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GCC STATES' LAND INVESTMENTS ABROAD

THE CASE OF ETHIOPIA
SUMMARY REPORT

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THE CASE OF ETHIOPIA

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ABOUT THE CIRS RESEARCH INITIATIVE

Despite the critical regional interest in food security and food sovereignty, there is a dearth of available information on the subject as it relates to the Middle East. It is widely acknowledged that there exists a lack of available data on the subject on which to base sound analysis. This scarcity of data and non-reliability of data means that academic work on the subject of food security in this region remains limited to non-existent. A scholarly approach to this issue is both valuable and timely. With that as its goal, CIRS launched a research initiative on "Food Security and Food Sovereignty in the Middle East" and held working group meetings to discuss the topic.

The CIRS goal is to contribute to the existing body of knowledge on food security and food sovereignty in the region through supporting original research on the topic and has funded empirically-based, original research projects in order to fill the existing gap in the literature. Under the broader initiative, CIRS has created a scholarly forum for studying the main themes in food security and food sovereignty in the Middle East. Through regular CIRS-sponsored research meetings, grant awardees were able to share their research findings with other academics, policymakers, and practitioners.

This report is part of a larger CIRS-funded research project on "External Food Security Strategies: Risks and Opportunities for the Gulf States" by Mary Ann Tétreault, Trinity University; Benjamin Shepherd, University of Sydney; and Deborah L. Wheeler, United States Naval Academy. The project examines several Gulf states seeking agricultural land in developing countries. This strategy offers the possibility of securing reliable long-term food supplies but has been criticized as risking exploitation of communities in the host countries. This project examines two cases of Gulf-state land investments in developing country agriculture to develop a long-term prognosis for this going-abroad strategy. The questions addressed are: What risks accrue to Gulf state investors in pursuing it? and What could increase the likelihood of long-term success?

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Thanks to the Center for Regional and International Studies (CIRS) at the Georgetown University School of Foreign Service in Qatar for funding the fieldwork for this project as part of the research initiative on "Food Security and Food Sovereignty in the Middle East." This fieldwork forms part of Benjamin Shepherd's Ph.D. research into foreign land acquisitions as a food security strategy for Gulf states. The data presented here will be analyzed in greater detail in his dissertation.

GCC STATES' LAND INVESTMENTS ABROAD

THE CASE OF ETHIOPIA

This report has been prepared using data generated from fieldwork in Ethiopia. It seeks to evaluate the country as a potential long-term source of agricultural staples for Gulf Cooperation Council (GCC) member states as part of their national food security strategies.

This research has been undertaken as part of the “Food Security and Food Sovereignty in the Middle East” research initiative generously funded by the Center for International and Regional Studies (CIRS) at the Georgetown University School of Foreign Service in Qatar. The project examined both Ethiopia and Cambodia as prospective targets of agricultural investment by some of the Gulf Cooperation Council states. This report focuses on Ethiopia. There is a sister report laying out the evidence from Cambodia.¹ The findings of the project as a whole can be found in the forthcoming book on *Food Security in the Middle East* published as part of the CIRS research initiative on the subject.

The main conclusion drawn in both reports is that the acquisition of agricultural land in developing countries like Ethiopia and Cambodia is a poor and risky strategy for the objective of securing food supplies for GCC states. This is because such approaches, if not carefully managed and maintained, tend to dispossess, injure, or impoverish local communities, jeopardizing the viability of projects. The report nevertheless also identifies opportunities for investment in the agricultural sector of Ethiopia. These opportunities support the proposal that investment in smallholder agriculture instead of large-scale land acquisition offers a potentially more reliable path to deliver productivity improvements and the desired food security objectives. The question remains, however, whether such an investment strategy is capable of delivering sufficient productivity growth to provide food security for Ethiopia and the investing country as well.

Although manifesting differently, similar problems—specifically, the risks associated with land-focused investments—are common between the two case studies of Cambodia and Ethiopia, and are likely to be encountered in other developing countries as well. At the same time, the opportunity for increasing productivity—presenting the possibility to generate surpluses for export—exists in both Cambodia and Ethiopia. The path to addressing domestic food security prior to exporting excess production, however, varies greatly and is substantially more difficult in Ethiopia than in Cambodia. Nevertheless, the possibility for GCC state investment in smallholder farmers abroad to increase productivity, deliver surpluses for export, and provide competitive markets for surplus production exists in both cases.

With further research into other potential investment hosts, there are sound opportunities for GCC countries to use investment in developing country agriculture as part of their long-term food security policy mix, as long as those investments are approached in a careful, constructive, and regulated way. To this end, some recommendations are made in this report for further research and for GCC state policymakers to re-think national food security policies.

¹ See Benjamin Shepherd, “GCC Land Investments Abroad: The Case of Cambodia,” CIRS Summary Report 5, Center for International and Regional Studies, Georgetown University School of Foreign Service in Qatar, 2012, <http://www12.georgetown.edu/sfs/qatar/cirs/CambodiaSummaryReport.pdf>.

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Introduction

Global food prices continue to be under pressure after the spikes in 2008 that saw protests, unrest, and an increase in the number of people around the world going hungry.¹ As a result, many governments are increasingly concerned about “food security.” The member states of the Gulf Cooperation Council (GCC) are no exception. Developing reliable long-term food supplies is imperative for the continued stability of these states and the well-being of their populations. Yet GCC states must contend with difficult conditions for domestic agriculture, high dependence on food imports, and vulnerability to whims of food trading partners—some of whom limited exports during the 2008 crisis.

One strategy being pursued by GCC members along with other nations, notably China and South Korea, is the acquisition of arable land—henceforth “land deals”—in foreign countries. The purpose is to establish intensive farming overseas and import produce back to their domestic markets. In theory, especially because it targets land in developing countries with low agricultural productivity, this strategy can have benefits for both investor and host states. However, this approach has been widely condemned as detrimental to the food security of the developing country host and as a new form of exploitative economic colonialism.² It has been suggested that these projects are likely to worsen further the situation for the poor in those countries.

This research sets out to examine the actual situation with respect to developing countries hosting such land deals and to suggest some guidelines for GCC policymakers to minimize harm to local communities and maximize the long-term success of investments made in the pursuit of food security objectives.

Using the Federal Democratic Republic of Ethiopia as a host-country case, one conclusion that this report reaches is that there is an excellent opportunity for developing agricultural productivity and increasing overall food availability through investment in developing country agriculture. However, the report also concludes that the strategy of trying to secure control over land in Ethiopia in the hope that this will lead to food security in GCC countries is flawed. Therefore, the way investments are made must be reconsidered. As this report illustrates, deals focusing on land do not guarantee productivity improvements and risk dispossessing local farmers, creating unrest, and the real possibility of violent conflict. This instability is bad in and of itself, especially for the affected communities, but it also jeopardizes the reliability of exports back to the investors’ home market. Dispossession of local farmers also risks increasing poverty and reducing access to food by rural communities affected by these investments. This too risks disruption of export flows to the investor. Together these limit the effectiveness of a land-focused strategy.

Instead, a more reliable and effective form of investment would be to build the capacity of local farmers in the host country to improve their own productivity in order to produce surpluses for export. This facilitates reliable productivity improvements and an increase in the availability of food for export. It also preemptively mitigates the risks of violence and instability and the threat to exports that result from foreign investors often forcing smallholding farmers from their land. In conclusion, the report makes some suggestions as to how such investments might be facilitated. It recommends some policy considerations and identifies some areas for further research.

¹ During 2007 and 2008, global food prices sky-rocketed. There are a number of explanations including, unregulated commodity speculation on food staples and the flow of food production, especially US-grown corn, into biofuel production. See Miguel Robles, Maximo Torero, and Joachim von Braun, “When Speculation Matters,” *IFPRI Issue Brief* 57, Washington DC: International Food Policy Research Institute, February 2009; Donald Mitchell, “A Note on Rising Food Prices,” World Bank Policy Research Working Paper no. 4682, July 2008. These price hikes were associated with protests, riots, and violence in as many as thirty countries and were in turn linked to political upheaval in some weak states such as Haiti and Madagascar. See *BBC News* articles: “Mexicans Stage Tortilla Protest,” February 1, 2007; “Food Riots Turn Deadly in Haiti,” April 5, 2008; “Haitian Senators Vote to Fire PM,” April 12, 2008; “Madagascar in Crisis,” March 18, 2009; and “Madagascar Leader Axes Land Deal,” March 19, 2009. See also, Alexander Nicoll, “The Simmering Food Crisis,” *IISS: Strategic Comments* 14, no. 9 (2008); Jerome Taylor and Andrew Buncombe, “The Food Crisis Begins to Bite,” *The Independent*, April 25, 2008. Links have also been drawn between rising food prices and the Arab Spring. For more on this see Sarah Johnstone and Jeffrey Mazo, “Global Warming and the Arab Spring,” *Survival: Global Politics and Strategy* 53, no. 2 (2011): 11-17; and David Rosenberg, “Food and the Arab Spring,” *The Middle East Review of International Affairs (MERIA) Journal* 15, no. 3 (September 2011).

² See for example, George Monbiot, “Rich Countries Once Used Gunboats to Seize Food, Now they Use Trade Deals,” *The Guardian*, August 25, 2008; Shepard Daniel and Anuradha Mittal, “The Great Land Grab: Rush for the World’s Farmland Threatens Food Security for the Poor,” The Oakland Institute, Oakland California, 2009; Seif Madoffe, “Africa: Biofuels and Neo-Colonialism,” Weekly Forum for Social Justice in Africa, June 4, 2009; Alexandra Speildoch and Sophia Murphy, “Agricultural Land Acquisitions: Implications for Food Security and Poverty Alleviation,” in *Land Grab? The Race for the World’s Farmland*, ed. Michael Kugelman and Susan L. Levenstein (Washington DC: Woodrow Wilson International Center for Scholars, 2009); La Via Campesina, “Land Grabbing: La Via Campesina Urges States to Act,” Statement released May 10, 2012.

Context: Food Security as a National Strategy

Background

The GCC member states have differing levels of domestic agricultural capacity. Saudi Arabia, for example, has invested massively in high-technology, large-scale wheat and cattle production. In some respects, this has been quite effective. Wheat self-sufficiency was achieved in the 1980s and continued until 2009. However, it has come at a grave cost to the Kingdom's non-renewable water resources, and the ongoing water consumption needs of desert agriculture makes this unfeasible in the medium and long term.³ GCC states with little land per capita—UAE, Kuwait, Qatar, and Bahrain—have less capacity to develop local agriculture on a large scale, especially for granary staples. However, they have explored options for domestic agriculture and have undertaken or encouraged various projects such as Kuwait's vegetable farms and air-conditioned dairy barns.

Despite these initiatives, all GCC member states remain heavily dependent on food imports. From the experience of the 2007/2008 food price rises and the sudden imposition of export controls by some key trading partners, all GCC states have recognized the need to diversify their sources of key staple foodstuffs. This is important to ensure that there are long-term reliable and affordable food sources that are protected from unpredictability and the risks to pricing and supply inherent in what is in effect an unregulated and highly distorted global market.⁴

One of the obvious options for GCC states is to purchase agricultural land in other countries for the purpose of intensive farming in order to send the produce back to their own domestic markets. However, this strategy has been subject to widespread criticism as being detrimental to the food security of developing country hosts.⁵

This report explores the foreign land investment strategy for GCC members as it pertains to the specific case of Ethiopia. It assesses the mechanisms for acquisition of Ethiopian farmland by foreign investors and considers the strategy as a means of developing GCC state food security and as a source of either constructive development or destructive foreign interference in the host country. In doing so, this report seeks to identify strategies for investment by GCC members that can work towards long-term domestic food security objectives and that can make a constructive contribution to the development of the host country. This last point is of central importance. A strategy that is ultimately destructive to the host country is unlikely to provide a reliable source of food imports for the investor over the long term.

Food Security

Food security has been defined by the Food and Agriculture Organization (FAO) of the United Nations (UN) as:

exist[ing] when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life.⁶

³ Benjamin Shepherd, "Above Carrying Capacity: Saudi's External Policies for Securing Food Supplies" (paper presented at World Congress of Middle Eastern Studies, Barcelona, July 19–24, 2010), http://www.insight-in-security.com/insight/wp-content/uploads/2012/05/Shepherd-_Saudi-Arabias-external-policies-for-securing-food-supplies-9Jun2010.pdf.

⁴ Despite economic logic suggesting that poor countries with cheap labor and abundant agricultural resources should be the most competitive agricultural producers, agricultural markets are dominated by North American and European producers who are heavily subsidized by their governments, grossly distorting the international market for agricultural commodities. For example, see Rajesh Aggarwal, "Dynamics of Agriculture Negotiations in the WTO," *Journal of World Trade (Law-Economics-Public Policy)* 39, no. 4 (2005): 741–762; John Frydenlund, "Sowing the Seeds of Failure: A Critique of the 2007 US Farm Bill," Global Subsidies Initiative, International Institute for Sustainable Development, 2007, <http://www.iisd.org/gsi/news/sowing-seeds-failure-critique-2007-us-farm-bill>; Malgorzata Kurjanska and Mathias Risse, "Fairness in Trade II: Export Subsidies and the Fair Trade movement," *Politics, Philosophy & Economics* 7, no. 1 (2008); Clive Potter and Mark Tilzey, "Agricultural Multifunctionality, Environmental Sustainability and the WTO: Resistance or Accommodation to the Neoliberal Project for Agriculture?" *Geoforum* 38, no. 6 (2007); and World Trade Organization, "Agricultural Negotiations Background," 2011. Despite, or indeed because of, these distortions, there is little agreement on regulation of international trade in agricultural products. Reaching an agreement on agriculture (the "AA") remained the primary obstacle in the WTO Doha Round of negotiations.

⁵ See Madoffe, "Africa: Biofuels and Neo-Colonialism;" Monbiot, "Rich Countries;" James Petras, "The Great Land Giveaway: Neo-Colonialism by Invitation," Global Research, Centre for Research on Globalisation (December 1, 2008).

⁶ Food and Agriculture Organization of the United Nations, *The State of Food Insecurity in the World 2010: Addressing Food Insecurity in Protracted Crises* (Rome: Food and Agriculture Organization of the United Nations and the World Food Programme, 2010), 8.

While there are some significant limitations with this framing,⁷ there are three important aspects of food security that GCC policymakers thinking about utilizing foreign farmlands must consider. This report is concerned with the first and third of these aspects.

The first pertains to the consistent, long-term availability of sufficient, affordable food imports, especially for staple products. The second relates to how supply is equitably distributed in a society to ensure that all people in the country can access and afford to eat healthy, appropriate (in terms of nutritional needs, culture, religion, climate, etc.) food all of the time. The third aspect is the problem of availability, equitable distribution, and affordability *for the population of the countries where land is being targeted*. At first glance, this latter point might not seem much of a concern for GCC policymakers and could too easily be ignored as being irrelevant or too difficult to influence. However, even with firm contractual arrangements in place, if the host country government experiences a crisis—such as protests and unrest over lack of food in the host country—that requires requisitioning resources contractually committed to the foreign buyer, domestic pressures will override foreign obligations.⁸ This creates a potential source of conflict between the investor state and the host country at the same time as jeopardizing the flow of exports from the project.

