience and also through job related trainings offered by all companies of the sample.

Furthermore all companies comply with the national labour proclamation which received many positive comments from many respondents of the survey. Following this proclamation all workers must be health insured, have a right to holidays, medical and maternity leaves and since two years now also to a pension. Three out of the seven companies go beyond these provisions and cover all medical expenses of their employees either on clinics on site or outside. Three out of seven companies invest in the training of their employees beyond the requirements of their job by encouraging them to finish school or by conducting general educational seminars (i.e. healthcare awareness). Also six out of seven companies had an organised trade union for the workers with two of them reporting that they were inactive mainly due to low participation levels. Additionally almost

all companies offered their workers some kind of subsidized food (breakfast or lunch). One of the companies had even set up a school for the workers' children. Finally the majority of the companies (5 out of 7) had a clinic on site with a doctor present.

The majority of the companies interviewed (6 out of 7) were also actively engaged with the surrounding communities supporting a wide range of projects. Quite common as in the previous sector is the sharing of water resources with four out of seven companies sharing their water with the nearby communities. Providing funding for local schools and hospitals was also an important part of community engagement for four of the companies interviewed.

Environmental Impact

From an environmental point of view flower farming cannot be presented as a sustainable industry. The vast amount of chemicals and pesticides used together with the carbon footprint of its transportation give enough input for heated discussions concerning the viability of the sector and its connection to sustainable development in Ethiopia. As the sector is export oriented with customers scattered all over the globe this study reveals a mounting pressure on producer companies from the consumer side towards more sustainable production.

Looking at the use of fertilizers among the surveyed companies the values range from 6 to 13.5 t/ha/year. These values are approximate and do not account for the use of pesticides which are an equally important input for the production of flowers. The peak in fertilizer use is observed among companies producing cuttings which need larger quantities of fertilizers than cut-flower or rose growers. Consultants interviewed reported that many brands of pesticides used in floriculture have been banned in Europe and that government regulation on chemical fertilizers and toxic pesticides is lax.

Despite these alarming values the interviews conducted with the European flowers growers revealed a declining tendency in the use of chemical pesticides. This quite recent tendency has two main causes. The first is connected to consumer pressure from the European market and the consequent rise in EU standards for imported flowers. Some reported mounting pressure from supermarkets that are gradually pushing regulations for residues in flowers to levels that are close to these of vegetables and food products. The second reason is connected to new environmentally friendly technologies that are becoming more and more available.

An example of this is the Integrated Pest Management system (IPM) which is a combination of biological and chemical pesticides that reduce chemical use by 50 to 60% while also resulting in increased yields. One of the companies interviewed declared being the pioneer in its use about three years ago and that in the meantime this method is becoming standard in the sector. This claim is

confirmed a study conducted last year focusing entirely on floriculture in Ethiopia (Bardout, 2012) according to which foreign flower companies made extensive use of IPM at about 75% of their cultivated areas. The same percentage was significantly lower among domestic farms which used IPM only on 30% of their cultivated areas. The present survey also confirms this declining tendency with six out of seven companies taking initiatives towards the reduction of their pesticide usage. More specifically, two companies of the sample were using IPM, another two mentioned on-going reduction efforts, one referring to the term “responsible use of pesticides” and the last one avoiding the usage of red label products and replacing them with organic substitutes where possible. The on-going reduction efforts included the breeding of pest resistant varieties that reduced the need for spraying chemicals, thereby also reducing production costs.

Another issue that came up during this survey was the fact that the government in the context of welcoming investors during the early development phase of the sector did not require them to submit environmental impact assessment studies. This is no longer the case as controls have tightened over the industry in the past years. Nevertheless two of the companies interviewed did not submit impact assessment studies before starting their operations. One of them came to Ethiopia in 2004 during the early phase and the other was established in 2010. The manager of the first one mentioned that the government has started pressing on this issue and that the company would be preparing the studies and would submit them some time in the near future.

A final subject that needs to be addressed briefly in this section is that of soil degradation. The intensive use of land creates soil degradation in the long run that poses a serious threat to the viability of the sector. This issue did not come up through the survey but was indirectly addressed during an interview with one of the companies offering supporting services to the flower sector. According to this source some of the companies in one of the floricultural clusters are already experiencing problems of soil degradation resulting from the intensive use of land during the past decade. Soil degradation results in increased usage of chemical fertilizers creating a negative spiral that in the long term renders the land useless for cultivation.

An environmentally friendly alternative

An exception to the above mentioned environmental problems was found at one of the surveyed firms, which is engaged in the production of flower cuttings. This company uses hydroponic technology to produce cuttings and in contrast to its competitors or other flower farms does not contaminate the environment with pesticides or chemical fertilizers. With this technology the roots of the plant do not come in contact with the soil and all necessary nutrients are provided to the plant through a closed loop water system that is constantly recycled. This way no chemicals are released into the environment. The company also recycles all its waste by organising an auction every year for companies interested in recycling or reusing waste materials.

5.4 Agro-related companies

The majority of agro related companies in the sample (six out of eight) is connected in some way with the floricultural sector. All six companies arrived in the country after 2005 in the aftermath of the investment boom that occurred after 2003. Most of them stated having followed their clients from Europe. Half the companies of this category are rather knowledge intensive and employ mostly foreign personnel. One of these companies specializing in biological pest control directly supplies its clients from abroad, refusing to open a branch in the country out of fear of losing their competitive advantage. Other examples of supporting companies are foreign consulting firms, agricultural supplies, laboratory services, logistics and consulting. Also there is an example of a very innovative firm offering environmental services that will be analysed in detail below.

All these firms offer services mainly to flower companies but among their clients are also local farmers that now have access to services and supplies that were unthinkable about a decade ago. The mere existence of these agro-related companies is a result of the policies that welcomed the flower companies about a decade ago. A large part of the technology transfer has taken place through these companies which have helped build up the dynamic floricultural sector in Ethiopia by bringing into the country technologies, know-how and materials that can be used in developing and intensifying the wider agricultural sector. The agro-related companies have also benefited significantly from the support of the Dutch government with half of all companies in the sector having received a PSI subsidy for setting up innovative businesses in Ethiopia.

Although these companies employ a limited number of people and don't interact much with local populations there are two exceptions. The first case offers laboratory together with consulting services but also provides supplies for setting up farms. Their Ethiopian branch targets at supplying farmers with the necessary input in terms of materials and knowledge in order to facilitate start-ups.

