



SEEK WISDOM, ELEVATE YOUR INTELLECT AND SERVE HUMANITY!

Addis Ababa University
አዲስ አበባ ዩኒቨርሲቲ



ADDIS ABABA UNIVERSITY

College of Law and Governance Studies

School of Law

Masters of Business Law (LLM)

**APPROACHES TO REGULATING CORPORATE
SOCIAL RESPONSIBILITY IN ETHIOPIA: THE
CASE OF MANUFACTURING COMPANIES**

By:

Tasew Abitew

(GSE/6491/11)

May 2021

Addis Ababa

ADDIS ABABA UNIVERSITY
College of Law and Governance Studies
School of Law

**Approaches to Regulating Corporate Social Responsibility
in Ethiopia: The Case of Manufacturing Companies**

By:

Tasew Abitew

Advisor:

Fekadu Petros

(Asst. Professor)

A Thesis Submitted in Partial Fulfillment for the Requirement of
Masters Degree in Business Law (LLM)

May 2021

Addis Ababa

Addis Ababa University
Post Graduate Studies
College of Law and Governance Studies
School of Law

Approval Sheet

Approaches to Regulating Corporate Social Responsibility in
Ethiopia: The Case of Manufacturing Companies

By: Tasew Abitew

Approved by:

_____	_____	_____
Advisor's Name	Signature	Date
_____	_____	_____
Examiner/Reader Name	Signature	Date
_____	_____	_____
Examiner/Reader Name	Signature	Date

Dedicated to:

The memory of

my late mother Debebech Mogessie,

and

my late best friend Gezahegn Awegechew

DECLARATION

I, Tasew Abitew, hereby declare that this research paper is original and has never been presented in any other institution. To the best of my knowledge and belief, I also declare that any information used has been duly acknowledged.

Declared by:

Tasew Abitew

Signature _____

Date _____

Confirmed by:-

Fekadu Petros

Signature _____

Date _____

ACKNOWLEDGMENT

First and for most, I would like to praise the almighty God for his blessings. Secondly, I want to express my great appreciation to my advisor Asst. Professor Fekadu Petros for his guidance and assistance. Thirdly, to all interviewees without whom this thesis would not have been possible at all. Fourthly, to all the authors of the books, journal articles, and online materials I referred in this work. Fifthly, to my wife Gennet Yeheyis (Gagiye), and finally, to my friends Solomon Tamire, Gediwon W/Yohannes, Tegenu Tesfaye, Ermias Mammo, and others who encouraged me all the time and assisted in identifying the research participants.

ANNEXES

Annex 1: Interview Guiding Questions for Shareholders/ Managers of Manufacturing Companies

Annex 2: Interview Guiding Questions for Officials of Government Offices

Annex 3: Interview Guiding Questions for Heads Local Admin and Community Members

Annex 4: Interview Guiding Questions for Employees

Annex 5: List of Research Participant Manufacturing Companies and Government Offices

ACRONYMS

CSR: Corporate Social Responsibility
EC: European Commission
EIA: Environmental Impact Assessment
EIC: Ethiopian Investment Commission
EPCP: Environmental Pollution Control Proclamation
FDRE: Federal Democratic Republic of Ethiopia
LMC: Low and middle income countries
MC: Manufacturing Companies
MNC: Multinational Companies
MoTI: Ministry of Trade and Industry
NGO: Non-government Organization
NSZIO: North Shoa Zone Investment Office
NSZTIO: North Shoa Zone Trade and Industry Office
OECD: Organization for Economic Co-operation and Development
PLC: Private Limited Company
S.C: Share Company
TBL: Triple Bottom Line
UK: United Kingdom
UN: United Nations
USA: United States of America
WBCSD: World Business Council for Sustainable Development

ABSTRACT

Though the notion corporate social responsibility existed for long, it is undeveloped with respect to its precise meaning. The vagueness of the concept created confusion in determining to whom businesses should be responsible, who should take CSR initiatives, and who should regulate CSR. Scholars developed various theories to clear-up these uncertainties. Of which, some say firms are responsible only to shareholders and CSR is a voluntary action, so that, it should be regulated by the firms themselves. Whereas, others say businesses should be responsible both to the shareholders and other stakeholders, CSR should not be anchored only with voluntarism, and state also should have a role in regulating CSR. As the latter view is getting more prominence, state regulation of CSR is becoming important, especially in middle and low income countries like Ethiopia, which is one of the least developed countries where a significant number of its population lives below the poverty line. On the other hand, Ethiopia is a place where both local and foreign private investments are flourishing compared with many African countries. The prevailing absolute poverty in one hand and the expansion of business firms on the other hand demand, among others, the proper execution and regulation of CSR. Recognizing this, the study tried to examine the existing status of CSR and its regulation in Ethiopia and identified potential approaches to regulate the same. Qualitative data are gathered both from primary and secondary sources. Primary data are collected from manufacturing companies, government offices, employees, and community members using interviews and purposive sampling technique. Secondary data are collected from various literatures, domestic policy documents and laws, and foreign statutes. Findings from primary and secondary sources are analyzed using inductive and deductive reasoning approaches respectively. The findings revealed the following five key points. One: Ethiopia has no a self-contained CSR policy and law which defines and regulates the entire aspects of CSR. Two: though there is no such policy and law, there are scattered laws which give legal basis, especially for economic, social, and environmental responsibilities. Three: although some firms better understood the notion CSR, still some others regard CSR as synonymous with philanthropy, a voluntary action, and cost to companies. Four: the execution of CSR is still at its infancy stage as well as CSR is essentially unregulated or at least under regulated. Five: it is identified that state regulation should not be limited to regulating only legal responsibilities, but also other aspects of CSR. Finally, it is concluded that having a self-contained CSR policy and law is critical precondition to effectively and efficiently regulate CSR, both self-regulation and state regulation can co-exist covering one another's weaknesses, and direct state regulation should be applied only in cases of strict necessity.

Key Words: *CSR, Policy, Regulation, Self-regulation, State Regulation, Manufacturing Companies, Ethiopia*

TABLE OF CONTENTS

ABSTRACT.....	i
CHAPTER ONE: INTRODUCTION	1
1.1. Background of the Study.....	1
1.2. Statement of the Problem.....	3
1.3. Research Questions.....	4
1.4. The Objectives of the Study.....	5
1.5. Methodology	5
1.5.1. <i>The Research Design</i>	5
1.5.2. <i>Target Population and Sampling</i>	6
1.5.3. <i>Sources and Methods of Data Collection</i>	7
1.5.3.1. <i>Primary Data Sources</i>	7
1.5.3.2. <i>Secondary Data Sources</i>	8
1.5.4. <i>Analysis of Findings</i>	8
1.6. The Significance of the Study	9
1.7. The Scope of the Study	9
1.8. Organization of the Paper	9
CHAPTER TWO: REVIEW OF THEORETICAL & EMPIRICAL LITERATURE	11
2.1. The Concept of CSR: Theoretical Literature Review	11
2.1.1. <i>Definitions</i>	11
2.1.2. <i>Historical Development</i>	13
2.1.3. <i>Theories of CSR</i>	14
2.1.3.1. <i>The Shareholder Theory</i>	15
2.1.3.2. <i>The Stakeholder Theory</i>	16

2.1.3.3.	<i>The Legitimacy Theory</i>	17
2.1.3.4.	<i>The Resource Dependency Theory</i>	17
2.1.3.5.	<i>The Carroll Theory</i>	18
2.1.3.6.	<i>The Triple Bottom Line Theory</i>	22
2.1.4.	<i>Drivers and Benefits of CSR</i>	22
2.2.	Regulating CSR: Review of Theoretical Literature	23
2.2.1.	<i>Debates on Regulating CSR</i>	23
2.2.1.1.	<i>Justifications for Regulating CSR</i>	24
2.2.1.2.	<i>Arguments against Regulating CSR</i>	25
2.2.2.	<i>Types of CSR Regulation</i>	27
2.2.2.1.	<i>Self-regulation</i>	27
2.2.2.2.	<i>Market Regulation</i>	28
2.2.2.3.	<i>State Regulation</i>	29
2.2.2.4.	<i>International Regulation</i>	30
2.2.3.	<i>Challenges of Regulating CSR</i>	31
2.2.4.	<i>Benefits of State Regulation of CSR</i>	31
2.3.	Regulating CSR: Global Practices	32
2.3.1.	<i>CSR Regulation in Developed Countries</i>	32
2.3.2.	<i>CSR Regulation in Developing Countries</i>	35
CHAPTER THREE: CSR AND THE LAW IN ETHIOPIA		38
3.1.	The Country in Brief	38
3.2.	Perceptions about the Concept CSR in Ethiopia	39
3.3.	The Meaning and Legal Basis of CSR in Ethiopia	42
3.4.	The Execution and Regulation of CSR in Ethiopia	48
3.4.1.	<i>The Status of CSR</i>	48

3.4.2. <i>The Regulation of CSR</i>	49
3.4.3. <i>Problems Faced</i>	50
CHAPTER FOUR: POTENTIAL APPROACHES TO REGULATING CSR IN ETHIOPIA.....	52
4.1. Proposed by the Research Participants	52
4.2. Explored from other Countries Experience.....	57
CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS	58
5.1. Conclusion	58
5.2. Recommendations.....	60
5.3. Limitations and Suggestions for Further Study	62
ANNEXES.....	63
BIBLIOGRAPHY	70

CHAPTER ONE: INTRODUCTION

1.1. Background of the Study

Corporate social responsibility (CSR hereafter) is founded on the conception that businesses are part of a society and hence their decisions should take into account not only the financial and economic considerations of firms, but also the social, environmental and ethical factors.¹ It is a broad idea that takes many forms and definitions in different industries depending on the perception of the concept.² For example, the EC defined CSR as a concept whereby companies integrate social and environmental concerns in their business operations on a voluntary basis.³ However, the Commission later redefined CSR as the responsibility of enterprises for their impacts on society.⁴ WBCSD on its part defined CSR as the commitment of companies to contribute to a sustainable development of a society.⁵ Also, Carroll said CSR is the economic, legal, ethical, and philanthropic responsibilities of businesses towards the society.⁶

Furthermore, the scope of CSR is widening to include volunteering, stakeholders' participation, transparency, accountability, sustainability, moral obligation, and corporate governance.⁷

¹ Arjun Adhikari, 'Corporate Social Responsibility: Voluntary or Mandatory' (2014) 8 NJA LJ 185.

² Antonio Vives, 'Corporate Social Responsibility: The Role of Law and Markets and the Case of Developing Countries' (2008) 83 Chis-Kent L Rev 199, 200.

³ European Commission, 'Promoting a European Framework for Corporate Social Responsibility' DOC/01/9 (2001).

⁴ European Commission, 'A Renewed EU Strategy 2011–14 for Corporate Social Responsibility' COM (2011) 681 final.

⁵ Richard Holmes and Philip Watts, 'Corporate Social Responsibility: Making Good Business Sense' (2000) Geneva: The World Business Council for Sustainable Development <www.wbcsd.org/includes> accessed 18 November 2020.

⁶ Archie Carroll, 'The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders' (1991) 34(7), Business Horizons, <[https://doi.org/10.1016/0007-6813\(91\)90005-G](https://doi.org/10.1016/0007-6813(91)90005-G)> accessed 18 November 2020.

⁷ Žukauskas Pranas, Vveinhardt Jolita and Andriukaitienė Regina, 'Corporate Social Responsibility as the Organization's Commitment against Stakeholders' <<https://www.intechopen.com/books/management-culture-and-corporate-social-responsibility/corporate-social-responsibility-as-the-organization-s-commitment-against-stakeholders>> accessed 01 October 2020.

Nevertheless, the concept CSR is undeveloped with respect to its precise meaning.⁸ Even the terms ‘social’ and ‘responsibility’ are interpreted in a different way. For some, the term ‘social’ refers to social issues such as health, education, security, etc. Others define ‘social’ as a reference to society, including the planet and the environment where the company operates. For some, ‘responsibility’ stands for accountability for the company's actions; for others, a sense of duty toward society; and still for others, good judgment.⁹

Due to the vagueness of the concept, there are opposing views about firms’ responsibility. One is that the only responsibility of a business is to increase profits for its owners.¹⁰ The other is that the responsibility of firms is not and should not be profit only; rather, it should incorporate stakeholders’ interest as it does not exist without them.¹¹ Though the debate has not yet rested, various literatures show that CSR is becoming no longer merely a ‘nice to have’ gadget as the development of CSR theory reflects a paradigm shift from one that protects the shareholders’ economic interests to one that increasingly considers stakeholders’ interests.¹²

However, for the purpose of framing the reach of this research, CSR is described as a blend of the firm’s responsibility for the impacts of its actions and its commitment to contribute to the sustainable development of society and the environment through discharging economic, legal, ethical, and philanthropic responsibilities.¹³ In other words, here the term CSR is used to refer firms’ accountability and sense of duty towards the society.

⁸ Benedict Sheehy, ‘Defining CSR: Problems and Solutions’ (2015) *J Bus Ethics* 131.

⁹ Vives (n 2) 200-201.

¹⁰ Milton Friedman, ‘The Social Responsibility of Business is to Increase its Profits’ *NY TIMES MAG* (New York, 13 September 1970)32<<http://www.rohan.sdsu.edu/faculty/dunnweb/rprnts.friedman.html>>accessed 7 October 2020.

¹¹ Vives (n 2) 200.

¹² Šontaitė-Petkevičienė Miglė, ‘CSR Reasons, Practices and Impact to Corporate Reputation, *Procedia - Social and Behavioral Sciences* (2015) 213, 504–508,<<https://pdf.sciencedirectassets.com/277811/1-s2.0-S1877042815X00486/1-s2.0-S1877042815057961/main.pdf>> accessed 14 October 2020; Archie Carroll, ‘A History of Corporate Social Responsibility: Concepts and Practice’ (2008) Oxford University Press 19-46.

¹³ The description is adopted by the writer fusing the definitions of CSR given by the EC (2011), the WBCSD, and the 1991 Carroll’s theory of CSR.

Generally, companies' accountability to society and the environment is becoming indisputable. Rather, the issue is how to effectively and efficiently regulate these responsibilities. Writers that believe the value of CSR lies in its voluntary nature oppose its regulation by third party saying it would be counterproductive. Whereas, others argue that voluntary CSR should not be seen as a substitute to regulation and companies should not be trusted to develop solutions for important social and environmental issues on their own unilateral initiative as their primary concern is the maximization of profit. So, they advocate for a regulatory framework which at least establishes minimum standards and ensures a level playing field to all business enterprises.¹⁴

1.2. Statement of the Problem

As the world is developing with time, what was considered to be impracticable in former times may be feasible at present. Previously, CSR is entirely understood as a voluntary corporate action that goes beyond minimum regulatory compliance. However, over the years, many researches revealed that this traditional understanding of CSR is not functioning as before even in developed countries, let alone in economies with weak institutional qualities and meager CSR awareness.¹⁵ In view of this, many low and middle income countries (LMC) have taken progressive measures on mandating CSR to improve the living condition of their people.¹⁶

Ethiopia, which is among the LMC, is also trying to eradicate the prevailing absolute poverty by the combined efforts of the government, NGOs, the international community, and the private sector. One of the key approaches of engaging the private sector in this initiative could be enabling the same to discharge its social responsibilities. Indeed, some businesses in Ethiopia are practicing CSR activities in one or the other way for years, though many (including the writer) are hesitant whether it is managed as it should be.

¹⁴ Adhikari (n 1) 187-201.

¹⁵ European Commission (n 4); Vogel David, 'The Market for Virtue: The Potential and Limits of Corporate Social Responsibility' (2006) Brookings Institution Press; Ribstein Larry, 'Accountability and Responsibility in Corporate Governance' (2006) 81 Notre Dame Law Review 1444–1447.

¹⁶ Li-Wen Lin, 'Mandatory Corporate Social Responsibility? Legislative Innovation and Judicial Application in China' [2020] 68(3) The American Journal of Comparative Law <10.1093/ajcl/avaa025> accessed 28 October 2020.

When the issue of managing CSR comes to the table, the first question that crosses one's mind is whether it should be regulated through a legal standard (state regulation), the ethical norm (code of conduct and voluntary self-regulation), or social norm (via the workings of the market and non-state 3rd party regulation). The second is how to opt for the most efficient and effective means of regulating the behavior of firms to make them responsible to stakeholders. In this regard, different literatures show that there is no single way of regulating firms' behavior.¹⁷

In Ethiopia, as per the preliminary assessment conducted by the researcher, the writings of various scholars, and the reality on the ground; it is apparent that CSR is more or less unregulated, or at least, under regulated. Hence, it is time, if not late, for the government to promote the concept CSR and identify appropriate modes of intervention. The intervention should be subject to the nature and complexity of the behavior to be regulated; the institutional development, the social and economic conditions of the country; the efficiency and effectiveness of the regulatory tools; the impact of regulating CSR on the overall welfare of the country; etc. In view of this, the study tried to explore alternative approaches to regulating manufacturing companies' social responsibility in Ethiopia.

1.3. Research Questions

The study raised one basic question from which some more questions emerged. The fundamental question the thesis aimed to explore and hopefully found an answer to is whether there are viable approaches to regulating CSR of manufacturing companies (MC) in Ethiopia. Taking into account the conception businesses are responsible for their impact on the society and are indebted to contribute to the sustainable development of the country, the study as well raised the following specific questions.

- i. What is the meaning of CSR in the context of Ethiopia?
- ii. What is the legal basis, if any, of CSR in Ethiopia?
- iii. What are the views of MC, government authorities, employees, and the society about the essence, motives, and importance of CSR initiatives in Ethiopia?

¹⁷ Vives (n 2) 213.

- iv. What are the existing legal and institutional frameworks that have been applied to regulating CSR initiatives in Ethiopia?
- v. What are the existing problems, if any, in regulating CSR initiatives in Ethiopia?
- vi. What are the views of company owners &/or managers, government officials, employees, and the society about the prospective approaches to regulating CSR in Ethiopia?
- vii. What are the policy implications emerging from current trends of regulating CSR in the rest of the world?

