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LEGAL ASPECTS OF CORPORATE SOCIAL RESPONSIBILITY IN ETHIOPIA: A SUSTAINABLE DEVELOPMENT PERSPECTIVE

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ABSTRACT

For many years, corporate social responsibility (CSR) has been shaping policies and actions on the role of businesses in society. This article explains the legal aspects of CSR from the perspective of sustainable development under Ethiopian law, based on the recognition of the crucial role of businesses in achieving sustainable development in the UN 2030 Agenda. By exploring and examining the major Ethiopian laws that govern businesses, it shows that the laws have incorporated diverse rules on CSR and have sustainable development as their objective. It also expounds how CSR, as incorporated in the laws, can be a key instrument to achieve sustainable development in Ethiopia, including through conducting proper governmental supervision of the conduct of businesses and encouraging the adoption and use of voluntary CSR codes of conduct by businesses to complement the CSR laws.

Keywords: Businesses; corporate social responsibility; Ethiopian law; sustainable development; Sustainable Development Goals.

1. INTRODUCTION

CSR has been at the heart of discussions on the precise role of businesses in society.¹ More specifically, it is commonly raised in connection to the global goal of sustainable development in general and environmental protection in particular. In keeping with this trend, at the global level, as explained below, the 2015 UN Sustainable Development Goals² (SDGs) envision the active participation of businesses in meeting the Goals. At national level too, many countries have been taking various measures to promote CSR,³ including adopting mandatory CSR laws⁴, mostly as part of their broad (sustainable) development objectives.

In a similar vein, the major laws that regulate businesses in Ethiopia have the attainment of sustainable development as their principal objective and contain different rules on CSR. This article provides an overview of CSR as incorporated in these laws and is related to sustainable development. Yet, it does not claim to exhaustively cover all Ethiopian laws that are pertinent to CSR. Rather, taking cognizance of the fact that CSR is connected to many areas of the law,⁵ it focuses on examining the major laws governing businesses in Ethiopia, including multinational corporations (MNCs), particularly from the vantage point of sustainable development. It does this by exploring the major laws that are pertinent to the role of businesses in Ethiopia. Thus, the

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¹ George Cheney et al., 'Overview' in George Cheney et al. (eds), *The Debate Over Corporate Social Responsibility* (OUP 2007), 10.

² UN General Assembly, 'Transforming our world: the 2030 Agenda for Sustainable Development', A/RES/70/1, (21 October 2015).

³ UN Department of Economic and Social Affairs, *CSR and Developing Countries - What scope for government action?* (Innovation Briefs, Issue 1, February 2007), 2.

⁴ Li-Wen Lin, 'Mandatory Corporate Social Responsibility Legislation around the World: Emergent Varieties and National Experiences' (Oxford Business Law Blog, 18 November 2020), <<https://www.law.ox.ac.uk/business-law-blog/blog/2020/11/mandatory-corporate-social-responsibility-legislation-around-world>> accessed 15 November 2021

⁵ Tineke Lambooy, 'Legal Aspects of Corporate Social Responsibility' (2014) 30(78) *Utrecht Journal of International and European Law*, 1, 1.

aims of this article are twofold. First, it intends to provide a synopsis of CSR in light of sustainable development as contained in the principal Ethiopian laws. Second, it aims at providing some thoughts on the effective implementation of the laws on CSR and sustainable development in Ethiopia, thereby hopefully provoking further studies on the topic.

For this purpose, the remaining part of the article is divided into five parts. The first section covers the meaning and objectives of CSR. The next section expounds on the nexus that CSR has with sustainable development. While the third part deals with CSR and sustainable development under Ethiopian laws, the fourth section provides some additional observations on their nexus in the Ethiopian context. The last part of the article offers concluding remarks.

2. CONCEPT AND OBJECTIVES OF CSR

Albeit it is susceptible to varying connotations⁶ and terminologies,⁷ CSR generally refers to the idea that “modern businesses have responsibilities to society that extend beyond their obligations to the stockholders or investors in the firm.”⁸ In other words, it connotes that “businesses must embrace a wider and broader level of accountability and responsibility to meet the expectations of groups (usually called stakeholders) other than shareholders.”⁹ Therefore, without losing sight of the importance

⁶ Thomas P. Lyon and John W. Maxwell, ‘Corporate Social Responsibility and the Environment: A Theoretical Perspective’ (2008) 2 *Review of Environmental Economics and Policy*, 240, 240.

⁷ Paul Hohnen, *Corporate Social Responsibility: An Implementation Guide for Business* (International Institute for Sustainable Development 2007), 4. Some of the terms that are commonly used as interchangeable with or with slightly modified connotations to CSR are “corporate citizenship”, “sustainability”, “stakeholder management” and “business ethics”. Archie B. Carroll, ‘Corporate social responsibility: The centerpiece of competing and complementary frameworks’ (April–June 2015) 44(2) *Organizational Dynamics*, 87, 90.

⁸ Archie Carroll, ‘Corporate Social Responsibility’ in Wayne Visser et al. (eds) *The A to Z of Corporate Social Responsibility: A Complete Reference Guide to Concepts, Codes and Organisations* (John Wiley & Sons Ltd 2007), 122, 122.

⁹ Nojeem Amodu, ‘Regulation and Enforcement of Corporate Social Responsibility in Corporate Nigeria’ (2017) 61(1) *Journal of African Law*, 105, 107.

of profit maximization for businesses, the notion of CSR represents a broad understanding of the role of businesses in society, hence, the requirement that businesses have responsibilities both to their stockholders and stakeholders.

Yet, CSR should not be confused with corporate philanthropy. Vives observes that the fact that the concept “has evolved from philanthropy” may have contributed to the confounded use of CSR as interchangeable with philanthropy.¹⁰ In fact, there is evidence that shows the historical use of corporate philanthropy as one of the principal ways for businesses to discharge their CSR.¹¹ Although CSR does include philanthropy, it is far beyond charity,¹² since it covers a wide range of other matters that connect businesses to society.

The stakeholders of businesses, for CSR purposes, are diverse. Obviously, shareholders of businesses are the ones with a primary stake over them. Apart from shareholders, the other stakeholders “typically include consumers, employees, the community at large, government, and the natural environment”.¹³ These are bodies that businesses can impact in different ways in the course of their formations and operations.

At this juncture, it has to be noted that there are debates with respect to the desirability and scope of CSR. Proponents of CSR, broadly supporting the “stakeholder theory”¹⁴, opine that a business has responsibilities to society, since it “operates within society, that it needs the resources that the planet and society can provide in order to carry out its activities, and that it needs society to buy its products and services”.¹⁵ They, thus, require businesses to engage in activities that benefit employees, local communities, the environment and other stakeholders, aside from garnering profit.

