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INSTITUTE OF DIPLOMACY AND INTERNATIONAL STUDIES

M.A DIPLOMACY

**MULTINATIONAL CORPORATIONS AND ENVIRONMENTAL CONSERVATION IN
LEAST DEVELOPED COUNTRIES: CASE STUDY OF ETHIOPIA**

JUMA ZELDA ANGELINE

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PRESENTED TO: DR. PATRICK MALUKI

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DECLARATION

I Angeline Zelda Juma do declare that this research project is my original work and has not been presented to any other examination body.

Signature:.....

Date:.....

Angeline Zelda Juma

Reg. No: R51/69254/2013

Declaration by the Supervisor

This research project has been submitted for examination with my approval as the University of Nairobi Supervisor

Signature:.....

Date:.....

Dr. Patrick Maluki

Institute of Diplomacy and International Studies

University of Nairobi

DEDICATION

I dedicate this work to my mother Jackline Membwe Ochieno for her continued support and inspiration which has brought me this far. Mum, thank you and May the Lord keep and bless you abundantly.

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I hereby acknowledge The Almighty God in Heaven for enabling me to successfully pursue this course.

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To my supervisor Dr. Patrick Maluki, I am grateful for the sacrifice and guidance.

God bless you all abundantly.

ABSTRACT

The debate on the environment has been ongoing for quite a while now since the 1972 Stockholm Conference that consequently necessitated the formation of the UNEP. There has been concerted effort across the globe calling on everyone to push forward the environmental conservation agenda. International treaties, agreements, institutions and policies have been formulated to run and oversee various initiatives aimed at protecting and enhancing environmental sustainability. The United Nations Organization spearheads the campaign through the UNEP which coordinates and evaluates efforts by different stakeholders to ensure the attainment of the United Nations SDGs which replaced MDGs. This research is focused on analyzing the efforts on environmental conservation with a closer look into such efforts and policies in Least Developed Countries (LEDCs). Multinational Corporations are key drivers of economic liberalization in the context of globalization and as thus, many countries, including LEDCs, have opted for their investments. However, these Multinational Corporations have positive as well as negative impact in the host country that they invest in. Ethiopia having being recorded as one of the least developed countries by the United Nations opened its doors for foreign investment and as a result, a number of Multinational Corporations have invested in Ethiopia. These Multinational Corporations have in one way or another caused adverse effects on Ethiopia's environment. To curb these effects the Ethiopian government has enforced policies in line with the international laws to protect its environment. However, despite the presence of policies to protect the environment, MNCs still pose a threat to the environment all over the world especially in areas where they operate, and in this case, Ethiopia.. This research will thus delve into the efforts and strategies used by Multinational Corporations to protect Ethiopia's environment in collaboration with other stakeholders.

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ABBREVIATIONS

AGOA	African Growth and Opportunity
CFCs	Chlorofluorocarbons
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
COMESA	Common Market for Eastern and Southern Africa
COP	Conference of Parties
CRGE	Climate-Resilient Green Economy
CSR	Corporate Social Responsibility
CST	Committee on Science and Technology
DFQF	Duty Free and Quota Free
EBA	Everything But Arms
EIA	Environmental Impact Assessment
EIA*	Ethiopia Investment Authority
EIC	Ethiopia Investment Commission
EPA	Environmental Protection Authority
EPA*	Ethiopia Privatization Agency
EPE	Environmental Policy of Ethiopia
EEP	Ethiopia Environmental Policy

EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GoE	Group of Experts
GTP	Growth and Transformation Plan
GWP	Global Warming Potential
HFCs	Hydroflouorocarbons
HVA	Handels Vereniging Amsterdam Company
ICC	International Chamber of Commerce
ICPD	International Conference on Population and Development
ICSID	International Convention on the Settlement of Investment Disputes between States and Nationals of Other States
ICT	Information and Communication Technology
IEG	International Environmental Governance
IMF	International Monetary Fund
ITPGRFA	International Treaty on Plant Genetic Resources for Food and Agriculture
LEDCs	Least Developed Countries
MDGs	Millennium Development Goals
MEAs	Multilateral Environmental Agreements

MIDROC	Mohammed International Development Research Organization Companies
MIGA	Multilateral Investment Guarantee Agency
MNCs	Multinational Corporations
MoA	Ministry of Agriculture
MoFED	Ministry of Finance and Economic Development
NAPs	National Action Plans
NAPA	National Adaptation Programmes of Action
NDF	National Desertification Fund
NSC	National Steering Committee
OECD	Organization for Economic Co-operation and Development
PASDEP	Plan for Accelerated and Sustainable Development to End Poverty
POPs	Persistent Organic Pollutants
RAPs	Regional Action Plans
SDGs	Sustainable Development Goals
SDPRP	Sustainable Development and Poverty Reduction Programme
SRAPs	Sub-Regional Action Plans
UN	United Nations
UNCBD	United Nations Convention on Bio-Diversity

UNCHE	United Nations Conference on the Human Environment
UNCLOS	United Nations Convention on the Law of the Sea
UNDP	United Nations Development Programme
UNEP	United Nations Environmental Programme
UNGC	United Nations Global Compact
UNFCCC	United Nations Framework Convention on Climate Change
UNPRI	United Nations Principles for Responsible Investment
UNCED	United Nations Conference on Environment and Development
WB	World Bank
WIPO	World Intellectual Property Organization
WSSD	World Summit on Sustainable Development
WTO	World Trade Organization

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Least developed countries are highly susceptible to economic impacts arising from exterior forces, natural and artificial catastrophes and endure organizational disadvantages which require exceptional global attention. The UN Conference on the Human Environment hosted in Stockholm in the year 1972 and the UN Environment and Development (Earth Summit) hosted in Rio de Janeiro, Brazil in the year 1992 led to a plan of action that sought to provide a structure for the consideration of the environment. Consequently, companies have renovated and created environmental friendly products in line with the Agenda 21 which is a blueprint that was formulated at the Rio Earth Summit to drive sustainable development in the 21st Century. A notable section of businesses within each country is done by Corporations that operate across boundaries of many countries. These corporations have led to quite a number gains including facilitating globalization and bringing developed and developing countries into one pool. This also includes the narrowing of the knowledge gap between developed and underdeveloped countries. This is much more significant than the glaring gaps in assets between the two as MNCs breach the gap.¹ The Corporations do play other significant roles i.e. transferring technology, guidance of human resources personnel, and providing access to transnational markets.² MNCs do play an important role in that they enable increase and diversification of production in other regions and access to new markets. But, sometimes MNCs exert their influence simply by becoming hostile if policies that do not augur well with them are put in

¹ Joseph E. (2006), '*Making Globalization Work.*' Chapter 7

² *Regulating Multinational Corporations* (2008) P. 453

place. In most cases these regulations include environmental policies or work environment safety regulations or even taxes.³ In order to defeat this new system of management in countries where they operate, MNCs have pursued avenues to seek protection for their investments overseas by way of global treaties. In addition to this, they have sought and continue to seek terms which are favorable to them in order to advance their interests. For a long time there have been not many global environmental regimes until states started experiencing impact of climate change. This called for a common approach from the different nations to devise ways of addressing the problem.

In this regard, Corporations try to take advantage where there exist weak policies, or lack thereof in the countries they operate in. as things stand, established national and international laws and mechanisms, have not sufficiently addressed existing environmental problems that plague the planet. It's been possible for MNCs to carry out such activities because of lack of a formidable regulatory mechanism. In the event of legal battles in court, companies usually dedicate their resources to shield their actions. A case in point was when Ecuadorian citizens lost a case they had filed against a Multinational Company which had caused devastation on their habitat. The oil drilling company, Texaco, had spilled oil amounting to 16.8million gallons into the atmosphere and left some 600 pits of refuse uncovered. This led to a case filed in a USA Federal Court by Ecuadorian citizens living in the Oriente region. The same suit was filed by Peruvian citizens also living around the Oriente region whereby they accused the multinational of polluting their environment both in Ecuador and Peru causing environmental destruction and health problems to the residents. Based on Texaco's submissions that USA courts weren't appropriate for the cases,

³Stiglitz, Joseph E. "Regulating Multinational Corporations: Towards Principles of Cross-border Frameworks in a Globalized World Balancing Rights with Responsibilities." *American University International Law Review* 23, no. 3 (2007): 477

both suits were thrown out with the assertion that they could be better handled in Ecuador. In Ecuador, the cases were taken into the justice system in Lago Agrio, a “nondescript, dusty town near Colombia’s lawless frontier.”⁴ There the cases took so longer without conclusion and it finally found its way to the Permanent Arbitration Tribunal in The Hague. The Tribunal made a judicial decision that the government of Ecuador had gone against the international treaty governing investment through delayed ruling of the case by the Ecuadorian court. Consequently the Ecuadorian government and the complainants filed a case in USA Federal Court to bar Chevron from continuing with arbitration of the case. Ultimately, Chevron was given a go-ahead to carry on with the arbitration and in February 2011, the International Arbitration Panel gave an Interim Measures Order in support of Chevron ordering Ecuador to undertake all procedures to discontinue the implementation of the Ecuadorian court decision. Ultimately in February 2012, the adjudication panel met to evaluate Ecuador's conformity with the Interim Measures Order. After the assessment it was found that the Ecuadorian government had not with the Interim Measures Order hence the case was dismissed in favor of the MNC. In this case, the Ecuadorian people lost the case to the Multinational Corporation pegged on international treaties.

Ethiopia has a number of MNCs in its territory but the major one is the Mohammed International Development Research and Organization Companies (MIDROC-Ethiopia). It is a prime investor and in line with Agenda 21, the Corporation has an established Code of Ethics which is meant to bear the desired long-lasting socioeconomic transformation and growth in Ethiopia⁵. By 2025, Ethiopia aims to realize a middle-income class of majority of its citizens

⁴ Juan Forero, “*Rain Forest Residents, Texaco Face Off in Ecuador.*” *National Public Radio*, Morning Edition, April 30, 2009. Available at <http://www.npr.org/templates/story/story.php?storyId=103233560>

⁵ http://www.midroc-ethiopia.com.et/md04_citizenhip.html#good_gov. Accessed on June 18, 2016 at 21.22

In recent years Ethiopia has registered significant economic growth and the country has achieved remarkable development towards achieving most of the Millennium Development Goals (MDGs), notably poverty alleviation plus increased exposure to schooling and health services. There are also advancements in substructures and strengthened policies and governance aptitude at both local and nationwide levels. The most outstanding poverty and environment issues in Ethiopia include health concerns related to malnourishment, contaminated water resources atmosphere pollution; susceptibility to natural calamities and climatic change; shortage of secure leases to land and other natural assets; and unpredictable availability of amenities. In line with Agenda 21 of the Rio de Janeiro UN Declaration of 1992, the administration of the Federal Republic of Ethiopia has introduced a couple of guidelines, strategies and laws intended to drive the sustainable development agenda as the country endeavors moving to a sustainable economy. Fissures do exist amid the environmental commitment made by parties and the initial execution of such commitments meant to improve ecological outcomes. The most notable challenges are weak capacity and frameworks in environmental management and enforcement. In this regard, Ethiopia has, for a long time, lacked an organized framework that manages the implementation of the environmental rules that may be in place.

1.2 Statement of the Problem

MNCs have a great economic power that is able to influence a country's development policy due to their contribution to the host country's economy. Unfortunately, their influence on a country's development policy may undermine sustainable development. Given the various international conventions and treaties countries are expected to push the sustainable development agenda, especially on environmental issues. This is important because there have been witnessed adverse climate changes which have been occasioned by pollution, misuse and destruction of the

ecosystem. All countries, and in this case Ethiopia, need the presence of MNCs in their territories so as to develop economically. Ethiopia seeks to elevate itself from being a Least Developed Country to the level of a Developing Country. The presence of MNCs however, can negatively affect the environment in the case of weak or lack thereof of laws and policies. So as to curtail the environmental degrading activities carried out by the MNCs, each country needs to make firm its laws and change the laws where the MNCs and other stakeholders may take advantage. This study seeks to interrogate the various laws and policies that Ethiopia as a country has put in place and analyze the status of environmental sustainability and determine the impact that MNCs have on the country's environmental policies. Moreover, the role the MNCs play in helping achieve the laid-out United Nations SDGs shall be highlighted. The study also addresses three key research questions:

What policies has the Federation Republic of Ethiopia enacted to curb MNCs against degrading the environment?

Are the policies sufficient enough to control the activities of MNCs?

What steps can Ethiopia take to make firm its environmental policies?

1.4 Objectives of the Study

The following will be the study objectives relevant to this research.

1.4.1 General Objective of the Research

The main objective for this study is to examine the environmental effects that Multinational Corporations pose on the least developed Countries, using Ethiopia as an example.

1.4.2 Specific Objectives of the Research

The specific objectives of this study will be:

- 1) To examine the effect of Multinational Corporations on the Ethiopia's environmental policies.
- 2) To analyze the various policies Ethiopia has put in place to regulate Multinational Corporation against the destruction of the environment.
- 3) To assess the measures MNCs have taken to protect and preserve the environment in Ethiopia.

1.5 Justification of the Study

This study will seek to evaluate the impact Multinational Corporations have on the environment in Least Developed Countries, examine the policies that Ethiopia has put in place for environmental conservation and how Multinational Corporations have impacted on these policies. The Ethiopian Environmental Protection Authority shall be evaluated to assess whether or not its objectives have been achieved in relation to the regulation of Multinational Corporations in the management of the Ethiopian ecosystem. It is envisioned that this study will be important as it will provide information, knowledge, best practices and recommendations which will be helpful to policy-makers and implementers. It will form a basis for reassessing the impact and prospects of Multinational Corporations on the environment in accordance with the Sustainable Development Goals as set out in the United Nations' Post-2015 agenda. The new knowledge can also be used for future studies by students and researchers investigating environmental issues in relation to corporate activities.

1.6 Literature Review

1.6.1 Introduction

Considerable literature has been accumulated on the subject of environmental conservation, the role and impact of MNCs on environmental policies of different countries.

It will analyze the concept of environmental protection, Ethiopia's environment and policy, MNCs and their activities in host countries, Ethiopia's MNCs and their impact on Ethiopia's Environmental policies the framework that has been put in place so far to facilitate the objectives of Ethiopia's EPA in relation to the international call on environmental conservation in line with Sustainable Development.

