



EUROPEAN REPORT
ON **DEVELOPMENT**

RURAL LAND POLICY, RURAL TRANSFORMATION AND RECENT TRENDS IN LARGE-SCALE RURAL LAND ACQUISITIONS IN ETHIOPIA

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MOBILISING EUROPEAN RESEARCH
FOR DEVELOPMENT POLICIES

SYNOPSIS

This paper examines the impact of rural land policy on rural transformation and food-self-sufficiency in Ethiopia. It also looks at the relation this has with recent trends in large-scale rural land acquisitions.



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Abbreviations

ADLI	Agricultural Development-led Industrialisation
ANRS	Amhara National Regional States
BOI	Board of Investment
EIA	Environmental Impact Assessment
EPA	Environment Protection Agency
ERD	European Report on Development
EWCA	Ethiopian Wildlife Conservation Authority
FDI	Foreign Direct Investment
FDRE	Federal Democratic Republic of Ethiopia
FSS	Food Security Strategy
GTP	Growth and Transformation Plan
ICSID	International Centre for Settlement of Investment Disputes between States and Nationals of other States
MIGA	Multilateral Investment Guarantee Agency
MoARD	Ministry of Agriculture and Rural Development
ONRS	Oromia National Regional State
OPIC	Overseas Private Investment Corporation
PASDEP	Plan for Accelerated and Sustained Development to End Poverty
RDPS	Rural Development Policy and Strategy
SDPRP	Sustainable Development and Poverty Reduction Programme
SNNPRS	Southern Nations, Nationalities and Peoples Regional State
WIPO	World Intellectual Property Organization

1 Introduction

1.1 Background

This is a Background Paper for the European Report on Development (ERD) 2012, which focuses on the water–energy–land or WEL nexus and the need to manage this nexus in an integrated fashion. It feeds into the discussion on rural land policy and its implications for rural transformation and food self-sufficiency and recent trends in large-scale land acquisitions.

In Ethiopia, the legal frameworks vest land ownership in the state and the public. Hence, it is impossible to sell or exchange land. Peasant farmers, pastoralists, and semi-pastoralists who are or wish to be engaged in agriculture only have land-use rights. This policy has been in place since the 1974 land reform.

The economy is largely dominated by smallholder subsistence agriculture on which the country depends for its food supply, foreign exchange, labour and raw materials for the non-agricultural sector. Agriculture is plagued by structural problems such as fragile soil and environmental degradation, small and declining size of holdings, fragmentation of farm plots, poor farm management, population pressure, poor road networks and weak markets, and poor human development. About 55.7% of farming households cultivate less than 0.5 ha and some 80% cultivate less than 1 ha. Only 4.1% of farmers have more than 2 ha¹ and the average holding is 0.81 ha.² Farm plots are also fragmented with an average of 3.3 per holder (CSA, 2003, Part I: 91–93).

Against this background of rural land policy and structure, there has been a rise in large-scale land acquisition by foreign investors. The fact that land is owned by the state is believed to facilitate such acquisition. There are different arguments concerning the effect of foreign interest in Ethiopian land. There is some evidence of benefits in terms of employment, technology transfer, government revenue but also of costs in terms of environment and competition for access to resources (Cotula, 2011; Ensermu et al., 2009; Heckett and Negussu, 2008).

1.2 Objectives

This Background Paper examines the impact of rural land policy on rural transformation and food self-sufficiency and their relation to recent trends in large-scale land acquisitions. It will:

- 1 Describe rural land policy and the legal framework in terms of land acquisition, transfer, redistribution/fragmentation/consolidation, and conditions for denying holding rights.
- 2 Assess the impacts of rural land policy and the legal framework on the use of land to promote rural transformation in terms of opportunities/constraints for non-farm activities and migration (geographical and across occupations).
- 3 Examine recent trends in large-scale land acquisitions by foreign investors and their economic, social and environmental effects.
- 4 Describe how the rural land policy affects the impact of foreign direct investment (FDI) in land.

1.3 Approach

This paper is based mainly on a desk review. We critically review the constitution, proclamations, regulations, guidelines and other literature in order to understand the policy, legal and regulatory frameworks for rural land and the implications for rural transformation and food self-sufficiency. We also conducted a field survey to gather information on the

¹ Author's calculation based on CSA (2003).

² Author's calculation based on CSA (2003) Part I: 91–3.

general features of recent large-scale land acquisitions and the implications for economic, social and environment in two regions, Gambela and Oromia.

1.4 Outline

Following this short introduction, the paper is structured as follows. Section 2 looks at major features of rural land policy that provide the legal framework, while Section 3 describes the country's agricultural and rural development policy and the implications for land use. Section 4 examines the major features, trends and implications of large-scale rural land acquisitions. Section 5 summarises key aspects of the policies and makes recommendations.

2 Rural land policy: the legal framework

One of the institutional factors that influence a nation's food self-sufficiency and rural transformation is the way in which property rights are structured. In Ethiopia, the most important aspect of property relates to land. The institutions that govern access to and use of land and the security of land tenure range from temporary to exclusive, traditional or registered and protected by a legal title, and have a significant impact on sustainable use of land and so on food self-sufficiency and rural transformation.

Land ownership is legally vested in the Ethiopian state and public. Hence, land cannot be sold or exchanged. Peasant farmers, pastoralists and semi-pastoralists who are or who wish to be engaged in agriculture have only usufruct rights and cannot sell, exchange or mortgage the land. Land administration is the responsibility of regional governments. Recently the federal government designated the federal Ministry of Agriculture and Rural Development (MoARD) to be in charge of large-scale land deals, defined as over 5,000 ha, and smaller deals are administered by regional states.

The legal framework for rural land acquisition, transfer, redistribution, removal of a holding right, administration and security is set out in the 1995 Constitution and Proclamation No. 456/2005. These documents state that every citizen from 18 years of age who wants to make a living from agriculture should be accorded free access to land. The implementation of this federal proclamation rests with the regional states³ (Federal Democratic Republic of Ethiopia (FDRE), Proc. No. 456/2005, Art. 17). Thus, any regional-level proclamations, regulations and directives are part of the legal framework.

Below we summarise the major features of Ethiopia's land-tenure system that provide the legal framework and are relevant to rural transformation and food self-sufficiency. We focus on federal government proclamations and three major regional states, Amhara National Regional State (ANRS), Oromia National Regional State (ONRS) and Southern Nations, Nationalities and Peoples Regional State (SNNPRS) as together they represent 80.4% of the total population and 84.5% of rural population.

2.1 Acquisition of rural land

Rural land will be given free of charge and for an indefinite period to peasants, pastoralists and semi-pastoralists who are or wish to be engaged in agriculture (FDRE, Proc. No. 456/2005, Art.5 sub Art. 1.a),⁴ and to investors through lease/rent for a specified period of time. According to the proclamation, rural land can be acquired either by distribution (distribution of government land, communal land, other unoccupied land and land with no inheritor), redistribution, settlement programmes, donation or inheritance. Based on this, rural kebele⁵ administrations allocate land within their jurisdiction to farming households, and regional states allocate land through resettlement programmes. Farming households can also rent in land either in the form of fixed rent or sharecropping and acquire land as a gift or inheritance. Most of the land used by farming households is allocated by rural kebele administrations. Investors can lease farmland from woreda⁶ administrations, regional states or federal government depending on how much land they wish to acquire.