The training of local farmers free of charge is part of the company's business model as trained farmers understand the applicability of their services (i.e. soil analysis) and can easily double or triple their output by following the given advice. Company workers are skilled and besides receiving three times the average salary they are trained on how to cultivate their own vegetables. The company is also engaging with the local community by regularly supporting the local school as well as the local police station.

A genuine case of Sustainable entrepreneurship

The second case involves an innovative company even for European standards which specializes in composting, environmental services (carbon and water footprinting) and carbon credit trade. The company will be fully operational in the next months and some flower farms are already on the list of first customers to make use of soil improvement services. Due to its industrial composting methods that prevent the emission of greenhouse gases the company gets access to funding from the voluntary market on emissions which started after the Kyoto protocol. The company aspires to become a showcase for organic farming and sustainable technologies that will eventually spread throughout Ethiopia. The training of farmers on site on composting techniques and wastewater treatment is part of the business plan. The long term goals of the company are the promotion of organic farming and sustainable technologies as well as supporting the Ethiopian government and its ambitious plan on becoming climate neutral.

Main problems – Future prospects

The flower growers interviewed stated as their number one problem the unclear and unstable government regulations. Many also complained about interventions in favour of state monopolies such as the Ethiopian Airlines and their monopoly on air cargo. Import difficulties and bureaucracy were also high on the list of complaints and were accused for slowing down the development of the sector. One of the companies also mentioned a lack of skilled labour in the area and pointed out to an on-going competition existing between different companies in the sector that is leading to an inflation of labour costs. Furthermore the in one case the lack of infrastructure (maximum grid capacity reached) in combination with the lack of skilled labour are the main issues that prevent the company from further expansion.

Besides this one case all other flower companies had plans for expansion for the near future with one of them even planning to start industrial scale vegetable cultivation. The rationale for this expansion to another sector was clearly to spread the risk and take up the production of products destined for the local market. Also in terms of responsible business three companies had plans for improving their social and environmental performance through more community engagement and

reduction of their environmental impact. The interviews indicate that all existing companies have plans for future development though many mentioned that circumstances have deteriorated in terms of investor friendliness from the side of the government. That gives existing companies an advantage over newcomers in the sector which can also be confirmed by looking at the rapid decline of new investments in the sector.

5.5 Production and processing of food crops

General information

The two companies of this category were established in the country in 2008 and they differ from the other food related companies as they are mainly export oriented. One of them produces and processes tropical fruits and the other is focused on the organic production of sesame. Another major difference is that both of them make extensive use of outgrower models for supplying their processing plants and also follow international certification schemas. These two factors have a great influence on the companies' social and environmental performance making their business cases an example of responsible business in the agricultural sector creating shared value for shareholders and local communities.

Economic performance

Both companies reported good economic figures during the first five years of their operation with an expanding client base and significant gains in turnover. Currently the average annual turnover of the companies lies between two and five million Euros. Economic activity is expected to continue growing in the next years with the introduction of new products to the market that will create more added value to the existing production of the companies. One of the companies got access to funds from the Dutch subsidy program (PSI). This same company reported not being profitable on paper yet with a slow return on investment, which is in line with the long term vision of the company's investor. The main shareholder considers this project to be a long term investment and is not interested in making short term profit but rather puts emphasis on transparency and product quality. The general manager interviewed was confident that the company would get into the green figures within the next couple of years.

Social Impact - labour relations

The two companies of this category employ a total of 315 permanent workers, 1400 temporary and 2000 casual workers. These workers are paid up to 50% more than the regional average and have medical insurance covered by the company (50% in one case and 100% in the

second). In general, both companies offer significant benefits to their workers. The sesame processing company even has an own pension fund set up for its workers. Subsidized food is also a common practice for this sector with the fruit farm going one step further by providing housing for its workers. As both companies use an outgrower model, training of workers and outgrowers is an important part of the business plan as well as a crucial factor of success for the system to work properly. Outgrowers receive extensive training together with benefits such as advances of payment which are in practice interest free loans. Furthermore they are always paid on time when selling their product to the company. If they choose to sell their product at the Ethiopian Commercial Exchange they are mostly paid after three to six months. Labour issues together with working conditions are subject to frequent audits as part of the companies' obligations towards international certification schemes. Community involvement is also a sector where both companies interviewed are quite active in. Active communication with surrounding communities as well as support of community schools and clinics are among their practices.

The outgrower system used by both companies has significant benefits for the local farmers as they are organized into cooperatives and receive special training concerning cultivation methods adapted to the needs of the crops. This form of organization protects the farmers from price volatility and has many benefits for sharing knowledge and tackling production issues. Depending on the agreement the farmers receive a support in terms of input for production but also financial benefits. In sesame production the contract with the cooperatives is not binding leaving the farmers free to choose where to sell their production. Relations with the company are built on mutual trust and respect and not on a basis of exploitation. The outgrower system presents many challenges for companies as it requires a proactive and flexible management structure. The management is in many cases the deciding factor that determines the success or failure of such a project.

Environmental impact

The environmental impact of the two companies in this category is minimal and presents a great contrast to the activities of other companies within this sample. A fact worth mentioning here is that these two companies are the only ones in the entire survey population that possess a system to monitor greenhouse gas emissions. As the two companies have a different philosophy concerning environmental issues they will be presented separately.

The sesame producing company is dedicated to the practices dictated by organic farming. This means that during the entire process of production no chemical fertilizers or pesticides are used. To ensure this a sample from each lot that enters the processing plant is taken and checked for residues at an independent laboratory in Europe. Crop rotation is done once in every four years where an alternative crop is cultivated that gives the soil the time to regenerate. The outgrowers that produce

the majority of the company's sesame do not use irrigation which makes the water footprint of the company minimal. A small quantity of water is used by the company for the processing of sesame. The processing itself uses electric heating to clear the sesame in order to avoid contamination from exhaust fumes. The sesame processing does not create any waste only by-products which are sold as input for animal feed production. Transportation is the only sector that contributes to the end products' carbon footprint as it has to be driven 1000 Km to the processing site and another 850 Km to the port of Djibouti where it is shipped all over the globe.

The other company of this category is also environmentally conscious but at a different level than the one analysed before. The fruit production is done with conventional methods but due to obligations arising from international certification schemes the use of chemical fertilizers and pesticides is monitored and subject to restrictions. The farm uses 300 kg of fertilizer per Hectare and year. This number is very low if compared to the amount of fertilizer used by floriculture which is ten to forty times as much. The company has also an afforestation plan and produces almost no waste. The waste from the processing of fruits is collected from local communities and used as animal feed or sometimes sold to bigger animal farms.

