

**UNIVERSITY OF NAIROBI**

**INSTITUTE OF DIPLOMACY AND INTERNATIONAL STUDIES**

**ANALYSIS OF THE INFLUENCE OF MNCs ON ENVIRONMENTAL POLICY OF  
KENYA**

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**REG NO:R50/6693/2017**

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DEGREE OF MASTER OF ARTS IN  
INTERNATIONAL STUDIES**

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## **STUDENT DECLARATION**

I Syprose Ochieng, the undersigned declare that this is my original work and that it has not been submitted to any other College, Institution or University other than the University of Nairobi for academic purposes.

Signed



Date.....

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This project has been submitted for examination with my approval as University Supervisor;

Signed..... Date.....

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## **DEDICATION**

I wish to dedicate this study to my family.

## **ACKNOWLEDGEMENT**

I would like to express a very special appreciation to my husband Erick Otieno for his undying support and encouragement throughout my study. Secondly, I would like to extend my gratitude to my parents Pamela and Hezbourne, my siblings and my son who have been of great support as well.

I acknowledge and wish to express my earnest gratitude to the University of Nairobi for offering me the opportunity and supportive learning environment to undertake my studies. But most importantly, I am extremely grateful to my supervisor, Dr. Shazia Chaudhry, for the support and academic guidance that has made this study a success. Above all, I thank God for the gift of life, good health, strength and wisdom to complete this study. My appreciation also goes to all my friends who supported and encouraged me in various ways throughout the whole program.

Lastly, to my family, thanks for the patience, love and support throughout my academic endeavours.

## **ABSTRACT**

The growth of Multinational Corporations (MNCs) in developing countries is becoming a challenge, especially in relation to the influence they are having on the state policies. MNCs control core businesses in mineral resource survey and exploitation as well as in other industrial sectors, due to their enormous financial strength and technical know-how to operate such activities. Developing states have been able to grow their wealth through the revenue collection, creation of employment, and development of infrastructure; however there is a negative aspect to this relationship since MNCs' activities shape lots of other spheres for instance the social, environmental and political balance of the society. This study analyses the influence of multinational corporations on environmental policy in Kenya. Whereas the discourse recognizes the reality that MNCs spot in the international domain cannot go away, this study provides reflections on the key challenges that the growth of MNCs pose environmental policies; the impact their activities have on environmental sustainability; and what measures MNCs have in place to ensure environmental sustainability. Kenya is still progressing with regards to issues of environmental conservation; the question that is not being asked is what makes Kenya an attractive destination for investors? And what does Kenya need to compromise in return to enjoy the benefits of this economic growth. As mentioned on the background information, MNCs prefer to operate in those states that have lax policies as compared to the policies in their home states which are stricter. It is from this premise that this research analysed whether there is some level of influences MNCs have on Kenya, and if these influences have any role on Kenya's Environmental Policy and what that means to environmental sustainability of Kenya. The study applied case study research design. Both probability and non-probability sampling methods were used due to the diversity of respondents which consisted of; NEMA, MNCs, Ministry of environment and forestry, state department of trade, and the local communities. The study used questionnaires and interviews for data collection and the data collected was analysed by means of Statistical Package for Social Scientists (SPSS) for quantitative data and content analysis for qualitative data. This research was steered by the neoclassical externality theory of environmental economic theory. After the analysis of the information collected in the study, majority of the respondents agreed that indeed MNCs play a significant role in the economy; however, there are major negative impacts of their activities on the environment. The study also established that MNCs have in place measures that promote environmental sustainability, and that most of the measures can be seen in the nature of corporate social responsibility initiatives. Finally

the study was able to establish that MNCs indeed have some level of influence on environmental policy in Kenya. The window for influence is created during the policy formulation phase since Multinational corporations are permitted by law to take part in the policy development discussions and hence their inputs plays a major role just as other stakeholders mentioned in the study. The study found that most corporations are normally more concerned about what these policies would mean to their businesses hence, they try to ensure that the policy being formulated is friendly and beneficial to their operations. Amongst other recommendations, the study recommended that further studies be done to determine how national environmental policy influences individual corporate environmental management policy and how this can improve compliance.

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## **ABBREVIATIONS AND ACRONYMS**

**BIT** Bilateral Investment Treaty

**CSR** Corporate social responsibility

**CRP** Centre for Responsive Politics

**EIA** Environment Impact Assessment

**EMCA** Environmental Management and Coordination Act

**EU** European Union

**FDI** Foreign Direct Investment

**GEO4** Global Environment Outlook 4

**GDP** Gross domestic product

**GOK** Government of Kenya

**GSM** Global System for Mobile

**ICSID** International Centre for Settlement of Investment Disputes

**IR** International Relations

**KEPSA** Kenya Private Sector Alliance

**MNCs** Multinational Corporations

**NEMA** National Environment Management Authority,

**NNPC** Nigeria national petroleum corporation

**OPEC** Organization of the Petroleum Exporting Countries

**SDGs** Sustainable Development Goals

**SPDC** Shell petroleum development company

**UNEP** United Nations environmental programme

**UNCTAD** United Nations Conference for Trade and Development

# **CHAPTER ONE**

## **1.0 INTRODUCTION TO THE STUDY**

### **1.1 Background of the study**

The influence of multinational corporations (MNCs) is manifested in the immense size of their revenues. Globally, approximately 40% of 100 greatest economies are multinational corporations and not states<sup>1</sup> and the effects of their ventures on the environment can be profound<sup>2</sup>. Multinational companies being powerful and prosperous on global economic trade have the tendency of playing governments against each other in order to gain flexible environmental regulations or equally they may apply strict environmental ideals needed in one Market around the world<sup>3</sup>.

The environmental circumstances in which imported goods are being produced are usually not transparent to customers hence hindering them from making informed decisions. In the event that the citizens or rather consumers perceive a company as unscrupulous they may boycott or even rally against it. Multinational cooperation have been defined by various scholars around the world, Root<sup>4</sup> defines Multinational Corporation as the parent company that is involved in foreign manufacturing via affiliate companies located in different countries. The parent company is above the affiliate companies and it is the one that controls policies, implement marketing strategies from investments, to production, commercials in terms of adverts and also staffing.

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<sup>1</sup> Transnational Institute (TNI). State of Power 2014 ; Keys, Tracey , et al. Corporate Clout 2013: Time for Responsible Capitalism.

<sup>2</sup> Global climate change Report. Carbon Disclosure Project (CDP) Sector Insights:What is Driving Climate Change Action in the World's Largest Entities?, 2013; TruCost. Natural Capital at Risk:The Top 100 Externalities of Business; 2013.

<sup>3</sup> Zoeteman, Kees, Wijen Frank, and Pieters Jan. An Overview of Globalisation and National Environmental Policy. 2005.

<sup>4</sup> Root, Franklin. 1994. <http://www2.econ.iastate.edu/classes/econ355/choi/mul.htm> (accessed May 25, 2019).

MNCs are enterprises that have taken part in overseas direct investment and have proprietorship and domination of its activities in various states<sup>5</sup>. They can be classified into three kinds; the vertically unified MNCs which manufactures productions in some amenities that serves as input into other amenities situated beyond national borders, the horizontally integrated MNC basically produce similar line of goods or services from every amenity in a number of places and lastly the internationally diversified MNC whose factory outputs are either horizontally or vertically linked<sup>6</sup>.

Walmart Stores, Inc. for instance has 2.1 million employees more than population of more than 100 states, and has yearly sales that are higher than the GDP of over 25 states<sup>7</sup>. Activities of MNCs have for a long time been acknowledged as fundamental to global expansion, due to the extent of their influence in human welfare, environment, and global commerce<sup>8</sup>. The study focuses on MNCs due to their immense potential to influence the environment and because, up until now, bigger corporations have been known to unveil more information<sup>9</sup>, since they are more discernable and likely to experience greater extents of stakeholders' scrutiny<sup>10</sup>. MNCs are also influential establishments that can guide outstanding quantities of research and development assets towards sustainability<sup>11</sup>.

An area that has attracted so much attention in Kenya is the corporate social responsibility (CSR), towards environmental initiatives. This is all in connection to the global environmental concerns regarding climate change<sup>12</sup>. After the United Nations Secretary General launched a global compact performance approach at the world economic forum in 1999, most countries began to take the environmental issues more seriously. Environment was listed as the main key areas that assess the trustworthiness of corporate citizenship. Other themes were labour standards, human rights and corruption issues. The laws that ensure that

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<sup>5</sup> Erwee, R. "Global Business Environment and Strategies: Managing for Global Advantage, International Management and Leadership." 2007: pp 174-203.

<sup>6</sup> R. E ,Caves. Multinational firms and economic analysis,1996; Teece, D J. Firm Boundaries, Technological Innovation and Strategic Management, 1986.

<sup>7</sup> Roth Kopf, David. "Inside Power, Inc.: Taking stock of big business vs. government, Foreign Policy." Inside Power, Inc. February 27, 2012.

<sup>8</sup> Brundtland, Gro Harlem. Report of the World Commission on Environment and Development, Our Common Future;1987.

<sup>9</sup> Belén, Fernandez-Feijoo, et al. "Commitment to corporate social responsibility measured through global reporting initiative reporting: Factors affecting the behavior of companies."2014: pp.244–254.

<sup>10</sup> Hahn, R, and M Kuhnen. "Determinants of sustainability reporting: A review of results, trends, theory, and opportunities in an expanding field of research." 2013: pp 5–21.

<sup>11</sup>J, Patchell; Roger Hayter. "How big business can save the climate." 2013: pp.17–22.

<sup>12</sup> Jan, Jonker; and Marco de (Eds.) Witte. Management Models for Corporate Social Responsibility, 2006.

the three key areas above are complied with have always been in existence, it is only the environment that has frequently been abandoned and its regulations ignored. Environment is the entirety of conditions and changes that affect the way things live and grow. Things here means both non-living and living such as rocks, air, water, composition, temperature, and soil acidity<sup>13</sup>.

Various assessments have been done by sectors and even at ecosphere levels concerning the health of the environment bearing in mind the extreme environmental changes lately. Assessment done by UNEP global environmental outlook GEO4 environment for development found that the earth surface is heating up and this is affecting food availability, water, biodiversity, increased death of people due to increased pollution, poor quality land, fresh water has decreased<sup>14</sup>. Sadly, it is most the poor are the ones that are more vulnerable to these changes in the environment. These changes are brought about by human doings and the increased globalization around the globe.

In 1999, Environmental Management and Coordination Act (EMCA) was enacted since there were no laws that ensured environmental management, even though the ministry of environment and natural resources were inexistence, they had no instruments to implement environmental management. The implementation of this act has been very slow that even today very few have been reported in courts despite the obvious widespread abuse of environment. Environmental management needs more than just the legal provisions but also the goodwill, creation of awareness and hands-on initiatives from citizens and multinational corporations and even local corporations.

Among other institutions founded by EMCA includes; National Environment Tribunal, Public Complaints Committee, County Environment Committees, National Environment Management Authority, and National Environment Action Plan Committees<sup>15</sup>. The National Environment Management Authority (NEMA) was instituted as the primary tool of government with the responsibility to execute every policy concerning the environment, and

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<sup>13</sup> Munyua, S J. M. , and J M Onyari. "Introduction to environmental management." Jomo Kenyatta Foundation, 1996.

<sup>14</sup> —. UNEP. 2007. <http://web.unep.org/geo/assessments/global-assessments/global-environment-outlook-4> (accessed May 26, 2019).

<sup>15</sup> Laws of Kenya. Environmental Management and Co-ordination Act. The Environmental Management and Coordination Act (EMCA), Nairobi: Revised Edition 2012.

to exercise overall management and coordination of environmental affairs. NEMA is also the Appointed National Authority for particular Multilateral Environmental Agreements.

In September 2015, the 2030 agenda on Sustainable Development Goals (SDGs) was adopted by the international community. The purpose of the 17 SDGs is to end poverty, safeguard the earth, and guarantee peace and prosperity for all. Nearly half of the SDGs are precisely environmental in emphasis or focus on the sustainability of ecological resources: health, food and agriculture, sustainable consumption and production, climate change, water and sanitation, poverty, energy, human settlements, oceans, and terrestrial ecosystems. The environment inspires every one of those goals, from eradicating hunger to lessening inequalities and to constructing sustainable societies around the globe<sup>16</sup>. UN Environment is committed to engaging all the concerned parties to accomplish the Agenda's goals and targets, especially those that had connection to the environment.

Kenya's national environment policy is very clear on environmental stewardship. With the increasing growth in number of MNCs in developing countries, trade and environment has become a critical subject due to both direct and indirect impacts that trade might have on the environment and humankind<sup>17</sup>. Compromises between economic rewards, environmental effects and social effects must be made with respect to multilateral trading system symbolised in world trade organization (WTO). Kenya is committed to international and regional trade relations. Hence, Kenya pledged to ensure that matters on environment are incorporated into regional and international trade negotiations and that resulting treaties are domesticated and environmental considerations mainstreamed into the National Trade Policy.

The environmental behaviour of MNCs is contentious. On the one hand, it has been claimed that MNCs take advantage of the differences in environmental guidelines of countries by finding murky ventures in states with relaxed environmental guidelines and by modifying their companies' environmental policies, technologies and ideals to resident state circumstances. Contrarily, it has been eluded that MNCs to a greater level self-regulate their environmental behaviour<sup>18</sup>. MNCs have some level of effect on the industrial guidelines of their home states and to some extent of the host states where they operate<sup>19</sup>. Nevertheless,

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<sup>16</sup> United Nations Environment Programme. Sustainable Development Goals. Annual Report 2015.

<sup>17</sup> Kenya National Environment Policy. "National Environment Policy." Nairobi, 2013.

<sup>18</sup> Petra, Christmann. "Multinational Companies and the Natural Environment: Determinants of Global Environmental Policy Standardization." (2004): pp 747-760.

<sup>19</sup> Baylis, J, and S Smith. The Globalization of World Politics: An Introduction to International Relations. 2001.

there is a major difference between the regulations of the home states where most of the MNCs are headquartered and those of host states where they involve in pollution-intensive businesses. Largely, developed nations have much stricter rules as compared to developing nations. It is argued that MNCs carry out their activities in developing states with considerably lax environmental principles than those adopted in their residence states<sup>20</sup>.

## **1.2 STATEMENT OF THE RESEARCH PROBLEM**

Environmental negligence is one of the most leading issues challenging host communities of MNCs engaged in the manufacture of economic goods and services. They have polluted the atmosphere which has furthered climate change, destruction of ecosystem among others. Multinational companies being powerful and prosperous on global economic trade have the tendency of playing governments against each other in order to gain flexible environmental regulations. These impacts negatively on the fight against climate change as well as offer numerous challenges in the calls for sustainable environmental regimes.

Multinational corporation have greater returns that outweighs most of the states GDP, this has given them the economic power over states more so the developing countries. Almost two decades back the annual gross revenue of General motors' companies was equivalent to the Gross National Product of Pakistan Switzerland, and South Africa joined<sup>21</sup>. It is vital to note that MNCs are some of the greatest funders of political parties and candidates<sup>22</sup>; therefore it is not far-fetched to assume that they would mostly like fund those political parties that have their interest at heart, and would put in place policies that are lax to ensure that their activities are not affected.

In 2015, the 2030 agenda on Sustainable Development Goals (SDGs) was adopted by the international community. Nearly half of the 17 SDGs are precisely environmental and focuses on the sustainability of ecological resources. The environment inspires every one of those goals, from eradicating hunger to lessening inequalities and to constructing sustainable societies around the globe<sup>23</sup>.

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<sup>20</sup> Morimoto, T. "“Growing Industrialization and Our Damaged Planet: The Extraterritorial Application of Developed Countries: Domestic Environmental Laws to Transnational Corporations Abroad." (2005): pp. 134-159.

<sup>21</sup> Hahlo, H R, and Et al. Naturalism and the multinational enterprise. 1997.

<sup>22</sup> OpenSecrets.org Center for Responsive Politics. Data on campaign finance, super PACs, Industries, Lobbying and political contribution. Research, Washington, DC: OpenSecrets.org, 2012.

<sup>23</sup> United Nations Environment Programme. Sustainable Development Goals. Annual Report 2015.

Kenya's national environment policy is also very clear on environmental stewardship. With the increasing growth in number of MNCs in developing countries, trade and environment has become a critical subject due to both indirect and direct effects that trade might have on the environment and humankind<sup>24</sup>. Kenya is committed to international and regional trade relations. Hence, Kenya pledged to ensure that matters on environment are incorporated into regional and international trade negotiations and that resulting treaties are domesticated and environmental considerations mainstreamed into the National Trade Policy. States exploits their natural resources in order to boost their economic development through the revenue obtained from these activities. Nevertheless, in Africa the exploitation of natural resources are usually conducted by MNCs who have shown no concern for the consequences their activities has on people in Africa<sup>25</sup>.

Kenya has grown over the years and is considered the most attractive destination for trade in east African region. Hence, the increase in number of MNCs venturing into the country. Kenya is still a working progress with regards to issues of environmental conservation; the question that is not being asked is what makes Kenya an attractive destination for investors? And what does Kenya need to compromise in return to enjoy the benefits of this economic growth. As mentioned on the background information, MNCs prefer to operate in those states that have lax policies as compared to the policies in their home states which are stricter. It is from this premise that this research will analyse whether there is some level of influences MNCs have on Kenya, and if these influences have any role in Kenya's Environmental Policy success or failure and what that means to environmental sustainability of Kenya.

### **1.3 RESEARCH QUESTIONS**

1. What are the impacts of MNCs activities/operations on the environmental sustainability in Kenya?
2. What measure have MNCs put in place to ensure environmental sustainability in Kenya and how effective are they?
3. What are the challenges posed by MNCs on environmental policy in Kenya?

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<sup>24</sup> Kenya National Environment Policy. "National Environment Policy." Nairobi, 2013.

<sup>25</sup> Africa Europe Faith & Justice Network (AEFJN). The Plundering of Africa's Natural Resources. Organization report, Brussels;Belgium: Africa Europe Faith & Justice Network (AEFJN), 2019.

## **1.4 OBJECTIVES OF THE STUDY**

### **1.4.1 Broad objectives**

1. To critically analyse the influence of MNCs on environmental policy in Kenya.

### **1.4.2 SPECIFIC objectives**

1. To study the impact of the MNCs activities on environmental sustainability in Kenya.
2. To explore the effectiveness of environmental measures by MNCs in ensuring environmental sustainability in Kenya.
3. To assess the key challenges posed by the growth of multinational cooperation on environmental policy in Kenya.

## **1.5 LITERATURE REVIEW**

### **1.5.1 Theoretical literature review**

Every researcher needs a framework to explain and interpret their findings and make meaning to the target audience of their work. Just as is the case with this paper, scholarly works have found solace in theories to help with the explanation of a research phenomenon, prediction of the envisaged outcome, and creating an understanding of phenomena under study<sup>26</sup>.

Theory can be defined as assertion of relationships amongst elements being observed or being assessed in the empirical sphere. These approximated units imply constructs that cannot be observed directly given their nature. Theory may therefore be looked at as a system of concepts and variables, in which the concepts are both interrelated by propositions and the variables are also interrelated by hypotheses<sup>27</sup>.

Despite its significance in the global dome, environment does not get the attention that it needs within the discipline of International Relations (IR). An assessment of most of the studies published in 20 journals between 2004 and 2014 that were of significance in IR agrees that environmental problems have mostly been overlooked<sup>28</sup>. IR theories such as world system theory and structural imperialism theory have been able to explain the magnitude of influence that MNCs have on states and their production nature, but mentions

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<sup>26</sup> Abend, Abend. "The Meaning of 'Theory'." *Sociological Theory* 26, no. 2 (2008): pp 173-199.

<sup>27</sup> Bacharach, Samuel B. "Organisational theories: Some criteria for evaluation ." (*Academic of Management*) 14 (1989): pp 496-515.

<sup>28</sup> Keohane, Robert O. "The Global Politics of Climate Change: Challenge for Political Science." *American Political Science Association Vol.48*, no. No. 1 (2015): pp.19-26.

nothing with regards to environment. Therefore the study will also apply environmental economic theories to help explain further the phenomenon under study.

## **World system theory**

Wallerstein a political scientist, in mid 1970s recommended a microscopic model that was to shade more light on the significant international changes as the result of the growing global system. He contended that societies, starting with Europe then through the globe, have been connected by a circle of imbalanced political and economic association for centuries<sup>29</sup>. These associations make the world system. Wallerstein argues that, we should examine the world system in wholeness and the association dynamics that involve the system rather than examining countries.

Emerging as a result from the criticism that Dependency theory, Wallerstein came up with the World Systems Theory as a result of recognition that the previously colonized nations remained more or less reliant on their former colonial masters leading to a situation where some states were exploited while others benefited<sup>30</sup>. This was after several attempts to have varied definitions in the author's work in 1974 prior to the stable definition in 2004.

The World Systems Theory exhibits three fundamental elements namely core, periphery, and semi-periphery countries where the core countries exhibit powerful dominance over the rest. As such, it could be argued that multinational corporations owned or whose members come from these dominant countries could have undue pressure on the states in which they operate<sup>31</sup>. The periphery countries on the other hand lack strong national government institutions or strength and are more prone to control from the core countries. The semi peripheral states on the other hand have both characteristics of Core and Periphery states.

