Ethiopian Floriculture Industry from Corporate Social Responsibility (CSR) & Governance Perspective

“How is CSR practiced in the Ethiopian Floriculture Industry, and does it have a linkage with the governance system?”

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ABSTRACT

In today’s globalized business world Corporate Social Responsibility has become the pioneer business issue with ethical business governance. Nonetheless, the idea is in the early developing stage in most of the developing countries like Ethiopia. Unlike the developed world in which the corporate governance system plays a key role in ensuring the ethical business practice, countries without stock market like Ethiopia are faced with lack of well established ethical business practice.

Ethiopian flower industry is at its infancy stage and generates a considerable amount of foreign currency and provides job opportunity for many citizens. However it is still accused of unsustainable flower production.

This paper explores the practice of corporate social responsibility and the related governance on Ethiopian flower industry. It highlights particularly on corporate social responsibility practices and its implementation through the assistance of government bodies and other stakeholders. It attempts to reveal the growth of the industry, corporate social responsibility and governmental regulations with its CSR drivers. The study also assesses convergence of the economical, ecological and human practices of flower farms with its related CSR drivers in promoting their governance on corporate social responsibility. Finally this research provides opportunity for students, researchers and stakeholders to analyze and discuss on the current CSR issue of the industry.

Key Words: CSR, Governance and Value chain
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ABBREVIATIONS

BTC- Belgian Development Agency
CB- Certification Bodies
CSR- Corporate Social Responsibility
EC- Environmental Council
EHDA- Ethiopia Horticulture Development Agency
EHPEA- Ethiopia Horticulture producer Exporters Association
EIA- Environmental Impact Assessment
EPC- Environmental Protection Authority
EMS- Environmental Management System
EUREP- European retail Organization
GAP- Good Agricultural Practice
GVC- Global Value Chain
ILO- International Labor Organization
MoARD- Ministry of Agriculture and Rural Development
MPS- Milieu Project Sierteelt (Market Label)
SQ- Socially Qualification
VCA- Value Chain Analysis
# TABLE OF CONTENTS

## CHAPTER ONE: INTRODUCTION

1.1 PROBLEM BACKGROUND.................................................................8
1.2 PROBLEM DEFINITION.....................................................................9
1.3 PURPOSE......................................................................................9
1.4 LIMITATIONS...............................................................................10
1.5 STRUCTURE OF THE THESIS........................................................10

## CHAPTER TWO: THEORETICAL FRAMEWORK

2.1 CORPORATE SOCIAL RESPONSIBILITY.............................................11
2.2 TRIPLE BOTTOM LINE....................................................................12
2.3 STAKEHOLDER THEORY.................................................................15
2.4 DRIVERS OF CSR FOR FLORICULTURE..........................................15
   2.4.1 Value-Chain Analysis..............................................................16
   2.4.2 Governance...........................................................................16
   2.4.3 Leverage over Chain..............................................................17
   2.4.4 Cost associated with CSR......................................................17
2.5 THE ROLE OF GOVERNMENT IN CSR............................................17

## CHAPTER THREE: METHODOLOGY

3.1 RESEARCH APPROACH..................................................................19
3.2 RESEARCH DESIGN.......................................................................20
   3.2.1 Case Study............................................................................20
3.3 DATA COLLECTION........................................................................21
   3.3.1 Secondary Data.......................................................................21
   3.3.2 Primary Data...........................................................................21
      3.3.2.1 Interview (Semi-Structured)..............................................21
      3.3.2.2 Questionnaire (Self-Administered).................................22
3.4 DATA ANALYSIS...........................................................................22
3.5 RELIABILITY.................................................................................22
CHAPTER FOUR: EMPIRICAL STUDY

4.1 HISTORY OF FLORICULTURE IN ETHIOPIA.........................................................23

4.2 CSR PRACTICE OF FLORICULTURE IN ETHIOPIA........................................23
   4.2.1 Social Sustainability .................................................................................24
   4.2.2 Environmental Sustainability...............................................................26
   4.2.3 Economic Sustainability .......................................................................28

4.3 ROLES OF GOVERNMENT...........................................................................29
   4.3.1 Regulatory Framework and National Policies.........................................29
      4.3.1.1 Code of Practice for Sustainable Agriculture..............................29
      4.3.1.2 Land Policy......................................................................................33
      4.3.1.3 Legislation.......................................................................................33
      4.3.1.4 Company Law.................................................................................34
   4.3.2 Empowerment of Associations ..............................................................34
      4.3.2.1 EHPEA Code of Practice...............................................................35

4.4 GOVERNANCE OF GLOBAL VALUE-CHAIN..............................................37

4.5 MPS MARKET LABEL ..................................................................................38

CHAPTER FIVE: FINDING

5.1 CSR OF THE FLORICULTURE INDUSTRY.....................................................40
   5.1.1 Economical sustainability......................................................................40
   5.1.2 Environmental Sustainability..............................................................41
   5.1.3 Social Sustainability............................................................................43

5.2 GOVERNANCE OF THE FLORICULTURE INDUSTRY..................................44

5.3 THE OBSERVED LINKAGE BETWEEN CSR AND GOVERNANCE..............47

CHAPTER SIX: REFLECTION.............................................................................50

REFERENCES.....................................................................................................53

APPENDICES

APPENDIX I: QUESTIONNAIRE........................................................................59

APPENDIX II: INTERVIEW QUESTIONNAIRE....................................................63
CHAPTER ONE: INTRODUCTION

1.1 PROBLEM BACKGROUND

The globalized thinking of business concepts has lead the business world towards a more advanced and well established system of transaction which business organizations are required to provide best quality with environmental friendly and socially responsible products and services. Today, companies are working towards attaining the corporate social responsibility of a business which concerned with benefit to all stakeholder groups by incorporating social, economic and environmental practices in to their business strategy. On the other hand governance plays a great role in the companies’ business performance by using ethical business practice. In the mean time the corporate social responsibility practice of a company mainly uses the governance system as a means to incorporate the social, economical and environmental concern in to the business decision making process.

Nowadays, as a new phenomenon governance and corporate social responsibility are well established in the developed world than that of the developing one in which unlike the developed countries the concept of new governance is not practiced in most of developing countries rather it takes the old traditional focus of owner manager relationship. In addition, it is not common to find a specific form of corporate social responsibility practices in the developing world otherwise it could be seen from business perspectives.

Since Ethiopia is one of the developing countries the philosophy of corporate social responsibility is not well developed and also the governance system takes the form of mere control and decision making rather than well developed ethical code of conduct. However, currently there are some good starts by some industries like the horticulture sector. So we wonder how this industry is practicing corporate social responsibility and the related governance system.

This study paper will assess the emerging practice of corporate social responsibility in Ethiopia particularly in the floriculture industry and it will see if there is any linkage with the governance system in the country by referring to this sector.
1.2 PROBLEM DEFINITION
The flower industry in Ethiopia is a newly emerging industry. It has more than 70 active exporting companies and due to the countries whether advantage the number is continued to increase. It is one of the major sources of foreign currency and creates a job opportunity for more than one hundred thousand citizens. However, the industry is accused for environmental and socio-economic problems. Environmentally ecological concerns like high water consumption, application of inorganic fertilizers, pesticides, pollution and waste disposal are the major ones. In addition, socio-economically the industry has a problem with the community like labors are suffering from health problem due to toxic chemicals and even their right to form a union and bargain on their working condition is also denied. Moreover, the industry has also created land holding problems. Therefore, the paper will study these problems from Corporate Social Responsibility and governance point of view through the main research question:

“How is CSR practiced in the Ethiopian Floriculture Industry, and does it has a linkage with the governance system?”

1.3 PURPOSE
The purpose of this study is to examine the business practice of the Ethiopian floriculture industry from governance and corporate social responsibility perspectives. In spite of lack of well organized form of governance system and corporate social responsibility practice in the developing country like Ethiopia, the study will assess how the industry practices corporate social responsibility both within the organizations as well as to the community including how environmental protection is proceed and what governance system is employed in the industry. In addition, it also intends to see if there is a linkage between the socially responsible business practice and the respective governance system used.
1.4 LIMITATIONS
Due to time, distance and the related cost the study is unable to research deep insight like by approaching each and every flower companies and their employees and the community leaving around the farm area. Moreover the study has faced difficulty of well developed information on the area. It is challenging to have access to data related to government offices and authorities due to lack of transparency and excessive beurocratic procedures. Besides, among the questionnaire distributed to 15 randomly selected flower companies only 7 of them are returned so the study is forced to use this limited source of data which invalidate the research if generalization is done on it. Hence, the study needs more resource allocation to come up with a good finding than it did in this research.

1.5 STRUCTURE OF THE THESIS
The study has six chapters, with inductive research approach in which after the empirical data is studied, the problems with the respective research questions are defined then after the respective theoretical model is developed and finally with qualitative research strategy findings based on the problem from the empirical and the related theoretical model are drawn so as to answer the research question.

Accordingly, the thesis starts with a short description in its abstract and then acknowledgement and also some abbreviations. Next to that the first chapter introduces and defines the research problems and research questions including the purpose and limitations of the study and this section. Chapter two is consisted of the theoretical model developed to study the empirical data with the existing knowledge. Chapter three describes the research methodology used in conducting the research. Chapter four is the empirical study that contains data that are going to be studied to find answer to the research questions. Chapter five is the findings from the empirical and the related theoretical model which present the answer to research questions. Finally, in chapter six the findings are reflected with authors own idea and last but not least the references and appendices are also included.
CHAPTER TWO: THEORETICAL FRAMEWORK

In this chapter of the paper the study presents the theoretical model used to study the problem based on the empirical data as to answer the research questions.

2.1 CORPORATE SOCIAL RESPONSIBILITY

It is quite difficult to have an agreed definition that clearly reveals the concept of corporate social responsibility. For the purpose of this paper, it is better to look at definitions of CSR that will help us to analyze the problem statement. This section overviews some literatures about CSR and provides some key concepts in this area. How CSR is defined and concepts under the context of economic, social and environmental perspective of CSR are assessed.

CSR is a complex area with an interdisciplinary focus which includes human rights, environmental responsibility, and diversity of management, sustainability and philanthropy (William 2010). CSR concerned with treating stakeholders of the firm ethically or in a responsible manner. It is a new phenomenon as well as the business practices associated with it (John 2005). “Ethically or responsible” means treating stakeholders in a manner deemed acceptable in civilized societies with regard to social, economic and environmental responsibility. Stakeholders exist both within a firm and outside. The wider aim of social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for peoples both within and outside the corporation. (Micael 2006).

