



**KIT** Royal  
Tropical  
Institute

# Evaluation of Dutch IRBC policy:

## Ethiopia Report



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# Contents

Abbreviations .....	1
Executive Summary .....	2
1. Introduction.....	6
1.1 Evaluation of Dutch IRBC policy .....	6
1.2 Aim and structure of the report.....	6
2. Methodology.....	7
2.1 Evaluation approach .....	7
2.2 Country selection .....	7
2.3 Case selection.....	7
2.4 Data collection.....	8
2.5 Data analysis.....	8
2.6 Limitations of the study .....	8
3. Evaluating Dutch IRBC policy in Ethiopia .....	10
3.1 Relevance of responsible business conduct in Ethiopia .....	10
3.2 Bilateral relations and trade between Ethiopia and the Netherlands .....	10
3.3 Horticulture and cut flowers in Ethiopia.....	11
4. Dutch Embassy activities in Ethiopia .....	14
4.1 Objectives and activities of Dutch Embassy activities .....	14
4.2 Results of Dutch Embassy activities .....	16
4.3 Relevance, additionality and coherence of Dutch Embassy activities .....	18
4.4 Discussion of Dutch Embassy activities.....	20
5. Private sector instruments in Ethiopia.....	22
5.1 Objectives and activities of private sector instruments .....	22
5.2 Results of private sector instruments.....	23
5.3 Relevance, additionality and coherence of private sector instruments.....	26
5.4 Discussion of private sector instruments .....	27
6. International cooperation and legislation in Ethiopia .....	29
6.1 Objectives and activities of international cooperation and legislation.....	29
6.2 Results of international cooperation and legislation.....	30
6.3 Relevance, additionality and coherence of international cooperation and legislation .....	31
6.4 Discussion of international cooperation and legislation .....	31
7. Discussion: IRBC policy instruments in Ethiopia .....	33
7.1 The influence of context on Dutch IRBC policy instruments.....	33
7.2 The influence of global market forces on company behaviour .....	33
7.3 The relevance of global notions of responsible business conduct for local contexts .....	34
7.4 Overlooked RBC issues: gaps in Dutch IRBC policy instruments .....	35
8. Conclusion.....	37
8.1 Dutch IRBC policy in Ethiopia .....	37
8.2 Methodological reflection .....	38
References .....	39
Acknowledgements .....	43
Annex 1. Detailed list of cases in Ethiopia .....	44
Annex 2. List of interviews in Ethiopia .....	46
Annex 3. List of field observations in Ethiopia .....	49



## Abbreviations

CBI	Centre for the Promotion of Imports from Developing Countries
CoP	Code of Practice (by EHPEA)
CSR	Corporate Social Responsibility
DGGF	Dutch Good Growth Fund
EHPEA	Ethiopian Horticulture Producer Exporters Association
EKN	Embassy of the Kingdom of the Netherlands
ENLBA	Ethiopian-Netherlands Business Association
ENTAG	Ethiopia-Netherlands Trade for Agricultural Growth
FDOV	Facility for Sustainable Entrepreneurship and Food Security
FMO	Netherlands Development Finance Company
GDP	Growth Domestic Product
ICSR	International Corporate Social Responsibility (here only used in the context of selected private sector instruments)
IRBC	International Responsible Business Conduct (often used interchangeably with RBC)
IDH	Dutch Sustainable Trade Initiative
ILO	International Labor Organization
IOB	Policy and Operations Evaluation Department of the Dutch Ministry of Foreign Affairs
IPM	Integrated Pest Management
MASP	Multi-Annual Strategic Plan
MFA	Ministry of Foreign Affairs of the Netherlands
MSIE	Marie Stopes International Ethiopia
MoU	Memorandum of Understanding
MPS	Milieu Project Sierteelt (global certification scheme in flowers)
OECD	Organisation for Economic Co-operation and Development
PS	Private sector
PSI	Private Sector Investment Programme
RVO	Netherlands Enterprise Agency
RBC	Responsible Business Conduct
SIA	Social Impact Assessment
SRHR	Sexual and Reproductive Health and Rights
SME	Small and medium-sized enterprises
ToC	Theory of Change

# Executive Summary

## **Aim and focus of the report**

This report is the result of a case study conducted in Ethiopia as part of the evaluation of Dutch policy on International Responsible Business Conduct (IRBC) by the Policy and Operations Evaluation Department of the Dutch Ministry of Foreign Affairs (IOB).

The Ethiopia case study aims to evaluate how different Dutch IRBC policy instruments manifest in Ethiopia and how they influence (Dutch) companies to contribute positively to economic, environmental and social progress while minimising adverse effects. The report focuses on the horticulture/floriculture sectors in view of their importance for Dutch investments and economic activities. Concerning IRBC policy instruments, the study pays most attention to the implementation of Embassy activities as well as selected private sector instruments and their ICSR frameworks (where applicable). International cooperation and legislation are included as well, but constitute a smaller share of the empirical research.

## **IRBC policy instrument 1: Dutch Embassy activities**

While already on the agenda previously, responsible business conduct (RBC) has become a prominent topic at the Dutch Embassy since the political unrest and farm attacks in 2015/16 which also affected six Dutch companies. As RBC does not have a separate budget, it is primarily included in food security initiatives aiming at increased competitiveness of agribusiness and part of the Embassy's activities on promoting Dutch investments in Ethiopia.

Different avenues of promoting responsible business conduct can be identified, including (i) funding different sector organisations (EHPEA, ENTAG and ENLBA), (ii) direct interaction with Dutch businesses/investors, (iii) lobbying with Ethiopian authorities, and (iv) RBC as a cross-cutting theme in non-food security related programmes. The main purpose of these activities is to facilitate a discussion on RBC in Ethiopia with relevant private and public stakeholders.

Many of the Embassy's activities on RBC are highly relevant and responsive to the social, environmental and political risks in Ethiopia, with a clear focus on risks in agriculture. Particularly the support to the horticulture sector organisation EHPEA was a critical factor for companies to advance on RBC. This includes the development of a voluntary Code of Conduct for horticulture companies and the establishment of a training department at EHPEA to train member companies on RBC.

The Embassy also aims to promote responsible business conduct through direct engagement with Dutch (or Dutch-funded) investors and the Ethiopia Government. However, while this engagement was recognised as (potentially) valuable by both interviewed companies and Ethiopian authorities, it seems to have limited influence in practice. This can be attributed to the following barriers: limited demand by companies for advice on responsible business conduct, Embassy-internal capacity constraints to facilitate an RBC dialogue with Dutch companies and related stakeholders, inability of the Embassy to reach all relevant companies and to control the uptake of Embassy advice, and tensions with the development objectives of the Ethiopian government.

Overall, while the Embassy implements a basket of activities that address RBC to different degrees, no strategic approach to RBC promotion could be observed and different conceptualisations of what constitutes responsible business conduct could be observed within the Embassy.

## **IRBC policy instrument 2: private sector instruments**

Projects falling under PSI, FDOV, DGGF and CBI were investigated in this study. PSI, FDOV and DGGF promote RBC by requiring participating (Dutch and non-Dutch) companies to adhere to specified International Corporate Social Responsibility (ICSR) frameworks. By contrast, CBI promoted RBC by means of training activities with Ethiopian flower companies with no experience on this issue.

All visited companies across PSI, DGGF, FDOV and CBI engage in RBC activities, mostly addressing issues of working conditions and relationships with local communities. At the same time, limitations of most companies' RBC activities were visible. Except for the FDOV case, RBC activities do not form part

of the business model. There is a predominance of philanthropic activities and process rights by workers (e.g. participation and voice to influence working conditions) are often still absent.

Companies participating in PSI, FDOV and DGGF suggested that the programmes' ICSR frameworks did not play an important role in motivating or influencing their behaviour. Instead, they argued that many of their RBC activities are motivated by the political context and particularly the political unrest in Ethiopia since 2015/16. Good community relationships are considered an important strategy to receive protection in case of political turmoil. Companies also indicated that global market demands acted as a driver for certain RBC activities, particularly for the adoption of EHPEA's Code of Practice and other international standards. The prevalence of these two motivations was reiterated by companies participating in CBI. Furthermore, these companies stated that the CBI programme had helped them to put their RBC motivations into practice, as they previously had little exposure to RBC. Thus, effectiveness and additionality for RBC are considered to be higher in the case of CBI as compared to the ICSR frameworks of PSI, DGGF and FDOV.

### **IRBC policy instrument 3: international cooperation and legislation**

RBC is part of three distinct activities that can be categorised as international cooperation and legislation, in the setting of Dutch-Ethiopian relations: (i) Dutch economic diplomacy, (ii) business and human rights; and (iii) international cooperation with EU and other donors.

Economic diplomacy is embedded in a Memorandum of Understanding (2015-2020) between the Netherlands and Ethiopia, which, among others, assigns the Netherlands the responsibility to ensure that Dutch companies respect RBC principles. In addition, the importance of Dutch investors creates an entry point for the Dutch Embassy to discuss with Ethiopian authorities the importance of responsible business conduct and an enabling business environment. Regular consultations between government officials take place, which Embassy staff also use to address social, environmental and political risks. However, Embassy representatives conceded that working on such sensitive topics is very difficult in the Ethiopian context and clear results on RBC promotion cannot be discerned.

RBC issues are also part of human rights promotion, which the Netherlands pursues, among others, through the Embassy's activities on Security and Rule of Law (e.g. support of legal sector in Ethiopia). Embassy representatives indicated that no RBC-relevant results are visible from these activities.

Cooperation with European and other donors seems to be even less relevant for RBC promotion in Ethiopia. While the EU Article 8 Dialogue and the multi-donor Development Assistance Group constitute two possible institutionalised mechanisms for a more coherent approach with other donors and for more political weight vis-à-vis the Ethiopian government, both are largely inactive and/or ineffective.

Overall, the instrument of international cooperation and legislation, despite the above mentioned Memorandum of Understanding, does not seem to be a relevant or effective instrument for RBC promotion in the context of Ethiopia.

### **Conclusion**

In Ethiopia, the economic weight of Dutch investors and the important trade relationships between the two countries offer a significant degree of leverage for Dutch IRBC policy. Yet, the political leverage is only used to some extent. Dutch IRBC policy struggles to align with the desire to promote and sustain (Dutch) investments and with the economic development priorities determined by the Ethiopian government, which have created a complex and fragile contextual setting characterised by various social, environmental and political risks and challenges.

The study also showed how different types of motivations underlie the RBC activities by companies, especially concerns related to local embeddedness and global market demands. This highlights the complexity of RBC in developing countries such as Ethiopia, where not only companies and their RBC practices, but also IRBC policies themselves, are shaped by different factors at micro and macro levels.

The findings of the report give rise to a number of recommendations, which should be read within the scope of the evaluation.

## Recommendations to improve the effectiveness of Dutch Embassy activities on responsible business conduct

1. The Dutch Embassy in Ethiopia could improve the effectiveness of its current ‘basket of RBC-related activities’ by means of developing a comprehensive **RBC strategy**, supported by the Ministry of Foreign Affairs and RVO, which connects these activities for a common purpose. It is recommended that such an RBC strategy starts with a clear definition and demarcation of RBC to align staff interpretations of RBC. Furthermore, an RBC strategy would need to comprise the following elements: stated objectives, target groups for RBC, identified activities, desired outcomes, underlying assumptions, and potential limitations. Having an RBC strategy can make clear how the programmes and projects under the different priority themes of Dutch development policy – thus far food security, SRHR and security and rule of law – contribute to RBC promotion. An RBC strategy can also manage expectations towards the Embassy in view of its indicated capacity and resource constraints.
2. The site visits to Dutch companies and companies supported by Dutch private sector instruments revealed a number of noteworthy RBC activities. However, it was also apparent that several issues are often not sufficiently addressed, such as fair wages, environmental impact, gender and sexual harassment, and land rights. Interviews with the Embassy in Ethiopia indicate a high level of awareness of these ‘**overlooked**’ **RBC issues**, but Embassy activities on these issues are also limited and/or tentative. It is recommended that the Embassy integrates these issues into its RBC activities and continuously raises awareness of companies and related stakeholders to promote progress.
3. As the horticulture sector predominantly employs women, particular attention should be paid to **gender inequalities**, including sexual harassment, and factors contributing to this, such as maternity leave, female-related health issues, lack of childcare facilities, low education levels, low self-esteem, etc. The activities of the Dutch Embassy in the SRHR domain, especially the Fit-for-Work programme, offer lessons learned in terms of potential approaches to engage businesses in acting on gender inequalities.
4. The topic of ‘**living wages**’ is increasingly coming to the fore in discussions within the horticulture sector, primarily driven by NGOs and trade unions. As there are both arguments against and in favour of introducing living wages, especially against the background of currently very low wages, it is likely that this discussion will lead to tensions and divisions within the industry. This creates an opportunity for the Dutch Embassy, as a highly valued actor by both public and private actors in Ethiopia, to organise sector level discussions on this topic for multi-stakeholder deliberation and knowledge sharing. This would also correspond to and strengthen the Embassy’s role as a facilitator for RBC discussions in Ethiopia.
5. Developing an **active RBC dialogue with relevant Ethiopian authorities** to increase their RBC awareness appears difficult under the current development paradigm of the Ethiopian Government. However, there are opportunities to insert RBC more strongly into ongoing discussions where the Dutch Embassy/Government has a strong position. For instance, this could be done in the context of the new horticulture development clusters initiated by the Ethiopian Government, in which the Dutch Embassy already has an active role as intermediary between the Government and (potential) Dutch investors. It is important to help the Ethiopian Government navigate the potential trade-offs between economic development and RBC.
6. The Embassy’s support to the different sector platforms can be improved by **monitoring the RBC outcomes of the platforms**. In the case of EHPEA, monitoring can reveal whether the high level of RBC awareness of EHPEA translates into continuous improvement on RBC at a sector level. In the case of ENTAG and ENLBA, their important outreach activities to companies offer opportunities for them to actively promote RBC. The social impact assessment project by ENTAG should be further supported to promote conflict-sensitive investments.

## Recommendation to improve the effectiveness of private sector instruments on responsible business conduct

7. Interviewed companies and the Dutch Embassy in Ethiopia indicated that the ICSR frameworks of different private sector instruments (PSI, DGGF, FDOV) often turn into checklist approaches for RBC, with restricted relevance to the Ethiopian context and offering limited guidance to companies. For the companies looked at in this study, actual RBC activities are often grounded in different motivations than framework compliance. The results from Ethiopia indicate the value of a systematic approach across private sector instruments in order to:
  - Review companies' experiences with ICSR frameworks in order to **improve the effectiveness and relevance of the frameworks**. There is potential for efficiencies through joint learning across programmes at RVO that operate with ICSR frameworks, e.g. PSI, DGGF and FDOV.
  - Identify companies' need for **support from RVO in their RBC activities and in monitoring progress on RBC**. Interviews with companies in Ethiopia suggest that this could increase companies' ability to implement the requirements of the ICSR frameworks.
8. Companies visited in Ethiopia largely considered their compliance with international standards as 'proof' for responsible business conduct. It is suggested to check the accuracy of this assumption and to **understand which dimensions of responsible business conduct are indeed covered by standard compliance** and which additional efforts companies are required or recommended to undertake.
9. Companies participating in private sector instruments seem to largely exist as separate 'islands' in Ethiopia, without much contact to each other. However, there is much to learn from each other, for instance, in terms of contextualising ICSR frameworks, dealing with ongoing, latent risks and addressing emerging issues affecting responsible business conduct. As a result, **peer-to-peer learning on RBC between companies** under private sector instruments can contribute to more effective and relevant RBC activities. It is recommended that the Dutch Embassy plays a facilitative role to stimulate knowledge sharing, bearing in mind that this may require additional resources for the Embassy.