1.4. The Objectives of the Study

The general objective of this study is identifying the existing and exploring potential approaches to regulating CSR in Ethiopia. More specifically, the study aimed:

- i. To examine the meaning of CSR in the context of Ethiopia;
- ii. To identify the legal basis, if any, of CSR in Ethiopia;
- iii. To assess opinions of stakeholders on the essence, motives and importance of CSR;
- iv. To examine the existing legal and institutional frameworks regulating CSR;
- v. To find out existing problems in regulating CSR;
- vi. To discover the views of stakeholders about prospective approaches to regulating CSR in Ethiopia; and
- vii. To learn from the policy trends of other countries about regulating CSR

1.5. Methodology

1.5.1. The Research Design

While the overall objective of the study is to explore approaches to regulating CSR in Ethiopia, the researcher preferred to conduct an empirical research using qualitative method, which as Merriam & Tisdell assert, helps to gain a deeper understanding of the perceptions of people regarding a particular fact.¹⁸

¹⁸ Sharan Merriam and Elizabeth Tisdell, *Qualitative Research: A Guide to Design and Implementation* (4th edn, Jossey-Bass 2015) 17.

Data were collected from the research participants who have had practical experience of the issue at hand and from related theoretical and empirical literatures and pertinent laws and government policy documents. And finally, data from both primary and secondary sources were analyzed using inductive and deductive reasoning respectively.¹⁹

1.5.2. Target Population and Sampling

Population is the aggregation of elements from which the sample is actually selected.²⁰ For the purpose of this study, the population is all MC that are functioning in Ethiopia, all government offices which are directly or indirectly conscientious about CSR, employees of all MC, and societies affected either positively or negatively by the acts of MC.

As the complete coverage of the above population is not possible, a subset of the population is selected using purposive sampling method. The reason behind this is that: first, it is not likely to complete a list of all population. Second, sampling matters are often given less prominence in a qualitative study; rather, constructing an appropriate sample has great importance to select people who the researcher thinks are well placed to cast light on the particular issue that is of interest to the same.²¹ Third, in a qualitative research, knowledge of the object of study takes precedence over sampling theory.²²

For these reasons, the study was conducted only on MC constituted as a PLC and S.C, headquartered in Addis Ababa and North Shoa Zone of Amhara Regional State. The places were purposely selected based on the potential of accessing many MC which consequently increases the probability of getting willing participants.

¹⁹ Claire Selltitz and Lawrence Wrightsman, *Research Methods in Social Relations* (4th edn, Holt, Rinehart and Winston 1981) 17.

²⁰ Earl Babbie, *The Practice of Social Research* (14th edn, Wadsworth Publishing Company 2012) 170.

²¹ Violeta Lopez and Dean Whitehead, Sampling Data and Data Collection in Qualitative Research, in Schneider Zevia and Whitehead Dean (eds), *Nursing & Midwifery Research: Methods and Appraisal for Evidence-Based Practice* (Elsevier - Mosby 2013) 136.

²² Arthur Cropley, *Introduction to Qualitative Research Methods* (University of Hamburg 2015) 13.

MC were selected in view of the fact that their activities require the involvement of the wider community as a provider of raw materials, labor, target markets; etc.; their activities are seen to have been actively contributing to the pollution of air and water, environmental damage and disruption; and cause various social costs.²³ Of the MC, sample companies were selected on the basis of significant social and environmental impacts, accessibility, and proximity to the researcher.

In general, there were 19 participants from MC, 6 government offices (MoTI, EIC, NSZTIO, NSZIO, Angolela and Tera Woreda Admin and Chefanen Kebele), 14 employees working in 7 MC, & 8 individuals from the community. Participants were chosen based on their knowledge on the subject matter under study. List of participant MC & government offices are attached in Annex 1.

1.5.3. Sources and Methods of Data Collection

1.5.3.1. Primary Data Sources

The study principally employed primary data sources in order to get relevant information about the case in point. In-depth interviews, which were tailored to answer the research questions, were administered to collect data from each group of participants mentioned above. The interview guiding questions are appended in Annex 2.

In addition to the researcher, one qualified and well oriented assistant was employed to conduct interviews with participants from employees and local community members.

Since interview questions require an explanation of the background and the technical issues involved in it, the researcher and his assistant made every effort to ensure that the interviewees understood the intention of the questions. Given that the research is exploratory research, the interviewers were more flexible to listen to what respondents were saying on the subject and

²³ Rini Handayani, Sugeng Wahyudi, and Suharnomo Suharnomo 'The Effects of Corporate Social Responsibility on Manufacturing Industry Performance' [2017] 18(1) Business: Theory and Practice < 10.3846/btp.2017.016> accessed 12 October 2020.

asked follow-up questions to know more about what they were telling rather than sticking to the original questions.

Key informant interviews were made to managers &/or shareholders of MC, government officials, employees, and community representatives who have sufficient information about CSR programs or whose profession is directly or indirectly related with CSR activities. Partly, the interview was made through telephone due to the relapse of COVID 19 pandemic and busy schedule of some government officials, owners and managers of MC.

1.5.3.2. Secondary Data Sources

In addition to primary sources, the FDRE Constitution, various local statutes (proclamations and regulations) and policy documents were used as secondary sources to explore the meaning of CSR in the context of Ethiopia and to examine the legal basis of CSR in the country. Moreover, various journal articles, books, and other online materials were used to understand the concept and experiences of other countries.

1.5.4. Analysis of Findings

LeCompte & Schensul define data analysis as a process a researcher uses to reduce the data to a story and its interpretation.²⁴ Unlike a quantitatively analyzed large-scale survey, qualitative data analysis is not anticipated to generalize to a larger population. The generalization often sought in qualitative research is the generalization of ideas so that they can be applied in many contexts. Thus, ideas generated by small sample size and, even, a single-person or single-institution case study may be broadly applicable.²⁵

Accordingly, interviews were analyzed inductively based on the research questions, which provide the lens how the data are viewed, help the researcher to establish the results, and guide

²⁴ LeCompte Margaret and Schensul Jean, *Analyzing and Interpreting Ethnographic Data* (2nd edn, Alta Mira Press 1999) 96.

²⁵ Suter Newton, *Introduction to Educational Research: A Critical Thinking Approach* (2nd edn, Sage Publishing 2012) 116.

the design and organization of the study.²⁶ Whereas, findings from secondary sources (local policy documents and legal instruments) were analyzed deductively.

During analyzing the findings, four themes were emerged congruent with the research questions. In each theme, the findings are discussed from the companies' as well as other stakeholders' perspective.

Moreover, because most participants asked for anonymity for their response due to various reasons, and, as some of the information is really sensitive and confidential, the findings of this research are reported anonymously.

1.6. The Significance of the Study

Beyond serving as a partial fulfillment of the LLM program in Business Law, the outcomes of the study are expected to help policy makers to plan for CSR awareness-raising programs; revisit and redesign the existing laws and institutional arrangements related to CSR; enhance mobilization of resources in a way the society can see its effect; and give a comprehensive overview of the findings and conclusions that may initiate the government to have a self contained CSR policy and legal instrument.

1.7. The Scope of the Study

Since any research problem has to be delimited in scope to a manageable size, the span of this study is limited to exploring alternative approaches to regulating the economic, legal, ethical and philanthropic responsibilities of MC in Ethiopia. Moreover, the research covers only MC functioning as PLCs and S.Cs; and government, employees, and society as stakeholders.

1.8. Organization of the Paper

The thesis is divided into five chapters. *Chapter One* addresses the background of the study, the research problem, the research questions, objectives and significances of the study, the methodology used, and the scope of the study. *Chapter Two* provides a review of theoretical and

²⁶ Ibid 117.

empirical literatures on CSR and its regulation. *Chapter Three* and *Chapter Four* present and discuss the research findings. The former addresses CSR and the law in Ethiopia while the latter identifies potential approaches to regulating CSR. Finally, *Chapter Five* provides conclusion and recommendations based on the issues identified.

CHAPTER TWO: REVIEW OF THEORETICAL & EMPIRICAL LITERATURE

As introduced in the first chapter, CSR is an evolving, complex, and multi-dimensional concept that reflects various views and approaches regarding the relationship between a business and its stakeholders. In terms of theoretical depiction, CSR is described as anything from a philanthropic initiative to discharging economic and legal responsibilities; and from self regulation to state regulation. In terms of practice, companies claim to be practicing CSR when they do anything from a minor charitable donation to devoting considerable resources to alleviate societal problems.²⁷

In view of this, the chapter is organized in three subsections. The first sub-section discusses theoretical literatures on CSR focusing on the concepts and definitions, historical development, theories, and drivers and benefits of CSR. The second sub-section deals with theoretical literatures on regulating CSR and the last one discusses empirical literatures on CSR regulation.

2.1. The Concept of CSR: Theoretical Literature Review

2.1.1. Definitions

The concept CSR has received substantial attention since 1950s in both business and academic arenas. Since then, CSR has undergone a vast development and got wide acceptance due to its chain benefits toward both shareholders and stakeholders.²⁸ However, having a universally accepted definition for the term CSR is still a difficult task since it means something, but not always means the same thing to everybody.²⁹ As a result, there are various definitions of CSR

²⁷ Benedict Sheehy, 'Understanding CSR: An Empirical Study of Private Regulation' [2012] 38(2) Monash University law review Monash University Faculty of Law <https://www.researchgate.net/publication/228246181_Understanding_CSR_An_Empirical_Study_of_Private_Self-Regulation/link/59c919cc0f7e9bd2c01a4dec/download> accessed 7 October 2020.

²⁸ Mei Peng Low, 'Corporate Social Responsibility and the Evolution of Internal Corporate Social Responsibility in 21st Century' [2016] 3(1) Asian Journal of Social Sciences and Management Studies <<https://doi.org/10.20448/journal.500/2016.3.1/500.1.56.74>> accessed 11 October 2020.

²⁹ Marcel Marrewijk, 'Concepts and Definitions of CSR and Corporate Sustainability' [2003] 44(2) Journal of Business Ethics <<https://doi.org/10.1023/A:102333121224>> accessed 12 February 2021.

ranging from highly conceptual to highly practical and derived from a variety of themes such as social responsibility, sustainable development, business ethics, corporate citizenship, corporate philanthropy, and corporate governance.

For instance, OECD describes CSR as an activity which involves the search for an effective ‘fit’ between businesses and the societies in which they operate. It recognizes the mutual dependence of business and society stating a business cannot do well if the society in which it operates is failing; and a failing business inevitably detracts the general well-being of the society. Consequently, OECD demands governments and societies to act to nurture this relationship by providing law enforcement and appropriate regulatory mechanisms. If the actions of both companies and societies are successful, the mutual trust and predictability fosters the conduct of business and enhances economic, social and environmental welfare.³⁰

Previously, as the researcher observed from a chronologically arranged list of 74 definitions compiled by Peng Low, the definitions of CSR were dominantly contextual and based on the voluntary and beyond compliance concepts.³¹ For example, as per a green paper produced by the EC, CSR is a concept whereby companies integrate social and environmental concerns into their business operations and into their interactions with their stakeholders on a voluntary basis.³²

Afterward, the definitions are becoming broader in their scope and, as well, incorporating the mandatory nature of CSR. In this regard, the EC moved an important step forward and redefined CSR as an obligation on the part of companies with respect to their impact on society.³³ As per this definition, CSR is no longer anchored in the voluntary and beyond compliance concept; rather it is a duty on the part of businesses to act in a responsible way. Though the EC definition exists only on the level of a political declaration instead of being a firm and enforceable legal rule, it expanded the scope of CSR from an entirely voluntary context to an active responsibility regarding the firm’s impact on society.

³⁰ OECD, 'Corporate Responsibility Private: Initiatives and Public Goals' (<https://www.oecd.org>, 2001) <<https://www.oecd.org/daf/inv/corporateresponsibility/35315900.pdf>> accessed 711 January 2021.

³¹ Low (n 28).

³² European Commission (n 3).

³³ European Commission (n 4).

Generally, recent definitions share the concept that companies are responsible for the society and the environment where they operate and deal about the good corporate citizenship and responsiveness to stakeholders.³⁴

2.1.2. Historical Development

CSR has come a long way, morphing from a nice thing to do to what it is today - a necessity for a successful business.³⁵ Carroll says, it was in the 1920's and early 1930's that companies began assuming the responsibility of balancing the objective of maximizing profits with creating and maintaining equilibrium with the demands of stakeholders.³⁶

Whereas, other scholars say the concept social responsibility truly began to take hold in the U.S. in the 1970s, when the social contract between companies and society was declared. The social contract is based on the idea that business functions because of public 'consent' or 'license to operate', therefore, a company has an obligation to constructively serve the needs of society than solely focusing on profit.³⁷ However, Chaffe says the origins can be traced back to the ancient Roman Laws when the state recognized companies as having a separate identity from those individuals who composed them.³⁸

³⁴ Tongesai Mpfu and Karedza Godwell, 'Views on Corporate Social Responsibility' [2013] 5(26) European Journal of Business and Management <<https://www.iiste.org>> accessed 7 January 2021.

³⁵ Mauricio Latapí, Lara Johannsdottir and Brynhildur Davidsdottir, 'A Literature Review of the History and Evolution of Corporate Social Responsibility' [2019] 4(1) International Journal of Corporate Social Responsibility <<https://jcsr.springeropen.com/articles/10.1186/s40991-018-0039-y>> accessed 17 October 2020.

³⁶ Archie Carroll, A History of Corporate Social Responsibility: Concepts and Practices. in The Oxford Handbook of Corporate Social Responsibility (Oxford University Press 2008) 19-46.

³⁷ Brandon Rosenbach, 'Corporations Can Help Address Today's Environmental Crisis' (Earth Law Center, 19 June 2019)<<https://www.earthlawcenter.org/blog-entries/2019/6/corporations-can-help-address-todays-environmental-crisis>> accessed 13 January 2021.

³⁸ Eric Chaffee, 'The Origins of Corporate Social Responsibility' [2017] 85(1) University of Cincinnati Law Review <<https://corpgov.law.harvard.edu/2017/05/28/the-origins-of-corporate-social-responsibility/>> accessed 7 January 2021.

Regarding the nature of responsibility, previously, the popular thinking was the business of business is business (i.e. increasing profit).³⁹ However, later, scholars began to challenge this view, saying profitability is not the only goal, rather it is a required outcome to ensure the business continues to achieve its primary purposes. Nowadays, companies are understood as one of the many other social agents that must assume responsibilities related to the impact on society while pursuing their primary financial objectives.⁴⁰

2.1.3. Theories of CSR

In the field of CSR there is a great heterogeneity of theories and approaches coined by scholars from different disciplines. Most scholars use different terminologies for the same concept. As a result, one may get varied classification of the theories. For example, Secci classified CSR theories into the utilitarian, managerial, and relational theories based on the role the theories present to a company and community.⁴¹ On the other hand, Garriga and Mele´ divided the theories into four: instrumental, political, integrative, and ethical theories.⁴²

Though the nomenclature varies based on the points of view, the concepts embodied in various classifications have common characteristics. For example, all the *utilitarian*, the *instrumental*, and the *shareholder* theories coined by Socci, Garriga & Mele´, and Friedman respectively assume maximization of profit or wealth is the only responsibility of companies. As a result, the researcher preferred to address those theories that have more significance to the topic at hand

³⁹ Friedman (n 10).

⁴⁰ Peter Drucker, 'Looking ahead: Implications of the present —the future that hassle ready begun' [1997] 75(5) Harvard Business Review <<https://hbr.org/1997/09/looking-ahead-implications-of-the-present>> accessed 2 January 2021.

⁴¹ Davide Secchi, 'Utilitarian, Managerial and Relational Theories of Corporate Social Responsibility' [2007] 9(4) International Journal of Management Reviews <<https://doi.org/10.1111/j.1468-2370.2007.00215.x>>accessed 22 February 2021.

⁴² Elisabet Garriga and Domènec Melé, 'Corporate Social Responsibility Theories: Mapping the Territory' [2004] 53(1) Journal of Business Ethics <<https://doi.org/10.1023/b:busi.0000039399.90587.34>> accessed 19 February 2021.

rather than discussing each and every theory. Accordingly, classifications based on to whom companies should be responsible (the shareholder vs. stakeholder theory), motivations for CSR (legitimacy theory and resource dependency theory) and aspects of responsibilities (the Carroll theory and the TBL theory) are briefly discussed hereunder.

2.1.3.1. *The Shareholder Theory*

This theory is based on the classical view led by Milton Friedman, who claimed that the doctrine of profit maximization is the only social responsibility of businesses. Friedman argued that social problems are not the concern of business firms; rather such issues should be resolved by the unregulated workings of the free market system while firms focus only on producing goods and services to the market in an efficient and effective way.⁴³ According to him, it was wrong for corporate officials to extend their social responsibilities beyond serving the interests of their shareholders.

As per this theory, other stakeholders are not considerable, unless they contribute to company's profits. Friedman accepted that companies may gain some strategic advantage by supporting the government and community, but, he argued, these should not be described as being socially responsible as they were just activities that companies benefited from.⁴⁴

However, this view could not exist for long, as social awareness is growing and pressure from civil societies and governments is increasing. Besides, it has been proven time and again that a negative CSR policy, which is aimed only at increasing profits, can actually destroy profits.⁴⁵

⁴³ Friedman (n 10).

⁴⁴ Dongyong Zhang, Stephen Morse and Uma Kambhampati, *Sustainable Development and Corporate Social Responsibility* (Routledge 2017) 95.

⁴⁵ Chaffee (n 38) 37.

2.1.3.2. *The Stakeholder Theory*

A stakeholder is a party that has an interest in a business and can either affect or be affected by the same.⁴⁶ It includes investors (shareholders), employees, creditors, customers, suppliers, communities, governments, civil associations, etc.