However, giving a single definition is not enough due to the fact that various issues will be raised inside this paper. Another broad definition given by International Institute for Sustainable Development is a balanced approach for organizations to address economic, social and environmental issues in a way that aims to benefit people, communities and societies. (Sexsmith & Potts 2009). Similarly according to William CSR is a complex area with an interdisciplinary focus which includes human rights, environmental responsibility, and diversity of management, sustainability and philanthropy. To ensure a long term economical, social and environmental sustainability one organization should identify its relevant and appropriate procedures to develop specific competence and undertake profitable investment (Idow & Fiho 2009).
Based on the above definitions CSR has developed as common was expressing a broad concepts of business concerns such as environmental protection, workers right, consumers and suppliers protection and its behavior on social issues like health, safety under the consideration of profit making. This paper theoretical frame work mainly focuses around on triple bottom line which is a powerful way to grasp the industries CSR practice and measure its success in terms of economy, environment and the society.

2.2 TRIPLE BOTTOM LINE

This concept explained how it can be useful for business, policy makers and economic development practioners as base for formulating corporate social responsibility theories. TBL is an accounting framework that incorporates three dimensions of performance: social, environmental and financial. This differs from traditional reporting frameworks as it incorporates environmental and social measures that can be difficult to assign appropriate means of measurement. The triple bottom line is made up of "social, economic and environmental". (Mothy 2011). Using this 3 pillars today companies prefer to use their sustainability framework under this approach. According to John most companies report uses the triple bottom line performance measurement. However there are most important key elements of CSR drivers but the most important business competiveness is to incorporate a triple bottom line effect into their corporate practice, it becomes as one of a framework for accosting and reporting. (William 2010)

Still companies have difficulties to define their sustainability accounting measure. According to William, today’s challenge for companies to come up with accountability for sustainability development is to combine and report the financial, social, environmental and use this ethical accounting reporting for decision making for future sustainability development. These three traditional sustainability measures, examined through academic dialogue, are presented below.

**Economic Measures**

Economic sustainability deals with an economic growth of an organization should be increased in overtime and this profit should be earned without the impact of environmental degradation or from negative social impact (Rogers et al 2008). It is
related to enhancing the living standard of citizens through increasing of income, giving education, health care, job creation and so on and on the other hand it is directly associated with an economic growth at the aggregate. Studies and company experience revels that there is a clear positive relationship between CSR practice and their economic performance and others vice versa. However, current researchers acknowledge that positive financial performance is gained by attainment of a high level of CSR practice.

Economic variables ought to be variables that deal with the bottom line and the flow of money. It could look at income or expenditures, taxes, business climate factors, employment, and business diversity factors. Specific examples include:

- Personal income
- Cost of underemployment
- Establishment churn
- Establishment sizes
- Job growth
- Employment distribution by sector
- Percentage of firms in each sector
- Revenue by sector contributing to gross state product (Mothy 2011).

**Environmental Measures**

The term environment has deferent definition and scope around the world, some countries put in a very limited way and others gives a broaden and holistic understanding (William 2010). This implied that each country has its own regulation on environment based on its context. Environmental sustainability includes safeguarding of species on the earth.

Environmental variables associated with of natural resources consumption and degradation, gives potential influences to its viability. Some examples include:

- Sulfur dioxide concentration
- Concentration of nitrogen oxides
- Selected priority pollutants
- Excessive nutrients
• Electricity consumption
• Fossil fuel consumption
• Solid waste management
• Hazardous waste management
• Change in land use/land cover (Mothy 2011)

Social Measures
Social sustainability deals with a non market entities or social aspect of an activity that is deals with outside of market framework. Societies can influence the CSR activity of business through their right as a consumer, and business in turn can influence societies through practices of a high level of CSR activity. (Rogers et al 2008). This third dimension of sustainability is becomes a more significant since in this globalized world, people needs to be participated in a critical decisions that might concerns them either by themselves or by representative (External Agency). Social variables refer to social dimensions of a community or of life, and social capital. Some examples include

• Unemployment rate
• Female labor force participation rate
• Median household income
• Relative poverty
• Percentage of population with a post-secondary degree or certificate
• Average commute time
• Violent crimes per capita
• Health-adjusted life expectancy (Mothy, 2011)

Business models should design on the basis of social needs and every organization hope to reach this potential market to make a profit, socially and environmentally sustainable. Otherwise a company will fail to compete with those companies which design their business model as a good CSR framework. Fair Trade and Ethical Trade companies require ethical and sustainable practices from all of their suppliers and service providers and a business which is planning to work with Fair Trade or Ethical Trade perspective must design their business model as per triple bottom line.
2.3 STAKEHOLDER THEORY

Several interpretations of the stakeholder theory have been proposed, but it can be used to explain parties who guide the structure and operations of the established corporation. This is not only to say that corporations have to act in a responsible way to avoid growing stakeholder pressures, but to achieve a better or ‘‘good’’ society. Moreover, it became clear that the CSR paradigm is not only the final result of a process, but also the process itself must be considered in all decision making, as well as evaluated and measured finally. From a practitioner perspective, stakeholder theory taught good managerial and instrumental practices to firms. According to Andrew and Karl an organization should identify and prioritize stakeholders in order to identify their current position in relation to their various interests. Stakeholder dialogue is crucial for one organization in terms of exchange of views on values of stakeholders even if there are some informations that are going to be blocked by an organization for business strategic purpose. Therefore, this will encourage openness and indeed it is likely that transparency will reduce serious stakeholder conflict.

Today, CSR is focused on a stakeholder model, which has become widely accepted among contemporary business organizations. Nevertheless, it is extremely dynamic, in that stakeholders change as the company’s context of reference changes. This new perspective stresses the importance of inter-stakeholder relationships, which involve a complex web of relationships rather than just a series of connections between stakeholders and the corporation. Crucial questions still are who the relevant stakeholders are and whether we are talking about stakeholders or relationships among stakeholders. (Angeloantonio and Francesco 2009)

2.4 DRIVERS OF CSR FOR FLORICULTURE

In this section of the theoretical model the study use the value chain analysis, leverage in the chain with emphasis on governance and also the cost associated with CSR standards and the related distribution, as the main drivers of the adoption of CSR in the floriculture.
2.4.1 Value Chain Analysis

Value chain analysis defines a business process from inception till consumption and disposal or recycling of product and services (Kaplinsky & Morris 2001). It is about the way of markets orientation, the parties involved in the value chain and the respective governance in the system. (Tallontire & Greenhalgh 2005)

The recent phenomenon called Global Value Chain (GVC) is developed by Gary Gereffi 1990’s with the intention of developing and distribution of value between parties involved in the trading system and with focus on the power relations involved in value chain analysis. Accordingly GVC demonstrates the way linked production, distribution and consumption systems are interconnected within the value chain which determines the dominant behavior of parties involved that result in control of the character of the chain and coordinating interaction between the links that entails the role of governance. (Tallontire & Greenhalgh 2005, Kaplinksy & Morris 2001)

2.4.2 Governance

The global value chain is concerned with the governance which is useful for the analysis of CSR and codes. “Chain governance is concerned with the rules of the chain, how they are made and enforced and ultimately who drives the chain and how the benefits of trade are distributed along the chain.” (Tallontire and Greenhalgh 2005)

The two major types of governance in GVC are ‘producer-driven’ and ‘buyer-driven’ (Gereffi 1994). In a producer-driven value chain large manufacturer has a major role in coordinating production network (including their backward and forward linkage), where as buyer-driven value chains involves large retailers, marketers and branded manufacturers plays a pivotal roles in setting up decentralized production network in a variety of exporting countries, typically located in developing countries. (Gereffi & Memedovic 2003)

GVC has more recently been applied to agricultural commodities and in the case of cut flower industry the value chain involves market channel controlled by supermarket buyers and the Dutch Market Auction outlet. The supermarket chain
ensures buyers control through adoption of social code requirement than the auction which is relatively loose one. (Tallontire and Greenhalgh 2005)

2.4.3 Leverage over a Chain
It is concerned about the power or influence over a chain in which the different characteristics of a chain affect the leverage a buyer may have over a chain. The leverage of buyer tends to be higher in short chains, highly integrated chains, when a small number of retailers account for large proportion of sales, if buyers have long term trading agreements with intermediaries or growers and the like. (Tallontire and Greenhalgh 2005)

2.4.4 Cost associated with CSR
The practice of CSR results in some costs which might have an immediate or long term benefit. The nature in general and governance of value chain in particular has an effect on the cost benefit analysis which is core to the value chain analysis. Compliance with CSR standards is a key for the interface between conventional value chain analysis and an approach to the value chain analysis which incorporates an understanding of CSR. (Tallontire and Greenhalgh 2005)

For the supplier the cost and benefits of complying with standards are possibly determined by the separate system of legal regulations and CSR standards, the party who pays monitoring cost, the accessibility of auditors locally, the relative size of the supplier and the like. Nevertheless, the possible costs of buyer include establishing and communicating the standards and monitoring the compliance by suppliers, advice and assistance and reporting to relevant stakeholders. (Tallontire and Greenhalgh 2005)

2.5 THE ROLE OF GOVERNMENT IN CSR
Though yet the debate on the role of government as a promoter or driver of CSR exists, we will focus on those literatures that support the ‘driver’ in order to frame our theoretical model from the empirical context.
Governments have a role in driving the CSR practice in a business society by initiating a sustainable business practice (Moon and Sochaki 1996; Aaronson and Reeves 2002a, b; Fox et al. 2002). Conventionally CSR is a voluntarily business practice which also entails the governments’ role with respect to social and environmental concerns (Albareda et al. 2007); Fox et al. (2002) further depicts the role government adopt for applicable CSR approach as two axes; one with four key public sector roles and the other with ten key themes that reflects public sector activities. In general, the approach involves issues like setting minimum requirement which is included in the legal framework (legislative) called ‘mandating’ role; the other issue is providing incentives and guidelines on content for firms to participate in CSR activities called ‘facilitating’ role; resolving social and environmental deficiencies through integrating supportive skills and inputs from civil society, private and public sectors (engagement with multi-stakeholder) is also another one called strategically ‘partnering’ and also political support and publicity called ‘Endorsing’ role. Moreover each activities/themes has a definite relation with each of the public sector roles which also includes encouraging and ensuring compliance, setting framework for business participation in public policy, establishing environmental management system, and developing, supporting and implementing codes of conduct and the like.