1.6.2 Environmental Protection.

Environmental protection refers to the efforts dedicated towards taking care of the natural environment. This can be done by individuals, organizations or even by governments. The 1992 Rio Earth Summit saw the formulation of the Climate Change Convention and the agreement of not carrying activities that would lead to environmental degradation. The UN was keen to help governments make initiatives to curb exploitation of non-renewable natural assets and pollution of earth. During the conference, governments recognized that it was necessary to reformulate their strategies and programmes to make sure that any economic and development resolutions made were based on consideration of the effects they may have on the environment.

This way countries, both developed and developing, prioritize environmental sustainability as they pursue their development goals. It is developing countries that are inevitable victims in that they face challenges in balancing development with environmental a concerns. But after the Rio

Earth Summit and subsequent conferences e.g. the Johannesburg Summit, countries have set up policies and strategies to guarantee sustainability in both the environmental and development aspirations.

1.6.2 Ethiopia's Environmental Policy

Ethiopia developed a policy to protect its ecosystems after realizing that the economy is founded on its natural resources. The country is a party to several global accords, pacts and conventions on sustainable development. These include: the 1992 United Nations Framework Convention on Climate Change, the Convention on Biological Diversity, and the United Nations Conventions on Biological Diversity all signed in 1994.⁶

The Ethiopian Government is committed towards environmental conservation given that it has established institutions to oversee environmental preservation both at the Federal position and in the rest of the states. These are land degradation, deforestation and air pollution. The government, by declaration No. 9/1995 created the Ethiopian Protection Authority hence this was an intervention strategy.

The general policy aim is to develop and boost the health and lifestyle of the entire Ethiopian population while at the same time stimulating workable socio-economic progression via the thorough supervision and utilization of natural, artificial and cultural assets and the environment all together for sustainable development i.e. to fulfill the needs of the existing cohort without capping the capability of future groups to meet their own desires.⁷

In the spirit of this, the Ethiopian Environmental Protection Authority plays the role of managing, protecting and sustaining the consumption of the country's natural resources. Once

⁶ Environmental Protection Authority, Ethiopia, 2012.

⁷ Overall policy goal of Ethiopia's Environmental Policy, Environmental Protection Authority in Collaboration with the Ministry of Economic Development and Cooperation, April 2, 1997.

this is achieved then the social and economic condition of Ethiopia will be improved hence the Ethiopian population will be leading industrious lives in a healthy environment.⁸

The environmental policy of Ethiopia takes cognizance that natural wealth are the base of the economy hence their wise use and management are essential to foster sustainability. Ethiopia is party to several joint environmental treaties that have impacts on the country's supportable growth efforts. The country has taken part, as well as approved many of the international agreements and procedures including the United Nations Framework Convention on Climate Change (1994), the Convention on Biological Diversity (1994), the United Nations Convention to Combat Desertification (1994), the Cartagena Protocol on Bio-safety to the Convention on Biological Diversity (2000), and the Stockholm Convention on Persistent Organic Pollutants.⁹ Environmental matters pose a challenge to Ethiopia's quest for viable development and improving its people's lifestyle. The major environmental challenges that Ethiopia reckons with include climate change, soil degradation and deforestation. To curb this, the government came with the Ethiopia Environmental Policy whose ultimate goal is to improve the well-being of all Ethiopians as well as encourage sustainable socio-economic growth through the comprehensive arrangement and utilization of natural, artificial and social possessions and the environment in general in the spirit of sustainable development. The EEP has specific objectives which include:¹⁰

- i) To make sure that necessary processes that are not harmful to the environment and systems to support life are maintained. This includes the preservation of the

⁸ Desta A., PhD. Environmental Policy for Ethiopia's Sustainable social and Economic Development: A Working Paper.

⁹ Environmental Protection Authority, 2012

¹⁰ Environmental Protection Authority- Ethiopia Environment Policy. April 2, 1997.P. 3

different forms of life and sustainable use both renewable and non-renewable energy;

- ii) To establish and develop natural resources not yet fully exploited by way of new technological inventions;
- iii) To stop all forms of pollution of air, land and water i.e. the ecosystem;
- iv) To educate the public on the importance of environmental conservation and its link to development;
- v) To better the conditions of human settlement areas to meet all needs of the people in a particular environment;
- vi) To ensure that all stakeholders i.e. the people and organizations fully participate in activities aimed at conservation of the environment.

This Ethiopian approach deals with different environmental sectors i.e. Forest, Woodland and Tree Resources; Soil Husbandry and Sustainable Agriculture; Genetics,; Water Resources; Energy Resource; Species and Ecosystem Biodiversity; Mineral Resources;; Control of Hazardous Materials and Pollution from Industrial Waste; Atmospheric Pollution and Climate Change; Human Settlement, Urban Environment and Environmental Health; Cultural and Natural Heritage.

The EEP provides that all stakeholders take cautionary measures and minimize or rather prevent release of harmful substances from industrial plants; establishing of a scheme for monitoring adherence to ecosystem pollution prevention standards and maintenance of regular environmental inspection and reviews so as to ensure embrace of ecologically acceptable

practices in all development accomplishments counting those in manufacturing and mining sectors.

1.6.3 Multinational Corporations- MNCs

In his publication, Hill¹¹ has referred to MNCs as multinational firms, multinational enterprises, multinational companies and transnational corporations in business literature. This study only refers to these firms as MNCs. Hill went on further to state that MNCs conduct business and earn income across a number of foreign countries. MNCs have productive business activities in two or more countries. Multinational Corporations have a parent company and a subsidiary company. A parent company is the original company where the company first registered itself, whilst a subsidiary company is a company formed in another country to further the activities of the parent company. Root¹² defined a multinational corporation as a parent company engaged in foreign production through its subsidiary companies that are situated in several countries. Root went on further to state that the parent company controls the policies over its subsidiary companies and implements the MNC's commercial strategies encompassing all its activities ranging from production, investment, advertisement to staffing that are trans-boundary. Another scholar, Erwee¹³ identified a multinational firm as an initiative that participates in alien direct investment with ownership and control of its activities in multiple countries.

MNCs are the main contributor to the global economy. Their production is estimated to as being a fourth of the world's output and a third of global trade. Moreover, there is an agreement amongst scholars that the investments of multinationals, universally referred to as Foreign Direct

¹¹ Hill C. (2007), *International Business: competing in the global marketplace*, Sixth edition, McGraw-Hill/Irwin printing press, New York

¹² Root F. (1994), *Multinational Companies*, <http://www.econ.iastate.edu>, (accessed 17/1/2016)

¹³ Erwee R. (2007), *Global business environments and strategies: managing for global competitive advantage*, *International management and leadership*, Oxford University Press 174 – 203: Oxford

Investment (FDI), are indeed beneficial to economic growth as they come with a transfer of technology, managerial skills and also provision of capital.

1.6.4 Activities of Multinational Corporations

To recognize the role of MNCs in sustainable environmental management, it entails identifying the major activities of the corporations¹⁴. Thus, in the succeeding section the study identifies the activities of the corporations. Baram¹⁵ noted that Multinational Corporations have three basic activities in the developing countries which impact on sustainable development and their role in technological development and transmission between numerous entities.

The three major activities according to Baram are:

Large Scale Development

Multinational Corporations partner in ventures for that lead creation of large communal projects necessary to deliver needs of the population in the nations they have invested in. usually, MNCs work on these plans in light of a a longstanding contract with other partners that can include fellow MNCs, local firms in the host state, state agencies, and local authorities. Baram noted that technical skill and equipment that can minimize a wide variety of future environmental impressions are needed at the beginning for the strategy of the projects, and consequently for the erection or on a juncture. Later on, further technical knowledge and other tools may be needed to carry out appropriate adjustments to the project in response to discoveries and findings on the effects on the environment with keen attention paid to resource conservation measures.

¹⁴ Asemamaw Tilahun Debas. *Corporate Social Responsibility in Sustainable Environment Management in Ethiopia*

¹⁵ M. S. Baram, *Multinational Corporations, Private Codes, and Technology transfer for Sustainable Development*, (1994)

Facility Operation

This MNC activity involves the day to day running of a manufacturing facility established in a developing nation. There are different ways in which the MNC may take part in this. This can be the MNC's subsidiary owning and operating the facility, being in partnership with another MNC or local firm or giving the operation license to a different entity carrying out a particular activity. These should be in line with sustainable development requirements that smooth running of the various facilities is guaranteed with zero-probability of accidents and efficiency in the facility's operations. In addition, measures to ensure proper waste management and disposal have to be in place.

Sale of Products

MNCs are involved in sale of their products. These may be produced locally within the host nation or imported. This role includes ensuring appropriate product designing in relation to its consumption i.e. instructions on the use and disposal of the product as well as information on environmental friendliness and other options available. All the necessary expertise has to be shared with all stakeholders so as to facilitate the redesigning in the case of manufacturing facilities. Suppliers also need to be equipped with information that will help them to develop appropriate packing as well as to customers to educate them on the necessary precautions and consumption instructions. This is important as an increase in production of a product leads to a proportional increase in environmental effects especially chemical products

1.6.5 Corporate Social Responsibility (CSR)

Corporate Social Responsibility is a notion that involves integration of social as well as environmental concerns in the commercial operations of companies. This is usually on an enterprise's own volition and it results from their day-to-day interaction with other stakeholders

within their environment. According to the World Bank definition, Corporate Social Responsibility is the pledge made by corporates in contributing towards the perception of sustainable development. In this mission, the enterprises rope in all stakeholders ranging from their employees, their families as well as the host community and the public with the objective of improving their lives in such ways that can impact positively on their business and general development¹⁶. In its commitment, the World Bank stated that it strives to take part in business habits that enhance the wellbeing of its employees while guarding the ecosystems, communities, and economies in which the Bank operates.¹⁷

The World Business Council for Sustainable Development goes further to state that, “*CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families, as well as of the local community and society at large...*”¹⁸

On the other hand the European Union of the view that CSR is basically *the notion that an enterprise is accountable for its impact on all relevant stakeholders. It is the continuing obligation by business to behave fairly and responsibly and give towards to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.*”¹⁹

¹⁶ World Bank, www.siteresources.worldbank.org/en/corporate_social_responsibility.

¹⁷ World Bank. Corporate Responsibility. Available at <http://www.worldbank.org/en/about/what-we-do/crinfo>. Accessed on 1/2/2016.

¹⁸ This definition was developed in 1998 for the first WBCSD CSR dialogue in The Netherlands. Available at www.wbcsd.org. Accessed on 31st January, 2016.

¹⁹ EU Green Paper: Promoting a European Framework for Corporate Social Responsibility. Available at http://europa.eu.int/comm/employment_social/soc-dial/csr/greenpaper_en.pdf. Accessed on 27th January, 2016.

CSR varies from one country to another, but there is a universal model that defines what corporate social responsibility should entail. The model has a hierarchy that should be adhered to should it be referred to and the highest of them is legal responsibility where the companies should obey the law of the country they have invested in.

Second in the hierarchy is the economic responsibility where the company needs to be profitable. Third in hierarchy is ethical responsibility where the companies need to engage in what's proper, be decent as well as shun destruction. At the foot, of the pyramid is discretionary responsibility where the company needs to contribute to the community.



Figure 1: Universal Model on CSR

Source: Carroll, A. B. (1991).

In contrast is Carroll's 1979 pyramid of social responsibility in which the order is a whole different from the Universal Model, although it was the first model to define what corporate social responsibility entails. Instead of legal responsibility being at the highest level, discretionary responsibility is at the highest, then followed by ethical responsibility, legal responsibility and lastly economic responsibility. Carroll observes that this comprises of

expectations that society can have on an organization at a particular moment in time. These expectations can be economic, legal, moral or discretionary.

The Ethiopian government uses Carroll's model of Corporate Social Responsibility, leaving the companies with the discretion to adhere to laws as the last option of their responsibility having degraded the environment. Carroll's model leaves the companies with the social duty to use their resources and employ such methods that guarantee their making of profits but with a condition that they stick to the rules of the game.²⁰

After the publication of the Bruntland Report²¹ in 1987 as an outcome of the World Commission on Environment and Development, commercial executives and those who handle administration issues have been dealing with the idea of how firms will have to include environmental issues into their personal strategic policymaking. Additionally, they taken up a role aimed at advancing the cause of protecting the environmental, in contrast to it being viewed as an environmental difficulty. Most businesses in the modern times commit not to engage in activities that may harm the environment.²² The Environment Strategy of the World Bank notes that the private zone is becoming a influential element in swaying environmental presentation and long-term environmental sustainability.²³

²⁰ Friedman's famous statement in a free economy, there is one and only social responsibility of businesses and that is, it should use its resources and engage in activities designed to increase its profits as long as it stays within the rules of the game. (Capitalism and Freedom, University of Chicago Press, 2002 Fortieth Anniversary Edition, p 133).

²¹ Bruntland Report. 42/187. Report of the World Commission on Environment and Development available at <http://www.un.org/documents/ga/res/42/ares42-187.htm>. Accessed on 1/2/2016

²² Hart S. (2000), —Beyond Greening|| , Harvard Business Review on Business and the Environment|| , HBD Press, Boston

²³ The World Bank (2000), —*Making Sustainable Commitments: An Environment Strategy of the World Bank*, (Washington DC)

1.6.5.1 Principles of Corporate Social Responsibility

Crowther and Aras²⁴ point out sustainability, accountability and transparency as three principles, which wrap-up CSR activities. Sustainability entails controlled use of available resources without entirely using them up i.e. in such measure that the resources can be regenerated for continued use. Accountability focuses on the assumption of responsibility for any effects stemming out of actions undertaken by an organization. The whole idea is about assessing the net effect resulting from the entity's actions both within and without the organization. In particular, this involves informing the stakeholders of the anticipated impact of their actions on them. Moreover, the principle of transparency includes honest reporting by organizations to give the true picture of how things are and the likely effects such actions may cause. Hence the likely effects of the actions of the organization, can all be deduced or rather seen by just looking at and analyzing what the organization gives in its reports.