The stakeholder theory is first described by Edward Freeman in 1984. As per this theory, it is not only the owners of a firm that have a legitimate interest in and claims on a business, but everyone that can affect or be affected by the firm's activities.⁴⁷ Hence, management should not only consider the interests of its shareholders in the decision making process, but also the interests of other stakeholders.⁴⁸

The theory answers the questions with whom a business can work and for whom it takes responsibility. It suggests that business's survival and success is contingent on satisfying both its economic (profit) and non-economic (corporate social performance) objectives.⁴⁹ In other words, it is more about presenting an opportunity to create shared value both for society and companies through policies and operating practices which enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates.⁵⁰

The theory identifies a company as a concession from society with its attendant rights and also obligations. It presupposes that a company operates in public space, needs the resources that the planet and society can provide, does not pay the full cost of resources it uses (e.g. water, air...), its actions affect the society and the environment, and that it needs society to buy its products

⁴⁶Jason Fernando, 'Stakeholder' (*Investopedia*, 4 February 2021) <<https://www.investopedia.com/terms/s/stakeholder.asp>> accessed 7 March 2021.

⁴⁷ Christina Keinert, *Corporate Social Responsibility as an International Strategy* (Physica 2008) 15.

⁴⁸ R Edward Freeman, *Strategic Management: A Stakeholder Approach* (Pitman Publishing Inc 1984).

⁴⁹ Julie Pirsch, Shruti Gupta, and Stacy Grau, 'A Framework for Understanding Corporate Social Responsibility Programs as a Continuum: An Exploratory Study' [2007] 70(2) *Journal of Business Ethics* <<http://dx.doi.org/10.1007/s10551-006-9100-y>> accessed 13 March 2021.

⁵⁰ Latapi (n 35).

and services. Hence, a company, in addition to profit maximization, has responsibilities toward society as its activities are based on a 'license to operate' from society.

The theory also claims that state as well should have a role to play in the regulation of corporate behavior, as it has granted the company the right to operate with limited liability and/or as a separate legal personality.⁵¹

Generally, it is nearly agreed that companies, in addition to their pursuit of profits, should be responsible to their stakeholders even though this requires them to sacrifice some profits.⁵²

2.1.3.3. *The Legitimacy Theory*

The legitimacy theory, like the stakeholder theory, relies on the notion that there is a 'social contract' between a company and the society in which it operates.⁵³ The theory is derived from the concept of organizational legitimacy, which has been first defined by Dowling & Pfeffer as "a condition or status, which exists when a company's value system is congruent with the value system of the larger social system of which the company is a part".⁵⁴ This means, when a disparity, actual or potential, exists between the value systems of a company and the society, there will be a threat to the company's legitimacy. As per this theory, a company should be responsible to society and the environment to ensure its legitimacy.

2.1.3.4. *The Resource Dependency Theory*

This theory suggests that access and control over external resources are essential elements to organizational success, and therefore, companies must carefully implement strategies to maintain

⁵¹ M Aglietta and Antoine Reberlioux, *Corporate Governance Adrift: A Critique of Shareholder Value* (Edward Elgar Pub 2005) 12.

⁵² Mpofu & Godwell (n 34).

⁵³ Craig Deegan, 'The Legitimizing Effect of Social and Environmental Disclosures – A Theoretical Foundation' [2002] 15(13) *Accounting, Auditing & Accountability Journal* <<https://doi.org/10.1108/09513570210435852>> accessed 11 February 2021.

⁵⁴ John Dowling and Jeffrey Pfeffer, 'Organizational Legitimacy: Social Values and Organizational Behavior' [1975] 18(1) *Pacific Sociological Review* <<https://doi.org/10.2307/1388226>> accessed 26 November 2020.

access to critical resources from stakeholders.⁵⁵ As stakeholders are the ultimate controllers of external resources, companies are required to manage their relationship with their stakeholders to guarantee the access to such resources.⁵⁶

The resource dependency theory aligns with the stakeholder theory, though the latter prescribes that a company needs to work with its constituencies on a basis to improve its performance as well as that of stakeholder, while the former takes a rather more self-interested position.

2.1.3.5. *The Carroll Theory*

Carroll's four part definition of CSR encompasses the economic, legal, ethical, and discretionary (philanthropic) responsibilities.⁵⁷ The Carroll theory (aka, the pyramid model) is the most well-known model and basis for the modern understanding of CSR.⁵⁸ The pyramid is arranged according to decreasing order of priorities where economic responsibilities being the most important ones, are at the bottom of the pyramid while the rest three respectively are at the top. However, there is no hierarchy; rather the order strives to portray the fundamental or basic nature of these four categories to the business's existence in society. From stakeholders' perspective, the pyramid is an integrated and unified whole where companies are expected to fulfill all responsibilities simultaneously.⁵⁹

⁵⁵ Gerald R Salancik and Jeffrey Pfeffer, 'A social information processing approach to job attitudes and task design' [1978] 23(2) *Administrative Science Quarterly* <<https://doi.org/10.2307/2392563>> accessed 1 March 2021.

⁵⁶ Robin W Roberts, 'Determinants of Corporate Social Responsibility Disclosure: An Application of Stakeholder Theory' [1992] 17(6) *Accounting, Organizations and Society* <[http://dx.doi.org/10.1016/0361-3682\(92\)90015-K](http://dx.doi.org/10.1016/0361-3682(92)90015-K)> accessed 14 December 2020.

⁵⁷ Carroll (n 6) 41.

⁵⁸ Wayne Visser, *Corporate Social Responsibility in Developing Countries*. in Crane Andrew and others (ed), *The Oxford Handbook of Corporate Social Responsibility* (Oxford University Press 2008) 473-499.

⁵⁹ Carroll (n 6) 42.

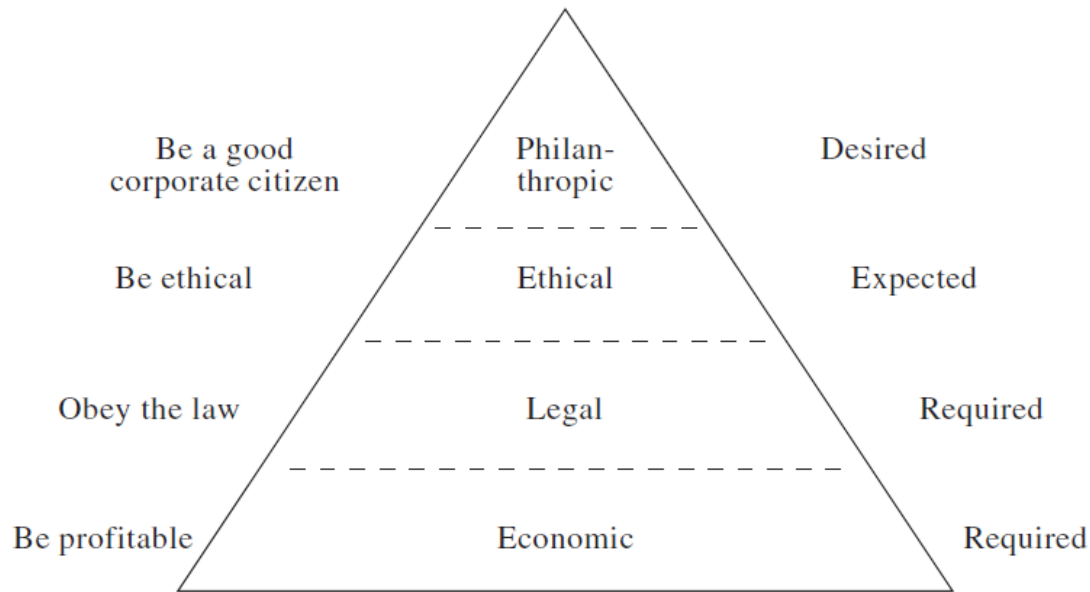


Figure 1: The Pyramid Model (adopted from Carroll, 1991)

The pyramid consists of four types of responsibilities which are empirically interrelated, but conceptually independent.⁶⁰ Each of them is briefly discussed along these lines.

i. Economic responsibility:

The general public requires companies to be able to sustain themselves as this is the only way to ensure the continuous supply of goods and services and the creation of jobs. Hence, it is the foundation upon which other responsibilities rest. It is not only towards the society, but also towards companies themselves. To deal with responsibility towards themselves, they should make acceptable profits to be able to continue their operation and increase values for their shareholders. Society requires firms to be profitable, continue operation, and incentivize owners or shareholders to reinvest.

ii. Legal responsibility

Legal responsibilities are the minimal ground rules under which business firms are expected to operate and function. It is society's codification of right and wrong, which depicts companies are

⁶⁰ Carroll (n 6) 40-43.

expected to work within the framework of laws and regulations while they discharge economic responsibilities.

iii. Ethical responsibility

It is to do what is right, just, fair, and avoiding harm. It includes responsibilities that are not legally codified but should be performed in the greater good. A company's performance can also be determined by the consistency in promoting moral and ethical standards beyond the requirements of laws and regulations, seeing that laws are essential but not sufficient.

It requires businesses to be responsive to the 'spirit' of the law, rather than the letter of the law and conduct their activities fairly and objectively even in those cases when laws do not provide guidance. In general, ethical responsibilities embrace those activities, standards, and practices that are expected or prohibited by society, even though they are not included into law.

iv. Philanthropic responsibility

It refers to corporate actions that are in response to society's expectations of good corporate citizenship through contributing resources to the community to improve quality of life. Carroll supposed it to be discretionary in nature, and hence, assigned the least priority. It includes contributions of monetary resources, in kind donations, and volunteerism by employees and management time to solve societal problems. Its difference with the ethical responsibility is that philanthropic activity is not necessarily expected in a moral or ethical sense.

However, other scholars modified the Carroll Pyramid Model. Three of them are addressed here below.

Visser redesigned the Carroll's model for the LMC context. He focused on philanthropic responsibilities and brought it to the second stage of the pyramid next to economic responsibility and followed by legal and ethical responsibilities.⁶¹

⁶¹ Wayne Visser, 'The Age of Responsibility: CSR 20 and the New DNA of Business ' [2010] 5(3) Journal of Business Systems Governance & Ethics <10.15209/jbsge.v5i3.185> accessed 7 February 2021.

Baden on her part presents a different view placing the ethical and legal responsibilities before economic and philanthropic responsibilities. Her justification is that the way enterprises pursue their business goals is crucial as they should refrain from any harmful activity.⁶²

Schwartz and Carroll introduced the Intersecting Circles Model of CSR, which categorically refuted the hierarchical prioritization of CSR. This model illustrates the integration of the economic, legal and ethical (moral) responsibilities of a company and stipulates that none of the aspects are more important than the other.⁶³

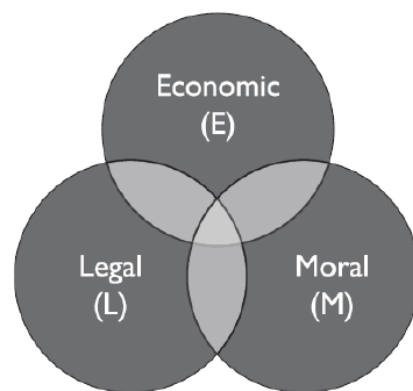


Figure 2 Intersecting Circle Model of CSR (source: Schwartz and Carroll, 2003)

Also, Carroll himself re-thought his initial concepts and wrote “Carroll’s pyramid of CSR: Taking another look”. In this article, he admitted it is logical to think the order depends on the context of countries and, even, individual organizations.⁶⁴

⁶² Denise Baden, 'A Reconstruction of Carroll’s Pyramid of Corporate Social Responsibility for the 21st Century' [2016] 1(8) *International Journal of Corporate Social Responsibility* <10.1186/s40991-016-0008-2> accessed 7 January 2021.

⁶³ Mark Schwartz and Archie Carroll, 'Corporate social responsibility: A three-domain approach' [2003] 13(4) *Business Ethics Quarterly* <10.2307/3857969> accessed 17 January 2021.

⁶⁴ Archie Carroll, 'Carroll’s Pyramid of CSR: Taking another Look' [2016] 1(3) *International Journal of Corporate Social Responsibility* <<https://doi.org/10.1186/s40991-016-0004-6>> accessed 3 December 2020.

2.1.3.6. *The Triple Bottom Line Theory*

It was founded by Elkington and incorporates three dimensions of performance: economic, social and environmental (also designated by profit, people, & planet respectively) which are expected to attain sustainable results to businesses.⁶⁵ Each dimension of the theory is briefly discussed below.

- i. *Economic (profit) dimension*: focuses on the long-term than short-term decision which creates an economic boon for the time being but would likely reduce this bottom line in the future.
- ii. *Social (people) dimension*: to be stable over the long term, a company must be accountable for the direct and indirect effects on stakeholders.
- iii. *Environmental (planet) dimension*: as resources are not infinite, companies ought not to cause undue harm to the environment and must pay attention to environmental changes and obey environmental laws.

Generally, the shareholder, legitimacy, resource dependency, and the TBL theories primarily focus on the long-term sustainability of businesses themselves (they consider stakeholders merely to ensure their sustainability); whereas, the stakeholder and the Carroll theories give equal attention to both shareholders and other stakeholders' interest.

2.1.4. *Drivers and Benefits of CSR*

Various researches tried to explain the reasons why companies choose, or should choose to, engage in CSR activities. Though the explanations are diverse, it is possible to dichotomize them as internal (like interest to be responsible to society and environment, maximize value, promote brand, acquire more resources, get legitimacy from society, etc.) and external factors (pressure from the market, society, government, institutions, and globalization drivers).⁶⁶

⁶⁵ John Elkington, 'Partnerships from Cannibals with Forks: The Triple Bottom Line of 21st-century Business' [1998] 8(1) Environmental Quality Management <<https://doi.org/10.1002/tqem.3310080106>> accessed 17 November 2020.

⁶⁶ Zhang (n 44) 96.

Researches also reveal that companies which introduced CSR programs are benefiting themselves, employees, consumers, community and the environment. Many agree that though such programs may be costly in short-term, long-term benefits are found to offset the costs.⁶⁷ Engaging in CSR activities helps to manage business risk, improve organizational image, improve innovation, manage operational cost (e.g. by avoiding litigations from employees and the society), increase customer loyalty and sales, improve supply chain relationships, and improve relations with regulators.⁶⁸ In a nutshell, it ensures the long-term sustainability of businesses. As well, firms' enthusiasm to fulfill their CSR benefits the society and the environment significantly.

2.2. Regulating CSR: Review of Theoretical Literature

Regulation has many definitions that are not reducible to a single concept. For example, in the field of public policy, regulation refers to the promulgation of targeted rules with an authoritative mechanism for administering, monitoring and enforcing compliance. On the other hand, it may also move beyond state interest and focuses on all means of social control, either intentional or unintentional.⁶⁹ This thesis adopted both views so that the term 'regulation' will be applied in reference to state regulation, non-state third party regulation, self-regulation, and market regulation.

2.2.1. Debates on Regulating CSR

There are opposing opinions among scholars about the initiative and enforcement of CSR. Some believe state regulation is the only effective means to realize CSR. Others, taking the opposite view, consider CSR as a non-regulated individual company voluntary exercise. Still some others positioned between the above two schools of thought and believe there are responsibilities which

⁶⁷ Namrata Singh, Rajlaxmi Srivastava, and Rajni Rastogi, 'Drivers of Corporate Social Responsibility in the Competitive Era' [2014] 2(10) IJSRM <<https://www.ijsrm.in>> accessed 8 January 2021.

⁶⁸ Ibid.

⁶⁹ Cornelia Woll, 'Regulation' (*Britannica*, 2007) <<https://www.britannica.com/topic/regulation>> accessed 4 February 2021.

are better to be regulated by states and some others preferred to be left to the companies themselves.⁷⁰

Hereunder, the rationales behind the regulation or otherwise of CSR are briefly discussed. The arguments mainly focus on state regulation of CSR.

2.2.1.1. Justifications for Regulating CSR

Proponents of CSR regulation argue that state intervention is needed to level the playing field for all companies, clearly define the concept, ensure effective implementation, coordinate efficient utilization of resources, etc.⁷¹ They also argue that allowing companies themselves to take responsibility for meeting society's expectations undermines the very idea of legal accountability for meeting substantive standards.⁷²

Hence, advocates suggest that the law should hold companies accountable for taking their responsibilities seriously. They as well assert the whole notion of CSR makes sense only within the context of substantive regulatory and social policies which clearly inform the responsibilities of firms and give rights to stakeholders to participate in, or contest corporate decisions. Promoters of state regulation also capitalize on the importance of government intervention even in 'voluntary' initiatives in the form of inducements (e.g. tax incentives) and mandating the disclosure of CSR activities to the public.⁷³

From the above justifications, one can identify two orientations that motivate the state regulation of CSR. First, it is needed to define concepts, normalize actions, standardize conducts, systematize audit systems, and establish obligations for companies. Second, government has the

⁷⁰ Pablo Nieto, 'Why Regulating Corporate Social Responsibility is a Conceptual Error and Implies a Dead Weight for Competitiveness' [2005] 1(1) The European Enterprises Journal <<https://www.aeca.es/old/comisiones/rsc/articulosexclusivos/regulatingeejournal.pdf>> accessed 7 March 2021.

⁷¹ Ibid.

⁷² Christine Parker, Meta-Regulation: Legal Accountability for Corporate Social Responsibility? In McBarnet D and others (ed), *The New Corporate Accountability: Corporate Social Responsibility and the Law* (Cambridge University Press 2007) 207-237.