<table>
<thead>
<tr>
<th>Mandating</th>
<th>“Command and Control” legislation</th>
<th>Regulators and inspectorates</th>
<th>Legal and fiscal penalty and rewards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilitating</td>
<td>Enabling legislation</td>
<td>Creating incentives</td>
<td>Capacity building</td>
</tr>
<tr>
<td></td>
<td>Funding support</td>
<td>Raising awareness</td>
<td>Stimulating markets</td>
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<tr>
<td>Partnering</td>
<td>Combining recourses</td>
<td>Stakeholder engagement</td>
<td>Dialogue</td>
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<tr>
<td>Endorsing</td>
<td>Political support</td>
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<td>Publicity and praise</td>
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</table>

Source: Fox et.al 2002

Table 2.1 Public Sector Roles
CHAPTER THREE: METHODOLOGY

This chapter of the research paper describes the research methodology used to study the problem based on different authors’ scientific point of view.

This study paper is a qualitative research, which is common in social and behavioral science and often focused on social process (Ghauri & Grönhaug 2010). Thus, the paper is a qualitative/social science research conducted on social environment which takes an insight to floriculture industry practice. A qualitative research usually gives more emphasis to word rather than quantification in data collection as well as data analysis and use inductive research approach (Bryman & Bell 2007). This research paper is mainly constructed on qualitative data which shows the industry practice rather than quantified sources and it starts looking into the problem with an inductive reasoning by using the available empirical data in the area and relating it with the existing literature/theories.

In this chapter the paper will demonstrate the methodology used in conducting the study in which the research approach and design as well as the data collection and analysis methods used are briefly presented based on existing background theories including the motivation behind the application of the methods.

3.1 RESEARCH APPROACH

The study mainly relies on the inductive research approach, which is based on empirical evidence and drawing general conclusions/building theories from the empirical observations, as findings are incorporated back in to existing knowledge (literature/theories) to improve theories (Ghauri & Grönhaug 2010). Hence the paper has begun its study with the empirical data on hand since there is lack of well developed available information in the area and so it could be difficult to find the respective theoretical model. As a result the study was planning first to see the empirical data on hand and next to relate it with the respective literature/theories and then to formulate the theoretical model that best describes the problem it studied. Basically as Bryman & Bell (2007) stated induction represents an alternative strategy for linking theory and research although it contains deductive element too, which (Saunders et al 2009) involves the development of a theory that is subjected to a rigorous hypothetical test; which means though the study was employing an inductive approach by starting with empirical and then looking
for the respective theories, it has undergone back and forth to establish a linkage between them which also involves deductive approach too.

3.2 RESEARCH DESIGN

The research design is the overall plan for relating the conceptual research problem to relevant and practicable empirical research which means it provides a plan or a framework for data collection and analysis (Ghauri & Grönhaug 2010). Alternatively, Saunders et al (2009) define the research design as a general plan that how the research question/s are going to be answered. Accordingly based on the research type and the research question the study employed a research design that can guide it to apply the appropriate form of data collection and analysis method. Among the type of research design case study is the most commonly used research design in qualitative research.

3.2.1 Case Study Research Design

Case study is a detailed exploration of a specific case which could be a community, organization, or a person (Bryman & Bell 2007). Hence the paper is a qualitative case study that explores an organization, which in this case is floriculture industry, and which is a single and holistic case study that concerned only with the organization as a whole (Saunders et al 2009). The paper got insight of how the industry is practicing the corporate social responsibility and the related governance system, (Ghauri & Grönhaug 2010; Saunders et al 2009) case study is best applicable when questions like ‘how’ are to be answered.

Case study often involves data collection through sources such as verbal report, personal interviews and observation as a primary data and also involves financial reports, archives as well as budget and operating statements including market and competition reports (Ghauri & Grönhaug 2010), and allows triangulation of multiple sources of data which refers to use of different data collection technique in one study (Saunders et al 2009). As it is mentioned before the research design employed that is case study design is a base for the choice of data collection and analysis methods suitable for the study.
3.3 DATA COLLECTION

In this section the type of data/sources and the data collection methods the study chosen are briefly presented based on its employed research design.

3.3.1 Secondary Data

Secondary data are information that have already been collected by others for other purpose (Ghauri & Grönhaug 2010; Saunders et al 2009) and includes books, journal articles and websites of organizations and catalogues. The study mainly depends on secondary data like articles by experts in the area, codes developed by the association and authorities both national and international, scientific books and other website documents.

Secondary data has an advantage of saving time and money and ease of access and serves as a comparison instrument for understanding and interpreting the primary data. However, since these data are collected for another study it might not fit our problem and it might be less accurate and less reliable. (Ghauri & Grönhaug 2010)

As mentioned before a case study can be used to collect secondary data since it serves both as a research design and data collection method, so the study used case study as a method.

3.3.2 Primary Data

According to Ghauri & Grönhaug (2010), primary data are data collected relevant ourselves when there is lack of secondary data or if the secondary data is not good enough to answer our research question. Due to lack of sufficiently available secondary data and inefficiency of the existing one the study managed to use some primary data to fill the information gap it has faced. Primary data are more consistent with the intended purpose; however, needs much more time and it is costly and depends on the respondents’ willingness as well (Ghauri & Grönhaug 2010). Among the primary data collection methods the study has used interview and questioner to fill the information gap.

3.3.2.1 Interview (semi - structured)

It helps to gather valid and reliable data that are relevant to the research question/s and objective. The semi-structured interview involves predetermined lists of question to be covered (Saunders et al 2009). The paper employed a semi-
structured interview with a list of questions to an official person that assisted the study by ensuring the validity of existing data as well as by providing additional information. Due to consideration of time and place the interview has been done by using e-mail-interview.

3.3.2.2 Questionnaire (self-administered)

It includes a predetermined same set of questions to be respond by all participants and the self-administered questionnaires are usually completed by the respondents which can be administered either electronically or by post (Saunders et al 2009). Consequently the research has used a self-administered questionnaire to some selected companies that can be used as an additional source of data with interview as a means of cross checking the available data and by providing more information as well.

3.4 DATA ANALYSIS

The purpose of analysis is to understand and gain insights from the collected data and also to make sense of data theory is needed. In qualitative research data collection and analysis are conducted simultaneously in an interactive way with intensive interplay between data and theory (Ghauri & Grönhaug 2010). Accordingly the study has got insight of the data collected based on the respective theories to answer the research question. In other words, the study has investigated the data collected and has reached an understanding of the case through findings and answer to research question/s.

3.5 RELIABILITY

Reliability is fundamentally concerned about consistency (Bryman & Bell 2007); it refers to which the data collection and analysis procedures will yield consistent findings. (Saunders et al 2009). The study is mainly based on secondary data and it also used some primary data to fill the information gap. The paper has come up with an insight of the study through analyzing the data in relation with the literature to find the answer for the research question. In doing so the paper has used scientific articles and books from reliable databases and primary source like Karlstad University database system, various times study report on the industry by different authors and responses from the respective officials of companies and authorities.
CHAPTER FOUR: EMPIRICAL STUDY

This is the main chapter of the research paper that presents the empirical data obtained from different studies of experts on the area and various databases used to investigate the problem under study and as to answer the research questions.

4.1 HISTORY OF FLORICULTURE IN ETHIOPIA

The origin of the industry in Ethiopia can be traced back to the thirty years ago. When summer flowers for export were grown on state farms (Melese & Helmsing 2010). Ethio-flora, a state owned flower farm begun exporting seasonal flowers to Europe. The type of flower was only summer flower. (Embassy of Japan2008)

Under the new economic reform two Ethiopian firms, private owned Meskel flower and Ethioflora started their operation on 1997 with a few hectares of land. However, they faced some difficulties because of insufficient experience and knowledge about the business and moreover, governmental support was so minimal in supplying suitable land, financing and transporting of flowers to the market. A turning point for flower industry development is arrival of Golden Rose in 1999 from UK and showed Ethiopia’s potential to grow quality roses. Since then, foreign direct investment has increased rapidly, especially from The Netherlands. (Melese & Helmsing 2010)

Today the total amount of land used for flower production has gone from the few hectares to 1,590 hectares at present. Moreover, the numbers of farms increased to more than 89 actively exporting companies. (Embassy of Japan2008)

4.2 CSR PRACTICE OF ETHIOPIAN FLORICULTURE INDUSTRY

Since the industry is at its infancy stage and the government as well as optimistic society of the country were very pleased at the beginning observing that it will increase the nation’s foreign exchange problem and give a work opportunity of many jobless society. However, through time to time the initial reputation of the industry diminish after some opposition party parliament members and some press releases of an information that the industry has a negative impact on social and
environmental aspect quoting as a reference Kenyans flower industry. These
groups claims the fact is that many flower investors in Ethiopia are came from
Kenya after they are evicted from Kenya for their contribution of environmental
degrading on lake Naivasha. For instance, All Africa newspaper in its 21 February
2006 publication report that five major flower farms from Kenya abandon to
Ethiopia for Lake Naivasha. (Allfrica 2006)

Many Ethiopian environmental activists still argue that environmental policies or
standards, labor regulations are not implemented by many companies within the
industry as per the standards provided by the government. This concern are
related to labor right (working condition) and environmental issue like applying of
too much inorganic fertilizers, chemicals especially pesticides that can harm the
workers and environment. (Belwal & Chala 2008).This section tries to see the
CSR aspect if the industry with relate to three dimensions: Economy, environment
and society. The economic dimension includes issues such as wealth creation.
Society refers to the social impacts of the industry including employee issues,
health, job creation, safety and land grabbing issues. The environmental
dimension considers ecological factors and their impact.

4.2.1 Social sustainability

i) Job opportunity for local labor

The industry is shows a growing trend in the past 5 year and its related labor force
is increasing from time to time .Currently, the industry gives for more that 50,000
employment opportunity directly and 150,000 employees indirectly, Of which
70% of the total work force are women, who had difficulties previously in
possessing permanent job within the country and job is created around rural area
where there is high rate of unemployment.

