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Corporate Social Responsibility in the agro-food sector

The contribution of Dutch and European agro-entrepreneurs to sustainable local development and food security in Africa

A study conducted by the International Development Studies group of Utrecht University at the request of MVO Nederland

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(Photo page 3: Greenhouses in Naivasha, Kenya, by Gemma Betsema)

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Foreword

This report, based on a study commissioned by MVO Nederland, was written by the International Development Studies group of Utrecht University. The study aimed to appraise the role of Dutch investors in agribusiness in five African countries: Ethiopia, Kenya, Mozambique, Rwanda and South Africa. Research objectives included a review of the business operations of both Dutch and non-Dutch agribusiness investors, their levels of Corporate Social Responsibility (CSR) performance, the contributions they make to local development as well as the characteristics of their operations. The findings contained herein are the result of extensive research activities that include literature and government document reviews as well as a total of 94 consultations and in-depth interviews with key informants. Finally, quantitative surveys were conducted with 90 firms.

We trust that the information contained in this report on the issues surrounding responsible investment in agribusiness in Africa can assist Dutch policy makers and entrepreneurs to optimise the contribution of Dutch agro-food SMEs to sustainable local development.

List of abbreviations and acronyms

ASDS	Agriculture Sector Development Strategy (Kenya)
BAGC	Beira Agricultural Growth Corridor
(B-B)BEE	Broad-based black economic empowerment strategy
BRC	Britisch Retail Consortium
BSCI	Business Social Compliance Initiative
CIP	Crop Intensification Programme (Rwanda)
CSR	Corporate Social Responsibility
CTV	Centro Terra Viva (Mozambique)
DAFF	Department of Agriculture, Forestry and Fisheries (South Africa)
DGIS	Directorate-General for International Cooperation
dti	Department for Trade and Industry (South Africa)
EDPRS	Economic Development and Poverty Reduction Strategy (Rwanda)
EHPEA	Ethiopian Horticulture Producer Exporters Association
EKN	Embassy of the Kingdom of the Netherlands
EU	European Union
Forex	Foreign exchange
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investment
FFF	Farming For the Future
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
HACCP	Hazard Analysis and Critical Control Point
HDI	Human Development Index
IDS – UU	International Development Studies group of the Utrecht University
IFAD	International Fund for Agricultural Development
IFDC	International Fertilizer Development Center
ISO	International Organization for Standardization
KEBS	Kenya Bureau of Standards
KenInvest	Kenya Investment Authority
LEI	Landbouw-Economisch Instituut, Wageningen
MOZAL	Mining businesses in aluminium (Mozambique)
MVO Nederland	Maatschappelijk Verantwoord Ondernemen Nederland
NABC	Netherlands-African Business Council
NAP	National Agriculture Policy (Rwanda)
NEMA	National Environment Management Authority (Kenya)
NGO	Non-governmental Organisation
NHIF	National Hospital Insurance Fund (Kenya)
NISR	National Institute of Statistics Rwanda
NSSF	National Social Security Fund (Kenya)
OCIR	Office for Industrial Cultivation in Rwanda
OECD	Organisation for Economic Co-operation and Development
OLL	Organic Land Law
ORIO	Facility for Infrastructure Development
PARP	Poverty Reduction Action Plan (Mozambique)
PPECB	Perishable Products Export Control Board (PPECB)
PPP	Public-private Partnership

PSI	Private Sector Investment programme
PSOM	Programme Cooperation Emerging Markets
RDB	Rwanda Development Board
RWF	Rwandan Francs
SEDA	Small Enterprise Development Agency (South Africa)
Siza	Sustainability Initiative of South Africa
SME	Small- and Medium Enterprises
SPAT	Strategic Plands for Agricultural Transformation (Rwanda)
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
WIETA	Wine Industry Ethical Trade Association
WTO	World Trade Organization

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Synthesis report

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1. Background of the study

There is more than one good reason for an investigation into the activities of Dutch investors in medium and small-scale agribusiness in African countries. A first reason is the Netherlands policy on International (development) cooperation with respect to the region. There is a renewed emphasis on the role of the private sector in fostering development in poor countries, as outlined in the recent (April 2013) foreign trade and development cooperation policy note to Parliament (or Tweede Kamer) by Minister Ploumen. The impending creation of a Dutch Good Growth Fund is a next step in the elaboration of this policy orientation. Private sector investment and trade can generate income and employment and thus make considerable contributions towards better livelihoods for poor people. Indirectly, many other features associated with 'development' can thus also be promoted – including *inter alia* emancipation of marginalised groups and self-reliance.

Moreover, there are also good reasons for a specific interest in agribusiness within the private sector development programme. This is a traditional Dutch strength; not only have Dutch entrepreneurs in the course of generations built a solid base of knowledge and capital, they have earned a good reputation and strong market positions. Working with Dutch agribusinesses in many cases means tapping into the most advanced technology and being inserted into value chains with a global reach. Several key areas of Dutch farming offer opportunities for entrepreneurship in developing countries, including horticulture, dairy farming and livestock breeding, and agro-equipment and support services.

At the same time, agribusiness is on or near the top of the development policy agenda of many African governments. Africa's competitive advantage is often in agriculture, with its relatively low population densities combined with large areas of arable land that are not used very intensively. These characteristics could assist Africa in reaching much higher levels of productivity, if more investment and better farming methods can be introduced in a sustainable way. Moreover, several African economies gained a new lease on life through the 'new scarcities' of raw materials, including agricultural produce, and the corresponding increase in world market prices for primary goods since about the turn of the century. Growth rates in countries such as Ethiopia, Ghana, South Africa and others have reached percentages of sometimes over 10 per cent p.a., a 'boom' more usually associated with new industrial economies of the Pacific Rim and elsewhere. Thus there is a renewed dynamism in Africa, and much of it has to do with agriculture. It therefore seems logical to renew an interest in what Dutch agribusiness investment could achieve in the developing countries of Africa – in the interest of entrepreneurs as well as that of the equitable and sustainable development of the host countries and their populations. In sum, agribusiness seems to offer good opportunities to link 'aid' and 'trade'.

Meanwhile, the role of private entrepreneurship has changed over recent years. On one hand and as mentioned previously, business is increasingly recognised as an agent of positive development. A logical corollary of this enhanced role is that, on the other hand, as members of a community or society at large, more is now expected of businesses. Businesses themselves also no longer see themselves as stand-alone operations intent on making profits

without further societal and environmental commitments. In today's network society, they are involved as active players in more elaborate, cross-sector partnerships that try to improve both environmental and living conditions more generally. This vision has spawned new types of firms that are careful to avoid 'doing harm' as is implicit in the term 'responsible business'. Even beyond that, some businesses put forth propositions of social entrepreneurship that put 'doing good' at the core of their business plan. Such 'new entrepreneurship' can be seen as a partial correction of the situation that emerged after WWII, in which the state assumed responsibility for, by and large, all social ills while the private sector was left to fend for itself. Now states cannot afford to bear all responsibilities. Other stakeholders, including businesses, are called upon to do their part as well. It will be clear that the corporate social responsibility performance of investors becomes even more important when the international cooperation agenda seeks to combine business objectives with the promotion of equitable and sustainable development in poorer countries. A high degree of responsible business is a key component of such policy.

While there is no universally accepted definition of responsible business or CSR, one that is frequently used is by Holme & Watts (2000):

> *'Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.'*

What exactly comprises this societal dimension of business is elaborated in various ways. A minimal approach is one that puts compliance with (national) laws and regulations at centre stage. This is something that can be expected by any good entrepreneurial citizen – as well as others. Beyond this, a number of orientations find inspiration in ethics, as for instance with respect to environmental (sustainability) values or with respect to community and societal interests. Philanthropy – making use of part of business proceeds for a variety of good causes – is a related orientation. What is typical for these approaches is that CSR is considered as a cost factor in doing business. It may be cherished and considered important, but does not stand at the core of business operations in what Visser labelled CSR mark 1.0. More recently, new initiatives have sought to make a business case out of the solution of social, environmental, and other related issues, as in social entrepreneurship or in the pursuit of 'shared value' in the words of business gurus Porter & Kramer (2011), who envisage this to lead to nothing less than the 'reinvention of capitalism'. In its broadest sense, and in spite of differences in approach and nuances, responsible business is about redefining the boundaries between the firm and society in such a way that the sharp cleavage between what goes on inside the firm and what happens around it is softened. After a period in which 'shareholder value' was presented as the single concern of business, there is a compelling need to re-embed entrepreneurship in its societal and environmental context.

2. Research objective and main questions

Dutch small and medium-sized enterprises (SMEs) can play an important role in stimulating sustainable local development in Africa. Dutch entrepreneurs can have a positive impact on sustainable economic growth by *inter alia* creating employment with favourable working conditions, enhancing knowledge generation and technology transfer, and engaging in partnerships with local enterprises, among others. At the same time, the current emphasis on CSR means that entrepreneurs also face new requirements: they are asked to comply with norms and quality standards for the environment, working conditions, and product quality

and production process. In addition to these criteria, sustainable development also entails an active engagement of – and a degree of benefit sharing with - the local population.

However, little is known about the characteristics of Dutch agro-food entrepreneurs and firms in Africa. Neither is there much knowledge on the effects of their activities on sustainable local development (including food security). Furthermore, it is important to provide insight into the role of CSR in Dutch SMEs' business practices in Africa, and their effects on the communities in which they work. In what ways can the contribution of Dutch agro-food SMEs to sustainable local development be optimised?

This research aimed to provide insight into the contribution of Dutch agro-entrepreneurs (including both small and medium-sized enterprises) to local sustainable development in Africa. It focused on two sectors in particular: horticulture (beans and fruits) and agro-installations (for poultry, dairy, and irrigation). The research was conducted in five Sub-Saharan African countries: South Africa, Rwanda, Mozambique, Kenya and Ethiopia.

In assessing the characteristics of Dutch agro-food SMEs in Africa and their contributions to local sustainable development, we have looked into a number of aspects:

1. Characteristics and motivations of the entrepreneurs
2. Characteristics of the enterprises: activities, history, position in the value chain
3. Institutional embedding: local policy and regulations, certification systems
4. Local connections: suppliers and clients
5. Direct and indirect contributions to local development
6. Employment creation and labour conditions
7. Environmental consequences, use of natural resources
8. Opportunities and bottlenecks for improving CSR performance and development impact

The next section outlines the methodology that was employed to assess the characteristics of Dutch agro-food SMEs in Africa and their contributions to local sustainable development.

3. Methodology

In order to obtain information on Dutch enterprises, their activities and the contexts in which they operate, extensive research activities were carried out in South Africa, Rwanda, Mozambique, Kenya and Ethiopia between October 2012 and March 2013 (see Table 1). These included literature and government document reviews, interviews and consultations with local experts, and extensive quantitative surveys with 90 firms. More specifically, we conducted:

- Extensive survey among 90 enterprises (mainly Dutch entrepreneurs) in the 5 countries
- 94 interviews with key informants from policy, NGOs, private sector organizations, and others in the 5 countries as well as in the Netherlands
- Extensive desk research covering academic literature and other secondary sources to compile an inventory of local and national legislation and regulations as well as to gain insight into relevant actors and certification systems

Sample overview

Country	Sample size
Ethiopia	22
Kenya	15
Mozambique	11
Rwanda	15
South Africa	27
Total	90

Nationality of business owners

	Combined valid per cent
African	3
Dutch	47
Dutch dual*	34
Other European**	6
Other International	9
Other dual International	1
Missing (list wise exclusion)	12

* More than one nationality involved

**Including the United Kingdom

The tables above illustrate sample characteristics. Of the combined surveyed companies, owners originate from African countries including Ethiopia, Zimbabwe, Kenya, Rwanda, South Africa and Mozambique. European-region owners derive from the Netherlands, Belgium, Germany, and the United Kingdom. Other international owners derive from the United States, Canada, India, and Ecuador. Eight values are missing.

Sampled countries were founded between 1936 and 2013. Companies started operations in their respective countries between 1954 and 2013. Fifty companies, or 56 per cent of the sample, operate fully under foreign shares. Twelve companies, or 13 per cent of the sample, are fully domestic.

4. Findings

This study set out to appraise the role of Dutch investors in agribusiness in five African countries, covering 90 firms in a survey as well as 94 in-depth interviews and consultations with key informants. The research objectives included a review of the business operations of Dutch agribusiness investors, their CSR performance and the contributions they make to local development as well as the issues pertaining to their operations. In particular, the research wanted to reveal how Dutch firms were performing, including how their performance compares to the non-Dutch firms.

Having reported in-depth on findings in the series of country chapters, we now present a synthesis of the results here. First, a typology of the countries will sketch the business environments in which the Dutch entrepreneurs operate. Then, a typology of businesses will flesh out the main characteristics of the Dutch establishments in these countries. The subsequent section discusses the responsibility performance of the Dutch businesses, followed by a review of dilemmas and issues observed in the conduct of the study. Finally, the last section offers some recommendations.

4.1 Typology of countries

Our research shows a wide range of situations in which Dutch entrepreneurs operate. This naturally holds implications for MVO as well as the types of contributions the private sector might make to stimulating development. Investment environments, as outlined in the following overviews, suggest that each country can be presented along a continuum that ranges from 'middle-income country/consolidated business structure/favourable business environment' to 'poor country/emerging business structure/difficult business environment'.

South Africa

- Classified as an upper-middle income country (counted among BRICS), with stable economic growth, a diversified economy and an overall attractive business environment.
- Effective and transparent institutions and a good infrastructure. On the downside, the post-Apartheid society remains highly unequal and racial relations continue to loom large.
- Characterised by a large and long-established Dutch community, with a diversified portfolio including horticulture and floriculture, as well as other industries.
- Excellent amenities for a 'Western' lifestyle.
- Characterised by increasing land, water and energy scarcity, expensive and rapidly rising labour costs and conflicts that contribute to businesses being under increasing stress to which increasing competition from Kenya, Tanzania and Ethiopia can be added.
- Businesses receive strong support from the embassy as well as from other Dutch institutions.

Kenya

- About to graduate from low to middle income country, with an attractive business environment: a diversified economy with a clear, free market orientation.
- While non-transparent institutions and corruption are issues, infrastructure is of an acceptable level for business.
- Fairly diversified as a result of a large and long-established Dutch business community that is focused on floriculture and other horticulture, but also other activities.
- Good possibilities for a 'Western' lifestyle.
- Land and water are increasingly scarce and thus expensive, labour costs are rising; business is also under stress in part due to increasing competition from other countries

as well as from the rise of alternative investment opportunities in countries like Ethiopia and Tanzania.

- Dutch businesses receive strong support from the Dutch embassy as well as from Dutch NGOs active in the agro-business sector.

Ethiopia

- Poor country characterised by rapid but decreasing economic growth. Much emphasis is placed by the government on agro-development through FDI provided by foreign entrepreneurs.
- Relatively clean public sector but restrictions apply due to high level of state control and a deficient infrastructure.
- Recently established Dutch business community in the process of consolidation, centred on floriculture but expanding to other horticulture, livestock and agro-supplies.
- Amenities for 'Western' lifestyle limited but climate in highlands agreeable for Europeans.
- Natural resources such as land and water are made accessible through the government but may produce conflicts with local communities; business further under stress due to government intervention (e.g., FOREX and changing regulations).
- The Dutch embassy plays an active role while other Dutch institutions are also available.

Rwanda

- Poor country characterised by rapid economic growth. The emphasis on ICT and other industries is prompted by land scarcity (with the exception of swamp-areas) although this has started to change in the last couple of years; possibilities for agro-development limited to increasing productivity.
- Much support by government and emphasis on attracting FDI; a transparent business environment, but a small, landlocked country where export options are mainly limited to neighbouring countries. Lack of infrastructure.
- While there are two big Dutch companies present, in general, a Dutch community has not been established.
- Although 'Western' lifestyle options are limited, the climate is favourable for Europeans.
- Natural resource availability, particularly land and water, is limited.

Mozambique

- Poor country characterised by rapid economic growth based on extraction (e.g., mining) and large-scale farming. Proximity to South Africa has both positive and negative aspects.

- While the government prioritises attracting FDI, the process is not transparent: failing institutions, corruption. General lack of infrastructure and services; high cost of operations.
- Dutch community is not present; this is exacerbated by dispersion.
- Possibilities for 'Western' lifestyle limited.
- Natural resources, particularly land and water, are relatively abundant and can be made available through government, albeit at risk of community conflict.

4.2 Dutch business characteristics

The Dutch business communities observed in the five countries can be categorised based upon the following criteria:

- Size of company and origin of capital
- Employment characteristics
- Market orientation (e.g., export, domestic market)
- Business model (in-house production or out-growers; local business linkages)
- CSR-behaviour, including environmental risks

After taking this helicopter view, we designed a typology based on a businesses' potential contribution to development. Here we considered which business type holds the best potential for sustainable development in the host country. This section outlines the four categories, or Business Models, of the typology starting with the type often considered 'typically Dutch'. This is followed by models that are found less frequently.

Business Model 1: Capital intensive/highly specialised horticulture for highly competitive world markets.

The first type of firm in our typology is the capital-intensive and highly specialised horticultural, and often floricultural, enterprise. This type of firm is often characterised by functional clustering in specific geographical areas. Due to a reliance on the knowledge sector and specialised inputs, these firms have relatively strong linkages with foreign suppliers and buyers. In many cases these linkages are with the Netherlands. This type of business can generate considerable local employment opportunities (albeit unskilled and low-paying) as well as contribute a high-tech, non-traditional export product to the host economy.

When considering important factors that relate to a firm's ability to contribute to sustainable development, there are certain less-favourable characteristics within this category. First, an enclave-type of development is likely, as business linkages with local suppliers and buyers often are limited. Second, local replicability is less likely as a result of the advanced technology and high capital requirements; these are usually beyond the reach of local entrepreneurs. Finally, the environmental costs resulting from these operations can be substantial as the industry is input and resource intensive, particularly regarding land and water use and the substantial application of chemicals.

Overview of Business Model 1

Importance for development	Success factors	MVO considerations

• Provides local employment and alternative livelihoods, but attention needs to be paid to the limitations
• Possibilities for technology transfer
• Macroeconomic advantages
  o Boosts production and exports
  o Brings in foreign exchange
	• Supportive business environment providing access to natural resources such as land and water
	• Open trade regime
	  o Source of technology, supplies, and export facilitation
	• When financial controls (e.g., profit repatriation) are in place, transfer pricing is likely to occur, eating away tax and local revenue advantages
		• Wages and working conditions
		• Enhancing local linkages
		• Responsible natural resource and waste management
		• Reasonable scope for charitable initiatives
		• Limits depend on highly competitive conditions of world market

Business Model 2: Out-grower systems for export or domestic markets

The second business model of the typology is an out-grower system for export or domestic markets. Export markets often consist of niche markets (such as organic nuts and fruits, among others) that can sustain somewhat higher prices. Alternatively, domestic out-grower markets can target mainstream consumers when there is scope for effective import substitution (e.g., maize/grains, or cassava for beer brewing). Business linkages with local suppliers and buyers exist, but are often limited.

The huge advantage of this business model is its inclusive nature. Within this model, large numbers of smallholders – usually the main target group for poverty reduction policies – are integrated into modern, commercial value chains. Since the foreign investor is less involved (or not involved at all) in the direct production of the crops, issues of resource competition (such as land and water) with local (and often subsistence) communities do not present themselves much. From a strictly environmental perspective, this approach can be less risky than Business Model 1 as organic production is specifically preoccupied with responsible resource use.

On the other hand, administering a large number of small suppliers often implies additional costs that cannot be recuperated easily in highly competitive markets. Fair trade and organic niche markets can compensate for this, albeit not always fully. This business model also carries the risk of becoming locked into a small niche market, without much scope for up scaling. Moreover, especially when considerable training, extension and support services are needed to improve smallholder practices, out-grower schemes are often reliant on NGOs or other sources of soft money (i.e., social entrepreneurship).

Overview of Business Model 2

Importance for development	Success factors	MVO considerations
• Provides smallholders with a market outlet and possibilities for technological upgrading	• The use of certification systems, especially for organic produce (export market out-growers are dependent on traceability of production) • Providing growers with sufficient security (monocropping tends to make people dependent on market forces) • Support of NGO sector	• Opportunities for inclusive business: benefit sharing, linking with community development, technical assistance, establishing links with local businesses • Increased farmer income may open further opportunities for responsible business

Business Model 3: Dairy/cattle breeding for domestic market

Capitalising on another Dutch specialisation, these companies consist of transplanted agro-business models from the Netherlands, albeit often at a small- or medium-level of scale. This model tends to depend on specialised inputs and knowledge from the Netherlands. While this often limits the scope for local linkages, this may change with a gradual deepening of the agro-sector in the host country. Production is largely for the domestic market and largely restaurants, tourism, and the middle class population.

As with the other models, there are downsides. In addition to the limited amount of local business linkages, competition with local farmers over resources including land and water can be present. In addition, environmental risks may be an issue as intensive livestock farming results in considerable waste production. The latter is more likely due to the fact that host countries generally have less-strict environmental regulations. As a result, this model may encourage a 'race to the bottom', or in other words, cattle farmers moving their business to a less demanding environment.

Overview of Business Model 3

Importance for development	Success factors	MVO considerations
• Import substitution – localising the production of relatively valuable agro-commodities. • Economic impacts are still limited as the number of entrepreneurs is not high • Contribution will depend on: Employment generation Options for local linkages, depending largely on sophistication of local cattle industry Impact on technological upgrading in the host economy. This may be more likely than for the flower business but specialist technology (and even business connections) are required that are difficult to absorb for local farmers.	• A business climate conducive to foreign investment in industries catering to domestic demand for dairy, meat and hides • Providing access to land and water • Size of the domestic markets.	• Considerable scope for environmental programmes (natural resource and waste management) • Considerable scope for activities aimed at dissemination of knowledge and technology to local cattle breeders

Other businesses

This group consists of a wide range of suppliers, specialised service companies and consultancies that cater to agribusiness, particularly specific niches. They include suppliers of irrigation equipment and of different inputs such as chemicals (e.g., fertilizers, pesticides), seeds and animal feeds. Also included are certification companies, firms providing laboratory services, and business consultancies. Given the very mixed nature of these businesses, their potential role in local development depends on whether they contribute to a deepening of the agricultural sector in the host country. Their potential role in local development also hinges on other factors such as the ability to meet local demand as well as how well they are able to compete with local suppliers. Potentially, several of these activities may generate considerable development advantages, particularly if they contribute to technological upgrading and learning in the host agro-economy. For instance, in countries such as Mozambique where no local capacity exists for a quick and efficient analysis of soil characteristics or plant disease, the introduction of such services at affordable prices can make a significant and positive development impact.

4.3 Responsible business

When reviewing the overall behaviour of the Dutch entrepreneurs we observe that, in general, all are 'responsible' in complying with laws and regulations. They also apply ethical standards that to a large extent relate to normative frameworks as they exist in their various countries of origin. The businesses tend to pay slightly more than the minimum wage, are concerned about the wellbeing of their workers, contribute to community projects and are interested in making their firm more water and energy efficient. These actions are also undertaken to optimise business results – which is a very reasonable motivation. At the same time, however, businesses can apply models that use natural resources intensively and in ways that are not necessarily sustainable in the long run. As a result, these businesses may also find themselves competing with the resource use patterns of local communities. In fact, some businesses must contend with the competing claims of their neighbours and so rely on government institutions to enforce the company's hold on land or water. In some cases, this is arranged without having to enter into direct contact with local populations. Most of these companies have their own energy and water supply systems, which they often share to some extent with local communities. But there is often not much knowledge or awareness about the long-term environmental or social consequences. Impact assessments do not hold the solution in this respect as they are often not very demanding.

Generalising our results on the basis of responsibility attitudes, we found the following categories:

1. Mainstream business: no specific notions of business responsibility or attention for local development impact. Most of the entrepreneurs in this category do not make a distinction between doing business and 'responsible business'. They tend to consider that any business and certainly what they themselves do is relevant for development. Compliance with legal framework and common sense-ethics is enough and there is no explicit mention or attention for effects of business operations beyond the firm. One example can be highlighted from Ethiopia where profits can be made to accrue where it is most beneficial for the entrepreneurs by means of manipulating prices for intra-firm trade between establishments in different countries.

2. Mainstream business with specific CSR element or focus on development: these are regular commercial businesses that do pay specific attention to responsibility programmes. They correspond to what Wayne Visser and other CSR writers refer to as CSR 1.0 or CSR as the 'cherry on the pudding'. Special activities for local communities may be funded by mobilizing additional funds from elsewhere, by collaborating with NGOs, or by means of a budget line (cost factor) in their own budget. For example, a multinational brewery, which cannot be said to be a social entrepreneur in the stricter sense, is involved in a public-private-NGO partnership on local cassava procurement from smallholders. The company even accepts limited financial success in certain regions if the poverty alleviation impact is high (see page 51 of the Mozambique report).

3. Social entrepreneurs and 'shared value creation' models: for these entrepreneurs, contributing to local development or other social and environmental objectives are part of the core business. For instance, working with an out-grower system or solving resource issues are the point of departure of the business plan. These, obviously, are a

minority but they may have a real impact if – and that is not always obvious – they have a real business case that is sustainable over the long term. For example, one company in Ethiopia specialises in international sourcing and supply of organic agricultural products. The company's philosophy places significant value on transparency and traceability with a long-term vision that considers organic agriculture to be the future of farming. For more information, see page 15 of the Ethiopia country report.

4. Idealistic and charity-oriented activities in which business results are secondary, often inspired by religious convictions. Here, too, the sustainability of the activity can be a matter of concern. One business owner from Mozambique was motivated to "raise people from poverty through business in Africa." Another business owner in Mozambique stated that after starting a foundation he wanted to "work as a business on the interface between services and rural development."

The last two types are a bit more present in the lesser-developed countries studied for this report. This may partly explain higher rates of attrition in a country like Mozambique – separate from business environment considerations. At the same time, however, it is difficult to make generalisations; there are many hybrid models: public-private-NGO partnerships, social entrepreneurs that work with NGO's, but also 'normal' entrepreneurs that work with NGO's or with some 'social' subsidies, etc. A public-private-NGO partnership example is the Cassava Plus programme – see the Mozambique report.

4.4 Drivers of CSR

Findings in these five African countries confirmed that government regulation remained the primary benchmark for proper business standards. Laws and regulations issued by the public sector are the first guidelines referred to by respondents, and in quite a few cases remain the reference framework applied by the businesspeople. At times, ethical considerations may conflict with legal systems. For instance, land laws in Rwanda and Ethiopia that enable governments to evict smallholders from land they depend on for their livelihoods can be challenged from a human rights perspective. Can a responsible business in that case limit itself simply to legal compliance?

Beyond requirements of responsible citizenship, performance standards of a voluntary nature are in the first place inspired by export markets. This applies in particular with respect to product/process qualities and environmental standards imposed by traders and supermarkets. Such standards are far less in evidence when production is geared to domestic markets, that are as yet far less demanding. In this sense, the intrinsic motivation of entrepreneurs should not be exaggerated – although in all country studies, individual entrepreneurs and firms have been observed that were guided in the first place by what they think appropriate and desirable. Producers of organic foods are a good example of entrepreneurs making a business case out of specific voluntary production standards.

A further driver of responsible business emerging from this study is finance, in particular soft funding (e.g., subsidies and loans) that can be available if conditions beyond legal requirements are met. The main source is the public sector, notably development funding through programmes such as PSI and ORIO. These have an impact, although some business people state they are not interested in them due to (perceived or real) high compliance costs in terms of effort as well as finance. Perhaps that is the reason why the number of PSI-

supported firms was modest in some countries. The PSI programme seems to suffer from a scale problem: on one hand, imposing relatively extensive reporting obligations for quite small businesses, while on the other the scale of many subsidies and the businesses that receive them is too small to enable effective monitoring of the programme[1].

There are also private companies interested in social entrepreneurship and different approaches to ethical business, whether concerned with product characteristics (such as organic foods) or environmental and social practices. Since access to finance is such a key factor in doing business, the financial channel may well offer considerably more leverage to the spread of responsible investment practices. If, for instance, major banks would require clients to adhere to stricter standards, this would likely have a huge impact. The issue here is to calibrate the imposition of responsible business standards in such a way that it does not seriously affect the competitive position of (Dutch) businesses *vis a vis* their competitors.

5. Discussion

The results from this study do not challenge the idea that Dutch SMEs investing in Africa generally behave in responsible ways. In fact, Dutch SMEs often compare favourably with local peers. This does not mean however that there are no issues. This is especially the case when looking at business and investment as activities in support of development. This section presents a few relevant points for discussion.