World-system is a social structure with borders, congregates, structures, rules and regulations and consistency. Its features are like that of an organism as it has a lifetime when its features adjust in certain regards or remain constant in others. The system is formed out of contradictory energies that bind it by pressure and tears it separately as every single group strives to ceaselessly restructure it to its benefit. Life is generally self-sufficient and

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<sup>29</sup> Immanuel, Wallerstein. The Modern World-System: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century. 1976.

<sup>30</sup> Wallerstein, Immanuel. World-systems Analysis: An Introduction.2004.

<sup>31</sup> Ibid, 2004.

underlying forces of its advancement are mainly internal<sup>32</sup>. Wallerstein refers to world-system as world economy, which he argues is assimilated through the market as opposed to political centres, where two or more states are reliant with regards to provisions such as food, shelter or security, fuel and more than two states compete for control with no rising of one sole centre ever<sup>33</sup>.

The political aspect of the world-system, Wallerstein highlights that states are variables, components inside a system. Small states are manipulated by core states in pursuit of their interests. This is what Wallerstein means when he talks about the imperialism nature of the world system. Imperialism signifies the process by which weaker peripheral states are dominated by the stronger core states<sup>34</sup>. Hegemony can be defined as the existence of a single core state momentarily surpassing the rest of the states. The hegemonic dominances uphold steadiness of control and impose free trade provided that it benefits them.

The modern world-economy is pigeonholed by regular cyclical rhythms, which provides foundation to Wallerstein's periodization of modern history. After this present stage, Wallerstein foresees the rise of socialist world-regime, which he believes, is the only substitute world-system that would sustain a high-level of output and adjust the allocation by assimilating the phases of political and economic decision making<sup>35</sup>. This theory is relevant in that as the theory stipulates, the powerful nations mostly make corporations more powerful than the states which host them thereby a possibility of influencing the same dependent states policies become high.

### **The structural theory of imperialism**

The theory of structural imperialism was enhanced by Johan Galtung<sup>36</sup>. There are two crucial assumptions of structural theory of imperialism that makes it fit in explaining how MNCs influence foreign policy are that; first is that there is a remarkable inequality in and amongst states comprising the power to ascertain the living conditions and second that this inequality

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<sup>32</sup> Wallerstein, Immanuel. *The Modern World System I: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century*. 1974.

<sup>33</sup> Goldfrank, Walter L. "Paradigm Regained? The Rules of Wallerstein's World-System Methods." (2000): pp 150-195.

<sup>34</sup> Immanuel, Wallerstein. *The Modern World-System: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century*. 1976.

<sup>35</sup> Goldfrank, Walter L. "Paradigm Regained? The Rules of Wallerstein's World-System Methods." (2000): pp 150-195.

<sup>36</sup> Galtung, Johan. "Structural Theory of Imperialism." (1971): pp. 81 – 117.

is opposed to change<sup>37,38</sup>. The structural theory of imperialism borrows from world system theory that was advanced by Wallerstein. It presumes that the world consists of the core, and the periphery states, with every state sequentially having its core and periphery.

Galtung argues that there are elites in peripheral states whose interests correspond with those of elites in the core. These ‘cores’ or ‘centres’ in peripheral nations gives a bridgehead through which the core can enact its power of the periphery. Concerning culture, morals and attitudes, elites in the periphery are a lot closer to elites in the core than to the people in their own nations<sup>39</sup>.

Galtung tries to explain the idea of ‘imperialism’ by differentiating between interaction relationships and interaction structures which ensues in imperialism. He argues that the motive for interaction among states is the fact that they own diverse complementary resources that generates the demand for exchange. For instance, one state might have the resources fundamental for the manufacture of a specific product, whereas another might have the capacities and factories to produce the outcome. Both parties benefit when resources are traded. Disparity is broadened or created in an imperialistic relationship, if the exchange is increasingly unequal with regards to the profits for each party<sup>40</sup>.

Structural theory of imperialism supposed that there is division of labour, where the “daughter” firm in the Periphery state is mainly involved with making raw materials obtainable and acquiring markets for the mother corporation in the core state. And when the circumstance in the Periphery do not allow for this to occur, or when there is divergence of interest, the corporation communicates to its headquarters in the Core, which then pressurise the political elite in the core to take certain actions against the Periphery<sup>41</sup>.

To summarize, the main assumptions of the structural theory of imperialism, that makes it fit in explaining how MNCs influence foreign policy are that; one, there is great inequality in and amongst states including the power to establish the living conditions; two, that this inequality is opposed to change; three, that the world comprises of the Core and the Periphery

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<sup>37</sup> Bornman, Elirea, and Lucky Madikiza. "International communication: shifting paradigms, theories and foci of interest'." (2007): pp. 11-44.

<sup>38</sup> Howes, Isabelle Fourcroy. Who Is Riding Shotgun? The Influence of Multinational Corporations on International Negotiation Outcomes. Thesis, Senior Independent Study Thesis, Paper 251, 2013.

<sup>39</sup> Thussu, Daya Kishan. International communication: continuity and change. 2nd Edition. 2000.

<sup>40</sup> Galtung, Johan. "Structural Theory of Imperialism." (1971): pp. 81 – 117.

<sup>41</sup> Bornman, Elirea, and Lucky Madikiza. "International communication: shifting paradigms, theories and foci of interest'." (2007): pp. 11-44.

states, with every state having its core and periphery; four, that the core (elites) in the Centre states determines the Periphery nation; five, that international relations is concerned with power relations and domination, which rips state and links certain parts of it to each other in interactions of harmony, conflict of interests; and lastly, that the MNCS acts as conveyor instrument between the two centres.

Hence, with regards to foreign policy, structural theory of imperialism presumes that the MNCs will either help advance national interests of the core in the core nation, in the Periphery or operate independently, or that it will influence the core (elites) in the core state to act in a particular manner towards the core in the Periphery states to protect the interests of both the MNCs and its core state's interests in the Periphery state<sup>42</sup>. It is in this circumstance that MNCs are believed to have an influence on the foreign policy of their native states.

### **Environmental economic theory**

Concerning environmental policy there is a persistent discord, amongst economic production and environmental conservation. Hence, Environmental economic theory arose as a sub-field in economics to try settle the dispute and conserve both economic development and the environment. There are three pillars in environmental economics which are used to tackle almost all global environmental issues. The three pillars are; privatization theory, externality theory, and technological optimism. The study will use externality theory to explain how MNCs can influence environmental policies especially in developing countries.

Externality theory gained prominence with A. C. Pigou's book *The Economics of Welfare*, published in 1920. In his book, Pigou stressed the reality that under particular circumstances of production, the private net outcome and the social net outcome differed<sup>43</sup>. Neoclassical environmental economic theory asserts that, every environmental issue is built on market malfunctions. Like Tietenberg avers, "environmental problem origin can be found in the understanding that the behavioural roots of pollution crisis can be tracked to an unclear set of property entitlements"<sup>44</sup>. Dale while Echoing Tietenberg on the subject of water pollution, he says that, "We can now re-formulate the pollution of water and blame its complexity not on nature and the laws of fluids, but on man and his failure to devise property rights to the use of

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<sup>42</sup> Howes, Isabelle Fourcroy. Who Is Riding Shotgun? The Influence of Multinational Corporations on International Negotiation Outcomes. Thesis, Senior Independent Study Thesis, Paper 251, 2013.

<sup>43</sup> Pigou, Arthur C. *The Economics of Welfare*. London: Macmillan, 1920.

<sup>44</sup> Tietenberg, Tom H. "Transferable Discharge Permits and the Control of Stationary Source Air Pollution: A Survey and Synthesis." (1980): pp 391-416.

natural water systems”<sup>45</sup>. The reasoning behind this issue of pollution is that if appropriate mechanism of pricing resources could be reached, then market would be in a position to assign the right amount of pollution to every single resource.

### **1.5.2 Empirical Literature Review**

Substantial literature has been accrued on various countries in relation to Multinational Corporations (MNCs) and environmental policy consequences. This section will examine the effect of the MNCs activities on environmental sustainability, the measures put in place by MNCs in ensuring environmental sustainability how effective they are and lastly to determine the key challenges posed by the growth of multinational cooperation on environmental policy.

#### **1.5.2.1 Impact of MNCs’ activities on environment sustainability**

International trade and globalization are identical to each other, and the increasing international trade around the globe has furthered trade, the prompt manufacture and consumption of raw material goods in unrivalled magnitudes. This alone has burdened the environmental footprint of human kind activities around the globe. Environmental impacts of globalization are so clear for instance increased pollution, destruction of historical environment, unplanned urbanization or rather growing rates of slums in urban areas, overpopulation and the list is endless<sup>46</sup>.

There are two types of globalization. First is, globalization introduced by the International Monetary Fund and second is the participative globalization that arises through multinational corporations (MNCs). MNCs have played crucial function internationally by desegregating the global economy thus rendering their role in developing nations contentious in nature<sup>47</sup>.

Over the last two centuries cities have increasingly developed, cities are considered the roots of technology and innovation as well as instruments of economic development<sup>48</sup>. Continued growth of cities like London, Paris and New York are not coincidental, increased income in

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<sup>45</sup> Dales, John H. "Land, Water, and Ownership."(1968): pp 791-804.

<sup>46</sup> Huwart, J Y , and L Verdier. "What is the impact of globalization on the environment?, in Economic Globalization: Origins and consequences," 2013: pp 108-125.

<sup>47</sup> Iqbal, Muhammad Anjum. "Illusive and Regressive Globalization: Issues and Challenges for Pakistan's Economy." 2005.

<sup>48</sup> McMichael, A J. "The urban environment and health in a world of increasing globalization: issues for developing countries." 2000: pp 1117–1126.

urban areas, improved of technology and globalization has drawn people to the cities<sup>49</sup>. The process of urbanization adversely affects the environment, human life and future wellbeing of the physical environment. Conversely, globalization is threatening to worsen natural resource dilapidation and urban environmental pollution. Urban environmental challenges are an outcome of urban development activities that are connected to environmental challenges. These issues include<sup>50</sup>; air pollution, insufficient waste disposal managements, inadequate clean water, over population, poor sanitation and also impact of events in urban areas such as ecological interruptions, gas emissions and depletion of resources.

Environmental impacts of globalization affect all the city dwellers and the rest of the world, therefore good governance and enhanced urban lifestyles could support lower environmental challenges. However, the environment has perpetually deteriorated irrespective of the many global environmental conference, national environmental laws and multilateral environmental agreements<sup>51</sup>.

Most of the environmental issues in the present day are as result of human doings. Issues like pollution, degradation of ecosystem, climate change, loss of wilderness, depletion of natural resources and declining biodiversity are all human doing<sup>52</sup>. Through the help of science and technology human beings have continued to destroy the environment. Many resources have been put into place to increase the worth of environment and even more will be needed in the future. Regardless of the immense effort it is still uncertain whether these scientific and technological methods can adequately and efficiently solve various environmental predicaments<sup>53</sup>.

Humankind faces an awful and increasing disaster. The technological expansions in food production and enhanced plant breeding methods have not only improved the living conditions but also they have imposed unforeseen consequences on the environment<sup>54</sup>. Globalization has happened and every so often encouraged these developments of Industries,

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<sup>49</sup> Glaeser, Edward L. "Why Has Globalization Led to Bigger Cities?" The New York Times. 2009. [https://economix.blogs.nytimes.com/2009/05/19/why-has-globalization-led-to-bigger-cities/?\\_r=0](https://economix.blogs.nytimes.com/2009/05/19/why-has-globalization-led-to-bigger-cities/?_r=0) (accessed April 22 , 2019).

<sup>50</sup> Suresh, B S. "Globalization and urban environmental issues and challenges." Edited by M J Bunch and V M Suresh. Proceedings Book of the Third International Conference on Environment and health. 2003: pp 557 -561.

<sup>51</sup> Christoff, P, and Eckersley R. "Globalization and the environment." (Rowman & Littlefield) 2013.

<sup>52</sup> A, Cochrane. "Environmental ethics." The Internet Encyclopedia of Philosophy, 2007.

<sup>53</sup> Huesemann, Michael H. "Can pollution problems be effectively solved by environmental science and technology? An analysis of critical limitations." 2001: pp 271–287.

<sup>54</sup> Boers, R. "Globalization: In the era of environmental crisis." International trade forum magazine., 2010.

increased mass consumption and the need for increased energy for the rising global population which have contributed immensely to resource depletion, pollution, and decreased biodiversity.

In Africa, Nigeria for instance and most particularly the Niger delta region which is considered to be among the 10 oil producing areas in the world. With most of the oil producing industries concentrated around that region, the region is also uniting nine states of Ibom, Rivers, Cross Rivers, Imo, Akwa, Abia, Delta and Ondo. The main producers of oil are largely the Rivers and Delta with approximately 75%<sup>55</sup>. The communities in this region are primarily fishermen and growers who rely on the existence of the ecosystem. The province havens variety of flora and fauna, such as the fresh water, wetland forests, low land forest, mangroves etc. The oil companies that are operating in these regions together with the Nigerian National Petroleum Corporation (NNPC) are mainly European and US owned. They include Mobil, shell Petroleum Development Company (SPDC), Chevron, Agip, Elf and Texaco.

The adverse effects of the activities of the multinational corporations have rendered the whole Niger Delta environment and its environment unmanageable. While executing their industrial activities, they do not pay well enough attention to ensure waste treatment which ends up causing irreversible damages to the environment<sup>56</sup>. The concentration of the pollutants freed on the environment determines the severity of its effects in both the environment and mankind.

Poor land management and oil pollution in the region has caused the mangrove forest and the vegetation to diminish. The spillages happen close and around the drainage basin which makes it easy for the spilled petroleum to move up into areas of vegetation due to the movement and waves of the waters from both rivers<sup>57</sup>.

Gas flaring discharges huge amounts of methane, which has high contributes to global warming followed by greenhouse gas and carbon dioxide all of which Nigeria has emitted beyond 34.38 million metric tons in 2002 which makes 50% of all industrial emissions in the

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<sup>55</sup> World Bank. Monitoring environmental progress. A Report on Work in Progress. 1995.

<sup>56</sup> UNEP. Environmental Assessment of Oginiland. Assessment report, UNEP, 2011.

<sup>57</sup> Nwilo, Peter C, and T Badejo Olusegun . Impacts And Management of Oil Spill Pollution Along the Nigerian Coastal Areas.2007.

country. Even though flaring has been reduced in the west, it has increased in Nigeria consistently with oil production<sup>58</sup>. In Nigeria, gas flaring started in 1960s by Shell-BP concurrently with oil extraction.

Shell and OPEC is the greatest flarer of natural gas in Nigeria, other sources claim that only 50% is of associated gas is burned up through flaring, World Bank disputes this in its report, and it notes that Nigeria flares up to 75% of gas it emits<sup>59</sup>.

### **1.5.2.2 Environmental Measures put in place by MNCs.**

Corporate Social Responsibility (CSR) is a progressively crucial component in the business realm. Many peoples first intuition towards corporations is that they take advantage of the society and their customers. They believe that most businesses are just about profit making, and they do not care about the environment in which they operate, human rights issues and the surrounding society.

The definition of CSR has progressed overtime and differs across the globe. The notion might seem theoretical but to make it easier the main idea about CSR is the responsibilities corporates have to the society beyond profit making<sup>60</sup>. CSR can also be described as accountability of companies, to both their stakeholder and investors on their operations, treatment of employees and consumers and their influence on social and environment they operate in<sup>61</sup>.

In the early 1970s, Davis stressed on the significance of CSR. He stated that CSR refers to as corporation's reaction and deliberation to issues outside economic, legal, technical necessities of the firm<sup>62</sup>. He suggested that corporations should cautiously consider the effects their activities and the policies they bring to the public. Moreover, it is significant to contribute to the society rather than just focusing on profit making. These days, investors are not only concerned with profits, they also pay attention to various CSR attributes of accompany like ethics, human rights, governance and environment. These aspects also affect the future of the

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<sup>58</sup> Friends of the earth. Gas flaring in Nigeria: Human Rights, Environmental and Economic Monstrosity . 2005.

<sup>59</sup> World Bank. Estimated Flared Volumes from Satellite Data, 2007 - 2011. World bank, 2008.

<sup>60</sup> Quak, Sander, Johan Heilbron, and Romke Van der veen. "Has globalization eroded firms' responsibility for their employees? A sociological analysis of transnational firms' corporate social responsibility policies concerning their employees in the Netherlands, 1980–2010." 2012: pp 1-21.

<sup>61</sup> Federal Ministry of Economic Cooperation & Development. Corporate socail responsibility in sub-saharan Africa: A survey on promoting and hindering factors. Guiding Notes from Mapping Survey. 2009.

<sup>62</sup> Mehta, Sunita, and Surya Kant Sharma. "Where Do We Go From Here? Viewing Corporate Social Responsibility through a Sustainability Lens."(2012); pp 69-76.

company in the long run. It has been established that corporations that have higher standing and are more socially answerable have competitive advantage; and they also have higher revenue on investments<sup>63</sup>. These kinds of corporations are deemed high sustainability corporation in the research and their operations are much enhanced than the low sustainability corporations that are not environmentally responsive<sup>64</sup>.

Numerous MNCs have created well-rounded CSR programs, abided by to their regulations to carry out businesses ethically, promote economic growth, safeguard the environment, create employment, promote public awareness on certain issues, and bring social goods to the world<sup>65</sup>. CSR functioning of a corporation is gauged by the three-way end result, which consist of financial, social, and environmental. The social aspect measures the corporation's performance with regards to how it relates to its employees, surrounding community, and supplier's society. The financial aspect evaluates the firm's productivity by studying their financial statements. Lastly the environmental aspect focuses on the company's operations and how they affect the environment and also what the company does to ensure sustainability.

Conserving the environment and limiting the harmful wastes that corporations and its supply chain are generating is part of being a responsible citizen. This is also known as corporate sustainability<sup>66</sup>. With the increasing of environmental issues and global warming, many companies have taken the initiatives of integrating environmental measures and approaches in their business systems. Activities such as using solar power, reducing packaging materials, encouraging recycling programs, use of renewable energy and many other environmental friendly programs<sup>67</sup>. For instance cisco a company based in California, have a goal of ensuring energy conservation. They therefore have implemented a campaign known as "plan it right" which basically advocates for efficient energy use when designing plants and facilities. Today they have achieved the required energy saving standard of California and

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<sup>63</sup> Abel, P B, and J T Martelli. "What is CSR all about?" Global Conference On Business &Finance Proceedings . 2012: pp 86-90.

<sup>64</sup> Eccles, Robert G, Ioannis Ioannou, and George Serafeim. "The Impact of a Corporate Culture of Sustainability on corporate Behavior and Performance." 2011: pp1-57.

<sup>65</sup> Abel, P B, and J T Martelli. "What is CSR all about?" Global Conference On Business &Finance Proceedings . 2012: pp 86-90.

<sup>66</sup> Lajoux,, A. R., and Martel C Soltis. Sustainability Rising. NACD Directorship, 2013.

<sup>67</sup> Creel, T S. "Environmental Reporting Practices of the Largest U.S. Companies." 2010: pp13-19.

even gone beyond the expectation. What they are saving as a company is able to serve up to 5,500 households with power<sup>68</sup>.

Safaricom Corporation which based in Kenya believes that affairs regarding the environmental conservation and wildlife have been outdone by the extreme heights of poverty within the country. Therefore, the company through its CSR initiatives is supporting and assisting in environmental awareness by involving the communities through participation in some of these initiatives. Safaricom has provided wildlife tracking gadget using their GSM technology and they have also devoted 28 million Kenya shillings towards this service.

Also, they have invested in buying water tanks for women groups in Laikipia- Kenya to help reduce the adverse effects of drought which affects access to clean water in this region<sup>69</sup>. Now the women are able to use the water for domestic purposes and cultivation to improve their production. Also, Safaricom together with the communities around these regions have taken part in tree planting projects in Ngare Ndare forest. And they have invested close to 8million Kenyan shillings, to establish eco-tourism revenue generating initiatives that will then provide employments to the community.

#### **1.5.2.3 Key challenges posed by the growth of Multinational Corporation on environmental policy.**

Most countries have environmental policies, the problem though is always the implementation processes which are never satisfactory and need self-examination. Policy guide by environmental economist have fell in deaf ears, maybe because poor governance or just irresponsible legislators in implementing institutions. Most governments especially of developing countries would give priority to programmes that improves the living conditions and moving above the poverty line in order to meet basic requirements.

Environmental goals normally do not match with national priorities. Planning prospects are usually of short term while environmental effects require counteractive measures that are long term thus worsening the problem of integrating environmental consideration into

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<sup>68</sup> Kotler, Philip, and Nancy Lee. Corporate Social Responsibility: Doing the Most Good for Your Company and Your Cause. 2005.

<sup>69</sup> K, RUTH . “UON.” 2007.  
[http://erepository.uonbi.ac.ke/bitstream/handle/11295/21766/Kwalanda\\_Corporate%20social%20responsibility%20at%20Safaricom%20limited.pdf?sequence=3](http://erepository.uonbi.ac.ke/bitstream/handle/11295/21766/Kwalanda_Corporate%20social%20responsibility%20at%20Safaricom%20limited.pdf?sequence=3) (accessed May 23, 2019).

conventional planning process<sup>70</sup>. Populist ventures without proper sustainable basis have contributed immensely to destruction of environment in many developing countries.