#### **Recommendations to improve the effectiveness of international cooperation and legislation on responsible business conduct**

10. The current MoU with the Government of Ethiopia assigns the Netherlands the responsibility to help (Dutch) companies in Ethiopia "to respect the principles of Corporate Social Responsibilities". This constitutes a supportive legal basis to further **pursue RBC-related dialogues between the Netherlands and Ethiopia**. It is thus recommendable to make agreements with the Ethiopian authorities to ensure that the Netherlands can fulfil its commitments under the MoU.
11. The Netherlands can increase its political leverage to promote responsible business conduct in Ethiopia by means of cooperating more with other countries. While the Netherlands has significant economic weight in Ethiopia, it should consider the advantages of a **joint approach with other important development partners**, especially from the EU. The Article 8 Dialogue may offer an institutional platform for a joint approach with EU partners. Another existing mechanism for coordination and cooperation is the Development Assistance Group, composed of thirty bilateral and multilateral partners. This includes donors such as China, India and Turkey – countries which equally have many investors in Ethiopia and which are often claimed to perform poorly on RBC. Initiating discussions with these countries, with the participation of the Ethiopian Government, may help to raise the level playing field in terms of responsible business conduct.
12. **Collaborating with international and multilateral organisations** offers further opportunities for enhanced RBC promotion. In Ethiopia, the International Labour Organization is the most relevant actor to promote workers' rights, including issues of wages, in industrial and agro-industrial sectors. This creates space for collaboration and joint activities.

# 1. Introduction

## 1.1 Evaluation of Dutch IRBC policy

This report forms part of the Policy and Operations Evaluation Department of the Dutch Ministry of Foreign Affairs' (IOB) evaluation of Dutch policy on International Responsible Business Conduct (IRBC)<sup>1</sup>, comprising (i) sector agreements on IRBC, (ii) private sector instruments, (iii) Dutch Embassy guidelines/activities, (iv) international cooperation and legislation, and (v) government procurement policy. These IRBC policy instruments aim to promote responsible business conduct in settings where human rights, worker health and safety, and environmental protection are at risk. The evaluation period covers the timeframe of 2012 until 2018. The evaluation itself was conducted in April-September 2018.

To verify the results of Dutch IRBC policy instruments on the ground, the IOB evaluation is supported by detailed case studies in four countries: Bangladesh, Colombia, Ethiopia and India. With all four countries, the Netherlands maintains comprehensive and increasingly mature economic relationships. While Colombia and India are characterised as 'trade partners' by the Dutch Ministry of Foreign Affairs, which implies that the emphasis lies on activities that benefit Dutch companies and employment, Bangladesh and Ethiopia fall under the category of 'partner countries' with 'transitional relationships'. This entails that the Netherlands also runs development programmes aimed at reducing poverty and promoting the priority themes of Dutch development cooperation policy.

Doing business in these four countries is an important component of Dutch activities to promote economic growth and private sector development. However, in all four countries these activities take place in an environment characterised by an array of social, environmental and political risks, i.e. risks of violations against human, labour and workers' rights, poor governance and weak rule of law, and environmental degradation, among others. These risks also occur in sectors in which Dutch companies, partially supported by private sector instruments of the Dutch Government, are active as producers, traders or buyers; for example, in the mining sector in Colombia and the textile and garment sectors in India and Bangladesh. Dutch experiences in Bangladesh, Colombia, Ethiopia and India therefore offer information-rich examples of different IRBC policy instruments and their (expected) effects in countries and sectors where various social, environmental and political risks are prevalent and constitute important bottlenecks to sustainable development.

This report details the findings for the country study in Ethiopia.

## 1.2 Aim and structure of the report

This report aims to evaluate how different IRBC policy instruments manifest in Ethiopia and to what extent they promote and incentivise (Dutch) companies to contribute positively to economic, environmental and social progress and minimise adverse effects of company operations on the environment, employees and (surrounding) communities.

The report is structured as follows. Section 2 describes the methodology, including evaluation approach, data collection and data analysis as well as the limitations of the study. Section 3 provides the contextual information, focusing specifically on the horticulture and floriculture sectors in Ethiopia. The empirical findings of the study are presented in Sections 4-6: Dutch Embassy activities in Section 4, private sector instruments in Section 5 and international legislation and cooperation in Section 6. Section 7 reflects on the opportunities and limitations of implementing IRBC policy instruments in Ethiopia, and what this implies for the instruments' underlying assumptions. The main conclusions of the study are presented in Section 8, including a brief methodological reflection.

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<sup>1</sup> The evaluation commenced using the terms International Corporate Social Responsibility (ICSR) and corporate social responsibility (CSR) (according to the Terms of Reference). This has been amended in the final phases of this evaluation, following the lead of IOB, to correspond to the terminology used in the OECD Guidelines. As a result, the terms used now are International Responsible Business Conduct (IRBC) and responsible business conduct (RBC).



## 2. Methodology

### 2.1 Evaluation approach

This study follows a qualitative, theory-based approach to evaluation to facilitate an in-depth understanding of the workings of Dutch IRBC policy instruments in Ethiopia. In the absence of a clear counterfactual, such an evaluation approach is both practically feasible and delivers a context-specific understanding of why and how observed results occurred. Moreover, a qualitative approach to evaluation is well suited to build an in-depth understanding of processes of change, and to bring in the perspectives and voices of beneficiaries and stakeholders.

This implies that this study does not serve as an impact evaluation. Instead, the study traces the Theory of Change (ToC) of the different policy instruments and aims to identify (existing and potential) linkages between IRBC policy instruments and observable or expected outcomes in a context where there are multiple influencing factors (e.g. national regulation or international RBC policies). Validating the ToCs of the different IRBC policy instruments with empirical evidence thus serves to indicate the extent to which these instruments have made – or are likely to make – a difference (Mayne, 2012).

### 2.2 Country selection

Ethiopia was selected as a focal country to study Dutch IRBC policies abroad, together with India, Bangladesh and Colombia, based on the following criteria: (i) countries are important trade and aid partners of the Netherlands, with significant social, environmental and political risks in the supply chain; (ii) countries have relevant economic sectors for which Dutch sector covenants have already been concluded; (iii) countries are important receivers of Dutch private sector instruments; and (iv) countries cover different geographical regions and are in different stages of development.

### 2.3 Case selection

The country study in Ethiopia focuses to a large extent on the horticulture/floriculture sub-sectors. Concerning Dutch IRBC policy instruments, the study pays most attention to the implementation of Embassy activities as well as selected private sector instruments and their RBC frameworks/activities. The instrument of international cooperation and legislation is included as well, but constitutes a relatively smaller share of the empirical research due to the limited activities in the Ethiopian context which fall under this instrument. Sector agreements are not incorporated, as there was no relevant agreement in place for the horticulture/floriculture sub-sectors at the time of the research. Dutch Government procurement was excluded from this study due to the limited expected weight outside of the Netherlands.

Within the different IRBC policy instruments, all cases were selected based on the following criteria: (i) cases involve (sub-)sectors with substantial social, environmental and political risks; (ii) cases affect or involve Dutch companies; (iii) cases have a clear IRBC relevance, either because they primarily aim to promote responsible business conduct or have IRBC as secondary objectives or eligibility requirements; and (v) cases are information-rich and information can be collected from different viewpoints (e.g. company accounts to be juxtaposed with beneficiary voices – or those who did not benefit from a particular investment).

A detailed overview of the cases studied within the horticulture/floriculture sub-sectors can be found in Annex 1.

## 2.4 Data collection

This study involved both a desk review and field research for the purposes of data saturation and data triangulation. Field research was conducted in Ethiopia from 14 May until 1 June 2018, especially in the form of semi-structured interviews and field observations. Data collection was supported by Dr Girm Abebe from the Ethiopian Development Research Institute. During the first week of data collection, a senior researcher by IOB, Dr Alexander Otgaar, joined the field work activities in and around Addis Ababa. Desk research was conducted in April-September 2018.

Data collection served to obtain in-depth information on the different IRBC policies and to validate or refute the causal logic of the ToCs. Specifically, the interviews aimed to elicit feedback on whether and how relevant RBC issues and risks are addressed in horticulture/floriculture, including the role of Dutch IRBC policy and behaviour by (Dutch) companies. Different interviews were conducted per case, so that all findings are based on information from at least two interviewees from different backgrounds (e.g. juxtaposing company interviews with NGO interviews), complemented by secondary data.

Interview respondents comprised a wide variety of actors, including staff of the Dutch Embassy in Addis Ababa, Ethiopian government organisations, NGOs, labour unions, branch organisations, international organisations, and Dutch or Ethiopian companies involved in/affected by IRBC policy instruments (see Annex 2 for a detailed overview). The eight site visits to companies (7 farms and 1 factory) were also used to interview at least two workers per case to validate insights, giving workers a voice in this evaluation. In total, 42 stakeholder interviews were held in Ethiopia, plus interviews with 20 workers at eight different company sites (see Annex 2). Observations at flower farms and company premises supplemented the field work activity (see Annex 3).

Secondary data complemented the information obtained through primary research. To this purpose, a desk review was conducted, comprising published reports and studies, evaluations, policy and programme documentation, internal documents of the Ministry of Foreign Affairs, and independent websites on social, environmental and political risks and responsible business behaviour in Ethiopia.

## 2.5 Data analysis

The collected data was analysed by means of content analysis and context analysis. Content analysis is “a research technique for making replicable and valid inferences from texts (or other meaningful matter) to the context of their use” (Krippendorff, 2004, p. 18). This research technique is a widely used method in qualitative research (Hsieh & Shannon, 2005) and is useful for this evaluation as it allows for creating categories to understand and trace policy influence. The focus of content analysis lies on identifying emerging patterns and issues which are then grouped into themes. These serve to identify and understand the complex workings of the different IRBC policy instruments, including implementation processes, barriers and limitations, and (possible) impact areas. Context analysis of Ethiopia was employed in this study as a complementary method to content analysis. It was used to examine the validity of the data obtained through interviews as well as to contextualise data obtained for a more in-depth understanding.

A differential and inclusive approach was used in data analysis. Although communities were not interviewed, social categories of analysis such as gender, age and ethnicity were taken into consideration during the various phases of the study (design, data gathering, analysis and report writing).

## 2.6 Limitations of the study

Firstly, it should be stated that the amount of data and information available varied per IRBC policy instrument; among others, depending on accessibility and openness of respondents. This implies that

the level of detail of evaluation differs per case and not all areas of interest (and evaluation questions) could be covered equally for each case and IRBC policy instrument.

Secondly, the theory-based approach to evaluation recognises that attributing identified effects – e.g. improved due diligence of companies – to a specific IRBC policy instrument is nearly impossible, as impact is determined by various factors, including other policies, costs/benefits of “doing no harm”, competitive pressures on companies, and leadership and organisational culture of businesses. The study addresses this by collecting rich data for a better picture of the context and other major external factors that may play a role in addressing risks and (Dutch) company behaviour. It is hoped that this makes the findings particularly useful to the organisations working in the contextual settings referred to, specifically, but not limited to, the Dutch Embassy in Ethiopia.

Thirdly, the absence of baseline data presents a clear limitation and makes a comparison across time difficult (in essence, comparing the situation in horticulture before and after the IRBC policy instruments). To some extent, this was mitigated by resorting to recall techniques, i.e. investigating through secondary data and asking respondents to position observed changes within a temporal timeframe.

Fourthly, it should be noted that this report is not a general effectiveness evaluation, but pertains exclusively to questions of RBC promotion. For instance, the study includes a number of private sector instruments and empirically investigated two PSI projects, one FDOV project and one DGGF project in Ethiopia. However, the study is neither an evaluation of the general effectiveness of these instruments nor of the effectiveness of the sampled projects. The entire study was guided by questions of how different Dutch IRBC policy instruments (e.g. private sector instruments) aim to promote responsible business conduct and how this affects companies involved in the instruments.

Finally, in view of the research methods and the limited cases, there is no attempt at generalisation in a “sample-to-population” approach. Rather, the question of whether findings from Ethiopia have any applicability in other settings should be considered as a matter of transferability (Patton, 2002): What can be learned from the setting of Ethiopia that might be relevant for other – similar, but not identical – settings?

### 3. Evaluating Dutch IRBC policy in Ethiopia

#### 3.1 Relevance of responsible business conduct in Ethiopia

Ethiopia is one of the fastest growing economies in the world, registering annual GDP growth rates of about 10 percent in the last decade driven by public investments in agriculture and infrastructure (IMF, 2018). As a result, poverty levels have decreased from 44% in 2000 to 23.5% in 2015/2016 (IMF, 2018). Ethiopia's economy is primarily based on agriculture, but for the past few years, the Ethiopian government has put increased emphasis on the industrial sector, e.g. textile and garment manufacturing, to bring structural transformation to the economy.

While Ethiopia has been commended for its impressive economic growth, the country remains afflicted by various social, environmental and political risks. Key risks include ethnic tensions and political unrest, human rights abuses, labour risks, poor working conditions, and unfair business practices, specifically corruption (MVO Nederland, 2018). Particular allegations have arisen with regard to the forceful eviction of communities from their land for commercial investments, particularly in agriculture (De Haan & Theuws, 2018). In 2015/16, anti-government protests over disputed land rights and alleged human rights violations spread across the country, in the process of which several flower farms, including Dutch-run farms, were attacked. Following further political unrest, Ethiopia's government announced a state of emergency in October 2016, which lasted ten months and brought several restrictions on people's movement and communication. Human rights organisations speak of widespread human rights violation, arbitrary detentions and the internal displacement of one million people as a result of the unrest (HRM, 2017; HRM, 2018; Amnesty International, 2018). After the unexpected resignation of the previous Prime Minister in early 2018, however, Ethiopia seems to be making positive progress to reduce political and economic risks, including the early lift of another state of emergency, the peace agreement with Eritrea and announced liberalisation and partial privatisation plans for key sectors and state-owned enterprises.

#### 3.2 Bilateral relations and trade between Ethiopia and the Netherlands

While Ethiopia is the fastest growing economy in Africa, it is also one of the poorest, with a per capita income of US\$ 783 (World Bank, 2018). Evidence of poverty reduction stands alongside the fact that the majority of Ethiopian households are still engaged in agriculture, and that progress in private sector development, improved governance and human development, such as nutrition and gender equality, need to be made to sustain economic growth and accelerate poverty reduction. Currently classified as a least developed country, Ethiopia's government aims to achieve lower-middle income status by 2025.

The Netherlands maintains so-called 'transitional relationships' with Ethiopia, focusing on spurring economic growth and reducing poverty within the priority themes of Dutch development cooperation. Until the new multi-annual strategy of the Dutch Embassy in Addis Ababa will be released (following in the second half of 2018), this has implied a focus from 2014 onward on food security, sexual and reproductive health and rights (SRHR) and security and rule of law. In 2016, the Embassy's budget for development programmes comprised € 57.22 million, spread over food security (65%), security and rule of law (1%) and SRHR (33%) (Ministry of Foreign Affairs, 2017).

