COLLABORATIVE SOCIAL RESPONSIBILITY:

SIGNIFICANCE AND PERCEPTIONS OF COLLABORATION AND CORPORATE SOCIAL RESPONSIBILITY ON JOINT-EFFORT DEVELOPMENT IMPACT

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Master Thesis Economic Geography

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PREFACE

" For if you set out to mention everything you would never be done, and that's what counts, to be done, to have done. Oh I know, even when you mention only a few of the things there are, you do not get done either, I know, I know.'' Molloy – Samuel Becket

The challenge of this thesis did not start with words, readings or ideas but with the boundless experience of being an intern at the Dutch Embassy for six months. As one of the most educational (and enjoyable) periods of my life, I felt compelled to summarize the whole experience in one thesis. I learned this was a cruel impulse after discarding several research-proposals. From then on, I reminded myself that what counts is to be done, to have done. However, since I have difficulty reminding myself of the most mundane, day-to-day chores, I am thankful I had Rianne van Melik as a supervisor to keep me focussed on the things that mattered. This thesis is as much a product of her emphasis on the difference between ''nice-to-know'' and ''need-to-know'' as it is of my tendency to over-elaborate. For this reason, my thesis contains only what is meant to inform and nothing that is meant to entertain. However, I hope the reader cannot tell the difference and enjoys it all the same.

This thesis would not have been here without the help of my supervisor from the Radboud University, Rianne van Melik. Additionally, I am indebted and grateful to Frerik Kampman of the Dutch Embassy in Ethiopia whom I have shared great conversations, delicious beyenatu, exciting adventures and an everchanging office with. I would also like to thank Niek Bosmans, Betselot Admassu and all other colleagues from the Embassy for making me feel welcome and at home. I also owe my parents a considerable debt for keeping me motivated during the process. Lastly, I want to thank the entrepreneurs, Embassy staff and RVO staff who were so kind to have an interview with me.

SUMMARY

The dispersion of economic activity and resulting dilution of a global core-periphery model is changing the relationship between low- and high-income countries. Rapidly growing economies such as Ethiopia are looking for more reciprocal trade relationships and attempt to leverage their comparative advantage in the global economy. Since the turn of the millennium, international development has been strongly influenced by the New Development Paradigm (NDP). The NDP approach is a compilation of the responses of different research fields towards the harmful external costs of global trade. NDP places emphasis on collaboration between government, private sector and civil society. Where the old development models were often either state- or privately led, the NDP embrace a collaborative attitude (Dunning, 2006). The call for more collaboration between the private sector and the government is also visible in the new foreign policy by the Dutch government. In 2012 the Netherlands introduced the Aid & Trade policy framework in which two previously separate activities were combined. The idea is that society can capitalize on international trade flows by offering financial incentives for FDI, while simultaneously attaching CSR principles. ''The Dutch government should invest in Dutch trade activities because, although the market is not perfect, it is indispensable in the fight against poverty'' (Dutch Ministery of Foreign Trade & Development, 2016). The instrument that embodies the Aid & Trade philosophy is the Dutch Good Growth Fund (DGGF). DGGF is a fund that receives 250 million euro's a year from both ODA and non-ODA (but public) sources to provide special financial services to Dutch small-medium-enterprises (SME's) who operate in one of the eligible LMICs (MoFa, sd). DGGF provides Dutch SMEs in LMICs with loans or bank guarantees if their investment is relevant from a development perspective, which is defined as job creation, increased production or knowledge spillovers.

This study investigates how these new expectations in development came to be and how they are addressed in literature, the NDP and the Aid & Trade policy. The study has also used DGGF in Ethiopia as a framework to examine how the private-sector and Dutch government perceive their roles in this new interaction, especially with regards to collaboration and CSR. This thesis attempts to answer the following question: How are corporate social responsibility and collaboration understood by Dutch businesses and Dutch governmental institutions with regards to development impact within the Dutch Good Growth Fund framework of Ethiopia? The research contains three distinct data collection methods. The first phase consisted of participatory observation in the form a six-month internship at the Dutch Embassy in Ethiopia. The second phase consisted of eleven in-depth interviews. Five were held with Dutch entrepreneurs in Ethiopia, three with Embassy staff and three more with Dutch Enterprise Agency (RVO) staff. A third source of data was the relevant policy documents or background information for policy notes that were investigated during and after both phases. This also included Ethiopia's own development strategies.

Ethiopia's emphasis on attracting FDI pairs well with the goal of DGGF to encourage companies to invest in LMIC's. This is complimented by the prominence of the Dutch agriculture sector and the Ethiopian governments desire for labour intensive agriculture. However, a history of civil unrest and unethical corporate behaviour in Ethiopia emphasize the importance of diligent CSR implementation frameworks, especially when public funds are involved. The interviews with entrepreneurs demonstrated that although CSR is important for them, they do not associate their CSR efforts with their use of DGGF.

The low impact of DGGF on the entrepreneurs CSR practices is also visible in the fact that the entrepreneurs all have distinct understandings of what is considered CSR compared to standard business practices. Additionally, despite DGGF being the only instrument the Ministry of Development Cooperation has at its disposal to incorporate CSR and public private collaboration in a LMIC setting, CSR and collaboration do not seem to be imperative for DGGF based on the comments of RVO staff.

With regards to collaboration, the relationship the DGGF-companies have with the Embassy does not seem to be framed by DGGF at all, which is in line with my own observations. In contrast, the relationship between RVO and the DGGF-companies is completely mediated through DGGF or its predecessors, PSI and PSOM. If the DGGF stakeholders (Entrepreneurs, Embassy, RVO) can be presented as a triangle, it is certainly not an equilateral one. However, the NDP attributes great development impact potential to CSR and public-private collaboration. RVO's main concern with regards to CSR implementation are the OECD/IFC/ILO guidelines. One of the reasons why the NDP prescribes engaging with the private sector is their ability to identify the needs of the community. The interviews with entrepreneurs demonstrated that they have their own ideas on what CSR activities are appropriate. Instead of offering a subsidy for hiring technical assistance, RVO could create a bigger development impact by either allocating a percentage of the loan to -or directly subsidizing- potential CSR projects. However, the process of CSR decisions did not seem very deliberated nor comparable between companies, one company stated the importance of local context for CSR, while another simply duplicated his efforts from other farms. The development impact of these activities could be increased by opening the deliberation process and formalizing dialogue with the community on what activities are most valued. The Embassy would be in a good position to evaluate these CSR projects because they know the context, local politicians, priorities and the entrepreneurs.

Although this study has provided some answers on the how public and private actors cooperate in terms of development, it also revealed gaps in the current literature. Firstly, although public-private partnerships (as a formalized term) is thoroughly studied in the context of Western-Europe and North America, there is very little to be found in the context of development. Secondly, Corporate Social Responsibility has become such a broad term that expectations can diverge quickly. Managing the different expectations of CSR that exist within a collaboration could contribute to more effective collaborative action. As an extension of this, more research is required on the process of public and private goal alignment and formulating outcomes and outputs in terms of development impact. Although CSR is one way to activate MNC's, more research is needed to determine the proper constellation of actors and responsibilities to get the most out of it. Moreover, research into public private collaborations focus heavily on formalized partnerships and do not consider the more informal ways of cooperation. Especially in the field of international development, where cost-benefit analyses must compete with moral considerations, these informal interactions could be of importance.

ABBREVIATIONS & TABLE OVERVIEW

CSR	Corporate Social Responsibility
DGGF	Dutch Good Growth Fund
FDI	Foreign Direct Investment
IFC	International Finance Corporation
ISI	Import-substituting industries
LMIC	Low-Middle income country
MDG	Millennium Development Goals
MNC	Multinational Corporation
NDP	New Development Paradigm
NGO	Non-governmental Organisation
OECD	Organisation of Economic Cooperation and Development
PSI	Private Sector Investment programme
PSOM	Emerging Markets Cooperation Programme
RVO	Dutch Enterprise Agency
SDG	Sustainable Development Goals
SME	Small to medium Enterprise
TDP	Traditional Development Paradigm

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CHAPTER 1: TOPIC AND CONTEXT

''And when they were trust out of the Garden of Eden, Eve turned to Adam and said: ''Don't be much upset my dear, we live in an age of transition''. - (Macmillan, 1950) in a speech at the Council of Europe. (paraphrased)

The trend of the global market is clear: the weight of economic activity is moving away from a western powerhouse and towards multiple competing economic regions. However, it would be inaccurate to regard this dissemination of economic activity as a global transition towards equality. The U.S., Europe and Japan are a hundred times richer than Ethiopia, Haiti and Nepal, in the early 1900's the difference was only a tenfold. The usual suspects have gained the most from globalisation, that much is obvious. Some might claim that inequality is only temporary. A peak in the Kuznets curve, we live in an age of transition after all. That might be true, we do live in an age of transition, but as Macmillan (1950) would add, we also live in a time of decision. The economic dualism of the 20th century has faded, China and India have become major economic players and the Asian tigers are swimming in their wake. The dispersion of economic activity and resulting dilution of a global core-periphery model is changing the relationship between high- and low-income countries. Rapidly growing economies such as Ethiopia are looking for more reciprocal trade relationships and attempt to leverage their comparative advantage in the global economy. The boom of unsustainable global trade is taking its toll on the environment, which is also a pain not shared equally. Development strategies are changing, for middle-income countries, which Ethiopia aims to be in 2025, the benefit of official development aid (ODA) for sustainable economic growth decreases, and the importance of foreign direct investment (FDI), remittances and trade flows increases (Development Direction, OECD, 2014). At the same time, the trading efforts of corporations in the developed world have been mostly limited to neighbouring countries, with marginal -but increasing- attention for low-middle income countries (LMIC's) (Dutch Ministery of Foreign Trade & Development, 2016). While FDI weakened by 2% globally in 2016, foreign investments in the developing world dropped by 14% (UNCTAD, 2017). Although recovery is predicted, such a large drop in investment is especially worrisome considering the enormous investments needed to achieve the Sustainable Development Goals (SDG's). These phenomena are the foundation of changing foreign policies, especially in foreign aid and international development.

Since the turn of the millennium, international development has been strongly influenced by the New Development Paradigm (NDP). The NDP approach is a compilation of the responses of different research fields towards the harmful external costs of global trade. As opposed to the Traditional Development Paradigm (TDP), NDP places emphasis on collaboration between government, private sector and civil society. Where the old development models were often either state- or privately led, the NDP embrace a collaborative attitude (Dunning, 2006). According to the NDP, the new (transitioning) global economic reality requires governments, corporations, civil society and NGO's to take up new roles in the development process. Until now there is no consensus of what this constellation should look like (Yakubovska, 2013). In fact, there is still quite some debate on just the role of the private sector in development, especially multi-national corporations (Dunning & Fortanier, 2007). For now, the strength of collaboration between public and private parties for development is focussed around Corporate Social Responsibility (CSR).

The call for more collaboration between the private sector and the government is also visible in the new foreign policy by the Dutch government. In 2012 the Netherlands introduced the Aid & Trade policy framework in which two previously separate activities were combined. The idea is that society can capitalize on international trade flows by offering financial incentives for FDI, while simultaneously attaching CSR principles. International trade and FDI without the attachment of CSR is already positively associated with sustainable development by the Dutch government: ''The Dutch government should invest in Dutch trade activities because, although the market is not perfect, it is indispensable in the fight against poverty'' (Dutch Ministery of Foreign Trade & Development, 2016). More specifically, the instruments are built on the assumption that Dutch investment in LMICs will develop local economies by creating jobs, increasing production output and generate knowledge spillovers. These presumed outcomes of a trade relationship are also the metrics by which development and effectiveness of the policy is measured. Investing in Dutch companies abroad is a contribution to foreign aid, so it goes.

The Aid & Trade consists of several instruments: Facility for Sustainable Entrepreneurship and Food security (FDOV), Sustainable Water Fund (FDW), Development Related Infrastructure Investment Vehicle (DRIVE) and the Dutch Good Growth Fund (DGGF). The instrument that embodies the Aid & Trade philosophy is the Dutch Good Growth Fund (DGGF). DGGF is a fund that receives 250 million euro's a year from both ODA and non-ODA (but public) sources to provide special financial services to Dutch small-medium-enterprises (SME's) who operate in one of the eligible LMICs (MoFa, sd). DGGF provides Dutch SMEs in LMICs with loans or assistance if their investment is relevant from a development perspective i.e. job creation, increased production or knowledge spillovers. The financial assistance Dutch SMEs can receive from DGGF are only allowed when they cannot draw financing from the regular capital market. The reasoning for this follows from a trade focussed development ideal: LMIC's need foreign investment but fail to attract businesses as result of the high-risk environment. Regular capital markets are unwilling to finance investments in LMIC's but DGGF is willing to cover the risk, provided that CSR is taken into account.

With the DGGF, the Dutch government has taken a position in the ongoing debate on the different roles in international development. The instrument is therefore a useful case to study as contribution to this debate. This thesis focusses on the new roles of the private-sector and government and how these interact. The study will cover how these new expectations in development came to be and how they are addressed in literature, the NDP, and the Aid & Trade policy. The study has used DGGF in Ethiopia as a framework to examine how the private-sector and Dutch government perceive their roles in this new interaction, especially with regards to collaboration and CSR.

CHAPTER 2: RESEARCH OUTLINE

"The greatest challenge to any thinker is stating the problem in a way that will allow a solution."
- Bertrand Russel, Human Knowledge: Its Scope and Value

2.1 Research objective

There is no universal recipe for economic development, no political system, geographical topography and industry-sector box-mix we can put in the oven for 20 years and end up with prosperous country. We know how some poor countries became rich, and we know some ingredients that we think are fundamental to becoming a rich, but we have no formula to go from a to b. A fitting metaphor is the three-body problem in physics, where the movement of three interacting masses is often impossible to predict. Although it is possible to derive a solution from certain initial conditions, there is no catch-all solution. Similarly, we can look back at a country and point to the interaction between three masses (e.g. government, business and civil society) and see that the exact dynamics proved to be beneficial for the development of the country. Both systems are inherently chaotic.

The focus of the New Development Paradigm is partnerships and collaboration between civil society, the private sector and governments. the NDP approach is an answer to the increasing awareness -as a result of the internet and other technologies associated with third wave globalization- that global trade carried with it some especially harmful external costs. The NDP is the first development philosophy that incorporates all three bodies as having somewhat equal gravitational force on the development of a country (Stiglitz, 1998). One of the biggest challenges in this new paradigm is the workings of effective partnerships between institutions, businesses, governments, NGO's and civil society. Although overlap exists, the goals of businesses, institutions and governments are traditionally separated by profit motive. How interaction and collaboration is performed between newly found interactivity in an international setting is still subject to uncertainties. Additionally, individual partners and the context they operate in change constantly, dealing with changing roles and formulating exit strategies remains a highly goal-specific undertaking (Dunning, 2006). The Aid & Trade policy framework is relatively silent on these matters. The Aid & Trade strategy outline is thorough on the urgency of collaboration but pays little attention to questions regarding the intricacies of public private interaction and the general complications that are known to arise in these constellations.

The approach of the NDP addresses a lot of the issues that were present in previous development methods but also introduces new challenges. The design, composition and implementation of a partnership between civil society, the private sector and government is not obvious and the NDP recognizes its specificity depending on different contextual features such as geography, sector, target group, etcetera. One of the difficulties is the new roles envisioned for the private sector and government. Within Aid & Trade, incentives to get the private sector to contribute to SDG's are limited to financial instruments. To what extent these instruments, namely DGGF, are effective in achieving the development goals and what role or form collaboration should take is up for debate.

When researching these questions in terms of DGGF, one will run into further unknowns. Namely, the incentives of businesses to assume the responsibility attached to DGGF and the presumptions and expectations of the government towards their DGGF partners. Investigating the incentives of businesses to engage with development in a collaboration, especially in the form of corporate social responsibility and how those incentives relate to what the Dutch government is offering (DGGF) will hopefully paint a clearer picture of the new roles and relationships between private and public interests. Additionally, questioning the government's position and their balancing of responsibilities towards both Dutch business development and foreign aid of LMIC's through DGGF might lead to a better understanding of partnerships in an international development setting and the NDP.

This research aims to make useful policy recommendations towards DGGF as a collaborative tool for development. This is an investigation of the interaction between two of the three bodies in specific circumstances. These specific circumstances are an example of a place where the local-global interface is changing, local interactions flow up and influence considerations on an institutional level.

This research is designed with the following goals in mind:

- Contribute to the theory of partnerships of public and private actors and exploring the role that such partnerships can have in international development.
- Provide new perspectives on international development in general; contribute to the theory on institutional contribution to international development by investigating a specific constellation.
- Contribute to a more active role of Dutch companies and the Dutch government in the development of Ethiopia by developing ideas on cooperation within that constellation.

The goals can be differentiated between practical and theoretical. The theoretical part focusses on the interaction between the businesses and the government and how they align their expectation and perceive the relationship with each other. Practically, the goal is to investigate how the DGGF project aims to make a development impact and how this relates to the NDP.

2.2 Research question

These goals should be met by answering the following main research question:

How are corporate social responsibility and collaboration interpreted by Dutch businesses and Dutch governmental institutions with regards to development impact within the Dutch Good Growth Fund framework in Ethiopia?

This main question takes collaboration and corporate social responsibility as two pillars of international development. Although collaboration is a broad term and cannot be strictly separated from CSR, which often includes a collaborative component, the question is limited by the DGGF framework. This means that this study has only looked at collaboration between the three DGGF actors: Dutch Enterprise Agency (RVO), entrepreneurs using DGGF and the Dutch Embassy. Additionally, this research was performed in Ethiopia, one of the countries where DGGF is most active and the data was highly accessible.

2.3 Relevance of the study

Scientific relevance

This study contributes to existing theory by addressing questions and concepts that have arisen over the last decade with regards to economic development, CSR, multinational corporations (MNC) and public private collaboration. Firstly, it addresses the call for more research on the link between CSR, sustainable development and multinational corporations by studying their interaction in a predetermined case (Kolk & Tulder, 2010). Kolk & Tulder (2010) also address the issue of abstraction in current MNC/CSR literature, most current research is hardly connected to a particular development context or country specific circumstance. Kolk & Tulder (2010) therefore suggest experimenting with broader methodologies and contextually embedding MNC/CSR studies when it concerns international development.

Additionally, this research is done with special attention for institutional linkages that exist between these actors, relating to the growing consensus that institutions have paramount importance for economic development (Acemoglu & Robinson, 2012). The increased importance of institutional mechanisms for international business strategy (Peng, Wang, & Jiang, 2008) is also relevant for international development, where firms are becoming more and more involved in. These institutions also take on a bigger role in international business strategy, especially when there is a collaboration involved. It is still not very well understood how divergent understandings and ideals are managed in hybrid collaborations and how this influences their social goals (Quélin, Kivleniece, & Lazzarini, 2017). Additionally, institutions pursue or prefer certain types of collaborations over others, such as formal over informal, but there is little theoretical insight in this decision making process (Guo & Acar, 2005). The traditional forms of governance and collaboration between firms and public actors have not yet fully adapted to the stronger emphasis on social goals that are included in them, how this affects performance must be addressed more broadly according to some (Niesten, et al., 2017). This study is also an attempt to frame the new Dutch development strategy and especially the Dutch Good Growth Fund within the New Development Paradigm. There are still plenty of questions to be answered that have arisen as a result of NDP, namely the adoption of non-market development aims such as environmental and social goals (Dunning, 2006). Dunning also propagates more research into how collaboration between MNC's and institutions are moderated which this study aims to do through the case of DGGF.

A conceptual debate has also emerged now that international development cooperation is no longer focussed purely on aid but also reaches into other international cooperation instruments such as governance and private sector development (Janus, Klingebiel, & Paulo, 2014). The debate centres around the question if international development cooperation should maintain its focus on aid and thereby diminishing its role to fewer countries or involve itself in broader international cooperation instruments. This thesis is a contribution to this debate in the sense that investigates the practice of international development beyond aid.

SOCIETAL RELEVANCE

The ability to engage in productive and efficient partnerships is becoming essential in this ever-increasing globalised world (Van Wassenhove & Bhattacharya, 2002). Especially now that more and more countries are not reaching their official development aid (ODA) targets (Development Initiatives, 2018) and foreign-aid cynicism is at an all-time high (Enoch, Silverman, & Steeden, 2017), development efforts are put under pressure to become more efficient and productive. Many donor-governments are therefore looking to integrate their development efforts with the global economy through partnerships and project-based collaborations. This means that both governments and NGO's lean more heavily on private actors to contribute to their development goals. Understanding the position of companies abroad is necessary in order to get them to contribute effectively. Policies should be designed with some tacit knowledge on how these collaboration work in practice and in what way they can or cannot work towards development.

The concept of CSR plays an important role in these partnerships in the sense that its perceived differently by different partners (Aminu & Harashid, 2015). Without cross-institutional understanding and consensus on what CSR entails and how to use it most effectively, it will be difficult to use it as a base for development impact. Understanding how institutional and cultural aspects of CSR influence the effectiveness of partnerships can help to create bigger development impact for less.