Main problems – Future plans

In this category the import problems were only a minor issue as both companies are export oriented and have excellent relations with government officials. An important issue that came up is that of unfair competition from bodies in charge of international certification in the country. It was mentioned that some competitors got certified without fulfilling the necessary criteria and that there is a lack of control. In some cases EU regulations are not properly enforced and that should be a point for future improvement.

The future plans of the companies are quite ambitious with plans for scaling up production and adding some more steps in their production process thereby creating more added value that will increase their profitability. Improvements in terms of responsible business are also planned throughout the value chain as well as negotiation with the government for tax benefits in exchange for more intensive production that will increase productivity and boost exports.

6 Analysis & Discussion

Assessing the contribution of European firms on local development is a delicate issue. Some of the results presented above speak for themselves; others can be explained in many ways largely depending on one's own perspective. This analysis and discussion part guides the reader through different perspectives on the subject in an attempt to shed some light to the recent developments of this dynamic sector.

The European companies interviewed presented in general a responsible business profile in terms of abiding with government regulations concerning environmental and labour issues. As the study results reveals new technologies have entered the country and an impressive amount of jobs has been created in the past decade. Looking at the level of salaries and the environmental impact of many companies many questions arise while attempting to get to clear conclusions. For this reason the issues at hand will be discussed separately.

6.1 *Responsible business*

Fifteen out of the twenty three (65%) companies surveyed reported being involved in some way with the local communities in their area of operation. The motives behind these activities differ among the sectors ranging from philanthropy to pragmatism. Going back to Van Tulder's (2006) four stages of CSR, most companies fall into the first two categories namely inactive and reactive with a limited number lying in the active category. Only two to three companies of the sample can be classified as proactive according to this scheme.

Within the dairy and poultry sector community projects were religiously motivated and seen as an intrinsic part of doing business in a developing context ("Active"). Responsible business practices were a prerequisite for the companies that applied for Dutch government subsidies (PSI) in order to get access to funds ("Reactive"). It should also be mentioned though that some of these projects were supported or funded by other church backed organisations. Of high importance for the organisation of training programs were also links with universities in The Netherlands specialized in agricultural research. These points are not to say that what these companies are doing in terms of responsible business is wrong or harmful in any way. But is there any possibility of this model being adopted by locals who have neither connections of that kind nor the necessary resources to set up CSR strategies of that kind? Would these extensive CSR programs be economically viable without government subsidies, charity and other organisations providing funding and volunteers for schools and clinics? Looking at the collected data the answer is probably no.

The flower sector is quite different in that sense. The high added value created by flower farms together with the high productivity make the implementation of large CSR programs not only economically viable but also a necessity in many cases (“Reactive”). These programs add to the image of the companies and when it comes to luxury products such as flowers, image is very important. Customer satisfaction and values rank among the highest priorities in this business. This is also one of the reasons why some of the flower farms turn to international certification schemas that guarantee fair conditions of production (Fair Flower etc.). On the other hand the results of the present survey indicate that customers are successfully pushing towards the adoption of higher standards in the industry concerning CSR performance. This does not apply to companies oriented towards the domestic market where certification does not play a role in customer or supplier relations. The demand for agricultural products in the vast Ethiopian market exceeds supply in many cases and therefore there are not many choices for consumers most of which are satisfied with the mere existence of some products on supermarket shelves.

A different perspective on the importance of community relations was given by some of the Ethiopian managers interviewed. According to them relations with the local communities are extremely important not only for the company’s image but also for security reasons, as insurance in times of political instability. Local communities are an important part of the environment in which the companies operate and relations should be built on mutual trust and respect. This is an interesting perspective as the political stability is not taken for granted and many entrepreneurs cannot expect their companies to be protected by the police especially when those lie in remote areas. Good relations and open communication with the community is thus considered to guarantee in some way the mutual benefit of the parties involved.

6.2 Employment

Employment creation is considered from the side of entrepreneurs to be one of the most important contributions to the country. Fact is that alone the 23 companies interviewed employ a total of 4.675 permanent workers, 2.094 temporary and 4.100 casual workers and that includes some one man consultancies. These numbers are quite remarkable at first sight but on a closer look they are poorly paid positions with the majority of them lying slightly above the one dollar per day threshold. Working conditions are generally fair as all companies of the sample abide to national employment rules and regulations which have provisions job security, medical insurance, annual and sick leave, maternity leave as well as a newly established pension scheme.

The floricultural sector accounts for the majority of the created jobs in the study sample with around 3.700 permanent workers and another 2.200 of temporary or casual labour. These jobs were

created in areas where little or no jobs were available in the past with most people living from subsistence farming. The average income lies at about 18 Bir (1\$) per day, with salaries increasing with experience, training and productivity. Competition among companies residing in the same areas also results in inflation of salaries, as workers can easily quit and work for a neighbouring farm. This is especially the case in regions where labour is scarce. Skilled and experienced labour is rare and therefore there are also clear limits to the increases of salaries. Although salaries represent only a small fraction of the total production cost, it is one of the deciding factors for flower companies to come to Ethiopia and gain an advantage over international competitors.

Another interesting fact in the flower sector is that 70% of its employees are women. This is because women are considered more reliable in general and are favoured over men when it comes to delicate jobs as the handling of flowers. According to the farm managers interviewed this fact is among the most positive contributions of the sector, namely: the empowerment of women. According to the same people women used to stay at home in the past raising children and taking care of household matters. There are also claims that women more often spend a fair amount of their income for the education of their children. These claims are interesting as they cannot be verified by the present study. The fact is that this practice of employing women completely changes the social structures in the area but it is probably too soon to assess whether this is a positive or negative change. This subject will probably concern anthropologists or human geographers in the decades to come.

Moving on to the dairy and poultry sector the situation looks somewhat different. As some of these companies try to become a showcase for intensive agriculture labour is substituted by expensive equipment. This sector uses an average of 2-3 workers per cultivated Hectare which means that it is almost insignificant in terms of employment creation especially when compared to the labour intensive floriculture. In one of the visited farms employees were trained to be able to undertake multiple tasks and as a result the farm had fewer employees than five years ago. Salaries in this case are higher due to the increased productivity. From the employment perspective it is questionable whether this model of capital intensive production can be scaled so as to become the rule in Ethiopia's agriculture. This would lead the country on a path of adopting the model of western agriculture where the sector employs between 2 and 5 per cent of the country population.