1.6.5.2 Role of Multinational Corporations to the Environment

The 2002 World Summit on Sustainable Development (WSSD), held in Johannesburg marked the 10th anniversary of the UNCED Rio de Janeiro Conference. It is at this Conference where the then UN Secretary General, Kofi Annan acknowledged that the business sector has a significant role to play on environmental matters given that it possesses the resources in terms of finances, technology and supervision mechanisms to make this happen.”²⁵The proclamation points at business- society relations in fostering sustainable development. There are guidelines that the Multinational Corporations should follow as per OECD²⁶. One of them being, enterprises also known as multinational corporations ought to adhere to existing regulations in host countries and

²⁴ Crowther and Aras, *Corporate Social Responsibility* (2008)

²⁵ Annan K. 2002, Para. 5-6

²⁶ OECD Guidelines. General Principles (II) available at: <http://mneguidelines.oecd.org/text/>. Accessed on February 2, 2016 at 13.05

work hand in hand with other stakeholders. Hence, the corporate sector have a duty to participate in economic, environmental and social advancement aimed at achieving sustainable development as well as honour internationally established human rights ethos of victims that may be affected by their activities.

1.6.6 Sustainable Development

The concept emanated from the 1987 Brundtland Report which addressed the development desires of developing countries²⁷. The Report outlined sustainable development as the development would see the present generation meet its needs minus jeopardizing the capacity of succeeding generations meeting their own needs. Conferences that followed were centred around this so as to balance between economic expansion and issues dealing with the environment. The 1992 Rio de Janeiro conference sought out to link the two and led to the embracing of Agenda 21 that outlines an course of actoin to be used to deal with sustainability concerns on sustainability at global, state, sub-national levels on biodiversity preservation. In 2002, the Johannesburg World Summit focused on globalization, eradication of poverty and improving living conditions. Since the Johannesburg summit efforts have been made to strike an equilibrium between eco-socio development and environmental conservation. The three are interdependent pillars of sustainable development.²⁸

Basically, sustainable development entails a balance between social, commercial and environmental needs.

²⁷ Our Common Future (Brundtland Report), United Nations World Commission on Environment and Development, 1987.

²⁸ United Nations General Assembly, 57th Session.

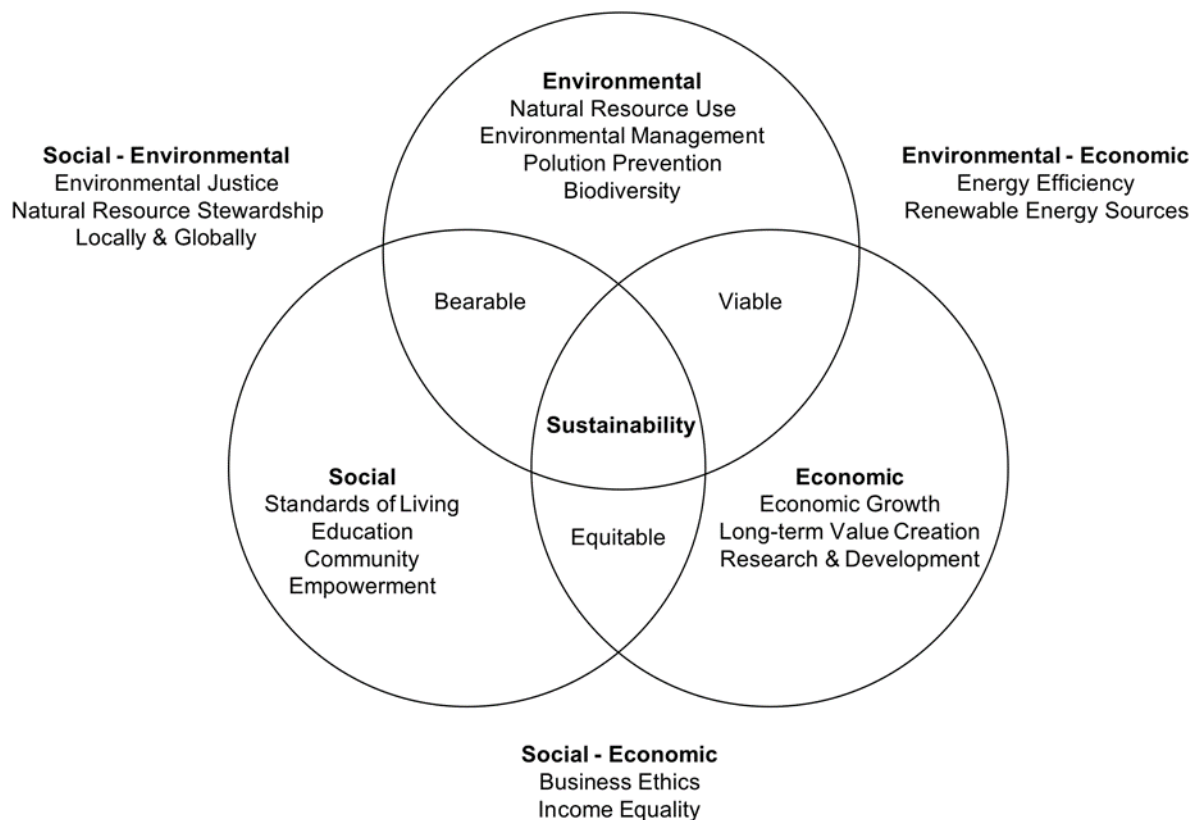


Figure 2: The Three Dimensions of Sustainable Development.

Source: Elkington (2008)

1.6.6.7 Multinational Corporations and Sustainable Development

MNCs do play three main roles i.e. investing in countries commonly known as FDI, transmission of technological knowhow plus innovation of new technologies. FDI does benefit developing countries in that the MNCs run businesses in host countries, setup manufacturing industries, enter into partnerships as well as export their products which earn foreign exchange. All these enhance economic expansion in the country where the MNC invests. Simultaneously, MNCs are expected to strictly adhere to the sovereignty principle whereby they have to respect the

autonomy of the countries in which they operate in, respect the country's environmental approaches and strategies as well as be willing and ready to share skills and technological knowledge with domestic corporations.

1.6.6.8 The United Nations Global Compact (UNGC) and the Principles for Responsible Investment (UNPRI)

The UN Global Compact was designed by the United Nations to inspire businesses across the world to implement policies that can assure sustainability. This initiative outlines ten ideologies which touch on such areas as ethics, labour, the environment and transparency. The Global Compact brings together corporates, labour groups, the civil society and the United Nations agencies. It has over 13000 participants from the business sector, and shareholders from over 170 countries making it the world's largest initiative dealing with this. This initiative sought to hasten the realization of the Millennium Development Goals (MDGs) and presently the newly launched Sustainable Development Goals (SDGs).

The UNPRI seeks to generate businesses with an acute sense of ethics in their operations in that the investors include issues dealing with the environment, society and which are morally responsible concerns by helping those that invest in the corporations to assimilate consideration of environmental, social and governance while making decisions pertaining to the business. This way the corporations better long-term earnings for the firm and all other shareholders involved²⁹.

1.7 Theoretical Framework

The theoretical approach taken in this research is the ethical theory on Corporate Social Responsibility. The ethical theory focuses on the correct thing towards attaining an upright

²⁹ <http://www.unpri.org>. Accessed on 18th June 18, 2016 at 13.04.

society. This is based on the basic rights of the general public, rights of workers and respect for the environment. The ethical theory originated from the UN Global Compact, earlier discussed. Ethical approaches towards the model of CSR indicates that the organization duty-bound towards its stakeholders. This means that the corporation should focus beyond the objective of just making profit and rather strive to create a better society. The corporation's focus should be to create an atmosphere where current returns don't jeopardize other corporations in future. In this regard, the business's immediate objective should not thwart its short-term aim shouldn't the longstanding objective of being an integral part of the society i.e. the corporation works beyond the legal framework within the society and acts as a serious partner of the society. The World Business Council for Sustainable Development's interpretation of CSR offers that CSR is the unending obligation by businesses to act justly as well as add onto economic advancement while simultaneously improving the employees lives, their families, the community and society too.

The ethical perspective also observes that businesses ought to engage with society in wider perspective and put into consideration the welfare of future generations. This will offer the most ideal solution to societal challenges. This goes together with the concept of Sustainable Development that calls for responsible and sound use of available resource to secure the future too. This viewpoint emphasizes that it is the Organization's responsibility to create society and secure a future for upcoming generations. In addition to this, the business organization has to be careful not to jeopardize its brand by engaging in actions that will create an atmosphere of mistrust by stakeholders because this will hurt its brand thereby affect its profit maximization. Ruston argues that a business organization eager to succeed in their endeavors, they need to have a strong ethical background and standard. UNGC challenges companies to incorporate commonly accepted practices into their day to day activities and institutional. This way they will

play a very important role in contributing towards the well-being of society. The UNGC reiterates that companies ought to back initiatives aimed at fostering environmental sustainability by way of use of environmentally friendly technologies. UNGC strive for an internationally acclaimed code of basic moral standards and ideologies.

It's closely linked to the social contract theory where the multinational corporation will be viewed as legal person (juridical person). The multinational corporations enter into a contract with the government to hasten the economic growth of the specific government. In doing so, the corporation needs to observe the terms of the contract, it has signed with the government, one of them being, the duty of care to the environment.

The social contract theory posits that man used to live in a state of nature where they were bound to no laws and were controlled by their own self-interest, they lived in a state of nature, every man for himself. Hobbes³⁰ therefore concludes from his systematic theory of human nature that humans are essentially and entirely egocentric. That all men strive to achieve what directly profits them i.e. they chase only their best interests.³¹ To avoid this, men had to surrender some of their freedom to a higher society that will govern them. This is how the government makes laws for the good of its subjects. Multinational Corporations incorporated in a country they have invested in should adhere to laws set before them by the government, lest the environment, being the key subject of the research would be tainted.

³⁰Thomas Hobbes (1588-1679) is an English Philosopher who is famous for Social Contract Theory. Available at <http://plato.stanford.edu/entries/hobbes-moral/>. Accessed on 2nd February 2016.

³¹Manzoor Elahi. Social Contract Theory by Hobbes, Locke and Rousseau. Available at https://www.academia.edu/3138759/Social_Contract_Theory_by_Hobbes_Locke_and_Rousseau. Accessed on 3rd February 2016.

Locke³² on the other hand states that government and the law are responsible for upholding and protecting the natural rights of men³³. Provided that the Government meets this objective, the laws it designs are valid and effective but anything contrary to this is invalid and predisposes the environment to harm.

Hence as seen from above, besides the Multinational Corporations being bound by the contract they entered into with the government, they have a corporate social responsibility towards the community to make it better. Corporate social responsibility entails ethical theory that will govern them to do well.

1.8 Hypotheses

The study seeks to test the following hypotheses:

- i) MNCs need strong policies to guard them against degrading the environment to bring the desired and sustainable development in Ethiopia;
- ii) The pathway to protect the Ethiopian environment from degradation lies in the strategies laid down in international environmental regimes;
- iii) MNCs in Ethiopia have more progressive impact on the country's advancement than the harm they cause on Ethiopia's environment.

³² John Locke (b. 1632, d. 1704) was a British philosopher. Available at <http://plato.stanford.edu/entries/locke/>. Accessed on 2nd February 2016.

³³ Manzoor Elahi. Social Contract Theory by Hobbes, Locke and Rousseau. Available at https://www.academia.edu/3138759/Social_Contract_Theory_by_Hobbes_Locke_and_Rousseau. Accessed on 3rd February 2016

1.9 Research Methodology

1.9.1 Introduction

This study seeks to scrutinize the impact that Multinational Corporations pose on the environment and the policies that regulate their actions. The Study will rely on raw data collected through questionnaires as well as use data from reliable secondary sources. It entails the research design, the population, the methods of data compilation and analysis. This study is based on quantitative and qualitative research. Qualitative studies typically rely on four methods for information: analyzing documents and material culture, observing directly, participating in the setting and interviewing.

1.9.2 Research Design

The framework for the collection and data analysis to be used in this study is a case study research design. This design is a scientific tool that is used to explore phenomena in a single case. It is a detailed and intensive analysis of a case that is used to draw conclusions.

1.9.3 Data collection

The study will make use of both primary and secondary data. Questionnaires will be administered to relevant officials at UNEP, Federal Environmental Protection Authority, Ethiopian MNCs and other stakeholders. On secondary data it will rely on secondary sources; government document such as the Environmental Policy and Conservation Strategy document of Ethiopia, the Constitution of Ethiopia and the Environment Policy of Ethiopia. The research will also rely on data from the Jomo Kenyatta Library Nairobi and online sources. These documents will extensively be assessed in order to obtain relevant data.

1.9.4 Data Reliability and Validity

The validity of the data used in this research will be upheld by obtaining it directly from relevant officials and also extracting secondary data from internationally accredited books, official government documents, newspaper articles and journals, and online sources.

1.9.5 Data Interpretation and Analysis

The study shall extract data by combining the feminist standpoint theory and identifying the relevant information to be extracted. Data appraising involved the appraising of the background of the authors, how the authors got to their discoveries, themes and conclusions, the theoretical framework, findings and association to the research question and contribution to prevailing evidence.

1.10 Scope and Limitations of the Research

The limitations of this investigation will be:

Lack of adequate information on the policies that regulate Multinational Corporations.

Lack of funds and time to enable extensive research.

To counter these limitations official documents from organizations including the United Nations and articles from revered journals and publications shall be consulted as secondary sources of the study.

1.12 Chapter Outline

This research provides an analysis of the role of the Multinational Corporations in the least developed country, Ethiopia being the country of interest, and the impact they have to the environment.

Chapter 1 is an introduction to the research. It gives an overview of what is expected in the rest of the research by discussing the context of the study, the introduction, declaration of the investigation problem, validation of the research and the literature review.

Chapter 2, delves into MNCs in Ethiopia. This includes incentives for investment in Ethiopia and Ethiopia's environmental policies. This will include the laws and policies the Ethiopian government has enacted to protect the environment against the Multinational Corporations, including international laws.

Chapter 3 probes on the various policies that the Federation Republic of Ethiopia has put in place so as to regulate the activities of MNCs on the environment. This chapter will also look at the international environmental regimes and policies and treaties that bind Ethiopia so as to protect its environment. It will also look at the impact of the various policies to find out if they are indeed effective so as to preserve Ethiopia's environment.