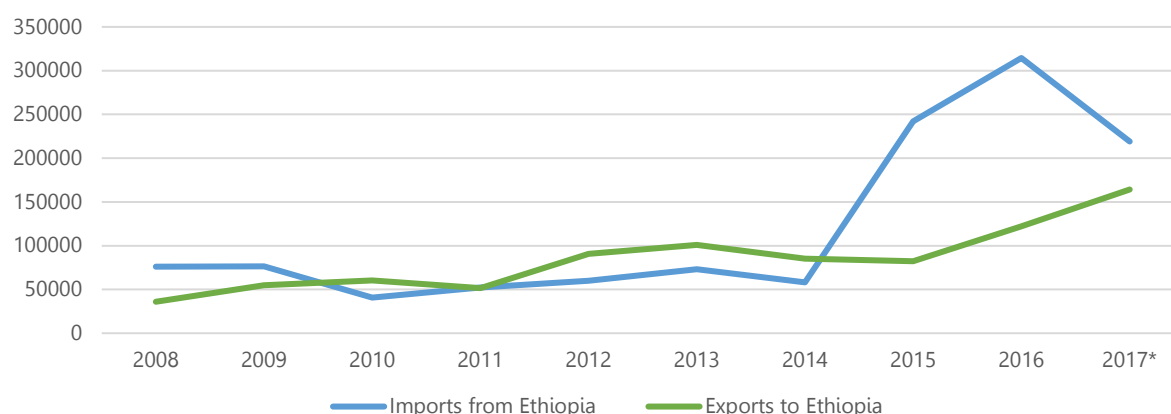
It is expected that the Embassy will continue its development cooperation in Ethiopia during the coming 10-15 years, while intensifying activities in the economic domain to gradually switch from Aid to Trade (Ministry of Foreign Affairs, no date given, a). Particularly the agricultural sector is of interest to the Netherlands, offering "many opportunities for intensified economic cooperation". Many of the circa 130 existing Dutch investments in Ethiopia are active in agriculture, including flowers, vegetables and fruit, sesame and dairy (Ministry of Foreign Affairs, no date given, b). Attracting new Dutch and other foreign investors in these and other sectors is actively supported by the Dutch Embassy.

The Dutch focus on transitional relationships is also reflected in growing bilateral trade, which had a volume of € 385 million in 2016 (€ 219 million from Ethiopia to the Netherlands and € 164 million from



the Netherlands to Ethiopia), up from € 112 million in 2008 (€ 76 million from Ethiopia to the Netherlands and € 36 million from the Netherlands to Ethiopia) (see Figure 3-1).

Figure 3-1 Bilateral trade volume between Ethiopia and the Netherlands (in € 1,000) (Source: CBS, 2018)



### 3.3 Horticulture and cut flowers in Ethiopia

The mechanized horticulture sector in Ethiopia, comprising the flower, vegetable and fruit sub-sectors, emerged in the late 1990s and has since experienced rapid growth (see Figure 3-2). In 2015/16, the sector generated export earnings of close to US\$ 275 million, occupied 12,797 ha of land and provided employment to approximately 183,000 people (EHPEA, 2017).

Particularly the cut flower sector has drawn international attention, as one of Ethiopia's most burgeoning industries. Export-oriented flower production started in the late 1990s, but until 2003, there were only five flower firms that exported less than US\$ 4 million (Gebreeyesus, 2015). Rapid growth of the industry only started in 2004, after the sector had established the Ethiopian Horticulture Producer Exporter Association (EHPEA) to lobby for governmental support. By 2007, the number of flower farms had reached 67 (Gebreeyesus & Sonobe, 2012) and nowadays there are approximately 90 investments in the flower sector, accounting for 11% of Ethiopian export revenues and claiming 9% of the global market share of flower exporters (Verite, 2018; Millan & Manek, 2017).

Figure 3-2 Development of the horticulture sector in Ethiopia (in million US\$) (Source: EHPEA, 2017)

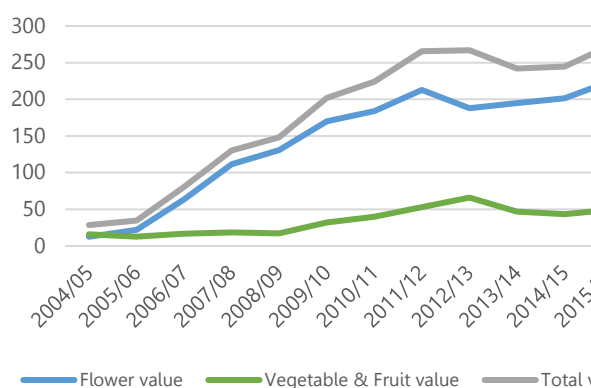
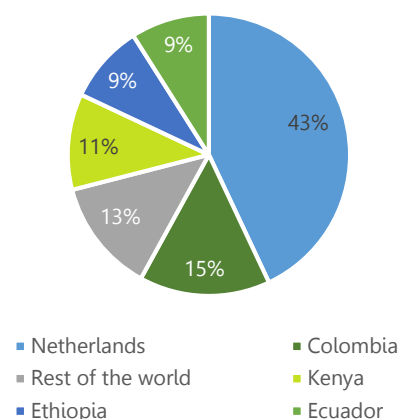


Figure 3-3 Global cut-flower exporters (Source: Mallon & Manek, 2017)



The Netherlands is far and away the largest importer of Ethiopian flowers, accounting for 80% of Ethiopian exports (Verite, 2018). Dutch companies are also the biggest investors in the sector and contribute US\$ 200 million out of US\$ 275 million export value (Girma, 2018). While there are also

Ethiopian flower farms as well as from other nationalities (Israel, India, Belgium, etc.), Dutch companies constitute the heart of Ethiopia's flower sector (Van Westen et al., 2013).

The growth of the flower industry is partly owed to the industrial policies by the Ethiopian government. Foreign investors are offered tax breaks and other types of preferential treatment, such as exemption from import duty, special loans provided by the Development Bank of Ethiopia, low land rental fees and subsidy of airfreight using the national carrier (Schaefer & Abebe, 2015). At the same time, the availability of land, water, favourable agro-climatic conditions and an abundance of cheap labour have been important for the expansion (Getahun & Villanger, 2018). On average, each farm hires approximately 500 workers, of which more than 70% are female (Suzuki et al., 2018). The predominance of women in the sector's workforce is attributed to women being more flexible, productive and skilled in handling the delicate flowers (Kirigia et al., 2016).

The proliferation of the sector has not come without its challenges, including claims of excessive water use, pesticide runoff into fresh water resources, land dispossession, worker exploitation, and insufficient wages. As allegations of negative impacts emerged already early on, the flower sector developed a Code of Practice in 2007 linked to international good practice standards. In addition, many flower farms adhere to other international standards relevant for exporting to EU markets (Gebreyesus, 2015).

Nonetheless, the impact of the flower sector, and agriculture more broadly, continues to be debated and media exposure, also of Dutch farms, remains high.<sup>2</sup> One of the most contentious issues pertains to the poor wages in flower farms, since there is no national minimum wage or collectively agreed wage level in the agricultural sector. Studies indicate that workers earn about US\$ 1.15 per day (Suzuki et al., 2018) which lies below the international extreme poverty line of US\$ 1.9 per day. Mlynska et al. (2015) speak of 'poverty wages' for flower workers, insufficient to meet a worker's basic needs for food, housing and health. The Global Living Wage Coalition estimates that an increase to US\$ 4.8 per day would be needed for workers to receive a living wage (Melese, 2017).

Other studies, however, content that flower farms provide valuable job opportunities for unskilled workers and contribute to poverty reduction in Ethiopia. Suzuki et al. (2018) argue that cut flower workers earn 56% more than workers in other sectors, and Getahun and Villanger (2018) find that employment on flower farms has large positive impacts on the material wellbeing of working women and their households through increased household consumption, reduced poverty and improved food security.

Another contentious issue concerns the working conditions on flower farms, which have often been criticised for exposing workers to chemicals and related health hazards and offering an environment rife with exploitative behaviour (Mlynska et al., 2015; Hanssen et al., 2015). While no official data exists on the prevalence of sexual harassment in the Ethiopian flower sector, studies suggest that it is common but widely unacknowledged (Brahic et al., 2011; Gezmu, 2013; Jacobs et al., 2015).

Finally, as foreign investors are given land to lease, a debate has started on the extent to which such land deals take part in so-called 'land grabs' infringing on the rights on incumbent land users and owners, often small-scale farmers and pastoralists, and negatively affecting food security in Ethiopia (Lavers, 2012). This is because the Ethiopian government has the right to appropriate private land for the 'public good', including investments into export-oriented farming to create employment and generate foreign currency. Especially between 2005 and 2015, the government seems to have expropriated land for foreign investors, including flower farms, without much consideration for local farmers and at irregular rates below market value (Douma, 2017). The land issue was also part of the drivers of the unrest which Ethiopia has experienced since 2015/16 (Douma, 2017) and which are ongoing to date.

While much of the unrest seems to be directed at the federal level of the Ethiopian government, coupled with ethnic tensions, it has significantly impacted on horticulture and floriculture companies, including

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<sup>2</sup> Examples of media exposure include the Zembla broadcastings on 'Dutch roses from Ethiopia' and 'Hollandse handel' (both March 2016), the documentary 'Dead Donkeys Fear No Hyenas' (2018) and reports by Vice Versa (e.g. 'Ethiopië – wat schuilt er achter de economische bloei? Deel I', December 2016). Not all of these reports/documentaries deal directly or only with the flower/horticulture sector or with Dutch companies in Ethiopia. It should also be noted that the reports/documentaries have received criticism or are at least debated, e.g. by the attacked companies, Fairtrade International or Dutch Government representatives.

Dutch-owned ones. In addition, a recent wave of serious unrest within the waged labour force point to the increasing volatility of Ethiopian industrial relations (Admasie, 2018). Together, these conditions have limited the entry of new foreign investors, halted export-led growth and resulted in a severe shortage of foreign exchange in Ethiopia (IMF, 2018).

## 4. Dutch Embassy activities in Ethiopia

### 4.1 Objectives and activities of Dutch Embassy activities

The Dutch Embassy in Addis Ababa (EKN) focuses on three main areas: Rule of Law, Sexual and Reproductive Health and Rights (SRHR) and Food Security. 'Responsible business conduct' does not have a separate budget line and does not feature in the Multi-Annual Strategic Plan (MASP) 2014-2017, nor in the MASP 2012-2015.

Nonetheless, the Embassy recognises RBC as a cross-cutting theme which finds most expression in the Embassy's initiatives on 'Increased Competitiveness of Agribusiness' in the Food Security domain, and the broader Ethiopian-Netherlands Horticulture Partnership. In addition, responsible business conduct is considered part of the Embassy's general activities on promoting Dutch investments in Ethiopia and it also appears in some of the Embassy-funded programmes in the SRHR area.

Embassy staff were uncertain about the precise moment of emergence of RBC as a cross-cutting theme for their work. They underlined that it has become a prominent topic since the political unrest and farm attacks in 2015/16, which also affected six Dutch companies. At the same time, RBC was already on the agenda of the Embassy prior to the unrest and, among others, part of the trade and investment promotion undertaken by the Embassy. Studies were also done to identify social, environmental and political risks and how to address them. According to the Embassy, the 2015/16 events acted as a catalyst for *enhanced* RBC awareness and led to increased pressure from the Dutch parliament, NGOs and the media to act on responsible business conduct (pers. comm.). The focus also shifted from 'generic' social, environmental and political risks to understanding the relationships between companies and their surrounding communities.

The Embassy does not have an explicit strategy to promote responsible business conduct, but has identified different avenues for RBC promotion, especially by means of funding different sector organisations and through direct interaction and conversations with Dutch businesses/investors. The main objective of the Embassy's activities is to facilitate a discussion on what is needed in terms of RBC and how to go about it, either directly or indirectly via the different sector platforms. The main vehicles for RBC promotion, as identified by Embassy staff, will be further detailed below, starting with the funding of three sector platforms relevant for RBC promotion, then detailing the Embassy's direct engagement with companies and the Ethiopian government, and finally discussing the RBC-relevant project in the field of SRHR.<sup>3</sup>

#### **1. Ethiopian Horticulture Producer Exporters Association**

The Ethiopian Horticulture Producer Exporters Association (EHPEA) is a member-based association promoting and lobbying the interests of its members. Current membership comprises 120 mostly export-oriented companies. EHPEA was set up in 2002 with funding and assistance of the Dutch Embassy. Since then, EKN has been the main funder and has implemented different projects with EHPEA, most recently in three successive phases of funding aimed at improving the business climate for horticulture businesses and investors.

Funding phase	Funding by EKN
Dec 2010 – Dec 2011	€ 1,357,656
Nov 2013 – June 2017	€ 3,690,300
Aug 2017 – July 2021	€ 3,999,728

During the first phase of funding, EHPEA developed a Code of Practice (CoP) with EKN funding and technical support to organise a multi-stakeholder process. The CoP serves to monitor, through external audits, the social and environmental

performance of flower farms, and contains various criteria on working hours, protective clothing, overtime pay, etc. Since the introduction of the basic (Bronze) level in 2007, the CoP has undergone four revisions, including the introduction of Silver and Gold levels in 2010.

<sup>3</sup> The activities discussed in this chapter are not listed in order of (actual) importance, but rather follow the order with which they were discussed during interviews with Embassy staff.



The second phase of EKN funding to EHPEA focused on four main issues (in order of importance/funding): Integrated Pest Management (IPM), capacity building, business environment and support to emerging producer exporters. Most of this served to enable EHPEA to conduct specialised trainings on farms, including trainings on gender and SRHR.

The third and current phase of Dutch support is a thematic continuation of the second one, but contains more emphasis on RBC at the explicit request of the Embassy and is considered as a transition period to phase out or at least reduce Dutch funding. Due to delays in project implementation by EHPEA, EKN funding was on hold at the time of the research.

## **2. Ethiopia-Netherlands Trade for Agricultural Growth**

Ethiopia-Netherlands Trade for Agricultural Growth (ENTAG) is a four year programme (2016-2019), fully financed by EKN and building on the previous Agribusiness Support Facility (2012-2016). ENTAG aims to support agribusiness investment in Ethiopia, facilitate growth of SMEs, and promote trade with Ethiopia (ENTAG, 2018). Specifically, ENTAG focuses on five main components, namely front support, inclusive business support, subsector platform facilitation, innovation fund administration, and support of private sector associations. This includes helping agribusiness investors to develop sustainable business models. Furthermore, at the time of the research, ENTAG was busy implementing a short-term social impact assessment project on behalf of the Dutch Embassy.

To date, ENTAG has organised over 22 business platform meetings, released 14 innovation funds and has serviced the requests of more than 350 companies, comprising both international investors and SMEs (ENTAG, 2018). ENTAG also funds the business drinks organised by Agri-ProFocus every two months, as a way to reach out to companies in agriculture and agribusiness, with an average of 60-70 companies joining those informal network events.

## **3. Ethiopian-Netherlands Business Association**

As the successor of the informal Dutch Business Council, the Ethiopian-Netherlands Business Association (ENLBA) was established in 2012 to assist new and existing Dutch investors and businesses in Ethiopia. It currently has about 60 member companies, the majority of which are from the horticulture industry. Membership fees constitute 40 percent of ENLBA's budget, the remaining 60 percent are covered through funding from EKN.

ENLBA acts as a practical hands-on helpdesk for businesses and investors, facilitates information sharing among the Dutch business community and lobbies the Ethiopian government on behalf of Dutch investors. To this purpose, ENLBA organises networking events every three months, shares information with its members and maintains close ties with the Dutch Embassy, ENTAG and the European Business Forum in Ethiopia, as well as with the Ethiopian Investment Commission, various Ethiopian sectorial associations and the Addis Ababa Chamber of Commerce.

Issues around RBC do currently not fall within the scope of ENLBA's activities. While ENLBA emphasised the importance for new investors to align their business plans with the Ethiopian government's priorities and regulations, ENLBA referred to its limited capacities to start discussions on RBC with its members and stated that RBC does not come up as a topic of conversation in its networking events (pers. comm.).

