Large-scale land investment in Ethiopia:
How much land is being allocated, and features and outcomes of investments to date

Report for the Bill and Melinda Gates Foundation and the International Institute for Environment and Development (IIED)

James Keeley, Wondwossen Michago Seide, Abdurehman Eid and Admasu Lokeley

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Exchange Rate

18.7 ETB = 1 USD

Acronyms

AISD	Agricultural Investment Support Directorate
EIA	Environmental impact assessment
EPRDF	Ethiopian Peoples Revolutionary Democratic Front
GTP	Growth and Transformation Plan
ILC	International Land Coalition
MOA	Ministry of Agriculture
SNNPR	Southern Nations, Nationalities and Peoples Region
Woreda	district

Figures

Summary of main findings

1. At least 1 million hectares of land have been leased by the Ethiopian government: around 380,000 hectares from the federal land bank managed by the Ministry of Agriculture, 335,000 hectares by regional governments, and 335,000 hectares for state-run sugar plantations. While foreign investors (particularly Indian investors) are important, most land investment is by domestic investors, and also by the Ethiopian state for industrial crops.

2. The Ethiopian government has strategically promoted land investment as part of the Government's five-year Growth and Transformation Plan, which envisages that Ethiopia will be food secure and a middle-income country by 2025. Land investment, possibly in contrast to some other countries, is not primarily driven by overseas interests.

3. Land is constitutionally a regional responsibility, but the federal government has taken control of administration of large areas of land to facilitate investment, and actively courted international and domestic investors. The federal land bank may be a unique system for making land available to investors. It is facilitated by the fact that land is owned by the state and the people in Ethiopia, rather than individuals or communities.

4. Land has been given out rapidly by regional governments with limited scrutiny of investors, and until recently no environmental impact assessment. In many regions record keeping about land investment has been poor. This is gradually changing as regional land bureaux seek to verify land allocations, check on investments and where necessary cancel leases.

5. Monitoring and evaluation remains a major challenge given the size of many regions, the remoteness of investment locations and lack of staff and vehicles.

6. Only a small amount of land allocated has been developed. This is because of lack of roads, bridges, power and other infrastructure in investment areas, high costs of land development, poor technical and financial capacity of investors, the security situation in some regions, and deliberate abuse of land investment licenses or land lease agreements. Land rental prices are low (as little as US$ 2 per hectare per annum in some regions), and in some cases land has been taken for speculative purposes or to take advantage of tax and finance privileges.

7. Some of the land leases are very large: 8 are over 25,000 hectares and one is 100,000 hectares. Some government officials suggest that these sizes are unmanageable and that 10,000 hectares would be a more realistic upper size limit.

8. Most land has been allocated in developing regional states (Benishangul-Gumuz and Gambella), or lowland parts of SNNPR. These areas have not previously been intensively cultivated, and are either part of shifting cultivation, or agro-pastoralist systems (Benishangul-Gumuz and Gambella), or are part of pastoralist rangeland systems (SNNPR).

9. Land allocations in some lowland areas has the potential to significantly undermine pastoralist systems as access to important water resources is lost, eroding the viability

of rangelands where herders need to move across large areas to take advantage of spatial and temporal variability in the availability of resources.

10. The degree to which land is vacant is overstated by some officials. There should be clear acknowledgement when investment lands are part of shifting cultivation or pastoralist systems and proper compensation. There should be provision of alternative services where it is no longer possible to access land. In many cases where relations with communities are difficult because of loss of land, they could be improved at the margins at least, if access to water points or off-season grazing were given attention by investors. When investors are assessed priority should be given to those with clear plans for delivery of services such as clinics, schools and training programmes for local communities. Adherence to these commitments should be part of monitoring processes.

11. There is a need for more studies of the economic returns to large-scale land investment, compared to other land use systems. It is possible that pastoralism may generate better economic returns than large-scale commercial farms in some dryland areas, although it may be harder for the state to take a share of pastoralist revenue flows compared to income from large-farms.

12. Land investment should contribute to improved food security through generation of foreign exchange, improved incomes as a result of on- and off-farm employment created by investment projects, and food production that is marketed within Ethiopia. However, if people directly lose their land without compensation or adequate resettlement (including access to productive resources) then they will be likely to be much worse off and more food insecure. Where there is a loss of access to resources that are important parts of livelihood systems and coping mechanisms (forests, rangelands, and water resources), then there are clear risks that there will be pockets of greater food insecurity at the local level.

13. On paper, land investment in Ethiopia promises to create significant amounts of employment. However, lack of implementation means that the number of jobs created has not lived up to expectations, although this may change if investments are fully operationalized. For a limited number of investments large amounts of employment have been created. In developing regions these are often taken by workers coming from outside the regions, rather than ethnic groups from the region. This has contributed to conflict in some instances, and needs to be better addressed through quotas and training programmes. However, the cultural difference between a pastoralist lifestyle and wage labour employment on a plantation should not be underestimated, the change in identity required would be resisted by many pastoralists. As with other aspects of land investment creation of clear baseline information, in this case on employment and livelihoods in land investment areas would allow for monitoring of performance over time.

14. Sharing of information about regulations, land allocations and investors could be improved, particularly between federal and regional governments, and between government and the public. Senior regional officials, and even technical experts, in some cases were unclear about the identity of major investors and the size or location of land allocated by the federal government. Within regions a lack of clarity about land-leasing regulations and roles of regional and federal government was evident.

15. The government has commendably made federal land agreements available on the Ministry of Agriculture website. More information however could be made available, for example, maps showing the exact areas for land leases, business plans related to investments, environmental impact assessments, and monitoring reports on the progress of different investments.

16. Data collection processes by government need support. For example, documentation of which crops are being grown, expenditure on infrastructure and other aspects of investment, and jobs created.

17. There are reasons to be concerned about the environmental impacts of land investment, in terms of loss of forest resources, erosion of shallow soils, overuse of agrochemicals and changes in water use and salinisation. Clear environmental baselines need to be established to allow for meaningful assessment over time.

1. INTRODUCTION

Ethiopia is an important case in the international debate on large-scale land acquisitions. It challenges assumptions about foreign dominance of land investment, or that large-scale land investment is primarily for food crops for export, it is a case where land investment is central to government agricultural strategy, but also where allocations have been subject to controversy in terms of impacts on rights and livelihoods at the local level.

This study presents an inventory of land investments in Ethiopia[1], and provides a narrative description of key features of the large-scale land investment process in Ethiopia. The current situation in relation to land investment is discussed including the rationale and process for land allocation, the amount of land allocated and features of allocations to date including the profile of investors, terms of leases, status of implementation of land investment agreements, employment creation, and social and environmental impacts.[2]

The study is part of a larger four-country and international study on monitoring of large-scale land investment conducted by the International Institute for Environment and Development (IIED) for the Bill and Melinda Gates Foundation.

2. METHODOLOGY

Land investment in Africa is a sensitive and controversial subject, and many assertions are made about land grabs or agricultural investment on the basis of limited evidence or poor research methodologies. Given these pitfalls, this section sets out how this research was carried out and some of its limitations.

Time and resources for this research were quite limited and the research is best viewed as a rapid appraisal rather than an in-depth and extended piece of research based on substantial fieldwork[3]. The research brief for this country study was to put together both an inventory of land deals and to comment on features and outcomes of processes to date. Given the importance of the inventory the team invested effort in building relations with the Ministry of Agriculture in order to access data on land acquisitions and to secure introductions to regional governments to access data from them.

A Memorandum of Understanding was signed with the federal Agricultural Investment Support Directorate (AISD) in the Ministry of Agriculture (MOA). The AISD helped with provision of some basic data on land agreements at the federal level (which was useful) and data for regional land allocations (principally from investment agencies and not reflecting actual allocations, and therefore of fairly limited use). We tried to access environmental impact and monitoring data from the AISD, but were not able to obtain this.

[1] See attached inventory document.

[2] This Ethiopia country study was managed by James Keeley, IIED Research Associate, with regional fieldwork carried out by Abdurehman Eid, Admasu Lokeley and Wondwossen Michago Seide. We would like to thank Lorenzo Cotula, Fiona Flintan, Diana Grusczynski, Andrew Hilton, Carlos Oya and one anonymous reviewer for comments on an earlier version of this report.

[3] Research was carried out over a three month period July- September 2012, with around a week for each region, and two to three weeks for meetings in Addis Ababa.

The AISD provided a letter of introduction to regional governments where limited fieldwork was undertaken (these were Afar, Benishangul-Gumuz, Gambella, Oromia, Somali and SNNPR regions). These introductions were very helpful and allowed us to interview a range of officials and to access regional level data on land allocations. We are reasonably confident that the data we have from regional governments are the best that are available on how much land has been allocated, and to whom. The exception to this is Tigray where we relied on data from the federal government, which is probably not as up-to-date as data for other regions.

The inventory data collection process set out to collect a range of data for each land investment over 1000 hectares since January 2005, including information on investment identification, location, timeline, investor details, land details, agricultural activity, job creation, fiscal regime and infrastructure, and social and environmental impacts. In practice it was not possible to collect much of this information as official data often only indicate how much land was allocated, who the investor is, and possibly how much capital should be invested, how many jobs are expected to be created, and the nationality of investors. Information on land use for land leases is often only in terms of broad categories such as crop production or agriculture. Data on actual employment, and categories of job, or the amount of land currently being farmed, and social and environmental impacts, including numbers of households affected, and processes of compensation were generally impossible to compile. Much of this data is either not collected or not shared by government authorities. The inventory therefore is not complete, and for some columns in the inventory spreadsheet information is available for some regions, but not for others.

The second part of the research, features and outcomes, was addressed through over 50 key informant interviews and a limited number of case studies of farm investments. Interviews were carried out with: technical experts in the AISD, MOA, and in investment agencies, land and agricultural bureaux at regional level, in Benishangul-Gumuz we also spoke to officials in the President's office; we spoke to woreda officials in SNNPR and Gambella. We spoke to a range of company representatives[4] primarily in Addis Ababa, but also in Gambella, Somali, SNNPR and Afar, to donor representatives (World Bank, DFID, the Dutch government and the Finnish government), to researchers, staff at the Ethiopian Wildlife Conservation Authority, the Ethiopian Sugar Corporation and NGO officials with expertise in land issues in Ethiopia. The majority of informants, however, were from government or from companies investing in land, who for the most part take an optimistic view of the benefits of large-scale land investment; we have tried to take this into account in our analysis. Given the range of issues covered it has not always been possible to triangulate information from all informants to separate statements which are fact-based from those which are merely opinions. We have tried to indicate in the report when evidence in support of a particular statement is limited.

We carried out a limited number of case studies of farm-level investments: one in Gambella, two in SNNPR, two in Somali region and two in Afar. These were selected on the basis of accessibility, and willingness to engage with researchers. Case studies in Afar, Somali and SNNPR involved discussions with community members, as well as company representatives. We recognise that this is a very limited number of case studies and cannot be considered to be a representative sample of agricultural land investments in Ethiopia. We are mindful of this and use findings from this part of the fieldwork carefully to illustrate issues, but with the caveat that more research at the farm and community level is needed to corroborate findings.

[4] These included Karuturi, Saudi Star, S and P Energy, Whitefield and Adama companies.

Various written sources were used for this work. These included: federal land agreements where they are available; various government regulations and proclamations on investment and land; and some regulations and monitoring documents produced in Amharic. We also reviewed a range of secondary literature including research reports and journal articles looking at land investment in Ethiopia and more broadly. We examined relevant articles in Ethiopian newspapers (mostly the English language press). As noted we were not able to access government monitoring reports (with the exception of one region), we were also unable to access company documents, such as business plans, and progress reports.

Another methodological issue is that it is difficult to comment with great rigour on some impacts of land investment such as social and environmental issues, because investments are only relatively recent, and because in many cases there is not a good baseline from which to assess changes, for example, data on environment and land use is very limited for many areas. Likewise when looking at employment, there is a lack of easily accessible information on wages and economic returns to different livelihood options, in farm investment areas. Again it might be possible to estimate how people were using various areas of land that are now given over to land investment by putting together micro-level studies where they exist, but this would be somewhat piecemeal, and for this research impossible in the time available.

3. BACKGROUND TO LARGE-SCALE LAND INVESTMENT IN ETHIOPIA

Ethiopia is a highly diverse country geographically, ethnically, linguistically and in terms of livelihood systems. There are over 80 different ethnic groups in the country, of these the Oromo are the largest accounting for around 40% of the population. The Tigrayans, Amhara and Oromo together account for around two-thirds of Ethiopia's 93 million population.

Ethiopian government is based on a system of ethnic federalism[5]. The country is divided into 9 regional states and 2 urban regions managed by the federal government. This system was designed to ensure more autonomy for different ethnic groups than was experienced under previous regimes, which were highly centralised and dominated by those coming from Amhara region. Most regions are organised around a dominant ethnic group[6]. The federal system means that there can be some variation in law and policy across different regions, including for land. Of the 9 regions[7], 4 larger regions are viewed as having satisfactory government capacity (Amhara, Oromia, Tigray and SNNPR), and are categorised as 'established' regions. Other regions including, Afar, Somali, Gambella and Benishangul-Gumuz are accorded special status

[5] Ethiopia has been ruled by the Ethiopian People's Revolutionary Democratic Front (EPRDF) since 1991. The EPRDF is a grouping of ethnically-based parties dominated by the Tigrayan People's Liberation Front (TPLF) which took power from the previous military government, known as the Dergue, after a protracted civil war. The Dergue, a Marxist dictatorship, came to power in 1974, overthrowing the imperial government of Emperor Haile Selassie.

[6] This is the case for Afar, Amhara, Harar, Oromia, Somali and Tigray. Benishangul-Gumuz, Gambella and SNNPR have a range of ethnic groups. In the case of SNNPR they are particularly numerous. Zones in SNNPR can be organised around ethnicity (eg Sidama, Gurage), or woredas in the case of South Omo Zone, SNNPR (eg Dassenetch, Nyangatom etc). The smallest ethnicities may only form a dominant group at the level of the kebelle.

[7] The federal system is organised into regions, below these are zones (which have greater or lesser degrees of functionality in different regions), below this woreda (district), and below this kebelles (former Peasant Associations).

as Developing Regional States, requiring special interventions in governance and economic policy from the federal government.

Map 1: Ethiopia, with regions marked (source: UN OCHA)

The country roughly divides into two distinctive geographical areas: the highlands (Tigray and Amhara and parts of Oromia and SNNPR), and a range of different lowland areas[8]. Smallholders, who constitute around 80% of Ethiopia's population, are mostly concentrated in the highlands; these areas form the core of traditional Ethiopia, what was historically known as Abyssinia. The rural lowlands are very diverse and are characterised by largely forested areas that are home to shifting cultivators (Benishangul-Gumuz and Gambella), and semi-arid and arid areas, or rangelands, that have been historically dominated by pastoralists, with some cultivation in river valleys (Afar, Somali and parts of SNNPR).

Four main points can be made about the lowland/highland divide, which are relevant to the subject of large-scale land investment. The first is that the lowlands only became integrated into Ethiopian state relatively recently, during the reign of Emperor Menelik at the end of the 19th Century, and in some ways the process of full incorporation and state building is ongoing in these areas (see Markakis, 2011; Makki, 2012; Hammond, 2011). There is an uneasy tension between this process of state-building, which is linked to an idea of development in the national interest, entailing some level of central control over remote territories, and the principle of decentralisation and autonomy implied by ethnic federalism[9]. Land investment politics should be understood in this context.

Secondly, most of the lowland areas are border areas, which are either themselves unstable or influenced by political instabilities in neighbouring states (eg Eritrea, South Sudan, Sudan and Somalia). Land investment in these areas forms part of these complex dynamics as well

[8] Markakis (2011) adds to these the 'highland periphery' where the main highland plateau shades off into lowland areas, this would include parts of Amhara, Oromia and SNNPR. Most lowland areas are differentiated from highland areas by sudden dramatic changes in elevation.
[9] See Lavers (2012) for an extended discussion of this point.

(Mosley, 2011). A third point is that pastoralist systems dominate large areas of the lowlands[10], and while the Ethiopian constitution respects the rights of pastoralists to pursue their livelihoods, sedentarisation is encouraged, and statements are sometimes made by government officials that pastoralism is seen as somehow backward and not desirable in a modern Ethiopian state[11]. Land investment for crop agriculture is seen as a more productive use of natural resources in these areas.