Domestic restrictions to formulations and implementation of environmental guidelines in developing countries remain a challenge in environmental safety. MNCs may be contributing to development, but these contributions are determined principally by geographical or sectoral consideration with regards to commercial gains and not to assist the developing countries with their issues<sup>71</sup>. It has been observed that most private investors are so indifferent to the harmful environmental effects that results from their business ventures. In their rudimentary intention emphasised by maximization of profit they neglect to safeguard the environmental interest. Countries with substantial presences of MNCs and external investors, the policy positioning and preferences of the states are shaped by these MNCs and external investors. It is therefore safe to conclude that both internal and external dynamics remain strong constraints to implementation of straightforward environmental policy in developing countries.

MNCs can control state administrations through political aids and lobbying. Looking at USA for instance, the Centre for Responsive Politics (CRP) shows that in 2006 the state lobbying expenses were nearly \$2.6 billion, higher than 16% compared to two previous years and 62% higher since 2000<sup>72</sup>. The expense may even be much higher as lobbying expenses are hard to track. Big companies are also devoted funders to political campaigns. Among the top 100 contributors to state political candidates in the 2004 election phase, approximately half were Corporations while the others were organizations that stood for the corporate interests of the same corporations.

Political donations and lobbying can be very efficient in influencing state policy. For instance, the Centre for Responsive Politics (CRP) argues that donations and lobbying that comes from sugar farmers, mostly in Florida, have been efficient in keeping state financial support to the industry. Among the ten Senate and ten House affiliates that collected the most donations from sugar benefits all voted to have the sugar subsidies stay as it is<sup>73</sup>. The CRP approximates that sugar subsidies charge taxpayers at least US \$1.4 billion per year. It is also

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<sup>70</sup> Kumar, B B. India looking east Dialogue. 2007.

<sup>71</sup> Thingnam, Kishan. Look East Policy and India's North East: Polemics & Perspectives. India. 2009 .

<sup>72</sup> OpenSecrets.org Center for Responsive Politics. Data on campaign finance, super PACs, industries, Lobbying and political contribution. Research, Washington, DC: OpenSecrets.org, 2012.

<sup>73</sup> Ibid, 2012.

the sugar farmers that have the major political power and getting almost half of the sugar financial support.

### **1.5.3 Gaps in the literature**

Based on the reviewed literature the study identified the following gaps;

A number of studies have been conducted on MNCs in Kenya reporting on the impact of MNCs on the economy, the challenge of MNCs to the sovereignty of the nation-state and the impact of MNCs on the politics of the host country. The impact of MNCs on the Kenyan economy has also been expansively studied. Conventional studies MNC activities in Kenya have focused on determining the impact of their activities on variables that have influence economic development. Thus there is a gap on MNCs influence environmental policy.

For instance: Kaplinsky study on “whether the presence of extensive foreign investment in Kenya influences the economic independence of the state and whether the state intervention increases the contribution that MNCs make to the economy”; Langdon Steven on “the role of the MNC in development through the transfer of technology and accesses the effect of this technology on African countries”; Colin Leys studies “the relationship between MNC subsidiaries and the local industrial capital and the emergence of an African industrial bourgeoisie who have a stake in MNCs and the extent to which the State can interfere with MNC activity”; and Martin and Langdon study on “the increase in the number and size of MNCs in Kenya, their role in import substituting industrialization and effect on the social structure”. Basing on the theoretical review above, it is evident that IR theories have overlooked the issues of environment despite it being significant in the global dome<sup>74</sup>. The study had to look into other environmental related theories in order to explain better the phenomenon under study.

## **1.6 RESEARCH HYPOTHESES**

This study sought to test the following hypotheses;

H1. MNCs activities pose negative impacts on the environment and the local communities in Kenya.

H2. There is a positive correlation between measures put in place by the MNCs towards environmental sustainability.

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<sup>74</sup> Keohane, Robert O. "The Global Politics of Climate Change: Challenge for Political Science." (2015): Pp.19-26.

H3. There is a relationship between MNCs and environmental policy development in Kenya.

### **1.7 JUSTIFICATION OF THE STUDY**

Environment is very critical component of life, because it is the surrounding in which humans, animals, plants and other non-living things operate and coexist. Therefore, it is vital for countries to ensure sustainable environmental conditions for their citizens and future generations. This study will help the policy makers and more so in the environmental sectors to understand the dynamics that surrounds the policy process especially with the influence of multinational cooperation and how they can manage these influences in order to come up with policies that will ensure environmental sustainability even for future generations and not to focus on attracting investment that would jeopardise their environment in the long run.

This study will also be beneficial for academic purposes. Students interested in this area of study will be able to use the study as appoint of reference for their studies, and scholars who have interest in the same area of study will be able to obtain comprehensive understanding of the study and build more on it. So basically, this study will be important to the academic fraternity as a reference.

Lastly this study will be of great importance to the general public as it will help them understand more about the multinational cooperation and the influence they have on policies that states have and in this case the environment policy. MNCs are known for providing employment opportunities to the citizens of those countries they operate in and in many occasions the citizens are aware or may not be aware of how much they also influence the policies in those states especially the policies that may not be favourable to their nature of business. Therefore, this study will fill the knowledge gap and provide information for public awareness.

### **1.8 THEORETICAL FRAMEWORKS**

Environmental conflict is already phenomenon and will gradually influence international politics in fashions that conventional theories of IR cannot rationalize. That is why this study will focus more on neoclassical externality theory of environmental economic theory.

#### **Externality Theory of environmental economics**

Externality theory is the fundamental theory used to tackle environmental problems and to it has gotten enormous attention from economists. Externality theory gained prominence with

A. C. Pigou's book *The Economics of Welfare*, published in 1920. In his book Pigou stressed the reality that under particular circumstances of production, the private net outcome and the social net outcome differed<sup>75</sup>. Meaning, the net profits made from the private production of goods and services were higher than the real net profit society got. This contrast may perhaps only happen if private manufacture businesses were not acknowledging the total costs of manufacture and hence, passed some of the costs of manufacture on to the community. The consequence will be that the costs and prices of products will not correctly reveal the real costs of production hence; the economy is not distributing assets efficiently.

Social cost normally occurs at the end of the production process, or what is referred to as waste products. The waste products are also known as pollution in vernacular. Pollution is an undesirable externality described as “a cost of a transaction that is not shouldered by either the consumer or the seller. Since neither the consumer nor the sellers are obliged to identify the “true costs”, prices do not mirror these costs. Prices are the final judge of economic proficiency in neoclassical theory, and with market system having inaccurate pricing it cannot be sending correct signals to market members and hence effective allocation of resources cannot happen<sup>76</sup>.

When corporations do not have to face the cost of undesirable externalities, the following results arise; 1) excessive pollution, 2) discouragement of recycling and reuse of the polluting materials since releasing them into the environment is so inefficiently inexpensive, 3) greater production of products,<sup>4</sup> as long as the costs are external, no incentives to search for ways to yield less pollution per unit of output are introduced by the market,<sup>5</sup> Prices of the commodities liable for pollution are very low<sup>77</sup>. Basically, the commodities that contribute most to pollution are “under-priced”<sup>78</sup>. The moment these costs are justified for, “the market” will resolve the issue of pollution and effectively allocate resources.

Externality theory has been advanced since Pigou and has taken on well-defined ideologies. Substantial number of literature have expounded on the consequences of social costs, how social costs can be measured, and what ought to be done to oblige corporations to take note of the negative consequences of production on world. Social costs can be accounted for in four

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<sup>75</sup> Pigou, Arthur C. *The Economics of Welfare*. 1920.

<sup>76</sup> Goodstein, Eban. *Economics and the Environment*. 2005.

<sup>77</sup> Tietenberg, Tom H. *Environmental Economics and Policy*. 1994.

<sup>78</sup> Goodstein, Eban. *Economics and the Environment*. 2005.

basic mechanisms that include: 1) the use of saleable emissions licences, 2) enforce taxes on the quantity of pollution discharged, 3) offer subsidies to pay corporations that do not contaminate environment<sup>79</sup>, and lastly 4) allow “free market” mechanisms to resolve the pollution issues by permitting legal process to settle disputes<sup>80</sup>.

Neoclassical environmental economic theory asserts that, all environmental issues are based on market malfunctions. Like Tietenberg avers, “environmental problem origin can be found in the understanding that the behavioural roots of pollution crisis can be tracked to an unclear set of property entitlements”<sup>81</sup>. Dale while Echoing Tietenberg on the subject of water pollution, he says that, “We can now re-formulate the pollution of water and blame its complexity not on nature and the laws of fluids, but on man and his failure to devise property rights to the use of natural water systems”<sup>82</sup>. The reasoning behind this issue of pollution is that if appropriate mechanism of pricing resources could be reached, then market would be in a position to assign the right amount of pollution to every single resource.

The aim of neoclassical externality theory is therefore to impose the pricing system to work as would be the case if the market generated the prices of pollution and consequently efficiently apportion the right quantity of pollution to the ecological environments. Amongst the three theories discussed under theoretical literature review, Externality theory is largely the popular theory among conventional environmental economists for steering policy regarding climate change. It best explains the relationship between state actors and non-state actors (MNCs) especially with regards to who has more influence on the state policies. Externality theory was able to highlight some of the solutions that state can put in place to control the level of pollution from corporations in their countries. These guidelines involve taxing carbon emissions and cap-and-trade, offering subsidies, and providing emission permit. Every solution offered by externality theory needs state involvement; viewpoint of the state is needed.

Externality theory was able to highlight the adverse effects activities of MNCs can have on the environment and offered various solutions to help curb these effects. This study aims to

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<sup>79</sup> Cropper, Maureen L, and Wallace E Oates. "Environmental Economics: A Survey."(1992): pp.675-740; also Dales, John H. "Land, Water, and Ownership." (1968): pp.791-804.

<sup>80</sup> Coase, Ronald H. "The Problem of Social Cost." (1960): pp 1-44.

<sup>81</sup> Tietenberg, Tom H. "Transferable Discharge Permits and the Control of Stationary Source Air Pollution: A Survey and Synthesis." (1980): pp 391-416.

<sup>82</sup> Dales, John H. "Land, Water, and Ownership." (1968): pp 791-804.

assess the influence MNCs on environmental policies and this theory has been able to emphasise on the seriousness of the environmental pollution that occurs as a result of MNCs activities and who among the state and corporation have the power to spearhead the change they want to see . Even though the other theories emphasize more on how powerful MNCs are as compared to some developing states, externality theory believes that states are the key players and that their view point matters and is needed in the fight for environmental sustainability.

## **1.9 RESEARCH DESIGN AND METHODOLOGY**

### **1.9.1 Research design**

The study used case study research design. A case study is an exhaustive examination of individual group, organisation or phenomena<sup>83</sup>. Another author defines case study as a very influential method of qualitative analysis that comprises of careful examination of a social unit like as a corporation, family, institution, Ethnic group or even a whole community<sup>84</sup>. This then will ensure that the subject is not investigated using one lens but various lenses to allow for numerous aspects of the phenomena under study<sup>85</sup>.

The study adopted both quantitative and qualitative research method. Quantitative method describes a phenomenon by means of collecting numerical data that are analyzed using statistics<sup>86</sup>, whereas qualitative research methods focus on obtaining justifications of social phenomena. It aims at providing an understanding of the world we live in and why things are as they are<sup>87</sup>.

### **1.9.2 Study site**

The study was carried out in Kenya but specifically within Nairobi County and its environs. Nairobi is the capital city of Kenya and is located within 1°09'S 36°39'E and 1°27'S 37°06'E and inhabits an area of 696 square kilometres. It is the 10th-largest city in Africa, Habitat to thousands of Kenyan based enterprises and hundreds of major international firms, the Nairobi

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<sup>83</sup> Mugenda , G A, and M O Mugenda. Research Methods Quantitative and Qualitative. 1999.

<sup>84</sup> Kothari, R C. Research Methodology; Method and Technique,. New Age, India, 2009.

<sup>85</sup> Stake, R E. The art of case study research. Thousand Oaks,CA: SAGE Publications, 1995,also Yin, R.K. Case study research:Design and Methods. Thousand Oaks,CA: SAGE Publications, 2003.

<sup>86</sup> Aliaga, M, and B Gunderson. "Interactive Statistics." (SAGE) 2002.

<sup>87</sup> Beverley , Hancock . "Introduction to qualitative research." In Trent Focus for Research and development in primary health care: An Introduction to qualitative research, by Hancock Beverley. Trent focus group, 1998.

Securities Exchange (NSE), international organizations such as the United Nations Environment Programme (UN Environment) and the United Nations Office at Nairobi (UNON). According to 2009 census, Nairobi had a population of over 3,138,369. The city is widely known as the Green City in the Sun.

### **1.9.3 Population of the study**

The researcher's targeted population comprised of the Ministry of environment and forestry, state department of trade, NEMA officials, local communities and MNCs operating in Kenya. Kenya hosts nearly two hundred and twenty six foreign MNCs. More than 70% of the MNCs are situated in the capital city Nairobi especially Industrial Area, whereas the rest are in Upper Hill, Westlands, Parklands and Mombasa road<sup>88</sup>. Kenya and especially Nairobi is attractive to the MNCs mainly because of its central location in East and the rest of Africa, and a fast growing pool of skilled manpower among others. The laying of the fibre optic cables has also facilitated a lot, as it means faster and cheaper internet that is convenient in communication with parent companies.

The number of registered companies in Kenya according to Nairobi security exchange (NSE) is 67<sup>89</sup>. Among the 67 registered companies the researcher only focused on 20 MNCs that are in the manufacturing, energy and petrol, construction, commercial and services sector.

**Table 1: Target population**

<b>Population Category</b>	<b>Frequency</b>	<b>Percentage</b>
MNCs	20	20
NEMA	10	20
State department of Trade	5	20
Ministry of environment and forestry Senior official	5	20
Local community	200	20
<b>Total</b>	<b>240</b>	<b>100</b>

Source: Author (2019)

### **1.9.4 Sampling techniques**

This study applied both probability (systematic sampling) and non-probability (purposive sampling) sampling design. Purposive sampling method was used to identify respondents at

<sup>88</sup> Samuel, C. M. Strategies adopted by Multinational Corporations to cope with competition in kenya. Research thesis, Nairobi: Unpublished MBA project, 2010.

<sup>89</sup> Nairobi Security Exchange. 2019. <https://www.nse.co.ke/listed-companies/list.html> (accessed May 22nd , 2019).

the Ministry of environment and forestry, state department of trade, NEMA, MNCs and the local community involved in the study. After which the individuals from the local communities that participated in the study were identified through systematic sampling method.

#### **1.9.4.1 Purposive sampling method**

Purposive sampling method is broadly used in qualitative research to aide in the identification and collection of rich data that is most effective at limited resources<sup>90</sup>. Purposive sampling involves classification and selection of individuals or groups of individuals that are considered knowledgeable in an area of study or are experts of a phenomenon of concern<sup>91</sup>. In addition to information and know-how, Bernard<sup>92</sup> and Spradley<sup>93</sup> states the significance of accessibility and willingness to take part in the study as well as the ability to share experiences and views in an articulate, open, and thoughtful manner.

#### **1.9.4.2 Systematic Random Sampling**

Systematic sampling design is mostly used for homogenous population. Differently from simple random sampling, not every element has equal probability of being included. The elements are chosen at a regular interval<sup>94</sup>.

Two hundred local community participants were selected on the basis of how close they lived to the MNCs identified as respondents for the study. All the community participants had common characteristic which was that, they shared the same neighbourhood with the MNCs under study. Once they were identified, the researcher systematically decided on the interval; 2<sup>nd</sup>, 4th, 6th, 8th, 10th element as respondents since the list of the population was not possible to obtain.

### **1.9.5 Data collection and analysis**

This study used both primary and secondary data. Primary sources are original elements to the subject under study<sup>95</sup>. The researcher administered questionnaires and conducted interviews with the relevant respondents.

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<sup>90</sup> Patton, M Q. Qualitative research and evaluation methods. 2002.

<sup>91</sup> Cresswell, J W, and Clark VL Plano. Designing and conducting mixed method research. 2011.

<sup>92</sup> R, Bernard H. Research methods in anthropology: Qualitative and quantitative approaches.2002.

<sup>93</sup> Spradley, JP. The ethnographic interview. 1979.

<sup>94</sup> Hassan, Mohsin Alvi. A Manual for Selecting Sampling Techniques in Research. 2016.

<sup>95</sup> Cohen, L, L Manion, and K Morrison. "Research Methods in Education." 2000.

Secondary data is defined as material which is collected from other researcher's outcomes, documents or statistical statements<sup>96</sup>. The researcher relied on secondary data from secondary sources such as journals, e-books, government documents such as environmental policy of Kenya, and also library records of various scholars.

#### **1.9.5.1 Data collection tools**

##### **Questionnaires**

The questionnaires used were semi-structured in nature, containing both closed-ended and open-ended questions. The questionnaires were administered in three different ways to ensure maximum participation and minimize cost. The first approach was through electronic questionnaire, then a follow up phone interview to respondents who did not respond to the electronic questionnaire, and the last approach was through physical administration of the questionnaire to the respondents.

##### **Interviews**

Interviews were done on a one-on-one with the respondents. The aim of administering interviews was to explore respondent's attitudes, views, ideas or opinions on the study. Interviews guides were mainly used to interview officials at the managerial level of MNCs, NEMA, state department of trade and Ministry of environment and forestry.

#### **1.9.5.2 Data analysis**

Data analysis process involves the application and illustration of how data analysis will be carried out<sup>97</sup>. It involves classification, manipulation and condensation of data with the aim of attaining reactions to the purposes of the research. The quantitative data collected was analysed by means of Statistical Package for Social Scientists (SPSS) and qualitative data analysed by means of content analysis. The researcher used content analysis technique through thematic coding and analysed data as collected. Content analysis encompasses observation and detailed description of items or the phenomena that encompass the sample<sup>98</sup>. The information was subsequently presented using frequency tables and pie charts.

#### **1.9.6 Validity and Reliability of Research Instruments**

Building on the data reviewed, the researcher will create drafts of research tools that will focus on significance, clarity and coverage of elements that are comparative to research

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<sup>96</sup> Kothari, C R. Research Methodology and Techniques.2004.

<sup>97</sup> Mugenda, A G, and O M Mugenda. Research Methods Dictionary. Nairobi: Kenya arts press, 2012.

<sup>98</sup> Mugenda , G A, and M O Mugenda. Research Methods Quantitative and Qualitative. 1999.

questions. Validity refers to the quality of pulling together tools of data or technique that allows it to measure that which it is intended to measure. On the other hand, Reliability is defined as the degree of steadiness that the instrument or technique exhibits<sup>99</sup>. The researcher will rely on making rational deductions from the statistics and will be precise in defining the phenomena while minimizing bias and prejudice. Research tools will be polished to fit the context of the study and translations will be done where necessary. Also, the tools will be pre-tested before being used in the field.

### **1.9.7 Ethical considerations**

Some of the principles by<sup>100</sup> that are considered most vital while carrying out a research include;

- I. Participants to the study should voluntarily choose to be part of the study and have the right to pull out from the study.
- II. When devising a questionnaire or carrying out interviews or focused group discussions, the researcher must ensure the use of appropriate language.
- III. The researcher should ensure utmost level of objectivity during discussions and analysis.
- IV. Acknowledgement of other authors used during the study through referencing systems.
- V. Any communication with regards to the study should be done in a clear and transparent manner.
- VI. Anonymity of the respondents must be guaranteed.
- VII. The researcher should be clear if he/she is getting any funding for the study and in cases of conflict of interest, the researcher should announce.
- VIII. Respondents should take part in the study on the foundation of well-informed consent. This principle includes researchers offering sufficient information and reassurances about taking part in the study so that individuals can make their own decisions on whether to take part in the study or not<sup>101</sup>.

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<sup>99</sup> Best, J W, and J V Kahn. Research in Education. Edited by Allyn and Bacon Bjork C. London: Springer Publishers, 2006.

<sup>100</sup> Bryman, A, and E Bell . “Business Research Methods. 2007.

<sup>101</sup> Sanders, M, P Lewis, and A Thornhill. Research Methods for Business Students. 2012.

### **1.9.8 Scope and Limitations of the research**

Despite major research having been done on multinational corporations, no significant documentation has been done on the academic front on how MNCs influence policies of states they operate from and especially environmental policies.

Insufficient theories of International Relations addressing environmental issues despite environment being a global concern.

### **1.10 CHAPTER OUTLINE**

This study provides an analysis of the influence of Multinational Corporations on environmental policy of Kenya and how this eventually affects environmental sustainability.

**Chapter 1:** Gives an introduction to the study, background of the study, research problem, research objectives and questions, the justification of the study, the literature review and the methodology of the study.

**Chapter 2:** Carries out a critical analysis of the nature of activities MNCs. Further elaborated the impacts of MNC operations on Kenya's natural environment

**Chapter 3:** Seeks to critically analyse the measures put in place by multinational corporations and how effective these measures are, what motivates them to involve in environmental sustainability programmes, the role of the government and National Environmental Management Authority (NEMA) and in addition, how policy makers and implementers ensure compliance.

**Chapter 4:** Seeks to analyses the extent of MNCs influence on environmental policy. It further identifies the distinctive factors that attract MNCs to set up their operations in Kenya, MNCs involvement on environmental policy processes, and the key challenges that MNCs poses on the environmental policy in Kenya.

**Chapter 5:** Discusses the overall summary of the findings, conclusion of the study, and recommendations for further study

## **CHAPTER TWO**

### **MULTINATIONAL CORPORATIONS AND THEIR IMPACT ON KENYA'S NATURAL ENVIRONMENT**

#### **2.0 Introduction**

This chapter focused on highlighting the concept of multinational corporations and their impact on Kenya's natural environment. It elaborated the nature of activities MNCs are involved in and highlighted the impact of these activities on natural environment.