⁷³ OECD (n 30) 87.

role to support the CSR culture among enterprises by favoring ethical investments and stimulating public buying from socially responsible companies.⁷⁴

Generally, the central thought of state regulation is that CSR should not rely only on a company's altruism 'to do something good for society'; rather a government should employ its authority to oblige companies to support social activities within society and enforce regulations.⁷⁵ Also, in order to stay in business and to continue surviving, each company has to, and is expected to abide by the legal requirements as well as other professional laws and regulations. If a company fails to fulfill these, it will be viewed as ignorance of its social responsibility and as well it may pose threats to its existence as a going concern.⁷⁶

2.2.1.2. Arguments against Regulating CSR

Arguments against regulating CSR are basically founded on two grounds: the competitiveness (efficiency) of companies; and the ideology that CSR is a voluntary initiative and responsibility is a self-reflection of moral basis rather than accountability for one's own actions.⁷⁷

a) Opposition based on competitiveness

In research from Nieto, it is pointed out that regulation is mainly justified by two reasons directly related to the conflict between efficiency and equity, which are an economic and a political thought respectively. To achieve efficiency, laws should protect free competition and promote an optimal allocation of scarce resources. To realize equity, regulation should protect those members of society less favored by economic dynamics, suffering from unfair resource allocation and extreme inequality.⁷⁸

⁷⁴ Nieto (n 70) 25-27.

⁷⁵ Kassim Mohammed, 'Social Responsibility in Business Organizations: Exploring the Investment Dimension' [2014] 6(1) KJBM <<https://www.ajol.info/index.php/kjbm/article/view/114638>> accessed 17 March 2021.

⁷⁶ Ibid.

⁷⁷ Nieto (n 70) 25.

⁷⁸ Nieto (n 70) 26.

Proponents of the efficiency theory suggest that countries must pay attention not to take measures that reduce inequality in the short term, but derive economic inefficiencies in the long term.

b) Opposition based on ideology

Advocates of the voluntary nature of CSR criticize the very idea that ‘law might make companies accountable for social responsibility’. There are different grounds for this critic. Some say regulating CSR, even if the same includes compliance with companies’ legal responsibilities, is paradoxical as it goes ‘beyond compliance’ to encompass the economic, ethical and discretionary expectations of society. If so, they argue, how is it possible for the law to make companies accountable for going beyond the law?⁷⁹

As well, Nieto claims responsibility is a self-reflection of moral basis, hence; the government’s attempt to regulate the responsibility of a company is establishing what CSR is in practical terms, which is wrong as it goes in stark contrast against the entrepreneurial mentality. He also argues that it might be true that the demands of the wider society have pushed for the visibility of CSR but the basic thinking, the initiative, the project and the strategic vision have all their origin in a company.⁸⁰

Generally, as to the researcher, argument in favor of regulating CSR seems tenable. Whereas, opposition based on ideology looks an outdated thought as CSR is not merely a voluntary act nowadays. Nevertheless, it does not mean that argument against regulating CSR based on competitiveness is pointless since stringent regulation, definitely affects the competitiveness of particular businesses both locally (if not applied to all businesses) and internationally (unless all importing countries are enforcing the same regulation, which is unlikely). Hence, the writer agrees on what Vives suggested saying the essence of CSR should be a win-win situation

⁷⁹ Parker (n 72).

⁸⁰ Nieto (n 70) 26.

whereby the company does not have to bear the costs of over regulation and in return performs its activities in a responsible manner.⁸¹

2.2.2. Types of CSR Regulation

Some literatures broadly divide CSR regulation into two: voluntary and mandatory. Voluntary regulations are optional in terms of compliance and are informed by the false notion that CSR is synonymous with corporate charity and the business case argument (competitiveness) in CSR parlance, while mandatory regulations are not optional and must be complied with.⁸²

There are supporters of each approach. However, as to the researcher, it is good to see Thomas McInerney's categorization of companies before deciding one is better than the other. According to his study there are four types of companies with which regulators have to deal. These four types include: those who know the law and are willing to follow it (Group A); those who do not know the law but would like to be obedient to the law (Group B); those who know the law, but do not want to be abide by it (Group C); and those who are not aware of the law and do not wish to be law abiding (Group D).⁸³ Based on this categorization, some scholars like Amodu question how effective and efficient are the voluntary initiatives against Group C and D companies.⁸⁴

While other scholars divide CSR regulation into four basic types: self regulation, market (social) regulation, state regulation, and international regulation.

2.2.2.1. Self-regulation

Self-regulation is a voluntarily adopted normative rule developed by companies in the form of explicit formal rules like code of conduct to reap long-term benefits through greater customer

⁸¹ Vives (n 2) 216.

⁸² Nojeem Amodu, 'Regulation and Enforcement of Corporate Social Responsibility in Corporate Nigeria' [2017] 61(1) Journal of African Law <<https://doi.org/10.1017/S002185531700001>> accessed 19 September 2020.

⁸³ McInerney Thomas , 'Putting Regulation Before Responsibility: Towards Binding Norms Of Corporate Social Responsibility' [2007] 40(1) Cornell International Law Journal <<https://scholarship.law.cornell.edu/cilj/vol40/iss1/4/>> accessed 27 September 2020.

⁸⁴ Amodu (n 82) 119.

loyalty, higher employee motivation, and fewer risks for investors, etc. It is not dependent upon public resources and regulatory body and may be either public or private.⁸⁵

Public self-regulation commonly occurs when government imposes a duty upon industry to develop a set of standards and fund a compliance and enforcement program or work in collaboration with the private sector. Whereas, fully private self-regulation exists where rule making and enforcement are done without government involvement.⁸⁶ It is a legitimate attempt by companies to self-police their behavior and put peer pressure on each other to avoid more costly regulation by governments or to mitigate negative reactions from society.⁸⁷ It is enforced in a decentralized fashion through market processes, whereby market participants sanction organizations, often by exiting their investments and thereby pressure them to comply.⁸⁸

2.2.2.2. *Market Regulation*

The postulation behind market regulation is assuming managers would have strong ethical principles to achieve maximum gains for both shareholders and other stakeholders. In this ideal world, it is also assumed that the market would act as the regulator and guide companies to the actions that society considers most desirable. In actual fact, the market may stimulate responsible behavior, but its effectiveness depends on the existence of active civil society, educated consumers and buyers, activist media, monitoring and reporting institutions, developed financial markets, committed top management, and exposure to globalization and competition. Nevertheless, the above conditions may not always be fulfilled to reward responsible companies and punish the irresponsible ones.⁸⁹

⁸⁵ Sheehy (n 8) 105-107.

⁸⁶ Garriga (n 42).

⁸⁷ Sheehy (n 8) 105-107; Vives (n 2) 213.

⁸⁸ Gregory Jackson and others, 'Regulating Self-Regulation? The Politics and Effects of Mandatory CSR Disclosure in Comparison' [2017] 1(1) SRN Electronic Journal <<https://doi.org/10.2139/ssrn.2925055>> accessed 27 November 2020.

⁸⁹ Vives (n 2) 210.

2.2.2.3. *State Regulation*

State regulation is promulgated by a public authority to denote specific behaviors, either positively ('must do') or negatively ('must not'). It depends on the exercise of public legal powers, utilizes public resources such as taxes or incentives, and relies on public executive and judicial branches of government for testing compliance and, where compliance fails, enforcement.⁹⁰

The traditional approach to state regulation is that of command and control, whereby an undesirable behavior is detected and laws and regulations are passed to prohibit or control the behavior. It is preferred in cases where the costs of the misbehavior are perceived by society to be large and where there is a clear relationship between the behavior and the consequence.⁹¹

The purpose of state regulation is to undertake measures that enhance the integration of economic, social and environmental considerations in the business policy of companies.⁹² Experience shows that various types of government interventions can comfortably coexist, and can in fact be complementary.⁹³ The government involvement may be in the form of: awareness creation, facilitating, endorsing, partnering, and mandating.⁹⁴

The effectiveness of state regulation depends on the complexity of problems that regulation is to address, and on the capacity of regulatory bodies to handle such problems. State regulation,

⁹⁰ Sheehy (n 8) 106.

⁹¹ Vives (n 2) 213.

⁹² Rado Bohinc, 'Corporate Social Responsibility: (A European Legal Perspective)' [2014] 20(1) Canterbury Law Review <<http://www.nzlii.org/nz/journals/CanterLawRw/2014/2.pdf>> accessed 12 January 2021.

⁹³ Fentaye Kassa, 'The Status of Corporate Social Responsibility in Ethiopia' [2018] 1(1) Ethiopian Journal of Business Management and Economics <<http://213.55.79.198/xmlui/bitstream/handle/123456789/1373/CSR%20In%20ETHIOPIA.pdf?sequence=2&isAllowed=y>> accessed 12 February 2021.

⁹⁴ Thomas (n 83) 6.

especially in the LMC, works well only if it deals with relatively straightforward matters which require simple regulatory tools.⁹⁵

State regulation is enforced directly by public authorities, habitually through law or administrative supervision. Various empirical studies show the positive contribution of government regulations for the effectiveness of CSR practices.⁹⁶

Generally, having adequate regulatory and policy-making expertise; well-functioning policy-making process; transparent and accountable governance; a reliable and readily accessible dispute resolution system; and skilled and duly motivated civil servants are needed to choose appropriate regulatory tools.⁹⁷

2.2.2.4. *International Regulation*

It consists mainly of public codes of conduct developed in international organizations and private codes of conduct developed by companies and other private actors. Though all are not binding, they can serve as an international standard, which help to regulate CSR.⁹⁸

In general, each of the above mentioned regulatory tools have their own merits and demerits; all or a combination of them could be applied to regulate different CSR behaviors; and the choice among them is highly dependent on the socio-economic conditions of countries, the conduct to be regulated, the efficiency and effectiveness of each tool, etc.

⁹⁵ Leonid Polishchuk, 'Corporate Social Responsibility or Government Regulation: An Analysis of Institutional Choice' [2009] 52(8) Problems of Economic Transition <<https://doi.org/10.2753/PET1061-1991520805>> accessed 19 October 2020.

⁹⁶ Jackson (n 88) 4.

⁹⁷ Polishchuk (n 95) 93.

⁹⁸ Valentin Jentsch, 'Corporate Social Responsibility and the Law: International Standards, Regulatory Theory and the Swiss Responsible Business Initiative' (2018) EUI MWP Working Paper 05 <https://cadmus.eui.eu/bitstream/handle/1814/59084/MWP_WP_Jentsch_2018_05.pdf?sequence=1&isAllowed=y> accessed 12 February 2021.

2.2.3. Challenges of Regulating CSR

Various literatures show that regulating CSR is not an easy task. At least it needs legal framework, resources of the regulatory body, enforcement agencies and the likes. Even having all these, regulations may tend to elicit reactive as well as counterproductive behaviors such as: preferring to strictly comply with the letter of law forgetting the spirit of the law, declining to take reasonable or ethical actions unless mandated by the law, capturing the regulator, deciding not to abide by the law if the benefit is greater than the cost; etc.⁹⁹

Hence, regulation should be limited to those cases where it is effective, efficient, and where it can be duly enforced. Otherwise, if society were to entirely rely on the law to control all possible corporate behaviors, the laws and regulations would end up severely limiting the activities of the company, and ultimately society would lose a significant part of the benefits of companies. Thus, a balance must be struck between crippling the initiative, allowing freedom of the company, and protecting the welfare of society. To achieve this balance, command and control regulation should be supplemented by other forms regulation.¹⁰⁰

2.2.4. Benefits of State Regulation of CSR

As discussed in section 2.2.3 above, state regulation of CSR benefits the society at large when it is implemented cautiously. Various scholars assert that government intervention in CSR improves the alignment of business activities and public policy to achieve societal goals; ensures better access of certain categories of citizens to the economy; and aligns national investment promotion strategies with 'responsible' foreign investors; gives opportunity to facilitate, work in partnership, endorse, and devising and enforcing minimal standards - especially for labor and environment.¹⁰¹

⁹⁹ Vives (n 2) 212.

¹⁰⁰ Vives (n 2) 213.

¹⁰¹ UN Department of Economic and Social Affairs, 'CSR and Developing Countries what Scope for Government Action?' (*Sustainable Development Innovation Briefs*, February 2007) <<https://sustainabledevelopment.un.org/content/documents/no1.pdf>> accessed 11 December 2020.

2.3. Regulating CSR: Global Practices

Scholars argue that in addition to the absence of a universal definition of CSR; contextual and structural differences in social, political, economic, cultural, and religious affairs drive the people and companies to perceive and practice CSR in different ways.¹⁰² Hence, this section briefly discusses how CSR is regulated in developed and LMC taking few countries as examples.

2.3.1. CSR Regulation in Developed Countries

As discussed in Section 2.2 above, previously, the initiative and enforcement of CSR was dominantly a voluntary act of companies. Later on, due to socio-economic changes, most developed countries moved to regulating CSR at least by obliging companies to disclose their CSR performance. Accordingly, there is a global steep increasing trend in CSR reporting regulation. As one can see from the figure below, by 2015, world top 64 economies have instituted a total of 366 policy instruments, among which 235 are mandatory.¹⁰³ The following graph shows the trend.

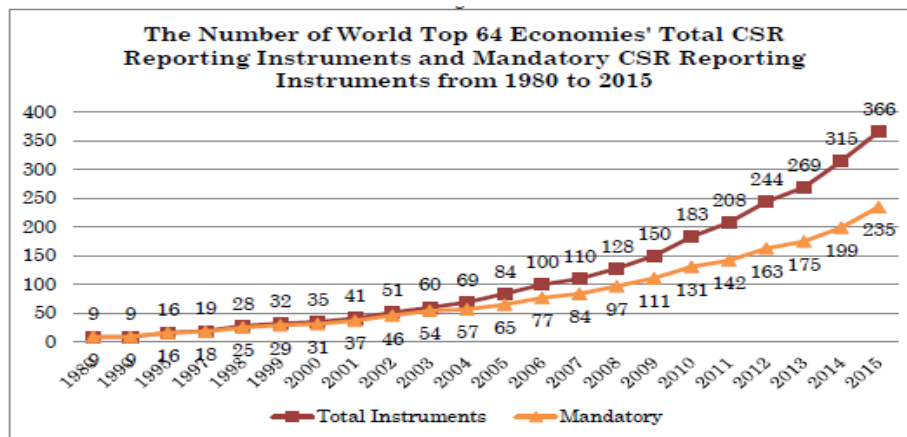


Figure 3 Mandatory CSR Reporting Instruments (Source: Wen, 2017)

¹⁰² Forte Almerinda , 'Corporate Social Responsibility in the United States and Europe' [2013] 12(7) International Business & Economics Research Journal <<https://doi.org/10.19030/iber.v12i7.7970>> accessed 13 November 2020.

¹⁰³ Wen Hui , 'Global Corporate Social Responsibility Reporting Regulation: Drivers and Impacts on Sustainable Development' (University of Illinois, 19 November 2017) <from <https://files.webservices.illinois.edu/7199/wenhui-jmp.pdf>> accessed 12 January 2021.

From the figure above, one can observe an accelerating trend in developing CSR report instruments after the year 2000 due to the global climate change, environmental pollution, promotion of international organizations, increasing attention to prevent financial risks (like that of the 2008), economic globalization, etc.¹⁰⁴

Here below, the CSR regulation experience of a few developed countries are discussed.

a) USA

When USA approached industrial maturity in the late 19th century, many of its companies voluntarily gave a fraction of their wealth for the public good. Over time, understanding their business rests on a foundation of social stability, U.S companies became part of voluntary activities to improve the quality of life in the communities in which they operate.¹⁰⁵ Nowadays, almost all U.S. companies freely acknowledge their economic, legal, ethical and philanthropic responsibilities voluntarily and embedding them in their core business functions and strategic decisions. CSR policies and instruments are generally based on disclosure guidelines and reporting mechanisms to monitor and control companies' behavior.¹⁰⁶

b) UK

There is growing awareness on the concept of CSR in UK due to various awareness creation programs.¹⁰⁷ Currently, companies in the UK are well familiar with CSR and as well implementing the internationally recognized principles and guidelines when developing their own CSR policy.¹⁰⁸ The UK government forces companies report their CSR activities; oblige government investments to consider social, environmental or ethical responsibilities; appointed a Minister for CSR (which was the first of its kind), who provides a strategic focus and leadership

¹⁰⁴ Ibid.

¹⁰⁵ Adhikari (n 1) 193.

¹⁰⁶ UN Department of Economic and Social Affairs (n 101).

¹⁰⁷ Adhikari (n 1) 193.

¹⁰⁸ Clayton Fonceca and Umesh Jebaseelan, 'CSR in UK and IN India – An Overview' [2013] 1(18) Asian Academic Research Journal of Social Sciences & Humanities <https://www.academia.edu/5483022/CSR_in_UK_and_in_INDIA> accessed 16 October 2020.

on CSR issues. Moreover, the 2006 UK Companies Act imposed duties on directors that align with the concepts of CSR.¹⁰⁹

c) *Denmark*

Denmark also initiated a movement called 'Our Common Concern Campaign' to stimulate the voluntary inclusion of CSR onto the agenda of companies operating in the country. The Campaign promotes the link between corporate governance, globalization and CSR. The government has a comprehensive strategy for CSR initiatives which address CSR tools, multi stakeholder dialogue, legal requirements on CSR reporting, etc.¹¹⁰

d) *France*

Like other developed countries, France also has some important initiatives to promote the concept and execution of CSR. There is a French Study Centre for CSR, which was established in 2000 to study and promote CSR and socially responsible investment. As of 2008, France began special diplomacy on CSR in Europe and the rest of the globe by appointing a Special Representative.¹¹¹ Besides, France, through its May 2001 New Economic Regulations Law, became the first country to require all publicly listed companies to report on the social and environmental consequences.¹¹²

e) *Germany*

Germany considers CSR as one of the decisive factors for sustainable development. In October 2010, the government adopted a CSR Action Plan, which has enabled the government to adopt

¹⁰⁹ Adhikari (n 1) 197-199.

¹¹⁰ Adhikari (n 1) 193-194; Danish Business Authority, 'Focus on CSR' (*Danish Business Authority*, n.d) <<https://danishbusinessauthority.dk/focus-CSR>> accessed 17 January 2021.

¹¹¹ Adhikari (n 1) 194; Ministry of Europe and Foreign Affairs, 'France's commitment to Corporate Social Responsibility (CSR)' (75 *Ministère de l'Europe et des Affaires étrangères*, 2018) <<https://www.diplomatie.gouv.fr/en/french-foreign-policy/economic-diplomacy-foreign-trade/a-european-and-international/corporate-social-responsibility/>> accessed 12 May 2021.