Transfer of undesirable activities

Some questions arise when transferring a business model from one context to another. Moving intensive livestock breeding or flower growing from the Netherlands to an African setting, for instance, often implies a shift of activities with a heavy environmental impact from an environment where these are tightly regulated and monitored to another where such control mechanisms may be absent or ineffective. The entrepreneur may well scrupulously abide with existing rules, but these are usually less strict than 'at home'. Thus, the net effect of the transfer may amount to a worsening of environmental conditions overall in places where local communities in particular rely more directly upon the natural resource base. While the investment may create jobs and generate local revenue and so be positive for local development in that sense, this does not answer the ethical question of whether we should transfer business operations we no longer accept in the Netherlands. This is especially relevant when such transfers are also undertaken as a result of an international cooperation agenda that involves subsidies from development funds. In other words, what is hailed as an innovative investment case can also be seen as a transfer of an outmoded business model. Impact assessments and local regulation compliance does not solve this problem.

Resource competition?

Another issue relates to the use of local resources. Scarcities of natural resources have boosted interest in the supplies of arable land, water, forests and minerals in developing countries. 'Land grabbing' by foreign (or domestic, for that matter) business has become a hot issue in the media as well as politically, and much the same can be said of other resources (see http://www.landgovernance.org). Dutch SMEs are not among the main perpetrators, but it is true that most Dutch agribusinesses in Africa have taken over land previously used by local smallholder households. Here again, compliance with laws and

[1] Many PSI projects do not involve any Dutch company, which is not a requirement, e.g., in Mozambique they are mostly South African.

regulations can be taken for granted with few exceptions. Usually, land for Dutch investment in Africa is obtained through government mediation. But in many cases national governments are the main agents of dispossession, as they assign land under customary tenure to investors in the hope of boosting the national economy. Local use rights are rarely documented and in many cases land use is extensive or intermittent – but land nevertheless tends to be used for the livelihood of local families; there is hardly such a thing as unused land in contemporary Africa[2]. Even when setting up a new agribusiness does not impact existing land users, then it still limits the availability of land (and water) resources for local people in conditions of considerable population growth, as is usually the case. These are thorny issues without straightforward answers – no external investment in farming is not necessarily better, considering the low productivity prevailing in African agriculture and the compelling need to grow more food and produce more commodities. In any case, all investment propositions transferring land ownership or more precisely rights on natural resources to 'outsiders' should be carefully reviewed. National legislation cannot be considered an adequate basis for assessing the merit of such proposals, and principles such as FPIC (free, prior and informed consent on alienating land) and those contained in the Voluntary Guidelines by the FAO should be respected. It would be advisable to look for investment opportunities that do not imply transfer of land and water rights to entities outside of the local community. In this sense investment in support services that strengthen the agro-economic structure of countries could make a better contribution that producers competing for natural resources with locals.[3]

Replicable business models?

When a business investment is to be considered as a contribution to development, then the question of its replicability imposes itself. FDI can contribute to the host economy by creating jobs and income, and possibly by offering goods or services previously not available, but especially in the case of agribusiness a real development impact is likely to depend on whether or not local entrepreneurs succeed in adopting (and adapting) the business model locally, thus spreading better techniques and opportunities through the domestic economy. In this respect some doubts seem warranted. It is true that some localisation takes place: countries like Kenya and Ethiopia do have commercial flower farms under local management and ownership, although these local segments do not seem to expand fast. But in many cases, Dutch entrepreneurs have specific knowledge, skills, and network positions that do not lend themselves easily to localisation. Their local neighbours do not have the same training and education at Larenstein as at Wageningen and it seems doubtful that training sessions that are in effect being held are sufficient to overcome this gap. Moreover, local entrepreneurs do not have the same access to capital and credit. Local banks often charge over 20 per cent interest on farm loans, and are sometimes not available at all. Nor do they have equal access to the development finance facilities (e.g., PSI, ORIO, and sector funds) that the Dutch businesses use. And finally, locals are not plugged into the social and professional networks of the Dutch, through which information and knowledge travels on issues ranging from market conditions to equipment and who-to-call-upon-in-which-case. Such tacit knowledge is actually harder to transfer between small businesses where the entrepreneur him/herself embodies the human capital of the firm.

[2] Even progressive government legislation often cannot prevent dispossession and conflict, for example in Mozambique where the obligatory community consultation process in practice does not guarantee effective community involvement in land-granting decisions.

[3] Non-agro firms, e.g., companies that provide services such as water supply, irrigation and consultancy, may be easier to replicate locally. We saw various such companies that employ local people and provide them with all the necessary training.

Inclusive business through contract farming?

Contract farming or out-grower schemes are often considered a good option for spreading benefits even when the investor's business model cannot be repeated locally. A lead firm organising a value chain locally in such a way that many local small producers may contribute their output while central coordination and aggregation to a sufficient scale level is done by the lead firm is an attractive proposition. It reaches out to many and does not displace people from their productive assets such as land. Nevertheless, results with out-grower schemes are often disappointing. There is a considerable effort (cost) involved in maintaining contractual arrangements (even when standardised) with hundreds or thousands of small suppliers. Monitoring of product quality and process standards is difficult and costly. Such problems may be reduced when smallholders are organised in cooperatives or producers associations, but such organisations do not always work well. In several cases, out-grower schemes can be sustained only when support mechanisms and subsidies (or higher payment than market prices) are available. On strictly commercial terms, contract farming is often less attractive than large-scale industrial farming, although the latter has its own difficulties and social disadvantages. A specific problem for out-grower schemes that offer producers advantages such as a guaranteed price or advance payments is side selling: when market prices go up, independent traders not burdened by the administrative costs of running a support programme can offer higher prices. The result is that farmers may supply the out-grower scheme only when prices are low and need to be subsidised, undermining its sustainability (CLUSA). In the country studies, we see problems with contract farming reflected in the business strategies of Dutch investors. In Kenya, for instance, one entrepreneur considered chain integration (i.e., setting up his own large-scale farm instead of buying from smallholders) in the face of certification issues, while in Ethiopia out-grower schemes in the flower industry have not been realised in spite of original intentions. Some successes are reported in cases where contract farming is supported by development NGOs - for example honey and sesame in Ethiopia, and tobacco in Mozambique. In Mozambique there were also successful cases in the survey of maize/grains and cassava, although the latter was just starting up.

The two faces of certification

Certification or the use of standards and guidelines are a further issue to consider in this context. Certification or compliance with a reputable set of standards is more and more a necessary condition for access to the value chains that connect local producers with world markets, or rather, the more important buyers and exporters. Concerns for food safety, but also ethical considerations on the environmental impact and the social conditions of production have made retailers in major markets increasingly anxious to safeguard their companies from reputation risk or worse. These risks are countered by imposing strict standards to producers and handlers upstream in the value chain. Certification of producers and monitoring compliance are generally outsourced to specialised firms and organisations. While this makes eminent sense from the perspective of product and process quality, certification does create barriers to inclusive business models. Smallholders in particular tend to have difficulty complying with demanding standards. Often, considerable investments need to be made not only in order to be able to meet standards, but also for the certification process. Certification involves the bureaucratisation of production. This is not feasible for many small-scale producers who as a consequence are sidelined in the development of commercial farming. The irony in this case is that the drive for being responsible in business (by adopting certification standards) is itself counter-effective in terms of promoting inclusive development.

Culture-specific priorities?

This, once more, raises the question of what responsible business means. It is not difficult to sketch a general notion, but the specifics are less tangible when trade-offs between competing claims and interests are considered. To the consumer, product quality and safety are paramount, while poor smallholders in a developing country may put more emphasis on the inclusive nature of production and employment opportunities. These different perspectives are all valid, up to a point. They also show that notions of responsibility are context-specific, which may present another issue in the case of transnational investment. Literature on the subject suggests there are also cultural differences in responsible business (e.g., Arthaud-Day 2005, Visser 2006). According to Wayne Visser, CSR in Africa tends to have different priorities as compared to Western ideas. For example, philanthropic engagement would get higher priority among Africans than strict legal compliance. This might be explained by a lesser degree of 'legitimacy' of the law among the population (i.e., viewing the state as the source of legitimate rules is less -rooted) as well as the fact that social needs visibly present in the local community may demand more urgent attention. This study is no basis for a confirmation of Visser's hypothesis, but some findings could point in the direction. This is not to imply that the Dutch investors take regulations lightly, but there is an evident need to get involved in local projects like health and education programs and caring for orphans, among others.[4]

Certification programmes do not consider such priorities – indeed, they are not concerned with it, and it is not likely they could possibly account for variable priority setting. This does point to a final concern with private sector-led development approaches. Investors tend to be responsible and do care for what happens in their surrounding communities – but they are naturally constrained to a limited area within their reach. In some countries such as Ethiopia, Dutch agribusiness investment is highly concentrated in a few clusters. Such areas may benefit from initiatives by the investors (or their support for local initiatives), but their outreach is limited geographically. Actually, in some cases nearby communities without investors may suffer as a result, as when generous water pumping for the benefit of their immediate neighbours by Dutch investors may reduce the availability of water downstream.[5] In principle, of course, a private firm (especially not an SME) cannot assume responsibility for 'the greater picture'. The public sector should balance the interests of different communities. But it is doubtful that this is really being done in countries where policy overemphasises the role of the private sector in development. There are also issues of state capacity that limit effective balancing of different interests. The private sector can certainly contribute to local development, but there is also a need for effective coordination at higher levels of scale.

Contribution to food security?

It is difficult to assess the impact of Dutch agribusiness on food security in the five African countries. In fact there is no direct link between FDI and food security; effects can go different ways depending on specific conditions. Wishing to see a link is more a Dutch policy preoccupation than something that is naturally related to the subject.

Where there is impact, it largely derives from increased access to food through wage employment. Most Dutch entrepreneurs in agribusiness in Africa do not employ many people,

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[4] There is also the risk of the return of old-fashioned development projects which have been criticised in the context of development cooperation. They are not necessarily sustainable, but they are currently praised in the context of MVO.

[5] The community consultation process promotes a situation where local leaders and communities ask for all kinds of favours from foreign investors who lease land, e.g., to build a school, clinic, etc. This may promote 'traditional' development projects with all their problems, rather than more in-depth change.

but some engage substantial numbers of workers, as for instance the flower farms in Kenya and Ethiopia. Such companies tend to offer low-wage jobs to low-skilled people, but this is actually a section of the population where even a very modest job may make a difference between reasonably secure access to nutrition or not. Nonetheless, the effects of Dutch investors on food availability must be rated as limited. An important part of the firms are involved in export production that – though important for earning much needed foreign exchange – could in principle even compete with domestic subsistence food production. When production is for the domestic market, this tends to focus on the high end of the market, such as supermarkets and upscale restaurants. In other words, production is aimed at sections of the population that are relatively food secure. In such cases they may actually compete with small local suppliers who are less food secure, though these competitors are more likely to be imports. Another effect could be through the introduction of more advanced technologies that hold potential for increasing production and productivity. Contributions to technology and innovation could be observed in all five countries; this makes a good argument in favour of FDI in agribusiness. But the impact on food security is, again, more complex. Moreover, innovation effects are best seen against the background of overall impacts on local development. For the purposes of this report, technological innovation through FDI may take place in two main ways.[6] The first is through the value chain such as when a firm offers buyers better and more-affordable products. This also occurs when firms ask suppliers for higher-quality inputs such as parts. In the case of Dutch agribusiness in Africa, local value chains tend to be short: often inputs are sourced abroad and products exported which limits local impacts. Nonetheless, such impacts certainly occur and should be booked as positive contributions. The second potential impact is through the demonstration effect; the presence of more advanced business models may spread good ideas to neighbouring businesses. Although this does happen, the importance of demonstration effects should not be exaggerated, as is illustrated in the individual country studies. In many cases, the gap between Dutch and local entrepreneurs is too big and local firms are then not able to adopt similar approaches due to a lack of education, funding, or being excluded from relevant support networks. In such cases, foreign operations – whether they are Dutch or non-Dutch - remain enclaves in an African setting with limited impact.

What can be expected from responsible SMEs?

A study of responsible business in poor countries inevitably finds weaknesses and gaps, as is illustrated in the above discussion on food security. One question we should not overlook is what we can reasonably expect from responsible SMEs. Most of these companies are small; some have no employees (like 'zzp-ers'), and only in rare cases does employment exceed one hundred workers; when it does, it is often on a temporary basis. Clearly, a few dozen Dutch firms of this size cannot make more than a modest contribution to the development of large countries with big needs. If Dutch private sector initiatives in Africa are really expected to make significant contributions to development, then perhaps large businesses could be better equipped to 'make a difference'. Large firms are often better placed to deal with competition than small ones; they are generally price takers and have no means of influencing the markets they work in. This also imposes a limit on the extent to which one can expect Dutch SMEs to be 'more responsible' than competitors from other countries. After all, more responsibilities in most cases mean more costs.

[6] There are more, such as through skills-upgrading of the work force, that cannot be considered here.

Why agribusiness?

Similar questions can be asked about the selection of agribusiness as a sector for Dutch SME investment in Africa. There is of course a Dutch tradition and much expertise in certain types of agriculture, but we have seen that the sector poses several complications for direct productive involvement by outsiders. Increasing pressure on land and water resources make it less and less attractive to set up foreign farms in Africa. Investment in more productive agriculture is much needed in Africa, but alternative investment models that do not entail setting up foreign farms could offer better options. Moreover, African countries urgently need to diversify their economies away from an over-reliance on primary production. Manufacturing and service industries – several of which are characterised to a significant degree by Dutch expertise – could well offer better alternatives not only for investors but also for the development of African countries. Africa's population is growing rapidly; this will require the creation of new jobs for young people in upcoming years. The agro-sector alone cannot absorb all of these labour market newcomers. In fact, many young Africans do not want to work in farming, but instead have aspirations for urban jobs and lifestyles.

Finally, rather than focusing on our enlightened self-interest, as is often done in the current discussion, we should not forget that possibilities for 'local cooperation' are very much limited by the lack of viable local SMEs. In our study we found few local entrepreneurs that had moved beyond semi-subsistence levels and little business linkages with local entrepreneurs. It is interesting to explore how the Dutch in the context of MVO could also contribute to local business development. Local economic development requires the creation of an embedded or locally rooted cluster of businesses and supporting activities that derive a competitive strength from mutual interaction. If such development is to take place, then the action cannot remain limited to the roles of foreign players.

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CSR in Ethiopia: Flowering horticulture destination in the 'water tower of Africa'

(Dr Guus van Westen, Ioannis Repapis)

Introduction

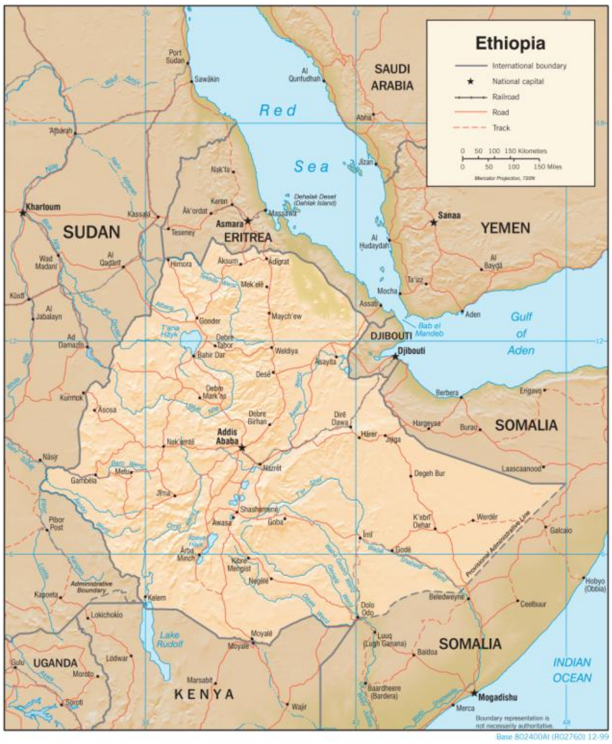
This chapter discusses the role and CSR performance of Dutch agribusiness in one of its key countries of involvement in Africa: Ethiopia. Dutch horticultural investment in Ethiopia is of recent origin but in a short period of time (essentially 2005-2010) has created a flagship industry of Ethiopia, certainly in terms of its contribution to exports, i.e. commercial flower growing, especially roses. Recently, Dutch agribusiness engagement in Ethiopia has expanded to other activities, including livestock breeding, fruits and vegetable production and also a series of support activities.

The objective of this chapter is, firstly, to present an overview of the main characteristics of the Dutch agribusinesses active in Ethiopia, to review the business environment in which they work, to appraise their CSR performance and identify their main opportunities and challenges.

The information on which the chapter draws is collected in field visits of two researchers from the International Development Studies (IDS) section of Utrecht University in February and March of 2013. A survey among 21 Dutch (and one German) businesses in Ethiopia was conducted by both researchers and, mainly, by a graduate student enrolled in the Sustainable Development master's programme track offered by IDS at Utrecht University. The survey employed the standardised questionnaire for the MVO study in five African countries.

Country profile

Ethiopia remains one of the poorest countries in the world, with a Gross National Income of just $370 per capita in 2011 (current US$; in purchasing power parity at constant 2005 dollars this equals $1,017 per capita; World Bank data) and an HDI ranking of 173 out of 186 countries in 2012. These statistics do tend to show important improvement over the last decade or so. In rough outline, especially human development indicators such as schooling, health and other living conditions show impressive improvements from well below Sub-Saharan averages in the 1990s to around the regional average or even above it in recent years. Economic and financial indicators also show improvements – GDP growth averaged more than 10% in the first decade of this century – but on the whole somewhat less fast than in human services. In the World Bank's Doing Business indicators, Ethiopia displays a fair performance, now well above the Sub-Saharan average (127 as compared to 140 in 2013); as such it is closing in on the level of such well-established regional economy as Kenya (121), a competitor in attracting agro-food FDI. 'Doing Business' indicators are fairly strong in institutional issues such as enforcing contracts, getting permits and access to infrastructure (electricity). Weak issues remain the trade regime (Ethiopia has not yet completed the accession procedure to WTO membership), starting a business (red tape) and investment protection. While 'access to credit' is not considered bad by African standards, the situation in this respect has deteriorated in the last few years.



Map 1 Ethiopia

Institutional context

Not many masters theses at Dutch universities carry as much political weight as the one submitted at the Erasmus University Rotterdam in 2004 under the title 'African Development: Dead Ends and New Beginnings'. The author who thus gained his master's degree in Economics was Ethiopian Prime Minister Meles Zenawi, and the unpublished thesis is seen as the theoretical underpinning of the development strategy that has guided Ethiopia under his stewardship (1992-2012). Meles, in a nutshell, tried to design an African variety of the 'developmental state', a set of public institutions that in large measure is responsible for the economic success of East Asia. To an extent the regime led by Meles has succeeded in guiding Ethiopia on the path of economic growth, though not as spectacularly successful as the Asian examples he tried to emulate as yet.

The experiences of Dutch entrepreneurs investing in Ethiopia should be viewed against this backdrop of an interventionist state determined to do all it can to promote the development of Ethiopia as a modern and prosperous country. The rapid rise of Dutch horticulture in Ethiopia fits the Ethiopian policy agenda, as well as the current orientation of Dutch international cooperation, that emphasizes the role of the private sector in development. A few leading Dutch companies in their industry (e.g. Sher in the floriculture) have indeed taken a lead in establishing this industry in Ethiopia, followed by many other smaller horticulturists and other businesses. At the same time, however, did public sector initiatives play a major role in the launch of Dutch horticulture in Ethiopia. Several interviewees pointed to the catalytic role of a former agricultural counsellor at the Netherlands Embassy in promoting Dutch investment in Ethiopian horticulture. Interviews with investors from other countries such as Germany showed that these did not have the benefit of similar institutional support. Moreover, the Ethiopian policy strategy to attract foreign expertise and investment in advanced (more productive) agriculture is also a key component of this success. One obvious lesson is that important stakeholders need to be aligned in order to achieve real success such as the remarkable rise of a Dutch-led horticulture industry in several areas around Addis Ababa.

The political economy of Ethiopia makes for a somewhat paradoxical institutional setting for foreign investors. FDI in agribusiness is explicitly encouraged and government agencies actively intervene to make such investments possible: land is made available for investors and the necessary paperwork facilitated. On the other hand stands the legacy of a centrally planned authoritarian state that actively intervenes in economic matters, and tends to minutely check the activities of business people, domestic and foreign alike. Even worse, for entrepreneurs, is that rules seem to constantly change at short notice, at times without

adequate understanding of what such changes mean at the level of the workshop. An example is a decree prescribing that all available limestone be reserved for construction work so as to limit delays met in the investment programme. As a result the animal feed industry, which uses modest quantities of lime, now struggles to maintain the quality of their product with possible consequences down the value chain of animal husbandry. Such ad hoc policy making introduces an element of insecurity in business operations in Ethiopia. In contrast to some other African countries, Ethiopia is not a place where one can afford to take regulations lightly. Monitoring and enforcement levels are high by developing country standards.

Ethiopia's economic development policy is guided by the Growth and Transformation Plan (2010-2015) that sets ambitious targets of maintaining an average economic growth of 11-15% p.a. and prescribes an investment of US$ 75-79 billion over five years. Commercial agriculture is assigned a key role in this plan. The strategy with respect to this sector is summarized as follows on the website of Ethiopia's Ministry of Finance and Economic Development (MoFED 2013):

- Offering over 8 million acres of land to commercial farming investors;
- Expansion will open up opportunities for advanced farming technology, high value crops, progressive irrigation techniques, improved seeds, increased fertilizer use, and strategies to yield multiple harvests each year;
- Looking for commercial farming investors interested in producing high-value horticulture products such as flowers, fruits, vegetables, and herbs.

It is clear that Dutch agribusiness investment fits very well in this approach. While the investment climate is thus positive towards FDI, in recent years several issues have arisen that dampen the enthusiasm of investors, which will be discussed in the next section.

In view of the above it will be clear that the focus in Ethiopian policy is on investment, output, jobs, income and exports – and not on CSR performance. For the Ethiopian government, responsible business is in the first place business that contributes to growth, although it is recognized that environmental and societal values need to be taken into account. The Ethiopian Constitution of 1995, for instance, states that 'all persons have the right to a clean and healthy environment' in article 44, the same article that also grants that 'all persons who have been displaced or whose livelihoods have been adversely affected as a result of state programmes have the right to commensurate monetary or alternative means of compensation, including relocation with adequate state assistance' – a right that safeguards Ethiopians from negative impacts from land acquisitions – in principle. There is also legislation on environmental pollution control including standards for admissible levels of industrial pollution, also for agriculture. Legislation, however, is incomplete and in the boom years was either hardly in existence or not enforced. Now enforcement has started but effective implementation and monitoring mechanisms are found wanting (Adriaanse et al. 2011). There are also no incentives for non-polluting companies.

The Dutch connection: Dutch agribusiness in Ethiopia

Ethiopia is one of few countries in Sub-Saharan Africa with a considerable presence of Dutch agribusiness and related firms numbering a little under 100 establishments. In the first place

this concerns the flower industry that has emerged since 2005. Others than flower growers have now joined this wave of investment, in some cases deepening the agribusiness sector (adding supplies and support services: e.g. irrigation equipment, animal feed, laboratory services), in others widening the Dutch presence towards other activities (e.g., dairy/cattle, other horticulture).

While the focus of this study is not on floriculture, the fact that this sector is at the heart of the Dutch business presence in Ethiopia makes it difficult to talk about 'Dutch agribusiness in Ethiopia' without considering the flower branch. Although there are also Ethiopian commercial flower establishments as well as several from other nationalities (Belgium, Germany, Israel, and a growing contingent from India), Dutch entrepreneurs constitute the heart of Ethiopia's floriculture, which in turn is a significant part of the country's modern export-oriented economy.

In our survey in Ethiopia, 7 out of 22 surveyed firms are floriculturists; as such the survey population is biased against flower growers as compared to their share in overall Dutch agro investment in Ethiopia. Many are regular commercially motivated businesses (especially floriculture), but in other cases religious and idealistic motives also play a role in the decision to open a business in Ethiopia. Several companies have established a presence in Ethiopia in order to 'follow their clients' (i.e. suppliers) or, in one case, follow competitors to a new battleground. There is also a smattering of somewhat adventurous entrepreneurs and Dutch nationals with overseas (Southern Africa, Brazilian) roots who are less inclined to settle in Europe and are often good candidates for management or technical functions with Dutch companies operating in a country like Ethiopia. As in other countries, the entrepreneurs and managers are largely males, but there are also several women actively involved (often in tandem with their husbands).

Dutch agribusinesses outside of the flower branch tend to be smaller and are generally of a more recent nature than the floriculturists. Animal husbandry (cattle for meat and dairy; chickens and pigs) are emerging as a second cluster of activities. Biological produce (e.g. sesame seeds) and fruit juices are other activities. Support services and suppliers are involved in consultancy, animal feed production, packaging, logistics and storage, seeds, laboratory services and soil improvement, equipment and irrigation and similar activities. The deepening and widening of Dutch agribusiness in Ethiopia also implies that several links in the value chain may be taken care of by different Dutch businesses, although the Dutch community is not big enough to present a self-supporting enclave – suppliers also have to secure other clients, for instance.

A little over one-third of surveyed firms have benefitted from Dutch investment subsidies (PSI); this share will be lower among the flower growers. In terms of ownership, nine out of 22 firms are 100% Dutch owned enterprises, but in 12 cases part of equity is in Ethiopian hands. In one or two cases there is some doubt about nationality of ownership (formally Ethiopian but possibly in hands of Dutch nationals) and there are also a few firms with more nationalities involved (Belgium and UK). The large majority of surveyed firms report significant growth in the last five years, especially in turnover that sometimes doubled yearly, but also in other indicators such as personnel, number of products and clients. This is to be expected since most firms are fairly recent establishments. The oldest dates from 1995, but most hail from the boom period of Dutch investment in Ethiopia between 2005 and, roughly, 2010. We do not have specific data on the size of investment committed, but considering the capital intensive and technological nature of much of Dutch agribusiness in Ethiopia, the sums

invested must be considerable, often millions of Euros. This in contrast to the general observation that much transnational agriculture in Sub-Sahara Africa involves only limited investment (Deininger & Byerlee 2011).

Results

As mentioned, recently FDI inflows have dropped considerably and the mood among foreign entrepreneurs has soured a little. Much of this relates to Government policy. Its strong commitment to push the country ahead along the road to development has prompted the government to embark on an ambitious investment programme in infrastructure, based on experiences in the peak years of foreign investment around 2005. Massive investment is undertaken in areas such as roads and other transportation, electricity, water supply, irrigation and also education and health facilities. These investments are much needed, but the costs of the investment programme exceed Ethiopia's modest means since the financial crisis affected growth. Ethiopia's economy now suffers especially from a lack of foreign exchange. Exporting companies (most floriculturists, for instance) are not much affected, but firms catering to the domestic market may suffer to the extent of actually having to stop production lines because vital supplies cannot be imported. In Ethiopia's banking sector - foreign banks are not admitted – access to resources such as foreign exchange are reportedly closely aligned with the political capital of the client. Also, state banks have preferential access to foreign exchange above private ones, making the Ethiopian banking sector even less of a 'level playing field'. Some Dutch investors hardly notice the forex crisis, but others see their business seriously exposed.

In addition to the foreign exchange issue, relations between Ethiopian authorities and foreign investors are under pressure due to what Ethiopians perceive as insufficient or slow progress in their pursuit of 'development'. Tax revenues and other local benefits from foreign business disappoint, partly due to transfer pricing by, amongst others, several floriculture companies. Profits can be made to accrue where it is most beneficial for the entrepreneurs by means of manipulating prices for intra-firm trade between establishments in different countries. Repatriation of profits from Ethiopian establishments is difficult. There is a legal provision for profit repatriation for exporting companies, accompanied by some bureaucracy. Companies supplying the internal market face more difficulties (cf. http://ethiopianlaw.com/blog/comments/68). Thus, foreign investors are clearly inclined to make sure that profits arise in their home establishment (or a tax haven), and not in the Ethiopian one. It is not difficult to appreciate the point at both sides of this argument: the investors who at the end of the day wants to reap the benefits of his efforts, and not just accumulate assets in Ethiopia; and the frustration of the Ethiopian leadership whose political legitimacy depends on fostering progress and who sometimes have made unpopular decisions in pursuit of development (e.g., eviction of smallholders from land made available to investors), but now see returns seeping away in unexpected ways.

Ethiopia has taken several steps to increase localization of benefits, including changes in the tax system (basing rates on nominal prices rather than formally registered revenue), imposing the use of Ethiopian carriers (air, sea) and handling agents, imposition of 'voluntary contributions' to infrastructure development, etc.. These measures in turn sometimes backfire (inability of Ethiopian shipping agents to handle all merchandise, unreasonable tax burden) and may discourage foreign investors. FDI inflows have dropped from above US$500 million around 2005 to levels between 200 and 290 million US$ in recent years – rather less than smaller countries in the region such as Uganda (US$500-800 million p.a.) and Tanzania (above

US$ 1 billion p.a.). The current situation is one of increasing mutual irritation, with high-handed Ethiopian authorities used to authoritarian ways on the one hand and foreign investors not always fully aware of local conditions, expectations and sensitivities on the other. Although not a formal requirement and less crucial than in some other African countries (public agencies seem less prone to corruption in Ethiopia), it is highly advisable for Dutch investors to involve a local partner of agent who is well versed in the local business scene and able to handle authorities.