#### **2.1 Response rate**

The study had a total of 240 respondents; 220 questionnaires were administered and 15 interviews conducted. Out of the 220 questionnaire, the researcher only had 200 returned fully filled and only 15 respondents were interviewed successfully. Hence 95.8% of the participants successfully responded and only 8.3% of them were not fully completed or responded to.

The study used different data collection tools for different respondents hence the number of respondents for different questions would keep changing in the course of the analysis.

**Table 2: Response rate**

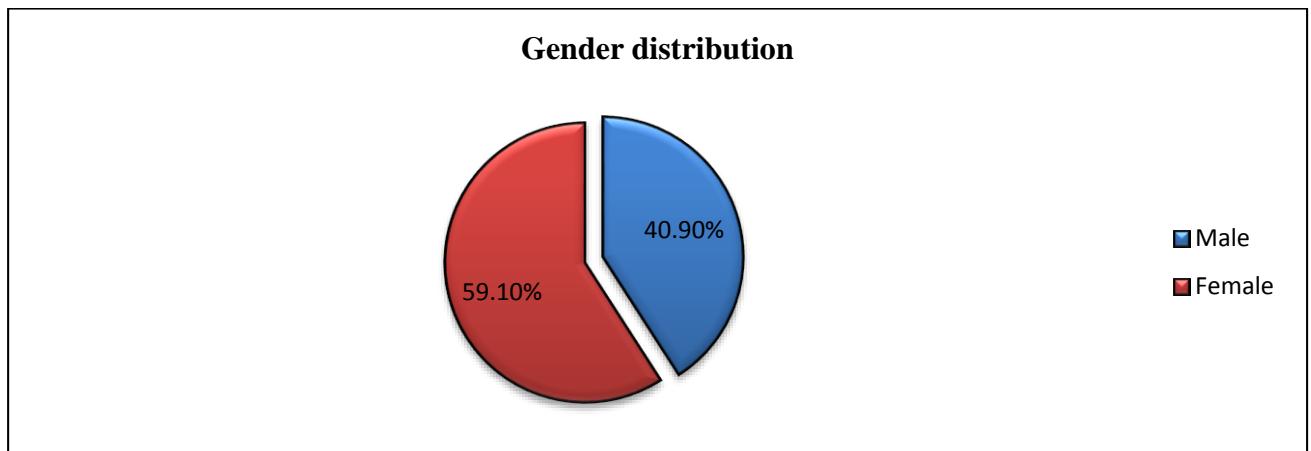
<b>Participants</b>	<b>Number</b>	<b>Percentage</b>
Completed responses	215	89.6%
Declined	25	10.4%
<b>Total</b>	<b>240</b>	<b>100%</b>

Source: Researcher's data, 2019

#### **2.2 Demographic data of participants**

The study looked at the bio information of the respondents with regards to gender, age, marital status, education, occupation and how long they have lived in the locality they were in. The data has been analysed on the tables and figures below.

**Figure 1: Gender distribution**



Source: Researcher's data, 2019

From figure 1 above, the highest numbers of respondents were women with 59.1% and 40.9% of the respondents were male. This presentation was fair enough for the study.

Table 3 below shows that, 37.3% of the respondents were within the age of 31-40 which was the highest number of respondents; followed by 28.6% for ages of 41-50; ages 20-30 followed with 22.7%; respondents above 50 were at 11.4% and no respondents were below 20 years of age.

**Table 3 : Age distribution**

Age	Frequency	Percentage
Below 20	0	0%
20-30	40	18.6%
31-40	92	42.8%
41-50	63	29.3%
Above 50	20	9.3%
<b>Total</b>	<b>215</b>	<b>100%</b>

Source: Researcher's data, 2019

**Table 4: Marital status of the respondents**

Marital status	Frequency	Percentage
Married	100	55.6%
Divorced	20	11.1%
Single	40	22.2%
Separated	20	11.1%
<b>Total</b>	<b>180</b>	<b>100%</b>

Source: Researcher's data, 2019

The local community respondents were the only once asked this question and as seen in table 4 above, 55.6% of the respondents were married; followed by 22.2% for singles and both divorced and separated respondents being at 11.1%.

**Table 5: Education level of the respondents**

<b>Education level</b>	<b>Frequency</b>	<b>Percentage</b>
Non-formal	10	4.7%
Primary	20	9.3%
Secondary	45	20.9%
Vocational	50	23.3%
Tertiary (Polytechnic, University)	90	41.9%
Others, specify	0	0%
<b>Total</b>	<b>215</b>	<b>100%</b>

Source: Researcher's data, 2019

The study sought to determine the academic levels of all the respondents and from table 5 above, respondents with tertiary (Polytechnic, University) education made 41.9% of the respondents. Followed by those with vocational training at 23.3%, Secondary education at 20.9%, primary education at 9.3%, and lastly non-formal at 4.7%. From the data collected it was evidenced that at least 86.1% of the respondents had secondary education and above.

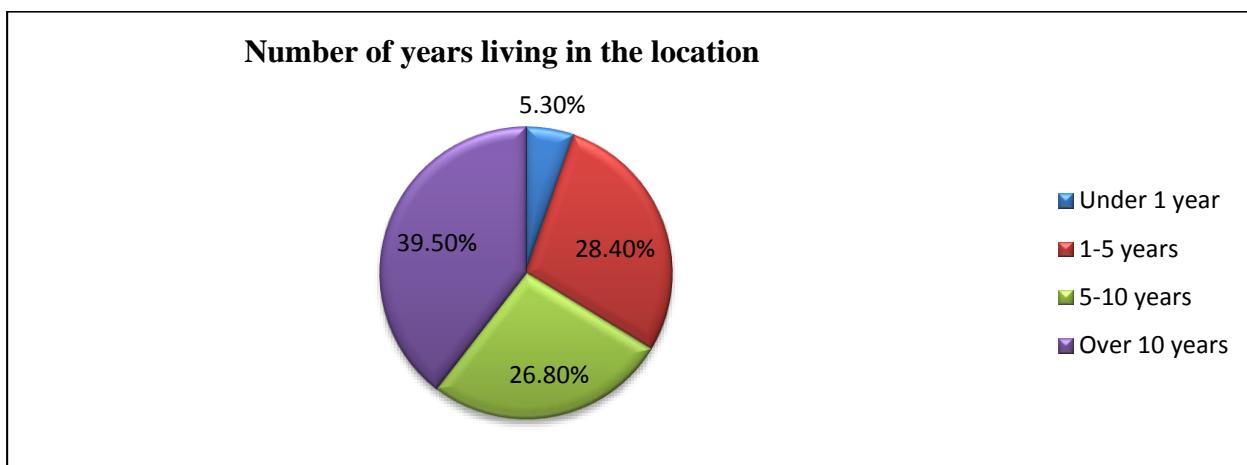
**Table 6: Occupation of the respondents**

<b>Occupation</b>	<b>Frequency</b>	<b>Percentage</b>
Formal Employment	55	25.6%
Un-employed	35	16.3%
Self employed	40	18.6%
Casual labour	85	39.5%
<b>Total</b>	<b>215</b>	<b>100%</b>

Source: Researcher's data, 2019

From the table 6 above, 39.5% of the respondents were casual labourers with a most working for the neighbouring MNCs, followed by 25.6% in formal employment, 18.6% self-employed and mostly running their own small scale businesses, and lastly 16.3% being jobless and most were recent graduates.

**Figure 2: Number of years the respondent have lived in the location**



Source: Researcher's data, 2019

The study established that majority of the local communities that participated in the study had lived in the neighbourhoods for over 10 years (39.5%), and only a few had stayed for under one year (5.3%).

### **2.3 Nature of MNCs activities in Kenya**

MNCs are enterprises that have taken part in overseas direct investment and have proprietorship and domination of its activities in various states<sup>102</sup>. They can be classified into three kinds; the vertically integrated MNC which manufactures outputs in some amenities which serves as input into other amenities situated across national borders, the horizontally integrated MNC turns out basically the similar lines of goods or services from each amenity in a number of locations and lastly the internationally diversified MNC whose factory outputs are either horizontally or vertically linked<sup>103</sup>.

In Kenya multinational corporations have invested in various sectors of the economy. According to the Nairobi security exchange (NSE) list (Appendix V), the nature of MNCs business range from agriculture, manufacturing, constructions and allied, commercial and services, banking, energy and petroleum, automobiles and accessories, insurance and telecommunication<sup>104</sup>.

<sup>102</sup> Erwee, R. "Global Business Environment and Strategies: Managing for Global Advantage, International Management and Leadership." 2007: pp 174-203.

<sup>103</sup> Caves, R E. Multinational firms and economic analysis. 1996; also Teece, D J. Firm Boundaries, Technological Innovation and Strategic Management. 1986.

<sup>104</sup> Nairobi security exchange (2019)

The study focused on 20 multinational corporations in Nairobi-Kenya and its environs. Among the 20 multinational corporations were involved in the following sectors; manufacturing, Commercial & Services, energy and petrol, and construction industry. The respondents involving the 180 local community participants and the 20 MNCs were asked to identify the nature of activities of multinational corporations and the table 7 below indicates their responses.

**Table 7: Nature of business**

Nature of business	Frequency	Percentage
Manufacturing	70	35%
Construction	35	17.5%
Energy &Petrol	50	25%
Commercial and Services	45	22.5%
Other, specify	0	0%
<b>Total</b>	<b>200</b>	<b>100</b>

Source: Researcher's data, 2019

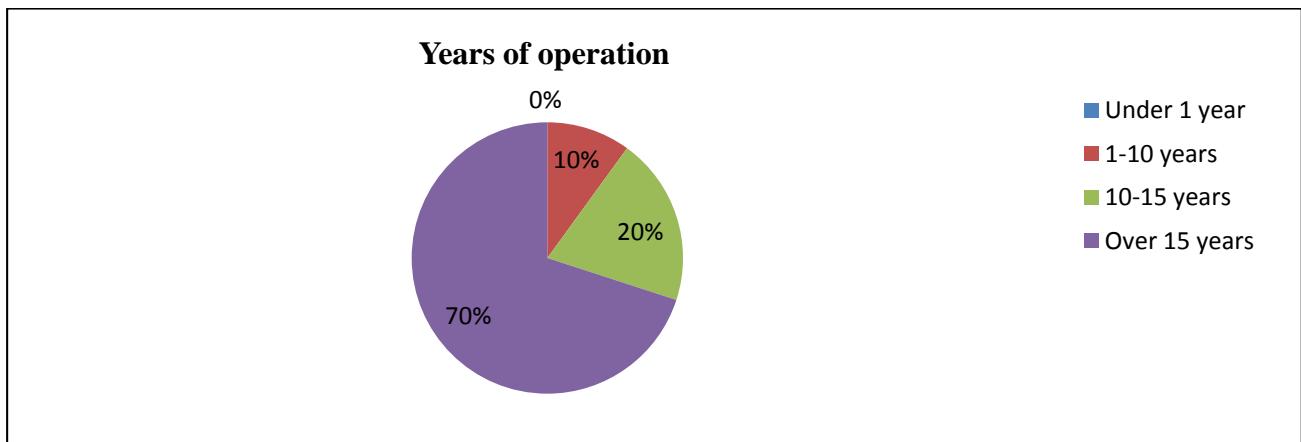
35% of the respondents choose manufacturing as the kind of business that multinational corporation within their locality engaged in, followed by energy and petrol at 25%, Commercial & Services at 22.5%, and lastly construction industry at 17.5%.

#### **2.4 Years of operation**

The study sought to find out how long the 20 multinational corporations identified as participants in the study have been in operation in Kenya. Below are the findings from the respondents.

The data presented on figure 4 below shows that, 70% of the Multinational corporations represented in the study have been in operations in Kenya for over 15 years, while 20% of the MNCs have been in operations for 10-15 years and 10% for 1-10 years.

**Figure 3: Years of operation**



Source: Researcher's data, 2019

## **2.5 Impact of MNCs activities on Kenya's natural environment**

While it is true that there are advantages that may ensue to host countries as a consequence of the existence of corporations in their regions, critics argue that the relationship among MNCs and host states mainly favour MNCs. It is argued that host states receive little benefits, and that external investments mislead home economics and politics<sup>105</sup>.

### **2.5.1 Air pollution**

Kenya has been experiencing rapid urbanization especially Nairobi and other large cities. As a result there is an upsurge in transportation vehicles in the city resulting in air pollution. Also forests are continually being cleared to enlarge cities; triggering the discharge of greenhouse gases into the atmosphere, and pollution resulting from construction boom in the city<sup>106</sup>.

Previously, pollution was deemed as a constrained and localized problem. Nevertheless, air pollution in Nairobi today has gained significant attention. The prompt urbanization and industrial development has caused increasing dust, smokes, and smokes from unrestricted burning of particulates from industrial productions areas and trash, construction places and motor vehicle traffic in main cities in the country. The rising number of motor vehicles in cities increases road traffic and pollution troubles<sup>107</sup>. The vehicles discharge substantial

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<sup>105</sup> Moran, Theodore H. "Multinational corporations and dependency: a dialogue for dependentist as and non-dependentistas." (1978): pp 79-100.

<sup>106</sup> Economic survey. Economic survey Report. Nairobi: Kenya National Bureau of Statistics, 2010.

<sup>107</sup> Friends of the Earth. Road Transport, Air Pollution and Health () . London: Friends of the earth for the planet for the people, 1999.

amounts of air pollutants, comprising greenhouse gases and forebears of smog. The massive traffic congestions in Nairobi city also increase the carbon dioxide emission.

Fuel service sector also has very adverse effects on the environment. Among the dangers are; the dangers of seepages from underground storage tanks (USTs), liquid wastes (fuel distribution, dispensing and vehicle repair zones, and vehicle cleaning activities), and spills of gasses. Wanjiku avers that waste control whose causes are refuse from polluted soils, deposit traps and interceptors, oily dusters from automobile maintenances, greasing oil waste, and waste from cleaning solvents; similarly there is air pollution resulting from evaporation of explosive crude composites of fuel merchandises from storage mostly during mass deliveries and distributing operations; and finally, work-related health and wellbeing concerns such as interaction with fuels and breathing of fuel fumes among the staffs in addition to the danger of fire and explosions<sup>108</sup>.

According to UN Environment programme report, air pollution is the leading environmental health hazard. Yearly it has been approximated to cause over 7 million global early deaths. Nderitu argues that the consequences of air pollution cannot be talked down anymore, and that all stakeholders i.e. corporations, states, the societies and environmentalist all over the world should come as one in an attempt to fight this threat<sup>109</sup>.

### **2.5.2 Industrial pollution**

Developing countries and Kenya not being different have faced rapid industrial development in the last decade and like most of the developing countries no valuable measures were taken to protect the natural environment from industrial pollution<sup>110</sup>. Discharges of airborne gases from industrial holdings are clearly on the rise as the manufacturing sector grows and diversifies, however, less has been done to observe and measure this, since most of the information on air pollutions are based on visual observations<sup>111</sup>.

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<sup>108</sup> Wanjiku, Manyara. Kenya petrol stations and their impacts on the environment; Petroleum Insight. Master Thesis, Nairobi: University of Nairobi, 2008.

<sup>109</sup> Nderitu, Kamugi. "Why industry must be on the front line of air pollution fight." Nairobi: Business Daily Africa, June 5th , 2019.

<sup>110</sup> Aspen Institute Berlin. Air pollution Control: National and International perspectives.Selected readings prepared in conjunction with the Aspen Berlin Conference. 1980.

<sup>111</sup> Alington, et al. Some aspects of the Kenya beef economy. 1968.

Kenya has a fairly big industrial sector<sup>112</sup>. Industrial development is deemed as an instrument of expansion in changing Kenya to middle income state by 2030. The goal of the existing industrial development strategy is to change the country's economy by the year 2020<sup>113</sup>. Industry sector comprises of the construction, manufacturing, and quarrying and mining activities. Of the above-mentioned, manufacturing sector represents nearly two-thirds of the economy<sup>114</sup>. Being the main factor that drives economy development, manufacturing sector has been growing by jumps in the previous years. A number of corporations have carried out reformation and plant extension activities. Nonetheless, the government's existing industrialization policy puts little prominence on environmental pollution matters.

The growing industries in the state have caused immeasurable pollution, commented an informer from the Ministry of Water and Irrigation. Several manufacturing corporations do not own proper and sufficient waste management systems and these wastes have been contaminating the proximate water bodies and causing serious disease to the resident communities. It is common to hear about water related diseases in communities neighbouring the industrial zones. Even though it's largely affirmed that improvement in lowering hygiene related illnesses such as diarrhoea in developing states like Kenya has been attained, not much has been carried out to stop the adverse health consequences of heightened industrialization and subsequent pollution<sup>115</sup>.

### **2.5.3 Municipal waste**

Corporation activities have led to increase in municipal waste; studies indicate that whenever there is urbanization there is likelihood that there will be an increase in population in the region, which then lead to extra burden on the environment. Urban dissipate can generate non-point source contaminants like residue and nutrients associated pollutions<sup>116</sup>.

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<sup>112</sup> Industrialization.go.ke. Kenya National Industrialization Policy Framework . Policy , Kenya: Ministry of Industrialization, 2010.

<sup>113</sup> Ronge, Eric E, and Hezron O Nyangito. "A Review of Kenya's Current Industrialization Policy, Productive Sectors Division,Kenya Institute for Public Policy Research and Analysis." 2000.

<sup>114</sup> Economic survey. Economic survey Report. Nairobi: Kenya National Bureau of Statistics, 2010.

<sup>115</sup> Omanga, Eunice, Lisa Ulmer, Zekarias Berhane, and Michael Gatari . "Industrial air pollution in rural Kenya: community awareness, risk perception and associations between risk variables." BMC Public Health, 2014.

<sup>116</sup> <http://www.globalchange.umich.edu>. n.d.

[http://www.globalchange.umich.edu/gctext/Inquiries/Inquiries\\_by\\_Unit\[Unit\\_9a.html\]](http://www.globalchange.umich.edu/gctext/Inquiries/Inquiries_by_Unit[Unit_9a.html]). (accessed July 22, 2019).

#### **2.5.4 Poor Waste disposal**

Waste control has become a challenging environmental subject in the state's urban regions. Lacking garbage and sewage dumping systems, and also lack of monitoring by the state and self- observation by industries, has led in extreme frequencies of garbage- caused diseases, ill health and deaths, especially amongst children<sup>117</sup>.

#### **2.5.5 Water pollution**

Issues of water pollution are on the rise, waters bodies or rivers today are not what they were before. Water bodies are paying the utmost price for development. Pollutants from industrial wastes, municipal waste and agricultural products and inputs are making their way to the rivers and polluting the water bodies. Hence, water pollution is deemed to be a deadly pollution. It directly influences the wellbeing of the society. Every person requires water on a day-to-day basis, this explains why it is highly likely that people would be affected by water pollution. Approximately 85% of Kenya's rural populace relies entirely on natural reserves for water supply<sup>118</sup>. Millions of Kenyans lack access to fresh drinking water and hygiene. Besides this, the urban wastes and industrial wastes have been worsening water shortage and water pollution matters. Information collected over the years shows that the pollution levels in Nairobi River have not altered over the previous ten years. The river is still seriously polluted beyond standard levels for industrialized, agricultural and household purposes.

Currently, the riparian areas of Nairobi River are marked with countless spontaneous settlements without clean water supply, adequate sanitation and sewerage services hence they emit their untreated effluent into the stream. To a greater extent, majority of the corporations find it inexpensive to emit their waste into the waterways instead of treating it<sup>119</sup>. Nothing has been accomplished, despite the administration's knowledge of the deliberate pollution of the River with wastes from spontaneous settlements, industries, and ungathered garbage.

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<sup>117</sup> Economic survey. Economic survey Report. Nairobi: Kenya National Bureau of Statistics, 2010.

<sup>118</sup>Kamau, Evanson Chege. "Pollution Control in Developing Countries with a case study on Kenya. A need for consistent and stable regimes." (2011): pp 29-42.

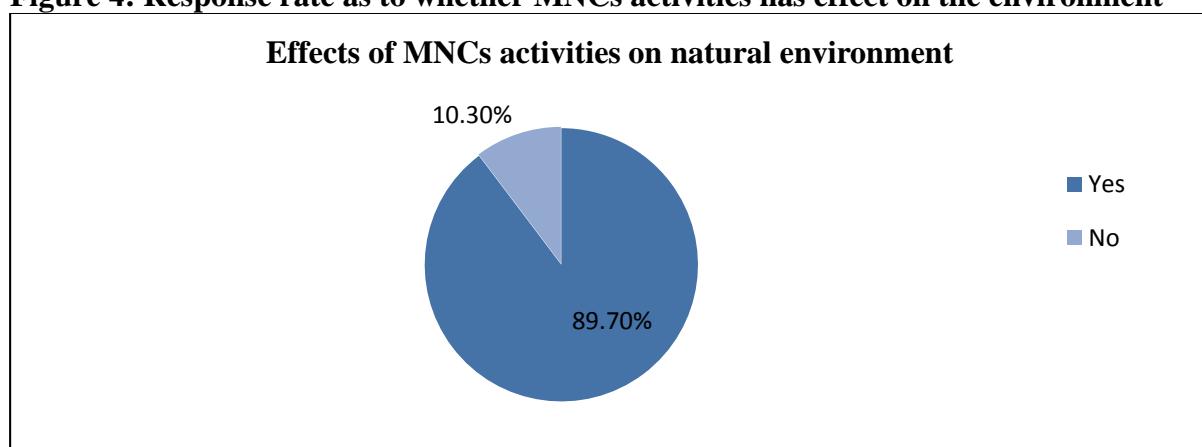
<sup>119</sup> Kamau, John. "How Nairobi River lost pollution battle." Daily nations. Nairobi: Daily Nation, August 19 Monday, 2019.

