

Ethiopian Economic Association /
Ethiopian Economic Policy Research Institute
(EEA / EEPRI)

A Research Report

On

Land Tenure and Agricultural Development In Ethiopia

October 2002

The full report is available from the Ethiopian Economic Association at a cost of US\$10.00.
Please contact Ato Metasebia at: eea@telecom.net.et

Executive Summary

There is no disagreement about the current dire situation of Ethiopian agriculture, Agricultural output has fallen short of population growth for over two decades. Despite much efforts at increasing productivity through introduction of improved inputs over the past three decades or so (certainly more intensely in recent years), average output per hectare of farm land has not shown significant increase to warrant optimism about the sector in the foreseeable future. According to the most recent report of the Ethiopian Economic Association, possible gains in yield levels in some regions or farming areas over the past few years for most cereal crops have not been able to increase average yield for the country as a whole despite substantial increase in the use of modern farm inputs particularly fertilizers and improved seeds. In the mean time the number of farmers suffering from food insecurity keeps rising increasing the country's dependence on food imports to sustain the livelihood of its population. Furthermore, the number of people suffering from chronic poverty is also rising. According to the qualitative information gathered in the most recent PRSP consultations, Ethiopians residing both in urban and rural areas feel that poverty is significantly increasing in the country.

Major features of the existing land tenure system such as declining farm size, tenure insecurity, and subsistence farming practices, are identified as part of the causes of the poor performance of the agricultural sector. The land tenure system is also cited by many as the major impediment to the adoption of sustainable and long-term land improvement and management practices. As a result, the land tenure issue has attracted a widespread attention and debate among policymakers, government and non-government actors, the private sector, the donor community, researchers and the public at large. The problem of land tenure remained to be a challenge that needs to be addressed based on a comprehensive and thorough research and analysis.

In view of this, the EEA/Ethiopian Economic Policy Research Institute decided to undertake a comprehensive and thorough research on "the current land tenure system its consequences and implications for the overall performance of the agriculture sector", hoping to contribute to a healthy and informed debate. This research involved three components. The first step surveys the literature on the economics of property rights and land tenure in general and the land tenure systems in Ethiopia during different regimes since the imperial period. The second and the major component of the research involves a large survey of farm households in all the regions of the country (except for Gambella) to collect a wide variety of information from farmers about size of holding, farm and non farm income, farmer's opinion about the current land tenure arrangement and their preferred alternatives and the like. This extensive survey involved 8540 households. The third part of the research is a survey of opinion of professionals, experts, development/extension agents, politicians and other stakeholders from the private sector.

The broad picture painted in many documents about the life of the agrarian population in Ethiopia is more or less confirmed in this study. The major findings in this study clearly indicate that the problems faced by Ethiopian agriculture are very much related to the existing landholding system although it is not the only cause to the problem.

The rural survey result indicates that scarcity of cultivable land is a serious problem where 48% of the sample cases (accounting for landless cases) own landholding less than the minimum area required for minimum food production. This proportion increases to 75% in the Tigray region. This has a serious and adverse consequence for the survival of the majority of the rural population whose livelihood is almost totally dependent on land.

The majority of farmers (61%) in the sample think that the current land tenure system is good while an insignificant minority (38%) believe that the system is not good. In this sense,

those that argue for state/public ownership of land seem to reflect the majority opinion of farm households. The degree of support for the existing tenure arrangement, however, varies significantly from region to region. In the predominantly pastoral areas of Somali (86%) and Afar (68%) as well as in the densely populated region of the South (78%) the support is rather strong. On the other hand, there is a strong opposition in the relatively sparsely populated Benishangul region where over 62% of the households oppose the current system. In the three densely populated regions of Oromiya, Amhara and Tigray, support for the current land tenure system is 56%, 52.5%, and 66% respectively.

Support or opposition to the current system does not necessarily imply a position towards the alternative tenure system. When farmers were asked to identify alternative tenure arrangement, a more complicated picture emerges.