Market relations

Although the iconic Dutch flower grower in Ethiopia is typically a supplier to world markets, converting Ethiopian labour, sun, water and soil fertility into export products, a bit over half of the surveyed firms are actually fully oriented towards the domestic (Ethiopian) market. This, of course, is also the case of local suppliers to the horticulture industry, but it is also the case with many non-flower horticulturists. This domestic orientation may partly explain the relatively limited interest in certification schemes observed above.

As for sourcing of inputs, Dutch entrepreneurs rely more on imports (11) than on domestic suppliers (8; one being equally divided between imports and domestic supplies), citing local availability and quality issues as reasons for relying on imports. More technically advanced requirements are imported, although the establishment in Ethiopia of branches of some suppliers originating from Europe, as observed, goes some way to countering this trend. Due to recent changes in regulations, foreign investors may actually be more directly linked to local service industries than they might prefer. In order to boost local revenues from FDI, the Ethiopian authorities compel investors to make use of Ethiopian shippers in international trade, be it by air (Ethiopian Airlines, leading KLM to stop calling at Addis Ababa) or sea, as mentioned. Also, the difficulty of gaining access to foreign exchange has the effect of boosting sales by domestic suppliers, to the extent they exist.

Other than in, for instance, Mozambique, there is clear spatial clustering of Dutch investors. This is due partly to natural reasons (water and land availability in combination with temperatures), but also to chain migration, networking and functional integration in business clusters. There are clear concentrations of Dutch investors in areas suitable for horticulture not far from Addis Ababa: four main clusters have emerged, i.e. the farming cluster in Debre Zeit, and flower clusters in Holeta, near Lake Ziwaye and in Sebeta. Links with Ethiopian companies tend to be relatively limited in most cases as many advanced inputs need to be imported, but certainly exist. Ethiopia's agro industrial structure is deepening, i.e. more suppliers and services become locally available – a process to which Dutch investors in such support activities actually contribute. In this respect Ethiopia becomes more similar to fairly or highly developed agricultural sectors in Kenya and South Africa and differs from Rwanda and Mozambique.

There are clear indications of important network effects among Dutch agribusinesses in Ethiopia. Not only do entrepreneurs tend to settle together in certain localities (also due to favourable local conditions for their line of business), where they socialize and also do business with each other; there are also frequent links with specific communities of origin in (rural) areas in the Northern Netherlands, Barneveld and the South Holland 'Rivierengebied'. There are clear links with 'Wageningen', 'Aalsmeer' and 'Delfland'. It is easy to see how these links facilitate exchange of information as well as possibilities for supply linkages. The data collected for this study are not sufficient for strong conclusions in this respect, but this 'social

capital' may well constitute a success factor for these businesses. On the other hand, it may limit opportunities of contributing to local development, to which we turn next.

Contributions to local development and food security

The contribution of Dutch business can be called significant as well as disappointing, depending on one perspective. It is significant even at the macro-level in the case of flowers, that account for 7% of Ethiopian exports and constitutes the 4th largest income generating industry of the country. Locally, Dutch agribusiness can be the main employer and the major local buyer of merchandise and services. Still, the impact on Ethiopian development should not be overrated. The effect on employment is significant, but focused on low wage work. This is very welcome in a country as poor as Ethiopia, but opportunities for a more differentiated labour market are limited. Nevertheless, several of the Dutch companies are led by Ethiopian managers, which suggests that localization of higher functions takes place and this can be seen as an important contribution to local development.

There is also the introduction of new technologies and business models in the country. Again, a useful contribution in a country where modern practices are rare. It is less clear that these innovations will actually spread to other (Ethiopian) firms, and linkage through the value chain (i.e. buying of local supplies, feeding inputs into local businesses) is relatively modest due to the enclave-like nature of the operations. In sourcing inputs (chemicals, animal feed, equipment etc.) requirements are often quite specific and demanding, and cannot be met by local suppliers, even in terms of construction materials for instance. Products are often exported (in itself a positive contribution to the foreign exchange-poor Ethiopian economy) without much scope for local processing. On the positive side, in some industries (e.g. flowers) Ethiopian firms have emerged that work with similar business models. This would suggest the enclave character is not to be exaggerated. Nevertheless, the network effects mentioned in the previous paragraph suggest that the spread of modern business models beyond the circle of Dutch investors is difficult to achieve. Ethiopian entrepreneurs, even if well-trained and provided with capital, do not have the links with the network of supporting institutions that characterise their Dutch neighbours. They cannot call a Wageningen contact when confronted with an unexpected problem, are not part of a network of knowledgeable relatives and friends with a collective grasp of the business since childhood and do not have access to soft money such as PSI, ORIO and other development programs. This is not to say that advanced business models cannot be adopted by Ethiopians, but this is not likely to occur 'automatically' as a result of the presence of Dutch investors. Local entrepreneurs in some cases seek advice from Dutch companies when setting up their own venture. Some of the Ethiopian business people report very positively about the support they received.

There is not much in terms of connecting local small producers to the supply chain of Dutch companies. Out-grower schemes are not common (examples include fruit growing and sesame seeds production), even hardly used at all in the demanding floriculture industry, in spite of expectations that PSI projects would initiate such arrangements. Contract farming is difficult due to the high standards of production (certification) required and the higher transaction cost of maintaining links with numerous small suppliers. As a result, production costs tend often to be higher in such 'inclusive business' approaches.

A majority of firms interviewed (63%) mentioned being involved in community projects of one kind or other. Frequently mentioned forms of local engagement include education (either helping in establishing local schools or by extending business-related training to local people), health care, and water access (e.g., sharing water from company wells with

neighbouring people). Popular are also financial or in-kind contributions to community projects. Incidental support range from supporting orphans to forestation programmes and micro-finance schemes. Some of these initiatives have been prompted by requirements of PSI schemes and the like, but others are 'natural' responses to needs observed in the vicinity. In that sense the efforts of investors remind us of an observation by the well-known CSR scholar Wayne Visser (2006), who argued that in African settings 'philanthropical' initiatives rank higher in the priorities of entrepreneurs than in western settings where legal compliance and ethical standards tend to take precedence. Some of these projects organized by the companies are actually funded through other channels, e.g. Rabobank for community water projects, or church-linked voluntary organizations supplying nurses and doctors for the clinics.

In terms of food security, Dutch investors contribute positively by means of job creation (see below: labour conditions) and the wages involved. However, there is also a risk of actually constraining the food security of neighbouring communities through the appropriation of lands traditionally used for farming and collection of natural resources (see environmental impact and resource use, below).

Labour conditions

Dutch investors make a considerable contribution to local employment. Twenty surveyed firms of which we have employment data together employ 4675 workers on a permanent basis, with 2094 additional temporary work contracts and a further 4100 casual workers (e.g. in harvest time). In view of the fact that this sample also comprises single-person consultancies and other companies with a small staff, these numbers are considerable. The data presented here are heavily influenced by the presence of the flower farms which are labour intensive. The other farms have little effect on employment as most of them try to demonstrate the virtues of intensive agriculture. The flower sector alone employs around 265.000 people in Ethiopia, much but not all on Dutch farms.

Over half (13 out of 22) firms stated paying their workers more than their local neighbours – but not much more. In labour-intensive horticulture, minimum pay amounts to 15 Birr per working day (8 hours). Dutch firms tend to pay their workers, often low-skilled young

Organic sesame production & processing: An alternative business model

One Dutch company interviewed is a joint venture between Ethiopian investors and a Netherlands-based company that specializes in international sourcing and supply of organic agricultural products. The company's philosophy puts great value on transparency and traceability with a long term vision that considers organic agriculture to be the future of farming.

The company has set up a top of the range HACCP operated, organic certified hulling factory with a capacity of producing 1500-1700kg of hulled sesame per hour. The company adheres to numerous international certifications of organic products, labor and environmental standards. It sources most of the sesame through an out-growers' scheme which involves more than 1500 farming families organized in two cooperatives in the far North of Ethiopia. All farmers and company employees have access to free healthcare by presenting their company card to any of the local hospitals and are required to go through a check-up once every six months. Furthermore the company provides its workers and farmers with extensive training for capacity building.

The business model has a positive impact on the livelihoods of farmers and to the Ethiopian economy. Besides the employment generation (50 permanent, 3000 seasonal) its farmers and their families get higher incomes through the production of a high value organic crop which they are free to sell at customers of their choice. The company has brought new technology for dry hulling to Ethiopia contributing to local value creation and invests in the local workforce through continuous capacity building programs. The entire project is environmentally friendly and the company also supports local health and educational initiatives in the areas of its activity. The high standards of production together with the company's long term philosophy serve as a showcase for Dutch investment in Ethiopia.

Box 1 Ethiopia: Organic sesame production and processing

women, 18 Birr on average, the equivalent of one US Dollar. Higher levels of pay are motivated by ethical as well as practical considerations (higher productivity). In important industries like horticulture jobs are largely in the low segment of the labour market, as mentioned. While job availability will be appreciated as there is often little alternative paid employment, these are not positions that can be expected to yield much scope for further dynamism. Open international competition puts clear limits to the feasibility of increasing pay levels, that can only be realized by increasing productivity. On the other hand, competition between flower growers has increased labour prices as in many cases employees can easily change to neighbouring farms. This becomes a problem in areas with labour scarcity. Although wages are a relatively modest share of production costs, it is one of few cost factors that lend themselves to achieving cost benefits in a very competitive industry.

Labour conditions further offer a fairly standardized picture. On most counts, conditions of work and employment are prescribed in Ethiopian labour legislation, and this is what most respondents referred to when asked in the survey. The Ethiopian labour code has provisions for job security, minimum wages, annual and sick leave, maternity leave, benefits in case of injury and disablement, among other provisions. There is also a newly funded Ethiopian pension fund that is compulsory for all companies. Normally, Dutch companies have arrangements in place for medical insurance as well. By Ethiopian standards they tend to be decent employers, without any reason for romanticizing the sober reality of the Ethiopian work floor.

Environmental impact and resource use

Dutch agribusiness investment, most of it in horticulture, means a considerable intensification of agricultural land use. This inevitably entails a higher environmental risk. Three issues stand out: the use of pesticides and other chemicals, the use of available water resources, and access to agricultural land.

The survey results suggest that Dutch companies by and large abide with local (Ethiopian) regulations and standards, although some anecdotal evidence from people familiar with the farms would indicate that not all are equally scrupulous in the use of chemicals. On the whole, we assume that the Dutch investors are indeed decent players in complying with regulations. Fact is, however, that these rules are rather less strict than their Dutch counterparts, which leads us to the conclusion that environmental (and other) standards are lower than in ‘home-based’ operations. This, together with low factor costs (labour, land) and climate conditions contributes to the advantages of Ethiopia as a business location. To the extent that Dutch investment in Ethiopian agribusiness involves a relocation of activities from the Netherlands to Ethiopia, it likely involves a move downward in environmental standards, even though legal compliance is assured. This could be observed in for instance the disposal of waste and in the use of ground water.

Surface waters in the areas of horticulture are exposed to risk due to increased pesticide use (Adriaanse et al. 2011). Adriaanse refers to a study in 2011 by Jansen and Hamsen in the Lake Ziway area, one of the centres of horticulture, where irrigated agriculture and use of pesticides has increased. Pesticides are often used inappropriately and their use and distribution is not effectively controlled. Such misuse is more common among little-informed local farmers than in the case of the professional foreign investors, though, and they likely present the main reason for ecological concerns. But the expansion of commercial horticulture adds inevitably to the environmental pressure, especially in surface waters that are of vital importance. Environmental impact assessments are routinely undertaken prior to

investment. The quality of these appraisals could not be ascertained. These assessments happen only in recent times, however. Before, in the investment boom years, no impact studies were conducted except maybe for those applying for PSI support. One of the pioneer companies was not asked for an environmental impact study until 2012, and is now taking steps to have one done.

Ethiopia prides itself for being 'the water tower of Africa', as its highland position gives it a considerable supply of rainwater in the wet season. Most farms use groundwater from their own wells; their operations may also affect surface waters (lakes, small rivers). Although environmental impact assessments have been conducted in the case of farms and overall assessments of the business models are reportedly not alarming (interviewees pointed to Alterra studies that could not be consulted), it is also plain that many entrepreneurs have limited awareness of what exactly their resources use will entail in the medium to long term. A few of the Dutch investors are highly environmentally conscious and actively interested in pursuing a sustainability model. For others it is something they sympathize with in general, but also a cost factor that affects competitiveness and returns on investment. In sum, environmental impacts are a concern, but they are not specific to Dutch investors who are likely not the worst offenders.

Land is an issue in Ethiopia, as in other African countries where debates about 'land grabs' are on the agenda. By virtue of its intensive nature, horticulture often does not need extensive areas of arable land. Yet ten Dutch firms with farmland in our survey have an average of 199,7 hectares at their disposal, an average that is skewed upward by the presence of one very large farm. Without this large estate, the average size is 77 hectares, ranging from 14 to 400 hectares. Dutch horticultural investment targets some of the country's best arable lands with adequate water supply in relatively densely populated areas where most people depend on access to land for their livelihood. Land in Ethiopia is in principle owned by the government, with use rights assigned to households and businesses. Foreign investors have lease contracts or even ownership, in contrast to local people who arguably are at the mercy of the government when it comes to their security of tenure. Customary land use rights are to some extent respected in law and farmers need to be compensated when (part of) their land is reallocated to other users, for instance to an investor.

A problem is that compensation for dispossession is often set at a very low level. Since traditional users are not considered owners, compensation is expressed in terms of output (harvests) lost. Until recently, compensation rates of five or at best ten times the average output were considered adequate by officials. Since productivity and output per worker tends to be so low in traditional farming, this means that households could receive something like the equivalent of a few dozen bags of teff (cereal that serves as staple food in Ethiopia) as compensation for the loss of their entire source of livelihood. This was often not enough for displaced farming households to create an alternative livelihood base. In recent years more realistic compensation packages are being applied, but the inflow of foreign (Dutch) horticultural investment has now subsided. The Dutch investors are not necessarily well informed about such consequences. Making land available for investors is a task performed by (local) authorities, as part of their efforts to modernize the economy by attracting FDI. Some entrepreneurs actually mentioned referring unhappy community members to the authorities since the details of land acquisition 'are not my business'. In some cases Dutch farmers pointed out that the lands they use have not been used intensively by traditional farmers, as being on the fringes of village areas or because they were less suitable before investment. So not always was fully productive farmland taken over by new investors. Nevertheless, there is hardly any unused land left in Africa, especially in relatively densely

populated areas such as the Ethiopian highlands and Rift Valley. Some areas are used in an extensive way, for occasional or seasonal herding of animals or collection of herbs and firewood, for instance. In such cases, the appropriation of land for others still implies constraining the resource base for local livelihoods, especially if compensation is minimal or even lacking.

Responsible business

Only nine companies in our survey reported compliance with international certification schemes. The most common are HACCP (3 cases; food safety) and MPS (3; social and environmental standards in horticulture), and fair trade schemes (3). Flower growers also tend to abide with national EHPEA standards. Interviewed entrepreneurs often showed more confidence in EHPEA regulation than in government. Some companies abiding with demanding international standards complain about competition from firms using local certification programmes that in practice are little enforced. Apparently quite a few buyers do not adequately distinguish between different certification options. For the domestic market, certification does not play a role.

Perhaps symbolic for the position of CSR in Ethiopia is a nice booklet detailing OECD Guidelines for responsible investment for Ethiopian commercial agriculture. The text carefully avoids naming an issuing agency (here it is referred to as LEI/EHPEA). The publication was funded by the Dutch Ministry of Economic Affairs; the text written by staff of LEI, part of Wageningen University, 'with support from staff of the Ethiopian Horticulture Producers and Exporters Association'. It was printed in the Netherlands and 'endorsed for reading' by the Ethiopian Ministry of Agriculture.

However, EHPEA, in which foreign (Dutch) firms play a prominent role, has also developed a Code of Practice for flower growers '*with particular reference to protection of the environment, implementation of good agricultural practices and provision of acceptable employment conditions for farm employees*' , as it is carefully phrased on the EHPEA website (EHPEA, 2013). Wageningen University played a leading role in developing this code with involvement of different local stakeholders. EHPEA also offers training to companies to implement the Code. As such commercial horticulture has taken a lead in Ethiopia in developing and implementing responsible business schemes.

Conventional wisdom has it that especially pressure from clients is effective in bringing entrepreneurs to more responsible business models. Certification standards needed to access a promising market is a good reason to embark on higher standards. This is also borne out by the responses of the Dutch businesses in our survey population, where client pressure ranked roughly equally with government regulations as a reason to embark on CSR initiatives. Interestingly, however, pressure from financiers significantly exceeds the importance of clients and government in this respect. This points not only to the role of public subsidy schemes such as PSI that impose certain standards, but also to the role of social entrepreneurs and ethical investors who require certain codes of conduct to be respected. Financial channels may offer more opportunities for the promotion of CSR and 'shared value' approaches than so far realized.

A research paper by Rajasekhara et al. (2005) found Ethiopian entrepreneurs generally favourable towards CSR notions, with somewhat lesser interest towards shareholders and employees than to customers and government. More notable was their finding that significant majorities of the employees (69%) and customers (71%) were not satisfied with CSR policies of domestic firms. This hints at where pressure for more responsible business practices may eventually originate.

Conclusion

Ethiopia in the course of a short period (essentially 2005-2010) has emerged as an important destination for Dutch horticultural investment in Africa. Though there are certainly issues and complaints, this short period has witnessed major investment flows, the creation of many simple jobs, and the rise of a major non-traditional and high-value export industry in a country in urgent need of economic development. Dutch investors as well as Ethiopians have benefited from this development, even if we should keep an open eye for its weaknesses and shortcomings. In recent years, the boom has given way to more modest inflows of investment capital, due to the economic crisis in major markets as well as to deteriorating investment conditions in Ethiopia, much of its relating to government policy and foreign exchange problems. Structurally, however, the factors that have driven growth in the first place are still in place.

Overall, Dutch agribusinesses in Ethiopia have a decent record of responsibility. There are, however, issues pertaining to the specific industries in which they are engaged, as with environmental issues of floriculture and intensive animal husbandry. As commercial agriculture expands – indeed, also with expanding use of chemicals and water pumping by local farmers – ecological limits will become more of an issue. There are also questions on the effects on local development of FDI that cannot always be straightforwardly answered, even though Ethiopia's huge human resource potential will in the longer run enable localisation of business opportunities more likely than in other countries. The following table outlines opportunities and challenges observed in the conduct of this study.

Opportunities	Challenges
The presence of Dutch communities of entrepreneurs and their families in selected localities makes it easier for newcomers to start a business. Local intelligence, business connections and a familiar social environment provide a good base for operations.	An interventionist government with an authoritarian tradition. Specifically, frequent and not always well-thought-through changes in policy and rules can exasperate private businesses.
A government keen on promoting agribusiness development by FDI, especially when aimed at exports. When committed to a cause, Ethiopian authorities can be effective in making things happen, as in providing licenses, securing suitable land and water, etc. If you have what they want things can go smoothly.	Troublesome banking system that does not permit foreign banks to operate in Ethiopia and favours state banks. Especially difficult access to foreign exchange for firms catering to the domestic market. This may actually force closure of some production lines when vital imports are unavailable.
Relatively low level of corruption.	Logistics monopoly of Ethiopian shippers for import/export activities by sea (through Djibouti) and air; efficiency problems and delays at port.
Attractive natural conditions: climate and highland setting are ideal for several types of horticulture (moderate temperatures, much	Increasing pressure on the environment may impose ecological limitations, especially in settings of stagnant surface water and

sunshine, fertile soils, sufficient water	where heavy use is made of limited groundwater supplies, especially in dry season.
Increasing size and depth of horticulture in Ethiopia enables more and more local linkages, as specialized suppliers and buyers open shop. This localization of the industry also enhances demand for quality goods and services.	Competition from Kenya – some entrepreneurs indicated they have shifted production to Kenya where the business environment is more mature and more geared to the private sector. Within Ethiopia, Dutch positions may face increasing competition from investors from other countries, especially in relatively low-tech industries such as irrigation materials and agrochemicals.
Supporting role of enabling organizations such as the active role of 'Wageningen' expertise, an active Agri Pro-Focus 'hub' and the Dutch embassy. Recent establishment of Dutch Business Council.	Budget cuts in Dutch organizations reduce their capacity in Ethiopia (Embassy), as well as persistent cleavage between 'aid' and 'trade' in Dutch organizations.
A cheap and eager labour force, especially for low-skilled work. Increasing number of educated workers with skills relevant for business.	Low level of education and training of the labour force. Productivity may further be reduced by issues with health, nutrition.

Ethiopia highlights

- In a relatively short period since 2005, Dutch investment in Ethiopia has produced an important horticultural industry, that makes a significant contribution to Ethiopia's economy in terms of production, employment and exports.
- Dutch agribusiness is in the first place focused on floriculture, and more recently is expanding to other types of horticulture, livestock, and support services. Typical is the clustering of Dutch entrepreneurs in suitable (soil, water, infrastructure) highland settings not far from Addis Ababa.
- The rise of Dutch agribusiness in Ethiopia is a good example of private-public-partnerships. Investments are private sector initiatives, but both the Dutch and Ethiopian public sectors have played indispensable roles in creating this industry. There are, on the other hand, few linkages with civil society/NGOs.
- Ethiopia pursues a vigorous state-led but private sector-focused development policy, emphasizing the development of agribusiness and the attraction of FDI as well as upgrading of infrastructure and human services (health, education).
- While Dutch agribusiness has gained a prominent place in the economy, its effect on development should not be exaggerated. It employs many people but typically in low-skilled, low wage positions. Local business linkages are limited because of the advanced technology level of much of the Dutch firms, which rely on specialised knowledge, inputs and services that need to be sourced abroad. The business models do not lend themselves easily to adoption by local entrepreneurs.
- While the Ethiopian state is an active agent for development, it is also authoritarian and sometimes erratic in issuing new rules and regulations that may deeply affect business. Access to foreign exchange has become an issue, especially for firms supplying the domestic market, as has repatriation of profits.
- In most cases, Dutch agribusiness does not use large land holdings. However, Dutch farms inevitably compete with local farmers for scarce natural resources of arable land and water. Such resources are distributed by government but this may result in conflict with local communities.
- Dutch agribusiness is largely intensive – making considerable use of inputs such as chemicals. Available studies show the Dutch to be responsible users of inputs, respecting regulations, but their activities do increase environmental pressures on surface waters, soils, etc., the consequences of which are not completely clear.

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Ethiopia: List of interviewed entrepreneurs

	Ownership	Main activity	Sector	Year founded	No. of employees
1	Dutch (100%)	Agricultural supplies	Floriculture	2007	
2	Dutch (35%) Ethiopian (65%)	Organic sesame production & processing	Food crops	2008	2100
3	Dutch (50%) Ethiopian (50%)	Packaging	Dairy supplies	2011	25
4	Ethiopian (51%) Dutch (49%)	Animal feed production	Agricultural supplies	1995	80
5	Dutch (40%) Ethiopian (60%)	Poultry & Dairy	Agricultural production	2010	170
6	Dutch (100%)	Dairy products	Agricultural production	2008	36
7	Dutch (100%)	Soil analysis	Horticulture	2008	45
8	Dutch (100%)	Biological pest control	Horticulture		
9	Dutch (100%)	Consulting services	Horticulture	2005	5
10	Dutch (51%) Ethiopian (49%)	Dairy products	Dairy production	2001	86
11	Dutch (33%) US (33%) Ethiopian (34%)	Dairy, vegetables, poultry	Agricultural production	2005	450
12	Dutch (100%)	Rose farming	Horticulture	2006	1200
13	Dutch (100%)	Consulting services	Horticulture	2011	1
14	Dutch (75%) Ethiopian (25%)	Dairy products	Dairy production	2007	65
15	Dutch (86%) Ethiopian (14%)	Fruit production & processing	Agricultural production	2008	1615
16	Dutch (100%)	Rose farming	Horticulture	2006	250
17	Belgian (99%) Dutch (1%)	Cuttings	Horticulture	2006	700
18	British (90%) Dutch (5%) Ethiopian (5%)	Cut flowers	Horticulture	2004	500
19	German (100%)	Flower cuttings	Horticulture	2003	2950
20	Dutch (50%) Ecuadorian (50%)	Flowers	Horticulture	2005	325
21	Dutch (50%) Ethiopian (50%)	Composting, environmental services	Horticulture	2010	206
22	Dutch (50%) Ethiopian (50%)	Logistics, flower storage	Transport	2005	60

Ethiopia: List of interviewed stakeholders (organisations)

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

CSR in Kenya:
Responsible business in a well-established investment destination

(Gemma Betsema MSc)

Introduction

In this county report, an overview will be given of Dutch small- and medium enterprises (SMEs) active in the agro-food sector in Kenya. The report is part of the five-country research project funded by Maatschappelijk Verantwoord Ondernemen Nederland (MVO Nederland, Social Corporate Responsibility Netherlands) that aims to gain a better understanding of Dutch small- and medium agri-businesses and their contributions to sustainable and equitable local development by incorporating Corporate Social Responsibility (CSR) practices in their business models and activities.

CSR practices in Kenya have attracted attention of both scientists and the public at large. Big publicity campaigns such as 'Power to the Fair Trade Flower' of Hivos[7] have magnified the attention for practices of Dutch and foreign entrepreneurs in the sector. At the same time, this attention has mainly been directed towards the flower sector in Kenya. The agro-food sector, on which this study focuses, has been studied much less.

The objectives of this country case study were:

- To identify Dutch small- and medium agri-businesses in Kenya and to investigate their CSR involvement and its impact on local development;
- To investigate opportunities and challenges for Dutch SMEs looking to invest in the agro-food sector in Kenya.

The information presented in this country report is based on a fieldwork project by a researcher from the Utrecht University who visited Kenya in the period January – March 2013. The research partly builds upon research conducted in 2012 by a Master student of the International Development Studies department (IDS) of the university. The outcomes of this previous research, as well as the established network were used as input for the design and execution of the research that is now presented. A survey that was designed for the overall MVO research project has been recorded for 15 entrepreneurs in Kenya. In addition, interviews were held with a range of stakeholders involved, varying from Dutch Embassy staff in Nairobi to NGO practitioners in the field (see Annex 1).

A profile of Kenya

As the largest economy in Eastern Africa, Kenya is often seen as one of the continents' success stories. The country is considered the most important hub for financial, communication and transportation services in the region. Despite the current economic crisis, the GDP real growth rate has remained stable around five per cent in the last years (The World Factbook 2013). With regard to attracting Foreign Direct Investments (FDI), Kenya ranks 14th of all African countries in the World Bank's 'Doing Business' overview (World Bank 2013a; Global Post 2012). The 2007 election, which resulted in post-election violence in early 2008,

[7] http://www.hivos.nl/Actueel/Nieuws/Belangrijke-stap-naar-eerlijke-bloemen

Map 2 Kenya

negatively affected Kenya's investment climate. However, the recent relatively peaceful re-elections in March 2013 will further restore trust in its political stability and economic growth. Many of the Dutch entrepreneurs said the March 2013 elections would be a sort of test; a number of entrepreneurs postponed making important investments until after the elections.

Agriculture is important in Kenya's economy. Around 79 per cent of the Kenyan population lives in rural areas and is dependent on agriculture for its income. A large part of agricultural production comes from local smallholders (75 per cent). Most of these smallholder farmers are located in high potential agricultural areas, while at the same time pressures on natural resources in these areas are very high because of high population densities. Growth in agriculture has shown to be twice as effective in reducing poverty than growth in the industrial sector (IFAD 2013), and the Government of Kenya has assigned the agricultural sector as 'the leading productive sector for economic recovery' (Government of Kenya 2010, p.3).

At the moment, Kenya is well underway of exchanging its low human development status for that of a medium human development country. It currently ranks 145th in the UNDP Human Development Index, which equals a fourth place among all low human development countries (UNDP 2013). Despite all this, Kenya is still faced with some major problems in its economy including enormous corruption, high inflation rates, and about half of the population still lives below the poverty line (The World Factbook 2013; Government of Kenya 2010; UNDP 2013).

Institutional context

Kenya's long-term development plan is captured in the Vision 2030-document with the objective to transform Kenya into 'a newly industrialized, middle-income country'. The document exists of three key pillars: economic, social and political governance. Building on Vision 2030, the Agriculture Sector Development Strategy (ASDS 2010-2020) aims to transform the agricultural sector in Kenya from subsistence level to agriculture as business. One of its main pillars is market access: improving rural infrastructure and trade-related capacities for market access, including the promotion of private sector participation. Different institutions and organizations in Kenya have been set up to facilitate investments by foreign entrepreneurs, including the Kenya Investment Authority (KenInvest). None of the Dutch entrepreneurs that were interviewed indicated they used such facilities.