## 2.5.6 Environmental degradation

The effects of mining on the environment are very adverse. The titanium mining in Kwale has been a cause of conflict over the years as a result of the fear that community have with regards to effects that the mining activities may have on the environment and on their health<sup>120</sup>. The titanium minerals have contaminations of iron, thorium and uranium, and if environmental management plan (EMP) is not properly done, the impacts of amassing radioactive wastes and more contaminations may lead to environmental degradation both in the land-dwelling and oceanic environment.

The study determined whether the respondents believed that MNCs activities had any effects on the environment and has shown on figure 5 below, 89.7% of the respondents established that the activities of the large corporations negatively affected the environment and according to the respondents from NEMA, this was mainly due to their level of influence on the host countries and lack of compliance with the existing regulations. The local community members also argued that indeed the MNCs activities have affected their natural environment and because of their influence, they tend to get away with so much. According to the respondents from the state department of trade, some of the environmental effects of the operations of multinational corporations may not be necessarily due to their current ways of operations but their past ways of operations, thus 10.3% of the respondents thought that currently there are minor effects because corporations have proven to have safety environmental practices.

**Figure 4: Response rate as to whether MNCs activities has effect on the environment**

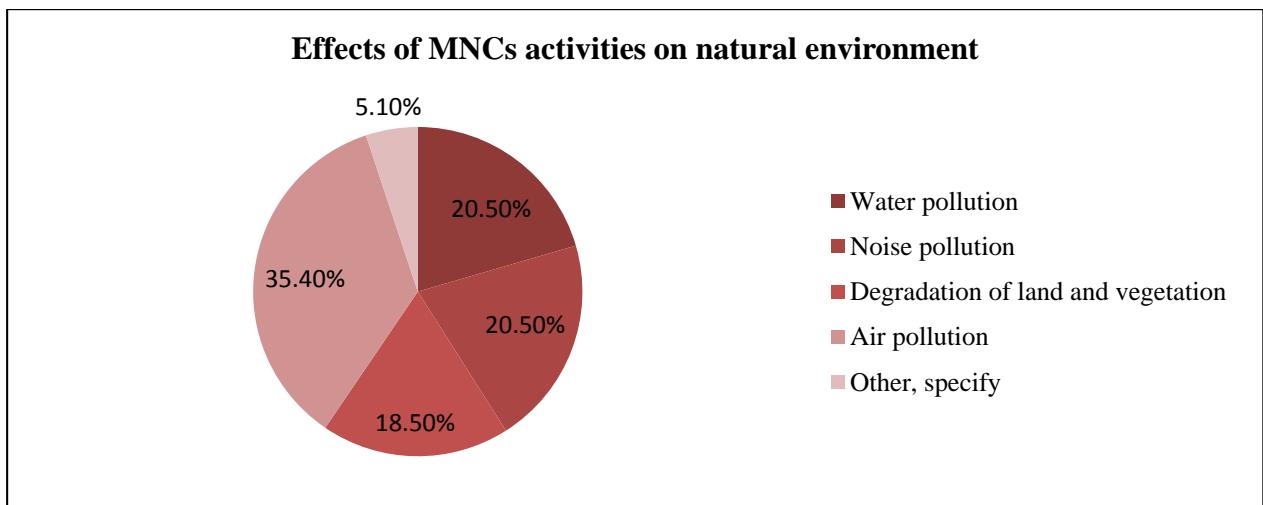


Source: Researcher's data, 2019

<sup>120</sup> Schwarz , J. "Environmental issues pertaining to the Kwale Mineral Sands Project, Kenya's South Coast—Reply." (2007): pp 145-149.

In figure 6 below, the study sought to establish the impacts of MNCs activities on the natural environment and from the responses provided by the respondents, 35.4% of the respondents chose air pollution, followed by noise pollution and water pollution at 20.5%, land and vegetation degradation at 18.5% and lastly poor waste management 5.1% <sup>121</sup>.

**Figure 5: Effects of MNCs activities on the environment**



Source: Researcher's data, 2019

### **Conclusion**

This chapter looked at the nature of businesses of multinational corporations in Kenya and the impact of their activities on the natural environment. From the information gathered it shows that multinational corporations have invested in various sector of the economy and are the leading investors in most of the sectors. Regarding the impact of their activities to the environment, the study has established that multinational corporation activities have very adverse effects on the environment and the communities surrounding them.

It's agreeable that the rate of pollution that occurs from the manufacturing activities of multinational corporations are harmful to the environment and hence there is need for proper measures to be put in place by both the government and the multinational corporations to ensure environmental sustainability.

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<sup>121</sup> Anonymous, Nairobi: July 2019

## **CHAPTER THREE**

### **MEASURES PUT IN PLACE BY MNCs TO PROMOTE ENVIRONMENTAL SUSTAINABILITY IN KENYA.**

#### **3.0 Introduction**

This chapter focused on analysing both the primary and secondary findings of the study with respect to the measures put in place by organizations to ensure environmental sustainability and how effective these measures are, what motivates the companies to involve in environmental sustainability programmes, the role of the government and National Environmental Management Authority (NEMA) and in addition, how policy makers and implementers ensure compliance.

#### **3.1 Measures put in place by MNCs in Kenya to ensure environmental sustainability**

In Kenya, MNCs have remained at the forefront with regards to Corporate Social Responsibility (CSR) endeavours, with most of them working closely on areas they have authority, for instance; education funding, providing housing, pensions and health insurance, transportation, medical services, for their personnel and their kin. The local firms in Kenya are also taking part in addressing social concerns, sometimes in reaction to the conditions that are put in place for their foreign trading partners in such areas as labour standards and environmental protection<sup>122</sup>.

For a lot of establishments, CSR used to be just a philanthropic endeavour to awaken populace goodwill without any intention of making profit. Nonetheless, this opinion has shifted with CSR agendas being position high on the corporate strategies of most establishments. According to Joe Otin, corporates are now separating between marketing, advertising and CSR with majority of them creating departments that exclusively manage CSR agendas. He believes that most establishments have policies on CSR that are of public interest and not profit or company visibility intended. Journalist used to think that the CSR initiatives by organizations were public shows but this has changed. He however notes that, properly planned and implemented CSR initiatives have the ability to position a firm in a

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<sup>122</sup> Visser, Wayne, and Nick Tolhurst. *The World Guide to CSR: A Country by Country Analysis of Corporate Sustainability*. 2010.

different way from its opponents especially those aiming at the same market<sup>123</sup>. Several CSR agendas focus on providing fundamental services such as education, health, and access to clean water due to extensive poverty. However, environmental protection is similarly gaining interest.

Environmental CSR is one of the significant signs of responsible establishment. Hence, in environmental control and sustainable practices such as resource extraction and wastes disposal are crucial<sup>124</sup>. In Kenya, the severe violation of environmental CSR has been recorded, with a supposedly extreme concentration of fluoride and heavy metals in water, soils, and plants in the locality of fluorspar extraction and processing in the Kerio valley, as a result of emissions into the waterway by the mining corporation<sup>125</sup>. A similar environmental challenge has been witnessed in the Migori gold belt of Kenya due pollution from the plant<sup>126</sup>. Kenya's waterbodies faces acute pollution problems caused by climate change, industrial waste, and human behaviour. Correspondingly, horticultural manufacturers in Lake Naivasha vicinity have been condemned for polluting the environment by emitting waste in the lake.

### **3.1.1 Rehabilitation of the mining field**

Among other measures that firms especially in mining sector have used to combat climate change include rehabilitation of the mining fields, biodiversity protection, and sustainable land use. In Kenya companies such as Bamburi cement have rehabilitation programmes which have given rise to greening of over 300Hectares of land<sup>127</sup>.

### **3.1.2 Environmental friendly operation**

Kenya Breweries (KBL) operates a supple supply chain which centres on water and energy usage and how it affects the environment. They have ensured that they have a sturdy tactical and deliberate process that pushes operations towards decreasing energy and water usage.

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<sup>123</sup> Kamau, Macharia; Anami, Luke;. Corporate social responsibility now a priority, 21st December 2010: 00:00:00 GMT +0300.

<sup>124</sup> Sumner, Andy . “Global poverty and the new bottom billion: What if three- quarters of the world’s poor live in middle- income countries?” IDS Working Papers, no. 349 (2010):pp 1–43.

<sup>125</sup> Redorbit, A. “Kenyan mining company faces protest over environmental pollution.” 2006. Accessed at: [www.redorbit.com/news/science/428262/keyan](http://www.redorbit.com/news/science/428262/keyan).

<sup>126</sup> Ogola, Jason S., Winnie V. Mitullah, and Monica A. Omulo. “Impact of gold mining on the environment and human health: A case study in the Migori Gold Belt, Kenya.” (2002): pp 141–157.

<sup>127</sup> Bamburi Sustainability Kenya report . Bamburi Cement Limited, 2016.

They plan to continue allocating capital and exploiting science to revolutionise and restructure their practices for sustainability<sup>128</sup>.

### **3.1.3 Reducing air pollution effects**

Extensive mining particularly during the operation stage can significantly contribute to air pollution. The activities that are carried out during ore mining, processing, management and transportation rely on machinery, generators, which all produce harmful air pollutants like heavy metals, sulphur dioxide, carbon monoxide, nitrogen oxides and particulate substance. From the focus group deliberations held in Nguluku, the community participants indicated that dust is a major environmental challenge<sup>129</sup>. The firm has set up a dust monitor as a way of compliance to its environmental management plan so that it can monitor the extent of dust in the region. Nevertheless, the effect of dust on society's well-being cannot be prevented by just this<sup>130</sup>. In order to lower air pollution owing to the dust in the region, the firm needs to urgently take on mitigation measures as postulated in the Environmental Management Plan and National Environment Management Authority to ensure that Base Titanium Comply with the alleviation measures postulated in the environmental management plan<sup>131</sup>.

Lafarge ecosystem greening programme has led to regulation of pollution through the sucking up of CO2 emissions. The production of cement also leads to emission of various kinds of gases. Hence, the company carries out gas monitoring in the factory using online analyses which capture the gas components and concentrations inside the fire chambers. The company has committed to taking annual external air quality inspections to ensure that the surrounding air quality at the factory is within the constituted NEMA requirements<sup>132</sup>.

In addition, Bamburi Cement Limited have put in place several measures to tackle the challenge of dust emission which is a key and stubborn constituent linked with cement production. The company have installed electrostatic precipitators with bag sieves worth over KES 1 billion in both two plants in Mombasa and Nairobi. Baghouses are very multifaceted and can be wangled for nearly any dust generating application by changing size and types of

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<sup>128</sup> Nderitu, Kamugi. "Why industry must be on the front line of air pollution fight." Nairobi: Business Daily Africa, June 5th , 2019.

<sup>129</sup> Wall, Elizabeth , and Remi Pelon. Sharing Mining Benefits in Developing Countries:Experience with foundations,Trusts and Funds. 2011.

<sup>130</sup> Madebwe, Crescentia, Victor Madebwe, and Sophia Mavusa. "Involuntary displacement and resettlement to make way for diamond mining: the case of Chiadzwa villagers in Marange, Zimbabwe." (2011):pp 292-301.

<sup>131</sup> NEMA. State of Environment Report . Nairobi: NEMA, 2011.

<sup>132</sup> Bamburi Sustainability Kenya report . Bamburi Cement Limited, 2016.

bag. These electrostatic precipitators provide high treatment efficacy, ease and security of operation consequently offering an ecologically friendly technology for air quality control<sup>133</sup>.

### **3.1.4 Environmental conservation awareness initiatives**

Over the years, Cirio Del Monte Kenya Limited has been accused by the surrounding communities of environmental pollution, human rights abuse and economic crime among others. However in the year 2001, Delmonte took major move to tackle and fix these concerns. Particularly, the company signed an agreement to support the campaign for worker rights, and shop stewards stated that positive changes were occurring<sup>134</sup>. In addition, the firm initiated a tree-planting movement in the surrounding community, as a way of promoting sustainable land practice and environmental conservation. Since then, the firm has made CSR part of their trademark.

Another example is of eco-challenge an initiative by Total Kenya limited. TOTAL Kenya personnel in collaboration with other shareholders with common interest in environment, takes part in tree planting events yearly. The initiative started in 2003 and was intended to inspire and support Kenyans plant trees for sustainable utilization beside forests. The goal was to at least plant millions of trees each year, continuously. The initiative has over 1,600 projects which have guaranteed planting of over millions of trees from the time of its initiation. Fortunately, this programme has encouraged many Kenyans to plant trees in schools, their homes, housing estates, around lakes and dams, in workshop yards, schools, roadsides and wastelands<sup>135</sup>. They have also led a widespread education crusades on how to choose best tree species for various arears and purposes, and how to till the ground, plant and look after seedlings for good results. They also helped to manage production and dissemination of seedlings nation-wide.

The study focused on whether the respondents believed that MNCs had measures in place that would help towards environmental sustainability and how effective they thought these measures were.

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<sup>133</sup> Ibid,2016.

<sup>134</sup> Oloo, F. J. A . Del Monte Kenya Limited: Responsibility in world business: Managing harmful side-effects of corporate activity. 2004.

<sup>135</sup> Total Kenya. n.d. <https://total.co.ke/about-us/csr/environment/total-eco-challenge> (accessed June 15, 2019).

**Table 8: Response rate on if MNCs have in place effective environmental measures**

Response	Frequency	Percentage
Yes	160	76.2%
No	50	23.8%
<b>Total</b>	<b>210</b>	<b>100%</b>

Source: Researcher's data, 2019

The respondents for this question were from NEMA, Ministry of environment and forestry officials, local communities and the MNCs. In table 8 above, 76.2% of the respondents agreed that the multinational corporations had in place effective measures to counter the impact of their activities on the environment. However, 23.8% of the respondents felt that the measures that have been put in place were not very effective as there are still immense negative effects on the environment with regards to their activities.

In addition, the respondents were asked to identify some of the measures put in place by MNCs to ensure environmental sustainability and the results were as outlined in table 9 below.

**Table 9: List of Measures put in place my MNCs**

Measures	Frequency	Percentage
Proper disposal of wastes	40	20%
Reviewing or varying methods of operation	50	25%
Resettlement of affected communities	25	12.5%
Providing alternative sources of drinking water	15	7.5%
Awareness campaigns	45	22.5%
Compensation to affected communities	15	7.5%
Others specify.	10	5%
<b>Total</b>	<b>200</b>	<b>100</b>

Source: Researcher's data, 2019

The respondents(MNCs and the local communities) identified the following measures; reviewing or varying methods of operations came first at 25%; followed by awareness creation and community sensitization on environmental conservation at 22.5%; at 20% was proper waste management; 12.5% for compensation of affected communities; 7.5% for providing alternative sources of drinking water and compensation of affected communities; and lastly 5% of the respondents mentioned other measures such as tree planting initiatives; financial support towards various environmental programmes.

**Table 10: Response as to whether MNCs have departments for environmental management**

<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	20	100%
No	0	0%
<b>Total</b>	<b>20</b>	<b>100%</b>

Source: Researcher's data, 2019

Most of the MNCs believed that they have effective strategies in place to ensure environmental sustainability and that despite that negative public perception, they have seen tremendous improvement as far as environmental sustainability is concerned. Also, all the 20 MNCs involved in the study established that they have departments that mainly focus on environmental safety of their operations and in most cases the corporations through their CSR departments would carry out these environmental safety initiatives. For instance Total Kenya has CSR department that deals with their environmental initiatives such as the eco-challenge which has seen over 1,600 projects that has guaranteed planting of over millions of trees since it started<sup>136</sup>.

**Table 11: Respondents view on their contribution towards the mandate of NEMA**

<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	20	100%
No	0	0%
<b>Total</b>	<b>20</b>	<b>100%</b>

Source: Researcher's data, 2019

All the 20 (100%) MNCs involved in the study believed that they have positively contributed towards the objectives of NEMA through the measures they have put in place. They believe that they are both key players in the country's economy and with good intention as far as environmental sustainability is concerned and that despite NEMA having the overall mandate of ensuring environmental management and coordination, they have in their various initiative contributed towards the realization of the same objectives.

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<sup>136</sup>Michael Wanyoike; learning and development manager-Total-Kenya. Nairobi, July 2019

### **3.2 Factors that motivates multinational corporations to promote environmental sustainability programmes**

MNCs are likely to be more result-oriented in CSR to exploit profits and increase competitiveness, while local businesses take part in value-driven CSR. Motives for CSR in Kenya are a mixture of strategy which is engaging in CSR as aligned with the firm's mission and vision; normative which is basically giving back to the community; and instrumental which is for public connections and publicity purposes<sup>137</sup>.

Various MNCs are initiating voluntary environmental programmes, commonly referred to as 'corporate citizenship,' that focuses on public concerns regarding the possible environmental effects of their factories, services, and operations. Corporate citizenship is mainly significant in societies all over the globe where environmental situations are precarious and where governing protection may be ineffective<sup>138</sup>.

Today, CSR is gradually playing a significant role in business, while the political, social and economic factors are influencing CSR deeds all over the globe<sup>139</sup>. A number of authors define CSR as a group of actions intended to promote social good, besides the definite financial interests of the company, which are not legally compelling<sup>140,141</sup> and as habits that better the workplace and profit the public in a manner that surpasses what firms are lawfully needed to do<sup>142</sup>. Hence, in this study we assert that environmentally accountable company practices are a component of CSR since they are normally started for causes greater than just to earn company money, they are not at all times obliged by law, and they profit the public society. This objective follows an appeal by Margolis and Walsh<sup>143</sup> to investigate contextual influences that steers establishments to be socially accountable concentrating precisely on corporate environmental accountability.

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<sup>137</sup> Visser, Wayne, and Nick Tolhurst. *The World Guide to CSR: A Country by Country Analysis of Corporate Sustainability*. 2010.

<sup>138</sup> Rondinelli, Dennis A, and Michael A Berry. "Environmental Citizenship in Multinational Corporations: Social Responsibility and Sustainable Development." (2000): pp 70-84.

<sup>139</sup> Baughn, et al. "Corporate social and environmental responsibility in Asian countries and other geographical regions." (2007): pp 189–205.

<sup>140</sup> McWilliams, Abigail , and Donald Siegel. "Corporate social responsibility and financial performance: Correlation or misspecification?" (2000): pp 603–609.

<sup>141</sup> Carroll , Archie B. "A commentary and an overview of key questions on corporate social performance measurement." (2000): pp 466–478.

<sup>142</sup> Vogel , David . *The market for virtue.The Potential and Limits of Corporate Social Responsibility*. 2005.

<sup>143</sup> Margolis, Joshua D, and James P Walsh . "Misery loves companies: Rethinking social initiatives by business." (2003): pp 268–305.

### **3.2.1 Foster good relations with community**

Firms in the mining sector for instance are not just expected to concentrate on exploiting profits, but to also positively influencing the lives of the societies in which they operate. Hence, CSR is a vital tool that MNCs can make use of as a business mechanism to Advance Company's image to investors, as well as a way of bettering the value of living among residents of the host states<sup>144</sup>. Nonetheless, the operations of MNCs should go further than just CSR and be more sustainable over a long period of time, even though CSR in most occasions is largely philanthropic and not legally obligation<sup>145</sup>. Therefore in their operation, the different MNCs are supposed to make sure that they function in a more sustainable way. They are to make sure that their operations are economically, socially, and environmentally sustainable. The World Commission on Environment and Development (WCED) established these three pillars of sustainability, Our Shared Future, to be inseparably connected and worthy of consideration by all shareholders. The rise and promotion of sustainable development, has steered the collaborative attempts by stakeholders in the private sector to incorporate sustainability in their operations and undertakings<sup>146</sup>.

### **3.2.2 Improve Corporate Image**

Equally, Fombrun et al.<sup>147</sup> supposed that firms are gradually coming into terms that a strategically assimilated CSR portfolio aids a firm in building reputational wealth, through doing good, director's yield reputational benefits which advance a firm's ability to draw resources, boost its operation and enhance competitive advantage. Authors like Vidaver-Cohen and Simcic Brønn<sup>148</sup> projected that there will be revolutions in reasons for companies involving in CSR globally, a number of reasons linked with moral or ethical legitimacy interests, and some with more rational objectives. This opinion is backed by Gimenez Leal et

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<sup>144</sup> Pimpa, N. "Multinational Corporations: Corporate Social Responsibility and Poverty Alleviation in Thailand." 2011:pp 1-8.

<sup>145</sup> Porter, Michael E, and Mark R Kramer. "Strategy and Society: The Link between Competitive Advantage and Corporate Social Responsibility." (2006): pp 78–92.

<sup>146</sup> Kariuki, Francis. Sustainability in the Financial Sector in Kenya. WPS/01/15, Kenya: Kenya Bankers Association, 2015.

<sup>147</sup> Fombrun, Charles J, Naomi A Gardberg, and Michael L Barnett. "Opportunity platforms and safety nets: Corporate citizenship and reputational risk." (2000): pp 85–106.