2.4 NOMENCLATURE

"What is above all needed is to let the meaning choose the word, and not the other way about. "

- George Orwell, Politics and the English Language

Although there is plenty to be said about the political implications of euphemisms, as George Orwell did in his essay *Politics and The English Language*, I want to make a more practical note. In the literature, there has been plethora of terms to describe essentially the same thing: *Bottom of the Pyramid, Low- and Middle-income countries (LMIC), The Global South, Developing countries, Less Developed Countries, Less Economically Developed Countries (LEDC), Underdeveloped Countries, Third World Countries, Least-Developed Countries, Non-industrialized Countries, Emerging Markets, Transitional Economies, etcetera, etcetera.* Although a distinction can be made between these terms, only those who are initiated in geography literature can point to the subtle conceptual differences. Many of these terms do not speak for themselves. To prevent esoterism (Bottom of the Pyramid), ambiguous geographical indications (Global South), patronizing hierarchies (underdeveloped etc.), outdated historical terms (Third world) or a limited sphere of influence (Non-industrialized, markets, economies), I will use the term Low- and Middle-Income Countries (LMIC's) throughout this text. Although not perfect, its narrow scope (income) is representative of the broad range of issues that are addressed by the other terms individually and therefore the most straightforward. There are also other concepts that demand some clarification. The concept of public-private partnerships (PPP) might sound like a universal term but is in fact a word combination used for a particular stakeholder arrangement. In general, it is used for a project in which multiple governmental institutions work together with private firms to complete infrastructural projects. I have avoided this term to a large degree because it would create confusion as to what DGGF is (not a PPP). However, I did consult PPP literature to find universal patterns and concepts of public-private interaction.

2.5 How to read

This study will start with a short historical overview of development thinking, starting in the mid-twentieth century and working its way into the future. Eventually this will ultimate in the New (or current) Development Paradigm whose fundamentals will be studied more in-depth and used as a frame of reference. The crucial elements from NDP, namely Multinational Corporations, Corporate Social Responsibility and public-private cooperation will be further examined in chapter 4 and form the theoretical framework for the study. The examination of current theory is followed by chapter 5 on methodology where data collection methods are explained and justified. These methods include in-depth interviews with both public and private stakeholders, participatory observation and document analysis, the limits of each method will also be addressed there. Chapter 6 will delve deeper into the context and explain the background of Aid & Trade, DGGF and development strategy of Ethiopia. Chapter 6 will also introduce the theoretical framework from chapter 3 and 4 to its real-world application. This link will be further developed in chapter 7 where the data from the interviews will be introduced, outlined and referenced to the theoretical framework. Lastly, chapter 8 will contain conclusions, recommendations towards practitioners, the limitation of this study and suggestions for further research as a result of the limitations and findings.

CHAPTER 3: HISTORY OF DEVELOPMENT THINKING

''How to fix the economy: try everything'' – Brad Delong (2014)

The Dutch policy framework of Aid & Trade is described in its introductory policy paper ''A World to Gain'' as a new way of addressing economic development. The new approach is accommodative to changing economic circumstances such as globalization and sustainability (Dutch Ministery of Foreign Trade & Development, 2016). Even though it is framed as a radical departure from tradition, Aid & Trade embodies elements of the different schools of thought that preceded it. Theories of economic development have never been quite uniform, multiple contradictory theories have been floating around at the same time. The pendulum of development practice sometimes swung towards one strategy and then to another, picking up things in between. This chapter will address the development ideas that have been dominant since World-War 2 as an effort to place Aid & Trade in its historical context.

3.1 Modernization theory

Since its inception, development thinking has gone through several distinct phases, schisms and syntheses (Arndt, 1981). International development became a serious undertaking when the post-world-war 2 ruins of Europe forced multilateral considerations on how to (re)build a nation (Yakubovska, 2013). The ideas and deliberations concerning development at the time boiled down to development as a singular historical route towards a market economy and political democracy by way of industrialization (Burawoy et. al., 1992). In part, foreign aid and international development gained momentum because they could be used as a tool for the United States to build a multinational, likeminded community to oppose the Soviet-Union (Ruggie, 1982). Development philosophy then could be categorized as industrialization through modernity. Modernization theory dominated development thinking at the time and considered development to be a universal process without considerations for cultural or contextual specifics (Ynalvez & Shrum, 2015). One of the most influential theorists of Modernization theory was Walt Whitman Rostow. Rostow introduced his ''Model of Economic Growth'' in 1959, in which he laid out 5 stages of development. According to the model, every society starts at *Traditional Society* and eventually reaches *High Mass Consumption* through the intermediate steps of *Pre-conditions for Take-off*, *Take-off*, and *Drive to Technological Maturity* (Rostow, 1959). Rostow considered development to be a series of leaps, which require their own agents to come to fruition:

''The take-off is usually managed by relatively modest, creative men with an insight as to how output in their sector can be radically expanded: the Boultons' and Lowells'. In the drive to maturity men take over with more grandiose visions, with a more acute sense of scale and of power: although there are vast differences between post-Civil War United States and Stalin's Russia, there is, nevertheless, a distant family resemblance between some of the great entrepreneurs of the American drive to maturity and the men who administered the Five Year Plans between, say, I929 and I953. At maturity, however, the professional managers become more important: the nameless comfortable, cautious committee-men who inherit and manage large sectors of the economy, while the society begins to seek objectives which include but transcend the application of modern technology to resources.'' (Rostow, 1959, p. 10)

With the five stages of growth, Rostow directly argues for of an individualist-utilitarian society as the only possible basis for a developed country (free-market, pluralism, free elections, property rights etc.). Rostows' Model was popular among policy-makers (whom he often rubbed shoulders with as part of the Kennedy administration) because it could be interpreted as a formalisation of the already prevalent ideology. The political-philosophical premise of his theory was therefore highly appreciated in the United states. To continue hopping from one development phase to the next, countries will have to adhere to liberal/classical (Anglo-Saxon) economic principles and perspectives. Similarly, LMCI's should take advantage of scientific and technological breakthroughs made in other parts of the world. Additionally, outside capital injections would provide a kickstart necessary to go from one development phase to another. Modernization theory did not just refer to modern technology but was also concerned with ''modern'' social and cultural norms. Rostow did not include equality as a criteria for development but rather states that even in the highest stage of development, countries can be both rich and poor (Rostow, 1959). Additionally, inequality is considered a temporary growth-pain during industrialization and not a structural defect, following Kuznets hypothesis that economic growth will first introduce greater inequality but this effect will diminish as the economy matures (Acemoglu & Robinson, 2002).

Another important theorist in Modernization Theory was Gerschenkron, who offered a similarly linear and structural economic development model. However, Gerschenkron's ''Economic Backwardness'' theory strongly differs with Rostows on some aspects. Namely, Gerschenkron's stages were dependent on the starting point or in other words, the level of economic backwardness at the outset of development. Gerschenkron placed stronger emphasis on the role of context and the internal reality of a country in its economic development. He analysed the development of France, Germany and Russia and concluded that Russia industrialized slower than its Western European counterparts because its banking sector was not as developed. Russian industrialization was therefore dependent on governmental capital injections (Gerschenkron, 1965). Although his first analysis assumed that every government is inherently motivated to develop its country, his later work demonstrated that this was not always the case. He noted the example of the Austro-Hungarian government who deliberately curbed the development of railroads because they were linked to revolutions (Gerschenkron, 1970). This idea was later developed by Acemoglu and Robinson (2002) into the more general ''political replacement effect'' which states that low political competition and threatened authority can lead to development blocking by the elites (Acemoglu & Robinson, 2002). Political development was not just a sub-part of economic development but a primary concept in Modernization Theory. Its most influential proponent was Samual Huntington, who proposed that a modern political environment has 4 characteristics: rationalization, nationalism, democratization and mobilization. The first addresses the change of perspective towards universal societal achievements, the second points towards the need for an ideologically homogenous country, the third element allows equal distribution of power and competitiveness and the fourth demands political participation (Huntington, 1965). Although Modernization theory frames development as an internal process, both Rostow and Gerschenkron argue for external influx of capital, science, technology and modern perspectives like entrepreneurial mindsets and an eye for innovation (Herkenrath & Bornschier, 2003).

Development in the perspective of Modernization theory requires a top-down approach with preferred economic sectors, political organisation and society-wide ideologies with the goal of becoming a developed, liberal, free-market democracy (Goorha, 2010). Although development is considered a state-led endeavour in Modernization theory, multinational corporations are viewed as a positive contributor since they bring the capital, technology and ideology with them to the developing nation (Rostow, 1959) (Taylor, 2000). The idea that development is synonymous to industrialization was easily transferred to the LMCI's of the time. The Modernization theorists were reasoning in the line of a Marshall-plan type approach for international development. These types of policies quickly found ground with the newly formed governments of the decolonized countries, who were trying to legitimize their power and consolidate their independence through welfare growth and quick economic gains (Taylor, 2000).

Although statist-interventionist development models were eagerly adopted and economies were booming during the post-war period, it did not take long for GDP growths to slow down on a global scale (Ranis & Altschul, 2004). Rostows' theory was facing increased criticism when empirical evidence revealed that numerous countries did not develop in Rostows linear fashion. The criticism of Rostow was a blow to Modernization Theory in general and it thence became difficult to defend a universalists development position. Referring to the diversity among LMIC's, Manning Nash wrote ‘*’There is no theoretical gain in opting heavily for the predominance of either exogenous or endogenous change”* (Nash, 1977). Development scholars became increasingly aware of the unproductive way that discussions and policy directives on LMIC's were reasoned from the perspective of advanced industrialized countries, which only makes sense if you believe in fixed, linear economic development (Gerzier, 1985). Combined with the advent of authoritarian military regimes in LMIC's, scholars began to call for more cultural, historical and institutional sensitive approaches to development. Stemming from a Marxist tradition, ''Dependency theory" started to gain momentum at the expense of Modernization theory (Yakubovska, 2013).

3.2 Dependency theory and World-System

Dependency theory emerged when the United Nations Economic Commission for Latin America noticed that the idea of a rising tide that raises all boats had little empirical value. While the advanced economies were growing rapidly, underdeveloped countries were lagging economically and where not reaping the benefits of a global boom period (Prebisch, 1948). Raul Prebisch, who would become director of UNECLA a year later, started a paper with the following:

''In Latin America, reality is undermining the out-dated schema of the international division of labour, which achieved great importance in the nineteenth century and, as a theoretical concept, continued to exert considerable influence until very recently.'' (Prebisch, 1948, p. 1)

In the paper, Prebisch describes the manufacturing chain of products that were sold in Latin America and its inherently unequal process. In short, the products were made from raw materials from LMIC's, refined in the high income countries and subsequently sold back to the LMIC. The value capture of manufacturing was therefore taking place in the west; the terms of global trade based on Ricardian comparative advantage were stacked against the LMIC's. Although considered a classic development economist (Meier & Stiglitz, 2001) (Thomas, 1994), Prebisch his ideas laid the foundation for what would become a break from Modernization development thinking in the form of Dependency theory. Prebisch articulated two general aims for developing countries to counter the unfair terms of trade: develop import substituting industries (ISI) and work together with other LMIC's.

In practice these goals proved to be difficult to materialise for three reasons (Love, 1990):

1. Small internal markets of developing countries made import substitution unprofitable

2. Low political will for transformation

3. Little control over primary products such as natural resources.

Prebisch suggestions, like ISI, eventually proved to bring about their own economic issues like dangerous inflation rates (Love, 1990). However, the fundamental ideas of Dependency theory remained. In contrast to modernization/classical thought, the dependency school was not convinced that poor countries were simply late to the party and will develop as soon as they embrace liberal economic practices. Instead, Dependency theorists argue that the poverty of countries is part of the structure of global capitalism. The concept of a structural economic global hierarchy was not unique to Dependency theory.

Immanuel Wallerstein's World-system theory shares many ideas with Dependency theory. A critical difference is that within World-systems theory, there are three type of conditions (core/semi-periphery/periphery) instead of two (core/periphery). Additionally, World-system thinking allows countries to move from category to another by growing or stagnating economically (Wallerstein, 2004). Conceptually, this means that the place of country within the World-systems theory describes it relation to the rest of the world in terms of absolute economic size and the international division of labour. Dependency refers to the measure of reliance on this World-system and amount of external control (Rossem, 1996).

Although dependency theory is not a uniform set of ideas, there are several common features that Dependency theories share (Ferraro, 1996):

- The international system is characterized by dominant and dependent states
- External forces are the main force driving the economic activities of dependent states
- The relationship between dominant and dependent states tend to reinforce and intensify and is the result of the historical process of international capitalism

A fundamental consequence of dependency or world-system thinking is to view LMIC as distinct from high-income countries and therefore in need of a different development approach. LMIC's will not benefit from emulating the economic strategies of high-income countries in an attempt to reach the same destination. The economic success of the developed states is the result of very specific circumstances and would not yield the same results when repeated elsewhere. Dependency thinking is therefore suspicious of the distributive mechanisms of a global market without intervention, the market should not be the only actor involved in development but requires specific intervening policies depending on circumstance. Additionally, economic development should not only be measured in GDP, dependency theorists put more emphasis on the type of economic activity, the distribution of wealth and the impact on social indicators. National policies should therefore aspire towards self-reliance since complete integration with the world economy is not necessarily beneficial.

It must be noted however that dependency theorists do not propagate a complete withdrawal from the world but rather a controlled interaction with the global economy (Arnove, 1980). Multinational corporations, who are viewed favourably in Modernization theory, are thought to be a force of inequality by dependency theorists. Multinational corporations, as national corporate citizens, will defend their interests on a political level. Considering the amount of capital to which they have access, they are able to influence power distribution and weaken the bargaining position of labourers (Bornschier & Ballmer-Cao, 1979).

Dependency theory faced heavy criticism from free-market economists for its stance on protectionist policies. Subsidizing national industries can lead to monopolies that resist innovation and distort pricing, they argue. Additionally, they question the durability of these policies, how long can subsidies stand, and what happens to the industries when government support is no longer feasible (Williams, 2014)? Free-market economist often point to the case of India as an example of free-market superiority because it developed quite rapidly after it moved from state-sponsored industry towards free trade (Yergin & Stanislaw, 1998). Furthermore, in a direct comparisons between African countries that adopted import substitution versus those that pursued export-oriented policies, the latter always triumphed economically (Mckinsey & Company, 2010). Although Dependency thinking is certainly not dead and the idea of dependent states still has merit, its empirically failed policies were followed by the rise and dominance of a theoretically and practically uncomplicated outlook on economic growth: neo-classicism.

3.4 Neo-classical thought

The perceived lack of development in LMIC's and the effects of the oil-crisis prompted a new ideology that came to dominate the decennia that followed. The neo-classical doctrine is fundamentally based on the concept of the pareto-optimum (Robertson, 2007). A pareto-optimum is a state of completely efficient allocation of resources where gains for one automatically mean loss for another. As an extension of this, countries should specialize in those fields where they have a comparative advantage, doing otherwise would lead to inefficiencies (Kotz, 2000). National policies that promote industries or methods in which they do not have a comparative advantage are thus seen as a step back from reaching a pareto-optimum. Another important aspect of neo-classical thought is the universality of its application. Neo-classical thought is often referred to as economic rationality by its proponents because its laws are considered as universal as those of mathematics. In that line of thought, development economics is simply an application of theoretical economics and not a subfield that requires its own method of analysis (Krueger & Anne, 1986).

One of the undisputed characteristics of the stagnating economies in the 60's was price distortion. According to neo-classists, this resulted from a lack of information, resources, inadequate institutions and bad governance in statist economic planning. Getting the prices right became a primary goal of neo-classical development thinking. Timmer summarized this line of thinking after a case study on rice milling in Java: *"Getting prices right' is not the end of economic development. But 'getting prices wrong' frequently is."* (Timmer, 1973). In harmony with the classical invisible hand of Adam Smith, neo-classicism suggest that a free market is the only way to effectively ''get the prices right". This means that governments should only play a very minor role in -if not be completely absent from- economic policy: facilitating the (international) free market by export promotion and incentivizing entrepreneurship should be the focus for national and international policy. This is similar to the strategy of modernization theory, except that the initial mover in neo-classical thought is not the state, but private companies.

Neo-classism became the dominant economic standpoint in the USA and the UK under respectively Reagan and Thatcher. As the two dominant economies in the world embraced the ''evil government'' credo, it was quickly transferred to international financial agencies such as the World Bank and International Monetary Fund (IMF). This meant that developing countries had to adhere to neo-liberal principles if they wanted to appeal to those institutions. This policy framework, known as the ''Washington Consensus'', was followed by the ''Washington Consensus Plus''. The latter included good governance as a policy objective because it became obvious that bad governance is -similarly to pricing- often the end of development (UNCTAD, 2006).

Neo-classical thinking essentially diminishes the role of active economic policy in development. If any policy should be considered towards LMIC's it should focus on transferring the ideas of open market and deregulation combined with an emphasis on good governance. This line of thinking has been a part of international development for some years. Especially institutions such as the World Bank and IMF still link their loans and other financial contributions to economic reforms, which are known as structural adjustment programmes (Chorev & Babb, 2009).

3.5 The New Development Paradigm

Halfway the 1990's policymakers, scholars and politicians became painfully aware of the fact that after numerous decades of development work, they were fighting running battle where no considerable development gains were being made (Kremer, Lieshout, & Went, 2009). The New Development Paradigm was the movement opposing to what is now called the Traditional Development Paradigm (TDP). The TDP, mostly referring to neo-classical economic theory, represented development in terms of GDP growth and productivity with little regard to social and environmental impact. The emergence of a New Development Paradigm was mostly driven by disappointing results of the previous decades. Increased communications technologies and other elements associated with third wave globalization also provided a clearer picture of the downsides of the global economy such as its negative social and environmental impact. This raised questions on what development should entail beyond GDP growth.

The importance of Foreign Direct Investment (FDI) was also underestimated in the TDP. In the 80's and 90's FDI growth skyrocketed and almost a third of world trade is currently cross-border and intra-firm (Tulder & Fortanier, 2009). The NDP defines development more broadly than GDP growth by including social and environmental factors but also recognizes multinational firms as potential positive actors in the development process instead of considering them as profit seeking bystanders. The position of private enterprise in the NDP should include collaboration with other actors, instead of the free reins given by neo-classical policies. This new way of thinking is visible in the UN Millennium Goals of 2005 which calls for more collaboration between public and private actors. The NDP considers development as a productive balance between market, civil society and the state. Table 1 below shows the paradigm shift between TDP and NDP.

	TDP	NDP
Development means	- Natural factor endowments - Little attention for capabilities - Limited role of governments and incentive structures - Limited attention to process or dynamics of development	- Recourses; capabilities; entrepreneurship and markets (R,C,M) - Institutions and institutional Infrastructure
Development ends	- Mainly economic - Limited attention for public goods/bads - Means (working conditions) not part of ends - Limited attention for ownership, sovereignty, equity, justice, human rights, environment, security	- Development as freedom - Human development - Sustainable development - New priorities like relief of poverty, women's rights, health care, quality of life, education, environment
Relating means and ends	- Monocausal and unidimensional - Static (single equilibrium models) - Most government action assumed to be distorting	- Multicausal and multifaceted - Holistic and dynamic - Non-market institutions/ organizations can be major enablers
Prime actors/Stakeholders	Market participants, shareholder capitalism; limited role of nonmarket actors	Markets, governments, civil society, supranational entities, participation and local ownership

Table 1: TDP versus NDP (Dunning & Fortanier, 2007, p. 28)

Furthermore, in the NDP, development is framed by ''human purpose" instead of capital resources. In the NDP, economic growth is perceived as (one of the) means for a human's pursuit of happiness instead of synonymous to development. This also calls for a drastically changing role for government. Instead of exerting tight control over funds and deciding on outputs beforehand, NDP requires a process of stakeholder interaction to identify needs combined with financial that are adaptable to those needs.

3.6 CONCLUSION:

The agents of change within Modernizing Theory were the governments who determined preferred sectors and implemented liberal ideology. Multinational corporations were an asset and would contribute to the development in a more practical sense (bring in some capital and create jobs). In dependency theory, governments are assigned an equal but opposite role compared to Modernization, instead of preferential policies and opening to foreign trade, governments should focus on import substitution and treat foreign trade and firms with suspicion. Furthermore, because the market only rewards productivity measured in GDP, it is the government's role to look for more informative clues of development in indicators such as life expectancy, literacy, infant mortality etc. The neoclassical paradigm was a 180 degree turn in roles and responsibilities: the only responsibility of the government is to make sure that the free market can operate freely. Modernization, neoclassicism is universally applicable. Unlike Modernization, neoclassic development does not follow a set-out historical path. Instead, the invisible hand determines what sectors and businesses succeed and which way is most productive. The new development paradigm turns this upside down: development is measured through freedom: women's rights, health, education, life environment etc. And implemented by collaborations of all imaginable actors in that field: businesses, civil society, governments, supranational actors, locals etc.

None of the paradigms described above have been implemented to the fullest extent of their ideology. every paradigm shift must deal with the slow process of institutional transformation and these transformations have never really been completed. LMIC's still pursue the development of import substituting industries, protectionism is on the rise throughout the OECD and the IMF and World Bank are firm in their free-market conditions for LMIC's. The heterogeneity of development thinking among institutions, governments, companies and other actors is an issue that the NDP has to address if it wants to employ multi-organisational collaboration as a means of development.