Basically the total labor composition can be fallen in to three major groups
managerial, technical and manual. The labor part is provided by the local work
force and the capital intensive or high –skilled part is filled by imported skilled
labors that have a high expertise in the field. These combinations give the local
work force the opportunity to gain experience and knowledge while working with
a new technology and experienced workers. (Taylor 2010)
In addition, labor issues are growing over through time to time in the industry. These labors are suffering a pain in their health because of chemicals as well as denial of their right from exercise. Basically most field workers in the flower farms are uninformed about the harm of the chemicals. These people are, who resides around the farms location, forcibly or with their consent give their farm lands to the new flower investors. Their knowledge level of how far these chemicals damage their organism is very low. Human right activates argue that workers are suffering a disease as a result of exposed to hazardous chemicals at their working place since most of them do no wear any kind of protective equipments. Most of the time women are vulnerable to exploitation. Tariku Schachachew, General Secretary of the Ethiopian Confederation of Labor Unions describers the character of the industry that Workers do not have a bargaining power to negotiate by forming a union and they might be fired if they tried to form a union to ensure safe working condition. As per an interview made with some former flower farm workers with Addis Fortune that it is a common thing to observe someone is vomiting or collapse while they are spraying pesticides.(Friends of Ethiopia 2007)

Another social crisis that flower farms cause is land holding problem. Initially land is owned in the country by the state and has the right to evict land owner with the appropriate compensation. Now day’s local farms are give up their lands to the new flower industries for a place which lack infrastructure and unfertile land. (Friends of Ethiopia 2007)

These farmers are either convinced or forced to sell their lands with compensation. The problem is they lack the knowledge how to manage the given compensation to handle their future lives, but the spent it for unusual purpose and soon they will become unemployed and income less. (Ethiopia flower exports 2010)

4.2.2 Environmental sustainability

Environmental sustainability means a sensible use of our huge (but finite) natural resources so that they are not dissipated negligently thus degrading the quality of life for future generations (Andrew & Karl 2006). Problems related to air & water
pollution, soil erosion, water scarcity, deforestation are becoming one of the main reasons for adverse impact on the environment. Here are main environmental impacts of the Ethiopian cut flower.

One of the major nature of flower farm is it consumes a high amount of water. E.g. One hectare of a flower farm consumes over 900 cubic meter water per month (Organic consumers Association 2006). Some study show that about 90% of flower is make up with water. This means that exporting flower is like exporting water. Despite the use of high level water by flower farms, they are very reluctant to use an effective way irrigation system that will led the case much worst (Ethiopian review 2010). Recent research showed that there is a loose of natural capacity in river Awash. Since Most farms follow the step of the Awash River valley or its tributaries around the Great Rift Valley to construct their farm sites. The river is exposed to an open air irrigation shame and its results to a high level of evaporation (Haren et al 2007). The Great Rift Valley ecosystem is a habitat for diverse wild life and serves as a fish pond for many fisheries. In the future, water expected to displace oil as the greatest resource challenge, and Water is central thing for survival and without it, life would be impossible. Water is a central component of Earth’s ecosystems, providing important controls on the weather and climate and it should be given a high consideration for conservation.

Another negative aspect of the flower industry is the application of excessive inorganic chemicals. These chemicals are very dangerous for human health and as well as for the environment. These chemicals are basically constituted with a large amount of fertilizers and pesticides. E.g. on May 2009 issue of Addis Fortune news paper reported that one flower company (Top Flower Company), opens a file against two individuals, who are associates of the Dutch Horticultural Consulting Company due to their wrong advise given to the company that to apply a wrong type of fertilizer on its farms. (afrogadda 2010)

Pesticides are another threat for environmental sustainability. It has a capacity of contaminating organisms, soil & water. Due to its highly volatility nature , is estimated that only 0.1 percent of the total applied pesticide attain its intended goal but the rest 99.9 percent leaves as an air pollutant.(Getu 2009)
It is believed that the Sector usually uses more pesticides than conventional ones. E.g. recent data from Ethiopian Agricultural research Institute show that “18 of the 96 insecticides and nematicides imported by the flower farms were not on the MPS-code list (the list of pesticides registered in Ethiopia) and similarly for 19 of the 105 fungicides.” (Ecologist 2009)

Besides the above environmental problems the flower farms are accused on waste disposal. It removes so many hazardous wastages in different forms that can harm environment. Most farms are accused by the local peoples that wastage disposal system is so irresponsibly. e.g. an agronomist from one flower farm give a statement to a news paper that empty used pesticide and fertilizer containers are buried underground without neither sealed nor inline up space which is completely far from governmental procedure. (ethiopianflowerexport2010)

In addition to this the floriculture industry is facing a new global pressure from environmentalists arguing that all that transportation means (Ships, trucks, planes) that uses fossil fuels during the process of delivering cut flowers from farms to customer hands emits a considerable amount of CO\textsubscript{2} that will result in both air and water pollution. Recently consumers are much concerned on ‘food miles’, which is a term used for assessing its environmental impact of a product from the time of its production up to it reaches consumers hand. The total amount of carbon emitted from flower production is estimated between 7.7 and 8.9 kg per kilogram sold flowers. The transport by plane is responsible for the main part of emissions, but from the total amount of emission some other means are contributing for the cause like the production itself and of the required materials as well as through the transport of employees from and to the farms. (Flora Culture International 2010)

### 4.2.3 Economical sustainability

Almost all African countries based their economy on exporting of agricultural products. Many of them often relay largely on a single agricultural products (such as coffee, cocoa, cotton, tea) for generating foreign exchange revenue. Coffee which has the lion share of export commodities in Ethiopia have shown currently a slow world demand and downward trend of in its real price. As a result, a need for diversification of agricultural exports into a higher value, non-traditional
products after taking a lesson from other sub Sahara region countries like Kenya, Tanzania and others which have shifted their attentions into exporting non-traditional horticultural product (such as, cut flowers and plants, fresh and processed fruits and vegetables).

Floriculture in a new product to export and contain a huge potential to earn foreign exchange, the quality of flower which is exported by Ethiopia is currently meet with respect of the international market demand. It attracts several buyers around Europe and USA, getting utmost consideration for exports presently in Ethiopia and one of the prospect product that is going take the position of coffee which is the major source of foreign exchange.

During September 2010, the Ethiopian Agriculture and Rural development state minister announces that the country earned over 250 million dollar revenue with a 10 months of period of time in 2010. The industry foreign earning power is increasing at a considerable rate through time to time. The government is expecting its revenue to be increase more than triple within five years from the industry and According to Tsegaye, head of the Ethiopian horticulture producers and export association said in each year there is an increase of 25% up to 30% in terms of total earning.

Observing the freshness of the industry it can be said that in the next few years it will generate a substantial amount of foreign currency. Currently Kenya is the major flower exporter to the international market. However, more investors are entering into the industry and some farms are taking an expansion projects due to the incentives given by the government including tax holiday for five years, land and infrastructure, e.g. roads construction, power, telecommunication, water supply. (Ethiopian flower Export 2010)

4.3 ROLES OF GOVERNMENT

4.3.1 Regulatory Framework and National Policies

Ethiopian economy is based largely on agriculture which has undergone through different development stages. Currently many private investors are engaged in commercial agricultural development activities following the country’s land
reform and privatization policies. However, as many of developing countries, the country is suffering from these intensive agricultural activities due to environmental pollution as well as social problems.

The national policy on sustainable agriculture is consolidated in: the National Agriculture Development Program; the Strategy of Environmental Protection; the Strategy of Biological Diversity; and the Program of the Rural Development. The policy is aimed at protecting the community from environmental hazard, maintaining health labor force for better work environment, promoting a sustainable large scale agriculture investments, satisfying the demand of rural population on main food products, increasing competitiveness of the agricultural products both in local and international markets; and developing exports of agricultural and food products and maximizing extraction of foreign currencies. (MoARD 2010)

4.3.1.1 Codes of Practice for Sustainable Agricultures

“A sustainable agriculture is an environmentally friendly agricultural practice that involves the use of the limited natural resources to satisfy the present generation without compromising the interest of the future generations where water, soil and the biodiversity are the major objects of production that should be wisely utilized.” (MoARD 2010)

In order to minimize environmental pollutions each party that is working on agricultural business should take measure on its own through environmental impact assessment of their business activities and by developing action plan to overcome the problem. In dealing with the situation the Ministry of Agriculture and Rural Development (MoARD) insist on application of Environmental Management System (EMS) by different parties who are involved in agricultural investments in the country to improve compliance, for pollution prevention and other measures of environmental performances. (MoARD 2010)

As per the response we get from the questionnaire to sample flower companies, it is ascertained that most of them employed an Environmental Management System that adheres to local environmental policies/laws and some to an international environmental laws/guidelines. Besides some of the respondents proved that
MoARD periodically supervise production impact on environment, society and employees and also sometimes other government body like National Bank and Development Bank, Ethiopian Environmental Authority, Quality and Control Authority, regional health and environmental government offices also made the supervision.

When agricultural enterprises develop their action plan for improved environmental performance it creates a framework for implementation of EMS which is a voluntary approach for better environment usage and contains the design and working calendar of soil management, conservation of water and biodiversity (MoARD 2010). According to ISO, EMS is defined as “that part of the overall management system which includes organizational structure, planning activities, responsibilities, practices, procedures, and resources for developing, implementing, achieving, reviewing and maintaining the environmental policy.”

Ministry of Agriculture and Rural Development (MoARD) is responsible for the development and management of the code of practice for sustainable agriculture practice of agriculture business enterprises. The structure of Code of Practice demonstrates that it mainly focuses on three interrelated issues in which the side by side management of social affairs, natural resources and the management of agricultural production which provide a framework for Environmental Management System that ensure the sustainable agriculture production.

The level of standardization of EMS is composed of bronze/minimum, silver/medium and gold-maximum levels; however, due to the country’s stage of development particularly the agriculture sector that is on its infancy stage requires the minimum/bronze level of compliance criteria which generally involves the basic EMS that ensures the planning, monitoring and evaluation of key environmental issues and also an implementation of safe working practices and compliance with the law of the country. However, conditionally the standards may exceed beyond the minimum ones if the type and nature of the projects are required to do so. (MoARD 2010)
i) Management of social affairs

The minimum level of the code includes the requirements and compliances for community participation, working environment, employment practice, occupational rights, and health and safety of employees.

The code requires that the community should be acknowledged about the investment project for a better sustainable investment. In addition to this in cooperation with the society objects and places which have historical values should be protected against any damage due to investment practice.

Under the working environment the code recognizes that the rules and regulations of the farms, grievance and disciplinary procedures should be documented and informed to employees. Moreover, measures should be taken to overcome discrimination in recruitment process, gender discrimination and protection of female employees from hazardous work and prevention of harassments with clear statements on rules and regulation of farms.

The code also defines the employment practice of the business as per the country’s labor laws and legislation for working hour, overtime payment and annual leave payment, and the minimum wage in accordance with the law and as per the contract signed. In addition employees’ occupational rights are also stated in which construction of camps are allowed if need arise, employees have freedom of associations and release of job and in accordance with national and international laws the minimum employment age should be satisfied.