Finally, there is a long history of people moving within Ethiopia, particularly from the high-population density highlands (where land is a very scarce resource) to lowland areas (Pankhurst and Piguet, 2004). This could be voluntary or with little real choice for the people involved. The Dergue government in particular resettled large numbers of people during the 1980s. The Voluntary Resettlement Programme of the current government sought to resettle 2.2 million people from the eastern and central highlands to western lowlands between 2003 and 2006 (Hammond, 2008). Regions such as Gambella and Benishangul-Gumuz now contain large numbers of Oromo and Amhara that have moved from the highlands or highland periphery in recent decades. Villagisation programmes are also being implemented in these areas.

Large-scale land investment is an important part of the Ethiopian government's strategy for development of the country. Agriculture is at the heart of the country's economy, contributing 50% of GDP, 85% of employment and 85% of exports. Nevertheless Ethiopia is chronically food insecure, with significant food deficits each year. In the highlands plots are small, dependant on erratic rainfall and low in productivity. Lowland livelihoods in rural areas are heavily-dependant on pastoralism, agro-pastoralism or shifting cultivation.

Rapid agricultural transformation is planned involving innovation in the smallholder sector and the development of the large-scale commercial sector. The Federal Government's Growth and Transformation Plan (GTP)[12] envisages that Ethiopia becomes a food-secure, middle-income country by 2025, and increases output of major crops from 19 to 27 million tonnes during the period of the plan (FDRE, 2010a)[13].

The GTP document notes that:

> This strategy will support strongly the intensified production of marketable farm products for domestic and export markets, by smallholders and private agricultural investors. Fundamentals of the strategy include a shift to production of high value crops, a special focus on potential high-productivity areas, intensified commercialisation, and support for development of large-scale commercial agriculture where it is feasible. The commercialisation of smallholder farming will continue to be the major source of agricultural growth. Concerted support will be given to increase private investment in large commercial farms [FDRE, 2010a: 22-3].

[10] Pastoralist areas cover about 0.7% of Ethiopia and were around 12% of the population in 2005 (9.8 million people). Of this population 56% are pastoralists, 32% agro-pastoralists, and 22% urban dwellers (EEA, 2005 and Mulat, 1998) cited in SOS Sahel, undated.

[11] An often cited example of this is the statement by former State Minister of Agriculture, Aberra Deressa, that: 'We are not really appreciating pastoralists remaining as they are. We have to improve their livelihood by creating job opportunities. Pastoralism, as it is, is not sustainable. We want to change the environment.' (Butler, 2010). See also Eyasu and Feyera, 2011.

[12] The GTP is a five-year plan running from 2010/11 to 2014/15.

[13] Agricultural output is expected to double from 20 million to 40 million tonnes by the end of the plan period (MOA, 2012a).

Government policy documents suggest that Ethiopia has considerable potential in the agricultural sector that is currently unfulfilled, not just in terms of addressing food security and poverty reduction objectives, but as a core driver of national economic growth and job creation. The Agricultural Transformation Agency, a special unit reporting to the Council of Ministers, and supported by the Gates Foundation and others, has the mandate to identify bottlenecks in the smallholder sector and support implementation of change by relevant stakeholders in areas such as seed, fertiliser use, agro-processing and agricultural extension, and priority crop value chains[14].

The second component of the agricultural development strategy is to develop land that is perceived as underutilised. Ethiopia covers an area of 111.5 million hectares, of this area 74.3 million hectares (according to official figures) are suitable for agriculture, but only 14.6 million hectares are being used by smallholders (Mahlet, 2012). Irrigation potential is reckoned to be 4.3 million hectares, at present only 1 million hectares are irrigated (MOARD, 2009a).

It is against this background that the government has promoted large-scale land investment. Large-scale commercial agriculture is particularly to be promoted in the lowland areas of the country, with horticulture, labour-intensive agriculture and outgrower schemes promoted in more densely populated agricultural areas (namely, the highlands)[15]. Large-scale commercial agriculture is perceived by the government has having a number of clear benefits, including promoting food security, creating jobs and transferring technology (see box 1).

Why invest in agriculture?

1. Boosts food security
2. Highly profitable business
3. Creates job opportunity
4. Promotes technology transfer
5. Export promotion
6. Enables capital accumulation
7. Works under and with nature
8. Environmentally-friendly business
9. Enhances land value

Box 1: Advertising poster produced by Agricultural Investment Support Directorate, Ministry of Agriculture, Ethiopia

The GTP comments on the large-scale commercial farm sector as follows:

> Large-scale farming will be undertaken by private investors in lowland areas where abundant extensive land exists will be expanded and given due attention in the next five years. The necessary arrangements will be made to increase the private investors'

[14] There has been a shift in policy to concentrating relatively more resources on higher-potential parts of the smallholder sector than was the case in the past: the flagship. For example, the World Bank (and other donor) funded Agricultural Growth Programme is implemented in high-potential woredas.

[15] According to the GTP: 'The other element of the agricultural development strategy is the promotion of private large scale commercial farms in areas that are not occupied or utilized by people' (FDRE, 2010a: 23)

> participation by identifying areas that are not inhabited but are suitable for agriculture. Exploratory studies will be conducted to determine which forms of agricultural production enterprises are most suitable for each area identified. These areas and the data concerning them will be registered and organised in a land bank… The necessary support will be given to encourage the participation of Ethiopian investors. Efforts will be made to attract foreign investment in a manner that will be beneficial for Ethiopia's agricultural sector development [FDRE, 2010a: 54]

The GTP also specifies that Ethiopia will expand production of industrial crops (such as cotton, sugar, rubber and palm oil). Production will increase from 0.7 million tonnes to 1.2 million tonnes (FDRE, 2010b). The GTP sets out that:

> While supporting private investment in large scale farms, government's focus is to ensure that the products produced from these farms are primarily for export or raw materials for domestic industries. For these reasons, emphasis will be put on cotton, date palm, tea, rubber tree and similar types of crops [FDRE, 2010a: 55]

The government has targets to dramatically increase sugar production. The country currently produces only 60% of consumption (importing 150,000 tonnes in 2010) and plans to increase production eightfold to 2.3 million tonnes, with a surplus of 1.25 million tonnes for export, making Ethiopia one of the top-ten exporters in the world (Davison, 2011a).

There are also clear biofuel production targets with 182 million tonnes of bioethanol expected to be produced from the 10 sugar factories and plantations currently being constructed under the sugar intensification plan. There is also a plan that all diesel will contain 20% biodiesel by 2015, requiring increased production of suitable feedstocks (Davison, 2011a).

Ethiopia is seen by many as having a particularly favourable investment regime in certain sectors, particularly for foreign investors (MAI, 2012; Dessalegn, 2011)[16]. According to the Ethiopian constitution, land is owned by the state and the people rather than private individuals or communities. This facilitates allocation to investors. Policies on income tax, capital requirements for investment, repatriation of profits, import duties and land lease rents are all seen by many as favourable for private investment[17]. These are discussed below.

However, policies have also been subject to criticism. Land allocation is seen by many critics as too rapid, without adequate capacity for assessment and monitoring of investments and biased towards foreign investors (Dessalegn, 2011). The largest parcels of lands and the core of the governments land bank is in the lowlands (Benishangul-Gumuz, Gambella, SNNPR, Afar and Somali regions and parts of Oromia). Land chosen in these areas is presented as 'empty', despite claims to the contrary that it forms part of pastoralist land use systems or shifting cultivation systems, often by minority ethnic groups. In some areas the government is implementing policies of villagisation (Benishangul-Gumuz, Gambella and Somali regions), relocating households to enable better service provision. Critics argue that villagisation is partly designed to clear land for land investment (HRW, 2012a; OI, 2011). However, interviews for this research have not confirmed this, neither have field visits by donor assistance groups.

[16] Although Ethiopia ranks number 127 in the World Bank Ease of Doing Business ranking of 185 economies, scoring particularly badly on starting a business and trade across borders. See: http://www.doingbusiness.org/data/exploreeconomies/ethiopia/.

[17] This point is made in a presentation by Morrell Agro-Industries, a large commercial land investor in the country (MAI, 2012).

4. THE PROCESS FOR AGRICULTURAL LAND INVESTMENT

According to the 1994 Constitution, all land in Ethiopia is owned by the state and the people. This means that the federal and regional governments have a key role to play in managing the land investment process. It also means that land can only be leased, rather that bought and sold[18]. According to Dessalegn, Ethiopia lacks a 'robust system of land tenure', farmers only have rights to rent land, and land use is subject to several conditions and possibility of expropriation for private investment (Dessalegn, 2011). The 2005 Federal Proclamation on Land Administration and Use declares that: 'the government as sole owner of rural lands may change communal holdings to private holdings as may be necessary'[19]. Processes of land certification have been carried out in Amhara, Tigray, Oromia and SNNPR regions, and are currently underway in Benishangul-Gumuz and Gambella. While the constitution asserts that: 'Ethiopian pastoralist have a right to free land for grazing and cultivation as well as a right not to be displaced from their own land' [20], certification of land use for pastoralist or other uses is limited, largely because no effective system has been developed to certify group rights[21].

The Ethiopian constitution gives regions power to administer land within the region, consistent with the constitution and federal laws. This is reinforced in the Federal Rural Land Administration and Use Proclamation (Proclamation 89/1997) which allows regions to make laws to manage and administer land within their region. Administration includes determining systems for expropriation and compensation, land rental, communal rights, and land use planning. This vesting of powers at the regional level means there can be great diversity between regions in terms of rules, practices and incentives for different types of investment. For example, as discussed below land lease fees vary between regions, and are paid to the regional government in some cases (for example, Benishangul-Gumuz)[22] and to the woreda government in others (in SNNPR and Gambella). The length of land leases also varies for different regions[23].

In 2009, the federal government decided to more actively encourage large-scale land investment and to improve various aspects of technical management of land investment. In an upward delegation of a regional mandate, the Council of Ministers issued a proclamation (Proclamation 29/2001 EC) that plots over 5000 hectares would be administered by federal authorities and included in a land bank.

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[18] Article 40.3 of the Ethiopian constitution states: 'The right to ownership of rural and urban land, as well as of all natural resources, is exclusively vested in the State and in the peoples of Ethiopia. Land is a common property of the nations, nationalities and peoples of Ethiopia and shall not be subject to sale or to other means of transfer.' (FRDE, 1994).

[19] Article 5.3. (FDRE, 2005).

[20] Article 40.5 (FDRE, 1994)

[21] Land certification in Benishangul-Gumuz will certify land for shifting cultivators with existing cultivators given 10 hectares within which to practise and new households 3-5 hectares. Prior to this shifting cultivators might have operated over much larger areas.

[22] In Benishangul-Gumuz, lease fees go to the region and are returned to the woredas with 20 per cent extra paid to the region where an investment is located.

[23] In Benishangul-Gumuz this is 25 years, and Amhara up to 40 years, for example (MFAF, 2012).

Five key regions for land investment were chosen and asked to identify parcels of land of 5000 hectares and above that are suitable for large-scale commercial agriculture. A total of 3.31 million hectares was identified in 2009 (MOARD, 2009b) in Afar, SNNPR, Gambella, Benishangul-Gumuz and Oromia (see chart 1). This land bank was based on satellite imaging of the regions and was imprecise about communities or important natural resources on the ground. In Benishangul-Gumuz, the area in the land bank technically now stands at 1.4 million hectares, but in practice only around 300,000 hectares have been subject to further verification in 10 specially identified woredas. Maps of the land bank have not been made publicly available. This research team asked for current figures for different regions in the land bank and was told they were unavailable as they were currently under revision.

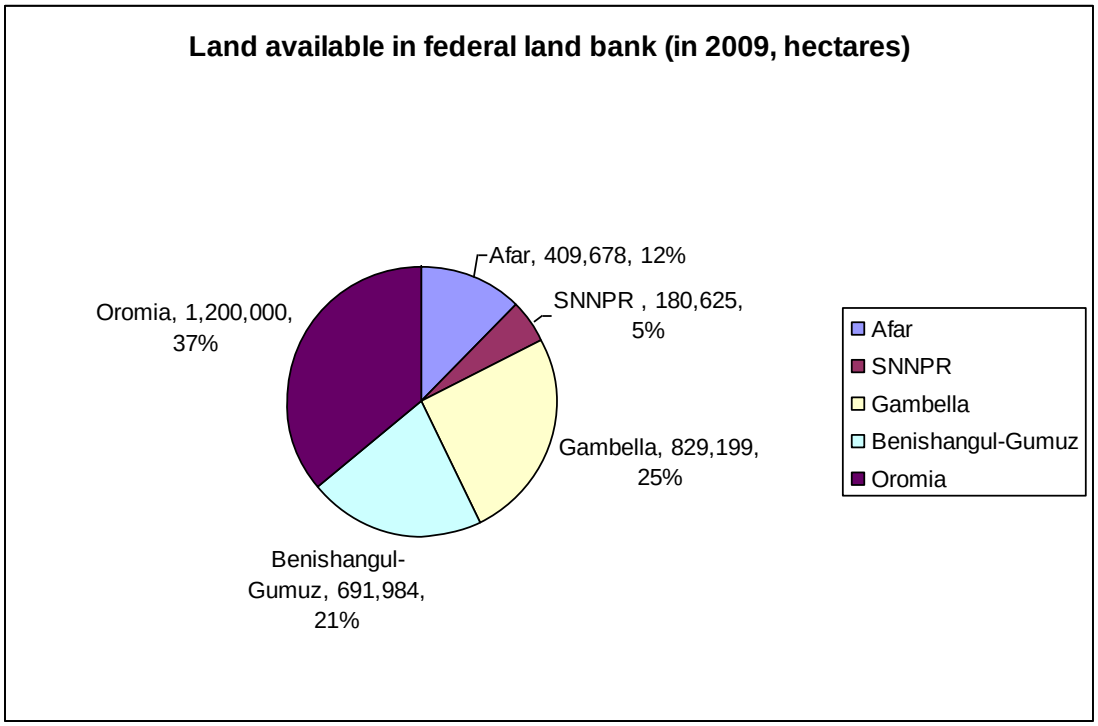
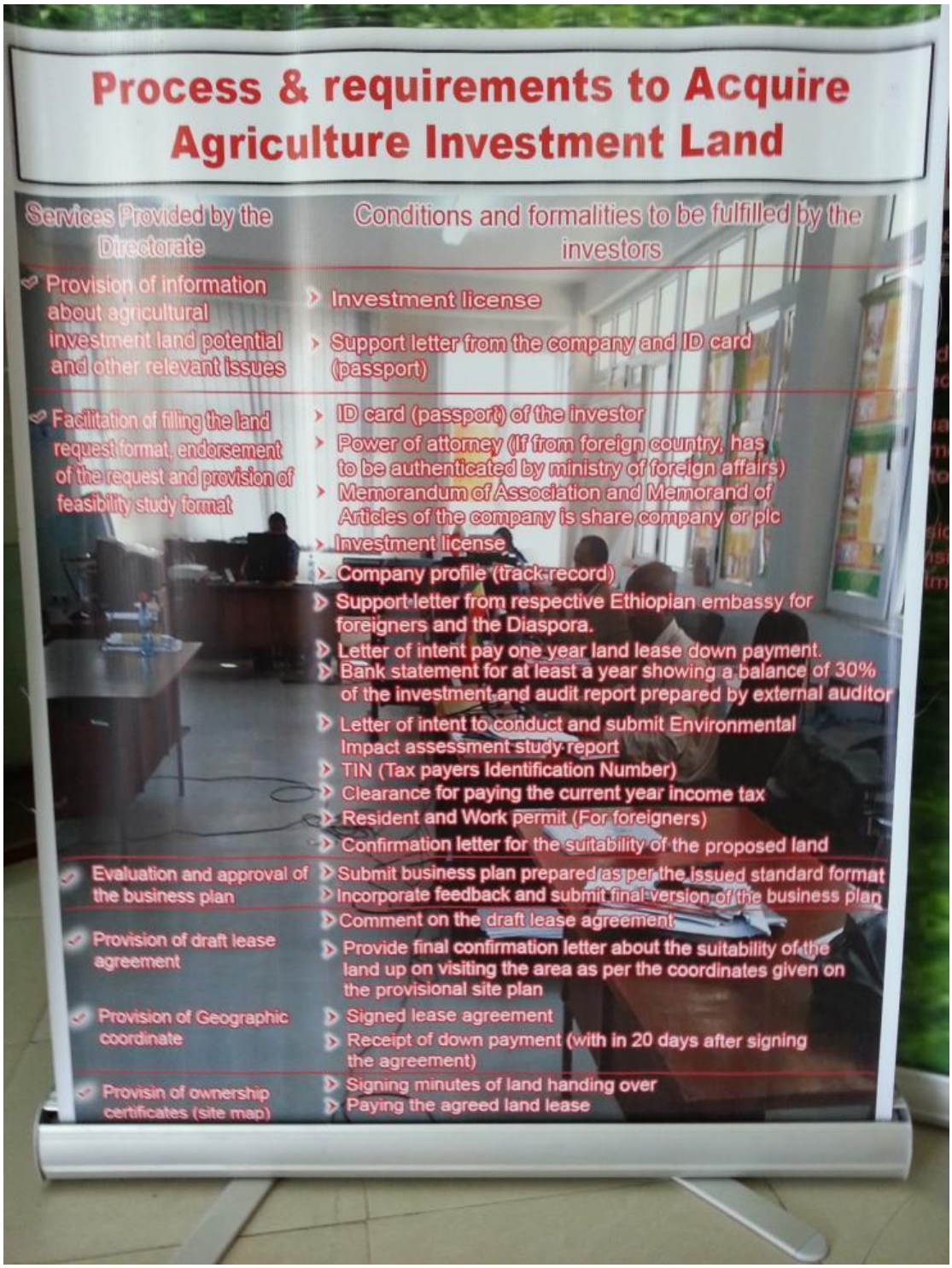


Chart 1: Land available in the federal land bank (hectares), MOARD, 2009b

The land bank is managed by the Agricultural Investment Support Directorate (AISD), a directorate in the Ministry of Agriculture. The role of the AISD is to create a more coherent land investment system than previously existed, put together information and attract investors, provide technical support (such as use of GIS, surveying and mapping, capacities that regional governments generally do not have), streamline the investment process, assess the capacity of investors, and carry out auditing and monitoring of investments.