<sup>148</sup> Vidaver-Cohen, Deborah, and Peggy Simcic Brønn. "Corporate citizenship and managerial motivation: Implications for business legitimacy." (2008):pp 441–475.

al.<sup>149</sup> who asserts, that there is an undeviating and certain connection between the taking on of environmental practices and the firm's competitive position. Several theorists have asserted that corporations would be inspired to take up an industry-driven tactical approach to CSR, concentrating on those actions that conveyed exclusive competencies of the business while at the same time supporting their neighbourhoods. They also asserts that inter sectoral collaborations with government bodies and non-governmental organizations (NGOs) might help corporations to efficiently accomplish social aspirations<sup>150</sup>.

According to the International Organization for Standardization (ISO), corporations whether in public or private sector need to act in a more socially responsible manner are becoming a widespread prerequisite of society<sup>151</sup>. Hence, ISO has founded the development of standardized guidelines for social responsibility (ISO 26000). The standard will be practical for corporations of all sizes, and in states at every phase of growth. These recommended standards would tackle the issues of social accountability of all kinds of organization, just as those of business establishments.

### **3.2.3 Pursuit for legitimacy**

Matten and Moon observed that especially with CSR, the way companies are managed is influenced by the rationale of the administrators, investors, and other fundamental shareholders and the institutional philosophy brings interconnection between and relationships among shareholders into the study, which is important in discerning CSR, taking into consideration its societal alignment<sup>152</sup>. Institutional philosophers have upheld that numerous pertinent institutional forces could be play a part in ascertaining to what length a firm may take on socially accountable business habits<sup>153</sup>. Indeed, institutional forces shaping CSR could lead to the standardization of institutional environs. These adjustments are conveyed in normative, regulative, and rational processes resulting to progressively

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<sup>149</sup> Gimenez, G Leal, Casadesus M Fa, and J Valls Pasola. "Using environmental management systems to increase firms' competitiveness." (2003):pp 101-110.

<sup>150</sup> Waddell, S. (2000);Waddock, S, et al. (2000); Vidaver-Cohen et al. (2008).

<sup>151</sup> ISO.org. International Organization for Standardization 26000(ISO). 20 September 2010. (accessed June 25, 2019).

<sup>152</sup> Moon, Jeremy, and Dirk Matten. "'Implicit' and 'explicit' CSR: A conceptual framework for a comparative understanding of corporate social responsibility." (2008): pp 404–424.

<sup>153</sup> Galaskiewicz, J, and R S Burt. (1991);Doh, Jonathan P, and Terrence R Guay .(2006); Campbell , John L. (2007); Moon, Jeremy, and Dirk Matten. (2008);Scott, W R. (2008)

homogeneous and restructured habits in establishments across and within businesses<sup>154</sup>. Suchman examined legitimacy as the general belief or perception that activities of an organization are appealing, and proper in various socially structured systems of ethics, beliefs, principles, and definitions<sup>155</sup>. Suchman alluded that legitimacy influences not just how persons behave toward companies, but also their understanding of them<sup>156</sup>. Hence, consumers see the legitimate businesses not just as more worthwhile, but as more predictable, reliable and meaningful. The CSR connection suggests that being legitimate may increase a firm's ability to contest for resources, gain shareholder's consent<sup>157</sup>, and offer a bank of benevolence during times of crisis<sup>158</sup>.

Institutional theory has been seen as a relevant lens by which CSR can be examined, owing to its connection with legitimacy<sup>159</sup>. Campbell questioned if the motives steering CSR were entirely voluntary and reliant on having ethical persons in command, or if there is a lot more to it?, and gave numerous theoretical suggestions regarding why firms may be motivated to involve in CSR considering institutional theory<sup>160</sup>. He asserted that various extensive institutional and economic environment ascertain whether or not CSR behaviour will be possible to happen and proposed that firms will likely behave in socially accountable manner if resilient and properly enforced laws are in place, together with efficient and effective business self-regulations<sup>161</sup>.

Additionally, environments that support monitoring corporations' conducts, like autonomous organizations, are deemed favourable for guaranteeing liable behaviour. The probability of behaving responsibly improves when ethical standards, widely approved by society, backs up such behaviours. Finally, companies' behaviours are influenced by how society leaders and other interested parties see their hard work and whether or not they involve in institutionalized discussion between and amongst every one. The significance of these

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<sup>154</sup> DiMaggio, P J, and Walter W Powell . The new institutionalism in organizational analysis. 1991; Scott, W R. Institutions and organizations: Ideas and Interests. 2008.

<sup>155</sup> Suchman, M C. "Managing legitimacy: Strategic and institutional approaches." (1995): pp 571–610.

<sup>156</sup> Ibid, 1995:pp 571–610

<sup>157</sup> Rao, H. "The social construction of reputation: Certification contests, legitimization, and the survival of organizations in the American automobile industry: 1895–1912." (1994): pp 29–44.

<sup>158</sup> Godfrey, P C, and N W Hatch. (2007); Deephouse, D, and M Suchman.( 2008).

<sup>159</sup> Doh, Jonathan P, and Terrence R Guay .(2006); Moon, Jeremy, and Dirk Matten.(2008); Campbell , John L. (2006);(2007)

<sup>160</sup> Campbell , John L. "Why would corporations behave in socially responsible ways? An institutional theory of corporate social responsibility." (2007): pp 946–967.

<sup>161</sup> Ibid,2007:pp 946–967.

institutional terms is that, they shape firm' motives behind taking up socially accountable behaviours.

Whereas the pursuit for legitimacy can be a strong influence for corporations to involve in CSR, other probable motives should equally be taken into account. In considerable amount of extant literature, CSR has been regarded to be different from more conservative, strategic programmes and consequences. However, recent literature points to the possible interaction between economic and social performance. Bruch and Walter<sup>162</sup> and Porter and Kramer<sup>163</sup> amongst other well-known literature also argue for a more strongly linked fit between a firm's main strategy and its CSR endeavours. Consistent to this assertion are the writings of Sarkar, highlighting that corporate practices with respect to the environment have changed and the craze today is moving from environmental conservation to environmental policy. Sarkar acknowledged that the correlation between financial and environmental concerns is a balancing out both the competitive and collaborative factors<sup>164</sup>.

What motivates us as a corporation is not only to adhere to the environmental standards that we have set as a company and the states, but also to ensure that our surrounding communities have safer environment to live in<sup>165</sup>. In table 12 below, 25% respondents from the 20 MNCs established that corporations are mostly motivated by the presence of state environmental policies to comply with; and to improve corporate image and to gain public relations advantage over other investors; 15% are motivated by the fact that it would minimize their operations costs and pleasing their clients ;10% are motivated by the fact that it would foster warm relations with the community; 5% of the respondents are motivated by their shareholders and by the fact that corporations with the best environmental practices would get the publicity and rewards such as Energy Management Awards (EMA), Eco Warrior Awards, and CIO100 East Africa awards among others.

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<sup>162</sup> Bruch, Heike , and Frank Walter. "The keys to rethinking corporate philanthropy." (2005): pp 49-55.

<sup>163</sup> Porter, Michael E, and Mark R Kramer. "Strategy and Society: The Link between Competitive Advantage and Corporate Social Responsibility." (2006): pp 78–92.

<sup>164</sup> Sarkar, Runa. "Public policy and corporate environmental behaviour: A broader view." (2008): pp 281–297.

<sup>165</sup> Faith R, in-charge of Operations; Bamburi cement ltd. Nairobi July2019

**Table 12: Response rate on motivating factors**

Motivation factor	Frequency	Percentage
Compliance	5	25%
Improve Corporate Image	5	25%
Foster warm relations with community	2	10%
Minimize operation costs	3	15%
Customers	3	15%
Shareholders	1	5%
Others i.e. Get rewards (e.g. 14001 Certification)	1	5%
<b>Total</b>	<b>20</b>	<b>100%</b>

Source: Researcher's data, 2019

### 3.3 Kenya's environmental policy

Kenya has faced countless challenges with the implementation processes of environmental rights since independence. For instance, not until a decade ago, Kenya never had any policy specially created to tackle infringements of environmental rights. Complainants alternatively had to apply the law of contract and tort to rectify environmental violations<sup>166</sup>. Environmental issues were mainly private law matters and were of no interest to the key sections of public law<sup>167</sup>. Even worse, Kenya's environmental policy regime was categorised by the presence of a collection of sectoral laws that dealt with specific matters linked to environmental preservation, development and safety<sup>168</sup> . However, after the August 2010 promulgation of a new Constitution and as far as the execution of environmental rights is concerned there has been a fundamental change.

Kenya's present environmental governing regime stems from Parliament's enactment of the Environmental Management and Co-ordination Act (EMCA) of 1999. Previous to the enactment of EMCA, which purpose to tackle the entire scope of environmental regulatory matters challenging contemporary state, Kenya did not have inclusive environmental regulation guidelines<sup>169</sup>. The EMCA of 1999 is extensive, however, its utmost crucial input to governance of environmental control, is the formation of the National Environmental Management Authority (NEMA).

<sup>166</sup> Ogolla, BD . "Environmental management policy and law." Environmental policy and law, 1992: 176.;Ojwang, J B . Environmental management policy and law. Nairobi: ACTS Press, African Centre for Technology Studies,, 1992.

<sup>167</sup> Ibid,p. 176.

<sup>168</sup> Ibid, p. 176-177.

<sup>169</sup> Barczewski, Benjamin . How Well Do Environmental Regulations Work in Kenya? :A Case Study of the Thika Highway Improvement Project. 2013.

So as to ensure conformity with environmental guidelines, EMCA requires that environmental checks are done. By the way, these checks are done to establish whether firms are in conformity with environmental prerequisites. The Act hence, forbids any party from obstructing environmental examiners while on duties. Within the Act, it's also expected that firms execute amendments recommended by environmental examiners and to ensure that the firms abide by the environmental guidelines stipulated. Therefore, this Act guarantees that firms are held liable for any damage they cause on nature and that counteractive actions are taken on in the event of any breach<sup>170</sup>.

The Constitution of Kenya (2010) has the capacity to create progress, and has given environment an important standing in its structure. According to Article 42 of the constitution, the fundamental rights and freedoms accorded to inhabitants of Kenya by the state is guaranteed clean and wholesome environment that profits both present and the coming generations<sup>171</sup>. Article 69 of the constitution precisely summarizes the environmental obligations of the GoK, comprising of sustainable utilization and protection of environment and obliges the state to conserve a tree cover of a minimum of 10% of the land area of the country. In Article 70, citizens have been given the privilege to appeal to the court for compensation when they believe their environmental rights are being violated.

The 2010 Constitution has significantly increased the class of persons that have lawful status to bring a case in court to impose environmental rights<sup>172</sup>. Certainly, the Bill of Rights accords all persons the permission to have access to justice, including the substantial provision of legal status to all people. Whenever an appeal is filed by a person or a party in quest of execution of environmental rights, Article 70 gives the courts the authority to avert any act which damages the environment, or coerce somebody to take some action to better a previously degraded environment. Also Articles 162.2(b) and 165 brings to life a specialised court for land and environment. The role of the court is to listen to issues relating particularly to land and environmental privileges<sup>173</sup>.

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<sup>170</sup> Environmental Management and Co-ordination Act. EMCA. Kenyan Law, 1999, Part XIII; Section 137(a).

<sup>171</sup> "The Constitution of Kenya." 2010.

<sup>172</sup> Sang, Brian YK. "“Tending Towards Greater Eco-protection in Kenya: Public Interest Environmental Litigation and its Prospects within the New Constitutional Order”. (2013): pp 29-56.

<sup>173</sup> Ibid, 2013: pp 29-56.

Kenya's 2010 constitution has specifications that try to steer the operations of numerous establishments in the state, even MNCs. Article 10(1) of the constitution provides for nationwide beliefs and guidelines of governance that are binding to all State officials, state agencies, public representatives and the general public<sup>174</sup>.

In Kenya sustainable development is very crucial. Connected to the principle of sustainable development are the standards of intergenerational equity and that of intra generational equity. The latter has been well-defined in Section 2 of Environmental Management Coordination Acts (EMCA) to denote that all persons in the present-day generation hold the merit to gain evenly from environmental exploitation, and equaling to a healthy and unpolluted environment. While the principle of intergenerational equity, avers that every generations has the right to the natural environment just as with other persons, species, and with present-day, past and future generations<sup>175</sup>.

Kenya's institutional and legal framework is quite sturdy and tackles most of the significant challenges facing environmental conservation in contemporary nations. The present legislation is pretty comprehensive, even though its shortcoming is that it lacks air quality guidelines. Regardless of this gap, the National Environmental Management Authority (NEMA), together with other lead organizations such as Kenya Parks Service, Kenya Wildlife Service, Water Regulation Management Authority, have the legal instruments they require to sufficiently protect and preserve the environment of Kenya, and ensure a healthy and uncontaminated environment for all inhabitants. Nonetheless, a healthy and unpolluted ecosystem has not been achieved yet<sup>176</sup>. Lack of support amongst government ministries, and execution of the existing regulations is the impediments to achieving healthy environment.

### **3.3.1 The role of National Environmental Management Authority in Kenya**

NEMA is the body that is charged with executing Environmental Management and Coordination Act's (EMCA) provisions and the auxiliary regulations which have been adopted over the years. These subsidiary regulations include; waste management, biodiversity, wetland, river and seashore, quality of water, controlled substances, and environmental impact assessment (EIA) regulations. The requirements encompassed in EMCA and the

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<sup>174</sup> "The Constitution of Kenya." 2010.

<sup>175</sup> Muigua, David Kariuki, and Francis Kariuki. "Sustainable Development and Equity in the Kenyan Context." (2012).

<sup>176</sup> Kinney, P L, et al. "Traffic Impacts on PM2.5 Air Quality in Nairobi, Kenya." (2011): pp 369-378.

subsidiary regulations, are aimed at providing regulations on the use and the kind of activities that is permissible in various environment and habitations of Kenya. Hence, NEMA's main responsibility is to assess and award permits to proponents that intend to alter land-use. To ensure that NEMA accomplishes these tasks, EMCA has given NEMA the authority to oblige any ministry or organization to conform to the existing environmental policies<sup>177</sup>.

NEMA plays various roles in environmental management, among them includes; To carry out overall management and coordination on all issues concerning environment and to be the government's standard instrument in the execution of all environmental guidelines; To take stock of the ecological resources in the country and how they are utilized and protected; To prepare and release yearly report on environmental status of Kenya and in relation to this, they can also instruct any lead organization to prepare and present report on environmental conditions of the sector under the supervision of that lead organization, and lastly; To give advice to government or administration on legal and additional measures for environmental management and execution of pertinent international treaties, contracts, and conventions among other roles<sup>178</sup>.these are just a few of the roles that NEMA plays in ensure environmental management and coordination.

According the respondents from NEMA, the government through the ministry of environment and mineral resources which is the certified policy body mandated to devise policies, principles and procedures to aid the execution of sustainable development, National Environment Management Authority (NEMA), Department of Remote Sensing & Resources Surveys (DRSRS) Kenya Meteorological Department (KMD), and Mines & Geological Department has made tremendous effort in ensuring environmental sustainability. The respondents also argued that the policies are effective, even though they still face challenges here and there with regards to compliance from the multinational corporations and home grown business investors. They however believe that so much has been accomplished and the attitude of the society, investors and the state towards the environment is very positive<sup>179</sup>.

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<sup>177</sup> Oondo, Gerphas, interview by personal interview. Regional Coordinator, EANECE ( July 11 2012).

<sup>178</sup> National Environment Management Authority(NEMA). *NEMA*. 2019.

[https://www.nema.go.ke/index.php?option=com\\_content&view=article&id=2&Itemid=137](https://www.nema.go.ke/index.php?option=com_content&view=article&id=2&Itemid=137) (accessed June 20, 2019)

<sup>179</sup> Emil; Chief research officer NEMA. Nairobi July 2019

The respondents mentioned that NEMA plays a vital role as far as environmental management and coordination is concerned and mentioned the following as some of the roles it plays; to execute of all policies associated to the environment; capacity building and sensitization of stakeholders to ensure compliance; they act as the central point for several Multi-lateral Environmental Agreements (MEAs) hence spearheading the execution of consented decisions, domestication and dialogs; they organize the environmental action planning in Kenya designed to focus on execution of major interventions by different sectors; They provide elaborate instrument for executing of environmental regulations and opens legal action against environmental lawbreakers in collaboration with relevant arms of government and they are also in charge of documenting and reporting the environmental status of the country<sup>180</sup>.

The respondents also established that the government through its constitution emphasizes on the primary rights and freedoms to residents of Kenya on clean and wholesome environment that benefits both present and the future generations.

## **Conclusion**

In this chapter the study looked at the measures that corporations have put in place to ensure environmental sustainability, what their motivation factors are and the role of the state and national environment management authority in ensuring environmental sustainability.

From the study it is clear that multinational corporations are taking environmental issues more seriously and most have tried to have environmental friendly strategies in place to help in sustaining the environment. When it comes to what motivates them, well different corporations are motivated by different reasons. In the study it has been established that most corporations are aware of the country's environmental policy and a number are motivated by this. However, they are also motivated by other reasons such as reward, minimization of operational cost, improved corporate image, to gain public relations advantage over other investors; good relationship with community. However, other managers alluded that sometimes they are also motivated by the fact that best environmental practices would give the company the publicity and rewards.

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<sup>180</sup> Naomi; Compliance officer NEMA. Nairobi July 2019

The government through its various agencies have done a lot to ensure environmental sustainability. The government has in place a very adequate environmental policy, and agencies that assist with the execution of these policies. However challenging the enforcement is due to lack of strict compliance to the Act, Parastatals such as NEMA, Ministry of environment and various departments mentioned in the study are working day and night to ensure that the environmental sustainability is attainable.

## **CHAPTER FOUR**

### **MULTINATIONAL CORPORATIONS INFLUENCE ON ENVIRONMENTAL POLICY IN KENYA**

#### **4.0 Introduction**

This chapter analyses the extent of MNCs influence on environmental policy using both secondary and primary data. It further identifies the distinctive factors that attract MNCs to set up their operations in Kenya, involvement of MNCs on environmental policy processes, and the key challenges that MNCs poses on the environmental policy in Kenya.

#### **4.1 Growth of Multinational Corporation in Kenya.**

There are five major factors that attract MNCs to set up their enterprises in Kenya as the regional headquarters. These factors include; the political stability, location, availability of labour, economic status, and market potentiality etc.

Kenya along with other developing states has hosted numerous MNCs, and this was the situation even with the extreme negative economic effects that resulted from foreign debt since 1980s. MNCs were accepted during this time more especially to boost the economic growth. MNCs were anticipated to vastly contribute to an increase of GDP by means of FDI and technological transfers into the country<sup>181</sup>. MNCs settlement into Kenya was enhanced due to globalization, trade liberalization and abolition of communication barriers, which made it easier for foreign investors to access markets of developing nations.

##### **4.1.1 Investment prospects in Kenya.**

Agriculture, Energy, Tourism, Forestry, Fishing, Mining and minerals sector are the core income earners in Kenya and have given Kenya competitive advantage in the global market. Kenya's competitive advantage has played an important part in attracting foreign investors to establish their corporations in Nairobi. Around 60 to 70 percent of industries are foreign owned<sup>182</sup>. However, regardless of all the shortcomings, Kenya has had from the post-election violence to national debts; Nairobi Kenya still stands out as a suitable setting for African regional headquarters. In spite of the infrequent restriction to foster the africanization of

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<sup>181</sup> Campbell, McConnell R., Stanley Brue, and Sean Flynn. Macro Economics.1990.

<sup>182</sup> Mugeni, Lynn Prudence Ajiambo . Factors Influencing MNCs in Choosing Nairobi Kenya as Africa Regional Headquaters.2013.

businesses, Kenya's policies on foreign ventures have largely been promising since independence. Foreign stakeholders have been assured proprietorship and the right to remit royalties, dividends, and wealth.

#### **4.1.2 Strategic geographical location**

Kenya is considered a strategic locality in East Africa, with a total population of about 40 million people and a total land field of 580.4 km square. It is well bequeathed with a wide-range of minerals, natural surroundings and arable land. Kenya's highlands consist of the most flourishing agricultural production zones within East Africa. External investment has remained significant in funding development in Kenya both in the industrial and the primary and tertiary sectors<sup>183</sup>.

According to US data vendor that traces up-and-coming markets, Kenya is rated the second best ideal destination in Africa for MNCs looking to establish stores. Globally, Kenya was ranked second with a score of 23.17 per cent after Nigeria with a score of 29.57 per cent and fifth behind Saudi Arabia (24.69 per cent) by Frontier strategy group. The indicator is grounded on contribution from 200 MNCs like General Electric and Coca Cola. In recent years, a number of MNCs in consumer goods, financial services, technology and industrial sectors have opened their continent and regional head offices in Nairobi<sup>184</sup>.

Among the MNCs who have chosen Nairobi as either their regional or African head offices are KFC, Dow Chemicals, Google, MasterCard, Pepsi, Travel port and Visa. The growing consumer group and Nairobi becoming a focal entryway for East Africa are a number of reasons that are allure the foreign corporations. Frontier Strategy Group on the other hand, states that regardless of the rise in Kenya's desirability the plague of terrorist assaults will have major temporary consequence on businesses like tourism<sup>185</sup>.