¹⁰ Antonio Vives, ‘Corporate Social Responsibility: The Role of Law and Markets and the Case of Developing Countries’ (2007) 83(1) *Chicago-Kent Law Review*, 199, 200.

¹¹ Cheney et al. (n 1) 5.

¹² Amodu (n 9) 106.

¹³ Carroll, ‘Corporate Social Responsibility’ (n 8).

¹⁴ R. Edward Freeman and Bidhan Parmar, ‘Stakeholder Theory’ in Wayne Visser et al. (eds) *The A to Z of Corporate Social Responsibility: A Complete Reference Guide to Concepts, Codes and Organisations* (John Wiley & Sons Ltd, 2007), 434, 434.

¹⁵ Vives (n 10) 207.

On the contrary, others, who back the “stockholder theory”¹⁶, argue that CSR is incompatible with the purpose for which a for-profit business is formed.¹⁷ One of the ardent advocates of this position is Milton Friedman, who argued that the sole social responsibility of a company is making profit by operating in accordance with the law.¹⁸ According to the proponents of this view, responsibilities other than generating profit, such as building community infrastructures, lie in governments, not in businesses.¹⁹ Hence, they take the position that company managers should be concerned only with maximizing shareholder value.²⁰

Despite these controversies, CSR continues to be one of the principles that most businesses are concerned with in their operations.²¹ Particularly, it shapes the conduct of MNCs.²² In the context of foreign investment, CSR is even increasingly becoming an issue covered by international investment agreements.²³ Many countries are also increasingly passing laws that require businesses to adopt and implement CSR policies, such as the 2013 Indian Companies Act.²⁴ In addition, there are a number of voluntary codes of conduct that promote the CSR of businesses (particularly MNCs), mainly including the OECD Guidelines for Multinational Enterprises and the UN Global Compact.

The UN Guiding Principles on Business and Human Rights²⁵ (GPBHR) are also crucial part of the international legal frameworks on CSR. The Guiding Principles incorporate various principles to guide states, as part of their responsibilities to respect, protect and fulfil human rights and fundamental freedoms

¹⁶ Freeman and Parmar (n 14) 436.

¹⁷ Milton Friedman, ‘The Social Responsibility of Business is to Increase its Profits’ *The New York Times* (New York, 13 September 1970).

¹⁸ *Ibid.*

¹⁹ *Ibid.*

²⁰ *Ibid.*

²¹ Carroll, ‘Corporate social responsibility: The centerpiece of competing and complementary frameworks’ (n 7) 87.

²² *Ibid.*, 94.

²³ This is further explained in Section IV (F) of this article.

²⁴ The Companies Act, 2013, Act No. 18, (India), (29 August 2013), s 135.

²⁵ UN Human Rights Council, ‘Guiding Principles on Business and Human Rights: Implementing the United Nations “Protect, Respect and Remedy” Framework’, A/HRC/17/31 (21 March 2011).

(as recognized in the International Bill of Rights), to ensure that businesses conduct their operations in manners that respect human rights. They also provide a direct guidance to businesses on how they can respect human rights in the course of their operations. These efforts demonstrate the ever-increasing importance accorded to CSR in different corners of the world.

Proponents of CSR offer different reasons to justify its indispensability. Primarily, CSR benefits society by ensuring that businesses heed to issues of concern for society and their resolution.²⁶ The discharge of CSR can also enable businesses to earn the “social license to operate”^{27,28} In other words, it can help businesses build positive image in society, including among local communities and consumers, and pave the way for innovations and new opportunities.²⁹ The other reason for engaging in CSR is the increasing demand of governments and international organizations for businesses to go beyond generating profits,³⁰ based on domestic laws and such international instruments as the ILO Declaration on Fundamental Principles and Rights at Work and the SDGs. Apart from governments and international organizations, consumers, financiers and non-governmental organizations are also increasingly calling for businesses to adopt and enforce CSR policies.³¹

There are different sources of businesses’ responsibilities under CSR. As Carroll outlined in his “CSR Pyramid”, CSR encompasses economic, legal, ethical and discretionary obligations of businesses.³² This is why it has been stated that CSR broadly “encompasses the economic, legal, ethical, and discretionary or philanthropic expectations that society has of organisations at a given point in time.”³³ The economic obligation of businesses is

²⁶ Vives (n 10) 221.

²⁷ Will Kenton, ‘Social License to Operate (SLO)’ (Investopedia, 31 May, 2021), <<https://www.investopedia.com/terms/s/social-license-slo.asp>> accessed 27 October 2021

²⁸ Hohnen (n 7) 11.

²⁹ Ibid.

³⁰ Ibid., 7.

³¹ Ibid.

³² Carroll, ‘Corporate social responsibility: The centerpiece of competing and complementary frameworks’ (n 7) 90.

³³ Carroll, ‘Corporate Social Responsibility’ (n 8) 123.

towards their shareholders,³⁴ which must be properly discharged for businesses to be able to meet their other obligations. Laws also prescribe what businesses should do as part of their CSR and the consequences of failing to comply with such legal prescriptions,³⁵ such as the obligations to comply with labour and environmental standards. As such, the law “depicts the basic ‘rules of the game’ by which (a) business is expected to function.”³⁶ Similar to laws are obligations that arise out of self-regulations, which can give businesses more flexibility than laws. Even in the absence of any command-and-control framework, businesses may also take measures that benefit society on the basis of ethics, which “embodies the full scope of norms, standards, values and expectations that reflect what consumers, employees, shareholders and other stakeholders regard as fair, just and consistent with respect for protection of stakeholders’ moral rights.”³⁷ Finally, businesses also involve in discretionary activities, such as philanthropies.³⁸ These are “not responsibilities in a literal or legal sense, [but] are desired by society and over time they have come to be expected of business by the public.”³⁹

3. THE NEXUS BETWEEN CSR AND SUSTAINABLE DEVELOPMENT

The meaning and elements of sustainable development have been extensively studied, as is the case with CSR. The most commonly-used definition of sustainable development is the one adopted in the Brundtland Report that describes it as a “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”⁴⁰ The Report further states that sustainable development is “a process of change in

³⁴ Carroll, ‘Corporate social responsibility: The centerpiece of competing and complementary frameworks’ (n 7) 90.

³⁵ Carroll, ‘Corporate Social Responsibility’ (n 8) 124.

³⁶ Ibid.

³⁷ Carroll, ‘Corporate social responsibility: The centerpiece of competing and complementary frameworks’ (n 7) 90.

³⁸ Ibid.

³⁹ Ibid.