CHAPTER 4: THEORETICAL FRAMEWORK

''One should procure wealth with a hundred hands and distribute it with a thousand'' – Atharvaveda, fourth Vedic scripture of Hinduism 1000 - 800 BCE

4.1 INTRODUCTION

There are three generally accepted trends in the global political economy: greater influence of multinational corporations, reduced influence of nation states and growing importance of regions as a new economic actors (Hamilton & Webster, 2009). Multinational corporations (MNC's) are considered a fundamental agent of globalization and are associated with efficient resource allocation and GDP growth (European Comission, 2016). The dependency theorists already addressed the fact that the power of MNC's stems by and large from the amount of capital they can mobilize to create change in their favour (some even go as far as to say that power *is* capital) (Nitzan & Bichler, 2009). If more capital means more power and less capital means less power, and if the nation state is considered the arena, it follows that MNC's are relatively more powerful in LMIC's than in high-income countries. All countries can benefit from even a passive presence of MNC's: higher tax incomes, decreased unemployment, knowledge spill-overs etcetera. But MNC's can also have negative influences. They can undermine civil society, support authoritarian regimes or pursue counter-productive economic policies that only benefit their bottom-line. Examples of these practices are easily found in the global oil- or South American fruit industry (Balaz, 2013).

The Dutch foreign aid policy framework that addresses the pros and cons of MNC's for development is Aid & Trade. There is a similar sounding policy called ''Aid *for* Trade'', which is the name of the World Trade Organisations initiative started in 2005 (WTO, 2019). With Aid for Trade, the WTO aims to integrate LMIC's into global trade networks through the following interventions (WTO, 2006):

- Build capacity for designing trade policy
- Investing in infrastructure
- Strengthen export sectors
- Financial assistance for eventual transition costs.

The WTO initiative is a collaboration with the OECD, who define aid for trade as: *Aid for Trade - initiative seeks to align donor and partner countries' strategies in promoting trade as a leverage for poverty reduction. Additional resources are needed to tackle trade-related constraints and enable developing countries to fully benefit from trade openness* (OECD, 2018).

In a broader sense, aid *for* trade is not a new phenomenon. Since the early 90's, donors have used development funds to increase their own export potential (Wagner, 2003). In one aspect this method has been successful: 35 cents of every aid dollar comes back to the donor country through trade (Wagner, 2003). Additionally, the approach has increased the trade capacity of the recipient country by improving economic infrastructure (Cali & te Velde, 2011). Paul Collier, Economics professor at the University of Oxford and the Centre for African Economics, argues that aid for a humanitarian agenda does not work as a development tool: economic development i.e. jobs should be key. Economic development is best served by investing in private companies who have the capacity to circulate large amounts of money instead of governments and NGO's who get stuck with funds which they cannot effectively absorb (Collier, 2018).

In his effort to help Syrian refugees find employment in Jordan, Paul Collier spearheaded the Jordan Job Compact that would allow Syrians to work in Jordan in return for infrastructure and other development loans from the World Bank. In order to create these jobs, the Compact needed to attract business to Jordan. Business were reluctant from the start, but it got worse after they got harassed by NGO's who were afraid of exploitation. Business became so disenchanted with the whole plan that Paul Collier (albeit somewhat jokingly) coined the phrase: ''Hug a firm'' (Collier, 2018). This example demonstrates the divergent perspectives of NGO's, companies and governments and how it is difficult to align goals. Although results of the Jordan Job Compact are dubious, where some claim no job creation has actually taken place, the concept of utilizing refugees as a way to access international donations has found its way to other countries. In 2016, Ethiopia announced a similar job compact (Howden, Patchett, & Alfred, 2017).

Joseph Stiglitz claims that although aid is vital for developing countries, trade liberalization is often one-sided and in favour of the donor (Stiglitz & Charlton, 2006). Stiglitz is careful to point out that this not necessarily the result of insincerity, but often a consequence of pragmatic negotiations and realpolitik. In his critique we can recognize the objections of dependency theorists against the modernization policies of the previous chapter. However, the Aid & Trade policy of the Netherlands is different from the aid *for* trade policies of the OECD and WTO. Where aid *for* trade is used to signify the trade liberalization criteria attached to loans from IMF, the World Bank and others, the Dutch Aid & Trade policy's DGGF goal consists of directly lending to Dutch private companies who operate in LMIC's. Nonetheless, there is a clear resemblance between the justifications of both policies, revealing similar theoretical foundations grounded in modernization and neo-classical doctrines. Both policies underline the positive contributions of trade for economic development, which requires the LMIC's to consolidate national policies into supranational agreements. Also, the combined emphasis on trade naturally suggests an important role for the private sector, one that is especially evident in the Dutch Aid & Trade policy. A fundamental idea behind these policies is to use ODA funds as leverage to entice private investments in LMIC's, mitigating the financial risks of investing in LMIC's should incentivize companies to take a leap. The ODA funds are being used to subsidize a safer and more attractive business environment by carrying some of the financial risks. Secondly, when private companies invest in public infrastructure, they relieve public authorities and thereby decrease public debt. Lastly, business culture and its mindfulness of cost-benefit efficiency is believed to improve the results of a project. The International Finance Organization (IFC), albeit in 1999, reported quite some success with private project financing, especially on incentivizing businesses and reducing public spending (IFC, 1999).

However, Aid for Trade and Aid & Trade are not direct translations or a perfect synthesis of Modernization theory and neo-classicism. Governments are weary of private interest to the extent that MNC's influence in LMCI's are by no means wholly positive, as pointed out by dependency and world-system theorists. Governments who engage with the private sector therefore often include behavioural criteria to curb undesirable corporate practices. These criteria are part of the growing field of CSR.

4.2 Corporate social responsibility

Before CSR became a tangible concept in the 1950's, social behaviour of corporations was considered philanthropic or paternalistic (Carroll, 2009). Prior to World-War II, some businesses supported social causes, gave to charity, build company towns or donated to the war chests of World-War I and II (Eberstadt, 1973). According to Carroll (2009), none of those contributions were necessarily related to specific business activities, nor were they very comprehensive. Additionally, the contributions would often come out of the owner's pocket and were not registered as a business expense. During the two decades after World-War II, CSR thought became more prominent and efforts were made to define CSR beyond charity. First there was Howard Bowen, who defined CSR as a social obligation *''to follow those lines of action which are desirable in terms of the objectives and values of our society"* (Bowen, 1953, p. 6). A somewhat less comprehensive and more careful definition was put forth by Keith Davis: *''Businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest"* (Davis, 1960, p. 70). In recent decades, CSR has moved from the margins to a more substantial research field. A clear indication that CSR is becoming a bigger research subject is the increase in CSR studies. From 1990 to 2008, the number of studies that referred to CSR in the four biggest International Business journals quintupled (Kolk & Tulder, 2010). From meta-studies, it is clear that most CSR research is focussed on North-America and Europe and least in Africa, which is worrying since corporate responsibility is most needed in LMIC's (Egri & Ralson, 2008). The lack of CSR studies in Africa might stem from the difficulty of collecting data as well as the lack of MNC's compared to Europe and North America. A difficulty in CSR research in general, is to differentiate between charity and development activities: CSR as a concept is ill-defined (Marrewijk, 2003) (Dahlrud, 2006) (Murillo & Lozano, 2006). Another reason why CSR research in relation to sustainable development (although growing) is scarce is that fact that there are no large-scale databases on the effect of MNC's on development, data collection is very difficult and time consuming (Kolk & Tulder, 2010). Because of this, the studies that have been done in LMIC's often lack local knowledge or enough contextual information. Kolk and Tulder (2010) therefore argue for unusual data collection and research methodologies.

Although there are still people speaking out against CSR -often invoking the voices of the late Milton Friedman and even later Adam Smith- the concept has become almost fully institutionalized (Carroll, 2009). The early stages of CSR were mostly focussed on defining what CSR ought to entail and what kind of responsibility business should have towards the rest of society. In the current institutional context, the question is more directed towards what business can contribute and how that should be organized. Although the normativity of CSR is still being debated, firms have been quick to realize that CSR is part of a healthy business case, regardless of ethical considerations. This follows one of the most heard arguments in favour of CSR: it is in the businesses best interest to be socially responsible.

According to some, incentivizing corporations to sustainably contribute to the social well-being of their surroundings is only possible in two ways: convince managers that it is the ethical thing to do or convince them that it is in their own interest (Handy, 2003) (Kaku, 2003). There are many arguments to be made as to why a business should involve itself with CSR, but not every argument is necessarily convincing from a business perspective. For example, justifications for CSR also include arguments that point towards firms as an alternative motor for social progress, implying that current governmental institutions are not achieving satisfactory results and businesses should be given a go at it (Davis, 1973). Although businesses can exercise CSR at their own volition, the arguments indicate that governments and other public actors can benefit from collaboration with businesses.

The argument comes from Davis' 1973 paper titled ''The case for and Against Business Assumption of Social Responsibilities'', written in a time when CSR practices were relatively novel, and it addresses several ideas that have been resuscitated in the NDP.

One of the most heard arguments in favour of CSR appeals to the long-term survivability of the firm. When a business invests in the community they are embedded in, business will be easier to conduct, laborers will be easier to recruit, productivity will rise, crime will decrease and purchasing power increase (Davis, 1973). According to this rationale, CSR is an investment for long-turn profits. The parameters of this argument have shifted somewhat over the last decades. For one, business is now tremendously more globalized than it was in the first half of the 20th century. It is increasingly difficult to find a supply chain that takes place within a single country, let alone a single community. These supply chains are hardly ever transparent (Steinfield, et al., 2011), and separate links are not necessarily dependent on the socio-economic success of their geographic surroundings. In other words, because it is a matter of contention as to where a firm is economically embedded, the perceived benefits of improving the community is reduced. The growing power and influence of MNC's over the last decades required the field of CSR to include international considerations. With globalization also comes a counteractive development to the expansion and obfuscation of supply chains. Faster and larger communication networks amplify the reach of information about a firm's activity. It is not exactly certain if consumers are better informed now than they were 50 years ago, but more importantly, they feel that they are (Lora, 2013). Consumers are therefore becoming more demanding of CSR practices (Pomerin & Dolnicar, 2009). The businesses responsibility for their supply chain's natural environment, employees, countries and communities is being scrutinized. Instead of being judged on the merit of their own practices, a firm's responsibility now extends to the source of their products.

Public image has been a part of the CSR discussion since its conception by Bowens (1953) and Davis (1960). In practice, it is difficult to prove that every business would profit from being socially responsible. If history is any indication, the opposite is just as likely. Because there are many ways of making profit, endless layers of socially responsible behaviour and obfuscated responsibilities within supply chains, it depends on the definition of CSR one uses to determine its profitability. However, most will agree that it is in every business best interest to *appear* socially responsible. Of course, the most straightforward way to appear socially responsible is to act socially responsible. If a company embraces CSR, it would be in their best interest to let everyone know (Gill, 2015).

Another argument for firms to engage in CSR is the importance of the stockholder. As stated, classical libertarian economist Milton Friedman was a proponent of profit maximization, leaving little room for deliberate social contributions. As he argued, the sole responsibility of a business executive is towards the owners of the company. When an executive decides to divert money towards CSR, he is essentially raising a tax on either the owners, customers or employees and rerouting it towards his own interpretation of social responsibility.

''insofar as [the corporate executive] his actions in accord with his social responsibility reduce returns to stockholders, he is spending their money. Insofar as his actions raise the price of customers, he is spending their money. Insofar as his actions lower the wages of some employees, he is spending their money'' (Friedman, 1970)

Empirical studies have shown that in the case of pollution and waste, more environmentally considerate companies are using resources more effectively and manage their supply chain more efficiently than their counterparts (Snaar, 2002).

Some companies can profit from becoming more environmentally friendly but not every company is aware of this or acts on it, hence the continuing pressure from civil society on governments to improve environmental legislation. Much of this pressure comes from groups who believe that due to the inherent profit-seeking constitution of corporations, they cannot be expected to act responsibly towards the welfare of all (Sterbova & Machkova, 2011). One of the arguments to support this claim, is that ownership through many stockholders is so impersonal that it dilutes and eventually completely extinguishes any sense of responsibility.

Although stockholder interests are often portrayed as the singular activity of profit-making, these profits rely on factors beyond the firm. the extensive analytical research of Wallich and McGowan (1970) demonstrated the altering interests of stockholders with a diversified portfolio. We can imagine that stockholders with broad portfolios are not keen to support business activities that negatively affect the business eco-system as whole. When a company invests in an employee by expensive, high-level training, the investment will not be lost on a broad investment portfolio should the employee change jobs. Social issues can thus be written as an expense on the business ledger, albeit difficult to quantify. This relates to the argument that businesses require a healthy community to thrive in: businesses are better off preventing social unrest than curing it.

Friedman's argument makes the case that CSR is unprofitable per definition. However, Wallich's (1970) research has shown that stockholders/owners can profit from CSR if their stocks are diversified enough. Although Davis (1973) frames it as an argument against CSR, there is nothing in Friedman's doctrine that denounces CSR measures *when profitable*. If anything, Friedman and Wallich demonstrate that firms should consider societal factors because they can incur costs when neglected.

However, it is still often assumed that social goals are not profitable in a strict economic sense and by pushing these costs on specific sectors or individual firms, smaller businesses run the risk of going bankrupt. Davis (1973) mentions smaller metal foundries and chemical firms who have had to close because of mandatory anti-pollution equipment. Social goals that are profitable in Wallich's sense, are perhaps not the ones most needed, likewise, social goals with high costs and no profitability might be indispensable. As said, the benefits of social goals are difficult to quantify and can therefore impede decision making, business will be incentivized to take on social goals with clear profitability, but that profitability is hardly ever apparent, more so as a result of globalization.

Arguments against CSR are not limited to the negative effects it can have on profitability. CSR is also claimed to give additional power to businesses who, according to opponents of CSR, already have more than enough cards in the societal game (Carroll & Shabana, 2010). This power, in addition to low accountability, leads opponents to believe that social needs should not depend on the benevolence of the stockholder. Interestingly, the same argument has also been made by Davis (1973) but from the opposite perspective: Businesses should embrace CSR if they want to keep their power. Davis claimed that firms were aware of this dependence and called it ''The Iron Law of Responsibility''. The Iron Law of Responsibility states that anyone who has power but uses it irresponsibly will lose it, society allows businesses to exist only when society feels they have value. This is not a normative statement either, it is an analytical historical conclusion.

An example can be found in South-Africa during Apartheid. Leon Sullivan, an influential reverend, formulated rules or principles on anti-segregation in a code of conduct that was initially signed by twelve companies (Sethi & Williams, 2002). The Sullivan Principles proved to be an excellent catalyst for social activism, functioning as a clear, simple demand towards businesses in South-Africa. Eventually, more than 150 U.S. companies signed the Sullivan Principles, this did not only influence the way they operated in S.A. but also in their home-country. Business that did not uphold the Sullivan principles experienced serious backlash and Sullivan repeatedly accused American businesses of moral muteness: ''We can't check our moral and religious values at the office door..''. Business had great power in South-Africa and those that did not conform to the new standards set by Sullivan ran the serious risk of losing it. This example emphasises the risk of being perceived as unethical by the community. Peter Drucker, another early writer on CSR, was also aware of this concept: '*'The enterprise exists on sufferance and exists only as long as the society and the economy believe that it does a necessary, useful, and productive job''* (Drucker, 1974). CSR is also framed and used as an instrument to discourage government regulations such as minimum wage, pollution permits and safety codes. When a business is already addressing social issues that occur within its sphere of influence, there is no need for the government to step in (Davis, 1973). This allows the business more flexibility in decision making.

Arguments for CSR such as the Iron Law of Responsibility and preserving autonomy to prevent external pressure either from civil society or governments, frames corporate social behaviour as self-regulating. However, the field of CSR has expanded to include governments and civil society, who now involve themselves more actively in the behaviour of MNC's (Gond, Kang, & Moon, 2011). In 2001, the European Commission defined CSR as '*'integrating social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis'* (European Commission, 2001) but has since then omitted the 'voluntary basis' part. The European Commission still expects a voluntary contribution but has implemented regulations which they consider CSR.

Additionally, the OECD guidelines for MNC's is an example of how government and corporations are related in the field of CSR: businesses must agree with the OECD guidelines such as rejecting corruption, care for their employees, etcetera. When they operate from or in one of the OECD countries (Lipkova, 2012). However, these principles are not very thorough and only address issues that have often already been internalized by businesses, especially MNC's. Governments who are serious about steering corporate power towards society-broad benefits have several strategic themes to push MNC's towards (Rupert, 2000):

- Divide headquarters
- Transfer important business processes towards LMIC's
- Multinationalize management layer
- Find external sources for innovative research and development
- Fuse processes, create alliances, joint ventures and other collaborations
- Adapt to the internet economy

There are already regulations in place to nudge corporations in the right direction, the EU has guidelines and the UN's Code of Conduct for Transnational Organisations is another example. However, every legislative region has its own rules and regulations, not to mention monitoring and compliance instruments. The choice of country for the corporation therefore involves complex considerations on economic, legal, ethical, environmental and social aspects.

Thus, CSR has become an explicit part of global capitalism and the study of MNC's (Kolk & Tulder, 2010). CSR discussions have been linked to sustainable development since at least the Brundtland commission in 1987 (WCED, 1987). However, the exact role and impact of businesses in sustainable development is not entirely clear and more research is necessary (Kolk & Tulder, 2010). For example, sceptics have been raising doubts about the MNC's ability to solve complex issues and suggest that CSR is often a part of the marketing department's concern with image-building (Frynas, 2008). Others have noticed that CSR is becoming a strategically important activity for many corporations: many MNC's attempt to link CSR to their primary business activities in order to build rapport in a cultural or institutional setting (Verbeke, 2009).

4.3 The New Development Paradigm

The NDP is basically a collection of the theories that were diverting from the neo-classical paradigm of the early nineties (Stiglitz, 1998). CSR has an important role for the NDP: it was an NDP scholar (Dunning 2006) who asked the question how MNC's can and should contribute to international development in a wider sense (not just GDP growth). According to NDP, businesses can be incentivized to act in a socially responsible manner through partnerships with stakeholders and tight government regulations with regards to social impact (Campell, 2007). However, weak financial performance, the presence of competitors and low national economic growth reduce the probability of CSR. Because the context and locality is important for the means of development in the NDP, it is difficult to get a clear consensus on what areas CSR should focus on, what time-frame to use and how the roles should be divided (Kanbur, 2001). Joseph Stiglitz (1998) did find that some consensus has been reached among development scholars. He recognized several overarching development themes in the NDP literature: education, infrastructure, health, knowledge and capacity building. Current international development practices show that these themes have now indeed become the most prominent development subjects, insofar it was not a self-fulfilling prophecy.

Another important aspect of the NDP is its emphasis on the role of institutions for the business climate of countries and the comparative advantage of firms. Within the NDP framework, the scope and quality of institutions (and social capital) is an important factor for development, both as a goal and as a means. Good institutions work both upstream and downstream in regulating resources, capabilities and markets (Dunning & Fortanier 2007): an MNC can gain a comparative advantage through use of the institutions of its home-country, such as a favourable financial system the MNC has access to (DGGF?). Within the NDP, power of MNC's should be harnessed and instrumentalized for international development by collaborating with public institutions. From the perspective of the NDP, CSR can only contribute to development through collaboration with governments, institutions and civil society. This is a clear departure from the autonomous, self-regulating type of CSR concept that was used till the late nineties.

4.3.1. NDP and the role of MNC's

A paradigm shift requires a re-examination of the research agenda. The NDP contains new dimensions of development which have not been studied comprehensively yet. Dunning and Fortanier (2007) propose three dimensions that require further study: the new development aims beyond GDP growth, comparative advantage of MNC's (especially institutional advantages) and the new roles and linkages between market and non-market actors.

NDP Dimension 1: New Development Metrics

The first new dimension of the NDP is a broader range of development metrics. Although the goals and criteria were quite vague when NDP was in its infancy, they have steadily matured into the United Nations Millennium Goals (MDG's) and later the Sustainable Development Goals (SDG's). However, this dimension remains challenging because it contains the linkage of business practices with seemingly unrelated development goals. A topical example would be, how can an investment in flower farms affect maternal health? The influence of business activity on development outcomes is (or could be) also indirect, not simply the result of productivity growth. The UN Millennium Project, which sought to materialize the MDG's, mentioned several MNC propelled passive processes that would contribute to the MDG's (UN Millennium Project, 2005):

- Increase productivity
- Create jobs
- Pay Taxes
- Supply goods and services (for a reasonable price)

Furthermore, there were two new roles that MNC's should take up: engage in public-private-partnerships (1) and responsible citizenship (2). The Global Reporting Initiative (GRI) has linked these processes to specific MDG's (see table 2). Providing affordable products is a primary contribution according the GRI, especially in terms of medication and food.

Millennium Goal:	Business activity
Eradicate poverty	Affordable products, local linkages, employment
Achieve universal primary education	Tackle child labour, educational services, harness technology for education
Gender Equality	Equal opportunity in the workforce, eliminate workplace violence
Reduce Child Mortality	Affordable products, medication, food, clean water
Improve Maternal Health	Affordable products, improve working conditions for women
Combat HIV/AID	Affordable products, workplace programmes
Environmental sustainability	Address environmental impacts, invest in technology
Partnership for development	Support global compacts, employment opportunities, access to R&D and patents.