## **4. Direct engagement with companies**

The Embassy also interacts directly with Dutch companies in Ethiopia and provides individual hands-on support, particularly in the agricultural sector. According to Embassy sources, RBC and inclusive business play an important role in the engagement with Dutch companies, especially in relation to new investors, export-oriented agribusinesses and plantations, and companies sourcing from smallholder farmers (pers. comm.). The importance of RBC has been reinforced since the political unrest affecting the horticulture sector since 2015. Interviews with Embassy representatives suggest that the Dutch business community is receptive to RBC, as it matches the long-term investment perspective of many Dutch businesses (pers. comm.).

Furthermore, EKN gives advice on RBC to Dutch businesses interested in the new cluster investments in the horticulture sector. In the context of its Growth and Transformation Plan II (2016-2020), the Ethiopian government plans to allocate 6,000 ha to horticulture investments in five big spatial clusters. Investors are attracted by means of low capital requirements, easy access to loans, eight years tax relief and exemption from import duties on capital goods and equipment. To avoid the violent protests which have shaken the horticulture sector over the past three years, the government has allocated exclusively uncultivated land which frees investors from having to pay compensation to local farmers. However, the Dutch Embassy voiced concerns that this is not sufficient to reduce the risks of conflict. It has therefore engaged in discussions on RBC with the Ethiopian government and potential investors to ensure that all investors undergo due diligence processes, including social and environmental impact assessments, and engage in community development (pers. comm.).

#### **5. *Interaction and lobbying with Ethiopian authorities***

The above mentioned involvement of EKN in the new horticulture planning of the Ethiopian government also testifies to the direct interaction with Ethiopian authorities. This refers particularly to specialised authorities which are relevant for horticultural development and investment promotion, including the Ethiopian Horticulture and Agriculture Investment Agency, the Agricultural Transformation Agency, the Ethiopian Investment Commission and the Oromia Investment Commission. These agencies confirmed having frequent exchange with and receiving relevant advice by the Dutch Embassy. The Ministry of Environment and the Ministry of Social Affairs and Labour, which could equally be of importance in the context of RBC, denied being in contact with the Dutch Embassy. When needed, as in the case of the protest in 2015/16, the Dutch Embassy also interacts with political heavy weights at the level of the regional president, particularly in the Oromia region, where the majority of Dutch investment is located.

#### **6. *Responsible business conduct as a cross-cutting theme in SRHR programmes***

RBC also features in one of the Embassy's programmes on SRHR, in collaboration with the agriculture and private sector development programmes. Funded by EKN, Marie Stopes International provides SRHR services to 15 participating companies as part of their workplace policies (Fit-for-Work programme, 2017-2019, € 1.5 million EKN funding). This entails that family planning services are offered to workers, either at company premises or a nearby clinic. The aim is to show that offering such services to workers is not part of philanthropic activities, but results in clear business benefits, including reduced absenteeism and lower staff turnover. The programme also addresses gender-based violence at the workplace through trainings and focus group discussions with companies. According to the Embassy, for most participating companies addressing SRHR and gender-based violence is something completely new (pers. comm.).

### **4.2 Results of Dutch Embassy activities**

#### **1. *Ethiopian Horticulture Producer Exporters Association***

Since its establishment in 2002, EHPEA has developed into a strong organisation which actively engages in RBC promotion in a sector where RBC awareness levels are high (pers. comm.). Representatives of EHPEA attribute this mainly to EKN's long-standing support and funding of EHPEA directed at different RBC activities, in addition to a general demand for RBC activities by (mostly) European buyers of Ethiopian flowers.

EHPEA understands responsible business conduct to comprise three main pillars: economic efficiency, farm workers and environment. EHPEA refers to this as corporate social responsibility. One of the means to promote RBC is through EHPEA's CoP. In 2018, eight farms had reached Gold level status, 22 companies were Silver level certified and 15 companies were Bronze level certified. According to EHPEA, CoP implementation is necessary to meet international standards required by buyers, but has also contributed to increasing the scope of RBC discussions – from basic compliance issues, pesticide application, employment practices and occupational health and safety, towards discussing staff

wellbeing and community engagement (pers. comm.). Studies on the impact of Code adoption on RBC do not exist, however.

In addition to CoP implementation, Dutch Embassy support has been critical for knowledge transfer and capacity building to enable EHPEA to provide training to its members on RBC-related topics. Particularly the second phase of Dutch support served to build EHPEA's training and outreach capacity on issues including IPM, corporate social responsibility, gender and SRHR, focusing specifically on creating a better working environment for women workers. A recent evaluation report of the 2013-2017 phase of Dutch support indicates that EHPEA's work on gender equality has contributed to guaranteeing equal pay and improved working conditions for women in all member farms (Adane Batiso Audit Services, 2018). The report also states that IPM has become widespread as a result of EHPEA's training activities (ibid.).

During interviews, Embassy staff indicated that they expect more targeted RBC activities from EHPEA in the current funding phase, in order to create more community dialogues and engage communities in developing the farms (pers. comm.).

## ***2. Ethiopian-Netherlands Trade for Agricultural Growth***

ENTAG is not a platform specifically for RBC and centres on the logistics of setting up a business in Ethiopia. While ENTAG has responded to the requests of more than 350 companies since its establishment in 2016, RBC has not come across as an important query from companies. As a result, ENTAG's advice to companies has focused on business efficiency considerations. However, representatives of ENTAG noted a growing awareness of many companies of the importance of the local context and expect more attention to RBC in the future (pers. comm.).

The most direct outcome of ENTAG with regard to RBC is a nine-month project on social impact assessment (SIA), which ENTAG implements at the request of the Embassy. In the context of the new agribusiness cluster development promoted by the Ethiopian government, the Embassy is keen to promote 'context-sensitive investments' to avoid that Dutch companies are subject to violence by local communities and political unrest. The SIA project therefore serves to assist Dutch investors to address potential conflict drivers and assist them in mitigating risk, recognising that by themselves, Dutch investors do not have the capacity to conduct an SIA. Thus far, one SIA with a Dutch-owned company has been completed, as a result of which the investor decided to move to a different location in Ethiopia to avoid conflicts with the local community which held claims on the land in question (pers. comm.).

## ***3. Ethiopian-Netherlands Business Association***

No outcomes of ENLBA with regard to RBC can be observed. Interviews with ENLBA revealed that the organisation does not deal with RBC and also does not have an overview of the RBC of Dutch companies. The organisation indicated that it would like to integrate RBC as part of its training programme to investors, but this has yet to be done (pers. comm.). ENLBA further stressed that they are mindful of EHPEA's engagement on RBC, particular on the floriculture sector, and hence are careful not to venture into their territory lest they risk duplication of effort and resources.

## ***4. Direct engagement with companies***

The Embassy actively interacts with Dutch companies in Ethiopia, and seeks to engage the approximately 26 Dutch companies in the floriculture sector against the background of the political unrest which has affected the sector. Representatives of EKN estimated that they are aware of the activities of approximately 90 percent of the Dutch companies present in Ethiopia. At the same time, the Embassy noted that there are companies which show little interest in having much contact with the Embassy (pers. comm.). This concerns, among others, the biggest Dutch company in the horticulture sector, Sher Ethiopia, which was repeatedly in the (Dutch) news for allegedly violating workers' rights (Box 5-2).<sup>4</sup> While contacts to the company were made during the time of research (May 2018), which the Embassy evaluated as positively, Embassy staff also emphasised the limitations of their outreach

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<sup>4</sup> According to Sher, the company accounts for approximately half of all flower exports from Ethiopia.

capacity, especially when companies have established their own relationships with the Ethiopian government and have sufficient information at their disposal (pers. comm.).

However, the recent political unrest and violence seems to have made interactions with the Dutch Embassy more salient in the minds of many companies, including Sher Ethiopia. There is a realisation that while individual companies' link with different government agencies are vital, support by the Dutch Embassy provides additional political capital in the discussion tables.

Companies that were interviewed for this study acknowledged the valuable role of the Embassy as a point of contact for RBC and other business-related questions. This does not only hold for horticulture and floriculture, but also extends to other sectors as, for instance, Heineken confirmed. However, companies equally acknowledged that they do not often make use of the Embassy, indicating that they usually have sufficient company-internal expertise at their disposal, but they appreciate the availability of the Embassy should there ever be any need or emergency situation.

Stakeholders from NGOs and trade unions were more critical and argued that the Embassy does not put enough pressure on companies to implement meaningful RBC. They observed that the Embassy only addresses RBC if there is a demand from companies, but does not do so proactively. Embassy staff admitted that companies often have low interest in RBC discussions, but insisted that they do raise RBC with companies whenever possible.

### **5. *Interaction and lobbying with Ethiopian authorities***

No clear results in terms of RBC promotion could be observed from this activity; for instance, in terms of public regulation or initiatives which could level the playing field for Dutch businesses and improve the business environment through reduced social, environmental and political risks.

What became manifest during this study is that the Dutch Embassy enjoys a very good reputation with many Ethiopian authorities, especially those dealing with foreign investment. For instance, the Ethiopian Horticulture and Agriculture Investment Agency praised the RBC support by EKN for the cluster investments and indicated that the Dutch Embassy is the only embassy to be concerned about the activities of fellow national companies. The valuable support of EKN to the new horticulture investments was emphasised by the Oromia Investment Commission, which commented that the mediating role of the Embassy between Ethiopian regulatory agencies and the investors had facilitated important discussions on investor compliance with national/regional legislation. The Investment Commission also confirmed that the Embassy's activities have contributed towards the positive light with which Dutch investments are generally viewed among government officials in Ethiopia.

### **6. *Responsible business conduct as a cross-cutting theme in SRHR programmes***

The Fit-for-Work programme by Marie Stopes International, funded by the Embassy, commenced in 2017 and was able to report a number of RBC-relevant outcomes in its first year of engaging with 15 companies. Among others, six companies decided to provide safe abortion services to their female workers, 240 peer educators from the companies' staff were trained on SRHR at the workplace, and a gender analysis revealed the widespread occurrence of gender-based violence in companies, which has been integrated to the programme as a result. Embassy staff reported that the programme currently aims to expand the number of participating businesses, referring specifically to the observed positive return on investment of SRHR services at the workplace (pers. comm.).

## **4.3 Relevance, additionality and coherence of Dutch Embassy activities**

**Relevance.** The relevance of the Embassy's activities on RBC can be assessed as high, as particularly the focus of Ethiopia's government on attracting investors for low-wage export production comes with several social and environmental challenges. Dutch companies are among the main foreign investors, especially in the horticulture sector, and have come into the spotlight in the context of NGO/media campaigns and during the 2015/16 political unrest. Six Dutch farms were among the 25 agribusiness companies which were partially or completely destroyed. A study commissioned by EKN found that



Dutch investors did not bear any specific responsibility for the violent incidents, but were targeted for their perceived association with the Ethiopian government's policies (Douma, 2017).

While RBC was already part of the Embassy's activities before these incidents, it has since received increased attention to safeguard agribusiness investments, looking particularly at issues of working conditions and company-community relationships. In addition, gender and SRHR have played important roles in EKN's engagement on RBC in view of the predominance of female workers in the horticulture and floriculture sectors. This speaks to a high degree of responsiveness of the Embassy's activities.

According to NGOs and trade unions interviewed, not yet sufficiently addressed by the Embassy is the issue of wages. As there is no minimum wage in Ethiopia, wages are recognised to be very low and are increasingly coming centre stage in the discussion on agribusiness investments in Ethiopia. Dutch companies have the reputation to pay slightly higher wages than their counterparts, although evidence for this is absent and all stakeholders acknowledged that wage levels, also with Dutch companies, continue to be very low. Embassy representatives recognised that wages need to increase, but referred to the fact that wages are a sensitive and political topic in Ethiopia. It is part of Ethiopia's strategy to attract investors based on low wage levels and the absence of minimum wages. Therefore, and in order not to place Dutch companies at a competitive disadvantage, the Embassy aims to address this at industry level and pushes EHPEA to start a comprehensive discussion with its members for voluntary sector-wide minimum wages. A study on wages in horticulture and the differences between regions is currently under way, and is supposed to lay the foundation for a facilitative role of the Embassy in its wider engagement with authorities and the sector. Respondents from labour unions and NGOs critically commented on the careful approach of the Embassy on wages and urged the Embassy to take a more active role. Embassy staff expect that if the political context becomes more stable, there will be more space for the Embassy to engage on this.

**Additionality.** In view of the limited clear results of Dutch Embassy activities on RBC promotion, additionality can only be assessed for three Embassy activities, which have led to RBC activities that would otherwise not take place. First, additionality can be observed in the case of ENTAG, which is 100% EKN-funded and is the first organisation to implement, albeit at small scale, a project on social impact assessment in Ethiopia.

Secondly, additionality is present in EKN's support of EHPEA. This sector organisation relies to 80% on the Embassy funds (the remaining funding comes from member contributions). EHPEA relies to 80% on the Embassy funds. Due to the support of EKN, EHPEA has developed into a strong player in the horticulture sector, with good linkages to and lobbying capacity vis-à-vis companies, the Ethiopian government and other stakeholders. Interviews with EHPEA confirmed that the Dutch support, both financially and in terms of capacity building, was a critical factor for them to advance on RBC and related issues, including green growth, sustainability, IPM and gender. Most explicitly, EHPEA promotes RBC through Code implementation and training to members. EHPEA emphasised that RBC awareness rates and RBC practices in the horticulture sector would not be at the current level without the support by the Dutch Embassy. Interviews with Embassy staff and industry stakeholders would seem to corroborate this. This indicates a high level of additionality.

Finally, additionality can be observed in the case of EKN's support to the Fit-for-Work programme (in the SRHR portfolio). While the Dutch Embassy indicated that there are challenges in the implementation of the project, they also brought forward that the participating companies experience the activities addressing gender-based violence as new and something they would have not engaged in without the project.

**Coherence.** Embassy staff emphasised the importance of addressing RBC within the general development approach of the Ethiopian government (*external coherence*). A recent example is the support provided by EKN to the cluster investments in the horticulture sector; much of which deals with RBC to ensure that investors develop their business in a sustainable way. At the same time, the close alignment with government policies slows down progress on other RBC-related issues, including the wage level by farm or factory workers.

*Alignment* of Dutch Embassy activities with the different private sector instruments which are active in Ethiopia can also be observed. The Embassy is aware of all ongoing projects and interacts with (the majority of) these projects on a regular basis, e.g. by calling or visiting the projects or by meeting their representatives during events (e.g. business drinks).

However, limited *internal coherence* on RBC across Embassy departments and programmes can be observed. While awareness of RBC by Embassy staff is high, there is a notable lack of a common understanding of RBC and how it should be implemented. Individualised interpretations of RBC seem to prevail, depending on the issue area in which the staff member is active. As a result, there is relatively limited awareness of the different EKN activities which relate to RBC. Some Embassy staff categorised gender-related interventions in the horticulture sector as RBC, others strictly separated gender and RBC. There is also notable uncertainty of the relation between RBC and the business model of companies. Some respondents argued that RBC should be part of companies' business models (or core business activities), whereas others limited RBC to constituting additional efforts by companies, next to their usual business activities. There are thus no clear guidelines at the Embassy on what is expected from companies operating in Ethiopia. Interviews indicate that two main factors contribute to the lack of a unified approach to RBC within the Embassy. Firstly, the complexity and cross-cutting nature of RBC makes it difficult to draw clear boundaries and Embassy staff commented that RBC can easily become meaningless if all problems in horticulture are subsumed under this label. Secondly, Embassy representatives also bemoaned the different, often disjointed, demands on RBC from the Ministry of Foreign Affairs and RVO. They argued that this reduces RBC in practice to a tick-box exercise and does not stimulate a broader debate.

