



# INTERNATIONAL JOURNAL OF ADVANCE RESEARCH, IDEAS AND INNOVATIONS IN TECHNOLOGY

ISSN: 2454-132X

Impact factor: 4.295

(Volume 4, Issue 2)

Available online at: [www.ijariit.com](http://www.ijariit.com)

## A study on Corporate Social Responsibility (CSR) and sustainability in Agribusiness in Ethiopia – challenges and developing strategies

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### ABSTRACT

*The commercialization of agriculture is a top priority for Ethiopia. It is, therefore, encouraging to have seen a rapid development of the commercial agriculture sector in recent years.*

*Entrepreneurs, government, and other stake holders share the opinion that commercial agriculture can be successful only when it is done on a sustainable footing. It is widely acknowledged that although the entrepreneur has a wide responsibility in this respect, he or she cannot do it alone. Developing sustainable agriculture requires an exchange of knowledge and experience among business, government and civil societal organizations. The code of practice developed by and for the Ethiopian floriculture sector is a good example of such a process.*

*Working on sustainability by entrepreneurs is generally referred to as corporate social responsibility (CSR). In practice, it entails constantly working on improving the three P's (people, planet, and profit) in a balanced manner. Most entrepreneurs involved in commercial agriculture in Ethiopia are motivated to work on CSR. As a result, a wide variety of good practices have evolved in recent years. This article is an attempt to highlight CSR practices, important issues in agribusiness and Suggestions to promote work on improvement of the three P's (people, planet, and profit) to the agribusiness community.*

**Keywords:** Commercialization, Entrepreneur, Sustainable Agriculture, CSR, Ethiopia.

### 1. INTRODUCTION

The development of the agricultural sector largely determines the pace of the economic development of the nation. The performance of the other economic sectors depends upon the results achieved in the agricultural sector, as agriculture provides food energy, foreign income, and employment for the most of the rural and urban population. As agriculture is the most important activity in the country, the nation's economic problems originate from the poor performance of this sector. In order to have the possibility of economic growth, strategies like use of modern technological inputs to raise output per unit of input, the diffusion of new technology, the introduction of new agricultural investment opportunities and efficient utilization of existing resources is necessary so as to be food self-sufficient, to increase the export earning capacity and income and employment opportunities through diversifying agriculture..

Ethiopia is one of the developing countries where the philosophy of corporate social responsibility is not well developed and also the governance system takes the form of mere control and decision making rather than encouraging development and implementation of a well developed ethical code of conduct. However, currently, there are some good starts by some industries like the Ethiopian horticulture Association has been developed its own code practice for its specific horticulture industry. So this article is focused on how this industry is practicing corporate social responsibility. The study paper assessed also the emerging practice of corporate social responsibility in Ethiopia particularly in the agribusiness industry i.e.

“How is Corporate Social Responsibility (CSR) practiced in the Ethiopian agriculture Industry?”

## **2. CSR AND THE CHALLENGES IN ITS PRACTICE IN ETHIOPIAN AGRIBUSINESS**

Corporate social responsibility (CSR) is an approach that will make your company more sustainable. It will ensure that you work in a balanced manner on economic, social and environmental aspects within your company and an interaction with interested parties outside your company. It will strengthen your company's market and societal position.

CSR is a very broad concept. It has almost unlimited potential to embrace the important issues and to promote work on improvement of three P's (people, planet, and profit); therefore it is crucial to find the right balance between them.

### **I. People**

To apply a good CSR policy, you need to care about people. Your employees are indispensable for your business operation; therefore their well being is fundamental to the sustainability of your business. From a business point of view as well as moral one, good employee conditions are thus essential.

Various regulations and conditions concerning employees that are common in the west do not exist in Ethiopian context. The Ethiopian Labour Proclamation Act (ELPA) defines a number of basic workers rights that should be complied with. These regulations are obligatory for the commercial agriculture sector, but in many cases, farm managers have difficulty interpreting them in their own context.

There are several international frameworks that have been designed to guarantee the labour rights and occupational health of employees. The most important are:

- ✓ International labour standards. The Ethiopian government has ratified 23 International Labour Organization conventions and most of them have been translated into national laws.
- ✓ Various human rights and labour standards decreed by, for example, the organization for Economic Co-operation and Development and the International Business Leaders Forum.
- ✓ Significant international sector initiatives like EUREPGAP and MPS.
- ✓ Voluntary standards that support social labels set by civil society organizations(e.g. Max Havelaar and The Ethical Trading Initiative)

- Employee conditions

When establishing employee conditions, it is best to start by assuring the basic worker conditions. These are fundamental and comprise several issues.

It is important to respect the minimum age of workers. For commercial farms, this is 18, although one is allowed to employ youngsters from the age of 16 to do light tasks on the farm. In rural areas, age is often difficult to prove, since most people lack a birth certificate or identification papers.

- Salary

The second issue is salary. The ELPA does not specify an exact amount for the minimum wage in the agriculture sector. A common practice at farms is to establish a local benchmark of wages paid for comparable labour activities.