In terms of CSR regulation, different reforms have been introduced, including changes in the environmental management legislation, anti-corruption, public procurement, labour, and occupational health and safety. In addition, the New Companies Bill demands

community interest and social responsibilities from companies (GIZ 2012: 79) and a range of articles in the new constitution impact on CSR, including issues of discrimination, freedom of association, labour relations, and a clean and healthy environment (GIZ 2012). The *Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH* recognizes that multi-national corporations have been a leading force in CSR efforts in the country. The main focus of these multinationals is on providing housing, education, transportation, medical services, pensions and health insurance for their employees and families (2012: 81).

The two most important environmental institutions in Kenya that entrepreneurs need to deal with are the National Environment Management Authority (NEMA) and the Water Boards. NEMA deals with 'all matters relating to the environment' (NEMA 2013) and has identified the most important environmental problems in its 2010 Outlook: deforestation, poaching, soil erosion and degradation, water shortage, degraded water quality, climate change impacts and air pollution (NEMA 2010, GIZ 2012). One of the things for which the NEMA is responsible is conducting Environmental Impact Assessments which are obligatory for agricultural projects (large-scale farming, use of pesticides and fertilizers, introduction of new crops and animals, and irrigation). Water Boards deal with the provision and regulation of water services (EKN Kenya 2011: 8). Many stakeholders indicated that corruption among these institutions is fierce and both implementation and monitoring seems to lack any structural procedures.

Entrepreneurs indicate the need for clear and widely published rules and regulations. This applies to both NEMA and the Water Boards, but also to import duties and restrictions. In addition to clearly stating policies and regulations, entrepreneurs indicate that the execution of these policies as well as the monitoring seems to discriminate. Some of them feel foreigners are checked more often and more strictly than Kenyan entrepreneurs. At the same time, some entrepreneurs also state that they haven't seen any of these institutions in years.

With regard to certification and standardization, the Kenya Bureau of Standards (KEBS) is the single most important national institution involved in certifying products and services. International standards and certification are used when entrepreneurs export products to European markets. The most used international schemes include the International Organization for Standardization (ISO), EU certification, Global G.A.P., BRC Certification, and the Business Social Compliance Initiative (BSCI).

One of the interviewed entrepreneurs indicated that stricter certification schemes have influenced his business practices. Increased regulations forced him to stop working with smallholders in an out-grower scheme; sometimes residue levels were too high and it was impossible to trace this back to individual farmers. Even when you check all

Public-Private Partnership: Avocados

In the Rift Valley, a group of Dutch investors, Kenyan smallholders groups, European retail companies, a big farm, Dutch civil society organizations and the Embassy of the Kingdom of the Netherlands in Kenya (EKN Kenya) have started working together in a business case to introduce avocado production. The proposed strategy is to increase local food security by working on improved business solutions for smallholder farmers. Smallholders in the region can buy small avocado plants for a reduced price and receive training and information about growing avocados. Once harvested, the avocados will be bought by a Dutch investor for the European retail market. The big farm involved in the project is currently growing pilot plots with avocados. The first 200 smallholders have planted 40 avocado plants, which will take two to three years to start producing. An additional 500 smallholder farmers are currently being selected to join the program as well. In May 2013, 8000 new trees have been planted.

(Interviews; Factsheet Horticulture & Food Security in Kenya, Solidaridad 2013)

Box 2 Kenya: public-private partnership

farmers that produce for you, there is still a chance they buy products from neighbours who are not certified. In this specific case, the Dutch entrepreneur took production more into his own hands. Being in charge of your own production allows entrepreneurs to have much more direct control and supervision over the application of new standards and certification demands and to respond to changes in a flexible manner.

The role of the Netherlands in Kenya

The Netherlands is an important trade partner of Kenya with 8.4 per cent of all export in 2011 going to the Netherlands. This makes the Netherlands the third most important export-partner, only outranked by Kenya's direct neighbours Uganda and Tanzania. With this, important export-partners such as the United States are surpassed (The World Factbook 2013). In 2011 the volume of trade (total imports and exports) between Kenya and the Netherlands was more than € 852 million, compared to € 700 million in 2010. Thus, trade volumes between the two countries are increasing fast and so is the range of products that they exchange. Important import products from the Netherlands into Kenya include services, chemicals, machinery, transport equipment and engines. From Kenya to the Netherlands, horticultural products, flowers, tobacco and raw materials are important items. Where flowers used to be the single most important export product, there is now growing Dutch investment outside this sector into renewable energy, water and sanitation, infrastructure, logistics, ICT, and financial services (EKN Kenya 2013). Some stakeholders mentioned that the increased share of non-agro-food sectors is linked to the economic recession and increased trade barriers in the EU. At the same time, planned future changes in EU agricultural policy could reverse this development and offer new opportunities in the agro-food sector. The dairy sector is a rapidly growing sector in Kenya in which Dutch entrepreneurs are not yet very active, but in which opportunities for export developments are signalled and to which new policies by the embassy and its partners are targeted. A sector in which Dutch involvement is already growing and that is also pointed out as a sector for future investment opportunities is that of agro-food technology (Interview Dutch network organization).

None of the interviewed Dutch stakeholders mentioned involvement of Kenyan government or organizations in their decision to start a business in Kenya. They did mention efforts of the Dutch government, for example activities by the Netherlands Embassy in Nairobi who try to encourage potato production among Dutch entrepreneurs. In addition, a number of Dutch non-governmental organizations (NGOs) such as Agri Pro-Focus, Solidaridad, Agriterra and SNV focus on the agricultural sector in Kenya. Different entrepreneurs were aware of these organizations and more or less with their activities; some entrepreneurs were actively involved in their activities.

Results

In this part of the country report, the main findings from interviews conducted in Kenya in the period from January to March 2013 will be presented. A total number of 15 questionnaires with Dutch entrepreneurs were recorded. In addition, two entrepreneurs were accompanied for a whole day while working in their businesses. All entrepreneurs are active in the agro-food sector: fruit and vegetable producers and suppliers of agro-installations (irrigation systems and greenhouses). In addition, a number of interviews with key stakeholders were conducted.

Overview of the entrepreneurs

All entrepreneurs interviewed are male and many of them have been in Kenya for a couple of years and plan on staying for the nearby future. Interviewees are either owner or (general) manager of the companies in which they worked. Three of the interviewed entrepreneurs were born in Kenya and have lived in the country their whole life; two of these three entrepreneurs have double nationalities (Kenyan with another nationality). Older entrepreneurs tend to have more agricultural focused schooling and work experience while the younger generation of Dutch entrepreneurs has more often studied management or business related subjects. Children are one of the considerations that make them think about returning to the Netherlands. Schools in Nairobi are well equipped, but especially entrepreneurs who are based a bit further from Nairobi mention the lack of high-quality education as a potential reason for them to return to the Netherlands.

Many entrepreneurs who decide to migrate to Kenya mention the convenient living circumstances in the country. Kenya is well connected to the rest of the world through its international airport in Nairobi and international port in Mombasa. Most entrepreneurs are relatively close to Nairobi, which is a very international city where most amenities for a more or less 'Western lifestyle' are available. Moreover, most entrepreneurs stated they already knew Dutch people working in Kenya and indicate that as one of the main reasons to move to Kenya specifically. The use of English as one of the official languages in the country is also mentioned as an important pull-factor.

About one-third of the entrepreneurs decided to come to Kenya for motives relating to lifestyle preferences (for example 'looking for a more relaxed living environment' or 'in search for adventure') and subsequently looked for investment opportunities. The other two-thrid came to Kenya with an investment idea or migrated to Kenya because of existing employment opportunities. Ten interviewed entrepreneurs run a private limited enterprise (Ltd) that is a single establishment firm; the second group exists of local establishments of a Dutch parent company. In both structures, ownership is predominantly in the hands of Dutch nationals who live in Kenya. Only two entrepreneurs run their businesses from the Netherlands. The interviewed entrepreneurs mainly focus on fruits and vegetable production. A couple of interviewees are flower companies, but have recently started to grow small plots of potatoes. Stimulating this development is the so-called 'Potato Platform', established by the Netherlands embassy in Nairobi (see Box 3 for more information). While these farmers are active in the agro-food sector through potato farming, their main income still comes from flowers.

CSR and contributions to local development in Kenya

Our CSR indicators are divided in four dimensions: market relations, firm-worker relations, environment and community involvement. The data presented here, mainly reflects the perceptions of the entrepreneurs themselves. Whereas CSR is getting more and more attention in the business models of larger companies and multi-nationals worldwide, most CSR related activities and policies in small- and medium enterprises takes place on a more ad hoc basis without clear regulations or guidelines recorded in documents. This is by no means a sign of unwillingness by the entrepreneurs: most of the entrepreneurs do have specific ideas about CSR policies and do carry out associated activities. However, most of these activities are not formalized in regulations or recorded in documents, and are sometimes not even recognized as being 'CSR practices' by the entrepreneurs themselves.

Potato Platform Kenya
One initiative implemented by the Netherlands embassy in Nairobi that aims to increase food security in Kenya as well as agri-business opportunities for Kenyan and Dutch entrepreneurs is the Potato Platform Kenya. The Platform aims to facilitate the import of potato seeds from the Netherlands into Kenya in order to provide Kenyan farmers with high quality potato seeds to increase their productivity. Most farmers plan to grow Dutch potatoes for processing (chips and French fries): to cater for export markets and the higher segments of the domestic market. This would make the contribution of Dutch seed potatoes to food security indirect through increasing the incomes of farmers. One of the difficulties with the approach, which was mentioned by some stakeholders, is that seed potatoes - even after multiplication - are still relatively expensive for local smallholders to buy. In addition, production requires investments in irrigation and fertilizers. An important premise for success is therefore raising awareness about the requirements and longer-term benefits of Dutch seed potatoes in order to convince Kenyan farmers to adopt the new seeds.
(interviews; www.potatoplatformkenya.com)

Box 3 Kenya: Potato Platform

This situation makes it much more difficult for SMEs to indicate and show the way in which they perform responsible business.

Most entrepreneurs see their provision of employment as the main contribution to local development and as a way of complying with Corporate Social Responsibility issues. A much-heard complaint from the entrepreneurs is that people from the Netherlands judge the performance of Dutch companies in Kenya using standards from the Netherlands. They stress that, in judging their CSR practices, people need to consider the completely different environment in which entrepreneurs operate in Kenya. Besides providing employment opportunities, most entrepreneurs relate CSR mainly to environmental aspects and labour conditions.

Market relations

Dutch entrepreneurs in fruit and vegetables primarily produce for the export market or for the higher segment of the domestic market (catering for more expensive restaurants, hotels and supermarkets in Nairobi). The main reason for this is the relatively low profit margins on unprocessed food because of minimal value addition. At the same time, the power of European supermarket chains is further increasing and they demand high environmental and social standards while not willing to pay much more for such higher standards. Because of this development, profit margins get even more under pressure. Several farmers state that niche markets in export are slightly easier in that they provide somewhat higher profit margins and still provide opportunities for entrepreneurs seeking to invest in Kenyan agriculture. Another way for increasing ones profits in the agro-food sector is a shift towards processed food (for example chips and French fries instead of potatoes).

All entrepreneurs focus on more than one activity in the value chain, very often driven by necessity. For example, different farmers have also taken up activities in storage, processing and manufacturing, and packaging. This happens mostly when needed services in one of the other activities within the value chain are either not available, not of a high enough quality, or there is no reliable delivery of these services.

Dutch entrepreneurs in Kenya seem to have quite some interaction among each other, both professionally and personally. At a professional level they complement each other's activities

within the value chain. Also, linkages with the Netherlands are generally strong. Many entrepreneurs source their inputs such as seeds and fertilizers from the Netherlands or from Dutch companies in Kenya. Using local farmers as suppliers is perceived riskier because local farmers often don't comply with delivery agreements and agreed quality standards, the entrepreneurs indicate. When entrepreneurs do source input products from local markets these concern very often smaller, cheaper, and low-technology products. In the case of local farmers, arrangements are almost exclusively via out-grower schemes. A representative of a Kenyan farmer association even stated that the only way in which Kenyans are involved in businesses of Dutch agro-food entrepreneurs, this is always through out-grower schemes.

Food security & fish

One interview was conducted with an entrepreneur who is active in fish breeding: catfish and tilapia. He mainly works with input products from the Netherlands and tries to raise the interest of local farmers for fish as well. In this respect, training and workshops are provided in which farmers get information on how to breed fish. The first workshop attracted about 35 participants; the most recent workshop had 180 interested locals. This signals an enormous increase in interest for fish breeding. Some of the advantages triggering this increased interest are: low start-up capital needed, minimal pressure on natural resources such as land and water, and a high nutritional value. The water that this farmer uses is being returned to the river through a wetland. In addition, an own research has tested the potential use of this water for growing vegetables and showed that the water is extremely fertile for growing crops. One of the challenges is the adoption of fish eating by Kenyan who are culturally and historically not used to eating fish (except for people living at the coast or near Lake Victoria), however young Kenyans are already much more open to eating fish. This approach would contribute to increasing the access, use and availability of food.

(Interview entrepreneur)

Box 4 Kenya: Food security & fish

Focusing on the other side of the value chain, less than one-third of all entrepreneurs produce solely for the domestic market. Of this group, most cater to the higher segment of this market: often international businesses such as more expensive hotels or restaurants in the Nairobi area.

There are several opportunities when it comes to deepening and widening local linkages. For example, different interviewees have stated that they were approached by local farmers looking for seed potatoes, but also for some additional training on how to grow these potatoes. The Dutch entrepreneurs stressed that they definitely see opportunities in this area, but providing training is just too expensive and goes beyond their company activities. They signal to be very interested in cooperating with NGOs in training local farmers through public-private partnerships (PPPs). At the same time, such PPP constructions lead to several difficulties, including the observed difference between cultures of private companies and NGOs. An important example of these differences is the emphasis NGOs put on ownership of smallholder farmers through cooperatives and own distribution centres, whereas entrepreneurs see out-grower schemes as a much more suitable business model. Entrepreneurs consider cooperatives as too sensitive for corruption and as something that has evolved naturally in Europe, but does not fit as well in an African context.

As was stated earlier, one Dutch entrepreneur producing for the European market, stopped working through an out-grower scheme because of increased certification demands and difficulties with monitoring the fertilizer-use of local smallholders. However, this same entrepreneur recently started a new out-grower scheme. The main difference with this new scheme is that it involves fruit, not vegetables (see Box 2 for more information). Because

fruit trees (especially fully grown ones) are less vulnerable to pests and diseases, they need less fertilizer and this makes it easier to comply with certification standards. Other sectors in which entrepreneurs are more positive about working with an out-grower scheme are labour-intensive sectors. In the case of labour-intensive crops, own production becomes way less profitable and too laborious. These examples show that no general statements can be made about the suitability of certain systems of production or business models in Kenya – this depends very much on the type of product, but also on the area of production and the retail market targeted.

Firm-worker relations

The majority of Dutch entrepreneurs consider the employment circumstances of their local employees to be higher than the average employment circumstances in Kenya. Most of the interviewees state they pay their employees more than average and many offer additional facilities such as housing and health care. Many of them have weekly or monthly meetings with their employees to discuss issues that may arise within the enterprise. One entrepreneur indicated he has mailboxes on the premises in which employees can submit complaints anonymously. Social security arrangements in Kenya are currently developing, such as the National Social Security Fund (NSSF) for old age and disability payments or the National Hospital Insurance Fund (NHIF). Although these schemes are not mandatory, most Dutch entrepreneurs comply with these funds and offer medical insurance for their permanent employees, or share the bill for health costs with their personnel. Arrangements for temporary and casual workers are less formalized.

In addition to formal employment circumstances, different entrepreneurs emphasize more informal qualities, for example referring to the amount of freedom employees enjoy, the positive atmosphere in the company or the level to which employees get opportunities to develop themselves within the company. When asked for reasons for doing this, most entrepreneurs give a value-driven explanation: 'this is just something that you do'.

Environment

Regarding the use of natural resources, most entrepreneurs view the environmental impact of their activities as very small. They stress that they own very little land, or that they only used the land for a limited amount of time. In case the farmers use water for irrigation they usually obtain this from surface water, ground water or rainfall and do not really observe any competition about this water with local communities themselves. When asked about this, they indicate that the Water Board in Kenya is in charge of equal distribution of water sources. At the same time, entrepreneurs say that the Water Board monitors very limitedly; some entrepreneurs note they have never seen anyone from the Water Board since they started their business. A few entrepreneurs are very aware of environmental aspects of their businesses and actively try to contribute to better natural resource management, for example by constructing a water catchment area or by making use of renewable energy. Another contribution Dutch entrepreneurs mention themselves is the fact that they bring more energy-efficient and less polluting technology and working methods to Kenya as compared to existing practices in the country.

When asked about land issues, some entrepreneurs indicate they have problems with land tenure security, which directly affects their company. In general, a coherent land policy is lacking and 'there is no comprehensive land policy covering use and administration, tenure

and security, and delivery systems of land' (Government of Kenya 2010: 25). As a consequence, the government observes that investments in land have remained low. Dutch entrepreneurs in Kenya have invested in land by building infrastructure or installing irrigation installations. However, the insecurity of tenure status is mentioned as a big risk factor. In addition, Dutch entrepreneurs noticed high increases in land prices, especially concerning land close to Nairobi. Generally, entrepreneurs did indicate they made careful use of land or were actively increasing its water and energy efficiency. However, when the word 'procedure' appeared in the survey questions, most entrepreneurs said they did not have any formal procedures to comply with environmental rules or to encourage environmentally responsible use of products.

For the use of fertilizers, pesticides and chemicals, entrepreneurs producing food for the international markets are very much bound to different standards and certification schemes. For this purpose, they need to keep records. Some certification mentioned is EU regulation, ISO standards and BRC certification. However, regulations about the waste produced are less strict. Many companies indicate much of their waste is recycled or sold on local markets. The main reasons for recycling are economic considerations or just because 'this is the way things work in Kenya'.

A difference is observed between companies active in the production of food crops and companies constructing agro-installations. Whereas a link between the environment and the production process in the first group of companies is very clear, the installation companies said they did not have much influence on the environmental impact of their activities. Because their activities (installation and maintenance installations) take place on the property of other companies, they stress to depend very much on the way in which these companies handle waste management, use of water resources and energy and how they deal with local communities around their businesses.

Community involvement

Interviewees regularly responded negatively when asked about their level of community involvement, but later on in the interview they do indicate different ways of involvement with communities (such as donating products to a nearby community or contributing to community development in an indirect way, for example through paying fees to a Business Areas). However, most CSR practices do show a very strong focus towards ad hoc interventions and a longer-term, more structural approach seems to be absent. Simultaneously, one can question the degree to which companies should be taken responsible for more structural development initiatives.

Investments in human resources (training, workshops) are mostly focused on business-related subjects. Only a few companies offer training courses in subjects not related to the work, for example informing people about HIV/Aids or offering computer skills classes.

CSR and contributions to food security in Kenya

With concerns of food security rising on the international and Dutch development agenda's, potential contributions of Dutch entrepreneurs to increasing food security in Kenya become an area for attention. Moreover, it is interesting to see in what way CSR practices could contribute to increased food security. Generally, food security is defined using four pillars: food availability, food access, food use and the stability of these three dimensions over time

(FAO 2006). Most Dutch entrepreneurs interviewed for this research do not directly contribute to local food security in the availability and use of food. Any contributions to increasing food security locally have to be seen in the 'food access' pillar, where Dutch entrepreneurs contribute to increasing the incomes of Kenyans (mainly by providing employment opportunities).

One way in which the Dutch government, in cooperation with Dutch entrepreneurs, is trying to improve local food security in Kenya, is through the Potato Platform (see Box 3). However, the link with local smallholders and their access to Dutch seed potatoes is somewhat less clear. Another innovative approach of the Dutch embassy, in cooperation with Dutch entrepreneurs and development organizations, is the development of public-private partnerships in which links with local smallholders receive more attention and are better developed (see Box 2 for an example of this approach).

Conclusion

The Dutch small- and medium enterprises (SMEs) active in the agro-food sector in Kenya that were interviewed for this research show much awareness of CSR practices. Almost all entrepreneurs are engaged in some activity that focuses on the impact of their business practices. Official and obligatory regulations and certification play a smaller role than their own sense of responsibility when engaging in activities in a developing country context. GIZ characterizes this kind of CSR as 'value-driven', in the sense that companies explain their activities in terms of 'good' and 'the right thing to do' (GIZ 2012: 81). Most of the entrepreneurs stress that they grew up and started doing business in Dutch and European contexts in which rules and regulations are much stricter; because they have grown accustomed to this, they feel that they have an intrinsic sense of responsibility not to exploit local employees in environments where the regulatory and policy framework are less developed.

At the same time, most entrepreneurs display a relatively limited view of CSR with 'providing employment opportunities' as the most important contribution. When looking at linkages between Dutch enterprises and local (Kenyan) businesses, much can be gained to increase contributions of the SMEs to local development. Especially when looking at the sector of agro-installations, most activities are very much detached from local environments. But also focusing on producers and traders of fruit and vegetables, linkages with local farmers and businesses can be increased. When the aspect of food security is included, some interesting and innovative initiatives become apparent. For example, an entrepreneur who is developing fish breeding by selling input products in combination with providing training and information. Another example can be found in a public-private partnership between Dutch entrepreneurs, Dutch NGOs, EKN Kenya and groups of Kenyan smallholders who are setting up an avocado project. Local smallholders are linked to Dutch and European export markets and are given the opportunity to buy avocado plants at a reduced price and receive training and education about the production process.

One opportunity to further increase domestic market access and contribute more explicitly to local development and food security is by more explicitly focusing on the bottom of the pyramid in Kenya. One strategy, employed by different larger companies, is selling so-called farmer starter packages to smallholders. These packages consist of at least good quality seeds and fertilizers, but are now very often complemented with equipment to safely apply the accompanying fertilizers and agro-chemicals, a water-tank, and some even include a small greenhouse. Because many of these starter packages do aim for a quick

return of investment, they tend to be less sustainable in terms of energy use and the working life of material provided. But these examples do show possibilities when focusing on the bottom of the pyramid in Kenya.

In the following table, an overview is given of opportunities and challenges with regard to CSR in the agro-food sector in Kenya.

Opportunities	Challenges
The presence of many Dutch entrepreneurs makes it easier for newcomers to seek advice from predecessors. Attractive life-style preferences in especially Nairobi.	Increased certification demands make it more difficult to work with smallholders. In addition, production of some crops in Kenya becomes more difficult whereas they need more fertilizer to be able to grow.
Increased certification demands have pushed the professionalization of the agro-food sector, which increased the comparative advantage of Dutch entrepreneurs with generally high standards.	Competition from other foreign investors. In the case of agro-installations Chinese and Israeli entrepreneurs who produce cheaper/lower quality goods. In de case of fruit and vegetable production especially the power of European supermarket chains who keep increasing their certification demands and decreasing their prices.
Opportunities and attention for innovative linkages between entrepreneurs and other actors working in agriculture (much interest from both entrepreneurs and NGOs in deepening and widening local linkages).	Deepening and widening local linkages, for example through local sourcing, remains very difficult. Many entrepreneurs complain about the quality of local products and the unreliability of deliveries.
Increasing professionalism in the agro-food sector in Kenya which increases the demand for high quality input products and agro-installations.	Competition from Ethiopia – some entrepreneurs indicated they have shifted production to Ethiopia where wages are still lower and climatic circumstances for some crops are better.
Presence of enabling institutions and organizations such as the Dutch embassy who actively tries to involve and increase investments from Dutch entrepreneurs, but also presence of organizations such as Solidaridad who actively work on setting up PPP constructions.	
Focus on the so-called 'bottom of the pyramid' in Kenya.	

Kenya highlights

- Kenya, the largest economy in Eastern Africa and often seen as one of the continent's success stories, has attracted Dutch entrepreneurs for years now. Kenya is currently well underway to exchange its low-income status for that of a middle-income country; the agricultural sector is one of its focus areas to achieve this.
- In terms of national policies and regulations relating to CSR practices of companies (environment, social), most entrepreneurs stress the need for clearer national policies, better domestic implementation and monitoring systems.
- International certification has led to the exclusion of smallholders as producers because of difficulties with monitoring residue levels. At the same time, new forms of collaboration in public-private partnerships involving smallholders, NGOs, Dutch entrepreneurs and EKN Kenya, exist or are being developed and show promising first results. One example is an out-grower scheme for avocados with local smallholders and linking them to the international export market.
- Dutch entrepreneurs in Kenya are increasingly looking towards the agro-food sector: agricultural products and agro-installations. One of the instruments stimulating this development is the Potato Platform Kenya.
- All entrepreneurs are aware of CSR issues and have applied relating activities in their business models. Most see their provision of employment as one of the most important contributions to local development. Entrepreneurs active in agro-installations find it more difficult to include CSR in their activities because they perform their services at other companies' premises.
- Much can still be gained in terms of local linkages: local sourcing and domestic consumer market beyond the expat community in and around Nairobi. One example is an entrepreneur who has started breeding fish and provides input products and training to local smallholders.

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Kenya: List of interviewed entrepreneurs

	Ownership	Main activity	Sector	Year founded	No. of employees
1	Dutch (100%)	Potatoes	Food crops	2011	4
2	Dutch (100%)	Potatoes, flowers	Food crops, floriculture	1999	45
3	Dutch (66,7%)/ Kenyan (33,3%)	Fish, fingerlings, fish food	Food crops	2010	6
4	Dutch (50%)/ Kenyan (50%)	Semen of bulls	Livestock	2009	6
5	Dutch (100%)	Seed potatoes, multiplication	Food crops	2012	33
6	Dutch (100%)	Seed potatoes, consumption potatoes	Food crops	2012	6
7	Dutch (100%)	Haricots verts, sugar snaps, legumes	Food crops	2000	160
8	Dutch (100%)	Cooling installations	Agro-installations	1998	26
9	Dutch (66,7%)/ Kenyan (33,3%)	Greenhouses, hydroponics, irrigation	Agro-installations	2003	92
10	Dutch (100%)	Irrigation systems	Agro-installations	2009	6
11	Dutch (100%)	Different food crops	Food crops	2010	100
12	Dutch (50%)/ German (50%)	Dried bird's eye chillies, dried paprika	Food crops	2005	30
13	Dutch (51%)/ Belgian (49%)	Fresh pineapple, moringa	Food crops	2011	56
14	Dutch (100%)	Cooling installations	Agro-installations	2002	8
15	Dutch (99%)/ Kenyan (1%)	Drink yoghurt	Dairy	2012	4

Kenya: List of interviewed stakeholders (organisations)

- Dutch embassy in Kenya (EKN), agriculture
- Dutch embassy in Kenya (EKN), development
- Agri Pro-Focus
- Potato Platform
- Solidaridad
- SNV Netherlands Development Cooperation
- Kenyan senior agronomist working for a Dutch entrepreneur
- Coordinator of a public-private partnership
- Freelance CSR Consultant
- Dutch entrepreneur about to start a new business in the agro-food sector in Kenya
- Kenya National Federation of Agricultural Producers (Kenfab)
- Agriterra
- Alliance for a Green Revolution in Africa (AGRA)
- UN World Food Programme (WFP)

CSR in Mozambique: High potential in a difficult business environment

(Dr Guus van Westen, Dr Femke van Noorloos, Filipe Di Matteo)

Introduction

The present chapter looks at the Dutch business role in a one of Africa's emerging agro-economies: Mozambique. The objectives of this chapter are, first, to review the role of Dutch actors, in particular firms, in Mozambique's growing agricultural economy; second, to assess the performance of the Dutch agro-firms in Mozambique, especially in terms of their CSR profile, and finally, to identify the opportunities and constraints of Mozambique for Dutch agribusiness investment.

Although Mozambique is one of the key countries in the Dutch development cooperation programme, private sector initiatives from the Netherlands have so far remained limited. At the same time has the CSR agenda in Mozambique remained rather limited as of yet. In this perspective it is interesting to note that some Dutch investors are attracted to Mozambique precisely because they perceive opportunities in biological produce, a niche that is specifically concerned with maintaining strict product and process standards.

The chapter is based on fieldwork undertaken by two researchers from the International Development Studies section of Utrecht University. They have visited Mozambique in respectively February and in March 2013. Moreover, a graduate student in the Sustainable Development programme of the university made important contributions in conducting a survey among, in total, 11 entrepreneurs in Mozambique. This survey used the standardized questionnaire as was used in the other countries covered in the MVO Nederland study. Conducting the survey in Mozambique proved something of a challenge due to the scattered nature of Dutch investment projects over different parts of this vast and logistically challenged country.

Country Profile

In an influential book on globalization, James Mittelman (2000) discussed Mozambique as a classic case of a formerly socialist developing country that had wholeheartedly embraced neoliberalism and multiparty democracy (from 1990 on), but was not able to really reap the potential benefits of entrepreneurial initiatives. The issue is not that Mozambique's economy lacks dynamism: overall economic growth is quite good at some 7% p.a. since 2001, and there is ample evidence of construction activity and new investment inflows. The problem is rather one of linking a growing population with the overall healthy macro-economy with which aggregate indicators are mostly concerned. In brief: Mozambique is doing rather well, but many Mozambicans are not.

