

FUNDING FOR CORPORATE RESPONSIBLE ECOLOGY: ENVIRONMENTAL INVESTMENT OR THIRD WORLD FRAUD?

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ABSTRACT

Environmental investment is supported by individuals, organizations and countries. Each of these three levels of support contributes to environmental investment funding in various ways. Individuals pay taxes and make donations to environmental projects. Organizations develop strategic plans which minimize the damage to the environment and/or attempt to restore the environment to its previous state. Foreign countries attempt to negotiate with organizations and governments which are environmentally conscious. The concern, however, is over how these funds are invested and which groups are the most effective at utilizing environmental funding.

It is suggested that there is a positive correlation between the status of a country and the use of environmental funding. The status of a country is defined as less developed (LDC), newly industrialized (NIC) and highly developed (HDC). Use of environmental funding refers to the means by which the funding is allocated and the percentage of funding that is applied to its intended recipient. The problem with allocation and usage arises when there is a failure to control the allocation of funds, misuse of funds, corrupt government officials and fraud.

Fraud and funding abuse can be minimized by a number of applications. Criminal investigations and tighter control over environmental spending is one method to ensure the protection and restoration of the environment. The solution to environmental funding fraud lies, in part, in the appropriate use of financial support from the World Bank, the International Monetary Fund, and other environmental lending agencies that advocate the principals of environmental protection, clean water supplies and sanitation.

The question arises concerning environmental investment or third world fraud. It is hypothesized that misappropriation of environmental funding increases with the decrease in the status of a country. That is, misappropriation of funds is greater in LDCs than HDCs. Conversely, it is hypothesized that a better appropriation of environmental funding increases with the increase in the status of a country. That is, misappropriation of funds is less in HDCs than LDCs.

INTRODUCTION

Stakeholders are individuals or groups that make a claim on an organization. Internal stakeholders include board members, managers and employees. External stakeholders include customers, suppliers, governments, unions and the general public (Hill and Jones, pgs. 37-38).

Each stakeholder provides a contribution to the corporation and expects something in return for its contribution. In part, the public expects corporate responsible actions concerning the environment.

The public demand for corporate responsible ecology has been a concern for corporations. This concern forces multinational corporations (MNCs) to set priorities among stakeholders. By law, a corporation is obligated to provide a return on investment for its stockholders. The less money the corporation spends on waste reduction policies and environmental protection, the greater the return on investment for the stockholder. As the global community becomes increasingly aware of the need for waste reduction and natural resource preservation, the corporation is forced to balance priorities among environmental stakeholders and investment minded stockholders. For example, bad publicity from an oil spill may incite some environmental stakeholders to withdraw their support from the corporation thereby driving down return on investment for stockholders. This reciprocal relationship induces the corporation to identify and satisfy the most important stakeholders first. Environmental stakeholders are concerned about the priority rating given to groups receiving and utilizing environmental funds.

Global environmental funding agencies help multinational corporations balance their priorities among stakeholders. With environmental funding, corporations receive financial relief from the financial burden of ecological protection and restoration. This same funding satisfies environmental stakeholders by minimizing the damage to the land, water and air. Whether or not corporations and stakeholders accomplish this overarching ecological goal depends on the percentage of funding that is diverted from its intended purpose through fraud, corruption and misappropriation. It is suggested that the increase in misappropriation of funding increases with the decrease in the status of a country.