#### 4.4 Discussion of Dutch Embassy activities

The Dutch Embassy is highly aware of the importance of RBC promotion, especially in the horticulture sector as the main destination of Dutch investments. Such commercial power translates into the two-fold recognition of 'Dutch influence' and 'Dutch responsibility'. In its activities around RBC, the Embassy focuses on two aspects: (1) improving the business environment for companies to reduce social, environmental and political risks and (2) promoting responsible business conduct by companies, to be achieved by means of:

- Supporting sector organisations, such as EHPEA and ENTAG, as platforms to reach businesses and to create a level playing field;
- Interacting with Ethiopian authorities to facilitate improvements in the business environment;
- Directly addressing individual businesses (mostly Dutch companies or businesses supported by Dutch policy instruments) to enquire about and help them in their contextual embedding in Ethiopia, including questions of RBC.

Nevertheless, a number of limitations of the Embassy's activities and outcomes on RBC were observed during this study:

- 1) Embassy staff pointed at the difficulty of reaching and influencing (all) Dutch companies. When companies receive funding from private sector instruments, the leverage of the Embassy is perceived to be higher, as there are identifiable ways of communicating with these companies. At the same time, Embassy representatives criticised the ICSR frameworks of private sector instruments to be too limited to facilitate a conversation with businesses on RBC which goes beyond these requirements (see also Section 5 of this report).
- 2) Companies without any financial link to the Dutch government are more difficult to approach and partially out of reach for the Embassy. Embassy staff noted that starting a discussion on RBC with companies, especially those already established in Ethiopia, often comes across as criticism and companies take a defensive stance. Interviews indicated that this often leads to uncertainty on how to approach these companies and to what extent constructive criticism is within the scope of interaction.

- 3) Although the Embassy is an active RBC promoter, there is currently no strategic and coherent approach to RBC observable which would identify key RBC priorities and target groups for RBC adoption, relevant tools and approaches for RBC promotion, clear expectations and desirable outcomes, and underlying assumptions. Staff representatives revealed that the political unrest in 2015/16 led to a reflection process on the role and responsibility of the Embassy. The Embassy recognises that not every investment coming to Ethiopia is a necessarily a good investment, which has stimulated growing attention to the quality of investments. However, this has not yet led to a formalised strategy on RBC. While RBC is part of the Embassy's annual planning, the reporting format required by the Ministry of Foreign Affairs is suggested to turn this into a tick-box exercise.
- 4) Interviews with Embassy staff highlighted that capacity constraints limit their role in facilitating a discussion on RBC with Dutch companies and related stakeholders. Staff perceive their main responsibility to lie in ensuring that existing investors can continue operating in Ethiopia and new investors are able to start their operations. As a result, RBC is mostly addressed if companies specifically ask for it, which makes the motivation of companies the driving force of RBC discussions. The Embassy sometimes commissions external studies to set the agenda on certain issues, e.g. on wages in the horticulture sector, but staff representatives also noted the limitations of this approach.
- 5) As a final point, the Embassy's activities on RBC are limited by the development strategy of the Ethiopian government, which ties the country's competitive position to low wages and low costs of production. This makes it difficult to address RBC with counterparts of the Ethiopian government. Interviewees observed that the recent, albeit contained, empowerment of the regional levels vis-à-vis the federal level of government may facilitate RBC discussions in the future, as regional governments are feeling increased pressure from their population and may thus be more open to ensuring that investors comply with responsible business conduct.

## 5. Private sector instruments in Ethiopia

### 5.1 Objectives and activities of private sector instruments

The following private sector instruments were included in this study:

- The Private Sector Investment Programme (**PSI**), formerly known as PSOM (Programme for Cooperation with Emerging Markets), was a subsidy for innovative pilot investments to stimulate financial growth, create employment and generate income. PSI has supported 21 projects in Ethiopia (six in the horticulture and floriculture sectors), of which two projects were included in this study: a project by a Belgian company to produce ornamental plants for export markets (PSI10ET24) and a project by a Dutch company to produce roses as well as pre-base tomato seeds for export (PSI13ET02).
- The Facility for Sustainable Entrepreneurship and Food Security (**FDOV**) promotes public-private partnerships in the field of food security and private sector development in developing countries. In Ethiopia, FDOV supports nine partnerships, most of which (six) work in horticulture. This study looked at a partnership to establish a potato processing plant in Ethiopia for the production of potato crisps, sourcing from local smallholder farmers (FDOV14ET06).
- The Dutch Good Growth Fund (**DGGF**) Track 1 supports Dutch SMEs doing business with developing and emerging economies by supplementing investment capital (e.g. loans or equity investments). There are three DGGF projects in Ethiopia, all in floriculture, out of which this study looked at a DGGF project which aims to produce and export high quality roses grown in Debre Zeit (DGGF115ET2).
- The Centre for the Promotion of Imports from Developing Countries (**CBI**) was included in this study for its programme “Cut Flowers Ethiopia” (2014-2017), under which it implemented a series of trainings in collaboration with EHPEA to Ethiopian flower entrepreneurs, in order to facilitate access to European markets.

It should be mentioned that none of the selected private sector instruments were established for the purpose of RBC promotion, but are *private sector development* instruments and include RBC as one of their (many) sub-components.

For PSI, FDOV and DGGF, all participating companies must adhere to the programmes' ICSR frameworks. Compliance is a prerequisite to being eligible for financial support and is checked through monitoring and evaluation, but does not constitute a specific activity of these instruments. Some of the RBC requirements look as follows. In the case of PSI, participants are required to comply with the OECD Guidelines, FMO's exclusion list, the UN Convention on Biodiversity, and ILO principles and rights at work (RVO, 2014). DGGF similarly asks companies to conform to international standards, including the IFC performance standard, the OECD Guidelines and the FMO exclusion list (Ministry of Foreign Affairs, 2018a). FDOV requires companies to execute a risk analysis and develop an RBC policy based on OECD Guidelines (RVO, 2012).

The companies interviewed (3 Dutch, 1 Belgian) confirmed that they comply with the respective ICSR frameworks. They considered compliance to be relatively easy, as it primarily involves (1) adhering to national legislation and industry standards, e.g. with regard to working hours, wages, and environmental management, and (2) ensuring that worst practices (e.g. child labour, discrimination, sexual harassment) do not take place. The four companies also indicated to have had prior experiences with due diligence before receiving Dutch financial support. The companies show compliance through reporting to RVO and by being certified under EHPEA's CoP and other international standards, which cover the majority of issues raised in the ICSR frameworks.

Contrary to PSI, FDOV and DGGF, CBI worked with companies with no or little prior RBC exposure. The programme trained 11 Ethiopian flower companies on four management issues, one of which was sustainability and corporate social responsibility. CBI provided support to develop RBC policies and procedures, establish committees for workers (e.g. women's committees) and address water and sanitation on farm. Three participating companies were visited for this study, all of which indicated that the support by CBI enabled them to design and implement different RBC activities.



## 5.2 Results of private sector instruments

All seven companies visited (3 Dutch under PSI, DGGF and FDOV; 1 Belgian under PSI; and 3 Ethiopian companies under CBI) engage in RBC and implement various activities under this umbrella term. Regardless of which PSI instrument they fall under, the focus of companies' RBC lies on providing good working conditions and establishing good relationships with neighbouring communities. With the exception of the FDOV case (potato factory), all companies also aimed to show RBC through seeking certification with EHPEA's Code of Practice.

### *Land*

All companies had a **land lease** obtained from the government, except for one case where the lease was still outstanding after five years of company operations. The companies declared that they paid compensation to the local community or farmers who previously used or inhabited the land. Compensation rates were dictated by the government, without any involvement of the previous land users.

The companies visited were aware of the sensitivity of land in Ethiopia and the controversy sparked by foreign or large investors leasing land from the government. They acknowledged that land continues to play an important role potentially affecting their operations in the future – both at political level, where companies noted severe tensions between federal and regional governments, and at local level, where the issue may be instrumentalised for further unrest and farm attacks. As a result, all companies emphasised the importance of having good relationships with different government levels and with the community in which they are situated.

### *Working conditions*

All companies emphasised that they adhere to **Ethiopian labour law**. Among others, the companies declared that they issue formal employment contracts after a probation period of 45 days, ensure that working hours per week do not exceed 48 hours, grant a minimum of 14 days annual paid leave and 90 days of paid maternity leave. Overtime and work during holidays is compensated through additional payment. While interviews with workers confirmed the above, workers in flower farms also highlighted that they are sometimes pressured to work (paid) overtime due to customer demands.

**Unionisation** rates at visited farms/companies varied significantly, irrespective of the private sector instrument. Three companies stated that workers were not unionised but organised in a workers' committee; one farm reported a unionisation rate of 50%, while three others has unionisation rates between 75% and 100%.

All companies visited had a **gender committee** and a **health and safety committee** in place, with members elected by the workforce. The three Ethiopian companies emphasised that they had created the committees as a result of the CBI training, whereas the other visited companies stated that they created the committees due to certification requirements or internal company culture. Workers consulted were aware of the existence and purpose of the committees. They were also able to recite existing grievance mechanisms within their companies, but none of the workers were able to name a specific incidence where a problem had arisen and was subsequently reported to management.

All workers interviewed rated their **working conditions** as good. Across the companies visited, workers have access to clean drinking water and sanitation facilities, and are provided with basic medical care. In addition to on-the-job training, workers receive basic introduction training on relevant topics, especially on health and safety and basic workers' rights and obligations.

### *Wages*

Wages in the sample range from 750 birr (gross) to 1,250 birr (gross) for the flower farms, and 1,800 birr (net) per month for the factory. This corresponds to **daily wages** of \$1-1.70 (flower farms) – which lies under the international poverty line of \$1.9 per diem – and \$2.54 (potato factory). With the exception of the factory, the wage level corresponds to general industry standards (Suzuki et al., 2018; Douma,

2017; Cramer et al., 2014), but does not seem to be higher, contrary to what different company respondents claimed. While all companies indicated to make bonus payments for attendance rates, performance and overtime, the wages on the flower farms are below what is needed for a living wage in their respective localities. Workers across all sites and labour unions interviewed were dissatisfied with the wages.

### *Sexual harassment*

Companies interviewed argued that sexual harassment does not constitute a problem at their farm/factory site. Most companies indicated to train their staff on gender issues and all of them had, allegedly active, gender committees in place. This can be considered a necessary step to encourage women to report violations and to hold perpetrators accountable. At the same time, it is questionable in how far the committees have the capacity to address incidences of harassment, particularly if they concern supervisory or management staff.

Workers interviewed similarly refuted that sexual harassment is taking place at the farms visited. While this may indeed be correct or at least reflect their own experiences, a response of denial is not surprising in the context of one-off interviews. Even with in-depth research, farm workers (including women) are prone to refuting that harassment by co-workers is taking place, seeing the important role of trust and culture in discussing those issues (see the study by Cramer et al., 2014).

At the same time, interviews with wider stakeholders suggest that there is often a limited understanding of gender issues on farms – also on farms that have gender committees. This corresponds to findings by Hivos (2018), which identified a lack of understanding about the meaning, scope, effects and legally defined consequences of sexual harassment on flower farms in East Africa.

### *Environment*

All companies visited had at least **basic environmental standards** in place, such as water-saving drip irrigation and storage management of chemicals. Due to the efforts of EHPEA, many companies also implement IPM to reduce pesticide application. However, for the most part, environmental aspects of horticulture seem to receive limited attention, especially when compared to social aspects of worker wellbeing and community relationships. By national law investors are required to conduct an environmental impact assessment before starting operations, but interviews with company representatives suggest that this was mostly a tick-box exercise which did not pose any challenges to the companies.

There are still some environmental concerns that were brought to our attention during field work. Common concerns are related with flower farms' excessive use of water resources leading to competition with the community and leakage of waste water, fertilisers and chemicals to surrounding areas, including seepage into the underground water and nearby lakes. Aside from anecdotes and widespread rumours, however, there does not appear to be a rigorous investigation of such claims to take corrective action or dispel the rumours.

### *Good practice standards*

Five out of six flower farmers visited were certified against the EHPEA's Code of Practice and had at least achieved bronze level. Most farms had additional certifications, including MPS-Quality, MPS-Socially Qualified, MPS-GAP and Fairtrade. Interviews suggest that the adoption of certification schemes is primarily motivated by considerations of market access. While EHPEA Bronze level is required for exports, made obligatory by the Ethiopian government, other certifications are commonly associated with specific markets. Especially companies exporting to Europe are required to comply with global standards such as MPS and Fairtrade.

### *Community relationships*

All companies visited reported having good relationships with their local communities, mostly based on **philanthropic activities** to gain a good reputation with, and potentially protection by, the communities. Companies interact with kebele (i.e. public) administrators and the elderly (council), who (claim to) represent the community and voice their needs. These needs often pertain to the provision of school

materials and payment of teaching staff salaries, access to clean drinking water, electricity and road infrastructure. While some companies interviewed complained of the high, and progressively increasing, demands by local communities, they also acknowledged the important reputational benefits gained through these activities.

#### *Working with smallholder farmers*

The only visited company working with smallholder farmers is the FDOV project (potato factory), which, however, reported difficulties in attaining its self-proclaimed targets. The project has clear objectives in terms of achieving a positive effect on food security, which in this case entails reaching as many smallholders as possible, working with them for increased yields and integrating them into a well-functioning potato supply chain. However, progress is delayed due to difficulties with one of their Dutch partners who was supposed to operate an outgrower model, but has not yet managed to do so. While some outreach activities to smallholders have been successful due to the intermediary role of a Dutch NGO, the factory currently sources the majority of its potatoes through a commercial farmer. In the meanwhile, the factory continues its efforts to set up a smallholder sourcing programme.

According to interviews with different NGOs, difficulties of sourcing from smallholder farmers are to be expected, as outgrower schemes are linked to substantial investment costs which are difficult to absorb for SMEs. The only large-scale outgrower scheme commonly recognised as successful is the one operated by Heineken (Box 5-1).

#### **Box 5-1 Heineken sourcing from smallholder farmers**

Shortly after its entry to Ethiopia in 2011, Heineken began sourcing barley from smallholder farmers. Due to low yields of traditional barley varieties, the company developed in collaboration with the University of Leuven two new seed varieties. According to Heineken, these varieties have tripled farmers' yields from 1.7-1.8 t/ha to 4.8-5 t/ha. Together with the NGO EUCORD and the Dutch Ministry of Foreign Affairs (MFA), Heineken established the CREATE partnership to provide seeds and technical assistance to farmers. The programme started in 2013 with a couple of hundred farmers and now has over 20,000 farmers registered. Heineken estimates that unofficially more than 50,000 smallholder farmers participate in the programme, as barley has become an interesting crop due to high market demand and high prices. The company indicates that last year's harvest (country wide) amounted to 300,000t (250,000t produced with Heineken's seeds), out of which 200,000t were sold on local food markets, fetching prices that lay more than 20% above the price for imported barley.

Heineken acknowledges that it would have implemented the sourcing programme also without financial support of MFA, but insists that the programme would not have been as successful and credible, also due to the knowledge and networks of the Ministry. In addition to the financial support by MFA, observers attribute the success of Heineken's smallholder sourcing model to three distinct factors – which many other (Dutch) companies who want to source from smallholder farmers in Ethiopia cannot fulfil. Firstly, Heineken introduced new seed varieties which allowed farmers to obtain 20% yield increases without otherwise changing anything. Secondly, Heineken was able to absorb the high costs of the model. Between 2013 and 2019, Heineken will have spent roughly €1.2 million on it. Finally, Heineken temporarily fulfilled different functions in the value chain simultaneously until reducing its involvement again: the company was not only the biggest buyer of barley but also provided seeds, trained farmers and cooperatives, and organised quality control, storage and transport.