In recognition of the fragmentation of land parcels and poor technology (poor farm management with limited improved seeds, fertiliser, irrigation and pesticide application), the federal proclamation determined a minimum area of land that is granted through different

³ Ethiopia has a federal structure with nine regional states and two urban administrations.

⁴ See FDRE, Proc. No. 456/2005, Art. 7; SNNPRS, Proc. No. 110/2007 Art. 7.1; and ANRS, Proc. No. 133/2006 Art. 5.3.

⁵ Kebele is the lowest administrative echelon with about 800 households.

⁶ Woreda is equivalent to a county just above kebele.

forms (FDRE, Proc. No. 456/2005, Art. 11.1).⁷ The other major feature is that unlike the federal proclamation Art. 4, which states 'this proclamation shall apply to any rural land in Ethiopia', regional government proclamations restrict access to rural land by making residence in that particular region a condition for acquiring rural land free of charge.⁸ The only exception is the ANRS, which relaxes this condition to some extent, stating that a person residing in an urban centre for education, national service,⁹ or similar duty on a temporary basis can be considered a rural resident and be eligible for rural land free of charge (ANRS, Reg. No. 51/2007, Art. 4.1 and 4.2).

2.2 Transfer of rural land-use rights

The federal government states that peasant farmers, pastoralists and semi-pastoralists can transfer their rural land-use rights through donation (FDRE, Proc. No. 456/2005, Art.5.2) or inheritance (FDRE, Proc. No. 456/2005, Art. 8.5) to members of their family and can also rent/lease part of their holdings to other farmers or investors for a specified period (FDRE, Proc. No. 456/2005, Art.8.1). The federal rural land proclamation on land transfer through donation and inheritance clearly states that being a rural resident and engaged or wishing to engage in agriculture is a condition of eligibility, while transfer through rent/lease can be for rural and urban residents who are or wish to be engaged in agriculture.

The same is true of rural land proclamations by different regional states. Rural land proclamations by ANRS state that holders of rural land may transfer their land-use rights through inheritance to family members who are or wish to be engaged in agriculture (ANRS, Proc. No. 133/2006, Art. 16.1).¹⁰ Succession only comes into effect on the death of the landholder (EPLAUA, 2008:14). In the SNNPRS, the proclamation says that transfer through inheritance only applies to rights holders in the family (SNNPRS, Proc. No. 110/2007, Art. 8.5). The same is true in ONRS (ONRS, Proc. No. 130/2007, Art.9.1). The proclamations in ONRS and SNNPRS make being a rural resident a condition for inheriting rural land.

Rural land that is transferred through inheritance must be in compliance with the minimum size of holding (FDRE, Proc. No. 456/2005, Art.11.2).^{11,12}

⁷ Based on this guide, regional governments decide on the minimum size. For instance, the regulation of ANRS states that when land is granted the size should not be less than 0.2 ha if the land is rain-fed and 0.06 ha if the land is irrigated (ANRS, Regulation No. 51/2007 Art. 7). Similarly, the proclamation of ONRS, Proc. No. 130/2007 also fixes the minimum size: 0.5 ha for annual crops and 0.25 ha for perennial crops (Art. 7). The SNNPRS proclamation (Proc. No. 110/2007 Art. 11.1), provides 0.5 ha if the land is rain-fed and ≤ 0.5 ha if the land granted is cultivable through irrigation constructed by government.

⁸ See for instance Proc. No. 133/2006 Art. 6.1 for the ANRS, Proc. No. 130/2007 Art. 5.1 for the ONRS and Proc. No. 110/2007 Art. 5.2 for the SNNPRS.

⁹ National service 'shall mean any military service rendered for a definite period of time by departing from one's locality or a service rendered to cope with an emergency operation having to do with a certain calamity or participation in a public administration as a regular employee, be it in the form of through an election or assignment for a specified duration' (ANRS, Regulation No. 51/2007, Reg 2.c).

¹⁰ Unlike the federal proclamation, the condition of being a rural resident to inherit rural land is relaxed. Persons living in urban centres and engaged in small income activities to support their rural livelihoods can be considered farmers in terms of succession (FDRE, Proc. No. 456/2005, Art. 16.2).

¹¹ For details see footnote 4.

¹² In ANRS, if the size of land to be transferred among different inheritors is below the minimum size, alternatives like collective use, offering for rent, exchanging with another person, or any other kind of agreement which satisfies the minimum size can be explored (ANRS, Reg. No. 51/2007, Art. 11.11). Furthermore, transfer of rural land through inheritance cannot be put into effect if the total land to be possessed by any person at the time of inheritance exceeds 7 ha in the highlands and semi-highlands, and 10 ha in the lowland areas (ANRS, Reg. No. 51/2007 Art. 5.3 and 11.12). In addition, the rural land directive, issued by the Environmental Protection, Land Administration and Use Authority of the ANRS (EPLAUA, 2008:12) in order to implement Proclamation No. 133/2006 and Regulation No. 51/2007, states that in the case of divorce, if one of the partners is engaged in non-agricultural activity and earns more than the minimum salary of a government employee, the partner cannot transfer the land to the children as source of income for them. The same is true in the SNNPRS. The rural land proclamation (SNNPRS, Proc. No. 110/2007, Art. 11.1 and 11.2) states that when rural land is transferred through inheritance, it must meet the conditions of minimum and maximum size (see footnote 4 for details).

As mentioned, rural land can be transferred through donation. In ANRS, a farming household can donate use rights to a person who resides in the same region as long as this person is a family member who is or wants to be engaged in agriculture (ANRS, Proc. No. 133/2006, Art. 17.1). This prohibits individuals in higher education from being able to transfer their use rights through donation (EPLAUA, 2008:13). In ONRS, land can also be transferred through donation to family members whose livelihood depends on it and who have no other source of income (ONRS, Proc. No. 130/2007, Art.9.5). The law makes being a rural resident and a family member of the landholder a condition of eligibility to acquire rural land through donation.

The other form of land transfer is rent/lease. The federal rural land proclamation states that a rural landholder who has a holding certificate can rent/lease the land to any person (rural or urban) who is or wishes to be engaged in agriculture for a specific period of time in a manner that shall not displace the landholder (FDRE, Proc. No. 456/2005, Art.8.1).