⁴⁰ UN General Assembly, ‘Report of the World Commission on Environment and Development: Our Common Future’, A/42/427, (4 August 1987), 54.

which the exploitation of resources, the direction of investments, the orientation of technological development; and institutional change are all in harmony and enhance both current and future potential to meet human needs and aspirations.”⁴¹ It, thus, demands “the integration of environmental, social, and economic concerns into all aspects of decision making”⁴² because of the interconnection among people, the environment and economic systems.⁴³ This demonstrates the breadth of the concept. However, some opine that the broad, and somewhat vague, nature of the meaning of the concept makes it susceptible to “exploitation by vested interests.”⁴⁴

It is worth noting that the concept of sustainable development has been extensively covered in various international instruments adopted after 1987, including the 1992 Rio Declaration on Environment and Development and the 2000 Millennium Development Goals (MDGs). For the last more than three decades, it has been at the centre of international and national deliberations and decisions affecting the economy and the environment. It has even been remarked that “[s]tates are bound by general international law to implement sustainable development and by treaty law specifying obligations relevant for the implementation of the three dimensions of sustainable development”, albeit there are some surrounding debates.⁴⁵ This demonstrates its increasing recognition and importance as a legal concept.

CSR and sustainable development are commonly regarded as interrelated, albeit the nexus is often not clearly delineated. It has been stated that CSR and sustainable development “progressed separately for a long time and it was not explicit what relationship

⁴¹ Ibid., 57.

⁴² Rachel Emas, *The Concept of Sustainable Development: Definition and Defining Principles*, (Brief for GSDR2015),3,<https://sustainabledevelopment.un.org/content/documents/5839GSDR%202015_SD_concept_definiton_rev.pdf>accessed 20 May 2021

⁴³ Tracey Strange and Anne Bayley, *Sustainable Development: Linking economy, society, environment* (OECD Insights, 2008), 27.

⁴⁴ Asif H. Qureshi and Andreas R. Ziegler, *International Economic Law* (2nd edn, Sweet & Maxwell Limited, 2007), 502.

⁴⁵ Gudrun Monika Zigel, ‘Achieving Sustainable Development Objectives in International Investment Law’ in Julien Chaisse et al.(eds) *Handbook of International Investment Law and Policy*, (Springer Nature Singapore Pte Ltd., 2021), 1939.

was between the two.”⁴⁶ However, currently, it can be held that “CSR is a business model which promotes business contributions to sustainable development i.e, it creates a balance between economic interests, environmental needs and social expectations by integrating the spirit of (s)ustainable (d)evlopment into the business strategy.”⁴⁷ As such, it is sensible to regard CSR, if properly devised and implemented, as a tool for achieving sustainable development. This can be attributed partly to the broadness of the concept of sustainable development and its focus on how an economy should operate, which often implicates CSR.

The position of linking CSR and sustainable development is supported particularly in the context of the SDGs. The SDGs, which succeed and build on the MDGs,⁴⁸ encompass the expanded version of sustainable development with relatively clear elements. The SDGs are 17 Global Goals to be achieved by 2030.⁴⁹ They include ending poverty, achieving food security, attaining gender equality, reducing inequality within and among countries, taking urgent actions to combat climate change, conserving and sustainably using natural resources and its impacts as well as promoting decent work for all.

The important role of businesses to help achieve sustainable development is clearly recognized in the UN 2030 Agenda, which contains the SDGs. It states that “[p]rivate business activity, investment and innovation are major drivers of productivity, inclusive economic growth and job creation.”⁵⁰ The need for businesses to respect particularly labour rights, child rights and environmental and health standards to achieve sustainable development is emphasized.⁵¹ In this regard, the GPBHR, ILO labour standards, the Convention on the Rights of the Child and key multilateral environmental agreements have been mentioned as guidelines for the operation of businesses.⁵²

⁴⁶ Karoly Behringer and Krisztina Szegedi, ‘The Role of CSR in Achieving Sustainable Development – Theoretical Approach’ (August 2016) 12(22) *European Scientific Journal*, 10, 21.

⁴⁷ *Ibid.*, 21–22.

⁴⁸ UN 2030 Agenda, Preamble, para. 3, and para. 2.

⁴⁹ *Ibid.*

⁵⁰ *Ibid.*, para. 67.

⁵¹ *Ibid.*

⁵² *Ibid.*

In the specific SDGs, businesses are also regarded as essential players in the global effort to realize sustainable development. Primarily, in relation to Goal 12, which requires ensuring sustainable consumption and production patterns, it is stated that the Goal should be attained by, among others, encouraging “companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.”⁵³ Besides, the partnership of businesses with the public sector and civil societies is among the partnership mechanisms for achieving sustainable development.⁵⁴ The unequivocal acknowledgment of the crucial role of the private sector has been rightly applauded as an appropriate and important shift in the global drive for the attainment of sustainable development.⁵⁵

It must also be noted that the other SDGs, even though they do not explicitly mention businesses, are directly or indirectly relevant to the role of businesses in society, which relate to CSR. As such, businesses have crucial parts to play, among others, in ending poverty and hunger, promoting decent working conditions, gender equality and sustainable production patterns, reducing inequalities and supporting access to education, health and energy.⁵⁶ They can also make important contributions to sustainable use of resources, combat climate change, build sustainable cities and infrastructure and promote peaceful, inclusive and just societies and institutions.⁵⁷

CSR can, therefore, help businesses meaningfully contribute to sustainable development, as envisaged in the SDGs. Indeed, it has been remarked that SDGs can “entail an opportunity for them (businesses) to tackle the broader systemic challenges of better meeting societal expectations and contributing to sustainable development across the value chain.”⁵⁸ Put another way, CSR can serve as “an entry point for understanding sustainable

⁵³ Ibid., Goal 12.6.

⁵⁴ Ibid., Goal 17.17, para. 39, 41, 52, 60, 62 and 67.

⁵⁵ Norma Schönherr et al., ‘Exploring the Interface of CSR and the Sustainable Development Goals’ (2017) 24(3) *Transnational Corporations*, 33, 39.

⁵⁶ UN 2030 Agenda, Goals 1-5, 7-8, 10 and 12.

⁵⁷ Ibid., Goals 6, 9, 11, 13–16

⁵⁸ Schönherr et al. (n 55) 39.

development issues and responding to them in a firm's business strategy."⁵⁹ Thus, the effective implementation of CSR can support the attainment of sustainable development.