THE EVOLUTION OF ECOLOGICAL PHILANTHROPY

As the global population becomes increasingly aware of the need for natural resource preservation, stakeholder demands for environmental protection increase. There are four levels of ecological philanthropy. These levels are called; Level 1: Traditional philanthropy, Level 2: Low partnership, Level 3: High partnership and Level 4: Ecobusiness. (Hess, pg. 56)

Level 1: Traditional Philanthropy. As organizations moved away from Milton Friedman's position of profits to the stockholders as the only legitimate objective of a corporation, the first recognized level of philanthropy was money donations to the Chief Executive Officer's favorite charity. This is called traditional philanthropy. While this low level of charity may have satisfied some stakeholders in the twentieth century, it is no longer considered adequate by internal or external stakeholders. (Hess, pg. 56)

Level 2: Low Partnership. Low partnership occurred when a company recognized the connection between itself and the larger community. Examples included donations of equipment to schools, blood drives and employee welfare. (Hess, pg. 56)

Level 3: High Partnership. High partnership focused more on the internal functions and structures of organizations. Organizational structures were changed to foster team work and cultural diversity. Company slogans such as "Buy made in America" and boycotts of third world suppliers who used child labor showed the influence of ecological stakeholders. (Hess, pg. 56)

Level 4: Ecobusiness. Ecobusiness is the highest level of evolution in ecological philanthropy. Environmental stakeholders expect organizations to develop innovative strategic plans that not only reduce the amount of harm to natural resources, but also improve and restore environmental conditions. For example, Anita Roddick, CEO of The Body Shop sells only

environmentally safe shampoos and lotions. The company promotes, through education, various causes such as saving the whales and the rain forests. (Hess, pg. 56).

Summary of Ecological Philanthropy. The evolution to Level 4, Ecobusiness, is the current philosophy of ecologically minded corporations and stakeholders. It is postulated in this article that corporations can increase stockholder return on investment by designing innovative, strategic plans that foster ecological preservation and restoration. While funding agencies are available to assist in this endeavor, there is often too little control over how these funds are spent.

Failure to adapt to and be considerate of the world's natural resources may result in retaliatory behavior on the part of some stakeholders. For example, the Union Carbide explosion in Bhopal, India and the Exxon Valdez oil spill in Alaska caused catastrophic environmental damage. The companies reaped a wrath of negative publicity, litigation, increased costs and loss of reputation. Damage to corporate reputations was further exacerbated by the failure to control the use of funds to restore the environment to its previous condition. Reducing natural resource devastation is no longer adequate to satisfy the demands of corporate stakeholders. Stakeholders demand proactive corporate ecological responsibility as a part of the mission statement and goals. Corporate ecological philanthropy has evolved from a charitable gift to a demand for creative ways to preserve and heal the earth.

HYPOTHESES

Milton Friedman suggested that maximization of stockholder wealth was the only priority of any corporation. In part, this philosophy decreased the corporation's incentive to invest in waste and pollution reduction policies and equipment.

Hypothesis 1: Costs. It is hypothesized that the appropriate use of World Bank and other contributory funding agencies can decrease the costs of corporate responsible ecology.

Conversely, it is hypothesized that inappropriate use of World Bank and other contributory funding agencies can increase the costs of corporate responsible ecology.

Hypothesis 2: Profits. It is hypothesized that satisfying the needs of environmental protection stakeholders will increase profits and increase stockholder return on investment. Conversely, it is hypothesized that failure to satisfy the needs of environmental protection stakeholders will result in decreased profits and decreased stockholder return on investment.

Hypothesis 3: SWOT. It is hypothesized that corporations which change external threats from environmental stakeholders into internal opportunities by developing ecologically beneficial strategies will increase profits. Conversely, it is hypothesized that corporations which fail to change external threats from environmental stakeholders into ecologically beneficial opportunities will lead to decreased profits.

Hypothesis 4: Sustainability. It is hypothesized that proper management of World Bank funds will lead to increased third world environmental sustainability. Conversely, it is hypothesized that mismanagement of World Bank funds will lead to decreased third world environmental sustainability.

Hypothesis 5: Misappropriation of Funds by Country Status. It is hypothesized that misappropriation of environmental funding increases with the decrease in the status of a country. That is, misappropriation of environmental funding is more likely in LDCs than HDCs. Conversely, it is hypothesized that the correct appropriation of environmental funding increases with the increase in the status of a country. That is, misappropriation of funds is less likely in HDCs than LDCs.