The rural land proclamation in ANRS allows any rural landholder to transfer land through rent/lease to any person (ANRS, Proc. No. 133/2006, Art. 18.1) for a maximum of 25 years with the possibility of renewal (ANRS, Proc. No. 133/2006, Art. 18.6-7). There is also a possibility of a lessee re-renting the land partially or fully to a third party (ANRS, Proc. No. 133/2006, Art. 18.9). The procedure in the ONRS is different. Although any peasant farmer, whether pastoralist or semi-pastoralist, has the right to rent/lease their holding (ONRS, Proc. No. 130/2007, Art.6.1), the amount is limited to a maximum of half of the holding (Art.10.1) and the duration of the lease may not exceed three years for those who apply traditional farming and 15 years for mechanised farming (ONRS, Proc. No. 130/2007, Art. 10.1-2).

The rural land proclamation in SNNPRS (SNNPRS, Proc. No. 110/2007, Art.8.1) also allows any rural landholder who has a holding certificate¹³ to transfer the land through rent/lease to any person in a manner that it shall not displace the landholder. The remaining holding should be enough to produce enough food for the family's annual needs.¹⁴ The duration of the contract between farming households is up to five years, from farming household to investors up to 10 years and from farming households to investors who cultivate perennial crops up to 25 years. Given the small size of landholdings in the country, the rule that allows only part of the land to be leased will further split farmlands into small plots that are economically unviable.

2.3 Redistribution and consolidation of farmland

The federal proclamation on rural land clearly promises land redistribution¹⁵ only when the community agrees (FDRE, Proc. No. 456/2005, Art. 9.3). Land to be cultivated by irrigation is, however, subject to redistribution 'in order to use irrigable land properly and equitably' (FDRE, Proc. No. 456/2005, Art. 9.2). Regional state proclamations follow suit. Redistribution of rural land in ANRS, ONRS and SNNPRS can be carried out only when the community agrees and the size of land to be redistributed complies with the stipulations.¹⁶ Irrigated land is, however, automatically subject to redistribution.¹⁷

The federal government encourages land consolidation but this can only be achieved on the basis of voluntary exchange.¹⁸

¹³ Most regional states provide holding certificates to farm households as a means of ensuring tenure security.

¹⁴ If the landholder has another source of livelihood such as 'working as labourer, being hired by the investor, or to make business or any other better job opportunity, he can rent all of his holding' (SNNPRS, Proc. No. 110/2007, Art.8.1.c).

¹⁵ The main objective of this is to give land to the landless.

¹⁶ In the case of ANRS, for instance, redistribution is possible only when at least 80% of landholders residing in the PA (kebele) agree on the need for redistribution (ANRS, Proc. No. 133/2006, Art.8.2).

¹⁷ There is minimum and maximum size. For instance, in Oromia the maximum size is 0.5 ha and the minimum is 0.25 ha (ONRS, Proc. No. 130/2007, Art. 14.4). In the case of SNNPRS, irrigated land is redistributed only when the government supplies the irrigation (SNNPRS, Proc. No. 110/2007, Art. 9). Farm households using their own irrigation are not subject to redistribution.

¹⁸ See FDRE, Proc. No. 456/2005, Art. 11.3; ONRS, Proc. No. 130/2007, Art.8 and SNNPRS, Proc. No. 110/2007, Art. 11.4..

2.4 Conditions for losing landholding rights

Farming households can lose their land-use rights for different reasons, in particular the failure to use and protect the land (FDRE, Proc. No. 456/2005, Art. 10.1). This condition applies to regional states.¹⁹ Regional proclamations may stipulate further conditions.

In ONRS rural land users can lose their right if they leave the land idle for two consecutive years (ONRS, Proc. No. 130/2007, Art. 6.16). In SNNPRS, users can be deprived of their rights if the land lies fallow for three consecutive years provided that they are not sick or in prison. Rural landholding rights given in accordance with the Proc. No. 133/2006 of ANRS can be deprived for any of the following reasons (see Art. 12.1):²⁰

- 1 If the landholder earns a living from non-farming activity;²¹
- 2 If the landholder disappears for five consecutive years without giving notification of their whereabouts or renting out the land;²²
- 3 If the landholder allows the land to lie fallow for three consecutive years for rain-fed land and one year for irrigated land;²³ and
- 4 If the landholder grossly mismanages the land.

To recap, land is owned by the state and cannot be owned by private individuals. Smallholder farmers have the right to cultivate land, but they cannot sell, exchange, or mortgage it. Investors can lease land from smallholders and regional states and large-scale investors can lease but not purchase land from the government. The transfer of land is both contractual (leasing, renting or share-cropping) and time-bound.

¹⁹ See ANRS, Proc. No. 133/2006, Art. 12.1d; ONRS, Proc. No. 130/2007, Art. 6.16; SNNPRS, Proc. No. 110/2007, Art.10.1; and SNNPRS, Reg 66/2007, Art. 13.4a.

²⁰ This provision is not applicable to any person who lives on a retirement pension or is assigned to national service no matter how much his income (ANRS, Reg. No. 51/2007, Art. 14.2).

²¹ This provision is further expounded by ANRS, Reg. No. 51/2007, Art. 14.1a&b. It stipulates that rural landholding rights will be deprived if the rights holder is employed in a permanent job and earns an income not less than average monthly salary determined by the government to be paid as minimum starting salary or is engaged in taxable non-agricultural work.

²² Where a disappeared landholder has spouse or a minor who lives with him and has no land, or where there is information that his disappearance is due to an unforeseen situation, the provision stated under b and c is not applicable (ANRS, Proc. No. 133/2006, Art. 12.2).

²³ The law may not applied if there is an adequate reason or a prior written permit from the pertinent Kebele Land Administration and Use Committee or from the Authority of the woreda office (ANRS, Reg. No. 51/2007, Art. 14.1d).

3 Ethiopia's agriculture and rural development policy and implications for land use

In 1993, the Ethiopian government adopted Agricultural Development-led Industrialisation (ADLI) as an overall development strategy. The government believed that agriculture was the leading economic sector and that the development of the other sectors hinges upon achievements in the agricultural sector. These beliefs have been the guiding framework for three successive development plans: the Sustainable Development and Poverty Reduction Programme (SDPRP), which covered the years 2002/03-2004/05; the Plan for Accelerated and Sustained Development to End Poverty (PASDEP) for 2005/06-2009/10; and the Growth and Transformation Plan (GTP) for 2010/11-2014/15.

Based on these successive development plans, the Government of Ethiopia adopted policies and strategies to address agriculture and rural development. These are the Rural Development Policy and Strategy (RDPS) and the Food Security Strategy (FSS). The overall development strategy and RDPS focuses on smallholders. It envisages that productivity of smallholder agriculture will be improved through the distribution of improved seeds, fertilisers, tools, and pesticides; provision of improved extension services; construction of small-scale irrigation schemes; minimisation of post-harvest losses; and development of livestock resources through improved feed and veterinary services, and increased use of improved breed and livestock products. Further, RDPS intends to address the issues of the proper use of land, expanding rural infrastructure (health, education, access to safe water, and rural roads), improving smallholders' access to the rural financial system, and developing and strengthening rural institutions.