¹¹² Adhikari (n 1) 199.

tools to promote the implementation of CSR policies in companies. The country has worked hard to inculcate the concept CSR in the society and companies.¹¹³

f) Belgium

Compared to other European countries, CSR in Belgium is a relatively recent concept which has gained significant momentum since 1995. The country availed a legal framework for sustainable development in 1997. Moreover, in 2006, the government adopted a Reference Framework for CSR followed by the CSR action plan. Besides the governmental devotion, the involvement of other actors and platforms significantly increased CSR initiatives.¹¹⁴

Like the UK, government investments are required to apply ethical, environmental and social performance criteria. Also, the Belgian Parliament adopted the Social Label Law (the first of its kind in the world) in February 2002. Its purpose is to allow both domestic and foreign companies to apply for a 'social label' which certifies that the product in question has been produced in a responsible way.¹¹⁵

2.3.2. CSR Regulation in Developing Countries

Vives claims that regulation in developing countries is not as such pragmatic and is in a weak position due to governments' deficiencies in setting and enforcing it. Besides, there is controversy in deciding whether the legal regulation to be adopted should be as stringent as those in developed countries or should it consider the special conditions prevailing in a particular country, like capacity to enforce and the impact on overall welfare.¹¹⁶

However, regardless of these challenges, many LMC, including South Africa, Thailand, Indonesia, the Philippines, India, Mauritius, China, Brazil, Egypt, Chile, South Korea, Nigeria,

¹¹³ SOFIDEL, 'CSR in Germany' (*SOFIDEL*, 25 January 2018) <https://www.sofidel.com/en/softandgreen/circular-economy-and-industry/country-focus-csr-in-germany/> accessed 9 December 2020.

¹¹⁴ Louche Celine and others, 'CSR in Belgium: The Institutional Context and Practices' (2007) Vlerick Leuven Gent Working Paper Series 2007/34. <<http://ssrn.com/abstract=955815>> accessed 18 November 2020.

¹¹⁵ Adhikari (n 1) 199.

¹¹⁶ Vives (n 2) 222.

and Vietnam have established public policies on CSR. They have also promoted CSR practices by facilitating and mandating social reporting, incorporating CSR concepts into corporate governance standards, and partnering with industry and civil society organizations to build companies' capacity.¹¹⁷

Like their counterparts in developed countries, direct regulation that mandates CSR behavior is also very rare in the LMC. Nevertheless, a few countries such as China, India, Mauritius, and Indonesia have taken a progressive approach to CSR under their corporate law which expressly state that companies shall engage in CSR activities.¹¹⁸

China is probably the first country in the world that expressly writes the phrase of “corporate social responsibility” into its corporate statute proclaimed in 2006. It is Article 5 of the 2006 Company Law of China that expressly provides companies' obligations to undertake social responsibility.

Similarly, Indonesia passed an amendment to its corporate statute in 2007 to include the obligation to discharge social and environmental responsibility when the company's business activities are in the field related to natural resources.

On the other hand, India's 2013 Companies Act (s.166 &153) requires directors to act in good faith in order to promote the objectives of a company for the benefit of its shareholders, employees, community and for the protection of the environment. It further requires companies to establish a board-level CSR committee and contribute 2% of their average net profits to permissible CSR activities.

Like India, Mauritius mandated CSR through “The Finance Bill 2009” which requires all companies to contribute 2% of their profits for CSR activities. Guidelines for spending CSR

¹¹⁷ Virginia Ho, 'Beyond Regulation: A Comparative Look at State-Centric Corporate Social Responsibility and the Law in China' [2012] 46(2) SSRN Electronic Journal <<https://doi.org/10.2139/ssrn.1983659>> accessed 15 September 2020.

¹¹⁸ Lin (n 16).

funds were formulated by government to synchronize CSR activities for the benefit of the society and, more particularly, the needy.¹¹⁹

Nigeria also tried to introduce a CSR Bill in 2007 which aimed to collect a compulsory 3.5 per cent CSR levy from companies' net income, to run community development projects for the citizens. However, the bill received criticism for its attempt to introduce another form of corporate tax; it therefore failed to be a law.¹²⁰

In Kenya, CSR is viewed by companies as a necessary but voluntary commitment of a philanthropic nature. Though it is weakly regulated, tendency to operate for a long-term motivates companies to consider social, economic, legal and environmental responsibilities.¹²¹

Generally, from the above discussions, one can understand that the regulation of CSR varies from country to country; developed countries are dominantly relying on the voluntary nature of CSR (though most of them are mandating the reporting of CSR activities); and developing countries are moving to mandate CSR. Though the reasons behind such diversion are beyond the scope of this study, it is possible to conclude that CSR originated from the developed countries, whereas mandatory CSR (in the strict sense) has been driven by LMC.

¹¹⁹ Dinesh Ramdhony, 'The Implications of Mandatory CSR—A Literature Review Perspective' [2018] 8(3) *Theoretical Economics Letters* <<https://doi.org/10.4236/tel.2018.83031>> accessed 12 September 2020.

¹²⁰ Amodu (n 82) 112.

¹²¹ Thomas Cheruiyot, Corporate Social Responsibility in Kenya: Blessing, Curse or Necessary Evil? in Idowu Samuel (ed), *Corporate Social Responsibility in Times of Crisis* (Springer 2017) 172.

CHAPTER THREE: CSR AND THE LAW IN ETHIOPIA

As said time and again, the main objective of this research is exploring the potential approaches to regulating CSR in Ethiopia. In the course of doing this, the study examined how CSR is understood in Ethiopia, discovered its legal basis, examined the existing regulatory system and identified its weaknesses. Hence, this Chapter addresses these issues after introducing the country in a few words.

3.1. The Country in Brief

Ethiopia, with more than 110 million people (estimated), is the second most populous nation in Africa, after Nigeria. It is one of the developing countries which strive to widen private sector role in development. The country was following socialistic economic policy as of 1974 where there were virtually no large private companies. In 1991, a market oriented economy was declared and both domestic and foreign private companies began to join the market.¹²²

Now, as the Ethiopian Investment Commission claims, Ethiopia is the fastest growing economy in the region and the largest recipient of FDI in East Africa and the 4th largest on the continent. EIC states, this success is due to faster economic growth, favorable investment climate, a large market size, and the commitment of the government towards FDI attraction.¹²³ However, Ethiopia is still one of the poorest and lowest per capita income countries with governance problem and poor access to social services.¹²⁴

Hence, there is a desperate need for the role of the private sector to improve the situation and ensure the sustainability of the country's development. At the same time, it is vital to ensure industrialization in Ethiopia is benefiting the entire society and has minimal negative impact on

¹²² Mathias Nigatu, 'Corporate Social Responsibility Learning in the Ethiopian Leather and Footwear Industry' [2016] 7(10) International Journal of Scientific and Engineering Research <https://www.researchgate.net/publication/315698133_Corporate_Social_Responsibility_Learning_in_the_Ethiopian_Leather_and_Footwear_Industry> accessed 7 November 2020.

¹²³ Ethiopian Investment Commission, 'Economic Indicators' (*Ethiopian Investment Commission*, 2000) <<http://www.investethiopia.gov.et/index.php/why-ethiopia/economic-indicators.html>> accessed 11 March 2021.

¹²⁴ Nigatu (n 122) 225.

the environment. One way of doing this is by encouraging businesses to discharge their CSR. However, researches show that CSR in Ethiopia is still in its infancy stage. It is critical, controversial, and is subject to varying interpretations, conceptualizations and implementation.¹²⁵ Likewise, others say, in Ethiopia, the private sector (in most cases) is not taking the lead, the private-public partnership is very weak, and the majority of CSR initiatives result from a political influence rather than a CSR approach.¹²⁶ On the contrary, some others refrain from such conclusion saying CSR research in Ethiopia is the least explored subject which needs further studies.¹²⁷

3.2. Perceptions about the Concept CSR in Ethiopia

To grasp the research participants' views on CSR, the researcher explored how participants *describe* and *perceive* the notion CSR and searched the *motivations* for and *benefits* of fulfilling CSR. Accordingly, the following results were observed.

First, in terms of description, some of the research participants from the MC explained CSR as merely a corporate philanthropy or something beyond the compliance of legal responsibilities. Others said CSR is not just a philanthropic activity which MC do it when they like to do; rather, it includes additional responsibilities which benefit the company itself (by ensuring its long-term sustainability) as well as other stakeholders through creating job opportunity, availing products, behaving ethically, and participating in solving social problems.

Secondly, the study provided insight into how participants perceive CSR - the voluntary vs. mandatory discourse. Some research participants from MC said CSR, except the legal ones, should be under the discretion of companies. To substantiate this, a participant said "CSR is a

¹²⁵ Kassa (n 93).

¹²⁶ Sintayehu Tilaye, 'The Current Practice of Corporate Social Responsibility in Ethiopia' [2019] 6(2) International Journal of Social Work <<https://doi.org/10.5296/ijsw.v6i2.15567>> accessed 26 January 2021.

¹²⁷ Amare Abawa, 'Corporate Social Responsibility Practices in Selected Tanneries in Ethiopia' [2018] 6(11) International Journal of Management Research <https://www.academia.edu/38050600/corporate_social_responsibility_practices_in_selected_tanneries_in_ethiopia_case_studies_from_stakeholders_perspective> accessed 14 February 2021.

concept that should be guided by ethical values of individuals or by a company's self-interest, not by laws”.

Whereas some other interviewees from MC, government offices, the community, and employees said CSR exclusively based on voluntarism is not measurable and cannot be run effectively. Hence, they said some critical responsibilities should be mandatory with a binding force of law and sanctions if not complied. They added, making some aspects of CSR mandatory standardizes and ensures uniform application and provides legal certainty for its enforcement. However, participants from the EIC and NSZIO said, the responsibilities should not be stringent to the level discouraging investments and undermine the primary purposes of MC.

Thirdly, the study tried to identify the motivations for CSR. In this regard, some of the participants from MC said besides the legal responsibilities, it is pressure from the society and the government that triggers them to undertake CSR activities. Other participants mentioned interest to ensure corporate sustainability, curiosity to boost company reputation and image, and passion to support the needy are additional motivators of CSR. Still, some others said, feeling responsible for the impact of their operation on the society and the environment is another motivator. For example, a shareholder of a given company said “We are using the land of farmers who were displaced. So, we always feel responsible for the lives of these families. That is why we devoted a lot of money to avail them potable water and electric power”.

On the other hand, participants from government offices, community, and employees said, though there are few MC which are aware of their responsibilities; usually, it is pressure from the society and the government that forces most MC to discharge their social responsibilities.

Fourthly, the research made effort to discover to what extent companies and other stakeholders are aware of the benefits of carrying out CSR activities. There are two views from the MC: the first is CSR is a cost which firms incur due to pressure from the government and society. The other is CSR is an investment which improves the relationship between companies and the local community, builds company reputation and image, promotes the brand, and ensures the companies' sustainable development and existence.

Those from local admin and the community on their part said beyond benefiting the society, exercising CSR creates a sense of belongingness within a community. Explaining this, a community member around a certain factory said “the company is good for us; therefore, we feel as if it is ours, not that of the investors. So, we do not allow anyone to touch its fence with bad intention”. Also, a participant from EIC said “most MC which are socially responsible were not affected by the recent unrests”.

Generally, from the findings noted above, it is evident that some participants from MC experience a meager understanding of what CSR is. They associated the concept solely with corporate philanthropy and altruism than accountability for the company’s actions. Even some of those who claimed CSR is beyond philanthropy, based their argument on the sustainability of firms themselves rather than considering the interests of other stakeholders. However, there are few who linked CSR with companies’ impact on and duty towards the society and the environment.

Regarding the voluntary vs. mandatory argument, the findings of the study suggested two solutions. Some said it should be voluntary and some others advocated a mix of both, depending on the nature of the responsibilities. When one observes the reality on the ground, the world (including developed economies) is recognizing that CSR is no longer anchored in the voluntary and beyond compliance concept. Rather, it is also becoming an obligation of firms relating to their impact on the society and the environment and they function because of public consent. But, this does not denote CSR is merely a mandatory activity; rather there should be a sense of volunteerism in it.

The results about the motivations of CSR in Ethiopia appear to support the assumption that the major forces that drive CSR in LMC are external pressure and the desire to ensure the sustainability of firms than taking responsibility for one’s own impact on the society or showing commitment to the society.

Regarding the return of discharging CSR, evidences from this study show that some consider it as a cost to a firm, others as an investment (contributes to the sustainability of MC). Theories confirm that engaging in a CSR activities benefit not only the community, but also the company

itself by managing business risk, ensuring security, improving organizational image, attracting and retaining talented employees, increasing customer loyalty, improving relations with regulators, etc.

3.3. The Meaning and Legal Basis of CSR in Ethiopia

After establishing the absence of a self-contained statute that defines and gives a legal basis for the notion CSR in Ethiopia, the researcher examined various domestic policy and legal instruments to search for how the concept CSR has been understood and has got a legal underpinning in this land of ours. To do this, the researcher used deductive reasoning approach as the documents are not directly meant for CSR. Of these, the researcher identified the following major legal instruments which generally deal about the responsibilities of both natural and legal persons, unquestionably including MC.

i. The Constitution

The FDRE Constitution incorporates a number of provisions relevant to human rights; the protection, sustainable use, and improvement of the country's environment; and economic, and social rights of the people.¹²⁸ A few of them are presented hereunder.

- a) Article 43 assures the people's right to sustainable development and consultation with respect to projects affecting them.
- b) Articles 44 and 92 guarantee the right to live in a clean and healthy environment and get compensation for what they lost.
- c) Article 89 requires national policies to ensure all Ethiopians can benefit from the country's resource, to promote equitable distribution of wealth and get equal opportunity to improve their life and protect their health and welfare.
- d) Article 90 demands policies to focus on availing access to public health, education, clean water, housing, and food.
- e) Article 42 grants rights to labor to form associations, to bargain collectively with employers, to have a safe working environment, etc.

¹²⁸ Federal Democratic Republic of Ethiopia Constitution, 1995, Proc. No. 1/1995, *Fed. Neg. Gaz.*, year 1, No.1

From these, one can learn that the incorporation of such provisions in the supreme law of the land has raised the economic, social and environmental issues to the level of fundamental rights. Hence, from the Constitution, it is possible to deduce concepts of CSR as it is a must to have someone (MC, for that matter) that should discharge its obligations or at least refrain from harming others (the general public).

For instance, guaranteeing the people's right to live in a clean and healthy environment and get compensation for what they lost (Articles 44 and 92) shows the responsibility or obligation of MC, among others, to keep the environment where they operate clean and healthy. This could be *environmental/ legal responsibility* in the wordings of the TBL theory and the Carroll theory respectively. As well, it may show the obligation to compensate the society affected by the operations of MC, called *social responsibility* of companies. One way of compensating could be doing *philanthropic* activities which improve the welfare of the society. Rights to labor, Article 42, as well shows the *legal responsibilities* of businesses.

In addition, the people's right to sustainable development (Article 43) may indicate companies' responsibility to use resources in an efficient and effective way, which may also be termed as *environmental* as well as *economic responsibility* of firms. On the other hand, equitable distribution of wealth (Article 89) may not be achieved only through a tax system or government subsidies, especially in LMC like Ethiopia. Hence, it may also need the commitment of the business community.

Taken together, the above articles implicitly show the responsibilities of businesses towards the society and the environment.

ii. *The Health Policy*

The Health Policy specifies, among others, the safe disposal of industrial wastes (*environmental/legal responsibility*), encouragement of recycling waste

(*economic/environmental responsibility*), and developing measures to improve the quality of work premises for health (*social/legal responsibility*).¹²⁹

iii. The Environmental Policy and Environmental and Social Management Framework

The overall goals of the 1997 Environmental Policy of Ethiopia are, among others, improve the health and quality of life and promote sustainable social and economic development through responsible use of resources and the environment to meet the needs of the present and coming generations. Key guiding principles of the policy also include: ensuring the right to live in a healthy environment; empowering communities to make decisions on matters that affect their lives; ascertaining the sustainable development, use and management of renewable resources; adopting appropriate, efficient, and affordable technologies; correcting market failures of pricing resources through establishing user fees, taxes, tax reductions or other incentives.

The 2013 *Environmental and Social Management Framework* prepared in collaboration with the World Bank sets out procedures to ensure that investments are implemented in an environmentally and socially sustainable manner. It recognizes the importance of protecting people and the environment from the negative impacts of development and safeguarding the lives and livelihoods of the population.

The policy and the Framework, as the names depict, principally focus on environmental responsibilities. However, both also address the social and economic aspects which demand the commitment and accountability of MC, among others.

iv. EPC and EIA Proclamations & Prevention of Industrial Pollution Regulation

Article 3 of the Environmental Pollution Control (EPC) Proclamation states, no person shall pollute the environment. If this rule is violated, the person (natural or artificial) who caused the pollution pays for any cleanup.¹³⁰

¹²⁹ Transitional Government of Ethiopia, 1993.

¹³⁰ Environmental Pollution Control Proclamation, 2002, Proc. No. 300/2002, *Fed. Neg. Gaz.*, year 9, No.12.

According to Article 3&4 of the EPC Proclamation and Article 4 of the Regulation,¹³¹ MC must make sure their waste meets environmental standards; obtain a permit before discarding waste; keep records and report periodically to the Environmental Protection Authority; prevent or minimize the generation of pollutants; and inform competent environmental organ any potential pollutants. Other specific articles as well detail the need for proper management of hazardous materials and the adoption of environmental standards to manage pollutants.