Such situations, in conjunction with local tensions, limit the effectiveness of investments unless serious risk mitigation strategies are undertaken. The key point is that for foreign food security arrangements to be predictable and reliable over the long term, understanding of—and, if necessary, investment in—the conditions in the host country is required. The evidence from Ethiopia will bear this out.

Land Deal Investors

State organs of GCC countries and their corporate citizens are pursuing foreign land deal projects. Sometimes the line between what is a state-led or a corporate-led investment is unclear. Some examples include Kuwait's reported acquisition of 130,000 hectares in the Kampong Thom province of Cambodia, the investments made by Qatar's Hassad Food Corp, which is a wholly state-owned enterprise, and investments made by Saudi Arabian corporations that are underwritten financially by the Kingdom's Agricultural Development Fund.

One of the questions that arises from the blurring of state and corporate activity is whether the primary objectives of the investments are purely for profit—whether from speculation or sales revenues—or to deliver on national food availability objectives. Regardless of the answer, one of the problems with both state- and corporate-led investment—as compared with multilateral development aid spending—is the lack of transparency on the nature of the deals, with details hidden because they are either diplomatically sensitive or commercial-in-confidence.

For the rural communities in the host country affected by land deals, any bad effects are not dependent on whether the investment is state-led or corporate-led, but rather on how well executed the project is. Creating the conditions for ensuring a well-executed investment project—whether funded by the state, a sovereign wealth fund, or private capital—is likely to require some degree of regulation or other intervention by the investor state government.

Moreover, for investments to be successful from the perspective of the investor state government—meaning a sufficient and reliable flow of the desired staple foodstuffs into the investing country—a degree of state involvement is necessary. Purely corporate-led investments will follow profit-maximizing opportunities instead. GCC state firms are already investing in and involved in land deal ventures in Southeast Asia, but not necessarily for the production of core staples, nor necessarily for exportation back to their home market.⁹ Other corporate investments may seek speculative gains—for example, from increasing land values—and may not deliver on domestic food security objectives at all.

Table 1 below outlines some of the GCC states' land investments abroad. This is not a complete list; it is based on publicly available information. There are many deals with unclear details and others that are not publicly

⁷ Benjamin Shepherd, "Thinking Critically About Food Security," *Security Dialogue* 43, no. 3 (2012): 195-212.

⁸ This is not so different from the 2008 food price "crisis," where countries that imposed export bans on produce were the ones that suffered from poverty, hunger, or domestic stability problems and that experienced, or were at risk of, protests against high food prices. These included India, Pakistan, and Kazakhstan. See United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA), "Export Controls Curtail Aid for Hungry Neighbours," *IRIN News* (2008).

⁹ Examples include GCC firms Abbar & Zainy in Saudi Arabia and Alpha Fruits in Kuwait that are involved in fruit plantations in the Philippines and export to different foreign markets such as Japan, Korea, and countries in Europe and the Middle East.

announced, including an arrangement between Saudi Arabia and Ethiopia for up to 1,000,000 Ha reported by a Saudi policymaker.¹⁰

Table 1: Known GCC Land Investments Abroad

GCC Investor State	Host Countries	Stated Purposes for Projects	Scale of Deals
Saudi Arabia	Ethiopia, Sudan, Senegal, South Sudan, Russia, Philippines, Argentina, Egypt, Mali, Mauritania, Nigeria, Niger (Suspended by host in 2009), Pakistan, Zambia	Direct export of maize, soybean, fodder, rice, palm oil, prawn, bananas, pineapple, vegetables, wheat, poultry	Of these deals, 16 cover 1,713,357 Ha. Five of these are in Ethiopia
UAE	Sudan, Algeria, Morocco, Egypt, Ghana, Indonesia, Namibia, Pakistan, Romania, Spain, Sudan, Tanzania	Direct export of potatoes, olives, dairy, olive oil, citrus, fodder, maize, palm oil, rice, sugar cane, dates, alfalfa, cereals, cotton, sunflowers, peanuts, sorghum	Of these deals, 5 cover 1,882,739 Ha
Qatar	Cambodia, Sudan, Turkey, Brazil, Vietnam, Pakistan, India, Ghana, Indonesia, the Philippines, Australia	Direct export of sheep, wheat, cereal, rice, barley	Of these deals, 4 cover 642,630 Ha
Kuwait	Cambodia, Laos, the Philippines	Direct export of rice and maize	
Bahrain	The Philippines	Direct export of bananas and rice	
Oman	The Philippines	Direct export of rice	

Sources: “Food Crisis and the Global Land Grab,” January 2012, and Landportal.info, May 2012. Thanks for the assistance of Deborah Wheeler from the US Naval Academy for her contribution to collating this data.

When GCC policymakers are developing food security policies that include investment strategies in developing country agriculture, it is important to consider the impacts of unregulated behavior by its corporate citizens. This is especially so for firms running state-funded programs or those who benefit from or use the advantages gained by association with the state’s food security policy and receive support for extra-territorial activities. However, even firms that do not directly benefit from the government’s policies have the potential to create problems for the state and the pursuit of its objectives if they create bad situations within the host country. This supports the contention that investment strategies and regulatory controls should be developed by the investor state government if long-term food security objectives are to be met. The “Recommendations and Next Steps” section of this report makes some suggestions to this end.

Research Method

This report has been prepared using data gathered from field research in Ethiopia undertaken during September and October 2011. This research included interviewing stakeholders from as many perspectives as possible, including:

- foreign agricultural investors in the Ethiopian agriculture sector and investment advisors in Ethiopia acting for foreign investors;
- Ethiopian (domestic) investors financing local agricultural projects;

¹⁰ By way of comparison, total land area of Kuwait is 1,782,000 Ha and Qatar is 1,159,000 Ha. Saudi Arabia’s total irrigated area is 1,731,000 Ha. Landportal.info reports 86 land deals in Cambodia and 71 in Ethiopia making them two of the most targeted countries after Mozambique with 92. So far, Mozambique has not been targeted by any of the GCC member states.

- international donor organizations working on development projects in agricultural development and land-related issues;
- journalists, academics, and think-tank analysts who have researched and commented on the sector and on commercial and foreign investment in it;
- civil society organizations;
- farmers and villagers who have experienced investment projects on, or near, their farms and pastures;
- other Ethiopian farmers; and,
- policymakers, bureaucrats, government officials, and a political opposition spokesperson.

In total, 30 interviews were conducted as well as field observations in the areas of Debre Zeit (*Bishoftu* in the local Oromiya language) in the highlands, approximately 50km from Addis Ababa, and Gambela in the remote pastoral lowlands, about 600km from the capital. These field excursions included discussions with community members and villager and farmer groups. A range of informal discussions were also held with people working in the areas. Some other field excursions into the countryside provided the opportunity for additional observations of agricultural communities. Further, extensive informal discussions in Addis Ababa also contributed important background and contextual information to the study. In order to elicit broader participation, a number of the interviews and many of the informal discussions were held with large groups of people. In all cases, it was made clear to participants that they would remain anonymous to ensure that they felt as comfortable as possible to openly express their experiences and views. In a few cases, people explicitly made clear that they were willing to be identified. Documentary data was accumulated during the field research period including (translated) copies of legislation,¹¹ policy documents, and academic/think-tank reports and publications.¹²

Constraints on Research

I encountered some difficulties whilst gathering data in Ethiopia. This is mainly due to the fact that foreign academic researchers are frequently treated with a degree of suspicion by the authorities. The subject of so-called “land grabs” in Ethiopia is extremely politically sensitive. For these reasons, accessing government representatives—both policymakers and bureaucrats—proved difficult. I was told on a number of occasions that government executives would not only be reluctant to answer certain questions, but would actually be averse to being seen with a foreign academic. This largely proved to be the case. With just one exception—a senior, highly-placed, policy-advisor to the prime minister—the government sources interviewed consisted of former policymakers, officials, and bureaucrats. These sources tended to feel less constrained in meeting and discussing the issues under consideration. The sensitivity of the “land grab” issue also made some subjects reluctant to address certain questions, especially about government policies and impacts on local communities.

Examining the impact of foreign agricultural investments on local communities proved to be difficult. In Cambodia, the long-term relationships that certain local human rights NGOs had with affected communities enabled me to gain access to farmers via trusted intermediaries. This gave the communities the confidence to share their experiences with an outsider. This access, however, was much more difficult to achieve in Ethiopia. As a result of the Ethiopian government passing the restrictive Civil Society Organisation Proclamation 621/2009,¹³

¹¹ A note on transliteration: Ethiopia has multiple languages and scripts, as well as different naming and time-keeping conventions compared to the West. Amharic is the official language of modern Ethiopia, despite larger populations speaking the Oromo and Tigrinya languages and some eighty different tribal and ethnic groups having their own languages. Amharic was the language of Ethiopian royalty and uses a script derived from the ancient Ge'ez ecclesiastical language. There is a standard transliteration for Amharic letters and words, which has been used throughout this report. Occasionally, difficulties were encountered where small village names or local or tribal knowledge did not have a standard English translation or transliteration. Ethiopia uses a patronymic naming system, i.e. taking the father's, and sometimes also the grandfather's, name in place of a surname. It also uses its own calendar and counts hours differently to the West. Most Ethiopians writing for foreign audiences use the Gregorian calendar and western time-keeping. I follow their lead. In the few exceptions, such as quotations from interview subjects referring to the Ethiopian Calendar (EC), the Gregorian equivalent is also provided. Similarly, I treat the Ethiopian patronymic as a surname. For example, Desalegn Rahmato (Desalegn, son of Rahmato) is cited as “Rahmato, Desalegn.” For clarity, I include Ethiopian names in full in the bibliography.

¹² It is worth noting that there was a relative dearth of such material in comparison to Cambodia. This may in part be due to the absence of NGOs working on this and related issues in Ethiopia.

¹³ Federal Democratic Republic of Ethiopia, “Proclamation 621: Charities and Societies,” *Federal Negarit Gazeta* 25, <http://www.unhcr.org/ref-world/docid/4ba7a0cb2.html>.

all international NGOs, and all but one independent local NGO,¹⁴ have abandoned any involvement in human rights monitoring and advocacy. The activities of that local NGO, the Human Rights Council, have been severely curtailed by government interference, including the freezing of its financial assets and the harassment of its now very few staff members.¹⁵ Thus, the communities who have been evicted from their land or those who have had other negative experiences as a result of commercial land investments have had little or no external support. Further, it is hard for outsiders to gain access to these communities via intermediaries who have trusted relationships with them.

In general, NGOs in Ethiopia, especially international ones, operate in a climate of restriction and, sometimes, fear. Two of my experiences illustrate this: one international NGO contacted for this study refused to speak to me, even off the record, on the grounds that “it is more important for our organization to not upset the government than to try to improve the situation for the communities we work with.”¹⁶ Following a field visit to Debre Zeit, detailed later in this report, I contacted a number of international humanitarian NGOs to ask for their support in providing aid and assistance to a community I visited. However, I was told repeatedly that since they had not been invited by the government to work in that area or with that community specifically, they would not visit the area to observe the villagers’ plight.

Thus, NGOs working on development projects—provision of agricultural assistance, water management, etc.—are some of the few mechanisms through which a foreign researcher can gain access to local communities via an existing trusted relationship. This research is not intended to threaten the Ethiopian authorities, but to offer constructive policymaking suggestions. However, many of the development NGOs indicated that they felt that by being associated with the research, their good standing with the government would be at risk. A few others were more helpful and believed in the value of the current work and so gave considerable support.

It is worth noting that research difficulties are not isolated to foreign academics as research on the subject matter under scrutiny is difficult for Ethiopian researchers as well. Two senior and well-respected academics related similar difficulties in gathering data, especially conducting interviews related to this topic.¹⁷ A senior executive with an international donor organization said:

Party power combined with paranoia means people have to be very careful. I only express my opinions within a very small group and I expect that all my communications are monitored. There is no trust.¹⁸

Similarly, although some foreign journalists are able to gain access to various sources for short interviews, two European journalists were arrested and imprisoned in Ethiopia on terrorism charges while this research was being conducted.¹⁹ It is widely believed that the journalists were in the country illegally and were embedding themselves with the Oromo Liberation Front, an outlawed opposition group. That situation is a long way from the kind of research entailed here, but it speaks to the political repression in Ethiopia that can interfere with academic research.

I also encountered some practical difficulties. A field visit to the Gambela region in the west of the country was hampered by difficulties, including drivers or guides unwilling to work with a *faranji* (foreigner) in certain areas, as well as the habitual overcharging of foreigners.²⁰ Nevertheless, it was possible to undertake some valuable field excursions and hold enough interviews, meetings, and informal discussions to learn a considerable amount.

¹⁴ The government has established its own human rights monitoring organization called the Ethiopian Human Rights Commission.

¹⁵ The Human Rights Council of Ethiopia (HRCO), “The Impact of the CSO Proclamation on the Human Rights Council,” July 2011, <http://www.ehrco.org/images/impact.pdf>.

¹⁶ Telephone interview with the director of a Washington DC-based NGO, Addis Ababa, September 21, 2011.

¹⁷ Interview with an academic, Addis Ababa, September 19, 2011 and October 11, 2011.

¹⁸ Interview, Addis Ababa, September 30, 2011.

¹⁹ David Smith, “Ethiopia Jails Swedish Journalists on Terrorism Charges,” *The Guardian*, December 27, 2011, <http://www.guardian.co.uk/world/2011/dec/27/ethiopia-jails-swedish-journalists-terrorism>.

²⁰ An Ethiopian assistant would frequently negotiate a price for a service for me, but my appearance elicited a new price that was two, three, or four hundred percent of the agreed price. The lack of automatic teller machines, and the difficulty of accessing additional cash, limited my ability to achieve all that I had hoped.

Ethiopia's Current Crisis

Ethiopia is one of the world's poorest countries, with a population of at least 82 million growing at 2.6 percent—over 2 million people—each year.²¹ Of this, 84 percent lives in rural areas and is predominantly agrarian. The majority of rural Ethiopians lives a fragile existence in dire poverty—the average per capita income is as low as 3 Birr (17 cents) per day in some areas²²—with virtually no resilience in the face of exogenous shock: poor harvest, bad climatic or natural occurrences, conflict, family illness, and so on. These conditions have helped make Ethiopia synonymous with poverty, widespread hunger, and, regularly, famine. Thus, Ethiopia is in desperate need of investment in its agricultural sector in order to stimulate rural development.