- Safety

The third issue in working conditions is a safety at work. In this respect, it is important to focus on, for instance, the use of personal protective devices (PPDs), which are also known as personal protective equipment (PPE). This is a basic requirement and one that is compulsory for workers who apply agrochemicals. A major challenge for many farm managers is to convince employees to use PPDs. Supervisors really have to stress to sprayers how important it is to use the protection equipment.

- Employment

Another important issue is the security of employment. Until most recently workers were employed without a written contract. This meant they were working without the formal security of employment. Understanding the rights and obligations of contractual agreements is a new challenge for farm management as well as workers. For example, it can be a challenge to convince workers to turn up for work every day. A written agreement sometimes helps to bind the worker to the farm. Even the position of pregnant women is a key issue to look at. The legislation regarding pregnancy leave is of general nature and quite unclear.

### **II. Planet**

Environmental concerns are crucial to a CSR approach in commercial agriculture. Without a suitable environment, it would be impossible for you to exist, as an individual or company.

A number of issues that are typically highly relevant, such as pesticide use and waste disposal can jeopardize your ecological surroundings. It is therefore advisable to develop strategies for handling them.

- **Waste disposal**  
Ethiopia's ineffective and environmentally unfriendly waste disposal facilities form one of the major environmental challenges faced by the country's farms. The improvement of this public service is important for farms and a principle condition for being able to manage non-organic waste such as converting them into compost.
- **Pesticide use**  
While government regulations concerning the management of crop protection products by the horticulture sector are still under development, international standards offer a good starting point for the responsible use of pesticides. They all forbid or place firm restrictions on the use of pesticides that can impact human health. In Ethiopia, the EHPEA coP bronze-level requirements incorporate these international good practices.
- **Energy efficiency**  
The impact of energy consumption, which is one of the most important CSR issues globally, is also a concern for Ethiopian farms. Almost 90% of the electricity in Ethiopia comes from hydroelectric plants that have a huge generating potential. An energy efficient approach should be considered, as Ethiopia is currently facing huge power problems at the national level, with frequent power cuts due to limited resources.
- **Carbon footprint and climate change**  
Thanks to growing international concern over climate change, the concept of food miles or CO<sub>2</sub> footprint has come to feature in the debate on sustainability in the European market. The food miles debate is relevant for growers in Ethiopia since their flowers and horticulture products are mostly air freighted. In any case, export growers need to work at reducing the CO<sub>2</sub> footprint.
- **Nature conservation**  
Ethiopia has lost most of its forested regions over the last 50 years, largely due to rapidly growing population and its need for food and firewood. Amongst other consequences, this has had a devastating impact on the animal population, which includes several endangered species. For reasons of ethical concerns, some farms try to contribute to reforestation and biodiversity by planting trees around their borders or developing nature conservation plan.
- **Water use**  
Most modern commercial farms use drip irrigation, which is regarded as the most efficient and economical system of using water in agriculture. Water availability has become an issue in the Holeta floriculture cluster, for example, because there is too high a concentration of flower farms. Therefore it is advisable to assess ways in which you could contribute to the protection of water basins, for example, preventing logging and soil erosions.

### **III. Profit**

Profits are essential for a sustainable business. So when introducing CSR initiatives that invest in the well-being of people and planet, the challenges and strategies are to improve the economic performance of your company for example:

- **Operational cost saving**  
Investments in environmental efficiency measures often yield cost savings that make them good commercial investments too.
- **Enhanced reputation**  
Good company performance in terms of sustainability issues can build a market reputation, while poor performance, can damage it.
- **Better relations with the government**  
The formal and informal license to operate is a key issue for many companies that are seeking to extend their business or are operating in politically unstable conditions.
- **Learning and innovation**  
They are essential for any company that wants to be competitive and successful, not just those in knowledge-intensive and rapidly developing industry sectors. Addressing sustainability requires interaction with a wide range of individuals and organizations outside the company's traditional business relationship.

### **3. RECOMMENDATIONS**

While there is no single clear-cut CSR blue print, there are some principles and recommendations that are especially applicable to commercial agribusiness in Ethiopia. The main issues discussed above are included in the checklist below. Although this checklist is not comprehensive, it does provide a clear overview of the three P's.

#### **A. People**

- Clear policy and guidelines on labour standards, in accordance with local labour law and ILO standards.
- Decent wages considering benchmarks and abolition of child labour.
- The right to all employees to occupational safety and health at work.
- Abolition of sexual, ethnic, HIV/AIDS-related and other kinds of discrimination.
- Reasonable employee benefits like access to healthcare, sick leave, maternity rights etc.

#### **B. Planet**

- Design an environmental impact assessment checklist/guideline.
- Assessment of significant risk of products, services and/or operations.
- Environmental education of staff and management.

- Efficient use of energy and water
  - Established formal environmental management system.
  - Consider initiatives related to nature conservation etc, in order to address national environmental concerns, such as deforestation and endangered animals.
  - Create networks of environmentally responsible business within the destination area.
- C. Profit
- Ensure that suppliers have sustainability policies and have implemented a sustainability management system.
  - Adopt fair competitive practices for procurement and service contracts.
  - Avoid corruption.
  - Promotion and public encouragement of good environmental and social practice within the supply chain

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