The land investment process entails first submitting an application to the Ethiopian Investment Agency detailing the proposed project, the capital to be invested, employment creation, marketing plans, and utility and raw material requirements. The investor then receives a foreign investment licence. Following this, a land use agreement is then developed with AISD. The process when working with the AISD is that the investor puts together a business plan, AISD investigates the capacity of the investor, including technical competency and financial capacity, then land is identified from the land bank, a feasibility study is carried out, and then a land lease agreement contract is signed. The land use agreement specifies terms and conditions,

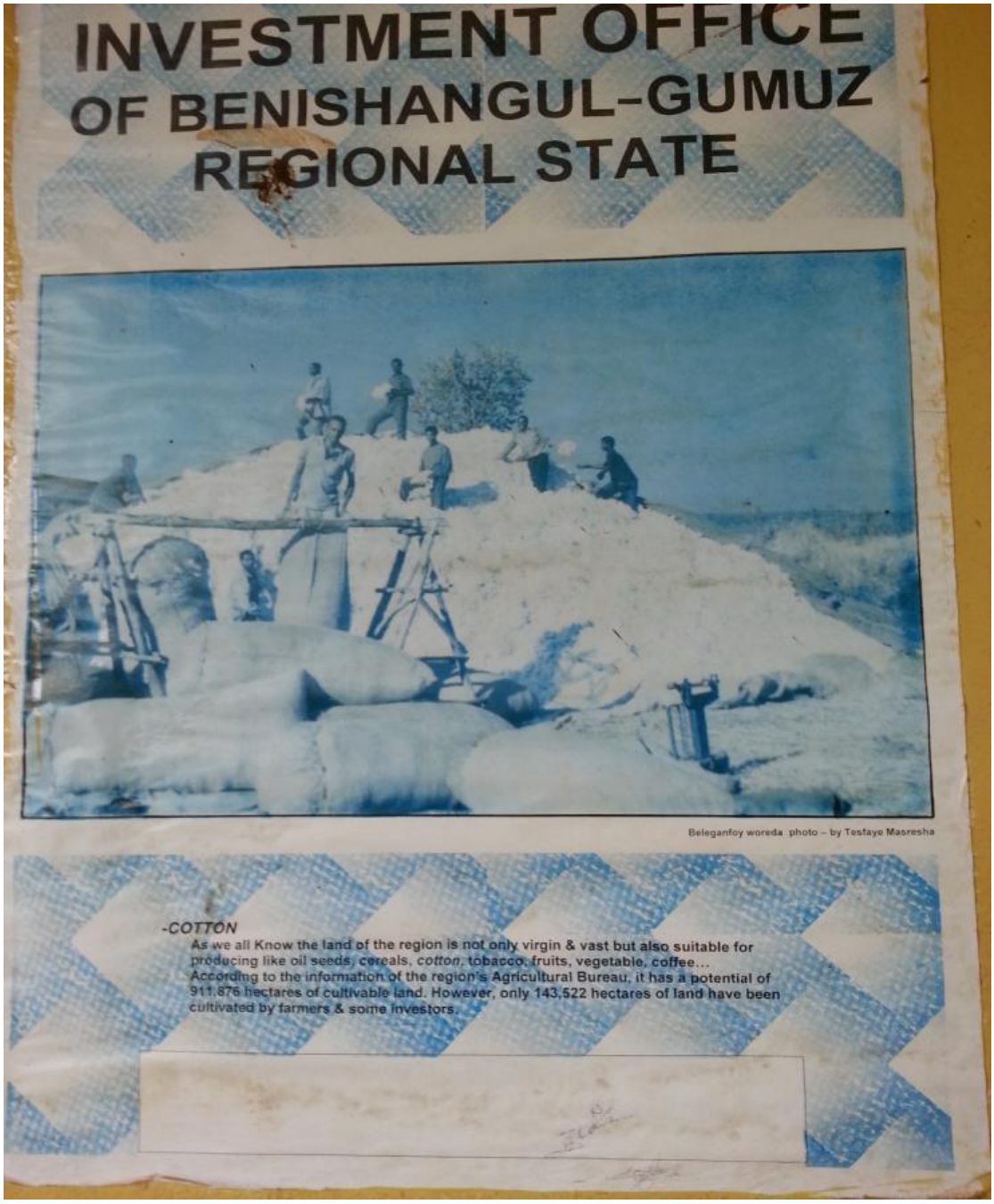
such as the need to carry out an environmental impact assessment within 3 months of signing the land use agreement, the land rent, and any requirements to develop land within a certain period, as well as arrangements for termination of the agreement.



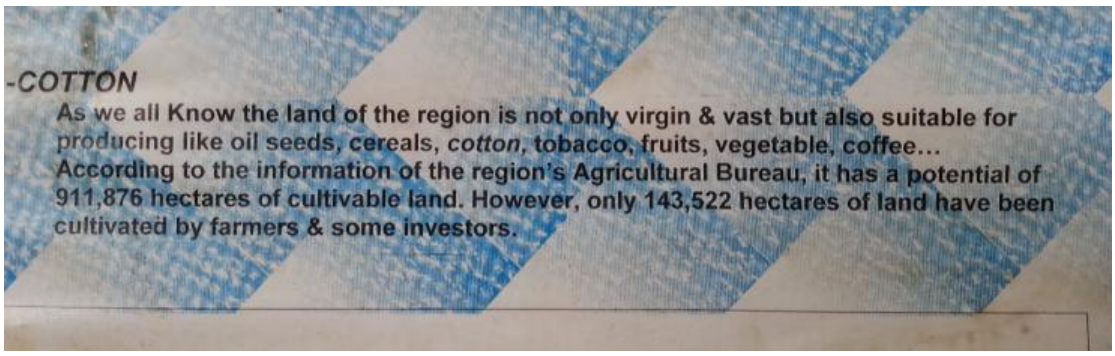
Land use agreements made with AISD are available on the MOA internet site, in English in the case of international investors, and Amharic for diaspora and local investors. These agreements specify the woredas and possibly kebelles where investments are located, but not precise grid references. There are no publicly available maps showing where investments are

located in different regions. We were shown one such map in one region, but told that we could not reproduce it for this report.

The change in responsibility for allocating large concessions of land meant that in one case a land deal previously agreed by a regional government was revised by the federal government. As noted, the Indian agribusiness firm Karuturi was allocated 300,000 hectares by the Gambella Regional Government in 2008, but this was subsequently reduced to 100,000 hectares by the federal Government. It seems that this is the only case where the federal government specifically overruled a deal made by a regional administration.



The exact boundary between regional and federal responsibilities seems to be a subject of some confusion. Some officials interviewed in Benishangul-Gumuz asserted that foreign investors always went through the federal government, as well as any domestic investor seeking more than 5000 hectares of land. Others said that foreign investors could go through the region for units of land below 5000 hectares. Still other government informants said that there was a federal land bank of 300,000 hectares that had been demarcated, and a regional land bank of 20,000 hectares for 2012/13 allocation; and for land from the federal land bank - irrespective of size or nationality - the point of contact was the federal government, and for the latter the regional government. Others claimed that the federal/regional cut-off size was 3000 hectares not 5000 hectares. These views were all from regional government officials and illustrate that there needs to be much clearer elaboration and sharing of information on regulations, the nature of different land banks and roles and responsibilities of different levels of government.


-COTTON

As we all Know the land of the region is not only virgin & vast but also suitable for producing like oil seeds, cereals, *cotton*, tobacco, fruits, vegetable, coffee...
According to the information of the region's Agricultural Bureau, it has a potential of 911,876 hectares of cultivable land. However, only 143,522 hectares of land have been cultivated by farmers & some investors.

Another argument made by regional government is that the transfer of land to the federal government for administration by MOA was necessary because of lack of capacity at the local level. With improved capacity, as evidenced by the creation of new land bureaux and better regional land use planning frameworks and land administration regulations at the regional level, the justification for federal engagement will be less clear and more authority will need to return to the regional level. The difficulty in securing land for the federal land bank in Benishangul-Gumuz and Gambella is referred to in the recent performance assessment report for agricultural investors published by the MOA. The study notes:

> Pertaining to administrative bodies of regional states, especially in Gambela and Beneshangul (sic) regional states; though aware of the significance of transferring land to the federal government executive bodies were deficient in diligently working towards that end. [MOA, 2012b]

This relates to the wider argument noted by Lavers (2012) and others that the transfer of powers from the regions to the federal level in relation to land sits uneasily with the principles of regional autonomy on which ethnic federalism is based. Lavers argues that this is felt most keenly in regions such as Oromia where there is more capacity.

In practice, it seems that the federal government has built up capacity and experience in dealing with large-scale – and, particularly, international - investors that regional governments can't match and a division of labour has some justification. It is evident however that there needs to be better sharing of information between the centre and the regions. In Benishangul-Gumuz almost all senior government officials were unclear about the second largest land lease

in Ethiopia situated in their region[24]. Most were unable to name the investor, the exact size of the lease, and the precise location, or status of the investment. While there seemed to be some joint monitoring between federal and regional government, federal officials on occasion seemed to go directly to woreda government, bypassing the region. This lack of awareness in the region is problematic in terms of good development planning or strong regional ownership of agricultural development activities.

There is also variation in regional land allocation practices in different regions. Until recently in Afar investors dealt directly with clans and there was no role for regional government – agreements were made between clan elders and investors, and these agreements had legal status in court. A share of the output would go to the clans as payment. Now there is regional land administration policy (since 2011), and a bureau of land administration has been set up. Also in Afar rents are collected through land taxes, and no land lease rates have yet been formulated. In some regions investors identify land and inform the Regional Investment Commission, in other cases, such as Oromia, the Regional Land and Environmental Protection Bureau would play more of a role. In Somali it is the Investment Bureau. In Afar the Investment Directorate is under the Trade Bureau.

In Benishangul-Gumuz, until recently it was the Investment Bureau that allocated land to investors, now the bureau grants a license and investors apply for land from the land bank, through the new Bureau for Environmental Protection and Land Use and Administration, and a decision is taken by a specially convened Investment Board chaired by the regional president (with representatives from water, energy, agriculture, land and trade bureaux).

Land lease agreements specify timelines for development of the land investment. Land development should start within 6 months of signing a lease agreement or on receipt of government approval documents. One third of the plot should be developed in one year, and the whole plot within 3 years. Government can annul a land lease if land is not developed within these specified periods. There are cases where areas of land have been taken back, or where agreement to lease more land has not been approved. Generally, expansion of a plot is only allowed when the plot is brought fully into cultivation.

Monitoring of land investments has been weak, but officials claim that the situation is now gradually improving. Monitoring visits are supposed to be carried out on a quarterly basis (for all land over 200 hectares for perennial crops, and 500 hectares for annual crops). For lands allocated from the federal land bank monitoring visits can be monthly, and for some investors a weekly report is completed. Spot check farm visits are also carried out.

At the regional level monitoring seems to be constrained by available resources. Therefore in Benishangul-Gumuz, where the areas are large and vehicles are limited, it is difficult to visit investors regularly. In Oromia government offices, informants suggested that investors near to the regional government offices in Addis Ababa were more likely to be visited than parts of the region that are more remote.

Monitoring in many regions focuses primarily on whether the investor has started to farm or not, and whether the land is being used for the correct purpose. Assessments of employment, environmental and social impacts, and productivity are less likely to happen. Additional case based monitoring may happen when there has been an incident or some other reason to check

[24] This is S and P Energy, an Indian firm allocated 50,000 hectares to grow biofuels.

on an investment. In one region officials only seemed to know where investors were on paper, but not whether they had really started to farm or not. At woreda level government officials complain that they lack documents and resources to monitor, and sometimes they are not clear who the investors are in their district.

In Benishangul-Gumuz there is now an annual investor forum when investors in the region are called to the regional capital to discuss progress and investment issues with government. The government in this region has also imposed a moratorium while they investigate the status of current land leases, and verify the size of plots.

5. HOW MUCH LAND HAS BEEN ALLOCATED TO INVESTORS?

Compilation of data for this review suggests that around 1.06 million hectares of land have been allocated in Ethiopia for commercial agriculture (see charts 2 and 3)[25]. This land is allocated in three main ways: by the federal government to commercial investors from the federal land bank, by regional governments, and by the federal governments for state-run sugar plantations. Each of these categories accounts for roughly one-third of total allocations.

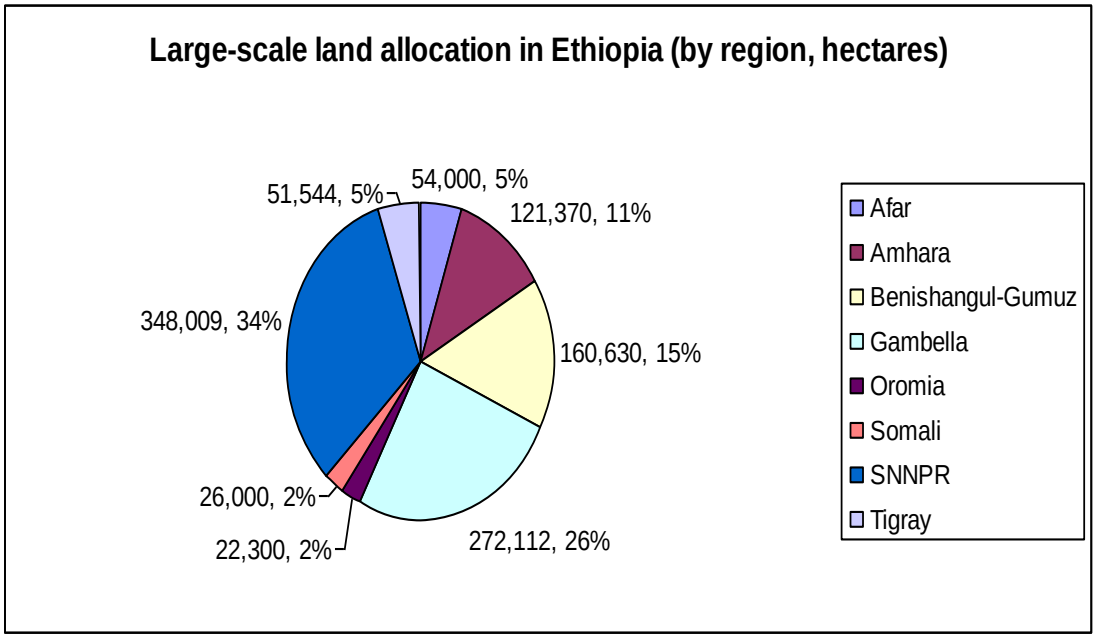


Chart 2: Large-scale land allocation in Ethiopia by region

[25] As explained above, data for the federal MOA allocations comes from the MOA. Data for sugar lands comes from Ethiopian Sugar Corporation. Regional data comes from regional governments, with the exception of Tigray where data was provided by the federal MOA.