Table 2: Linking activities to development goals (Dunning & Fortanier 2007)

Second to affordable pricing is employment opportunity, which agrees with empirical data that shows how working in a formal sector is a good way out of poverty (OECD, 2009).

Passive impact mechanisms, such as knowledge spillover, technology transfer and competition effects have been described above in table 2. However, the NDP prescribes a more active role for MNC's, related to either CSR or partnering with governments. Dunning and Fortanier place the active, passive, external and internal mechanisms on a matrix that could be helpful for analysis:

Type of effect	**MNC Role**	
	Passive	*Active*
Direct (internal to MNC)	Size effects (for capital base, employment, environment)	Environmental, health and safety practices, labour conditions
Indirect (External to the MNC)	Competition, technology transfer, linkages, alliances	Philanthropy, public-private partnerships, governments relations, supplier conditions.

Table 3: Roles and effects of MNC's (Dunning & Fortanier 2007)

The benefits of passive effects (events resulting from standard business practices) have a long history based in classical economics. The benefit of the active effects (as a comprehensive unit) have only recently garnered interest and stem from the early nineties. Despite their lateness, the world's 250 largest corporations are very aware of these mechanisms and many relate them directly to the SDG's (KPMG, 2017).

NDP DIMENSIONS 2: IMPORTANCE OF INSTITUTIONS

Even with increased interest and genuine corporate citizenship, the quality of the host countries institutions is paramount for the effectiveness of MNC effects. More generally, low-quality institutions hamper FDI inflow and therefore economic growth (Peres, Ameer, & Xu, 2018). Additionally, and perhaps more importantly, if these institutions are not in place to curb corruption, enforce property laws, respect the environment etc. all the passive, active, direct and indirect mechanisms of MNC's will be strongly impaired (UNIDO, 2005). MNC's often contribute to the development of local financial institutions because they require their services. Combined with improved legal frameworks (i.e. property rights, competition), these developments greatly benefit local companies (Alfaro & Rodriguez, 2004). Although the local institutions might improve, the institutions of the home country remain dominant for the MNC's. For many, it is still their main place of market, R&D or production (Rugman & Verbeke, 2004). NDP also encapsulates the institutionalization of CSR. Businesses are pressured from all sides by governments, NGO's, trade unions and others to check their conduct with regards to their environment and people. The bigger the pressure, the more likely it is that the company adopts CSR as a priority.

The CSR practices and process of institutionalization is often a reflection of the cultural context:

'*there is no such thing as a "universal" standard. The Universal Declaration of Human Rights is intended to be such a standard (...), but is often interpreted in different ways. Observance of ethical standards (....) is also in our commercial interests. Companies like ours are very much dependent on the trust that they receive from society. In a continuous dialogue with society, companies must establish what is acceptable and what is not. That differs from one society to another and from one period to another.*" – Unilever (Tummers, 1999)

Besides the local context being important, the above quote also supports the Iron Law or Responsibility by emphasising the importance of trust from society.

NDP Dimension 3: Collaboration

The third dimension highlights the importance of collaborations as an impact mechanism for MNC's. The positive development impact of MNC's depend partially on the extent of cooperation and partnerships with governments, civil society and local communities, especially for the effectiveness of CSR. For the MNC's, collaborations and partnership can legitimize their operations, offer context-sensitive information and improve their public-image. On the other hand, for NGO's and other civil society groups, partnerships with MNC's not only help to achieve development impact but also to maintain surveillance of the company's activities, something considered quite valuable considering the importance of trust mentioned earlier (Hamann & Acutt, 2003). Governments can also use partnerships to make sure that CSR activities are in fact relevant to their agenda like the SDG's. For all parties involved there is the advantage of knowledge transfers, boosting creativity and innovation towards development issues (Davis, 1999). But partnerships also involve risks such as, legitimacy loss, diffused responsibility, cultural or institutional misunderstandings, goal misalignment and insecure outcomes (Hemmati, 2002). However, the positive impact of partnerships lacks strong empirical evidence, partially because of the research methods used, but also because 'sustainable development' is not clearly defined and projects are scare (Huijstee, Francken, & Leroy, 2008).

The New Development paradigm brings together numerous existing concepts to summarize and synergize the sustainable development agenda. The NDP frames the concepts as interlinked and interdependent: the role of MNCs is not just to either bring in capital or wreak havoc on labour organisations. Through taking up a more active role through CSR and governmental collaborations MNC's can improve all sorts of development metrics and have a positive influence on a country's institutions. However, MNC's are also largely dependent on the existing institutions of their home country and clearly defined CSR policies. CSR is one of the more powerful instruments in which the power MNC's and social obligations of governments can synergise. But CSR remains difficult to enforce without suffocating laws and regulation. The next section will address corporate decision-making processes because these processes can determine the nature of collaborations and impact of CSR measures.

4.4 Corporate Constitutionalism

Chapter 3 of this study showed that the position of corporations and government vis-a-vis development is perceived differently throughout history. An important idea in the perception of corporations arose in the 1970's, when Jensen and Meckling stated that the corporation is simply a ''nexus of contracts'' (Meckling & Jensen, 1976). Without delving too deep into corporate law, regarding a corporation as a nexus of contracts has an important consequence for determining the place of corporations in society: the corporation and corporate law supports and facilitates markets and is simultaneously a product of these markets. From this perspective, some argue that rules and regulations surrounding businesses -reminiscent of Milton Friedman- should primarily be based upon market dictates (Corbet & Spender, 2009). A contradictory argument has been made by Stephen Bottomley (2007) in his book ''The constitutional corporation'', where the legal regulation should go beyond markets because corporations are social actors and their interaction is not limited to markets. Precisely because corporations are *merely* a nexus of contracts, the legal framework should include all spheres of influence, including the social sphere. This is relevant for CSR because it addresses the fundamental question of a corporation's role in society. Furthermore, Bottomley offers a decision-making process which he calls ''corporate constitutionalism'' that allows societal issues to be considered more seriously. A constitutional framework can engage stakeholders beyond the general stockholder meeting and change the perception of stockholders from investors to members. Corporate constitutionalism is, according to Bottomley, an evaluative exercise: the principles should be used as benchmarks for corporate behaviour.

Bottomley defines corporate constitutionalism around three principles:

1. **Accountability** – Corporate decision-making processes should be characterised by a separation of decision-making power.
2. **Deliberation** – corporate decisions should be subject to deliberation
3. **Contestability** – corporate decision which do not track the interests of members should be readily contestable.

Accountability mainly refers to the development of pluralistic decision-making via checks and balances to prevent unwarranted use of power. Bottomley therefore suggests a separation of powers in line with the familiar Trias Politica in institutional terms, but broader and more flexible. Bottomley addresses different approaches to accountability in order of adequacy. Firstly, there is simply the provision of accurate information about corporate activities by the corporation. Subsequently, a higher level of accountability can be reached by simultaneously justifying those actions. Another distinction can be made between justification given either defensively or pro-actively, where the latter is considered more desirable.

Accountability is preceded by decision making. Corporate decisions should come from ′′Deliberation and discussion, in which new information and new perspectives are brought to bear. ′′ Bottomley states: ''Legitimacy of a decision is not determined by its results but by the preceding deliberation′′. The goal is to achieve consensus by bringing the altruist and the egoist opinions closer together and make room for the discussion of other interests, like societal considerations. A majority decision will also be more sustainable if it is tolerated by the minority through dialogue. This is in accordance with the management theory which states that oppositional forces can make peace with a decision as long they felt heard during the process (Tyler, 2003).

Deliberation within decision-making can demonstrate to those involved that their ideas and concerns matter and that general meetings are not simply formalities which one is expected to suffer through silently. The main idea behind deliberation is to increase the quality and quantity of information that is included in the decision-making process.

Besides accountability and deliberation, one extra step can be taken to defend against purely self-interested decision making: contestability. Bottomley takes important lessons from Philip Pettit's research on republican political theory, where Pettit states that the mechanism of contestability pre-emptively influences decision-making because contestability after-the-fact is taken into account beforehand (Pettit, 1999). The contestability instrument therefore works as either an incentive to do right by others or as a deterrent to act purely in self-interest. Contestability can therefore also be regarded as deliberation after the fact.

Through the process of accountability, deliberation and contestability, social factors have a higher chance of being acknowledged and considered. These social factors can contain elements of Wallich (1970), where CSR measures improve the general business climate, but also in a prophylactic sense as Davis' (1973) described with its Iron Law of Responsibility. How companies organize their decisions on CSR and what elements of accountability, deliberation and contestability are involved can reveal something about the company's attitude towards CSR and how to collaborate with them. However, as pointed out by Carrol (2009), Campell (2007), Rupert (2000), Gond et. al. (2012) and Lipkova (2012), CSR practices and decision-making processes are no longer limited to internal corporate considerations but are instead regulated and mediated by governments and institutions.

4.5 PUBLIC PRIVATE COLLABORATION AND INTERNATIONAL DEVELOPMENT

The previous part outlined the difficulties in the decision-making process of CSR. Companies no longer decide on their own if they want to pursue CSR but are partially obliged to do so through laws and regulation. What is considered appropriate socially responsible practice does not just depend on the outcome of a cost-benefit analysis but is also influenced by demands of shareholders, customers, employees, political whims and the local community. The more viewpoints concerned with a company's behaviour, the more complex the CSR process will likely be. However, according to Bottomley (2007), including more viewpoints will also result in more broadly endorsed CSR measures.

Opening CSR discussions to outside stakeholders can also have other advantages for corporations. International companies in the global south that are supplied by local agriculture are often faced with supply challenges. Smallholder-farmers require education and scaling to keep up with the demand of the industry, something the companies are willing to invest in to maintain a stable supply base. This positive interaction requires companies to interact with many local farmers on terms of risk, investment and expectations. According to PPPlab Food & Water, a joint research initiative between Ministry of Foreign Affairs, University of Wageningen, The Netherlands Development Organisation and others, this process sometimes extends beyond the capacity and ability of the company, in which case cooperation with civil society or governments can be convenient (PPP Lab, 2015). Secondly, there is the advantage of penetrating new or growing markets through collaboration. According to the rapport by PPPlab (2015), partnerships can help companies to identity these markets, introduce products and create financial incentives to access these markets and contribute to economic development. Embassies are often tasked with promoting their resident country and are actively looking for such partnerships. The difficulties of estimating cost for social projects can be a deterrent for companies but partnerships, especially financial arrangements, can mitigate these risks.

Co-financing of social projects encourages companies to invest in social-economic progress of their surroundings. Government financing can also ensure continuity for projects that are successful but too expensive for the company to maintain. Additional financing can also expand successful projects for which companies are already stretching their budgets. When a company is interested in an inclusive business-model, it could be beneficial to engage with development authorities in order to procure financing. Likewise, governments and institutions have incentives to engage with the private sector. Currently the most used form of collaboration is the formalised concept of public-private-partnerships (PPP's). Governments engage in PPP's when the goal is an essential public good which should be met regardless of economic conditions (Sharma & Bindal, 2014).

There are several challenges that PPP's face such as:

1. Trust between public and private sector (Beck, 2010)
2. Management capacity of public sector to deal with private sector (Hall, 2006)
3. Disparate private sector (Molenaar & Renard, 2009)
4. Goal alignment (Molenaar & Renard, 2009)

Empirical studies have shown that in an international setting, PPP's do not necessarily appear where government capacity is lacking but rather in those places where the interests of western donors and international organization are the highest (Schäferhof, Campe, & Kaan, 2009). It is often claimed that PPP's profit from including a full range of stakeholders, but it is unknown if this is the result of thorough policies or the pursuit of lowest-common-denominator solutions according to Schäferhof et. al. (2009). In the field of CSR, governments pursue collaboration with corporations to instrumentalize their resources towards sustainable development -as prescribed by the NDP. Additionally, governmental participation in CSR is also propelled by social pressure, demonstrated by the fact that CSR initiatives are more popular and abundant in countries who have a welfare-state tradition than their neo-liberal counterparts (Steurer, 2009).

4.6 CONCLUSION

CSR has changed from a self-regulating, philanthropic exercise to a combined effort of social actors including governments, civil society and other institutions. Although this chapter has discussed many reasons for corporations to adopt CSR on their own volition, many governments and supranational organisations have adopted corporate standards through policy and regulations. Instead of CSR measures discouraging government regulation, companies must now uphold more standards than ever. The NDP encourages the adoption and enforcement of CSR through partnerships and collaboration and there is indeed some evidence that network approaches can contribute to more sustainable and socially desirable corporate practices. However, CSR also contains a contradiction insofar companies want to remain autonomous in their decision making but can also gain access to finance, knowledge and legitimacy through collaboration with public and civil actors. CSR practices are therefore the result of internal corporate decision-making processes and institutional/governmental mediation and regulation. This process of negotiation becomes more complex when sustainable development goals are involved, since they introduce additional actors, financial considerations and authorities. The outcome of these processes of negotiation, mediation and decision-making are partially dependent on a company view on their role in development and their interpretation of- and attitude towards CSR compared to these same views held by their collaborators.

CONCEPTUAL MODEL

This model gives an overview of the different concepts discussed in this chapter and how they relate to each other. Some concepts are related in more than one way.

MNC	NDP	Government
Decision Making process Public Image Presence of Competitors Iron Law of Responsibility Legitimacy Prevent government regulation	**CSR**	Contribution to SDG's Political Considerations Legitimacy Information on business conduct
	+	
Preserve Autonomy Public Image Legitimacy	**Collaboration**	Contribution to SDG's Political Considerations Legitimacy
	=	
Passive Effects Active Effects	**Development impact**	Passive Effects Active Effects

CHAPTER 5: METHODOLOGY

''Research is the process of going up alleys to see if they are blind'' – Marston Bates, The Nature of Natural History (1950)

The answers to the research question are difficult to statistically procure. Instead, the answers will be more valuable and useful when interpreted directly from the actors involved. As stated in chapter 2, this study contains several multi-interpretable or ill-defined concepts like ''CSR'' or ''collaboration''. The experiences and expectations towards other actors that arise from interaction with these concepts are important elements of this study, it is therefore necessary to let the respondents use their own terms instead of operationalizing them up front.

For this research, a qualitative approach is used to gain insight in the perception of the roles of public and private actors within international development, corporate social responsibility and government-corporate collaboration. The research contains three distinct data collection methods: document analysis, participant observation and in-depth interviews with relevant development actors. What these documents are, what the participatory context is and who the relevant actors are is determined by the context in which this research takes place. The case for this study contains a unique geographical indication, a novel policy directive and a multi-institutional collaboration. As stated, this study is placed within the context of the Dutch Good Growth Fund in Ethiopia. Firstly, DGGF is a relatively new and one of the primary instruments of the Dutch development framework. Because of its novelty, it naturally represents a current perspective -it was introduced in 2012- on Dutch development thinking. DGGF contains (or consists of) a joint effort between the private sector and the Dutch government and is therefore a useful framework to study collaboration in international development. Furthermore, MNC's play an important role in DGGF, coinciding with the idea in the NDP that the private sector should be considered for international development. However, there is little consensus on how their role in international development should be given shape and how the MNC's consider this role themselves. Secondly, Ethiopia is the biggest receiver of bilateral development aid from the Netherlands but has a relatively small Dutch investor base. It is also one of the primary countries for DGGF, measured by number of projects. This results in a surveyable number of companies that use DGGF.

A DGGF project consists of two major actors, the entrepreneur and the Netherlands Enterprise Agency, and one supporting actor, the Embassy. For this research, in-depth interviews have been held with all three groups. Additionally, participatory observation took place at the Embassy through a six-month internship and relevant policy documents or background information for policy notes were investigated. The theoretical concepts of the previous chapter, together with the input from policy documents and participatory observation, provided a framework for the interview-guide. The concepts will be reintroduced in chapter 7 where they will be compared to the answers from the interviews. The case of DGGF in Ethiopia is elaborated in chapter 6.

5.1 Participant as observation

Approach to Participant observation for this study

For the participant observation part of the data collection for this research I did a 6-month internship at the Dutch Embassy in Ethiopia. This internship allowed me access to people and activities that would help me to build a frame of reference. The Embassy as an intermedium between RVO and the entrepreneurs proved to be a useful place to be. It allowed for access to both parties, although less in the direction of RVO, and placed me a in relatively neutral position. The internship took place at the Aid & Trade department of the Embassy although there was a strong collaboration with the agricultural department. The Aid & Trade department is one of the first points of contact for Dutch companies wanting to invest in Ethiopia or already active in Ethiopia. Many Dutch companies already active or interested in Ethiopia are working in the agriculture or horticulture sector, which is why there is a strong collaboration with the agriculture department. In general, the Embassy works demand driven, companies contact the Embassy, either the Aid & Trade or Agricultural officers, and ask for advice or info. On the other hand, when necessary, the Embassy also dispenses advice on its own volition, especially when there are safety concerns. The Embassy also works together on a small scale through project collaborations. Most importantly, the Embassy is a medium between RVO and the Entrepreneurs. The whole collaboration of DGGF can be considered a triangle of which the Embassy is a part. If we consider participant observation as a spectrum than my position was very engaged, my observations were a result of participation and not the other way around. The perception and interpretation of collaboration between private companies and the government in terms of development really demands an institutional understanding as well, which is exactly what the internship provided. By keeping extensive notes on relevant weekly meetings and interesting exchanges, relevant themes floated up relatively autonomously, even before any literature review. One of the tasks that proved to be especially relevant was the assessment of DGGF applications for Ethiopia.

Participant observation as a method

Participant observation is a technique by which the researcher participates with research subjects while collecting information. Participation ranges from passive to active whereby passive suggests that the researcher is not completely engaged directly in the activities. Active implies strategy, thought and feeling shared activities (Jorgensen, 1989). Instead of experiments or other controlled environments, participant observation takes place in a real (as opposed to artificial) setting. Participant observation was born out of the idea that human experience is dependent on interrelations with other humans and therefore impossible to perfectly rationalize. This attack on positivism found its audience in the 80's and is now used in most human studies (Jorgensen, 2015). A big advantage of participant observation is the potential to greatly improve the interpretation of other data (DeWalt & DeWalt, 1998).

According to Jorgensen, the following guidelines offer a framework to determine if a study can benefit from participant observation:

- A central interest of the research is some concern for human meaning feelings and interactions viewed from the perspective of the native members of those situations and setting.
- The phenomenon to be investigated is observable in some natural, everyday life situation or setting.
- The researcher is able to acquire reasonable access to people and their activities in an appropriate setting.
- The phenomenon of study is sufficiently limited in scope, size, and location to be examined by way of a case study design.
- The questions or problems to be addressed are appropriate for a case study.
- Suitable information van be collected by direct observation, participants observation, interview, documents and related materials, and otter means and sources available some field setting.

(Jorgensen, 2015)

However, Jorgensen admits that participant research is not fully formalized and still open for the creativity of the researcher.

LIMITATIONS OF PARTICIPANT OBSERVATION

A difficulty in participant observation is the consent of the research setting. Covert participant observation is usually frowned upon for its ethical ambiguity but also unavoidable in many cases. In regular participant observation, it is important to determine what, how and when to disclose research interests and intentions. Like some other qualitative methods, participant observation is often critiqued for its non-replicability, incapability for the results to be generalised or susceptibility to the bias of the researcher (Machellar, 2013). Even though participant observation is a method that affords the researcher quite some freedom in design, its performer should take heed of the quality of data. In the case of this study, the method served both as a way to obtain data directly and indirectly. Direct data is the facts I have learned during the internships, the indirect data is the access I have gained to the entrepreneurs, Embassy staff and RVO staff. The fact that it took place at an Embassy brought along some unique difficulties with regards to confidentiality. However, for this research no confidential documents were consulted, and any confidential knowledge has been checked with the appropriate agent. Also, important to note is that the research has taken shape after the internship began, which is not unusual in participatory observation according to Machellar (2013). I had no hypothesis beforehand and was therefore uninhibited in my curiosity. Naturally, going in uninhibited also has a downside, recording data (taking notes etc.) was not as structured as it would have been if I had had a research question in mind.

5.2 PRIMARY DOCUMENT ANALYSIS

APPROACH TO DOCUMENT ANALYSIS FOR THIS STUDY

The most important document for this research is the policy document published in 2012 called ''A World to Gain (''Wat de wereld verdient'' in Dutch). This document explains global context and trends such as globalization, changing poverty patterns and shifting centres of power. This context forms the basis for why the Aid & Trade policy is necessary and how this is combined with budget cuts on international development. This document is important to read and study because it is the official stance of the Dutch government towards international development. What is being said -or not being said- in this policy note could help to explain patterns or categories coming from other data collection methods. It is important to note that A World To Gain was followed in 2018 by a new policy note: ''Investing in Perspective'' (verbatim translated since no official translation is available at this time). Although this policy note has been consulted, it is less comprehensive then its predecessor and does not contain any new directions for DGGF. For this reason, A World To Gain remains the primary document for the Aid & Trade policy and more specifically DGGF.

Another important document is the CSR policy document of DGGF. This document outlines the CSR criteria and processes that DGGF-companies should abide by. It explains why these standards are chosen and how they interact with the investment process. It also shows the process RVO uses to check the CSR practices of the Entrepreneurs. RVO uses OECD guidelines, IFC performance standards and the ILO declaration on fundamental rights and principles at work. To get a better understanding of the construction of DGGF CSR standards, it is important to study their background documents directly. Additionally, the OECD, IFC and ILO principles are internationally known and used and could therefore be telling of broader trends and patterns within international development.