Analysis of preferred alternative choice of farmers to the current system revealed that for farmers the issue of tenure security seems to be a more important consideration than the form of ownership as such. The number of people that preferred public or state ownership with secured use rights form about 47% of the surveyed farmers followed by private ownership with full transfer rights by about 32% as their first choice while 15% of the households did not reveal any preference. In both of these cases, security of tenure is the operative concept. If we assume for a moment that those who did not reveal any preference can be persuaded to choose free hold, the farming population could easily split into two equal parts between the two alternatives.

If we look at the farmers' choice of alternative system from regional perspective, some disparities are depicted. In Benishangul-Gumuz region, where there was a strong opposition to the current system, only one third of the respondents prefer private hold while two thirds choose public ownership with security. On the other hand, in Somali and Southern region, the support for private tenure is much stronger than was revealed in the support for the existing tenure arrangement. In Somali region, where only 50% of the respondents revealed their preferences towards a particular tenure arrangement some 38% preferred private hold compared to a mere 1.6% supporting public ownership. In the Southern region where about 76% of the respondents claimed to support the existing system, 32% chose private hold compared with 39% for public hold. In Orormya, Arnhara, Tigray, and Affar regions the choice of tenure system is much more consistent with the farmers' attitude towards the current system. While about 51%, 43% and 57% of farmers in Orormya, Arnhara and Tigray prefer public ownership of land respectively, 31%, 37% and 22% of farm house holds have a clear preference for private hold in these three regions respectively.

Investigation of the reasons behind attitude of farmers towards the system revealed that the issue of tenure security is one of the important reasons. The data shows that farmers' perception whether they will continue owning the current holding, size of current holding, current access to sufficient land for food production, age of farmers, involvement in land transactions, size of livestock owned, and total food production are found to significantly and positively affect the probability that farmers perceive the existing land tenure system as a good. This result indicates that it is the disadvantaged and poor farmers who more often tend to dislike the current tenure system. The younger farmers have more problem of access to land than the older ones, and hence, complain about the system.

The most important reason given for the support of the existing tenure arrangement seem to be related to the user right granted to farmers as reported by 37% of the cases followed by justification given by the 20% of the respondents who have emphasized the equity/justice brought by the tenure system as a continuation of the 1975 land reform. Another 19.7% of the surveyed farmers feel that with the existing system they do not have fear of losing their plots.

Farmers opposing the prevailing land policy give their inability to get additional land as the dominant reason for their dissatisfaction (44%) followed by their inability to buy or sell land as a distant second (13%), closely followed by fear of losing land (12%) and injustice in land administration (11%). The reasons provided are closely related to access to land, insecurity of tenure, absence of formal land markets and administrative injustice.

Insecurity of tenure can be triggered and effected by a variety of factors. At the center of the issue is the degree to which the holders feel that their rights to the land will not be arbitrarily violated. In this sense, the most secure tenure arrangement is largely believed to be free hold, which provides a full sense of ownership to the holder provided that there is a properly functioning and fair land adjudication system. Additional insecurity factors include expectations towards further land redistribution and how long farmers feel they can retain their current holding in the future.

Despite the government's claim that farmers feel they own the land they cultivate, the overwhelming majority of farmers (84%) know that the land belongs to the government. Only a miniscule 4.4% believe that the cultivator has ownership. Only 3.5% of the households believe that they can retain their current holding for over 20 years while a significant majority (76%) of all households do not feel secure enough to think that their claim towards their existing holding could last over five years. Obviously, this has very important implications to the incentives farmers have to put long term investment in their current holding.