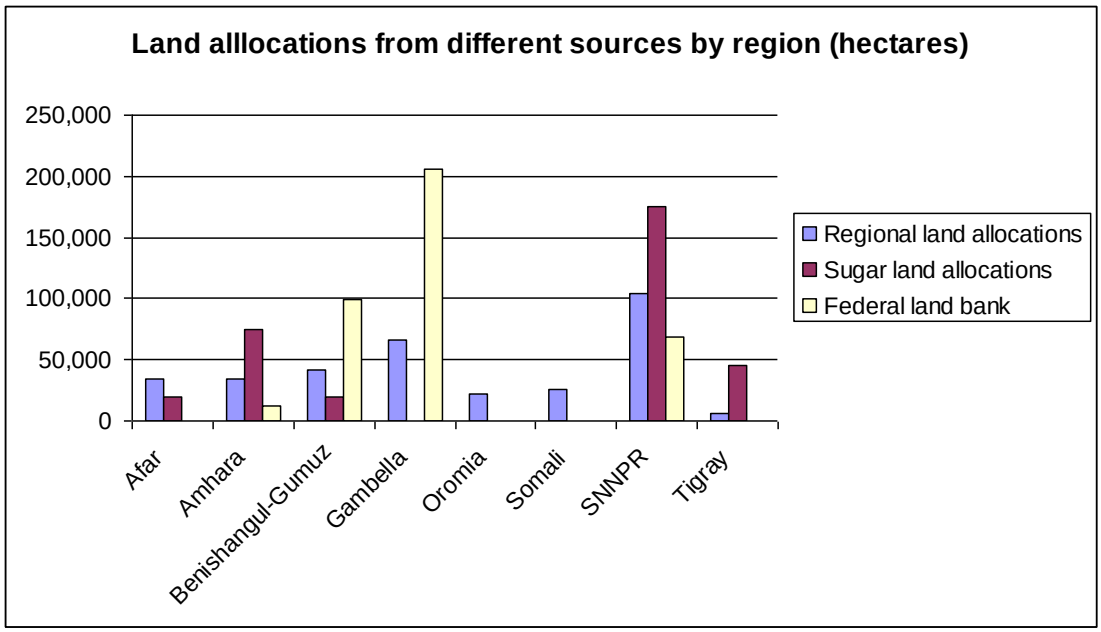


Chart 3: Allocation of land in Ethiopia, all sources (minimum unit size, 1000 hectares)

While these land allocation figures look very precise, we recognise that they need to viewed with some caution. There are several reasons for this (see Box 2). Datasets often fail to distinguish between areas of land where there has been an MOU, or initial agreement, or even a request for a certain amount of land, and land contracts where land has been allocated to an investor. For example, initial data provided for this project by the MOA suggested that 422,000 hectares of land had been provided in Benishangul-Gumuz region (including only deals over 1000 hectares), with two allocations of 100,000 hectares, one to Awadh Tareef Mohammed Alkutbi and the other to Al Sharif Mohammed. Likewise in Oromia a total of over 600,000 hectares appeared to have been allocated with individual deals of 140,000 hectares (Bon Green Farm) and 150,000 hectares (Watany Agricultural Food Production) respectively. Further examination revealed that these were not land agreements, but only amounts requested by the investor when applying for an investment license. In fact, no amounts of land this size were transferred in the regions, and there is only one deal over 100,000 hectares in the whole country. Given this, the regional land allocation totals for Benishangul-Gumuz and Oromia are much lower than these figures indicate.

Even when data relates to an actual agreement where land has been accessed, the amount of land that an investor takes may be more or less than that officially recorded. Sometimes agreements are cancelled but still included in datasets of commercial land concessions. For example, Hunan Dafengyuan is sometimes cited as an example of a large-scale Chinese investor, farming 25,000 hectares of sugarcane in Gambella. In fact the agreement with has been cancelled, although details of the contract are still available on the MOA website[26].

Sometimes datasets include figures given by companies of the total area they plan to farm, for example, a figure of 300,000 hectares for Karuturi in Gambella is often quoted, a figure which seems to be based on an early agreement with the regional government which has been superseded by a smaller (but still very large) agreement for 100,000 hectares with the federal government. There can also be a delay in recording new deals in official datasets. Sometimes

[26] See also OI, 2011, which has a useful annex on these methodological problems

there can be double-counting and recording errors, for example, failure to record a land concession, or inaccurate recording.

Challenges in establishing accurate figures for commercial land allocations

- Figures may be only an MOU, no lease exists
- Figure may be an expression of requested land, for example from an investment agency
- Lease may have been cancelled
- Double-counting in a dataset (for example, a federal land agreement in a list of land agreements for a region)
- Recording errors, for example, lease not recorded or inaccurately recorded
- Only a small part of an agreed area is actually farmed
- Delays in updating databases (often only done annually)

Box 2: Challenges in establishing accurate figures for land allocations

Figures for federal land allocations (via AISD, MOA) to the private sector are precise in terms of land allocated (385,000 hectares), and overall status of the investment (operational or pre-implementation). Although the category operational covers anything from all the lease being farmed to only a very small percentage (for example, S and P Energy, has had a lease of 50,000 hectares to farm pongomia (a biofuel) in Benishangul-Gumuz for several years, but on the ground only 2,500 hectares is actually being farmed[27].

Regional land allocations are much more imprecise, as indicated above, and because there has been a lack of good documentation of allocations and current status of land use at this level. For example, in Somali region the investment bureau grants a licence and then the investor visits a district and makes a local agreement, but there is no regional agreement on what is actually allocated. Taking these kind of problems into account, we suggest around 335,000 hectares have been allocated by regional governments. This is substantially lower than a figure of 800,000 to 2 million hectares that are sometimes quoted. This is partly because this research uses a 1000 hectare threshold to emphasise large-scale land investment, and partly because records of regional deals seem most prone to error (particularly confusing expressions of intent with actual allocations).

In addition to regionally allocated land, large amounts of land are allocated by the state to state corporations for industrial crops, particularly sugar and rubber, these are large areas of land, but often not included in official inventories of land investment. At least 335,000 hectares have recently been made available for sugar development (including 70,000 hectares from the federal land bank), in addition to earlier allocations of 50,000 hectares in Afar. Reportedly, 200,000 hectares is also being made available for rubber in SNNPR and Gambella (Muluken, 2012), although we have not been able to confirm this.

Our figure of 1 million hectares allocated in Ethiopia for commercial farming is much lower than that suggested by some other studies. This is because the study only includes deals since January 2005, it does not include deals below 1000 hectares, which added together can amount to large sums, and research has tried to be precise about only including land

[27] Interview with S and P company manager, July 2012.

agreement figures, rather than amounts of land requested from government, or figures in MOUs.

The figure for land allocation given by the government in recent press statements is 2.2 million hectares with only 372,088 hectares of this developed to date[28]. According to the government 11,773 domestic and foreign agricultural investors have been licensed, with cumulative registered capital of 132 billion birr (US$ 7.3 billion). 5284 of these investors have received land, of these 126 are foreign investors. Over one quarter (27%) of the 2.2 million hectares is allocated to foreigners (73% to domestic investors). According to this statement, 567,651 hectares have been distributed among foreign investors (Eskedar, 2012: 14).

Some researchers contest the publicly declared figures. Dessalegn argues that overall land allocations amount to 3.5 million hectares, and that by the end of the GTP 7 million hectares will have been allocated (equal to 38% of the land farmed by smallholders) (Dessalegn, 2011). The Oakland Institute put the figure at just over 3.6 million hectares of land leased by January 2011 (OI, 2011).

A study for the World Bank identified 406 land investments over 500 hectares between 2004-8 and found that 1.2 million hectares were allocated (for Benishangul-Gumuz, Gambella, Amhara, Oromia and SNNPR). 23 of these projects (or 5.7% of the total) were foreign investments. These equalled 51% of the allocated land area (World Bank, 2010). A study by the International Institute for Environment and Development (IIED) in 2009 found that 602,760 hectares were allocated between 2004 and 2009[29], with investment commitments of US $ 78,563,023[30] (Cotula et al., 2009).

More recently the International Land Coalition has compiled an International Land Matrix portal (www.landportal.info). For Ethiopia, they suggest that 2,412,562 hectares have been allocated in 56 deals over 200 hectares since 2000[31]. ILC note the difficulty in checking and verifying the status of reported deals on the website, and the Ethiopian data appears to include several errors, for example, the Karuturi land agreement in Gambella should be 100,000 not 300,000 hectares, and there is no government record of 600,000 hectares being allocated to Varun, or 100,000 hectares to 2H 25 International Business. Also the 25,000 hectares allocated to Hunan Dafengyuan has been cancelled. The database also provides no detail of which region of the country the land is allocated in or whether it is a federal or regional allocation, making it hard to cross-check entries.

[28] Statements by Tarekegn Tsigie, MOA spokesman (Eskedar, 2012: 14)

[29] These were deals over 1000 hectares, a total of 157 projects.

[30] However, this data was largely from the Ethiopian Investment Agency and it is unclear how much was actually transferred or put to use on the ground.

[31] Available at: http://landportal.info/landmatrix/get-the-detail/by-target-country/ethiopia

6. FEATURES OF LAND ALLOCATIONS

6.1 Size of land allocations

At present, of 131 land agreements by regional and federal governments (excluding state sugar plantation land allocations) there are 17 deals that are 10,000 hectares or over, and only 2 that are 50,000 hectares or over (see chart 4)[32].

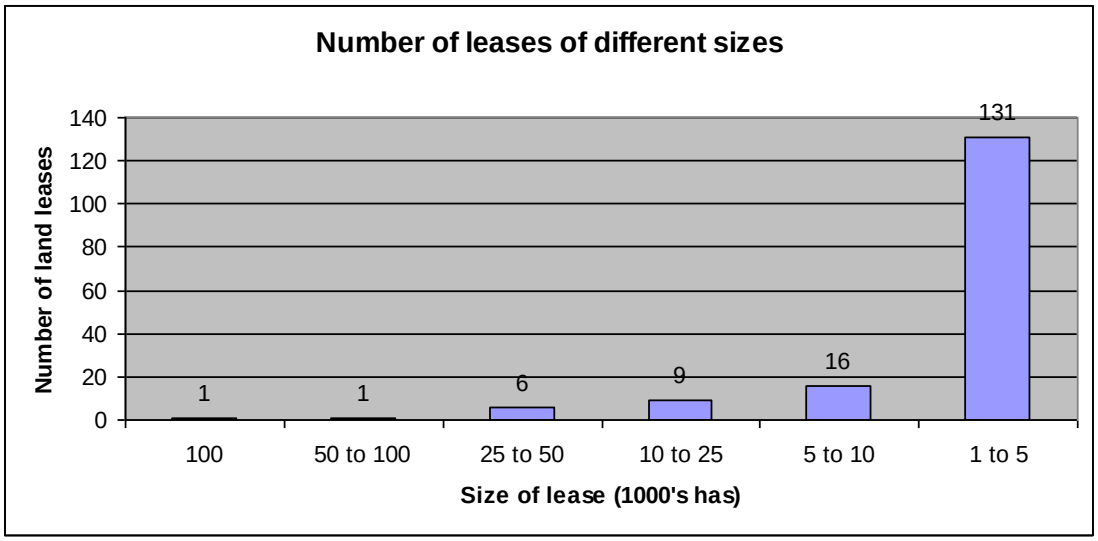


Chart 4: Regional and federal land deals by different size category

6.2 Where is land being allocated?

Three clear trends are evident in relation to the location of large-scale land concessions. The first is that just under 80 per cent of all land leased out or transferred in Ethiopia is in lowland regions, principally Benishangul-Gumuz, Gambella and SNNPR. For federal government allocations to private investors, all land allocated is in these lowland regions[33].

The second trend is that the large amounts of land are allocated by regional governments in Amhara, Oromia and Tigray, regional states in the highlands[34], which do not have special developing status, and where government capacity is much greater. Land in these states is not allocated by the federal government[35]. Average plot sizes are low.

A third feature is that if lands allocated for sugar production are added to total land allocations, SNNPR becomes the region with the largest amount of land allocated to commercial agriculture, by some way (a total of 33 per cent of all land allocated in Ethiopia). However, most of this land has only been demarcated, and only a small amount is under the plough.

[32] These figures are based on land agreements where we have a figure for land allocated, and not MOUs.
[33] The one exception to this is the federal government land agreement with CHC, where some of the land is in Benishangul-Gumuz and some in Amhara
[34] Parts of Oromia are lowland
[35] The exceptions to this are sugar concessions and the case mentioned above in footnote 15

An analysis of leases from the federal land bank managed by the Agricultural Investment Support Directorate shows that by September 2012, 385,000 hectares of land had been allocated under 31 different land lease agreements[36] (see chart 5 and table 1). Of these 31 projects, 24 are operational and 7 in the pre-implementation stage. 97% of this land was allocated in just three regions: SNNPR, Gambella and Benishangul-Gumuz, with just over half the land allocated in Gambella (53%), and 26% allocated in Benshangul-Gumuz and 18% in SNNPR. Land allocations were also on average much larger in Gambella, with 8 leases with an average size of 25,751 hectares. For Benishangul-Gumuz, there are 13 leases with an average size of 7610 hectares, for SNNPR, 10 projects with an average size of 6836 hectares.

No land allocated has been allocated in Afar by the federal government, despite the existence of 400,000 hectares in the Federal land bank being advertised for investment by AISD. This is possibly due to the high risks of land conflict with pastoralist clans in these areas.