As far as the production and processing of food crops is concerned the business models of the companies interviewed create a significant number of jobs both within the farms and processing plants but also through their outgrower system. Under the influence and pressure from international certification schemes these jobs have a guaranteed minimum wages and fair standards of employment conditions. This example shows to an extent the positive effect of international certification schemas which have strict regulations "forcing" the adoption of responsible business

practices. The companies benefit from these schemas by improving the value of their product and gaining access to different markets, thereby getting into better market positions than their competitors.

The agro-related companies on the other side score poor on direct employment creation as the majority of them can be characterized as knowledge intensive. The sample includes some foreign consultantancies that operate with minimum personnel. Salaries though in this sector are mostly well above the regional average. There are of course exceptions in this diversified sample making it difficult to draw general conclusions.

At this point it should be mentioned that the general employment conditions in combination with some of the CSR projects such as full medical coverage constitute conditions that are comparable if not better than those of many countries of Eastern or Southern Europe where recent scandals have revealed slave like working conditions. This argument is not to say that these conditions are the rule for FDI in Ethiopia but rather exceptions occurring more frequently among the European business community. These working conditions are far from perfect taking into consideration the low salaries but can be considered as a good point of departure. This point can serve as an example for other investors to follow and as a point of reference for the government to encourage.

6.3 Environmental impacts

The environmental impacts presented above differ to a great extent from sector to sector but the overall picture does not look very bright for most of the cases. Extensive use of dangerous chemicals, farming practices long banned in Europe and soil degradation are some of the negative outcomes of the survey. In some cases it seemed as if European entrepreneurs trying to avoid environmental regulations in their home countries were escaping to Ethiopia. The fact that they perform better in comparison to their Chinese or Indian competitors does not change the fact that a significant part of their activities causes long term damage to the environment.

On the other hand there are also significant signs of improvement. The declining use of dangerous pesticides in the flower sector together with the awareness of many entrepreneurs of the long term damaging effects are a step towards the right direction. The identified tendency in the flower sector has to do with new technologies becoming available (IPM) but also with external drivers such as consumer pressure (Visser, 2008). The latter factor should by no means be overrated but in the case of luxury goods such as flowers may be just what is needed to go towards a different direction. New technologies present also zero impact solutions as one of the companies demonstrated. Unfortunately at this point this is still the exception but with proper regulations and

an effective incentive structure it could become the rule. A few companies also got involved in natural conservation projects either voluntarily or at the request of the government. This gesture demonstrates to an extent the existing awareness of the damage caused and a certain will to compensate for this. A very encouraging finding was also the business model of the company specialising in environmental services and composting which not only has not negative impacts on the environment but is also engages in soil improvement and has plans of spreading sustainable farming practices to local communities.

6.4 Technological learning

One of the main reasons why the government created favourable conditions for European investors about a decade ago was the import of technology in order to modernise Ethiopia's agricultural system. From this perspective the presence of European entrepreneurs has triggered many positive developments in the country. The flower sector can be seen as a success story in terms of technology spillover with Ethiopians picking up intensive flower farming after the first years of European presence in the sector. Another positive aspect is the investments in infrastructure that occurred following the boom of floriculture together with all agro-related companies that arrived during the same period. New services were introduced to the Ethiopian markets that are now accessible to producers in diverse sectors (logistics, consulting and supplies). Many of these companies arrived following their customers from Europe but soon realized the potential lying in Ethiopia's untapped market. By integrating the training of local farmers into their business plans they virtually educate farmers to using their products and services.

The capital intensive dairy sector also aspires to spread the European model by giving trainings to local farmers and demonstrating cutting edge technologies. Though it must be said this model is more likely to attract local businessmen that want to invest in this highly lucrative sector than peasants that possess few cows. Interviewing a local businessman who was about to start up his own dairy farm he confirmed that the European milk processing plants were more than happy to share with him with knowledge and expertise by putting at his disposal company consultants to help him in his first steps. Whether the dairy sector will follow the pattern of floriculture is yet to be seen.

6.5 Economic aspects

The economic aspects of European investment activity in Ethiopia appear to be straight forward from the governmental perspective. All foreign investments are welcomed and joint ventures between Ethiopian and foreign investors are especially encouraged. As revealed in the

results there is a strong favouritism from the side of the government towards companies with export oriented activities mainly due to the lack of foreign exchange in the country. The activities of these companies are facilitated in any way so as not to disturb their production process. As the following part discusses a concern raised by some consultants as to the economic net benefits of exporting companies to the country.

Looking closer at the success story of the flower sector one has to notice that from a macroeconomic perspective, things are not as bright as presented in terms of benefits for the country. We are dealing with an industry in which over 75% of its inputs are imported. That includes pesticides, chemicals, fertilizers and other materials. About 50% of the total production cost is linked to the transportation of the products to the international market. During the first years of the sector's existence air cargo was undertaken by non-Ethiopian air cargo companies. Taking into consideration that all companies had a 5 to 7 years tax holiday after starting their operations, this left only a small fraction of generated value in the country which was mainly the low worker salaries together with the low value of some locally sourced inputs (ex. carton boxes). If we take into account the costs of infrastructures undertaken in order to meet the needs of the sector plus the cost of the environmental degradation caused by the extensive use of toxic chemicals and pesticides then what first appeared as a success story becomes a net loss for the country at least in the short term. The government in an attempt to keep more of the value created in the country obliged the flower companies to use the national air cargo by banning international competition. This movement was not very successful as apart from receiving many negative comments from the business community it did not really improve the country's position as cargo planes and kerosene are also imported products. Currently with the floricultural sector having reached maturity, the government tries to reap the benefits from this dynamic sector by increasing taxation and enforcing stricter regulations. These actions are viewed with great concern from many entrepreneurs and probably account for the stagnating investments in the sector.

6.6 Assessment of surveyed sectors

At this point after having discussed the various aspects of European entrepreneurial activity in the agricultural sector it is time to categorize the surveyed companies according to their sustainability performance. This assessment takes into consideration the FAO (2010) principles of responsible investments in agriculture as well as Van Tulder's (2006) four stages of CSR practice. More specifically each sector will be graded for every aspect of sustainability on a scale from -1 to 1 with -1 representing "poor performance", 0 "fair performance" and +1 "good performance". In almost each sector there were some exceptions of companies that could serve as sustainability

models or others that are moving towards that right direction. The business models will be given some further attention as to their contribution to sustainable local development guiding towards the section of policy recommendations.