DOCUMENT ANALYSIS AS A METHOD

Although this study cannot be considered a strict policy research, the case is a policy framework (Aid & trade) combined with one of its most important instruments (DGGF). Some researchers claim that within policy research, most if not all data can be found in either documents or people (Bardach, 2009). Max Weber goes even further: ''The modern world is made through writing and documentation'' (Lindsey, 2003).

Document analysis partially serves as a form of triangulation in this study, whereby the three different data collection methods support each other. Triangulation can help to detect patterns otherwise invisible but also guards against personal biases that might be involuntarily introduced when there is only one source (Yin, 1994). Document analysis can be especially beneficial in qualitative studies where a single phenomenon is investigated, all sorts of reports, documents and correspondence can contribute to a narrative (Mills, Bonner, & Francis, 2006). Researchers should not be over reliant on documents when other data collection methods are available, but in some disciplines (historical analysis for example) it is sometimes the only realistic option. The case for this study involves the DGGF instrument which is designed by the Ministry of International Trade and Development Cooperation. The official statements with regards to DGGF and their underlying motivation are therefore important to include in this study.

LIMITATIONS OF DOCUMENT ANALYSIS

The literature on document analysis methodology often reduces document analysis to fact-finding (Cauley, 1983). Because the researcher has the possibility to shuffle the contents of a document by omitting parts, document analysis is not as straightforward as it seems. Caulley (1983) has three guidelines when it comes to document analysis:

- Always choose the document that is most recent in relation to the event it describes.
- Always consider the intention of the author and goal of the document itself.
- Always prefer the testimonies by experienced/trained observer to those of casual observers.

Of course, one should break these rules when justified. The researcher should not only find and access documents but also check for authenticity and applicability. Additionally, it is important to check the context of the document and the intended audience. One the one hand, documents are ''non-reactive'' (unaltered by the research process) which can be an advantage. However, because they are not created for research, they often lack the exact information the researcher needs. Additionally, the accessibility is often controlled, what you get to see as a researcher is not always what is important (Bowen G. A., 2009).

For this study, the documents analysed are not testimonies or historical narratives but policy notes, strategy documents and regulatory provisions. In this sense, the documents are used to demonstrate how and if certain phenomena were intended. The risk of using non-authentic, non- applicable or insincere documentation is therefore small. The information the documents contain is in this case just as important as the information that is not. For example, OECD regulations for CSR might lack certain guidelines that are found wanting by other DGGF actors.

5.3 IN-DEPTH INTERVIEWS

APPROACH IN-DEPTH INTERVIEWS FOR THIS STUDY

11 people were interviewed for this study: five Entrepreneurs, three Dutch Embassy staff members and three RVO staff members working on Ethiopia and DGGF. These individuals were chosen on the basis of their involvement with the research material. Although the research material is broad and comprehensive, in the case of DGGF in Ethiopia I was able to select the proper participants through a process of elimination. Firstly, there is only a limited number of organisational actors involved in DGGF, in Ethiopia or elsewhere. As described earlier, these are: corporations, the Netherlands Enterprise Agency (RVO) and the Embassy. Secondly, there is a limited amount of companies that use DGGF in Ethiopia, which are all distinct in one way or another (sector, size, motivation etc.), there is only a limited amount of people at the Netherlands Enterprise Agency working with these companies and furthermore, there is only a limited number of people at the Embassy who work with both the companies and RVO. In the case of the companies and the Embassy, it was possible to create an exhaustive list of the relevant people, not in the least because of my personal experience with both. The companies that have DGGF in Ethiopia have all been interviewed for this thesis, most of whom were flower farmers. Note that the overrepresentation of flower farmers is typical for the Dutch business presence in Ethiopia. RVO proved to be a difficult fort to breach. With limited connections, it proved an arduous task to break through the at times obtuse and formalistic demeanour of some of the employees, even with a recommendation of another direct colleague.

However, persistence resulted in three relevant individuals who were active in Ethiopia, DGGF and/or CSR and were receptive towards an interview. The respondents of the Embassy were chosen because their positions involved Dutch businesses in different capacities: Agriculture attaché, Aid & Trade policy officer and the head of Development cooperation. An overview of the interviewees is presented in table 4 on the next page.

In-depth interviews as a method

Using interviews for collecting data is very useful when experience, meaning and values are a concerning factor in the study. The questions of in-depth interviews are often formulated in a how or why manner or attempt to answer a how or why question (Dworkin, 2012). In-depth interviews (also referred to as semi-structured interviews (Campbell, et al., 2013) are therefore used in many qualitative research designs and are suitable for a wide range of methodologies like ethnography or grounded theory (Given, 2008). Additionally, in-depth interviews are often used as a singular method, not relying on a grander philosophical theory according to Given (2008). In-depth interviews are therefore flexible to implement, this is especially noteworthy considering the call for more unusual combinations of methodologies in development studies concerning MNC's in chapter 3 (Kolk & Tulder, 2010). In this study, in-depth interviews have not been used to test a hypothesis but instead to look for patterns or categories that emerge from collaboration and find to relationships between these. Because the interviews are one of the primary methods of data collection in this study, several issues need to be addressed. Firstly, what is the proper sample-size in this case? In contrast to quantitative studies, more is not always better for in-depth interviews. Similarly, too few interviews can leave crucial categories or relationships unnoticed. Research methodology literature allows a wide range: somewhere between 5 and 50 (Baker & Edwards, 2012). This is where the concept of saturation comes in, defined as the point where additional data collection would yield no novel insights and further interviews would prove redundant (Mason, 2010). The factors that determine saturation are only partially determined by the researcher. Factors such as research budget, project timeline, experience of researcher and stratification of the research subject all weigh on when saturation is reached (Charmaz, 2006).

RVO	Position		Interviewed on
1	PSD* Coach Ethiopia		12-2-2019
2	CSR officer DGGF		19-4-2019
3	Investment Manager DGGF		23-4-2019
Embassy			
1	Agriculture Attaché		28-3-2019
2	Aid & Trade Policy Officer		28-3-2019
3	Head of Dev. Coop.		28-3-2019
Entrepreneurs	**Employees Approx**	**DGGF since**	
A	850	2014-2015	25-3-2019
B	350	2015-2016	12-4-2019
C	350	2015-2016	26-3-2019
D	44	2015	29-3-2019
E	1200	2019	5-4-2019

Table 4: Information interviewees **Private Sector Development*

LIMITATIONS OF IN-DEPTH INTERVIEWS:

Although in-depth interview allows for greater flexibility than, for example, a questionnaire, interviews itself are also limited. Some respondents might be better at putting their experience or memories into words than others, but a better formulated experience is not necessarily a more valuable one. Additionally, people are rarely capable of vocalizing the entirety of their knowledge and experience on a certain subject, especially with interview-time constraints. Interviews are also criticised for their supposed limited capability of collecting quality data. The critics argue that what people say is not always what people do, even when they are convinced that their behaviour is in line with what they communicate. It is therefore difficult to reach any objective truths by interviewing someone. Instead, the interview is used as a way to get access to a social or cultural framework that people use to answer questions (Swidler, 2003). Furthermore, interviewing often leads to interpreting findings as individual qualities instead of more broadly (cultural, social, relational) (Desmond, 2014). There is also the effect of increased coherence of events in hindsight. When someone is asked to retell an event or history, it often seems like more deliberate process, leaving out contradictions and chance (Lamont & Swidler, 2014).

For this study, the additional data sources provided context for the interviews and data to corroborate information. My participation at the Embassy has provided me with the background information the respondents neglected to disclose, especially in the case of the entrepreneurs and Embassy staff. Because they know I have a background in Ethiopia they would sometimes forgo on certain details and word their answers with some assumption (you know what I am saying?). This has happened during the interviews where entrepreneurs said ''well you know this already, but some people don't". I usually responded with what I did know about that subject, this way the information was still on the record and it made sure that the entrepreneur did not make false assumption on my behalf. The internship at the Embassy has made me familiar with how the companies and the Embassy staff operate. This means it was clear to me when the answers in the interview were not consistent with the practice as how I experienced them. When discrepancies did occur, I could instead look at why this discrepancy was there and how this reflected the respondents experience of that subject. Because my research questions are not aimed at truth-finding, it was more important to be aware of how a certain answer were constructed than how factual they were. Thomas theorem springs to mind here: ''If men define situations as real, they are real in their consequences" (Thomas & Thomas, 1928), in this case it was relevant to remember that false interpretations of collaboration can influence the collaboration.

5.4 Personal Bias

Although the described methods are all widely accepted and used (Gubrium & Holstein, 2003), they are not without their limits. As a researcher, especially as one who has been embedded and participated in the processes I am studying, I have attempted to shield this study from any personal biases and make them explicit before designing the interview guide, for example. It is unavoidable that some personal biases will slip in somewhere in the research process (design, execution, interpretation) (Given, 2008). However, by being aware of this I could take measures against it and perhaps recognize my own biases after the fact. Personal convictions are especially prone to be perceived when studies challenge the existing order or a particularly widely accepted concept ('This cannot be right?"). In this study, the risk of personal bias was relatively high considering my relationship with the Embassy and the contact with the entrepreneurs I had during this time. Besides all intents and purposes, I did not go into this research without prior knowledge or opinions. It is therefore important to be mindful of what the data showed and not extrapolate from my own implicit ideas on the matter.

Each of the three data collection methods address a part of the research question and/or mitigates the limits of the others. Participant observation allowed me to experience the practice of the Embassy the entrepreneurs and -to a lesser extent- RVO. This gave me a necessary overview of what the network of DGGF looked like and how the different stakeholders were related to each other. Additionally, because my work at the Embassy encompassed more than just DGGF, I had an idea of the context in which DGGF is taking place, such as the practice and relationship with companies who are not involved with DGGF. Participant observation already gave me approximate answers about understandings and interpretations of CSR and collaboration with the entrepreneurs and the Embassy. The document analysis proved these same approximate answers for RVO, who labour under the definitions and strategies put forth in policy documents. The result of both these efforts were used as input for the interviews, whose goal was to provide background information, specific descriptions and personal views. Ultimately, the data did not flow linear from participant observation to document analysis to interviews but was used iteratively by using new understandings to re-examine previous ones.

CHAPTER 6: AID, TRADE AND ETHIOPIA

''Context determines the meaning of things. There is no such thing as a view from nowhere, or a view from everywhere for that matter''– Noam Shpancer (2010)

The introductory chapter of this thesis included the establishment of the Aid & Trade policy. This chapter will delve deeper in the policy documents and critiques to establish a solid idea on the methods and goals of Aid & Trade. This chapter will be a summary of the ''A World to Gain'' policy document that introduced DGGF, subsequent documents and the critiques of Aid & trade and aid for trade policies in general. It will also address background documents such as the OECD guidelines for multinational corporations and give a general overview of Ethiopia's economic development strategy.

6.1 Dutch Development Cooperation

Dutch development aid basically follows the historic pattern described in chapter 3. From the end of World-War II till 1970, Dutch foreign development practices were mostly concerned with government to government aid. Non-profit aid organisations such as Novib, ICCO and Cordaid did start to emerge in the 60's but would only later gain real significance. Jan Pronk, Dutch Minister of Development Cooperation from 1973-1977 and again from 1989 till 1998, introduced dependency thinking in Dutch foreign policy (NCDO, 2012). Attention shifted from governmental aid to more small-scale initiatives to build economic capacity. The ''Wereldwinkel'', a retail chain that imported ''fair'' products from LMIC's was introduced during this time. In the 1980's, the position of corporations was strengthened, and agriculture was to gain an increasingly important role throughout the following years. Non-profit aid organisations had also acquired a more important positions during this period. However, Dutch development aid was not immune to the rise of neo-liberalism and also had to conform to the IMF and World Bank strategy of structural adjustment programmes in the 80's (Baneke & Jepma, 1999). In 1989, Pronk combined the traditionally separated worlds of diplomacy and development work. He also introduced the concept of Human Development during this time (MoFa, 1990). His successors continued a similar path and put emphasis on policy coherence and the Ministry of development cooperation became more aware of the unfair trade agreements between the OECD countries and LMIC's. Following the September eleven attacks, security was deemed critical and the amount of countries that received aid was simultaneously reduced from 120 to 36, mostly focussed on nations in conflict. This resulted in the ''Dutch Approach'': Defense, Diplomacy, Development, introduced by Agnes van Ardenne. Van Ardenne also focussed on developing public-private partnerships. Her successor Bert Koenders followed this up with the ''Schokland agreements'' bringing together NGO's and corporations to commit to efforts in developing countries. The Schokland agreements stated that the only way for either NGO's or private companies to apply for financing was through collaboration with each other (Gerwen & Ede, 2014). In 2010 Bert Knapen became Minister of Development Cooperation and the budget was cut by 70%. The number of countries that received direct aid was further reduced to fifteen and efforts would be focussed on four themes: food security, security, water and sexual and reproductive health and rights. The idea that the Netherlands could also benefit from development cooperation gained momentum, a reciprocal aid doctrine was introduced (NCDO, 2012). In 2012, the Ministry of development cooperation was rebranded to the Ministry of Foreign trade and development cooperation. The policy document on Aid & Trade was published in 2013 by its new Minister Lilianne Ploumen. The trend towards more reliance on the private sector continues with the current Minister Sigrid Kaag.

6.2 DGGF AND AID & TRADE

The new Aid & Trade agenda frames the type of relationship with other countries in three categories:

1. **Help:** focussed on LMIC's that are unable to solve their own problems as a result of poverty
2. **Transitional:** LMIC's that have a rapidly growing economy (Ethiopia is part of this category)
3. **Trade:** Countries that have inviting business climates.

The policy document is clear about the nature of the relationships: the first relationship exists out of solidarity and the third out of self-interest. The second relationship is more challenging because it is a combination of solidarity and self-interest. The policy uses the four themes introduced by Ben Knapen in 2010 although slightly adjusted: Women's rights, Sexual and reproductive health and rights, water & food security and safety & justice. For the countries in the second category, the policy aims to increase access to global and regional markets. The document presents two methods to do this: negotiate trade agreements through the Doha round of the World Trade Organization (WTO) and the Dutch Good Growth Fund (DGGF). Unfortunately, the Doha Round of WTO negations proved unfeasible and was declared a failure in 2015 (The Financial Times, 2015). The framework also mentions that International Public Goods (IPG's) such as trade, safety, food security, sustainability and climate have a pivotal role in every part of the policy, corresponding with the main themes. These themes should be supported and executed through partnerships and collaborations. The budgets cuts are felt in all fields of development but investments in good governance, environment and education have been phased out in a more rapid pace. However, with the inception of Aid & Trade, additional money has been made available for private sector development through DGGF.

The Aid & Trade policy is based on the broad philosophy that all stakeholders, especially the previously neglected private sector, should be involved in sustainable development. Taken from the document: *''Companies [...] are essential development partners on account of their knowledge, technology and networks''* (Dutch Ministery of Foreign Trade & Development, 2016, pp. 23-24). The role of the private sector is especially important for second tier countries like Ethiopia, where aid is supposed to make room for trade. However, the document also expresses some doubt towards the effects of investment on sustainable development: '' [..] *trade and investment do not automatically lead to sustainable, inclusive growth* [..] . Which is why the CSR principles of OECD, IFC, ILO and the UN are included.

The Dutch Good Growth fund is meant to get business to come where they would rather not go. DGGF has similar goals as the previous ''Private Sector Investment programme'' (PSI) and the ''Emerging Markets Cooperation Programme'' (PSOM) but uses loans and guarantees instead of subsidies to achieve this. DGGF has three tracks:

1 Investment financing
2 Export credit assurance
3 Investment in local Small-Medium Enterprise

The first track offers financing to small-medium enterprises (SME) who invest in 66 +/- (subject to change) LMIC's (see appendix C) and are unable to secure credit from regular financiers like banks. This first track has been the subject of this research. The fund aims for equal opportunity and sustainable supply chains by using a revolving fund, meaning that repaid loans are used for the next investment. Track one is budgeted at 250 million a year of which 45% should be used for loans and 55% for guarantees.

DGGF is designed to cover the failure of markets to supply financing for companies who want to invest in LMIC's. Traditional financial institutions are not willing to invest in those countries because of the perceived risks. DGGF is willing to take on this risk in order to push investments towards unappealing markets. DGGF only supports business-activities that have a development-impact, which is measured by three criteria: Employment opportunities, knowledge transfers and expanding local production capacity. To increase the chance of both development impact and the return of financing, a flanking policy is introduced in the form of Technical Assistance (T.A.). Companies can appeal to a T.A. subsidy to increase their development impact by, for example, recruiting a CSR consultant. T.A. is not financed from the fund. DGGF is managed by The Netherlands Enterprise Agency (RVO). The duration, interest-rate and other agreements depend on the project. However, because RVO should not compete with regular banks, interest rates cannot be below market rates.

As far as empirical evaluations of Aid & Trade and DGGF go, not much has been published yet. The Dutch Royal Tropical Institute (KIT) has made a brief first evaluation of the period 2013 - 2017. In ten key points the KIT recommends ways for Aid & Trade to become more inclusive, impactful, focused and ambitious. Several of their key-points are relevant for this research. Firstly, KIT reports that partnerships face difficulty in design and management. Many of the partnership programmes to be economically unfeasible without additional financial assistance. Additionally, public-private partnerships with SME's are preferred because of better local embeddedness and stronger emphasis on inclusive business. Another weakness within Aid & Trade as reported by KIT was the lack of cooperation between different programmes (DGGF and IDH for example), little integration with other Embassy programmes, and exclusion from economic diplomacy attempts. Kit also made a point of the position of large (Dutch) companies. Where SME's are described as instrumental for development and have different means to engage with Aid & Trade, Multinationals are hardly discussed in the policy document. Then there is also the bigger question: is Aid & Trade pro-poor? KIT admits this is difficult to answer because there is hardly any differentiation between target groups within projects, making it difficult to assess impact. Even though more evaluations are taking place, there is still very little knowledge on the impact on local economies and the (un)intended side effects (Royal Tropical Institute, 2017).

Although the incorporation of the private sector fits with the general development philosophy of NDP, there is some debate on how to materialize this. Scepticism on the design of Aid & Trade can mostly be found in academic circles and is especially critical of the weak scientific foundation of Ploumen her arguments. Jan Willem Gunning, professor development economics at the Free University Amsterdam, points out numerous false assumptions and counterintuitive measures that are part of the policy paper of Ploumen. For example, as Gunning (2013) points out, the document states that trade and foreign investment is crucial in the fight against poverty but on the same page it says that trade and foreign investments are being encouraged out of self-interest. Although both positions are viable, it is not possible to embrace both at the same time (Gunning, 2013). Reasoning from economic rationality, Gunning reprimands Ploumen for trying to create a ''level-playing field'' by subsidizing (Dutch) private companies.

''Why can't companies lend the money from traditional institutions? If the capital market is broken, why not directly fix that, instead of compensating very specific players?" (Gunning 2013, editorial).

Additionally, Professor Paul Hoebink of the Centre for International Development Issues only recognizes cliché's in the Aid & Trade policy and compares the arguments in favour of Aid & Trade with *''the depth and durability of a puddle on tarmac on a hot summers day"* (Hoebink, 2017). Hoebink argues that Aid & Trade increases prices and thereby negates development efforts. Such a policy will inevitably lead to practices that prioritize whatever Dutch companies can offer, at the expense of what the recipient country needs. According to Hoebink, these pricing effects have been known since at least 1978.

As stated in ''A World to Gain", the Aid & Trade policy was not developed in a vacuum but designed as a response to global developments. Aid & Trade and the NDP share some characteristics indeed; emphasis on partnerships, multifaceted development and leveraging the private sector. However, the KIT study showed that these are also the subjects where Aid & Trade's performance is still ambiguous. Additionally, if we reduce Aid & Trade to bringing Dutch investments to LMIC's, it is not obvious how its approach differs from developing our own economy. To clarify with an example, since Brexit, there has been a lot of discussion on the importance of attracting foreign firms to the Netherlands who want to remain in the European Union, attracting business is of vital importance to our economy, so it goes. It seems that Aid & Trade has taken a page out of this same playbook, even though NDP and dependency theorists claim that is not necessarily in the best interest of a LMIC to adhere to the same economic principles as a developed one. DGGF also does not discriminate on the basis of sectors, as long as they provide one or more of the three indicators: jobs, production or knowledge. If Aid & Trade wants to step away from GDP growth as a singular objective, it is necessary to differentiate between economic activity, according to dependency theory. Although NDP synthesizes some elements of dependency and neo-classical theory, there are still discrepancies -or at least uncertainties- in Aid & Trade as a product of NDP. Aid & Trade performs questionably on differentiation between economic activity, performance of partnerships, context specific development and accelerating self-reliance.