4. CSR AND SUSTAINABLE DEVELOPMENT UNDER ETHIOPIAN LAWS

4.1 The Constitution

The Ethiopian Constitution⁶⁰ has some provisions on sustainable development, which must serve as guidelines for adopting policies and laws (including on CSR) and for implementing them. Primarily, under its section on the right to development, it states that the “[p]eoples of Ethiopia as a whole, and each Nation, Nationality and People in Ethiopia in particular have the right to improved living standards and to sustainable development.”⁶¹ Additionally, it stipulates that “[a]ll international agreements and relations concluded, established or conducted by the State shall protect and ensure Ethiopia's right to sustainable development.”⁶² This obligation of the Ethiopian Government “at least literally, enables scrutiny of various international commitments that impact sustainable development.”⁶³ The Constitution also states that the “basic aim of development activities shall be to enhance the capacity of citizens for development and to meet their basic needs”⁶⁴, thereby providing some indication on what sustainable development encompasses.

It also guarantees the right to a clean and healthy environment,⁶⁵ which is one of the pillars of sustainable development. Specifically, it prescribes that the “design and implementation of programmes

⁵⁹ Hohnen (n 7) 7.

⁶⁰ Constitution of the Federal Democratic Republic of Ethiopia, Proclamation No. 1/1995, (21 August 1995), <https://chilot.me/wp-content/uploads/2011/01/proc-no-1-1995-constitution-of-the-federal-democratic-repu.pdf> accessed 20 May 2021

⁶¹ *Ibid.*, Art. 43(1).

⁶² *Ibid.*, Art. 43(3).

⁶³ Elias N. Stebek, ‘The Investment Promotion and Environment Protection Balance in Ethiopia’s Floriculture: The Legal Regime and Global Value Chain’, (PhD Thesis, University of Warwick, 9 December 2012), 1.

⁶⁴ Art. 43(4), the Constitution.

⁶⁵ *Ibid.*, Art. 44(1).

and projects of development shall not damage or destroy the environment.”⁶⁶ This is particularly relevant to the obligation of businesses to take measures to prevent or minimize environmental pollution in the course of their operations. These rules of the Constitution showcase the importance of reconciling development endeavours with environmental protection, as a key dimension of sustainable development.⁶⁷

Besides, the Constitution contains other provisions that are pertinent to sustainable development. Regarding Ethiopia’s economic objectives, it obligates the government to, among others, formulate policies that enable the Ethiopian people to benefit from the country’s resources, hold and deploy natural resources for the benefit of the development of the public and promote and protect the health, welfare and living standard of the workforce.⁶⁸ In addition, the Constitution protects the rights of workers⁶⁹ and other human rights recognized by international and regional human rights instruments.⁷⁰ An important way for the Ethiopian Government to achieve these economic objectives and protect and fulfil the relevant rights is to adopt legal and institutional frameworks on CSR and implement them, thereby enabling businesses to play their part in the achievement of sustainable development.

4.2 The Investment Proclamation

The Investment Proclamation⁷¹ (IP) and the Investment Regulation⁷² are the principal laws that regulate, among others, the entry, licensing, operation and exit of domestic and foreign

⁶⁶ Ibid., Art. 92(2).

⁶⁷ Teferi Bekele Ayana and Wekgari Dulume Sima, ‘Sustainable Development Laws in Ethiopia: Opportunities and Challenges of their Implementation’ (2018) 9(2) *Journal of Sustainable Development Law & Policy*, 23, 31–32.

⁶⁸ Art. 89(1), (5) and (8), the Constitution.

⁶⁹ Ibid., Art. 42.

⁷⁰ Ibid., Art. 41(6) and (7); Chapter 3 of the Constitution (Art. 13–44) extensively protects human rights.

⁷¹ Investment Proclamation No. 1180/2020, (Ethiopia), (2 April 2020), <https://www.investethiopia.gov.et/images/Covid-19Response/Covid19Resources/June-2/Investment-Proclamation-No.-1180_2020-Copy.pdf> accessed 20 May 2021

⁷² Investment Regulation No. 474/2020, (Ethiopia), (2 September 2020), <https://www.investethiopia.gov.et/images/pdf/Investment-Regulation-No.-4742020_09-08-2020_0001-2.pdf> accessed 20 May 2021

investors. The IP is applicable to “all investments carried out in Ethiopia except to investments in the prospecting, exploration and development of minerals and petroleum.”⁷³ The latter investment activities are governed by the respective mining and petroleum operations laws, as explained in the next sub-section.

The Ethiopian investment law, as stated in the IP, has the aim of bringing about sustainable development. The IP stipulates that Ethiopia’s investment objective is “to improve the living standard of the peoples of Ethiopia by realizing a rapid, inclusive and sustainable economic and social development.”⁷⁴ It does not, however, define what “sustainable economic and social development” means. Yet, it lists specific objectives that can be of help in comprehending sustainable economic and social development, which are aligned with the provisions of the Constitution on sustainable development. The specific objectives include enhancing the competitiveness of the national economy, creating more and better employment opportunities, utilizing and developing the country’s resources and encouraging socially and environmentally responsible investments.⁷⁵ These aspects of sustainable development under the IP are also compatible with the concept of sustainable development, as expounded above.

The IP has rules that specifically deal with CSR. Accordingly, it obliges investors to “carry out their investment activities in compliance with the [l]aws of the country.”⁷⁶ This provision encompasses the legal aspect of CSR, since it broadly requires investors to comply with all laws that are pertinent to their operations. Among the laws envisaged in this provision is the Labour Proclamation No. 1156/2019, which obliges investors (employers) to respect and protect the rights of workers in the context of employment relations. Another law that is relevant to the operation of investors is the Corruption Crimes Proclamation No. 881/2015, which, among others, criminalizes corporate corruption, such as bribery. Likewise, the Trade Competition and Consumers Protection Proclamation No. 813/2014 is also germane, since it requires businesses to respect the rights of

⁷³ Art. 3, the IP.

⁷⁴ *Ibid.*, Art. 5.

⁷⁵ *Ibid.*

⁷⁶ *Ibid.*, Art. 54(1).

consumers and to refrain from anti-competitive acts and unfair business practices. Hence, compliance with these and other applicable laws is an aspect of CSR under the IP.

More explicitly, the Proclamation requires that investors “shall give due regard to social and environmental sustainability values including environmental protection standards and social inclusion objectives in carrying out their investment projects.”⁷⁷ This is a recognition of the idea that investors have social responsibilities, on top of their other legal obligations, to local communities and the country in general.⁷⁸ Investors must, therefore, make sure that they commence and undertake their businesses in accordance with the Ethiopian environmental laws, which are mainly contained in the Environmental Pollution Control Proclamation No. 300/2002 and the Environmental Impact Assessment Proclamation No. 299/2002. The Environmental Pollution Control Proclamation requires investors, among others, to take measures to prevent, reduce and manage environmental pollution, such as through complying with standards on the discharge of effluents. The Environmental Impact Assessment Proclamation establishes the framework for proponents (investors) of projects that can have adverse impact on the environment to undertake environmental impact assessments prior to commencing execution of their projects.