Table 8: Sustainability assessment vs. Sector

	Environment	Social	Economic	Total
Floriculture	- 	0	+	0
Dairy & Poultry	-	0	0	-
Agro-related	0	0	+	+
Prod & Process	+	+	+	+++

*The arrow in the environmental grade of floriculture represents an improving tendency

As can be seen in the table above the European companies in the sample scored weak in environmental issues, mostly fair in social aspects and good in the economic sector. The dairy and poultry sector was graded with “fair” in economic issues due to heavy external reliance to set up and run their business (subsidies, links with universities & church organizations). In the social aspects of this research it was notable that 15 out of 23 companies surveyed were involved in some way with the local community in which they operated. As demonstrated earlier the motivations for this involvement vary from sector to sector, with some entrepreneurs considering it an intrinsic part of their business. As far as environmental issues are concerned the negative impact of most companies cannot be neglected. The awareness exists among the European business community but pressure towards improvement exists mainly for export oriented companies which are bound to certification standards and customer specifications. Exceptions in terms of environmental performance exist with some companies having a minimal or zero impact but there are no real incentives to promote these business models.

Based on the results of the survey and the analysis so far we can put the companies into two big categories. The first category includes companies that represent economic development in the traditional sense. Their CSR practices can be characterized as “inactive” using Van Tulder’s (2006) scale. Their appearance in the country was a result of the government’s open door policies pursuing modernization and economic through FDI, new technological input and job creation. Sustainable development is mentioned as a target in various policy papers but in the process of attracting foreign investors the environmental impact of these investments was not really taken into consideration. This is clearly demonstrated in the findings on impact assessment studies which indicate a certain neglect of environmental issues at least during the first year of the boom. The great majority of companies in the floricultural sector as well as the dairy and poultry sector fit into this category together with some of their supporting companies. It’s the “business as usual” scenario that has brought about the present ecological crisis and is for sure not going to lead the way towards achieving sustainable development. The “improvements” in environmental performance were in

many cases only motivated by increased yields and profit maximization and mostly a response to external driving forces (“Reactive”). Even on from the economic perspective the overall benefits for the country are disputed and an object of debate.

In the second category we find companies that are on the right track in terms of sustainable development (“Active”). Only one of the companies from the flower sector can be put in this category because of its zero impact on the environment. From the other sectors the companies in the production and processing of food crops were in the right direction with the company focused on organic production having a business model that fully incorporates the philosophy of sustainability namely: long term thinking with respect to farmer communities and the natural environment. These two companies can be categorized as “pro-active” (Van Tulder, 2006) as they feature a wide stakeholder interaction and consultation. From the agro related sector the company offering environmental services does not only fulfil the criteria to be characterized as a sustainable company but goes even further towards the direction of regenerative development by recycling organic waste and using it for soil improvement purposes. Another positive aspect of this company is that the training of local communities on composting methods and integrated organic farming methods is an intrinsic part of their business plan. The spreading of this knowledge to local communities in Ethiopia can significantly improve agricultural output in rural areas and contribute to long term food security.

6.7 Policy recommendations

In light of the data presented above it seems that the Ethiopian government has undertaken a difficult task by trying to combine two almost opposing elements on the road to sustainable development. These two elements are: The industrialization of the agricultural sector through foreign investments, the development and reform of the dominant smallholder sector. As Lavers (2012) mentions in many cases the large scale land acquisitions in many cases do not purchase “unused land” but rather land previously used by local communities who have no opportunity to object to the government’s decisions. The difficulty of this task lies in the bridging of these two elements within a frame of environmental, social and economic sustainability.

If development continues following the present model it is very likely that it will not be viable in the long run. Let’s assume for a moment that the point raised by Lavers is correct. In this scenario foreign investors expropriate a large part of land used by locals for subsistence reasons and use it for export crops of all kinds. Floriculture is an exception in this case as it requires relatively small amounts of land. As a consequence the internal food production in many areas will need to abandon the current subsistence model and shift to a model of centralized and intensive production. As the latter model is capital- but not labour-intensive it will generate immense inequalities within the

Ethiopian society as only a relatively small part of the society will be able to purchase the produced products. To bridge that gap in society the government would have to move towards an industrialized and service economy in order to create more employment. This model does not seem very likely as it would require a significant transformation of the Ethiopian society. This constitutes a centralized model of production as was demonstrated in the survey sample by the dairy and poultry sector. This model will create food products for a wealthy middle and upper class but will not feed the masses.

For the first part of the equation, namely the industrial export oriented agriculture, flower farms could serve as a solid basis under the necessary condition of minimizing their environmental impact. Attracting high tech clean flower farms is not an easy job but not an impossible one either. As demonstrated by one company of the sample, technology has made zero impact flower cultivation possible, resulting in higher yields and minimum environmental impact. The existing companies of the sector should be given proper financial motives such as tax cuts to upgrade their farm capabilities and move to cleaner production methods. Another option would be to link environmental performance with the level of taxation.

Stricter environmental regulations are also another prerequisite not only for the flower sector but also for other types of crops or farms. The rising demand for dairy products is a fact in Ethiopia's society but there is certainly no need to repeat the mistakes made in Europe and other countries by importing farming practices long banned. After all, somebody will have to cover this demand but it does not have to be linked to environmental destruction. Environmentally friendly waste disposal should become compulsory for all agricultural companies together with stricter controls on chemicals and pesticides imported in the country. Sustainable business models from the agro related sector dealing with organic waste and environmental services could also play an important part in the amelioration of policies and the spreading of sustainable farming methods.

Organic agriculture on a larger scale as demonstrated by one of the companies in the sample should also be seriously considered by domestic or international investors active in the country. By using organic agricultural methods, the value created in the country increases and at the same time the dependency on fertilizer and pesticide imports decreases. Furthermore the environmental impact of these practices is close to zero and the benefits for farmers, outgrowers and local communities are maximized. Finally if business models based on organic agriculture invest further in vertical integration through the value chain by taking up processing of food crops, the added value created will increase significantly creating even more value for all stakeholders involved.

Having covered the export oriented companies that are becoming Ethiopia's "heavy" industry it's time to look at the agricultural production which focuses on the local market. As mentioned earlier the intensification of agriculture for the needs of local populations is not really a viable option

and it also opposes an on-going tradition that goes back thousands of years. Most of Ethiopia's rural areas have been self-sufficient throughout the centuries even though their cultivation methods were extremely primitive. By taking an hourly ride outside the country's capital one can witness that very little has changed in agricultural methods over the centuries. The knowledge we possess today on organic agriculture is sufficient to significantly increase output in the rural areas of Ethiopia and enable the farmers to move away from subsistence farming towards a semi-commercial model of production as is envisioned by the current government. If modern knowledge is combined with traditional farming methods it would be possible to create a decentralized agricultural system based on organic production that will be more than enough to richly feed Ethiopia's rising population. In contrast to the capital intensive model of intensified agriculture the model described already exists to an extent based only on traditional knowledge. By giving training to local communities on integrated farming methods and organizing cooperatives that will serve as knowledge hubs this system can become a reality.