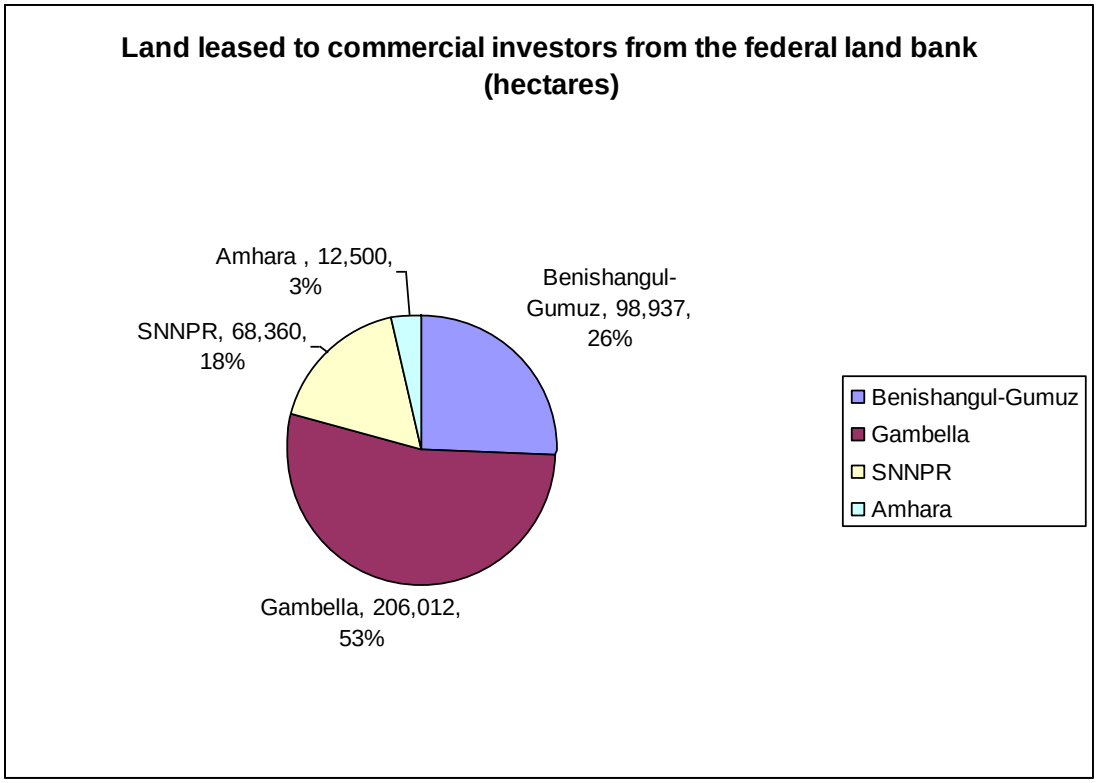


Chart 5: Allocation of land by region from the federal land bank

[36] This includes one land agreement which has been cancelled

Region	Number of leases	Percentage of land allocated	Average size	Total land allocated
Benishangul-Gumuz	13	26	7,610	98,937
Gambella	8	53	25,751	206,012
SNNPR	10	18	6,836	68,360
Amhara	1	3	12,500	12,500
TOTAL	**31**[37]	**100**	**12,445**	**385,803**

Table 1: Allocation of land by region from the federal land bank

Land investment in lowland regions (Benishangul-Gumuz, Gambella and SNNPR) is associated with significant social and economic change. These areas have low population densities, particularly compared to highland regions (Amhara, Tigray and central parts of Oromia). They also have many ethnic minority groupings, which are quite distinct in terms of language, livelihood systems and culture from highland Ethiopia. Gambella and Benishangul-Gumuz are Developing Regional States, partly administered from Addis Ababa by the Ministry of Federal Affairs. Data show that 46.1% of all land allocated in Ethiopia over 1000 hectares in size is in Developing Regional States[38]. Land in these areas is often perceived as unused or free land, indeed the federal government AISD claim that it only allocates land that is uncultivated and which is not part of existing livelihood systems[39].In contrast with Oromia where many Oromo farm the land, or Amhara in Amhara region, in Benishangul-Gumuz and Gambella, no major investors are ethnic groups from the region.

Areas such as Gambella have historically been marginalised parts of the political economy of Ethiopia, with the arrival of land investment they are now receiving much more attention, and are viewed by many as strategically important. Infrastructure is gradually being constructed, and the number of flights going to Gambella City and Assosa (capital of Benishangul-Gumuz) each week has increased (although not solely due to land investment). Gambella is the location of the two most highly publicised land investments in Ethiopia, Karuturi and Saudi Star (owned by Sheikh Mohammed Al-Amoudi, a major investor in many sectors of the Ethiopian economy) and has become part of a globalised discourse around 'land grabbing' and human rights (see HRW, 2012a; OI, 2011; Pearce, 2012).

Regional government land allocations present a slightly different picture from federal allocations (see chart 6), with more land allocated by developed regions, namely Amhara, Oromia and Tigray (19% of the total), and relatively less by developing regions such as Gambella and Benishangul-Gumuz (32%). The largest amount of land allocated by a regional government is by SNNPR (31% of the total).

[37] Note that as one lease is in both Amhara and Benishangul-Gumuz the total number of leases is only 31, see footnote 15.
[38] The Developing Regional States are Afar, Benishangul-Gumuz, Gambella and Somali.
[39] Discussion with technical expert in AISD

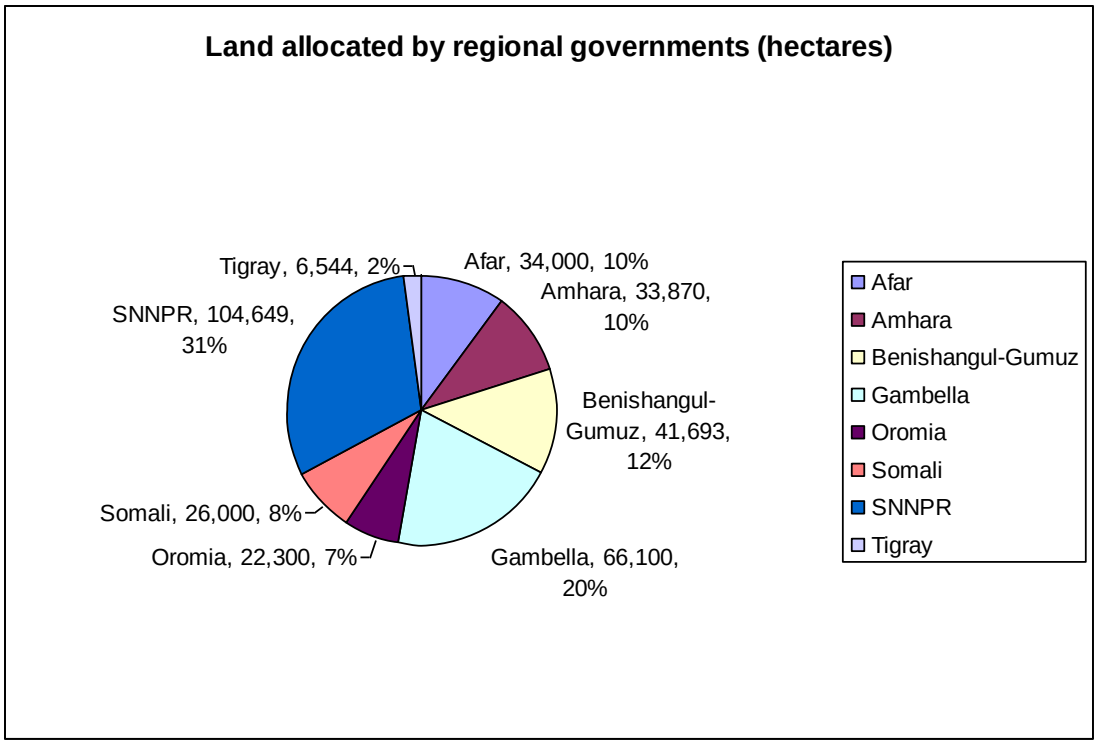


Chart 6: Land allocated by regional governments

As noted, regional figures are complicated because unlike land allocated by the federal MOA, significant amounts of land are allocated below the 1000 hectare cut off point used for this research. If the cut off point were lower then the area of land allocated by Amhara, Oromia and Tigray would increase substantially, and the share of these regions in all regional land allocations would increase, as would the total number of projects in these regions. Secondly, the 2005 cut off date used for this project is also significant. Many small amounts of land were granted to coffee investors in SNNPR before 2005, constituting a large percentage of investment licences from 1998 onwards. However these are not included here. Finally, as discussed above information on regional land allocation is the least precise. Record keeping with many regional governments has not been good, and until recently at least there has been a lack of clarity about how much land has been allocated. Large amounts of land leased by regional governments in all regions are not being farmed. At present many regions are trying to assess exactly how much land has been allocated and how much is being put to productive use.

Some regions have allocated relatively little land despite being identified as having high-potential for commercial agriculture. Very little land is allocated in Somali, for example, despite this being area with high irrigation potential. Conflict in the region and difficulties ensuring agreements with clans are key reasons for limited land investment cited by officials during interviews. Additional factors include an unclear boundary with Oromia region and the absence of a regional land bank.

As noted above, in Ethiopia, there are separate systems for allocation of land for highly strategic crops. The main example is sugar. When sugar lands are added to figures for total commercial land investment then far more land is allocated in SNNPR than other regions – 335,000 hectares (see chart 7). Map 2 indicates the main sugar producing regions of the country.

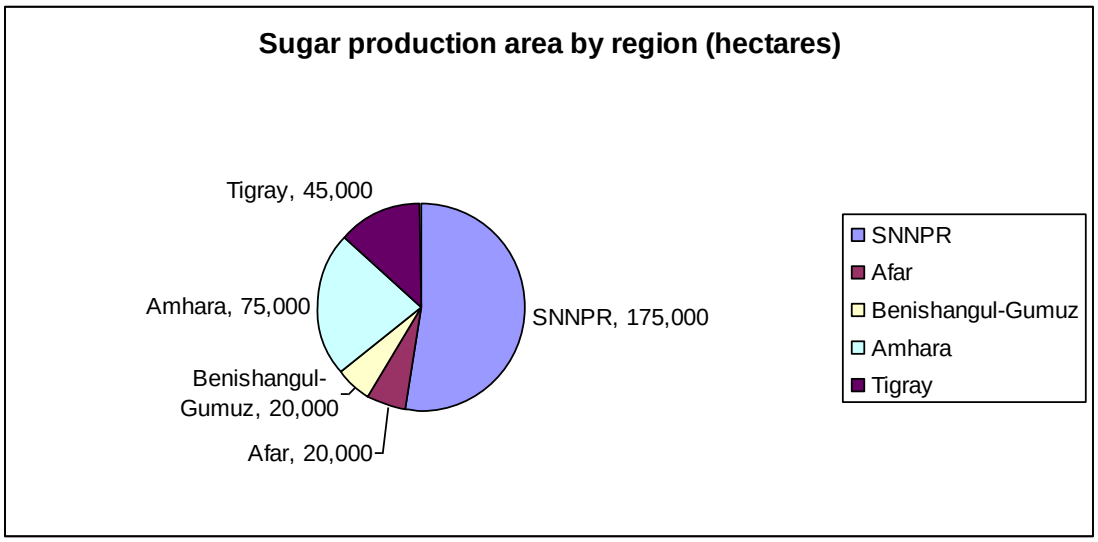
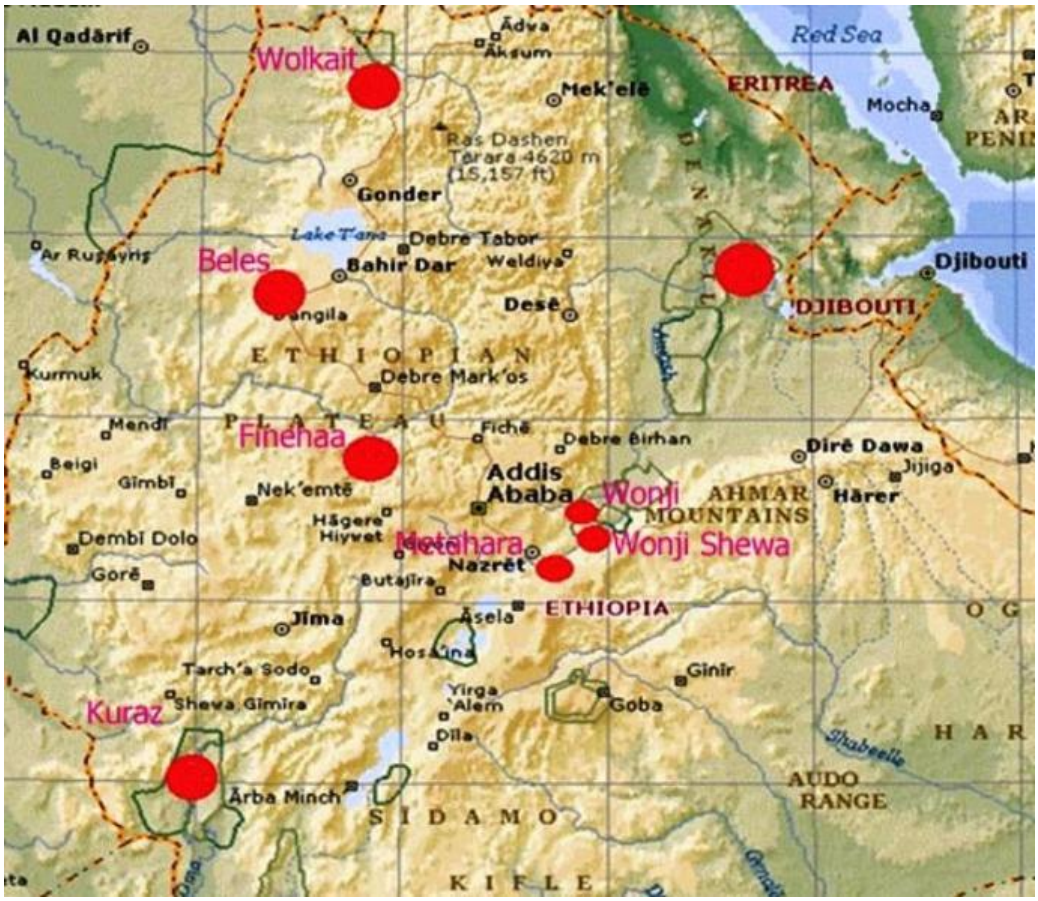


Chart 7:: Allocation of land for sugar production



Map 2: Ethiopian Sugar Corporation map of major sugar production areas.

6.3 Profile of investors

The profile of investors differs for federal and regional land allocations. At the federal level, where allocations are much larger, international investors are more prominent in terms of area of land acquired, but not projects if diaspora investors are grouped with Ethiopian investors. At the regional level domestic investors dominate. The state is also a major investor in land through its allocation of land for sugar plantations.

Of 31 lease agreements with the MOA from the federal land bank, 12 are with Ethiopian investors, 8 with diaspora investors and 9 with Indian investors (see chart 8 and table 2). In addition there is one Turkish and one Saudi investor[40]. As noted, there was a federal agreement with a Chinese company but this was cancelled. The importance of diaspora investors is a particular feature of land investment in Ethiopia, which may be less relevant in the inward land investment profile of other low income countries.

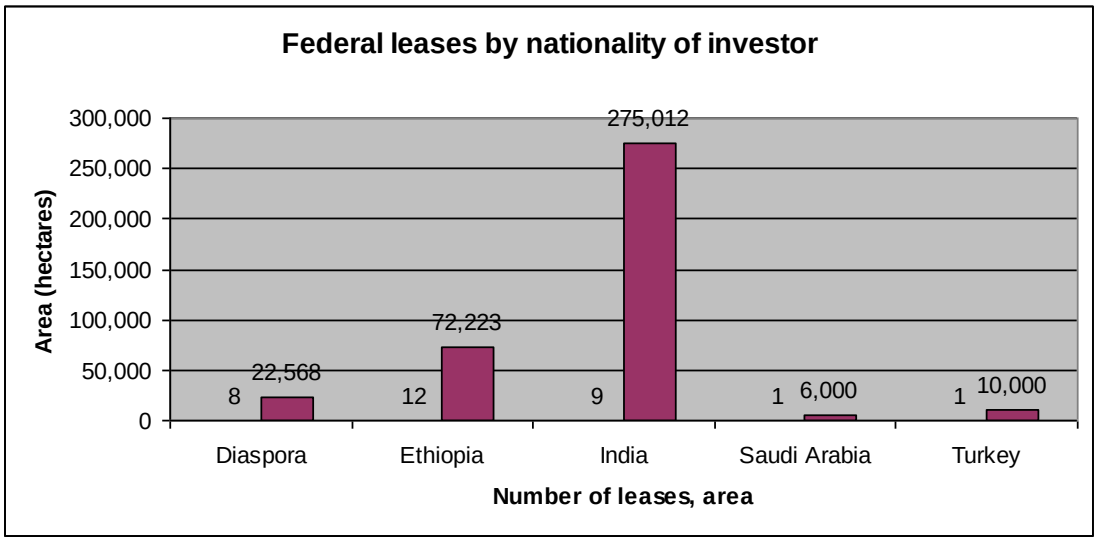


Chart 8: Federal land bank investors by nationality or diaspora status

Origin of investor	Number of projects	Total area	Average size (ha)
Diaspora	8	22568	2821

[40] As noted elsewhere the Saudi company is owned by Mohammed Al-Amoudi, a Saudi citizen, who was born in Ethiopia with an Ethiopian mother, and is the most important private sector actor in many sectors of the Ethiopian economy.