Chapter 4 evaluates the strategies and measures MNCs have taken to protect and preserve Ethiopia's environment.

Chapter 5 is an overall conclusion of the study. It will give recommendations and provide for suggestion on areas for further study.

CHAPTER TWO

MULTINATIONAL COMPANIES INVESTMENT IN ETHIOPIA AND ETHIOPIA'S ENVIRONMENTAL POLICIES.

2.1 Introduction

This chapter will delve into MNCs activities in Ethiopia. It shall analyze the incentives that Ethiopia has given to international business actors to invest in the country. It shall include examples of MNCs in Ethiopia and also the environmental policies in place to conserve Ethiopian environment.

2.2 Multinational Corporations' Responsibilities in Host Countries

MNCs invest in countries of interest and bring into the host country's economy what is referred to as Foreign Direct Investment (FDI). In addition, MNCs bring along other benefits into the host country, for example transfer of technology, training human resource, creating job opportunities and facilitating access to international markets³⁴. However, some activities of the MNCs may lead to negative impact on the environment of the host country. In order to deal with such, different nations have introduced policies to direct and regulate activities of MNCs within their jurisdiction. There has been a raging debate on whether formulation of stringent environmental policies negatively affects investment by MNCs. Koniski, 2008 notes that most countries relax their environmental requirements to attract more FDI.³⁵ On the other hand, MNCs are expected to observe established in the host country and work together with other stakeholders thereof to create a positive impact on the hosts. This is what is referred to as 'Corporate Social Responsibility.' MNCs do have the resources and capacity to execute this. at the World Summit

³⁴ Regulating Multinational Corporations (2008) P. 453

³⁵ Koniski, David (2008). "Regulator Attitudes and the Environmental Race to the Bottom Argument." Journal of Public Administration Research and Theory 18(2).

on Development (WSSD) in Johannesburg in 2002, the then UN Secretary General Kofi Annan acknowledged the important role played by the corporate sector. He called for the mobilization of the sector so as it can utilize its immense financial, technological and management resources..³⁶

In this observation, Kofi Annan implied that businesses are important actors for making sustainable development happen. To this end, MNCs have a part in ascertaining that they are socially responsible in the locality where they are situated i.e. they have the responsibility to reflect on the impact caused by their activities in the society and the necessary steps to deal with them.

2.3 Multinational Corporations in Ethiopia

Ethiopia as a developing country has a number of MNCs operating within its borders. That Ethiopia was never colonized doesn't mean that no foreign interests were advanced to it. Different European powers showed interest in agriculture, mining and textile. There are different players in various sectors of Ethiopia's economy.

I) Major construction companies in Ethiopia:-³⁷

a) MIDROC Ethiopia Construction

It is a MIDROC Group affiliate and represents one of the largest construction companies in Ethiopia. It was established in 1993 with a total investment of 500 million Birr. It is reputed with various construction activities in Ethiopia including the construction of Sheraton Addis Hotel, African Union Conference hall and office Complex Ethiopian Airlines Cargo Terminal etc.

³⁶ Annan, (2002) Para.5-6.

³⁷ Marcopolis, Ethiopia Report. www.marcopolis.net/top-construction-companies-in-ethiopia.html

b) Saba Engineering

Offers multi-disciplinary engineering services and is popular for its water drilling services.

II) Top agricultural MNCs in Ethiopia:-³⁸

a) Ethio Agri-CEFT

It is an affiliate of the MIDROC Group and has been ranking among the largest coffee and tea farms in Ethiopia. It is involved in tea plantation and tea exports as well as producing washed and sundried coffee, black tea, green tea, food crops, spices, honey, cut flowers, herbal and aromatic plants.

b) Horizon Plantations

It is a specialized arm of the MIDROC conglomerate. Its main purpose is to develop large scale perennial plantations and environmentally become a leading agricultural producer, processor and exporter in Ethiopia.³⁹

Other MNCs in the agricultural sector include: Handels Vereniging Amsterdam (HVA) working in the sugar industry, Smith and Nephew Associated Co. which is part of the Ethiopian Drug Manufacturing Company.

2.4 Factors that attracted MNCs into Ethiopia

Developing countries have the responsibility to create the necessary political and economic environment that can attract MNCs do channel physical and financial capital into economies of nations by way of taxes and creating employment for citizens of host countries. As a consequence poverty levels are reduced and infrastructure improved. But then a country needs to

³⁸ Marcopolis.net, Ethiopia Report. www.marcopolis.net/top-agriculture-companies-in-ethiopia.htm

³⁹ Marcopolis-net Marcopolis presents the Ethiopia Report focused on the investments, doing business economy.

attract foreign business investors into its borders.⁴⁰ For Ethiopia a number of factors have facilitated the influx of MNCs into the country.

2.4.1 Strategic Geographical Location

Ethiopia's strategic position on the Horn of Africa and having been one of the few independent countries saw foreign powers like the USA come in for their political, military and economic interests. This was way back after the First World War.⁴¹

The strategic position also makes it an ideal route to markets in East Africa, North Africa and the Middle East.

According to the 2015 Investment Climate Statement on Ethiopia, the USA Bureau of Economic and Business Affairs lists the following as the factors that have seen MNCs flock into Ethiopia.

2.4.2 Investment Opportunities and Establishment of the Ethiopian Investment Commission and Authority

The Ethiopia government has established the Ethiopian Investment Commission which has put together information about the sectors with opportunities for investors. The Commission developed a booklet which outlines the opportunities available for investment in agriculture, manufacturing, tourism, mining, education, information & technology and construction sectors.⁴²

Farming- Ethiopia has the reputation of producing a variety of agricultural products. The favourable climate, fertile soils and favourable and diverse weather conditions are some of the factors that contribute towards this. There is call for more investments in producing more and processing of agricultural produce. This investment guide provides that there are opportunities to invest in agriculture in both crops and animal farming. As

⁴⁰ World Investment Report, 1999: FDI and the challenges of Development. UN.

⁴¹ United States, The National Archives, M-4112, p.15.

⁴² Invest in Ethiopia- An Investment Guide to Ethiopia 2015, Ethiopia Investment Guide. 2015. Pg. 16-26

regards crops farming, opportunities exist in coffee farming, tea farming, sugarcane plantation, horticulture farming, spices & herbs farming, rubber & palm tree plantation, castor bean farming, rice and cotton farming. Up to 5,270,110 ha are available for this crop farming. ⁴³Animal farming that is outlined includes livestock farming, fishery and apiculture.

Manufacturing- in this sector investment opportunities exist in manufacture of foodstuff, refreshments, garments, textiles, paper, leather products, pewter and non-metallic mineral products, bolster and compounds. The 2010/11-2014/15 Growth and Transformation Plan identified manufacture of fabrics and attires, leather goods, building materials, metal and engineering, substances, drugs and processing of agricultural produce as the zones to take precedence in investment.

Tourism- the country has exceptional ancient and cultural heritage, natural attraction sites. Investments can be done in traditional and scholastic tourism, water sports, hunting safaris, bird watching, photo safaris health tourism and conference tourism. The presence of international organizations' headquarters for the African Union and the UN Economic Commission for Africa (ECA) creates a chance for tourism investments in star-designated ecotourism and international restaurants. In the same field star-designated and resort hotels can be constructed across the country.

Mining- Ethiopia possesses considerable mineral deposits i.e. soda ash, nickel, gold, platinum, potash, tantalum hence there exist chance for mining. There are also minerals used in construction and industry such as: diatomite, coal, gemstone, iron ore, gypsum, silica, limestone, granite, clay, marble, copper. The basins of Ogaden, the Blue

⁴³ Ministry of Agriculture of Ethiopia, 2015.

Nile and Gambella rivers and do have gas and oil resources and these provide new ventures for research and development.

Education- the EIC has notes that the country seeks to entice and engage internationally reputed educational organizations, universities and training centres to take up and facilitate educational activities at secondary, tertiary and university levels. These would take up education in secondary schools, science & technology colleges/ universities, Vocational training schools, hospitality training centres, etc.

Other opportunities exist in Information & Technology sector and Construction.

To achieve all this, the Ethiopian government put in place the Ethiopia Investment Authority (EIA) which is tasked with stimulating, managing and aiding foreign investment in the country.

The EIA carries out the functions outlined below:⁴⁴ It:

Provides the required information needed by foreign stakeholders

Approves requests and issues licenses for alien investment.

Registers newly assimilated business establishments.

Approves emigrant posts in sanctioned investments and issues work permits to outsourced employees.

Issues trade and operating licenses for new overseas investments.

Monitors the implementation of permitted investment ventures

Approves and registers technology transference treaties between regional companies and foreign technology contractors.

Facilitates the acquiring of land by foreign investors in accordance with the appropriate federal and regional government laws and regulations.

⁴⁴ Investment Guide to Ethiopia (UNCTAD-ICC, 2000).

The Ethiopian government also established the Ethiopian Privatization Agency (EPA) which encourages foreign investors to participate in the privatization programme.⁴⁵

2.4.3 Stable Economic Environment

Ethiopia has a stable economic environment because of a comprehensive development strategy. The country's economy has been rising constantly up to 11% for nearly a decade. Its GDP has been surging between 8%- 12%. The leading financial institutions i.e. the World Bank and IMF, estimated a upscale between 7.5 -8.5 % in the economy in 2015 as well as 7% -7.5% through 2018⁴⁶. Moreover the Ethiopian government is keen on a 5-year development plan, the Growth and Transformation Plan (GTP) ⁴⁷ which is projected to attain an annual GDP growth of between 11.2% and 14.9% . the plan is also to foster the achievement of Millenium Development Goals and enable the country be in the middle-class income bracket by 2025.

Ethiopia has also managed inflation as reported by IMF⁴⁸

The Federal government of Ethiopia has committed itself to assist those in private business. The United Nations and the International Chamber of Commerce (ICC) point out that the safe and secure working and living environment in Ethiopia is indeed an asset which investors value. In addition, the near-zero corruption in the country boosts investor confidence. The Mohammed International Development Research Organization Companies (MIDROC) Ethiopia, owned by Sheikh Mohammed Hussein Al Amadi is the largest foreign investor in Ethiopia and has its operations spread across Europe, the Middle East and Africa.⁴⁹

⁴⁵ Chakrabarti, A. (2001). The Determinants of Foreign Direct Investment.

⁴⁶ World Bank Overview on Ethiopia's Economy - www.worldbank.org/en/country/ethiopia/overview

⁴⁷ Ethiopia Investment Commission Report, 2015.

⁴⁸ <https://www.imf.org/en/News/Articles/2015/09/28/04/53/socar062210a>

⁴⁹ en.m.wikipedia.org/wiki/MIDROC

In conclusion, Ethiopia is described as a favorable for investment given its large workforce that can be trained and a good climate and negligent corruption. The country enjoys political stability which assures investors of the safety of their businesses.

2.4.4 Well-Established Investment Guarantees

The Constitution and its investment policies assures protection of sole property. Ethiopia is a member of a number of investment institutions e.g the Multi-Lateral Investment Guarantee Agency (MIGA), Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID) and the World Intellectual Property Organization (WIPO). It is in the phase of being admitted into the World Trade Organization (WTO). Moreover, its Investment Code sets out rewards investments on development, removes barriers on capital entry, allows the entry of goods duty-free and opens the real estate sector to expatriate investors⁵⁰. Similarly the code welcomes foreign investors to work closely with the government in its nationalization efforts.

2.4.5 Attractive Investment Incentives

Ethiopia has an attractive investment incentive. The Chief Executive Officer of MIDROC Ethiopia⁵¹ recognised the continuous improvement in incentives and governance in Ethiopia and encourages the world to invest in Ethiopia.

Ethiopia's Customs Import Duty has an exemption of 100% on goods and materials brought in to help in investing in the country as well as those for establishing new businesses and improving on

⁵⁰ Ethiopian Government Portal- www.ethiopia.gov.et/investment

⁵¹ Arega Yirdaw, Chief Executive Officer, MIDROC Ethiopia

those already existent. Raw materials imported for the manufacture of goods to be exported are not subjected to any levies.

In addition, any goods and services made in Ethiopia and meant for export aren't charged export tax. Ethiopia has gives a tax break ranging between 2 and 7 given to revenue earned from new manufacturing and agro-industrial businesses, or agricultural investment and information and communication technology (ICT) intergration.

The Loss Carry Forward provision gives an opportunity to businesses that incur losses during the 'holiday' to carry the losses forward for half the grace period, once that period has expired. In the export business, there are policies and benefits to boost business. These include: Export Credit Guarantee Scheme, Duty Drawback Scheme, Foreign Exchange Retention Scheme, Foreign Credit and Loan Schemes, Franco Valuta Import and the Bonded Manufacturing Warehouse Scheme. The Export Credit Guarantee Scheme enables investors to bring in warehouse equipment needed for their investment ventures through suppliers' credit; Duty Drawback Scheme sees investors not pay custom duties and are other charges on imported and locally bought raw materials to be utilized in the manufacture of products for export. Moreover, charges incurred are reimbused fully when the finished goods are exported. the Foreign Exchange Retention Scheme enables exporters to keep and deposit into a bank account up to 20% of their foreign exchange profits for future use in the running of their business the National Bank of Ethiopia does not put any price controls.

Foreign Credit and Loan Schemes cushions exporters against loss in when overseas customers fail to pay for goods shipped to them. The Franco Valuta Import facilitates the importation of raw materials to be used by enterprises which process goods for export. Bonded Manufacturing Warehouse Scheme provides for producers licensed to operate particular factories to import raw

materials duty free even though they don't qualify for voucher scheme. And low-interest loans from the Development Bank of Ethiopia to give up to 70% capital to agro-processing and manufacturing industries through the 'Loans for Investors Scheme.' In addition to this business registration and acquisition of Export Trade Licence is highly simplified..

There is a guaranteed conducive environment to foster private sector development and a full alien ownership of investment which is allowed with conditions set at minimum investment capita. A foreign investor seeking to run a sole investment is to invest a minimum of \$100,000 whereas a foreign investor getting into a partnership business with a local partner will pump in a minimum of \$60,000 and some \$50,000 worth of investment in consultancy and publishing enterprise. The amount is even lower for foreigners keen to invest with a local partner in enterprises dealing with accountancy, architecture, engineering, auditing, business and management consultancy whereby the minimum amount is \$25,000. An investor who reinvests their profits or exports at least 75% of outputs is exempted from setting aside the minimum capital.