The two systems described above may seem an obscure combination in the beginning but if considered more carefully it is possible to combine them and make them complementary. The infrastructure created in the past years together with the imported knowledge can serve this dual purpose and help create a sustainable agricultural system that will contribute to the sustainable development of Ethiopia by presenting a new paradigm of development that respects its rich tradition and cultural heritage.

7 Conclusion

Within the past decade Ethiopia in its ambitious quest for sustainable and equitable development has made a great effort in attracting foreign investors in the agricultural sector. A lot of European entrepreneurs responded positively to the government incentives and started setting up their businesses. After almost a decade of soaring investments and an annual GDP growth of over 10%, questions arise as to whether the country is really profiting from foreign investment activity and whether the model pursued leads to the target of sustainable development.

This paper took into focus European companies in an attempt to create a profile of their activities and assess their performance in terms of responsible business and contribution to sustainable local development. The results presented in this study enable the reader to have a deeper understanding of the European investment activity in the Ethiopian agricultural sector as well as the most important issues at stake. As a part of this activity is heavily disputed concerning its developmental impact, different perspectives were analysed and reflected upon.

At a first glance the results present a relatively positive image of European entrepreneurship in the country. Europeans are in general responsible businessmen who play by the rules and in many cases adopt voluntarily higher standards than their competitors. On a closer look though, keeping in mind the three pillars of sustainable development, significant shortcomings were identified. Especially environmental issues were more likely to be neglected in favour of other social or economic benefits. Although worker salaries were only slightly above the threshold of one dollar per day, social performance in general was fair featuring extensive job creation, numerous cases of community involvement and CSR activities benefiting the workers. The economic side was the least problematic with most companies being profitable businesses. Unfortunately many of the business models observed were reliant on subsidies and external support making them not viable for implementing on a local or national level.

Exceptions to the “business as usual” scenario exist within the sample of companies interviewed, characterized by innovative thinking, new technologies and visionary long term planning. Out of the 24 companies interviewed only 4 meet the criteria to be characterized as sustainable and present a different model of dealing with people and the environment. Taking these exceptions as point of departure, the policies of the Ethiopian government and other international donors should focus on attracting more companies of that kind by creating the necessary investor-friendly conditions. Furthermore the standards of existing companies should

be raised by giving incentives to the existing ones, to improve their standards towards a sustainable direction. This study reveals that the vertical integration of companies can increase the added value created within the country through the processing of agricultural products generating more shared value for all local stakeholders involved. Vertical integration presents significant benefits for the country on a macro level but also for the company which gets a better positioning in the value chain thereby increasing its shareholder value. A part of this extra value created is subsequently shared with the local communities by exercising responsible business practices. On a national level an integrated decentralised organic production can be promoted through education and will significantly increase current yields and contribute to the food security of the country.

These recommendations may represent only a fraction of possible decisions and outcomes within the vast Ethiopian agricultural sector but their target is to clarify the direction to be followed according to the principles of sustainable development. After all development in itself is not an end goal but a continuous process which has to be adapted to the cultural traditions and social context of each region. There is a lot to be done and many obstacles on the way, but now more than ever we possess the knowledge and the means to make the right decisions to solve humanities most pressing problems.

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9 Appendix

9.1 List of companies interviewed

	Ownership	Main activity	Sector	Year founded	#Employees
1	Dutch (100%)	Agricultural supplies	Floriculture	2007	
2	Dutch (35%) Ethiopian (65%)	Organic sesame production & processing	Food crops	2008	100
3	Dutch (50%) Ethiopian (50%)	Packaging	Dairy supplies	2011	25
4	Ethiopian (51%) Dutch (49%)	Animal feed production	Agricultural supplies	1995	80
5	Dutch (40%) Ethiopian (60%)	Poultry & Dairy	Agricultural production	2010	70
6	Dutch (100%)	Dairy products	Agricultural production	2008	36
7	Dutch (100%)	Soil analysis	Horticulture	2008	45
8	Dutch (100%)	Biological pest control	Horticulture	-	-
9	Dutch (100%)	Consulting services	Horticulture	2005	5
10	Dutch (51%) Ethiopian (49%)	Dairy products	Dairy production	2001	86
11	Dutch (33%) US (33%) Ethiopian (34%)	Dairy, vegetables, poultry	Agricultural production	2005	250
12	Dutch (100%)	Rose farming	Horticulture	2006	1200
13	Dutch (100%)	Consulting services	Horticulture	2011	1
14	Dutch (75%) Ethiopian (25%)	Dairy products	Dairy production	2007	65
15	Dutch (86%) Ethiopian (14%)	Fruit production & processing	Agricultural production	2008	125
16	Dutch (100%)	Rose farming	Horticulture	2006	250
17	Belgian (99%) Dutch (1%)	Cuttings	Horticulture	2006	700
18	British (90%) Dutch (5%) Ethiopian (5%)	Cut flowers	Horticulture	2004	250
19	Dutch (50%) Ethiopian (50%)	Cut flowers	Horticulture	2007	250
20	German (100%)	Flower cuttings	Horticulture	2003	1450
21	Dutch (50%) Ecuadorian (50%)	Flowers	Horticulture	2005	325
22	Dutch (50%) Ethiopian (50%)	Composting, environmental services	Horticulture	2010	200
23	Dutch (50%) Ethiopian (50%)	Logistics, flower storage	Transport	2005	50

9.2 List of interviewed stakeholders (organisations)

- Agri Pro-Focus Ethiopia
- SNV Ethiopia
- Ethiopian Horticulture Producers and Exporters Association (EHPEA)
- Netherlands Embassy, Addis Ababa
- Royal Tropical Institute

9.3 Survey Questionnaire

Nr. Survey:	Date:
Name enterprise:	

Survey of European entrepreneurs in Africa

1. Owner/manager

A. Nationality, age & gender	C. Residence & background	D. Background
What nationality(ies) do you have? 1. 2. In what year were you born? Sex: <input type="checkbox"/> Male <input type="checkbox"/> Female	Since when do you live in this country? What is your educational background?	What is your professional background? Owner only: Why did you decide to start this enterprise in this country?