The IP also broadly demands investors to take into account and respect social values and social inclusion policies, an obligation that was missing from the previous Investment Proclamation No. 769/2012 (as amended). It is clear that this expansive legal obligation can cover many responsibilities. An important part of it would be honouring Ethiopian cultures and values (particularly those of the communities around the investments) and integrating local communities with investments, such as by hiring capable

⁷⁷ Ibid., Art. 54(2).

⁷⁸ The Federal Democratic Republic of Ethiopia House of Peoples’ Representatives, Explanatory Notes on the Draft Investment Proclamation (2019), (Originally in Amharic, Author’s Translation), 13–14., <https://www.hopr.gov.et/documents/portlet_file_entry/20181/%E1%8B%A8%E1%8A%A2%E1%8A%95%E1%89%A8%E1%88%B5%E1%89%B5%E1%88%98%E1%8A%95%E1%89%B5+%E1%88%A8%E1%89%82%E1%89%85+%E1%8A%A0%E1%8B%8B%E1%8C%85+explanation.pdf/d95492b4-7844-40fa-8766-bec146d68b62?download=true> accessed 20 May 2021

workers and using raw materials from local communities, to the extent possible. Besides, the IP requires investors to give due regard to social and environmental sustainability values in any other way, which provides investors with some room for flexibility in discharging their CSR responsibilities.

Moreover, the fact that the IP's specific objectives include the promotion of socially and environmentally-responsible investments shows the government's intent to compel businesses to protect the environment in the course of their operations, which is one of the most important dimensions of CSR. Its objective to create "better" employment opportunities also evinces the value it accords to the promotion of decent employment, thereby incorporating CSR's aspect of upholding and respecting workers' rights. It is interesting to note that these specific objectives of the Ethiopian investment regime were not included in the previous Investment Proclamation.

The other obligation of investors in the IP that can be regarded as a part of CSR is the duty to report and cooperate. It prescribes that investors must submit quarterly progress reports on the implementation of their investment projects and, whenever requested, provide information concerning their investments to the appropriate investment organ.⁷⁹ This can help investment regulatory bodies, including the Ethiopian Investment Commission (EIC), to oversee investors to ensure that they are discharging their CSR as required by the Proclamation.

4.3 The Mining and Petroleum Proclamations

There are special laws that deal with investments in prospecting, exploration and development of minerals and petroleum, including investments made by foreign investors. While the Mining Operations Proclamation⁸⁰ (MOP) governs mining activities, the Petroleum Operations Proclamation⁸¹ (POP) regulates petroleum operations. It must be noted that there are

⁷⁹ Art. 14, the IP.

⁸⁰ Mining Operations Proclamation No. 678/2010 (as amended), (Ethiopia), (4 August 2010), <<http://extwprlegs1.fao.org/docs/pdf/eth183181.pdf>> accessed 21 May 2021

⁸¹ Petroleum Operations Proclamation No. 295/1986, (Ethiopia), (26 March 1986), <<http://extwprlegs1.fao.org/docs/pdf/eth85045.pdf>> accessed 28 May 2021

other subsidiary laws (regulations and directives) on mining and petroleum operations that detail the provisions of the MOP and the POP.

The MOP has the attainment of sustainable development as its main objective. It is based on the idea that the government must ensure the development and conservation of mineral resources for the “socio-economic progress of all Ethiopians”.⁸² Moreover, it obliges the government to “protect the environment for the benefit of present and future generations and to ensure ecologically sustainable development of minerals”⁸³ Sustainable development is, thus, at the heart of the MOP.

The MOP also has various CSR-related rules. Accordingly, it requires licensees to observe safety and environment regulations,⁸⁴ which principally include the Environmental Pollution Control Proclamation and the Environmental Impact Assessment Proclamation. Specifically, pursuant to the MOP, applicants for exploration and mining licenses should conduct and submit environmental impact assessments as part of their application to the Ministry of Mines (MoM) or the corresponding regional government bodies.⁸⁵ Besides, it requires licensees⁸⁶ to conduct mining operations prudently and diligently based on generally-accepted good mining practices.⁸⁷ It also obliges them to ensure the health and safety of their agents, employees and other persons and to comply with environmental laws.⁸⁸ Additionally, the MOP obligates exploration and mining licensees to allocate funds to cover the costs of rehabilitation of environmental impact.⁸⁹ What is more, it makes the issuance of mine closure certificates conditional on adherence to environmental, health and safety standards.⁹⁰ Finally, failure to comply with safety and

⁸² Preamble, para. 2, the MOP.

⁸³ *Ibid.*, Preamble, para. 3, Art. 4(2), (3) and (5).

⁸⁴ *Ibid.*, Art. 36(1).

⁸⁵ *Ibid.*, Art. 18(1), 26(1), 28(1), 32(1) and 62(1)

⁸⁶ Art. 2(15) of the MOP defines a “licensee” as the “holder of a reconnaissance license, an exploration license, a retention license or a mining license or any successor thereof.”

⁸⁷ *Ibid.*, Art. 36 (1) (a).

⁸⁸ *Ibid.*, Art. 36 (1) (b).

⁸⁹ *Ibid.*, Art. 62(2).

⁹⁰ *Ibid.*, Art. 63(3).

environmental standards have the serious consequence of suspension or revocation of licenses under the MOP.⁹¹ These requirements are vital because the “potential benefits of the mining industry may actually turn out to be a curse if there is no proper regulatory framework to address the social and environmental consequences of mining investments.”⁹²

The other important rules of the MOP on CSR are those dealing with community development and local content requirements. It demands mining licensees and, as appropriate, exploration licenses to participate in community development plans to be determined by license areas and by agreements and to allocate funds for the plans.⁹³ This represents the “legal basis for social investment obligations of the license holder.”⁹⁴ Such a CSR requirement can contribute to the development of local communities and help licensees earn “social license to operate”, thereby building their images in and strengthening their ties with local communities and government.⁹⁵ Moreover, the MOP requires licensees to give preference to hiring qualified Ethiopian nationals and utilizing domestic goods and services where they are readily available at competitive prices and are of comparable quality.⁹⁶ It has been observed that “such requirement is important to create market for services and some of the products that are being manufactured in the country and this will be more so in the future when the country’s manufacturing industry grows.”⁹⁷ These requirements of the MOP can help integrate the Ethiopian society and economy with mining operations of businesses, thereby convincing the society to consider mining projects as beneficial parts of it.

The POP has also incorporated some rules on CSR of businesses engaged in petroleum operations and development-related objectives, although it predates the adoption of the Brutland Report. It aims at enabling the use of Ethiopia’s petroleum

⁹¹ Ibid., Art. 46.