2.4.6 Conducive Tax Environment

Ethiopia has a conducive tax environment with the following attractive tax payments.⁵² The country's tax regime is indeed an incentive to prospective investors. With 30% for Corporate income tax, income tax payable at a rate of 10%- 35% on monthly income above \$6, 2% turnover tax for priority sectors equipment especially agricultural equipment, capital Gains tax pegged at 30% for Company share factory and office buildings at 15% while residential aren't taxed at all.

⁵² The taxation guide is contained in the 'Invest in Ethiopia Guide (2015)' which outlines the incentives that the Federal Government of Ethiopia has put in place to attract Foreign Direct Investment.

2.4.8 Availability of a Strong and Wide Market

With a population of up to 84.8 million, the country has a strong and wide internal market. This huge and an ever-expanding local market gives good investment prospects. Goods and services needed for domestic use are also assured of a ready market. This has led to rise of industries to manufacture these i.e. electronic products, tobacco, drinks, drugs and pharmaceuticals, paper and paper products, ceramics, plastic products, chemical products as well as electrical appliances. Ethiopia's location is strategic given that the 'Horn of Africa' links Africa, the Middle East and Asia. Hence Ethiopia is a regional hub for the three as it connects access to markets to the three regions. In addition, Ethiopia is a member to regional trading bloc, Common Market for Eastern and Southern Africa (COMESA), which has membership of twenty three countries bringing together a population of more than 420 million. This bloc does provide the country with a wide market and also contributes to preferential tariff rates on exports to these countries. There a number of other privileges that the country enjoys. It draws trade benefits from Africa Growth and Opportunity Act (AGOA) from USA, Everything But Arms (EBA) by the EU, '0 Tariff' from China and India's DFQF⁵³.

2.4.9 Strong Natural Resource Base

Ethiopia boasts of a favorable climate which is excellent for agricultural activities. It enjoys good rainfall, fertile soils and excellent temperature. These are great assets for its agricultural base.

The country has a vast presence of mineral tables including soda ash, platinum, nickel, natural gas, gold which are yet to be exploited. Other natural resources in Ethiopia include: hydropower, copper, salt and iron.

⁵³ Invest in Ethiopia- An Investment Guide to Ethiopia 2015. ETHIOPIA: A Preferred Location for Foreign Direct Investment in Africa.

In spite of having a good climate and a vast presence of natural resources, Ethiopia has tens of millions of hectares of land suitable for agricultural production and some four million hectares of land that can be put under irrigation to boost agricultural production.

The availability of arable land in towns rural areas which can be leased out makes it easier for MNCs to invest in Ethiopia. Lease rights of holding land can be passed over or mortgaged with the infrastructure thereon. Leasehold is pegged at 60 years in Addis Ababa and towns of its equivalent while in other towns, land can be leased to a maximum period of 80 years. In both cases the leases are renewable.

As discussed above these factors provide an ample and influx of MNCs in Ethiopia. However, the presence of weak policies can be injurious to the Ethiopian environment as in most cases MNCs are more interested in investment than environmental conservation. Hence it is necessary to have strong policies and regulations to ensure that the environment is a priority even in business ventures.

2.5 Ethiopia's Environmental Policies

The Ethiopian government has recognised the importance of protecting its environment as seen through the grund norm of its law, the Constitution. The Constitution of Ethiopia⁵⁴ defines a number of environmental values to be protected. It also outlines the necessary steps to be taken to ensure and facilitate the preservation, sustainable use and improvement of the environmental assets of Ethiopia. This inclusion of such in the country's Constitution, given an impetus environmental conservation making it be regarded as one of the fundamental human rights. The Constitution of Ethiopia declares the right of Ethiopian citizens to stay in a life supporting

⁵⁴ *Constitution of the Federal Democratic Republic of Ethiopia.(1994)*

environment. This is provided in Articles 44⁵⁵ and 92⁵⁶ of the Constitution. The obligation of the government and all citizens to participate and ensure environmental protection is also emphasised in the Constitution. Any project or program shall not contribute to environmental pollution and/or degradation. This means that MNCs shall not damage the environment through its designs.

Ethiopia's main aim is to foster healthy and quality lives of its entire population while simultaneously promoting sustainable socio-economic development. This is done through healthy administration and utilisation of available resources in the spirit of sustainable development which seeks not to jeopardize the future of succeeding generations.

There is however a more specific objective that Ethiopia has put in place to protect its environment and that is to make sure that non-renewable sources of materials are not exploited to certain proportions that it may negatively affect the environment or in compromise the use of other natural resources.

on mineral resources the objective is to optimize the utilization of available minerals through increased investment to increase diversified use in such sectors as construction, manufacturing and agriculture. This should be done through established environmental-friendly private and state mining and related activities.

⁵⁵ *Constitution of the Federal Democratic Republic of Ethiopia. (1994).* Article 44. "All persons have the right to a clean and healthy environment.

2. All persons who have been displaced or whose livelihoods have been adversely affected as a result of State programmes have the right to commensurate monetary or alternative means of compensation, including Relocation with adequate State assistance.

⁵⁶ *Constitution of the Federal Democratic Republic of Ethiopia. (1995).* Article 92 "

1. Government shall endeavor to ensure that all Ethiopians live in a clean and healthy environment.
2. The design and implementation of programmes and projects of development shall not damage or destroy the environment.
3. People have the right to full consultation and to the expression of views in the planning and implementations of environmental policies and projects that affect them directly.
4. Government and citizens shall have the duty to protect the environment.

2.5.1 Ethiopia's Environmental Impact Assessment (EIA)

It was started by the Environmental Protection Authority of Ethiopia and its outline laid down procedures for the any new projects or development activities. To this end the EIA vision underscores the ensuring of a sustainable environment by removing and/or reducing pollutants while its mission is given as seeking to enforce laws to eliminate and/or reduce pollution from industrial activities hence improve the health and lifestyle of the citizens”⁵⁷. In order to achieve the above, the EIA defined the following objectives and goals:⁵⁸

Promoting sustainable growth with resource use optimization and management

Protecting the efficiency and ability of natural provisions as well as their related processes

Ensuring that any concerns about the environmental are addressed and factored in related decision-making

Developing, implementing and evaluating activities aimed at enhancing proper environmental management

Preventing any negative effects of industrial waste and other pollutants

Preventing the negative impact of development plans that may affect the sustinance of the environment.

⁵⁷ Ethiopia Environmental Protection Authority, 2006.

⁵⁸ http://www.aigaforum.com/news/policy_for_ethiopia_enviromental.htm

2.6 Economic Development In Ethiopia

Ethiopia is working towards attaining a middle-income class by 2025. In the last decade the country has recorded a notable growth in its economy with an annual GDP average growth of 10% and this is anticipated to continue⁵⁹.

Agriculture is the biggest contributor to the economic growth of the country. Similarly, the mining sector has recorded high rates in that in the year 2011 alone the sector recorded a growth rate that was remarkably high at 55.7%⁶⁰ the country boasts of diverse unexploited minerals and resources which include significant gold and tantalum deposits. Its position in the Horn of Africa gives Ethiopia the strategic advantage for overseas investments from Asia, Europe, and Australia. In conclusion, political stability and a revised mining code give Ethiopia a cutting edge in attracting investors. The revised mining code provides for transparency and fair investment and includes best practices borrowed from countries popular in the sector.

Ethiopia's economy is dominated by public entities but has untapped private investment potential.

Private involvement of aliens in the mining sector in Ethiopia started in 1991. The most recent Mining Operations Proclamation No. 678/2010 became operational in 2010 and it revised mining The Proclamation sets out the conditions of environmental impact assessments and sets out policies on health and safety. Other legal incentives are also contained in the document which include among others, lower royalty payment levels, removal of taxes on taxes on mining equipment, warranty in provision of markets and means of dispute resolution.

⁵⁹ Economist, 2011

⁶⁰ AfDB, "Ethiopia Economic Outlook" <http://www.afdb.org/en/countries/east-africa/ethiopia/>

The government also has given incentives in the local account in a foreign denomination, retaining foreign currency revenue and remittance of profits, dividends, principal and interest on foreign overdrafts out of Ethiopia.

Over time mining operations have been inviable due to exhaustion of non-renewable resources and lack of enough investment of revenues obtained from the sector.

2.7 Impact of MNCs on The Ethiopia Agriculture Sector

The Ethiopian country has a rich fertile farmland. The good attractive incentives offered by the government has led to the leasing of huge chunks of land to MNCs which want to produce foodstuff for export especially to Saudi Arabia, China, India and Europe. A case in point is the Karuturi Global, a Bangalore food company which has leased about 30% of Gambela region and this has led to clearing of forests, draining swamps, diversion of rivers and most notably the relocation of entire villages. These are being done to create space for flower farming, rice and palm-oil plantations.

Most of the Ethiopian population rely on agriculture as a source of income with about 80% of the citizens being in the labor force⁶¹.

Agriculture in Ethiopia is largely relies on natural climatic and weather conditions especially rainfall. Less than 1% of agriculture in the country is done under irrigation. In this regard, the crop yields are determined by conditions such as distribution and amount of rainfall, temperature and other climatic factors during the growing season and if unfavourable they lead to food shortages, malnutrition and famine⁶².

⁶¹MoFED,2006

⁶²Yesuf, 2007; Yesuf and Kassie 2007

It is imperative to have in mind that water is very important to maintain agricultural viability and it is becoming an issue in most areas of sub-Saharan Africa, Ethiopia included, because of the effects of climate change.

2.8 OECD Guidelines for Multinational Corporations⁶³

The OECD Guidelines for Multinational Enterprises give non-binding rules and standards for responsible business practices in a global context persistent with appropriate laws and internationally known standards. The principles are the only crossplatform rules agreed and comprehensive code of responsible business practice that governments have committed to supporting. Keeping to these outlines by MNCs is optional and not legally binding.

Nevertheless, some issues covered by the guidelines may also be monitored by regional law or international involvement. Obeying local laws is the first duty of businesses and the guidelines do not replace, act as a replacement or override domestic laws and regulations. In as much as the rules go past the law in most instances, they should not and are not aimed to place a company in situations with conflicting positions. However, in countries where regional laws and regulations are out of sync with the set policies and laws, enterprises should seek ways to honour the principles and standards fully in a way that does not make them go against domestic law.

Ideally businesses ought to consider existing rules of the regions in which they conduct their activities, and consider the views of other stakeholders. Therefore MNCs need to participate in economic, environmental and social progress aimed at achieving sustainable development. This has to be done within the laws and policies of the host countries and take into account applicable

⁶³ OECD guidelines for Multinational Corporations. 2011 <https://www.oecd.org/corporate/mne/48004323>

international agreements and principles aimed at protecting the environment and ensuring public wellbeing. Most importantly they should work towards achievement of sustainable development.

2.9 Conclusion

The analysis of the investment by MNCs in Ethiopia gives the insight into the ideal environment that Ethiopia has which attracts MNCs in the country. However, the influx of the MNCs into the country has exposed it environmental challenges occasioned by the activities of the MNCs. In addition, in the last ten years it is been noted that the service sector has contributed immensely to economic growth.

Natural resources are indeed the main drivers of many countries and in this case, Ethiopia. The proper use of these resources can generate huge benefits in the short term but then a careless unsustainable utilisation creates a lot of negative effects. These effects range from environmental destruction to reduction of economic growth and wellbeing. The country's thriving economy has been largely dependent on these resources and inevitably this has led to environmental degradation which has also led to economic hardships. As earlier discussed, Ethiopia's economy is driven by agriculture and the service sector and these have had their share in contributing to environmental degradation. Smallscale as well as largescale agricultural activities have considerable effects on the environment. Uncontrolled and unchecked agricultural activities and practices lead to loss of biodiversity, soil erosion, loss of ecosystem services and soil fertility. A case in point is the use of chemical enhancers to upscale agricultural yields which in the longterm causes harm to the immediate environment. The increased and improper agricultural activities lead to a number of negative effects which include: pollution, water shortages, soil depletion and loss of ecosystem services.

Ethiopia has put in place policies and regulations for the conservation of its environment but these are often overlooked by the enterprises in the pursuit of their interests. Exploitation of these natural resources in the long term and their unsustainable use causes destruction of the environment and slows down economic growth. Hence the Ethiopian government is keen to put controls to prevent adverse impact on its environment hence is people. This shall be discussed in the next chapter as well as effects MNCs have on the established policies.

CHAPTER THREE

ENVIRONMENTAL REGIMES, MULTILATERAL ENVIRONMENTAL AGREEMENTS AND STATE COMPLIANCE

3.0 Introduction

This chapter will look into the international effort in tackling environmental problems through the establishment of international principles on environmental relations and environmental regimes. The Multilateral Environmental Agreements (MEAs) that the Federal Republic of Ethiopia has ratified and is a signatory to will also be analyzed as well as the mechanisms that country has put in place to ensure compliance and effectiveness of the agreements.

3.1 International Environmental Regimes

Regimes are socially established institutions which comprise of norms, rules, guidelines and programs which are agreed on by various actors to guide and govern interaction of actors in specific areas⁶⁴. This regulated systems became necessary to guide behaviour of actors in the international system, both State and non-State actors. Environmental regimes are binding agreements between States to address environmental issues in the wake of environmental changes given that environmental problems are largely global hence cannot be handled by a single State on its own. It calls for cooperation amongst States even though the international system is anarchical. The Regime theory does address the issue of cooperation and its sustainability in the anarchical system composed of sovereign nation-States.⁶⁵ It was realised that something needed to be done to conserve the environment and prevent its degradation and/or exploitation. In this regard international plans of action to manage, protect and conserve the

⁶⁴ Young, Oran(Ed) 1997: *Global Governance: Drawing Insights from Environmental Experience*, Cambridge: Mass: MIT Press, 5-6.

⁶⁵ Haggard, S. and Beth A. S. 1987. *Theories of International Regimes. International Organizations* 41(3)

global environment have been instituted by way of Multilateral Environmental Agreements (MEAs). These provide principles, rules, policy-making procedures, values and norms that are agreed upon by governments and as such the States have to abide by them so as to protect the global environment⁶⁶.