This policy and strategy gradually began to shift from smallholder to large-scale farming, as can be seen in the 2006 PASDEP plan document. The PASDEP places a strong emphasis on commercial agriculture and private-sector development as the main means to accelerate growth and alleviate poverty (MoFED, 2006). One of the fundamentals of the agricultural development strategy is ensuring prudent allocation and use of existing land based on comparative advantage (see MoFED 2006: 67-108).

In November 2010 the government issued a new five-year development plan (2010/11-2014/15), called the GTP, which emphasised agricultural investments. This plan made a clear shift towards private-sector development in agriculture, which was never seen in the previous two plans.²⁴ The government is committed to making meaningful changes to the role of private investment in agriculture. The plan envisages that private investors in agriculture will focus on the lowlands, where land is abundant. The government will assess and identify suitable land and keep a land bank, establishing an effective land-administration system and implementation agency and providing the necessary support to attract local and foreign investors. The government plans to identify, prepare and transfer 3.3 million ha of land to commercial farming investors within the GTP period, primarily for export crops. It also plans to increase ninefold the area under horticulture in the GTP period (see MoFED, 2010:49, Table 19).

²⁴ See MoFED (2010): 45-56 for an overall agriculture and rural development and pages 46, 47 and 54 for private-sector development in agriculture.

4 Trends and effects of large-scale²⁵ land acquisitions by foreign investors

4.1 Brief overview of FDI in agriculture

4.1.1 Regulatory framework, performance and constraints

Regulatory framework

The main relevant instruments are (a) government legislation; (b) institutional arrangements; and (c) guidelines issued by the appropriate public bodies. A brief discussion of each of these follows.

The regulatory regime governing FDI and privileges provided for FDI in Ethiopia have undergone significant change as part of the reform process started in 1992/93.²⁶ The most significant initiative for attracting foreign investment and encouraging large-scale farms was, however, the legislation put in place in 2002 and 2003 (FDRE, 2002b and 2003), of which the investment proclamations and the regulations governing incentives provided to foreign investors are particularly noteworthy.

(a) The investment legislation is very generous to foreign investors, who are required to invest at least US\$ 100,000 in cash or in kind for each project. The minimum capital requirement is US\$ 60,000 in cash or in kind for a joint investment with a domestic investor. The area of investment also has an impact on the minimum capital requirement. In engineering, architecture, accounting and audit, project studies or business and management consultancy services the minimum capital requirement is US\$ 50,000 in cash or in kind for foreign investment and US\$ 25,000 in cash or in kind for a joint venture with domestic partners. There is no capital requirement for FDI that exports 75% or more of the output and/or re-invests its profit or dividend in Ethiopia.²⁷

As per article 20 of the Investment Proclamation 280/2002 (FDRE, 2002b) foreign investors are allowed to remit abroad profit and dividends accruing from investment, principal and interest payments on foreign loans, payments related to technology transfer or management agreements registered in accordance with the proclamation, proceeds from the sale/liquidation of a business, and proceeds from the transfer of shares or of partial ownership of an enterprise to a domestic investor at any convertible currency at the prevailing exchange rate on the date of remittance. Expatriate employees may also remit salaries and other payments accruing from their employment.

Investors, foreign or domestic, are guaranteed against expropriation or nationalisation, except in cases of major public interest when full market value compensation will be paid promptly, which can also be remitted at any convertible currency at the prevailing exchange rate on the date of remittance.²⁸ Furthermore, the Ethiopian government has tried to provide investment guarantees and protection by being a member of various agencies and organisations such as the Multilateral Investment Guarantee Agency (MIGA), the International Centre for Settlement of Investment Disputes between States and Nationals of other States (ICSID) and the World Intellectual Property Organization (WIPO).²⁹ Ethiopia has also concluded bilateral investment

²⁵ Large-scale here means land measuring 1,000 ha or more. The discussion does not include investment in the floriculture sector.

²⁶ The key proclamations and regulations of these changes are 7/1996, 37/1996, 35/1998, 36/1998, 116/1998, 168/1999, 280/2002, 84/2003, 373/2003, and 146/2008.

²⁷ For details see Article 11 of the Investment Proc. No. 280/2002 (FDRE, 2002b).

²⁸ See Article 21 of the investment Proc. No. 280/2002 (FDRE, 2002b).

²⁹ MIGA issues guarantees against non-commercial risks to enterprise that invests in signatory countries.

promotion and protection agreements with many African, Asian, and European nations and has signed a double-taxation avoidance treaty with various countries.³⁰

Subsequent regulations issued by the Council of Ministers offer attractive financial incentives. Articles 4 and 5 of Regulation No. 84/2003 and Article 2 of Regulation No. 146/2008 state that the agricultural sector is eligible for tax exemption. Foreign investment in agriculture is exempt from income tax for two to eight years depending on the proportion of their product destined for foreign markets, the location of the investment, and the decision of the Board of Investment (BOI). The higher the proportion of export, the longer the period of tax exemption.

Investments in agricultural products that export at least 50% or supply at least 75% of the output to an exporter as production input are eligible for exemption from income tax for five years, and for two years if the proportions are lower.³¹ Notwithstanding the two-year provision, the BOI may, under special circumstances, grant exemption for up to five years.³² As per Article 2 of the amended investment incentive Regulation No. 146/2008, agricultural investment projects engaged in expanding or upgrading the existing activities are eligible for income tax exemption for two years provided that the project exports at least 50% of its output and increases the value of its production by over 25%, but the Council of Ministers may award exemption for more than seven years.³³ The BOI may also deny exemption to investors producing only for local market.³⁴ Losses incurred during the period of exemption can also be carried forward for up to half the exemption period following its expiry.³⁵ In addition, foreign investment projects are exempt from sales and excise taxes for export commodities. Eligible investors are also allowed to import, free of custom duty, all capital goods, construction materials and spare parts for the establishment or upgrading of their enterprise.

The most important implication of this regulatory framework for foreign investment in agriculture is that investors receive more incentives to *export* their products. The shift towards large-scale agriculture is thus driven by the priority for exports and foreign earnings at the expense of domestic food security. Moreover, many of the food crops produced by foreign investors in Ethiopia are not consumed locally.

(b) The second instrument is the institutional arrangements. An important initiative in this regard was the transfer of responsibility for land allocation from the regions to the Federal MoARD.³⁶ Under the country's constitution and earlier land laws, the power to administer land (its distribution, transfer, leasing, use and development) was the responsibility of the regional states. In 2008, the government designated MoARD as the lead agency for large-scale land deals with foreign and local investors. Its responsibility includes preparing information and other technical inputs to attract investors, assessing land suitability, signing contracts with and transferring lands to eligible investors, undertaking follow-up and oversight, and other relevant matters. These changes were formally endorsed by the Council of Ministers in early 2010 (FDRE, 2010).

MoARD now receives and administers all consolidated investment lands measuring 5,000 ha or more from the regions, and the latter were barred from deals involving such land,³⁷ which was put into a federal land bank to be accessed by investors through MoARD.³⁸ While all aspects of the land deals are concluded by and through MoARD, the income from the transactions, i.e. rent, income tax, and other payments are supposed to be used for the benefit of the regions concerned.