Based on interviews with Heineken, SNV, Agriterro, Dutch Embassy and Fair & Sustainable Ethiopia

#### **Box 5-2 RBC activities by Sher Afriflora**

Afriflora Sher is the largest rose farm in the world. Its greenhouses in Ziway cover 500 ha, creating employment for 14,000 workers, and producing 68% of all flowers exported from Ethiopia to Europe. The company came into the spotlight two years ago when a video documentary by Zembla accused the company of human rights abuses, including denial of access to water for the community, exposing workers to hazardous chemicals and paying a poverty wage. The company has denied the allegations. At the request of the Dutch Embassy, this study involved a one day visit to Sher's premises in Ziway to better understand their current RBC activities vis-à-vis other companies visited. The following could be observed:

- *Environmental activities:* Sher has comparatively advanced environmental standards, including drip irrigation, biological pest control to reduce application of chemical pesticides (reduction by 60-70% according to company sources), tree planting against erosion (project with IDH), and the installation of 'wetlands' (closed water treatment systems) to purify and reuse contaminated water.
- *Working environment:* Working conditions appear similar to other flower farms. Notable was the high unionisation rate of workers (80%) and the active gender committee, which trains workers on issues related to gender, reproductive health, sexual harassment, and women empowerment. Sher has a gender equity plan to promote women to supervisory and management positions.
- *Wages:* Sher pays higher wages than any other flower farm in Ethiopia (starting at 1,250 birr gross per month). The company engages with Fairtrade to raise entry level wages to 1,400 birr net by the end of 2018.
- *Community activities:* Sher has built and operates a primary and secondary school in Ziway with more than 5,400 students and a private hospital with more than 110 employees, serving 400 patients every day. In addition, it provides clean drinking water to the community and has contributed to the town's infrastructure (e.g. construction of police stations).
- *Certificates:* Sher complies with a variety of international standards, including MPS-Socially Qualified, Fairtrade, MPS-ABC, Florimark Good Trade Practice, MPS-GAP, Ethical Trade Initiative, EHPEA Gold level Code of Practice and GlobalGAP Risk Assessment.

Based on these observations, it can be stated that Sher appears to have a more developed and comprehensive RBC policy than other flower farms in Ethiopia at this point in time. Best practice sharing with other flower companies does not seem to take place, however. It should also be noted that Sher continues to face various allegations of poor business conduct, including allegations of tax evasion or excessive use of lake water – which could not be investigated in the context of this study.

Based on field visit to Sher and interviews with Sher, Dutch Embassy, Agri-ProFocus, SNV, EHPEA, Fair & Sustainable Ethiopia, ENTAG, Ethiopian Horticulture and Agriculture Investment Agency, and National Federation of Trade Unions.

### 5.3 Relevance, additionality and coherence of private sector instruments

**Relevance.** The ICSR frameworks of the investigated projects under three private sector instruments appear to be of low relevance in Ethiopia in terms of directly steering the RBC by companies. Actual RBC seems to be dictated by the institutional context of Ethiopia and by global market demands, rather than by the generic requirements of the ICSR frameworks. The interviewed companies perceived the ICSR frameworks to be burdensome requirements imposed by the Dutch government and RVO. They also indicated not to receive any support from RVO to implement the requirements. The Dutch Embassy added that international guidelines (e.g. OECD Guidelines) mentioned in the ICSR frameworks of different private sector instruments may have a generic value, but they also referred to a disconnect with local circumstances which dictate different RBC priorities.

In contrast, the relevance of CBI's activities for RBC promotion is assessed as high. The training activities conducted by CBI not only allowed for direct engagement with companies previously unfamiliar with RBC, but it also enabled a more tailor-made approach, responding to individual companies' needs and capacity with regard to RBC implementation. The three companies visited confirmed that CBI's training offered concrete guidance on RBC policies and practices, including workers' rights and gender issues.

**Additionality.** Interviews with the three companies under PSI and DGGF suggest that the frameworks raise a general awareness of companies, but in-depth knowledge on the content (e.g. on the OECD guidelines) and benefits of the framework was lacking. The companies indicated to receive only little support from the Dutch Ministry and RVO on these frameworks, which may explain the low perception on said frameworks. Companies further stated that their RBC activities derive from motivations other than complying with imposed 'tick-box' lists. This suggests that the additionality of the ICSR frameworks is low.

The situation is different for FDOV, where RBC does not only feature in the ICSR framework requirements, but also forms part of the business model of the participating company. Interviews

suggest that this is caused by FDOV's overarching aim to combine business opportunities with clear development objectives and targets. In the case of the visited FDOV project, this motivated the company to integrate RBC, such as good working conditions and fair wages, into its business model and internal organisational culture.

The additionality of CBI's training programme for RBC promotion is also high. Firstly, it was directed at Ethiopian companies with little prior exposure to RBC. Secondly, it can be assumed that such training was not available on the local market when the programme was implemented, seeing that EHPEA was still in the process of building their own training capacities.

**Coherence.** In general, it can be stated that there is a close link between the private sector instruments and the Dutch Embassy. The Embassy is informed of all projects and Embassy staff visit project sites on a regular basis. Companies equally feel that they can turn to the Dutch Embassy in the event of any difficulties. This has already happened in the case of different projects. Particularly in the case of CBI, a high degree of coherence with the Embassy's activities was evidenced, as EHPEA staff was involved in CBI's training activities for an additional capacity building effect. This happened at the same time as Dutch Embassy funding was (partially) used to strengthen EHPEA's training department.

## 5.4 Discussion of private sector instruments

### *Drivers of responsible business conduct*

This study indicates that in Ethiopia many activities forming part of responsible business conduct are motivated by the political context and especially the unrest which has captivated the horticulture sector since 2015, rather than the requirements by private sector instruments. Most companies visited for this study denied that they had been affected by any unrest thus far, which they saw rooted in their good relationships with workers and neighbouring communities. At the same time, they seemed to be insecure about the strength of existing relationships. They were also aware that they continuously needed to invest in relationship-building to receive protection in case of future political turmoil in their vicinity.

Global market demands are equally important as a driver for certain activities that could be considered under RBC. Many international buyers, especially European flower buyers, have strict regulations on pesticide use, health and safety of workers and labour rights that they want suppliers to comply with. Companies producing for those markets have little choice but to conform to buyers' demands.

These observations reinforce the findings of previous studies which have highlighted the importance of market pressures and the political context for driving sustainable horticulture production in Ethiopia (Douma, 2017; Kirigia et al., 2016; Gebreeyesus, 2015).

### *Approach to responsible business conduct*

Most companies visited interpret and operationalize RBC as community activities and corporate philanthropy. RBC is motivated by the desire to have good relationships with community and fill certain gaps in public goods which the government fails to achieve. These needs often pertain to the provision of school materials and school improvement, access to clean drinking water and to electricity, and road construction. Given the perceived financial resources available to companies, community expectations seem to be high and RBC gets the connotation of community development. This corresponds to findings from other studies, stating that RBC in Ethiopia may deviate from prioritizing the business case and aligning more to local community contexts (Degie & Kebede, 2017). Indeed, we observed that in a few cases RBC practices are responsive to community needs, yet oftentimes do not constitute an integral part of the business strategies of the companies.

### *Fragmentation of activities*

The visited Dutch (and one Belgian) companies in Ethiopia seem to largely subsist as 'islands' with only limited exchange with local communities or other businesses. Stakeholders interviewed referred to this as a 'pioneer mentality', which acts as a barrier to cooperation and slows down progress on RBC in the



horticulture sector. As best practices are hardly shared, there seems to be little peer-to-peer learning taking place. None of the companies visited indicated to discuss RBC with other companies, even those in the same private sector instrument. Industry stakeholders also criticized the lack of transparency of companies with regard to many relevant RBC issues and called for concrete communication on RBC, both to learn success stories and to identify remaining gaps in the sector.

## 6. International cooperation and legislation in Ethiopia

### 6.1 Objectives and activities of international cooperation and legislation

Current economic and development cooperation between the Netherlands and Ethiopia is embedded in a Memorandum of Understanding (2015-2020), which aims to contribute to economic transformation, poverty alleviation, peace and security and the rule of law in Ethiopia as well as stimulate economic cooperation. The MoU explicitly assigns the Netherlands the responsibility to promote (Dutch) companies “to respect the principles of Corporate Social Responsibilities”.

Cooperation between the two countries takes place mostly in three fields, i.e. food security, healthcare and political freedom, in order to support Ethiopia's growing population and development. Most activities in these fields are part of the Embassy's decentralised budget and were thus addressed in the chapter on Embassy activities (chapter 4), in case they had clear RBC relevance. In addition, RBC – in a broader understanding that includes human rights and business – is part of three distinct activities that can be categorised as international cooperation and legislation: (1) Dutch economic diplomacy, (2) human rights promotion (and business); and (3) international cooperation with EU and other donors.

All three activities are based on the assumption that good governance, especially safeguarding human rights, and social-economic development reinforce each other. This is reiterated in the MASP 2014-2017, which states that “in the long term, sustainable security, development and economic growth can only be realised if Ethiopia has the capacity and the will to uphold rule of law”. Therefore, Dutch support to good governance and rule of law is not only considered crucial for the stability of Ethiopia, but a better human rights situation is also deemed a prerequisite to sustainable and inclusive economic growth. All activities detailed below follow the approach of ‘pragmatic’ relationships with Ethiopia; that is, the Netherlands seeks to utilise its influence to promote RBC where possible, but does not resort to any type of strong or accusing public statements.

#### **1. Economic diplomacy**

As the Dutch government wants to promote the interests of Dutch businesses abroad, the Embassy in Addis Ababa merges its development cooperation activities with economic diplomacy, most prominently in the agribusiness sector. Of particular relevance in this context is the support to the Growth and Transformation Plan II (GTP II) of the Ethiopian government, which focuses on the transformation of agriculture and industrialisation. The Dutch government officially endorses the GTP II through support to the Agricultural Growth Programme (the key investment mechanism for development partners to promote agricultural development), working with smallholder farmers in various development projects and attracting export-oriented foreign direct investments in the floriculture and horticulture sectors. Among others, the activities of the Embassy aim to contribute to increased competitiveness of the agribusiness sector through value chain development and an improved business climate.

Embassy representatives suggest that it is particularly the scope of Dutch investments which creates leverage for merging economic diplomacy with high level political discussions on human rights and related issues (pers. comm.). Approximately 130 Dutch companies are active in Ethiopia, making it the second biggest host country worldwide for Dutch entrepreneurs, after Indonesia. This gives the Netherlands a strong position, as the Ethiopian government welcomes and appreciates Dutch companies as frontrunners in their field. According to Embassy sources, the Dutch political-economic weight in Ethiopia is both more substantive compared to (many) other bilateral donors and is possibly also unique, compared to Dutch influence in other developing countries.<sup>5</sup> At the same time, data from

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<sup>5</sup> The Embassy of Ethiopia in Brussels communicated in 2016 that the Netherlands is the European country next to Turkey with the largest number of companies in Ethiopia (Embassy Ethiopia, 2016). However, the concrete importance of Dutch companies in Ethiopia could not be corroborated. While trade data positions the Netherlands as the third largest export destination of Ethiopia products (OEC, 2016), other countries appear to be much more important as foreign direct investors. In 2017, Ethiopia was the second biggest recipient of FDI in Africa after Egypt. Particularly investments by Chinese and Turkish firms in textile manufacturing drove up FDI levels (UNCTAD, 2018). Data from Santander (2017) suggests that the main investor countries are Saudi Arabia, China, the United States, India and Turkey. These countries, with the exception of the US, were also mentioned during interviews with the Dutch Embassy, EHPEA, trade unions and NGOs, with the explicit concern that companies from these countries often do not engage in RBC.

the Development Assistance Group suggests that the Netherlands has only featured in 2014 as a top five bilateral donor from 2012 onward, but in general is far behind the ODA spending compared to the United States, the UK, the EU and China (DAG Ethiopia, 2017, 2016, 2015, 2014).

Embassy staff argued that the importance of Dutch investors creates an entry point for the Dutch Embassy to discuss with Ethiopian authorities the importance of responsible business conduct and of safeguarding human rights for a favourable business climate. The Embassy claims to regularly address these issues with their Ethiopian counterparts: in 2017 alone, three high level political meetings took place which touched upon these issues (TK, 2018).

## **2. Business and human rights**

RBC issues also come to the fore in the domain of human rights promotion, which the Netherlands pursues through the Embassy's activities on Security and Rule of Law, centralised programmes run by NGOs (e.g. 'Dialogue and Dissent' – which were not included in this study) and bilateral visits.

Under the Embassy's portfolio on Security and Rule of Law, the Netherlands, in collaboration with Dutch civil society organisations, supports the legal sector in Ethiopia, both at federal level and increasingly also at regional state level (e.g. Oromia). The objective is to build the capacity of federal authorities and regional states to draft and implement legislation which assures good governance and human rights protection. The main target group are the Ministry of Justice, judge and public prosecutors, police authorities and prison personnel.

Bilateral visits also contribute to human rights promotion. For instance, in June 2017, the Dutch Human Rights Ambassador visited Ethiopia by invitation of the Ethiopian government under the topic of 'business and human rights'. In his discussions with the Minister of Justice, the Ethiopian Human Rights Commission, the Ethiopian Ministry of Foreign Affairs, various NGOs and politicians, the Dutch Human Rights Ambassador emphasised Dutch concerns over an increasingly precarious human rights situation in Ethiopia (pers. comm.).

## **3. International cooperation with other donors**

The Netherlands participates in the EU Article 8 Dialogue, which is set up as a political dialogue on specific issues, including human rights, democratic principles, rule of law and good governance. Embassy staff mentioned that while these meetings do not take place very often and have in the past years been postponed due to the state of emergency, the Netherlands has used these meetings to emphasise the importance of a more intense dialogue between the EU and Ethiopia on standards for responsible business conduct (pers. comm.). At this stage, this has not yet materialised, however, as the Ethiopian counterparts have dismissed this topic thus far.

In addition, the Netherlands participates in the Development Assistance Group (DAG), which comprises 30 bilateral and multilateral development agencies providing development cooperation to Ethiopia. The DAG hosts different technical working groups and sector working groups co-chaired by Ethiopia and development partners, among which the Private Sector Development and Trade Working Group is relevant for the promotion of RBC. However, Embassy representatives indicated that this working group is currently inactive.

## **6.2 Results of international cooperation and legislation**

It is not possible to discern any concrete results from the IRBC policy instrument 'international cooperation and legislation' in Ethiopia. Embassy staff commented that whilst they feel their engagement with the Ethiopian government is appropriate, they are aware of the lack of concrete effects, for instance, in terms of leading to governmental legislation or initiatives promoting RBC by companies.

When asked for the causes behind the lack of tangible results, Embassy representatives conceded that working on such sensitive topics is very difficult in the Ethiopian context. For instance, the Dutch Human Rights Ambassador offered his support to Ethiopian authorities on business and human rights, but

interviews with Embassy staff and Ethiopian government representatives clearly indicate a lack of interest by Ethiopian authorities to act on this.

Hence, while the Netherlands seems to enjoy a very good reputation in Ethiopia, has better access to the Ethiopian government than many other donors, and has developed some leverage due to the economic importance of Dutch investments, it has not managed to generate clear results from this position.

The same holds for the activities of international cooperation with other donors, where no results on RBC promotion can be observed.

### 6.3 Relevance, additionality and coherence of international cooperation and legislation

Various NGOs, such as Human Rights Watch, have repeatedly accused Ethiopian authorities of widespread human rights violations, especially during the state of emergency in 2016 and 2017. Also the Dutch Government has voiced its concerns about the human rights situation in Ethiopia, most recently in a response to the Dutch Parliament in May 2018 (Ministry of Foreign Affairs, 2018b). Therefore, addressing state-driven (political) risks, such as repressions of political freedoms and human rights abuses – which can also affect Dutch investors – has a high relevance in the current situation in Ethiopia. Similarly, it is highly coherent with other Dutch IRBC policy instruments, especially the Embassy's RBC activities in the food security domain. However, seeing the limited results, the factual *relevance* and *coherence* of international cooperation and legislation as an IRBC policy instrument can be stated to be rather limited in Ethiopia. We also cannot see any evidence of *additionality*.