⁹² Tilahun Weldie Hindeya, ‘An Overview of the Legal Regime Governing Minerals in Ethiopia’ (2012) 3(1) Bahir Dar University Journal of Law, 24, 57.

⁹³ Art. 62(3), the MOP.

⁹⁴ The World Bank, Ethiopia mining sector development: policy and legislative options report (Washington, D.C, 2016), 59.

⁹⁵ Ibid., 58.

⁹⁶ Art. 36(1), the MOP.

⁹⁷ Hindeya (n 92) 61.

resources for its economic growth and the benefit of its people.⁹⁸ It also has the purposes of ensuring that petroleum operations are conducted through modern technology and sound principles of resource conservation and helping develop domestic expertise and infrastructure in the field.⁹⁹ Accordingly, the POP contains obligations on businesses similar to that of mining businesses under the MOP on health, safety and environmental compliance, local contents and operational standards requirements.¹⁰⁰ However, unlike the MOP, it does not have rules on community development obligations of contractors (businesses authorized to explore, develop and produce petroleum).

This does not mean that contractors do not at all have community development obligations. In fact, a community development obligation is imposed on contractors, as can be observed from the Model Petroleum Production Sharing Agreement (MPPSA)¹⁰¹ that the MoM uses for negotiating and signing PPSAs with contractors. The MPPSA requires each contractor to prepare a community development programme to be carried out in the contract area during the license period that must be mutually agreed by the contractor and the MoM.¹⁰² Under this clause, a contractor is also obliged to contribute fixed amounts of money for the programme during exploration and development stages.¹⁰³ Such rules are crucial because petroleum operations are likely to impact communities around production facilities.¹⁰⁴

It should be noted that the MPPSA imposes a number of other obligations on contractors that are pertinent to CSR, including maintaining insurance coverage for petroleum operations, complying with internationally-accepted standards for the petroleum industry and keeping records on operations and

⁹⁸ Preamble, para. 1, the POP.

⁹⁹ *Ibid.*, Preamble, para. 1–3.

¹⁰⁰ *Ibid.*, Art. 9(11), 12, 14 and 17.

¹⁰¹ Federal Democratic Republic of Ethiopia, ‘Model Petroleum Production Sharing Agreement’, (26 August 2011), <<https://www.extractiveshub.org/servefile/getFile/id/418>> accessed 23 May 2021

¹⁰² Art. 3.6.5, the MPPSA

¹⁰³ *Ibid.*

¹⁰⁴ The World Bank, Ethiopia - Oil and gas sector development: support for review and update of policy and regulatory framework - final report (Washington, D.C, 2016), 34.

providing them to the government.¹⁰⁵ It also details the environmental, safety and local content obligations of contractors as provided in the POP.¹⁰⁶

4.4 The 2021 Commercial Code

The new Ethiopian Commercial Code¹⁰⁷ has objectives that are related to CSR and sustainable development. It broadly states that its principal purposes are to ensure “economic development and public benefit”¹⁰⁸ and “improve the standard of living of citizens”¹⁰⁹. Yet, more specifically and interestingly, the Code states that it intends to “strike the right balance between the interests of investors, traders and other stakeholders that are directly affected by it”¹¹⁰. Given the broadness of the term “stakeholders” in the Code, it can include employees, the environment, local communities and other bodies who may be impacted by the operations of businesses. As such, it can be held that the Commercial Code has, at least in its Preamble, recognizes the notions of CSR and sustainable development.

Unlike the IP, the Commercial Code, which is the main law that governs the establishment, management and winding-up of businesses, does not have provisions that explicitly impose CSR on companies. This is, perhaps, because the Code has largely maintained its processor’s (the 1960 Commercial Code) approach, which did not clearly recognize CSR. The previous Commercial Code might not have included rules on CSR as the notion of CSR was not developed at the time of its promulgation (1960). However, the failure of the new Code to come up with clear and detailed rules on CSR defies one’s expectations, given that CSR is one of the contemporary principles that is increasingly garnering legal recognition. It is also contrary to what is expected from its objective of striking a balance among the various stakeholders in businesses.

¹⁰⁵ Art. 3.2, 3.3, 3.4 and 3.5, the MPPSA.

¹⁰⁶ *Ibid.*, Art. 3.6 and 3.7.

¹⁰⁷ The Commercial Code, Proclamation No.1243/2021, (Ethiopia), (12 April 2021), <<https://www.abysinnialaw.com/online-resources/codes-commentaries-and-explanatory-notes/new-ethiopian-commercial-code-proclamation-no-1243-2021-english-version/download>> accessed 27 May 2021

¹⁰⁸ *Ibid.*, Preamble, para.1.

¹⁰⁹ *Ibid.*, Preamble, para.3.

¹¹⁰ *Ibid.*

Yet, some provisions of the Commercial Code are relevant to or could be interpreted as applying to, CSR. Primarily, as part of the fiduciary duty of directors of companies, it states that directors “shall have regard to the long-term interests of the company, the interests of the company’s employees, the interest of company’s creditors and the impact of the company’s operations on the community and the environment.”¹¹¹ This rule, although it does not directly impose CSR on companies, is important in that it recognizes the need to take into account, in corporate decision-making, companies’ multifaceted impacts on the society.

Other rules on the management of companies can also be interpreted as applying to CSR. Under the Commercial Code, a board of directors has the duty to keep a company’s records (including annual report of a company’s operations) and submit them to shareholders’ meetings and auditors.¹¹² In the case of a private limited company, a general manager is responsible for preparing such annual report, since the Code does not require a private limited company to have a board of directors.¹¹³ Such annual reports of companies can provide information on companies’ discharge of CSR as required by laws. However, it is worth noting that the other organs of management of companies (shareholders’ meetings, supervisory boards and auditors) can play important roles in ensuring that companies carry out their CSR since they are mandated to oversee the compliance of companies with their various legal obligations (including CSR).

4.5 Energy and Tax Laws

Ethiopia’s energy and tax laws also have rules pertinent to CSR. The energy laws, which aim at “accelerating the economic and social development of the country”¹¹⁴, impose CSR obligations on businesses that engage in the energy sector within the framework of the IP. They oblige energy companies, among others, to comply with international standards on energy operations,

¹¹¹ Ibid., Art. 316(2).

¹¹² Ibid., Art. 315 and 426.

¹¹³ Ibid., Art. 515, 518 and 530.