Another indicator of insecurity is farmer's expectations of future land distributions. Despite the fact that most regional governments have publicly dissociated themselves from possible future land redistribution, only a minority of farmers (27%) is convinced that there will not be any land redistribution in the future. On the other hand, a significant majority (73%) feel either uncertain about the future or are certain that there will be redistribution. In terms of beneficiaries and losers from a potential land distribution, some 45% of the sample households believe that they will benefit if such distribution takes place, while the remaining 55% are either uncertain of the outcome or believe that they will lose a part of their land from further redistribution. Given the fact that the primary objective of redistribution is a concern for equity, it is reasonable to expect farmers perception of potential benefit from distribution to be a function of their current size holding. Accordingly, farmers with relatively larger size holding fear a possible loss of land from redistribution while those with smallholdings are optimistic about the outcomes of redistribution.

Barring ideological considerations, the government's or the ruling party's argument for the continuation of the existing system solely rests on the fear of the alternative. In particular, it is claimed that free hold will lead to massive eviction of the farming population as poor farmers are forced to sell their plot to unscrupulous urban speculators particularly owing to distress sales during hard times. Probably one of the most interesting results of this survey is its decisive rejection of this claim. Over 90% of the households surveyed for this study indicated that they will not sell their land wholly or partially if they were given the right to own their plots. Only 4.5% of the households are inclined to sell their land given the opportunity. The reasons provided for the unwillingness to sell land reveals a rational response on the part of farmers. The overwhelming majority of farmers (70%) will not sell their land because they have no viable alternative while a significant minority (17%) will never sell their land no matter what the circumstances.

If farmers are not willing to sell their land even during stress times, then what would be their coping mechanism when faced with hard times? The response to this question is that most farmers would rather rent their land during stress times (47%) compared to any other alternative. In other words, in addition to all the other benefits of rental markets suggested in the literature, the availability of formal land rental markets will serve as a cushion to enable farmers to withstand unfavorable circumstances by temporarily renting their land rather than

be totally alienated from it. This also suggests one option to policy makers to consider in a possible reform program without necessarily resorting to the feared privatization of rural land.

The results of this study clearly shows that farmers seem to be more pragmatic than those involved in the debate. Most farmers are not very keen about unrestricted free hold as can be seen by the large support for state ownership with secured rights as their first choice. Neither do they seem to be willing to sacrifice security of tenure when they feel that state ownership fails to provide that. Instead, a more careful reading of this data might suggest the possibility that a more flexible land holding system centered around providing security of tenure and that takes into account local sensibilities including a mixture of private, state and communal holding might generate significant support among the farming population rather than being fixated by the public/ private dichotomy that characterizes the current debate in the country.

The income of the farming population closely follows the patterns observed in size holdings. Net farm income is higher in regions with higher average holdings and lower in regions with low average holding. Sample households in Benishangul earn the highest net farm income at birr 2175 while net farm income is lowest in the Southern region at birr 512 and the average for all farms in the five regions is birr 1162. The average household income for all the sample households is about birr 1549. The regional distribution of average household income is slightly different in that households in Tigray earn significantly more income not commensurate with the average land. Tigray is the second highest household income earner next to Benishangul. This might be because of the availability of more off-farm employment opportunities in the region and/or the availability of more food aid.

In terms of farming systems, wheat dominant areas earn the highest per capita household income at about 602 birr, followed very closely by teff producing areas (less only by ten birr). The Enset producing farmers earn less than one tenth of the better off wheat and teff farmers. The extremely low level of income of the enset producing densely populated regions of the south is a clear indication of the importance of the availability of land in determining household income.

The rather low level of income earned by farmers in Ethiopia has obvious implications to the situation of poverty that prevail in the country in general and the rural population in particular. The low level of income of farm households is a result of both the small size of holding and the low level of productivity in Ethiopian agriculture. If we consider the low level of the poverty line calculated by the government (MEDAC, 1999) estimated at birr 1075 per annum per household (about 126 US dollars per annum per household), 63% of the sample households lie below the national poverty line if we consider their net farm income. When the total household income is considered, (net farm income plus non farm income) the population below the poverty line reduces to 53%, which is still very large and certainly larger than the rural poverty figures we get from the government. This clearly shows that the poverty situation in rural Ethiopia has reached rather desperate levels.