*Coherence* with other donors' activities is low due to the lack of active mechanisms for coordination and alignment. As mentioned earlier, the Development Assistance Group and its technical working groups are supposed to facilitate coherence among donors, but are largely inactive or ineffective. At the same time, an interview with an Embassy representative suggests that the Netherlands may not be particularly interested in donor coordination/alignment and may prefer the direct exchange with Ethiopian authorities, given its prominent position in Ethiopia. If indeed the case, this clearly counteracts a joint approach with other donors.

### 6.4 Discussion of international cooperation and legislation

Responsible business conduct does not seem to take a prominent place in the bilateral relationships between Ethiopia and the Netherlands, despite the provision entailed in the MoU from 2015 between the two countries and despite the high potential for relevance and coherence with other IRBC policy instruments.

While smaller programmes under the Embassy's activities on Security and Rule of Law include addressing political risks, these only constitute a minor component of direct cooperation with Ethiopia. The large part of bilateral relationships seems to revolve around issues of economic diplomacy, i.e. trade and investment promotion, where RBC is stated to be brought up in discussions, mostly informally it appears. Yet, the extent to which RBC is actually subject to discussions with Ethiopian authorities, who the Ethiopian counterparts of the discussions are and whether there is any consequentiality to the discussions, remains unclear.

Embassy representatives indicated that the Netherlands does not want to engage in strong public statements against Ethiopia, but prefers a pragmatic approach to its bilateral relationships. At the same time, this may conceal the tensions between the expressed ambition to address social, environmental and political risks and Dutch economic interests in Ethiopia. While Dutch investments and the Aid and Trade agenda are explicitly welcomed by the Ethiopian government and create unique opportunities to

discuss sensitive topics that other donors might not be able to address, the priorities of economic diplomacy may easily overshadow human rights, political freedoms and responsible business conduct.



## 7. Discussion: IRBC policy instruments in Ethiopia

### 7.1 The influence of context on Dutch IRBC policy instruments

Any evaluation of Dutch IRBC policy instruments must take into account the institutional environment within which these policies unfold. In a self-proclaimed development state such as Ethiopia, much of this institutional environment is politically determined, which is also reflected in how Dutch IRBC policy instruments can take effect.

The horticulture and floriculture industry in Ethiopia has developed as a state-led industry and within a mere ten years from the sector's emergence, the country has become the second largest cut-flower exporter in Africa.<sup>6</sup> Not by chance, but through targeted support from the Ethiopia government that has attracted investors with the prospects of easy access to land, cheap labour, tax holidays, duty exemption, and a variety of other incentives. Dutch companies are among the main investors and thus among the main beneficiaries of this policy. Public support by the Ethiopian government is justified by referring to the industry's important role in earning foreign currency and providing employment for a largely rural, low-skilled workforce.

Set against this background, tensions between spurring industrial growth and ensuring benefits for workers and local communities have increasingly come to the fore. One of the most visible manifestations of this has been the political unrest which started in 2015/16 and continues to surface in sporadic bouts of violence across the country – which has largely deterred new entrants into horticulture. Allegations of exploitative behaviour by companies are wide-ranging, and comprise issues of land rights, wages, workers' rights, women's rights, and environmental pollution, among others. Nonetheless, from a national point of view, attracting further national and foreign investors remains a key priority at this point in time. During our research, we did not identify any single Ethiopia government institution taking the responsibility of introducing or enforcing RBC in floriculture, horticulture or any other sector.

This implies that Dutch IRBC policy cannot build on support by Ethiopian public authorities. At the time of this research, not only was there a lack of public actors in Ethiopia willing to move the RBC discussion forward, but responsible business conduct was considered something that (Dutch) companies may do on a voluntary basis or to satisfy customer demands. Ethiopian authorities and sector organisations were aware that there are problems with (some) foreign investors from other, mostly non-European countries, including public credit default, tax evasion, land rights violations, worker exploitation, forbidden unionisation and sexual harassment. Yet, little seems to be done about it, leading to a largely uneven playing field.

### 7.2 The influence of global market forces on company behaviour

In addition to the institutional embeddedness mentioned above, flower and other export-oriented companies in horticulture are heavily influenced by the developments within export markets. Especially European markets, as the largest export destination of Ethiopian flowers, represent an important, yet highly ambiguous source of influence, which also affect the implementation of Dutch IRBC policy.

Horticultural producers in Ethiopia are confronted with increasing buyer demands in terms of RBC and 'ethical trade' due to increasing consumer awareness and concern. Compliance with a variety of international standards, such as MPS, GlobalGAP and Fairtrade, and with EHPEA's Code of Practice is widespread. Awareness levels of RBC by companies are generally high and standard compliance implies that a variety of RBC aspects are already being implemented. This can be considered a

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<sup>6</sup> Schaefer and Abebe (2015) describe the Ethiopian government's role in the horticulture and floriculture industry as "big followership", a term borrowed from Wade (2003). The description expresses how the Ethiopian government actively followed the private sector's lead at the initial stage of the industry and then took an active part in promoting its growth as the industry matured and expanded.

facilitating factor for Dutch IRBC policy and is also the point of entry for Dutch Embassy activities and private sector instruments.

However, what is not taken into consideration by Dutch IRBC policy instruments are those market dynamics which counteract responsible business conduct. Particularly in the flower sector, the conditions at production level cannot be understood without looking at the organisation of global supply chains. As Ethiopia is mainly interesting as a place of low labour costs to keep overall costs and prices for consumers low, worker exploitation and poor wages are supply chain risks rather than mere production risks. This poses a clear limitation to the effect of Dutch IRBC policy instruments in Ethiopia, which focus mostly on individual company behaviour and do not have a supply chain approach to RBC.

### 7.3 The relevance of global notions of responsible business conduct for local contexts

In Ethiopia, Dutch IRBC policy instruments are confronted with a context in which discussions on responsible business conduct have only emerged relatively recently. As a result, stakeholders interviewed for this study displayed vastly differing ideas on its meaning. For example, many companies and sector representatives emphasised the importance of philanthropic activities for surrounding communities as a core component of RBC. By contrast, the ICSR frameworks of private sector instruments emphasise the 'due diligence' responsibility of companies, e.g. how they identify and prevent or mitigate social and environmental risks. Interviewed companies and Dutch Embassy staff criticized that this essentially renders RBC to a tick-box exercise. On their part, Embassy staff did not have a unified understanding of RBC and drew different, often non-aligned, demarcations (e.g. some staff considered gender issues to be part of RBC, others emphasized that gender is a cross-cutting theme in its own right). This highlights the broad nature of the concept of RBC, which leads to diverging and often inconsistent interpretations, not only between Embassy staff, but also between Dutch IRBC policy instruments.

At the same time, part of the 'confusion' can be linked to the uneasy relationship between global notions of responsible business conduct and local realities. In Ethiopia, the philanthropic activities implemented by Dutch companies have a clear outward orientation, aiming to achieve reputational benefits vis-à-vis communities and other stakeholders, especially Ethiopian regional authorities. Several respondents referred to the political unrest affecting the country as a key stimulus to seek good relationships with local communities as a way of protection for companies.

Corporate community engagement by companies is also grounded in the fact that the Ethiopian government is not sufficiently fulfilling its role in providing public goods, such as road infrastructure, schooling, water and electricity supply, and health facilities. In other words, companies fill some of the governance gaps in satisfying basic needs of local communities (Degie & Kebede, 2017) and as such, take on a public function that corresponds to local needs.

Next to community relationships, many companies that were visited during the study were keen to show their compliance with basic international norms to create decent working conditions. The focus lies on outcomes for workers which can be easily checked for compliance, such as provision on health and safety equipment, toilet facilities, clean drinking water and showers, annual leave, maternity leave and overtime payment. While safeguarding such 'outcome standards' is essential, addressing 'process rights', i.e. rights that enable workers to negotiate, shape and access other entitlements and employment conditions, is still in its infancy. This corresponds to insights from the literature which indicate that responsible (or ethical) business conduct in supply chains has uneven impact in that improvements in outcome standards can be observed but not in process rights (Barrientos & Smith, 2007; Egels-Zandén & Lindholm, 2015). Especially NGOs and labour unions, but also Embassy staff consulted for this study, emphasised the importance of seeing RBC as a process of continuous improvement, in which more challenging issues can be facilitated by means of addressing easier issues first. This indicates a clear opportunity for Dutch IRBC policy in guiding companies through this process.

## 7.4 Overlooked RBC issues: gaps in Dutch IRBC policy instruments

While a number of noteworthy RBC activities were observed during this study, it was also apparent that several issues are neither sufficiently addressed by companies nor comprehensively reflected in Dutch IRBC policy instruments.

### *Wages*

One of the means of attracting foreigner investors for labour-intensive sectors has been by positioning Ethiopia as a low wage country. Ethiopia does not have a minimum wage mechanism and also has not ratified the ILO “Minimum Wage Fixing Convention”. In a country with high poverty rates and an almost unlimited supply of labourers willing to work for very little remuneration, low wages are considered the key to international competitiveness. According to Van de Veen (2015), Ethiopian wages in the cut-flower industry are 40 percent less than those in Kenya – another low wage destination. As was also confirmed in previous studies, for labour-intensive sectors such as horticulture and floriculture, the absence of minimum wages has resulted in entry level wages that lie below the international poverty line and below what would be needed to meet basic subsistence needs. The ILO has therefore initiated a study on a minimum wage system to improve the current system of wages, but the results are not yet public and an ILO representative suggested that the study can only be the beginning of a longer-term engagement on wages (pers. communication).

All workers spoken to for this research were dissatisfied with their wages<sup>7</sup>, and NGOs and labour unions bemoaned the wage level in unison. We observed that while workers’ wages increase with tenure, they still remain far below what is needed to meet basic needs. Embassy staff also acknowledged that wages are unacceptably low and indicated that this is becoming one of their focal points in the discussions on RBC. However, they also expressed that they consider it difficult to instigate a discussion on minimum wages in a country which bases its international competitiveness so candidly on low wages. The engagement of the Embassy is therefore still tentative in search for entry points for discussion at sector level. Further, without sector-wide reforms in wages, the Embassy is cautious not to put Dutch companies at a competitive disadvantage by unilaterally compelling them to offer higher wages. Other IRBC policy instruments relevant in Ethiopia do not address the issue of living wages at all.

### *Environment*

Environmental issues do often not form part of the discussion on RBC, despite the fact that horticulture, and flower production in particular, have a large environmental impact (Getu, 2013; Tamiru & Leta, 2017; Kassa, 2017). Flower growers are among the heaviest users of agrochemicals in Ethiopia (Mengiste et al., 2017), posing a potential threat to the health and safety of workers, to soil and water quality, and to animals and ecosystems. Yet, environmental regulations are both weak and poorly enforced (Mengiste, 2016; Loha et al., 2018). The Ethiopian government even made an interim arrangement allowing flower growers to import unregistered pesticides in case they are essential for their farms (Mengiste et al., 2017). This has created a negative attitude among many local communities, labour unions and NGOs towards the environmental impacts of the flower sector – sometimes based on facts and more often based on hear-say and rumours. This creates a potential for conflict which is not yet comprehensively investigated by the Dutch Embassy and which is not reflected in their RBC activities, nor in other Dutch IRBC policies investigated.

### *Land*

The land issue in Ethiopia continues to be much debated, and during interviews with stakeholders it was repeatedly brought up. As a report commissioned by the Dutch Embassy shows (Douma, 2017), land grievances were one of the factors that contributed to the rise of political unrest in the country, which also affected the horticulture sector – despite the fact that many of the land claims were thought to have already been settled years before the unrest through compensation payments. As foreign investors receive their land from the government, land governance is not solely the responsibility of

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<sup>7</sup> While only few workers were interviewed for this study (n=20), the findings echo the outcomes of previous studies, which likewise show dissatisfaction with wages (e.g. Mengiste et al., 2017; Suzuki et al., 2018).

companies. Yet, the learnings on how land was allocated and how compensation was considered, indicate that even where companies are under the impression that land expropriation is handled fairly and according to regulations, this may in fact not be the case. In the face of continuing political unrest in certain regions of Ethiopia, integrating land governance in the discussion on RBC thus constitutes an opportunity to protect both investors and local communities.

### *Gender*

Horticulture continues to be an industry in which the majority of the workforce is female, and management and labour unions are male dominated. As in other countries, this creates an environment in which sexual harassment and gender-based violence are likely to be high, but where attention to 'women's issues' is neither comprehensive nor systemic in that the underlying and multi-faceted inequalities which make women vulnerable workers remain unaddressed. Examples include low education levels of women workers, sexual harassment in workplaces where women work in relative physical isolation of one another, demands for unplanned overtime, lack of childcare facilities, night time journey to and from work, and a culture where abuse is not talked about and where women often lack self-confidence.

Thus far, approaches to gender in Ethiopian horticulture are mostly limited to training staff members on gender awareness or establishing women's committees on farms. However, it was not observed, neither in Dutch IRBC policy nor on the ground, that the protection of women's rights was made central to a company's responsibility.

## 8. Conclusion

### 8.1 Dutch IRBC policy in Ethiopia

In Ethiopia, the economic weight of Dutch investors and the important trade relationships between the two countries offer a significant degree of leverage for Dutch IRBC policy. As this study has shown, the political leverage is only used to some extent, as Dutch IRBC policy struggles to align with and reinforce other policy objectives, including the desire to promote (Dutch) investments and the economic development priorities determined by the Ethiopian government.

In the Ethiopian context, the Dutch Embassy can be identified as the most effective and most relevant IRBC policy instrument compared to private sector instruments and international cooperation and legislation. The pronounced position of the **Embassy** is grounded in its excellent linkages with Dutch companies, Ethiopian authorities and sector organisations. The Embassy uses these linkages to actively promote RBC through a basket of activities, particularly in the horticulture sector. Some of its activities have borne significant fruit. Examples of important RBC activities by the Embassy include its support to the horticulture sector organisation EHPEA, which has turned into a strong player and RBC promoter due to Dutch support. The development of a voluntary Code of Conduct for horticulture companies and the establishment of EHPEA's training department to provide capacity building to members on RBC are particularly noteworthy.

Other RBC activities of the Dutch Embassy seem less effective, especially its role as a 'lobbyist for RBC'. While the Embassy claims to emphasise RBC in its direct engagement with Dutch companies (and non-Dutch companies receiving Dutch support) and with Ethiopian authorities, it is difficult to observe any direct outcomes of this engagement. Moreover, the study identified a number of factors which limit the effectiveness of the Embassy's direct RBC promotion: limited demand by companies for RBC advice, internal capacity constraints, inability to reach all relevant companies and to control uptake of Embassy advice, and tensions with the development objectives of the Ethiopian government.

It was also observed that despite the clear importance attached to RBC by the Dutch Embassy, no strategic and coherent approach to RBC promotion could be identified. This also shows in the lack of overview of RBC-related activities at the Embassy itself, which poses a risk of fragmentation and overlap between Embassy activities.

With regard to the influence of **private sector instruments**, a difference can be made between programmes prescribing basic RBC criteria for companies (PSI, DGGF, FDOV) and programmes coaching companies on RBC practices (CBI).