¹¹⁴ Preamble, para. 1, Energy Proclamation No. 810/2013 (as amended), (Ethiopia), (27 January 2014), <<http://eea.gov.et/media/attachments/LAWS%20AND%20REGULATIONS/Energy%20laws%20and%20regulations/proclamation-no-810-2013-energy-proclamation.pdf>> accessed 25 May 2021

environmental, health and safety laws,¹¹⁵ to give preference to hiring qualified local employees and sourcing raw materials from the local market when available, and to keep records on their operations.¹¹⁶ Besides, to promote community welfare, the Geothermal Proclamation specifically requires companies with geothermal well-field development and use licenses to prepare community development plans in consultation with the communities adjacent to their projects and implement the plans by allotting funds.¹¹⁷ These requirements of the energy laws can enable energy companies to give due attention to their diverse impact on the society and work towards positively contributing towards sustainable development.

Finally, the tax laws also have some provisions that can help promote CSR. The Income Tax Proclamation allows donations and gifts made to Ethiopian charities and societies or in response to emergencies to be deductible expenses for payment of business income taxes.¹¹⁸ Likewise, the Value Added Tax Proclamation exempts from payment of VAT goods and services supplied for humanitarian and charitable purposes.¹¹⁹ These tax rules constitute fiscal incentives to encourage businesses to voluntarily engage in donations that benefit the society, which can promote particularly the philanthropic aspect of CSR.

4.6 Bilateral Investment Treaties

On top of the domestic investment laws, Ethiopia has dozens of bilateral investment treaties (BITs) with other countries, albeit

¹¹⁵ *Ibid.*, Art. 10(2).

¹¹⁶ Art. 22, 36 and 38–40, Geothermal Resources Development Proclamation No. 981/2016, (Ethiopia), (16 September 2016), <<https://www.ilo.org/dyn/natlex/docs/ELECTRONIC/103970/126641/F2011688336/ETH103970.pdf>> accessed 26 May 2021

¹¹⁷ *Ibid.*, Art. 41.

¹¹⁸ Art. 24, Federal Income Tax Proclamation No. 979/2016, (Ethiopia), (18 August 2016), <https://www.2merkato.com/images/downloads/proclamation_979_2016.pdf> accessed 29 May 2021

¹¹⁹ Art. 8(2)(h), Value Added Proclamation No. 285/2002 (as amended), (Ethiopia), (4 July 2002), <<https://www.ethioconstruction.net/sites/default/files/Law/Files/Value%20Added%20Tax%20Proclamation%20No.285-2002.pdf>> accessed 15 May 2021

some of them have not yet been ratified.¹²⁰ The Ethiopian Constitution stipulates that “[a]ll international agreements ratified by Ethiopia are an integral part of the law of the land.”¹²¹ Consequently, BITs that Ethiopia ratified are part of its laws.

All the BITs Ethiopia is a party to have economic development-related objectives. They use such terms as “economic growth”, “economic development”¹²² and “prosperity”¹²³ in their preambles. More specifically, the recent BITs expressly state the achievement of “sustainable development” as their objectives. These mainly include the Ethiopia-United Arab Emirates, Ethiopia-Qatar and Ethiopia-Brazil BITs. The SDGs, which acknowledge the role of businesses in resolving various global challenges through trade and investment, must have motivated the focus of Ethiopia’s recent BITs on sustainable development, since they were signed in or after 2016.

The latest BITs even go further to explicitly incorporate CSR and sustainable development-related obligations on investors. This is in line with the changing landscape of international investment agreements.¹²⁴ To illustrate, the BIT between Ethiopia and Brazil¹²⁵, which is yet to be ratified, provides that “[i]nvestors and their investment shall strive to achieve the highest possible level of

¹²⁰ The list and copies of the BITs that Ethiopia signed with other countries can be accessed at the United Nations Conference on Trade and Development (UNCTAD)’s International Investment Agreements Navigator, <<https://investmentpolicy.unctad.org/international-investment-agreements/countries/67/ethiopia>> accessed 15 July 2021

¹²¹ Art. 9(4), Constitution

¹²² For instance, See Preamble, para. 3, Agreement Between the Government of the Federal Democratic Republic of Ethiopia and the Government of the Republic of France for the Reciprocal Promotion and Protection of Investments, (25 June 2003), <<https://investmentpolicy.unctad.org/international-investment-agreements/treaty-files/1163/download>> accessed 15 July 2021

¹²³ For instance, See Preamble, para. 4, Agreement Between the Federal Democratic Republic of Ethiopia and the Government of the State of Israel for the Reciprocal Promotion and Protection of Investments, (26 November 2003), <<https://investmentpolicy.unctad.org/international-investment-agreements/treaty-files/1167/download>> accessed 15 July 2021

¹²⁴ M. Sornarajah, *Resistance and Change in the International Law on Foreign Investment* (CUP 2015).

¹²⁵ Agreement Between the Federative Republic of Brazil and the Federal Democratic Republic of Ethiopia on Investment Cooperation and Facilitation, (2018), <<https://investmentpolicy.unctad.org/international-investment-agreements/treaty-files/5717/download>> accessed 15 July 2021

contribution to the sustainable development of the Host State and the local community, through the adoption of a high degree of socially responsible practices”¹²⁶. It also states that these practices must be based on the OECD Guidelines for Multinational Enterprises as may be applicable to the State Parties.¹²⁷ Furthermore, the BIT includes a long list of principles and standards for guiding investors and investments to carry out their CSR.¹²⁸ These include contributing to sustainable development, respecting the human rights of stakeholders, encouraging local capacity building and cooperating with local community as well as adopting and using good corporate governance principles.¹²⁹

As the terms “strive to achieve” indicate, the CSR obligation in the Ethiopia-Brazil BIT is merely a best-efforts obligation, instead of a definite results obligation. It, thus, is difficult to strictly enforce it. Be this as it may, it has been observed that the “best-efforts obligation is a first step towards establishing mandatory commitments for investors and investments.”¹³⁰ Indeed, the inclusion of the rules on CSR in the IP, as explained above, seems to have been inspired by such attitude of transforming soft obligations into strict legal obligations. It has to be noted that CSR-related provisions that are analogous to the Ethiopia-Brazil BIT are also found in other BITs that Ethiopia recently signed.¹³¹

5. FURTHER OBSERVATIONS ON LEGAL ASPECTS OF CSR AND SUSTAINABLE DEVELOPMENT IN ETHIOPIA

It is clear from the previous section that the major Ethiopian laws that govern businesses contain rules directly or indirectly addressing CSR, although there are variations in their breadth. As

¹²⁶ *Ibid.*, Art. 14 (1).

¹²⁷ *Ibid.*

¹²⁸ Art. 14 (2).