The main aim of these MEAs is to be in control of any effects on the environment usually caused by human activity. These agreements comprise of a set of pledges by states and designed procedures and institutions to guide different stakeholders to address any environmental issue⁶⁷. The development of international environmental regimes and institutions historically lies in the period 1945 – 1972 which culminated into the 1972 Stockholm Conference on the Human Environment. This was the initial initiative started to deal with various ecological problems and develop strong strategies to handle them. The resulting Stockholm Declaration outlined the first ever worldwide agreement with principles to steer these efforts with close attention to the intensity of environmental challenges and contained an appropriate Action Plan to deal with this. This first World Conference led to the establishment of the UNEP to coordinate environmental action and act as a catalyst for it. In the subsequent decades many countries put in place national environment laws and first world countries begun to provide technical and monetary aid to developing countries to help them combat with environment problems that may arise. In the present era, since the 1992 Rio World Summit, integration of International Laws has taken centre stage with compliance of these being emphasized. Negotiations on environmental issues continue today at different levels with an aim of meeting the current generations' needs without

⁶⁶ Christopher, C.J. in *“Rethinking International Environmental Regimes: What Role for Partnership Coalitions?”*

⁶⁷ Kannan A. (2012) *Global Environmental Governance and Desertification: A Study of Gulf Cooperation Council Countries*, New Delhi.

compromising the future of succeeding generations. This is summed up as ‘sustainable development.’

The most felt environmental issue is climatic change defined as a shift in the state of the weather that is usually experienced for an extended period that can be decades or longer.⁶⁸ This is a global challenge which has very serious hazardous effects on the entire ecosystem. It is for this reason that a couple of initiatives have been undertaken to address the matter to save diversity from ultimate destruction. Climate change has been occasioned by global warming and depletion of the Ozone layer to which the international community has established policies to deal with it. The United Nations Framework Convention on Climate Change (UNFCCC) has provisions on how states should moderate greenhouse gas emissions while the Vienna Convention addresses the Ozone layer depletion. Developing countries especially those in Africa, for example Ethiopia, face unique environmental challenges because their economies largely depend on climate-dependent natural resources especially rain-fed agriculture. This dependence is risky given that in the event of unfavourable weather conditions life is affected.

3.2 Principles Governing International Environmental Relations.

In the spirit of cooperation, the following principles act to guide international environmental relations:

State Sovereignty – this principle acknowledges that are permanently sovereign over all resources found within their territory. Hence all States have the exclusive rights to choose how to exploit and develop their systems socially, economically and even culturally.

⁶⁸Miller, C. A. (2013). *Climate Science and the Making of a Global Political order, in Sheila Jasanoff (ed.) States of Knowledge: The Co-Production of Science and Social Order*, 46-66

Right to Development – this principle asserts that developing states have to manage and enhance their development and their citizens do have a right to political independence and lead quality lives.

Common Heritage of Humankind – this principle takes note of those resources co-owned internationally also referred to as ‘global commons’ i.e. those beyond national boundaries. These resources include the seabed, Antarctica, outer space and the outer atmosphere (e.g., ozone). These resources are therefore managed and utilized on mutually agreed terms with shared gains and for peaceful purposes amongst States.

Common Concern of Humankind – this principle deals with the fact that ecological issues are interdependent and extend past State boundaries hence need both individual state management and international cooperation. Such includes biodiversity and the climate both of which are areas of collective interest by all humanity.

Principle of Equity – this principle calls for deliberate efforts to strike a balance of natural resources between the current generation and future generations i.e. inter-generational equity. It also asserts the freedom of all persons of the present generation having equal chance to get resources i.e. intra-generational equity. To this end, the principle calls for the need for ecological exploitation and utilization of resources and strategies to curb permanent environmental damage.

Common but Differentiated Responsibilities – this principle is about the different responsibilities of States in the shared responsibility of environmental protection by virtue of their diverse social, economic and ecological conditions. With this understanding developed States are expected to bear more burden than developing countries in environmental conservation.

The Principle of Pollution Prevention – the principle asserts the significance of inhibition of environmental damage as the best way to protect the environment rather than trying to mitigate or remedy it after damage has taken place.

The Precautionary Principle – the principle petitions States and other actors to take any precautionary and preventive measures to avert environmental harm even when there is no consensus pertaining a particular issue or threat. This is pegged on the fact that scientific investigations may take longer to enable effective legal and policy mechanisms to deal with any rising environmental issues.

The Polluter (or User) Pays Principle – this principle tasks those that cause pollution and the consumers of natural resources to foot the costs that may arise courtesy of their actions and activities that may cause environmental damage.

The Principle of Subsidiarity – this principle suggests the need to keep environmental and use of resources at the low levels of administration or association as at such level, any issues are managed more effectively. This is meant to give the masses the express responsibility to participate in environmental management since they bear the highest cost.

Good Neighborliness and the Duty to Cooperate – this principle obligates countries to closely work with their neighbours for the common good of environmental conservation and management.

State Responsibility – the principle points out that State are to take responsibility for any breaking of laid principles to which such States consented and also actions within their jurisdiction that may go against any such agreed upon principles

Obligation Not to Cause Environmental Harm – this principle draws from customary international law and forbid States from causing any environmental damage or interests of other States.

Duties to Provide Prior Notification and to Consult in Good Faith – in line with this principle, states are to disseminate the necessary information to all relevant parties in good time when planning an activity that may cause harm or damage to other States as well as consult with them.

Principle of Prior Informed Consent – demands that consent is to be granted by a State to another State when one State wants to carry out an activity in another State. It also requires that the indigenous communities have to be consulted and consent sought from the people likely to be affected by such activity.

Duty to Assess Environmental Impacts – this principle calls on all states to carry out Environmental Impact Assessment (“EIAs”) in light of any intended events, and to include environmental concerns when planning for development.

Public Awareness and Participation – this principle emphasizes that all stakeholders including affected communities and nongovernmental actors need to take part in environmental and developmental decisions affecting their interests as well as their right of equal access to justice.

3.3 Ethiopia’s Framework towards Addressing Environmental Issues.

Being a constituent of the global community, Ethiopia acknowledges that Climatic Changes are indeed a challenge which must be addressed by collective effort by all countries. In this regard, it has created and put into practice various laws, regulations and institutions working towards environmental issues. Ethiopia’s concerted effort can be traced back to the 1992 Rio conference

when the then Transitional Government made a decision to follow sustainable development path. The first notable step was the finalization of the Conservation Strategy of Ethiopia (CSE) which aimed at balancing the population growth rate and the country's capability to sustain development along with reasonable use of available natural resources. The Ethiopian National Environmental Report of 2012 points out that Ethiopia's major environmental challenges include: industrial and urban pollution, degeneration of land, fragmentation and absence of expertise in formulating and implementation of green economy strategy⁶⁹.

It is worth noting that Ethiopia has been an active participant in international environmental conferences starting with the 1972 United Nations Conference on the Human Environment, UNCHE (Stockholm Conference), the 1997 Mar del Plata World Water Conference in Argentina, the 1992 United Nations conference on Environment and Development, (Rio World Summit), the 1994 International Conference on Population and Development (ICPD) in Cairo, the 2002 World Summit on Sustainable Development in Johannesburg, the 2012 Rio + 20 Summit (UN Conference on Sustainable Development). These global initiatives have had a big impact on Ethiopia's national policies and increased public awareness and participation on matters relating to the environment. Moreover, the Ethiopian government adopted an integrated planning strategy in which policies and laws are designed to address issues stemming out of all sectors with an aim of obtaining solutions across the board. Immediately after the 1992 Rio Conference, Ethiopia formulated a National Conservation Strategy and in 1997 established an Environmental Policy which summed up sustainable development principles. The Environmental Policy of Ethiopia (EPE) is focused on improving the well-being of the Ethiopian population and

⁶⁹ Environmental Protection Authority, Federal Republic of Ethiopia. 2012. *Report of Ethiopia to the United Nations Conference on Sustainable Development (Rio + 20)*”

also foster sustainable development⁷⁰. The policy works through a strategy of managing environmental resources more effectively beginning at the federal level to the grassroots community level. EPE principles are in tandem with the principles governing international environmental relations. The EPE principles include guaranteeing all Ethiopians to reside in a hale and hearty environment, involve the locals in policymaking on environmental matters, sustainable usage of renewable resources while minimizing use of non-renewable resources. The policy also provides for regular valuation and observing of environmental disorders and increase awareness and understanding of environmental and resource topics. Moreover, since 1972 Ethiopia has ratified many multilateral environment agreements. Implementation of these treaties is overseen by several Federal Sectoral offices but at the Federal level it is the duty of the Environmental Protection Authority (EPA), the Ministry of Agriculture (MoA), the Ministry of Water and Energy and the Ministry of Culture to manage the commitments of the concerned governments, the organizational framework to be recognized and required comprehensive cooperation among all the stakeholders.

3.4 The Multilateral Environmental Agreements Signed/Ratified By Ethiopia.

Ethiopia is a cosigner to several of international joint agreements that influence its environmental and sustainable development policies. The Multinational Environment Agreements (MEAs) that Ethiopia has signed and/or ratified include⁷¹:

The United Nations Framework Convention on Climate Change (UNFCCC) - 1994.

The Convention on Biological Diversity (1994);

⁷⁰ The overall policy goal is to improve and enhance the health and quality of life of all Ethiopians and to promote sustainable social and economic development through the sound management and use of natural, human-made, and cultural resources and the environment as a whole so as to meet the needs of the present generation without compromising the ability of future generations to meet their own needs.

⁷¹ Mulugeta G. (2008) “*The Ethiopian Environmental Regime versus International Standards Policy, Legal, and Institutional Framework.*”

The United Nations Desertification Convention (1994);

The Bio-Safety Protocol (2000);

The Stockholm Convention on Persistent Organic Pollutants (2001);

The Stockholm Convention on Organic Pollutants (2002);

The Rotterdam Convention on Prior Informed Consent Procedure for Certain Hazardous chemicals and Pesticides in International Trade (The Rotterdam Convention) adopted in 1998;

The Kyoto Protocol;

The Vienna Convention for the Protection of the Ozone Layer and its accompanying Montreal Protocol on Ozone Depleting Substances (1994);

The Basel Convention and the Protocol to the Basel Convention in Liability and Compensation for Damage Resulting from the Trans boundary Movements of Hazardous Wastes;

Convention on the Ban of the Import into Africa and Control of Trans boundary Movements and Management of Hazardous Waste within Africa (the Bamako Convention);

The United Nations Convention on the Law of the Sea (UNCLOS);

World Heritage Convention; the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);

International Treaty on Plant Genetic Resource for Food and Agriculture (ITPGRFA).

3.4.1 The Convention on Biological Diversity (1994)

This Convention was released for signing at the Rio Earth Summit on 5 June 1992 and implemented on 29 December 1993. It aims to develop strategies for the safeguarding and

workable usage of biological assortment. It aims at conservation of biodiversity, sustainable use of biodiversity components and fair and reasonable sharing of benefits arising from genetic resources. The agreement entails all ecosystems, species and genetic resources and urges the use of biological resources sustainably even as economic goals are pursued. It includes such provisions as: states / contracting parties to come up with motivation for the conservation and viable use of the constituents of biological diversity⁷². This includes creating public awareness through educational programmes and media to promote and encourage consideration of the significance of conservation of biological diversity and ensure supportable use and protection of biological resources and encourage development and implementation of remedial actions in polluted areas where biodiversity has been affected. ⁷³**Article 10.** Technical and scientific collaboration, Impact assessment, etc.

The Convention provides that National Biodiversity Strategies and Action Plans (NBSAPs) are the main mechanisms for fulfilling the bond at the state level. ⁷⁴ Contracting States are required to prepare a nationwide biodiversity plan or its equivalent and guarantee that this strategy is spread / mainstreamed into the preparation and activities of all those areas/sectors whose undertakings can have an impact(s) on biodiversity. Ethiopia ratified the Convention on 31 May 1994 through Proclamation 98/1994. The UNDP supported Ethiopia to prepare the National Biodiversity Strategy, Action Plan, and its participation in Clearing House Mechanism for CBD, including the preparation of the Country Report to the COP of UNCBD.

2010 was the international year of biodiversity and on 22 December 2010, the UN confirmed the period from 2011 to 2020 as the United Nations Decade on Biodiversity.

⁷² *United Nations, (1992), Convention on Biological Diversity. Art. 2.*

⁷³ *United Nations, (1992), Convention on Biological Diversity. Art. 10*

⁷⁴ *United Nations, (1992), Convention on Biological Diversity. Art. 6*

3.4.2 The United Nations Framework Convention on Climate Change (UNFCCC)

This was negotiated at the 1992 Rio Earth Summit and it went into potency on 21 March 1994. UNFCCC was contracted by the country in the 1992 Rio Conference in Brazil and was approved on 31 May 1994 and Proclamation 97/1994 was put in stead to offer a legal foundation for its execution.

The aim of the UNFCCC is to steadily reduce greenhouse gas concentrations in the air at a propotion that would alleviate dangerous anthropogenic intrusion with the climatic system. It further notes that the levels should be attained within a period sufficient to allow ecosystems to acclimate naturally to climate change, to ensure that food manufacture is not susceptible and to enable economic growth to proceed in a sustainable manner⁷⁵. The framework of the Treaty does not set compulsory limits on Greenhouse gas emissions for individual countries but it explains how specific international protocols and agreements may be negotiated to set binding restrictions on greenhouse gases. Consequently the Kyoto Protocol was concluded in 1997 and it legally established binding responsibilities for developed countries to reduce their greenhouse emissions in the period 2008 – 2012. Currently, UNFCC has 196 parties and this is an indication that there is consensus that there is problem and that action is required against climate change⁷⁶.