As per Article 4 of the Environmental Impact Assessment (EIA) Proclamation, investments that are likely to damage the physical and social environment are expected to have an EIA that identifies hazards and possible damage so that they can be mitigated during the project development. The proclamation outlines the duties of the promoters and specifies the details that must be included in the assessment and the impact study report.¹³²

As that of the Environmental Policy, the EPC and EIA proclamations and the Regulation, as well, pay attention on environmental responsibilities. Yet, EPCP integrated legal responsibilities by applying the ‘polluter pays’ principle.

v. *Investment Proclamation*

The Proclamation deals, among others, about the sustainable development and improving the living standard of the people. It is Article 54 that introduced obligations of investors to carry out their investment activities in compliance with socially and environmentally sustainable way. From this one can learn that the Proclamation addresses the economic, social, and environmental responsibilities of companies.¹³³

vi. *Labor Proclamation*

The LP stipulates the duties of employers and the rights of workers. The latter covers: salary and wage; working hours; benefits; occupational safety, health and working conditions; participation

¹³¹ Prevention of Industrial Pollution council of Ministers, 2008, Reg. No. 159/2008, *Fed. Neg. Gaz.*, year 15, No.14.

¹³² Environmental Impact Assessment Proclamation, 2002, Proc. No. 299/2002, *Fed. Neg. Gaz.*, year 9, No.11.

¹³³ Investment Proclamation, 2020, Proc. No. 1180/2020, *Fed. Neg. Gaz.*, year 26, No.28.

in labor associations; collective agreement and collective bargaining; etc.¹³⁴ All these have relevance to internal CSR initiatives, especially economic, social and legal (human rights) responsibilities.

vii. Trade Practice and Consumers' Protection Proclamation

The Proclamation in Article 14 granted consumers to have the right to get sufficient and accurate information about the goods and services they purchase; to claim compensation from suppliers of goods and services for damages sustained; to get protection from false and misleading commercial advertisements; etc.¹³⁵ These provisions embedded the CSR principles of accountability and transparency as well as ethical and legal responsibilities of firms.

viii. Mining Operation Proclamation¹³⁶ and Mining Regulation¹³⁷

The Proclamation promotes sustainable use of mineral resources and governs the conduct of all mining operations and related activities within Ethiopia. Key provisions state that no mining licenses may be granted if it affects the lives of the inhabitants and other natural and man-made facilities; issued licenses may be revoked if there is a breach of the approved EIA, and safety and health standards; demand the establishment of community development plans within the license area; and forces the licensee to continue to monitor environmental effects, even after a mine closure certificate has been issued.

The Regulation, among others, promotes socioeconomic growth of the country; envisages the advancement of the social and economic welfare of all Ethiopians; ensures that the country's

¹³⁴ Labor Proclamation, 2019, Proc. No. 1156/2019, *Fed. Neg. Gaz.*, year 25, No.898.

¹³⁵ Trade Competition and Consumers Protection Proclamation, 2013, Proc. No. 818/2013, *Fed. Neg. Gaz.*, year 20, No.28.

¹³⁶ Mining Operation Proclamation, 2010, Proc. No. 678/2010 (as amended by Proc. No. 813/2013), *Fed. Neg. Gaz.*, year 20, No. 217.

¹³⁷ Mining Regulation, 2010, Reg. No. 423/2018, *Fed. Neg. Gaz.*, year 24, No. 22.

mineral resources are developed in a sustainable manner; and provides royalty and social responsibility regulations.

These legal instruments are better at specifying the social responsibilities of firms. For example, an applicant for mining license is required to allocate funds to cover the costs of rehabilitating the environment affected by its activities, participate in planning community development initiatives within the license area, and allocate funds to pay for these initiatives.

ix. Rural Land Administration and Land Use Proclamation

This Proclamation highlights that it has become necessary to sustainably conserve and develop natural resources and pass on to future generations, through the development and implementation of a sustainable rural land use plan. It refers to environmental responsibilities.¹³⁸

x. Federal Income Tax Proclamation

The Proclamation in Article 24 declares that taxpayers shall be allowed a deduction for the amount of a donation (a maximum of 10% of the taxable income during the tax year) when they donate to Ethiopian Charities and Societies and to the government.¹³⁹ This signifies that philanthropic activities are encouraged by the government through giving tax incentives (endorsing CSR).

In general, looking on the above policy documents and legal instruments, one may assume that there is no direct indication of the term CSR, let alone its definition. Nevertheless, when evaluated against the Carroll theory and TBL theory, all economic, social, environmental, legal, ethical, and even philanthropic responsibilities are incorporated implicitly. Furthermore, one can observe from the documents that the greater parts of the responsibilities are associated with the *impacts* of companies on the society and the environment, which corresponds with the 2011 EC definition of CSR. As well, the above laws give legal basis for CSR initiatives, though the need for having a self-contained, all-inclusive and clear law is indisputable.

¹³⁸ Rural Land Administration and Land Use Proclamation, 2010, Proc. No. 456/2005, *Fed. Neg. Gaz.*, year 11, No.44.

¹³⁹ Federal Income Tax Proclamation, 2016, Proc. No. 979/2016, *Fed. Neg. Gaz.*, year 22, No.104

3.4. The Execution and Regulation of CSR in Ethiopia

Under this theme, the study examines the current status of CSR in Ethiopia, evaluates its regulation, and identifies existing problems.

3.4.1. The Status of CSR

Almost all participants believe not only the execution, but also the concept CSR is at its infancy stage in Ethiopia. Lack of awareness of all stakeholders and the absence of a CSR policy and law in the country are among the major reasons pointed out. Participants from EIC, MoTI, NSZIO, local admin, and community complain most firms are not discharging their CSR since there are no laws and enforcing bodies that compel them to contribute to the society and the environment.

Yet, they assert, it does not mean that there are no businesses which discharge their social responsibilities. They said, most ‘big’ and ‘medium’ local and MNC expend more than they ought to have though the majority of ‘small’ businesses which sometimes make better profit are still ‘free riders’.

Some employees on their part alleged firms are: not giving attention for occupational safety, health and working conditions; discouraging the formation of and participation in labor unions; resisting to have collective agreement; paying a minimal salary, weak in staff capacity development; etc though the law which addresses most of these issues is there.

However, some other employees on their part said they are getting a reasonable salary and other benefits beyond those indicated in the labor proclamation (like having a meal every day, free tea and coffee services, bonus in holidays, transport service, gifts during a wedding ceremony, medical expense coverage, insurance, etc.).

Regarding inculcating the values of CSR, the EIC said it creates awareness to all investing MC when licensing, encourages them (during follow-up visits) to fulfill their social responsibilities, and integrates the principles of sustainable and responsible investments into every investment agreement. The NSZIO also confirmed that before giving investment licenses, it checks the

proposed project's potential benefits and negative impacts on the society and the environment and tries to advise MC to discharge their social responsibilities.

With regard to self-motivated CSR, it is evident that some companies are giving attention. For instance, a given Holding Company already established an independent foundation (named after the major shareholder) which works on CSR activities harmonizing its subsidiaries. Some other MC also developed self-contained CSR guidelines and set up independent work units which coordinate their CSR activities. Still, as reviewed by the researcher, none of the guidelines clearly defined the concept CSR and indicated how they incorporate stakeholders' interest

Whereas, majority of MC covered under the study do not have a self-contained CSR policy or guideline. They argued they are facing difficulties even to respond to frequent support inquiries from the government and society, let alone to plan by themselves. Yet, some others claim they do have a CSR guideline, though the researcher could not prove the claims as he was unable to access the documents.

On the other hand, the researcher saw the inclusion of the general idea of CSR in some Articles of Associations though not sure to conclude these documents express the real intention of owners as mostly such texts may be copied and pasted without much thought.

Generally, the above findings indicate that CSR is not well practiced in Ethiopia due to various problems mentioned in Section 3.4.3 below.

3.4.2. The Regulation of CSR

Almost all participants agreed that social responsibilities are not properly regulated in Ethiopia as both self-regulation of MC and state regulation are nominal. They alleged even the legal responsibilities (environmental, health, & labor issues) are not being properly regulated due to the weak enforcement capacity of government agencies, the regulatory capture, and corrupt behavior of regulators.

However, few MC claim they are implementing self-regulation mechanisms which enabled them to give job priority to the local community, avail benefits to employees beyond the legal

requirements, have a code of conduct, and allocate budget and execute philanthropic activities by their own initiatives.

All participants confirmed there is no a self-contained law and a government agency to regulate the entire aspects of CSR initiatives in Ethiopia, except those scattered laws, quite a lot of them are mentioned in Section 3.3 above, mainly designed to regulate the legal responsibilities of MC.

Also, Fantaye Kassa affirms that there is no a clear political statement on CSR except the effort to develop the same by the Ministry of Industry in collaboration with the World Bank, U.S. Agency for International Development, and others.¹⁴⁰ However, the researcher could not get confirmation on this statement when conducted interview with an official from the MoTI. As well, a participant from EIC said the Commission knows nothing about such effort. Additionally, a report from a Workshop on CSR and Environmental Management Systems organized by the Industry Parks Corporation and others as well confirms the absence of guidelines to regulate CSR in Ethiopia.¹⁴¹ Sintayehu Tilaye, verifying the same, says such situation has caused the private sector to disregard or haphazardly respond to CSR.¹⁴²

3.4.3. Problems Faced

The research participants mentioned several problems associated with the execution and regulation of CSR in Ethiopia. To understand easily, the major ones are categorized into: lack of enabling environment, lack of motivation, and discouraging factors.

i. Lack of enabling environment

- a) Absence of a self-contained CSR policy and law which define the notion CSR in Ethiopian context and guide the whole process
- b) Absence of a government office responsible to promote and regulate the entire aspects of CSR

¹⁴⁰ Kassa (n 93) 10.

¹⁴¹ 'Industrial Parks Corporate Social Responsibility and Environmental Management Systems Training Workshop' <https://sus-a.com/wp-content/uploads/2018/08/Ethiopia_CSR-EMS-Workshop_Report.pdf>accessed 12 March 2021.

¹⁴² Tilaye (n 126) 55.

- c) Lack of awareness about the notion CSR among companies and other stakeholders

ii. Lack of motivation

- a) Decline to consider most CSR related costs as an expense by the Ministry of Revenue
- b) Absence of a rating organization that identifies and reports responsible companies
- c) Failure to recognize and reward responsible companies by the government and the market

iii. Discouraging factors

- a) Misuse of resources and spending wealth in less priority areas where the community cannot see its effect
- b) Overburdening few companies with recurring, disorganized, and boring requests for support in the guise of CSR.
- c) Politicizing CSR and intimidating companies
- d) Corruption and abuse of power by regulators
- e) Existence of multiple regulators
- f) Forcing companies donate a huge amount while they are at a loss
- g) Assuming business companies as a charity organization, money machine, and alternative source of budget
- h) Existence of many 'small' and 'medium' free rider businesses which do not discharge their social responsibilities
- i) Lack of thankfulness, unlimited expectation and considering companies are there to fulfill everything the community wants
- j) Conflict among beneficiaries

CHAPTER FOUR: POTENTIAL APPROACHES TO REGULATING CSR IN ETHIOPIA

As discussed in Chapter Two above, approaches to regulating CSR vary from country to country and even industry to industry within a given state. Moreover, it is clear that different regulatory tools are applied for various aspects of CSR.

As the scope of this study is exploring potential approaches, a one-size fits all solution is not expected. Thus, the Chapter presents the potential approaches to regulating CSR in Ethiopia, explored both from the views of the research participants and secondary sources (experiences of other countries).

4.1. Proposed by the Research Participants

Of the four Carroll's aspects of CSR, it is obvious that regulating legal responsibility of a company is that of the state. Hence, this study paid more attention on exploring the potential approaches to regulating the other three social responsibilities (namely: economic, ethical, and philanthropic). In view of this, participants were asked whether these responsibilities should be regulated or not; if to be regulated, by whom and how.

Remarkably, all the study participants agreed on the importance of regulating the entire aspects of CSR. But their difference lays on who should regulate and how it should be regulated.

Accordingly, some participants from MC proposed the regulation of CSR (except the legal ones) should be left to the discretion of firms saying the motivations for the uptake and compliance with CSR has much more to do with individuals' intrinsic ethical motivation than compliance with external directives. Moreover, they argue that leaving the government to design and enforce all aspects of CSR is no longer viable given the increasing number of business firms in the country and the prevailing failure of the government to properly regulate even the legal responsibilities which are already under its discretion.

However, among those who supported self-regulation, some said the government should impose a duty upon all MC to develop a set of standards and code of conduct which help them monitor their behavior.

Conversely, some other participants from MC and those from government offices and the community suggest it is not only legal responsibility that should be regulated by the state, but economic, ethical, and philanthropic responsibilities as well. Their justifications are summarized as follows.

- i. Business firms should not be fully trusted to develop solutions on their own unilateral initiative as they naturally focus on cost minimization and profit maximization
- ii. Socially responsible practices of MC will be more effective when they are connected to external standards and scrutiny
- iii. State regulation is necessary not to overstrain few responsible MC, as practically only few firms are participating in CSR activities and expending resources more than they should have had CSR been practiced by all businesses.
- iv. The resource collected in the guise of CSR is being abused or used in a less priority areas where the society cannot see its effect. So, regulating the collection and spending of CSR funds and other resources as well is critical to synchronize CSR activities with the needs of the society.

Regarding the level of state intervention, participants recommended the following three approaches which are not mutually exclusive. For the convenience of discussion, the researcher, based on their gravity, labeled the first two interventions as ‘soft’ state regulation and the third one as ‘hard’ or ‘direct’ state regulation.

i. **‘Soft’ state regulation** – composed of:

- a. *Awareness creation and partnering* – some participants said the government’s intervention should be limited to, disseminating the idea of CSR; urging all companies to have a self-contained CSR guideline; participate in setting standards and codes of conduct; regulating self-regulation; and combining its expertise, competencies, and resources to the business community to deal with action areas.

- b. *Facilitating and endorsing* – promoters of this idea suggest, in addition to awareness creation and partnering, the government should: prepare a self-contained CSR policy and law, provide incentives for those MC engaged in CSR activities through tax exemption or reduction; conduct award and recognition schemes; carry out labeling and listing of companies which sustainably discharge their social responsibilities; etc.

ii. **‘Hard’ (‘direct’) state regulation-** through mandating some aspects of CSR

In addition to the above soft regulations, some other participants wished-for the mandating (enforcing the law and imposing sanctions if not complied) of some aspects of CSR. They suggest the mandating of giving job priority to the local community and levying a CSR ‘tax’ not more than 2% of companies’ yearly book profit. Or establishing a matching fund, say 1%, from MC and some portion of the income tax payable to the government, say again 1%, and devote on social development activities in the investment area either through a state agency or MC themselves.

Proponents of levying a CSR ‘tax’ believe CSR is not a charity; rather, it is compensation to the society as companies are not paying the full cost of the resources they use and could not completely avoid the impacts of their operation on the society and the environment whatever care they take.

In a nutshell, interviewees recommended the following regulatory approaches, which are coded for easy reference in the table below.

- 1= Private self-regulation:** where rule making and enforcement are done by MC only
- 2= Public self-regulation:** when government imposes a duty upon MC to develop a set of standards and fund a compliance and enforcement programs
- 3= ‘Soft’ state regulation:** through awareness creation, partnering, facilitating, and endorsing
- 4= ‘Hard’ state regulation:** by mandating some aspects of CSR

The table shows each aspect of CSR and recommended approaches to regulate the same. Here, it is good to note that different participants may recommend two or more types of regulatory

approaches for a single aspect of responsibility as the research design applied here is not to generalize findings to a larger population; rather to generalize ideas.

Major Categories of CSR	Recommended Approaches
1. Economic responsibilities of MC	
• Sustain themselves and being profitable	1
• Incentivize shareholders to reinvest and continue in operation	1
• Improving the firm’s business operation and cost-effectiveness – e.g., using a new manufacturing process to minimize wastage	1&2
• Giving job priority to the local community	4
• Availing quality products to the society with a reasonable price	1&2
2. Legal responsibilities of MC	
• Complying with various federal, state, and local regulations	4
• Conducting themselves as law-abiding corporate citizens	4
• Providing products that at least meet minimal legal requirements	4
3. Ethical responsibilities of MC	
• Feeling responsible for the spirit of the law, rather than sticking to the letter of the law.	1&2
• Recognizing and respecting moral norms adopted by society	1&2
• Avoiding compromising ethical norms for the sake of achieving business goals	1&2
• Being good corporate citizens by doing what is expected morally	1&2
4. Philanthropic responsibilities of MC	
• Engage in solving societal and environmental problems	1,2,3,&4

In summary, the above findings show that a mix of private self-regulation, public self-regulation, and direct state regulations are recommended for economic responsibilities; hard state regulation for all legal responsibilities (as normally expected); both private and public self-regulation for ethical responsibilities; and all the above types of regulations for philanthropic responsibilities.

Accordingly, it is understandable that those who believe CSR in general and philanthropic responsibility in particular is a voluntary initiative, usually go for self-regulation (be it private or public). But, those who consider philanthropic initiatives (irrespective of the nomenclature) as a compensation for the impacts of MC on the society favor its mandatory nature. Among the latter, some recommended the ‘soft’ approach, saying regulating philanthropic initiatives become more effective through incentives and introducing legal requirements on CSR reporting which creates a sense of being watched by the society and the government. Moreover, they said levying a CSR ‘tax’ discourages investment, results in a competitive disadvantage, and reduces profits.

Whereas, others said a CSR levy does not disadvantage firms if applied uniformly across a country, though it may affect the competitiveness of exporting MC if the amount is significant. They argue, the actual impact will depend on whether a firm was involved in CSR activities prior to the introduction of the CSR levy, as some MC are already spending a fraction of their profit on CSR. Also, they said the levy, on the contrary, may enhance the country’s reputation by sending a strong signal that Ethiopia values CSR, which boosts exports to developed countries and attracts socially responsible investors.

From the results, one can observe two extraordinary recommendations. One is mandating a part of economic responsibility (i.e. giving job priority for the local community), which is unprecedented both in theory and practice. And the other is diverse opinions on philanthropic responsibility regulation. This divergence essentially seems to come from the voluntary vs. mandatory discourse of CSR.