Health and safety of employees is also one aspect of the code in which it requires employees’ health follow up should be made by establishing permanent medical clinic and directives to manage basic accidents and emergency cases should be made. Beside, hygiene and ablution should be fulfilled.

ii) Agricultural production management

The code sets the minimum requirements for management of agricultural production process which involves storage and transportations of fertilizers and pesticides, waste management, water use, farm site mapping and risk assessments, and crops hygiene and agro-chemical registers.
Generally speaking the code requires a cautionary usage of pesticides and fertilizers in storing and transportation and needs to apply the rules and regulations under such official registration and permit from the government. Moreover, non-organic wastes should be managed to avoid environmental pollution and also untreated sewage water should not be used for post harvest and irrigation water should annually be analyzed for heavy metal and major nutrients. The risk assessment with regard to the health of employees, the agricultural use and the quality of product and the environment should be analyzed on new farm land.

**iii) Management of natural resources**

This section of the code specifies the practice of proper agricultural investment land utilization in which agronomic and other practices that can expose the land for erosion should be avoided. In addition, soil and water management is required through application of appropriate soil conservation and fertility maintenance measures. The maintenance of flora and fauna/bio-diversity is also an important aspect of the requirement in which forests should be conserved through construction of fire break, illegal hunting should be avoided, wild life should be protected and the introduction of new forest species and imported germ plasm and seed should be certified by an authorized body.

The compliance of the code will be verified and certified by an independent and internationally accredited and reputable verifying body. Up on the fulfillment of the requirements and compliance criteria agricultural business enterprises will be given an accreditation by an international verifying body which applies internationally recognized and acceptable audit procedures. Moreover, enterprises are also required to make an internal auditing for problem identification and to ensure the fulfillment of the minimum level compliance requirement and to prepare the organization for the annual external auditing. (MoARD 2010)

In general MoARD is responsible on overall implementation of the code through ongoing development and periodical updating from international standards in which stakeholders are also involved in the revision process. Apparently agricultural enterprises are able to enter a cycle of continues improvement
throughout the implementation of the code for more sustainable cultivation practices.

4.3.1.2 Land Policy
As the supreme law of Ethiopia, the Federal Constitution lays down the basic legal framework that determines land tenure rights of the country. According to the Federal Constitution, the right to ownership of land including other natural resources is exclusively vested in the state and the peoples of Ethiopia. In addition the land is not subjected to sale or other means of exchange. (Proclamation No.1/1995)

According to the constitution, the basic land policy and laws are set at the Federal level and mandate to administer land is given to the respective regions in accordance with the policies and laws issued at the Federal level. Accordingly regional states may issue their own land policies and implementation legislation and directives in line with those set at the Federal level. (Article 52(2) (d) of the Federal Constitution)

4.3.1.3 Legislation
In general national laws that enforced to regulate the practice of national policies like regarding environment, water resources and also land are put in to action. Accordingly both local as well as foreign investors who are working on the floriculture industry are governed by such laws.

For instance to mention some, as Getu 2009 mentioned in his study that Proclamations on Environmental Pollution Control, Water Resource Management and Public Health are developed to prohibit environmental pollution, to control any waste disposal in to water and allows proper disposal of solid, liquid and any other waste, and concerning the generation, transportation and use of chemicals categorized as hazardous and restricted use requires a permit from Environmental Protection Authority/Agency (EPA).

Moreover, Getu 2009 also demonstrates that Environmental Impact Assessment (EIA) Proclamation is also developed in order to refine the project that might have a negative impact prior to business engagement. Under the authority of EPA the Environmental Council (EC) approved a directive issued to determine the
categories of projects subject to the EIA. Among the project the horticulture and floriculture industry is subjected to EIA.

4.3.1.4 Company Law
The Commercial Code of Ethiopia (the Code) defines the company law that any business organization in the country should use for establishment and continuous operation which sets objective rules for internal governance. Therefore, as any company the floriculture companies are obliged to use same for their internal governance system and this is confirmed by the response obtained from sample flower companies through our questionnaire in which most of them are governed by code of conduct and the countries legal code.

As Seifu 2010 described in his study that the Commercial Code requires business organizations to incorporate their partnership agreement in the Memorandum of Association and Articles of Association that will govern their operations.

4.3.2 Empowerment of Associations
Under the responsibility of Ministry of Agriculture and Rural Development (MoARD) national agricultural investment associations (Agriculture Development Enterprises Associations) will be established that are the major stakeholders responsible for actual implementation of the elements of EMS by their members and assisting them in reaching compliance and in managing the code of practice. (MoARD 2010)

Among the associations the Ethiopian Horticulture Producer Exporters Association (EHPEA) and more recently the Ethiopian Horticulture Development Agency (EHDA) are mentioned to represent the country’s horticulture especially the floriculture industry. According to the responses we get from the sample questionnaire most of the flower companies are periodically supervised by EHPEA and EHDA.

4.3.2.1 EHPEA Code of Practice for Sustainable Flower Production
The Ethiopian Horticulture Producers and Exporters Association (EHPEA) were established in 2002 to facilitate the private sector horticultural exports and currently it is a legally registered organization with more than 60 members
According to Ato Tsegaye Chairman of EHPEA respons on the interview, though EHPEA is a national association of producer’s exporters established on volunteer membership base, it is also open for foreigners operating in Ethiopia. Ato Tsegaye also mentioned that EHPEA has a general assembly with board of 5 members elected by the assembly and in addition it has an executive office run by employed staff and lead by executive director who is accountable to the board. Moreover, Ato Tsegaye point out that primarily EHPEA covers its operational costs through annual membership fees while objective oriented and time bound projects are financed by external funds from different sources.

On the other hand most recently the Ethiopian Horticulture Development Agency (EHDA) has been established on June 2008 with the aim of developing the sector further as a Federal Government Agency under the Ministry of Agriculture. (ProVerde 2011)

EHPEA developed the code of practice in 2006/07 by team of EHPEA members and local stakeholders. The code has been guided by external expertise provided through the Ethiopia-Netherlands Horticulture Partnership Program. The main objective of the code is ensuring the highest performance standards in the sector through progressive improvement and sustainable development whereby improving the competitive position in the market. It establishes key elements of best practices and sets the minimum requirements for Ethiopian floriculture sector. (EHPEA 2007)

The code defines the Bronze level which is the minimum required standard which all member flower farmers are required to show their commitment and meet the standard level and even those who are not members are also encouraged to comply. Up on verification from an independent international accredited verification body for proven compliance of the code flower farms will be awarded EHPEA Code Accreditation. (EHPEA 2007)

The structure of EHPEA Code of Practice takes consideration of production management, environmental and personnel, labor and human resources management; and community management for highest performance and maintenance of the sustainable development under the sector. In addition, the
code also includes sub-topics together with requirement and compliance criteria and reference documents under each topic.

i) Production Management
Under this section the code has recognized the management of farm, record keeping, farm site mapping and water use and it also deals with farm site periodical risk assessment for environmental and labor especially when new land are taken and to take corrective action if any. In addition the code also defines standard for monitoring and evaluation of the use of inputs which includes water consumption, pesticides use, fertilizer use, waste disposal and energy consumption.

ii) Environment Management
In this section the code sets requirements for fertilizer storage, pesticides transportation and storage, and waste disposal management is also treated here. Pesticides are given a more emphasized standard which includes like the storage material type, equipped safety placement and contact with employees, following national and international transport regulations and usage of agro-chemical products registration. In addition, waste disposal management including more detailed procedures for toxic wastes are treated under this section of the code.

iii) Personnel Labour Human Resource Management
This section requires accident prevention and emergency procedures for its employees, particularly for those who handle chemical needs training on safe handling and the employment practice under the national labor proclamation.
In general EHPEA has a major role in managing and implementation of the code. It assists members in complying with the code and as Ato Tsegaye said on voluntary basis, there is internal auditing by EHPEA staffs.

In doing so the association is forming a training unit and made an agreement with stakeholders to facilitate a network of support and capacity building activities and further study groups of farmers will be formed for good practice in the sector. On the other hand in management of the code EHPEA form three committees namely; the Code Management Committee, the Stakeholder Committee and the Implementation Support Committee. Each Committee consisted of one
representative of the association board and two to three representatives of the EHPEA flower farms. In addition the Code Management Committee includes at least one representative of the external auditing entity and the stakeholder community.

The Stakeholder Committee also includes a representative number of stakeholders whom are nominated at a general meeting for a one year period and also the Implementation Support Committee includes the EHPEA Training Coordinator. (EHPEA 2007)

According to Ato Tsegaye, being a member of EHPEA has a benefit of individual beg, united bargain, market linkage, capacity building that influence international and national strategies and the like. He also outline that in future EHPEA is looking ahead for plans like market diversification for members, competitiveness enhancement and assuming ‘center of excellent’ is the national horticulture export promotion.

4.4 GOVERNANCE OF GLOBAL VALUE-CHAIN ON FLORICULTURE INDUSTRY

Ethiopia like most of the Sub-Sahara African countries mostly exports its horticultural products to EU countries. The floriculture industry of Ethiopia has a good start and by now it’s one of the major suppliers to the EU market. The value-chain of the export channel between Africa and Europe takes either the auction market or the direct sale to wholesalers or retail stores especially supermarkets. The Dutch auction is among the most mentioned especially in the floriculture industry export system. (Gebreeyesus and Sonobe 2009)

According to Gebreeyesus and Sonobe (2009), the auction markets are characterized by less complexity, easy access of market information, transparent price and easy determination of the cost; whereas the direct sale is more complex and requires standards for safety, health and environment. The floriculture market is governed by the two value-chains but now a day’s the direct sales takes a great place and impose its power on the exporting channel as well as on the organizations.
Therefore since most Ethiopian floriculture organizations are highly based on export rather than local markets their business performance is governed by the value-chain from the global market in which they are required to follow international standards of quality including those safety, health and environment. This is evidenced by the response we get from questionnaire that some of the flower companies are required to show periodical assessment to MPS market system.

4.5 MPS MARKET LABEL

According to Getu (2009), a number of Dutch owned floriculture farms are operating in Ethiopia and more than 65% of the flower products are exported to the Dutch markets. Due to this trade relation the flower industry is largely regulated by the MPS market system and the EHPEA Code of Practice that was inspired by it.