While contemporary droughts in Australia, China, and the United States have caused hardship in these countries, they have not caused widespread famine and death. The same phenomena in parts of eastern Ethiopia, however, have resulted in these bad outcomes. This is largely because the agrarian population has low capacity—few alternative survival mechanisms—in the face of these shocks. For the poor in these areas, once their crops fail, there is no other source of income with which to buy food. This has left the government safety-net program,²³ and the strained and flawed emergency food aid and humanitarian assistance systems as the only survival mechanisms for as many as 15 million Ethiopians.²⁴ To exacerbate matters, the instability and insecurity in neighboring Somalia, combined with drought and food shortages there, has seen an inflow of Somali refugees into Ethiopia. This has put further pressure on Ethiopia's ability cope with the crisis.

The crisis underlines the urgent need to address the weak Ethiopian rural sector that currently cannot sustain the country's population. This is despite what appear to be astonishing national economic growth figures—averaging almost 11.5 percent between 2004 and 2010—according to the African Development Bank.²⁵ While some sections of the urban population, especially in the capital Addis Ababa, are experiencing the benefits of development and economic growth, it is clearly of a deeply unequal nature, leaving the majority of rural populations in poverty. Moreover, as evidence in this report demonstrates, development of rural areas in the form of land acquisitions by foreign investors to produce food for export is frequently having negative consequences that worsen further the situations of some rural populations.

Ethiopia as an Investment Destination for Agriculture

There are two positives that can be drawn from this bad situation. The first is that the Ethiopian government recognizes the need for development in the agricultural sector and is open and willing to invite foreign investment to this end. The second is that Ethiopian agriculture offers significant opportunities for productivity improvements and increased income for rural Ethiopians. There is, however, a plethora of difficulties in trying to

²¹ This figure is based on data from the Federal Democratic Republic of Ethiopia's 2007 Census "Summary and Statistical Report of the 2007 Population and Housing Census," Population Census Commission, Addis Ababa, 2008, http://www.csa.gov.et/pdf/Cen2007_firstdraft.pdf. Apparently, this census is flawed in some respects as it did not reach into some of the rural areas. The count is simply a government estimate. The United States Bureau of the Census estimates a higher population for Ethiopia of 88 million in 2010 and a higher growth rate of 3.2 percent per annum. This would place the population in 2010 at well over 90 million people. See United States Bureau of the Census, "International Database," 2010, www.census.gov/ipc/www/idb/informationGateway.php.

²² See Dawit Alemu, Woldeamlak Bewket, Gete Zeleke, Yemisrach Assefa, and Peter Trutmann, "Extent and Determinants of Household Poverty in Rural Ethiopia in Six Villages," *Eastern Africa Social Science Research Review* 27, no. 2 (2011): 21–49. Alemu *et al.* undertook a recent study of poverty in selected rural areas across Ethiopia and confirmed "abject rural poverty in the study areas; annual average per capita income was estimated at Birr 1092.30," p. 21. However, the authors inexplicably use an exchange rate of 9.6 Birr to the USD instead of the official and indeed on-the-street rate of 17 Birr/Dollar. At the 17:1 exchange rate, Birr 1,092 is an annual income of just \$64, or 17.5 cents per day.

²³ The Productive Safety-Net Program (PSNP) is a government program aimed at reducing the "food gap" faced by Ethiopia's poorest constituents. It provides income or food to "meet the gap" and halt the slow asset hemorrhaging and livestock sales that have been the fallback survival mechanism for many people. The World Bank was one of the program's major supporters. See some background on the original project: "Productive Safety Nets APL II," 2010, <http://www.worldbank.org/projects/P098093/productive-safety-nets-apl-ii?lang=en>. In informal discussions and interviews with various stakeholders in Ethiopia, criticisms of the food aid regime tend to focus on three main aspects: the issues of aid falling into the wrong hands, the problem of aid entrenching dependency and skewing the market, and the problem of aid inflating prices and worsening the cycle of impoverishment.

²⁴ According to an international humanitarian assistance NGO, 15 million Ethiopians were estimated to have been affected by the famine (interview with author, Addis Ababa, October 25, 2011).

²⁵ Peter Mwanakatwe and Lamin Barrow, "Ethiopia's Economic Growth Performance: Current Situation and Challenges," The African Development Bank Group Chief Economist Complex Economic Brief 1, no. 5 (September 17, 2010).

pursue these goals, making it less clear how such objectives would be achieved. For a foreign investor, it is even less clear how the possible productivity improvements can deliver reliable food *exports* from Ethiopia until such time as the dire food insecurity situation in the country has been addressed.

Political Geography

The geographical spine of the country is the Great Rift Valley. The high plateaus of the mountain ranges that give form to the Rift have excellent rainfall patterns ideally suited to settled, crop-based agriculture. The vast, remote lowland areas, on the other hand, have very limited rainfall and rely on the river systems—flowing from the “water tower” of the central plateau—for fresh water supplies. The agricultural practices in these lowland areas are mainly livestock-based in the form of traditional pastoralism. Not all of Ethiopia is suitable for agriculture; there are significant areas of rugged mountains, desert, and areas of volcanic activity.²⁶

The verdant rain-fed highlands give Ethiopia a significant agricultural advantage over some of its neighbors who are dependent on flows from rivers. On one hand, the abundance of fresh water is an invaluable resource. On the other, there are risks of political consequences—both domestic and international—for consuming, interfering with, or damaging fresh water flows.²⁷

Ethiopia is a land-locked country; its northeastern seaboard was lost when Eritrea gained its independence in 1993 closing the port of Assab to Ethiopia. Strained, even hostile, relations continue between the two countries more than a decade after the end of the Eritrean-Ethiopian War of 1998-2000. The Somaliland port of Berbera provides a point of disembarkation for some consumer goods coming to Ethiopia, but lacks the facilities or road links to Ethiopia offered by the Port of Djibouti, which Ethiopia has become almost entirely dependent upon for its international sea trade. A single-track French-built railway link between Djibouti and Addis Ababa has existed for more than a century but has not carried trains since the early 1990s, and is in a dismal state of disrepair. However, a high-quality highway between Addis Ababa and the Port of Djibouti provides for the transportation of the country’s major exports and imports. Mombasa and Port Sudan have both been proposed as alternative or additional ports to service the west and south of the country, but the distances and poor quality road links make these routes prohibitive. Further, there is no oil pipeline into Ethiopia;²⁸ all fuel for the country—including jet fuel for one of Africa’s largest carriers, Ethiopian Airlines—has to be transported by road. As a result, transportation in Ethiopia is relatively expensive.

In addition to the country’s geographical divide, Ethiopia has a complex ethno-political geography with “more than eighty” different ethnic groups.²⁹ Of the four major tribes, the Oromo is the largest (35 percent of the population), the Amharic—whose language is the national tongue and the lingua franca—is second (27 percent of the population), and the Tigrinya and Somali both constitute around 6 percent of the population.

The state is structured as a “Federal Democratic Republic” that emphasizes ethnic divisions. The creation of the federation divided the country into nine ethnicity-based *killils*—states or regions—and two federally governed cities of Addis Ababa and Dire Dawa. The ruling party, the Ethiopian People’s Revolutionary Democratic Front (EPRDF), is a coalition of four ethno-centric parties; one each from Oromiya, the Southern Nationalities *killil*, Amhara, and Tigray.³⁰ Led by Mr Meles Zenawi, prime minister until his death in September 2012, the Tigray People’s Liberation Front (TPLF) was instrumental in overthrowing Mengistu and the Derg regime and creating the Transitional Government of Ethiopia (TGE), the EPRDF, and the Federal Democratic Republic of Ethiopia (FDRE). The TPLF is the *prima inter pares* in the EPRDF. It is generally recognized that it is the people of Tigray, the Tigrinya, who wield power in Ethiopia, although the official discourse portrays things differently.

²⁶ Inhospitable areas include the Danakil Depression in the northern reaches of the Great Rift Valley. Earthquakes and volcanic activity also cause problems for agriculture. In June 2011, the Anabro volcano on the Ethiopia-Eritrea border erupted blanketing farmlands in volcanic ash and destroying crops, pasture, and farmer livelihoods.

²⁷ There is a plethora of new dam projects underway in Ethiopia. Many are for hydropower, which theoretically interferes with river flows, but not with actual quantities of water available downstream. However, changing river flows can greatly hinder downstream agriculture, not to mention the potential loss of riparian agricultural lands upstream. Further, some of the dams are slated either wholly or partly for irrigation, which is likely to curtail downstream water availability. It is unclear whether the impacts of these dams, both physical and political, have been adequately considered.

²⁸ This may change in the future. South Sudan has announced that it is considering the construction of an oil pipeline through Ethiopia leading to the Port of Djibouti. Potentially, Ethiopia could purchase oil directly from South Sudan. There are many technical problems with such a pipeline, not least that it will have to cross the Ethiopian highlands and the Great Rift Valley.

²⁹ Federal Democratic Republic of Ethiopia, “Summary and Statistical Report,” 16.

³⁰ The deputy prime minister took power after Mr Meles died in late August 2012. It remains to be seen what this shift in power means for the future of Ethiopian politics.

While the reality of the power trade-offs between ethnic groups within the EPRDF is opaque, it is generally understood that Mr Meles had a small circle of associates, nearly all of whom were Tigrinya, who constituted a ruling council for effectively all policy decisions within the country.³¹

The “ethnic federalism” model has territorialized ethnic differences. For example, as pointed out by the International Crisis Group,³² the Oromo never had their identity tied to any specific territory until it was created by the “federalization” of Ethiopia. With just a few exceptions, the ethnic groups of Ethiopia have always been widely dispersed across the country, and indeed across neighboring countries. For example, the Ethiopian Somalis are kin to Somalis in Somalia, and the major tribes of Gambela, the Nuer, and Anuak, have close kin in neighboring South Sudan.

The territorialization of ethnicity by federalization has not lessened inter-ethnic tensions: historic racially-motivated conflicts continue to loom large, especially in rural areas where conflicts over land are common. The strength and reach of the EPRDF government, however, means that violent conflict is usually rapidly suppressed. Thus, despite the strong undercurrents of tension and occasional flare-ups, Ethiopia remains stable and remarkably free of violence.³³ However, the empowerment of the Tigrinya, and the exclusion of various others from power, have encouraged underground, militant opposition groups such as the Oromo Liberation Front (OLF) and the Ogaden National Liberation Front (ONLF) of the Somali region.

Given the nature of the EPRDF as a coalition of parties, and the ethnic rule within each *killil*, it is impossible for the government to ban political parties. Thus, many opposition parties exist, but are deeply fragmented along ethnic and tribal lines—by the very nature of the ethnic federalist system—and, as a result, struggle to gain any meaningful support-base outside their local areas. These divisionary politics are exploited by the ruling elite who retain control of the country by such divide-and-rule tactics.

There is a high degree of fear of the government, and surveillance is ubiquitous. The EPRDF has extended its reach deep into many rural areas right down to the *woreda* (district) and *kebele* (village) level using a culture of neighborly surveillance where people are encouraged to monitor and report on each other.³⁴ Pastoral communities, however, have often been isolated from these systems, as will be discussed in more detail later.

The Federal Police is an important government security apparatus. It is a large, highly visible para-military organization that provides security in the service of the EPRDF. It draws its personnel from many ethnic groups and regions and moves its forces around the country. In the more remote areas, regional authorities frequently utilize local, ethnically-based *tataki* (armed militias) as part of the security machinery of the state.

The surveillance-state extends to the media and civil society. As mentioned earlier, civil society operates under considerable restrictions. Unlike Cambodia, the English language press in Ethiopia is self-censored. Many websites that the government deems undesirable are blocked, and internet service is unreliable. In general, there is a high degree of fear shown by the people towards politics and the government.

The exclusion of many groups from power, the use of land as a political tool, the stifling of dissent, and the surveillance of the state all speak to a risk of widespread inter-ethnic violence despite the current stability maintained by the government. Like in Egypt, Libya, and Tunisia, there is no mechanism for the transfer of power from the EPRDF. It is hard to imagine a non-violent transition of power taking place in Ethiopia without an opening up of the political process, the winding-back of the inter-ethnic divisions, and submitting to the will of the people.

³¹ This helps to explain the issue of power and ethnic preference that will be discussed later in the report. To be successful, an organization's agenda and activities need to have the direct imprimatur of the council, which is often granted to the preferred ethnicity. In an informal interview, a Tigrinya confided that he was afraid of Zenawi losing power. He said that following the violence surrounding the 2005 elections, text messages were sent out that read: “save Ethiopia: kill a Tigrinya.” He worried that if Zenawi lost power, there would be violent backlash against the Tigrinya—even those who had no role in politics and who did not benefit from the rule of the EPRDF regime.

³² International Crisis Group, “Ethiopia: Ethnic Federalism and its Discontents,” ICG Africa Report 153, 2009, [http://www.crisisgroup.org/~media/Files/africa/horn-of-africa/ethiopia-eritrea/Ethiopia Ethnic Federalism and Its Discontents.pdf](http://www.crisisgroup.org/~media/Files/africa/horn-of-africa/ethiopia-eritrea/Ethiopia%20Ethnic%20Federalism%20and%20Its%20Discontents.pdf).

³³ A representative from a peace-building NGO in Gambela spoke of unreported violence in the region, particularly between the Anuak and Nuer tribes, although he insisted that the situation is considerably more stable now than it was 3-4 years ago (interview, Gambela, October 21, 2011).

³⁴ See International Crisis Group, “Ethiopia: Ethnic Federalism and its Discontents” for a good analysis on how the EPRDF has expanded its power from the central decision-making core through the regional state parties down to *kebele* level.

Land as a Political Tool of the State

A crucial component of EPRDF's maintenance of power is its use of land as a political tool. The state owns all the land in the country:

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 exchange.³⁵

Private property is defined to *exclude* land, despite other constitutional and legal texts granting property rights.³⁶ The official discourse around state ownership of land is that *all* land is owned by the people.³⁷ The reality, however, is that the government controls who has access to land and for what purpose. Legally, land cannot be sold, although the assets on the land—such as buildings, plantations, standing crops, etc.—*can* be sold. Thus, there is still a housing market, for example. Officially, land can be bequeathed to one's children and rented or leased to others.³⁸

One of the primary economic issues with this system is that the lack of an effective land market impacts efficient allocation of land as a productive resource. The social problems with this land tenure model are also significant, primarily because there is a deep lack of tenure security. It is easy for the government to move people off lands to make way for foreign investors, for example. Despite customary tenure “protections” for peasants, in reality, farmers have no rights to the land they farm. This in turn is reflected in the unwillingness of the disempowered and agrarian poor to invest in the land, irrigation, and storage systems that would increase yield and lead to surpluses. Thus, plantations that take time to bear fruit are rare, and, instead, settled farming is largely limited to rain-fed seasonal cropping.

Another crucial and deeply negative effect of this tenure model is the lack of ability to leverage the capital of the land. One of the opportunities in many developing countries is to organize community co-operatives with contiguous land parcels that can be aggregated and mortgaged to raise capital that can in turn be used to invest in the land to improve the efficiency of the smallholder farmers in the co-operative. This is impossible in Ethiopia.