2. Characteristics of enterprise (part I)

A. Products & Services	B. Sector	C. Value Chain
What are your main products or services? Please specify:	In which branch of the agro-sector is the enterprise active? <input type="checkbox"/> Poultry <input type="checkbox"/> Food crops (fruits, vegetables, grains, nuts) <input type="checkbox"/> Non Foods <input type="checkbox"/> Floriculture <input type="checkbox"/> Dairy <input type="checkbox"/> Other:	In what activities is the enterprise involved? <input type="checkbox"/> Machinery/Engineering <input type="checkbox"/> Fertilizers/pesticides <input type="checkbox"/> Seeds <input type="checkbox"/> Services/Consultancy <input type="checkbox"/> Other supplies <input type="checkbox"/> Research and Development <input type="checkbox"/> Farming <input type="checkbox"/> Storage <input type="checkbox"/> Processing and Manufacturing <input type="checkbox"/> Packaging <input type="checkbox"/> Retail

		<input type="checkbox"/> Transport <input type="checkbox"/> Trading and Exporting <input type="checkbox"/> Other:.....
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3. Characteristics of enterprise (part II)

A. Status	B. Ownership
What is the status of the firm with respect to others? <input type="checkbox"/> Single establishment firm <input type="checkbox"/> Parent company <input type="checkbox"/> Local establishment of parent company <input type="checkbox"/> Joint venture, partnership <input type="checkbox"/> Other:.....	Who are the owners of the firm (people/legal entities) and what nationality do they have? Name Equity share Nationality Country of residence 1. 2. 3. 4.

4. Enterprise dynamics

A. Start	B. Past development	C. Future development
What year was the firm founded? Year:	Has the enterprise expanded (+), remained constant (0) or declined (-) over the past 5 years in terms of: (please circle) Turnover + 0 - No. of workers + 0 - No. of locations + 0 - No. of clients + 0 - Labour costs + 0 - New product(s) + 0 - Why?	Do you expect the firm to expand (+), stay constant (0) or decrease (-) in the next 5 years? Turnover + 0 - No. of employees + 0 - No. of locations + 0 - No. of clients + 0 - Labour costs + 0 - New product(s) + 0 - Why?

5. Financial situation

A. Public investment	B. Turnover
From which public channels does the enterprise receive external funding? <input type="checkbox"/> Not Applicable <input type="checkbox"/> Subsidy home country <input type="checkbox"/> Subsidy host country <input type="checkbox"/> Grants <input type="checkbox"/> None And what is the name of each subsidy/grant? Please specify:	What has been the average annual turnover of the enterprise in the last year? <input type="checkbox"/> Less than 125.000 BIR <input type="checkbox"/> 125.000 – 500.000 BIR <input type="checkbox"/> 500.000 – 1.250.000 BIR <input type="checkbox"/> 1.250.000 – 2.500.000 BIR <input type="checkbox"/> 2.500.000 – 6.250.000 BIR <input type="checkbox"/> 6.250.000 – 25.000.000 BIR <input type="checkbox"/> 25.000.000 – 50.000.000 BIR <input type="checkbox"/> 50.000.000 – 125.000.000 BIR <input type="checkbox"/> More than 125.000.000 BIR

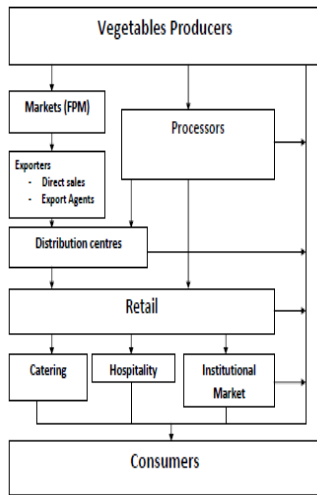
6. Market Relations – Suppliers and Customers

A. Who are your main suppliers? What is their name, size, location and what do they supply?			
Size	Name supplier	Item supplied	Location

1 2 3 4			
1 2 3 4			
1 2 3 4			
1 2 3 4			
1 2 3 4			
1 = Micro Enterprise 2 = Small to Medium Enterprise 3 = Large Enterprise 4 = Multinational			
How much of your supplies are sourced from which market?			
Local: % - what product in particular?			
Domestic: % - what product in particular?			
Other African: % - what product in particular?			
European: % - what product in particular?			
Other International: % - what product in particular?			

B. Who are your main customers? What is their name, size, location and what do they buy?			
<i>Size</i>	<i>Name client</i>	<i>Item bought</i>	<i>Location</i>
1 2 3 4			
1 2 3 4			
1 2 3 4			
1 2 3 4			
1 2 3 4			
1 = Micro Enterprise 2 = Small to Medium Enterprise 3 = Large Enterprise 4 = Multinational			
How much of your products are sold to which market?			
Local: % - what product in particular?			
Domestic: % - what product in particular?			
Other African: % - what product in particular?			
European: % - what product in particular?			
Other International: % - what product in particular?			

C. Value chain map



7. Characteristics of Market Relations

A. SUPPLIERS

What is the nature of your relations with suppliers?

Purchasing relations with main suppliers:

- Arm's length (individual transactions, no company-to-company relationship)
- Contract basis (periodical delivery, longer-term relationship)
- Contract basis including product specifications (same, including exchanges on product design)

Other relations with suppliers:

- Technology transfer on products, production process
- Training in skills and knowledge
- Technical cooperation, joint product development and production
- Staff placement
- Financial support (credit, loans)

Is compliance with standards and certification schemes a factor in your selection of suppliers of goods and services?

Yes – somewhat – not really – no

If so, which ones?

To what extent do you agree with the following statements on the firm's activities?

1 = not at all 2 = not really 3 = undecided 4 = Somewhat 5 = Very much

How do you deal with....?	1	2	3	4	5
Our procedures are such that all suppliers and contractors are routinely paid in accordance with agreed terms.					
Our firm supports its suppliers in improving their environmental, social and economic performance					
Our firm has standard procedures to determine the needs of its stakeholders (complaint books, feedback mechanism)					

C. CUSTOMERS

What is the nature of your relations with customers?

Sales relations with main customers:

- Arm's length (individual transactions, no company-to-company relationship)
- Contract basis (periodical delivery, longer-term relationship)
- Contract basis including product specifications (same, including exchanges on product design)

Other relations with customers:

- Technology transfer on products, production process
- Training in skills and knowledge
- Technical cooperation, joint product development and production
- Staff placement
- Financial support (credit, loans)

Is compliance with standards and certification schemes a consideration in securing deals with your customers?