MPS stands for ‘Milieu Project Sierteelt’ or ‘Floriculture Environmental Project’ the certification standard applied for floricultural products; it was established by the Dutch auctions. Currently it is an international organization active in more than 50 countries. MPS focuses on a series of certificates in the areas of quality assurance, the environment and social aspects both for growers as well as traders and auctions. MPS gives growers a modular construction of certification of which the best known is environmental management system MPS-ABC with optional modules for social qualification MPS-SQ and MPS-GAP. (BTC 2010)

Suppliers of flowers are increasingly required to comply with MPS registration especially with retail channels that requires strict compliance of the requirement and in which flower and plants are often traded through. As the Dutch Flower Auction Association, the VBN, initiate MPS registration it bears a share of costs which has a benefit of minimizing the additional expenses for flower companies. (MPS 2011)

MPS-ABC is an Environmental registration system where A is the most environmentally friendly rating scale. The system is based on data recording and reporting by the participants and based on their achievement they are awarded points. The requirements include usage of crop protection agents, fertilizers,
energy and waste. Participants are awarded a qualification four times a year namely MPS-A, B or C based on the total number of points achieved. MPS-Socially Qualified (QC) establishes standards for a good working environment that include health and safety and terms of employment and is constructed on the basis of universal human rights, the codes of conduct of local representative organizations and International Labour Organization (ILO) agreements. MPS-GAP is a certification for compliance with demands from the retail sector and is based on the criteria formulated by the EUREP (European retail Organization) for safe, sustainably-cultivated, high-quality and traceable products. These criteria are expressed in Good Agriculture Practice (GAP). MPS-GAP is benchmarked with the GLOBALGAP flower and plants scheme. (BTC 2010)

Moreover, compliance with MPS requirements is verified and certified by certification bodies (CB) which has an agreement to that effect with MPS. Certification bodies can also select an external audit agency for a general auditing that includes company visit, certification audit where inspection during harvest time is take place and also a follow up audit which is required when it is unable to check all control points. (MPS 2009)

In Ethiopia though the market is highly related with Dutch market, quite a few flower companies have complied and involved in the MPS certification system of which MPS A take the lead and the rest are certified with MPS C, D and MPS-QS. (Getu 2009)
CHAPTER FIVE: FINDINGS

In this section of the study the main findings from the empirical study in relation with the respective theoretical model from literature section is presented. Accordingly the research generalizes its findings from CSR and Governance perspectives and it also present the possible linkage that has been seen between the two practices.

5.1 CSR OF THE FLORICULTURE INDUSTRY

The industry faces a challenge from Environmental activists and other NGOs like the other global flower industries. It is accused for negative publicity due to the concern arises for environmental and social sustainability. Economic success like increasing of export product is more important for a developing country like Ethiopia. The findings of the industries CSR practice with the three pillars of CSR economical, environmental and social sustainability is presented as follows.

5.1.1 Economics Sustainability

The floriculture sector currently ranks as one of the economy’s fastest growing industries, become the fourth largest foreign exchange earner. Even if it is a newly emerged sector it can attain a remarkable development and become second largest exporter of roses in Africa next to Kenya. It is likely to be doubled for the next few year. The government plays a vital role for this development through proposing favorable investment conditions to attract foreign investors. Moreover, because of its climatic advantage there are additional factors which contribute for the development of flower farms in the country. One factor is its geographical proximity to reach potential market, either for local sales or export, in a good condition is the main advantage. Since Ethiopia is located in close proximity to the Middle East and Europe, its export products can easily reach the markets of these regions with relatively short period of time with a cheaper transportation costs comparing to other South American countries. These all factors gives an indication that in the near future the industry will enlarge itself and plays a vital role in foreign currency earning and in creating of job of local citizens. For so many years the country was so dependent on coffee export which generates about 60 % foreign currency total country’s revenue now faces so many difficulties due
to market failure, inequality in market and price instability. Therefore, it is identified as one of a key sector to diversification of economy besides coffee export. This means that the floricultural industry attains its economic viability and this economic growth is very important in providing significant benefits for the society at whole.

Another feature of the industry which gives a positive image for the sector that contributes for the general economy is job creation for thousands of citizens. More than hundred thousands of citizens got a job directly or indirectly from the sector and most importantly women accounted for 70% of the total work force mainly located at rural areas. Due to the fact that women within such a developing country have some difficulties of having their own job it is turn out to be an important source of income and one way escaping from being dependant on their husband or family’s shoulder. With this much of sectors development the sector is recognize as new engine that drives job creation and innovation. This is the key to real economic sustainability.

5.1.2 Environmental Sustainability

One of the major concerns of environmentalists within the flower industry is its impact on water consumption in relation to the region where it operates. Due to the nature of the industry water consumption; rivers are losing their natural capacity. In fact water is available in large quantity which accounts for $\frac{3}{4}$ of our planet. However, only few amount of water is fresh that can contribute a significant role human being’s day to day life. In this case the problem is flower farms are concentrated around on Rift Valley Rivers and their tribunals in order to take their positional advantage to proximate themselves to the capital city, Addis Ababa, in which the main cargo flight service is located. This led to rivers and lakes to lose their natural capacity due to high water consumption. In this region particularly there are a lot of local farmers who are dependant on water for their crop cultivation and cattle breeding. Decreasing of water level of those lakes and rivers in which their life is dependent on made them to frustrate, instable and finally put their future livelihoods in danger. Considering Kenya’s flower industry as a reference, still conflict going on by a concerned local people and flower farm investors those who depends their live in Lake Navisha. There is a clear procedure on Ethiopian legislation bodies and EPHEA about how much water a single farm
should use per area. However, the water level is dropping from time to time and there is no action is implemented to tackle this problem.

Another water related problem is water pollution that causes problem on human and animal health. Flower farms mostly use hazardous chemicals in the form of fertilizers or pesticides which can be easily washed off from the ground and enter in to water bodies. Moreover, excessive usage of inorganic chemicals in the farms which later produce Nitrate soon after will get into water bodies by which can be washed away from the farms by rain or some other means can cause serious damage on people (eutrophication). On rare occasions, this nitrate will cause infants led to death. Solid wastes and toxic chemicals whenever the contaminated to water can develop water born disease. A number of proclamations and several rules are passed considering water resource and in order to maintain environmental sustainability. However, none of them prevent from current environmental degradation and pollution. According to our questionnaire responses from flower farms they are supervised by different concerned authorities and are being practicing according to the regulations.

Water scarcity as well as pollution combined can affect environment and social sustainability. Societies who depend on rivers and lakes for their livelihood might become frustrated and may lead them to migrate to another place for a better water resource. To challenge this problem sometimes local farmers confront with commercial farms and conflict might arise where and how to access the water. A way of resolving such kind of problem is minimal and there is no clear way of participating stakeholders how to manage the water resource.

Air pollution is another environmental degradation factor in which the industry is accused of. The major contributors are excessive usage of pesticides during flower cultivation. One factor that aggravate the usage of pesticides is that flower shops around the world wants to receive their orders with a fresh condition and pesticides plays the main role in maintaining flower freshness. In addition to pesticides flower carbon footprint is considered as a global problem as one factor of emission of CO₂, since most transport means are used fossil fuels to carry flowers from its production site to final users. However, recent research on flower carbon footprint for flowers which are produced around east Africa produce less carbon that of from those which are produced in Europe. The main reason behind
this is climatically advantage in which tropical countries don’t need heated greenhouses to grow flowers since they have a sunny whether most of the time. e.g. CO₂ emission produced by one flower farm and its subsequent flying up to Europe shops can emit less than flowers grown in heated and lighted greenhouses in Europe. Still there is a debate whether to produce flower locally or import them from developing countries, but it is socially and environmentally sound to buy flowers from developing countries since total CO₂ emitted is less and moreover it creates jobs for citizens of developing country citizens.

Poor or misguided fertilizer application can impose major burdens on the environment, potentially leading to adverse effects on the safety and security of the society. Fertilizers can be seen from both angels who are from environmental and economical sustainability. A properly used fertilizer will led an increase on the total flower production more frequently. Since, more production is a factor of obtaining more revenue, and it will promote the organization to be more profitable and more economical sustainable. Usually fertilizers contain nitrogen and misused fertilizer can cause an environmental damage when it finds a way to contaminate itself into water or air since it decrease oxygen content. These two arguments about fertilizer’s environmental and economical sustainability tradeoff each other;

5.1.3 Social Sustainability

During review of environmental and economical sustainability, there are some issues that are related to social sustainability directly or indirectly which concern the livelihood of the society. Besides the above mentioned social sustainability issues, employees related problems are repeatedly mentioned. Negligence of employee’s safety, health and their right is another matter. Their working condition is very poor. Workers are exposed to hazardous pesticides without wearing any kind of protecting materials. In contrary to the government and EHPEA procedure which underlines the importance safety implementation of pesticides but most flower farms import chemicals that are not on the list of MPS-code 2006.

Most women are vulnerable for sexual harassment and exploitation. Social sustainability practice reveals issues such as jobs security; safety, income, and long time work are at risk.
Recently foreign financed commercial farms are entered into the country and still land under leasing. Land grabbing has an environmental as well as social impact. It will lead to an environmental destruction in need of appropriate farm land. Moreover, local peoples will evict from their farm lands for flower investment purpose and relocate them to a place where either that lack infrastructure or infertile land with a low compensation. Most of their lands are covered by green houses now and it were once used to grow crops and surrounded by woods that were convenient to collect firewood. Of course these new commercial farms significantly supplement the national economy and contribute to an economical sustainability through generating foreign exchange currency and creates job for ten thousands of citizens. However, today in the country millions lives are seeking food aid and the government is leasing extremely large lands to commercial farms that threatens own food security. It is an investment against the country’s food security.

5.2 GOVERNANCE OF THE FLORICULTURE INDUSTRY

As it can be seen from the Figure below, the country doesn’t have a stock market system as a result there is no well developed corporate governance system which is dependent on it, rather the governance system falls on government control through different ethical business tools which includes company laws (code of conduct), code of practice and different legislations and policies. On the other hand the trading system and the market orientation also allow the value-chains to exercise control of ethical business practice.

The empirical study demonstrates that government is the major player in assuring ethical business practice in the industry. The Commercial Code of Ethiopia set the rules and regulations for internal governance of business activities where the Article of Association of a company is a required for establishment and the Memorandum of Association is a document that governs the relationship between the company and its outside environment. Both documents determine the constitution of the company which is required in a country’s law.

On the other hands the government also developed policy tools and the respective legislation system (national laws) to ensure the application of policies in
regulating the ethical business practice. Policies like environmental, water resources and land usage are some of the mentioned in the empirical study where regulated by the respective proclamations. Environmental pollution is controlled or minimized through practical rules that allows proper disposal of waste, cautionary and restricted application of chemicals and proper conservation of water resources. In doing so Environmental Protection Authority is the authorized government body to regulate the practice with this regard. In addition land usage is also determined by the respective legal framework under the country’s constitution where government has the full power to allocate land.