6.3 Corporate Social Responsibility in DGGF

According to the ''A World to Gain" document, CSR is an important element for DGGF. For their CSR policy, RVO combines several standard CSR principles: OECD guidelines, IFC performance Standards and the Dutch Entrepreneurial Development Bank's (FMO) exclusion list. The OECD guidelines include The Ruggie Principles, the ILO declaration on fundamental right and principles at work and to some extend the UN convention on Biological Diversity. The DGGF CSR principles that companies must adhere to are:

- Human Rights
- Employment and industrial relations
- Environment
- Combating bribery, bribe solicitation and extortion
- Consumer interests
- Science and technology
- Competition
- Taxation
- Supply chain responsibility

In the DGGF application process, the RVO investment manager takes the lead on the project and determines when the CSR team gets involved. RVO also requires entrepreneurs to assess their own operations, with considerable attention towards the supply chain. Applicants are asked to summarize potential negative impacts of their supply chain of the raw materials they use, the suppliers they deal with, the risks both of these involve and what kind of risk mitigating activity they propose. The overarching CSR organisation of the Netherlands (MVO Nederland) has developed a tool that companies can use to check risk and offer possible mitigations: https://www.mvorisicochecker.nl/en. For a more detailed outline of the DGGF process see appendix B.

Relying heavily on internationally set CSR principles like those of the OECD has its downsides. Because the guidelines do not offer a direct way to enforce them (they are non-binding after all), implementation can be a challenge. In fact, the most heard criticism of the OECD standards is the ambiguity of the guidelines and its weak ground for enforcement (Cernic, 2008). National Contact Points (NCP), made up of ministry representatives, government officials, business representatives or other arrangements, are mandated to make the guidelines known, spread information to investors and raise awareness. As Cernic (2008) points out, the implementation of the guidelines is highly dependent on multilevel cooperation. The biggest risk for a business that is in violation is substantial reputational damage and burning bridges with the home institutions. Implementation of the OECD guidelines was made more effective by decentralization, NCP's were given more responsibility and are now the main agent of CSR adherence in terms of OECD (Salzman, 2005). A study on the US, Dutch and French NCP showed that only the guidelines on labour relations are frequently addressed (Francoise, 2007). The study concluded that this was the case because the other areas were not properly implemented by the NCP's. The OECD guidelines implementation is therefore fragmentated and unpredictable (Zerk, 2006).

Considering these limitations of OECD, RVO decided to also include the IFC performance standards into their CSR component (Brand, 2019). Internationally, IFC is known to have a firmer implementation framework for their standards (Kim, 2015). Compared to OECD, IFC has financial leverage to enforce its principles and has therefore more direct influence. But even though IFC has hired labour experts, established advisory groups, trained much of their staff and is active in labour audits, standards have been violated without their knowing. Nonetheless, because of the influential position of IFC in global project finance, their principles and framework have been adopted by many financial institutions across the globe including commercial banks (Hunter, 2008). The adoption of the principles by other financial institutions has spread widely and about 70% of global project finance now includes these principles (ING Bank, 2014).

6.4 The Ethiopian Development Strategy

The low-context sensitivity of DGGF and its CSR principles would suggest that contradictions between Dutch development practice and the LMIC's reality would eventually emerge. It is therefore useful to investigate Ethiopia's own development strategies and economy.

Ethiopia is the second most populous country in Africa and one of the poorest countries in the world. Although its economy is mostly agricultural, the service sector is now the biggest contributor to GDP. With a GDP growth of 11% a year, Ethiopia has one of the fastest growing economies of the world (CIA, 2019). Except for Syria, Ethiopia receives the highest amount of global ODA (The World Bank, 2017). Ethiopia is also the biggest bilateral receiver of Dutch Foreign Aid.

Ethiopia is a predominantly agricultural society, with agriculture providing 40% of employment and 80% of export earnings in 2010 (Ethiopian Economics Association, 2011). The high GDP growth that Ethiopia has managed to maintain for over a decade was driven by government investments in energy, transport, communications, agriculture and social sectors (Moller, 2015). Export promoting policies together with trade liberalisation and the expansion of secondary education reinforced the government investments. The development strategy can be described as Agriculture Development-led Industrialisation (ADLI). Agriculture as economic motor or ''handmaiden of industrialization'' (Adelman & Vogel, 1991) has been an active field of study since at least mid-twentieth century (Rosenstein-Rodan, 1943) (Lewis, 1954) (Scitovsky, 1954). The idea is that agricultural surplus is not reinvested into agriculture but instead used to develop the manufacturing sector and act as a stimulus for urbanization. Additionally, agriculture is supposed to be scale-neutral (returns increase equally to investment) and therefore allow egalitarian growth of the rural economy (Lipton, 1978). Some evidence also suggests that agriculture innovations have had a higher rate of return than manufacturing, investment in agricultural extensions can set-off perpetual agricultural innovation (Evenson & Ranis, 1990). ADLI outperformed industrial export-led growth strategy on economic growth, employment, industrialization and other metrics in both Korea (Adelman I. , 1984) and Turkey (Yeldan, 1989) (Adelman & Vogel, 1991).

Ethiopia's development strategy has been strongly linked with attracting FDI since the EPRDF (Ethiopian People's Revolutionary Democratic Front) came into power in the early 90's. Despite FDI's falling in most of Africa, Ethiopia's FDI inflow has been boasting a steady average increase (The World Bank, 2017). To attract foreign investors, the federal and regional governments have invested heavily in infrastructure (Getnet, 2009). The most interesting agricultural sectors for foreign investors in Ethiopia with regards to export value are cut-flowers, cereals, coffee, oilseeds, chat and meat. These are also the most heavily invested sectors by foreign companies, indicating that most of the FDI is export-orientated and not market-seeking (Weissleder, 2009). The emphasis on foreign investment in agriculture has received criticism because there have been cases where land was appropriated illegally, displacing the local people who lived off the land (Ingebretsen, 2017). In some regions in Ethiopia there is a general mistrust towards foreign land-based investors that is often tied in with ethnic and political tensions. This has led to violent outbursts where greenhouses were attacked, looted and destroyed in 2016 and 2017, including a number of Dutch farms (The Guardian, 2017).

Ethiopia has signed many trade agreements to eliminate restrictions and attract FDI, including with the Netherlands. In addition to the ''regular'' trade agreement Between Ethiopia and the Netherlands there is also an agreement of encouragement and reciprocal protections. This means that profits, interest and dividends related to investments are guaranteed, Dutch companies can repatriate profits to the Netherlands tax-free and vice versa. Other market deregulations include removing obligated performance goals, complicated terms of export, some forex & import restrictions, a minimum of locally produced goods & expatriate staff and lowering minimum investment capital. FDI does not necessarily have to be undertaken in partnership with an Ethiopian national but there is a minimum capital requirement depending on the sector. Companies that export more than 75% of their produced goods and reinvest a portion of it are exempt from the minimum capital. Agricultural investors also get an income tax exemption for two to eight years, the greater the export ratio of produced goods production, the longer the exemption. If this is not incentivizing enough, Foreign investors are exempt from sales or excise tax on export products. There are still sectors where foreigners are prohibited, these include the financial sector, telecommunications and the airlines.

Prime Minister Abiy Achmed did recently announce that this might change in the near future, previously protected sectors will partially open up to foreign investors.

Besides FDI, the Ethiopian government is also a proponent of smallholder farmers. Although other African nations have only paid limited attention for the potential of smallholder farmers, Ethiopia has invested in them consistently (Fan, Omilola, & Lamber, 2009). Besides economic reasons, smallholder farmers hold a politically significant position in Ethiopia and have been involved in every major governmental transition in the last century (Abegaz, 2011). The ERPDF's broad-based development policies are similar to the authoritarian approaches of Taiwan and South-Korea or FDI focussed strategy of other East-Asian countries but take place in a different environment and eventually have different policy goals (GRIPS, 2009).

Ethiopia's economic programme is formulated in the so-called Growth and Transformation Plans (GTP), the second one (GTP II) is currently active until 2020. The GTP focusses on large investments in primary sectors: Education, Health, Water, Transport and Telecommunications. However, agriculture will remain the biggest driver of growth and investment for the government. The industry and manufacturing strategy targets labour-intensive, wide-market sectors that can be linked to agriculture. The economic outline of the GTP is to take advantage of opportunities but also to mitigate risks.

The following issues pose a risk to the Ethiopian economy:

- Inadequate business environment
- Poor human resources and human capital development
- Insufficient industrial inputs and infrastructure
- Lack of well-established investment and technology
- Poor market diversification and development
- Inadequate institutional support and enterprise development

(FDRE Ministry of Industry, 2013)

In addition, the World Bank has formulated three policy directions that Ethiopia should keep pursuing in order to become a middle-income country by 2025:

1. **Continued infrastructure investment:** Infrastructure is paramount for attracting FDI and increasing the effectiveness of local businesses, including agriculture. On the longer term, infrastructure financing should be reformed by drawing from taxes, private sector involvement and moving away from debt financing.
2. **Support the private sector via credit markets:** For a flourishing private sector, people need easy access to finance. Especially companies who plan to operate on the international market should be able to easily draw credit to be able to compete.
3. **Unlocking growth potential of structural reforms:** Although liberalization has taken place, the World Bank suggests further reforms in the domestic finance sector.

Although private sector development plays a significant role in the development of Ethiopia, the government has a strong influence on the flow of capital by using preferred-sector policies. The market is not entirely free to decide where resources will be allocated. Ethiopia has thence turned its back on the Washington Consensus and found its own form of development.

However, Ethiopia is still a landlocked, resourceless country with a meagre private-sector and all together disadvantageous starting point. Consequently, the country receives a lot of attention from foreign aid actors and development researchers. Ethiopia is growing rapidly, severely underdeveloped by standard metrics and relatively open and stable for engagement with international development actors. This makes Ethiopia an appropriate case for a broad range of sustainable or general development studies. Ethiopia's focus on FDI and the presence and interaction between governments, agencies, NGO's, civil society and other actors makes it especially interesting for this research.

Ethiopia's emphasis on attracting FDI pairs well with the goal of DGGF to encourage companies to invest in LMIC's. This is complimented by the prominence of the Dutch agriculture sector and the Ethiopian governments desire for labour intensive agriculture. However, the existence of landgrabs and large-scale displacement of indigenous people demonstrate that human rights violations are a serious risk when it comes to foreign land investments. This emphasizes the importance of diligent CSR implementation frameworks, especially when public funds are involved. The next chapter will investigate how DGGF stakeholders in Ethiopia view and implement CSR and what extent they collaborate.

CHAPTER 7: DGGF IN PRACTICE

No difference is less easily overcome than the difference of opinion about semi-abstract questions. - Leo Tolstoj, Anna Karenina (1877)

The order of topics in this chapter is primarily based on readability and clarity. Some comments and ideas by the interviewees require context and background information which will be provided first. The chapter is therefore arranged by topic. Additionally, the comments and answers of the interviewees are related to the concepts and ideas from the theoretical framework and combined with my interpretations of the theory and interview results. Additionally, facts and new information is provided where necessary. The goal of this chapter is to give an organic overview of the results and prepare the reader for the conclusions in the next chapter.

7.1 Changing business climate

For banks, Ethiopia is in risk category seven, which means that it is internationally considered as a no-go area. What is it then, that attracts these companies to Ethiopia? Firstly, some companies were ''pulled'' to come to Ethiopia. ''I came here to invest on invitation of the government. [...] The prime minister Meles (Ethiopian Prime Minister 1995-2012) had been pushing to get more horticulture into the country.'' - Entrepreneur A. Being endorsed by the Prime Minister meant that doing business was easy and the links with governmental authorities were short: '' [...] Investment office in Addis Ababa, if there were any issues, Kirma [head of the investment office] would be driven here, talk to the village and the local leaders and everybody would stand back in line (metaphorically).'' – Entrepreneur A. Other entrepreneurs have other reasons to start in Ethiopia, such as Entrepreneur D who deliberately wanted to make a development impact. When asked about the entrepreneurs' reasons for settling in Ethiopia its often one or more of the following: climate, logistics, safe and secure country and risk-management. One might expect low wages to be among these factors, but it was not mentioned by any of the entrepreneurs. Since the departure of Prime Minister Meles they all face more difficulties of doing business in Ethiopia. Some view it as a predictable constant: ''Ethiopia is a big country but it is difficult to run a business. Everything must be checked, terrible bureaucracy, something simple as an address change can take ages and runs into issues with old receipts. So yeah it is not easy but well, if it was, everybody would do it. It is mostly just perseverance, one step at a time.'' – Entrepreneur D. Those who have been in Ethiopia longer place it in a historical context and can see the situation getting more difficult. ''Easy as it was in the past, renewing business license, all these rules and regulations, it has gotten a lot harder. Corruption is getting worse, if I want to discuss a piece of a land, someone will ask what is in it for him first. In Meles his time this was different, you could talk to the farmers who owns the land, make a deal and pay them cash, done deal. [...] that's why I am wondering, should I even stay here? Maybe I should go to Rwanda, you won't be waiting like a dog for you permits there'' Entrepreneur A. The Ethiopian business climate has changed over the years, especially for those who were used to a preferential treatment like Entrepreneur A. All of the entrepreneurs experience the bureaucracy getting worse and Ethiopia as becoming less safe and secure in the last few years. Since the appointment of Achmed Abiy as Prime Minister in 2018, some previously repressed groups regained some freedom to express themselves, resulting in friction and occasional rioting. The changing social and economic reality of Ethiopia is reflected in its business-climate. Three of the entrepreneurs mentioned the business climate getting worse, and the Dutch government should be more active in improving it. ''That the Dutch give development aid is good, that we try to do it our way is good too. But it is very important that our own Prime Minister, Mark Rutte, that he visits the country to talk with the Prime Minister here.'' – Entrepreneur A.

7.2 Incentives and context of DGGF

The Dutch Good Growth Fund can be thought of as an evolution of the Private Sector Investment programme (PSI) and its predecessor, Emerging Markets Cooperation Programme (PSOM). All, except for one entrepreneur have used PSI or PSOM in the past, some to expand and some to start. The four entrepreneurs who used PSI/PSOM consider it a strong instrument to break down investment barriers. ''PSI/PSOM was a true development instrument because it lowered risk and therefore the investment threshold, DGGF is a loan with stringent repayment terms and although it's convenient, its nowhere near as big as an incentive as PSI/PSOM was.'' – Entrepreneur E. It makes sense for PSI/PSOM to resonate strongly with the entrepreneurs, it was free money after all (see p.47). However, the Embassy asserts that companies sympathize with the political difficulty of giving away money and that they understand and acknowledge the costs of business financing, even when it comes from the government. ''I am not a big proponent of giving away tax money for free'' - Entrepreneur C. For all but one, the purpose of DGGF was to expand the business already present in Ethiopia. Because it was either impossible or undesirable (risk-wise) to finance from equity capital, the entrepreneurs were looking for outside parties for financing. Only after thoroughly and diligently engaging with market players without result (by their own admission), entrepreneurs applied for DGGF. The high risks of investing in Ethiopia means that banks are not very willing to finance entrepreneurs that want to build or expand a business there. However, companies are in some cases capable of getting financing from a regular bank but would have to use their Dutch mother-company as collateral, a highly unfavourable proposition. It is possible that some might prefer to do business with DGGF (at least in advance) and are not as thorough and diligent in exploring market opportunities as they claim. Meanwhile, RVO is eager for projects and will perhaps be somewhat lenient towards the investigation into the entrepreneur's market potential exploration. The assumed impossibility to find market financing for Low-to-middle-income country (LMIC) investments is of course the basis for instruments like DGGF. The strict collateral terms of banks deter companies from financing with them and nudges the companies to DGGF, even though DGGF's terms should (in theory) be even stricter because of the none-compete principle of DGGF. Three of the entrepreneurs indicated that they chose DGGF because they were familiar with PSI/PSOM and had not reviewed DGGF very critically because of the assumption that it was similar. The backwards institutional linkages created by PSI/PSOM still persist as described by (Dunning & Fortanier, 2007), these linkages also describe a certain path dependency of the companies in an institutional setting.

7.3 Conditions of DGGF

The immaterial link between RVO and the entrepreneur is strengthened because RVO is incentivized to use the fund and engage in projects. To this end, the terms of DGGF change over time and per entrepreneur. For example, DGGF required entrepreneurs to be personally liable for the loan, something quite unusual in business transactions because of the significant personal consequences in case of bankruptcy. In practice, such a clause is just as devastating as using the Dutch mother company as collateral, which is what the banks ask for. However, the personal liability is often removed or not enforced by RVO. ''What they did not tell us is that I had to sign for the loan personally, so I am liable. They later told me that they would never enforce it. Still, legally they can'' - Entrepreneur C. It appears that communication on liability has been faulty more than once: ''I had collected all the information from the website and at the Embassy where they told me how DGGF worked etcetera. But when I went to RVO to sign, they surprised me with a personal liability clause. I put my life on the line in these countries and I am also personally liable for the loan? this is even worse than a Dutch bank. I told them: no way! and they removed the personal liability from the contract.'' - Entrepreneur A. Other terms or agreements besides liability are also open to adjustments.

''They were able to be a bit creative with the interest rate and managed to lower it for our benefit. Because they understand and sympathize with our situation, they [RVO] are a bit more flexible with the terms, we have a good relationship with them.'' - Entrepreneur D. This indicates that the collaboration between companies and DGGF has a strong informal component as well. The idea that the corporation is a ''nexus of contracts'' (Meckling & Jensen, 1976) might be valid from a legal perspective but it is not representative of reality in this case. The ''hard'' terms as they are written in contract are in some cases softer than they appear and negotiable after the fact. However, this informal flexibility is not gratuitous but instead instrumentally used by RVO to prevent double binds.

Nonetheless, there are of course some issues that do not allow flexibility from RVO, one of them is currency. The Ethiopian Birr is a ''soft'' currency and therefore difficult to exchange, making it hard to pay off a euro loan when you only have birr. The high inflation rate of the birr (and 15% devaluation 2 years ago) means that even when a currency swap is successful, companies that only serve the local market must spend more and more birr to pay off the same amount of euro. Exporting companies would like their loans in birr because of the same effect, they can use less euro to pay off the same amount of birr. ''If businesses can find local financing than they probably should, ignoring interest rates for a minute. However, DGGF will have to guarantee that financing in euro which means that – even with a counter-guarantee – the currency risk lies with the Dutch government. (...) I understand why an entrepreneur would want a birr-loan but it is simply not possible, we are not a bank and don't have easy access to other currencies'' – RVO 3. This is an example why export focussed industry is more attractive in countries with a weak currency. The suggestions of Raul Prebisch' and other dependency theorists to focus on import substitution is amiable but difficult to bring into sustainable practice when semi-finished products and raw materials need to be imported anyway (Bruton, 1998).

7.4 Perceptions of collaboration and features of communication

Although RVO is not a bank, the entrepreneurs consider DGGF a ''hard'' loan and compare their relationship with RVO to a relationship with a bank. 3 out of 5 find DGGF expensive, cumbersome and obstructive. ''If I pay 7,5% here AND 3% a year to the Dutch government, it becomes a very expensive loan. Add the amount of documentation and administration they require and the whole process just slows the business down, I am not happy with that.'' – Entrepreneur A. The amount of paperwork surprised all the entrepreneurs equally but is strictly necessary according to RVO. Because DGGF is already active in a higher risk environment, no stone can be left unturned that might reveal a vulnerability. Additionally, some things just take time: ''Of course businesses want everything to start rapidly but we can't be flexible when it comes to an environmental impact report or stakeholder-analysis. It might take some more time upfront, but we believe it will lead to a more sustainable investment in the long run.'' – RVO 2. Not everyone feels that the processing speed is necessarily determined by RVO but that it is the company that decides the pace. ''It probably differs per application, but I think DGGF is very quick, especially in the more recent applications, I cannot imagine that DGGF is the slowing factor.'' – Embassy 1. '' Speed really depends on the entrepreneur, can he deliver the documents we need in a timely manner? In addition, we regularly deal with divergent agendas between us and the entrepreneur'' – RVO 3. The different expectations towards the loan in terms of interest and lead time are cause for frustration and misunderstandings. This inter-institutional confusion is a big risk in collaboration and can result in negative attitudes towards the government as a partner in business (Davis, 1999) (Hemmati, 2002). The loss of legitimacy with Dutch businesses abroad is of course the opposite of what RVO sets out to do.

In addition to the financial agreement being considered a hard loan, the amount of cooperation between RVO and the business is also quite limited. When asked if they consider it a partnership, two entrepreneurs answered with contemplative hesitation. Two others reacted with slight indignation, as if such a proposition was offensively naive. Another considered it something he could make allowances for but had not thoroughly considered. Those who absolutely rejected it described RVO as being uncooperative and intrusive. ''Collaboration is a nice word, but it nudges more towards opposition.'' – Entrepreneur C. ''DGGF is slowing me down […] they give me all these constrains, which is fine, until I want to make my own plans'' -Entrepreneur A. But, RVO is also hesitant to call it a partnership. ''You try to be involved with each other, this sounds heavier than it really is to be honest because in the end, it is the company that must do the work. We are prepared to offer advice or act as a sounding board with regards to CSR and development impact. In that case we are more involved than a bank would be, more of a partnership. But in essence, we simply supply credit or a guarantee, and the companies have to pay it back, to put it very bluntly.'' – RVO 3. Although some entrepreneurs feel RVO can be intrusive while RVO 3 believes there is a very proper distance, engagement with RVO is in another case considered a more positive influence: ''I expected the relationship with DGGF to be like that with a bank. However, RVO is more engaged than other creditors we have. DGGF is involved with our business, also because we had some planning issues and could not really keep up, it turned into more of a cooperative effort. It is just that I didn't expect they demanded this much documentation.'' - Entrepreneur D.