The study also reveals that no participant suggested ‘market’ and non-state 3rd parties as regulators of CSR in Ethiopia. Participants justified this saying the effectiveness of the ‘market’ and non-state 3rd parties depends on the existence of active civil society, educated consumers and buyers, activist media, monitoring and reporting institutions, developed financial markets, exposure to globalization and competition, etc. The researcher also believes most of these preconditions are lacking in Ethiopia.

4.2. Explored from other Countries Experience

As discussed in Chapter Two, experiences from both developed and developing countries show that CSR could be regulated both by companies themselves and states. Mostly, state regulation can be done either by one or a combination of the following ways.

- i. Enacting a corporate law which expressly states that companies shall engage in CSR activities
- ii. Establishing a separate government agency which provides a strategic focus and leadership on CSR issues
- iii. Adopting a social label law to certify responsible companies
- iv. Obliging companies to establish a board-level CSR committee and contribute a certain percentage of their annual net profit
- v. Introducing a comprehensive strategy for CSR initiatives by implementing disclosure guidelines, multi stakeholder dialogue, and reporting mechanisms
- vi. Imposing duties on directors and owners to align their business with the concept CSR
- vii. Incorporating CSR concepts into corporate governance standards, and partnering with industry and civil society organizations
- viii. Guiding companies to spend CSR funds as per the priorities of government - to benefit the society, more particularly to the needy
- ix. Triggering and subsidizing companies to invest in more efficient and environmental friendly technologies
- x. Urging shareholders to redefine the mission of the company from that of purely maximizing shareholders' value to also satisfy the interests of other stakeholders and the environment
- xi. Requiring all publicly listed companies to report on the social and environmental consequences

CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

5.1. Conclusion

As learnt from the research, it is conclusive that CSR is still undeveloped with respect to its precise meaning. Thus, bias in determining to whom businesses should be responsible (the shareholder vs. stakeholder argument), who should take CSR initiatives (the voluntary vs. mandatory discourse), and who should regulate CSR (the self-regulation vs. state regulation dialogue) are still contentious.

Though the debate has not yet rested, the responsibility of MC to both shareholders and other stakeholders is becoming more sensible. This shows CSR is no longer merely ‘a nice to have’ gadget; rather, it could be mandatory as well (which apparently demands some sort of state control).

Such debates and confusions become more serious in the LMC, where Ethiopia is no exception. In Ethiopia, it is already established that a little is known about the notion CSR, no self-contained CSR policy and law, and CSR regulation is apparently meager.

As there is no a legal instrument which defines the concept CSR, the study tried to deduce its meaning and legal basis from various laws and policy documents. Accordingly, from closer examination of the texts, it is established that various aspects of CSR are addressed in one or the other way. Also, though no independent office to supervise all aspects of CSR, there are various government agencies which are authorized to regulate the legal responsibilities of MC.

The research also revealed that there are different views about CSR. Some consider it as synonymous with philanthropy, a voluntary action, and cost to companies. Whereas, some others believe it is beyond philanthropy, mandatory as well, and investment for companies.

Recognizing this messy situation, the study explored potential approaches to regulating CSR in Ethiopia and established that state participation is also needed in the process as self-regulatory systems have their own limitations and risks. These limitations and risks may be overcome by

injecting aspects of state regulation at least through awareness creation, partnering, facilitating, and endorsing.

As well, it is established that state regulation is not the exclusive driver of CSR. This is because: MC can and must go beyond the law; it is very likely that the law will not be able to cover all aspects of responsible behavior; and regulating every piece of CSR may not be feasible both technically and economically. Nevertheless, this does not necessarily mean state regulation makes CSR weaker. Rather, when applied selectively, makes it stronger by fostering and sanctioning corporate behavior. Therefore, it seems that voluntary self-regulation, combined with targeted legislation on specific issues, would provide a solid ground for an optimal mix rather than having each approach by itself.

Regarding determining the level of state intervention, both data sources suggest that the level of state intervention should be determined taking various factors into account. Among these, the nature of each responsibility; the behavior of the industry; the social, economic, cultural, and political conditions of the country; the efficiency and effectiveness of the regulatory tools; government's capacity to regulate; the overall impact on the welfare of the society; impact on the investment; etc. are the major ones.

Accordingly, the following basic types of state interventions are recommended by the research participants and secondary sources.

i. Facilitate preconditions - three essential preconditions are identified.

- a. Having a self-contained CSR policy and enacting a corporate law which
 - clearly define the notion CSR
 - expressly state companies shall engage in CSR activities
 - oblige companies to establish a board-level CSR committee
 - impose duties on directors and owners to align their business and corporate governance with the concept of CSR
- b. Institutionalizing the promotion and regulation of CSR activities either through establishing an independent government agency or delegating to an existing office, which provides strategic focus and leadership on CSR issues

- c. Creating awareness to MC and other stakeholders
- ii. *Supporting and encouraging companies to discharge their CSR*-this could be done through:
 - a. Urging all companies to have a self-contained CSR guideline
 - b. Participating in setting standards and codes of conduct
 - c. Combining government's expertise, competencies, and resources with the private sector
 - d. Incentivizing responsible companies through tax exemption or reduction, government procurement, etc.
 - e. Triggering and subsidizing MC to invest in more efficient and environmentally friendly technologies
- iii. *Mandating CSR- making mandatory*
 - a. All legal responsibilities
 - b. Economic responsibilities towards the society (job priority to the local community)
 - c. Philanthropic initiatives by mandating reporting &/or imposing a CSR levy
- iv. *Managing the execution of CSR*- the execution could be either through:
 - a. Companies themselves—with a duty to implement CSR guideline which prescribes how to allocate funds to priority areas and reporting the performance to the government, or
 - b. A government agency- an existing or an independently established new office

In general, it is concluded that self-regulation can coexist with state regulation after identifying and determining which behavior is to be regulated more effectively and efficiently by MC themselves and which one with state intervention.

5.2. Recommendations

If the government of Ethiopia wants to take advantage of the opportunity around CSR, it is better to consider the following recommendations.

- Organize a CSR study center to identify the potential and determine which corporate behavior is best regulated by firms themselves and/or by the state considering the social,

economic, cultural, and political condition of the country; the efficiency and effectiveness of each regulatory approach; the enforcement capacity of the government; and the overall impact of the chosen regulatory approach on the welfare of the society and the country at large.

- Ensure the existence of adequate regulatory and policy-making expertise; well-functioning policy-making process; transparent and accountable governance; a reliable and readily accessible dispute resolution system; and skilled and duly motivated civil servants.
- Have a self-contained CSR policy and legal instrument which define the concept CSR and clearly guide the way how every aspect of CSR should be regulated.
- Institutionalize the promotion and regulation of CSR.
- Create awareness and provide training for MC about the importance of discharging CSR.
- Have a social label law to certify and publicize responsible companies, which also facilitates the creation of additional regulatory approach- market regulation.
- Encourage and build the capacities of civil societies to scrutinize the execution of CSR.
- Encourage public self-regulation of companies and apply direct state regulation only in cases of strict necessity.
- Set priority areas for intervention and encourage companies to concentrate more on empowerment services than those activities which create dependency.
- Encourage MC to integrate all aspects of CSR into their business operations and core strategy in close collaboration with their stakeholders.
- Apply regulatory mechanisms which should not affect the flexibility, competitiveness and innovation of companies.
- Urge companies include CSR activities in their annual reports.
- Refrain from over pressurizing companies to do costly CSR activities and caution should be taken not to compromise the long-term efficiency of firms for the sake of bringing equity in the short-term.
- When applying a CSR levy is necessary, the amount should be reasonable and expensed as per the government guideline

- Exempt newly established companies for a certain period from CSR levy, as a failing business inevitably detracts the general well-being of the society
- Incentivize responsible companies through tax exemption or reduction
- Control local administrations and other stakeholders, not to overstrain companies in the guise of CSR.

5.3. Limitations and Suggestions for Further Study

This research has some limitations due to various constraints. Of these, it failed to include other stakeholders such as consumers, creditors, suppliers, etc.; considers only the manufacturing sector, and even from this, just PLCs and S.Cs. Nonetheless, the results are still valid for the purpose of answering the research questions as the study incorporated major stakeholders and its primary purpose is identifying the potential approaches to regulating CSR.

However, the researcher suggests further detailed studies which also include other stakeholders and business areas not covered by this study and examine the feasibility of each and every proposed regulatory approach.

ANNEXES

Appendix 1: Interview Guiding Questions for Managers &/or Shareholders of MC.

Addis Ababa University

School of Law

LLM Program (Business Law)

Thesis Title: Approaches to Regulating Corporate Social Responsibility in Ethiopia: The Case of
MC

Background info

- a. Interviewee's position in the company _____
 - b. Type of the company: Foreign Local c. No. of employees -----
1. What do you understand about the concept CSR (Corporate Social Responsibility)?
 - Does your company have a CSR policy/manual/guideline, etc? (*Self contained, or included in other manuals such as corporate governance, or company policy etc*).
 - Does the manual/policy/etc define CSR?
 2. Do you integrate CSR into your business strategy?
 - How do you incorporate stakeholders' interest?
 3. Do you believe on companies' responsibility to stakeholders other than shareholders?
(*Stakeholder may include: community, employees, consumers, suppliers, creditors, etc*)
 - If yes, should it be voluntary or mandatory?
 - Why?
 4. What are the major CSR initiatives undertaken in your company?
 5. What motivates CSR in your company?
 - Is it moral incentive,
 - Market,
 - Legal responsibility
 - Security,
 - Pressure from government
 - Pressure from the society
 - Feeling responsible for the impact on society and the environment

6. Is there a self-regulation scheme in your company? (*regulating CSR activities by company itself-without government intervention*)
 - How do you implement it?
7. What are the challenges your company face in implementing CSR?
8. What do you think about the importance of discharging CSR?
 - What is the implication for the business, society, and the environment?
9. What kind of responsibilities and obligations can stakeholders justifiably impose on your company?
10. How do you evaluate the execution of CSR in Ethiopia in general?
 - What existing laws you know that regulate CSR in Ethiopia?
 - Do you know any institution that enforces CSR in Ethiopia?
 - What are the key problems?
11. Should CSR be regulated?
 - If so, of the economic, legal, ethical, and philanthropic responsibilities, which of them, do you think, should be enforced by (mandated to)
 - Self-regulation (public self-regulation vs. private self-regulation)
 - Market regulation,
 - State regulation,
 - Non-state 3rd party regulation (like professional associations, civil societies...)
 - What are your justifications?
12. How should state regulation be performed?
 - In the form of compulsory reporting?
 - Directly enforcing it [Direct inclusion in the law (as CSR 'tax') or through incentives (tax, government procurement)]?
 - What are the strengths and weaknesses of each in enhancing CSR?
13. Do you think that CSR is regulated properly in Ethiopia?
 - If not, what are the problems? Your recommendation?
14. Do you have any experience on how other countries are regulating CSR?
15. What do you think will happen if the government decides to regulate CSR activities?

Annex 2: Interview Guiding Questions for Gov't Officials at MoTI, EIC, NSZTIO, and NSZTIO

Addis Ababa University

Post Graduate Program

School of Law

*Thesis Title: Approaches to Regulating Corporate Social Responsibility in Ethiopia: The Case of
MC*

1. Do you think MC in Ethiopia are aware of and keen to practicing their responsibilities towards stakeholders?
 - a. If so, how?
 - b. If not, why?
2. As for your office, should CSR be a voluntary or mandatory activity of companies?
 - a. Why?
3. Should CSR be regulated?
 - a. If so, who should regulate? State? Companies themselves? Or, any non-state 3rd party
 - b. What are your justifications?
4. How do you evaluate the existing status of state regulation of CSR in Ethiopia?
5. Does the country have a self contained policy, legal framework that governs CSR initiatives and a government office exclusively responsible for regulating CSR? If so, please mention
6. If both legal and institutional frameworks are not there, what difficulties the country has been sustained?
7. Do you know any attempt to have a self contained CSR law in Ethiopia other than the existing which deal about environmental, health and labor issues in a scattered way?
8. If the government is to regulate, what mechanisms you recommend to control the proper execution?
 - a. CSR activities may be done by companies themselves, but required to declare (report)
 - b. The government collects resources and executes, or any mechanism you suggest?
9. What will be the effect of state regulation on investment (especially FDI)?
10. Do you have any mechanism of creating awareness for investing companies to fulfill their social responsibilities? Please mention

Annex 3: Interview Guiding Questions for Local Administrations and the Community.

Addis Ababa University

Post Graduate Program

School of Law

*Thesis Title: Approaches to Regulating Corporate Social Responsibility in Ethiopia: The Case of
MC*

1. Do you think companies in your locality are responsible for the society and the environment?
 - If not, why?
 - If yes?
 - In what way?
 - What are the rationales or what motivates them (self interest or pressure from the government &/ the society)?
 - Should CSR be a mandatory act or a voluntary initiative?
2. What are the major CSR initiatives undertaken by companies in your locality?
 - Do companies consult with you when they do CSR activities?
 - What about the sustainability?
3. How and in what way you want companies discharge their social responsibilities?
4. For what purposes you request companies' backing?
5. What do you think are the importance of fulfilling CSR?
 - To the business, society, the environment, etc.
6. Do you have any mechanism of encouraging responsible companies?
7. Do you have any mechanism of compelling companies to fulfill their social responsibilities?
8. What do you think about regulating CSR?
 - Should it be regulated or left for the voluntary actions of companies?
 - If it to be regulated, what possible mechanisms (self-regulation, market, state, 3rd party)?
9. Do you think CSR is regulated properly in Ethiopia in general?
10. What the government should do to improve the awareness and enforcement of CSR in Ethiopia?

Annex 4: Interview Guiding Questions for Employees.

Addis Ababa University

Post Graduate Program

School of Law

*Thesis Title: Approaches to Regulating Corporate Social Responsibility in Ethiopia: The Case of
MC*

Back ground of the respondent

1. Educational level_____
2. For how long you have worked in the organization? _____

Questions

1. What do you think are the company's responsibilities in relation to employees?
2. Do you think the company respects the rights of employees indicated in the labor law?
Please explain
3. How do you evaluate the company's arrangements on
 - 3.1. Offering job opportunity for the local community
 - 3.2. Protecting employees against sexual harassment & discrimination
 - 3.3. Salary and benefits
 - 3.4. Health and safety
 - 3.5. Staff capacity building
 - 3.6. Freedom of association and right to collective bargaining
4. Do you know any government office that *practically* controls the execution of the above mentioned employees' right in particular and the labor law in general?
5. How do you evaluate the company's production process in terms of
 - 5.1. The required safety and environmental standards
 - 5.2. Waste reduction and management
 - 5.3. Energy conservation

6. Do you know any government organ that checks whether the company is fulfilling the above mentioned responsibilities? If yes, please mention them
7. Does the company provide benefits other than those indicated in the labor law?
 - If so, how and what motivates it to do so?
8. How do you evaluate the company's dedication to promote environmental awareness of employees?
9. Does the company help the communities to solve their social problems? If so, how?
10. Do employees pressurize the company to engage in CSR activities? If so, why and how?

Annex 5: List of the Research Participant Companies and Government Offices

a. Manufacturing Companies

1. Aqua Sheka PLC (producer of Betsega Bottled Water)
2. China Packaging PLC (producer of plastics packaging materials)
3. COSMAR East Africa Business S.C (producer of skin care, hair care and oral care products)
4. Diageo (Meta Brewery S.C)
5. East African Agri-Business PLC (producer of Tea)
6. East African Lion Brands Industries PLC (producer of Food and Beverage, Home Care, Personal Care, Flexible Packaging & Corrugated Boxes)
7. East African Mining Corporation PLC (coal production)
8. Ethio-Asian Industries PLC (producer of plastics packaging materials)
9. Gellila Engineering PLC
10. Hamaressa Edible Oil S.C
11. KOSPI (MEDROC Investment Group)
12. Mintu Plast PLC (producer of PET packaging materials and plastic pipes)
13. Mughher Cement S.C
14. National Cement S.C
15. National Premix Construction PLC (producer of concrete batching)
16. Tamire & Family PLC (producer of Alpha Bottled Water)
17. VIV Beverages Manufacturing S.C
18. Zahlaf Trading PLC (producer of plastics packaging materials)
19. ZEBYM Trading PLC (producer of Moringa Soft Drinks)

b. Government Offices

1. Ministry of Trade and Industry
2. Ethiopian Investment Commission
3. North Shoa Zone Trade and Industry Office
4. North Shoa Zone Investment Office
5. Angolela and Tera Woreda Administration
6. Chefanene Kebele Administration

BIBLIOGRAPHY

1. Abawa A, 'Corporate Social Responsibility Practices in Selected Tanneries in Ethiopia' [2018] 6(11) International Journal of Management Research <https://www.academia.edu/38050600/corporate_social_responsibility_practices_in_selected_tanneries_in_ethiopia_case_studies_from_stakeholders_perspective> accessed 14 February 2021
2. Adhikari A, 'Corporate Social Responsibility: Voluntary or Mandatory' (2014) 8 NJA LJ 185
3. Aglietta M and Reberieux A, *Corporate Governance Adrift: A Critique of Shareholder Value* (Edward Elgar Pub 2005) 12
4. Almerinda F, 'Corporate Social Responsibility in the United States and Europe' [2013] 12(7) International Business & Economics Research Journal <<https://doi.org/10.19030/iber.v12i7.7970>> accessed 13 November 2020
5. Amodu N, 'Regulation and Enforcement of Corporate Social Responsibility in Corporate Nigeria' [2017] 61(1) Journal of African Law <<https://doi.org/10.1017/S002185531700001>> accessed 19 September 2020
6. Babbie E, *The Practice of Social Research* (14th edn, Wadsworth Publishing Company 2012) 170
7. Baden D, 'A Reconstruction of Carroll's Pyramid of Corporate Social Responsibility for the 21st Century' [2016] 1(8) International Journal of Corporate Social Responsibility <[10.1186/s40991-016-0008-2](https://doi.org/10.1186/s40991-016-0008-2)> accessed 7 January 2021
8. Bohinc R, 'Corporate Social Responsibility: (A European Legal Perspective)' [2014] 20(1) Canterbury Law Review <<http://www.nzlii.org/nz/journals/CanterLawRw/2014/2.pdf>> accessed 12 January 2021
9. Carroll A, 'The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders' (1991) 34(7), *Business Horizons*, <[https://doi.org/10.1016/0007-6813\(91\)90005-G](https://doi.org/10.1016/0007-6813(91)90005-G)> accessed 18 November 2020
-- 'A History of Corporate Social Responsibility: Concepts and Practice' (2008) Oxford University Press 19-46