The government's rationale, according to documents provided by a government official, is that “the privatisation of land would divert the limited capital in the country from productive investment to that of acquiring land. This, in turn, would displace peasants and lead to the lopsided growth of agriculture in favour of capital-intensive mechanisation at the expense of labour.”³⁹ The irony here is that the outcomes of the government's leasing of land to foreigners via this land tenure model—displacing peasants and favoring capital intensive mechanization at the expense of labor—is having the exact outcomes the model is supposedly intent on avoiding. This is despite another document from the same source claiming that “investors are not given access to land that belongs to Ethiopian farmers.”⁴⁰ Technically, this is true; all land belongs to the state, and none of it belongs to farmers, as indicated by Mr Meles in the following quote:

The rent-seeking political economy would be very difficult to dislodge as the peasants would be beholden to the rent-seeking landowners and could not thus constitute the social basis for a development state. The decision we took in terms of the land ownership system is therefore one of the critical decisions that have made it possible for us to try and implement an alternative to the neo-liberal paradigm.⁴¹

³⁵ Federal Democratic Republic of Ethiopia, “Constitution of the Federal Democratic Republic of Ethiopia,” Article 40, 1995, [http://aceproject.org/ero-en/regions/africa/ET/Constitution\(LF1\).pdf](http://aceproject.org/ero-en/regions/africa/ET/Constitution(LF1).pdf).

³⁶ Ibid.

³⁷ This statement was made during an interview with a leading opposition figure in Addis Ababa on September 20, 2011. It seems that Ethiopia's fragmented opposition is in agreement that it disagrees with the government's land policy, but has conflicting views on what the alternative model should be.

³⁸ Despite asking many people, it is still unclear how people can lease land that they do not own.

³⁹ Federal Democratic Republic of Ethiopia, “Ethiopia: Land—Historical Context,” 2011, <http://www.insight-in-security.com/insight/wp-content/uploads/2011/12/Ethiopia-LandHistoricalContext.pdf>. This document and the accompanying “Land Q&A” document were sent to me by the FDRE Embassy to the United Kingdom following a radio interview I gave about foreign investments in developing country agriculture. I have made these documents downloadable from the web as there was no requirement to maintain confidentiality of the material.

⁴⁰ Federal Democratic Republic of Ethiopia, “Land Q&A,” 2011, <http://www.insight-in-security.com/insight/wp-content/uploads/2011/12/Ethiopia-LandQA.pdf>.

⁴¹ Federal Democratic Republic of Ethiopia, “Ethiopia: Land—Historical Context.”

There is certainly something to be said for avoiding the exploitation of land under a neo-liberal paradigm where powerful corporations (instead of the government as is the case in Ethiopia) control land at the expense of the poor. Yet, private land ownership does not have to result in neo-liberal exploitation if it is carefully regulated. Others, like the Ethiopian Economic Association, for example, have suggested taking alternative approaches.⁴² One possible model is the community ownership with titling model proposed by Rahmato.⁴³ These alternative models suggest that there is every likelihood that the titling process to secure individual land tenure will *exclude* some as it *includes* others. One other failure of the centralized tenure system in Ethiopia is that it does not offer a solution to the “tragedy of the commons”⁴⁴ problem so evident under competitive individualistic models, and which may be addressed by alternative models.

The reality of state ownership of land in Ethiopia is not that it prevents neoliberal exploitation, but that it gives the EPRDF enormous power. The government is able to use access to land as both punishment—in the form of forcible eviction and exclusion from land and income—and reward—in the form of long-term leases over land that will generate the grantee high returns. As such, land allocation is part of the foundation of the EPRDF’s power. Regardless of the problems with the state ownership of land, changes to this policy will not be considered by the EPRDF.⁴⁵

It is worth noting that land has long been used in such ways by Ethiopian leaders. During the feudal system under the monarchy, kings would allocate large zones of land to their generals in reward for obedience and successful campaigns. The generals would act akin to feudal lords extracting wealth and servitude from the peasants on that land.⁴⁶ When the Derg came to power, expelling Haile Selassie on the back of the Marxist-inspired student uprisings against the monarchy, it appropriated the students’ Marxist language—especially the phrase “land to the tiller”—as the excuse to formally designate all land as belonging to the state. Instead, land was utilized in the services of the regime.⁴⁷ The TPLF, through the TGE, inherited this state of affairs. Today, farmers still speak longingly of the far-off ideal of “land to the tiller”⁴⁸ despite the continuing rhetoric of centralized ownership of land being “by and for the people.”⁴⁹

There are other issues arising from the Ethiopian government’s land policies, although not necessarily directly tied to centralized ownership. A major issue is the disincentive for farming families to leave the land to find alternative forms of income generation. Social security—in particular, the crucially important safety-net program—is dependent upon people remaining attached to the plot tilled by their families. This attachment has three negative outcomes. First, this causes increasing strain on the land as the population grows. Second, it is a barrier to rural-urban migration and to shifting the employment center of gravity away from agriculture toward industry and commerce. Third, it causes the fragmentation of land when the land is divided between progeny. The other major issue with government land policy is a prevalent underlying assumption that there is “unused” land in Ethiopia. This is evident in the “Resettlement Program,” described in greater detail below, as well as in the facilitation of foreign direct investment (FDI) in agriculture through land deals. The government states that farmers’ lands are not given to investors,⁵⁰ but, as is evident from this study, this is not the case.

Formally, the Resettlement Program to relocate people from the most agriculturally marginal areas of the country is part of the government’s wider set of food security activities.⁵¹ The motivations behind this program have some merit, but the policy tends to create problems in resettlement locations. These government strategies are nothing new and successive regimes have, for decades, instituted resettlement programs to try to address the

⁴² Ethiopian Economic Association and Ethiopian Economic Policy Research Institute, “Land Tenure and Agricultural Development in Ethiopia,” Addis Ababa, 2002.

⁴³ Desalegn Rahmato, “Searching for Tenure Security? The Land System and New Policy Initiatives in Ethiopia,” FSS Discussion Paper 12, 2004, Forum for Social Studies, Addis Ababa.

⁴⁴ Garrett Hardin, “The Tragedy of the Commons,” *Science* 162, no. 3859 (1968): 1243-1248.

⁴⁵ Interview with a senior policymaker.

⁴⁶ Bahru Zewde, *A History of Modern Ethiopia 1855-1991* (Oxford: James Currey, 2001), 14-15 and 87.

⁴⁷ *Ibid.*, 241-242.

⁴⁸ Interviews with farmers in both highland and lowland areas in September and October 2011.

⁴⁹ Federal Democratic Republic of Ethiopia, “Constitution,” Addis Ababa, 1995.

⁵⁰ Federal Democratic Republic of Ethiopia, “Ethiopia: Land—Historical Context,” Federal Democratic Republic of Ethiopia, “Land Q&A.”

⁵¹ Amdissa Teshome, “Agriculture, Growth and Poverty Reduction in Ethiopia Policy Processes around the New PRSP (PASDEP),” Futures Agriculture Research Paper 004 (2006), 13-15.

scarcity of land in the highland areas. These programs, however, have frequently created additional problems in the lowland areas, especially by exacerbating existing inter-ethnic conflicts or increasing existing contestations over land.⁵²

Resettlement activities today are linked to issues other than the government's food security policy program. While rural-to-urban migration flows create congestion, poverty, and unemployment issues in Ethiopian cities, the government is busy demolishing slums to make way for commercial development and frequently enforces slum-dwellers to move to newly created satellite towns and peri-urban areas. This in turn causes the increased consumption of valuable productive land, increases population strain on scarce highland resources, and displaces farmers, which all lead to further rural-to-urban migration.⁵³

Land and Ethnic Politics

Ethiopia's ethnic politics and the use of land as a political tool, frequently intersect when an empowered ethnic group uses the federal government's land policies to exploit old tribal rivalries, take vengeance upon ethnic opponents, and gain economic and political advantage over other tribes. The leasing of land to foreigners can feed into this cycle.

The federal government is allocating vast amounts of land to foreign lessees in the Gambela region. This is an area of great ethnic diversity, but where there are two major tribes—the Anuak and the Nuer—with a particularly long and sordid history of enmity. A Nuer tribesman told me that many of the administrators and police are Anuak, so when they allocate land to foreign investors, they frequently evict the Nuer and refuse to allow compensation to be paid to them.⁵⁴ During field visits, I observed the displacement of both Nuer and Anuak communities. The injustice, therefore, works both ways, or administrators from the highlands discriminate against both tribes. Regardless, the Nuer are convinced that the Anuak are behind their evictions.

Similar circumstances occur elsewhere. In Debre Zeit, the Oromo authorities—of the predominantly Oromo ethnic area—are allowing land that is used and depended upon for food by an Amharic-ethnic community to be a dumping site for rubbish. The author observed this dumping taking place, including bio-hazardous hospital waste.⁵⁵ These examples speak to the ongoing problem of ethnic rivalry issues and the risk that foreign investors could be unwillingly dragged into them.

Agriculture in Ethiopia

As a consequence of the geographical and ethnic diversity of Ethiopia, the types and practices of agriculture are also diverse as are the issues facing the sector. Notwithstanding issues of diversity and complexity, Ethiopian agriculture can be generalized into two main types: lowland pastoral agriculture and highland rain-fed, crop-based agriculture.

Both high- and lowland agriculture in Ethiopia are facing crises. In the highlands, massive population growth combined with increasing competition for land, especially from urban and commercial-industrial expansion, is leaving agrarian families with progressively smaller plots so that one-third of the country's agrarian households live on just half a hectare or less.⁵⁶ This amount of land is insufficient to feed a family or to generate enough income to support it.

In the lowlands, increasing population is leading to increased livestock numbers that are straining the fragile lands. There is increasing competition, from both population and commercial-industrial pressures, over water courses; increasing enclosure of lands and river frontages that disrupt pastoral movements; and increasing evidence of climactic changes, especially in relation to longer and more frequent droughts. All of these issues are having deleterious effects on traditional pastoral agriculture.

⁵² See, for example, Laura Hammond, "Strategies of Invisibilization: How Ethiopia's Resettlement Programme Hides the Poorest of the Poor," *Journal of Refugee Studies* 21, no. 4 (2008): 517-536. During an interview with an Oromo farmer who had moved, with government "encouragement," from the highlands to the lowland Gambela region, he reported that he produced profit from 5 Ha of orchard (out of a total of 8 Ha). Despite having documents to show that he legally obtained the right to use the land, he said that he had been targeted by the local non-Oromo authorities. He was repeatedly hounded, imprisoned, assaulted, and dispossessed of the land after its wells had been deliberately filled with dirt and the orchard burned down (interview, Gambela township, October 22, 2011).

⁵³ Discussions with urban-rural migrants, Addis Ababa, October 15, 2011.

⁵⁴ Interview, Gambela region, October 20, 2011.

⁵⁵ Field excursion and community village visits, Debre Zeit area, October 9, 2011.

⁵⁶ See Table D.16. in Central Statistics Agency of Ethiopia, "2010 National Statistics (Abstract): Agriculture," 2010, http://www.csa.gov.et/index.php?option=com_rubberdoc&view=doc&id=319&format=raw&Itemid=561.

It is worth noting that agricultural statistics related to farmers tend to exclude pastoralists. On one hand, this makes sense in terms of data relating to issues such as plot sizes, which would be skewed by including nomadic pastoralists. On the other, this is indicative of the wider exclusion of pastoralists and the denial of a future for pastoralism. If lowland pastoralists are not recognized by the government as being farmers, then their exclusion provides an explanation for how the government can claim that farmers are not impacted by the big land leases. These are some of the circumstances that foreign investors seeking land will be faced with.

Highland Agriculture

Highland agriculture is diverse. The most important crop is the indigenous grain “*tef*” (or “*teff*”), which is the staple food for the majority of highlanders.⁵⁷ Since Ethiopia is the only major producer of *tef*, there is not much comparative data available. Australian scientists have conducted studies on the potential for growing *tef* in Australia. Results indicate that yields of up to 3 Mt/Ha could be achieved even in Australia’s harsh conditions. The highland farmers I met with in Ethiopia talked of *tef* production yields in the order of 400kg (8x50kg sacks) per quarter of a hectare, or 1.6 Mt/Ha. It is probable that improvements in yield are possible in Ethiopia with appropriate use of inputs and technology. Further, the *tef* maturing cycle is short—between 3 and 4 months—but only one crop is grown annually to suit rainfall patterns. With irrigation, a second crop could be grown during the dry season. Whether the growth of a third or even fourth crop during the wet season is possible with appropriate water-management techniques is uncertain, but could be explored.

Other grains including wheat, millet, sorghum, barley, and maize are also extensively grown. Notwithstanding the very small average farm size, most farmers also grow some vegetable and keep some livestock—mainly cattle, goats, and sheep. Most farming families rely on the farm as much for subsistence and survival as for generating income. Further, sharing of community labor to harvest crops common in other places is rare in highland cropping. This suggests that production co-operatives or informal precursors to such organizations are not prevalent in Ethiopian agriculture.

A number of things can be observed from travelling through Ethiopia’s highland agriculture, and are consistent travelling north, south, and west from Addis Ababa.⁵⁸ The images in Figures 1 to 9 in the appendix illustrate some of these observations. The first of these is the lack of unused farmland other than designated forest preservation areas or land consumed by other activities such as industry or urban life. The scarcity of land available for agriculture can be observed in crops planted on sometimes steeply sloping soil and in the existence of rudimentary terracing in some areas, which are created presumably to increase the available cropping area. Another is what appears to be fairly informal demarcation of land into plots, despite the small size of plots and the variety of uses that plots are subjected to. Barley farmers in the Muka Turi area north of Addis Ababa indicated that, in practice, they “just knew” the extent of their plots, which were irregular in shape and tightly abutted neighbors’ land. Fences appear to be rare.

Further, there is an apparent lack of perennial plantations. This may be reflective of either a lack of tenure security, which would discourage long-term investment in the land, or a lack of capital to invest in more distant financial returns than offered by a seasonal crop. Some other paucities are more obvious. One is the lack of dams and irrigation channels for water management which reflects the reliance of farmers on rainfall and natural water courses, and speaks to the limitations of increasing growing seasons. Another is the lack of silos and grain storage equipment, even though the land is used overwhelmingly for cereal crops. This suggests that farmers must sell the crop quickly once it is harvested to avoid spoilage. Given that most of the same crop will be harvested within a few weeks, means that farmers are likely to sell when supply is high and prices consequently low. This situation was confirmed by farmers. Yet another issue is the lack of transportation infrastructure, which indicates the difficulty of market access for many farmers.

⁵⁷ “*Tef*” is soaked, fermented, and made into aerated pancake-like bread called *injera*. This forms the basis of most Ethiopian meals. Generally, it is topped with some form of spiced stew based on a legume, vegetable, or meat. “*Tef*” is fast growing, delivers good yield per hectare, is very robust—tolerating both water-logging and water stress—stores well, is cheap and easy to process, and is highly nutritious. Much of the nutritional value stems from the easily digestible bran and germ, which remain in the “*tef*” flour. This also reduces processing costs because of the minuscule size of the “*tef*” seed. Further, “*tef*” hay also provides a high quality livestock fodder. Even though “*tef*” is widely grown and consumed in Ethiopia, despite its attractive qualities, it is not grown on such a large scale anywhere else.