³⁰ For details see EIA (2008:10).

³¹ See Article 2 of Regulation No. 146/2008.

³² see Article 4 sub-article 4 of Regulation No. 84/2003.

³³ See Regulation No. 84/2003, Article 4 sub-article 2.

³⁴ See Regulation No. 146/2008, Article 2.

³⁵ See Article 7 of Regulation 84/2003.

³⁶ A few months ago, MoARD was renamed the Ministry of Agriculture. We retain the older name here.

³⁷ Regions will continue to allocate land to investors as they had done before for plots of less than 5,000 ha, which are not submitted to the federal land bank.

³⁸ Within MoARD, the unit responsible is the Agricultural Investment Support Directorate.

The earlier procedure for concluding land deals fell to the Regional Investment Commissions, after the environmental soundness of the investment projects was approved by the counterpart of the federal Environment Protection Agency (EPA). EPA had the legal authority to review and approve environmental impact assessment (EIA) reports, which, as a rule, were prepared by the projects themselves (FDRE, 2002b; EPA, 2003). The law on the matter was clear: no project was to be undertaken without EPA approval, and EPA or its sub-units in the regions were mandated to undertake follow-up and supervision to ensure that projects met their contractual obligations with regard to the environment. This responsibility was transferred to MoARD in 2009 by means of an exchange of letters and a memorandum of understanding between the two agencies, even though MoARD lacked the technical and institutional capacity to carry out these duties.

Since 2009, a number of regions have 'voluntarily' transferred land to the Federal Land Bank as shown in Table 4.4.

(c) The third instrument consists of guidelines issued by regional and federal authorities with regard to land transfers, land rent, lease periods and land-management issues; they also address issues of monitoring and oversight. These are discussed below.

Performance and constraints

Market-oriented policy reforms in the country over the last 15 years have attracted FDI as a means to achieve economic development (see tables below). FDI can help the economy by supplementing domestic savings, facilitating resource transfers, transferring technical and management know-how and fostering market access at international level.

The government has been improving the regulatory framework and the incentive environment to attract FDI in all sectors, especially agriculture. Between October 1995 and July 2011 the Ethiopian Investment Agency provided investment licenses for 1,055 FDI projects in farming, creating 320,474 permanent jobs and 844,052 temporary jobs projected. The total land to be cultivated is about 4,219,780 ha (see Table 4.1).

As can be seen from Table 4.1, only 126 out of 1,055 FDI projects approved became operational over this period. This is only 11.9% of the total approved investment projects. Operational projects have already created 19,543 permanent and 209,829 temporary employment opportunities. The number of permanent jobs represents only 6.4% of the planned FDI. The main impediments to the implementation of larger investment projects are poor infrastructure facilities such as irrigation schemes, roads, communication, and inhospitable climate in some lowland areas.

Table 4.1 Foreign licensed agricultural investment projects, 29 October 1995-14 July 2011³⁹

	No. of projects	Employment		Land size
		Permanent	Temporary	
Pre-implementation	837	261,811	566,146	3,446,981
Under implementation	92	38,158	68,077	472,009.5
Operational	126	20,505	209,829	300,789.9
Total	1,055	320,474	844,052	4,219,780

Source: Author's calculation from EIA.

³⁹ There are projects for which we do not have figures for the land size. These are 83 for projects with pre-implementation status, seven for under implementation, and nine for operational.

Table 4.2 Average figures⁴⁰

	Land size per project in ha	Average amount of hectares to generate one job		
		Permanent	Temporary	All types
Pre-implementation	4,572	14.3	6.6	4.5
Under implementation	5,553	12.9	7.1	4.6
Operational	1,786	10.7	1.0	0.9
Total	4,332	13.9	5.2	3.8

Source: Table 4.1.

This suggests that, on average, it is necessary to cultivate about 14 ha to generate one permanent job and 5.2 ha to generate one temporary job. Although we do not have standard figures for the purposes of comparison, it seems that the contribution of FDI to agricultural employment is very limited (see also later discussion).

4.1.2 Who are the foreign investors?

Numerous investors from Asia, the Middle East, Europe and the USA have acquired land in various parts of Ethiopia. In terms of land acquisition, the largest investors are Indian companies. At present over 35 Indian firms have acquired extensive tracts of land, especially in Benishangul and Gumuz, Gambella and ONRS. While a few have received land measuring over 100,000 ha, many hold 25,000 ha to 50,000 ha.

Indeed, the government seems to be particularly well disposed to Indian capital and is keenly encouraging it. Several high-level missions have visited India to attract investors, and recent local media reports quote Ethiopian officials as saying that about half of the total land earmarked for investment in the GTP in the next five years, about 1.8 million ha could be set aside for Indian investors if they show sufficient interest.⁴¹

The second most prominent actors in large-scale rural land acquisition are from the Middle East, particularly Saudi Arabia. Sheikh Al-Amoudi and Saudi Star are the largest investors from this country. There are also US, Israeli and European companies with large investments (see Table 4.3).

Table 4.3 FDI in farming by source of country, 29 October 1995-14 July 2011

	Pre-implementation		Under implementation		Operation		Total approved FDI	
	No. of projects	Total land size in ha	No. of projects	Total land size in ha	No. of projects	Total land size in ha	No. of projects	Total land size in ha
India	88	894,095	10	137,149	19	41,304	117	1,072,547
Saudi Arabia	95	432,107	5	371	9	8,659	109	441,137
USA	111	177,670	18	209,195	9	1,649	138	38,8513
Israel	95	195,744	9	1,636	19	8,443	123	205,823
UK	44	90,823	7	51,106	10	2,899	61	144,828

Source: Author's calculation based on EIA.

These five countries alone account for more than 53% of the land required for all approved FDI agricultural projects. Such investment is partly the result of existing trade relationships and bilateral agreements. For example, the USA has a bilateral investment protection agreement with Ethiopia. The investment incentive agreement with the USA provides investment support through its Overseas Private Investment Corporation (OPIC) in the form of investment insurance and re-insurance, debt or equity investment and investment guarantees. The

⁴⁰ In this Table we exclude projects lacking information on land size. See the preceding footnote.

⁴¹ See for example *Fortune* newspaper 6 February 2011.

Government of Ethiopia exempts taxes on all operations and activities undertaken by OPIC in connection with any investment support, and all payments, whether of interest, principal, fees, dividends, premiums or proceeds from liquidation of assets or any other nature. In addition, OPIC will not be subject to any taxes in connection with any transfer which occurs as a result of its role as a creditor in support of investment in Ethiopia. This agreement was signed on 24 October 2000.

The Netherlands has also signed an agreement on encouragement and reciprocal protection of investment with the Government of Ethiopia. This guarantees transfers such as profits, interest, dividends in freely convertible currency of payments related to investment, restrictions of expropriation and nationalisation unless such measures are taken in the public interest and observe due legal process as outlined in the agreement. In case of dispute between the contracting parties (one of the countries) and the investor, the agreement sets out the settlement procedures.