- 'Carroll's Pyramid of CSR: Taking another Look' [2016] 1(3) International Journal of Corporate Social Responsibility <<https://doi.org/10.1186/s40991-016-0004-6>> accessed 3 December 2020
- and Schwartz M, 'Corporate social responsibility: A three-domain approach' [2003] 13(4) Business Ethics Quarterly <10.2307/3857969> accessed 17 January 2021
10. Celine L and others, 'CSR in Belgium: The Institutional Context and Practices' (2007) Vlerick Leuven Gent Working Paper Series 2007/34. <<http://ssrn.com/abstract=955815>> accessed 18 November 2020
 11. Chaffee E, 'The Origins of Corporate Social Responsibility' [2017] 85(1) University of Cincinnati Law Review <<https://corpgov.law.harvard.edu/2017/05/28/the-origins-of-corporate-social-responsibility/>> accessed 7 January 2021
 12. Cheruiyot T, Corporate Social Responsibility in Kenya: Blessing, Curse or Necessary Evil? in Idowu Samuel (ed), *Corporate Social Responsibility in Times of Crisis* (Springer 2017) 172
 13. Chinese Company Law (2006)
 14. Cropley A, *Introduction to Qualitative Research Methods* (University of Hamburg 2015) 13
 15. Danish Business Authority, 'Focus on CSR' (*Danish Business Authority*, n.d) <<https://danishbusinessauthority.dk/focus-CSR>> accessed 17 January 2021
 16. David V, 'The Market for Virtue: The Potential and Limits of Corporate Social Responsibility (2006) Brookings Institution Press
 17. Deegan C, 'The Legitimizing Effect of Social and Environmental Disclosures – A Theoretical Foundation' [2002] 15(13) Accounting, Auditing & Accountability Journal <<https://doi.org/10.1108/09513570210435852>> accessed 11 February 2021
 18. Dowling J and Pfeffer J, 'Organizational Legitimacy: Social Values and Organizational Behavior' [1975] 18(1) Pacific Sociological Review <<https://doi.org/10.2307/1388226>> accessed 26 November 2020

19. Drucker P, 'Looking ahead: Implications of the present —the future that hassle ready begun' [1997] 75(5) *Harvard Business Review* <<https://hbr.org/1997/09/looking-ahead-implications-of-the-present>> accessed 2 January 2021
20. Elkington J, 'Partnerships from Cannibals with Forks: The Triple Bottom Line of 21st-century Business' [1998] 8(1) *Environmental Quality Management* <<https://doi.org/10.1002/tqem.3310080106>> accessed 17 November 2020
21. Environmental Impact Assessment Proclamation, 2002, Proc. No. 299/2002, *Fed. Neg. Gaz.*, year 9, No.11
22. Environmental Pollution Control Proclamation, 2002, Proc. No. 300/2002, *Fed. Neg. Gaz.*, year 9, No.12
23. Environmental Pollution Control Proclamation, 2002, Proc. No. 300/2002, *Fed. Neg. Gaz.*, year 9, No.12
24. Ethiopian Investment Commission, 'Economic Indicators' (*Ethiopian Investment Commission*, 2000) <<http://www.investethiopia.gov.et/index.php/why-ethiopia/economic-indicators.html>> accessed 11 March 2021
25. Ethiopian Water Resources Management Proclamation, 2000, Proc. No. 197/2000, *Fed. Neg. Gaz.*, year 6, No.25
26. European Commission, 'A Renewed EU Strategy 2011–14 for Corporate Social Responsibility' COM (2011) 681 final
27. European Commission, 'Promoting a European Framework for Corporate Social Responsibility' DOC/01/9 (2001)
28. Federal Democratic Republic of Ethiopia Constitution, 1995, Proc. No. 1/1995, *Fed. Neg. Gaz.*, year 1, No.1
29. Federal Income Tax Proclamation, 2016, Proc. No. 979/2016, *Fed. Neg. Gaz.*, year 22, No.104
30. Fernando J, 'Stakeholder' (*Investopedia*, 4 February 2021) <<https://www.investopedia.com/terms/s/stakeholder.asp>> accessed 7 March 2021
31. Fonceca C and Jebaseelan U, 'CSR in UK and IN India – An Overview' [2013] 1(18) *Asian Academic Research Journal of Social Sciences & Humanities*

- <https://www.academia.edu/5483022/CSR_in_UK_and_in_INDIA> accessed 16 October 2020
32. Freeman R E, *Strategic Management: A Stakeholder Approach* (Pitman Publishing Inc 1984)
 33. Friedman M, 'The Social Responsibility of Business is to Increase its Profits' NY TIMES MAG (New York, 13 September 1970)32<<http://www.rohan.sdsu.edu/faculty/dunnweb/rprnts.friedman.html>>accessed 7 October 2020
 34. Garriga E and Melé D, 'Corporate Social Responsibility Theories: Mapping the Territory' [2004] 53(1) Journal of Business Ethics <<https://doi.org/10.1023/b:busi.0000039399.90587.34>> accessed 13 December 2020
 35. Handayani R, Wahyudi S, and Suharnomo S 'The Effects of Corporate Social Responsibility on Manufacturing Industry Performance' [2017] 18(1) Business: Theory and Practice < 10.3846/btp.2017.016> accessed 12 October 2020
 36. Ho V, 'Beyond Regulation: A Comparative Look at State-Centric Corporate Social Responsibility and the Law in China' [2012] 46(2) SSRN Electronic Journal <<https://doi.org/10.2139/ssrn.1983659>> accessed 15 September 2020
 37. Holmes R and Watts P, 'Corporate Social Responsibility: Making Good Business Sense' (2000) Geneva: The World Business Council for Sustainable Development <www.wbcds.org/includes> accessed 18 November 2020
 38. Hui W, 'Global Corporate Social Responsibility Reporting Regulation: Drivers and Impacts on Sustainable Development' (*University of Illinois*, 19 November 2017) <from <https://files.webservices.illinois.edu/7199/wenhui-jmp.pdf>> accessed 12 January 2021
 39. Indian Companies Act (2013)
 40. Indonesian Law No. 40 of 2007 on Limited Liability Companies
 41. 'Industrial Parks Corporate Social Responsibility and Environmental Management Systems Training Workshop' <https://sus-a.com/wp-content/uploads/2018/08/Ethiopia_CSR-EMS-Workshop_Report.pdf>accessed 12 March 2021
 42. Investment Proclamation, 2020, Proc. No. 1180/2020, *Fed. Neg. Gaz.*, year 26, No.28

43. Jackson G and others, 'Regulating Self-Regulation? The Politics and Effects of Mandatory CSR Disclosure in Comparison' [2017] 1(1) SRN Electronic Journal <<https://doi.org/10.2139/ssrn.2925055>> accessed 27 November 2020
44. Jentsch V, 'Corporate Social Responsibility and the Law: International Standards, Regulatory Theory and the Swiss Responsible Business Initiative' (2018) EUI MWP Working Paper 05 <https://cadmus.eui.eu/bitstream/handle/1814/59084/MWP_WP_Jentsch_2018_05.pdf?sequence=1&isAllowed=y> accessed 12 February 2021
45. Kassa F, 'The Status of Corporate Social Responsibility in Ethiopia' [2018] 1(1) Ethiopian Journal of Business Management and Economics <<http://213.55.79.198/xmlui/bitstream/handle/123456789/1373/CSR%20In%20ETHIOPIA.pdf?sequence=2&isAllowed=y>> accessed 12 February 2021
46. Keinert C, *Corporate Social Responsibility as an International Strategy* (Physica 2008) 15
47. Labor Proclamation, 2019, Proc. No. 1156/2019, *Fed. Neg. Gaz.*, year 25, No.898
48. Larry R, 'Accountability and Responsibility in Corporate Governance' (2006) 81 *Notre Dame Law Review* 1444–1447
49. Latapí M, Johannsdottir L and Davidsdottir B, 'A Literature Review of the History and Evolution of Corporate Social Responsibility' [2019] 4(1) *International Journal of Corporate Social Responsibility* <<https://jcsr.springeropen.com/articles/10.1186/s40991-018-0039-y>> accessed 17 October 2020
50. Lin L, 'Mandatory Corporate Social Responsibility? Legislative Innovation and Judicial Application in China ' [2020] 68(3) *The American Journal of Comparative Law* <[10.1093/ajcl/avaa025](https://doi.org/10.1093/ajcl/avaa025)> accessed 28 October 2020
51. Lopez V and Whitehead D, Sampling Data and Data Collection in Qualitative Research, in Schneider Zevia and Whitehead Dean (eds), *Nursing & Midwifery Research: Methods and Appraisal for Evidence-Based Practice* (Elsevier - Mosby 2013) 136
52. Low M P, 'Corporate Social Responsibility and the Evolution of Internal Corporate Social Responsibility in 21st Century' [2016] 3(1) *Asian Journal of Social Sciences and*

- Management Studies <<https://doi.org/10.20448/journal.500/2016.3.1/500.1.56.74>> accessed 11 October 2020
53. Margaret L and Jean S, *Analyzing and Interpreting Ethnographic Data* (2nd edn, Alta Mira Press 1999) 96
 54. Marrewijk M, 'Concepts and Definitions of CSR and Corporate Sustainability' [2003] 44(2) *Journal of Business Ethics* <<https://doi.org/10.1023/A:102333121224>> accessed 12 February 2021
 55. Merriam S and Tisdell E, *Qualitative Research: A Guide to Design and Implementation* (4th edn, Jossey-Bass 2015) 17
 56. Miglè Š, 'CSR Reasons, Practices and Impact to Corporate Reputation, *Procedia - Social and Behavioral Sciences* (2015) 213, 504–508, <<https://pdf.sciencedirectassets.com/277811/1-s2.0-S1877042815X00486/1-s2.0-S1877042815057961/main.pdf>> accessed 14 October 2020
 57. Mining Operation Proclamation, 2010, Proc. No. 678/2010 (as amended by Proc. No. 813/2013), *Fed. Neg. Gaz.*, year 20, No.217
 58. Mining Regulation, 2010, Reg. No. 423/2018, *Fed. Neg. Gaz.*, year 24, No. 22
 59. Ministry of Europe and Foreign Affairs, 'France's commitment to Corporate Social Responsibility (CSR)' (*75 Ministère de l'Europe et des Affaires étrangères*, 2018) <<https://www.diplomatie.gouv.fr/en/french-foreign-policy/economic-diplomacy-foreign-trade/a-european-and-international/corporate-social-responsibility/>> accessed 12 May 2021
 60. Mohammed K, 'Social Responsibility in Business Organizations: Exploring the Investment Dimension' [2014] 6(1) *KJBM* <<https://www.ajol.info/index.php/kjbm/article/view/114638>> accessed 17 March 2021
 61. Mpofu T and Godwell K, 'Views on Corporate Social Responsibility' [2013] 5(26) *European Journal of Business and Management* <<https://www.iiste.org>> accessed 7 January 2021
 62. Newton S, *Introduction to Educational Research: A Critical Thinking Approach* (2nd edn, Sage Publishing 2012) 116

63. Nieto P, 'Why Regulating Corporate Social Responsibility is a Conceptual Error and Implies a Dead Weight for Competitiveness' [2005] 1(1) *The European Enterprises Journal* <<https://www.aeca.es/old/comisiones/rsc/articulos/exclusivos/regulatingeejournal.pdf>> accessed 7 March 2021
64. Nigatu M, 'Corporate Social Responsibility Learning in the Ethiopian Leather and Footwear Industry' [2016] 7(10) *International Journal of Scientific and Engineering Research* <https://www.researchgate.net/publication/315698133_Corporate_Social_Responsibility_Learning_in_the_Ethiopian_Leather_and_Footwear_Industry> accessed 7 November 2020
65. OECD, 'Corporate Responsibility Private: Initiatives and Public Goals' (<https://www.oecd.org>, 2001) <<https://www.oecd.org/daf/inv/corporateresponsibility/35315900.pdf>> accessed 7 January 2021
66. Parker C, Meta-Regulation: Legal Accountability for Corporate Social Responsibility? In McBarnet D and others (ed), *The New Corporate Accountability: Corporate Social Responsibility and the Law* (Cambridge University Press 2007) 207-237
67. Pirsch J, Gupta S, and Grau S, 'A Framework for Understanding Corporate Social Responsibility Programs as a Continuum: An Exploratory Study' [2007] 70(2) *Journal of Business Ethics* <<http://dx.doi.org/10.1007/s10551-006-9100-y>> accessed 13 March 2021
68. Polishchuk L, 'Corporate Social Responsibility or Government Regulation: An Analysis of Institutional Choice' [2009] 52(8) *Problems of Economic Transition* <<https://doi.org/10.2753/PET1061-1991520805>> accessed 19 October 2020
69. Pranas Ž, Jolita V and Regina A, 'Corporate Social Responsibility as the Organization's Commitment against Stakeholders' <<https://www.intechopen.com/books/management-culture-and-corporate-social-responsibility/corporate-social-responsibility-as-the-organization-s-commitment-against-stakeholders>> accessed 01 October 2020
70. Prevention of Industrial Pollution council of Ministers, 2008, Reg. No. 159/2008, *Fed. Neg. Gaz.*, year 15, No.14

71. Ramdhony D, 'The Implications of Mandatory CSR—A Literature Review Perspective' [2018] 8(3) Theoretical Economics Letters <<https://doi.org/10.4236/tel.2018.83031>> accessed 12 September 2020
72. Roberts R W, 'Determinants of Corporate Social Responsibility Disclosure: An Application of Stakeholder Theory' [1992] 17(6) Accounting, Organizations and Society <[https://dx.doi.org/10.1016/0361-3682\(92\)90015-K](https://dx.doi.org/10.1016/0361-3682(92)90015-K)> accessed 14 December 2020
73. Rosenbach B, 'Corporations Can Help Address Today's Environmental Crisis' (Earth Law Center, 19 June 2019)<<https://www.earthlawcenter.org/blog-entries/2019/6/corporations-can-help-address-todays-environmental-crisis>> accessed 13 January 2021
74. Rural Land Administration and Land Use Proclamation, 2010, Proc. No. 456/2005, *Fed. Neg. Gaz.*, year 11, No.44
75. Salancik G R and Pfeffer J, 'A social information processing approach to job attitudes and task design' [1978] 23(2) Administrative Science Quarterly <<https://doi.org/10.2307/2392563>> accessed 1 March 2021
76. Secchi D, 'Utilitarian, Managerial and Relational Theories of Corporate Social Responsibility' [2007] 9(4) International Journal of Management Reviews <<https://doi.org/10.1111/j.1468-2370.2007.00215.x>>accessed 22 February 2021
77. Selltiz C and Wrightsman L, *Research Methods in Social Relations* (4th edn, Holt, Rinehart and Winston 1981) 17
78. Sheehy B, 'Understanding CSR: An Empirical Study of Private Regulation' [2012] 38(2) Monash University law review Monash University Faculty of Law <https://www.researchgate.net/publication/228246181_Understanding_CSR_An_Empirical_Study_of_Private_Self-Regulation/link/59c919cc0f7e9bd2c01a4dec/download> accessed 7 October 2020
- 'Defining CSR: Problems and Solutions' (2015) J Bus Ethics 131
79. Singh N, Srivastava R, and Rastogi R, 'Drivers of Corporate Social Responsibility in the Competitive Era' [2014] 2(10) IJSRM <<https://www.ijrm.in>> accessed 8 January 2021

80. SOFIDEL, 'CSR in Germany' (SOFIDEL, 25 January 2018) <https://www.sofidel.com/en/softandgreen/circular-economy-and-industry/country-focus-csr-in-germany/> accessed 9 December 2020
81. Thomas M, 'Putting Regulation Before Responsibility: Towards Binding Norms Of Corporate Social Responsibility' [2007] 40(1) Cornell International Law Journal <<https://scholarship.law.cornell.edu/cilj/vol40/iss1/4/>> accessed 27 September 2020
82. Tilaye S, 'The Current Practice of Corporate Social Responsibility in Ethiopia' [2019] 6(2) International Journal of Social Work <<https://doi.org/10.5296/ijsw.v6i2.15567>> accessed 26 January 2021
83. Trade Competition and Consumers Protection Proclamation, 2013, Proc. No. 818/2013, *Fed. Neg. Gaz.*, year 20, No.28
84. Transitional Government of Ethiopia, 1993
85. UN Department of Economic and Social Affairs, 'CSR and Developing Countries what Scope for Government Action?' (*Sustainable Development Innovation Briefs*, February 2007) <<https://sustainabledevelopment.un.org/content/documents/no1.pdf>> accessed 11 December 2020
86. Visser W, Corporate Social Responsibility in Developing Countries. in Crane Andrew and others (ed), *The Oxford Handbook of Corporate Social Responsibility* (Oxford University Press 2008) 473-499
- 'The Age of Responsibility: CSR 20 and the New DNA of Business ' [2010] 5(3) Journal of Business Systems Governance & Ethics <[10.15209/jbsge.v5i3.185](https://doi.org/10.15209/jbsge.v5i3.185)> accessed 7 February 2021
87. Vives A, 'Corporate Social Responsibility: The Role of Law and Markets and the Case of Developing Countries' (2008) 83 Chis-Kent L Rev 199, 200
88. Woll C, 'Regulation' (*Britannica*, 2007) <<https://www.britannica.com/topic/regulation>> accessed 4 February 2021
89. Zhang D, Morse S and Kambhampati U, *Sustainable Development and Corporate Social Responsibility* (Routledge 2017) 95