The focus of the paper will be on hypothesis five: misappropriation of funds by country status. How environmental funding is allocated and the percentage of funding that is appropriated to the intended recipient directly affects hypotheses one through four.

STAKEHOLDERS FOR THE ADVANCEMENT OF CORPORATE RESPONSIBLE ECOLOGY

Environmental protection groups such as the World Wildlife Fund, Green Peace and the Environmental Protection Agency are actively involved in generating public awareness of environmental destruction and preventing natural resource destruction. Natural resource destruction is caused at the individual, group and organizational levels. The focus of this article is on the environmental damage done by multinational corporations and the misappropriation of funding from environmental lending agencies. The article includes an examination of the sources of ecological funding and how these funds can profitability turn natural resource destruction into natural resource reparation. The three major stakeholders in the race for environmental protection and restoration are the World Wildlife Fund, Green Peace and the Environmental Protection Agency.

The World Wildlife Fund. The World Wildlife Fund (WWF) is an external corporate stakeholder with the ability to influence individuals, groups and governments in the preservation of natural resources. The WWF's Global Toxic Chemicals Initiative impacts corporations that manufacture and/or use pollutants such as DDT, PCBs and dioxins that endanger the ecosystem (www.panda.org, pgs. 1-2). The WWF has two priority targets. The first target is to stop the production, release, transfer and use of sixteen persistent organic pollutants (POPs). The second target is to phase out the production, release, transfer and/or use of endocrine disrupting chemicals (EDICOR). (www.panda.org, pgs. 1-2)

Corporations are forced to balance the stockholder's return on investment against environmental stakeholder demands. It is suggested in this article that corporations which actively support and comply with organizations such as the World Wildlife Fund can increase their profitability by differentiating their product lines from the competitors as environmentally friendly. Corporations can focus on niches which support the protection of natural resources and charge premium prices for products that demonstrate the corporation's proactive stance in environmental protection.

Greenpeace. Greenpeace also supports the cessation of manufacturing and disposing of POPs. Greenpeace attempted to stop the trade and transfer of toxic wastes to newly industrialized and third world countries. The Basel Convention is an international treaty which helped accomplish this objective. (www.greenpeace.org, pg. 2)

International mandates such as the Basel Convention force corporations to seek alternatives means to the disposal of toxic wastes. Corporate entrepreneurship designed to effectively manage waste may turn angry stakeholders into satisfied customers. The balancing of stakeholder priorities may ultimately lead to more profitable corporations. One example is an initiative founded in Milwaukee, Wisconsin where sewage is processed into organic fertilizer and sold at a premium price.

Environmental Protection Agency. The United States Environmental Protection Agency (EPA) is a government office charged with the responsibility of protecting human health and the environment. The EPA is required to develop a strategic plan for this responsibility at least once every three years. The strategic plan contains a mission and ten goals. The ten goals include: 1) clean air, 2) clean and safe water, 3) safe food, 4) preventing pollution and reducing risk in the ecosystems, 5) better waste management, 6) reduction of global environmental risks,

7) expansion of "Right-to-Know" laws, 8) science, understanding and innovation, 9) a credible deterrent to pollution and greater compliance with the law and 10) effective management.

(www.epa.gov/ocfopage/plan/plan.html, pg. 1)

There are over thirty-three Acts through which the EPA carries out its efforts. Some Acts are more likely to impact corporations than others. Some of these Acts include the 1988 Ocean Dumping Ban Act, the 1988 Lead Contamination Control Act, and the 1980 Comprehensive Environmental Response, Compensation, and Liability Act. (www.epa.gov, pgs., 2-3) Acts such as these have been shunned by some corporations because of the threat of potential costs to the firm. It is hypothesized that corporations have an opportunity to change the external threats of increased environmental costs into internal opportunities. By taking a proactive stance regarding the environment, consumers will support organizations for their efforts and pay premium prices for their products. Furthermore, major conservation projects which protect the environment may reap financial rewards from global funding agencies with budgets for environmental protection and restoration.