The entrepreneurs view the engagement of RVO differently, where entrepreneur A and C consider RVO to be interfering, Entrepreneur D is more positive: RVO has more of a support or facilitating role. The source for this discrepancy could be the fact that A and C are more experienced businessmen than D. The hesitation by RVO to call it a partnership shows that the concept is not discussed or integrated into DGGF, the relationship between RVO and the business is undefined. Be leaving it undefined RVO might uphold the flexibility needed to adapt to new circumstances. On the other hand, it might also be a political consideration, officially partnering with Dutch businesses abroad with foreign aid funds might require far more supervision than either RVO or the entrepreneurs are comfortable with because it would become that much more politically sensitive and thus require even more reporting from the entrepreneurs.

Another interesting statement with regards to the collaboration was made by entrepreneur A. Although he finds DGGF rules intrusive and controlling, he also feels that RVO personnel is not engaged enough. ''This man [RVO employee working on DGGF], he was so excited. He told me I could write a book, that he had nothing but admiration for us, I thought: ''whatever you say…'' And next time he called I told him I was under gunfire and he said ''well we do need those accounting reports, they are very important'', I mean what was he [the DGGF manager] thinking? Let me survive this first, then I will worry about the accounting reports, it went completely over his head. Now they are all promoted, he was working for himself, not for me.''- Entrepreneur A. Perhaps in similar vein, entrepreneur C found some suggestions by RVO on CSR, especially living wage, to be presented in a condescending tone towards the entrepreneurs. ''It [a living wage proposal] will destroy everything, and the patronizing tone towards us as entrepreneurs bothers me a lot, as if we don't care. Meanwhile, the Dutch government as a member of the IMF forces the Ethiopian government to devaluate the Birr by 15%, its hypocritical.'' – Entrepreneur C. For clarity, the claims of entrepreneur C that a high jump in wages would cause unintended consequences are based on the idea that an increase in wages would raise prices in the surrounding community, resulting in a loss of purchasing power for those not working at the farm.

Without addressing the validity of this idea, it is an interesting comment because Adam Smith (1776 *p. 81*) noticed similar claims by entrepreneurs in his day: *''Our merchants and masters complain much of the bad effects of high wages in raising the price. They say nothing concerning the bad effects of high profits. They are silent with regard to the pernicious effects of their own gains. They complain only of those of other people."*

For this study however, the perceived institutional or cultural differences are cause for antagonisms are more relevant than the pricing effects of wage increase. In this case, it is the experience of entrepreneurs that RVO employees are career-minded and are simply looking to ''check the box"- indicated by insisting on accounting numbers in the heat of conflict- that is of interest. I would argue that this stems from the fact that RVO and the entrepreneur have very different stakes in a DGGF project. For the RVO employee, it is a project with a clearly demarcated start and end, a project that requires work and vigilance for five or so years. For the entrepreneur, the business is a life's work in which RVO plays only a small and very temporary part in the shape of DGGF. As emphasised by Beck with regards to public-private partnerships, trust between the public and private sector has always been a challenge (Beck, 2010). This shows this is not only true from public to private institution but can also be the case on a much more personal level. It is a truism to state that misunderstandings (and subsequent animosity) often stem from different perspectives. Goal alignment is therefore important for both effective management and the eventual outcomes (development impact) (Molenaar & Renard, 2009). However, this presents an even bigger challenge in the case of DGGF because it is not really considered a partnership, not in name anyway. Challenges that come up in official partnerships seem to be present in DGGF as well.

7.5 Position of the Embassy and the CSR proposition

The relationship between the Entrepreneurs and the Embassy is of a different nature. Where the relationship between RVO and the entrepreneurs is based solely on the financial instrument that binds them, the Embassy is there for every Dutch company regardless of formal cooperation with other government agencies. ''The primary activity between us [the Embassy] and the companies is the exchange of information. The companies are our eyes and ears in the backcountry. In turn, we can act as a mediator between the companies and the Ethiopian Government." – Embassy 1. The bureaucracy, corruption and civil unrest that make entrepreneurship in Ethiopia difficult, also pushes the Embassy and the entrepreneurs closer together. ''When I was here for two or three weeks the unrests started, because of that, I was familiar with all the companies quickly, this resulted in strong cooperation still." – Embassy 1. Although it has been relatively quiet in Ethiopia for more than a year, the collaboration between Embassy and companies is still underlined by the presence of conflict in the country. In this regard, the Embassy and RVO do not share priorities when it comes to what they want from companies. ''I cannot bring up any random societal issue when I meet with an entrepreneur. I know what the highest risks are because I know the Ethiopian context, those risks I like to discuss. We are now working on conflict sensitivity and when I bring it up to an entrepreneur, he understands why. If I bring up a subject that's not a high risk, like child labour, the entrepreneur would not take me seriously" – Embassy 2.

The collaboration between Embassy and entrepreneur is also not project based, as is the case between entrepreneur and RVO. The departments of the Embassy that deal with the entrepreneurs are obliged to do so continuously (instead of intermittently on a project-basis). Aligning goals and strategy is a lot easier when one party is (to some extent) in service to the other. RVO staff, who are (by their own admission) not as familiar with the Ethiopian context, have greater difficulty to address the things that the Entrepreneur finds worthwhile. Occasionally, ideas are floated without concern for practicality. ''They [RVO] suggested several CSR activities of which I immediately said I was not going to do them. They proposed that I would use electric cars instead of diesel and I replied that something like that is simply not going to work in Ethiopia.'' – Entrepreneur E. Although these ideas are allowed to sink as soon as they are floated, they do not inspire confidence with the entrepreneurs that RVO has a good understanding of what doing business in Ethiopia is like. ''I buy raw materials from all over the world and they ask me, is there any child labour involved in the production? I can't fly all over the world to see how they produce this stuff and what their process is like. If the Chinese load their containers at night with 15-year old kids, I can't be around to watch that. Of course, I don't want child labour but if they [RVO] ask me that, they must make sure that they know what they mean and what it entails to check, make sure its tight.''- Entrepreneur A. Without a proper implementation agenda, CSR suggestions simply fall flat and make the CSR advisors of DGGF seem naïve and imperceptive in the eyes of entrepreneurs. This indicates that even though RVO requires a clear list of CSR activities up front, output expectations can change over time.

7.6 THE FRAME OF CSR

The fact that these suggestions seem to come out of the blue without any link to the specific case, may be because DGGF uses standardised criteria from OECD and IFC. '' They added the IFC standards, so I think it is more implementable than before, the disadvantages are visible however; how realistic are these criteria still? If someone uses Chinese packaging material, the entrepreneur will be expected to show that it is not made with child labour. That's pretty far-fetched, to what extent is an entrepreneur able to even check it?'' – Embassy 1. These comments imply that the CSR component of DGGF is perceived as unrealistic in this context, which is entirely possible since it is based on the OECD and IFC standards. ''CSR frameworks are never specified to a country. IFC and OECD don't have that either. For specifics we rely on local law and regulations. For that we employ the Embassy because they are familiar with them [the local law and regulation]. Additionally, there are sector specific certifications we enforce. These are the ways we make it country specific.'' RVO 2. Although they make some effort to make it sector/country specific, it is not very convincing; businesses need to be in possession of sector certificates and adhere to local law and regulations regardless of DGGF. The electric car suggestion showed that ideas outside of the frame of OECD and IFC can be equally insensitive to business reality. DGGF seems to offer the entrepreneurs very little when it comes to CSR. Although CSR is substantial part of DGGF, it does not appear to connect to what the Dutch entrepreneurs are doing, nor is it explicit in activities. '''They are not really concerned with how we organize CSR activities; we report to them what we do and what certifications we have and that is fine for them'' – Entrepreneur B.

DGGF does not contribute to the motivation for CSR already present with the companies. When asked if DGGF inspired them to engage more actively with CSR, the entrepreneurs responded negatively for the most part. ''No, not at all. CSR is part of our business, we want to treat our employees well and we help the surrounding community when the business results allow it.'' – Entrepreneur B. This statement says something obvious but nonetheless important about CSR: it starts with the business results. Other entrepreneurs confirm this. ''We are investigating the possibility to incorporate an outgrower scheme in the surrounding areas but that's not something we can achieve right now. We need to make money first.'' -Entrepreneur D. Although empirical studies have shown that CSR implementation in the supply chain can often benefit the bottom-line because they are part of an efficiency effort (Snaar, 2002), this is not yet a reality for these specific entrepreneurs. As far as this study goes, the reasons for CSR lie neither with RVO nor with the Embassy. ''The point is, we export to England, the labels used by English supermarkets force us to adhere to certain principles.

These principles are also used by DGGF, so it was easy to adhere to DGGF principles. The problem is, we have to do everything all over again for DGGF because they want their own documentation." - Entrepreneur C. The OECD and IFC standards that make a push for chain-wide thinking, are grounded in the fact that businesses are highly sensitive to their clients wishes.

A big part of the certifications and other formalized CSR criteria are motivated by the clients. But what about the more informal CSR practices such as building a school or digging a drainage canal? ''You have to do some social things, I've build a school but I don't do that for DGGF, I do that for myself, I have a football field and a football team in the village, we give water to people, I am working on an outgrowers programme, we try to help people. A good neighbour is better than a friend in Australia." - Entrepreneur A. This statement reveals some intrinsic motivation of the entrepreneur to contribute to his surrounding community. Further in the interview he reveals there is more to it than just being virtuous, perhaps the comment on the advantages of having a good neighbour is more layered than meets the eye. ''If there are unrests in the area and everybody remembers you from the holidays you sponsored, they did not forget you because you were there every holiday, Christmas, new year's, Easter. If you build a school, they forget about you after a year, even though education is the most important thing in these countries." – Entrepreneur A. His statement reveals the belief in a sort of paradoxical way the surrounding community responds to CSR activities, contributing in a shallow way will make you popular and therefore safer, contributing to fundamental things is better in development terms but go unnoticed. The importance of being popular and safe is not to be underestimated and one of the reasons why the Embassy is more and more focussed on addressing conflict prevention and sensitivity with the entrepreneurs. ''We were talking about it today at the Embassy together with International Alert [UK based NGO]. We shouldn't forget to mobilize our CSR activities for PR. When we had an open day for the community, we used it as an opportunity to explain what we do. People were really interested and now have a better understanding of our activities." - Entrepreneur B. Evidently, there is a self-interest component to CSR for these entrepreneurs. While some take this self-interest, marketing motivated component of CSR and use it to cast doubt on corporate activity as a development tool all together (Frynas, 2008), it seems that a symbioses between CSR and public relations can exist. Similar to findings of (Verbeke, 2009), some entrepreneurs are linking their primary activities to CSR in order to embed themselves deeper in their community. Although initially a positive activity in the sense that its main motivation is to improve the relationship with the community, there is an implication of danger for the entrepreneurs as well. The Iron Law of Responsibility is perhaps felt more directly for the land-based companies in Ethiopia because of the intense violence and destruction in 2016 and 2017. Entrepreneurs (and the Embassy) are acutely aware of the unpredictability of violent outbursts that can destroy a greenhouse in a matter of hours. Where the Iron Law of Responsibility in the Netherlands means losing customers, it could mean losing your head in Ethiopia.

7.7 THE NATURE OF CSR

There are two more aspects of CSR that came up that deserve some investigation. Firstly, there seems to be hardly any consensus on what CSR actually is. Not among the investors, the Embassy or RVO. ''Sponsoring a holiday is not CSR, it's a social obligation. Building a school, that's CSR. A free lunch: not CSR. These are social obligations, we do holiday's every year but that doesn't come from our CSR budget.'' - Entrepreneur B. Reaching consensus on what CSR is seems hard enough, let alone what ''good'' CSR is. ''In some cases, its good PR, if someone wants to be popular than maybe sponsoring a holiday is indeed better. However, in my opinion, CSR is about development and contributing to things outside of the gate and radiating positive impact. And it doesn't necessarily have to be profitable in one way or another, it is for the greater good.'' – Embassy 2. Secondly, and this could well originate from its ambiguous definition, there does not seem to be a real method to deciding what to do in terms of CSR. ''We spent quite some money on the internally displaced Oromo refugees, sponsored housing and waterworks etc. That's where most of the money from last year went, appeasing the local government.'' - Entrepreneur B. ''We routinely give money to the community: simply transfer the money. Another way is when the local administration visits us and asks for a donation or something for a specific project. When they ask, it is better to give because otherwise, well.'' - Entrepreneur C. As I have experienced during my internship, the consequence of not contributing to requests of local governments can vary greatly, from a disappointed look on the mayor's face to labour-strikes or even violence on the long term. CSR budgets are therefore not always carefully planned or allocated over the year but spent ad-hoc, depending on the urgency.

Considering the highly dynamic environment these companies operate in, it is no surprise that CSR measures are not strictly planned. Budgeting for the long term might get you into trouble the moment something urgent comes up that was not accounted for, having to either change plans completely or ignore the current demands of the community. When the investors had some CSR ideas for the future it often sprung from the mind of the entrepreneur himself, not necessarily in dialogue with the community, Embassy or RVO. ''I think Dutch people have good common sense in general, so I say, it is important that they [the community] have access to a good school, now I am thinking about a day-care, why? People who work at my farm can bring the kids to the day-care, mom goes to work and picks them up on the way home, just like in Holland. You should be careful though, with legal responsibility etcetera, some risk involved but worth looking into.'' – Entrepreneur A. Appropriate CSR activities are not necessarily related to locational context. ''We are going to build a clinic, football stadium, knowledge/educational centre for local farmers, pay a decent wage, use wetlands etc. [...] This clinic might be a bit bigger because we have more budget here, but I don't see any difference with our CSR activities at other locations'' – Entrepreneur E. Another entrepreneur does think that CSR activities are supposed to match the surroundings: ''Every village, every location is different, of course you can bring ideas in from other locations, but copy-paste hardly ever works. Every location is coloured in a different way.'''- Entrepreneur B. The seemingly offhanded way in which the entrepreneurs decide on CSR activities have little semblance to Bottomleys (2007) corporate constitutionalist process as described in chapter 3 (p.52). However, the presence of RVO in the CSR process does add additional accountability that would otherwise not have been present.

7.8 Development impact

Although the Entrepreneurs have all designed their CSR activities differently, they all feel that they have a positive impact on their environment. ''There is so much money being transferred from us to the community through wages, 95% of that reaches people who live around the farm. Month after month, this adds-up tremendously. We used to only see grass-rooftops, now its corrugated iron. Shops are getting bigger. We also see that women in the age of 18-25 are more independent, they marry later, have their own income, they can make their own choices. First thing they buy is a cell-phone and anti-conception.'' – Entrepreneur E. All the entrepreneurs feel that attracting companies is the best way to develop a country. ''we have a positive impact on the community around us because we employ a lot [350] of people.'' – Entrepreneur C. In fact, one of the entrepreneurs became an entrepreneur because he believed it to be the most effective way of contributing to Ethiopia's development: ''There was this report from the Wageningen University which stated that the only way to develop this sector in Ethiopia was pioneering by the private sector. We thought, lets pick up that role and develop the sector, that's how we started'' – Entrepreneur D.

Even though the collaboration has its communicative issues, RVO and the entrepreneurs agree on the fundamentals of economic development. ''That's what's good about DGGF, if you want to help a country, if you really want to upgrade it, then there is only one thing you can do: send investors. Entrepreneurs create, I don't know, bikes on the street, people get food, people get drinks, they get an income, there is export in the country, jobs, everything you need is there.'' – Entrepreneur A. This entrepreneur has understood RVO's position on development well: ''DGGF is a primary development tool for Ethiopia because our loans make investments possible. Especially for Ethiopia, where there are a lot of labour-intensive flower farms, the development contribution is quite big. From my point of view, helping the country is a result of helping the entrepreneurs'' -RVO 3. As stated earlier, RVO is not that pro-active on CSR in the sense that they prescribe specific activities, they require some certificates and float some ideas but mostly restrict themselves to the mentioned guidelines. Within DGGF, CSR is on the backburner. ''The development goal of DGGF is economic development through investment, this includes that the investment is sustainable and ''good''. It is not permittable to say as the Dutch government to investors: As long as you create jobs you can do whatever you like. It is politically impossible. But CSR is not the main goal of DGGF.'' -Embassy 2. The Dutch government is no stranger to this development model, we use it to develop the Dutch Economy too. ''The Dutch growth model is based on Foreign direct investment; they [FDI's] have 1,5 times the productivity of sitting firms. From that philosophy, Rutte 2 [The second government led by PM Mark Rutte] agreed that there was too little FDI in developing countries because regular banks and FMO wouldn't bear the risks. DGGF is designed to carry that risk and promote investments that increase productivity, knowledge spill overs and an economic impulse.'' - Embassy 3. The entrepreneurs and RVO consider FDI a primary way of development. The Embassy points out that FDI companies are more productive than domestic companies which is supported by studies done in Japan (Tomiura, 2005) and the UK (Girma, 2002) (Driffield & Love, 2007). But as Narula and Marin (2003) pointed out, increased production and knowledge spill-overs as a result of FDI cannot be directly assumed. Especially in the case of flower-growers in Ethiopia, where it is doubtful that domestic firms have the capacity to absorb and internalise the superior technology of the Dutch growers. Although knowledge spillovers is one of three development metrics used by RVO, it is not specifically mentioned in the case of DGGF in Ethiopia. Because the flower farms are more labour intensive, development impact is sought more through job-creation than knowledge spillovers or domestic productivity increase.

The comments of all three actors on the effectiveness of FDI in economic growth a tendency for universalistic thinking. The strategies the Dutch government uses to develop its economy are also supposed to work for Ethiopia. This sound familiar to modernization theory and neo-classical doctrines. Furthermore, DGGF is a universal approach, using the same framework for all DGGF countries. However, there is no indication that DGGF companies are viewed -let alone recruited- as ''agents of change" for political modernization in terms of rationalization, nationalism, democratization and mobilization (Huntington, 1965). Nor do the companies have a cart blanche to operate as they wish, as you could expect from a neo-classical attitude. Still, the DGGF companies can be considered as ''agents of change" with regards to the SDG's but they are not really nudged into this role by the CSR components of DGGF. Besides, DGGF might be a universal framework but its demand-driven practice allows for different approaches per country or projects. However, despite DGGF being the only instrument the Ministry of Development Cooperation has at its disposal to incorporate CSR and public private collaboration in a LMIC setting, neither CSR nor collaboration seem to be imperative for DGGF. Although CSR is important to the entrepreneurs, they do not associate their CSR efforts with their use of DGGF. The low impact of DGGF on the entrepreneurs CSR practices is also visible in the fact that they all have distinct understandings of what is considered CSR compared to standard business practices. If the entrepreneurs were guided in their CSR efforts by RVO or the Embassy I would expect to see more consistency in their CSR thinking. Although the Embassy works closely with most Dutch entrepreneurs in Ethiopia, their responsibilities in terms of DGGF are limited. The relationship the DGGF-companies have with the Embassy also does not seem to be framed by DGGF at all, which is in line with my own observations. In contrast, the relationship between RVO and the DGGF-companies is completely mediated through DGGF or its predecessors, PSI and PSOM. If the DGGF stakeholders can be presented as a triangle, it is certainly not an equilateral one. The next chapter will elaborate on these findings and relate them to earlier chapters.

CHAPTER 8: CONCLUSION RECOMMENDATIONS FOR FURTHER RESEARCH & LIMITATIONS

"The threat today is not passivity, but pseudo-activity, the urge to "be active", to "participate", to mask the Nothingness of what goes on." – Slavoj Zizek, In Defense of Lost Causes (2008)

8.1 CONCLUSIONS AND RECOMMENDATIONS

The aim of this thesis was to gain deeper understanding of the use and perceptions of partnerships and corporate social responsibility (CSR) as described in the New Development Paradigm (NDP). This study was conducted in the context of the Dutch Good Growth Fund (DGGF) in Ethiopia as part of the broader Dutch Aid & Trade policy framework. The Aid & Trade policy is a relatively new direction for the international development effort of the Netherlands by introducing new roles while simultaneously repositioning existing ones. Numerous aspects of the NDP are incorporated within the larger Aid & Trade policy: broad coalitions, human-centred development metrics and a multifaceted, dynamic approach are aspired by Aid & Trade and prescribed by the NDP. Especially important for the NDP are collaboration and CSR, since they are considered the two main methods to engage the private sector in development projects (Kolk & Tulder, 2010) (Dunning & Fortanier, 2007). This chapter concludes this research and answers the following question:

How are corporate social responsibility and collaboration interpreted by Dutch businesses and Dutch government institutions with regards to development impact within the Dutch Good Growth Fund framework of Ethiopia?

Much of the reviewed literature places emphasis on the fact that CSR effectiveness partially depends on effective collaboration. How these concepts are applied in practice has been investigated through participant observation, which also revealed how different actors interact on a daily basis. How concepts like CSR and cooperation are interpreted by stakeholders and to what extent they are understood to be co-dependent was further explored through in-depth interviews. To get an understanding of the formal goals and interpretations of the concepts, official policy briefs, communication and other documents related to Aid & Trade and DGGF have been consulted.