⁵⁸ The author did not travel east from Addis Ababa.

Ethiopia's crop production yields require some contemplation. FAO data for 2009 puts Ethiopia's wheat yields at around 1.8 Mt/Ha (metric tonnes/hectare). Although this figure is far less than France and China's respectively claimed 7.4 and 4.7,⁵⁹ it is actually higher than Australia's 1.6 Mt/Ha, which is produced by a large scale, high-tech industrial agriculture system with precision irrigation. This is an achievement considering the fact that there is no large-scale mechanized agriculture in Ethiopia that would inflate the overall yield number. Ethiopian agriculture still relies on ancient techniques and technologies such as tilling with the use of oxen and a timber plough weighted down with a rock and harvesting through manual labor. As shown in Figure 10 in the appendix, farmers use a hand-wielded sickle to harvest barley in the highlands.

Furthermore, much of Ethiopian agriculture relies on rainfall with no irrigation or water management systems whatsoever. There is also no widespread or effective use of non-organic pesticides and fertilizers. Despite these setbacks, Ethiopian smallholder farmers seem to manage higher-than-expected wheat yields. This can be explained by the high quality of the highland soil as well as by the efficiency of farmers motivated by poverty and scarcity of food to maximize their productivity with what little resources they have.

The story is similar for millet: Ethiopia produces more per hectare (1.37 Mt/Ha) than Australia (0.95), Russia (1.0), and the world average (just 0.79). It produces about the same as Ukraine (1.36) and not much less than China (1.5), Argentina (1.7), and the U.S. (1.9).⁶⁰ Although French technology delivers a world-leading 3.5 Mt/Ha of sorghum, Ethiopia also manages to achieve higher yields per hectare than the global average (1.8 Mt/Ha against 1.4), but lags further behind the major producers.

The surprising yield rates, despite the paucity of agricultural technology and inputs, suggest that there is excellent potential for Ethiopian farmers to increase their productivity further. Incentive and ability can be increased through appropriate investment in technology, irrigation, inputs, and access to markets.

Important questions remain, however. With appropriate investment, would the surpluses that these farmers deliver be sufficient to create reliable volumes for export? In the context of Ethiopia's poverty, hunger, and population pressures, this question is difficult to answer. Will the export of surpluses create enough economic momentum for smallholder farmers to reduce the broader poverty and food insecurity problems in Ethiopia? Or does investment in smallholder farmers need to be accompanied by domestic food allocation policies that ensure that those surpluses first feed the sectors of the population most vulnerable to hunger? Certainly, investment in the smallholder is likely to have better effects than the industrialization of agriculture that would increase the exclusion and impoverishment of smallholder farmers. Whether or not investment in smallholders is a *sufficient* solution to the problem requires more research and analysis.

Foreign Direct Investment in Highland Agriculture

The water-rich highland areas, especially those within easy reach of Addis Ababa's international airport, have become very attractive to foreign investors in certain sectors. In particular, during the 1990s, there was a plethora of flower-growing projects aimed at exporting flowers to the affluent European market. Although these projects were relatively small in scale—rarely more than 500 Ha—they managed to displace many traditional farmers. They did, however, employ local labor and increase paid employment opportunities.⁶¹

The government insisted that these projects pay compensation to farmers, in accordance with the Ethiopian Constitution,⁶² quelling initial opposition to the greenhouse farms. The constitutional obligation to pay compensation is limited to the value of the private property. Since private property is defined to exclude land, compensation payments only need to account for improvements on the land, which in the case of land uses for seasonal cropping may be negligible. These laws, however, do not necessarily mean that compensation is always paid, or, even if it is paid, that it actually reaches the farmer. According to a retired Ministry of Agriculture and Rural Development official interviewed, the compensation is calculated as a multiple of the land's estimated productivity, which is five times the estimated crop value. For example, if farmers grew predominantly wheat on

⁵⁹ FAOSTAT, Statistical Database of the Food and Agriculture Organization of the United Nations, 2011, <http://www.fao.org/corp/statistics/en/>.

⁶⁰ Ibid.

⁶¹ Samson Bedada and Messay Eshetu, "Ethiopian Floriculture Industry from Corporate Social Responsibility (CSR) and Governance Perspective," (master's thesis, Karlstad University, 2011), <http://urn.kb.se/resolve?urn=urn:nbn:se:kau:diva-7641>.

⁶² Federal Democratic Republic of Ethiopia, "Constitution," Article 40, Clauses 46–48.

one hectare of land, the compensation would be calculated as five times the value they would receive for that crop at the then-current wheat price.

Notwithstanding compensation, the aftermath of these projects—whether for flower farms or other purposes—has not always been good. Sometimes, the compensation has proven to be a poisoned pill for farmers. For some, having never had to handle a significant amount of money, the ability to effectively invest the money for future benefits was absent. One farmer said that “the Birr lasted a few months, but the land has been lost for generations.”⁶³ In other situations, compensation payments were open to abuse. For example, a village of ethnic-Amharas living in the predominantly Oromo region of Bishoftu never received compensation for the land that was taken and granted to an investor. Although the company apparently paid the required compensation to the local Oromo authorities for distribution, the villagers have been denied the payments.⁶⁴ In some other cases, compensation was simply not paid. Further, the employment generated on invested lands has fallen far below the level required to replace the value of the farmland for the displaced families. One interviewee provided data taken from the Embassy of India in Ethiopia that showed more than 90% of the 110,000 Ethiopian workers employed in 2008 by Indian agriculture projects in Ethiopia were seasonal workers. That data also reported pay levels as being extremely low: eighty US cents per day for unskilled labor.⁶⁵ A press report quotes a female worker earning 8 Birr (just USD 0.47) a day for a 56 hour work week.⁶⁶ Not only is this less than a quarter of the \$2/day poverty line measure, but divided amongst a large Ethiopian family, and for seasonal workers spread across the whole year, it is an extremely small salary to survive upon.

Finally, flower farm projects in Ethiopia have developed a reputation as poor places of employment where incidences of sickness amongst workers are reported to be high. This is largely due to the pesticides that workers routinely use in unventilated greenhouses with little or no protective equipment. The Oromo press claims that carcinogenic chemicals banned by the WHO are used in Ethiopian flower farms.⁶⁷ These problems exist for similar enterprises in Kenya, Uganda, and Tanzania.⁶⁸ How bad and widespread these problems are requires further research. There are undoubtedly responsible corporations involved in some of these agricultural projects, but the key point is the lack of governance, regulation, and enforcement. The downturn in the European market, especially in “luxury” items such as cut flowers, has had an impact on some of these growers. This could mean even less work for seasonal workers and lack of employment security for the few permanent employees.⁶⁹

This lack of governance over investors is reflected in the impacts that investment projects in the rural areas are having on smallholders, even those that have not been forcibly evicted from their land. Lack of regulation and/or lack of capacity to enforce regulations frequently mean that investors are able to avoid taking responsibility for their environmental and social impacts. For example, in the Debre Zeit region, an investment location visited during this study is having at least four detrimental impacts on local communities in addition to displacement of poor farmers. The impacts illustrated in Figures 11 to 13 in the appendix include blocking of access to fresh water; damage to farmland from erosion and run-off affecting the productivity of neighboring land; and deforestation affecting local subsistence and income—forest animals, birds, and vegetation had previously been a source of food for people living in the area, while forest raw materials were used for making small items to use and sell. Finally, a major negative impact is the removal of the commons: traditionally, forest areas were communal grazing areas that are now lost to the community through both confiscation and deforestation. This leaves cropping land as the only remaining area for cattle to graze, creating the conundrum of whether to prioritize the crop or the cattle. It is difficult, if not impossible, to keep both.

These examples also speak to the poverty of the Ethiopian agrarian class and the problems that arise from limiting their access to the minimal resources that they depend upon. The flower schemes and other such

⁶³ Interview in Debre Zeit area, October 9, 2011.

⁶⁴ Interview in Zeit area, October 9, 2011.

⁶⁵ Interview with an academic, Addis Ababa, October 7, 2011.

⁶⁶ Tamiru Obole, “Ethiopia: Cut Flower Bonanza: At What Cost?” *Jimma Times*, 2008.

⁶⁷ See Tadesse Amara and Nigussu Aklilu, “Ethiopian NGOs Work to Improve Conditions for Flower Producers,” *Pesticides News* 82, December 2008, http://www.pan-uk.org/pestnews/Issue/pn82/PN82_p4-5.pdf; Gadaa.com, “Ethiopia: Flower Farms in Oromiya use Carcinogenic Chemicals,” May 29, 2009, <http://gadaa.com/oduu/648/2009/05/29/ethiopia-flower-farms-use-carcinogenic-chemicals-in-oromia/>.

⁶⁸ See the documentary *A Blooming Business* by Dutch filmmaker Ton van Zantvoort. A Newton film in coproduction with VPRO, 52:00, March 2009, http://www.newtonfilm.nl/blooming_business/.

⁶⁹ Reuters, “Ethiopia’s Struggling Flower Farms Appeal for Help,” March 25, 2009, <http://af.reuters.com/article/investingNews/idAFJO-E52O0KU20090325>.

projects in the highlands illustrate the flaws in the “development” strategy as it requires dispossession of land from smallholders to facilitate foreign investment and regional “development.” Whether or not an investment project in the Ethiopian highlands is about food production, it has food security ramifications because it impacts on the ability of large numbers of people to grow or buy food.

Undoubtedly, there are opportunities for investment in the highland agricultural sector to grow more food and deliver economic growth, but these are predicated upon helping the smallholder farmer who can deliver the desired productivity improvements while avoiding the collateral damage.

Lowland Pastoral Agriculture

Pastoralism has historically been the predominant form of agriculture in the lowland areas. Depending on the regional environment and weather patterns, varying forms of pastoralism are being practiced in Ethiopia.⁷⁰ These forms of pastoralism range from settled pastoralism, which is not dissimilar to conventional western-style ranching, to peripatetic pastoralism, which is essentially pastoral nomadism. Other forms of pastoralism include semi-settled traditions where there is a nucleus settlement around which herders move the livestock, and transhumance pastoral traditions that involve moving back and forth between locations according to the season.⁷¹

In their undisrupted forms, the pastoralists’ practices—which have been used for centuries—manage the harsh environments with care by limiting interference with natural water courses, moving herds to limit damage to soil and vegetation, and maintaining the ecological sustainability of land and water by not using them overly intensively.⁷² These measures, however, are strained by increasing population pressures.⁷³ There appears to be a conviction amongst some, especially in the urban areas of Ethiopia and neighboring countries as well, that traditional pastoral agriculture has little future.⁷⁴ Officials interviewed for this study spoke about pastoralism in such a fashion, albeit less explicitly.

Further, Ethiopia’s current five-year plan, the Growth and Transformation Plan 2010/11–2014/15 (GTP),⁷⁵ appears to incorporate policy mechanisms to facilitate a reduction of pastoralism. For example, despite utilizing language in support of smallholder agriculturists, the GTP includes strategies for pastoralism that base production on “livestock fattening” and “artificial insemination,”⁷⁶ building “livestock centres,” and the “voluntary resettlement,”⁷⁷ of pastoralists to lands where “scaling up of [fodder] crop production,”⁷⁸ will be undertaken and permanent fixed water resources will be established.⁷⁹ It also offers incentives to pastoralists to shift towards “production of coffee, sesame, cotton, spices,” and other export-earning commodities.⁸⁰ At the same time, the GTP facilitates and explicitly encourages large-scale land leases in the lowland pastoral areas for private sector development,⁸¹ as well as for “large scale farming development.”⁸² Officials and NGOs in the sector suggested that these are likely to be effective methods for facilitating a rapid reduction of pastoralism.⁸³ This was linked to the “villagization” strategy that aims to congregate and settle dispersed and mobile or semi-mobile rural populations. This effectively limits the ability of traditional pastoralists to continue with their pastoral livelihoods. Under such policies, it is likely that the future of Ethiopian pastoralism is in danger.

⁷⁰ Interview with the directors of an international development NGO working in pastoral areas, Addis Ababa, September 21, 2011; and interviews with a pastoral analyst and an international donor organization, Addis Ababa, October 4, 2011.

⁷¹ For a discussion of various pastoral practices, see David Pratt, Francois Le Gall, and Cornelius De Haan, “Investing in Pastoralism Sustainable Natural Resource Use in Arid Africa and the Middle East,” World Bank Technical Paper no. 365, World Bank, Washington, D.C., 1997.

⁷² Interview with the directors of an international development NGO working in pastoral areas, Addis Ababa, September 21, 2011.

⁷³ Pratt, Le Gall, and De Haan, “Investing in Pastoralism.”

⁷⁴ This was mentioned in a number of informal discussions with those working in the area. It also came up in conversations with Tanzanian farmers interviewed in the Maasai region on November 7, 2011, which suggests it might not be a view isolated to Ethiopia.

⁷⁵ Federal Democratic Republic of Ethiopia, Ministry of Finance and Economic Development, “Growth and Transformation Plan 2010/11–2014/15,” Addis Ababa, 2010.

⁷⁶ *Ibid.*, 51.

⁷⁷ *Ibid.*, 46.

⁷⁸ *Ibid.*, 51.

⁷⁹ *Ibid.*, 56.

⁸⁰ *Ibid.*, 51.

⁸¹ *Ibid.*, 46.

⁸² *Ibid.*, 56.

⁸³ Various interviews, Addis Ababa, September 20, 21, 29, 2011, and October 4, 2011.

When these policies were discussed with various parties during this study, two reasons were repeatedly put forward to explain the logic of the “villagization” and anti-pastoralism policies. One reason was to halt the informal trade of livestock that some pastoralists are engaged in. It is estimated that 350,000 cattle and 1.1 million sheep and goats are illegally exported from Ethiopia every year,⁸⁴ and that the informal cross-border trade in East Africa is worth some \$60m per annum.⁸⁵ It is also something that the Ethiopian government has little control over and gains no benefit from. Instead, the government is seeking to turn livestock production towards stationary industrial production that can be controlled and taxed. The other suggested reason for eliminating pastoralism was that the remaining pastoralists living traditional tribal lifestyles remain remote and removed from the reach of the EPRDF’s political power in the rural areas. Once pastoralists are contained in a village they can then become subject to the same systems of surveillance and control as the rest of the population. The idea that “pastoralists will be encouraged to organize themselves into cooperatives”⁸⁶ is part of the mechanism to facilitate this transformation.⁸⁷

Many NGOs working with pastoralists who are conforming to government strictures are focusing on how to transform traditional pastoral lifestyles into conventional settled ones that “fit more easily within modern Ethiopia” and its modes of development.⁸⁸ This is problematic for the pastoralists who often resist this momentum, and struggle to maintain their traditional lifestyles. It is also problematic for those investing in smallholder agriculture as a way to increase productivity, surpluses, and food availability for export, especially if that smallholder agriculture is traditional pastoralism. Further, the “villagization” of pastoralists often creates the displacement of other local settled communities, further exacerbating ethnic tensions between these communities.