#### **4.1.3 Steady economic atmosphere**

Kenya has enjoyed a steadily improving environment for foreign direct investment (FDI). Foreign investors looking to set up enterprises in Kenya normally gets similar treatment as indigenous investors, and MNCs forms a larger proportion of Kenya's manufacturing sector.

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<sup>183</sup> Mwega, Francis M, and S Njuguna Ndung'u. Explaining African Economic Performance: The case of Kenya. 2002.

<sup>184</sup> John Gachiri. "Kenya ranked second in Africa as investment hub for global firms." Business Daily, Wednesday 18 June 2014.

<sup>185</sup> Ibid, Wednesday 18 June 2014

There is little to no discrimination against foreigners in Kenya's manufacturing sector. Foreign investors have access to research financed by the government, and governments export marketing programs do not discriminate amongst goods manufactured by local and foreign-owned corporations<sup>186</sup>.

Kenya being a member of international bodies such as the Multilateral Investment Guarantee Agency which strive to advance international investment, the Africa Trade Insurance Agency, World Bank institution which provides political insurance to stakeholders to counter non-commercial risks; and the International Centre for Settlement of Disputes, a judicial body that solves disputes of a business and investment kind<sup>187</sup>.

#### **4.1.4 Ease of doing business**

The ease of doing business 2019 report by World Bank Group, which examines the guidelines that limits or improves business activity in a state, was recently publicized. The report examines survey outcomes across 190 countries. According to the report, Kenya's grading improved from position 80 to 61 in 2018 and was ranked position 3 in Africa. Among the 190 states, Kenya was the seventh most advanced country that implemented a total of five reforms amongst the eleven topics of focus in respect of inclusive grading in ease of doing business. The reforms included; protecting minority investors, aiding the continuance of the defaulter's business during bankruptcy proceeding to make solving insolvency effortless, reinforcing access to credit, easiness of paying duties by unifying all licenses into a single joined commercial permit and ease of property Registration<sup>188</sup>.

#### **4.1.5 Desirable investments incentives**

The government has also put in place incentives to attract investors, among those incentives include; the investment allowance incentives for manufacturing and hospitality sectors at 100% rate nationwide. Additionally, the government has founded the manufacture under

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<sup>186</sup> State Department's Office of Investment Affairs. "Promoting improved investment climates worldwide." [export.gov](https://www.export.gov/article?id=Kenya-openness-to-foreign-investment-Kenya-1-Openness-to-and-Restriction-Upon-Foreign-Investment). 20 January 2017. <https://www.export.gov/article?id=Kenya-openness-to-foreign-investment-Kenya-1-Openness-to-and-Restriction-Upon-Foreign-Investment>. (accessed June 4, 2019).

<sup>187</sup> Embassy of the Republic of Kenya in Russian Federation, official website . Trade and Investment. 2013. <http://www.kenemb.ru/en/business/trade-and-investment.html> (accessed July 10th , 2019).

<sup>188</sup> World Bank . "Doing Business Report Kenya-2019 Summary Note ." Cytonn Investments Web site. 2019. <https://cytonn.com/uploads/downloads/doing-business-kenya-2019-note.pdf> (accessed June 22nd, 2019).

bond programme which promotes manufacturing in Kenya for export to the global market, and is accessible to both indigenous and foreign stakeholders.

The government of Kenya through its Export Processing Zones Programme (EPZs) has fostered the expansion of private EPZs. Businesses operating in these territories in Kenya benefit from the following: import duties exemption on raw materials and intermediary inputs, VAT exemption, stamp duty exemption, a ten year tax break and subsequently a flat 25 per cent duty for ten years, and lastly the businesses have no restraint on administration or technical arrangements<sup>189</sup>.

Amongst the other things Kenya has to offer to its investors includes the investment promotion and facilitation. Through Kenya investment authority founded in 2004, The Constitution of Kenya offers both the local and foreign investors sureties against expropriation of private holdings that may arise as a result of safety or public interest. If this happens the investors are guaranteed a just and swift compensation. Under the foreign investment protection act (FIPA) (Cap 518), international investors are assured of remittance of dividends and interest, and wealth repatriation. Investors can send home after tax returns, principal and interest connected with any credit and the profits of the investment after reimbursement of pertinent taxes<sup>190</sup>.

In the study conducted, respondents from 20 MNCs; 5 respondents each from the ministry of Trade; ministry of environment and NEMA were asked whether Kenya was an attractive location for international investors and 71.4%, of the respondents agreed that Kenya is an attractive location for business investors and further proceeded to provide the following reasons ; they argued that Kenya has favourable trade and environmental policies for international investors and local investors; there is also a ready market, Kenyans are loyal consumers of quality products hence many international corporations are targeting that ;developing countries and Kenya not being an exception experience high rates of unemployment and the international investors are aware of this hence they are assured of readily available cheap labour; the government has also set aside export processing zones (EPZ) which the respondents believe has made it easier for multinational companies to set up

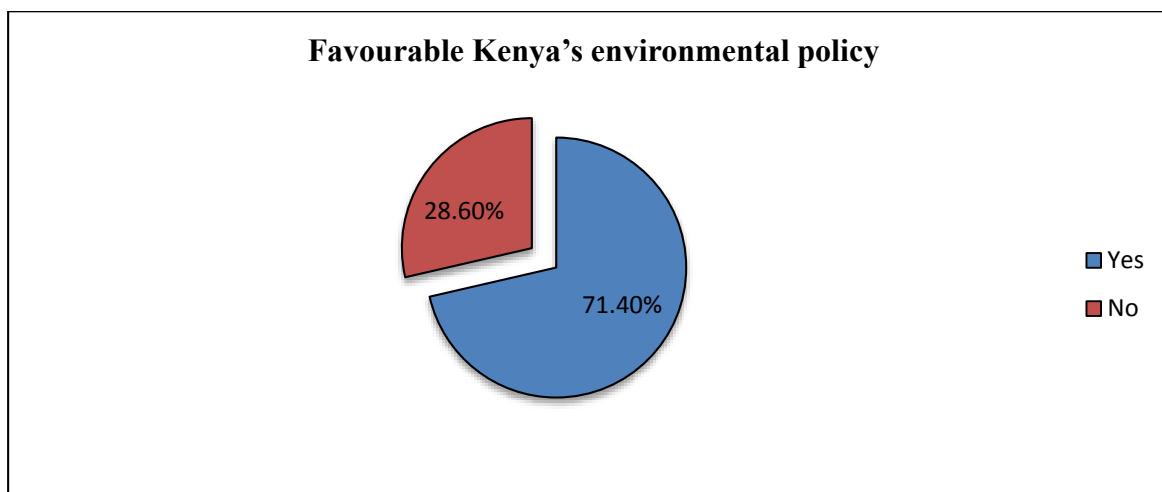
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<sup>189</sup> Ibid; 2013.

<sup>190</sup> Embassy of the Republic of Kenya in Russian Federation, official website . Trade and Investment. 2013. <http://www.kenemb.ru/en/business/trade-and-investment.html> (accessed July 10th , 2019).

their operations without the struggle of having to identify areas of operations and also the government through Foreign Investment Protection Acts has ensured that international corporations are able to remit profits home and not only that, the governments ease of doing business project through state department of trade and Cooperatives has made it so easy for investors to operate in Kenya<sup>191</sup>. 28.6% of the respondents however, believe that the policies are not so favourable since they have had to make major changes in their operations in order to ensure that environmental management systems for instance ISO 14001 is well implemented without considering the costs it comes with. The respondents argued that most of the times environmental policies are ambitious and corporations have to give up a lot for this to be achievable<sup>192</sup>. The data was presented on figure 7 below.

**Figure 6: Response as to whether Kenya's environmental policy is favourable**



Source: Researcher's data, 2019

#### **4.2 MNCs involvement in environmental policy process in Kenya**

Kenyan government has prioritized on retaining investment and maintaining continuous conversation with investors. All Kenya bills go through phase of public consultation where stakeholders have a chance to give their opinion. Private sector agents can play a role as members of the board on Kenya's state businesses. Since 2013, the president and his cabinet

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<sup>191</sup> Anonymous; Ministry of trade, Ministry of environment et.al.: Nairobi, July2019

<sup>192</sup> Ibid; Nairobi, July2019

have had biannual round table summits with Kenya Private Sector Alliance (KEPSA), and the apex private sector association<sup>193</sup>.

During the policy formulation process, the national environmental policy steering committee ensures maximum participation of major institutions and the broader public. There is always an extensive public discussion during the whole process. The main ingredients of discussion includes; Thematic taskforces, Investors workshops, regional workshops, Feedback workshops and interactive discussion through the Ministry of environment and natural resources website<sup>194</sup>. The main groups involved in the policy process including; the women, children and youth, local communities, labourers and trade unions, NGOs, local authorities, scientific and technological community and the agriculture trade and industry.

**Table 13: MNCs involvement in policy development processes**

<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	30	85.7%
No	5	14.3%
<b>Total</b>	<b>35</b>	<b>100%</b>

Source: Researcher's data, 2019

From the study conducted, 85.7% of the respondents established that Multinational corporation do take part in the policy development process, while 14.3% of the respondents from MNCs argued that they have never been involved in the process at all and only are informed of the policies that the government have in place or if there are any new additions to the existing policy. However, 85.7% of the respondents aver that public and key institutions are normally involved in the policy processes before it is adopted, the public includes both private and public investors, trade unions and employees, women and youths, the religious groups, lobby groups, community representatives, and Non-governmental organizations. During the policy making process consultations are made across all the interested parties, and their inputs are put into considerations. Once the policy making process is complete and the policy it is adopted, the implementation is now on the various government ministries, departments and government parastatals such as NEMA. However, the respondents

<sup>193</sup> State Department's Office of Investment Affairs. "Promoting improved investment climates worldwide." *export.gov*. 20 January 2017. <https://www.export.gov/article?id=Kenya-openness-to-foreign-investment-Kenya-1-Openness-to-and-Restriction-Upon-Foreign-Investment>. (accessed June 4, 2019).

<sup>194</sup> UNDP-UNEP POVERTY-ENVIRONMENT INITIATIVE. "Process of developing a national environment policy for Kenya." 2007. [https://www.unpei.org/sites/default/files/e\\_library\\_documents/kenya-developing-national-env-policy.pdf](https://www.unpei.org/sites/default/files/e_library_documents/kenya-developing-national-env-policy.pdf) (accessed July 20, 2019).

established that various stakeholders can ensure proper implementation of the policies on institutional levels by ensuring compliance in their daily operations<sup>195</sup>.

### **4.3 Key challenges posed by the growth of MNCs on environmental policy**

The main actors implicated in the extractive businesses are MNCs. It is therefore likely that these enterprises are to run in harmony with the standards of authority drawn in Article 10 of the Constitution which contains the principle of sustainable development. Additionally, these corporations are to take into account the values of social justice. For this reason, these corporations are to make sure that profits accrued from the exploitation of these natural resources are rightfully shared out with the community members amongst whom they do business. These profits are normally in monetary or non-monetary mode. In order to create a system of profit allocation in resource utilization amongst resource users, county government, national government and the resident population, and to institute the natural resource benefits sharing authority, Kenya is in the course of devising the natural resources Act<sup>196</sup>. These contracts are for firms looking to carry out extractive activities with individual counties to enter into.

#### **4.3.1 Focus on profit making at the expense of the host countries**

Before MNCs venture into any utilization of mineral resources, they normally get into discussions with state governments and are usually given contracts to conduct these activities. These firms' goals are to ensure highest profits from these activities which in most cases is done at the expense of the host country. The negotiation agreements are normally drawn in a way that enable these corporations to have limitless privileges to the natural resources giving no chance to future modifications by the host country. This makes the host country to miss out on returns, wherever there are amendments in the financial regime in the future<sup>197</sup>.

#### **4.3.2 Corruption and non-compliance**

A number of these agreements are settled in questionable ways largely affected by high-level corruption. For example, the Kenyan case with Cortec Mining Kenya Limited, Cortec (Pty)

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<sup>195</sup>Geoffrey M.; State department of trade: Nairobi, July2019

<sup>196</sup> Pimpa, N. "Multinational Corporations: Corporate Social Responsibility and Poverty Alleviation in Thailand." 2011: pp 1-8.

<sup>197</sup> Ezekiel, Aaron. "The application of international criminal law to resource exploitation: Ituri, democratic republic of the Congo." 2007: pp 225-245.

Limited and Stirling Capital Limited verses The Republic of Kenya<sup>198</sup>. The agreement involved investing in Kenya's mining sector, comprising of 21-year mining certificate for the mining of uncommon earths at Mrimá Hill Project. Nevertheless, there were conflicts about states alleged illegal retraction of complainant's mining certificate, after the complainants discovered new uncommon earth's deposits. The plaintiffs then filled a case against Kenya before the International Centre for Settlement of Investment Disputes (ICSID) suing for US\$ 2,000 Million. Conversely, Kenya claimed that the agreements were granted illegally and were flawed with bribery and that the procedure did not abide by the set lawful requirements. Even though the corruption accusation did not endure<sup>199</sup>, the tribunal was able to determined that the complainant failed to conform with states regulatory system managing the Mrima Hill forest and natural reserve, and that the Complainant also failed to attain an Environment Impact Assessment (EIA) licence from NEMA regarding the environmental matters included in the proposed elimination of 130 million stacks of material from Mrima Hill, which amounted to infringements of Kenyan law and that in respect of international law, permits the comparative rejoinder of a refusal of protection by Bilateral Investment Treaty( BIT) and the ICSID Convention<sup>200</sup>. The suit was hence dismissed with charges. This is one of many scenarios of illegal agreements signed between developing states mostly Africa and MNCs without any considerations to the present laws and the consequences these ventures may have on the host states and the society. Hence, MNCs political control upon the administrations of African states in natural resources utilization and investments should not be underrated<sup>201</sup>.

#### **4.3.3 Accountability challenges**

Those MNCs undertaking business in Kenya are expected to run within the lawful structure that exists which also comprises of the international legal structures that Kenya has ratified. Stakeholders such as the civil society play a major purpose in making sure that these MNCs are held responsible. So far, the push by these societies has yielded positive outcomes which are evident from the sustainable practices embraced by MNCs<sup>202</sup>. However, challenges normally arise in the execution of accountability because majority of these corporations are

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<sup>198</sup> Cortec Mining Kenya Limited, Cortec (Pty) Limited and Stirling Capital Limited v. Republic of Kenya . (12 November 2015).

<sup>199</sup> Ibid,2015

<sup>200</sup> Cortec Mining Kenya Limited, Cortec (Pty) Limited and Stirling Capital Limited v. Republic of Kenya . (12 November 2015).

<sup>201</sup>Helleiner, G K. "The role of multinational corporations in the less developed countries' trade in technology." (1975): pp 161-189.

<sup>202</sup> Langdon, Steven W. *Multinational Corporations in the Political Economy of Kenya*. 1981.

not incorporated in the country. For this reason, even when verdict is passed against these corporations, execution becomes challenging and worse is when these corporations threaten to remove their investments from the country.

In the study, majority of the respondents from the ministry of environment, state department of trade and NEMA noted that it's economically significant for Kenya to have many investors willing to invest in the country. However they agree that having so many multinational corporations with so much economic power that sometimes is almost close to the host states GDP may sometimes work against the state. They argued that with so much economic strength they tend to buy their way out of serious issues that may affect the communities, environment and even effectiveness of state policies. Some of the respondents noted that corporations normally fund political parties and hence have influence on political leaders they fund whom in many occasions further the corporation's interest and rarely the states'. They believe this could be dangerous and hence the need to control the rate of external investors into the country<sup>203</sup>.

#### **4.4 MNCs level of influence on the host countries environmental policies**

The dominance of MNCs in Kenya's economy especially in investment and financial sector, trade, and agriculture is vast and their participation in the public realm and the effect of their operations and strategies has put them on the spotlight<sup>204</sup>. This has gained public attention as to whether these companies can be considered liable or be regulated.

Susan in her article "state of corporations", emphasizes on the impact of corporate lobbying actions over policy resolutions and how over \$1.3 trillion a year change in revenues away from European labourers and into the stakeholders pockets. The influence that multinational corporations (MNCs) exercise over international trade treaties for instance the Transatlantic Trade and Investment Partnership is of concern. One of the crucial attribute of this and other related trade agreements is that MNCs are allowed to take legal action against autonomous governments whenever they believe that national legislation would potentially hurt corporate productivity. Over 560 cases have by now been brought to the fore by MNCs against state

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<sup>203</sup>Anonymous; State department of trade, NEMA et.al. Nairobi: July 2019

<sup>204</sup> Kirimi, Esther Kanyua. Multinational corporations and the violation of human rights in kenya: A case study of cirio delmonte in Kenya. 2003.

administrations, with a third of company plaintiffs claiming at least \$100 million in reparation<sup>205</sup>.

From Susan's insightful analysis, it is clear that if power is not justly distributed throughout the society but wielded by corporations, then ensuring social and environmental justice would be unattainable. She argues that the first critical step to regaining democratic sovereignty is to limit the corporation influence on policy development at the local, national and international levels<sup>206</sup>. However, due to lack of real opponents to neoliberal system amongst legislators, the restructuring of supremacy back to the citizens continues to be a major challenge for those seeking an unbiased and more sustainable world.

Corporates attempts to influence municipal policy and states' administration does not only involve individual firm endeavours but also business unions. These unions act cooperatively to advance public policies to their best interest and to the benefit of specific businesses and regions. Among the business unions that have involved in attempts to influence public policy includes; the US Chamber of Commerce, the state-level business and industry associations, the National Association of Manufacturers, and the local chambers of commerce. The United States Chamber of Commerce is the globe's biggest business organization, acting on the welfares of over three million corporations of every sizes, sectors, and regions<sup>207</sup>.

Kenya highly relies on foreign investments, and because of this Kenya has been cautious to steer clear of any disputes with MNCs that would lead to economically costly conflicts. The government of Kenya has over the years ensured that they stay away from any disagreements that even investments policies are more in favour of the MNCs than the state due to concerns of withdrawal of investments by international corporations. The retraction of ventures creates anxieties over trade stabilities and lost employments<sup>208</sup>. The highly aggressive nature of the MNCs heightens this concern since MNCs are very likely to take greatest action by retracting from settings that do not meet the fundamental objective of maximizing profit.

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<sup>205</sup> George, Susan . "state of power, state of corporation chapter." In State of Corporations –The rise of illegitimate power and the threat to democracy. 2014.

<sup>206</sup> Ibid,2014

<sup>207</sup> 2012 books.lardbucket.org. Factors That Influence Public Policy. Vol. 1, in Section 3.1 from the book Sustainable Business Cases. 2012.

<sup>208</sup> Kirimi, Esther Kanyua. Multinational corporations and the violation of human rights in kenya: A case study of cirio delmonte in Kenya. 2003.

#### 4.4.1: MNC and environmental policy

**Table 14: MNCs influence on Kenya's environment policy**

Response	Frequency	Percentage
Yes	25	71.4%
No	10	28.6%
<b>Total</b>	<b>35</b>	<b>100%</b>

Source: Researcher's data, 2019

The question on whether MNCs had any level of influence on state's environmental policy was asked to the following group of respondents; MNCs, ministry of environment, NEMA, and state department of trade. The respondent had divergent opinions on this, 71.4% of the respondents felt that MNCs has influence on environmental policy because of the simple fact that they are involved during the policy making process. The respondent argued that during these consultation stages, the individuals and groups involved use this time to advance their interests. For investors, they are always more concerned about what the policy means to their range of businesses and if it could help their businesses realize highest profits. Also investors looks at how cost effective and efficient a policy will be to achieve the desired outcome, if it's going to be very expensive to implement, normally they withdraw support and hence the need for compromise. However, 28.6% of the respondents thought that there is no significant amount of influence that would impact on the effectiveness of the policies, because normally the compromises that are made are always beneficially to all parties.

**Table 15: Policy impact on the operations of MNCs**

Response	Frequency	Percentage
Yes	18	90%
No	2	10%
<b>Total</b>	<b>20</b>	<b>100%</b>

Source: Researcher's data, 2019

The study also examined if environmental policies affect the operations of multinational corporations, and 18 (90%) out of 20 MNCs under study agreed that they do affect the operations of large corporations and even home grown companies. When a policy is very expensive to implement it will affect the production cost of companies and they will have to strategies their operations in order to factor in the cost of policy implementation in their daily operations. This explains why some corporations do not comply with environmental regulations and are constantly negatively impacting on the environment. 10% of the

respondents however believes that despite the expensive cost of implementation of environmental policy, the benefits outweighs the cost and in the long run it also benefits the corporations in terms of their environmental management practices. Majority of the respondents noted that they try as much as they can to take part in policy development processes so that in cases of issues that may affect their operations negatively they try and highlight them before the policy development stages are not complete and for those corporations that came into the country after the policy was in place, they try to find a middle ground which they say is normally considered as lack of compliance.

According to the respondents from the state department of trade, ministry of environment and NEMA, Multinational corporation have done a little bit better in changing their attitude towards environmental sustainability and pointed out that this was evident in the nature of the CSR activities. They also argued that most of the MNCs have showed interested in supporting environmental initiatives by government and even the surrounding communities which is a good sign. However, they also agreed that they have in the past faced resistance from the multinational corporations complaining of unfavourable policies particularly environmental regulations and gave an example of the ban of plastic bags in 2017 by the government, a number of corporations were affected and they highlighted their concerns with others filing petitions against the ban, however for a greater good the ban was never lifted and they had to comply.