Analysis of the food security issues strictly in relation to cereal production shows that average cereal production is slightly above the minimum requirement for the average household. A rough estimate of the minimum area required to attain food security, given the current average productivity of cereals (estimated at about 1 hectare per household),¹ shows that households that do not have minimum size of land for food production that ensures food

¹ The minimum size requirement, of course depends on soil fertility, rainfall regularity, level of farm input technology used and the like. Accordingly, the minimum size requirement differs from region to region. According to this survey the requirement ranges from a minimum of 0.56 ha in the *enset* producing areas of the South to a little over one hectare in Oromiya.

security ranges between 41% in Oromiya and 75% in the Tigray region. Regions in the far north are facing serious food deficit. The proportion of food insecure households for all the sample households is 48%. The variation in the regions is also quite significant.

The government's position in favor of the current land tenure policy is not entirely because of lack of recognition of the problems associated with the current arrangement. Rather it results mainly from the fear of the alternative. A corollary to that is the deeply held conviction that the system's failings can be adequately compensated through rapid increases in productivity of smallholders through the extension program that the government has been undertaking since 1994. The validity of this claim has to be measured in relation to the increase in productivity and household income that is achieved by farmers included in the agricultural extension program compared to those that are not.

An important point that must be mentioned from the outset is that even if the claim of productivity gains from the extension program is fully valid, the number of farmers not participating in the extension program is much more than those participating for the whole farming population. For this sample survey close to 63% of the sample did not participate in the new agricultural extension program while 34% participated. Therefore, seen from the perspective of poverty alleviation, it would be a while before a successful extension program could make a marked difference in reducing rural poverty in the short run implying the need for other poverty reduction measures.

Net farm income for farmers participating in extension is higher by about 26% than the non-participating ones. The participating ones earned on average only 285 birr more. Land productivity is higher by only 6.5% for those participating in the extension program as measured by net farm income per hectare of land, but this difference was not found to be statistically significant. Similarly, comparison of frequency distribution of net farm income for farmers participating and not participating in extension program, however, shows that participation in extension did not remarkably improve the income level of the farmers. For instance, 66.5% of the non-participating cases earn net income up to 1000 birr, whereas 59.1% of the participating ones earned the same income level. Only 7.4% of the cases were able to join the higher income category above 1000 birr due to participation in the extension program. Looking at the highest income range, it is more of the non-participating farmers (1.3%) who earned income above 10000 birr than the participating (0.5%) ones.

Looking at the disaggregated data by size of landholding, the first clear conclusion that one can draw from the survey data is that the size of the holding matters and matters a lot. With very minor exceptions, in almost all categories larger size holdings perform better than smaller size holdings irrespective of the extension program. The other observation in net farm income is that participation in extension will bring some improvement only if access to land holding is improved. It is possible to say that the government's claim that the extension program could increase land productivity is to some extent valid. However, it is difficult to push the claim beyond that. This obviously does not support well the government's argument that the extension program could fully compensate the problems of the land policy.

Food aid activities were also covered in this survey. The Result indicates that dependence on aid decreased inversely to the size of average farm holdings. This also demonstrates the scale of the existing land tenure related problems. Farm size now tends not only to determine farm production but also households' food aid requirement, although the problem has other dimensions including incidence of bad weather.

Off-farm employment opportunities are important alternatives for farmers to supplement their income. Farmers have shown high interest to engage in off-farm employment opportunities. On average, about three-quarters of the sampled farmers expressed their interest to be employed in any off-farm activity while currently only 22 percent practice off-farm work. Even

though the difference is not significant, more farmers with average holding sizes of less than 1 hectare show high interest for off-farm employment.