The Kyoto Protocol came to strength on 16 February 2005. The Protocol's first obligation started in 2008 and concluded in 2012. The subsequent commitment period of the Kyoto Protocol runs from 2013 – 2020 and is built on the Doha Amendment to the Protocol. The Doha Amendment is yet to come into force as of July 2016 only 66 States had accepted it and it requires 144 States to come into force. There have been other decisions made by the parties of the UNFCC to

⁷⁵ United Nations (1992), *Framework Convention on Climate Change*, Art. 2

⁷⁶ Alves, L. and Marengo, J. A. (2009). *Assessment of Regional Seasonal Predictability Using the PRECIS Regional Climate Modeling system over South America*.

enhance efforts to curb climate change. These include: the Copenhagen Accord (2009), the Cancun (2010), the Bali Action Plan (2007) and the Durban Platform for Enhanced Action (2012) and most recently the Paris Agreement. Negotiations held annually in relation to the Framework on the actions to be taken after the lapse of the second commitment period resulted in the 2015 implementation of the Paris Agreement, a distinct instrument rather than an amendment to the Kyoto Protocol. The Paris Agreement seeks to bolster UNFCCC efforts. It will be in force on 4 November 2016 with 191 UNFCCC Parties having signed it as of October 2016.

3.4.3 The United Nations Desertification Convention (1994)

This convention seeks to fight desertification in countries going through serious drought and / or desertification especially in Africa. It seeks to moderate effects of drought through national action platforms that incorporate long-term strategies reinforced by international cooperation and partnership provisions. It was adopted in Paris, France on 17 June 1994 and crossed the threshold in December 1996. It is based on values of decentralization, participation and partnership and to date it has 195 parties. The Convention has established a Committee of Science and Technology (CST) which collects, analyzes and reviews data on drought and desertification and also endorses cooperation in the field of battling desertification and mitigating drought through suitable sub-regional, regional and national institutions. It coordinates this by its accomplishments in research and development which greatly contributed to increased knowledge of the process leading to desertification and drought and their effects. The Group of Experts (GoE) provides the CST with information on the current knowledge, the extent and the impact, the possible situations and the policy consequences on several theories related to its mandate. Parties have established National Action Programmes (NAPs) to implement the convention on State level. The NAPs are strengthened by Sub-Regional Action Programmes (SRAPs) and Regional Action Programmes

(RAPs) at sub-regional and regional level respectively. Each party formulates a NAP which formulates the practical steps and measures necessary to fight desertification in specific ecosystems.

The Government of Ethiopia signed the Convention to Combat Desertification (CCD) in October 1994 and ratified it in June 1997. As an initial step in the implementation of the Convention, the Government of Ethiopia selected the Environmental Protection Authority (EPA) as the Focal Point to synchronize the implementation of the Convention in Ethiopia. To carry out this obligation, EPA established a National Steering Committee (NSC) for the formulation of a National Action Programme to Combat Desertification and Mitigate the Effects of Drought (in short, NAP) as well as formed a task force for the formulation of a National Desertification Fund (NDF).

3.4.4 The Stockholm Convention on Persistent Organic Pollutants

This multilateral treaty was signed on 22 May 2001 in Stockholm, Sweden and became effective on 17 May 2004. The Convention pursues to eliminate and/or restrict the production of persistent organic pollutants (POPs). It requires advanced countries to provide new and additional monetary resources and measures to eradicate production and use of intentionally produced POPs, eliminate unintentionally produced POPs where possible and dispose of POPs wastes in environmentally friendly manner. The POPs include: Polychlorinated biphenyls (PCBs), Toxaphene, Chlordane, Dieldrin, Mirex, Aldrin, Heptachlor, Hexachlorobenzene, all of which have been listed for elimination⁷⁷.

⁷⁷ Downie, David 92003) “*Global POPs Policy: The 2001 Stockholm Convention on Persistent Organic Pollutants*.”

3.4.5 Rotterdam Convention

It is formally referred to as the Rotterdam Convention on the Prior Informed Consent Procedure For Certain Hazardous Chemicals and Pesticides in International Trade. It promotes joint responsibilities in relation to acquiring of hazardous chemicals. This involves transparent exchange of information and communication on exporters of hazardous chemicals to use accurate labeling, include instructions of safe handling and inform consumers of any well-known restrictions or bans on the products.

The Convention was signed on 10 September 1998 at Rotterdam, Netherlands and became realalized on 24 February 2004, it has 72 signatories and 155 parties at the moment. participatory states can decide to permit or ban the use of chemicals listed in the contract and the exporting states are obliged to confirm that producers within their jurisdiction conform with the provisions. The Convention seeks to preserve human health and the environment from possible damage and to add to their environmentally acceptable use⁷⁸.

3.4.6 The Vienna Convention and the Montreal Protocol for the Protection of the Ozone Layer

The Vienna Convention was signed on 22 March 1985 at the Vienna Conference and became effective on 22 September 1988. It acts as a structure for international efforts to safeguard the ozone layer but does not legally bind parties in reducing the use of Chloroflouro Carbons (CFCs) which are the main agents that cause ozone depletion⁷⁹. The binding pact is contained in the Montreal Protocol which is a protocol to the Vienna Convention. The Montreal Protocol was decided upon on 26 August 1987 and came in into power on 26 August 1989. It contains

⁷⁸ United Nations Environmental Programme (2005), *Rotterdam Convention on the Prior Informed Consent Procedure For Certain Hazardous Chemicals and Pesticides in International Trade*, Texts and Annexes. Art.3

⁷⁹ United Nations Environment Programme, *Handbook for the Vienna Convention for the Protection of the Ozone Layer (1985)*, Eight Edition (2009). Art. 3

provisions for the phasing out the fabrication of substances that are responsible for the weakening of the ozone layer. The Protocol has undergone eight revisions modifying it. London in 1990, 1991 (Nairobi), 1992 (Copenhagen), 1993 (Bangkok), 1995 (Vienna), 1997 (Montreal), 1998 (Australia), 1999 (Beijing) and 2016 (Kigali). The Vienna Convention and to Montreal Protocol are the first universally ratified treaties in UN history for they have been ratified by 197 parties to the Protocol established that the year 2013 was the time to restrict the consumption and production of Hydrochloroflouorocarbons (HCFCs). It was also settled that the parties start limiting their consumption and production in 2015. Hence 2013 – 2015 is the time of freezing and reducing HCFCs. Hydroflouorocarbons (HFCs) replaced CFCs and HCFCs used in refrigerators, foam and plastics. The HFCS are mostly produced in developed countries and don't harm the ozone layer but they are greenhouse emissions with a high Global Warming Potential (GWP) similar to that of CFCs and HCFCs parties to the Montreal Protocol agreed to start working on an amendment to the protocol to reduce the use of HFCs in November 2015 in Dubai. On 15 October 2016, mediators from over 170 nations met at the UNEP conference in Kigali reached a legally binding consensus to phase out hydroflouorocarbons (HFCs) in an amendment to the Montreal Protocol although this is yet to enter into force.

The two ozone treaties are seen as the most successful multilateral agreements because quite a milestone has been achieved – since the Montreal Protocol came into action, the atmospheric quantities of the most key Chlorofluorocarbons and related chlorinated hydrocarbons have either flattened off or decreased⁸⁰

⁸⁰ Donnie, David (2013) “*Stratospheric Ozone Depletion*” *The Routledge Handbook of Global Environmental Politics*. New York. Routledge

3.4.7 The Basel Convention on the Control of Trans boundary Movements of Hazardous Wastes

This convention was implemented on 22 March 1989 in Basel, Switzerland and went into action on 5 May 1992. It was intended to minimize the movements of lethal waste between nations, and precisely to avert transmission of hazardous waste from developed to under developed states. The Convention also seeks to reduce the amount and noxiousness of wastes produced, to ensure their environmentally friendly management and assist LEDCs in environmentally thorough management of the hazardous and other wastes they produce.

3.5 State Compliance with Multilateral Environmental Agreements

Governments of various states adopt instruments of Multilateral Environmental Agreements (MEAs) to address the complex environment problems the world faces. There are many stakeholders in the global arena but then states that are in charge of the welfare of their respective populations. MEAs specify the expected course of action that States or rather parties to a particular treaty are to take. The MEAS are agreements among states and they create obligations for the parties to the MEA which are usually binding. The international law principle of *pacta sunt servanda* (“agreements must be observed”) consolidates the binding nature of these agreements. Article 26 of the Vienna Convention on the Law of Treaties states that: Every Treaty in force is binding upon the parties to it and must be performed by them in good faith.⁸¹

This however goes beyond compliance by the parties as effectiveness of a particular treaty depends on the national government’s steps and actions. Failure to conform to any multilateral agreement attracts violations on the associate state largely based on the notion that States fail to

⁸¹ Vienna Convention on the Law of Treaties, Article 26.

comply intentionally. However this isn't the case especially with developing countries like Ethiopia as it is mainly due to lack of capacity and unavailability or limited necessary resources i.e. bureaucratic, financial, scientific and technical resources needed to build effective enforcement institutions and mechanisms.⁸²

In order to achieve the provisions in the various MEAs, Ethiopia has taken steps to ensure compliance to these multilateral environmental treaties and instituted measures to minimize environmental pollution and climate change. These accords are a portion of the Ethiopian environmental legal framework⁸³. For example Under the UNFCCC, the UNDP supported the preparation of the National Adaptation Programme of Action (NAPA), Coping with Drought and Climate Change and Climate Change Enabling Activity (additional financing for capacity building in priority areas), and Promoting Autonomous Adaptation at the community level in Ethiopia. The country also set out to pursue green economy to enhance its sustainable development agenda through its Climate –Resilient Green Economy (CRGE) as provided for in Ethiopia's Constitution and the Environmental Policy of Ethiopia. Coordinated by EPA, and with strong political backing from the Federal government and the Ministry of Finance and Economic Development (MoFED) and line ministries, the Green Economy Strategy provides a chance to promote viable development in Ethiopia⁸⁴. The country has been active in International Environment. Governance (IEG) initiatives for example it reiterated its support for the African Consensus Statement which was given out at the Africa Regional Preparatory Conference for the Rio + 20 Conference which called for the reinforcement of the United Nations Environmental

⁸² Chayes and Antonia, 1995.

⁸³ According to the Constitution, "All international agreements ratified by Ethiopia are an integral part of the law of the land." Thus, there is no doubt that these environmental treaties are part of the national regime and can be effected by domestic laws, and the nation is duty-bound to observe the obligations assumed by such treaties. CONSTITUTION, Art. 9(4) (1995).

⁸⁴ Emelie C. and Anders E. (2013), *Ethiopia Environmental and Climate Change Policy Brief*, SIDA (Torsten and Andrea Molnar, Swedish Embassy, Ethiopia.)

Programme (UNEP) to enable UNEP adequately address environmental issues in the wake of climate change.

Ethiopia came up with the Plan for Accelerated and Sustainable Development to End Poverty (PASDEP) to guide the country's insufficiency alleviation in the period 2005 – 2010. This programme was contributing to its predecessor, the Sustainable Development and Poverty Reduction Programme (SDPRP). PASDEP formulated six strategic goals to foster environmentally sound development. These were:

- Guarantee that environmental conservation are led by the community and that available environmental resources are utilized sustainably to achieve gender balance and improve lives;

- Restore ecosystems that have been destroyed;

- To lift the ability of the ecosystem to be able to provide such necessities as foodstuff and energy for households;

- Take away the negative effects of urban discharge;

- Stop pollution of the environment; and

- Make sure that environmental issues are integrated with ethical practices as well as educate on gender equity in relation to development.

PANSDEP also did call for textile, beverage, chemical, sugar, cement factories and tanners which are the most polluting industries to put in place Environmental Management plans for the most contaminating businesses (. Growth and Transformation Plan (GTP) whose existence stretched between 2010 / 11 and 2014 /15 replaced PASDEP.

3.6 Conclusion

The putting in place of Multilateral Environmental Agreements (MEAs) seeks to prevent irreversible environmental damage which is espoused in the recently launched Sustainable Development Goals (SDGs). Environmental issues mainly movement of hazardous wastes and toxins, biodiversity, climatic changes, Ozone depletion. Ethiopia is a constituent of these global community initiatives in that it is a partaker and party to many international environmental treaties. The country has embraced national laws and policies and established organizations to manage the Ethiopian environment. These include Ethiopian Environment Protection Agency, but then just like other developing countries effective implementation is challenging given the lack of capacity, resources and political will. With the numerous treaties and protocols in place it remains to be seen whether parties to the agreements meet their obligations in protecting the environment and achieving the set out SDGs. Like it has been mentioned earlier, environmental problems are indeed global in nature and they need collective attention from all stakeholders. These stakeholders include both local and alien actors. Though it is a tough-balancing act, developing countries have to desist from contributing to environmental pollution in their quest to develop industrially and economically. The provisions set out in the environmental regimes can go a long way to turn around the situation and save Mother Nature from utter destruction. Imperatively, several factors are at play to make this a reality. Political will, relevant policies, legal and other institutional frameworks are prerequisites to achieve a safe environment. Failure of the effort will inevitably lead to disaster.

CHAPTER FOUR

**EVALUATION OF MULTINATIONAL CORPORATIONS ENVIRONMENTAL
MANAGEMENT AND STRATEGIES TO PROTECT THE ENVIRONMENT IN
ETHIOPIA**

4.1 Introduction

This chapter evaluates the environmental management and strategies by Multinational Corporations to ensure environmental protection in Ethiopia. It focuses on study findings and analysis of the primary data collected through a questionnaire administered to UNEP officials, EPA officials, MNCs employees and Ethiopia Embassy officials and also secondary data collected from various materials and official documents on environmental management and protection.

4.2 Reasons for Implementation of an Environmental Management System within an Organization.

In addition to their business activities, MNCs are obligated to set up a system for management of the environment in their operational structure. Motives fronted by various scholars range from corporate social responsibility to benefitting the organization itself. In this particular study several reasons were mentioned as the motivation to carry out environmental management within the organization. In addition different MNCs are influenced by different stakeholders to carry out the environmental management. These include: government/regulators, customers, competitors, employees, stakeholders, the local community and environmental organization.

4.2.1 Influence by Government/ Regulating Authorities

From the survey carried out, most respondents pointed out that multinational corporations formulate measures aimed at streamlining efficient administration of environmental issues in line with the existing regulations and policies. As earlier discussed in this study the Ethiopia Federal Environmental Protection Authority of Ethiopia is the institution mandated to regulate and monitor activities in Ethiopia that can affect the environment. It is the institution handling issues dealing with climate change. In this regard, MNCs in Ethiopia being party to a number of multilateral Environmental Agreement (MEAs), discussed earlier, it has a framework to ensure compliance by all stakeholders, including MNCs in Ethiopia.