#### **4.5 Ways of ensuring environmental policy compliance by Multinational corporations.**

Compliance is very important to attaining sustainable development. Voluntary Compliance with the environmental regulations cuts costs of implementation and supervision. Compliance approaches includes both activities to advance and implement legal obligations. Execution of environmental regulations is very crucial in order to establish an environment that enables stakeholders to have clear inspirations to utilize the opportunities and assets offered. However, it is important that execution and compliance that is required is attained on stipulated time<sup>209</sup>.

Home-grown corporations and home residents are more or less automatically subject to local environmental regulations; however, with the rise in number of MNCs investing in different

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<sup>209</sup> NEMA. NATIONAL ENVIRONMENT POLICY;Environmental compliance. Nairobi: Republic of Kenya, 2013.

parts of the world in this 21st century, MNCs will soon become or already is the principal focus of environmental strategies. In order for environmental regulations to stay relevant and effectual, the regulation has to put into consideration the huge scale and range of these MNCs. Any form of jurisdictional concerns will constraint the coercive influence of any environmental regulation, hence it is important that the law utilize an all-inclusive approach in which various other forms of law, like taxation law, investment law and trade law are used to impact on the behaviour of MNCs<sup>210</sup>.

According to respondents from NEMA, they ensure compliance through capacity building initiatives, sensitization and also punishing the offenders in collaboration with other organs of the government. According to NEMA official, to ease compliance among various stakeholders; more environmental experts are required, tools needed to measure pollution levels, finances and for investors the cost of production should be lowered<sup>211</sup>.

Also the respondents argued that given the longstanding nature of majority of environmental management investments, there should be certainty of the regulations as this is important when encouraging corporations to create and adopt proficient, effective and innovative means of compliance.

## **Conclusion**

This chapter of the study focused on the reasons why Kenya is considered an attractive location by MNCs, whether corporations are involved in policy development processes, challenges resulting from increasing growth of MNCs on environmental policy, level of influence of MNCs on environmental policy, and how to ensure compliance.

In the study it was determined that Kenya is an attractive location for international investors and this is due various factors such as favourable trade and environmental regulations among many others. The study also established that indeed MNCs are normally involved in the policy development process and this is also provided for in the constitution of Kenya. The policy outcomes normally involved compromise among the interested parties that obviously explains the belief that there is some level of influence from both parties.

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<sup>210</sup> Soh, Darryl , and Michael Ewing-Chow. "Pain, Gain, or Shame: the Evolution of Environmental Law and the Role of Multinational Corporations." (2009).

<sup>211</sup> Emil; Chief research officer NEMA. Nairobi July 2019.

From the study, it is agreeable that the increased growth in numbers of MNCs in the country has brought about many challenges as far as environmental sustainability is concerned. The study highlighted the effects of MNCs activities on the environment, and how difficult it is to keep tabs with every each of them regarding compliance with environmental regulations and policy adoption. However, the respective agencies have various ways of enforcing compliance to ensure the goal of environmental sustainability is attained.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.0 Introduction**

This chapter summarizes the significant findings of the study then continues to provide the conclusions of the study and recommendations of the researcher based on the findings of study.

#### **5.1 Summary of key findings**

The study established that majority of the local communities that participated in the study had lived in the neighbourhoods for over ten years, and only a few had stayed for under one year. Most of the respondents were casual labourers with a most working for the neighbouring MNCs, followed closely followed by formal employment, and lastly the unemployed who were recent graduates. The respondent included both women and men however; the largest number of respondents was women. Majority of the respondents were within the ages of 31-40, followed closely by 41-50years.

Twenty MNCs in Nairobi and its environs were involved in the study. Majority of the corporations that participated in this study have been in operations for over 15 years and most of the corporations were in the business of manufacturing, followed by energy and petrol, Commercial & Services, and construction industry.

The study interrogated the respondents on if and why they think Kenya is an attractive location for foreign investors, and most of the respondent believed that indeed Kenya is an attractive location for business investors and provided the following reasons as to why they thought so: Kenya has favourable trade and environmental policy to both international and local investors; there is also a ready market, Kenyans are loyal consumers of quality products hence many international corporations are targeting; Kenya experiences high rates of unemployment and the international investors are aware of this hence they are assured of readily available cheap labour; the government has also set aside export processing zones(EPZ) which the respondents believed made it easier for MNCs to set up their businesses without the struggle of having to identify areas of operations and also the government through Foreign Investment Protection Acts has ensured that international corporations are able to remit profits home and not only that, the governments ease of doing

business project through state department of trade and Cooperatives has made it so easy for investors to operate in Kenya.

It was established in the study that various stakeholders are normally involved in the policy development processes before it is adopted. The key stakeholders that take part in the consultation process of policy development includes; both the private and public investors, trade unions and employees, women and youths, the religious groups, lobby groups, community representatives, and Non-governmental organizations. Majority of the respondent believes that the right to participate in any policy process is provided for in the 2010 Kenyan constitution. They nevertheless, mentioned that implementation of these policies are spearheaded by various government agencies and departments and that stakeholders can also ensure proper implementation of the policy at institutional levels by ensuring compliance in their daily operations and aligning their institutional environmental management policy with the states' environmental policy.

From the study the respondent had divergent opinions on whether MNCs have some levels of influence on Kenya's environmental policy, majority of the respondents felt that they do because of the simple fact that they are involved during the policy making process. The respondent argued that during these consultation period, the individuals and groups involved use this time to advance their interests. Investors are more concerned about what the policy means to their range of businesses and if it could help their businesses realize highest profits. They are also concerned about how cost effective and efficient a policy will be to achieve the desired outcome, if it's going to be very expensive to implement, normally they withdraw support and hence forcing states that are desperately in need of foreign direct investment to have a compromise. However, a few of the respondents thought that there is no significant amount of influence that would impact on the effectiveness of the policies, because normally the compromises that are made are always beneficially to all parties.

The study found at that environmental policies do affect the operations of companies in various ways. Majority of the respondents agreed that environmental policies can be very costly for corporations especially if their nature of operations has to change, the production cost may go high as a result. The respondents highlighted that this fears of increase in production cost has made corporations a bit reluctant in adopting policies and hence the rise in non-compliance. The respondent however believes that despite the expensive cost of

implementation of environmental policy, the benefits outweighs the cost and in the long run it also benefits the corporations in terms of their environmental management practices.

Regarding the challenges that Kenya has faced due to the increase in numbers of the MNCs with regarding to the environmental policy compliance, majority of the respondents noted the economically benefit was undeniable and even the increase in employment opportunities. They however, argued that majority of those MNCs have immersed so much economic power that sometimes is almost close or above the GDP of the host states and this in most instances work against the state. With so much power the MNCs can easily buy their way out of legal proceeding against them as seen in the past, and has affecting the effectiveness of environmental policy. Some of the respondents pointed out that corporations usually fund political parties and hence have influence on political leaders they fund whom in many occasions further the corporation's interest and rarely the states' with regards to state policies. They believe this could be dangerous and hence the need to control the rate of external investors into the country.

Majority of the participants in the study established that the attitudes of the MNCs have changed and that looking at the nature of their corporate social responsibilities and corporate environmental regulations, it was clear that they are working towards ensuring environmental sustainability.

Most respondents of the study agreed that they have in many occasions faced resistance from the corporations regarding environmental regulations. Most of the corporations local or international owned believe that policies should be favourable to their operations and when it is not, they tend to protest it. The respondents mentioned the reactions to a recent plastic ban by the government that saw companies seek legal avenues to stop the ban but did not succeed.

## **5.2 Conclusions**

The study noted that Multinational Corporations play significant role in the economy of Kenya, and that being part of the stakeholders in the society they are also involved in the policy development processes. Public participation is provided for in the Kenyan 2010 constitution and hence the reason why various stakeholders are involved in the policy development processes. Also the study has established that there are some levels of influence from various stakeholders during this process with the aim of pushing forward their personal

interest instead of the states'. From the study, it has been established that African states are very much vulnerable to multinational corporations due to their economic strength and more so due to the lax policies that African states have. Multinational corporations have been known to fund political parties and this is not an exception in Kenya. These funding's comes with strings attached and hence making political leaders very vulnerable to influence which leads to them promoting market friendly policies at the expense of the environment. Kenya also relies on foreign direct investment (FDI) to boost its economy, so having strict policies might not work to its advantage. The business community is always more concerned with how a particular policy would profit their business operations. The attitude of the stakeholders towards Kenya's environmental policy matters a lot as this can influence whether the policy would be incorporated in their own corporate environmental management practices or not.

Looking at the CSR trends in Kenya today, it is evident that many corporations both home-grown and international are aligning their corporative social responsibilities towards environmental sustainability. This is impressive and forward looking, however it is also noted that despite these efforts the amount of pollution and degradation that occurs as a result of their operations are also very severe to the surrounding communities and natural environment hence much still needs to be done to regulate their operations.

The study has also established that there are issues of non-compliance that needs to be addressed. Kenya may have the best environmental policy in place, but if various stakeholders do not put mechanism in place to enhance compliance, then its effectiveness in achieving the intended outcome is just a dream. Therefore the study has offered various recommendations as discussed below.

### **5.3 Recommendation**

Kenya has the necessary institutions that are very adequate in enhancing environmental sustainability and also from the study it is evident that various stakeholders have the right attitude towards the same. However, the following recommendations needs to be considered by stakeholders involved in the policy processes in order to ensure their effectiveness in enabling sustainable environmental practices by all the stakeholders.

Firstly, it has been established that indeed Multinational corporations have some level of influence on the state policies and this is because they are involved in the policy making process just like other stakeholders in Kenya. Consultation of stakeholders is acceptable by law and recommendable; however the policy makers should put in place strict measures to limit any form of influence by taking more time and consulting wider especially on areas of contention before coming to a compromise of any form.

Secondly, compliance with the states' environmental policy is very vital if a state needs to achieve its environmental sustainability. The study has established that compliance is still a challenge especially amongst the multinational corporations, hence the study recommends that further studies be conducted on issue around non-compliance and how this can be best achieved.

Lastly, the study recommends that future researcher consider looking into how the states' environmental policy influences the internal environmental management policies of MNCs. This will help establish whether there is any form of acceptance and coherency in the policies.

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## **APPENDICES**

### **APPENDIX I: QUESTIONNAIRE FOR LOCAL COMMUNITIES**

#### **A) PERSONAL INFORMATION**

1. Residence.....

2. Sex

- 1. Male [ ]
- 2. Female [ ]

3. What is the category of your age?

- 1. < 20 [ ]
- 2. 20-30 [ ]
- 3. 31-40 [ ]
- 4. 41-50 [ ]
- 5. > 50 [ ]

4. Occupation

5. Marital status:

- 1. Married [ ]
- 2. Unmarried [ ]
- 3. Divorced [ ]
- 4. Separated [ ]

6. Highest level of educational attainment

- 1. Non-formal [ ]
- 2. Primary [ ]
- 3. Secondary [ ]
- 4. Vocational [ ]
- 5. Tertiary (Polytechnic, University) [ ]
- 6. Others, specify\_\_\_\_\_

7. For how long have you been staying in this area?

- 1. < 1 year [ ]
- 2. 1-5 years [ ]
- 3. 5-10 years [ ]
- 4. >10years [ ]

#### **B) MNCs ACTIVITIES AND IMPACTS ON THE ENVIRONMENT**

8. Do you have any idea about MNCs activities in this area?

- 1. Yes [ ]
- 2. No [ ]

b. If yes, what activities do the company involve in? (***Tick all that apply***)

1. Manufacturing [ ]
2. Construction [ ]
3. Energy &Petrol [ ]
4. Commercial and Services [ ]
5. Other, Specify\_\_\_\_\_

9. Do you think the activities by the MNCs have some effects on the natural environment?

1. Yes [ ]
2. No [ ]

10. If yes, what are some of the effects? (***Tick all that apply***)

1. Degradation of land and vegetation [ ]
2. Water pollution [ ]
3. Air pollution [ ]
4. Noise pollution [ ]
5. Other, Specify\_\_\_\_\_

### **C. MEASURES PUT IN PLACE BY MNCs TO ENSURE ENVIRONMENTAL SUSTAINABILITY**

11. Has the company made any attempts to reduce the adverse Environmental effects of its activities?

1. Yes [ ]
2. No [ ]

12. If yes, what are some of the measures being undertaken?

1. Proper disposal of wastes [ ]
2. Resettlement of affected communities [ ]
3. Providing alternative sources of drinking water [ ]
4. Compensation to affected communities [ ]
5. Reviewing or varying methods of operation [ ]
6. Others, Specify\_\_\_\_\_

13. Are the efforts at reducing the environmental impacts satisfactory and effective?

1. Yes [ ]
2. No [ ]

b). Give reasons for your response\_\_\_\_\_

**Thanks for your participation!**

## **APPENDIX II: QUESTIONNAIRE FOR THE MNCS**

### **A) PERSONAL INFORMATION**

1. What is your position in the organization?

2. Sex

1. Male [ ]
2. Female [ ]

3. What is the category of your age?

1. < 20 [ ]
2. 20-30 [ ]
3. 31-40 [ ]
4. 41-50 [ ]
5. >50 [ ]

4. Occupation

5. Highest level of educational attainment

1. Non-formal [ ]
2. Primary [ ]
3. Secondary [ ]
4. Vocational [ ]
5. Tertiary (Polytechnic, University) [ ]
6. Others specify \_\_\_\_\_

6. Name of the company \_\_\_\_\_

7. Nature of the business

1. Construction ( )
2. Commercial & Services ( )
3. Energy & petrol ( )
4. Manufacturing ( )
5. Others (Specify) \_\_\_\_\_

8. For how long has your company been in operation in Kenya?

1. Under 1 year ( )
2. 1-10 years ( )
3. 10-15 years ( )
4. Over 15 years ( )

### **B) LEVEL OF INFLUENCE**

9. Do you believe that large corporations have some level of influence on their host countries?

1. Yes ( )
2. No ( )

b). If yes, why? \_\_\_\_\_

10. Do you take part in policy processes in Kenya?

1. Yes ()
2. No ()

11. Do you consider Kenya's environmental policy favourable?

1. Yes ()
2. No ()

b) Explain your answer

12. Do state policies especially environmental policy affect the operations your company or others?

1. Yes ()
2. No ()

b). If yes, how? \_\_\_\_\_

**C) MEASURES PUT IN PLACE BY YOUR COMPANY TO PROMOTE ENVIRONMENTAL SUSTAINABILITY.**

13) Does your Company carry out environmental awareness campaigns?

1. Yes ()
2. No ()
3. Don't know ()
4. Not Applicable ()

14).What other measures have your company put in place to promote environmental sustainability? \_\_\_\_\_

15). Does your Company give financial support to the local community initiatives towards sustainable environmental management?

1. Yes ()
2. No ()
3. Don't know ()

16). Do you think that these measures are effective?

1. Yes ()
2. No ()

b). Provide reasons for your response \_\_\_\_\_

17) Does your company have a specific department that deals with environmental issues?

1. Yes ()
2. No ()

b). If yes, specify the department\_\_\_\_\_

18) Which of the following motivates your company to carry out environmental sustainability programmes?

1. Compliance ( )
2. Improve Corporate Image ( )
3. Foster warm relations with community ( )
4. Minimize operation costs ( )
5. Get rewards (e.g. 14001 Certification) ( )
6. Customers ( )
7. Shareholders ( )
8. Others, specify \_\_\_\_\_

19) How does your company contribute to the objectives of the National Environment Management Authority? \_\_\_\_\_

20) Does your Company give clear and accurate information on its products, services and activities to customers, suppliers and the community?

1. Yes ( )
2. No ( )
3. Don't Know ( )

**Thank You for Your Participation!**

### **APPENDIX III: INTERVIEW GUIDE FOR NEMA /MINISTRY OF ENVIRONMENT AND FORESTRY OFFICIALS.**

1. What is your position in the organization?
2. Sex
3. Age
4. Highest level of education
5. Occupation
6. Is Kenya doing enough towards ensuring environmental sustainability?
7. Do you consider Kenya's environmental policies effective on achieving the goals set out in its environmental policies?
8. How do National Environment and Management Authority /Ministry of environment help in achieving Kenya's environmental conservation objectives?
9. What is your take on the impact of MNCs activities on the natural environment?
10. Do you think some of the measures (proper waste disposal, environmental awareness campaigns and review of their modes of production) put in place by these corporations are satisfactory or effective?
11. What is your organization doing to hold these corporations accountable with regards to environmental pollution?
12. Do you believe that large corporations have some level of influence on the host countries environmental policies?
13. Do you consider Kenya's environmental policies favourable?
14. Do you involve the MNCs in policy development processes? Probe for reasons.
15. From your experience working with MNCs, how would you explain the attitude of MNCs towards Kenya's environmental policy?
16. What would you recommend policy makers and implementers to do to control the extent of influence that they may get from MNCs?

**End.**

## **APPENDIX IV: INTERVIEW GUIDE FOR STATE DEPARTMENT OF TRADE OFFICIALS**

1. What is your position in the organization?
2. Sex
3. Age
4. Occupation
5. Highest level of education
6. Do you think Kenya is an attractive location for international market? Why?
7. Do you consider Kenya's environmental policies favourable for international trade? Probe for what is considered favourable?
8. Do you believe that large corporations have some level of influence on the host countries environmental policy?
9. Multinational corporations are considered the greatest polluters of environment, what is your organization doing to hold these corporations accountable with regards to environmental pollution?
10. Do you consider Kenya's environmental policy effective in achieving environmental sustainability? Probe for more information.
11. Has your organization ever faced any resistance from the multinational corporations complaining of unfavourable policies particularly environmental policy?
12. Does your organization consult the Multinational Corporations during environmental policy development processes? Probe for more information.
13. What would you recommend policy makers and implementers to do to ensure compliance from MNCs?

**End.**

## APPENDIX V: COMPANIES LISTED IN NAIROBI STOCK EXCHANGE 2019

<b>AGRICULTURAL</b>	TPS Eastern Africa Ltd Uchumi Supermarket Plc WPP Scan group Plc
Eaagads Ltd Kakuzi Plc Kapchorua Tea Co. Ltd The Limuru Tea Co. Plc Sasini Plc Williamson Tea Kenya Ltd	
<b>BANKING</b>	<b>CONSTRUCTION &amp; ALLIED</b>
Barclays Bank of Kenya Ltd BK Group Plc Diamond Trust Bank Kenya Ltd Equity Group Holdings Plc HF Group Plc I&M Holdings Plc KCB Group Plc National Bank of Kenya Ltd NIC Group Plc Stanbic Holdings Plc Standard Chartered Bank Kenya Ltd The Co-operative Bank of Kenya Ltd	ARM Cement Plc Bamburi Cement Ltd Crown Paints Kenya Plc E.A. Cables Ltd E.A. Portland Cement Co. Ltd
<b>AUTOMOBILES &amp; ACCESSORIES</b>	<b>ENERGY &amp; PETROLEUM</b>
Car & General (K) Ltd	KenGen Co. Plc KenolKobil Ltd Kenya Power & Lighting Co Ltd Total Kenya Ltd Umeme Ltd
<b>INSURANCE</b>	<b>INVESTMENT</b>
Britam Holdings Plc CIC Insurance Group Ltd Jubilee Holdings Ltd Kenya Re Insurance Corporation Ltd Liberty Kenya Holdings Ltd Sanlam Kenya Plc	Centum Investment Co Plc Home Afrika Ltd Kurwitu Ventures Ltd Olympia Capital Holdings Ltd Trans-Century Plc
<b>COMMERCIAL AND SERVICES</b>	<b>INVESTMENT SERVICES</b>
Atlas African Industries Ltd GEMS Deacons (East Africa) Plc Eveready East Africa Ltd Express Kenya Ltd Kenya Airways Ltd Longhorn Publishers Plc Nairobi Business Ventures Ltd Nation Media Group Ltd Sameer Africa Plc Standard Group Plc	Nairobi Securities Exchange Plc
	<b>MANUFACTURING &amp; ALLIED</b>
	B.O.C Kenya Plc British American Tobacco Kenya Plc Carbacid Investments Ltd East African Breweries Ltd Flame Tree Group Holdings Ltd Kenya Orchards Ltd Munias Sugar Co. Ltd Unga Group Ltd
	<b>TELE COMMUNICATION</b>
	Safaricom Plc
	<b>REAL ESTATE INVESTMENT TRUST</b>
	STANLIB FAHARI I-REIT
	<b>EXCHANGE TRADED FUNDS</b>
	NEW GOLD ETF

## APPENDIX VI: RESEARCH PERMIT



### NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

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Date: 25<sup>th</sup> June, 2019

Syrose Adhiambo Ochieng  
University of Nairobi  
P.O. Box 30197-00100  
**NAIROBI.**

#### RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on "*Analysis of the influence of MNCs on environmental policy in Kenya*," I am pleased to inform you that you have been authorized to undertake research in Machakos and Nairobi Counties for the period ending 24<sup>th</sup> June, 2020.

You are advised to report to the Principal Secretaries of the Selected Ministries, the Director General, National Environment Management Authority, the County Commissioners and the County Directors of Education, Machakos and Nairobi Counties before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit a copy of the final research report to the Commission within one year of completion. The soft copy of the same should be submitted through the Online Research Information System.

  
BONIFACE WANYAMA  
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The Principal Secretaries  
Selected Ministries.

National Commission for Science, Technology and Innovation (ISO9001:2008 Certified)

## APPENDIX VII: LETTER OF PERMIT FROM THE COUNTY DIRECTOR OF EDUCATION.