While Mozambique remains near the bottom position in UNDP's human development index (HDI), it has managed to emerge as an important attraction pole of foreign capital in Africa. FDI inflows rose fast from US$ 154 million in 2006 to US$ 2093 million in 2011, the latest year recorded in UNCTADs World Investment Reports (UNCTAD 2012). In 2011, Mozambique ranked as the 5th investment destination in Sub-Sahara Africa, after Nigeria, South Africa,

Map 3 Mozambique

Ghana and DR Congo. This positive trend does not readily translate into a better performance in terms of human development, however. In the 2012 HDI (human development indicator, a mixed score on wealth, health and education) listing by UNDP, Mozambique ranks 184 out of 186 countries. Gross national income per capita, at US$460 in 2011 remains well below the average for low-income countries (US$571).

It is not difficult to point out reasons why Mozambique ranks at the bottom of international development indicators. Its colonizer, Portugal, was not a dynamic force itself, investing little in the country's infrastructure and limiting economic activity largely to extraction of natural resources and trade. Independence (1975) followed a protracted liberation struggle, and was soon followed by civil war until 1992. The ravages of war and the central command economy put in place after independence and phased out after the 1990 constitution, left the country in bad shape with little infrastructure and no private entrepreneurship to speak of. Nearly all business people from the colonial era had left, and there is not much in terms of a local entrepreneurial base. While the nineties have seen basic reconstruction and institution building, it is roughly since the turn of the millennium that Mozambique is building an economy based on private entrepreneurship.

Mozambican policy identifies agriculture and fisheries as key priority areas for output and productivity growth, as elaborated in the PARP (Poverty Reduction Action Plan). Mozambique has several (potential) advantages for agribusiness development: it has a large resource base of fertile land that can be used for agriculture and the man-land ratio is still relatively favourable. Mozambique further is relatively well-endowed with water resources, while its extensive coastline with several (potential) trading ports is an advantage for connecting producers with world markets, as is the proximity of South Africa. That proximity is also a challenge, though, in the sense of stiff competition from South African firms.

Little of Mozambique's agricultural potential is as yet used effectively. According to the Ministry of Agriculture, the country has some 36 million ha of arable land, of which 14% is being used. Such statistics deserve to be treated with caution. There is actually hardly any 'unused' land in Africa; it is more a matter of intensity of use (Deininger & Byerlee 2011), but the suggested scope for expansion is confirmed by independent observers (Joao Carrilho, verbal communication). The issue is how to combine new investment with existing uses and users. Current development efforts often focus more on a small number of large-scale projects involving a limited selection of stakeholders rather than on fostering a large number of small but broadly based initiatives. This is likely a key problem in fostering development for the majority of the population.

Mozambique's agriculture is dominated by smallholders producing food crops such as maize, cassava and beans, to a large extent for subsistence. The country's urban centres

are largely supplied with imported foods. This situation is exacerbated by the fact that the regions with the most agricultural potential are in the centre-west and north of the country, far from the main cities. The capital, Maputo, by far the largest city, is located in the far South, an area of low agricultural potential bordering South Africa, an agro-industrial giant.

The main export crops include tree crops such as cashew and coconut, which are grown by smallholders, as well as cotton, sesame, sugar, tea and tobacco, which are more open to large-scale farming. The livestock sector is little developed. Fisheries, in contrast, represent a strong sector in Mozambique with considerable exports.

Institutional context

In the World 'Doing business indicators', Mozambique ranks fairly average in the Sub-Saharan African region, having registered improved performance over the last decade (particularly in some procedures such as starting a new firm, registering property, protection of investors and enforcing contracts). Nevertheless, several institutional issues remain problematic, including access to credit, insolvency, and the international trade regime, while infrastructure also remains lacking. For instance, Manica, one of the most suitable agricultural regions in the country that would offer good opportunities for horticulture and high-value crops like flowers, remains little developed because it is simply not feasible to get such crops to (export) markets.

Overall, government institutions remain weak, with little checks and balances and weak law enforcement capacity. The country is heavily dependent on foreign donors, who contribute roughly half of the government budget (GIZ 2012). This dependence in itself limits institutional capacity. Conflict of interests among officials is also an issue, as is outright corruption – Transparency International ranks Mozambique as 'endemically corrupt'. Moreover, several sources (e.g. GIZ 2012) report a bias among public sector agents towards large corporations that form the backbone of the formal economy: mining businesses in aluminium (MOZAL), coal mining, natural gas production and also in agribusiness. Large investors receive preferential treatment and tax breaks and enjoy close relationships with Mozambican elites. Some interviewees pointed out that small investors are 'not always taken very seriously´ and that without access to 'the right people' it may be difficult to get things done. As a result, investing in Mozambique does require good local knowledge and connections – a local partner who can provide these

Beira Agricultural Growth Corridor (BAGC)

Given the fairly low level of agricultural infrastructure in Mozambique, the policy approach is to tackle a broad range of agricultural development issues at the same time within specific parts of the country ('agricultural corridors'). The Beira corridor is probably the best known example, in operation since two years. Others are the Maputo Corridor in the South, and the Nampula corridor in the North, which has the Pro-Savannah project with Brazil and Japan as major donors.

The BAGC is a partnership between government, private sector and donors covering a broad area in central Mozambique from the port city of Beira up to the Zimbabwe border and the Tete mining area. The BAGC coordinates the development of commercial agriculture in the area by many different stakeholders, in an attempt to create a critical mass of investments and ensure that efforts complement each other. One major problem of commercial farming in Mozambique is the near absence of (long-term) funding. To this end a 'Catalytic Fund' is created, operated by AgDevCo, that makes contributions to equity and credit for new agribusinesses. The Netherlands has contributed of 3 million Euros to the Catalytic Fund, earmarked for a smallholder support facility, for instance through out-grower schemes or by linking smallholders to commercial farms.

Box 5 Mozambique: Beira Agricultural Growth Corridor (BAGC)

may not be a formal requirement for investment, but is a key factor for success.

There are serious issues concerning land acquisitions for investors. Land in Mozambique is state-owned, with protective measures for the rights of existing users. The state (Department of Lands and Forests) can and will allocate land for an approved investment project, but only if and when the prospective investor reaches an agreement with 'the local community'; i.e. all parties considered to have a stake in the land in question. These stakeholders include local existing users, local public sector and customary authorities, and possibly others. There is a compelling social need to take such claims into account, but for investors it is not always easy to meet the requirements. Who exactly has a legitimate claim is not easily determined, while expectations on adequate compensation may differ widely between stakeholders. Agreements are not always respected by either party: the outcomes of community consultations are non-binding and no sanctions are in place to enforce agreements (Nhantumbo and Salomão, 2010). While the law prescribes a rather short period for community settlement of land transfers (3 months), this in practice is often not possible. Some foreign investors, including Dutch, are confronted with squatters after land has been allocated to them. Such issues are difficult to resolve, and may seriously threaten the success of the venture as creditors (banks) expect return payments to start according to prearranged schedules. Possibly as a result of such difficulties, some entrepreneurs prefer to work with the existing family agriculture system through out-grower schemes: as one Dutch entrepreneur argued, 'the future of this country is not in private farming, but in developing the family and cooperative sector'.

One could argue that with recent reforms it has become easy to start a firm in Mozambique, but it remains a challenge to keep a small business alive. Mozambique is not an easy setting form small and medium sized agribusinesses. Relatively small companies rely more on external supplies, services and public infrastructure than big corporations, and agribusiness is very dependent on a wide range of support systems. At present, infrastructure, support services and the industrial structure (i.e. locally available suppliers and clients) are weakly developed in Mozambique, although there is general agreement on its agricultural potential. Agricultural extension services are very limited, the local knowledge base and applied research capabilities are not such that agricultural SMEs can get enough support in things like: what varieties of seeds to use, the adaptation of species to specific local conditions, tailor-made advice on fertilizers, soil improvement techniques and pesticides, and quick responses in case of diseases etc. As a result, the entrepreneurs have to fend for themselves in relative isolation, which is difficult and expensive. This is especially the case outside of the three main regions or 'corridors' in which development efforts are concentrated. The problem is exacerbated by the fact that agricultural credit is expensive (some 25% interest p.a.) and nearly unavailable through the banking system. Banco Terra, a Rabobank subsidiary, is an exception but on a limited scale. 'Doing business' indicators suggest an improvement in banking, but this is due to the expansion of retail banks in smaller towns, not improved conditions for the 'unbankable' agro-sector. Large-scale agribusiness, however, has the scale economies and in-house capabilities to deal with such problems and, if necessary, survive start-up periods of some 10 years before investments yield returns. As a result, Mozambique's agricultural potential appears to be reaped to a large extent by big multinationals like Bunge and Monsanto, as well as by similar investors from Asia and Brazil.

Due to relatively inefficient markets – in itself a consequence of a lack of competition, small scale of production and the geographically scattered nature of business in the country – Mozambique is also not a cheap place to operate.

The Dutch connection: the role of Dutch agribusiness in Mozambique

The importance of Dutch involvement in Mozambican agriculture lies in the first place in development cooperation schemes operated by organizations such as SNV, Solidaridad and others. Their efforts may be funded by Dutch as well as other sources. These generally aim at linking smallholders with commercial agribusiness through out-grower schemes. Dutch development cooperation is also active through the PSI (matching investment funds for joint projects of Mozambican and Northern SMEs) and other schemes (e.g. ORIO). In the second place, Dutch trading firms have a notable role as buyers of Mozambican produce in some industries. Direct involvement of Dutch entrepreneurs in local production is relatively rare, but does exist. Out of eleven surveyed firms, three are actually producers themselves, while others (four) are in trade, procurement and processing, and the remaining four consist of consultancies and operators in water management and irrigation.

The entrepreneurs

The survey companies are all led by men (and one husband-and-wife team). Seven out of eleven are (co-)owners. Six have lived in Mozambique for less than five years, and one does not live there permanently. Given the range of activities observed it is no surprise that positions in the respective value chains vary considerably. Characteristically, producers (farms) are not involved in many other activities in the value chain while traders (though not all) offer a bundle of services that may include processing and logistics. This probably reflects the fact that in a relatively underdeveloped economy such as Mozambique traders tend to occupy key positions in the economy, more so than (risky) producers.

It is striking that strictly commercial motives are relatively rare among the Dutch entrepreneurs met in Mozambique. At least half of the respondents' firms can be seen as spin-offs from development cooperation (in some other cases this could not be ascertained). They may have been introduced to the country through a job in a development organization. Roughly half of the entrepreneurs could be labelled as motivated by lifestyle preferences ('in love with the country'; staying on after having worked for a foreign employer or development organization). Also in the case of larger companies (not in the survey) a mix between strategic interest (establishing a foothold in a potentially interesting market) and developmental ideas can be observed. Somewhat in line with the development background of several surveyed firms, an orientation towards biological/organic production

Bicycles and development in Mozambique

In the introduction mention was made of a study by James Mittelman, who argued that Mozambique has embraced the 'Washington consensus' to such an extent that the country has virtually lost the ability to formulate and implement effective development policies of its own. Another book on Mozambican development that has achieved a modest cult status is by Joseph Hanlon and Teresa Smart, entitled 'Do bicycles equal development in Mozambique'. The title refers to the observation that the doubling of the number of bicycles in the country after the end of the civil war was seen as proof of progress for the many. The top 20% has certainly benefited much, but poverty on several counts, like nutrition intake of low-income groups, has actually increased. While Mozambique has achieved good results in macroeconomics (overall growth, investment, trade), these hide the fact that a large part of the population has no access to any of the benefits. According to Hanlon and Smart, preoccupation with macro indicators, foreign investment and corporate development has jeopardized attention for domestic entrepreneurial development, job creation, and the role of the public sector as an agent for fostering the interests of the poor.

Box 6 Mozambique: Bicycles and development

can also been observed (nuts, honey, peppers, sugar etc.). Since Mozambique is relatively land abundant, it is attractive for biological farming in search for virgin soils (not exposed to pesticides and fertilizers).

Four out of eleven surveyed firms are recent start–ups with as yet little track record, and four others reported meeting difficulties in their operations. Problems range from issues with partners to lack of capital and weaknesses in business plans requiring a change of strategy. Six have benefitted from home country (Netherlands/EU) credit facilities; some of these had accessed sector-specific schemes, while four have not made use of any financial assistance. Perhaps surprisingly in view of its portfolio of 26 projects since its start in 2002, the PSI scheme (previously PSOM) was mentioned only once in our survey population. Many PSI projects in Mozambique have no or only indirect Dutch involvement.

Only three out of eleven surveyed Dutch companies report significant growth in recent years in terms of turnover, number of workers and clients (most of these recent start-ups). It would be wrong to emphasize only gloom, however, as nearly all show themselves optimistic as for the future.

Overall, the Dutch role in Mozambican agribusiness is modest. As mentioned, commercial agriculture tends to focus on large-scale industrial farming in which Dutch investors are little represented here; South Africans and investors from a number of other countries in Asia, the Middle East as well as Portugal, Britain and Brazil are more prominently represented. Opportunities for Dutch businesses could be found in biological produce and perhaps in livestock farming, a sector that is as yet little developed and suffering from diseases and a lack of infrastructure and support services. Mozambique has potential for branches in which the Dutch are strong, like floriculture, but the best areas suffer from inadequate logistics. Finally, seafood could offer more opportunities, especially for business propositions that would include quality upgrading and aquaculture.

Results

There is relatively little attention for CSR policies in Mozambique. In line with this, certification too is not a major issue for most of the surveyed firms. Five do comply with specific schemes. These include the producers of biological and organic produce, and producers that supply fair trade labels; things that obviously require adherence to sets of standards. For these investors, standards and certification can be seen as a characteristic of their business model; they derive their raison d'être from certification. Two others adhere to schemes in response to pressure within their value chains, e.g. compliance with SABMiller certification on food safety and environmental management and one that implements the guidelines required for supplying to World Food Program activities (laboratory testing, non-GMO varieties et al.). A fifth indicates implementing the requirements for entering the EU sugar market. These are not very extensive in terms of CSR content.

These findings are broadly in accordance with general observations that standards and certifications are usually in response to pressures from buyers and consumers, or imposed by public sector regulations, while in a limited number of cases they derive from personal preferences of the entrepreneur. Since certification hardly plays a role in the domestic market of Mozambique, it is typically an issue for exporters or those having to comply with specific standards in order to gain access to public sector benefits. Since nine out of eleven survey firms cater to the domestic market for at least 70% of their turnover, the business case

for certification seems limited. In addition, four firms are active in the consultancy industry, where certification is hardly an issue.

Market relations

The nature of local linkage varies a lot, due probably to the varied nature of activities/branches represented in Mozambique (there are no clear clusters as with flower growers in Kenya and Ethiopia). Some points worth mentioning here: three out of ten firms use out-grower schemes, for supplies of maize, cassava and honey. Most of the other industries do not lend themselves to contract farming as they are producers themselves or do not process agricultural produce. At least half of the firms surveyed rely on soft money in some form or other – either subsidies (e.g. ORIO), or 'patience capital' from benevolent funds. Some observers state that European SMEs in Mozambique tend to be closely linked to the 'development industry', and express doubts about the business orientation of some of these firms. This may also account for the high rate of attrition observed among foreign start-ups in Mozambique, although this is certainly also due to other factors. While no complete check could be made due to the difficulty of gaining access to beneficiaries, the PSI program in Mozambique has a failure rate of at least 30% (various sources); a similar rate of attrition for business start-ups is also mentioned by banking sources (various sources). This is not exceptionally high for business start-ups, but considering the fact that most of these projects are implemented by existing firms (entering into a partnership with others), it does suggest a challenging business environment.

Supply and sales linkages show a varied pattern, in conformity with the difference in activities. Overall, local (domestic) sourcing exceeds the importation of supplies. Domestically sourced goods tend to consist of agricultural supplies and fairly basic services, while imported inputs relate more to expertise and technical equipment. Perhaps more striking is that the domestic orientation also holds for sales: four out of eleven businesses are involved in exports, but for only one of them are export markets more important than the Mozambican sales. The domestic market is becoming more important recently, especially the needs generated by a few mega-projects (e.g. mining in Tete, natural gas in Cabo Delgado). Overall, domestic market opportunities have so far been considered limited due to the fragmented nature of the market and heavy competition from nearby South Africa: South African companies benefit from a well-established home base and can access the Mozambique market easily thanks to a liberal trade regime.

Employment and labour relations

Much is expected from employment creation by foreign investment in agriculture, at least in official policy discourse. In five years prior to 2013 (2008-2012), 195 new agribusiness projects have been registered with the Ministry of Agriculture, among which 123 (63%) fully foreign-owned, and a further 52 are joint ventures between foreign domestic capital. (Note that not more than 20 projects were domestic only.) The foreign projects were expected to bring in some 2 billion dollars of FDI and contribute almost 98% of the expected employment of 54,700 people. Such expectations are probably unrealistic. While Mozambique has indeed done well in attracting FDI, as seen, the bulk of this is destined for mining (and construction and service industries) rather than actually investing in agricultural production.

Among the Dutch entrepreneurs surveyed, most firms employ only a few people which makes pronouncing on responsible business with respect to workers less feasible. The

11 firms surveyed had some 120 permanent employees, an additional 30 temporary employees, and further used the services of some 350 casual workers on an occasional basis (harvest time, for instance). One Dutch operator who has now left Mozambique once employed some 1500 people. Moreover, labour relations tend to be more personal and less institutionalized. For instance, health care for workers may be provided by the employer but not necessarily as part of a standardized employment package. Training (of workers, suppliers) is mentioned by most firms as one of their contributions to local development (as well as to firm operations). In terms of pay, Dutch investors can usually be counted on to comply with law and regulations and often pay a bit more than surrounding (local) firms. There is also some training of personnel that can be seen as investing in local human capital, but also as part of normal business practices. In short, the Dutch firms can be called responsible businesses in the sense of compliance with laws and regulations, and in applying ethical standards that may tend to exceed local ones because the investors have been socialized in an environment where higher standards apply. But in terms of labour there are few specific features that make these firms stand out, even in their own accounts of labour relations. Potentially a much higher impact on income generation can be derived from contract farming, which will be discussed in the next section.

Environment and resource use

In the discussions with survey firms, environmental issues emerged as relatively minor concerns. A majority did undertake environmental and social impact assessments before starting business, which is a requirement by law. A bit more than half stated that their impact on the environment was not an issue that needed attention. Obviously, those entrepreneurs engaged in biological produce took care not to apply fertilizers, pesticides etc. that are incompatible with biological certification codes. Other than this did the firms in our survey give themselves only middling rates for environmental efforts, however. There is little reason to see them as heavy polluters (most of the firms are not directly involved in production), but neither do they stand out in environmental conscientiousness – also not in their own views. There are indications among some of the businesses that competitive pressures are at least in part responsible for this.

Three Dutch operators work on improving water management, specifically irrigation systems. A possible downside of this is the increased pressure put on the available water supply (although much of Mozambique is not particularly hard pressed in this respect). More generally, Dutch firms are often involved in infrastructure improvement, be it on a modest scale in most cases as can be expected from SMEs.

Land issues have been discussed above (cf. 3; institutional context). It should be added that the Dutch investors have generally not acquired extensive land holdings in Mozambique, with two exceptions in the survey population: one farm of 1000 hectares; another with 3100 hectares has recently ceased operations.

Community

Several positive impacts have been observed, although the scale of these should not be exaggerated.

A focus shared by most of these companies is an attempt to improve product and production (process) quality. This is partly done by introducing and adhering to certification

schemes on product quality, safety and sometimes environmental performance. Certification, however, is essentially limited to export products as it has yet to catch on in the domestic market in Mozambique. More production improvements are derived from applying standards and technologies based on practices imported from elsewhere (Netherlands, also South Africa). It is not possible to quantify and measure such impacts, however. An important aspect in terms of local development is to what extent such innovations are disseminated to other producers.

Out-grower schemes are important in enhancing market access and hence, income opportunities for smallholders, usually in tandem with better product quality (inputs) and production methods (training, advice) and possibly infrastructure. Some Dutch employers also mentioned offering higher than average wages.

Some paradoxes present themselves: (1) out-grower schemes, positive for local development opportunities, actually reduce the scope for a certification approach in several respects as the control over (many) suppliers is limited; (2) transfer of an out-grower scheme to large commercial operators after the start-up phase potentially reduces the CSR performance of operations.

Out-grower schemes are often difficult to run: organizing and maintaining effective contacts with a great number of smallholders is time-consuming and expensive ('a nightmare' in the words of one interviewee), often necessitating the introduction of a development-oriented NGO within a value chain otherwise linking smallholders to a trading/processing firm. The operation of the scheme then depends on the availability of development funding for the NGO. Out-grower schemes offering services (training, credit, supplies etc.) to smallholders also risk being subject to out-bidding by other buyers not burdened with such charges when market prices are high. Compelling smallholders to supply the lead firm is counterproductive since it can hardly be enforced, and it also aggravates the inequality and lack of balance in the smallholder-buyer relationship.

Firms relying on local companies for the sale of their services and products report having little scope for influencing CSR policies down the value chain.

Government is sometimes mentioned as an obstacle for effective operations. Government agencies are seen as bureaucratic, little geared to the private sector (especially SMEs), and having limited capabilities and skills. Corruption is also mentioned as a problem. In those cases, access to a Dutch (or other) support program is mentioned as an important tool to both counter corruption and promote CSR performance.

Most companies mentioned they are involved in fostering living conditions in their local communities in one way or another, which could be an important contribution to local development (three companies do not mention this point). Again, the nature of this involvement varies. Asked for specifications, several Dutch firms refer to points already mentioned: contribute to local business development (out-grower schemes) and employment. One only mentions local jobs, which is of course important, but not much as specific contribution to community development (in the sense that job creation here appears to be in the line of the business, not an additional effort due to responsibility considerations). Some companies contribute to water management (irrigation as well as drinking water for neighbours). Training is mentioned (local farmers, suppliers, workers). Especially interesting in terms of local development may be one scheme that makes local suppliers shareholders in the company. Such model deserves more attention: what are the

effects? Does it motivate people to put in extra efforts? Is it demanding in procedures, transaction costs? Another firm has contributed in construction of a local clinic – which could also be a major benefit if it manages to be properly run and sustained. On the opposite end of the community development spectre is mention by one firm of engaging local leaders in their work. This may be a useful way of blending in and compensating leading locals for their efforts, but could also backfire and degenerate into favour buying – and thus, promoting a situation where local worthies demand to be paid for services that should be delivered on account of duty.

Local Development promoted by a Dutch business

One Dutch enterprise in Mozambique is involved in the local procurement and processing of cassava for a multinational brewery. As part of its effort to build its brand name, the brewery has decided to invest US$10 million annually to raise people from poverty. The Dutch company will implement the project in various African countries, including Mozambique, where it is active in the North and Central regions. The project involves smallholder production and on-site processing of cassava, which is subsequently used as a substitute for malt barley in brewing beer – mainly for the domestic market.. The business model was from scratch intended to combine long-term profit generation with large-scale poverty alleviation by substituting imports with local family produce

As a result, the Dutch enterprise plans not only to secure a market for cassava for around 1500 smallholder family farmers in Mozambique (cassava is traditionally produced for subsistence by millions of smallholders in Africa, making up the majority of people's calory intake), but also to train and support them with better agricultural practices; financial education; local organization and cooperation; improved access to water; etc.. The public-private partnership is supported by Dutch DGIS funding and also involves an international NGO. In the end, it is estimated that annual income may raise up to 38 times for the smallholders.

Box 7 Mozambique: Local development promoted by a Dutch business

Capacity for promotion of Responsible business and local development

CSR has gained little currency as yet in Mozambique. Government and even civil society (including academia) has limited interest in the responsibility performance of business. Domestic consumers do not pressure much for improved performance in terms of environmental standards, product specifications and labour conditions so far. Pressure for beefing up CSR standards can be derived from the export sector – which needs to convince foreign buyers of its responsibility profile – as well as from association with development cooperation programmes (requiring compliance with standards as a conditionality). Exposure to private sector entities that have incorporated CSR into their business models also works towards more acceptance of notions of societal responsibility.

The institutional framework for CSR is weakly developed in Mozambique, unsurprising in view of the above. An overview of the national framework is presented in GIZ (2012) lists the many donor agencies involved in sustainable economic development in Mozambique, but there is as yet no real CSR platform either among donors or among Mozambican organizations. There is little legislation in this field, other than Law 11/2207 and 12/2007 that prescribe the distribution of part of the benefits from extractive industries (mining) to local communities or other social investment. No details on implementation of these laws had been published as of 2012. Mozambique does have an extensive legal framework on land, community consultation and environment as well as labour laws and anti-corruption legislation, but is still debating laws regulating conflict of interest and a code for civil servants (GIZ 2012). Civil society, though extensive (over 5000 NGOs are reportedly active in

Mozambique), has also limited engagement with CSR issues, although the Centre for Public Integrity (CIP) fights corruption. Centro Terra Viva (CTV) works on environmental issues and, together with several other NGOs, is preoccupied with land rights issues. GIZ (2012) lists several more organizations that it considers potential actors in CSR in Mozambique (with a somewhat German bias).

Conclusion

Mozambique is not an easy environment for SME investment in agriculture, domestic or foreign. Almost all respondents (survey and other key informants) stressed the challenging business environment for SMEs in terms of institutional framework, infrastructure and support base, corruption, credit, cost of operations, etcetera. On the other hand, the country offers a rich and relatively little used natural resource base, potentially good connections for export, and a growing domestic market. Rather than providing opportunities for SMEs, the current business climate encourages a bipolar situation with a number of large multinational agribusinesses on the one hand, and the large family farming sector on the other.

As a consequence of the challenging business environment, very few Dutch entrepreneurs are active in the Mozambican agro-sector; and the ones that are active are often in a starting phase or experiencing problems. In general, there is a high rate of attrition among foreign start-ups; this is also true for the Dutch-funded PSI projects. In addition, Dutch businesses are often spin-offs from (or collaborating with) development cooperation and their investment in Mozambique is driven by strategic as well as developmental motives. This also explains various entrepreneurs' use of socially inclusive contract farming models.

Despite the general lack of attention to CSR policies and institutions in Mozambique, most entrepreneurs showed awareness of responsible business practices and their own impact, particularly in terms of community development. Certification is not a major issue for most of the surveyed firms, also because of their focus on the domestic market. Some of them do comply with organic, fair trade or other schemes, often as an inherent characteristic of their business model or due to pressure from clients. On the other hand, many entrepreneurs are implementing their own community development policies responding to personal preferences – and partially to national laws. For example, out-grower schemes are important in enhancing market access and hence, income opportunities for smallholders, usually in tandem with better product quality (inputs) and production methods (training, advice) and possibly infrastructure and other development contributions. In one innovative and promising scheme local suppliers are made shareholders in the company. Some Dutch employers also mentioned offering higher than average wages; however, most firms employ only a few people which makes pronouncing on responsible business with respect to workers less feasible. Most Dutch firms comply with laws and regulations, and apply ethical standards that may exceed local ones; but in terms of labour there are few specific features that make these firms stand out. Dutch investors have generally not acquired extensive land holdings in Mozambique and cannot be seen as large-scale land or water users. Environmental issues emerged as relatively minor concerns for most of the firms. There is little reason to see them as heavy polluters, but neither do they stand out in environmental conscientiousness – some more outstanding exceptions include organic producers.

Opportunities	Challenges
A potentially rich and relatively little used natural resource base: ample land with good soils, sufficient water. Given adequate care in negotiating agreements with local community and authorities, prime farmland can be available at low cost.	An immature institutional framework for private sector development, especially in the case of SMEs. A fairly closed political and economic elite and little practical public sector attention for smaller businesses. Also high level of corruption and irregular performance of public services
Government is in principle keen on promoting agribusiness development by FDI. Given suitable local knowledge and the right connections, several areas of opportunities are as yet little exploited.	Very poor level of agricultural infrastructure and support base means that many issues need to be handled by individual entrepreneurs that would elsewhere have institutionalized solutions.
Availability of under- or even unused land is suitable for biological agriculture; no exposure to fertilizers and other chemicals	Near absence of credit facilities for agriculture and high interest rates; also difficulties in securing land use rights.
Increasing domestic market as investment in extractive industries boosts demand with as yet few local suppliers.	But: beware the competition from South Africa! Prospective investors may overrate opportunities in industries without real domestic suppliers. In reality, much of the Mozambican market for agricultural produce is dominated by South Africa's powerful agro-industries that have virtually free access.
Presence of enabling institutions and organizations such as the Dutch embassy and development organizations such as SNV (local Agri Pro-Focus hub), as well as local Rabobank affiliate (Banco Terra). Programmes such as PSI can also help.	Limited size and scope of Dutch community, that is also spread over distant localities. Less of a 'home support base' than in countries such as Kenya and Ethiopia.
Proximity of South Africa (in Southern half of country) may give advantages in finding suppliers/buyers/expertise/partners.	Relatively high costs of living and operations due to market failure, low scale of supply and demand, and scattered locations of business with inadequate infrastructure.