8.1.1 CORPORATE SOCIAL RESPONSIBILITY AS AN INSTRUMENT OF DEVELOPMENT

Firstly, this study has done very little to bring us closer to a singular definition of CSR. If anything, the interviews have demonstrated that CSR is interpreted and applied differently across stakeholders and even within a single corporation. Yet, the DGGF businesses are all positive that they perform CSR and have implemented it to their abilities. However, no matter how they define CSR, they all consider the concept of CSR as something outside of primary business activity. Because the definition of CSR is ambiguous, one business can interpret an activity as a standard business practice, while another considers the same activity to be CSR and therefore as auxiliary to normal operations. This exposes the challenge of measuring and implementing an ill-defined concept as CSR. It seems that when a CSR activity is completely internalised by the entrepreneurs, it will no longer be directly recognizable as such, instead it will blend in with a much wider range of operations. In the eyes of the entrepreneurs, CSR (as an abstract concept) is auxiliary per definition. Consequently, CSR suggestions by RVO are quickly perceived as either redundant or excessive. Excessive because the entrepreneur feels he is already active in CSR or because he feels the suggestion is out of touch with the context (sector or country). Redundant because many of the companies have already internalised the exact processes as an answer to client demands (i.e. certificates). CSR is also strongly thought of in terms of the Iron Law of Responsibility, which states that companies will lose power if they use it irresponsibly. In fact, the Iron Law of Responsibility probably takes a more serious form in the case of entrepreneurs in Ethiopia than how Davis' (1973) imagined it, seeing how breaking ''The Law'' in this case could mean violence and destruction. This awareness is not only present with the entrepreneurs but also with the Embassy, where conflict sensitivity plays a major role in the entrepreneurial discourse.

For DGGF, economic development is not so much a result of CSR but a result of passive effects as formulated by Dunning and Fortanier (2007) i.e. job creation, knowledge spillovers, production increase. Not coincidentally, companies need to improve or create one of those three aspects in order to qualify for DGGF. RVO and the entrepreneurs have a similar notion of development. CSR does not hold a very prominent position for RVO and is considered -as for the entrepreneurs- auxiliary for DGGF's development ambitions that, as said, focus on job creation, knowledge spillovers and production increase. However, CSR can act as a risk-mitigating activity and therefore contribute to the sustainability of the operation.

Since the CSR framework of DGGF is basically a combination of the OECD, IFC and ILO guidelines, they are not context sensitive and become redundant for the companies when they are already obliged to implement them by their customers. Both the entrepreneurs and the Embassy notice the gratuity of multiple parties requiring the same certificates. RVO claims that local law and regulation will provide the necessary contextual and country specific regulations. However, as Balaz (2013) pointed out, MNC's can accumulate political power and thus influence laws and regulations. It is therefore debatable if it is the best course of action to rely on the local laws to enforce context sensitive behaviour to these same MNC's.

As we have seen in chapter 5, OECD and IFC have issues with implementation and confirmation of their guidelines. DGGF can be considered a tool for implementation and confirmation of these guidelines by indirectly acting as an agent for OECD, IFC and ILO. Because DGGF includes local experts in their assessment in the form of the Embassy, OECD and IFC gain in context sensitivity. CSR activities are inspired internally by the entrepreneurs' experience and common sense and externally in the form of local community leaders and regional politicians who propose certain activities. The latter is not an organised and continuous dialogue but seems to come from incidental top-down pragmatism (as seen in the case of refugee housing). None of the entrepreneurs feels that RVO is a driving force behind their CSR efforts.

8.1.2. COLLABORATION AS AN INSTRUMENT FOR DEVELOPMENT

The development literature was clear on the fact that partnerships between all societal actors is needed for development. Evidently, RVO nor the entrepreneurs consider DGGF a partnership and are even hesitant to consider it a collaboration. Regardless of the denomination (partnership, collaboration, cooperation), the interaction between RVO and the entrepreneurs is not in all cases positive. Some of the antagonisms stem from communication issues regarding the loan terms, resulting in false expectations. Experience with the PSI/PSOM programme also created some unfair expectation towards DGGF. Tension also arises from more personal engagements, such as the perceived patronizing tone or insensitivity towards entrepreneurs in a possibly dangerous situation.

According to the entrepreneurs, RVO is quite flexible when it comes to certain terms of the agreement. For example, the personal liability clause was a surprise to some of them but RVO had the flexibility to curb the clause in order to get the entrepreneurs on board. It is possible that a DGGF project is the result of some informal dynamics since both the entrepreneur and RVO are incentivized to get to an agreement. The suggestion that RVO has not been particularly exhaustive when it comes to a DGGF applicants market exploration already implies this informal and unspoken dynamic.

The advantages of collaboration are legion: knowledge transfers, increased innovation, legitimization, image boost and improved surveillance are among the most prominent ones (Davis, 1999) (Hamann & Acutt, 2003). Indeed, there is some evidence that country specific knowledge is flowing from the entrepreneurs to RVO, but it is not formalized, it could be a natural product of RVO's periodical visits to the country, including the businesses and the Embassy. Although DGGF-companies get access to a technical assistance subsidy via RVO, the entrepreneurs do not seem to attain knowledge from RVO directly. A reciprocal transfer of knowledge is however visible between the Embassy and the entrepreneurs. The entrepreneurs act as the Embassy's ''eyes and ears'' outside the capital, while entrepreneurs are often invited to attend workshops, seminars or topical meetings on a variety of themes (such as conflict prevention). One of the reasons for combining aid and trade flows in the first place was to improve transparency of Dutch international business activity. In this sense, the Dutch government has achieved a far better overview of those businesses that operate with DGGF because they must report extensively on their operations. Another element of Aid & Trade is the ambition to attract more investments to LMIC's. In the case of Ethiopia, investments have been made possible, but they were (save for one) expansions on already existing businesses. Furthermore, entrepreneurs believe their expansions would have been possible without DGGF as well. Besides, if the goal is to push Dutch investors to LMIC's then PSI/PSOM was already an effective instrument. The transformation to DGGF is seems more closely related to restricted funding and the political difficulty of subsidizing Dutch businesses abroad.

Another important element of development cooperation is the lower financial risk for all parties involved. According to the research done by PPPlab (2015), financial arrangements can incentivize businesses to initiate, continue or scale up social projects. Although there are collaborative projects between Dutch entrepreneurs in Ethiopia and Dutch institutions, they are not carried out within the DGGF framework. In general, the entrepreneurs do not really link their DGGF engagement with their CSR activities. Yet, the literature emphasises that the power of collaboration is largely found in improved and expanded CSR (IFC, 1999). Partnerships between public and private actors often suffer from institutional differences, path dependencies and habits (Hall, 2006). Hall explicitly mentions bureaucratic procedures, different working styles and unpredictability of policy directions as concerns for the private sector when engaging in partnerships. In the case of DGGF there certainly is some annoyance with different working tempo's and bureaucracy. The perceived career-minded culture of RVO was especially noted by one of the entrepreneurs. Friction can also be caused by different timelines, an individual at RVO perceives the DGGF agreement as a project with an associated lead time, for the entrepreneur it is often his life's work.

8.1.3. HOW DO THESE UNDERSTANDINGS AFFECT THE DEVELOPMENT IMPACT?

The approach of DGGF towards development is limited compared to the broad interpretation of the NDP. Additionally, DGGF does not motivate CSR or instil a sense of cooperative development performance. This study demonstrated that RVO considers DGGF more as a hierarchical, vertically oriented contract agreement than a horizontal, common goal-oriented partnership. Furthermore, CSR seems to be viewed not as a positive development instrument but as prophylaxis, for the companies it is conceptualized in the sense of the Iron Law of Responsibility and by RVO as a political necessity. But, neither partnerships nor CSR are necessary for achieving development in their terms, namely job creation, knowledge spillovers and production increase. These goals are mainly brought about by passive effects of MNC's, which is illustrated by the following comment of the DGGF investment-manager: ''*In my philosophy, we help the LMIC's by helping the entrepreneur*''. Neither CSR nor partnerships are necessarily required to achieve the development philosophy of DGGF as it is perceived by RVO, the Embassy or the entrepreneurs. Within its own development context, DGGF's design and performance is meeting the requirements to achieve its goals. However, juxtaposed to the scope of the NDP, DGGF's development strategy is unnecessarily cramped.

This study has shown that leaving the nature of cooperation ambiguous can result in divergent expectations. Especially when this cooperation has other undefined elements like CSR. However, benefits have also been derived from the ambiguity, namely: flexibility of criteria, easier access to projects or finance and the possibility of negotiation. Furthermore, rigid agreements might steer companies away from engaging with public actors, resulting in less cohesive development impact. In this sense it is better to have a loose engagement with the private sector than none at all. On the other hand, entrepreneurs seem to benefit from clear cut rules and more business-like interactions, incorporating ''vague'' auxiliary terms like CSR confuses the relationship. For the entrepreneurs, CSR has a very strong link to self-preservation or public relations; this is the Iron Law of Responsibility in effect. CSR can have a much broader development impact than how it is implemented through DGGF since RVO's main concern for CSR is its implementation through OECD/IFC/ILO guidelines. One of the reasons why the NDP prescribes engaging with the private sector is their ability to identify the needs of the community. The interviews with entrepreneurs demonstrated that they have their own ideas on what CSR activities are appropriate. Instead of offering a subsidy for hiring technical assistance, RVO could create a bigger development impact by either allocating a percentage of the loan to -or directly subsidizing- potential CSR projects. However, the process of CSR decisions did not seem very deliberated nor comparable between companies, one company stated the importance of local context for CSR while another simply duplicated his efforts from other farms. The development impact of these activities could be increased by opening the deliberation process and formalizing dialogue with the community on what activities are most valued. The Embassy would be in a good position to evaluate these CSR projects because they know the context, local politicians, priorities and the entrepreneurs. Although only mentioned incidentally, NGO's could enhance this new role of the Embassy. The definition of CSR in DGGF should thus be expanded beyond supranational guidelines but remain open for the different interpretations of the entrepreneurs. While RVO is in a good position to address the OECD/IFC/ILO guidelines at the start of the DGGF process, suggesting or evaluating specific activities is a role more suited for the Embassy and/or NGO's.

In this scenario, the separation of powers of corporate constitutionalism does not take place within the corporation but in the constellation of RVO-Entrepreneur-Embassy-(NGO). Instead of relying on passive effects of the MNC for development, CSR can be leveraged to more actively engage the companies in the development goals. The entrepreneur decides where action is appropriate while the Embassy can contest and deliberate the proposal. The entrepreneurs are accountable towards RVO only in the sense of supranational guidelines and the financial agreement. While this suggested type of collaboration, with a bigger role for the Embassy and NGO's while retaining autonomy for the entrepreneur, could lead to a magnification of the institutional and interpersonal antagonisms that are already visible between entrepreneurs, RVO and NGO's, it does increase the aid component of DGGF without necessarily sacrificing its trade potential.

8.2 LIMITATIONS OF THIS STUDY & RECOMMENDATIONS FOR FURTHER RESEARCH

The scope of this research is a strong limitation on the universality of the results. Although the data collection range (interviews, documents and participatory observation) was quite exhaustive, the case of DGGF in Ethiopia is a limiting factor. The context specifics that are so important for CSR implementation also narrow the general applicability of results. The DGGF-companies in Ethiopia are all active in the agriculture sector of which all but one in horticulture. Additionally, Ethiopia's development strategy and business climate are not necessarily typical for other countries. Especially the history of violence towards foreign investors leaves a unique mark on the way Dutch entrepreneurs interact with both local and Dutch institutions. Within the existing case, the research could have benefited from engaging more thoroughly with RVO, whose employees are active in other countries as well. DGGF is also not limited to Ethiopia, the other 65 countries will have different development priorities, type of companies, relationships with the Embassy etc. DGGF and similar policies would benefit from a more comprehensive assessment that could reveal the actual importance of local context by comparing countries. Additionally, Aid & Trade is not limited to DGGF and neither are the development efforts of the Ministry of foreign trade and development cooperation and Embassy. It is worth investigating if there are beneficial collaborations possible between DGGF and other efforts.

Although this study has provided some answers on the how public and private actors cooperate in terms of development, it also revealed gaps in the current literature. Firstly, although public-private partnerships (as a formalized term) is thoroughly studied in the context of Western-Europe and North America, there is very little to be found in the context of development. This demonstrates a discrepancy in terms as well: development literature often talks of collaboration with the private sector but ''public-private partnership'' is a term reserved mostly for infrastructure project in the west. It is important to broaden this definition in order to reduce confusion in the practice of collaboration between public and private actors. On the other hand, Corporate Social Responsibility has become such a broad term that expectations can diverge quickly. Managing the different expectations of CSR that exist within a collaboration could contribute to more effective cooperative action. As an extension of this, more research is required on the process of public and private goal alignment and formulating outcomes and outputs in terms of development impact.

More broadly, the creation of development coalitions consisting of private and public actors is in its infancy. As seen with DGGF, it is easy to fall back on the idea that passive presence of MNC's will introduce adequate development. The NDP requires active and direct intervention by MNC's to advance sustainable development more strongly than previous paradigms did. Although CSR is one way to activate MNC's, more research is needed to determine the proper constellation of actors and responsibilities to get the most out of it. Moreover, research into public private collaborations focus heavily on formalized partnerships and do not consider the more informal ways of cooperation. The advantages of having a flexible layer around one formal pillar (like the DGGF contract) have not been studied to my knowledge. Especially in the field of international development, where cost-benefit analyses must compete with moral considerations, these informal interactions could be of importance.

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APPENDIX A: INTERVIEW GUIDES

[TRANSLATED FROM DUTCH]

Interview guide RVO:

Name interviewee: Position:

General information:

- Function / duties

- Years active on Ethiopia Dossier

- Other countries active?

<u>Relationship with business:</u>

- **In what ways do you work with Dutch businesses in Ethiopia?** In which areas is there collaboration? Is cooperation increasing or decreasing? Can a distinction be made per sector, individual company? What role does the Embassy play?

- **Who generally initiates cooperation?**

- **Do you consider the relationship, in particular DGGF, as horizontal or vertical?** Do you think this is desirable?

- **To what extent do you think companies have an influence on their environment and do you think they are well aware of this influence and the associated responsibility?**

- **Do you think you have a good understanding of the activities of DGGF companies?** Better than non-DGGF companies?

<u>Ethiopia:</u>

- **What are the main challenges and opportunities for the development of Ethiopia?**

How unique is this situation? (Is the "generic" approach of DGGF or otherwise sufficiently adapted to the context? NDP / dependency theory)

- **Do you consider DGGF as a primary instrument for the development of Ethiopia?**

How does DGGF relate to other development instruments?

<u>DGGF:</u>

- **Which qualities are most important for DGGF approval?** Does it differ per company / sector / country?

- **Is the cooperation with DGGF companies stronger than with other companies?** Why is it different? Is it deliberate?

- **What differences are there with regard to cooperation between DGGF and non-DGGF companies?** Can you determine how much emphasis you put on CSR / IB when you talk to companies?

- **In your opinion, are DGGF users more socially involved than others?** What is the cause of that?

- In which way is corporate social responsibility brought to the attention? Are compelling means available?

- **To what extent do you receive feedback from DGGF users about the use of DGGF, the use of CSR and the interaction between them?** Is there already an interaction, AKA, has the policy been adjusted or has there been an adjustment since entry? Are there interim monitoring moments, and if so, are there any consequences?

- **What influence do you think competition has on the CSR behavior of companies? How do you notice that?**

- **Is the decision-making structure of companies for DGGF approval being considered?**

- **What kind of influence do you think that decision making processes within the companies have on their tendency for CSR?**

Interview guide DGGF-Companies

Name interviewee: Company name: Position:

General information company:

- Years active

- in which countries is the company active

- How long in Ethiopia

- Number of employees

- Expat / local ratio

- How is the company organized? (BV, NV etc.)

Country choice:

- **What moved you to settle in Ethiopia?** Make a clear distinction between external and internal factors

- **How did the organization opt for Ethiopia?** What role did social issues play? Are parts of corporate constitutionalism recognizable in this process? Presence of competition, economic growth, government regulation?

- **Is this still decisive or has the situation changed?** What has changed about the location motives: stronger or weaker? What consequences does this have for the entire operation? - Do you think your company is influential in the environment? (yes: how do you handle this responsibility?)

DGGF:

- **How did you know about the existence of DGGF?** Via the embassy? Website? Acquaintances? - Why did you originally sign up? Existing plans for CSR or plans made by the possibility of DGGF?

- **What expectations did you have when working with the government through DGGF?** Only strictly necessary contact or often and informally? Much advice or little? Own interpretation or strict frameworks? Difference between embassy and The Hague?

- **Have these expectations been realized?** If not, how did that happen? What influence have you (as a company) had on this yourself? Has this changed your perception of DGGF?

- **To what extent do you consider DGGF as a collaboration?** In addition to financial agreements, are there common goals and knowledge exchange?

- **Are you satisfied with DGGF as a whole?** What would you change?

CSR:

- **In what ways do you contribute to local circumstances?** Part of location plan or decided to do something later? Plans for the future? Why do you consider this as corporate social responsibility? Would you like to be able to do more? What role did DGGF play in this?

- **What challenges do you encounter?** Does cooperation with the government offer new opportunities? - What is the decision-making process when it comes to CSR? Is there a way to contest such a decision?

- **How are CSR choices made?** From whom does initiative come and to what extent can decision be challenged by others within the company? Based on costs / benefits? What is the influence of external parties (local people, ministry, etc.)?

- **Have you started looking differently at corporate social responsibility through cooperation?** Why yes / no?

- **To what extent do you look at your competitors for CSR?** What influence does the CSR behaviour of competitors have on their own behaviour?

Interview guide Embassy

Name: Position:

<u>General information:</u>

- Function / duties

- Active in Ethiopia for how long

<u>Relationship with business:</u>

- **In what ways does the Embassy work together with Dutch business in Ethiopia?** In which areas is there collaboration? Is cooperation increasing or decreasing? Can a distinction be made per sector, individual company?

- Who generally initiates cooperation?

- **Do you consider the relationship, in particular DGGF, as horizontal or vertical?** And do you consider DGGF as cooperation?

- **Has DGGF allowed for improved supervision of the conduct of companies?**

<u>DGGF:</u>

- Is the cooperation with DGGF companies stronger than with other companies? How did that happen? Is it deliberate?

- **Are there other expectations of your actions (from The Hague) compared to DGGF and not DGGF companies?** Can you determine how much emphasis you put on CSR when you talk to companies?

- In your opinion, are DGGF users more socially involved than others? What is the cause of that?

- **In which way is corporate social responsibility brought to the attention?** Are compelling means available?

- To what extent do you receive feedback from DGGF users about the use of DGGF, the use of CSR and the interaction between them?What is done with this feedback? Handle it yourself or continue to The Hague? Does it differ per company / subject?

- **What do you learn from DGGF receivers and is this applicable to other (non-DGGF) projects?**

APPENDIX B: DGGF APPLICATION PROCESS

- **Quick scan:**
  - **CSR officer:** The business plan is compared to the CSR guidelines stated above. When there are no obvious breaches the application can be selected for the Deep Scan.
  - **Investment manager:** Informal talk with the entrepreneur to check financial feasibility (amount of investment, degree of impact etc.). There is a form available if a conversation is not possible.
- **Deep scan:**
  - **CSR officer:** The Deep scan starts with researching the reputation of the applicant consisting of inter alia a google check and social media check. The goal is to identify issues that might need further explanation. The second phase of the DS consists of telephone and e-mail contact with the company and eventually a visit and an interview. The interview guide is based on the guidelines as described above. The DS is concluded by publishing the proposed transaction so that NGO's and other stakeholders will be able to respond. The Advisory Committee that eventually approves the application receives the input (overall conclusion and eventual conditionality) from the CSR team.
  - **Investment manager:** At this point RVO requires detailed accounting. Financial forecasts, complete business plan etc. This period can take 2-10 months.
- **Contract:**
  - **CSR officer:** Depending on the outcomes of the deep scan, a CSR action plan will be drawn up. Companies are contractually obliged to adhere to the actions as stipulated in the Action Plan.
  - **Investment manager:** The investment manager and the applicant come to a conditional agreement that states that RVO is prepared to finance when certain conditions are met.
- **Monitoring:** The company is expected to regularly report to the Investment Manager on their general and specific CSR activities. The CSR officer can take action when necessary.
- **Capacity building and local impact (T.A.):** RVO can support the company through T.A. by expanding its capacity for impact. Type and extent of T.A. is determined per individual case.

APPENDIX C: DGGF COUNTRIES

Sub-Saharan Africa

Angola, Benin, Burkina Faso, Burundi, Chad, Democratic Republic of Congo, Djibouti, Eritrea, Ethiopia, Gambia, Ghana, Guinea, Ivory Coast, Cape Verde, Kenya, Liberia, Madagascar, Malawi, Mali, Mozambique, Niger, Nigeria, Uganda, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Somalia, South-Africa, South Sudan, Sudan, Tanzania, Togo, Zambia, Zimbabwe

Middle East and North-Africa

Algeria, Egypt, Iraq, Jordan, Lebanon, Libya, Morocco, Palestinian Territories, Tunisia, Yemen

Asia

Afghanistan, Armenia, Bangladesh, Bhutan, Cambodia, Georgia, India, Indonesia, Laos, Mongolia, Myanmar, Nepal, Pakistan, Philippines, Sri Lanka, Vietnam

Europe

Kosovo, Moldova

Central America

Guatemala, Haiti, Nicaragua

South America

Bolivia, Colombia, Peru, Suriname