THE COST OF ECOLOGICAL PRESERVATION

Ecological stakeholders who demand that corporations absorb the costs of preserving and healing the earth may be surprised to learn that most all peoples share in the costs of ecological preservation. The costs of ecological responsibility occur at three levels: the increased cost of products, global funding and the criminalization of global funding.

The Increased Cost of Products. The cost of goods sold is the net cost to the company of goods sold. Cost-plus pricing is one of the simplest means of determining the cost of a product. The formula for cost-plus pricing is assessed by determining the unit cost. The unit cost equals the variable cost plus the fixed cost divided by the unit sales. (Kotler, pg. 360)

$$\text{Unit cost} = \frac{\text{Variable cost} + \text{Fixed costs}}{\text{Unit sales}} \quad (\text{Kotler, pg. 360})$$

The costs of ecological preservation and restoration are variable costs. Variable costs also include the cost of ecological inatives and consequences. Examples of such costs include recycling, scrap management, waste disposal and water purification. Increasing the cost of the product to the consumer is one means of absorbing the cost of corporate ecological responsibility. One means of reducing the variable costs of corporate responsible ecology is through the use of international global funding agencies.

Global Funding. Many multinational corporations seek financial assistance from global funding agencies in the construction of potentially environmentally hazardous projects. Such funding is designed to ensure plant safety, save wildlife habitats and protect the water supply. It is through global funding agencies that multinational corporations and governments are able to diffuse the cost of major construction and manufacturing projects. By lobbying various agencies with budgets for environmental protection, corporations are able to lower the variable costs of corporate responsible ecology for their stockholders and consumers.

The Criminalization of Funding. The presence of multinational corporations is a source of hope for developing countries. Major construction and manufacturing projects create jobs for indigenous populations. Corporations with such projects and their resulting operations are able to employ many indigenous and home country people. Global funding agencies provide financial support for the development of commercialization in NICs and LDCs. If the project involves environmental protection, additional funding can be expected from the World Bank, the International Monetary Fund and other lending agencies.

Proper allocation and use of environmental funding is critical to the preservation and restoration of the environment. Tighter controls and monitoring of funds is necessary to assure that the funds are used as intended. For example, the World Bank and others are funding a pipeline project proposed by Exxon, Shell and ELF. The pipeline will run through Chad and Cameroon. It will cost over \$3.5 billion. (Horta, pg. 4) Additional benefactors such as the Swiss company COTECNA have actively worked to prevent the President of Chad from having direct access to the pipelines funding. Restrictions on the President's access to funds are due to previous funding misappropriations. (Horta, pg. 6)

There are many sources of funding for environmental projects. The management of these funds is critical to the success of any industrialization project. How will these funds will be spent and who will have access to the funds remains a question.

THE SOURCES OF ECOLOGICAL FUNDING

Sources of ecological funding, as previously mentioned occur at three levels: the individual, organizational and government levels. At the government level, some sources of funding include:

Global Funding Agencies:

- The World Bank
- International Development Association
- International Finance Corporation
- The World Bank Group
- International Financial Corporation
- International Bank for Reconstruction and Development
- Multilateral Investment Guarantee Agency
- U.S. Treasury Department
- Finance Ministries of host countries
- Export-credit agencies of host countries
- Public funds from multilateral and bilateral sources

Source: (Horta, pgs., 2-15)

The focus of the financial data in this article is on the World Bank.