Ethiopia	12	72223	6019
India	9	275012	30557
Saudi Arabia	1	6000	6000
Turkey	1	10000	10000
TOTAL	31	385803	12445

Table 2: Origin of investors with agreements with the federal government

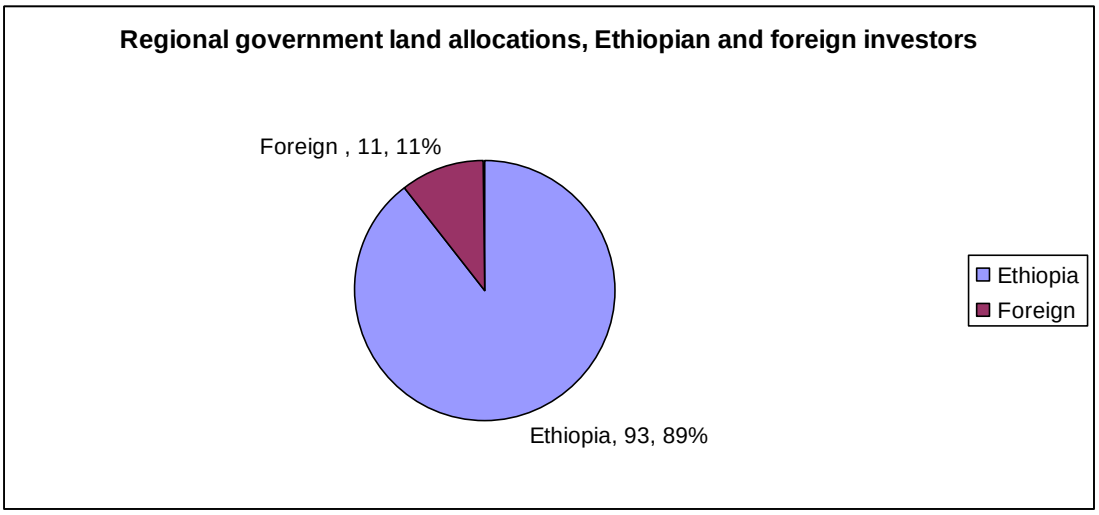


Chart 9: Regional government land allocations by area, Ethiopian and federal investors

At the regional level data is harder to disaggregate by nationality. For the agreements where we have data 93 agreements are with domestic investors and only 11 with foreign investors. These foreign investors come from Israel, Italy (two agreements), Malaysia, Netherlands (two agreements), New Zealand, Saudi Arabia (two agreements), Turkey and USA (see chart 9). Around 23% of land allocated by regions is to foreign investors, a higher percentage than that for the number of deals with foreign investors with the 12.

While we have not made a specific comparison we anticipate that this profile of nationality of investors would be very different to that for other African countries, where international investors would be more significant. Investor profile illustrates the importance of the role of the state in controlling access to land and in determining the terms on which private and international capital is able to access land resources.

Most investors are private individuals. Certainly all investors with the federal government are private companies, as opposed to sovereign wealth funds, or national companies (it would seem unlikely that sovereign wealth funds are funding any of the private companies in question either). Most funding for land deals appears to be corporate capital, and commercial bank loans in some cases.

6.4 Crop focus for large-scale land investment

The focus of land investment varies depending on whether land is allocated by regional governments or federal governments and depending on the comparative advantages of the region.

For many regions data on crops being grown on land allocated by regional governments is very limited. One exception is Afar where all land investments over 1000 hectares are for cotton production. Reasonable data also exists for Somali and SNNPR. Much of the data for other regions only indicates that the land use is crop production as opposed to livestock, without specifying categories of crops, or particular crops. Sometimes data indicates that several crops are grown and the relative amounts are unclear. Even where crops are specified this does not necessarily match with what is actually being cultivated. It should also be noted that flowers and coffee are important investment crops in Ethiopia, but as they are usually grown on areas below the 1000 hectare lease investment threshold used for this report they do not show up in the data, even though the total area planted is significant.

In general, for regional allocations crop choice seems to be up to the investor, although tougher review processes for investors may in the future mean that crop choice has to be more carefully justified in terms of suitability of land use and strategic relevance. In Benishangul-Gumuz region, it was suggested that investors were sometimes planting crops unsuited to the agro-ecological conditions, but that in the future soil testing services by the regional government would help ensure that more suitable choices were made.

For strategic crops managed by the federal government land allocations are relatively clear. As noted sugar is the major crop in this category and amounts to around 30 per cent of all large-scale land allocations.

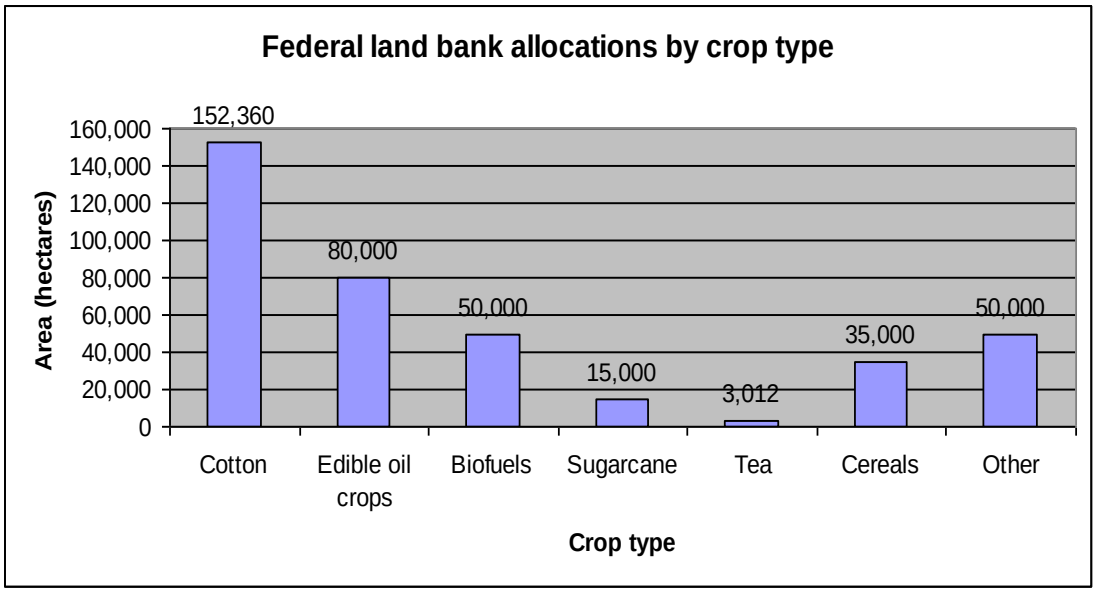


Chart 10: Federal land bank allocations by crop type

While there are targets for other industrial crops such as biofuels (excluding sugar which is being grown both for edible consumption and for ethanol), they are not subject to such systematic land allocation processes. For biofuels, it is claimed that 85,000 hectares are currently being grown (Davison, 2012a), although this is difficult to verify. There is only one specific biofuel project among the 31 federal Ministry of Agriculture land leases and this is 50,000 hectares allocated for pongomia cultivation, although one sugar and one oil palm cultivation project could also be for biofuel feedstock production. If this were the case then 22% of land allocated by the Federal Land Bank would be for biofuels, this needs further verification however. Interviews suggest that the S and P project is still in early stages and pongomia is not yet being cultivated on the land allocated. Other biofuel producers such as Sun Biofuels (operating in SNNPR) have had their license cancelled.

Federal land lease documents usually specify what crop is to be grown, although there appears to be some flexibility with investors testing soils to choose which crop is most appropriate in some cases. Analysis of the database of the 31 federal land bank projects suggests that investments fit closely with the priorities of the government as set out in the GTP to encourage strategic industrial crops. 40% of all land allocated from the Federal Land Bank is for cotton cultivation, or cotton in combination with other crops. This amounts to 68% of all leases. Edible oils, excluding palm oil are 16% of the land allocated (see chart 10).

The policy now appears to be to discourage production of food crops on land allocated from the federal land bank (the large Saudi Star farm for very high-grade rice production seems to be the big exception). Food crops are only grown on 30% of the land allocated from the land bank. Leases for cereals alone only account for 9% of the land area[41]. Saudi Star also claim that they plan to farm on 300,000 hectares producing 1 million tonnes of rice per year, although the additional land to make this possible has not yet been leased[42].

6.5 Implementation of land leases

Ethiopian government representatives at both regional and federal level acknowledge that while considerable amounts of land have been allocated to investors, performance to date in terms of production, employment, and development of land has been disappointing for the most part. Ethiopia has attracted foreign investors, but has not attracted the very highest quality international agricultural land development companies, despite the high quality of land resources and favourable investment climate. The performance of domestic investors has also been poor in many cases. The land investment situation led the federal government to declare a moratorium on further land leases in 2011 while the situation was investigated. A similar process has happened in Benishangul-Gumuz region.

One of the clearest features of large-scale land investments in Ethiopia as they currently stand is that only a small percentage of land allocated has been developed. According to the MOA of 2.2 million hectares of land allocated (discussed above) only 17.6% has been developed, a total area of 372,088 hectares (Eskedar, 2012). Similarly, Dessalegn (2011) cites MOA (then MOARD) data showing that over 3 million hectares were allocated by the regions between 1996 and 2008 to 8000 applicants, and that only 20% of investors had begun project

[41] This includes a breakdown of the 100,000 hectare Karuturi land allocation, based on interview data
[42] Interview with company technical expert

implementation[43]. Background research for the World Bank Rising Interest in Global Farmland report found that of 46 cases looked at only 16 were being implemented as intended (Imeru, 2010).

Research for this study suggests that none of the land leases in Somali region had started work. In SNNPR, of 79 land leases documented at the regional level over 1000 hectares, 43 were active, 21 cancelled and 8 non-functional. In Afar, 9 of 15 projects were farming only 30% or less of the land leased.

In the course of this research several datasets (from investment agencies and regional land bureaux) on regional land allocation were examined. Using these sources it is difficult to be precise about how much land is being developed. Generally tables indicate whether an investment is operational (or in implementation stage), pre-implementation, and non-implemented/non-functional or cancelled. Some regions have data by investor on how much land is being farmed, but these are the exception. In some cases an investment is marked as operational, but interviews with a company revealed that only a small percentage of land was actually being cultivated.

Interviews suggest that regional governments are developing better systems for recording how much land is being developed, but that this is still a considerable challenge given the vast areas that need to be covered, poor infrastructure and lack of staff and vehicles to carry out assessments.

In Gambella, 32 licences for land investors have been cancelled following a federal and regional monitoring review. In SNNPR, 21 projects have been cancelled. In Benishangul-Gumuz, a recent review resulted in 11 projects being cancelled due to non-development, breaking the terms of the lease, or because the investor had disappeared. In Afar, it has not been easy to cancel agreements due to lack of development, particularly where agreements are made between investors and clans. New regulations and improved capacity in the regional government are helping to address this.

There are several reasons why land is not developed as expected. These include: high costs and difficulty of developing land, security issues, poor capacity of investors, misuse of investment licenses and limited monitoring and evaluation capacity.

A common complaint of investors is that the remoteness of investment locations, poor infrastructure such as roads, power, telecommunications, and lack of skilled labour, and services and accommodation and transport for workers, make it difficult and costly to begin to develop land. The absence of good infrastructure likewise means that it is expensive to market produce. This is a major disincentive for many investors. In some cases government has promised that infrastructure would be in place (for example a bridge over the Omo River), but has not yet completed the task, delaying development by investors.

Some investors also underestimate the costs of developing land, particularly in regions like Gambella where there is a need to clear forest, and level and prepare land. Saudi Star, for example, suggest that land preparation costs for its 10,000 hectare irrigated rice farm in Gambella are around US$ 17,000 per hectare. Representatives of Karuturi put the cost at around US$ 3000 per hectare. Even if capital is available land preparation also takes significant

[43] Note that one third of these 8000 projects were under 100 hectares.

amounts of time. Saudi Star for example has only cleared 6500 hectares of 10000 hectares leased in 2008, with only 350 hectares cultivated.

Unpredictable environments mean that returns on investments are not guaranteed. In 2011, Karuturi, for example, lost an expected 60,000 tonne first maize harvest on 12,000 hectares of land due to flooding (Davison, 2011b).

Security is another contributing factor to poor land investment performance. In Somali, security concerns are cited as the major reason for lack of investment, despite availability of land and water resources. In Gambella, security is a major consideration for investors, particularly following the attack on the Saudi Star farm in April 2012 in which 5 employees of Ghulam Rasool and co, a Pakistani engineering company died and also a bus attack outside Gambella city in which 19 people were killed (Kirubel, 2012). Security imposes costs in terms of needing to guard equipment and protect staff, it also makes it difficult to attract and retain workers. At one farm interviewed for this research, 18 military personnel are deployed permanently to protect those working on the farm investment, and the farm is not even engaged in commercial production.

Poor infrastructure and the high costs of land development are particularly significant in developing regions. This has led the Federal government to explore options for state financing of development of land resources and relevant infrastructure, to speed up the process of land development and attract higher quality investors. Ato Tefera Derebew, Minister of Agriculture, commented: 'The performance of commercial farms is not up to our expectations. To speed up their performance, we are planning to develop ready-made clusters of agricultural land. Such an activity will reduce the time required to prepare land and develop infrastructure like roads. When agricultural investors request a plot of land, we will promptly give it to them' (Pawlos, 2012).

As part of this process, 67,000 hectares of land have been identified in Benishangul-Gumuz (with a proposed target of 100,000 hectares) and 100,000 hectares in Gambella. The federal government proposes to provide infrastructure such as feeder roads and irrigation access points, and to engage in land development (clearing, levelling and managing the soil). However, while these plans have been discussed in national newspapers (Mahlet, 2012), there was no knowledge of them in discussions with bureau heads and other staff in Benishangul-Gumuz and Gambella.

Another factor is the size of land leases, some informants felt that some allocations are simply too large to be managed effectively. Even if a company has capital, shortages of labour and associated services will be a problem. One regional land bureau chief commented that 10 or 20,000 hectares should be the maximum size leased to investors. However, as discussed below, it is by no means the large investors who always have the least capacity to develop land, there are many investors with small land leases who have made limited progress[44].

Research in the regions[45] shows that it is common for investors to seek licenses for land investment often with no clear intention to develop the land. Licenses are attractive to investors because they allow access to capital (following down payment of part of a loan), which is then

[44] In the Saudi Star case plans are in place to create 9 semi-autonomous units on the 160,000 hectares that would be suitable for rice cultivation on a 300,000 hectare lease to encourage competition and efficiency

[45] This was identified during fieldwork in Afar, Benishangul-Gumuz and SNNPR.

put to other investment uses (in some cases the investor even disappears). Licenses also entitle investors to import machinery and vehicles duty free, in some case these are used for other purposes unrelated to the land investment business[46].

In some cases, land is being used, but for purposes other than those specified in the lease, for example, in Benishangul-Gumuz land has been used for charcoal production (which is illegal), or has been rented out to others. These type of activities led government in the region to place a moratorium on further land leases while relevant bureaux assess the status of investments and verify the exact size of plots.

The website of the Agricultural Investment Support Directorate has published highlights from a review of investor performance to date. One finding is that:

> When it comes to foreign investors, though they showed to have a huge capital before investment they were tardy in engaging in tangible tasks according to their words. Limitations, failure to adopt international trends and failure to import the required medicaments and inputs were conspicuous on their part. A desire to getting land without collecting sufficient capital was the problem seen among the Diaspora [MOA, 2012b]

While these comments target foreign investors, it is clear that domestic investors are equally culpable of lacking capital and skills, and being disingenuous when seeking licenses or signing a land agreement.

One problem is that land at the regional level was given out with very limited scrutiny of investors. In Gambella, it was suggested that there was a policy of attracting investors at all cost, with little thought in the first instance about the implications of this. Investors now produce statements of financial and technical capacity but there are limits as to how far these can be probed for accuracy[47].

As discussed above, after land is allocated capacity to monitor and evaluate is limited. In most regions it was evident that very little monitoring has been carried. Monitoring at the regional level seems to be primarily focused on whether investors are using the land and not abusing their licenses. Monitoring of how well the land is being developed, and wider impacts is limited. In some cases it is evident that woreda governments are aware of the problems with particular investors but lack authority to address problems.

[46] The report on investor performance by MOA notes: 'In Gambela and Benishangul States, with a rent seeking spirit, acquiring land via corrupt practices against the suspension of land transfer was witnessed.' (MOA, 2012b)

[47] Dessalegn asserts that capital and business plans are not checked for accuracy (2011: 14). This has probably been the case in many regions, but scrutiny is now more rigorous both at regional and federal levels.

7. OUTCOMES

This section indicates some of the key issues in relation to land investment outcomes. For many issues it is either too early, or there is not enough baseline data to allow for strong conclusions about outcomes.