Land degradation is a growing and serious problem for Ethiopia. It is one of the most frequently reported problems in the past two or three decades. However, little has been achieved to halt or reverse the negative trend in environment and natural resources management. One of the key issues related to land tenure is the degree to which the tenure arrangement encourages/discourages sustainable farm practices and investment on land. It is generally believed that a more secure tenure system provide the necessary incentives for farmers to manage better their land and invest on land improvement. Analysis of data on farmers' opinion on the current land tenure system and perceptions of tenure security shows some relationship with engagement in long-term land improvement practices.

One of the characteristics of the land tenure system in Ethiopia is the fact that formal rural land markets were absent, poorly developed and recognized. Notwithstanding the absence of formal land markets, however, informal markets are operational albeit at a very low and scanty level. Out of the 8540 farm households interviewed, 1770 or about 21% reported that they were involved in different forms of informal rural land transaction activities. These are 60% in temporary and 37% in permanent land transfer activities. Close to 80% of these informal land transactions took place after 1991 following a change in government, while 17% were performed during the Derg period (1974 - 1991). The average land size involved in permanent transactions was 0.58 hectares while that for temporary transactions was 0.82 hectares.

Various informal methods employed by the farmers to effect land transfer include mortgage, renting, sharecropping, sales, gift, contracts, exchange of plots, inheritance, etc. The dominant practices are sharecropping of land (44.4%), sales of land (31.1 %), and renting land (16%). What one can conclude from these preliminary findings is that although the existing rural land policy has limited the development of formal rural land markets, farmers continue to involve in informal land transactions mainly for economic reasons

The economic rationale for land transactions varies. The dominant reason (41 % of the cases) underlying land transfer was to use land as a means of paying grain credit obtained from others. About 27% of the land transfer cases occurred due to land inheritance. 12% of the transactions were made in order to overcome their cash constraints. Using land as a collateral in credit market is an important development that needs to be encouraged and formalized. The farmers' de facto involvement in land transactions despite prohibitions by law provides an insight that a suitable land policy will facilitate the operation of formal land markets to enable better allocation of this important resource.

Another aspect of informal rural land markets is land rental activities (where farmers rent-in farm plots). Of the total surveyed cases only about 5% reported that they rented-in land. Area of rented-in land ranges from 0.23 hectare in Benishangul to the largest 1.44 hectare in Affar. The national average is slightly less than a hectare, i.e. 0.89 ha. Land rental is relatively cheaper in Affar where livelihood activities are largely dependent on livestock production. Here the average value for a hectare of land is 187 birr. It is expensive in Tigray region with 538 birr per hectare followed by 498 birr in Amhara. Land rental is expensive in teff dominant farming areas where a hectare of land costs 1196 birr. This reflects the value of land in producing teff that fetches higher return compared to other grains. Wheat growing regions follow a distant second, with a price at one-third of that obtained in teff dominant areas.

Opinions collected from professionals and stakeholders (only 132 out of 700 sampled individuals responded to the enquiry) on the current land tenure system and its implications on the performance of the agricultural sector reveal some interesting information. For

instance, over 80% of the opinion providers believe that the existing land tenure system is one of the major constraints to increased agricultural production and productivity and improved and sustainable natural resource management and use. The professionals and experts also think that the existing tenure system will endanger the livelihood of the coming generations. These concerns are the driving force for about 89% of the respondents who suggested that the government should open a forum for a wider public debate on land tenure issues in Ethiopia. The support for a wider public debate is also reinforced by the large number of professionals (83%) who believed that the question of rural land is not yet properly solved in present day Ethiopia. Even though about 59% of the professionals have the opinion that either the government or the ruling party has exclusive property rights over rural land, only 27% preferred these rights to be in the hands of the federal and regional governments.

One of the arguments forwarded against the current land tenure system is its impact on farm sizes and fragmentation. About 86% and 78% of the respondents of the opinion survey believe that average farm size and farm fragmentation are one of the growing problems adversely affecting the performance and transformation of the agricultural sector of the country. It is because of this trend that more than 73% of the professionals want the government to abandon its policy of outlawing land sales and/or remove constraints on the free operation of the land rental markets in rural Ethiopia.