The settlement of pastoralists fits the development model of removing the pastoralists and agglomerating land into massive leases for industrialization by foreign investors. This is problematic because pastoralists understand how to manage grazing lands, especially marginal ones, effectively and in ways that foreign companies often do not. This traditional knowledge risks being ignored, and will likely be lost within a short period of time. There is already evidence regarding the failed environmental management of land, and some cropping projects managed by foreign investors are already moving in on what used to be pastoral lands.

One example of bad environmental management revolves around the growth of sesame, which has become a popular crop for its high cash returns. Although the climate is theoretically suitable for sesame growth, the marginality of the lowland soils is reportedly proving otherwise. Planters find that they have successful first and second year crops, encouraging the expansion of sesame plantings. By the third year, however, the soil is depleted and the crop barely generates a break-even income.⁸⁹ In subsequent years, there is little crop to speak of. What is worse, the destruction of the soil by the sesame plant is so bad that experts say it might be decades before that land can be used to grow anything.⁹⁰

Further, settled pastoralists are supposed to provide an employment-base to the agri-industrialists, but they lack basic education and offer little more than menial labor. Pastoralists are not always experienced at settled farming and lack both the temperament and basic skills for those tasks. This means that companies have to bring in labor from elsewhere, further excluding and marginalizing the pastoralists. This in turn creates friction and exacerbates underlying ethnic tensions. Within the Ethiopian sociopolitical context, these are risks that investors should seek to avoid. Such situations also increase costs for investors, although, in light of the miniscule wages that companies are paying, this is negligible. The issue of low wages is yet another concern.

⁸⁴ United Nations Economic Commission for Africa, African Union Commission, and African Development Bank, “Assessing Regional Integration in Africa: Enhancing Intra-African Trade IV,” 2010, <http://www.uneca.org/aria4/index.htm>.

⁸⁵ Peter Little, “Hidden Value on the Hoof: Cross-Border Livestock Trade in Eastern Africa,” Common Market for Eastern and Southern Africa—Comprehensive African Agriculture Development Programme Policy Brief No. 2, 2009, <http://siteresources.worldbank.org/INTARD/Resources/335807-1334000183672/COMESACAADPPACAPSPolicyBrief2CrossBorderLivestockTrade.pdf>.

⁸⁶ Federal Democratic Republic of Ethiopia, Ministry of Finance and Economic Development, “Growth and Transformation Plan,” 46.

⁸⁷ Various interviews conducted in Addis Ababa during September and October 2011. This may also explain why my research met with certain resistance, not just related to the exploration of the foreign land leases. I often spoke about cooperatives as a possible mechanism for facilitating investment and making commercial partnerships with investors. If the idea put forward above is true, then this would potentially interfere with the political agendas behind cooperatives.

⁸⁸ Interviews with the directors of an international development NGO, Addis Ababa, September 21, 2011.

⁸⁹ Interviews with NGOs and a number of locals in the Gambela region, October 19–23, 2011.

⁹⁰ Interviews with the directors of an international development NGO, Addis Ababa, September 21, 2011. Sesame plantations can be seen in Figure 14 in the appendix.

Clearly, there is a need to re-think the strategy that seeks to facilitate investment in pastoralists to help them become economically viable within the context of the international food trade. Despite widespread belief to the contrary, pastoralism does not need to be eliminated.

Traditional Pastoralism: An Opportunity?

One interviewee, a veterinarian with extensive experience of pastoralism across the Horn of Africa, proposed an alternative. When asked whether pastoralism could be leveraged, instead of excluded, in a strategy of foreign agricultural investment, the answer was that the product of traditional pastoralists—free-range, pasture-fed organic beef and dairy—is a hugely valuable and relatively scarce commodity in the wealthy markets of North America and Europe. In both those vast markets, livestock, especially cattle, are usually raised in feed-lots. Organic, free-range and grass-fed livestock production is rare. The issue, as it was described, is not a problem of production, but the lack of capacity to turn existing production into saleable and exportable commodities.⁹¹ This presents a considerable opportunity for foreign investment to leverage, while engaging and supporting traditional African pastoralists.

There are, however, significant barriers to making this idea a reality. Firstly, there are infrastructure problems. Pastoralism continues to exist in the most remote areas of the country. Not only are there no cool-stores, abattoirs, packing plants, or dairy processing mechanisms, which are obvious things for foreign investors to bring to the table, but there is no power generation to activate them. Further, there are few means or routes of transport to ship production, which for fresh meat and dairy need to be immediate and rapid. This means that investments must be significant and substantial. Transport needs to be cheap and fast for the beef and dairy products to be competitive. Currently, it is very difficult to get cattle from the remote regions to Addis Ababa, Juba, or Nairobi and so the produce is virtually unaffordable for those markets once it reaches them. The solution for meat production is to either have live exports or centralized processing facilities. These would require quality roads with cattle road-trains, such as those in Australia, and regular watering facilities to keep the animals hydrated on the way to a central slaughtering/packing and/or transportation hub.

Secondly, there is the land rights/land access problem. Similar to the appropriation of smallholders' crop land by the government, land enclosures can exclude pastoralists from traditional grazing land and fresh water courses. However, while most pastoralists will say that they have existed on their land for generations, this is not always true. Especially with the changing climate, some lands are becoming too poor to support grazing, and thus other lands have become a source of contestation. Further, pasturelands also become inaccessible due to inter-tribal conflict, thus reducing effective grazing areas.

Thirdly, there is the “business model” problem. Free-range pastoralism, especially in the more marginal areas, is more an art than a science. There is no magic formula for herd size or farming techniques. This is not problematic in and of itself, but investors would need to learn to relinquish their desire for control over the process and to trust and rely on the pastoralists themselves. On the other hand, with suitably secure land tenure in place and motivation by the authorities to overcome local conflicts between pastoralist groups, there is an opportunity to combine traditional pastoralist environmental knowledge with contemporary livestock science. This may include Holistic Grazing Management (HGM) practices espoused by the Savory Institute,⁹² which is based on concentrating large numbers of animals on a particular pasture for a short period of time and then allowing the pasture a long recovery period. Alternatively, practices could follow the Landsberg model by reducing herd size with a view to maximizing per-head profitability.⁹³

Fourthly, there are international trade-rule barriers. Currently, WTO rules discriminate against African pastoralists by preventing trade in animals from zones where certain epizootic diseases have been identified.⁹⁴ The conventional view is that this is the best, and or perhaps the only, way to manage food safety. However, this may not necessarily be the case, as infectious animal diseases within the African livestock trade are often overrated. These diseases can be controlled through “systematic and sustained vaccination campaigns” and by

⁹¹ Telephone interview, Addis Ababa and Nairobi, October 4, 2011.

⁹² The Savory Institute, “Seminar on Holistic Grazing Management—28 March 2012,” 2012, <http://www.savoryinstitute.com/2012/02/allan-savory/seminar-on-holistic-grazing-management-28-march-2012/>.

⁹³ Landcare Australia, <http://www.landcareonline.com.au/case-studies/qld/roger-landsberg-primary-producer-award/>.

⁹⁴ World Trade Organisation, “Amendment of Quarantine Requirements for the Importation of Animals and Animal Products,” 2011.

developing systems for guaranteeing “the safety of a livestock product before it is traded.”⁹⁵ This could replace the current practice of excluding countries from participating in markets. This exclusion is problematic in part because pastoralism is nomadic and crosses borders. Further, the current system fails to “differentiate between naturally infected and vaccinated animals,” where the latter are safe, but the former are not. Systematic processes and mechanisms for animal health, and quality control of products could be an overall more effective way to manage these issues.⁹⁶

One solution to these difficulties for trade in pastoral products may lie with investor and consumer markets. The GCC markets desire quality products. Gulf investors can help Ethiopia establish the processing, monitoring, benchmarking, and certification required to deliver high quality products to GCC markets. This will help to illustrate the flaws in the trade regimes, and to set examples for better practices. Hence, one of the most important things that investors can easily provide Ethiopian pastoralists is access to their markets.

Foreign Direct Investment in Lowland Agriculture

The lowland regions are where many large-scale land leases to foreign investors are located. In particular, the region of Gambela, some 600km southwest of Addis Ababa,⁹⁷ has most of the large-scale foreign leases. The Gambela township in the *killil* of Gambela has become a growing hub for agri-business interests.

Gambela is one of the least developed regions in the country. In every other *killil*, the federal government has established at least two universities, but Gambela still has none. Federal authorities and foreign agricultural investors could have thus targeted Gambela for two possible reasons. The optimistic view is that these projects will bring development to one of the poorest parts of the country. The pessimistic view, however, is that this lack of infrastructure means that projects can be established with impunity, and with little backlash, as the region has limited capacity for resistance.

The extent of land grants in Ethiopia is extensive.⁹⁸ The single most famous case is the 300,000 Ha granted to Karuturi, a large Indian agricultural conglomerate.⁹⁹ A representative from Karuturi notes that the organization has many land leases granted to it due to its previous successes and to the level of trust that it has developed with the federal government. The Karuturi project is intended to be:

An integrated one, meaning we will be growing a number of crops. The ones we have started are oil palm, sugar cane, and rice. Cereals will follow. The oil palm has a three-year gestation, and is in nursery phase. The sugar cane is an annual crop, but it is also in nursery stage for producing seed. Vast areas require vast amounts of seed, which are simply not available. We are continually expanding the project: as we can clear and prepare the ground, we aim to have appropriate quantities of seed available.¹⁰⁰

One of the other major investing corporations is Saudi Star. This is a company owned by Sheikh al-Amoudi, an industrialist of dual Saudi Arabian and Ethiopian nationality. Al-Amoudi is one of Ethiopia’s leading businessmen with massive and diverse financial interests spread across the country.

A senior Saudi Arabian policymaker stated that, at a recent meeting, senior Ethiopian officials granted the Saudi King Abdullah Initiative for Agriculture Abroad some 1,000,000 Ha—10,000 square kilometers—to make available to Saudi agri-business ventures. At the time of writing, however, this has not been publicly

⁹⁵ Interview via Skype, Addis Ababa and Nairobi, October 4, 2011.

⁹⁶ Ibid.

⁹⁷ The drive from Addis Ababa to Gambela takes about two days. There are several domestic flights a week from Addis Ababa and Jimma to the new airport in Gambela.

⁹⁸ The Ethiopia Agriculture Portal lists 340,000 Ha of land leases. This list is incomplete as it includes only 100,000 Ha of Karuturi’s projects that were granted in two tranches: 100,000 followed by another 200,000. It also excludes Karuturi’s other projects awarded earlier. The horticulture projects around Addis Ababa and elsewhere in Oromiya *killil* are also noticeably absent. The World Bank estimates that 1.2 million Ha of Ethiopian land had been granted by 2010, “Rising Global Interest in Farmland: Can it Yield Sustainable and Equitable Benefits?” 2010, xiv, http://siteresources.worldbank.org/INTARD/Resources/ESW_Sept7_final_final.pdf. The GTP is aiming for between 3 and 5 million Ha for foreign investment over the next five years.

⁹⁹ This project runs some 120km along the northern shore of the Baro River, which is a hugely important waterway that flows directly to Juba, the capital of the new Republic of South Sudan.

¹⁰⁰ Interview with a public relations executive at Karuturi, Addis Ababa, October 24, 2011.

announced. A quarter of this land, 250,000 Ha, is in the Gambela region, 50,000 Ha is in the highlands, and the remainder is in other lowland areas.¹⁰¹

The rationale for the projects has been well articulated by the companies and they have excellent responses to the major criticisms, especially about exporting of produce from a very poor country. One of the investors described the situation:

At the moment, our target markets are the Ethiopian domestic and neighboring regional markets. It will be a very long time before this country produces enough surplus for global export. First of all, Ethiopia and its neighbors are all largely food importers, so there is a massive market opportunity. Secondly, there are the regional special economic zones and treaties that make neighboring countries just the same as local markets in terms of market access. Thirdly, there is a lack of local processing in any of these countries, so by doing it locally we should be able to provide high volumes of cheaper produce into these markets. We think it is good for everybody. There is also the large Middle East market—also a massive food importer. It is slightly more difficult to access in logistic and trade terms, but is likely to be profitable being high-paying consumers.¹⁰²

A representative for the same corporation, when asked about employment and low wages in Gambela, responded that since the primary market is intended to be local, “it is not in the interests of the company to impoverish the workers because they are part of the company’s intended customer base.”¹⁰³ The company’s representative did acknowledge that “the area’s poverty is terrible and sad, but it means people are very keen to work: there is an excellent labor source, although it is generally completely uneducated and can only be used for manual work.”¹⁰⁴

Although some of these grants were made four or five years previously, the progress of these projects, at least in the Gambela region, has been slow. There are only two projects known to be producing. Karuturi has a large maize farm already in operation, although production in 2011 was ruined by flooding,¹⁰⁵ and Saudi Star has a rice farm that in 2010 exported a small, showcase crop of rice to Saudi Arabia to present to King Abdullah.¹⁰⁶ Although it certainly takes time to establish massive agricultural projects, as Karuturi noted about their 300,000 Ha project above, the presence of so few functioning farms is surprising given the amount of lands awarded.

In the areas I visited outside Gambela, there were a handful of plots, around 10–20 Ha in size, cropped with sesame and peanut (see Figure 14 in the appendix). One had a sign identifying it as an Indian firm, and another had a sign in Amharic. Others had no signs whatsoever. All had steel sheds and/or parked mechanical/industrial equipment, such as tractors, indicating that they were not local or tribal farms. These small farms were set amongst large areas—many hundreds or thousands of hectares—that remained undeveloped, yet devoid of human inhabitants. These areas were covered in dense, high grass and verdant vegetation. The land did not appear to be marginal, nor to have been grazed or inhabited for some time. This is evident in Figure 15 in the appendix. These lands started close to the Gambela township and extended for many tens of kilometers along the roads. At one stage, a local authority accompanying us proudly proclaimed that these lands were already set aside for foreign investors.¹⁰⁷ Subsequent meetings with tribal communities indicated that these were lands that they had lived on, but had been evicted from by the authorities.¹⁰⁸ It appears that Ethiopian authorities are evicting communities even prior to the arrival of foreign investors.

Traveling along the roads from Gambela into these rural areas provided an interesting insight into the development of the region. The road quality alternates between pot-holed dirt roads and brand-new, straight,

¹⁰¹ This large amount of land in both the highland and lowland regions is a concern given the population density and competition for land noted previously.

¹⁰² Interview with a representative of a foreign agri-business enterprise, Addis Ababa, October 25, 2011.

¹⁰³ Ibid.