7.1 Revenues from land investment

One argument in favour of land investment is that it has the potential to generate significant revenue for government from fees and taxes, which can be used to fund national and regional development activities.

Revenue from rental fees is not high, and these appear to have been set more to attract investors than to capture revenue from them. Rental fees for land acquisitions are specified in land lease agreements. The federal government has set out guidelines for land rental fees based on two criteria, distance from Addis Ababa and whether land is rainfed or irrigated. Over 700 km from Addis Ababa a uniform rate is applied of 111 ETB (US$ 6.1) per hectare for rainfed land, and 158 ETB (US$ 8.7) per hectare for irrigated land. The rate is based on a hypothetical rate of 2100 ETB per hectare at 0 km from Addis, decreasing by 4.5 Birr per km away from Addis Ababa for rainfed land and 4.17 for irrigated land.

The federal government has been concerned that there has been too much diversity in land rents across regions, and that relatively cheap land rental fees mean that land acquisition is being misused to take advantage of tax arrangements such as import duty exemptions. However, regions are not obliged to follow federal guidelines (for example, in Benishangul-Gumuz rents are in the 30-70 ETB (US$ 1.7–3.9) per hectare range, SNNPR and Amhara also set their own rates). Gambella follows federal guidelines, and rates have accordingly been revised, for example, Saudi Star started out paying 30 Birr per hectare in 2008 but now pay 110 Birr. In Somali rates vary between 16 and 65 Birr. In Oromia they are 27-135 Birr depending on various criteria and will soon be revised. In some cases there are holidays on payment of rental fees for up to three years. Land rental fees still seem to be very low even after revision by the federal government, although we have not made a comparison with other rates in Africa.

Foreign investors are offered various incentives to encourage investment, these include exemption from income tax for a period of between 3 and 5 years, depending on agricultural value added and proportion of exportable products, and also 100% import duty exemption for most capital items. Most products are also not subject to export taxes (one exception is semi-processed hides and skins). Regions have different rules on tax exemption. In Gambella, for permanent crops such as palm and fruit trees tax exemption is for five years, but for annual cereal crops it is just one year.

Foreign investment regulations specify that investors are required to invest a minimum of US$ 100,000, or 60,000 if in partnership with a domestic investor. If profits or dividends are reinvested or 75% of output is exported then there is no minimum capital requirement. Proclamation 280/2002 specifies that profits and dividends can be taken from the country in convertible foreign currency.

Data for 89 leases collected for this research shows a projected total investment US$ 4.724 billion. Across the 89 leases this gives an average of over US$ 53 million per land lease. This gives an average investment of US$ 10,496 per hectare. Chart 11 below gives an idea of the range for investment per hectare. 11 of the 93 cases have projected investment of less than US$ 200 per hectare, 17 have projected investment of over US$ 20,000 per hectare.

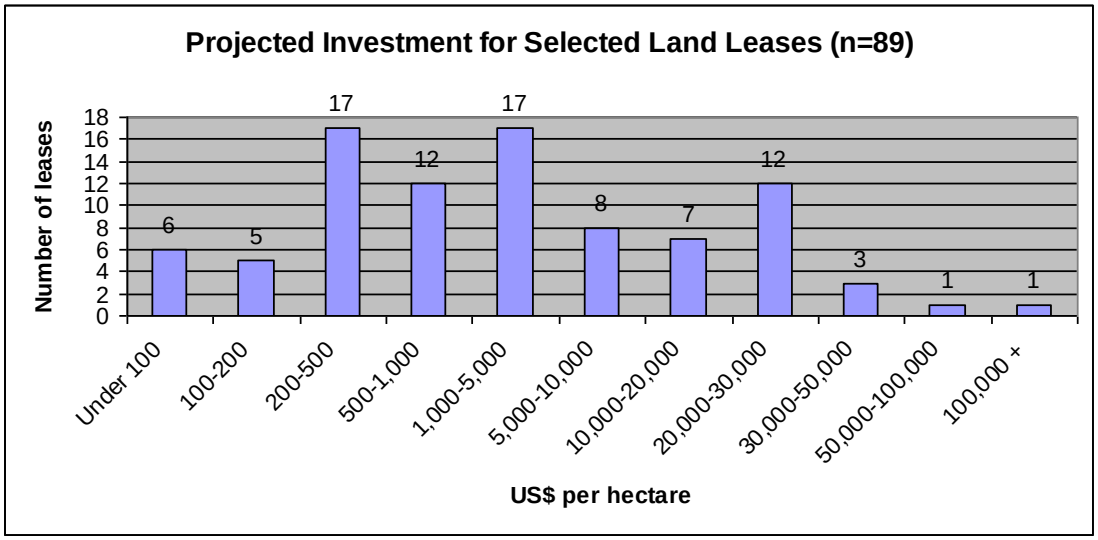


Chart 11: Projected investment for selected land leases

Authorised foreign investors may be able to access finance from the Development Bank of Ethiopia. Investors are expected to submit 30% of the value of the loan, with the remaining 70% then made available by the bank.

In the early years of land investments it appears that fiscal and other flows to the government may be quite limited, making it difficult to argue that land investment results in increased revenues for development activities. State sugar investments are a different case as government directly controls revenue streams from sugar plantations (although it is possible that they may be privatised in the future). For private investments, returns to government could become more favourable, as grace periods come to an end, and if land investments are able to make effective use of land

Some critics have also argued that looking beyond fiscal and other revenues, large-scale land investment may not always be the most economically beneficial use of land. Behnke and Kerven (2011) for example, analyse returns to cotton and sugar plantation investments (before processing) in the Awash Valley and find that they yield less economic benefits than pastoralist livestock production systems on the same land (they also do not factor in the risk of long-term resource degradation from irrigated agriculture in these environments). At present there are no publicly-available economic analysis studies looking at returns to different land use choices,

where land investment is one of the options. This is an area where more work could be carried out, together with discussion of assumptions, risk and trade-offs.

7.2 Employment

Land investment has the potential to create significant amounts of employment on farms, whether preparing land, planting, weeding, harvesting crops, managing facilities, or providing security or other services. Jobs may also be created in transport, hotel, restaurant and other sectors as a result of land investments. Regional officials in Benishangul-Gumuz also saw employment as one of the major ways in which land investment would contribute to food security in the region.

According to data from Ethiopian investment agencies, projected direct job creation through land investment is substantial – for Afar, Somali and SNNPR our data suggest at least projected 120,000 jobs for regional investments. This figure amounts to less than one job per hectare. Furthermore, given the currently low overall levels of implementation of investment contracts actual job creation is much lower than projected figures. Chart 12 shows the total number of projected job per 1000 hectares for 53 different investments. Projected job creation for 12 cases is less than 100 jobs per 1000 hectares. 14 cases projected 200-500 jobs, and 11 cases, 500-1000. Only 7 of 53 cases predicted over 1000 jobs per 1000 hectares, ie one job per hectare.

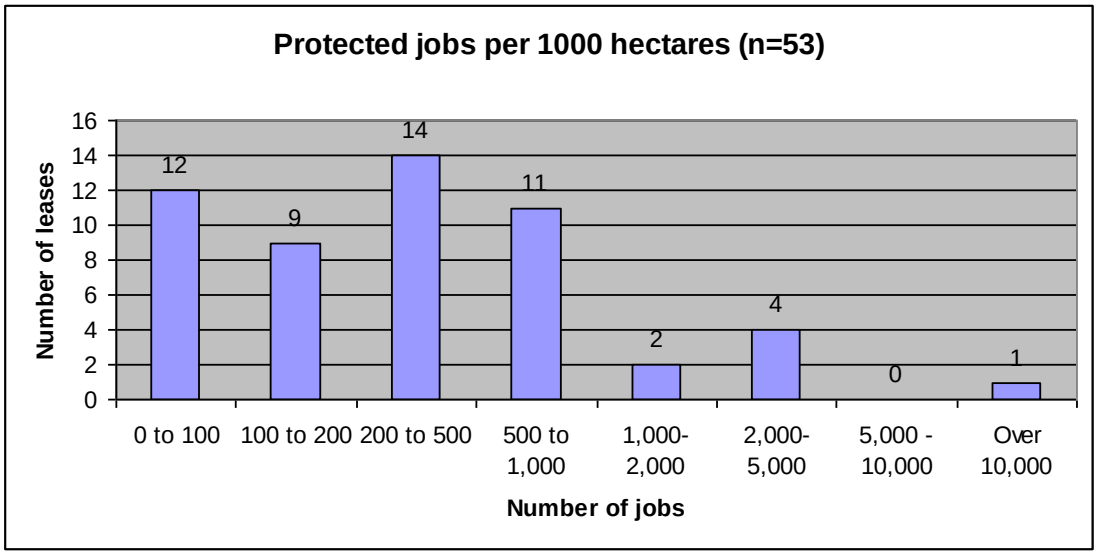


Chart 12: Projected jobs per 1000 hectares

The proportion of total jobs that are skilled is small, and most work is casual and temporary rather than permanent. In developing regions, skilled jobs are most likely to go to those from outside the region (or outside of the zone in SNNPR).

Some of the major farm investments claim to have created large numbers of jobs. Saudi Star (with a 10,000 hectare lease in Gambella) claim that at present they are employing 2000 people with 500 permanent and 1500 semi-permanent staff. When the 10,000 hectares are fully operational they expect that 7500 people will be employed (excluding processing). Karuturi claim that they are currently employing 1000 people, but that this will increase to 25,000 when their 100,000 hectare concession is fully operational.

Sugar plantations and factories in SNNPR are projected to create 118,000 jobs (Davison, 2012b), although we have not been able to find a breakdown of types of employment for this high figure. Concerns have been raised however about the cultural impacts of swamping of local populations by migrant labourers.

In developing regions concerns have been expressed that most jobs go to people coming from outside the region. In Benishangul-Gumuz informants suggested employment, particularly harvesting work, often goes to migrants from Amhara or Oromia and not local ethnic groups. In one case according to an official in Benishangul-Gumuz local people even destroyed the crops on an investment project because they were angry about the lack of employment opportunities. In some cases local people are more likely to get work which is ongoing such as weeding work, and labour is brought in for harvesting periods. Officials in Benishangul-Gumuz were very aware that local regulations suggest that jobs should go to people from the region unless there is no demand or availability of labour. In Afar, interviews suggested that local people were rarely employed on farm projects.

Field research with SEKA farm in Bench Maji, SNNPR revealed that skilled jobs went to ethnic groups from outside the region, but people from the local ethnic group were involved in manual labour on the farm. At the Omosheleko farm investment in South Omo, SNNPR, positive discrimination policies have been employed to encourage recruitment of people from local ethnic groups, even when their educational qualifications were below the normal required standard for a position.

In Gambella, there seem to have been active efforts to create employment for Anuak and Nu'er people in their respective areas, and companies interviewed for this research claim that they have training programmes to create opportunities in areas such as tractor driving or pump operation. It was not possible to verify this on the ground however. It should also be noted that in some cases taking a job on a farm may feel very alien for members of ethnic groups in areas where land investment is situated, particularly if they do not have a tradition of settled cultivation.

In some cases wages on farms are seen as too low. In a case study in Somali region local people felt wages were unreasonable and even tried to block outside workers from coming to the farm site. We lack good baselines and data however to assess whether wages are really low compared to national or regional standards, and how they might compare with incomes from other livelihoods making use of land before land investment.

People are also sometimes unwilling to take up jobs because of difficulties travelling to the farm location, or because of lack of services such as clinics in these areas. Communities interviewed at an investment site in SNNPR also complained of lack of temporary insurance to cover the costs of accidents. Concern about absence of contracts was also expressed in interviews.

In Benishangul-Gumuz, officials noted that there were many cases of Development Agents (village-level government agricultural extension agents) leaving government service to work on investment projects. This was not viewed as a problem however as it was seen as a possible route to transfer knowledge from investments. With high levels of unemployment among those with technical skills, the creation of new DA positions as a result of these job transfers was viewed as a positive outcome.

7.3 Food security

One issue raised in relation to land investment is how large-scale commercial farming will impact on food security. The Ethiopian government promote land investment as a strategy to improve food security at the national level through foreign exchange earnings generated by farm outputs, by increased production of crops in the country, and by improved incomes through jobs created on farm. However, the core of food security strategy is to rely on intensification of smallholder farming in the highlands. In this respect this paper slightly disagrees with the interpretation of Lavers (2012) that commercial land investment amounts to a fundamental and highly-risky shift to a trade based food security strategy. The basic policy is that that smallholder intensification will deliver food security and not trade based on outputs of the large-scale sector. The feasibility of this is, of course, another matter.

At the regional level officials cited the possibility of technology transfer to local farmers, either through inputs that are made available as a by-product of farm investments, or through transfer of agronomic expertise. There is some evidence of this happening in SNNPR, although it may well be the exception rather than the rule. Field research in Bench Maji zone, SNNPR, revealed that the SEKA farm had distributed 15,000 mango and coffee seedlings to local households, and had built a 23 kilometre road that significantly improved market access for local households. 150 farms were trained in agronomic techniques and 50 households received supplies of fertiliser. In Gambella, Karuturi representatives say that they have used company tractors to plough lands of local smallholders. In Gamo Gofa and South Omo zones, local officials claim that 10,000 hectares of irrigated land have been made available to smallholders as a consequence of investment in irrigation for large-scale commercial farming. A statement by Ethiopian Sugar Corporation, claims that 2250 households resettled for sugar development were given 1400 hectares of irrigable land and a grain mill (Davison, 2012b).

The Omosheleko farm in South Omo Zone, SNNPR appears to have had positive impacts on local food security. Benna, Arbora, Tsemay and Braile communities in the have been highly food insecure, regularly facing drought and hunger. They need to travel substantial distances to Jinka and Konso to buy cereals such as maize and sorghum. Now thanks to irrigation and other resources provided by the farm they are self-sufficient in cereals and are producing a marketable surplus. According to a local Tsemay elder interviewed for this research: 'Omosheleko is benefiting us a lot. It gives us canals to water our crops. We have been suffering by hunger, but now we are producing many quintals of maize and we also started selling it to the market in order to get money.'[48]

[48] Interview for case study of Omosheleko Farm, South Omo Zone. August, 2012.

In Afar, 40 per cent of the income from land investments where contracts are agreed with clans (which has been the case for all private deals) goes to clans in the relevant area, according to informants for this work. This income may only go to clan leaders, and not benefit all members of the clan or their food security status.

These examples are only used for illustrative purposes, more intensive research with a wider number of farms and communities would be needed to confirm how representative they are.

Critics of land investment argue that prime farmland is used to produce crops for export, making the country dependant on export markets, with less food available locally. Indeed, as discussed, foreign investment regulations encourage exports with 5 year tax holidays available where 50% or more of output is exported. Only 2 years are granted if the export percentage is lower than 50%. Likewise there is no minimum capital requirement if 75% of production is exported. Profits can also repatriated. As noted above, in the short run these regulations mean there may be limited tax benefits to government but they are likely to improve as grace periods come to an end, although this is dependent on farms becoming fully operational.

Good data on the final destination of food produced on farms is very limited. For example, the Saudi Star farm in Gambella is criticised by some for producing rice for export for Middle Eastern markets, but company informants in interviews suggest that a significant proportion will be marketed in Ethiopia, reducing imports of high-grade basmati rice. Rice is not however a staple crop for the Ethiopian poor.

As noted above the argument about prime farmland is not so applicable for much of the Ethiopian case as many lands that are being given over to large-scale farms were not previously used for farming on any significant scale. There may be issues of greater vulnerability to food insecurity at the local level in some cases where communities no longer have access to resources that they used as part of their strategies for coping in difficult periods, and for pastoralists land investment may result in further erosion of the viability of rangelands and food security of these communities over the longer term. Careful baselines and monitoring are needed to assess where these risks are most acute.

Large-scale investment needs to be seen in the context of all policies for the agricultural sector. As noted, the GTP aims to dramatically increase productivity in the Ethiopian Highlands and the main grain producing areas, through improved varieties, better access to markets, improved input supply and micro-irrigation (FRDR, 2010a and b). It this part of the Ethiopian agricultural sector that is viewed as the engine to turn Ethiopia into a net food exporter, rather than the large-scale sector.