4.2 Large-scale land acquisitions by foreign investors

4.2.1 Why foreign investors are interested in large-scale land acquisition and government objectives

Why are foreign investors interested in large-scale land acquisition?

To answer this question we need to go back to 2007/2008, when there was a global market failure for agricultural commodities, accompanied by severe supply shortages in the world market, which in turn triggered a food-price crisis that affected all countries. The crisis aggravated vulnerabilities in many poor countries, but also raised the spectre of food insecurity among nations that had hitherto relied on the global food market. It made national food security an important policy agenda not only in poor nations but also in rich countries with limited agricultural endowments, as well as those with high populations, a burgeoning middle class and a high demand for food. There is, thus, a strong food-security element in what came to be called the global 'land grab', although one should also note that the opportunity to make significant profits has also been a strong motivation for investors from the Gulf and Asia. This explains why by the end of 2009, more than a dozen countries in Africa, including Ethiopia, had given out millions of hectares of farmland to foreign capital on highly concessionary terms, including low rents (see Cotula et al., 2009; IFPRI, 2009; World Bank, 2010).

Government objectives

Under its programme of large-scale land investments, the Ethiopian government has leased out tracts of land to foreign as well as domestic investors and plans to lease out more. The investment programme is part of the government's overall plan for export promotion or raw materials for domestic industries,⁴² so there is a strong emphasis on attracting foreign investors into the agricultural sector by providing a favourable investment climate and offering financial incentives. Public authorities regard foreign investment as particularly welcome because it brings superior technology and more capital than its domestic counterparts and is therefore more likely to be successful.

The investment in large-scale farms is part of the government effort to shift the structure of agriculture from smallholder subsistence production to the commercialisation of land and large-scale production. The main objective is agricultural modernisation and rural transformation leading to food self-sufficiency and economic growth. But what specifically are the government's objectives in promoting large-scale farms and how is Ethiopia expected to benefit? The following goals and benefits are frequently cited in documents issued by public authorities. Foreign investment is expected to:

- 1 Produce export crops and raw materials and hence increase the country's foreign earnings and supply of inputs for its domestic industry. The food crops that are currently favoured by foreign investors are rice, soya beans, sesame, palm oil and other oil crops,

⁴² See MoFED, 2010:55.

pulses, and tea. Bio-fuel crops planned include *jatropha curcas*, castor-oil trees, palm oil, and maize. The raw materials that are in high demand at present are sugar cane and cotton.

- 2 Create job opportunities in the project areas, which are said to have high rates of unemployment. It is not clear what kind of employment opportunities will be provided as the projects employ technology requiring only a small number of skilled staff, who will have to be brought in from outside the project areas. Most of the projects are located in lowland rural areas often quite distant from major urban centres.
- 3 Benefit local communities through the construction of infrastructure and social assets such as health posts, schools, and access to clean water. The contracts signed between investors and the government do not expressly oblige investors to undertake social investments, but the government expects that they will do so because they will want local communities to see them in a favourable light and are expected to observe socially responsible business practices.
- 4 Provide the opportunity for technology transfer. Here again it is not clear how technologies suitable to local conditions and existing farming systems are to be transferred to the communities concerned since the technologies used by the foreign projects are not compatible with the needs of small farmers and herders.
- 5 Promote energy security through projects growing bio-fuel plants.

We shall see that there is no evidence that many of these objectives have been met to date. On the contrary, the documentary and field-based evidence indicates that the damage being caused by the projects outweighs the benefits.

4.2.2 How much land has been transferred?

As discussed in Section 2, land is owned by the state and large-scale investors can only access land through leasing it from the government.

Public authorities have frequently argued that that the country possesses 'abundant land' suitable for a wide variety of crops, as well as sufficient water resources, and that land transfers to investors would be made under favourable conditions. These resources were claimed to be unused by peasants, herders or others and hence their use by investors would not threaten any livelihoods. MoARD has issued conflicting figures on how much land is available for investment. At one time in 2008 it suggested that more than 54 million ha was available, but this figure was later reduced to 10 million ha and subsequently to a little less. The figures given below must be treated with some caution because there are no comprehensive and accurate data on how much land has been given out to date and how much of it is being used or lying idle. These figures are based on the available documentary evidence, data provided by regional public bodies and intelligent estimates.

Between 2003 and 2009 a considerable number of foreign investors were granted land either on their own or as part of joint ventures with local businesses, with total holdings measuring about 1 million ha. One of the largest foreign leases is held by Karuturi, an Indian company based in Bangalore, which has acquired 100,000 ha in Gambella regional state and 11,000 ha in Bako Tibee woreda in ONRS. The World Bank (2010) puts the total land transferred to investors in Ethiopia at between 2004 and 2008 at 1.2 million ha. Some international activist organisations suggest far higher figures but their data are based on questionable evidence.

As discussed in Section 3, the current five-year development plan envisages transferring about 3.3 million ha to investors.⁴³ Assuming no changes to such plans, the evidence suggests that by 2014/15, the end of the GTP period, the total land transferred to investors, domestic and foreign, will measure 7 million ha or more. This will constitute nearly one-third of the existing cultivated land in the country, which implies a significant change to the existing agrarian structure.

Although we refer to land transfers, the resources transferred to investors include not just land but also sources of water. Most of the investment projects depend upon access to and use of

⁴³ Most of the lands are assumed to be uninhabited (see MoFED, 2010:54, Table 19).

large quantities of water. Land that has been transferred also includes arable land, land used for grazing, woodland, forestland, savannah grassland, wildlife habitats, and wetlands. There have been at least two notable cases, one in Gambella and the other in the east of ONRS, where land inside a formally designated national park, protected areas and a wildlife sanctuary has been leased to investors (interview with the community).

At present, the regional states where the great majority of the investment projects are located are Benishangul and Gumuz, Gambella, ONRS and SNNPRS. These regions, which are water-rich, have transferred responsibility for 3.6 million ha to the federal land bank as shown in the Table 4.4 below. There are only a few projects in other regional states such as Afar, ANRS and Tigray.

Table 4.4 Investment land transferred to Federal Land Bank

Region	Land transferred (ha)
Benishangul and Gumuz	1,149,052
Gambella	1,226,893
ORNS	1,079,866
SNNPRS	180,604
Total	3,636,415

Source: www.moard.gov.et.