¹⁰⁴ Ibid.; Another representative for a foreign investor made some fairly contradictory statements in this regard. At first, he was extolling the abundance of cheap Ethiopian labor, but a few sentences later said that they intended to bring in labor from “the excellent agricultural education institutions that are producing many under-employed graduates.” I was unable to obtain a clear answer on whether these were graduates from other parts of Ethiopia or from his own country (Addis Ababa, 25 October, 2011).

¹⁰⁵ Business Standard, “Karuturi Incurs \$15mn Loss as Floods Ravage Maize Crop in Ethiopia,” October 5, 2011.

¹⁰⁶ Kingdom of Saudi Arabia Ministry of Foreign Affairs, “Custodian of the Two Holy Mosques Received Minister of Commerce and Industry,” January 26, 2009, <http://www.mofa.gov.sa/sites/mofaen/ServicesAndInformation/news/statements/Pages/NewsArticleID88796.aspx>.

¹⁰⁷ Interviews in Gambela region, October 21, 2011.

¹⁰⁸ Ibid.

smooth bitumen highway, as illustrated in Figure 16 in the appendix. There were many stretches of roadwork in progress, providing considerable employment. The driver asserted that these workers were Gambela townsmen, not rural tribal folk. Late in the day, I observed trucks filled with workers, heading back towards the town. Along the roads were electricity lines and pylons that were either cut, or had been felled. As a result, the electricity presumably does not reach its intended destinations. Despite asking many locals, including town-folk, the driver, and tribal communities, why and how this might have happened, all disavowed any knowledge. The wires and pylons were new, like the asphalt roads, making natural decay an unlikely cause. Surprisingly, GSM cell towers were also in evidence, along with strong network signals, even 70 or more kilometers from the township. These are illustrated in Figures 17 and 18 in the appendix.

Some distance from the township, the quality of the land changed abruptly. Instead of thick, verdant fertile land, the land had top-soil exposed and was vegetated by acacia trees. Soon thereafter, clusters of stick-and-thatch huts appeared and became progressively more numerous. These turned out to be the dwellings of relocated tribal communities. These continued for tens of kilometers along the road, making it impossible to estimate the extent of the resettlement. There were hundreds, even thousands, of huts, each presumably representing a family. Even without knowing the actual numbers, the scale was significant. One local representative claimed that there were 20,000 people living there.¹⁰⁹

When interviewed, the most forthcoming amongst these tribal communities were the women. They reported tough living conditions, including difficulty in gathering enough food to feed their families and long daily treks—some claiming as much as 5 kilometers in some locations—to fetch water. They also reported that they had been living with no sanitation for as long as four or five years. They indicated that their previous lands were from the direction that we had traveled—the more fertile lands closer to the river—as far as 30 kilometers away, and that they had never returned to their previous lands out of fear of the authorities. The government told them that the land they were previously living off was “for development.” All also claimed to have never received any compensation. Some said that they did not know that they had any right to receive compensation. Others described how rich they had previously been with hundreds of cattle, sheep, and goats that the men herded; enough fertile land for the women to grow vegetables; bushland available for them to forage, including for firewood, other foods, and herbal remedies; and easy access to fresh water courses. Some families still had livestock, but only small herds. To put this in perspective, a livestock expert reported that once a pastoralist’s herd sinks to less than thirty, it is unsustainable and numbers will collapse quickly: a “good” herd is in the hundreds or thousands of heads.¹¹⁰ Some of these families had no livestock left at all.

When these communities first moved to this area permanently, the land had been dry and thinly forested with acacia. They claimed to have moved compliantly, because the government told them they had to. When they arrived, “there was no help” for them, the land had not been prepared for human habitation, and they had to re-build their lives from scratch, including cutting down trees to make huts. There were few trees, little shade, no wind-breaks, eroded top-soil, and not much firewood. As can be seen in Figures 19 and 20 in the appendix, the environment is harsh, and the predominant vegetation is thorn-bush. In some areas, the soil looked as though it was churned by cattle hooves then dried out; it was uneven and rough enough to cause injury if one was not careful. During the wet season, this particular area flooded and families had to move temporarily to higher ground. The driver explained that the area was a flood plain and “that is why the new road is raised so high above this plain, to ensure it is open all year round.”¹¹¹

In one of the areas I visited, one of the representatives claimed that circumstances had been even worse during the previous season, and that 118 people had died, including 74 children, mostly from hunger and illness. Among these were men who had committed suicide because they had failed to provide for their families. It was not possible to verify these numbers.

As these settlements become more remote from the fertile lands being allocated to investors, there are fewer opportunities for employment. It is hard to see how these families can continue to survive with no source of income, few sources of food, collapsing livestock herds, poor access to freshwater, and no sanitation.

¹⁰⁹ Ibid.

¹¹⁰ Skype interview, Addis Ababa and Nairobi, October 4, 2011.

¹¹¹ Interviews in the Gambela region, October 21, 2011.

There are five particular points to draw from the observations of land deal practices in the Gambela region. The first is the issue of “unoccupied land.” No one interviewed during the course of this research, except one retired Ministry of Agriculture official, believes that there are “unoccupied lands” in Ethiopia—there may be under-utilized lands, but not unoccupied lands. Even apparently empty areas have traditionally been used by peripatetic pastoralists or by the women of the communities to gather food and materials. Currently, however, there are indeed “unoccupied lands,” but only because the government has relocated the occupants elsewhere. The government and investors are able to claim that there is unpopulated land because the land has been depopulated in anticipation of investors.

Second, there is the issue of relocated communities living in dire circumstances. It is difficult to conceptualize how foreign projects can create economic benefit for local people when these communities have been relocated so far from the source of employment, and when those employment opportunities have not even been made available. Further, many in the community, including mothers, children, and elderly, are unlikely to be employed, even as unskilled farm labor.

A representative from a company claimed that the organization would provide community services to local communities, even though no timetable has been provided. The company claimed that it would provide schooling and clinics:

for the families of our employees [...] free of charge. This is part of the incentive for employees—as well as the income, of course—but we will make the healthcare and education open to all, although non-employees will be charged a small amount.¹¹²

On one hand, this is encouraging. On the other, it is problematic that those who remain unemployed will have to pay for education and healthcare. It is difficult to see how the services provided would reach the dispersed and impoverished families in need. There are, of course, corporate actors who are more responsible than others in this regard, but there are no mechanisms to hold anyone to account.

Third, there is the issue of infrastructural development that projects are supposed to bring to the area. These are focused on establishing roads, power lines, and GSM telecommunications, which are important for the investor, but are of limited benefit to the pastoral poor who do not have the incomes to utilize the opportunities presented by these developments.

Despite the “win-win” discourse regarding land deals where foreign investors bring development to poorer host countries, the lack of development and infrastructure poses a problem for investors. The Saudi Arabian Ministry of Commerce even published a report critical of the lack of infrastructure and capacity in agricultural land-acquisition projects.¹¹³ In an interview, a representative from an investor firm noted that:

Some potential investors arrive and see no infrastructure and panic. What they don’t understand is that the infrastructure is coming in line with the projects coming online. As we extend the areas under cultivation, the public infrastructure is extending too, especially the main roads and telecommunications.¹¹⁴

When asked about who was responsible for providing infrastructure, the respondent said:

We [the corporation] do not have to pay for any public infrastructure; the regional and/or federal government makes that investment. That includes roads, telecommunications, and electricity. In return, we create all the non-public infrastructure. This includes irrigation and internal roads for our farms, but also accommodation and services for our employees and their families.

There was no mention, however, of any requirements or standards regarding accommodation and services provided to employees. According to those interviewed, there are no requirements or standards, although they were adamant that they would provide healthcare and education. So far, however, these are not in evidence.

¹¹² Interview, Addis Ababa, October 25, 2011.

¹¹³ Saleh Al-Zahrani, “Report Plays up Challenges in Agriculture Investment Abroad,” *Saudi Gazette*, October 5, 2011.

¹¹⁴ Interview, Addis Ababa, October 25, 2011.

Fourth, there are issues of “security,” local instability, and the risk of inciting violence. As mentioned earlier, power lines and other areas of infrastructure appear to have been sabotaged. This is obviously not good for the investor and raises the possibility of further potential damage to farming projects. When I asked an executive of one of the large foreign investor firms about these risks, he replied that there “are a few security concerns,” but added that, “in comparison to other places, the people are passive.” When I put the same question to a senior policymaker from an investing country, he replied that he had confidence in the Ethiopian government’s capacity to prevent security problems. This is surprising given the area’s reputation for inter-tribal and ethnic conflict, as well as the scale of the surrounding dispossession and impoverishment. A few months later, however, in May 2012, one of my local Ethiopian contacts got in touch to describe an incident that occurred in one of the villages I had previously visited:

the village men-folk finally broke down from seeing their families’ situations deteriorate so far and attacked one of the foreign farms that had been established nearby. In the attack, they killed one of the company’s Pakistani workers. Shortly afterwards, to serve justice, the authorities sent militia in who slaughtered maybe ten or eleven villagers.¹¹⁵

This incident, however, remains impossible to verify.

The fifth and final issue is related to the flooding cycle. In contrast to the preceding points, this one could actually be turned into an advantage. Although the consequences for the displaced people relocated to a flood plain are horrendous, with decent infrastructure in terms of water catchment, drainage, and management, there are agricultural possibilities for this land. The growth of wet-root crops like rice and cotton or even wheat, maize, *tef*, and sorghum would be possible. With no water management, people in these areas grow nothing as the land is either too dry, or is underwater.

This is exactly the type of land that is in need of investment in order to make the area productive, while the lush grazing land should be granted to the pastoral tribes so that they can have a sustainable livelihood, even if some of their nomadic practices are curtailed. If development of these areas and communities really is a central priority for foreign investors, then additional investment can help pastoralists create dairy and beef industries and give them access viable export markets. It seems that such “win-win” outcomes may be possible, but it is hard to see such positive outcomes emerging from the situation as it currently stands.

The Mechanics of Land Leases in Ethiopia

The federal government controls the awarding of land leases to foreigners, but allows *killil* governments to allocate the land. Obtaining a land lease in Ethiopia is relatively easy despite Ethiopia’s notorious bureaucracy. At the federal level, there is just a single-page document, the “Agriculture Investment Land Request Form,” that needs to be completed.¹¹⁶ The process is, of course, a little more complex than just filling out a form, but it does not appear that the government undertakes a significant process of due diligence, or that the claims made on paper are subject to scrutiny.

According to a former official from one of the government investment agency bodies,¹¹⁷ if investors have not worked in Ethiopia before, they need an investment permit from the federal government. This is obtained through a simple, but bureaucratic, paperwork process. Instructions for that process are available online.¹¹⁸ Depending on the nature of the proposed investment, the government requires a commitment to invest a certain amount of capital. There is no requirement, however, to place any capital up front with an Ethiopian bank or government-delegated institution. The investor can then submit the land request form to the Ethiopian Investment Agency, and, based on the investor’s interest, the agency writes to the relevant *killil* investment commissions to initiate the project.¹¹⁹

¹¹⁵ Skype interview, May 29, 2012.

¹¹⁶ The form is available online at <http://www.ethioinvest.org/docs/App%20forms/download.php?file=Land%20Acqui.%20App.pdf>.

¹¹⁷ Interview, Addis Ababa, September 20, 2011.

¹¹⁸ Ethiopian Investment Agency, “Licensing and Registration Services,” http://www.ethioinvest.org/service_types.php.

¹¹⁹ In the opinion of this official, “this [dealing with both federal and regional governments] creates a headache for investors. It would be much better if the information was held at the federal level, rather than the investor having to deal with a state, or sometimes a number of states, as well as the federal government. You could make a recommendation that the federal agency becomes a One Stop Shop” (Interview, Addis Ababa, September 20, 2011).

According to the official, the investor must then make an application for land by submitting a project proposal, which normally includes:

- Project objectives
- Resources that will be invested
- Machinery required
- Expected outputs
- Schedule and timeline
- Market statement: how and where the produce will be sold
- A financial statement about how the project will be funded—what proportion is investor money, how much is borrowed, and on what terms. This should also include Profit & Loss statements, an Internal Rate of Return (IRR) estimation, and a project break-even point estimate.

There appear to be no rules on how these questions should be answered and there are no specific requirements that must be met for a project to be awarded. All these documents are then submitted to the *killil* investment office.

There are multiple zonal—*woreda*—areas, each with its own investment administration. The state determines in which *woreda* land is available and provides the documentation to the *woreda* administration. The *woreda* investment committee reviews the proposal, determines the specific land for the investment, and confirms whether it is “available” or not. If there are farmers on the land, part of the *woreda* administration’s responsibility is to calculate compensation. In some cases, the proposal is passed down to the lowest level of government, the district authorities. However, it is the *woreda* committee’s role to provide minutes of any meetings that determine whether or not the land is “available.” If compensation is to be paid, the *woreda* authorities must list how much compensation is to be paid and to whom. Each individual recipient of compensation is identified and listed.

The meeting minutes are handed to the state office and the state then prepares an “Investment Agenda” that incorporates the minutes. This is apparently passed on to “experts” who are responsible for making a written appraisal of the proposal, including how much employment will be generated by the project and an assessment of the proposed compensation.

The experts making the appraisal prepare a summary with a recommendation to the state’s Investment Board. This is a committee made up of five to seven members, which usually includes the Regional President and Investment Commissioner. Based on the appraisal, the Board makes a decision.

If the decision is positive, then the land is allocated to the investor and an offer letter is raised. Since it is the company not the government that pays compensation, the letter includes details about how much is to be paid. Although the compensation needs to be paid up front, the company can deduct the compensation from future lease payments. Effectively, the compensation can be treated as pre-paid rental. The last step is for the investor to enter an agreement with the federal government on the terms already agreed to by the *killil* government.

In the past, agreements were signed between the investor and the *killil* government, but, in 2008, the federal government overruled this. A representative from Karuturi explained that, despite initial misgivings, this transfer was not problematic. Currently, although Karuturi still has good relations with all the *killil* governments, they “only really have to deal with the top.”¹²⁰ When questioned further about the relationship with the government, the Karuturi representative continued, saying:

On the whole, the environment is good: government policies are favorable and the government is cooperative and easy to deal with. They are very responsive to our needs as investors.

¹²⁰ Interview with a public relations executive, Karuturi, Addis Ababa, October 24, 2011.

Another investor concurred:

If other investors come here, they need to be clear what they want to do and what they bring to the venture. At the same time, they need to be flexible and listen to the government and its needs. If you can manage these things, I don't think it is hard to be successful.

If you want [to invest in] a certain sized project, with a certain set of crops, then work with the government on where it needs that project. This is the kind of flexibility I mean. I know that some companies have come badly unstuck, and have left the market because they either didn't really know what they wanted and/or they refused to be accommodating with the government and its needs. Work with the government. They are cooperative and very keen for the foreign investment. I think I could say that the government is even easier and better to work with than the government in your or my own country. On the whole, it is a very good opportunity in Ethiopia.¹²¹

Despite the potential irritations of having to deal with multiple levels of government, there are few obligations that an entity needs to meet to acquire a long-term land lease in Ethiopia. There does not appear to be a comprehensive body of regulations in place to manage the activities of such investors.