It should also be noted that a significant amount of the land allocated for large-scale production is for industrial crops. Critics would argue that these do not contribute to food security per se, only to government revenues. Again the argument is that for the most part these are grown in areas of new farmland, and the main food security linkages are through employment creation and improved incomes (including in expanded processing industries), although there will undoubtedly be pockets of increased vulnerability where communities lose access to resources, especially if alternative livelihood options or natural resources are not made available.

7.4 Resettlement and loss of land

In addition to employment and food security there are other social impacts of land investment that need to be considered. These include resettlement, loss of access to resources, and provision of new social services as a consequence of land investment projects. Given the limited scope of this project it is difficult to comment on these matters beyond indicating what the key themes are. Interviews with key informants and a very small number of case studies suggest that generalisations are risky and that there are a range of both positive and negative experiences in different places. Again this is an area where more baseline data collection and monitoring is needed.

In terms of resettlement explicitly linked to land investment, there are different views. Some informants in Benishangul-Gumuz argued that there was no resettlement, others said that there was, and that compensation was paid as set out in Ethiopian law. In general it was felt that resettlement was fairly limited given the very low population densities in the region. The same is possibly the case in Gambella, particularly in areas where there are less commercial farms. For large-scale sugar plantations in SNNPR and Afar there has been more criticism of resettlement. Resettlement is voluntary according to the government, although this is contested by rights-based groups such as Human Rights Watch (HRW, 2012b). Research for this project suggested that for the sugar development in Afar compensation of 2500 Birr (US$ 140) per hectare had been provided, with 60 million Birr (US$ 3.3 million) paid out already.

Consultation about land investment seems to have happened most clearly in Afar, where deals were with the clans. In other areas such as SNNPR consultation has been very limited.

Another criticism of resettlement is that in some locations, government has been slow to provide promised services (clinics, schools, water and so on), or has inadequately considered livelihood options. In addition, some groups simply do not want to move due to attachment to ancestral lands, and promises of jobs or development are not necessarily persuasive in these cases. Again, it is not possible to comment further on this here, and this report is only able to point out that these issues are contested.

In relation to villagisation, the Ethiopian government's scheme to move scattered communities into centralised villages in order to facilitate better provision of services (particularly in Gambella, Benishangul-Gumuz and Somali regions)[49], there are again assertions by international rights-based groups that villagisation is an explicit policy to make land available for investors (HRW, 2012a). The balance of opinion from informants for this work is that there is no direct link between villagisation and land investment, as pressure on land resources in these regions is not so acute as to require this kind of intervention. It is possible that land vacated as a result of villagisation could be made available for land investment, but this research team did not see specific evidence of that.

A wider issue is that it is sometimes asserted that large-scale investments only take place on lands that are vacant or idle. For example for the Kuraz sugar development in SNNPR, the Ethiopian Sugar Corporation asserts on its website that: 'At Kuraz Sugar Development Project where no one will be displaced due to the project, farmers and ranchers are made beneficiaries of irrigated water and potable water.'(ESC, 2012)[50]. Officials in the Ministry of Agriculture

[49] 43,000 people have been resettled in Benishangul-Gumuz

[50] This was repeated in an interview with Ato Yilma Tibebu, a representative of Ethiopian Sugar Corporation: 'There is no one to be relocated at all, let alone forced relocation, due to the sugar development project' (Davison, 2012b). It is evident that people are being resettled in areas around the

commented that all lands allocated from the land bank are uncultivated and are not part of local livelihood systems[51]. It is beyond the scope of this research to comment on this in detail, save to say that it is contested, and it appears that in many cases as with sugar in SNNPR, resources that are being made over to investors are part of livelihood systems, either as pastoralist grazing lands, or forest resources that are used for a variety of activities (timber, wild foods and other non-timber forest products), including as part of coping systems (this point was made in relation to lands in Benishangul-Gumuz that were used by Bertha and Gumuz people to reduce vulnerability). Part of the problem is that mapping of traditional rights and certification of group rights in Ethiopia to date has not been adequate. This is gradually being addressed as part of a new round of land certification programmes (for example, in Benishangul-Gumuz government will identify certified areas for shifting cultivators, a form of rights protection they have not had in the past). Also the initial satellite mapping of the federal land bank took land as being empty, because it was only possible to identify lands that were clearly cultivated. These limitations have been acknowledged and successive rounds of mappings, in consultation with regional and woreda governments, are specifying in much greater detail, using GIS systems, where villages, forests and grazing lands are, and taking these into account in demarcation of land boundaries.

It should be also noted however that large land allocations do not necessarily have the largest social impacts, in densely populated areas such as Oromia and Amhara where land is already intensely cultivated a relatively small deal for 500 hectares or even 100 hectares could conceivably have impacts on more people than a significantly larger deal in a less-populated region.

Case studies in SNNPR suggested that there could be considerable conflict with communities (with alleged loss of life in both cases) when these traditional rights were not respected, but that some measure of consensus and acceptance of the investment could be achieved if certain key issues were handled sensitively. Sometimes particular grievances that could have been avoided become flashpoints for conflict. For example, if investors provide social benefits such as roads and clinics, and inputs for farming systems, and if they allow continued access to water points, and design corridors for passage of livestock to grazing lands. Also, if patches of forests remain with clear rights of access for communities, then some concern about insecurity will be addressed. Government has a role to play here supporting careful dialogue and understanding between investors and communities. Large-scale investors are often felt to be very remote, as they may be based in Addis Ababa or overseas, decision-makers only visit periodically, and often only technicians are available on the farm for long periods – this can limit opportunities for dialogue and better mutual understanding.

Corporate social responsibility type activities are an important way for investments to have benefits at the local level. While research was not able to collect data on this issue in great detail, informants suggested that good practice by investors was the exception rather than the norm. Usually actions like provision of schools or clinics are not specified in contracts, and are certainly not checked as part of the monitoring system. However, in some regions where government is moving to a land bank system with more systematic assessment of investors, they could become one criterion for judging between different investors.

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sugar farms, these are presented as part of the government's resettlement programme to promote development, rather than a consequence of sugar development per se, hence the government argues that sugar land investment is not technically causing resettlement.

[51] Interview with MOA, AISD, technical expert, July 2012.

7.5 Land use and environmental impacts

Land use planning is important for ensuring that land investment is considered in the overall context of how to make best use of different resources to achieve a range of social, economic, environmental and other outcomes. It inevitably involves trade-offs between objectives.

In Ethiopia, land use planning is weakest in developing regions. Development has happened without clear strategic analysis of optimal allocations of land in the regions for industry, forestry, crop agriculture, fisheries, tourism and wildlife. Early iterations of the federal land bank for these regions also ignored rival land uses, for example the land bank areas in Benishangul-Gumuz covered important bamboo forests. In Oromia, in contrast there has been much clearer demarcation of land use zones, and which areas are for specific crops, with guidance provided to investors accordingly.

Part of the explanation for this is that there is a lack of good information on the status of natural resources and livelihoods in these areas, on vegetation, topography and other relevant subjects. Benishangul-Gumuz and Gambella in particular are now developing land use planning frameworks and guidelines (a framework exists for Benishangul-Gumuz, with guidelines under development). In Gambella there has also been a remapping of the National Park, which was never previously gazetted. Benishangul-Gumuz does not have a national park, but discussions are underway to create one. While these developments are important, they come after major areas of land have already been allocated for large-scale farming. In the case of the Karuturi land investment, adjustments to the land allocation have recently been made, with land reallocated to the Gambella National Park which was formerly in the Karuturi area.

As noted above, land was to some extent allocated in these regions at a time when they were paid little attention in policy or media discourse. Now the situation has changed somewhat and developing regions are seen as areas with considerable potential (wildlife tourism in Gambella, or hydropower development in Benishangul-Gumuz), and policy-makers are attempting to create better systems for categorising land resources and making choices about how they should be used.

Environmental impact assessments of land investments to date have been weak or non-existent. In Benishangul-Gumuz region government officials were frank that land had been given out without any kind of environmental impact assessment (EIA). Only now are investors being forced to develop environmental management plans as part of on-going monitoring of investments. Research in Afar and Somali regions suggested that no EIA had ever been conducted.

New investors at the federal level need to deliver an EIA within three months of signing a lease. It is also not possible to access funds from the Development Bank of Ethiopia without an EIA. It is generally unclear how comprehensive these EIAs are, or how well they are checked, as this information is not in the public domain. EIAs are also reviewed by MOA at the federal level rather than the Environmental Protection Authority, the agency which should have more expertise in this area.

An example of EIA in practice is given in Boxes 3 and 4. Box 3 contains details of possible risks identified for the Saudi Star land investment in Gambella. These are comprehensive, but with

some exceptions rather generic environmental risks that might apply to an investment in many locations. Box 4 identifies measures taken by the company to mitigate risk.

a. Adverse effect in the life support function (biodiversity of fauna and flora) of the complex natural ecosystem in the project sites and surrounding areas
b. Deforestation, loss of forest and grass cover and plant biodiversity including unique and/or endemic forest tree species
c. Loss in populations and species diversity of high profile and endemic wildlife resources including large mammals in the project sites and the surroundings due to changes in habitat, proliferation of poaching and disturbance.
d. Causing or aggravating climate change and desertification following continued or sustained reduction in the biological productivity of the land.
e. Land use change induced overall soil and/or land degradation
f. Intensive mechanized cultivation-induced soil physical, and eventually soil biological and chemical degradation leading to reduction in soil health and land productivity.
g. Continuous and intensive cultivation-induced mining of non-fertiliser plant nutrients in soils leading to soil infertility
h. Possibility of secondary salinisation/sodification and alkalization of soils, and even acidic fertilisers-induced soil acidification.
i. Depletion of water resources in the areas with time and increased flood hazards
j. Excessive accumulation of farm applied agricultural chemicals caused pollution and/or toxicity leading to damage of soil health and contamination of surface and groundwater resources (environmental pollution) due to safe disposal of farm wastes, and effluents and byproducts of the rice processing plant
k. Land use conflicts related to protected forest, wildlife reserve, cultivation, grazing and/or browsing and livestock watering grounds
l. Risk on employees health and safety
m. Increased/aggravated prevelance and outbreak of vector/infectious human diseases notably malaria and typhoid, and favoured growth of insect population including agricultural vermin (insects and rodents) in the irrigated fields
n. Possibility of more burden on women over men in the production (planting or transplanting, weeding, bird control, harvesting and drying), processing and trading of rice where women play a major role in all aspects of rice value chain than men

Box 3: Environmental impacts identified for Saudi Star rice farm

- Maintaining trees on farmlands (while clearing the natural vegetation for land development to retain an acceptable density of trees on the site about 15-20% for increasing and sustaining ecological functions and yield of crops grown both within the farmlands and as borders of the farm.
- Reforestation and/or reafforestation of activities (the natural vegetation cover lost during land clearing and development for rice production particularly on the command areas shall be compensated to a certain extent through afforestation and/or reforestation program of on 10 per cent of the project land
- Wild animal population and diversity (recommended alternative development to supplement in the proposed areas with cattle breeding, wild animal farming, forest development, exotic wildlife reserves, hunting and even development of adaptable perennial fruit tree plantations in some areas, and
- Soil erosion control (in order to combat soil erosion and soil physical degradation through soil structure deterioration and compaction accelerating as a result of clearing of the natural vegetation with bulldozers followed by intensive mechanized cultivation, use of integrated biological, mechanical and cultural) soil and water conservation practices will be adopted.

Box 4: Environmental protection measures taken by Saudi Star

Officials interviewed in Benishangul-Gumuz were very concerned at the effects of land investment on natural resources, particularly loss of high-value forests, and the danger that cultivation in areas with shallow soils would result in land becoming exhausted after a few years. Trees are generally cut and burnt during land clearance resulting in release of carbon to the atmosphere as well as a loss of ecosystem services. Regulations now specify that investors must leave 60-70 indigenous trees per hectare, and 100 on slopes. In addition cultivation within 60 metres of a slope is prohibited[52].

In some cases investors argued that they were transforming the soil in a positive way, for example, a company growing cotton in SNNPR, claimed that they had planted leguminous crops to build up sub-soil, allowing cultivation where none had been possible before. The wider sustainability of water use for this cotton cultivation was not discussed. In Afar, there is concern about the sustainability of use of the Awash river for large-scale cotton production. In general there is no policy on charging for water for large-scale investments, but there is a difference in federal land rental price guidelines with a higher price specified for irrigated land.

As noted elsewhere better baselines are needed on environmental conditions and land use when land investments get underway. This would make it more possible to rigorously assess environmental impacts over the medium term.

[52] Officials also noted that studies of tree resources linked to the federal land bank were based on checklists of trees that were irrelevant to Benishangul-Gumuz, none of the key species in the region were listed.

8. Conclusions

Ethiopia is an important test case for global agricultural land investment in a poor developing country. As the inventory for this research has presented, with over 1 million hectares allocated to large-scale commercial agriculture in the last 8 years, the granting of land concessions has been both a rapid and sizeable process. It is likely to continue to grow in the years ahead.

Ethiopia also challenges assumptions about global land investment, namely that it is primarily an agenda driven by global corporations and governments of the rich world, with developing country governments reluctantly pressured to accept liberal investment policies as part of wider development conditionalities. In Ethiopia this is resolutely not the case and land investment has been primarily driven by the EPRDF government, which sees itself as managing a developmental state, governing the market to encourage investment to meet carefully determined development goals and objectives.

Africa is seen in analysis of international food security and agricultural development as a continent with unfulfilled agricultural potential and some of the most underutilised land in the world. The Ethiopian government largely subscribes to this view in relation to its own country, and identifies large areas of land in the country as virtually unused and of high potential for agricultural production. This has driven the creation of a federal land bank and promotion of Ethiopia as an investment destination for international agribusiness.

This process of investment in the lowlands can be seen as part of an ongoing project of state-building in hitherto peripheral parts of Ethiopian territory. This has entailed some transfer of power over land allocation from regional to federal governments, possibly weakening regional autonomy.

Pursuit of national development goals has social and environmental impacts at the local level, as forests are cleared and in some cases communities are resettled, or lose access to rangelands, forest or water resources. This research has only been able to touch on these issues, and this is an area where more publicly-shared data collection by government is needed, as well as independent research. There are undoubtedly cases where problems at the local level could be avoided by more careful choice of land allocation, and by encouraging companies to allow better access to resources where possible, to create training opportunities for local populations, and to provide social benefits such as schools and clinics.

Large-scale land investment is one part of agricultural strategy. The Ethiopian government also places great emphasis on intensifying production in smallholder areas. Greater efforts could be made to build linkages between the two sectors, for example, in terms of joint marketing, access to inputs and sharing of technologies.

The long term impact of land investment on pastoralist rangelands, and the economic returns to different land uses also needs more analysis.

On the right terms investment can be welcomed by communities if carefully crafted. Likewise there are possibilities for spillovers to local smallholder farmers through sharing of technologies, skills, provision of low-cost inputs and help with marketing, through contract farming and other arrangements, although much more evidence is needed on this. There should be incentives for investors to pursue these kind of activities and they should be monitored as they implement them.

Land investment in Ethiopia proceeded initially in a chaotic fashion. This is especially the case in some regions where land has been given out without proper scrutiny of investors, environmental impact assessments or monitoring of performance. Even with federal land agreements progress on implementation has been slow. Government at both regional and federal levels is now working to address some of these difficulties with temporary moratoriums on further land deals at the federal and some regional levels, and a plan to put in infrastructure in remote regions to speed up implementation of agricultural production plans and attract higher-quality investors.

New land bureaux in many regions are seeking to assess how much land really has been allocated, how much is being farmed and cancelling inappropriate leases. New land agreements will involve more careful assessment of investors both in terms of environmental impacts and capacity to farm, with allocation of pre-identified land. New donor-supported land certification processes could also help protect the rights of local land-users alongside the interests of investors. However, capacity to scrutinise and monitor investors in the developing regional states in particular is still very limited, especially where investments are spread over very large areas.

Ethiopia has set itself ambitious development goals with agricultural transformation at the centre of its strategies. Large-scale land investment that is productive rather than speculative has a role to play, although careful consideration of social and environmental impacts, alongside economic analysis of costs and benefits of different land use options, based on quality information shared between different stakeholders, is needed to ensure this.

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