4.2.2 Influence by Customers

Available data shows that customers to products do influence corporate decisions. This is because most people are conscious about the effects of environmental pollution and are reluctant to take part in destroying the environment. Through awareness campaigns in Ethiopia, the citizenry has been sensitized on the consequences of a destroyed environment. MNCs have had to come up with environmental- friendly products to keep customers and be counted as helping protect the environment. This is also to avoid being blacklisted as non-compliant by the authorities which will inevitably jeopardize the organization's business interests in a particular region.

4.2.3 The Need to Outshine Competitors

A multinational corporation will endeavor to acquire more leverage and outdo its competitors in the business. Compliance to environmental policies and carrying out environmental protection initiatives is a sure way through MNCs create a good corporate image. In a bid to achieve this, an

MNC will include environmental management in its operations so as to gain the needed confidence from other stakeholders and this helps bolster business in the long-run.

4.2.4 To Forge Warm Association with the Host Community

In order to forge a bond and close association with the community, MNCs have the obligation to institute projects and programmes that are aimed at bettering the community's welfare. Environmental management is one major way in which MNCs can participate in bettering the community. Sustainable Development points out the need for sound utilization of available resources to meet our generation's needs while at the same time securing the future of succeeding generations. MNCs in Ethiopia do carry out community programmes including sensitization on environmental conservation. The MIDROC Ethiopia Group of Companies, for example, supports Environmental and Health Advocacy Groups and helps farmers to adopt best farming practices. This way the multinational has been able to integrate itself in the Ethiopian society hence it has consolidated its good image amongst the people.

4.2.5 Influence by Environmental Organizations (UNEP)

The United Nations Environmental programme is the UN agency in charge of all environmental related issues in the World. It is the one that oversees and coordinate all activities related to environmental conservation. When climate change and environmental degradation were realized to be global challenges, global environmental governance was instituted. Governments, Corporate sector and the general population were tested with undertaking activities towards mitigating the adverse effects of environmental degradation. UNEP has a liaison office in Ethiopia by virtue that Addis Ababa hosts the African Union Headquarters. There are periodical

assessments on efforts aimed at conserving the environment. MMCs are bound to follow the laid-down guidelines to keep a good profile in the international arena.

4.3 Strategies for Environmental Management

MNCs have various strategies to ensure environmental management is effectively executed. They strive to gain advantage over their business competitors.

Michael Porter pointed out three generic strategies that businesses can employ to stay ahead of their rivals. These are: Least-cost strategy, the differentiation strategy and focus strategy.

4.3.1 Least – Cost Strategy

It is also referred to as 'low-cost strategy. This involves a business incurring the lowest operations cost. It involves mass production of standard products to serve a wide range of customers. In line with environmental management, environmentally friendly products are standardized. During their production process, energy and clean-energy sources are used. Savings are made given that there is mass production using least inputs.

4.3.2 Differentiation Strategy

This strategy involves production of a wide range of products with unique features valued by the customer enabling the business to keep the customers and lock out competitors. It includes ecologically friendly packaging i.e. no packaging wastes, reduced transportation costs.

4.3.3 Focus – Strategy

This ecologically friendly strategy meets the needs of a particular set of customers. Firms that use this strategy have specific knowledge about the customers in the particular locality, distribution systems therein and other factors that give them extended competitive advantage.

Safety, health and environmental information are core in this strategy and these help to minimize the range of precautionary measures that need to be taken. In this strategy MNCs invest in information gathering to ensure that they are well informed on changes that may arise within the niche.

4.3.4 Green Marketing Strategy

This is the selling of products which are environmental friendly and have environmental benefits. With the awareness on the need to protect the environment, customers are more comfortable buying and using environmentally safe products as compared to others as these enable them play a role in environmental conservation. These products are also bio-degradable hence they do not to environmental degradation.

4.3.5 Eco-Labeling

This is a method that identifies products proven to be environmentally preferable. Businesses do acknowledge the fact that market advantage can be gained through addressing environmental concerns by attracting customers keen to mitigate degradation of the environment by way of the products they purchase. Eco-labels identify the nature of the product in relation to the environment. The labels include: eco-friendly, low-energy, natural, recyclable, etc.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This section provides an overview of the whole paper, then provides conclusions and recommendations from the research. It is hoped that these recommendations will help enhance cooperation between multinational corporation and governments in implementing various environmental policies to achieve desired impact in environmental conservation.

The study will also assist those who wish to carry out further research on the area.

5.2 Summary

The study's objective was to interrogate the impact of multinational corporations on the environmental policies of the least developed countries with Ethiopia as the case study. In this regard, the study attempted to assess environmental protection and the plans and strategies that the Ethiopian administration has instituted to protect Ethiopia environment. Multinational corporations were also reviewed including the role they play within the host countries and how they affect the environment as they engage in their activities. The concept of corporate social Responsibility was also examined in which MNCs participate in activities that are aimed at improving conditions within the host community. Ultimately the influence of the MNCs in Ethiopia's environmental policies were assessed.

The study was divided into five chapters.

Chapter One is on the Research proposal and it gave a detailed background of the research, objectives, justification of the study, literature review and the research methodology used for this research.

Chapter Two gives an overview of multinational corporations in Ethiopia and Ethiopia's environmental policies. This includes the incentives that Ethiopia has to attract investment and the various environmental laws, policies and strategies Ethiopia has put into place to protect Ethiopia's environment against multinational corporations operating in the Country.

Chapter Three analyses environmental regimes and multilateral environmental agreement which Ethiopia is party to. The chapter also includes a review of state compliance to these international laws and treaties.

Chapter Four is an evaluation of multinational corporations' environmental management and strategies for protection of Ethiopia's environment.

The study relied on both quantitative and qualitative modes of data collection. Questionnaires were administered to officials in Ethiopian Embassy, Nairobi, the United Nations Environment Programme (UNEP) officials and representatives of MNCs mainly via email.

Qualitative methods of data collection were used in which data was obtained from secondary sources. These included official Ethiopia government documents such as the Environmental policy, the Conservation Strategy Document of Ethiopia, the Environmental Policy of Ethiopia, Ethiopia Constitution and Ethiopia National Environment Report.

Moreover documents on international environmental treaties and conventions were consulted. These provided data on environmental policies and strategies towards environmental protection.

5.3 Conclusion

From the study, it is evident that multinational corporations have a stake in environmental protection by implementing policies that governments put in place. In as much as the same MNCs contribute immensely to the eco-socio development of the host states, this is not a free pass for them to engage in activities that destroy the environment. Environmental protection and conservation is a very important step for any State in order to foster sustainable growth. Climatic change is one of the major problems that humankind is staring at in this century. Its results have manifested themselves over the years and have adversely affected and threatened diversity. To this end States and non-State actors cooperate to formulate strategies to address this problem which threatens the existence of all forms of life. Since the 1972 Stockholm Conference several attempts have been made through Conferences and Summits to institute laws and regulations to reduce the effects of climate fluctuations and as an outcome several treaties, policies, protocols and conventions have been established to address the issue. This is what is referred to as ‘environmental regimes’. States and other stakeholders have the obligation to implement the various agreements so as to conserve their environment. For States, they are expected to formulate national environmental policies to guide environmental protection efforts in their respective countries. The global frameworks i.e. the international environmental treaties, conventions and protocols have conditions which outline each party’s obligations and the penalties for failure to comply to the provisions. Ethiopia is a signatory to several Multilateral Environmental Agreements (MEAs) and has established regulations meant to ensure the putting into practice of different MEAs. Multinational Corporations to have a role to play as non-State actors in environmental protection. This is majorly done through corporate social responsibility in which multinational corporations include environmental facets into their operations. To

achieve this the MNCs institute strategies to minimize adverse environmental implications as a result of their activities. In addition, they work out safe ways of waste and emissions disposal to prevent mishandling that can lead to environmental pollution.

Governments have the greatest responsibility to ensure sound environmental management through policy framework, sanctioning or even rewarding entities that have practices that help protect the environment. The established Multilateral Environmental Agreements give guidance to all stakeholders on how to address the challenges facing the environment locally and nationally and coordinate international efforts aimed at addressing these issues. Compliance by States is important and this involve governments establishing national policies and institutional frameworks to deal with environmental problems at the national and domestic levels. Multinational Corporations are important stakeholders in addressing this challenges given that they possess the capacity to handle them. They do this through Corporate Social Responsibility which basically involve them participating in host community activities and contributing to the wellbeing of the community as well as increasing the value of the people's lives. The ISO 14000 and ISO 14001 system introduced by the International Standardization Organization helps organizations to reduce the negative consequences their operations may have on the atmosphere. They also call for the organizations' compliance with the relevant policies and set out obligations for environmental protection and sustainability.

5.4 Recommendations

Environmental protection in Ethiopia is a task that the government, the corporate community and the Ethiopia population is keenly undertaking so as to secure Ethiopia's environment in line with sustainable development goals. This study makes the following recommendations to bolster these efforts of Ethiopia environmental protection.

There is need to carry out more sensitization and awareness on environmental conservation especially amongst the local population. This is important since efforts aimed at environmental conservation are more efficiently coordinated at the grassroots with emphasis of global citizenship. Global citizenship calls for community activities at a small scale aimed at addressing a global issue, in this case environmental conservation. Moreover, more and in-depth research should be carried out to assess the severity of environmental problems. This will help formulate appropriate strategies to address the issues and make discoveries on new threats hence handle them in good time before escalation.

There should be more efforts to capacity-build stakeholders, create stronger institutions and strengthen existing ones. This has to be done at all levels of the Ethiopian community i.e. federal and regional levels. There should be a stronger monitoring and feedback mechanism to keep track of initiatives aimed at involving everyone in dealing with this issue.

More stringent regulations and policies need to be instituted especially those aimed at compelling MNCs to ensure total compliance with Ethiopia's environmental policies as well international policies. In addition a policy requiring MNCs to do more on corporate social responsibility by establishing entire departments that specifically deal with environmental issues

and also organize regular environmental awareness campaigns. This should also include mandatory sponsorships aimed at funding environmental related events and initiatives.

The government should establish a system of rewarding individual corporations that play significant roles in protecting the environment to encourage ecological sustainability. This will work just like the ISO 14000 and ISO 14001 which are awarded to compliant organizations. This will definitely motivate the entities to do more on this cause so as to get recognition and gain reputation amongst the community. In the long-run, this will inculcate the practice of ensuring environmental protection and sustainability.

A multi-sectorial approach should be emphasized in which all stakeholders recognize and support each other's efforts aimed at addressing environmental issues. The government and the population therefore need to recognize and offer unwavering support to the role played by multinational corporations in addressing environmental issues.

More research initiatives involving locals need to be undertaken to seal any gaps on knowledge about the state of the environment. The government, NGOs and MNCs should continuously fund such researches to ensure timely discoveries to facilitate appropriate strategies to address any new issues in good time.

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APPENDIX I: QUESTIONNAIRE

UNITED NATIONS ENVIRONMENTAL PROGRAMME OFFICIALS, ETHIOPIAN ENVIRONMENTAL PROTECTION AUTHORITY OFFICIALS, ETHIOPIA EMBASSY OFFICIALS, MULTINATIONAL CORPORATION EMPLOYEES.

MY NAME IS ANGELINE ZELDA JUMA. I AM A POST-GRADUATE STUDENT AT THE UNIVERSITY OF NAIROBI CONDUCTING A RESEARCH ON MULTINATIONAL CORPORATIONS AND ENVIRONMENTAL CONSERVATION IN LEAST DEVELOPED COUNTRIES: CASE STUDY OF ETHIOPIA. THIS IS PART OF MY MASTER'S DEGREE IN DIPLOMACY.

I KINDLY REQUEST YOUR ASSISTANCE IN CONDUCTING THE RESEARCH BY COMPLETING THE ATTACHED QUESTIONNAIRE. THE INFORMATION PROVIDED WILL BE KEPT CONFIDENTIAL AND SOLELY USED FOR THE STUDY AND WILL NOT BE SHARED FOR ANY OTHER PURPOSE.

THANK YOU FOR TAKING YOUR TIME TO COMPLETE THE QUESTIONNAIRE.

Kindly tick the box with the response you would like to give.

a) Which agency do you represent?

UNEP

EPA

MNC

Embassy

b) What level is your position in the organization?

Senior Management

Middle Level Management

Lower Level Management

c) Is Ethiopia doing enough towards ensuring environmental sustainability?

Yes

No

d) In a scale of 1-10 how would you rate the effectiveness of Ethiopia's environmental policies on achieving the goals set out in its environmental policies.

8-10

5-7

4-6

1-3

e) Is the Environmental Protection Authority helping in achieving Ethiopia's environmental conservation objectives? Briefly explain.

Yes

No

f) What would say about environmental conservation efforts in Least Developed Countries like Ethiopia?

FOR MULTINATIONAL CORPORATIONS ONLY.

g) Does your enterprise carry out environmental awareness campaigns?

Yes

No

Don't know

Not Applicable

h) Does your organization have somebody with the sole responsibility for environmental concerns?

Yes

No

i) Which of the following influence your organization to carry out environmental management?

Regulators/ Government

Customers

Competitors

Employees

Shareholders

Local community

Environmental organization (e.g. UNEP)

j) What are your organization's motivations to implement environmental management?

- Compliance
- Improve Corporate Image
- Foster warm relations with community
- Minimize operation costs
- Get rewards (e.g. 14001 Certification)
- Gain PR advantage over Competitors

k) Does your Corporation give financial support to the local community initiatives towards sustainable environmental management?

- Yes
- No
- Don't know

l) How does your organization contribute to the objectives of the Federal Environmental Protection Authority?

- Preserving Biological Diversity
- Maintaining Renewable Resources
- Carrying out Public Awareness Campaigns
- Wise and Sustainable Use of Resources

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

- Yes
- No

Don't Know

n) Does your organization have a specific department that deals with environmental issues?

If yes, specify the department.

Yes

No

Department- Public Relations

Legal Affairs

Marketing

Thank You for Your Participation!