Mozambique highlights

- Few Dutch businesses operate in Mozambique, also in the agro-sector. This is partly due to the polarized business climate with large multinational agribusinesses on the one hand, and a large family farming sector on the other.
- SMEs (including the Dutch) have difficulties operating in Mozambique, due to deficiencies in the institutional framework, infrastructure and support base, credit access, cost of operations, etc. There is a high rate of attrition.
- Many Dutch SMEs are related to and/or supported by development cooperation; investments are often driven by a mix of strategic and developmental motivations.
- Most Dutch entrepreneurs are motivated to create a positive local development impact, particularly in terms of community development. Business models that include large numbers of smallholders in their supply chain (e.g. out-grower schemes) are sometimes used to create a large-scale impact through income generation, training, knowledge transfer, etc., often with varying results. Large-scale land acquisition is generally seen as anti-developmental.
- Dutch SMEs in Mozambique are not only exporters; a relatively large part produces for the domestic market, which offers increasing possibilities.
- Certification is not a mayor issue among Dutch entrepreneurs in Mozambique, which has to do with the domestic market orientation on the one hand, and with the survey's inclusion of a number of service-oriented firms (consultancies, engineers) on the other. Mozambique does offer good opportunities for organic production, given the lack of inputs generally used.
- Employment has limited impact on achieving development impacts for the businesses studied: some of them do pay higher than average wages, but the number of people employed is low.
- Dutch investors have generally not acquired extensive land holdings in Mozambique and are not large-scale land or water users – most are not primary producers.
- Environmental issues are relatively minor concerns for most of the firms, which also has to do with the low number of primary producers among them. There are some organic producers; in addition, procurers and processors do take some measures to improve their environmental performance, but it is not a main preoccupation.

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Mozambique: list of interviewed entrepreneurs

	Ownership	Main activities	Sector	Year founded	No. of employees
1	Dutch (100%)	Maize, grains	Food crops	2005	363
2	Dutch (50%)/UK (10%)/Mozambique (40%)	Honey, honeywine	Food crops, honey	2010	(linked to nr 1)
3	Dutch-Zimbabwean (100%)	Cattle, fruits	Food crops, livestock	2001	
4	Dutch (100%)	Cassava	Food crops	2010	44
5	Dutch (100%)	Horticulture, medicinal leaves	Food crops, non-foods	2013	
6	Dutch – South African	Cattle, sugarcane	Food crops, livestock	2012	30
7	Dutch (100%)	Cashew kernels	Food crops	2002	0 (restarting, before 1500)
8	Dutch (100%)	Water services & technical assistance	Water & irrigation services	2005	12
9	Dutch (100%)	Irrigation engineering	Water & irrigation services	2008	4
10	Dutch (100%)	Management & advice on water supply	Water & irrigation services	2010	34
11	US (100%)	Agribusiness consultancy	Consultancy agro	2013	0

Mozambique: List of interviewed stakeholders (organisations)

- CEPAGRI (Centro de Promoção da Agricultura - Investment Promotion Center)
- Banco Terra (50% Rabobank)
- SNV (Dutch Development Agency)
- Agri Pro-Focus Mozambique
- CPI (Centro de Promoção de Investimento - Investment Promotion Center)
- National Directorate of Land and Forest (DNTF)
- Curso de Reciclagem de Paralegais (Paralegal Retrainement Course)
- Dutch entrepreneur through PSOM (not successful)
- Dutch entrepreneur through PSOM (not successful)
- Argentinian entrepreneur with 3 projects from PSOM/PSI
- British Company procuring cassava for cooking fuel
- Local supervisor on land issues
- Dutch Embassy Mozambique – various representatives
- Dutch entrepreneur through PSOM (not successful)
- Centro Terra Viva – Director and various representatives
- IFDC/2SCALE representative in Maputo
- Cotton Institute of Mozambique
- Representative of the Cotton Institute for Private Sector investments
- Micaia Foundation/Eco-Micaia
- UCAMA (Peasants Union of Manica)
- Manica representative National Directorate of Geography and Register
- Centro Terra Viva Manica
- ORAM (Rural Organization of Mutual Help)
- Management Catalytic Fund of the Beira Agricultural Growth Corridor
- German NGO representative (informal talk)
- SDAE (District's Service of Economic Activities)
- South African commercial farmer
- Centro Terra Viva Inhambane
- Public Environmental Debate on Traditional Mines
- Chicken enterprise from Nampula (with PSOM funds)
- Conference of the New Alliance for Food Security & Nutrition
- Development Agency of the Zambeze Valley
- Beira Agricultural Growth Corridor
- PUM Netherlands Senior Experts (Foundation)
- Bank of Mozambique
- Oxfam-Novib
- Action Aid
- Solidaridad Regional Office Southern Africa
- APA, National Federation of Agriculturers
- Project Coordinator; former Deputy Minister of Agriculture
- Royal Tropical Institute (KIT)

CSR in Rwanda: Pioneers in a transforming agriculture sector

(Dr Joris Schapendonk, Joëlle van der Pol MSc and Juliana Marquez Mancini)

Introduction

This report focuses on the development impact of Dutch (but also other foreign[8]) agri-businesses in Rwanda. It is part of a larger research project funded by Maatschappelijk Verantwoord Ondernemen Nederland (Corporate Social Responsibility Netherlands) that aims to gain a better understanding of how Dutch small and medium (SME) agri-businesses can contribute to sustainable and equitable development by incorporating Corporate Social Responsibility (CSR) elements in their business models and practices.

In the framework of this project, Rwanda has been a 'special case' from the start. While it exemplifies one of Africa's rapidly growing economies[9], initially very little was known regarding the involvement of foreign, let alone Dutch, entrepreneurs in the agro-sector. For this reason, and in contrast to the other country reports, this country case-study has been guided by three broader, and more explorative, research objectives:

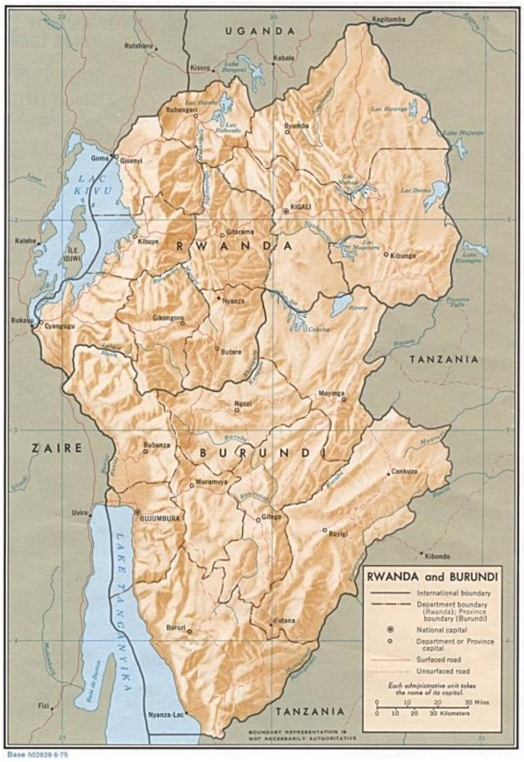
- To identify Dutch agri-businesses (varying from micro enterprises, SMEs and large enterprises) in Rwanda and to investigate their CSR involvement and its impact on local development
- To identify other foreign agri-businesses (with a focus on SMEs) and to investigate their CSR involvement and its impact on local development
- To investigate opportunities and obstacles for Dutch/foreign agri-businesses to invest in Rwandan agriculture

The information presented in this report is based on two fieldwork projects. First, two researchers of Utrecht University have visited Rwanda in the period January-February 2013. In addition, one International Development Studies student continued the research in the period February-May 2013. Besides the survey interviews with seven Dutch and nine other foreign entrepreneurs, in-depth interviews have been conducted with various actors, including Dutch and Rwandan government representatives, local experts on agricultural development, NGOs and consultants (see Annex 1).

A profile of Rwanda's agriculture sector

Rwanda is a landlocked country in central Africa with a population of almost 11 million people. While its centrally located capital Kigali is expanding rapidly, Rwanda is still very much a rural-based country. Official figures state that 85% of the population lives in rural areas, and 90% of the population cultivates at least one parcel of land (NISR 2012). The fact that Rwanda has only 2.3 million ha of arable land[10], in combination with the dense and still growing population, strongly underlines that land is one of the scarcest resources in Rwanda

[8] We only took into account non-African foreign investors.
[9] Rwanda has had positive GDP growth rates, varying from 3,5% to 13,4%, for the last five years (RDB 2012),
[10] Some reports, however, point at 1,4 million ha arable land (see also NISR 2012)



Map 4 Rwanda and Burundi

(NISR 2012; Ansoms 2010, Huggins 2012). This land is furthermore highly fragmented as 80% of households hold less than 1.0 ha of land (World Bank 2011, Ali, Deininger and Goldstein 2011). In addition, it is important to state that Rwanda's surface is mountainous. As a consequence, cultivation of (large plots of) land is not easy and erosion is more likely (World Bank 2011). Nevertheless, it is estimated that Rwanda's agriculture sector accounts for well over 90% of all food consumed in the country (RDB 2012).

The agriculture sector is the backbone of Rwanda's economy in terms of (self-)employment and production. It contributes for 32% to its GDP (at market prices in 2011) (NISR 2012), and the sector's production grew at an average of 4.9% in the period 2006-2010 (World Bank 2011). The overall state of the art of Rwanda's agriculture sector shows actually two realities. One the one hand it is still characterized by a limited level of commercialization, the presence of small farmers and fragmented productions. On the other hand, the sector is transforming substantially as it has recently shown an upscaling and professionalization of production and a growing involvement of foreign direct investments. The second reality is closely related to Rwanda's development road map Vision 2020, which will be discussed more in detail in the next section.

The limited commercialization is reflected by the fact that the share of total harvest sold (including the domestic market) is relatively low for staple crops (18.6%), fruit & vegetables (14.9%) and the so-called Crops Intensification Programme (CIP) crops (14.9%) (Box 8, see also NISR 2012).[11] The percentage of meat producers selling animal meat is even lower and is estimated at 3% (NISR 2012). The production of coffee and tea, two of the three traditional cash crops of the country, is commercialised to a higher degree. The export of these two crops equals 90% of the total agricultural export of Rwanda (RDB 2012, World Bank 2011). Both sectors have shown an impressive revival after two decades of declining quantity and quality of production (Ministry of Agriculture & Animal Husbandry and Ministry of Trade and Industry 2008). The total tea production increased with 14% per annum during the period 2006-2010, and for coffee this average growth figure reaches even 51% for the same

Crop Intensification Programme
The Ministry of Agriculture and Animal Resources (Minagri) has launched the Crop Intensification Programme in 2007 (budget RwF 9.0 billion). Its main goal is to increase agricultural productivity in six high-potential food crops (maize, wheat, rice, beans, Irish potato, cassava) in order to improve food security. Next to the use of improve seeds and fertilizers, this programme involves land consolidation policies. These policies imply that different farmers synchronize their cultivation of crops in lands that are rearranged by the government to form larger 'and more rational' holdings.
(www.minagri.gov.rw)

Box 8 Rwanda: Crop Intensification Programme

[11] Some staple crops, however, have considerably higher shares sold: rice (47%), beer bananas (39%) and sorghum (32%) (NISR 2012)

period (World Bank 2011). The latter increase has mainly been caused by an increased share of coffee processing, such as coffee washing factories (SNV 2012).

The overall limited level of commercialisation is also reflected in figures on foreign direct investments (FDI). Reporting on figures of 2010, the National Bank of Rwanda states that 46.3% of its total amount of FDI – RWF 313.9 billion[12] - is attracted by the ICT sector, followed by the finance and insurance sector (2nd place; 18.1%) and manufacturing (3rd place; 8,2%) (National Bank of Rwanda 2011). Attracting only 1% of its total FDI, the agricultural sector has been marginally important for this particular year (National Bank of Rwanda 2011, see also Figure 1). Several sources, however, claim that this low investment rate changed rapidly in the last two years. According to the RDB, the agriculture sector has received some US$ 78 million in investments (both domestic as well as foreign) in 2011[13] suggesting that it has become more important in terms of capital accumulation in comparison with 2010 (some sources point at a higher total sum for the same year, see Huggins 2012). For the year 2012, it is reported that the agriculture sector can be found at the top segment of economic sectors attracting FDI, with a total sum of US$ 98 FDI[14]

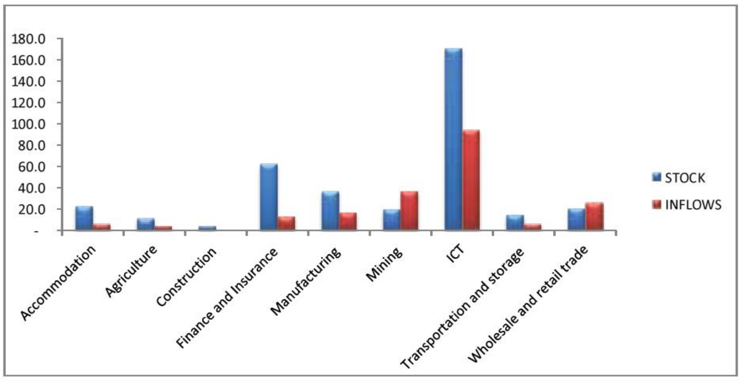


Figure 1 Foreign Direct Investment in Rwanda per sector, 2010 (RWF billion) (Source: National Bank of Rwanda)

Recent reports indicate that this substantial increase in FDI occurs simultaneously with transformations regarding the scale and specialization of agricultural production. The average shares of agricultural products sold has been higher in the year 2011. This particularly applies to the CIP crops, suggesting that the upscaling and commercialisation policies of the government have had some effect (see also next section). Moreover, Rwanda's livestock populations and the production of animal products have increased considerably (NISR 2012). The poultry population has, for instance, doubled between 2005 and 2010. Other livestock that has increased notably are rabbits and goats (while the numbers on cattle have remained relatively stable), and the fish production has been tripled between 2006 and 2011 (NISR 2012). Thus, while the commercialisation level of Rwanda's agriculture sector is still generally low, these recent developments indicate that it is profoundly transforming at the same time.

Institutional context

Vision 2020 is the main long-term policy framework of Rwanda and guides policies in the range of poverty reduction, education, private sector development and agricultural transformation. One of the most important policy pillars of this policy framework is privatization and fostering entrepreneurship. The Government of Rwanda states that it does

[12] RWF313.9 billion equals approximately $493 million.
[13] The government of Rwanda has invested continuously in the sector. Between 2008 and 2011 annual budget allocations have been increased from 4.2% to 6.6.% (World Bank 2011)
[14] http://www.newtimes.co.rw/news/index.php?i=15066&a=56391

not want to be involved in providing services and products that can be delivered more efficiently by the private sector. The privatization policies are the main reason for a healthy business and investment climate. In fact, for the last three years, the World Bank Doing Business Report has ranked Rwanda in the top three of easiest countries to do business in Africa (Doing Business 2013, see also National Bank of Rwanda 2011).[15] The Rwanda Development Board (RDB) particularly exposes the fast registration procedures, (as it only takes two days to set up a business), the promotion of export, and the equal treatment of foreign and domestic entrepreneurs (Interview RDB April 2013).

A second policy pillar of Vision 2020 is agricultural transformation. The government's road map to development explicitly aims to transform the agrarian economy into a knowledge-based service economy. This means in practice the upscaling and specialization of agricultural production. In other words, the number of smallholders needs to be reduced and they must be transformed into professional and modern farmers (Huggins 2012). These objectives are further developed in the government's Economic Development and Poverty Reduction Strategy (EDPRS I and EDPRS II), National Agriculture Policy (NAP) and the two Strategic Plans for Agricultural Transformation encouraging (collective) specialization and value chain development (SPAT I and SPAT II). For the animal production sub-sector, the government designed a separate strategic plan (Minagri 2004).

To increase agricultural productivity the government implemented a Crop Intensification Programme prioritizing six food crops: maize, wheat, rice, Irish potato, beans and cassava (website Minagri 2013) (see Box 8). This programme implies that small farmers, through land consolidation policy, are encouraged to produce one of the CIP crops and cultivate land in a synchronized way. Moreover, in an attempt to create a more specialized and commercialized agriculture sector, the Rwanda authorities are currently active in promoting the production of horticultural crops (fruits and vegetables, but also cut flowers), essential oils (petunia and geranium) and high value export crops (including macadamia nuts, vanilla, passion fruits and chili peppers) (RDB 2012). This shift from subsistence farming of staple crops to monoculture of high value crops represents a risk especially for smallholder farmers. Critical commenters point at the fact that these crop prioritization policies lead to imposed contract farming on the level of both cooperatives and households. In other words, while the local populations are rather sceptical about the outcomes in terms of their livelihood opportunities, they are imposed to grow specific crops individually or collectively (Huggins 2012).

The upscaling and commercialization of the agriculture sector is closely linked to the government's land policies. Vision 2020 directed at institutional and legal reforms in order to ensure security of land ownership as well as the development of a market in land assets (Ministry of Finance and Economic Planning 2000). Since then, institutional structures at national and local levels were created in order to implement a large-scale Land Tenure Regularization programme aiming to register all land through individual property titles (Ansoms 2010). This programme is considered as one of the most thoroughly designed land programmes in Africa (Ali, Deininger and Goldstein 2011). The legal basis of this programme lies in the Organic Land Law (OLL) aiming for one single statutory system of land tenure in order to end the dualistic division of customary and formal tenure systems. The law states that ownership of land is vested with the state of Rwanda and landholders are provided long-term tenure rights enabling them to sell, mortgage, lease and pass on their land. The land

[15] Rwanda scores particularly well in terms of the indicators 'starting a business', 'getting credit', 'protecting investors' and 'paying taxes'.

law also prevents the further subdivision of parcels less than 1 ha (Ali, Deininger and Goldstein 2011).

The important exceptions in the framework of the privatisation of land are the swamplands in low areas of Rwanda, covering some 10% of Rwanda's total territory, and hilltops that are generally reserved for woodland (Huggins 2012). The land law explicitly states that those areas belong to the state and may not be used by individuals. As no private property rights on fertile swamp plots can be allocated to individuals, the government assumes the role of principal swampland developer (Ansoms 2010, Veldman and Lankhorst 2011). These swamps are used by the state to put in practice their Crops Intensification Programme by establishing synchronized cultivation systems of monocrops. But the government has also been involved in controversial land deals with foreign investors (Ansoms 2010, Huggins 2012). For example, some 3100 ha has been sold to the Indian multinational Madhivani group for the production of sugar cane (see also empirical sections below) (Ansoms 2010, Veldman and Lankhorst 2011). Also the maize plantations of Bralirwa (the main national brewery, and partly owned by Heineken) and Minimex are located in Rwanda's swamplands.

The role of Dutch and other foreign agri-businesses in Rwanda

In this section we first outline the (limited) presence of Dutch agri-businesses in Rwanda's agro-sector. Subsequently, we broaden our focus to the role of other foreign agri-businesses.

Dutch agribusinesses

Although there exist several facilitating channels to attract Dutch agribusinesses to Rwanda, such as an Agricultural Counsellor at the Dutch embassy in Kigali, the Rwanda Chamber (a private organisation promoting investments in Rwanda) (see http://www.rwandachamber.org/), an Agri Pro-Focus platform (linking together Rwandan and Dutch farmers, NGOs, agricultural experts and financial institutions (see: http://apf-rwanda.ning.com/)), and the Netherlands African Business Council organizing (a) trade mission(s) to Rwanda, Dutch small and medium agribusinesses are remarkably absent in this country. In the broadest sense, we came across seven Dutch businesses in the Agri-sector (excluding consultants). We do not claim that this is an exhaustive list of entrepreneurs, but through our contacts with the Dutch embassy and with our snowball techniques we have not identified any other Dutch entrepreneur or business in the agro-sector. These seven businesses, furthermore, include two multinationals (Rabobank owning a 35% share of Banque Popular du Rwanda[16] and Heineken currently owning 40% of the shares of Bralirwa[17]), three micro enterprises having no or very few employees and having minimal commercial and development impacts, and one potential investor. The only enterprise that fits our initial research focus of Dutch SME agri-business is Minimex – a maize milling factory that is owned for 35% by a Dutch private investor. This factory employs 110 workers (60 permanent, 30 temporary and 20 casual) and has an annual turnover of more than RWF 2,5 billion (approximately $4 mln). Minimex and Bralirwa (partly owned by Heineken) have started a joint venture in 2008, called BraMin. This joint venture is financed by the PSI programme of the

[16] Banque Populaire du Rwanda is one of the largest banks in Rwanda with 191 offices throughout the country and some 1.3 million clients. It has a net income of RWF 1.6 billion (RDB website)

[17] Bralirwa is one of the largest companies of Rwanda having a 94% market share of the domestic beer market. Heineken has had a majority stake of Bralirwa (70%) between 1971 and 1990. Nowadays the official share division is Heineken International BV (40%), Beleggingsmaatschappij LIMBA (35%) and others (25%) (see www.bralirwa.com).

Dutch government (Agenschap.nl 2008). This particular business initiative aimed to increase maize production in 140ha of swamplands, which is evidently in line with the CIP objectives of the Rwanda government as maize is a prioritized crop (see also Van der Laan 2011).

As a result of the profile of Dutch entrepreneurs in Rwanda, we cannot conclude that the impact of Dutch businesses in the agro-sector is limited as there are two major investors involved. The presence of Heineken and Rabobank in Rwanda to a large extent explains the relatively high share of Dutch investments (5%) in the total stock of Rwanda's FDI (National Bank of Rwanda 2011). However, besides these two big actors, the role of Dutch agri-businesses in Rwanda is marginal.

Other foreign agri-businesses

Foreign investors have traditionally played a limited role in Rwanda's agriculture. This even applies to the three cash crops sectors; coffee, tea and sugar cane, but some considerable transformations are observed in this respect (see also United Nations 2006). Whereas coffee is still mostly produced by Rwandan smallholders and farmer cooperatives (SNV 2012), the tea sector has been privatized rapidly in the last few years (see for the policy framework OCIR-the 2006). The latter has resulted in several foreign parties investing in tea companies, examples are Westheim Tea Importers (US) investing in Sorwathe Ltd., LAB International (UK) investing in Pfunda Tea, and Jay Shree Tea & Industries Ltd (India) investing in Rwanda Mountain Tea. The same counts for sugar cane production. The Madhivani Business Group (India) has invested in the last 15 years some \$13 million in Kabuye Sugar Works, the very first Rwandese company to be privatised after the genocide (Ansoms 2010). Nowadays, this company alone produces 30% of Rwanda's sugar and it reaches a turnover of \$1,8 million annually (personal conversation February 2013). Next to these cash crops, recent investments have been made in biofuel productions as the government of Rwanda granted a 30-year land lease (10,000 ha) to an Anglo-American company producing the biofuel jatropha (Huggins 2012).

The involvement of foreign SME agri-businesses is still rather small, but seemingly on the rise as most SMEs in our sample are relatively young. Besides one Dutch medium agri-business, we included in our survey three American SMEs and one each from Canada, Belgium and India. Three out of the total sixteen businesses are active in two cash crops sector; tea and sugar and two others are involved in maize (a CIP crop). The rest covers a wide range of main products (see Table 1, and also next section).

An overview of the survey

In total we included seven Dutch agri-businesses in our survey (two multinationals, one SME, one potential agro-investor, and three micro-enterprises/hobbyists). In addition, we included nine agri-businesses from other countries (three multinationals and six SMEs) (see Table 1 for an overview).

One half of these sixteen businesses are single establishment firms, the other half are local establishments of a parent company or have no official legal status. The equity shares differ widely, from 35% to 100% owned by a foreign investor. In two Dutch cases, the 'foreign' element is relative as it concerns re-migrants with a Dutch passport or Dutch partner (see Table 1). The larger businesses have been long active as Rwandese businesses before foreign investors got involved. The SMEs and micro enterprises are remarkably young as nine out of

ten have been established in the last ten years, and four of them even in the last three years. Because of this fact, most SMEs have shown considerable increases in terms of turnover and number of workers in the past five years. With regard to the latter, the sample is rather polarized in terms of annual turnover with six businesses earning more than $1 million per year, and of these six businesses four earn more than $5 million per year. Seven others are found in the lower range of having an annual turnover of not more than $5000. This can be partly explained by the relatively young age of the businesses, but it also has to with the micro-scale of operations.

While the larger enterprises in the tea and sugar sectors get their main supplies from local farmers and out-growers, the SMEs have a more international supply chain. Examples are the American-owned fish farm importing its fingerlings from the Netherlands, an Indian-owned agro-chemical distributer importing its chemicals and veterinary drugs from China and India, a Belgian-owned mushroom farm getting its spawn from China, and a Dutch-owned maize milling company using technology from Switzerland. In the latter case, the maize supplied to the mill does partly come from local cooperatives, but also from the Rwandan and Zambian governments.

The picture is rather different when we look at the customer-side of the value chain. There we see that almost all agribusinesses sell their product mainly on the domestic market. The most important exception is the tea sector. Both tea companies produce tea for the international (and non-African) market. Over 95% of their tea is packed in Rwanda and transported to the East Africa Tea Auction in Mombasa (Kenya). Besides these tea companies, three other businesses export their products. Bralirwa, the largest domestic beer brewery of Rwanda, has an export rate of only 5% and their products go to Uganda and Eastern Congo. The Dutch maize milling enterprise exports some 33% of the products related to milled maize, mainly to neighbouring countries and the World Food Programme. Finally there was one agribusiness involved in informal export to the Eastern Congo. But, generally, it is safe to state that the agribusinesses in our sample focused predominantly on the domestic market.

We may also differentiate the different businesses in terms of employment offered. Self-evidently, the largest companies have the highest number of employees. The sugar cane enterprise had the largest number of employers (some 500 permanent and over 6000 casual workers). Bralirwa had also 500 permanent employees, but far less casual labour (1000). In addition, the tea companies have large numbers of permanent employees (respectively 500 and 550, see Table 1). The middle range of our sample shows a great variety in terms of quantity of labour as well as the character of employment (see Table I for the division permanent/temporal/casual workers). Thereby it is also important to note that, except from the one Indian owned distributor of fertilizers and veterinary drugs, all businesses employed mostly local workers.

CSR and its local impact in Rwanda

Our CSR indicators are divided in four dimensions: market relations, firm-worker relations, environment and firm-community relations. It is important to realize that the data reflect the perceptions of the entrepreneurs/respondents, rather than they present the result of an impact analysis.

In general, very few businesses incorporated explicit CSR strategies in their business models and policies. The clear exceptions are the larger players such as Bralirwa and BPR,

applying (and advertising with) CSR strategies, which are to a large extent guided by international CSR policies of respectively Heineken and Rabobank. Bralirwa, for instance, commits itself to a wide range of CSR activities, including the environment, engagement of employees and responsible consumption (see http://www.bralirwa.com/cms/index.php/brewing-a-better-future). BPR established a Local Community Fund spending in 2011 some RWF 107 million on community projects such as health care, education and infrastructure development. When we focus on the SMEs in our sample, however, we find less explicit (and less advertised) CSR contributions. The general view was that their most fundamental involvement in local development is the creation of employment and/or their inherent contribution to food security. With regard to the latter, increased production (they physical availability of food) as well as the improved accessibility (by the means of better loans) might also contribute indirectly to better conditions in terms of food security.

Market relations

For the dimension market relations the dominant relationship between the enterprises and suppliers is arm's length, and none of the actors involved in crops cultivation had certain product specifications established in contracts. At the same time, some seven enterprises encompass other relationships with their suppliers than the usual transactions. This had mainly to do with the transfer of certain skills (in five cases). Only two respondents stated to fully support their suppliers in improving social and environmental performances. Similar dynamics have been identified in terms of firm-customer relations. Furthermore, certification factors appeared to be not important for firm-customer relations (only two respondents stated that certain certification schemes are factors for customer selection). Certifications are almost exclusive of export products, in the case of this survey, specifically tea. Moreover, as the previous sector indicates, the supply chains of SMEs were locally embedded to a minor extent (the picture is different for micro and large enterprises). Several respondents complained in this respect about the underdeveloped supply chains and agro-infrastructure in Rwanda.

Firm-worker relations

In terms of firm-worker relations, it has been observed that the majority of agribusinesses in our sample tends to pay their workers a bit more than the usual local wages. Thereby we must note that some businesses are that large that they have a high impact on the definition of local wages (as a result, they are not considered paying higher wages than the local market). The respondents of SMEs indicated in particular that their wages were higher than other employers in the area. Only one out of seven identified SMEs paid their workers to the usual local standards, the other six paid higher wages. This would fit the notion that foreign companies, besides offering employment, may have an additional contribution to local economic development in the form of wage impulses. When we consider gender as another important component of responsibility in terms of labour, the results show less favourable results. Very few arrangements have been identified in terms of gender composition of staff and special arrangements for women, such as maternity leave. Only three businesses reached a gender employee division of 50%, the rest of the businesses had more (and sometimes far more) male employees.