World Bank Funding. The World Bank has two primary divisions for environmental funding. The divisions are the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). (www.worldbank.int, pg. 7) Between 1992 and 2000 the World Bank had a budget of \$94,408.8 million. From the total budget, .0629 percent was spent on the environment and water supply and sanitation. (www.worldbank.int, pg. 33)

The International Bank for Reconstruction and Development (IBRD) had a budget of \$69,555.5 million or 73.7 percentage of the total World Bank budget. It is through borrowings and shareholder equity funds that the IBRD funds loans and investments. The IBRD issues debt in a variety of diversified maturities and structures. (www.worldbank.int, pg. 33)

The International Development Association (IDA) had a budget of \$24,853.3 million or 26.3 percent of the total World Bank budget. The IDA provided almost \$20.5 billion for environmental projects during the fiscal years 2000 through 2002. (See Chart 1) The replenishment of IDA funds comes, in part, from the new donors' funds (\$11.6 billion) and the IBRD Net Income (\$.9 billion). There are almost 40 IDA donor nations. They include industrialized, developing and transition countries. (www.worldbank.int, pg. 7)

CHART 1: WORLD BANK LENDING BY SECTOR, FISCAL 1992-00

Sector	FY 92-97	FY 98	FY 99	FY00
Annual Average				
Agriculture	2,920.2	2,691.9	2,507.8	1,125.2
Economic policy	2,355.7	1,536.1	9,890.1	1,286.8
Education	1,738.7	3,129.3	1,344.3	684.0
Electric power & energy	2,549.1	2,067.0	440.0	994.2
Environment	747.5	738.6	539.3	514.1
Finance	1,637.4	5,893.5	2,322.3	1,828.0
Mining	220.0	1,376.5	315.0	54.5
Multisector	125.2	5.0	641.4	726.5
Oil and gas	550.9	140.0	17.5	167.0
Population health/nutrition	1,235.2	1,990.9	1,106.8	987.0
Private sector development	751.2	431.0	1,337.4	221.3
Public sector management	575.8	1,669.7	963.3	2,262.1
Social protection	788.1	2,240.0	2,678.6	1,101.0
Telecommunications	261.0	70.5	110.8	109.3
Transportation	3,068.4	3,287.5	3,021.8	1,690.0
Urban development	1,122.1	773.5	706.5	621.6
Water supply/sanitation	896.6	552.9	1,052.7	903.6
TOTAL	21,543.0	28,593.9	28,995.6	15,276.2
IBRD	15,368.3	21,086.3	22,182.3	10,918.6
IDA	6,174.7	7,507.7	6,813.3	4,357.6

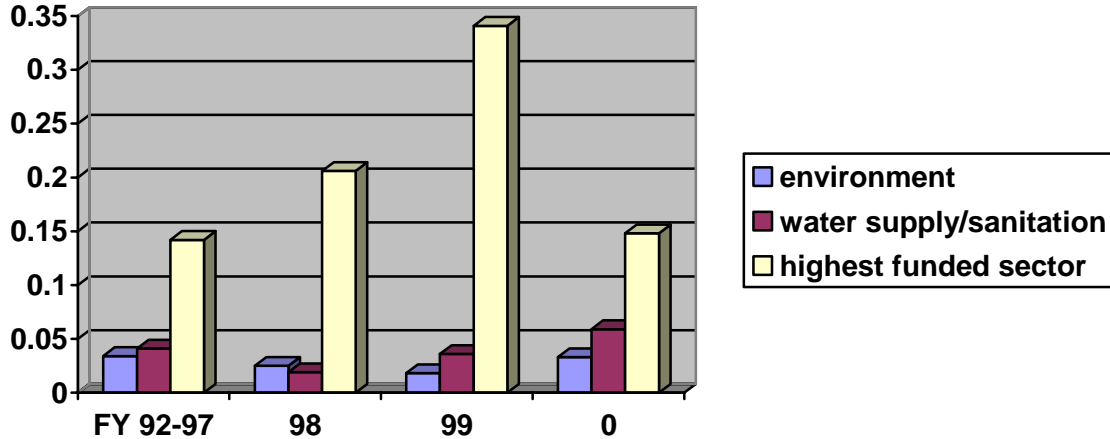
Source: Section I: Overview (www.worldbank.int, pg. 33)

How Were the Funds Spent? There are numerous sources of funding for ecological projects. The World Bank is the single largest provider of funds with loans topping 29 million in 1999. The financial strength of the World Bank allows it to provide loans at rates lower than world markets can provide. (www.worldbank.int, pgs. 7 and 33) Bank lending, co-financiers and governments also provide funds for sustainable ecological projects.