¹²⁹ *Ibid.*

¹³⁰ Martin Dietrich Brauch, ‘Brazil’s Cooperation and Investment Facilitation Agreements with Mozambique, Angola, and Mexico: A Comparative Overview’ in Kavaljit Singh and Burghard Ilge (eds) *Rethinking Bilateral Investment Treaties: Critical Issues and Policy Choices*, (Both Ends, Madhyam and SOMO, 2016), 147.

¹³¹ These are the Ethiopia-United Arab Emirates and the Ethiopia-Qatar Agreements for the Promotion and Reciprocal Protection of Investments.

a result, businesses in Ethiopia are expected not only to make profits, but also obliged to heed to their impacts on and make positive contributions to the society. As such, the laws represent the command-and-control approach to CSR, as they are expressed in the form of legal obligations with some sanctions.

If businesses comply with their legal obligations on CSR, they can contribute to the realization of SDGs in Ethiopia. This is in line with the important role of businesses that the SDGs envisage. Indeed, in relation to MNCs, it has been stated that they “have a unique opportunity to use the SDGs as a framework for improving CSR engagement...in line with changing societal expectations.”¹³² Besides, by integrating their legal CSR with SDGs, MNCs can contribute “to shared value creation, enhance positive impacts (e.g. poverty alleviation, livelihoods, health and education) and reduce negative ones (e.g. resource consumption, pollution, human rights violations) across bottom lines.”¹³³ There is no reason why this cannot hold true for domestic businesses. In fact, the UN 2030 Agenda, while acknowledging the diversity of businesses (micro-enterprises, MNCs, cooperatives, etc.), stresses the essential contribution of all businesses to resolve sustainable development challenges.¹³⁴ Hence, businesses, both domestic and MNCs and small and large, can be vital actors in the achievement of sustainable development in Ethiopia.

Yet, the CSR laws cannot be obviously left exclusively to businesses to comply with. Elsewhere, it has been found that many CSR laws are generally not stringently enforced owing to lack of monitoring and punishment for non-compliance.¹³⁵ Since the CSR laws are mostly mandatory in nature, the Ethiopian regulatory bodies, including the Ministry of Trade and Regional Integration (MoTRI), EIC, MoM and the Environment Protection Authority, must oversee businesses to ensure that they adhere to the laws. In the absence of strict enforcement of the laws, a business that is “used to minimizing costs and maximizing revenues, will comply with regulations according to its cost-

¹³² Schönherr et al. (n 55) 42.

¹³³ Ibid.

¹³⁴ UN 2030 Agenda, para. 67.

¹³⁵ Lin (n 4).

benefit analysis.”¹³⁶ In other words, businesses will generally not be incentivized to comply with CSR-related laws if the likelihood of enforcement of the laws is low and the cost of compliance exceeds the penalty for non-compliance.¹³⁷ Such a situation would defeat the whole purpose of having a mandatory CSR framework. Therefore, the commitment of the regulatory bodies to enforce the laws is indispensable.

It is also in the interest of businesses in Ethiopia to discharge their CSR, as legally prescribed. This is so because businesses that properly carry out their CSR, as shown in many studies, can “garner the favour of customers and society in general and help minimize and control risks, which may lead to (their) better profits.”¹³⁸ Put another way, businesses can effectively use CSR to acquire social license. This is why it has been remarked that the “social licence cannot be paid for but can only be earned or built over a period of social relation.”¹³⁹ Besides, adherence to CSR laws saves businesses from the consequences of non-compliance, which could otherwise force them to incur huge costs and frustrate their investment objectives.

Finally, it is worth noting that voluntary or self-regulatory instruments on CSR can supplement the mandatory CSR framework in Ethiopia. These could take the form of general or industry-specific codes of conduct or guidelines on CSR. It has been observed that “detailed legal strictures regarding responsibilities, while sometimes desirable, may ultimately limit the corporation’s flexibility and ability to be responsive to the dynamic and competing values of stakeholders.”¹⁴⁰ Hence, voluntary or self-regulatory instruments can offer the room for flexibility for businesses on issues of CSR. Similarly, the use of instruments, such as the GPBHR, the OECD Guidelines for Multinational Enterprises and the UN Global Compact, is of

¹³⁶ Vives (n 10) 209.

¹³⁷ Ibid.

¹³⁸ Ibid.

¹³⁹ Adedoyin Akinsulore, ‘The Effects of Legislation on Corporate Social Responsibility in the Minerals and Mines Sector of Nigeria’ (2016) 7(1) *Journal of Sustainable Development Law & Policy*, 97,101.

¹⁴⁰ Matthew W. Seeger and Steven J. Hipfel, ‘Legal Versus Ethical Arguments: Contexts for Corporate Social Responsibility’ in George Cheney et al. (eds) *The Debate Over Corporate Social Responsibility*, (OUP 2007), 164–165.

paramount importance. Besides, it is vital for the Ethiopian Government to develop or support the development of non-mandatory instruments on CSR that take the local context into account. Thus, businesses must be encouraged to use tailor-made codes of conduct on CSR that do not contradict the relevant laws.

6. CONCLUSION

This article has explicated how the notion of CSR is incorporated in the major Ethiopian laws that govern businesses, particularly from the perspective of sustainable development. It showed that the concept of sustainable development is at the heart of these laws, including the Constitution. Given the increasing recognition of the essential role of businesses in the achievement of sustainable development, such as in the UN 2030 Agenda, CSR rules can help achieve SDGs in Ethiopia, mainly due to businesses' wide-ranging impacts on the society.

Yet, the mere existence of the laws on CSR cannot guarantee businesses' effective contribution for the achievement of SDGs in Ethiopia. Regulatory bodies must conduct supervision on the conduct of businesses and strictly enforce the laws. This requires the regulatory bodies to strengthen their capacities, to regularly gather reliable information on the conduct of businesses (including their CSR measures) and to take legal actions for their non-compliance. Moreover, the Ethiopian Government has to encourage the adoption and use of voluntary codes of conduct or guidelines to complement the mandatory CSR rules, which can allow businesses to come up with bespoke codes of conduct or guidelines taking their specific industry and other contexts into account. In this regard, relevant international instruments, including the GPBHR, can be vital guidelines in the process of preparing and implementing such codes of conduct or guidelines.

Aside from benefiting the Ethiopian population and economy through contributing to sustainable development, businesses can benefit from adhering to the CSR rules, since they can earn the social license to operate. Discharging their CSR can help them build their reputations among consumers and strengthen their relations with local communities, thereby boosting their profitability. Businesses must, thus, use CSR as an important tool for earning enhanced profit, while making their contributions to

bring about social change and sustainable development in Ethiopia. As a result, sectoral associations of businesses or chambers of commerce have to also encourage the adoption of appropriate CSR practices, including through their own codes of conduct or guidelines.