Environment

In terms of the environmental dimension, it is important to state that the SMEs in our sample have obtained relatively small plots of land (we have one exception of a SME owning 700ha maize fields). Four out of nine small, medium or micro businesses using land for agricultural production (thus excluding distributors and retailers) owned less than 1 ha of land. Two had plots of approximately 5 ha of fruit plantations, and some other two owned plots of respectively 16 and 19ha. This land is privately owned, or de facto privately owned in case it involves long-term lease relationships of 50 and 99 years. Remarkably, all but one enterprises declared that they made careful use of land (11 indicated a self-assessment score 5 out of 5, 4 respondents did not answer this question).[18]

Water delivery in Rwanda did not appear to be a major issue in the context of CSR as rainfall and surface water were generally the most important water deliverers. Only one SME made use of an irrigation system, two others installed rain harvesting systems (one of them actually shared this water source with the community). Moreover, none of the SMEs had active systems to monitor environmental pollution (also the larger enterprises – with the exception of one - did not refer to such systems). Several enterprises, however, have applied other particular initiatives to limit their impact on the environment. Some produced their own power from compost waste, installed waste water pits, had active waste management regulations, or banned the use of pesticides. Only the larger enterprises, however, had active procedures to monitor compliance with environmental standards. In this context it is not very surprising that only few respondents (three) answered positively to the questions whether a negotiated compensation for the use of resources exists. For the others, the use of water and other resources appeared not to be major concern.

Producing Virus Free Plants in Africa
An American investor has had the dream for years to contribute to a better food security in Africa. He developed the business plan to produce virus free plants for different food crops (e.g. banana, apple, pineapple) and implemented the business in Rwanda in 2011. Their plants are sold to individual farmers as well as government programmes. These plants are produced by the means of natural selection (no genetic manipulation involved), but they are not organically produced (this might cause problems in terms of plants diseases). Although the enterprise is not involved in any particular community projects and no particular certification labels are implemented, one could argue that the main business objective of this enterprise is to have a positive impact on local development and food security.

Box 9 Rwanda: Producing Virus Free Plants in Africa

Community

The enterprises were generally very positive about their impact and relationships with the surrounding communities. This positive attitude of SMEs had often to do with the fact that they created employment and paid higher wages than other employers in the same area. One SME owner, for instance, referred to the fact that his business created structural cash flows in the community and, as a result, the houses of the community members improved considerably. Another entrepreneur also mentioned that he introduced his employees to the importance of having bank accounts to manage their economic incomes in a better way. Of the seven SMEs, two were active in terms of knowledge transfers, but none established some community projects (although one respondent stated to 'support' clean-up days). The larger enterprises, however, did expose their community projects (varying from planting trees, assisting infrastructure projects, implementing environmental education projects, initiating HIV prevention programmes, and being involved in humanitarian intervention).

[18] We did not gather statements on this issue from the micro enterprises/hobbyists.

In the framework of SME agribusinesses in Rwanda it is important to note that the surveyed entrepreneurs did not always define their local development impact in terms of CSR strategies. Some perceive their businesses as an inherent contribution to development. Their notions of community development practices are basically a matter of 'shared value', implying that the creation of economic value inherently creates value for society. Again, this is often related to their argument that they are 'doing good' in Africa by creating employment and paying relatively higher wages. In some cases, however, there are other development impacts to be found in the businesses. One example comes from an American agri-business producing and distributing virus free fruit plants. One of the enterprise's objectives is to have a positive effect on food security in Rwanda and, eventually, East Africa (see Box 9). Similarly, the maize mill with a Dutch co-owner enriches its maize flour with vitamins making (local) food more nutritious, for which it has won NGO grants for its contribution to world health and food security. Both enterprises, however, are primarily involved in these practices because it has a positive impact on the business annual turnovers. For this reason, the notion of 'shared value' fits well their strategies as they are predominantly the result of economic considerations.

Opportunities and challenges for Dutch investors

Considering the good business climate of Rwanda, the availability of relatively cheap labour, macro-economic stability, as well as the presence of facilitating actors in the Netherlands and in Rwanda, the question "why are there not more Dutch agri-businesses in Rwanda?" is justified. We used our survey results and qualitative interviews to identify some main obstacles for Dutch investments in Rwanda. Besides our fieldwork in Rwanda, we also contacted by email the agro-entrepreneurs who participated in the NABC trade mission to Rwanda in 2012. The following obstacles have been identified:

Scarcity and fragmentary character of land: Due to the dense population and far-reaching land tenure programmes, large plots of lands are not easy to obtain. To get a substantial plot, it is believed that one has to buy land from at least four or five different landowners. As it is outlined above, the swamplands and hilltops are the exceptions in this respect. In these areas, large scale land deals with the government can be made. For Dutch agri-businesses, however, it is probably easier and more profitable to do business in neighbouring countries were land is abundant.

Barriers to export: As Rwanda is a landlocked country, export possibilities are limited. Export by air is relatively expensive because of high flight commissions. Export by sea is possible via Mombasa (Kenya), but this brings in relatively high overland transport costs.

Underdeveloped value chains and agro-infrastructure: The agro-infrastructure in Rwanda is perceived to be underdeveloped and value chains are regularly seen as weak, or non-existent. Especially in the animal sector, the delivery of nutritious feed is considered to be a major problem. To establish a successful business, it is believed that one is required to invest in the whole value chain. According to the Rwanda Development Board, the low level of technology in the agriculture sector is a major bottleneck for foreign investments (Interview April 2013).

Small domestic market: For those entrepreneurs with an interest in domestic markets of African countries, Rwanda is less favourable for its relatively small market. This applies, for example, for animal feed producers.

Human rights record and regional instability: Some participants of the NABC trade mission were reluctant to invest in Rwanda because the government has a bad human rights record. Also the regional instability (notably Eastern Congo) leads to a notion of insecurity.

Government's involvement in agriculture: Although Rwanda is well-known for its favourable investment climate, the perception of some entrepreneurs pointed at an 'impatient government' intervening in, and disturbing, the agriculture market

Conclusion

In terms of the involvement of foreign investors, the agricultural sector of Rwanda provides a mixed picture. On the one hand, privatisation and production upscaling policies of the government make it more attractive to invest in this particular sector. Moreover, the foreign involvement in agriculture may become more significant in the near future as it is likely that recent investments have a positive impact on agro-infrastructure and value chain developments. At the other hand, investors and potential investors face many obstacles and challenges of which the scarcity of land, the limited export possibilities and the prominent/impatient role of the state in economic development are among the most important (see also Table 2). With regard to these obstacles, there are other sectors in Rwanda (such as ICT, real estate and construction) that have more favourable conditions for investments.

This Rwanda case study raises several interesting questions in relation to the new development policy agenda of the Dutch government. First of all, it is important to note that very few SMEs and micro businesses integrated CSR strategies into their business models. The general perception of these entrepreneurs is that 'they do good by doing business'. This implies that their notion of local development has predominantly (and unsurprisingly) an economic dimension, of which providing employment is the most important. Gender equality, for instance – as a key dimension of the new Dutch development policy agenda – is almost absent as a relevant development indicator in the context of the foreign agri-businesses. Moreover, from the perspective of the small and medium entrepreneurs, their business is responsible when they act in accordance to national labour and environmental laws, which are not necessarily in line with the principles/goals of Dutch development policies. The limited role of CSR principles in foreign SME and micro agri-businesses can partly be explained by the fact that most businesses are relatively young. In that sense, in case there are no supporting subsidies or grants involved, it is more likely that CSR principles are incorporated by well established businesses that are 'up and running', stable and profit-making for a longer period of time.

Interestingly, the few larger companies in our sample did pro-actively expose their CSR policies. This raises the question of scale of operation and CSR engagements. Our findings indicate that larger companies may incorporate CSR principles more prominently and more easily because of overarching CSR frameworks of parent companies, well-developed public relations mechanisms, and available budgets. Thus, in the sense of CSR engagements, 'big seems to be beautiful'. Incorporating CSR principles may also be more important to these larger companies because of the more significant negative social and environmental impacts (and the monitoring practices of civil society actors). In other words, they intend to 'do good' by compensating/lowering negative effects of their businesses, which is closely linked to advertisement and image-building matters.

A final issue that we would like to raise in the case of Rwanda is that CSR principles and practices are always embedded in a local reality. What is considered to be 'responsible' in the country of origin is not necessarily in line with what is considered 'responsible' in the country of operation. Some respondents claimed that their employees did not follow safety regulations that were seen as the minimum standard by the enterprise, some others indicated that taking care of the environment did not belong to the common practices of communities/employees (so why should they do so?). At the other hand, some conventional practices and CSR principles may not be positively received by local actors. Paying higher wages, for instance, may in fact create tensions within communities between employees and non-employees. In line with this, one respondent mentioned that a bonus can easily be seen as a 'corruptive act' in the framework of the government's ambition to fight corruption. Thus, being responsible as a foreign entrepreneur is not only a matter of following international standards and implementing certification schemes, but it also inevitably involves local negotiations.

Opportunities and challenges for investors in the agro-food sector of Rwanda

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

Rwanda highlights

- In line with the country's road map to development 'Vision 2020', the Rwanda government has implemented agriculture transformation policies that aim to upscale and specialize agricultural production. While the agriculture sector is still characterized by a low level of commercialization, these policies may result in new investment opportunities in the near future.
- Rwanda has a favourable investment climate, and the government is actively looking for investors in the agro-sector.
- Except for a few pioneering entrepreneurs, Dutch and other foreign SMEs are still largely absent in Rwanda. FDIs in the agro-sector mainly come from a few multinationals in the tea, sugar cane and beer brewing sectors.
- Land is one of the scarcest resources of the country and most of the land is highly fragmented, this makes Rwanda's agriculture sector rather unattractive to foreign investors.
- To the extent that SMEs are involved in CSR practices, it is mainly based on a 'shared value' principle, implying that economic value inherently creates value for society.
- The Rwanda findings indicate that larger enterprises incorporate CSR principles more prominently and more easily than smaller agri-businesses because of overarching policies of parent companies, available budgets and well-developed public relations mechanisms.

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Rwanda: List of interviewed entrepreneurs

	Ownership of enterprise	Main activity/ sector	Start of operation	No. of employees
1.	Dutch (75%)	Beer brewery and soda /maize	1959 (Dutch involvement since 1971)	1500
2	Indian (100%)	Sugar cane	1994 (Indian involvement since 1997)	6500
3	Dutch (35%)	Financial services	1975 (Dutch involvement since 2008)	+1500
4	UK (90%)	Tea	1982 (British involvement since 2004)	550 (permanent), 4500 (temporary/out-growers)
5	US (83%)	Tea	1975 (American involvement since 1975)	500 (permanent)
6	Canadian (100%)	Stevia	2011	164
7	Dutch (35%)	Maize milling	2006 (Dutch involvement in 2011)	110
8	US (55%	Fish Farming	2009	17
9	US (100%)	Virus free fruit plants	2011	32
10	Belgian (97%)	Mushrooms	2010	40
11	Indian (100%)	Agri-chemicals, fertilizers	2007	12
12	US (100%)	Dairy	2010	15
13	Dutch (100%)**	Fruits	Early 1990s	8
14	Rwandan/Dutch (100%)**	Pig farming	2009	1
15	Rwandan/Dutch (100%)**	Horticulture	2006 Out of business since 2011	1 (Out of business)

Rwanda: List of interviewed stakeholders (organisations)

- Dutch embassy in Rwanda
- Rwanda Development Board
- Ministry of Agriculture
- Fishery expert
- Rwanda Chamber
- Alliance Plus Consultancy
- National University of Rwanda
- Agri Pro-Focus
- Consultant micro-finance and economic development
- Agrosa consultancy
- Agritech distributors

CSR in South Africa: Opportunities and Constraints in a Middle-Income Country

(Ine Cottyn MSc, Sanne van Laar MSc, Esmée Avenhuis and Marlise van der Plas)

Introduction

This report is based on two fieldwork projects in 2013 and looks at the development impact of Dutch agri-businesses in South Africa. Dutch and local entrepreneurs and businesses were surveyed to investigate their CSR involvement and impact on local development and food security. Furthermore, interviews were held with various actors such as government representatives, NGOs and social organizations. In total, 28 surveys were conducted with entrepreneurs involved in floriculture, horticulture, food crops, wine, poultry and consultancy. Dutch entrepreneurs are already active in South Africa since a long time. They are mainly found within the field of flowers and horticulture either as growers or as technical experts.

This report will give an overview of the South African institutional context in which the entrepreneurs and businesses conduct their activities. After, their characteristics will be described. The incorporation of CSR elements in business practices and models will be analysed focusing on local connections, value chain responsibility, working conditions and the environmental effects of the specific businesses surveyed. Finally, this report investigates the opportunities and obstacles for foreign investment and CSR activities in South Africa.

A profile of South Africa

Considered a middle-income country with a well-developed infrastructure and an emergent market economy, South Africa knows a rising entrepreneurial and dynamic investment environment. Its export-based economy is the largest and most developed in Africa. The World Bank report on Doing Business ranked the country on 35th out of 183 countries worldwide in 2012. South Africa has made progress in dismantling its old economic system based on import substitution, high tariffs, anti-competition measures and government interventions. In the interest of promoting private sector investment, competition South Africa has reduced import taxes and subsidies to local firms as well as the abolishment of the non-resident shareholders tax (The World Bank 2013). The South African economy is rooted in the primary sector because of their huge natural wealth and good agricultural conditions. Since the fall of apartheid the growth has been mainly driven by the tertiary. Key economic sectors today include: manufacturing, retail, services, tourism, mining and agriculture.

The agricultural sector in South Africa has not been growing as fast as others, but is a critical sector for employment and food security in the country. The Integrated Growth and Development Plan (2012) by the Department of Agriculture, Forestry and Fisheries (DAFF) has been developed with a strategy for growth and development within the sector. Important changes are to be found in the size of the farms (which has grown) and an increasing emphasis on higher-value commodities, mainly horticultural crops (DAFF 2012). It is in this sector that a lot of Dutch knowledge and investment is found within South Africa. There is enough land (although in some places the prices of land have risen enormously during the last decades), but agricultural production is constrained by water availability. The sector is able to export part of their production, but it is not easy to compete with the rest of the world. The costs of labour, electricity and petrol are increasing at a rapid pace. Furthermore,

Map 5 South Africa

the South African farmers do not receive any form of subsidy, which makes competition with Europe a big challenge. Competition from other African countries like Kenya and Tanzania is also increasing, and these countries often have a more favourable and temperate climate. Labour costs in these countries often are lower than in South Africa, and as they are closer to popular export markets such as the US and Europe, they have a definite competitive advantage. Another hindering factor comes from other countries which dump their cheap produce on the South African market. An example of this is the poultry produce from Brazil, which is of very low quality and price.

Despite a GDP per capita of 8070 US$ (World Bank 2011), unemployment, poverty and inequality are major challenges for South Africa. The country has a HDI ranking of 121 out of 187 countries (UNDP 2013). The official unemployment rate now reaches almost 20% of the total workforce and 31.3% of the population lives under the poverty line (World Factbook 2013).

Institutional context

The department for Trade and Industry (dti) is the South African government department responsible for development and implementation of commercial and industry policy. Together with its subsidiary agencies they are responsible for the promotion of economic development, a competitive, equitable and socially responsible environment and international trade. The development of small, medium and micro-sized enterprises (SMMEs) and entrepreneurship has been prioritized by the government as catalysts of economic growth and development since the democratic transition in 1994. A number of measures are articulated in The White Paper on National Strategy for the development and promotion of small business in South Africa (1995), including training, access to finance, institutional strengthening and improvement of labour environment. Given South Africa's history of big business dominations, SMMEs are seen as a force against the unequal distribution of income and wealth by generating employment and enhancing productivity. Since the White Paper, some institutional reforms have taken

RSA-NED Horti Business Platform

In March 2013, the RSA-NED Horti Business Platform has been launched. As interest from the Dutch horticultural sector in South Africa kept increasing, Greenport Holland International, an independent foundation of Dutch horticulture businesses, knowledge institutions and government, started the initiative. Dutch knowledge and technique can be combined with South African expertise in the field to stimulate and upgrade the local sector. Special attention is paid to issues of sustainability, food safety and employment creation. The idea of this joined Platform took shape during two trade missions in South Africa where Dutch and South African stakeholders met.

(Greenport Holland International 2013)

Box 10 South Africa: RSA-NED Horti Business Platform

place with the establishment of the Small Enterprise Development Agency (SEDA). The B-BBEE (Broad-based black economic empowerment strategy) also has relevance to the small business development strategy by promoting black ownership (dti 2013).

Dutch entrepreneurs can, for example, use the Private Sector Investment Programme (PSI) to get Dutch development money to finance and support their investment. Explicit attention towards CSR practices is required in the project plan as a condition. Amongst the surveyed entrepreneurs, there were no examples found of companies making use of any kind of subsidy or external financing. One business was involved in a PSI project in the past, which is now a South African owned company.

The role of Dutch and other foreign agri-businesses in South Africa

The first and most obvious value of Dutch and foreign entrepreneurs entering the South African agricultural sector is the contribution of financial capital which stimulates the South African economy. Dutch entrepreneurs are specifically important for the agro-sector because they bring much expertise and skills. Since the Dutch sector is highly developed and constantly innovating, their activities in South Africa could bring the local sector more easily into contact with these new methods of producing. In the Netherlands practices are very much focused on efficiency and productivity. When a Dutch agricultural company starts producing more efficient than local players, this might push the local producers to become more efficient and productive too in order to keep up with their competition. In the long run, this may lead to a more productive South African sector overall. An example of how different Dutch and South African stakeholders give shape to this ideal is illustrated in box 10. However, Dutch entrepreneurs are an unfair competition for local businesses as this knowledge is not always freely shared. Dutch entrepreneurs are not only more focused on productivity and efficiency, they also bring a certain business practice to South Africa. In the Netherlands, it is self-evident to offer a working environment of a certain quality, while in South Africa this is not well established throughout the economy yet. The local sector will encounter the standards and quality of Dutch entrepreneurs to their employees, and again are driven to advance their own standards to keep their employees happy. A final important factor is the strong ties that Dutch entrepreneurs keep with the Dutch sector. Most Dutch entrepreneurs that started a business in South Africa have been active in the same sector in the Netherlands for years; therefore they have established close linkages within that sector. Since the Netherlands is one of the countries that buys South African agricultural products, these ties may help to facilitate or even increase the level of exports from South Africa to the Netherlands.

Characteristics of the entrepreneurs and enterprises

Two regions within South Africa are included in this research. In the Gauteng province Dutch entrepreneurs are involved in horticulture and floriculture. In the Western Cape province they are involved in more diverse business activities such as fruit and vegetables, flower growing and trading, and grape and wine farms.

The background of these entrepreneurs all varied, but mainly amongst the flower growers the entrepreneurs have a history in the flower business in the Netherlands. Some of them come from a family of flower growers; others even had their own businesses in the Netherlands. In general we can say that these entrepreneurs bring a high level of experience

with them. In other business sectors there were more newcomers found, for example in the production of wine and cheese.

Looking at the motivation of entrepreneurs to start their businesses in South Africa, these vary from the specific business opportunities and advantages that South Africa offers to personal motivations. For the horti- and floriculture enterprises, the search for new business opportunities and the availability of large plots of land at lower costs are the main reasons found. For the entrepreneurs that were previously inexperienced in their field, there are different reasons to be found. Some followed their loved ones to South Africa; others were just searching for a new challenge overseas. Many of the respondents also mentioned the historical ties with the Netherlands that are still strongly present in South African society. The climate of South Africa was mentioned both in terms of being a pleasant climate to live in and as being suitable for agricultural production. Many respondents who had a preference for Africa, mentioned that the possibility of landownership was a big pull-factor of South Africa, compared to other African countries. Those countries might have lower production costs, but do not have any legislation that enables entrepreneurs to acquire and own land. The last reason mentioned by the respondents, concerned South Africa's enabling business legislation which gives businesses the opportunity to grow faster than in the Netherlands. Most of the owners of businesses interviewed were middle-aged men. Only two Dutch companies were headed by women, but often the wives and children of the owners are shareholders in the company.

When looking at the investment history of the respondents, overall it can be said that Dutch entrepreneurs have ownership of the properties on which they operate. They all bought these from previous land owners. There have been few relocations, but most of the respondents did expand their business over time. Expansions of business were present both in terms of land, and the range of products offered, and all entrepreneurs argued that they always look for new investment opportunities to expand their business further.

Local connections

Generally, the value chains in which the companies operate are consolidated. All companies take up more than one function in the value chain and we often see that next to the growing of the actual product, the enterprises are also involved in storage, packaging and distribution. Companies that supply technical equipment frequently also offer a service regarding the equipment; this can either be training, construction, or a follow-up service. In the flower industry, the growers take up the function of producer, processor and distributor. In the wine sector, the processing of wine is often outsourced; there was only one firm that made their own wine in house. The group of respondents who deliver technical equipment are either importers, agents or processors.

Dutch entrepreneurs maintain relationships with suppliers and customers both in South Africa and abroad. Concerning suppliers, in general simple, standardized products are often sourced locally, while more complex products that can be adapted towards someone's preferences are sourced from the location which offers the best product and service. This can either be on the local market or from overseas. Next to the quality of the items, a determining factor in the search for a suitable and reliable supplier appears to be the service offered. While respondents said they do not change suppliers frequently, the relationships are often not based on a contract; but rather on mutual trust. Also, on the client side, the

relationship is mostly found to be based on mutual trust and there is rarely a contractual agreement that specifies the number of products that will be bought. The exception to this rule are companies that supply for the big retailers, who have a very strong position in the value chains in South Africa. Woolworths, for example, puts heavy demands on suppliers, who all have to comply with its FFF certification. Next to this, they can demand an exclusivity contract as one case in this research showed. Also other big clients, especially international ones, are seen to put this type of demands to its suppliers.

In the flower industry in Gauteng there is a big network of Dutch flower growers. A Dutch exporter of flowers argued that he prefers to source flowers from Dutch producers, because it is easier to communicate with them and, most importantly, because it is easier to agree on business terms with Dutch entrepreneurs. He argued that he had been sourcing his flowers from several Dutch entrepreneurs without setting up official contracts.

(B-B)BEE
The (broad based) Black Economic Empowerment is meant to broaden the participation, equity and ownership of all economic citizens, especially the previously disadvantaged. Although the black economic empowerment (BEE) legislation is part of the law, the enforcement by the government is not very strict. Many enterprises do not have a BEE-status, with the exception of those that were required to have one by their clients. Enterprises with a turnover of 5 million Rand and more automatically are BEE-compliant as well as companies doing business with the government. This since the government decided to start enforcement amongst the larger enterprises. Some enterprises have also said that they do not want a BEE-status and will therefore shift their profits or start another enterprise if their turnover rises above 5 million Rand. In general, the entrepreneurs were not very positive about BEE-legislation. In their opinion, the legislation is too one-sided, unclear and does not have the desired effect (dti 2007).

Box 11 South Africa: (B-B)BEE

Institutional context of enterprises – Local policy and legislation and the influence of certification schemes

South African law does not strictly demand certification schemes in the agricultural sector. However, there are some certification schemes and audits within South Africa that were used by the respondents. The most important are:

- (B-B)BEE (Broad Based Black Economic Empowerment)
- Siza (Sustainability Initiative of South Africa)
- Woolworths Farming For the Future (FFF)

These mainly focus on social issues and the environmental impact of the enterprises activities, including labour conditions. The (B-B)BEE is a government certification which specifically deals with inequalities due to apartheid legacy.

The exporting enterprises in particular are increasingly subordinated to the use of certification schemes. The European, and especially the UK market, demand certified products which enables them to trace where the product came from. The clients of farmers are therefore the main determinants in their behaviour and business practices. As competition is strong, the exporting farmers are forced to comply with these certifications to be able to sell their products. All South African based exporting companies go through South Africa's Perishable Products Export Control Board (PPECB) certification, which is unique in the world. Most

exporting enterprises further comply with the Global G.A.P. certification, which mainly focuses on safe and sustainable agricultural production.

Respondents who were not subject to any certification schemes, for example companies that deliver their flowers to the South African flower auction, are not lagging behind. The respondents argued that even though no one is forcing them to comply with all sorts of new standards regarding the environment and social issues, they still work towards improving these issues in line with existing certification schemes. Their motivation to invest in environmental and social improvement can mostly be linked to the entrepreneurial mind. They expect that these 'voluntary' audits and certification schemes will be applicable to all producers in the future, not only the ones that supply customers who demand compliance. Making sure that the company complies with all standards before it is mandatory to do so, gives them a head start whenever the audits do become mandatory. The second motivation was that in their opinion it does not harm the company to work responsible; it brings about satisfied employees, which is good for their productivity. Moreover, reducing impact on the environment often goes hand in hand with cost reduction, for example in minimizing the use of pesticides and chemicals.

Working conditions of employees in Dutch enterprises

The main and most difficult legislation the entrepreneurs have to deal with is labour-related legislation. All companies are bound to comply with the national Basic Conditions of Employment Act, of which a copy is required to be present at every workplace. The labour laws are quite extensive and are regularly monitored by the Department of Labour. Non-compliance with these laws can result in high fines, and therefore almost all entrepreneurs comply with them strictly. All the rights of an employee are specified, including issues around minimum wage, medical leave, holidays, working hours and maternity leave.

All enterprises stick to the minimum requirements for their workers. On average, farm labourers work a total of 45 hours a week, divided over five or six days per week. Employees have a right to 15 holidays per year, but often they do not receive these from the start. As many enterprises had problems with employees who claimed all their free days and never returned afterwards, they now often grant employees a certain amount of days per month worked. In general, employees get paid if they are sick, although almost all entrepreneurs require a doctor's note for that, for the same reason as described above. Most employees do carry the responsibility to pay for their medical bills, but often they can go to the state clinics for free. The standard maternity leave is four months. Health and safety regulations are very strict, and all enterprises adhere to these regulations.

The minimum wage for low-skilled farm workers in South Africa is officially set on R 7,71 per hour in 2012 but rises every year and will reach R 11,66 in 2014. Especially in the agricultural sector this has been fuel for many disputes with an escalation of violent strikes by the end of 2012. During these strikes, farm workers demanded a minimum wage of R150 a day. This has been an important demand especially for seasonal workers as they do not receive all the advantages of a permanent worker. Most of the interviewed entrepreneurs pay their employees on average 10 per cent above minimum wage.

The permanent employees always have a contract, and although the seasonal employees also have a right to a contract, this is regularly done via a labour broker – a person who functions as an agent between the employer and employees, to handle the

contracts and payments in the season. This is quite a controversial issue in South Africa, as many labour brokers still work in an illegal way and do not pay their employees enough.

Very few employees are members of trade unions. The main reasons are the high fee and the lack of interest of trade unions for small enterprises. In the agricultural sector, the percentage of organized labour is very low. Some enterprises did have labour committees on the farm, comprised of their own labourers and assigned to address important issues or to communicate changes to all employees. Some enterprises offered the possibility to contribute to a pension fund, but most employees prefer to receive cash contributions instead.

The added benefits employees receive come as performance bonuses, a house on farm premises (where often water and electricity is provided), day-care and schooling facilities, transport and training.

Contributions of Dutch entrepreneurs to local development and food security

A direct contribution of Dutch entrepreneurs to local development is employment creation. The enterprises often have a distinction between permanent and seasonal workers, because there are peak and low seasons. At some enterprises, seasonal workers keep returning every year, and at other enterprises these employees differ from season to season. Although some employees do not seem to be interested to improve their position or gain more knowledge, many enterprises had success stories of employees who had improved their own position through skill training. This investment in skills and education has a positive indirect effect on the workforce: employees have a higher level of skills and this has a positive impact on their future job opportunities.

As mentioned before, through value chain connections with local South African enterprises, a certain level of knowledge transfer can take place within and even across sectors. As Dutch companies often have a higher level of specialized knowledge and innovative techniques, the South African sector may learn from this. Knowledge transfer is mainly found when there is a close collaboration between the enterprises. Although this development has taken place, some Dutch farmers are also quite large and specialized, leading them to increase their market share and work local farmers out of business. At the same time we need to recognise that this knowledge is frequently being sold as a consultancy or service.

Towards the local community, most enterprises make donations to different projects: either in an individual way, or with longer-term projects. Other forms of investment in the community are through their employees, especially if they live on farm premises. These community investments are mostly coming from intrinsic motivation of the entrepreneurs, where they feel the need and responsibility to ‘do good’ and invest in the wellbeing of the community. Many entrepreneurs have also said that a happy community feeds back in the productivity and atmosphere on the farm.

Concerning food security, reference can be made to the contributions of Dutch entrepreneurs mentioned above. Because of their specific knowledge and skills and the transfer of these through the value chain, a higher productivity can be obtained. The assumption is that the employment factor contributes most towards food security of the poor.

Although we have to be careful with this statement: the wages paid for the low skilled labour this section of the population performs may not be enough to cover all costs a household makes. To keep employing instead of mechanising and the efforts made to pay more than the official minimum wage are then important contributions. Furthermore it is important to note that the Dutch entrepreneurs deliver a high quality of produce and services, catering for the higher class South African consumers or for export.