The World Bank funds 17 sectors ranging from education to transportation. (See Chart 1) Each of the 17 sectors is distributed to 6 regional areas. (See Chart 3) Between the years 1992 and 2000, the IBRD and the IDA spent \$2,539.5 million on the environment. During the same time period, \$3,405.4 million was spent on water and sanitation. The environment and water and

sanitation sectors received a combined investment of \$5,945.3 million. (See Chart 2) (www.worldbank.int, pg.33)

CHART 2: WORLD BANK FUNDS FOR THE ENVIRONMENT

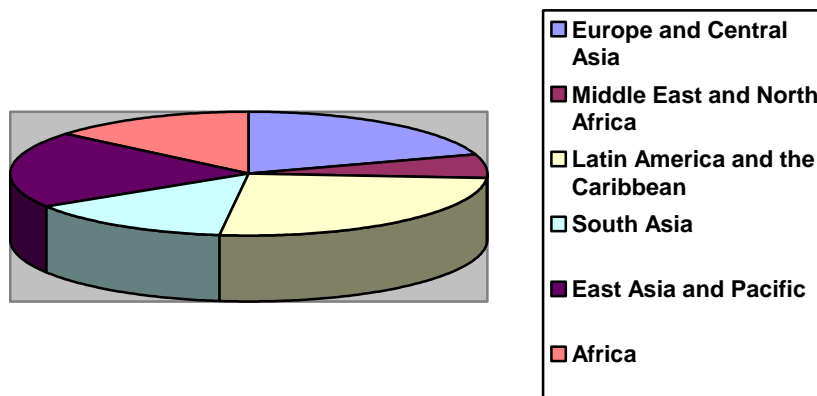


Purple = Lending by the World Bank for the environment
 Burgundy = Lending by the World Bank for water supply and sanitation
 Yellow = Lending by the World Bank for the sector receiving the highest level of funding

Source: Section I Overview: World Bank Lending by Sector. (www.worldbank.int., pg.33)

Six regional areas receive World Bank funding. These sectors are Europe and Central Asia, the Middle East and North Africa, Latin America and the Caribbean, South Asia, East Asia and the Pacific and Africa. The Middle East and North Africa receive 6 percent of the budget. This is the smallest percentage distributed among the regions. Latin America and the Caribbean receive 26 percent of the budget. This is the largest percentage allocated among the regions. (See Chart 3) (www.worldbank.int, pg. 7)

CHART 3: REGIONAL DISTRIBUTION OF IBRD AND IDA LENDING, FISCAL 2000



Source: “Where the World Bank got its Money in Fiscal 2000...” www.worldbank.int, pg. 7.

Who Has Control Over the Funds? Control over funding for environmental projects has traditionally lacked the transparency necessary to insure proper allocation and use of funds. While controls are in place, loopholes and local corruption cause funds to be siphoned off for unauthorized use. Numerous agencies and watch groups monitor the funding of ecological funding. Examples of global assessment agencies include:

Assessment Agencies for Global Funding:

- Environmental Impact Assessment
- Environmental Panel
- World Bank's policy on Involuntary Resettlement
- Operational Directive 4.01 on Environmental Assessment
- Global Environment Facility

Source: (Horta, pgs., 2-15)

Assessment agencies are responsible for the allocation of funds and the monitoring of the use of funds. Allocation of funds is often based on need and/or the effective lobbying efforts of the corporation or country seeking funding. The monitoring of funds is complicated by a lack of transparency and failure of higher authorities to monitor the assessment agencies. The use of funds is often diverted by attorneys, payoffs, excessive bureaucracy, fraud and personal use.

There are two results of improper allocation and use of funds. The results are continued damage to the environment and failure to restore the environment after the previous damage. The failure of MNCs to be proactive in environmental issues results in two consequences. Consequence one is the ecological damage cause by industrial projects. Consequence two is loss of livelihoods and resettlement.