4.2.3 Land deals and implications

So far there are no established or commonly accepted rules, procedures or guidelines for transfer of land to investors. There are two major channels through which land is provided, namely the regions and the federal government, through MoARD. While the latter has drafted guidelines for land transfers, rent assessment and land-use practices, these have not yet been adopted in the regions and are not standard procedure (see MoARD, 2009c, 2009d and 2009e). The application procedure is fairly simple: investors fill out an application form and present a business plan along with their written requests for land. Neither the application form nor the business plan requires stringent commitments or obligations on the part of the investors. Moreover, there are no mechanisms for checking the accuracy of the information given in these documents, and as a result some investors may exaggerate the benefits their project will provide and the capital they hope to invest in order to gain approval. Once the land to be handed over is determined, the investor is asked to prepare an EIA report, which is reviewed by MoARD. If the application is approved, which in most cases it is, MoARD instructs the relevant regional authorities and requests their support and cooperation in facilitating the transfer.

Until recently, the Regional Investment Commissions were largely responsible for all land deals but now the process involves several regional bodies as there is an investment committee which includes most cabinet members. In many cases, earlier applications for land required only the submission of a written request. Frequently, the land was identified by the investors themselves and recorded in the Commissions' records with cursory if any verification. The investor signs a contract with the Commission which then informs the relevant bureaux and woredas to provide support for follow-up and supervision, and to facilitate the transfer of land. However, in ONRS, for example, stricter rules and clearer divisions of responsibility have been introduced to provide more roles to the relevant bureau. At present, ONRS has given a greater role to its Land and Environmental Protection Bureau in the transfer process, and the latter's responsibilities include identifying the investment land, gathering the necessary land information, reviewing and approving the EIA report, and providing periodic follow-up. The task of the Oromia Investment Commission now is to approve the project and sign the contract with the investor. Once the decision is made, the regional authorities instruct the woreda officials to facilitate the transfer and help in ensuring the implementation of project activities. It is the woreda authorities that have the difficult task of handling any grievances or claims voiced by local people regarding the land in question.

The rent charged for agricultural land, which is set out in the land laws of each region, varies widely. Most determine the rent depending on location, access to transport, markets, communication and banking services, and whether the project has access to irrigation water. Lands near urban centres and having adequate roads and other basic services and benefiting from an irrigation scheme have the highest rental value. The maximum rent charged, 135 Birr per *hectare* per year, is in ONRS (see Table 4.5).

Table 4.5 Rent of land in selected regions (Birr/ha/year)⁴⁴

Region	Maximum	Minimum
ANRS	79	14
Benishangul and Gumuz	25	15
Gambella	30	20
ONRS	135	70
SNNPRS	117	30
Tigray	40	30

Source: Dessalegn, 2009; field interviews.

These rental fees are very low by any standards. In US dollars, investors now pay between US\$ 1.00 and less than US\$ 9.00 per hectare, while rental costs in the Punjab area of India, for example, range from the equivalent of US\$ 556 to US\$ 667 per hectare per year (*Deccan Herald*, 14 February 2001). Many Indian as well as other foreign investors have been overjoyed by the low rental rates and by the generous financial incentives. Even the government authorities recognise that the fees are so low that investors request more land than they can possibly manage, with the result that many leave the land idle for several years.

There have been suggestions from MoARD and others to increase rental fees, but many no firm decisions have been on the matter. MoARD has recently drafted new guidelines for the determination of rental rates but these have not yet been routinely adopted. The new guidelines increase the rates substantially, though these still may be low compared to other countries. The draft establishes a maximum of 2,660 or 2,541 *Birr* (US\$ 156 or US\$ 149) per hectare for irrigated or rain-fed land respectively, located within a 100km of Addis Ababa, and a minimum of 158 or 111 *Birr* for similar lands located more than 700km away from Addis Ababa (MoARD, 2009d).

The same document establishes a ceiling for lands to be transferred to investors for various types of crop. A maximum of 50,000 ha is set for investors growing bio-fuel plants including palm-oil trees. Those growing cereals, oil seeds or agro-industry crops such as cotton and sugar cane may request up to 20,000 ha, while for tea and coffee growers the maximum is 5,000 ha. However, these rules are on paper only. According to recent reports in the local media, Saudi Star, a company with a strong Saudi interest, and which acquired 10,000 ha in Gambella in 2008, was recently given permission by MoARD to add another 129,000 ha to the project to grow rice for export to Saudi Arabia and other countries in the Gulf.⁴⁵ The company is in fact seeking a total of 500,000 ha with 300,000 ha in Gambella and the rest in Benishangul and Gumuz and ONRS. The company aims to get sufficient land to produce one million tons of rice annually for export, and to earn US\$ 1 billion a year in exports.⁴⁶

The lease period for all categories of investment land also varies. Lands with irrigation have a longer lease period than those without. In Benishangul and Gumuz, Gambella, SNNPRS and Tigray the lease period is up to 50 years, while in ONRS and ANRS, it is 30 and 25 years respectively. The draft guidelines noted above recommend a lease period of 25 to 45 years.

As noted earlier, MoARD and the Regional Investment Commissions are responsible for signing contracts with investors. The contract documents are simple and do not make heavy demands

⁴⁴ US\$ 1.00=17 Birr (October 2011)

⁴⁵ See the weekly papers *Reporter* (Amharic), and *Fortune*, 3 October 2010.

⁴⁶ Interview with acting project manager of the company; press statement in *Reporter* 3 October 2010.

on investment projects. On the contrary, investors are free to choose what crops to grow and where to market the produce without any interference from their hosts. They are not obliged to supply the local or national market, indeed, they are strongly encouraged to export most or all of their products, as we saw earlier.

There are no provisions in the contracts for meeting Ethiopia's food-security needs. Moreover, project managers have no contractual obligations to provide social services to the communities concerned or invest in basic infrastructure; on the contrary, in a number of instances the government constructs some of the necessary infrastructure such as roads and irrigation schemes. One common item in almost all ONRS contracts is the obligation to plant native tree species covering at least 2% of project land; federal contracts do not impose such obligations but require projects to 'conserve tree plantations that have not been cleared for earth works', a vague clause that is of little benefit.

The EIA conducted by the projects as part of their tender is also meant to ensure that their land-management practices do not damage the environment and the land. However, the clearing of woody and herbaceous vegetation, and the resulting loss of vegetation cover, is exposing lands to serious erosion and land degradation, and depriving local populations of valuable natural resources (see the following section).

The responsibility for monitoring and oversight and the task of enforcing project obligations is placed on the shoulders of Regional offices and staff. However, all the officials we interviewed readily admit that there is very little institutional and technical capacity to carry out these tasks effectively. In some of the Regions the responsibility rests with the land and environmental protection units, in others it is the Investment Commissions, supported by the bureaux of agriculture. In MoARD, a unit has been charged with similar tasks but was established only recently and has severe capacity constraints and very limited outreach. The projects are spread out throughout the country across great distances, which makes it extremely difficult for staff who are already burdened with numerous other duties to carry out periodic visits for on-site inspection and monitoring.