Moreover, generally the Ministry of Agriculture and Rural Development (MoARD) is in charge of ensuring the sustainable agricultural practice in the country where as under the authorization of MoARD the Ethiopian Horticulture Producer Association (EHPEA) is in a position to guide and monitor the business practice of floriculture industry in particular.

MoARD developed the minimum/bronze level code of practice for sustainable agricultures that ensures compliance with the basic Environmental Management System. It is concerned with societal affairs of the community and employees, sustainable agricultural production and proper management of natural resources. Up on empowerment by MoARD, EHPEA developed the Code of Practice for the sustainable flower production with aid of Dutch expertise. It defines overall management of flower production majorly farm site management and risk assessment for environment and labor and standardization of water, chemicals and energy consumption and waste disposals. The Code is also concerned with environment of which managing chemical usage and its requirement of product registration. Further it specifies employee protection from accidents and hazardous chemicals.

In the theoretical model the study mentioned the roles governments play in attaining the sustainable business practices. Here in the floriculture industry the government drives the sustainable agricultural practice through controlling and monitoring by setting minimum requirement and by developing Environmental Management System; and it provides incentives and guidelines and allows multi-stakeholders engagement that includes different associations and foreign expertise.
and also provides publicity through endorsing the responsibility with political support.

To the other extreme the market orientation enables the value chain to exert its control over the chain and on the organizations as well. The floriculture market is mostly connected to the EU market especially the Dutch market which involves the auction and direct sales to supermarkets and retailers. Governance of value-chain on the floriculture industry recognize that the power possessed by buyers in other words supermarkets and retail stores are higher though auction market had a considerable power too. As a result the sustainability of flower production is controlled by buyers through requirement of standards for safety, health and environment like MPS market label.

MPS-ABC, SQ and GAP are the major standard certifications that retail channels strictly required. Accordingly even if they are few the flower exporters present the certificate scheme and others are required to do so.

The theoretical model ascertains that value chain drives the sustainable flower production through its governance and the leverage that the buyers/producers have over the chain. So as it can be seen from the value chain of flower market between the Dutch and Ethiopia, retail channels rather than the auction exerts it power through certification requirement. The attainment of sustainable production requirement like MPS label result in cost; however, the Dutch Flower Association/VBN bears a share of costs.
As companies attempt to exercise the socially responsible business practice and the government as well as other stakeholders develop regulations and make close follow up of the sustainability of the business there exists a possible overlap between these two systems. Due to the fact that the CSR concept and its practice is on its early stage still the sustainability of the business practice is under question since the floriculture industry is severely affecting the environment, the

Figure 5.1 CSR and Governance System in Floriculture Industry

5.3 OBSERVED LINKAGE OF CSR AND GOVERNANCE

As companies attempt to exercise the socially responsible business practice and the government as well as other stakeholders develop regulations and make close follow up of the sustainability of the business there exists a possible overlap between these two systems. Due to the fact that the CSR concept and its practice is on its early stage still the sustainability of the business practice is under question since the floriculture industry is severely affecting the environment, the
water resource, the soil, land and generally the society and even employees even though it has a good economic image.

In spite of the fact that there is a good start floriculture companies doesn’t exercise CSR with definite system since some use a policy statement others obliged by the law and the rest are not in a position or unable to exercise. On the other hands the government is working with this regards to ensure the sustainability of this emerging business through regulatory framework and national policies developed by authorities and different government bodies and sanctioning the associations and other stakeholders like EHPEA. In addition the value chain has also a considerable contribution in ensuring the sustainability since companies are required to fulfill a certain criteria like MPS certification to perform a trade whether they are agreed or not.

Therefore, based on this research one way or another CSR practice and the respective governance system has a possible linkage in deed in performing a good business practice in the industry with one party in an attempt to exercise ethical business practice and the other that guide and ensure the ethicality and sustainability of the business activities. Since the industry governing body’s limits corporate accountability through declaration of legislation and voluntary CSR related practice by trade unions lie down with the good governance plan. The major governance responsibility inside the country is conducted by the government legislation bodies. The government over the last decade joined other stakeholders working together with NGOs and trade unions and recognized some key public policies that will encourage CSR. The main reason behind this is to integrate the governance system with CSR is in order to promote, and encourage flower farms to adopt, CSR values and strategies. However, simply putting a minimum requirement won’t work without the participation of other like market based CSR drivers for implementation and enforcement. Moreover, corporate social responsibility seems to work best where government governance capacity and institutions are strong when civil society has a well developed knowledge but in this case citizens are still far away from the concept of CSR and much work is needed to incorporate them as a one part of stakeholder for governance decision making. Even if the government is working with other institutes to converge itself with CSR issue still at some point the
principles of good governance are missing. Disclosure of CSR information, accountability and transparency are the most critical areas for the connection but all of them fail to demonstrate themselves in the empirical data of flower farms.

CSR discourse can give us a number of indicators of how the company law is structured and its related process on managing economic, environmental and social issues. There is still no requirement of sustainability reporting like the Global Reporting Initiative (GRI), still currently they are exercising only traditional economical aspect of the business reporting. This is one factor that will hinder transparency and accountability of CSR. Due to this currently there is a tension between local and commercial farms. Organization’s CSR practice should be disclosed by any kind of formal way since participation of stakeholder especially local societies should be taken as consideration in decision making about resource management because they are main party who are affected by the consequences. Therefore, stakeholder participation includes a variety of means of raising awareness, identifying objectives, agreeing criteria and the current governance system.
CHAPTER SIX: REFLECTION

In this final chapter of the thesis the findings in the previous chapter is discussed based on the study’s authors own reflection.

Ethiopia is one of the developing countries in Africa. The extraordinarily rapid growth of the flower industry is one of the few success attained recently in the country after the collapse of coffee price. The country’s flower boom is ultimately based on the country’s geography topology in which flowers are cultivated around the Great Rift Valley in a place where there is so optimal sunlight condition available. Floriculture like the other agricultural sector it is labor intensive. This advantage becomes a means for thousand of local people to have a job as it contributes for reducing poverty in the country. Moreover, it generates a considerable amount of foreign currency. These two aspects play a role in contributing sustainable development considering the industries effects on economic sustainability. Due to this the government of Ethiopia encourages flower farm investors through giving of incentives. Export oriented high value agricultural product like flower is seen as Ethiopian government top priority as a solution for foreign exchange earnings.

Despite these advantages, negative aspects are existed behind the industry which hindered from the production of sustainable flower. The major and most worrying negative factor of the flower is focused on environmental issue. The country has a history of a deadly cycle of drought and famine for the decades due to environmental degradation. To come up with a solution the government with the collaboration of stakeholders especially trade union, EHPEA, provides a set of rules and regulation for production of sustainable flower production. However, companies are still blamed for lack of strict adherence to these standards (since it voluntary). Local civil societies are not happy and feel flower farms are not environmental and social sustainable.

The governance bodies are not transparent on their duty how to enforce and supervise the regulation. Despite a new issue there is not shared understanding of promoting good corporate governance and corporate social responsibility to the society. Currently the government focuses on the reduction of poverty through economic success, while being reluctant to enforce environmental and labor laws.
It shows there is a tradeoff between environmental sustainability and economic impact. However, these two factors should be balanced.

Overall, when we see the ethical business practice of the Floriculture Industry of Ethiopia, its governance system can be studied from three perspectives that include the ethical conduct of flower companies, the role of government, and the influence exerted by the value chain. As we have mentioned earlier, the absence of a stock market resulted in a lack of well-organized corporate governance. Consequently, the ethical business practice is governed by companies’ business conduct and control from government and the value chain influence.

Beyond the companies’ business conduct, we have seen that the government is in a position to ensure sustainable business practice since it is encouraging this emerging business. Literally, the government bodies like the Ministry of Agriculture and Rural Development, Environmental Protection Authority, Ministry of health, and Ministry of Trade and Industry, and other respective authorities are playing a role in ensuring the sustainability of flower production based on the policy and legislation. Although, as previous studies mentioned, there is a lack of coordination and strength in effect, which can be ascertained by in-depth research. Accordingly, environmental issues like proper handling and usage of pesticides, fertilizers, and other chemicals, waste disposal, water and soil conservation, and also related to community and employee health and safety, can be governed through Environmental Impact Assessment, Code of Practice, and legislations.

On the other hand, as a separate entity with different stakeholder participation, the Ethiopian Horticulture Producer Exporters Association is the main actor in the sector that helps to achieve a good performance with sustainable business practice through its code of practice and certification schema/auditing. And recently, the Ethiopian Horticulture Development Agency serves as the government agency in the sector.

The governance of value chain, especially with higher buyer leverage, has also a potential influence on the chain and organizations as well with regard to environmental, health, and safety through adoption of requirements like MPS.
market label/certification. This has its own contribution in controlling and developing the sustainable flower production. However, due to accessibility of auction channel which is not strict in regulation the number of companies adhere to this chain requirements are small though it has a good outcomes.

This research area seems to be fully untouched, and needs to be done or exploit by other interested party with more effort and resources considering a firsthand empirical data from all stakeholders within the industry in order to come up with a better result. Moreover it gives a clue and opens an opportunity for students, researchers and stakeholders to analyze, discuss on the current issue of CSR of the industry.
REFERENCE


Micael, L. (2006), *corporate social responsibility and international development: is business the solution?*


APPENDICES

APPENDIX I

Questionnaire
Corporate Social Responsibility

DATE..................................
COMPANY NAME ..................................
CONTACT ADDRESS........................................

Dear Participant,
First of all we would like to thank you for your participation. We would like to receive some additional information regarding the corporate social responsibility practices of flower farms which are operating in Ethiopia. The concept of CSR is a new and has been used in the current business world. Corporate social responsibility (CSR) can be defined as the "economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time". It means that organizations have moral, ethical, and philanthropic responsibilities in addition to their responsibilities to earn a fair return for investors and comply with the law. CSR requires organizations to adopt a broader view of its responsibilities that includes not only stockholders, but many other constituencies as well, including employees, suppliers, customers, the local community, local, state, and federal governments, environmental groups, and other special interest groups.

Enclosed is a questionnaire that we are asking you to complete. The questionnaire is very brief and will take about five minutes to fill out. Instructions for completing the questionnaire can be found on the form itself. We would appreciate it if you would complete the questionnaire and return it at your earliest convenient possible time.