THE CONSEQUENCES OF IMPROPER ECOLOGICAL FUNDING

The consequences of ecological funding have both positive and negative effects. The positive effects are the preservation of wildlife, the decreased loss of the endangered species, minimization of deforestation, and minimization of water and air pollution and so on. The negative consequences of ecological funding include an increase in costs for the corporation, a decrease in profits, a decrease in return on investment and the misappropriation of funds. The focus of this article is on the misappropriation of ecological funding. Improper use of environmental funds has two consequences. The first consequence is the ecological damage caused by allegedly safe environmental infra-structure projects. The second consequence is the loss of livelihoods and resettlement of indigenous populations.

Ecological Damage from Infrastructure Projects. Case scenarios regarding ecological damage from corporate projects are extensive. The three examples used in this paper are the Chevron pipeline oil spill, the Exxon Bayway Wetland oil spill and the Mobil Gypsum spill. Each of the three disasters required financial relief from individuals, organizations and governments. One of the major contributors of ecological restoration for each of these catastrophes was the Damage Assessment and Restoration Program (DARP). (www.darp.noaa.gov/about.htm, pg. 1)

In 1996, a Chevron pipeline burst in Pearl City, Oahu, Hawaii. The oil spread through a fresh water stream and into the salt waters of Pearl Harbor. Nine hundred eighty two barrels of fuel oil soured the shorelines for miles. The resulting ecological damage occurred in freshwater marsh habitats, water column habitats and American tourist sites including the USS Arizona Memorial. (www.darcnw.noaa.gov/chevron.html, pg. 1)

In 1990, an Exxon pipeline burst in Arthur Kill, a major shipping center for the oil industry. More than one million gallons of heating oil were released onto the wetlands. Over 100 acres of salt marsh were fouled. Birds, fish, vegetation and other wetland inhabitants were killed by the sludge. Exxon paid \$11.5 million in civil settlements and criminal restitution. (www.darp.noaa.gov/neregion/exbw.htm, pg. 1)

In 1992, a Mobil Gypsum slurry pile failed. Forty-five million gallons of phosphoric acid and hydrated gypsum contaminated a bayou and leaked into the Houston Ship Channel. The toxic materials polluted wetlands inhabited by marine and estuarine wildlife. Nesting birds and other terrestrial animals were killed by the hazardous materials. The water quality was diminished for a radius of seven miles. (www.darp.noaa.gov/seregion/mobilg.htm, pg. 1)

Proactive initiatives to build ecologically safe infrastructures would save stakeholders and corporations millions of dollars. Corporations, humans and wildlife must co-exist in a symbolic relationship. Individuals, organizations and governments must develop initiatives that allow indigenous wildlife and peoples to cohabitate on precious eco-systems. Failure to implement ecological initiatives will result in the loss of livelihoods and resettlement.

The Loss of Livelihoods and Resettlement. When multinational corporations begin major construction or manufacturing projects they prepare the indigenous population by lobbying governments, making strategic alliances with local corporations and/or governments,

and developing public relations campaigns. Such campaigns are designed to assure the host country that some of the benefits provided by the development project will be repatriated back into the host country. What is often misunderstood is the damage to private property and wildlife both during and after major construction projects.

In less developed countries, the land used to industrialize local habitats is often the primary source of income for native persons. Major MNC projects such as the laying of oil pipelines, fiber optic cables and factory building require the procurement of land. This land is often in LDCs and inhabited by poverty stricken people who depend on the land for their livelihoods. Local income is often generated by farming or animal husbandry.

Corporations are assisted in resettlement endeavors by the World Bank and other environmental lending agencies. Indigenous populations currently working the land are often forced to move to other areas. They usually choose to move to the city in search of work. Agricultural and animal husbandry workers typically lack the skills and education necessary to find work in the city. The World Bank's Involuntary Resettlement policy assures that affected peoples are able to maintain the standard of living achieved prior to resettlement. Construction projects under the guise of environmental and industrial enhancement require infrastructure in the form of roads, telephone lines, temporary headquarters and an influx of home country labor. (Horta, pg. 9) Care must be taken to prevent industrialization from destroying peoples land and livelihoods.