With regard to the former, participating Dutch (and one Belgian) companies enjoy a good to very good reputation in Ethiopia and are considered frontrunners in terms of responsible business conduct. They thus fit into the general image of Dutch companies are faring better than their non-Dutch counterparts regarding the rights of workers, unionisation of workers and environmental standards – as suggested by Ethiopian stakeholders from sector organisations, government, labour unions and civil society. However, the companies interviewed argued that their RBC activities are motivated by the political context in Ethiopia and, in the case of exporting companies, global market demands, rather than official programme requirements by FDOV, PSI or DGGF. This also explains the companies' focus on visible and measurable RBC activities. Firms improve the treatment of their workers to comply with global standards, avoid reputational damage and ensure market access. Severe or repeated instances of non-compliance or violations of the codes could jeopardize such access. Community activities are similarly motivated by reputational gains to obtain a 'social license' to operate. Without such a license, businesses feel unprotected in the face of social and political unrest.

In comparison, the coaching approach by CBI seems to have been more effective in *raising* RBC, as it worked with Ethiopian companies previously not exposed to RBC. Participating companies confirmed that CBI's training increased their awareness of the importance of RBC and enabled them to implement different RBC activities that were relevant in their situation. While again, the focus was on securing outcome standards for workers (e.g. health and safety) and establishing good community relationships



by providing certain public goods (e.g. drinking water) to nearby communities, this can be considered an important step in increasing the sector-wide uptake of RBC practices. A further benefit of CBI's programme was to include trainers of EHPEA in their training activities to create an additional capacity building effect.

Concerning the IRBC policy instrument of **international cooperation and legislation**, RBC does not seem to feature prominently in the Ethiopian context. The Netherlands indicates that it does not want to make strong public statements, but seeks to integrate RBC in 'back-door' conversations. However, no results can be observed as of yet and tensions between addressing RBC, contributing to Ethiopia's growth agenda and promoting Dutch economic interests were noted. Furthermore, given the Netherlands' economic weight in Ethiopia, it seems to prefer a unilateral approach to engaging with the Ethiopian government, which also hinders integrating RBC into cooperation with other development partners and donors.

As a final observation, it should be highlighted that the Ethiopian context determines much of how Dutch IRBC policy instruments take effect. In Ethiopia, the development paradigm of the national government dictates a strong focus on (agro-)industrial growth, made possible by an abundance of cheap labour and natural resources such as land. RBC discussions have only started relatively recently and unevenly across investors, with Dutch companies in a frontrunner position amidst the absence of a level playing field. At this point in time, RBC is first and foremost considered an add-on activity to established company operations – something that companies can engage in, should they wish, once they have started operating. As such, there is a predominance of philanthropic activities and a focus on 'outcome standards' (e.g. putting in place health and safety procedures), whereas 'process rights' by workers (e.g. enabling participation and voice of workers to influence working conditions) are often still absent. This accentuates how RBC in a country such as Ethiopia is contextualised and locally shaped, which also offers guidance for the next steps for Dutch IRBC policy instruments.

## 8.2 Methodological reflection

The theory-based approach used in this evaluation makes the attribution of observed effects to specific IRBC policy instruments difficult, if not impossible. Therefore, the study focused primarily on the identification of major factors – enablers – which contributed (or are likely to have contributed) to observed effects. For instance, Chapter 4 discussed the role of the Dutch Embassy in strengthening the sector organisation EHPEA to promote RBC in the horticulture sector. While there are also other factors that are likely to have influenced EHPEA's willingness to promote RBC (e.g. global market demands) and ability to work on RBC (e.g. funding through membership fees), the triangulation of stakeholder perspectives unanimously points to the importance of Dutch Embassy support.

Furthermore, as in any evaluation, there is the question of generalisability. It should be stated that many of the investigated policy instruments in this study, while falling into broader categories, are unique. This holds specifically for the Embassy's activities and international cooperation and legislation. The point here is thus not to generalise findings, but to bring underlying patterns, factors, barriers and enablers to the surface in order to guide future policy implementation.

This is slightly different for the private sector instruments looked at in this study, which are oftentimes implemented in different countries at the same time (and not just in Ethiopia). The question of generalisability thus becomes more pertinent, but should not be misunderstood. Findings from the interviewed companies and other stakeholders in Ethiopia are not *representative* of other companies participating in private sector instruments. However, findings may well be *transferrable* to other companies in other settings, based on the underlying logics exposed. Readers and users of this study are therefore invited to evaluate in how far the findings (are likely to) apply to other settings. The findings of the KIT country studies in Colombia and Bangladesh, which also looked at private sector instruments, offer further insights in this regard.

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## Annex 1. Detailed list of cases in Ethiopia

Table 1. List of cases in Ethiopia

IRBC policy instrument	Programme	Case	Relevance to evaluation	Participants	Location	Field work activities
Private Sector Development	PSI	Establishing production and sea freight export of consumer ready potted plants and decorative fruits in Debre Zeit <a href="#">PSI10ET24</a>	✚ Floriculture sector ✚ PSI ICSR framework as condition for project implementation ✚ Relevance for workers' rights and working conditions	Netherlands Enterprise Agency, De Roeve Industries BVBA, Belgium, Beti Ornamental Plants Plc, Ethiopia	Debre Zeit	Farm visit, interviews with farm owner and farm workers
	PSI	Production of pre-base seeds and hybrid seeds in a closed soil system <a href="#">PSI13ET02</a>	✚ Horticulture and floriculture sectors ✚ PSI ICSR framework as conditions for project implementation ✚ Relevance workers' rights, working conditions and ecological impact	Netherlands Enterprise Agency, Klaver Flowers Plc, Ethiopia	Awassa	Farm visit, interviews with farm owner and farm workers
	FDOV	Potato processing in Ethiopia <a href="#">FDOV14ET06</a>	✚ Horticulture sector ✚ Processing ✚ FDOV ICSR framework as condition for project implementation	Netherlands Enterprise Agency, Senselet Food Processing Plc, Solagro Plc, Veris Investments BV, Stichting DLO	Amhara, SNNPR, Oromia, Addis	Factory visit, interviews with production manager and factory workers
	DGGF	Production and export of high quality roses grown in Debre Zeit <a href="#">DGGF115ET2</a>	✚ Floriculture sector ✚ DGGF ICSR framework as condition for funding ✚ Relevance for workers' rights and working conditions: Project aims to create 550 jobs at flower farm.	Netherlands Enterprise Agency, Lalibela BV, Friendship Flowers Plc	Debre Zeit	Farm visit, interviews with farm owner and farm workers
	(no specific programme)	<a href="#">CREATE</a> Creating shared value through local sourcing (2013-2017)		Heineken, EUCORD, Netherlands Ministry of Foreign Affairs, Agricultural Transformation Agency, Ethiopian Institute of Agricultural Research	AMEE Region	Interviews with Heineken and NGOs

IRBC policy instrument	Programme	Case	Relevance to evaluation	Participants	Location	Field work activities
	CBI	<a href="#">Cut Flowers Ethiopia</a> (2014-2017)	<ul style="list-style-type: none"> <li>Floriculture</li> <li>CBI's assistance in the field of RBC focuses on three areas:               <ol style="list-style-type: none"> <li>Improving sanitation and hygiene situation at the farm</li> <li>Implementing proper policies and procedures</li> <li>Improving the functioning of farm committees</li> </ol> </li> </ul>	Netherlands Enterprise Agency, 11 flower farms in Ethiopia (3 sampled farms: ET Highland, Dugda, Ethio AgriCEFT)	Holeta/Sebeta, Debre Zeit, Welkite, Bahir Dar	Visits to three farms, interviews with owners or general managers and with farm workers
International cooperation & legislation	Bilateral cooperation	MoU between NL and ETH on Development and Economic Cooperation	<ul style="list-style-type: none"> <li>Peace, security and rule of law as part of the MoU</li> <li>Netherlands commits itself to promoting (Dutch) companies to respect the principles of Corporate Social Responsibilities</li> </ul>	Government of the Netherlands, Government of the Federal Democratic Republic of Ethiopia	Addis Ababa	Interviews with EKN staff and representatives of the Ethiopian government
Embassy activities	Food Security	ENTAG, ENLBA	<ul style="list-style-type: none"> <li>Agricultural sector</li> <li>ENTAG facilitates Dutch agricultural companies in doing business in Ethiopia.</li> </ul>	EKN, Addis Ababa Chamber of Commerce and Sectoral Associations	Addis Ababa	Interviews with EKN staff, ENTAG, ENLBA, NGOs
	Food Security	Ethio-Dutch Programme for Horticultural Development Project (2013-2017)	<ul style="list-style-type: none"> <li>Horticulture sector</li> <li>Has developed Ethiopian Horticulture Producer Exporters Association Code of Practice</li> </ul>	EKN, Ethiopian Horticulture Producer Exporters Association	Addis	Interviews with EKN staff, Ethiopian government representatives, sector organisations and NGOs
	(no specific programme)	Various activities of EKN on RBC	<ul style="list-style-type: none"> <li>Focus on horticulture</li> <li>Special attention paid to RBC</li> </ul>			Interviews with EKN staff, Ethiopian government representatives, sector organisations and NGOs

## Annex 2. List of interviews in Ethiopia

Table 2. List of interviews conducted in Ethiopia

Category	Organisation	Respondent	Date	Location
<b>Dutch Government</b>	Embassy of the Kingdom of the Netherlands	Policy Officer Aid and Trade	14 May 2018	Addis Ababa
	Embassy of the Kingdom of the Netherlands	Policy Officer Agriculture	14 May 2018	Addis Ababa
	Embassy of the Kingdom of the Netherlands	First Secretary Food Security	14 May 2018	Addis Ababa
	Embassy of the Kingdom of the Netherlands	First Secretary Health	14 May 2018	Addis Ababa
	Embassy of the Kingdom of the Netherlands	Ambassador	16 May 2018	Addis Ababa
	Embassy of the Kingdom of the Netherlands	First Secretary Political Affairs	23 May 2018	Addis Ababa
	Embassy of the Kingdom of the Netherlands	Agricultural Councillor	23 May 2018	Addis Ababa
<b>Ethiopian Government</b>	Trade Competition and Consumer Protection Agency Ethiopia	Director Merger & Acquisitions	21 May 2018	Addis Ababa
	Ethiopian Horticulture and Agriculture Investment Agency	Deputy CEO	21 May 2018	Addis Ababa
	Ministry of Labour and Social Affairs	Acting Director	30 May 2018	Addis Ababa
	Ministry of Environment, Forest and Climate Change	State Minister for Environment	30 May 2018	Addis Ababa
	Ministry of Industry	General Director of Agro-Processing	16 May 2018	Addis Ababa
	Oromia Investment Commission	Commissioner	31 May 2018	Addis Ababa
<b>NGOs and International Organisations</b>	Agriterra	Advisor	15 May 2018	Addis Ababa
	Agri-ProFocus	Country Coordinator	23 May 2018	Addis Ababa
	Action for Social Development and Environmental Protection Organization	Executive Director	31 May 2018	Addis Ababa
	SNV	Team Leader	23 May 2018	Addis Ababa
	Private Sector Development Hub	Research and Advocacy Specialist	22 May 2018	Addis Ababa
	International Labor Organisation (ILO)	Chief Technical Advisor	17 May 2018	Addis Ababa
<b>Companies / private sector</b>	Be Connected	Manager Sales & Sustainable Development	19 May 2018	Debre Zeit
	Fair & Sustainable Ethiopia	Advisor	22 May 2018	Addis Ababa
	Heineken	Managing Director	22 May 2018	Addis Ababa

Category	Organisation	Respondent	Date	Location
	Beti Ornamental Plants Plc	General Manager	24 May 2018	Debre Zeit
	Dugda Floriculture Development Plc	General Manager; Post-Harvest Manager	24 May 2018	Debre Zeit
	Senselet Food Processing Plc	General Manager	17 May 2018	Tulufa
	Sher / Afriflora Plc	Co-owner	17 May 2018	Addis Ababa
	Sher / Afriflora Plc	Co-owner; Compliance Manager	24 May 2018	Ziway
	Ethio AgriCEFT Plc	Farm Manager; Production Manager	18 May 2018	Holeta
	Friendship Flowers Plc	Owner	19 May 2018	Debre Zeit
	ET Highland Flora Plc	Farm Manager	18 May 2018	Sebeta
	Klaver Flowers Plc	General Manager	28 May 2018	Awassa
Labour unions	National Federation of Farm, Plantation, Fishery & Agro Industry Trade Unions	President; General Secretary	21 May 2018	Addis Ababa
	Confederation of Ethiopian Trade Unions	President; Foreign Relation Department Head	23 May 2018	Addis Ababa
Sector / business organisations	Ethiopia Chamber of Commerce	Director of Membership Affairs	22 May 2018	Addis Ababa
	Ethiopian Horticulture and Producers Exporters Association	Executive Director	15 May 2018	Addis Ababa
	Ethiopian-Netherlands Trade for Agricultural Growth (ENTAG)	Project Manager Social Impact Assessment	15 May 2018	Addis Ababa
	Ethiopian-Netherlands Trade for Agricultural Growth (ENTAG)	Programme Advisor	16 May 2018	Addis Ababa
	Ethiopia Netherlands Business Association (ENLBA)	Secretary	4 June 2018	Addis Ababa
	Ethiopian Employers' Federation	Communication and Marketing Director	31 May 2018	Addis Ababa
	Institute of Corporate Governance of the Addis Ababa Chamber of Commerce	Manager	4 June 2018	Addis Ababa
Research	Food & Beverage Pharmaceutical Industrial Development Institute	Researcher	16 May 2018	Addis Ababa
	Ethiopian Research and Development Institute	Researcher	29 May 2018	Addis Ababa
TOTAL	42 interviews			



*Table 3. Interviews conducted with farm/factory workers*

Organisation	Respondents	Date	Location
Beti Ornamental Plants Plc	2 workers	24 May 2018	Debre Zeit
Dugda Floriculture Development Plc	2 workers	24 May 2018	Debre Zeit
Senselet Food Processing Plc	2 workers	17 May 2018	Tulufa
Sher / Afriflora Plc	2 workers	24 May 2018	Ziway
Ethio AgriCEFT Plc	3 workers	18 May 2018	Holeta
Friendship Flowers Plc	3 workers	19 May 2018	Debre Zeit
ET Highland Flora Plc	4 workers	18 May 2018	Sebeta
Klaver Flowers Plc	2 workers	28 May 2018	Awassa

## Annex 3. List of field observations in Ethiopia

Table 4. List of field observations in Ethiopia

Location	Observation	Date
Tulufa	Visit to <b>Senselet Food Processing</b> factory (set up in accordance with European quality standards and knowledge) outside of Addis Ababa: Visit of factory site, including production line and workers' facilities. and observation of work floor activities.	17 May 2018
Sebeta	Farm visit to <b>ET Highland Flora</b> : visit of flower production fields and packaging floor. Observation of flower harvest and work floor activities.	18 May 2018
Holeta	Farm visit to <b>Ethio AgriCEFT</b> : visit of flower production fields and packaging floor. Observation of flower harvest and work floor activities.	18 May 2018
Debre Zeit	Farm visit to <b>Friendship Flowers</b> : visit of flower production fields and packaging floor. Observation of flower harvest and work floor activities.	19 May 2018
Debre Zeit	Farm visit to <b>Beti Ornamental Plants</b> : visit of flower production fields and packaging floor. Observation of work floor activities.	24 May 2018
Debre Zeit	Farm visit to <b>Dugda Floriculture Development</b> : visit of flower production fields and packaging floor. Observation of flower harvest and work floor activities.	24 May 2018
Ziway	Farm visit to <b>Sher Afriflora</b> : visit of flower production fields and packaging floor. Observation of flower harvest and work floor activities. Inspection of wetland system to clean and reuse waste water. Visit to primary school built by Sher.	24 May 2018
Awassa	Farm visit to <b>Klaver Flowers</b> : visit of flower production fields and packaging floor. Observation of flower harvest and work floor activities.	28 May 2018