Please be assured that all information you provide will be kept strictly confidential. Your name or other identifying information will not appear on any report. All results from the questionnaires are used to fulfill information for our master’s thesis which will be presented to Karlstad University Department of Business administration. Do not hesitate to write us on our email if you have any questions or concerns about the questionnaire or any aspect of our study. Your participation represents a valuable contribution to our study, and we thank you again for your cooperation.

Sincerely yours;

Samson Mechal Bedada (e-mail: samechb@yahoo.com)
Messay Shibre Eshetu (e-mail: measi10@yahoo.com)
PLEASE PUT ✓ IN THE BOX FOR YOUR CHOICE AND GIVE A DESCRIPTION IF ANY

1. HOW IS YOUR ORGANIZATION GOVERNED?
   - CODE OF CONDUCT ☐
   - COUNTRY’S LEGAL CODE ☐
   - OTHER PLEASE SPECIFY ______________________

2. DOES YOUR ORGANIZATION HAVE ANY CORPORATE SOCIAL RESPONSIBILITY PROGRAM? LIKE:
   - CODE OF ETHICS ☐
   - POLICY STATEMENTS ☐
   - PROGRAM/ACTIVITIES ☐
   - NONE ☐

3. WHAT IS YOUR ORGANIZATION MAIN OBJECTIVE TO ENGAGE IN CORPORATE SOCIAL RESPONSIBILITY PROGRAMS?
   - GOOD PUBLIC IMAGE, MARKETING AND ADVERTISING STRATEGY ☐
   - REDUCING GOVERNMENT PRESSURE AND GAIN OF REGULATORY EASY ☐
   - EMPLOYEE SATISFACTION, SOCIAL BENEFIT & PROTECTION OF ENVIRONMENT ☐
   - IMPROVE COMPETITIVE ADVANTAGE, PRODUCTIVITY AND BUSINESS OPPORTUNITY ☐
   - GAIN SUPPORT OF COMMUNITIES, MARKET & STAKEHOLDER ☐

4. HOW IS THE PROGRAM MANAGED AND CO-ORDINATED IN YOUR ORGANIZATION?
   - SEPARATE TEAM OF THE PROGRAM ☐
   - TOGETHER WITH THE COMPANY’S GOVERNANCE ☐
   - OTHER PLEASE SPECIFY ______________________

5. ARE THE ORGANIZATION’S CORPORATE SOCIAL RESPONSIBILITY PROGRAM ALIGNED WITH NATIONAL DEVELOPMENT GOALS? IF SO HOW IS THIS ACHIEVED BY THE ORGANIZATION? ____________________________

6. HOW CAN STAKEHOLDERS (LIKE EMPLOYEES, CUSTOMERS AND COMMUNITY AND OTHERS) LEARN ABOUT THE COMPANY’S CORPORATE SOCIAL RESPONSIBILITY PROGRAMS?
   - ANNUAL COMPANY REPORT ☐
   - EXTERNALLY AUDITED REPORT ☐
   - AUDITED COMPANY REPORT ☐
   - ANNUAL/SOCIAL SUSTAINABILITY REPORT ☐

7. WHAT MECHANISMS DOES YOUR ORGANIZATION EMPLOY TO OBTAIN FEEDBACK FROM ITS STAKEHOLDERS ISSUE CONCERNING YOUR ACTIVITIES ENVIRONMENTAL IMPACT? IF ANY PLEASE SPECIFY ____________________________

60
8. WHAT BENEFIT PLANS DOES YOUR COMPANY OFFER TO EMPLOYEES?

MATERNITY/PATERNITY □   TRAINING AND CAPACITY BUILDING □
JOB RELATED TRAINING □   COLLECTIVE BARGAINING □
HEALTH & SAFETY □   OTHER PLEASE SPECIFY___________

9. WHAT TYPE OF PROJECTS HAS YOUR COMPANY ASSISTED THE LOCAL COMMUNITY?

ROADS, TRANSPORT □   SOCIAL FACILITIES □   HEALTH AND WELFARE □
UTILITIES □   SPORTS FACILITIES □   SKILLS TRAINING/EDUCATION □
OTHER PLEASE SPECIFY________________________________

10. HAS YOUR ORGANIZATION TAKEN STEPS TO ADDRESS ISSUES LIKE

GENDER EQUALITY/BALANCE □   ETHNIC DIVERSITY □
YOUTH EMPLOYMENT □   OTHER PLEASE SPECIFY__________

11. DOES YOUR COMPANY HAVE AN INTERNAL ANTI-CORRUPTION CODE/MONITORING SYSTEM? IF SO PLEASE SPECIFY ____________________________

12. DOES YOUR COMPANY TAKE STEPS (LIKE LIFE CYCLE ANALYSIS) TO MINIMIZE HEALTH AND SAFETY IMPACTS OF ITS PRODUCTS AND SERVICES TO THE PUBLIC? IF SO PLEASE SPECIFY__________________________________________

13. HAS YOUR ORGANIZATION IMPLEMENTED AN ENVIRONMENTAL MANAGEMENT SYSTEM? IF SO DOES IT ADHERE TO:

INTERNATIONAL ENVIRONMENT LAWS/GUIDELINES □
LOCAL ENVIRONMENTAL LAWS/POLICIES □
CORPORATE/INTERNALLY DEVELOPED GUIDELINES □
EXTERNAL/THIRD PARTY VOLUNTARY CERTIFICATION (LIKE ISO) □

14. ARE THE COMPANY’S EMPLOYEES COVERED BY A COLLECTIVE BARGAINING AGREEMENT?

YES □   NO □

IF “YES, HOW MANY? □<25% □ 25-50% □ 50-75% □ 75-100%

15. HAS YOUR COMPANY HAD TO RECALL PRODUCTS OR DISCONTINUE SERVICES IN THE LAST FIVE YEARS DUE TO ANY OF THE FOLLOWING ISSUES?

□ LOW QUALITY STANDARDS
□ COPYRIGHT/PATENT INFRINGEMENT
□ ERRONEOUS LABELS
□ FALSE ADVERTISING
16. WHAT ENVIRONMENTALLY RELATED INVESTMENTS AND/OR EXPENDITURES HAVE YOUR COMPANY MADE IN THE LAST FIVE YEARS? PLEASE PROVIDE DETAILS SUCH AS $ VALUE OR % OF ANNUAL BUDGET ALLOCATED.

☐ Retrofitting/ Re-engineering of processes, plants
☐ New pollution reducing technology/ equipment
☐ Environmentally friendly raw materials and packaging
☐ Employee and community environmental protection training
☐ Environmental monitoring systems for emissions/ effluents

17. DOES YOUR COMPANY HAVE A SUITABLE ARRANGEMENT FOR HEALTH & SAFETY AND WELFARE THAT PROVIDE SUFFICIENT PROTECTION FOR YOUR EMPLOYEES?

YES ☐ NO ☐ IF YES, HOW ____________________________________________

18. DOES YOUR ENTERPRISE SUPPLY CLEAR AND ACCURATE INFORMATION AND LABELLING ABOUT PRODUCTS AND SERVICES INCLUDING ITS AFTER SALES OBLIGATIONS?

YES ☐ NO ☐ IF YES, HOW ____________________________________________

19. DOES YOUR COMPANY WORK TOGETHER OR ACCOUNTABLE FOR WITH OTHER COMPANIES OR AUTHORITY TO ADDRESS AN ISSUES RELATED TO CORPORATE SOCIAL RESPONSIBILITY?

YES ☐ NO ☐ IF YES, FOR WHICH ORGANIZATION/GOVERNMENTAL ENTITY

__________________________________________________________________________

20. IS THERE ANY GOVERNMENTAL ENTITY MADE A PERIODIC SUPERVISION ON YOUR PRODUCTS IMPACT OF ENVIRONMENT, SOCIAL AND EMPLOYEES?

YES ☐ NO ☐ IF YES, WHICH ORGANIZATION/GOVERNMENTAL ENTITY

__________________________________________________________________________

END. THANK YOU FOR PARTICIPATING!
APPENDIX II
INTERVIEW QUESTIONS TO ETHIOPIAN HORTICULTURE PRODUCER EXPORTER ASSOCIATION (EHPEA)

1. HOW EHPEA IS MANAGED AND CONTROLLED? (IS IT ON A GLOBAL BASIS, ON A REGIONAL, COUNTRY OR BUSINESS LINE BASIS OR SOME COMBINATION OF THESE?)

2. TO WHOM IS THE ASSOCIATION ACCOUNTABLE FOR?

3. HOW IS THE ASSOCIATION FINANCED?

4. HOW IS EHPEA RESPONSIBLE FOR VOLUNTARY CORPORATE SOCIAL RESPONSIBILITY PRACTICE OF THE HORTICULTURE INDUSTRY IN ETHIOPIA?

5. WHAT MEASURING DOES EHPEA USE FOR THE CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES OF COMPANIES?

6. DOES EHPEA ASSESS COMPANIES’ CORPORATE SOCIAL RESPONSIBILITY ATTAINMENT FROM END-TO-END? (I.E. COMPANIES EXTENDED VIEW OF THE VALUE CHAIN, UPSTREAM TO SUPPLIER RELATIONSHIPS AS WELL AS DOWNSTREAM TO CHANNELS LIKE CUSTOMERS RELATIONSHIP AND THE ULTIMATE END USERS)

7. WHAT KIND OF MONITORING AND FOLLOW UP PROCEDURES ARE USED?

8. WHAT MEASURES WILL EHPEA TAKE IF REQUIREMENTS ARE NOT MET? IS THERE ANY YET?

9. DOES THE ASSOCIATION ALLOW STAKEHOLDERS PARTICIPATION? HOW?

10. DOES THE ASSOCIATION HAVE A SYSTEM FOR FEEDBACK FROM STAKEHOLDERS? IN WHAT WAY?

11. DOES EHPEA REQUIRE COMPANIES TO INCORPORATE THE CORPORATE SOCIAL RESPONSIBILITY REPORTS IN THEIR ANNUAL REPORT?

12. DOES THE ASSOCIATION FACE ANY DIFFICULTY IN GOVERNING THE COMPANIES? IF SO HOW AND WHAT ACTIONS ARE PLANNED TO OVERCOME THE PROBLEM?

13. WHAT IS THE MAIN BENEFIT OF MEMBERS FOR BEING AS A MEMBER FOR THE ASSOCIATION?

14. IN FUTURE WHAT PLANS ARE EHPEA IS LOOKING AHEAD?