Resettlement can be compensated by MNC employment of indigenous populations. Construction and manufacturing projects often provide temporary labor for indigenous populations both during the development of the project and during its operation. The ratio of expatriate and local workers is negotiated between the government and the MNC. While some

people benefit in terms of work opportunities, people who are currently inhabiting and earning a livelihood from the land often lose their source of income. Involuntary resettlement requires local inhabitants to move to other locations and abandon their farms and live stock to seek employment in overcrowded cities. These same people often lack the skill and education necessary for employment in the city.

IMPLICATIONS FOR MNCs: CHANGING EXTERNAL ENVIRONMENTAL THREATS INTO INTERNAL OPPORTUNITIES

External environmental threats include customers, stakeholders and governments who oppose irresponsible ecological corporate action. Internal environmental opportunities include corporate initiatives to preserve the land, water and other natural resources. Initiatives to preserve natural resources include the cessation of ecological damage as well as the restoration of natural resources.

Innovation in environmental ecology can be a profitable internal opportunity for multinational corporations. For example, Ben & Jerry's Homemade, Incorporated initiated policies designed to increase profits and preserve the world's resources. In 1990, founders Ben Cohen and Jerry Greenfield developed an innovative strategy to preserve the Brazilian rain forests and simultaneously make a profit. A new flavored ice cream named Rain Forest Crunch was added to the product line. To preserve the rain forest, 100 tons of nuts were purchased from Xapuri, Brazil. The nuts grow wild in the Amazon Forest and are processed by the indigenous peoples of Brazil. This strategic initiative accomplished several objectives. One, indigenous people learned that the forest could provide them with an income. Two, it is not necessary to destroy the forest for farming or ranching. Three, Ben and Jerry's, Incorporated earned a profit

on a product that helped save one of the world's rain forests. Four, both the stockholders and stakeholders benefited from the strategic initiative. (Newsweek, pg. 38)

Multinational corporations have a responsibility to their stakeholders to develop initiatives which preserve and restore the eco-system. Innovative companies such as Ben and Jerry's have been successful at both saving the earth and making a profit by doing so. Creative ideas, proper use and allocation of funds all lead to profitable corporate ecological responsibility.

CONCLUSIONS

Environmental investment is supported by individuals, organizations and countries. Each level of support provides environmental funding. Some groups are more effective at utilizing this funding than others.

It is hypothesized that corporate costs and profits are impacted by the misappropriate use of ecological funding. Stakeholders supporting corporate responsible ecology include the WWF, Greenpeace and the EPA.

The sources of ecological funding include numerous funding agencies including the World Bank. From the total World Bank budget, .0629 percent of the budget was spent on the environment and water and sanitation. Improper use of this funding can result in ecological damage and loss of livelihoods.

There are implications for MNCs regarding ecological preservation and restoration. These initiatives include the cessation of ecological damage as well as the restoration of natural resources. Implications also include the development of competitively green initiatives which simultaneously preserve the land and create a profit. Proper use of the land and the indigenous population can result in corporate profits. Improper use of the land and the indigenous population can result in fouled lands and relocated populations of both people and wildlife.

FUTURE RESEARCH

Future research should focus on determining the exact percentage of ecological funding distributed to non-direct entities. Statistics should be generated to determine the amount of money spent on corporate attorneys, publicity campaigns, bribery, fraud and other non-ecological pursuits. Current global assessment agencies lack the authority to ensure that funds are not diverted to non-direct recipients.

Future research should also be directed toward finding ways to increase the accountability of fund handlers and polluters. Monitoring without enforcement fails to preserve or restore the environment. The individual, organization, and government must recognize and stand up to the challenge of a safer, healthier environment for everyone.

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