The contracts between the government and investor are brief and low on detail. Some of these are publicly available. The contract between Karuturi and the federal government for 300,000 Ha is just nine pages long. Karuturi's obligations are limited to twelve one-sentence clauses, three of which pertain to terms allowing transfer of parts of the land. Another "on termination" clause bizarrely states that if Karuturi was ever asked to leave the country, it would be required to disassemble all improvements to the land to make sure it leaves nothing behind. The remaining eight "obligations" provide virtually nothing against which the performance of the company can be held to account, and include statements like: "The lessee shall bear the obligation to provide good care and conservation of the leased land and the natural resources thereon," and "the lessee shall provide correct data and investment activity reports upon request by the Ministry of Agriculture and Rural Development."¹²²

Limited Benefit to Ethiopia

Not only are there minimal practical requirements placed on investors, the financial imposts are also extremely low in Ethiopia. According to an ex-Ministry of Agriculture official, the maximum amount a foreign investor has to pay for rental of agricultural land is 135 Birr per hectare (<\$8/Ha). For projects remote from Addis Ababa, this amount can drop to as low as 82 Birr per hectare (about \$4.80).¹²³ Instead, according to the official, the government is more concerned with "the importance of the project for the national economy," including:

- Employment for poor people in that rural area
- Import substitution for produce, i.e. produce is sold locally in place of produce that is currently imported
- Export tariffs on exported produce
- Income tax on employees
- Company tax on company profits.

The latter is somewhat problematic given that tax is only paid to the state after the investor's break-even point in the project has been reached and after the company has benefitted from the tax holiday. Moreover, while company tax on industrial enterprise is 35 percent, it is only 20-25 percent for agricultural projects.

¹²¹ Interview, Addis Ababa, October 25, 2011.

¹²² Federal Democratic Republic of Ethiopia, Ministry of Agriculture and Rural Development, and Karuturi Agro Products Plc, "Land Rent Contractual Agreement," 2010, <http://webcache.googleusercontent.com/search?q=cache:http://www.eap.gov.et/sites/default/files/Karuturi-Agreement.pdf>.

¹²³ Interview, Addis Ababa, September 29, 2011.

At the same time, the Ethiopian Investment Agency is offering investors the following fiscal incentives:¹²⁴

- Exemption from all import duties on any plant/equipment/technology/machinery, or any other input required for the project. There is no time limit on this exception; it is, on paper at least, available in perpetuity
- Exemption from nearly all forms of export duties
- No restriction on remittance of profits or capital gains
- Exemption on payment of income tax for between 2 to 8 years depending on the circumstance, as well as the ability to carry over losses into future years to extend the income tax holiday.

Counter-intuitively for a country with dire domestic food insecurity, the incentives to increase the duration of the tax holiday are to export higher percentages of production. The government is seeking to facilitate the export of food production by disincentivizing foreign producers from selling locally.

Thus, the reality is that the Ethiopian government receives virtually no publicly accounted-for financial benefit from these projects for the first five or more years and, even thereafter, receives negligible amounts of rent and low levels of taxation. Combined with this paucity, the actual levels of employment that these projects will provide in the remote rural areas is limited to poorly paid menial labor and mostly seasonal work. Given that these projects do not offer Ethiopia any real benefit, the logic behind these projects is difficult to understand. When pushed on this, an interviewed official admitted that “in truth, these deals are really only about getting foreign exchange into the economy.”¹²⁵

Corruption?

The convoluted bureaucratic investment process involving all levels of government is ideal for sharing graft throughout the ruling party structures at every level of government. The system of *woreda* officials stipulating compensation payments and identifying recipients, without much regulation, provides opportunities for corruption, which is often difficult for low-paid regional officials to resist.

Unlike Cambodia, however, if graft does exist in Ethiopia, it is discreet and hidden. During my three-month field visit to the country, I never once experienced any of the myriad forms of petty corruption that take place in Ethiopia's neighboring countries, and in many parts of South and Southeast Asia. I never encountered graft-seeking behavior in Ethiopia, and found it difficult to talk to people about it whether in a formal or informal manner. Even the most outspoken people had very little to say about graft.

It is hard to believe that Ethiopia is free of corruption, and that land deals with so little benefit to the country are made without benefit to the elite. Yet I can present no hard evidence of specific corruption in relation to the making of any of these foreign land investment deals

Reviewing the Risks

In general, investment in large-scale land leases for industrialized agricultural production in Ethiopia does not deliver positive outcomes for affected rural Ethiopians. This creates an environment of risk for investors, especially combined with the already high-risk developing country environment in general, and Ethiopia's peculiar ethno-political geography, in particular. Before drawing some conclusions from the evidence contained in this report, it is worthwhile reviewing the risks likely to face investors interested in the agricultural sector of Ethiopia.

Currently, there is an absence of well-defined regulatory frameworks for some aspects of an investor's activity in Ethiopia. Laws, even when put in place, are poorly adhered to and are not properly enforced. In Ethiopia, political power is concentrated in the hands of a few and success is predicated on good relationships with key government figures. In this regard, there are no guarantees in the case of shifts in political power. These issues, however, are not unusual for developing country environments, and will not dissuade investment with a view to commensurate returns.

¹²⁴ These are publicly available online, Ethiopian Investment Agency, “Investment Regime,” http://www.ethioinvest.org/Investment_Regime.php.

¹²⁵ Interview, Addis Ababa, October 12, 2011.

Further, there are risks related to food security. Ethiopia's reliance on food aid and the continued prevalence of poverty and hunger suggest the possibility of a risk from the domestic food insecurity of the country. If the domestic food security situation deteriorates, especially in proximity to investors' projects, there is a risk that investors find their production more valuable to the government than the longer-term value of the investment relationship. An interviewed official responded that:

While regulation plays a role, remember, at the end of the day, that if the government determines that the benefits of continued participation in the country outweigh the negatives, then the company has mismanaged its investment.¹²⁶

Large-scale commercial farming in an environment of traditionally poor smallholder agriculturalists has the potential to create further impoverishment in Ethiopia. If such projects lead to dislocation and impoverishment, then it follows that there will be a paucity of goodwill amongst the affected local communities. Other risks relate to the degradation of land, water, and the environment and have a direct effect on all local communities. As the official stated:

Degradation of land and water resources is not productive for either the investor or the country. While there should be some regulatory controls around this, there is such a thing as responsibility that investors need to take heed of. They should be responsible for the impact of their activities, both socially and environmentally. First rule for an investor should be "do no harm" and always act to leave the place no worse off than it was found.¹²⁷

Finally, many investors seek short-term returns despite these projects being intended as long-term agricultural projects. Agriculture by its very nature is a long-term investment, and building an enterprise for long-term stable returns requires a set of behaviors other than trying to take a short-term windfall.

Despite these risks, there is great potential for social and commercial gain in Ethiopian agriculture. Since Ethiopian farmers under-exploit their resources and produce much less than they could, the opportunities for both profit and development in Ethiopia are huge, and not only for the investor, but for the country as well.

Conclusion

There are two broad arguments often made regarding commercial investment in developing country environments: first, that investment brings economic benefits for the country as a whole, and, second, that it is not the responsibility of commercial enterprise—driven by the motivation for profit—to deliver altruistic development outcomes at the expense of corporate success. If anything, the latter is often seen as the responsibility of the host country government. Yet, as this report makes clear, the largely unregulated land-based investments in both the highland and lowland areas of Ethiopia deliver very little return to either the local or national economy and negatively impact local communities. It is also clear that the Ethiopian government does not demonstrate the capacity to ensure that its people are not harmed by foreign agricultural investment projects. Indeed, the government proactively evicts local communities from the land even before an investor has arrived. It is incumbent upon investors to work harder at providing development outcomes to mitigate the probability of negative outcomes on a large scale. Investors cannot rely on the Ethiopian government to protect their investment projects from local risks.

The problems facing the rural poor in Ethiopia and Cambodia are similar, and are matters that investors can solve by helping smallholder farmers to improve their productivity. These issues include insecurity of land tenure; lack of access to capital; lack of access to inputs, technology, and equipment; lack of infrastructure; and lack of access to markets. Smallholder productivity, however, will not be improved by taking over their land. Despite the prevalence of the "win-win" discourse to justify land deals, real win-win outcomes are more likely to be achieved by investing in the capacity of Ethiopian and Cambodian farmers.

¹²⁶ Ibid.

¹²⁷ Ibid.

The opportunity for developing economic growth through investment in the rural agricultural sector does exist. In Ethiopia, however, this is complex due to the different needs of highland and lowland agriculture and because of the complex ethno-political geography of the country. More importantly, it remains unclear whether investment models that support Ethiopian smallholders to deliver surpluses will be enough to address the food crisis in Ethiopia and to contribute to surpluses for export to investors' domestic markets.

One difference between Ethiopia and Cambodia is that the negative outcomes of foreign land investments in Ethiopia have apparently resulted in less violent conflict. At first glance, this may suggest that Ethiopia is a less risky environment than Cambodia. However, the areas where projects are located present hostile environments for investors in both countries. The same primary risk factors are still in evidence in both Ethiopia and Cambodia. These include dispossessed, impoverished, hungry, and angry local populations living in close proximity to the projects or who are employed by the projects. This suggests that investors need to make far greater efforts to engage and cooperate with local communities to lessen the hostility and to create a foundation for reliable success of projects.

Recommendations and Next Steps

Poor investment practices are comprehensively exhibited by the existing land deal projects in Ethiopia. These are not only problematic for the affected local communities, but potentially jeopardize investors' ability to deliver the long-term food security objectives sought by land deal investments. However, the opportunity for increasing the productivity of Ethiopian smallholders remains, offering the potential to generate substantially more food for local consumption and even for export.

With this in mind, this report identifies some key recommendations. If GCC member states seek “win-win” outcomes, the first recommendation is for states to either individually or collectively regulate the extra-territorial activities of their businesses prior to embarking on any new project. This is necessary in order to avoid the poor investment practices evident from such land deals. An internationally accepted approach to such regulation has been defined in the Ruggie Report to the UN Secretary-General.¹²⁸ Following this model, GCC states should “set out clearly the expectation that all business enterprises domiciled in their territory and/or jurisdiction respect human rights throughout their operations.”¹²⁹ GCC states should consider implementing the Ruggie framework in its entirety as a strategy to help encourage good investor and enterprise behavior.

The ongoing problem of food insecurity in Ethiopia raises questions about the viability of exporting substantial surpluses from the country. Yet, the opportunities presented by potential productivity improvements in Ethiopian agriculture should not be dismissed. In particular, the possibility of developing viable export markets for Ethiopian pastoralists warrants close investigation. Productivity improvements can help Ethiopia address its domestic food security problems and could provide reliable surpluses for export to investors' own markets.

In general, agricultural development investments that empower and create profit for local communities are likely to be more successful over the long term than those which confiscate resources from those communities. This is the same for both Cambodia and Ethiopia, despite their internal differences, and it seems likely that this principle could apply in other developing country environments as well. In light of this, the second recommendation is for GCC states to develop an ongoing research agenda that examines other potential investment hosts to verify that it applies similarly in other least-developed countries with agricultural potential. The research agenda should also seek to develop suitable models for smallholder-focused FDI that can deliver productivity improvements, incomes for farmers, and surpluses for export sought by GCC states. This will require investment in independently run pilot projects to gain practical experience from which strategies, policies, and protocols can be deduced.

In light of the material contained in this report, the final recommendation is for GCC policymakers to carefully re-think the existing strategies for investing in developing country agriculture in their pursuit of long-term food security objectives. This includes halting the pathologies of the existing programs, thinking about alternative policy strategies, and considering:

¹²⁸ John Ruggie is the Special Representative of the Secretary-General on the issue of human rights, transnational corporations, and other business enterprises. See John Ruggie, “Guiding Principles on Business and Human Rights: Implementing the United Nations ‘Protect, Respect and Remedy’ Framework” (New York: United Nations Human Rights Council, 2011).

¹²⁹ Ibid., 7.

- A moratorium on land investments until mechanisms or alternatives are in place to mitigate the risks arising from these projects
- Regulation of private-sector activity in pursuit of state-desired food security objectives
- Developing strategies, policies, and protocols for managing smallholder-centric investment projects by leveraging lessons drawn from further research
- Establishing independently audited public accountability mechanisms for both private-sector and state-led projects.

The last point might seem counter-productive to usual business and investment practices that tend to shirk transparency. However, it is, in actuality, crucially important for monitoring the types of risks that jeopardize the long-term viability of these projects. Dispossession, injury, and impoverishment in the host country are the risks that must be prudently avoided if food security projects in foreign countries are to have high prospects for long-term success.

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Figure 1: Aerial view of Ethiopian agricultural highlands showing land use patterns and plot sizes. Heading South-West from Addis Ababa, about 12,000ft.

Figure 2: Aerial view of Ethiopian agricultural highlands showing land use patterns and plot sizes. Heading South-West from Addis Ababa, about 6,000ft.

Figure 3: Ethiopian agricultural highlands, south of Addis Ababa towards Nazret.

Figure 4: Ethiopian agricultural highlands showing hillside plantings south of Addis Ababa towards Nazret.

Figure 5: Ethiopian agricultural highlands showing hillside plantings, Muka Turi area north of Addis Ababa.

Figure 6: Use of terracing in Jema River Gorge Area.

Figure 7: Use of terracing in Jema River Gorge Area.

Figure 8: Market day in the Muka Turi area. This is how many families go to market: on foot.

Figure 9: Observe the absence of vehicular traffic: most people travel on foot or, occasionally, donkey cart. Gebre Guracha area.

Figure 10: Barley harvest by hand, Muka Turi area.

Figure 11: Erosion and run-off from an investor's project onto the villagers' cropping land, Debre Zeit area.

Figure 12: According to the villagers, this was a previously forested area used for common grazing and forest resources, Debre Zeit area.

Figure 13: Access to fresh water from the lake in the background was cut by “development” along the lake edge. According to the villagers, a tenant kindly ran a pipe with a tap across this property to allow the villagers access, Debre Zeit area.

Figure 14: Sesame and ground-nut farmlands in Gambela region. Given the large amounts of lands granted to investors, these projects do not appear to be very extensive.

Figure 15: Currently uninhabited productive land in the Gambela region. Although local communities have been evicted from these areas, no investors are utilizing the land.

Figure 16: Old and new roads, Gambela region.

Figure 17: Power lines that have been cut or damaged, Gambela region.

Figure 18: GSM coverage, part of the “development” of the Gambela region.

Figure 19: Displaced people's "camps" in the Gambela region.

Figure 20: Poor quality land in the Gambela region churned up after the floods, but in dry times only good for thorn-bush. Most trees have been cut down to make huts and to burn as firewood.

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