Equally significant is the lack of inter-agency consultation in decision-making. At the federal level MoARD makes all the decisions but key agencies such as, for instance, the Ethiopian Wildlife Conservation Authority (EWCA), which is responsible for managing the country's national parks, game reserves and sanctuaries, and which may be affected by decisions taken, are often not consulted. EWCA was not aware, for example, of the decision to transfer thousands of hectares of lands in the middle of the Gambella National Park or the Babilie Elephant Sanctuary in the east of ONRS to investors until environmental and conservation groups raised the alarm and took the matter to the authorities concerned.⁴⁷

4.2.4 Likely impact of foreign land investments

The acquisition of land by foreign investors has been taking place since 1995, yet most of the investment projects are not operational. The acquisition of large tracts of land, however, started more recently. The majority of these investment projects have not begun full-scale operations, although a few have started land clearance and the planting of crops on small plots to test the suitability of different seed varieties and how they respond to different inputs and technologies. It will take several years before an investment project is able to bring even a portion of the land it has acquired under cultivation. Moreover, land transfers are still taking place and a number of foreign investors have acquired land in the last few months. It is therefore impossible to assess the impact of investment projects and determine their consequences (economic, social, agricultural, technological in terms of poverty alleviation, employment, government tax revenue, food security, technology transfer, etc) except perhaps in limited cases, and even then only on a provisional basis. Circumstances made it unadvisable to undertake a field survey to generate quantitative data.

⁴⁷ For the environmentalists' struggle over the Babilie Elephant Sanctuary see Ensermu et al., 2009, and Heckett and Negussu, 2008.

The following discussion should, therefore, be seen in relation to the recent large-scale land acquisitions. Evidence gathered from the field and interviews with farmers and others in and around the project sites indicate that the investments are taking place without consultation with local communities and without their knowledge or consent. If the land-leasing programme is completed as planned, it will effect a radical change in the country's agrarian structure, with foreign capital established as a dominant player. This will pose a threat to the long-term viability of smallholder agriculture. The damage to people's livelihoods is beginning to become clear even now: it has led, to some extent, to the loss of farmland, of pasturage and grazing rights, of sources of water, and the loss of access to firewood and useful plants.

While the long-term impact of the investment projects, particularly those leasing large tracts of land, is not yet fully apparent, there are some indications of the likely effects, and these are already creating resentment and protest among local communities. To begin with, there is and will continue to be, increasing competition for scarce resources between the projects and local communities. In particular, competing demands for access to water, which is beginning to be evident, will be exacerbated as the projects will monopolise the sources of water in the affected areas, and local communities will be forced to turn to seek sources far away from their place of residence.

The majority of rural people do not have access to piped water and rely on natural streams, rivers, and springs in their vicinity. In ONRS in particular, investment projects have enclosed land and water sources and deprived communities of access to them. In Gambella, Saudi Star, which holds 10,000 ha near the Alwero dam, is posing a threat to local communities who fear that they will soon be denied access to the rivers on which they depend for fishing and household water. In this same area, local communities have been denied access to the woods where they obtained firewood, grass for roof thatching, and wild food during times of food scarcity – which is not uncommon in the area. The woods are now the property of Saudi Star (field interview).

Where foreign investors have acquired extensive land in Benishangul Gumuz and Gambella, a resettlement programme has recently been launched to relocate communities away from their home areas. Both the Regions and the federal government justify the relocation (called 'resettlement' initially but now re-named 'villageisation') on the grounds that this will enable local authorities to provide essential services such as education, health, clean water, etc. Interviews held with local farmers in Gambella give a different picture: local residents were unanimous that the relocation was meant to make way for investors to provide them unencumbered access to land and other resources.

Second, the impact on the environment and wildlife of the investment projects is also becoming quite apparent and is likely to be aggravated as the projects become fully operational. In a number of project sites, large-scale land clearance is taking place, and the removal of woods and other vegetation has exposed the land to serious erosion and damage to natural water sources. As observed from the field survey, some projects have been given forestland despite strong local protests. The projects have cleared the forest to plant tea and other crops in Gambella. In Gambella, which is immensely rich in wildlife and biodiversity, investment projects are to be found even inside the National Park and protected areas, or inside the established wildlife habitats. When these become operational there will be serious consequences. Other projects have been established in areas that effectively block or interfere with transit corridors and wildlife migration routes, and yet others are in locations that will deprive the animals of access to seasonal pastures or water points. The contracts provide no adequate safeguards concerning the use even of toxic agro-chemicals. Finally, given the scale of their land acquisitions, it is easy to imagine that investors will adopt industrialised monocropping which will exhaust and damage the land.

Third, there are no formal or informal obligations on the part of investment projects to contribute to the country's food security. The investment contracts and business plans contain no requirement to supply the local market, whether as a matter of course or in emergency circumstances. It should be noted, however, that the projects generate foreign exchange, pay land rents and some tax revenue.

Fourth, projects that have started operations have provided employment to local people in the form of short-term and seasonal work. For example, Karuturi's project in Bako woreda employs some 200 to 500 casual labourers during land clearing and other heavy work, while in Gambella Saudi Star employs 600 or more labourers for similar tasks. In both areas the projects have employed a small number of skilled staff operating various types of farm machinery, but these are often brought in from large cities. Karuturi's project in Bako has even brought employees from India to do skilled work that Ethiopians could have done. Very few casual labourers have employment security or benefits other than the daily wage. The wages paid to such workers in most areas, particularly in Indian-operated projects, are very low even by Ethiopian standards.

Finally, there is to date hardly any technology transfer. The projects use technology that is not transferable to (or affordable for) smallholders. Indeed, large-scale agriculture is managed quite differently from family farms, and there is no meeting ground between the two under the present policy environment.

5 Conclusions and recommendations

What is to be done to ensure land investments benefit the country overall, and more importantly people at the grassroots? The following suggestions are intended to contribute to public discussion.

- Investment projects should be given the go-ahead only after full consultation with local communities. The government should be accountable to communities and should involve them at all stages of the decision-making process.
- Contracts should contain clear, specific and enforceable clauses to protect the environment, wildlife, biodiversity, and water sources. The use of agro-chemicals must be closely regulated to prevent damage to the soil and to surface and sub-surface water systems from toxic waste.
- There must be an enforceable benefit-sharing scheme instead of simply leasing out the land so that communities stand to gain from the investment projects. This could be a profit-sharing scheme as is being tried in some African countries with large-scale extractive projects (mining, petroleum, etc).
- Contracts should stipulate investors' obligations with regard to social investments in the communities concerned (e.g. schools, health centres, clean water). Social investments should address community needs, based on consultation with them.
- Equally important are contractual obligations by investors to contribute to Ethiopia's food security. This could be done in various ways depending on the relevant business model, crops grown, etc. Investors could be obliged, for example, to sell a certain percentage of their harvest in the local/national market as a matter of course, or at a time of crisis. Ways must also be found to enable investors growing non-edible crops (e.g. bio-fuels or industrial crops) to contribute to the food security of the country in some manner, especially during a crisis.
- A team of experts and community members should carry out monitoring and supervision to ensure that investors are honouring their obligations.

There is very little institutional and technical capacity at regional level to conduct monitoring and oversight and enforce project obligations effectively. This calls for capacity-building support in the Regions where such investments are being made.

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