Environmental effects of Dutch investments and related production

South Africa is a country that is struggling with a water shortage, which makes it hard to farm, but it also pushes companies to be water-efficient during production. Most companies that use much water for production have boreholes on the farm or access to mountain water via a river or stream. One water efficiency measure taken by producers is the use of a more efficient irrigation system, which reduces the amount of water used for production and the recycling of irrigation water.

A second issue that has to be tackled is the use of energy/ electricity. The electricity in South Africa is provided by one company named Eskom. This state-owned company has a lot of power over the prices and supply of electricity. In 2007 the economy slowed down due to an electricity crisis because Eskom problems to meet the necessary demands. In recent years, the costs of electricity have risen dramatically and still continue on the same path. Eskom is coping with difficulties in capacity and demand is increasing rapidly. Electricity supply is therefore unreliable and is becoming a larger burden for the entrepreneurs, which forces companies to have back-up generators in place in case of a power black-out. Many respondents indicated that they try to cut back on electricity use by looking at alternative and/ or renewable sources. However, they all argued that the financial investment is not outweighing the costs at this moment. Eskom does not allow the excess of power generated through renewable source to be supplied back on the network.

A third change that took place in production and which contributes to a better environment is the cutting back on chemicals and pesticides. There is a shift towards biological predators where possible, and companies have systems in place that monitor their exact use of chemicals and pesticides to keep them at an absolute low. Some companies are obliged to change the use of some chemicals because laws are changing and this has forced them to start thinking about alternative systems to increase fertility and keep diseases away from their products. Nearly all enterprises have a waste separation and recycling system. All producing companies use their green waste to create their own compost, and other waste is separated and is collected regularly.

In order to motivate companies to work in a more sustainable way in terms of environmental practices, the environmental certification schemes, like Global G.A.P. (which is in place for exporting companies), or Farming for the Future (which is mandatory for suppliers of Woolworths), have already had a major influence. However, companies that do not have to comply with these standards in order to sell their products might only make efforts to comply with those standards that will reduce their cost of production. If national legislation would entail not only the basics, but a more extensive set of rules and regulation concerning the environment, this would definitely increase ‘green’ business practices of agricultural organizations.

Opportunities and constraints

South Africa is still strongly characterized by their apartheid history. Currently, the country tries to compensate previously disadvantaged people with the aim to move towards a more equal society. This has resulted in various legislations that also affect the private sector. As a result of land reform and redistribution, the country struggles with a large amount of emerging farmers. This means inexperienced farmers who now own a plot of land that they cannot manage or is not very productive. A major challenge is to include this group in the national market. One way the sector organizations think of solving this is through the re-instalment of cooperatives, where they can provide centralized storehouses and transport. Another opportunity might be through knowledge and technical expertise sharing or a system of out-growers. Furthermore, black economic empowerment laws try to ensure that enterprises employ a certain percentage of previously disadvantaged people, and that large enterprises have black people at the management level.

As a reaction to the farm worker strikes in December 2012 and January 2013, the Minister of Labour decided to review the sectoral determination of farm workers. The review led to an increase of the minimum wage by 52 per cent, from 69 Rand per day to 105 Rand per day. Although this increase did not meet the demands of the trade unions, a wage increase of 52 per cent is a high cost to handle for many farmers. The impact on the agricultural sector specifically should not be underestimated, as employers have to find ways to cope with these increasing costs. Secondary benefits might be cut, which means extra costs for employees. Enterprises may also push towards a higher productivity, either through higher skilled labourers or the use of less labour-intensive machinery. Both measures leading to higher unemployment at the bottom end of the labour force. Another threat are immigrants from neighbouring countries who come to South Africa and are willing to work at a wage below the national minimum and as such pose a serious competition for South African labourers. As the unemployment rate in South Africa is around 25 per cent, this development is quite threatening for the South African labour force. Although these developments were already taking place in South Africa, the wage increase of farm workers will only accelerate this process.

Although the labour legislation is strict and is well enforced, other legislation by the government is not as strictly adhered to. Therefore, this does not create a good structure and base from which the government can promote CSR. The government can play a larger role in stimulating and supporting enterprises to use socially and environmentally responsible business practices.

Where the government often fails, there are many NGOs and private organizations that promote and monitor social standards and strive for good working conditions for farmworkers. The Wine Industry Ethical Trade Association (WIETA) for the wine sector and Siza for Fruit are two examples. Also FairTrade label is gaining more ground in the country. The strong presence of trade unions in certain parts of the agricultural sector also ensures that there is pressure on the entrepreneurs to comply with labour regulations. This mainly takes place within the bigger companies.

A large motivation and pressure for enterprises to practice a CSR strategy comes from value chain responsibility through client relationships. The clients demand certain requirements and standards and ask enterprises to comply with their certification schemes. This highlights that the consumer in the end has the power to force enterprises into

responsible behaviour. The flower and wine sectors are highly competitive in South Africa, so for enterprises operating in South Africa it is most important to keep their client base satisfied. These exporting enterprises therefore do not have much choice other than complying with the social and environmental standards. Consumers all over the world, but especially in Europe, are increasingly demanding certified products and ask that the origins of a product are fully traceable. The presence (or absence) of chemicals and pesticides in food production is an important issue for many.

Many entrepreneurs articulated their concern about the increasing costs in South Africa in combination with the cheaper competition from other countries. The agricultural sector in South Africa is a tough sector, and many smaller enterprises have already been absorbed by larger ones. Enterprises are forced to be highly efficient, since their rising costs are not met by rising market prices. This results in entrepreneurs currently being hesitant to invest in other projects or to expand their business operations. Another factor that complicates this is the unpredictability of the government and its legislations. Many enterprises have voiced complaints that some legislation is unclear, or that some announced legislation has not been applied.

Opportunities and obstacles for CSR in the agro-sector of South Africa

Opportunities	Obstacles
Sustainable and efficient practices by Dutch entrepreneurs encourage local producers within its value chain	On the other hand, more efficient practices of foreign investors can push local enterprises out of competition.
South Africa as “a gateway to the African continent”	Competition from other African countries through lower costs of labour and distance to exporting markets.
Knowledge sharing through close cooperation	Knowledge is often offered to local enterprises at a cost (through consultancy)
Employment creation	Focus on employment might constraint efficiency and productivity
Efforts by NGOs, social organizations and sector associations	Government incapability to implement and control legislation
Competitive sectors encourage innovative and sustainable practices	Rising labour costs might force companies to mechanization, which means less employment.

South Africa highlights

- South Africa's export-based economy is considered the most developed in Africa. As a middle-income country South Africa has a well-developed infrastructure and the emerging market economy provides a dynamic investment environment in which entrepreneurship is stimulated. Many Dutch entrepreneurs have been active in South Africa for a long time and today they are mainly found in the horticultural sector.
- Although still considered an attractive country for investment, competition from other African countries such as Kenya and Tanzania is increasing. Their comparative advantage in labour costs, climate and proximity to the major export markets often make investors opt to move their business to these countries.
- Due to Apartheid history, South Africa is facing large inequalities within the country often coupled with extreme poverty among the previously disadvantaged. SMEs are promoted as catalysts for economic growth and development and seen as a potential force against the unequal income distribution.
- Exporting companies are increasingly subordinated to European and international certification schemes, while there are no strictly compulsory requirements demanded by law at the national level. Were the government fails to control good practice, however, NGOs and private organisations take initiative to promote standards striving for good working conditions and environmentally sustainable production. The power of retailers in this respect should not be underestimated.
- Most Dutch entrepreneurs make efforts towards good social and environmental practices regardless of certification schemes. Their motivation can be mainly linked to the entrepreneurial mind. Good labour conditions and sustainable use of water and electricity benefits efficiency and productivity.

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South Africa: List of interviewed entrepreneurs

	Main activity	Ownership	Start Operations	No. of employees
1	Poultry	Dutch (100%)	2008	6
2	Poultry and other	Dutch (50%) South African (50%)	2000	9
3	Poultry, food crops, non-foods	South African (100%) (Dutch/SA)	1991	350
4	Dairy and other	Dutch (100%)	1994	20
5	Food crops	Dutch (100%)	2002	100
6	Food crops	South African (100%)	2003	37
7	Food crops	South African (100%)	1982	313
8	Food crops	South African (100%) (Owner used to be Dutch)	1954	220
9	Food crops and other	Dutch (100%)	2004	8
10	Food crops, non-foods and floriculture	Dutch (80%) German (20%)	2008	10
11	Food crops and floriculture	Dutch (100%)	2009	105
12	Food crops and other	Dutch (100%)	2002	30
13	Other	South African (100%) (Dutch/SA)	1998	30
14	Other	Dutch (50%) South African (50%)	2008	11
15	Other	Dutch (100%)	2006	14
16	Floriculture	Dutch (100%)	2000	15
17	Floriculture	Dutch (100%)	2010	136
18	Floriculture	Dutch (100%)	1976	13
19	Floriculture	UK (100%)	1979	483
20	Floriculture	Dutch (100%)	1999	90
21	Floriculture	Dutch (100%)	1986	64+
22	Floriculture	South African (100%) (Dutch/SA)	2001	55
23	Floriculture	South African (51%) USA (49%)	1965	70
24	Floriculture	Dutch (100%)		11
25	Floriculture	Dutch (50%) South African (50%)	2003	25
26	Floriculture	Dutch/Polish (50%)	2005	4

		South African (50%)		
27	Floriculture	South African (100%)	2011	14

South Africa: List of interviewed stakeholders (organisations)

- Greenport Holland
- Consulaat Generaal Cape Town
- Netherlands Embassy Pretoria
- Joburg Fresh Produce Market
- Fairtrade Label South Africa
- Sanec
- Fresh Produce Exporters Forum
- Multiflora
- Department of Labour South Africa
- Department of Agriculture South Africa
- Agri West-Cape
- Siza
- WIETA
- Women on Farms

Annex: Overview of survey results

Table 1 Sample sizes

Country	Sample size
Ethiopia	22
Kenya	15
Mozambique	11
Rwanda	15
South Africa	27
Total	90

Table 2 Sample characteristics - farming companies

Country	Farming companies (#)	% of sample
Ethiopia	13	59
Kenya	8	53
Mozambique	3	27
Rwanda	8	53
South Africa	15	56
Total	47	52

Table 3 Respondent characteristics (% of sample unless otherwise indicated)

	Ethiopia	Kenya	Mozambique	Rwanda	South Africa	Combined
Nationality (%)						
African	27	7	-	7	11	12
European	73	80	82	27	63	64
Dual*	-	13	9	13	26	13
Other international	-	-	9	53	-	10
Missing	-	-	-	-	-	-
Age (mean)	44	43	56	-	47	45
Missing	-	-	64	100	11	28
Gender (%)						
Male	91	100	100	87	93	92
Female	9	-	-	13	7	7
Missing	-	-	9	-	-	9
Function (%)						
Owner	23	60	64	47	82	56
CEO/Director	-	-	9	20	-	4
Manager	68	40	18	20	7	31
Advisor/analyst/consultant	9	-	-	-	4	3
Other	-	-	9	7	7	4
Missing	-	-	-	-	-	1

* More than one nationality

Table 4 Owner nationality - combined

Nationality of owners					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	African	2	2.2	2.5	2.5
	Dutch	37	41.1	46.8	49.4
	Dutch dual	27	30.0	34.2	83.5
	Other European	5	5.6	6.3	89.9
	Other international	7	7.8	8.9	98.7
	Other dual international	1	1.1	1.3	100.0
	Total	79	87.8	100.0	
Missing	Missing	11	12.2		
Total		90	100.0		

Owner nationality (%)	Ethiopia	Kenya	Mozambique	Rwanda	South Africa	Combined
African	-	-	-	-	7	2
European region	41	73	36	40	48	48
Combined*	46	27	55	13	30	33
Other international	-	-	9	40	-	8
Missing	14	-	-	7	15	9

* More than one nationality

Table 5 Companies with at least one Dutch owner

Dutch owned company					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	64	71.1	81.0	81.0
	No	15	16.7	19.0	100.0
	Total	79	87.8	100.0	
Missing	Missing	11	12.2		
Total		90	100.0		

Table 6 Operation characteristics (% of sample unless otherwise indicated)

	Ethiopia	Kenya	Mozambique	Rwanda	South Africa	Combined
Sector (%)*						
Poultry	9	-	-	7	11	7
Food crops	18	67	73	33	33	40
Non-foods	-	-	9	27	4	7
Floriculture	45	13	-	13	52	31
Dairy	23	20	-	13	7	13
Other	27	33	55	27	30	32
Missing	-	-	-	-	-	-
Type (%)						
Single establishment	27	67	46	40	78	53
Local establishment or parent company	18	20	27	47	11	22
Joint venture	55	7	18	7	7	20
Other	-	-	9	-	-	1
Missing	-	7	-	7	4	3
Operations in respective country (years, mean)	7	7	6	16	17	11
Missing (%)	18	-	10	-	4	8
Total number of employees (mean)	543	39	84	1033	151	381
Missing (%)	5	-	5	-	1	7
Staff characteristics						
Employees (mean %) **						
Male	50.5	52	69	71	53	56
Female	49.5	48	31	29	47	44
Missing	23	-	56	7	7	16
Local	97	78	78	81	81	85
Domestic	-	23	-	6	2	6
Foreign	3	0.3	22	13	17	11
Missing	23	7	36	7	-	12
Foreign staff function (%)						
Owner	-	-	-	-	33	7
CEO/Director	-		-	-	-	-
Manager	69	50	-	11	-	41
Advisor/analyst/consultant	23	-	-	-	-	14
Technician	8	-	-	-	-	3
Other/multiple	-	-	75	89	66	34

Missing	-	5	9	7	48	18
Ownership (mean %) **						
Foreign	73	92	96	84	58	76
Domestic	27	8	4	31	42	24
Missing	-	-	-	27	7	7

*Some companies operate in more than one sector
** Represents an average of the percentages reported by companies. List wise exclusion used.

Table 7 Land use per sector

	Poultry	**Food**	**Non-food**	**Floriculture**	**Dairy**	**Other**
Companies operating in sector (#)	6	34	6	28	12	29
Companies with land holdings (#)	3	26	4	18	8	13
Total ha used in sector	265	9956	1363	640	270	1355
Farming companies only (combined total/mean ha)						
Ethiopia	65/45	1645/548	0	534/89	225/113	0
Kenya	0	238/34	0	7/7	0	0
Mozambique	0	500/500	0	0	0	500/500
Rwanda	-	777/371	1163/383	-	16/8	16/16
South Africa	200/200	2320/464	200/200	59/10	20/20	316/63
Combined (Total, mean)	265/88	5,501/306	1,363/341	600/46	242/41	817/163

Table 8 Companies that farm - combined

Does company farm?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	40	44.4	44.9	44.9
	No	49	54.4	55.1	100.0
	Total	89	98.9	100.0	
Missing	Missing	1	1.1		
Total		90	100.0		

Table 9 Working conditions (% of sample unless otherwise indicated)

	Ethiopia	Kenya	Mozambique	Rwanda	South Africa	Combined
Work hours						
Hours per day (mean, minimum)	8.4	7.9	-	8.3	8.4	8.2
Missing (%)	23	-	100	27	63	41
Union members employed (%)						
Yes	78	14	-	40	40	40
No	22	86	-	60	60	60
Missing	73	7	100	33	44	47
Wages (%)						
Company pay compared to local average pay						
Higher	79	58	80	67	64	69
Same	10.5	42	20	33.3	36	28.5
Lower	10.5	-	-	-	-	3
Missing	14	20	45	53	4	22
Wage change over time (%)						
Higher	89	36	-	25	83	64.3
Same	5.5	64	-	75	17	33.3
Lower	5.5	-	-	-	-	2.3
Missing	18	7	100	73	78	53
Benefits provided (%)						
Medical insurance	76	100	-	44	36	63
Missing	23	7	100	40	19	31
Wellbeing initiatives	94	92	-	91	100	
Missing	23	20	82	27	67	43
Training	76	100	100	91	100	91
Missing	23	13	64	27	52	36

Annex: All certification schemes found in countries

Table 10 Certifications, supplier end

Certifications - supplier					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	26	28.9	92.9	92.9
	No	2	2.2	7.1	100.0
	Total	28	31.1	100.0	
Missing	Missing	62	68.9		
Total		90	100.0		

Table 11 Certifications, customer end

Certifications - customer					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	38	42.2	42.2	42.2
	No	12	13.3	13.3	55.6
Missing	Missing	40	44.4	44.4	100.0
Total		90	100.0	100.0	

Table 12 Standards, certifications, best practices - combined

Standards, certification labels or best practices implemented by the firm					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	46	51.1	64.8	64.8
	No	25	27.8	35.2	100.0
	Total	71	78.9	100.0	
Missing	Missing	19	21.1		
Total		90	100.0		

Ethiopia

Table 13 Certification schemes used in Ethiopia

Name of scheme	Web address	Focus	Target	Description
Ecocert	http://www.ecocert.com/en	Organic farming, environment, fair trade, quality and safety Food and food products certification (also certifies cosmetics, detergents, perfumes, and textiles)	Producers	Conducts certification, private inspection, analysis and provides expert services One of the largest organic certification organizations Issues certificates for organic farming, IFS Food, GlobalG.A.P., EMAS, PEFC, VCS as well as ISO 14001, 9001, & 2600
Fairtrade International	http://www.fairtrade.net/	Trade justice	Smallholder producers, traders, consumers	Comprised of 25 member organizations Sets international Fairtrade standards Coordinates Fairtrade labelling at an international level Supports Fairtrade producers.
HACCP system Hazard analysis and critical control points	n/a	Food safety management system (not standard)	Food producers	Based upon 7 principles Requirements are set with global agreement by the United Nations Codex Alimentarius Commission ISO 22000 can be used to measure the success of a company's HACCP implementation
ISO International Organization for Standardization	http://www.iso.org/iso/home.html	Varies per standard	Producers	World's largest developer of voluntary International Standards Over 19 500 International Standards covering almost all aspects of technology and business ISO 17025: general requirements for the competence to carry out tests and/or calibrations ISO 22000: contains several standards focusing on different aspects of food safety management
KRAV	http://www.krav.se/System/Spraklankar/In-English/KRAV-	Sustainable agriculture, processing and trade	Farmers, fishermen, retailers and restaurants,	Incorporated Swedish association with 26 members Roughly 4 000 farmers and approximately 2 000 companies

			consumers	are certified to KRAV standards KRAV certified shops
SGF Sure – Global– Fair	http://www.sgf.org/en/home/	Sustainable fruit juice	Fruit processors, packers/bottlers, and traders/brokers	Focus upon quality, safety, authenticity and sustainability of fruit juices Certifies fruit processing companies, packers and bottlers, traders and brokers as well as transport companies and cold stores in nearly 60 countries Labelling standardization Audits food and labelling regulations compliance at member production plants using the Voluntary Control System
Veriflora program	http://www.veriflora.com/	Agricultural sustainability in the floriculture and horticulture industries	From seed to store: growers, workers, handlers and consumers	Certification and eco-labelling program administered by SCS Global Services (SCS) Accredited under ISO/IEC Guide 65, the international standard for third-party product certifiers. Fair labour, community benefits, product quality & safety, sustainable crops, resource conservation, energy efficiency, and Integrated Waste Management

Table 14 Standards, certifications, best practices - Ethiopia

Standards, certification or best practices implemented by the firm					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	10	45.5	55.6	55.6
	No	8	36.4	44.4	100.0
	Total	18	81.8	100.0	
Missing	Missing	4	18.2		
Total		22	100.0		

Kenya

Table 15 Certification schemes used in Kenya

Name of scheme	Web address	Focus	Target	Description
BRC British Retail Consortium	http://www.brcglobalstandards.com/	Food quality and safety	Manufacturers, suppliers and retailers	• BRC Global Standards are a group of 4 Standards for food, consumer products, packaging manufacture and storage & distribution. • Third party certification • Over 17 000 certificated suppliers in 90 countries through a network of over 80 accredited and BRC recognized Certification Bodies
GlobalG.A.P. (formerly EureGAP)	http://www.globalgap.org/uk_en/	Sustainable agricultural production: crops, aquaculture, livestock, chain of custody, plant propagation, and compound animal feed	Producers, buyers and consumers	• Certification system covers: o Food safety and traceability o Environment (including biodiversity) o Workers' health, safety and welfare o Animal welfare o Includes Integrated Crop Management (ICM), Integrated Pest Control (IPC), o Quality Management System (QMS), and Hazard Analysis and Critical Control Points (HACCP) • Database for validating certificates and checking producers • GLOBALG.A.P. Academy offers training for producers, buyers, auditors and consultants • Global network of more than 140 certification bodies
GFCP Gluten Free Certification Program	http://www.glutenfreecertification.ca/	Gluten-free food manufacturing	Manufacturers and distributers	• Voluntary certification program based on Canadian regulatory and private sector adopted Hazard Analysis Critical Control Point (HACCP) systems • Uses independent third party auditors • Canadian Celiac Association approves certifications

KEBS Kenya Bureau of Standards	http://www.kebs.org/		Producers	• Provides standardization and conformity assessment services through testing, calibration, inspection, and certification
KFC Kenya Flower Council	http://www.kenyaflowercouncil.org/	Cut-flowers and ornamentals	Producers, workers, importers, distributers and other affiliated services	• Voluntary association of independent growers and exporters • Platform for lobbying, industry self-regulation, and industry promotion and networking • Internationally accredited Code of Practice (CoP) for: agriculture, sustainability, social accountability, health and safety, capacity building, environmental protection and conservation • Producer membership of 67 flower farms (roughly 50 - 60% of the flowers exported from Kenya) • 50 Associate members from major Cut Flower Auctions and Distributors in UK, Holland, Switzerland, Germany and Kenya. Associate members are involved in the flower sector through flower imports, provision of farm inputs and other affiliated services.
ISO	Undefined	-	-	
Metalunie	http://www.metaalunie.nl/	Metals		• For small- and medium-sized enterprises • More than 13 000 members
SGS	http://www.sgs.com/	Food quality and safety: all aspects of agricultural production and food delivery	End to end supply chain actors	• End-to-end supply chain range • Inspection, testing, certification, and verification

Table 16 Standards, certifications, best practices - Kenya

Standards, certification labels or best practices implemented by the firm					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	11	73.3	78.6	78.6
	No	3	20.0	21.4	100.0
	Total	14	93.3	100.0	
Missing	Missing	1	6.7		
Total		15	100.0		

Mozambique

Table 17 Certification schemes used in Mozambique

Name of scheme	Web address	Focus	Target	Description
Fairtrade International	http://www.fairtrade.net/	Trade justice	Smallholder producers, traders, consumers	• Comprised of 25 member organizations • Sets international Fairtrade standards • Coordinates Fairtrade labelling at an international level • Supports Fairtrade producers.
SABMiller **Supplier Code of Conduct and Sustainable Development Standards**	http://www.sabmiller.com/files/pdf/Supplier_Code_of_Conduct_and_Sustainable_Development_Standards.pdf	Sustainable beer brewing	Suppliers, employees	• Operates on six continents; present in over 75 countries • Human rights, labour standards, business ethics, transparency, and environmental impact (carbon/water foot print, sustainable packaging, etc.) • Suppliers register with Sedex - the Supplier Ethical Data Exchange • Ethical audits by SABMiller or third party

Table 18 Standards, certifications, best practices - Mozambique

Standards, certification labels or best practices implemented by the firm					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	5	45.5	62.5	62.5
	No	3	27.3	37.5	100.0
	Total	8	72.7	100.0	
Missing	Missing	3	27.3		
Total		11	100.0		

Rwanda

Table 19 Certification schemes used in Rwanda

Name of scheme	Web address	Focus	Target	Description
CE Marking	http://ec.europa.eu/enterprise/policies/single-market-goods/cemarking/index_en.htm	Product compliance	Manufacturers, consumers	• Indicates a product's compliance with EU legislation • Enables the free movement of products within the European market
East African Standards	http://www.eac.int/	Undefined	-	-
ISO International Organization for Standardization	http://www.iso.org/iso/home.html	Varies per standard	All organizations	• ISO 1401: Rubber hoses for agricultural spraying • ISO 9001:2008: quality management system • ISO 22000: requirements for a food safety management system to control food safety hazards • ISO 22005: Traceability in the feed and food chain
Fairtrade International	http://www.fairtrade.net/	Trade justice	Smallholder producers, traders, consumers	• Comprised of 25 member organizations • Sets international Fairtrade standards • Coordinates Fairtrade labelling at an international level • Supports Fairtrade producers
GMP Good Manufacturing Practice	n/a	Best manufacturing practices	Businesses	• Production and testing practice that helps to ensure quality products
International	http://www.	Financial	Businesses	• Independent, not-for-profit

Financial Reporting Standards IFRS Foundation	ifrs.org/Pages/default.aspx	reporting standards		private sector organization • IFRS standard-setting body: the International Accounting Standards Board (IASB)
International Standards on Auditing International Federation of Accountants	http://www.ifac.org/auditing-assurance/about-iaasb	Auditing, assurance, and other related standards	Businesses	• IFAC standard-setting body: International Auditing and Assurance Standards Board (IAASB) sets international standards for auditing, assurance, and other related standards
OHSAS (Occupational Health and Safety) By The Occupational Health & Safety Group	http://www.ohsas-18001-occupational-health-and-safety.com/what.htm	Health and safety management systems	Businesses	• International occupational health and safety management system comprised of two parts: 18001 and 18002 • Certification and assessment
Rainforest Alliance	http://www.rainforest-alliance.org/	Sustainable agriculture	Businesses, consumers	• Certification, verification and validation
RBS Rwanda Bureau of Standards	http://www.rwanda-standards.org/	Internationally recognized standardization services	Businesses, consumers	• Public institution established by Rwanda Government • Responsible for all activities relating to the development of standards, quality assurance and metrology in Rwanda • Consumer protection • Trade promotion

Table 20 Standards, certifications, best practices - Rwanda

Standards, certification labels or best practices implemented by the firm					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	9	60.0	69.2	69.2
	No	4	26.7	30.8	100.0
	Total	13	86.7	100.0	
Missing	Missing	2	13.3		
Total		15	100.0		

South Africa

Table 21 Certification schemes used in South Africa

Name of scheme	Web address	Focus	Target	Description
(B-B)BEE (Broad-Based) Black Economic Empowerment	www.bbbee.com	Empowerment	Economic citizens	• Legislation to broaden the participation, equity and ownership of all economic citizens, especially the previously disadvantaged
GlobalG.A.P.	See Kenya table			
FFF Farming for the Future	http://www.woolworthsholdings.co.za/investor/gbj/2010/environment/f.asp	Sustainable agriculture / food production	Produce farmers	• Initiative of Woolworths Holdings LTD. • To advance efficient use of natural resources and the sustainability of the sector • Holistic approach, starting with the soil, that manages the entire farming process systematically • 96 farms were audited last year as part of the programme • 23 horticulture suppliers are being introduced to the programme
FSA Fruit South Africa	http://www.fruitsa-ethical.org.za/	Ethical trade	Producers and employees	• Body that represents the Fresh Produce Export Forum and the four growers associations in the fruit industry: o Citrus Growers Association, Hortgo, South African Table Grape Industry, and the South African Sub-tropical Growers Association o Grower associations represent approximately 5000 producers and 400 000 employees • Promotes ethical labour practices on South African fruit farms and pack houses • Performs awareness-raising and ethical audits within their FSA Ethical Trade Programme • Uses a single standard that is retailer driven • Global Social Compliance Programme (GSCP) Reference tools as the platform for its audit scheme

				• Audits are not a 'tick box exercise' - involves triangulation of evidence and interviews with employees on site
PPECB Perishable Produce Export Control Board		Certification and cold chain management	For producers and exporters of perishable food products	• Controls all perishable exports from South Africa • Independent service provider of certification and cold chain management services • National public entity constituted and mandated in terms of the PPEC Act, No 9, of 1983 to perform cold chain services • Delivers inspection and food safety services as mandated by the Department of Agriculture, Forestry and Fisheries under the APS Act, No.119 of 1990 • 3rd country inspection authority through the EU 1580/2001 standard • 50 service types, over 30 offices in 11 production regions, at more than 1,500 locations
SIZA Sustainability Initiative of South Africa	http://www.fruitsa-ethical.org.za/ (managed by FSA)	Ethical trade	Fruit industry growers, employees	• Internationally recognized certification for the improvement of farm working conditions • Aligns standards to South African law and benchmarks this against international requirements • Growers audited by independent third party and measured against locally developed and internationally recognized standards
WIETA		Ethical trade	Wine industry producers, growers, employees	• Multi-stakeholder non-profit to promote ethical trade in the wine industry value chain. Offers training, technical assessment and audits to assess compliance with its code of good practice • 19 wine brands currently accredited • Branching out to the wider agricultural sector

Table 22 Standards, certifications, best practices - South Africa

Standards, certification labels or best practices implemented by the firm					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	11	40.7	61.1	61.1
	No	7	25.9	38.9	100.0
	Total	18	66.7	100.0	
Missing	Missing	9	33.3		
Total		27	100.0		