- Yes somewhat not really no

If so, which ones?

To what extent do you agree with the following statements on the firm's activities:

1 = not at all 2 = not really 3 = undecided 4 = Somewhat 5 = Very much

How do you deal with....?	1	2	3	4	5
The firm has a formal procedure to respond to client demands or complaints					
The firm takes the needs of the poor as customers into account when developing new products and/or services.					
Product/service specifications are made clear, including quality, total cost, delivery charges and time schedule					

8. Use of local resources (Part I)

A. Labour	
<p>How many people does the firm (this establishment) employ in all?</p> <p># Permanent: # Temporary: # Casual:</p> <p>What is the gender division of staff? Male: Female:</p> <p>What share of staff is local? (or use count) Local: % Other domestic: % Foreign: %</p> <p>Details on foreign staff:</p> <p>From what country? What function?</p> <p>1. 2. 3. 4.</p>	<p>How does pay of workers compare to average pay in the area? (in percentage + or -)</p> <p>Has this changed over time?</p> <p>What are the normal daily working hours?</p> <p>How many holidays/ free days do the employees receive?</p> <p>How many employees are member of a Trade Union?</p> <p>What are the arrangements for medical leave?</p> <p>What are the arrangements for medical insurance?</p> <p>What are the arrangements for maternity leave?</p>

What percentage of the employees is male and female? M: F:	What are arrangements for social security? - Old age - Unemployment - Disability
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B. WORKER RELATIONS					
Does the firm take specific initiatives for the well-being of its workers? Please specify:					
Does the firm invest/promote training/education for its workers? Please specify:					
To what extent do you agree with the following statements on the firm's activities? <i>1 = not at all 2 = not really 3 = undecided 4 = Somewhat 5 = Very much</i>					
	1	2	3	4	5
Health and safety regulations on the workplace are always enforced					
There is a procedure to monitor compliance with relevant employment laws and regulations.					
There is a procedure to ensure that no forms of harassment, bullying or discrimination are tolerated.					
There is a procedure to ensure open communication with workers (handling complaints, employee rights).					

9. Use of local resources (Part II)

A. Land, Water, Energy and Pollution	
How many hectares of land does the enterprise have in total? What is the tenure status of the land? <input type="checkbox"/> Privately Owned ha: <input type="checkbox"/> State Owned ha: <input type="checkbox"/> Leased ha: years: <input type="checkbox"/> Community/customary ha: How was the land acquired? <input type="checkbox"/> Private purchase/lease <input type="checkbox"/> Through government <input type="checkbox"/> Through local dignitaries (chiefs etc.) <input type="checkbox"/> Through local partner <input type="checkbox"/> Other:..... What is your main use of water? <input type="checkbox"/> Irrigation <input type="checkbox"/> Production, processing <input type="checkbox"/> Household/office type consumption In case of irrigation and production water use, how much water does the enterprise use each year? What is your main source of water?	Does the firm share this source with the surrounding community? How many months a year does the enterprise use irrigation? What is your main use of electricity? <input type="checkbox"/> processing, production <input type="checkbox"/> office-type consumption How much electricity does the enterprise use each year (KWh)? What is the main source of energy? <input type="checkbox"/> public supply system <input type="checkbox"/> private supply system Is there a procedure in place to monitor pollution/emissions by the firm? Please specify: Does the enterprise keep records of pesticides and chemicals used? How much fertilizer does the enterprise use (kg/ha)?

<input type="checkbox"/> Rainfall <input type="checkbox"/> Rain harvesting system <input type="checkbox"/> Surface water (<i>canals, rivers and streams, ponds & lakes</i>) <input type="checkbox"/> Ground water (<i>boreholes, springs</i>) <input type="checkbox"/> Tap water <input type="checkbox"/> Other.....	<p>Does the enterprise have a functioning waste management and pollution prevention programme in place?</p> <p>Is there a negotiated compensation to the surrounding community for the use of infrastructure and resources?</p>
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B. ENVIRONMENT					
What assessments have been conducted before starting operations?					
<input type="checkbox"/> Environmental impact <input type="checkbox"/> Social impact <input type="checkbox"/> Soil/fertility impact					
What does the firm do to limit its impact on the environment?					
Please specify:					
To what extent do you agree with the following statements on the firm's activities?					
<i>1 = not at all 2 = not really 3 = undecided 4 = Somewhat 5 = Very much</i>					
	1	2	3	4	5
The enterprise makes careful use of land					
The enterprise is increasing its water efficiency					
The enterprise is increasing its energy efficiency					
The enterprise takes initiatives to reduce its greenhouse emissions					
There is a procedure to monitor compliance with environmental rules					
There is a procedure within the value chain to encourage environmentally responsible use/disposal of products					

10. Community relations

COMMUNITY					
In what way is the enterprise involved with surrounding communities?					
Please specify:					
Please indicate to what extent you agree with the following statements with reference to the activities of the enterprise:					
<i>1 = not at all 2 = not really 3 = undecided 4 = Somewhat 5 = Very much</i>					
	1	2	3	4	5
The firm actively support community projects and activities					
The firm is involved in improving social infrastructure and living conditions in the area					
Where activities have a potentially significant impact on the community, the enterprise has procedures to minimize the negative impacts.					
The enterprise engages in meaningful dialogue with the community where there are concerns about its products, services or operations.					
The enterprise is engaging in local development because this has a positive effect on profit.					

11. Responsibility

A. Stakeholder influence					
Which stakeholders are most important in determining how responsible a business is?					
<i>1=Extremely 2=Slightly 3=Neither 4=Slightly 5=Extremely</i>					
	Negative				positive
	1	2	3	4	5
Investors/financiers					
Government					
Local Groups and Organizations					
Clients and Customers					
Community					
Employees					
Suppliers					
Environmental changes					

B. Responsibility, standards	
<p>Are there any international standards or certification labels implemented by the firm? 0 No 0 Yes:.....</p> <p>What are the main guidelines or directives from government being implemented by the enterprise? 0 Yes: environmental:</p> <p>0 Yes: social:</p> <p>What are the main bottlenecks, problems, your firm faces?</p> <p>What can be done to solve them?</p>	<p>How responsible do you consider your own business to be, on a scale of 1-10 where 10 is highest. 1 2 3 4 5 6 7 8 9 10</p> <p>Please explain:</p> <p>What changes have taken place in terms of responsible business?</p> <p>What plans, possibilities do you have?</p>

Thank you for your cooperation!

If you are willing to participate further in the research please fill in your email address here:

If you have any further comments regarding the research please write them here: