



UNDERSTANDING LAND INVESTMENT DEALS IN AFRICA



COUNTRY REPORT: **ETHIOPIA**



The Oakland Institute

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The views and conclusions expressed in this publication, however, are those of the Oakland Institute alone and do not reflect opinions of the individuals and organizations that have sponsored and supported the work.

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ABOUT THIS REPORT

This report is part of the Oakland Institute's (OI) seven-country case study project to document and examine land investment deals in Africa (Ethiopia, Mali, Mozambique, Sierra Leone, Sudan, Tanzania, and Zambia) in order to determine social, economic, and environmental implications of land acquisitions in the developing world.

This report is the product of a partnership between the OI and the Solidarity Movement for a New Ethiopia (SMNE). Research took place between October 2010 and January 2011 and involved field trips to the Benishangul, Gambella, and Oromia regions.

The research team conducted thorough examination of the actual agreements and the extent and distribution of specific land deals. Through field research, involving extensive documentation and interviews with local informants, multiple aspects of commercial land investments were examined including their social, political, economic, and legal impacts.

The team met with government officials, civil society, investors, and the local communities that have been impacted by land investments. People's voices and stories appear throughout this report, but due to the sensitive nature of this issue and government's increasing intolerance of dissent, their names and precise locations have been omitted.

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LIST OF ACRONYMS

ADLI	Agricultural Development Led Industrialization	ILC	International Land Coalition
AGOA	Africa Growth and Opportunities Act	IMF	International Monetary Fund
AISD	Agriculture Investment Support Directorate	LDC	Least Developed Country
CEO	Chief Executive Officer	MDG	Millennium Development Goal
COMESA	Common Market for Eastern and Southern Africa	MIGA	Multilateral Investment Guarantee Agency
EBA	“Everything But Arms” Initiative	MoARD	Ministry of Agriculture and Rural Development
EIA	Environmental Impact Assessment	NGO	Non-governmental Organization
EPA	Environmental Protection Authority	OI	Oakland Institute
EPRDF	Ethiopian People’s Revolutionary Democratic Front	OPEC	Organization of the Petroleum Exporting Countries
EU	European Union	PASDEP	Plan for Accelerated Sustained Development and to End Poverty
EWCA	Ethiopian Wildlife Conservation Authority	SIA	Social Impact Assessment
FAO	United Nations Food and Agriculture Organization	SMNE	Solidarity Movement for a New Ethiopia
FDI	Foreign Direct Investment	SNNPR	Southern Nations, Nationalities, and People’s Region
FDRE	Federal Democratic Republic of Ethiopia	SSA	Sub-Saharan Africa
GDP	Gross Domestic Product	STD	Sexually-transmitted Disease
GSP	Generalized System of Preference	TPLF	Tigray People’s Liberation Front
ha	Hectare (1 hectare = 2.4175 acres)	UK	United Kingdom
HIV	Human Immunodeficiency Virus	UN	United Nations
HRW	Human Rights Watch	UNCTAD	United Nations Conference on Trade and Development
ICERD	International Convention on the Elimination of all Forms of Racial Discrimination	UNDP	United Nations Development Program
ICSID	International Center for the Settlement of Investment Disputes	US	United States
		WFP	United Nations World Food Program

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EXECUTIVE SUMMARY

For decades, Ethiopia has been known to the outside world as a country of famine, food shortages, endemic hunger, and chronic dependency on foreign aid. Despite receiving billions of dollars in aid, Ethiopians remain among the poorest in the world. Since early 2008, the Ethiopian government has embarked on a process to award millions of hectares (ha) of land to foreign and national agricultural investors. Our research shows that at least 3,619,509 ha of land have been transferred to investors, although the actual number may be higher. The Ethiopian government claims that these investments will allow for much needed foreign currency to enter into the economy and will contribute to long-term food security through the transfer of technology to small-scale farmers.

Through interviews with impacted communities, government officials, investors, civil society and others, this report analyzes the situation “on the ground” and helps to provide a real understanding — beyond the rhetoric and hype — of the actual impacts of land investments on the land and its people. The general findings of this research include:

Commercial investment will increase rates of food insecurity in the vicinity of land investments. Despite Ethiopia’s endemic poverty and food insecurity, there are no mechanisms in place to ensure that these investments contribute to improved food security. In addition, there are numerous incentives to ensure that food production is exported out of the country, providing foreign exchange for the country at the expense of local food supplies. Finally, while the Ethiopian government lists transfer of technology as a major outcome of land investment, it has established no mechanism for such transfers to take place.

Large discrepancies between publicly stated positions, laws, policies and procedures and what is actually happening on the ground. The Ethiopian government insists that for all land deals consultation is being carried out, no farmers are displaced, and the land being granted is “unused.” However, the OI team did not find a single incidence of community consultation. Furthermore, virtually every investment site we visited involved the loss of some local farmland, and every investment area exhibited a variety of land uses and socio-cultural/ecological values associated with it prior to land investment.

No limits on water use, no Environmental Impact Assessments (EIA), and no environmental controls. With water being of critical importance in the country and, considering Ethiopia’s critical location at the headwaters of the Nile, it is alarming that investors are free to use water with no restrictions. Investors informed the OI team of the ease with which they planned to dam a local river and of the virtual lack of control and regulations over environmental issues. Despite assurances that EIAs are performed, no government official could produce a completed EIA, no investor had evidence of a completed one, and no community had ever seen one.

Displacement from farmland is widespread, and the vast majority of locals receive no compensation. The majority of these investments are in the lowland areas where, with the exception of one region, there are no land certification processes under way. Local people are being displaced from their farmlands and communal areas in almost every lease area visited by the OI team. Government pays little attention to patterns of shifting cultivation, pastoralism, or communally used areas, and therefore claims all these lands to be “unused.” Displaced farmers are forced to find farmland elsewhere, increasing competition and tension with other farmers over access to land and resources.

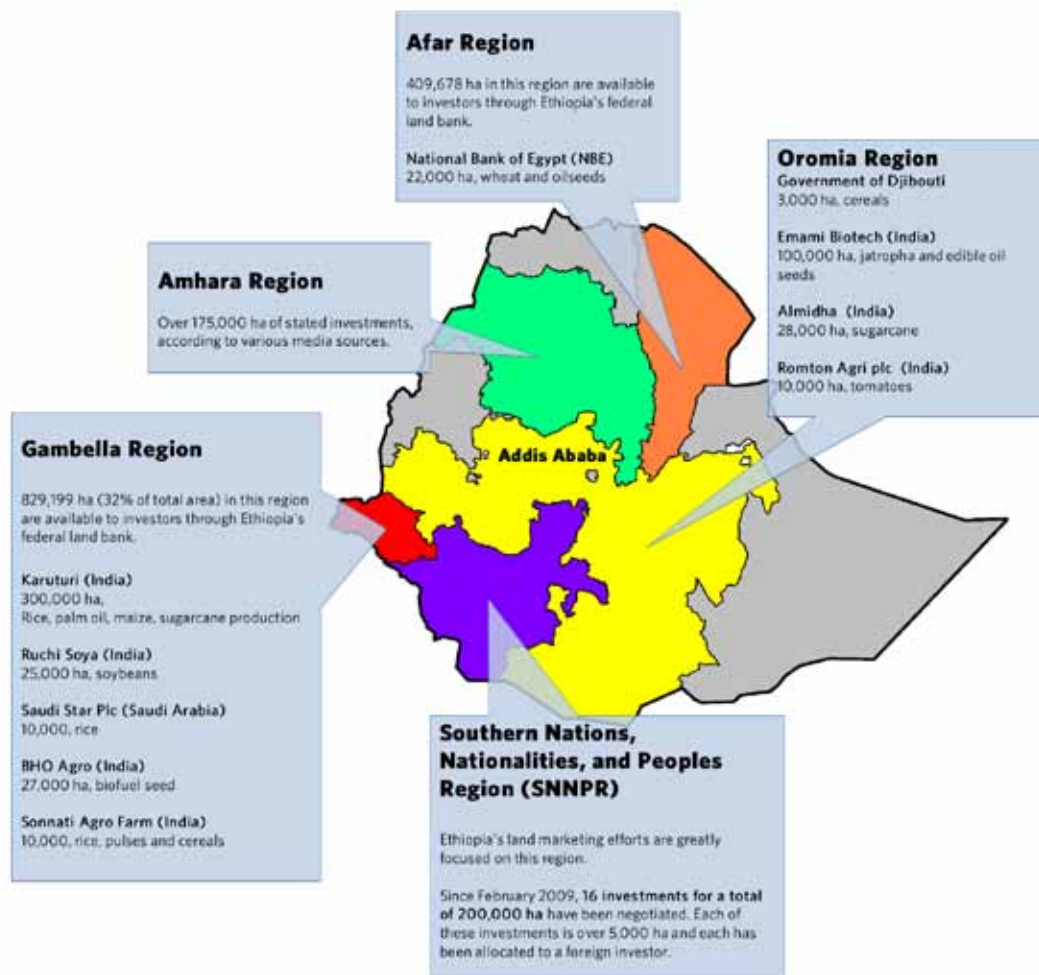
There is no meaningful pre-project assessment, and little in the way of local benefits associated with these land investments. Forests are cleared, critical wildlife habitat lost, and livelihoods destroyed. There is no process to ensure that land investment is happening in appropriate areas to find a balance of land uses across the landscape. Instead, it is largely at the investor’s discretion to determine if agriculture is the best use of the land. There is nothing in place to ensure that local people benefit from the business opportunities that these investments could present. Local people bear the brunt of the adverse impacts of these investments, while realizing none of the benefits. In many cases, local indigenous people already live on the margins and face chronic food insecurity. They view land investment as the latest in a long process of discrimination.

While large foreign investments grab headlines, many Ethiopian land deals involve small-scale investors (local and diaspora), many of whom have limited agricultural experience. While potential investors must provide some evidence that they have the financial ability to carry out the operation, no such evidence is required of an investor’s

technical ability and knowledge. It was evident from OI fieldwork that many investors lack the knowledge to be farming at this scale.

For Ethiopia, this is likely just the beginning. OI found a great lack of local knowledge about these land investments, with local communities often becoming aware once bulldozers arrive to clear the land. As investors increasingly clear Ethiopian land, levels of frustration will

grow, and environmental and food security concerns will steadily worsen. The negative impacts that the OI research team witnessed firsthand will likely be magnified many times over into the future unless the Ethiopian government takes urgent steps to address these negative impacts, and ensures that any land investments that are granted are for the benefit of local communities and for the country as a whole.



INTRODUCTION

Around the world, fertile land is being made available to investors, often in long-term leases and at giveaway prices. This trend, often referred to as “land-grabbing,” gained traction after the global food crisis of 2008.¹ Corporations, fund managers, and nations anxious to secure their own future food security have been scouting out and securing large land holdings for offshore farms or just for speculation. Increasingly, investors have come to see farmland as a secure and profitable place for their capital. Some countries, particularly in Asia and the Middle East, recognized their own shortage of land or water resources for food production and began looking offshore for arable land — often in Africa — to assure their own future food security. In addition, new quotas for the use of agrofuels in the European Union and the United States contributed to the global land rush as corporations began scouting out the vast land (and water) resources needed to produce crops that can be converted to fuels.

By the end of 2009, such investment deals covered 56 million hectares (ha) of farmland around the world.² The United Nations Food and Agriculture Organization (FAO) has suggested that this can engender a “win-win” situation,³ and the World Bank has laid out a set of principles for “responsible agro-investment” that in theory, could make this the case.⁴

Civil society and human rights groups, smallholder farmer associations and many scientists disagree. They argue that the land-grabbing threatens food security, and human rights to food and land. They call instead for investment in and support for smallholder agro-ecological farming systems.⁵ Africa has been a particular target of land- and water-hungry investors, comprising more than 70 percent of the investors’ demand.⁶

Until now, few evidence-based studies have been undertaken to analyze the full extent and nature of the land deals in individual countries. This study, like those done by OI in other African countries, is intended to fill that information and knowledge gap.

Ethiopia, like other African nations, is negotiating the long-term leases of its most productive agricultural lands to foreign investors. While there is undoubted need for foreign direct investment (FDI) in Ethiopia, there are widespread concerns that these land investments are not being undertaken in a manner that safeguards the social, environmental, and food needs of local populations. This report aims to build awareness of the actual outcomes of this phenomenon in Ethiopia and enable policy-makers to make more informed decisions that are grounded in realities.

Thus, the purpose of this study is to examine how the accelerating trend of commercial investment in farmland affects the urgent and critical task of improving food security for Ethiopians, and to determine the implications of land acquisitions for local people — their food security, well-being, and livelihoods.

The report is divided into three sections. The first section provides an overview of the economic, social, political, and food security contexts of Ethiopia. The second provides details about land investment — where, how, and why it is happening. The third section looks at the social, environmental, economic, and food security impacts of land investment in Ethiopia.

1. COUNTRY CONTEXT

Ethiopia is in many ways culturally, linguistically and historically distinct from the rest of the continent. It is considered a “least developed country” (LDC), ranked 157 out of 169 countries in the 2010 United Nations Development Program (UNDP) Human Development Index.⁷ Poverty affects the majority of the population, as 81 percent live on less than USD 2 a day. High rates of chronic malnutrition threaten the life and the development of millions of Ethiopian children, as an average of 13 million Ethiopians face severe food insecurity each year.⁸

1.1 Social Context

POPULATION

With a population of 85 million people in 2011, Ethiopia is the second largest country in Africa in terms of population.⁹ The population is overwhelmingly rural, with rural dwellers making up 83 percent of the population. At 66 people per square kilometer, Ethiopia has one of the highest population densities in the world. 85 percent of Ethiopians live in the Highlands, with a population density of 150 persons per square kilometer. The vast majority of the people make their living from small-scale agriculture.

ETHNICITIES AND LANGUAGE

Ethiopia is characterized by a mosaic of ethnicities. The main ethnic group in the country is the Oromo, comprising 34.5 percent of the population. Amhara (26.9 percent), Somali (6.2 percent), and Tigray (6.1 percent) make up the other main ethnic groups.¹⁰ Amharic is the official language and is spoken by 27 million people. Dozens of local languages and dialects are also spoken.

MEDIA

Radio is the main medium through which Ethiopians access information. Most radio stations and the main television station are state-controlled. Access to print media is mainly limited to urban areas. Licenses were issued for private stations in 2006, although self-censorship is common.¹¹ The country currently has 445,000 internet users – approximately 0.5 percent of the

population, one of lowest rates of internet use of all Sub-Saharan African (SSA) countries.¹² In addition, internet censorship is widespread, and freedom of information laws¹³ are not enforced, as access to public information is largely restricted. The government limits coverage of official events to state-owned media outlets.¹⁴ Criminal prosecutions and arbitrary detentions have encouraged self-censorship among journalists. The relationship between press and government is often strained. According to Reporters without Borders, a “spiral of repression” is occurring against the private media.¹⁵

1.2 Political Context

Ethiopia is an ethnic federal republic, made up of 9 ethnically-based states. These states are designed to provide self-determination and autonomy to Ethiopia’s different ethnic groups.

Since the Derg fell in 1991, the Tigray People’s Liberation Front (TPLF) assumed leadership of the country, and through the Ethiopian Peoples Revolutionary Democratic Front (EPRDF), still dominates national politics.¹⁶ The EPRDF, under the leadership of Meles Zenawi, won a fourth term in elections in May 2010, increasing its already large official majority. In the EPRDF’s 2005 election victory, there was widespread concern about election regularities, post-election violence, and arbitrary imprisonment of journalists and opposition politicians. Prime Minister, Meles Zenawi, was a key figure in the guerrilla campaign against the Derg (the communist military junta who ruled the country from 1974 until 1987).

OPPOSITION TO GOVERNMENT

Increasingly since the 2005 elections, open dissent towards the government and its policies is not tolerated. There exist many reports of harassment, detentions, and imprisonment of those who oppose the government. As a result, there is a definite culture of fear about government opposition. In this environment, opposition parties have had a difficult time gaining ground, and infighting between different factions has limited their profile and effectiveness. Outside of Ethiopia, there are many diaspora groups that actively oppose government policies, advocate for change in Ethiopia, and attempt to build awareness internationally of Ethiopia's policies and human rights record.

HUMAN RIGHTS ISSUES

The 1994 Ethiopian Constitution and other proclamations offer a solid human rights' foundation.¹⁷ Unfortunately, these laws are poorly enforced. A series of investigations and reports carried out by independent organizations paint a very poor and steadily worsening picture. A 2007 report from the UN Committee that monitors the implementation of the *International Convention on the Elimination of all forms of Racial Discrimination (ICERD)* was "alarmed" to find that security forces have been "systematically targeting" certain ethnic groups. It cites evidence of "summary executions, rape of women and girls, arbitrary detention, torture, humiliations, and destruction of property and crops of members of those communities."¹⁸

In addition, Human Rights Watch's 2005 report, "*Targeting the Anuak: Human Rights Violations and Crimes against Humanity in Ethiopia's Gambella Region*," outlines numerous human rights violations against the Anuak, particularly highlighting the events of 2003 when EPRDF security forces and other groups were responsible for the deaths of 424 Anuak in Gambella. Many more were imprisoned, tortured, beaten, and 8,000 to 10,000 fled the area to neighboring Sudan. These incidents are part of a lengthy and ongoing history of persecution against the Anuak. The reasons for this persecution are, in part, based on the strategic location of the Anuak's traditional lands.¹⁹

According to a February 2007 report on Ethiopia, released by the UN's Independent Expert on Minority Issues, Gay McDougall, "an unknown number of minority communities

are believed to have already disappeared completely" due to "factors including resettlement, displacement, conflict, assimilation, cultural dilution, environmental factors and loss of land." As will be explored later in this report, many of the larger lease areas include lands traditionally inhabited by the Gumuz, Anuak, Oromo and other peoples, further exacerbating their already precarious sociopolitical position. Many other indigenous groups face similar situations. The report also highlights the case of the Karayu pastoralists who have been displaced from their traditional land and water sources in Oromia. The human rights issues in the southern Omo Valley where the USD 1.7 billion Gibe III dam is being constructed are well-documented. Ethiopia continues to push ahead with the dam's construction despite international opposition. (See Box A for more information on issues in the Omo Valley).²⁰

The UN's Committee Against Torture expressed in November 2010 serious concerns about "numerous, ongoing and consistent allegations concerning the routine use of torture by the police, prison officers and other members of the security forces, as well as the military, in particular against political dissidents and opposition party members, students, alleged terrorist suspects and alleged supporters of insurgent groups..."²²

Moreover, there is an ever-hardening intolerance towards meaningful political dissent or independent criticism. In addition to the violence and detentions during the aftermath of the 2005 election, Ethiopian government officials regularly subject government critics or perceived opponents to harassment, arrest, and even torture. Many opposition politicians, journalists and academics have spent time in prison. As was evidenced in nearly every

Box A: The South Omo Valley Story

The indigenous groups of the lower Omo Valley are some of the most traditional in Africa. There are numerous ethnic groups, mostly small in size, who are not represented at a political level, and who are largely marginalized and disempowered. They have no form of government-sanctioned land tenure security. Many of them are pastoralists and many practice flood-retreat agriculture along the Omo River. Of all of the indigenous groups in Ethiopia, their situation is one of the most precarious. The combined threats of villagization, national park management, the massive Gibe III hydroelectric facility, the Illemi triangle dispute²⁴ and now commercial agriculture are serious threats to the very existence of these groups.

The Gibe III dam has alarmed NGOs and foreign governments around the world. It will be the tallest dam in Africa and will provide massive amounts of electricity (1870MW) for export to neighboring countries. The impacts on the indigenous people are numerous, including displacement of land, loss of life-giving floodwaters (flood retreat agriculture), and considerable impacts to downstream Lake Turkana in Kenya.

In addition, there are plans to irrigate large tracts of lands for commercial production of cash crops. Currently, the federal land bank (land selected and appropriated by the government to be issued to investors) contains 180,000 ha of land in the area ready to be transferred to commercial investors.²⁵ These lands are being marketed by the federal government as “irrigable” and ideal for cotton, sesame, groundnuts, fruit, soybean, sugarcane, and palm oil. This does not include lands that have already been awarded to investors, and investments under 5,000 ha that the regional government may award in the future. While the maps provided to the research team are not overly precise, it does appear that a portion of these lands available for investment may overlap with parts of Omo National Park and with a Mursi-controlled hunting area.

At the same time as these impacts, indigenous people are being forced by government to retreat from their ancestral lands and are being resettled into villages. Reports indicate that this process is much further along in the region than in other lowland regions. International controversy also hit the region in 2005. At that time, efforts to more actively manage Omo National Park resulted in government-forced displacement of many indigenous people from their traditional lands. Under international pressure, the management company abandoned the park, leaving it currently unmanaged for the most part.

Abera Deressa, with the Ethiopian Commodity Exchange, sums up the government policy regarding their pastoralist lifestyle: “...at the end of the day, we [do] not really appreciate pastoralists remaining in the forest like this....pastoralism is not sustainable...we must bring commercial farming, mechanized agriculture, to create job opportunities to change the environment.”

It is hard to imagine where these indigenous people will go. Ethnic conflict is already rampant in the territory and it is unlikely that many groups would be able to flee to nearby Kenya or Sudan. Their livelihoods will be gone, the land that forms their identity is gone, and there is nowhere for them to go. Their future looks bleak.

One indigenous elder expressed his concern: “We’re going to lose our culture and there will be nothing remaining for the next generation. I’m afraid this life may only be a story that we can tell our children.”²⁶

community visited by OI, there is a real fear of showing dissent or lack of support for the government and their policies. One indigenous community member who was displaced from his land informed OI that he was told directly by the President of the Regional Council himself, “either you support the government, or you will lose everything.”

In June 2008, Human Rights Watch (HRW) criticized Ethiopia’s major donors — US, EU, and United Kingdom (UK) — for failing to condemn war crimes perpetrated against the civilians of Ogaden in Ethiopia’s Somali region.²¹

In 2008 the Ethiopian government passed the *Charities and Societies Proclamation* (Proclamation 621/2009),²³ which criminalizes most independent human rights work and subjects NGOs to pervasive interference and control. As a result, a number of domestic NGOs have been suspended, including the Ethiopian Human Rights Council and the Ethiopian Women Lawyers Association.

FOREIGN POLICY

Ethiopia is seen as an important ally of the United States and the EU. The US is the largest provider of bilateral assistance (including military) to Ethiopia (26.1 percent of total international aid, USD 526 million per year (2003-2008 average)). Other major donors include the World Bank (USD 428 million, 21.2 percent), EU (14.2 percent), UK (9.3 percent), Canada, Germany, and Italy (between 3.6 and 4.8 percent each).²⁷ Donor governments view Ethiopia as an important ally in an unstable region and, in the case of the US, in the “global war on terror.”²⁸

Ethiopia has tense relations and border demarcation issues with Eritrea, Somalia (Ethiopia was actively engaged in combat in Somalia until recently), and Kenya (to a lesser degree). In addition, issues over water use in the Nile watershed have become of critical importance, particularly with downstream Egypt and, to a lesser degree, Sudan. This will likely continue to be a critical foreign policy issue for all countries in the Nile basin for the foreseeable future, particularly given Egypt’s reliance on Nile waters, and Ethiopia’s desire to develop the Nile (see Box M for more information on Land Investment and the Nile River).

1.3 Macroeconomic Context

Since 1992, Ethiopia’s economy has grown at an annual average rate of 5.6 percent. Ethiopia is widely expected

to see continuing high rates of absolute GDP growth in the coming years. According to government statistics, Ethiopia has maintained double-digit GDP growth for the past five years, which is the highest of the non-oil exporting African countries. When you consider the high rate of population growth, the Ethiopian economy’s gains are slightly more modest, but still impressive, with GDP per capita rising from USD 146 in 2005 to USD 220 in 2007-08. Despite this, the gap between rich and poor is increasing,²⁹ inflation is a concern (with rates hitting 64 percent in 2008), and foreign currency and food stock reserves are dangerously low (although the situation has dramatically improved in the last two years).

DIVERSIFICATION OF ECONOMY

Ethiopia’s economy has typically revolved around small-scale agriculture. The trend in the last five years has been an increasingly diversified economy. Agriculture, while continuing to enjoy modest gains, is slowly decreasing its share of GDP, while the share of GDP from services is steadily increasing, and was in 2008-09, for the first time, greater than that from agriculture (45.1 percent vs. 43.2 percent). Projections show that this trend is expected to continue over the next several years. This does not take into account the dominance that agriculture plays with respect to employment, 85 percent by some estimates.³⁰

THE DEEPENING TRADE DEFICIT

TABLE 1: ETHIOPIA'S TRADE BALANCE			
	Exports	Imports	Trade balance
1999/2000	486	1611	-1125
2000/2001	463	1557	-1094
2001/2002	452	1696	-1244
2002/2003	483	1856	-1373
2003/2004	600	2587	-1987
2004/2005	818	3633	-2815
2005/2006	1001	4593	-3592
2006/2007	1189	5128	-3939
2007/2008	1466	6811	-5345
2008/2009	1447	7552	-6105
2009/2010	1736	7836	-6100

In millions \$

Source: Access Capital: 2010 Eth Macro Handbook

Exports have increased dramatically in the last five years, showing greater diversity in product and country of destination.³¹ Exports of over USD 50 million include pulses, oil seeds, chat, gold, flowers, and leather products. The flower sector has recently become a big export earner in Ethiopia, with the export value having increased from USD 0.3 million in 2001 to USD 150 million in 2008,³² accounting for close to 10 percent of total exports. Horticulture products are primarily destined for EU (80 percent) and the US. Fifty percent of exported meat goes to Saudi Arabia, which is one of the main investors in meat production in the country (largely through Elfora Agro-Industries plc, an al-Amoudi livestock company).

In addition, since 2006-07, FDI from China, India, and the Middle East has grown from 14 to 24 percent of total FDI, and exports to these countries have increased from 23 to 33 percent.³³

While the amount of commercial agricultural land investments in the last few years has been significant and FDI has increased, this has not resulted in any significant impact on exports, as many commercial farms are not yet producing output.

BOX B: SAUDI ARABIA, LIVESTOCK EXPORT, AND MOHAMMED AL-AMOUDI³⁴

Elfora Agro-Industries, located in the Oromia region, is the largest livestock company in Ethiopia. It is owned by Ethiopian-born Saudi Arabian billionaire Mohammed al-Amoudi. The company was established in 1997 through the acquisition of state-owned livestock enterprises from the Federal Government of Ethiopia. Elfora ranches now have the capacity to accommodate 65,000 head of cattle and 400,000 head of sheep and goats per year. Elfora Agro-Industries supply livestock products to the largest hotels, enterprises, and the military, among others domestically, as well as to the Gulf States. Despite government land policies that aim to protect pastoralists against evictions and displacements, Borana pastoralists have lost access to their dry-season grazing land since Elfora started operations.

Elfora comes from two Borana Oromo words: *ella* means “permanent water point” and *fora* means “rainy-season grazing land.”

EXTERNAL DEBT

External debt has been dramatically reduced due in large part to loan forgiveness by the World Bank and IMF. In 2001, the external debt to GDP ratio was 90 percent. By 2008 it had dropped to 12 percent. This lower debt has led to high levels of government spending, namely in infrastructure. Government spending doubled between 2003 and 2008 (not accounting for inflation) from USD 1.3 million to USD 2.8 million (21 mil Birr to 47 mil Birr).³⁵

FOREIGN DIRECT INVESTMENT

The total FDI inflows into Ethiopia increased continuously from USD 135 million in 2000 up to USD 545 million in 2004. Since then, according to the UN Conference on Trade and Development (UNCTAD), the yearly FDI inflows have varied between USD 545 million and USD 94 million, but have been steadily dropping since 2006.³⁶ According to the Federal Investment Bureau of Ethiopia, inflows have increased heavily since 2005. At present, FDI inflows into the agricultural sector account for 32 percent of the total Ethiopian FDI.

Table 3 shows FDI inflows by investor countries. These figures are expected capital investments, as reported by the Ethiopian Investment Bureau. In 2008, the “rest percentage” is due to investments from Sudan (40 percent) and Malaysia (14.5 percent). From 2006 to 2008, USD 80.45 million of Indian investment went into sugarcane production. About 50 percent of Israel’s FDI was in floriculture/horticulture, 25 percent in vegetables, and 25 percent in biofuel development. Around 50 percent of Saudi Arabia’s FDI went towards livestock development.



Maize harvest in Gambella

TABLE 2: ETHIOPIA,
ANNUAL FDI FLOWS

1992	0.17
1993	3.50
1994	17.21
1995	14.14
1996	21.93
1997	288.49
1998	260.67
1999	69.98
2000	134.64
2001	349.40
2002	255.00
2003	465.00
2004	545.10
2005	265.11
2006	545.26
2007	221.99
2008	108.54
2009	93.57

In millions USD at current prices and current exchange rates
Source: UNCTAD (2010)

FIGURE 1: PERCENTAGE OF FOOD VULNERABLE
POPULATION BY REGION

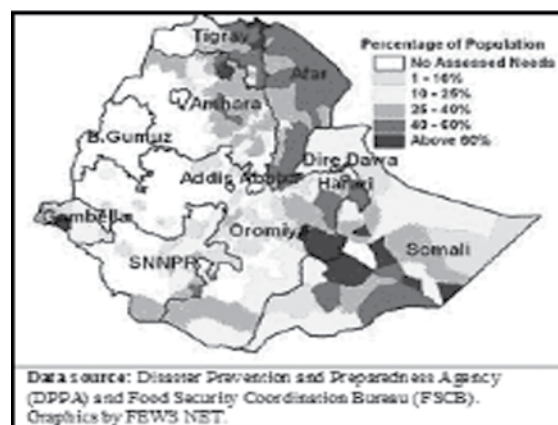


TABLE 3: FDI INFLOWS BY INVESTOR COUNTRIES

	2000	2001	2002	2003	2004	2005	2006	2007	2008	Average
EU	26.63	7.41	5.34	11.72	18.47	20.87	12.11	52.61	16.37	21.22
India			31.6	1.94	13.2	8.75	70.62	2.8	12.81	32.43
Israel	2.75	15.76		5.56	23.65	29.21	4.3	10.63	5.42	7.18
Saudi A	47.4	76.84	58.77	4.87	3.07	4.13	0.23	3.53	3.6	3.1
USA			4.3	44.55	28.96	20.06	10.93	17.17	4.89	11.54
Rest	23.21			31.36	12.66	16.98	1.82	13.26	56.91	24.53
Total (percent)	100	100	100	100	100	100	100	100	100	100
Total (million USD)	43.51	56.12	19.52	223.77	380.96	180.59	349.89	1640.47	3214.17	678.78

Source: Ethiopia Investment Bureau, 2009

THE FUTURE

Most reports seem to look favorably on Ethiopia's future economic situation. Current trends are expected to continue, including increased privatization and introduction of modern markets (i.e. Ethiopian Commodity Exchange). Large amounts of government spending, continued infrastructure improvements, and increases in commercial agriculture should continue to lead to high levels of absolute growth.

1.4 Food Security Context

Hunger has been a dire problem in Ethiopia since the 1984-85 famine, which cemented the international image of Ethiopia as a drought and famine-prone country. While the state of famine is not a constant, the country consistently endures high levels of endemic food insecurity and malnutrition. In 2009, some 7.8 million Ethiopians (10 percent of the population) were considered chronically hungry. When global food prices spiked in

2008, an additional 6.4 million became dependent on emergency food assistance (by 2009, that number was down to 4.9 million).³⁷ Ethiopia is currently the largest recipient of food aid in the world. The United States alone gave over USD 374 million in food aid in 2009, along with an additional USD 862 million in assistance to the Ethiopian government that same year. Ethiopia has faced severe drought 15 times since 1965. According to the Food Security Risk Index for 2010, it is one of 10 countries considered to be at extreme risk, and is ranked as having the 6th highest risk out of 163 countries surveyed.³⁸

Figure 1 shows the percentage of population in need of food aid by area for 2007, a fairly typical year. The pastoralist populations of the Afar and Somali Region continue to be the most acutely food insecure in the country. A significant proportion of the population in the northeastern highlands is chronically food insecure. This area stretches from the *belg* dependent areas of South and Eastern Tigray Region, to eastern Amhara Region (South Wello, North Wello, North Shewa, and Oromia zones), and into eastern Southern Nations, Nationalities, and People's Region (SNNPR) and the eastern Oromia Region. These groups have similar food security situations. In addition, people living along the riverbanks of major rivers of the country are at chronic risk of food insecurity (including in the Awash valley, in Gambella, and in the south Omo Valley), due in large part to the increased incidence of flooding.³⁹

AGRICULTURE IN ETHIOPIA

Rainfall in Ethiopia is highly variable, and most rain falls intensively. The result is that there is a very high risk of annual droughts and intra-seasonal dry spells. Only about 10 percent of the total cereal croplands are irrigated. Export crops such as coffee, oilseed and pulses are mostly rainfed, but industrial crops such as sugarcane, cotton and flowers are irrigated. Drought can shrink farm production by 90 percent from normal output. In addition, the long-term ability of the country to withstand drought is constrained by the extremely degraded quality of land.

The amount and temporal distribution of rainfall and other climatic factors during the growing season are key determinants to the crop yields and, in turn, food (in)security.⁴⁰ There are five main types of agricultural production systems in Ethiopia:

1. The *highland mixed farming system*, practiced by about 80 percent of the country's population on about

45 percent of the total land mass in areas at more than 1,500 m above sea level.

2. The *lowland mixed agricultural production system* is practiced in low-lying areas with elevations of less than 1,500 m. These areas mainly produce drought-tolerant varieties of maize, sorghum, wheat and teff, along with some oil crops and lowland pulses. Oxen are used for providing traction power and communal grazing lands and crop residues are used for livestock rearing. Off-farm activities such as sale of firewood and charcoal are widely practiced.
3. *Pastoralism* supports the livelihood of only 10 percent of the total population living in the Afar and Somali regions and the Borena zone.
4. *Shifting cultivation* is practiced in the southern and western part of the country. Fields are usually left idle after short periods of cultivation to revegetate (usually 1-2 years). Clearing of the vegetation cover is done by setting fire to these areas during the dry seasons before planting. These areas have low population densities.
5. *Commercial agriculture* is a farming system that has only emerged very recently.

Currently, the majority of land investment is occurring in the areas where shifting cultivation is practiced, although there is some investment in the *lowland mixed agricultural production system* areas and in some pastoralist areas.

The oft-quoted statistics from the Agriculture Investment Support Directorate (AISD) are that there are 111.5 million ha of land in Ethiopia, 74.5 million ha of which are suitable for agriculture, and 15.4 million ha of which are currently under production. Ethiopia currently produces cereals (maize, wheat, barley, teff, millet, and sorghum), pulses, oil seeds, fruits, vegetables, fiber crops, coffee, tea, spices, and other industrial crops.⁴¹

FACTORS LEADING TO FOOD INSECURITY

Ethiopia's chronic food insecurity is due to a complex combination of demographic, climatic, political and technological factors. Some of the underlying factors of food insecurity include: rapid population growth and environmental degradation, inappropriate government policies (land tenure, access to markets, etc), poor off-farm employment opportunities, inadequate response to current needs (leading to further poverty, destitution, and asset depletion), conflict (particularly in pastoralist areas), lack of infrastructure (education, access to water, health, etc), gender inequality, and recurrent droughts

and flooding.⁴² Most agricultural production is used to meet household consumption needs, and when there are surpluses, smallholder producers are constrained by lack of access to markets.

1.5 Land Tenure

The rise of the Derg to power in 1974 set the tone for land issues in the country today. In 1975, major land reform took place that abolished existing systems, replacing them with communal (i.e. state) ownership of land. These changes were enshrined in the 1987 Constitution. Farmers would receive free land in their place of residence with specific use requirements. From 1976-78, there were efforts to confiscate land from those families with more than 10 ha to redistribute equally to other farmers through peasant associations. Throughout the 1980s, there was a continued collectivization of land and agriculture, and then in 1989, the Derg announced its intent to move towards more market-based approaches to land tenure.

In 1991, Meles Zenawi's TPLF came to power and continued

the system of “universal access” and state ownership of land. There was a fear “that opening land markets would provide inroads for dispossession of land from poor and vulnerable peasants.”⁴³ The 1995 reenactment of the Constitution reaffirmed state ownership. According to the Constitution, landholders have the right to transfer land and assets (under specific conditions), the right to compensation in case of expropriation. Furthermore, under the Constitution, there is increasing recognition of pastoralist rights. (See section 1.6 for a list of constitutional clauses relevant to land issues.)

Constitutional land reforms in 1996 contained several changes, including making land rentals and leasing legal. However, the ongoing state ownership of land was the cause of much debate and controversy, with the proclamation passing by just four votes, 499 to 495. The *Federal Rural Land Administration and Use Proclamation* (Proclamation 89/1997) enabled regional governments to make laws to administer their lands. Four regional governments have done so and Benishangul-Gumuz is in the final stages of proclamation (using Proclamation



Typical highland scene in Amhara with high levels of deforestation in contrast to lowland areas

46/2000 as a template).⁴⁴ At the federal level, the Ministry of Agriculture and Rural Development (MoARD) has the mandate for land issues. At the regional levels, responsibility for land administration varies between regions. In practice, rural land administration and use is carried out at the *woreda* (district) and *kebele* (village) levels.

It is perceived that state ownership of land discourages investment, which may undermine production, food security and economic growth. The EPRDF, in turn, argues that privatization will trigger massive land sales by poor rural people, who then migrate to urban areas, further aggravating the urban crisis and deepening poverty.

LAND TENURE SYSTEMS TODAY

Land tenure and certification specifics are determined by regional governments, and these vary from region to region. There are three main types of systems of arable land rights in practice in Ethiopia today: administrative-based, market-based, and customary-based non-market arrangements.⁴⁵

1. **Administrative-based.** Under this system, eligible families have the right to land, subject to a size limit. These rights are usually unrestricted except for conservation and/or improvement requirements. There are increasing rental rights associated with this system. This is increasingly the most common system.
2. **Market-based.** This has largely occurred because the demand for land is outstripping the supply in many areas of the country. Farm sizes are dropping, whereas the populations are growing. Rent markets are based on supply/demand factors. The usual form is shared tenancy, short-term contracts, with very limited and specific uses. These rights usually are not transferable, and lands are rarely left fallow (resulting in further land degradation).
3. **Customary-based non-market arrangements.** This is the dominant system in the lowland areas where much of the current land investment is focused. It usually involves some claim to ancestral lands and hereditary rights are still dominant in this system. There are many variations of this system depending on the ethnicity of the people and the location.

In addition to arable land rights, there are rights to pooled resources, or “commons,” which are used for grazing,

hunting, fishing, spiritual purposes, or other resource uses. Typically these are managed through customary arrangements. Access to these areas is managed through groups with customary claim to the area. The mode of access and sharing of use, as well as the use of these areas by other groups are often governed by informal, but well understood, rules. State involvement in these processes is minimal. More specifically, there are 4 types of arrangements: (1) unrestricted common pool resources akin to an open access; (2) restricted common pool resources (e.g. restricted grazing and forest areas); (3) individualized hillsides and enclosed areas; and (4) direct state-operated.⁴⁶

Many studies report a drop in use of communal resources in Ethiopia, both in terms of quantity and quality. One study suggests this is due to change in climate (increased aridity and desertification), population growth and pressure, loss of livelihood and impoverishment, political instability and weak central authority, deliberate government policies (i.e. individualization of the commons) and decline in collective action in the commons.⁴⁷

Despite the strong constitutional basis for pastoralist rights, government policies have historically disregarded the communal land tenure traditions that characterize pastoral production.⁴⁸ There have been numerous reports of pastoralist loss of lands and lack of secure tenure (including the current issues with dam construction in the Omo valley, issues with Afar pastoralists in the Awash valley, and the issue of the Karruyu Oromo pastoralists).

The method of tenure security and land certification differs among regions. For example, current landowners are eligible for registration certificates in Tigray, book of holdings in Amhara region, and a lifelong certificate of holding in Oromia. Land redistribution is permitted in Tigray, but is not permitted in Oromia. In Tigray, ex-TPLF fighters and early migrants have rights to maintain rural land even if they live in urban areas, a right that does not exist in any other region

One report has also provided some evidence that regional bureaucrats selectively implement those elements of the law that are considered to strengthen the regime's political support in the countryside.⁴⁹ There are also reports of conflict and overlap between the administration of different types of user rights (rural, urban, communal, pastoralist). Often the systems for administering each of

CLAUSES FROM 1995 FDRE CONSTITUTION RELEVANT TO LAND INVESTMENT

“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.” Section 40(2)

“Ethiopian peasants have the right to obtain land without payment and the protection against eviction from their possession. The implementation of this provision shall be specified by law.” Section 40(3)

“Ethiopian pastoralists have the right to free land for grazing and cultivation as well as the right not to be displaced from their own lands. The implementation shall be specified by law.” Section 40(5)

“Every Ethiopian shall have the full right to the immovable property he builds and to the permanent improvements he brings about on the land by his labor or capital. This right shall include the right to alienate, to bequeath, and, where the right of use expires, to remove his property, transfer his title, or claim compensation for it...” Section 40(7)

“Without prejudice to the right to private property, the government may expropriate private property for public purposes subject to payment in advance of compensation commensurate to the value of the property.” Section 40(8)

“All persons who have been displaced or whose livelihoods have been adversely affected as a result of State programmes have the right to commensurate monetary or alternative means of compensation, including relocation with adequate State assistance.” Section 44(2)

“Government has the duty to hold, on behalf of the People, land and other natural resources and to deploy them for their common benefit and development.” Section 89(5)

these rights is quite disconnected from the other systems, which has resulted in the same parcel of land being designated for different uses by different government departments.⁵⁰

CURRENT STATUS OF LAND CERTIFICATION

For many years, the World Bank and other international organizations have supported government efforts to improve land tenure systems. Land certification is the process by which property rights are formalized through the registration of property in order to improve tenure security. A 2008 World Bank Study suggests that land certifications reduce conflicts, encourage farmers to plant trees, encourage sustainable land use, and improve women's economic and social status.⁵¹ Another study found that holding land title dramatically decreased the perception that land will be expropriated.⁵² One study focusing on the Tigray region found that households with certification perceived less risk of eviction and a greater likelihood of receiving compensation.⁵³

As of 2008, 6.3 million households (comprising 20 million parcels of land) in Oromia, Amhara, Tigray, and SNNPR have had their land registered as part of regional

land certification efforts. Land certification efforts continue today in these four regions. In addition, land certification is expected to begin in at least one other region (Benishangul - Gumuz) in 2011. OI did not find evidence of any large-scale effort at land certification in the other regions, most of which continue to rely on traditional forms of tenure.

THE HISTORY OF RESETTLEMENT

One of the most controversial events in Ethiopia's recent history has been the process of resettlement, the concept of moving people from the overcrowded, food-insecure Highlands to more sparsely populated areas where fertile land was abundant.

Large-scale resettlement occurred during the Derg for the first time, with 38,000 households resettled in 1975-76. Then in 1984, the government announced large-scale plans to relocate 1.5 million people from the famine-prone areas in the North to the South and Southwest. 250,000 went to Welega, 150,000 to Gambella, and 100,000 to Gojam.

International criticism was widespread, as critics

expressed concern over the financial capacity of the government to carry out these ambitious plans. Others felt there were political motives behind the resettlements. Many expressed concern over human rights violations and forced separation of families. No consent was received from host populations or from those being resettled.

Overall, resettlement schemes were largely unsuccessful. Many died of malaria and other diseases, many fled back to their homes, while many remained in their new locations. Conflict between new settlers and local people was a constant effect of the resettlement programs.

In the mid 1980s, the government established a new process of resettlement called “villagization,” which gathered scattered farming communities into larger, more permanent villages. The advantages were purportedly improved service delivery, improved land use, and conservation of resources. By March 1986, 4.6 million people had been relocated to more than 4,500 villages. International criticism was again vociferous, with critics expressing concerns over timing (disruptions to agricultural production), capacity of government, spread of disease and pests, and deteriorating security conditions.

Lessons from these periods in Ethiopia’s history show us that, without proper capacity, planning, political motives, and implementation, resettlement and villagization efforts can have serious long-term detrimental impacts on local people. Villagers still remember the impacts and disruption that resulted from the massive influxes of settlers. There are fears that future influxes of laborers from the Highlands to work on commercial farms will have similar impacts.

The villagization concept has now been reborn, at the same time as, and in the same locations that large-scale land investment is being planned.

1.6 Legal Basis for Land Investment

The 1995 Federal Democratic Republic of Ethiopia (FDRE) Constitution provides the foundation upon which all land investment-related legislation and policy is based. The 1995 rewriting of the Constitution reaffirmed state

ownership of all land. It also affirmed the right of peasants to obtain free land, protection from eviction, gave rights to pastoralists, and enabled compensation in case of expropriation.

“We have chosen Ethiopia for investment because of availability of cheap labour, contiguous land and congenial business environment.”

Aditya V. Agarwal, director, Emami Biotech, leased 30,000 ha for jatropha in Oromia⁵⁷

“Ethiopia has been chosen for agriculture investment considering the availability of labour, its strategic location and the Government support to boost foreign investment and development,”

Spokesperson for Ruchi Soya, leased 25,000 ha in Gambella for soybeans⁵⁸

LEGAL BASIS FOR LAND USE ISSUES

As discussed, the *Federal Rural Land Administration and Use Proclamation* (Proclamation 89/1997) enables regional governments to make laws to manage and administer their lands. Four regions have done so (Tigray - *Proclamation 23/89*, Amhara - *Proclamation 46/2000*, SNNPR - *Proclamation 53/2003*, and Oromia - *Proclamation 56/2002*), and Benishangul-Gumuz will be complete shortly.⁵⁴ These proclamations stress the importance of public participation (Section 4). They also outline the processes for land redistribution and expropriation, require compensation for expropriation (limited to improvements), enable the renting out of land and allow for the provision of communal, group, and individual holding rights. They also provide the basic enabling framework for land use planning to be undertaken (Section 13(2)).

LEGAL BASIS FOR INVESTMENT

The key enabling legislation for investment in Ethiopia is *Proclamation 280/2002* (and amendments in 375/2003), which outline various laws and policies related to investment. The objectives of investment include increase of foreign exchange earnings by encouraging growth in export industries, transfer of technology and expertise, and to “render foreign investment play its proper role in the country’s economic development.”⁵⁵ Interestingly, it also suggests in Section 35(1) that regional government “...shall, in the allocation of land, give priority to approved investments.” It also outlines the capital requirements for foreign investment (minimum US \$100,000).

The *Commercial Code of 1960* provides the legal basis to carry out business activities. Numerous proclamations and regulations have added further detail over time related to business and labor requirements.

Investment Regulation 84/2003 outlines a slew of incentives (tax and duty exemptions, etc.) available to investors and also outlines the different investment sectors that

are reserved exclusively for domestic investors and/or government. Wholesale trade of locally produced products, materials used as inputs for export products, and numerous value-added industries are reserved for domestic investors. All other land investment related areas are available for foreign or domestic investors.

An important shift in the way lands are allocated to foreign investors came in 2009, when *Proclamation 29/2001* enabled the federal government to carry out all aspects of foreign land investment for all lands over 5,000 ha. Prior to this, each regional government was responsible for all foreign and domestic land investment (for further information, refer to Section 2.6). This led to several problems including inconsistency of process, lack of central planning and coordination, and concerns over corruption. (See Appendix A for a list of legislation governing land investment in Ethiopia.)

POVERTY ERADICATION PLANS AND OTHER DEVELOPMENT PLANS AND POLICIES

A variety of other policy plans, strategic plans, poverty

BOX C. ETHIOPIA: SELECTION OF FEDERAL INCENTIVES ⁶¹

- 100 percent exemption from payment of all import duties and other taxes levied on all capital goods and spare parts worth up to 15 percent of their values.
- Exemptions from customs duties or other taxes levied on imports are granted for raw materials and packing materials necessary for the production of export goods.
- All goods and services destined for export are exempted from any export and other taxes levied on exports.
- Easy access to credit: if the project is accepted by the Ethiopian Development Bank, if the investor secured (deposit) 30 percent of the investment (in cash) the Bank gives up to 70 percent loan.
- An investor who exports 50 percent of his/her product or supplies 75 percent of his/her product as production input to an exporter is eligible for 2-7 years income tax exemption.
- Income derived from an expansion or upgrading of an existing agricultural enterprise is exempted from income tax for a period of two years, if it exports at least 50 percent of its products and increases, in value, its production by 25 percent.
- Business enterprises that suffer losses during the tax holiday period can carry forward such losses for half of the income tax exemption period, after the expiry of such period.
- Any remittance made by a foreign investor from the proceeds of the sale or transfer of shares of assets upon liquidation or winding up of an enterprise is exempted from the payment of any tax.

reduction/development plans also set the context for land investment in Ethiopia today. Agricultural Development Led Industrialization (ADLI) has framed the strategy of the Government of Ethiopia since 1993. ADLI explicitly aims to bring about a structural transformation in the productivity of the peasant agriculture and to streamline and reconstruct the manufacturing sector. The FDRE's *Industrial Development Strategy* (2002) had at its core the use of ADLI as the road map to industrialization, and focused on the promotion of export-led and labor-intensive industrial development.⁵⁶

In addition, between 2005 and 2010, the *Plan for Accelerated Sustained Development and to End Poverty* (PASDEP) provided the framework for reaching the UN's Millennium Development Goals (MDGs). It focused on the commercialization of agriculture, private sector development, and the scaling up of resources to achieve the MDGs. Following PASDEP, the "*Growth and Transformation*" strategy was recently released, and provides a framework for poverty eradication for 2011-2015. It focuses primarily on energy and agricultural growth, improved infrastructure, and creation of a favorable investment climate. The government envisions a five-fold increase in energy output and a doubling of agricultural input within the five-year period.

1.7 Investment Climate

Ethiopia has created a very attractive investment climate in recent years by providing potential investors with various tax breaks, access to affordable land, and a relatively efficient investment process. Ethiopia has also been very active in marketing these advantages to the world and to potential investors. Investors who met with the OI team, both domestic and foreign, listed a variety of reasons why Ethiopia was so attractive as an investment destination. The most commonly stated reasons include:

- Very affordable land rents
- Suitable agro-climatic conditions
- Low labor costs (labor is cheap and abundant)
- Outstanding incentives, including tax holidays and no duty
- Relaxed regulations
- Corruption is low relative to other countries

- Abundant amounts of "undeveloped" land
- Strategic location (with respect to markets)
- Abundant water resources
- Ability to export (not an option in India)
- Privileged access to other markets
- Streamlined investment process

In addition, the Ethiopian government has established a "land bank," further facilitating the process through which investors acquire land. Lands in the federal land bank are large contiguous blocks of land that will be given to foreign investors in lease areas of at least 5,000 ha.

INTERNATIONAL AGREEMENTS

Ethiopia is a member of several large trading blocs, including COMESA (Common Market for Eastern and Southern Africa), which allows Ethiopian exports access to a market of almost 380 million people at preferential tariffs. Several large investors mentioned COMESA as a huge market opportunity for their products. Ethiopia is also a member of several key international agreements, which reduces risks for foreign investors. These include the World Bank's *Convention on the Settlement of Investment Disputes between States and Nationals of Other States* (ICSID), which details international arbitration procedures for disputes with foreign investors. Ethiopia is also a member of the World Bank's *Multilateral Investment Guarantee Agency* (MIGA), which insures foreign investors against potential political risks including expropriation and war damages.⁵⁹

Ethiopia's exports also qualify for preferential access to the lucrative EU market under the "Everything But Arms" (EBA) initiative,⁶⁰ and to US markets under the Africa Growth and Opportunity Act (AGOA). The majority of Ethiopian exports are also entitled to preferential treatment under the Generalized System of Preference (GSP) for the EU and US. This results in no quota restrictions and duty levies for the vast majority of Ethiopian exports.

Ethiopia has preferential bilateral trade agreements with 30 other countries. These countries include a diverse mix of major investors, many of who have made large-scale investments in agricultural land in Ethiopia. In addition, Ethiopia has double taxation avoidance treaties with 12 countries (by way of contrast, India has 64 such

treaties) and Economic Partnership Agreements with 19 countries.⁶²

OTHER INCENTIVES

Ethiopia has numerous other incentives in place to encourage investment.⁶³ These incentives are transparent, seemingly common to all land deals (although some reports suggest they are discretionary), and are communicated in numerous marketing brochures and presentations.⁶⁴ Listed incentives focus on encouraging export, tax/duty/land rent holidays, improved access to financing, and streamlined processes.⁶⁵ There are no incentives to ensure that food production is available to meet local needs.

In addition, some regional governments have additional investment incentives, which seem to be discretionary and differ among regions. For example, the Oromia Investment Commission has numerous grace periods for land rents, depending on the type of crop production.⁶⁶ These are focused on encouraging investment in cash crops or in “under-utilized” lands. At the federal level, additional income tax exemption is provided for investment in “under-developed regions such as Gambella, Benishangul-Gumuz, South Omo, in Afar Zones...Somali and other regions to be determined...”⁶⁷ All federal incentives apply to both domestic and foreign investors.

There are also provisions at the federal and regional levels to allow for transfer of lands to other persons or to use land leases as collateral to acquire financing from banks or other financial institutions. The OI team met several domestic investors who suggested they were able to secure loans from banks using the land as collateral. The difficulty of accessing credit for agricultural development

has always been one of the traditional arguments against state ownership of land.

Proclamation No. 280/2002 also provides several additional non-fiscal incentives that ensure a positive investment climate in Ethiopia. These include protection from expropriation, freedom of labor movement among regions, and ease of hiring outside expertise (in case expertise is locally unavailable). In addition, the federal Agricultural Investment Support Directorate (AISD), established in 2009, provides a more streamlined and efficient process for foreign investors. They are, in effect, a “one-stop shop” for the foreign land acquisition in Ethiopia and have precise timelines for each step of the land investment process. This ease of process was listed by several investors as being an incentive for investment.

Finally, Ethiopia has relaxed standards for minimum capital requirement, and the Ethiopian FDI policy does not require foreign investors to meet specific performance goals or guidelines in terms of export, foreign exchange restrictions for imports, minimum local content levels in manufactured goods, or employment limits on expatriate staff.⁶⁸

All of these incentives serve to provide a very attractive investment climate for investors in Ethiopia. Sai Ramakrishna Karuturi, CEO of Karuturi Global Ltd., describes the incentives available to the floriculture industry in Ethiopia as “mouthwatering,” including low air freights on the state-owned Ethiopian airlines, tax holidays, hassle-free entry into the industry at very low lease rates, tax holidays, and lack of duties. “It really was a red carpet for the industry.”⁶⁹ As described above, these same incentives are available to all agricultural land investors.

2. STUDY OF LAND INVESTMENT

“Woreda land measurements are very approximate: they stand on a hill, and look over to other hill, and say ‘that’s about that much.’”

— Benishangul regional government official on the inaccuracies in measurement of land investment areas⁷⁰

2.1 Overview of Current Investments

Several sources of information outline the extent of land investment in Ethiopia but to varying degrees of precision, accuracy, and thoroughness of statistics. Many of the reports only focus on certain areas of the country or involve incomplete data (without acknowledging these data limitations). Information seems to be gathered from either personal communication with government officials or through information available in media reports. At government levels, there is little communication between different government levels and different departments, no centralized land registries, lack of transparency, and lack of delineation of land investment deals “on the ground” (surveying, etc.). The information the research team was provided with was mainly through personal communication with appropriate government officials. In some cases, this was backed up with detailed lists of investments, but more often than not, statistics were approximated and summarized.

OI efforts to correlate these statistics with what is happening on the ground have concluded that oft-quoted numbers underestimate the amount of land that has been granted to investors. Our research shows that approximately 3,619,509 ha of land have been awarded, as of January 2011. Table 4 provides detailed information on this figure, and Appendix B discusses some of the weaknesses inherent in this data.

Land investment marketing efforts focus on four regions (Gambella, SNNPR, Benishangul, and Oromia). Of these, OI was not able to visit SNNPR, although, given

infrastructure development and anecdotal reports, land investment seems to be quite prevalent there. At the federal level, since the establishment of the AISD in February 2009, 16 investments for a total of 200,000 ha have been negotiated.⁷² Each of these investments is over 5,000 ha and each is with a foreign investor.

According to the Ethiopian Investment Agency, 1,100 foreign investors have registered since 2005 (only 64 of which are operational), and 72 foreign investments over 5,000 ha have been requested (over 2.9 million ha of land in total was requested with a total planned capital expenditure of 36.5 million birr / USD 2.2 million). It is not clear how much of this was awarded.⁷³

Information from regional governments is more sporadic and inconsistent, and communication between regional and federal governments appears to be poor. No regional government departments were aware of how much land had been given out by the federal governments in their regions, and the federal government did not know how much land was given out by regional governments. One regional Investment Bureau stated that they regularly filled in questionnaires that outlined how much land had been given out to investors, but that was the extent of the communication between their departments. Even within a particular regional government, different officials are likely to give different numbers.

Benishangul Regional Investment Bureau claims that approximately 271,000 ha of land had been leased to approximately 220 investors. This is in addition to a 390,000 ha agro-forestry/bamboo project in the region.

BOX D: THE MYSTERY OF KARUTURI'S LAND LEASE

No single land investment has garnered as much media attention as that of Karuturi. Reports surfaced in 2008 that the Indian giant, already active in Ethiopia's floriculture industry, had acquired 300,000 ha for a 99 year lease in Gambella (3,000 km²/1,150 miles²) for food production. Rents for this massive area were reported to be as low as 15-20 birr per ha (USD 1-1.25). This was one of the first major foreign land investments in Ethiopia, and was negotiated between Karuturi and the Gambella Regional Council, without the involvement of the federal government.

According to AISD, one of the reasons that the federal government took over responsibility of large scale (>5,000 ha) land investments in 2009 was because of lessons learned from the Karuturi process. An AISD spokesperson told the research team that there were concerns over the large size of the lease, the lengthy term, and the low rental rates and explained that they had since renegotiated the lease with Karuturi. The head of AISD, Mr. Esayas Kebede told OI that the amount of land was not 300,000 ha, but was in fact 100,000 ha, was for 30 years, and was for 111birr/ha (USD 7/ha). Maps publicly on display inside the office showed that the land given was 100,136 ha.⁷¹

Karuturi, always active in the media, continues to promote the 300,000 ha figure. There is speculation that perhaps 100,000 ha have been delineated thus far, and that additional amounts (up to 300,000 ha) may be optioned in the future depending on performance measures. Others have suggested that for Karuturi to publically declare that their land holdings have been dramatically reduced would negatively impact their share price (Karuturi's share price increased dramatically following the 300,000 ha announcement). Looking at land investments that are adjacent to Karuturi's 100,000 ha it is also not clear where another 200,000 ha would be located (assuming of course that it is contiguous to the current 100,000 ha) as many adjacent areas have largely been given to other investors. Whatever the reality, whether 100,000 ha, 300,000 ha or something in between, it is clear that Karuturi claims of 300,000 ha are not as cut and dry as they would like the world to believe.

In Gambella, regional officials indicate that approximately 256,000 ha of land has been leased (which includes the 100,000 ha Karuturi figure). According to figures provided by the Oromo Investment Commission, 188,540 ha had been given out by the end of 2007 to 889 investors, 45 of which were foreign. Three of these foreign leases were for land areas over 10,000 ha. Figures after 2007 were not available from the Investment Bureau due to a combination of "budgetary constraints and coordination problems."⁷⁴

In contrast, the World Bank 2010 report, *Rising Global Interest in Farmland: Can it Yield Sustainable and Equitable Benefits*, states that between 2004 and 2008, 1.2 million hectares comprising 406 investors were handed out from 5 regions. Allegedly, 49 percent of this area was granted to domestic investors, and only 5 percent of the investors (23) were foreign, leasing a median size of 4,000 ha. The remaining 383 investors (95 percent) were domestic, with a median size of 616 ha.

Yet another report yields different figures. A 2009 report, *Land Grab or Development Opportunity?* found that between 2004 and 2009, 602,760 ha of land were granted,

encompassing planned capital expenditures of USD 78.5 million. 362,000 ha and USD 56 million were reportedly from domestic investment, compared with 240,000 ha and USD 24 million for foreign investment. For larger land investments (over 5,000 ha), domestic investment entailed USD 12.6 million in capital expenditures on 286,000 ha, compared with USD 10.8 million in capital expenditure over 210,000 ha for foreign investment. (It is important to point out that these are planned rather than actual capital expenditures.)

Several trends are apparent in this information. First, it is evident that while large quantities of land are being given out, very few projects are operational to date. One NGO in Benishangul suggests that as little as 5 percent of awarded lease areas are presently under development. Second, while large-scale foreign land investment garners much media attention, the large share of domestic investment is also of great importance. Third, there are huge gaps in the information available with respect to the scale of land investment and the precise numbers of hectares that have been leased. Numbers that are increasingly being quoted as "fact" are based on small subsets of incomplete data.

TABLE 4: LAND INVESTMENT STATISTICS

	Ha available	Area of region (ha)	% offered	% given out	Total	Land given out (ha)	Number of investors	Up to date	Thoroughness
Gambella	829,199	2,580,200	32%	10%	42%	256,000	202	Med-High	Medium
SNNPR	180,625	11,093,100	2%	4%	6%	470,287	8	Medium	Medium
Benishangul	691,984	4,928,900	14%	13%	27%	635,831	220	High	High
Afar	409,678	9,670,700	4%	0%	4%	11,000	1	Unknown	Low
Oromiya	Yes	35,300,700	N/A	4%	N/A	1,319,214	899	Medium	Medium
Tigray	Unknown	8,000,000	N/A	1%		46,105		Unknown	Low
Somali	Unknown	27,925,200	N/A	0%		6,052		Unknown	Low
Amhara	Yes	15,917,400	N/A	1%		175,000	3	Unknown	Low
Multiregional	N/A	N/A	N/A			500,020		Unknown	Low
Federal	N/A	N/A	N/A			200,000	16	High	Medium
Total	2,111,486					3,619,509	1349		

Source: Author's own elaboration

Table 4 is a summary of the most accurate numbers the OI research team could acquire for each of the regions. These figures come from either the above referenced reports, direct communication with government bodies with mandates for land investment, investors, OI site visits, media reports, or the International Land Coalition's Land Portal Database. These numbers likely understate the true extent of land investment, as only the most reliable information was included in this table. While the research team is of the opinion that this is the most accurate compilation of the true extent of land investment in Ethiopia, there are several significant weaknesses in the data, as outlined in Appendix B. The table also includes an assessment of the thoroughness of the data for each of the regions, along with an assessment of the information's current accuracy. More details on these criteria/rankings can also be found in Appendix B.

2.2 Rationale for Land Investment

AISD suggests that agricultural land investment is critical for Ethiopia's development because of the importance of FDI, technology transfer, and the potential for transitioning farmers to modern techniques. AISD officials also suggest that both wage employment and self-employment will provide advantages for the country. Because there is a need for increased foreign currency reserves, most incentives and marketing efforts encourage investment in cash crops for export (sugarcane, cotton, rice, etc).

The OI team spoke to many investors and government departments who believed this form of investment would increase food security in the long term.

It is also arguable that EPRDF's desire for land investment is associated with the likely further marginalization/disempowerment of the indigenous people, increased dependence on government for food security, and increased difficulty for rebel groups to operate in the lowland areas. The granting of land-based assets to the Tigray and other urban elites who offer support for the EPRDF further sends the message that support of the government will result in preferential treatment.

Furthermore, Ethiopia's attractive investment climate makes the country an ideal destination for foreign investment. Many investors suggest that the low input costs (e.g. labor), relaxed regulations, the streamlined process, abundant/suitable land, strategic location, preferential trade agreements, and abundant water resources are among the reasons why doing business in Ethiopia is lucrative.

Finally, global conditions make agricultural investment attractive. These conditions include recent periods of high food prices and growing demand for food and agrofuels as industrialization continues, and populations grow.

2.3 How Much Land is Available?

A variety of sources present different pictures of the amount of land available for investment in Ethiopia. For example, MoARD's 2009 report *Agricultural Investment Potential of Ethiopia* outlines potential areas suitable for a wide variety of crops, livestock development, and non-

traditional commodities (aquaculture, silk, honey, etc.). It lists that 3 million ha are suitable for cotton, 1.6 million ha for oil crops, 280,000 ha for rice, etc. In addition to the large-scale land holdings in the lowland regions, it also describes large quantities of lands available in Amhara and Oromia.

	SNNP	Gambella	Oromiya	Afar	Amhara	Benin	Tigray	Somali	Total
Rice	75		25		30	50		100	280
Maize	300	200	150		300	200		250	1400
Horticulture	346		150		270				766
Coffee	155	20	246		5				426
Tea	75	15	55		5				150
Spice									0
Cotton	601	316	407	200	679	303	269	225	3001
Oil crops	4	19	185	8	541	715	125	4	1601
Pulses	390		526		689	25	20		1650
Rubber	150	50							200
Palm oil	300	100	50						450

Source: MoARD's *Agricultural Investment Potential of Ethiopia* (2009)

	Overall ha available	Number of parcels	Average Size	Area of region	% of region being offered
Gambella	829,199	7	118,457	2,580,200	32%
SNNPR	180,625	4	45,156	11,093,100	2%
Benishangul	691,984	4	172,996	4,928,900	14%
Afar	409,678	9	45,520	9,670,700	4%
Total	2,111,486	24	87,979		

The general trend among all reports is that there are between 3.6 and 4.5 million ha of land available for commercial land investment in Ethiopia. A spokesperson for AISD stated that 1.2 million ha are available in Oromia, 1.4 million ha in Benishangul, 1.2 million ha in Gambella, and 0.3 million ha in SNNPR. Of that, 1.7 million ha from Gambella (7 parcels 830,000 ha), SNNPR (4 parcels, 180,000 ha) and Benishangul (4 parcels, 692,000 ha) have been deposited in the federal land bank.⁷⁶ Other available lands (the remaining 1.9-2.8 million ha) not in

the federal land bank are for smaller, fragmented pieces of land, or are otherwise unsuitable for larger scale investment. These lands will be given out to investors by the regional governments. However, several regional government officials expressed concern that due to the creation of the federal land bank, they have lost control over large tracts of land in their own jurisdiction, and that the federal government now manages those lands without their involvement. However, the OI team also spoke to a few industry representatives who felt that the land bank

was part of a more effective and efficient process for granting large-scale parcels of land to foreign investors.

AISD also suggests large tracts of land will be available in the future in Afar. Several FDRE marketing efforts have stated that 9 parcels of land over 410,000 ha in the vicinity of the Lower Awash valley are available. The Lower Awash valley is of critical importance for the Afar pastoralists who are dependent on the Awash river for their livelihoods.

Mr. Esayas Kebede, of AISD, suggested that investment areas in the Highlands are typically on smaller plots of land and are more suitable for vegetables, floriculture, or horticulture. There exists developed infrastructure in these areas and potential for joint operations with small farmers. In the lowlands, however, there is little infrastructure, land holdings are large and contiguous – far more suitable for cereal, pulses, or oil crops.

2.4 Who is Investing?

The vast majority of investors in Ethiopia are private companies, mostly Indian. The OI research team did not find any evidence suggesting that investment funds or hedge funds were directly investing in assets in the country. This does not preclude the possibility that such funds are investing in companies that may be investing in Ethiopian farmland. In addition, there was evidence of only one or two countries directly investing in farmland (Djibouti and Egypt).⁷⁷ As all land is state-owned, all investment deals are negotiated between investors and either the federal or regional governments. There are no deals between private individuals and investors, although the transferability of commercial leases may lead to such negotiations in the future.



Anuak women crossing former village farmlands to access neighboring village

TABLE 7: A SELECTION OF INDIAN LAND INVESTORS⁷⁸

Company	Size in ha	Production	Region
Karuturi	100,000	Rice, palm oil, maize, sugarcane	Gambella
Karuturi	11,000		Oromia
Karuturi	100	Floriculture	Oromia
Ruchi Soya	25,000	Soybeans	Gambella
BHO Agro	25,000	Agrofuel seed	Gambella
Shapoorji Pallonji and Co. Ltd	50,000	Pongamis pinnata	?
Emami Biotech	100,000	Jatropha and edible oil seeds	Oromia
Sonnati Agro Farm Enterprise	10,000	Rice, pulses, and cereals	Gambella
Romton Agri plc	10,000	Tomatoes	Oromia
Almidha	28,000	Sugar	Oromia

FOREIGN INVESTORS

While accurate and complete information on the home locations of all private foreign investors was not available, some trends emerge from available data. Geographically, there appears to be substantial investment from the Gulf States, as well as substantial investment from India (with higher individual land holdings). While China is active in the mining and infrastructure development sectors, they were surprisingly absent from land investment deals. Recent evidence suggests that a Chinese company is poised to sign a 25,000 ha concession to produce sugarcane in the Gambella region, and this company

claimed to be the first agricultural company from China investing in Ethiopia.⁷⁹

DOMESTIC INVESTORS

While much media attention has focused on large-scale foreign acquisitions, the contribution of small-scale domestic investors to the land deal trend is of critical importance. As discussed in Section 2.1, the vast majority of investors (by some accounts, 95 percent) are domestic and account for more than half of the land area leased to investors. In general, domestic investors use more basic technologies, have smaller farm sizes, are quicker to

BOX E: THE TIGRAY LAND INVESTMENT

One of the forgotten aspects of land investment is the preferential treatment that Tigrayans seem to get when it comes to land investment. The governing party, the EPRDF is made up of representatives largely from the Tigray region. When the Derg fell in 1991, the Tigray Peoples's Liberation Front (TPLF) took control, forming the EPRDF and setting the stage for preferential treatment of the TPLF cadres and other Tigrayan elites ever since.

It is widely perceived that the Tigray receive beneficial treatment in relation to investment, are given land freely, and receive preferential access to credit. All but one of the domestic investors that we visited were from the Tigray region, and several spoke of the ease of acquiring land and of securing credit. One regional government official in Gambella estimated that 75 percent of the domestic investors in Gambella were from Tigray. Many of these Tigray investors seem to have limited, if any, farming experience. Many of them seemed to be engaged primarily in land clearing and charcoal production activities, while others were farther along in production. There is also a perception that Tigrayans are being given land across the lowlands in order to crowd out indigenous populations, to build EPRDF support in the rural areas and eventually dominate regional government offices. In many of the regional government offices that we visited in the lowlands, Tigrayans held most of the positions. In those regions most of the businesses are owned by the Tigrayans (and other Highlanders to a lesser degree), and almost all of the domestic agricultural investment lands are held by the Tigrayans.

begin their operations, are likely to employ more workers per ha of land (due to technology used), and in many cases, have less capacity or experience than their foreign counterparts.

The primary concern, voiced by many local people, is that domestic investors do not possess the necessary knowledge and ability to farm in these areas. Repeatedly, the OI team received information regarding failed crops in domestic investor lease areas. Some of these were due to pest and fungal outbreaks, some were due to improper selection of crops, and some due to investors' limited experience.

Prior to lease negotiation, there is no assessment process that considers an investor's experience in agriculture or his ability to carry out a development plan as stated in his application. Many domestic investors seem to be growing crops familiar to the area – maize, sorghum, sesame, groundnuts – rather than producing cash crops. This is due to limited experience with other crops, inadequate ability to access export markets (particularly given small size of land areas), and the large amount of capital investment required for many cash crops, among others. Most farm inputs are locally sourced, and in many cases land was being cleared with axes and machetes. There is a concern that many of these investors will clear the land for charcoal (a quick form of income),⁸⁰ and then allow the land to sit idle, transferring the land to another investor when land prices have increased. The OI team visited many sites leased by domestic investors where the focus seemed to be on clearing the land for illegal, but lucrative, charcoal production.

In all cases, the domestic investors were male, and, in the vast majority of cases, the lessors were not resident on their farms. The overwhelming majority lived in Addis Ababa, and according to the farm managers/spokespersons on site, the lessors rarely visited their sites.

INDIGENOUS INVOLVEMENT

The involvement of local indigenous people in land investment is very low. In Gambella, there were three indigenous investors, one of whom had his lease area confiscated to make room for a new village under the villagization project. The investor claims to have abided by the terms of his agreement, and he only found out his land had been given away once the resettled villagers showed up to clear his land. When the investor's employee

evicted the newcomers, he was arrested by the regional government, and upon the investor's complaint to the regional government, he was told "If you don't join the political system, what you have will be taken." The land is now being developed for villagization (see Section 3.4 for a discussion of the villagization programs). The investor was promised a reallocation of land, but nothing has yet been given, no compensation awarded, and his capital investment was lost.⁸¹ In Benishangul, there are no indigenous investors.⁸²

DIASPORA

Another category of investors that has, thus far, received scant attention is the diaspora. There is an increasingly large and prosperous diaspora population that is being strongly encouraged to invest in the Ethiopian economy.⁸³ Numbers from the Benishangul Regional Investment Bureau suggest that of the 227 investors in agriculture, 9 are foreign (approximately 4 percent), 40 were diaspora (approximately 18 percent), and the remaining 78 percent were domestic investors. Of the diaspora lease holdings visited by the OI team, all were between 500 and 2,000 ha, which is larger than the average domestic investor lease but substantially smaller than foreign lease sites.

Diaspora are effectively treated as foreign investors when it comes to the land investment process, although in Oromia diaspora do not need to show evidence of having amounts of capital promised (bank statements).⁸⁴ The OI research team met one diaspora investor in Gambella whose application was rejected because it did not include bank statements showing the required capital. In addition to the usual reasons for investing in farmland, several diaspora investors expressed the desire to invest in their homeland as a motivating factor, as well as the desire to be able to split time between Ethiopia (where they still had family connections) and their new country. Diaspora investors, at least anecdotally, have slightly more capital to invest than domestic investors.⁸⁵

PURPOSE OF THE LAND DEALS

The majority of land investments examined by the OI team were designated for food production. At the same time, there are several large-scale deals with foreign investors, mostly from India, for agrofuel crop production (including *jatropha* and *pongamia pinnata*).⁸⁶ In general, domestic investors appear to be exclusively focused on growing food.

Numerous clauses in the lease agreements seek to ensure that the land is being used for its intended purpose (as stated in the company's application). However, a spokesperson for the Benishangul Regional Investment Bureau told the OI team that while regional agreements call for inspections to be carried out quarterly to ensure compliance, due to budgetary constraints, it is very rare that inspections are actually performed. Agreements in Gambella state that work must be undertaken within one year of the date of the agreement, and that some work must be carried out yearly or the lands will be forfeited. Of all the lease sites visited, only one investor (domestic) had been inspected by government officials.

WHAT HAPPENS TO FOOD PRODUCTION?

As discussed in Section 1.7, the Ethiopian government encourages food production for export rather than for domestic markets. Saudi Star, a major investor in the Gambella region, informed the OI team that they were producing rice for export, and that any rice that was not export quality would be sold on domestic markets. Rice would be shipped to their rice polishing plant at Debre Zeit for processing before being sold.

Other investors reported that they will sell wherever there is a market, but that their preference is the domestic market, as transportation costs are lower and logistics less complicated. Likewise, many domestic investors are focused on production for domestic markets, but evidence suggests that such investors would prefer to export if infrastructure and distribution systems were more developed and made available to them.

While value-added agri-processing has not occurred in any meaningful way, a spokesperson for AISD told us they actively support value-added industries (although it was not clear how they support this and it is not clear how this may conflict with *Investment Regulation 84/2003*). Sources at the AISD told OI that while they encourage production of cash crops, once the land is given, it is up to the investor what they do with their product. This message was repeated at all regional governments visited by OI.

2.5 How is Land Selected for Investment?

LAND USE PLANNING

The various regional land use proclamations (in Tigray, Oromia, Amhara, and SNNPR) provide the legal frameworks for land use planning.⁸⁷ Land use planning is intended to outline the most appropriate land uses spatially, ensuring that a variety of land uses are accommodated across the landscape, balancing the needs and requirements of various stakeholders. Understandably, this is not a simple process given the politicization of land issues in Ethiopia. Land use planning efforts are underway in Gambella and are nearing completion in parts of Oromia. Officials in regional government offices in Gambella, Benishangul, and Oromia all stated that land use planning would make their job easier, resulting in less conflicts and a more coordinated, transparent and efficient approach to the use of land.

Without proper land use planning, the designation of land for commercial agriculture is determined on an ad-hoc basis and does not allow for the balancing of other land uses (for example, ensuring that there is land available for local agricultural needs in addition to export-oriented agriculture). Without transparency, accountability, clarity of policy, or the appropriate technical expertise, allocating land to different users in this manner becomes very problematic. The process to determine available land seems to vary greatly among different levels of government, as the criteria used are not consistent.

In addition, it is evident that the decision to grant land for most commercial agriculture investments (for smaller land areas) is ultimately made at the woreda or kebele (village) levels where accountability and technical expertise are low.⁸⁸ Revenue from land rents typically goes to the woreda level government. For small governments, these revenues can be substantial, and one government official expressed concern that this opens the door to corruption, suggesting that these revenues are never accounted for in any specific manner, and that they go into general revenue funds. While rates vary, a 10,000 ha lease could provide between USD 17,500 and USD 42,700 into woreda coffers each year. This is a significant amount

of money for a woreda, where annual budgets range between USD 120,000 and USD 260,000 (1.1 million birr and 2.4 million birr in 2002).⁸⁹

In terms of assessing suitability for agriculture, government officials attested to the fact that they do not possess that level of expertise, but rather they rely on the investors to provide their own experts and to carry out such assessment themselves. Government officials also stated they have no mechanisms to ensure a balance of land uses, but that hopefully land use planning would one day occur to make their job easier.⁹⁰

LAND SELECTION

At the federal level, land is selected based on soil suitability, water availability, and the lack of human settlement. The land selection process begins with regional governments who carry out socio-economic assessments on candidate lands. Based on these assessments, the federal and regional governments evaluate the land's appropriateness for land investment. An AISD official commented that many lands are turned down at this stage because "land is political." He continued, "If there will be conflict, it is not suitable, and it is therefore not suitable for the investor." However, if lands are deemed suitable, they are transferred to the federal land bank, where they are then made available to foreign investors.

However, the criterion of "lack of human settlement" is clearly arbitrary. In the case of Gambella, the lands that are identified as part of the federal land bank contain numerous small settlements of Nuer and Anuak, ranging from a few scattered households to villages of up to 1,000 people. These large parcels of lands are marketed as being suitable for a variety of crops (approximately 32 percent or 1.7 million ha of the total land base in Gambella is currently available in the federal land bank).

At the regional level, the land selection processes are similar. One woreda government official in Benishangul who was responsible for the granting of lease land within the woreda, stated that land was given out if it had suitable soil and water conditions for agriculture, was free of settlement, and was not densely forested (as dense forests require extensive clearing efforts).

All of the land in the Gambella region is utilized. Each community has and looks after its own territory and the rivers and farmlands within it. It is a myth propagated by the government and investors to say that there is wasted land or land that is not utilized in Gambella."

Nyikaw Ochalla, Anyaa Survival Organization⁹¹

Gambella Investment Bureau officials told OI that they would not lease land in tourist areas, protected areas of any kind, reserve forest, or where there were existing farms. When asked to specify "tourist area" and "reserve forest," after much discussion amongst themselves, they conceded there were not any in the region.⁹² The area that is largely perceived to be part of Gambella National Park (but has never been gazetted) has largely been cleared by Saudi Star (see Box F).

Land uses such as pastoralist use, shifting cultivation, grazing, or other communal uses were never mentioned during OI interviews as considerations in granting land to investors. When asked how these uses are considered in the granting of agricultural investment leases, sources at both federal and regional levels suggested that these concerns were addressed in the Environmental Impact Assessments (EIA), which, in reality, are rarely carried out (as discussed in Section 3.5). Of the two regional governments OI queried on this issue, none of the officials working for the departments that manage land negotiations had ever seen an EIA for a land deal.

The lease areas visited by OI that are currently under production are all near major water sources, adjacent to road networks, and rely on limited human labor (but in almost all cases, some degree of human labor is used). In the majority of these cases, the land was partially or completely covered by woodland and/or forest, which needed to be cleared.

Box F: Gambella National Park

In Gambella, villagers express concern that investors are clearing National Park land. According to the Ethiopian Wildlife Conservation Authority (EWCA), the federal department responsible for the management of protected areas, Gambella National Park was formed in 1964 and was to cover approximately 5,061 square kilometers. Since that time, there has been no official management or planning and no official demarcation of park boundaries. According to recent surveys, the park contains 69 mammal species, including 58 large mammals. The park also contains valuable wetland habitat, hundreds of bird species, and 92 fish species, representing 69 percent of all fish species in Ethiopia.

The responsibility for park management until 2008 rested with the Gambella Regional Government. Since that time, the federal government had taken over management of protected areas in Gambella, and EWCA has undertaken a process to identify and delineate a network of protected areas in the region. This process has occurred at the same time that major land leases are being signed in the region (for example, 300,000 ha were awarded to Karuturi's in the area in early 2008). EWCA estimates that 438,000 ha of land have been leased in the vicinity of the park, all without Environmental Impact Assessments.

While EWCA is in regular communication with the federal government about land investment issues, EWCA acknowledges it will be difficult to prevent development in the short term as "demand for agriculture land in Gambella is very high." A spokesperson for EWCA says, "We acknowledge we have a conflict with the Agriculture Department, and that we both want different things, so we will see what happens."



Wetland typical of central Gambella and part of Karuturi's lease area

The Gambella Regional Council is able to grant land leases under 5,000 ha and, according to EWCA, has committed to not award any lands for investment in areas that are candidates for protected area status. EWCA realizes that time is of the essence and hopes that their process can be complete before candidate lands have been cleared and leased to investors. EWCA hopes to have management plans completed and implemented by June 2011, a very ambitious target. The management plans will outline policies, regulations, and lists of accepted land uses in the protected areas.

While the boundaries of Gambella National Park have never been delineated, lands that local people have always presumed to be part of the park have already been cleared by large-scale investors, including Karuturi and Saudi Star. Wetlands, with abundant fish populations and bird life, are presently being altered for rice production by Karuturi. Extensive forest cover in nearby areas has also been completely cleared. It appears to be too late to protect some areas of this park, despite EWCA efforts.

2.6 The Land Investment Process

"We saw large-scale interest, we as a federal government felt that we had to take another step to make sure there are no mishaps. We have to make sure that [investors] interact with one entity, that there is a process that is transparent . . . and which is with eyes wide open."

FDRE Prime Minister Meles Zenawi on
Proclamation 29/2001⁹³

The process for investing in land in Ethiopia is constantly evolving. Investments involve different government actors. The FDRE Constitution provides regional governments with the mandate for rural land administration. Consequently, these regional governments have negotiated the bulk of land investments, and continue to do so today.

However, in January 2009, *Proclamation 29/2001* changed the process. The Agricultural Investment Support Directorate (AISD) was established under the federal Ministry of Agriculture and Rural Development (MoARD), responsible for identifying potential land for agriculture, receiving this land from all regions and transferring it to investors. It also monitors activities of the investors and provides them with both technical and administrative support.⁹⁴ While AISD is now responsible for all foreign agricultural land investments over 5,000 ha, all investments under 5,000 ha are still the mandate of the regional governments.

Whether at the federal level or the regional level, there are three components to the land investment process: (1) the investment certificate; (2) the land use agreement; and (3) land acquisition.

INVESTMENT CERTIFICATE

Attainment of the investment certificate is a simple process and can be carried out relatively quickly. A short application form completed by the potential investor that contains a brief description of the project, desired location, estimated capital investment, source of capital (equity or financing), land requirement, amount of permanent/

temporary employees, estimated annual production, destination market for production (domestic or export), raw material requirements, utility requirements, and implementation schedule.⁹⁵ The Ethiopian Investment Agency commits to issuing an investment certificate within 4 hours for 600 birr (approximately USD 35). Domestic investors can receive their investment certificate from regional government authorities.

LAND USE AGREEMENT

Land use agreements between the relevant government authority and the investor outline the terms of the lease and the responsibilities of each party. For foreign investors leasing more than 5,000 ha, the agreement is negotiated with AISD; otherwise, it is negotiated with the relevant regional government bureau. Details on the content of these agreements can be found in Section 2.7.

LAND ACQUISITION

The land acquisition process varies, depending on whether a lease is negotiated with federal or regional authorities. At the federal level, approximately 1.7 million hectares of land have been deposited in the federal government's land bank. The AISD director stated that these lands are available "all over the country," but much of that which is actively marketed by FDRE⁹⁶ is located in the lowland areas.

At the regional level, lands are selected by woreda, sometimes with the support and influence of the regional government. Different investors have had different experiences with the regional land acquisition process, and the process seems to vary widely with regional governments. In general, information required from the investor includes the site plan, the land area required, the location required, and utility requirements.⁹⁷ In some cases, investors identified the desired land and approached the woreda in order to approve the lease. In other cases, the woreda identified land based on the investor's desired size, location, and type.

One domestic investor explained to the OI team that he approached the federal government to ask for land in Benishangul and was then taken around by the government to look at different land areas. Other domestic investors report being given a piece of unseen land that was smaller than that which they requested and that was not ideal for

their desired use. Several woreda officials told us that they were under obligation from the regional governments to transfer the land. These acquisition processes varied in length of time from a few days to many months.

At the regional level, each government department is responsible for a different aspect of the investment process, and it is rare for departments to communicate about their respective tasks. For example, those who issue the investment certificate may not have any contact with those who lease out land, or with agencies that handle food security issues in the area, or with agencies that have a mandate for Environmental Impact Assessments (EIA). Because the investment process lacks consistency and coordination, there is much potential for failed management and corruption.

2.7 Content of Deals

RENTAL RATES

Due to the wide variation of rental rates in Ethiopia, efforts are underway to streamline these fees, particularly for larger foreign deals at the federal level.

Table 8: Land lease rates in selected countries (USD/ha/year)⁹⁸

Ethiopia (pre-2009): USD 1.25-10
Ethiopia 2009+ for foreign: USD 26-42
Ethiopia 2009+ others: USD 1.75-8
Sudan: USD 3-20
Mali: USD 6-12
African average: USD 350-800
Brazil/Argentina: USD 5,000-6,000
Germany: USD 22,000

The Benishangul Investment Bureau informed the OI team that rental rates were between 50 and 70 birr/ha (USD 3 to 4.25 per ha) for domestic investor leases, while the federal government charges foreign investors between

432 and 700 birr/ha (USD 26.30 and USD 42.70 per ha) for land in Benishangul.

In Gambella, domestic investors told the OI team that the current rate for domestic investors is approximately USD 1.75/ha (30 birr/ha), but it was expected to triple in price in 2011. Karuturi initially received their land for just USD 1.25/ha (20 birr/ha) but subsequent negotiation with the federal government has raised that price to USD 6.75/ha (111 birr/ha).⁹⁹

In the Oromia region, published marketing brochures suggest that land rates are between USD 4.30/ha/year (70.4 birr/ha/year) and USD 8/ha/year (135 birr/ha/year), and that these rates depend on the “development level of the zones and distances from all-weather roads.”¹⁰⁰ In addition, lands adjacent to major water sources command a premium rate.

“Ideologically, we are against rent seeking. We want to see productive economic activity. We want to see investment. The advantage is more than from the land rent.”

Abera Deressa, FDRE Minister of Agriculture¹⁰¹

Reports of a new pricing policy surfaced in April of 2010. For farms located 700 km from Addis (approximately the Eastern limits of Benishangul and Gambella), the investor is expected to pay 111 birr/ha (about USD 7) for rainfed agriculture and 158/birr/ha for irrigated agriculture. For each kilometer in closer proximity to Addis, the price increases by USD 0.25/km or 4.05 birr/km (4.17 birr/km for irrigated), and for each kilometer further from Addis, the price drops by 4.05 birr/km.¹⁰² This lease price system is subject to revision every 10 years. Recently announced land lease rental prices appear to match this pricing formula for lands located in the lowlands, but for lands located in Oromia and other Highland areas, this pricing formula does not seem to be enforced.

As outlined in Table 8, while Ethiopian prices are low compared to other countries, AISD claims this is because, in Ethiopia, the investor has to “start from scratch” – he must clear the land, and rely on relatively little infrastructure. However, the general perception in Ethiopia is that land prices are steadily increasing.

CONTENTS OF A REGIONAL LAND USE AGREEMENT

The contents of the land agreements themselves vary among regions. However, within one region examined by OI, nearly all the agreements were identical, even among foreign and domestic deals. The majority of terms in the five page land use agreements were fixed:

“Our agreement with government is purely commercial. Government is charging us a rent... what we choose to do on the land for our own commercial intent is our own business. There are [sic] no governance, no constraints, no contracts, none of that.”

— Foreign investor in Gambella region¹⁰³

Discretionary terms:

- Length of time.
- Land use fees.

Fixed terms:

- Transfer procedures in case of death.
- Work commitments: must work within 1 year or forfeit. Must do work every year, unless there is a good reason.
- Responsibilities of the investor: prepare land, establish office and administration, establish fuel station, must provide health and schooling for employees, permitted to provide infrastructure.
- Investor reports any land conflict to investment office.
- Investor should take environmental degradation and soil erosion into consideration and any should be reported to investment bureau.
- Responsibilities of the investment bureau: to give land to investor, to manage obligations of investor, make sure investor works in peace on land.
- Land should be given within 45 days of agreement.
- Assets in land need to be registered, and any assets found on land can be improved upon.
- Reasons for cancellation: if expired, non-payment of land use tax, not working land for more than 1 year

(without good reason), or if investment office does not hand over land.

- Can amend after 6 months.
- Transfers allowed but investment bureau must be notified.

Despite the apparent standardization of lease documents, there does not appear to be any significant enforcement of lease terms. Regional and woreda governments are mainly focused on payment of land use fees. In addition, farm managers (particularly of farms leased by small-scale domestic investors) – who are not the lessors – are often unaware of the contents of these agreements and the responsibilities contained therein. Some of these terms are also quite vague, and it is hard to imagine how they would be enforced or implemented. For example, how is environmental degradation and soil erosion to be considered? What is a valid reason for not carrying out work? What is considered “land conflict”?

Finally, lease agreements contain no verbiage to ensure that benefits are maximized and that adverse impacts are minimized. There are no clauses to ensure that employment numbers adhere to those identified in the investor’s application or that other benefits accrue as projected. In addition, there is nothing to ensure that projected capital expenditures take place as proposed in applications.

LENGTH OF THE LEASES

Various sources describe the length of leases, with some reports suggesting upwards of 99 years. Lease lengths vary greatly among deals that were negotiated in 2008 and those negotiated in 2009, but land lease lengths currently appear to be much more streamlined and consistent. Leases at the federal level are generally for 25 years, but may be issued for 45 years for more capital intensive crops (sugar, agrofuels, etc.). Federal leases are then renewable for another 45-year term. At the regional level, in Benishangul, land leases are between 20 and 35 years, depending on whether lands are irrigated or rainfed. In Oromia, land lease lengths are between 20 and 45 years.

2.8 Consultation and Transparency

COMMUNITY CONSULTATION

Community consultation was not performed with local community members in any of the lease sites visited by

the OI team. All government departments interviewed (at all levels) claimed that consultation was someone else's responsibility that it was carried out through separate processes or by other departments or levels of government. Several government departments suggested that the records of consultation were explicitly documented in the Environmental Impact Assessments (EIA), but no department was able or willing to provide copies of these documents. EIA *Proclamation 299/2002* asserts that regional authorities shall solicit comments from the public on impact study reports. In addition, any comments made by the public or impacted communities should be incorporated into the report.¹⁰⁹ According to government officials, opportunities for community consultation are available through three different processes:

- EIA to be submitted by the investor; EIAs are rarely carried out, as there is no enforcement.
- The socio-economic assessment, which determines the appropriateness of lands for investment; in practice, there is only evidence of such assessments for larger tracts being transferred to the federal land bank.
- Woreda/kebele (village) officials, prior to land leases being awarded; in practice, no one seemed to know how, when, or if this woreda/kebele level consultation ever happens.

TRANSPARENCY

There is virtually no transparency regarding land investment negotiations and agreements. One former federal Member of Parliament suggested, "no one will

"Here land is state property but government gives the rights by way of leases which are transferable, are renewable, which are pledgeable, in a lot of ways leases are tantamount to near ownership"

— *Karuturi CEO, Mr. Sai Ramakrishna*¹⁰⁴

ever see [the agreements], even those in the right ministry. Perhaps a minister who was really well connected might see one as a favor, but that's all." According to one major investor, disclosure clauses are in place to ensure that information contained within the agreements remains confidential. It was evident in discussions with government departments that there was a general lack of awareness regarding the content of the deals.

2.9 Enforcement and Monitoring

Most lease agreements contain clauses to ensure that some work is carried out in a reasonable timeframe. In Gambella's regional agreement, it is specified that development must be undertaken within a year, and that work must be undertaken every year, unless there is a good reason for the lack of work. In addition, the investment certificate (as opposed to the land use agreement or land permit), is to be renewed each year. In Benishangul, it is required that some work is to be carried out every 6 months, although according to the Investment Bureau, this is rarely monitored.

In all agreements examined by OI, it was stated that non-compliance with any of the terms would provide conditions for forfeiture. However, in practice, enforcement of these agreements appears to be weak or almost non-existent. Despite the terms in these agreements, many investment areas visited by OI were not yet operational, clearly not meeting work



River heavy with sediment in Oromia region

BOX G: SAUDI STAR AND THE VILLAGE OF POKEDI

Saudi Star Agriculture Development Plc, a company of Saudi-Ethiopian billionaire Mohammed Al-Amoudi, is presently operating on 10,000 ha near Abobo, along the Alwero River in Gambella. Media reports allege Saudi Star's desire to acquire another 500,000 ha of land in Gambella and other regions to produce a staggering 1 million tons of rice. They also hope to grow maize, teff, sugarcane and oilseeds.¹⁰⁵ Media reports suggest that no land rents will be paid for their Gambella 60-year, 10,000 ha lease,¹⁰⁶ while other reports suggest land use fees of 158/birr/ha (approximately USD 9.60/ha). Saudi Star is currently growing rice on the concession in Gambella, and has set up a rice polishing plant in Debre Zeit, where rice will be polished for export.

Mr. Al-Amoudi is ranked as the 64th richest person in the world by Forbes magazine.¹⁰⁷ He has many industrial interests in Ethiopia including stakes in construction, livestock, and gold. The billionaire has extensive international investments in oil, real estate, and construction. He has long been suspected of having close links to Ethiopia's governing party, the EPRDF, and was the source of controversy in 2005 when he publicly wore an EPRDF t-shirt during a tense election campaign. In 2007, he was awarded the first ever "special millennium golden medal" by the Prime Minister for his "exemplary deeds for the development of Ethiopia and its people."

According to Saudi Star spokesperson, Mr. Girma Bogale, in Gambella, Saudi Star will use specialized techniques that will limit the amount of water that is required for rice, but that the Alwero River (which is already dammed upstream of Saudi Star's lease area), will only provide enough water to irrigate 1,800 ha of rice. Tenders are currently out to build 30 km of cement-lined canals to move water from the Alwero to the fields, and planning is underway to build another dam on the Alwero to increase the amount of water available to Saudi Star. When OI visited the site, extensive clearing and other work was well underway in preparing the canals.

The rice produced by Saudi Star will be sold primarily for export. Rice that is not of export quality (less than 7 mm) will be sold on domestic markets or "wherever the market is."

Unsubstantiated reports suggest that Saudi Star pays their laborers approximately 50 birr/day (just over USD 3), far higher than the 10-20 birr/day going rate. They expect to employ between 4,000 and 5,000 seasonal employees for every 100,000 hectares under production.

Several small villages (including Oriedhe and Oridge) within the Saudi Star lease area have been relocated across the Alwero river to Pokedi as part of the villagization program currently underway in Gambella (see Section 3.4 for more information). The river is currently used by local communities for fishing, for transportation, as a water source, as prime agricultural land and serves defense functions.

The OI team visited Pokedi (36 km from Abobo town), where 1,000 people live across the Alwero River from Saudi Star's operations. The sound of bulldozers clearing land can be heard across the river. The village farms along the riverbank were formally used for maize production using shifting cultivation techniques, but these areas have now been cleared by Saudi Star. While this farmland has been lost, their river plots have not yet been impacted. Villagers often used the now-cleared forest in the Saudi lease area during times of food insecurity for gathering food, fuelwood, and medicines.

Prior to relocation, no community consultation was carried out, either by Saudi Star or the government. Villagers only knew that their land had been given to investors once the bulldozers began clearing the area. When they expressed concern to the government about the clearing of their ancestral lands, government officials reportedly replied, "You don't have any land, only government has land."¹⁰⁸ There is no land certification system or security of land tenure in Gambella.

Now, with further encroachment of domestic investors on the North side of the river, in addition to Saudi Star's clearing of land on the South side, the impending damming of the Alwero, the impact of villagization projects, ongoing raids from neighboring tribes, and changes to their local environment, the future is indeed bleak for the villagers of Pokedi. Pointing to a young boy, one village elder sums up the feeling: "What is the future for them, for our children? Food-wise it will be very difficult...we cannot survive on peanuts and fish. This is what we worry about."

commitments as outlined by lease agreements. Only one had undergone a government inspection.

The OI research team was told by several regional government officials that there is no monitoring of benefits, no monitoring of production, no monitoring of water use, and no monitoring of actual land base used. Monitoring is limited to ensuring that at least part of the land is operational, and that appropriate fees are paid on an annual basis. Most regional officials were optimistic that in the future when more farms are operational, there will be sufficient budget and time to carry out more regular inspections and agreement monitoring.

Similarly, OI did not find evidence of any reporting requirements for investors in the agreements. Periodic reports would provide government departments with an understanding of the current level of development in lease areas without incurring the costs associated with regular inspections. However, in most cases, once an investor has acquired the land and the necessary permits, there is little enforcement, monitoring, or reporting requirements.

Given population densities and current pressure on resources, it is likely that local communities will bear the brunt of the costs of land investment deals, while benefits will accrue to others. Land use planning, and effective EIAs would help to mitigate some of the adverse impacts on local people, but the lack of adequate governance makes such oversight unlikely, thereby posing a threat to local populations.

Numerous parties will undoubtedly benefit from land investment in Ethiopia:

- **Federal government:** Increased FDI will likely create some spin-off improvements in infrastructure, and perhaps lead to some technology transfer, as well as increased revenues (taxes) and potentially improved relations with foreign governments who are investing.
- **Regional governments:** Land investment will help to solidify support from federal government, increase formal employment and spending in the region, and could potentially lead to infrastructure development.
- **Woreda governments:** Will receive money from land rents.
- **Highlanders:** Able-bodied highlanders, mainly males, will likely receive employment (either as laborers or self-employed).
- **Investors:** Will gain from profitable produce. Tigrayans and urban elites are awarded land at rock-bottom prices with little regulation or limits on its use. These lands can then be transferred or sold once land markets are formalized and land prices increase. If the concept of state ownership of land is relaxed, such investors will greatly benefit.
- **Other businesses:** Businesses from other sectors will also benefit, especially those in the agro-processing, agricultural input provision, trading and transportation sectors. The majority of these businesses are located in urban centers, and at present, almost all are located outside of the areas of intensive land investment.

WHO WILL BEAR THE BRUNT OF COSTS?

- **Local people:** Land investment will lead to an influx of outsiders, with potentially negative social impacts, the loss of self-sufficiency, the loss of communal areas and ancestral lands, less water, and environmental/water degradation.
- **Downstream users:** Land development will lead to degraded water resources downstream.
- **Wildlife populations:** These will be negatively impacted due to habitat loss/degradation/fragmentation.

The extent and distribution of benefits and impacts of these investments depend on a wide variety of factors, and many of these impacts have yet to be experienced, as the latest wave of commercial agricultural activity is in its infancy. The analysis below is not intended to be comprehensive, rather it intends to provide a brief overview of some of the major outcomes that are beginning to occur and are likely to occur in the future from this type of investment.

3. BENEFITS AND IMPACTS

3.1 Benefits

The potential benefits include increased economic output (direct investment and multiplier effects), increased foreign exchange reserves, transfer of technology, infrastructure development, wage employment and other macroeconomic benefits.

TECHNOLOGY TRANSFER

The implementation of Agricultural Development Led Industrialization (ADLI) as a development strategy has had mixed success in other countries. Based on these experiences, supporters of ADLI claim it can assist in poverty alleviation through the transfer of technology to smallholders, and improvements in infrastructure and market development will allow small-scale farmers easier access to markets. Also, wage employment will allow for increased purchasing power and ability to invest in capital improvements.

It is too early to tell if these advantages will accrue to Ethiopia, but early signs are not promising. Many smallholders continue to use very low-tech farming techniques, plowing either by hand or, in some cases, by oxen. It is not clear how large-scale operations, which rely on large-scale farm machinery, extensive irrigation, and use of herbicides and pesticides that require massive amounts of capital investment can result in a transfer of technology and know-how that would be accessible to the average Ethiopian farmer. These technologies are several levels above their current knowledge and financial capability. While it is conceivable that these gaps could be addressed through proper planning and financial commitment, no evidence was found that strategies are being developed for enabling such technology transfer.

Land investments that involve smaller-scale domestic operations generally use low-input technologies similar to smallholders, or one level above. While in some areas,

lack of effective land certification systems and access to capital will greatly inhibit the spread of these new technologies amongst smallholder farmers, the potential for technology transfers is higher with these small-scale investments. According to Gumuz elders from a village in Benishangul state: “We once saw oxen being used, and admired the technology, now some of our people use oxen. Now we see tractors, and admire the technology, so maybe one day we will use tractors.”

Infrastructure Improvements

There are currently unprecedented levels of infrastructure development in Ethiopia. All-surface roads are being built between the capitals of all regions, effectively linking markets around the country. Roads totaled 19,000 km in 1993 and were up to 44,300 km in 2008; total population with electricity in 1991 was 400,000 people, and this number had increased to 1.7 million in 2008. 2,358 towns are part of the electrical grid as of 2008, up from 300 in 1991. Between 2003 and 2007, the amount of landline telephones has doubled and mobile phone use has gone up from 98,000 to 1,900,000 people.¹¹⁰ Funding for such projects has come from numerous donors, including the EU, China, Japan, and OPEC. In addition, irrigation development projects are occurring at a record pace. Electricity and telecommunications infrastructure are also steadily increasing.

In none of the land deals studied were there any commitments to improve infrastructure, either by the investor or by the host governments. Infrastructure improvements in previously underdeveloped areas will undoubtedly increase the likelihood of land being used for investment purposes. Yet, most of the investors interviewed stated that current levels of hard infrastructure have been sufficient for their needs.

Most small-scale investors are practicing rainfed agriculture. At least one large investor (Saudi Star in

Gambella) has stated that it will require development of a dam and extensive irrigation canals on the Alwero River to carry out its development plans. Karuturi, another large investor has pledged to provide basic infrastructure to the village on its site (electricity, water points, etc.), and is opting to use the nearby Baro River to move its product to market.¹¹¹ Several small-scale domestic investors expressed their hopes that the development of “soft” infrastructure (improved distribution channels, commodity exchanges, etc.) would improve the ease of accessing international markets.

Inadequate infrastructure has always been one of the limiting factors in Ethiopia’s development. Given the size of some land investments it is likely that investors will contribute to support infrastructure development efforts either through direct development, financial contributions, through various partnership schemes, or as part of wider country-to-country development assistance efforts.

While the OI team did not observe any infrastructure development that had directly been undertaken by investors, the industry is still in its infancy in Ethiopia. Many investors are promising to build schools, clinics, etc. to contribute to the social development of their areas. Without any enforcement mechanisms, it remains to be seen whether these promises are fulfilled, but there is certainly potential for investors to contribute to the infrastructure development of the country and improve the quality of life of its beneficiaries.

WAGE EMPLOYMENT

Wage rates for agricultural labor are low, typically between USD 0.60 and USD 1.20 (10-20 birr/day). Most of the laborers from outside the lowland regions are male. Of those employees who are local, both men and women tend to be employed. While some of those employed are local, the majority of laborers were from the Highland regions. In addition, the vast majority of projected employment figures involve large numbers of seasonal workers, to be employed during labor-intensive periods in the production cycle (harvesting, etc.).

Given the government’s failure to improve minimum labor and pay standards, it is not likely that wages will rise substantially any time soon. As long as there continues to be a high supply of labor relative to labor demand, wages are likely to remain low. If commercial land investments

continue to be awarded at the current rate and the majority of these land investments do become fully operational then the supply-demand gap will likely be smaller, and this could result in increased wages and benefits for workers.

Despite the low wage rates, in many cases, this income provides a valuable source of income for workers and their families in the Highlands. Many of these laborers are landless or have small land holdings, and in the short term, many consider wage employment to be their only chance to escape poverty.

MACROECONOMIC STATISTICS

It is challenging to accurately ascertain the macroeconomic benefits of land investments. Many of the measures of capital expenditure quoted by Ethiopian federal departments are misleading, as they are based on promised or pledged FDI (through investment license applications) rather than actual realized capital investments. Without techniques to ensure that these FDI inflows are actually taking place and that investors have the necessary expertise and capital,¹¹² the use of these numbers can result in gross overstatements of FDI inflows (and associated spin-offs) into the country. For example, quantifying FDI according to pledged capital investments would show a six-fold increase since 2006,¹¹³ while using the widely-accepted UNCTAD methods shows a steady decrease in FDI since 2006, as UNCTAD’s numbers do not include pre-implementation investments. As a result, actual FDI inflows into the Ethiopian economy and the associated benefits are, at this stage, substantially lower than those often quoted.

3.2 Impacts on Food Security

The fertile river valleys in Gambella and SNNPR are prime land investment areas because of ample water supplies and good soil fertility. However, many of these areas face ongoing food security problems. The UN World Food Program (WFP) estimates that approximately 84,000 individuals received food aid in Gambella last year (out of an estimated population of 310,000).¹¹⁴ There are also indications that the Afar region, one of the most food insecure regions in Ethiopia, will be another area of increasing commercialization of agriculture, as reportedly 409,000 hectares of land is available (all along the Awash River) for land investment through the federal land bank.¹¹⁵

It is clear to the OI research team that commercial land investment is one more stressor, making those who are marginally food insecure even more susceptible to hunger. The underlying causes for food insecurity (as stated in Section 1.4) are all present in the areas of intensive land investment – the lowland areas of Benishangul, Gambella, and the SNNPR. In many of these areas, OI visited local people who live very close to the margin. Their ability to feed themselves depends on a variety of criteria, and if any one of those criteria is not met (due to weather, flooding, conflict, etc.) their ability to feed themselves is placed in serious jeopardy.

In many cases, this food vulnerability has been the reality for generations, and communities have developed coping mechanisms to help combat food insecurity. For example, in many parts of Gambella (including the Abobo and Itang woredas), families farmed in sedentary plots along the riverbanks and practiced shifting cultivation on higher ground, which provided a buffer in the case of failed or poor harvests on their riverside plots. In addition, in times of food scarcity, resources from the surrounding forests often provide sustenance (fruits, nuts, seeds, roots, leaves, etc.) (see Box I for a description of the importance of the forest to the indigenous groups of Gambella).

As discussed in Section 3.3, the OI research team found numerous examples where shifting cultivation plots were cleared by investors. The AISD calls these “abandoned farms,” but these areas have intentionally been left fallow for a time and continue to provide communities with an invaluable buffer against food insecurity. In addition, large tracts of forest are being cleared for land investment projects, thereby removing another critical buffer against food insecurity.

A further potential impact is that commercial farming will reduce other food supplies such as fish habitats/populations (a key food source for certain groups) and other wildlife (hunted in times of extreme food scarcity). Runoff from commercial farms will also lead to contamination and reduction of water supplies. Loss, degradation, and reduced access to prime grazing land will further exacerbate this situation. These concerns are further increased by a changing climate, ongoing conflict, and the villagization process.

In Gambella’s Abodo woreda, 5,100 individuals were given food aid by the WFP in 2009 (out of a population of 17,000).¹¹⁷ This woreda is the site of several large-scale investments including Saudi Star’s 10,000 ha and

Karuturi’s 100,000 ha (see Box D on the controversy surrounding Karuturi’s land allotment). One of the investors has plans to develop a dam along the Alwero River, where forests have been cleared, and farmland has been lost. Many of these communities are also being targeted for forced villagization, have no land tenure security over their ancestral lands, and are faced with an influx of laborers and farmers from the Highlands, further increasing competition over land. Some, although very few, have been employed on these commercial farms.

Another small village of 400 people on the banks of the Baro River provides an example of how these multiple pressures can act cumulatively to push local people into a more precarious food security situation. The community has sedentary plots along the river, and plots on higher ground where they grow maize and sorghum. In June 2010, a diaspora investor arrived with a tractor and began harvesting the community’s maize and clearing their lands to grow rice.¹¹⁸ Guards were brought to the 1,500 ha farm by the investor who prevented farmers from crossing their land and accessing their river plots. Land has further been cleared of forest, and there are concerns that the riverbank plots will soon be taken.

“Our goal is not to alleviate hunger. I am a businessman. What I am doing is positive, cheaper food, making employment. Can’t fathom how that can be negative.”

— Foreign investor in Gambella¹¹⁶

There is no recognition of the traditional/ancestral land tenure system. No consultation was undertaken and no compensation (either direct or in-kind) was paid to community members. There is no other land adjacent to their village available to farm. Finally, community members have been told by the woreda officials that other scattered settlements will be moved to their village as part of the villagization process. With more erratic rainfall and flooding in recent years, their ability to feed themselves was already undermined, and now the coping mechanisms (fishing, upland maize and sorghum production, forest resources) that reduced their vulnerability to food insecurity are gone, while more people will be coming to their village where no adjacent farmland is available.

It is evident that commercial land investment will have an immediate adverse impact on the ability of those already food insecure local populations. There is no clause in any lease agreement that requires investors to improve local food security conditions or to make production available for local population. In fact, the federal government has done the opposite – it has gone to great lengths to provide incentives for cash crops intended for foreign markets. A spokesperson for the AISD told the OI research team, “we have enough maize in the country, we do not need more.”

Mr. Abera Deressa, federal minister for the Ministry of Agriculture sums up the dominant perspective we heard from government representatives: “If we get money we can buy food anywhere. Then we can solve the food problem.”¹²⁰ There have been allegations in the past that aid money and government expenditures are being used to further increase the reliance and support of citizens on the government.¹²¹ Purchasing food from national (or global) markets to be given as handouts to poor landless farmers will not increase the food security in comparison to smallholder self-sufficiency. Regardless of whether ADLI will reduce poverty and food insecurity in the long run, it is clear that in the short to medium term, the food security of those local people in the vicinity of current land investments, particularly when compounded with other existing pressures, will be greatly reduced.

3.3 Socioeconomic and Cultural Impacts

Given the minimal extent to which investors are actually producing on their newly acquired lands, many social impacts are yet to be determined. The extent and intensity of these impacts on local populations will depend on a series of factors, including the development and implementation of proper Social and Environmental Impact Assessments (SIA, EIA) *prior* to lease agreements, the level of regulation and enforcement of existing legislation, and the experience and willingness of the investor, the government, and the communities in addressing these impacts.

Sadly, Impact Assessment processes are weak, and the level of enforcement of laws and regulations is almost non-existent. Social impacts, in many cases, will be felt immediately (due to the loss of lands), and they are likely to be long term and irreversible, likely leading to the destruction of livelihoods and culture.

“We do not know what we will do. Those crops are necessary for our survival. We worry about the future, and about how we will feed ourselves.”

—Village elder in Gambella¹¹⁹

WAGE EMPLOYMENT AND THE INFLUX OF LABORERS

One of the perceived benefits of large-scale commercial agriculture is the massive amount of wage employment that these operations will provide. For example, Karuturi suggests it will require 20,000 to 30,000 employees.¹²² Saudi Star has stated it will need 4,000 to 5,000 workers. Smaller farms, such as the 500 ha sesame farm visited by OI, employ up to 900 people (many of them seasonally, however). The majority of these jobs are laborer positions, which provide low wages, are often seasonal and short-term in nature. Therefore, even if such projections materialize, these numbers can be misleading in terms of actual employment creation and local development.

In addition, massive influxes of laborers, usually men, from other areas of the country can have significant adverse effects on local communities. There is concern from many people in both Gambella and Benishangul that laborers will stay after their employment, acquire land, eventually bring their families, and further exacerbate pressures on the land and resources. There is concern from local people that laborers will mirror the practice of settlers by clearing forests for their own benefits (housing, fuel, and charcoal production) with limited regard for local livelihoods. While it is currently difficult to assess the likelihood of such a chain of events, there are examples from past developments in Ethiopia that lend credence to this theory and that intensify local concern (see Box H for the story of the Majangere).

The social impacts caused by the influx of large numbers of workers into an area are well documented. These include: increased deforestation, decline in fish, wildlife, and other resources in the immediate area, conflict with local people, higher incidences of sexual assault, greater pressure on infrastructure, increase in prostitution (and subsequent spread of HIV and other STDs) and greater stresses on ecological systems (including water resources). The OI research team could not find any evidence of strategies

being developed to deal with these impacts, either through industry or government-led efforts.

INCREASE IN CONFLICT

As population increases, and the availability of land and resources becomes more finite, the likelihood of conflict dramatically increases. One study suggests that environment/land-induced conflicts are more likely to occur under conditions of rapid population growth, mobility, and resource encroachment; societal heterogeneity, such as wealth differentiation and ethnicity; economic deprivation and increased vulnerability; deficient institutions to manage scarce resources and conflict; weak governance and legal environment; and regional political instability and insecurity.¹²⁴ These conditions are already present in the majority of the land lease areas.

“We have no conflict with the newcomers for now, but it is coming. Conflict will be about land issues, and about lack of respect.”

Indigenous elder in Benishangul speaking about the influx of laborers from Highland regions.¹²³

Media reports have revealed many instances of arrests, detentions, and other forms of conflict in Ethiopia based on issues surrounding land investment. The OI research team did not find any situations where this had occurred directly. “Threat of arrest” was however listed by many communities as a serious concern that prevented them from taking their land use concerns to different levels of government. OI encountered many villagers who were afraid to speak to the research team because of the threat of government reprisals.

LOSS OF CULTURAL IDENTITY

The issue of land is very sensitive, and to many Ethiopians, land is not merely a commodity but is a critical component of their identity (see Box I). The loss of land, whether farmland, communal areas, grazing areas, or areas of religious or cultural value, has serious adverse impacts on local people, their food security, their identity and their socioeconomic conditions.

TREATMENT OF WORKERS

The Ethiopian government is currently drafting the voluntary *Environmental Code of Practice for Agricultural Investment*, which contains numerous provisions related to employee rights and labor relations, including provisions for overtime work, limits of work weeks to 48 hours, requirement of documentation of policies and procedures, anti-discriminatory policies, bans on female workers constant exposure to pesticides, allowance of maternity leave for pregnant women, preventative support for HIV, anti-harassment policies, the right to unionize, bans on child labor (under 18), and health/safety procedures. Many of these provisions are taken directly from Ethiopia’s *Labor Proclamation* (Proclamation No. 42/1993). Despite this legislation being mandatory, enforcement and implementation are almost non-existent.

Several community members said that investors had provided school uniforms and delivered supplies of water to the villages in their lease areas. One domestic investor says he plans to take care of employees’ health needs “if they have malaria” or have an accident on the job. In Gambella’s regional domestic agreements, there is a requirement to provide healthcare and schooling for employees. Most investors also claimed that they feed their workers.

LOSS OF LIVELIHOODS

Villagization and displacement of people, the loss of farmland, the degradation and destruction of natural resources, and the reduction of water supplies are expected to result in the loss of livelihoods of affected communities. In Gambella and Benishangul, respectively, 45,000 and 90,000 households are slated for relocation due to villagization and land investment displacements, resulting in a loss of livelihood for over 650,000 people.¹³⁰ The total number of people affected is estimated to exceed one million considering those affected by villagization or land investment in SNNPR, Oromia, Afar, and other regions.¹³¹

The effects of the loss of livelihood are difficult to understate. Previously, these households were largely self-sufficient with respect to food production. Now they will have to rely on assistance from others and will become more dependent on handouts from the government. Change in diet, loss of traditional lands, increased reliance on wage employment and aid, and weakened community bonds will also result from this livelihood loss.

BOX H: THE MAJANGERE STORY

The case of the Majangere provides a useful illustration of the impacts of large scale commercial agriculture and the influx of laborers on a small and marginalized indigenous group. The Majang people number between 15,000 and 24,000. They live on the thickly forested slopes of the south-western edge of the Ethiopian plateau, between the Anuak of the plains and the Galla of the Highlands. Their way of life is markedly different from that of their neighbors, and is well adapted to their habitat. The Majang are agriculturalists, and the structure of their society is loose and simple. They have no political leaders; the only individuals of authority are ritual leaders whose influence is restricted. Shifting cultivation, beekeeping, and fishing all provide the Majangere with a livelihood.

During the time of the Derg (pre-1991), large state-run coffee plantations began operations in the area. Land was cleared and people were displaced. Thousands of laborers arrived from the Highlands to work on the plantations. Many have remained in the area, realizing that productive land was available, and that services were also more available than in their home areas. Most initially acquired land on the edges of plantations. Sometimes this land was vacant, sometimes it was occupied by relocated Majangere. In many cases, the land was bought from the Majangere, who felt that land was an unlimited resource and were happy to sell. This cycle continued, with the Majangere moving further out, clearing more and more marginal land, and the former Highlander laborers and their families followed, acquiring that land. At each stage, schools, clinics and other services were provided by government, with the Majangere moving further into unserved areas. The gap between richer Highlanders and poor indigenous grew.

Now, 25 years later, the Majang are in a precarious position. The areas that they formerly inhabited, most of which still have Majang names, are completely devoid of Majang families. This group is facing additional pressures from villagization and from large-scale commercial land investment. Currently, the areas where the Majangere reside are near the headwaters of the five great rivers that flow through the Gambella region. Pressure to develop the region from agricultural investors has been increasing. The regional government has expressed concern about land leases in this area, as the clearing of the forest would have a catastrophic effect, not only on the Majangere, but on all peoples of Gambella, as well as on the viability of all agricultural operations in the region. Efforts are currently under way to give protected area status ("reserve forest status") to much of the forest cover in the headwaters in hopes of ensuring the great rivers of Gambella continue to flow, continuing to provide the water that has sustained life in the region for thousands of years.

While this is a story about one small indigenous group, there are many such groups in Ethiopia who have faced, and will continue to face, similar pressures on their land, their identity, and their very survival.

As part of the villagization process, the government has pledged that land will be given for food production and training provided on new techniques; but, to date, there is no evidence of this land provision or worker training. Decreased food security, the likely increase in natural resource related conflict, loss of self-worth, and erosion of cultural identity are all probably outcomes of livelihood loss. Thus, the adverse impact of land investment on the lives of local people will be dramatic, long term, and potentially irreversible.

3.4 Dispossession and Displacement

VILLAGIZATION AND FORCED RESETTLEMENT¹²⁶

The history of resettlement and villagization in Ethiopia is politically charged and controversial. The process is currently occurring in the same areas as commercial

land investments. According to regional government officials, *all* indigenous peoples in Gambella and Benishangul (approximately 45,000 households in Gambella and 90,000 households in Benishangul) are being relocated from their ancestral lands to small villages of 400-500 households.¹²⁷ Unverified reports indicate that villagization is also being undertaken in SNNPR and Afar regions.

Gambella's regional government maintains that these relocations are voluntary, but one villager reportedly was told that if community members did not move, "the federal police would come and arrest them." The vast majority of villagers interviewed throughout the two regions said they did not want to relocate, but if "government tells you to go, you go."

Several villages refused to relocate and were nervous



Many small scale investors are clearing the land for the illegal, but lucrative selling of charcoal

about what that would mean for their future. In Benishangul, village committees approved new locations for relocation. The stated criteria for new locations was that they were near main roads, near water, central between villages, and had good availability of agricultural and grazing land.

Many community members suspected there were other reasons for the forced relocations, including increased reliance on government, increased difficulty for rebel groups to operate in the region, and that officials wanted “them off the land so the land could be given to investors.” Obviously, this is difficult to verify, but there is a definite correlation between the areas undergoing relocation and the areas that are marketed as available for large-scale commercial agriculture. In addition, the communities that are the first to be relocated are those communities that live in and use the areas that have been given to foreign investors. For example, several villages in the Saudi Star lease area have been told to move to nearby Pokedi as part of the villagization program. The forests that these villages have used for generations are now being cleared by Saudi Star.

One of the most commonly expressed fears was that there would be a lack of food at the new locations. Currently, many indigenous people in the area practice a form of shifting cultivation, where land is worked for 3-7 years, until yields drop, and then they farm a nearby plot of land for 3-7 more years. Some villages may

return to the first plot immediately thereafter, some may shift between several different plots before coming back to the original plot. Other indigenous groups including Gambella’s Anuak, have more permanent plots in the fertile soil along the region’s many rivers. In Gambella, the villagization concept involves giving each household a sedentary permanent plot of land of 3-4 ha adjacent to the village site.¹²⁸ In Benishangul, 2.5 ha are planned to be given to each household for agriculture, an additional 0.5 ha of irrigated land for food production, and 1 ha for grazing. These lands will be formally certified by the regional governments.¹²⁹ Farming techniques, technologies, and inputs will need to be adjusted to reflect this new form of agriculture. Training has been promised by regional governments, but villagers are skeptical.

“They can clear land there, but this is where we know how to farm. We do not know how to farm there. We are confused, we do not know what we can do.”

“Some will not move. We will starve there. We cannot live on water alone”

Currently, villagers grow their own food on permanent plots along the river and use shifting cultivation techniques on higher ground to grow maize. This shifting cultivation, together with fishing and harvesting of forest resources, provides buffers against food insecurity. With the relocations, their only buffer will be

food aid, as some villagers were told that government would provide food aid if needed.

“There will be no food. They say there will be lots of water, small place for tukuls, and backyard for vegetables. They said they will provide relief food for the rest, but they never keep their promise, and here we can grow our own food. We will not go. They will have to kill us first.”

“If the government delivers food, it will be good, if not, it will be very bad. Either we will go to the river or back to our farms.”

While time will tell the link between villagization and commercial land investment, it is clear that clustering the population will make it easier to have large tracts of land available for agricultural investment. Lands currently in the federal land bank and land investment marketing efforts are predominantly in the Benishangul, SNNPR, and Gambella regions. Villagization programs

are currently being undertaken in those same regions. Despite government statements to the contrary, it was evident from OI site visits that farmers currently live and farm on the lands that have been transferred to the land bank.

“Haile Salassie was bad, Derg did the resettlement which was also not good, but it was never like this. They never forced us to leave. See this big forest behind us, during the massacre people hid there. Now it will be gone. What is the future for our kids? They will be slaves. The worst part is the people did not come here to talk to us. If they did we could have told them this is our ancestral land.”

LAND INVESTMENT AND FORCED DISPLACEMENT

OI's visits to the investment lease areas and to adjacent villages did not render any evidence of displacement from settlements as a direct result of land investment activities. However, in the lowland areas where land investment is



The Alwero River, dammed in the 1990s. Saudi Star plans to dam the river further downstream

BOX I: WHAT LANDS MEANS TO THE INDIGENOUS ANUAK OF GAMBELLA

It is difficult for outsiders to understand the importance of land to the indigenous peoples of Ethiopia. It is not merely an economic resource or a site on which to grow food. It is intimately connected with the identity of people and communities, with the past and with the future. On the importance of land, one Anuak elder says:

“Everyone in the village knows the territory, and where the traditional demarcation is. The territory is respected as people fear the ancestral spirits. Many Anuak who die elsewhere want to come back and be buried in their own ancestral village. Land is an emotional, historical, spiritual and political issue. When this territory is invaded by villagers, even if they are Anuak, it will create war, because you feel degraded, disrespected, so you will die for the land. Any villager, even though they are doing shifting cultivation, cannot come to the territory without proper consultation with the village. It is not just a forest, it is demarcated, they know historically who it belongs to. So land is not only economical, it is historical, political, spiritual and very emotional.”

“... land according to the village is divided into agriculture, (shifting cultivation all over your own territory but not in another without consultation and permission), used for fishing (rivers and ponds), alluvial soil used for permanent agriculture, areas used for hunting (called dwar), and some areas are used for protection (dense forest) during times of conflict. These areas are respected. Some areas have trees to be worshipped in that place.”

The OI research team visited an area of forest that had just been cleared by a domestic investor. The village was not aware of what was happening until the bulldozer arrived. Village elders began explaining the different uses of the felled trees. In all, the uses of dozens of trees and plants were explained to us, from foods to medicines to building materials to trees and plants with spiritual purposes. We were taught about the plants and trees that were used to treat giardia, guinea worm, yellow fever, malaria, bilharzia, chronic diarrhea and many other ailments common to the area. We were introduced to the variety of fruits, nuts, plants, and mushrooms that were prepared in various ways for food during times of famine and food scarcity. And we were shown different uses for the different woods, from fuelwood, to tukul construction material to canoe construction. We were also told of the importance of the forest during times of conflict:

“This forest hid our children during times of war. With the forest gone, we worry about our future,” elder in Anuak village whose forests have been cleared by a foreign investor.

Throughout OI's visits to Benishangul, Oromia and Gambella many other values associated with forests and trees were identified, including numerous cultural and spiritual values, all of which currently do not appear to be considered or mitigated in any way in the ongoing trend of commercial land investments.

One elder stated:

“A Tigrayan investor came and told us to leave the forest because it was now his land. We said no, it is our land. He said no, it is now mine, if you don't go, you will all be arrested. We said ‘Go ahead and arrest us. This is our land.’ The investor left. Then the National Park people came to demarcate the forest. They told us to continue to use the forest, but to respect it, and not to kill animals so that the populations rebound. What are we to do? We are told different things by different people. We use the forest for our nuts and fruit, for medicine, for grass for our tukuls. It is our life. If it is destroyed, where should we go?”

The elder told us this story as we looked over the cleared land where the forest in question used to be. It was cleared half by the Indian company, Karuturi, and half by the domestic investor.

It was readily apparent to the OI research team that the health, well-being and cultural identity of the indigenous of Ethiopia are intimately connected to the land, to the rivers, and to the forests. It is evident that the clearing of the forests and the loss of their ancestral lands impacts them deeply, and cuts at the core of their identity.

On concerns that their land would be taken by an investor, one village elder summed up the feeling: *“This is our life. Without it we will die.”*

"I will be providing health care for my workers, not because I am a good human being, but because I am also a good businessman. Well-being of employees is well-being of company. Putting up schools for their kids is the right thing to do. Maybe they will be future managers of the company, maybe even replacing me. We are investing in the future."

—Karuturi CEO, **Mr. Sai Ramakrishna Karuturi**¹²⁵

concentrated (Gambella, Benishangul, and SNNPR), villagization is presently being undertaken on a large-scale, whereby scattered settlements are relocated into larger villages where services can be delivered more efficiently. Many of the scattered settlements are located in those areas that have been targeted for land investment. There is certainly the potential (and a strong suspicion among local people) that villagization is being used as an excuse to clear the land for commercial investors. Karuturi, one of the largest foreign landholders in Ethiopia, has stated publicly that the Gambella Regional government offered to move the village of Ilea for them, if they so desired. They chose not to do this.¹³²

BOX J: ETHIOPIA'S FLORICULTURE INDUSTRY

As of June 2009, 251 foreign investors had been registered in the floriculture industry. Of these, 61 are operational, 21 are in the implementation stage, 134 in pre-implementation, and 36 cancelled. Ninety-four percent of these operations are located in Oromia, comprising a total of 3,500 ha of land. Ethiopia is the second largest producer of roses in Africa, and in 2008, Ethiopia flower exports reached almost \$150 million.

Environmental concerns persist with respect to pesticide and fertilizer use, degraded water quality, and disposal of waste products. Similar to what has happened for commercial agricultural investment, the federal government's desire to set up "a one-stop shop" for floriculture investment meant that permits were issued before EIAs were carried out. According to one study, just 10 floriculture firms have carried out EIAs.

Mr. Solomon Kebede, Head of the EIA Service, identifies several reasons for the lack of regulation of the booming floriculture sector in Ethiopia:

- Lack of sufficient laws to regulate the sector;
- Existing laws are not well implemented;
- The floriculture sector has political support and lobbies the government in many respects;
- EIA has not been requested by any office, like land allocation offices, credit associations, custom offices etc;
- Lack of political commitment within government agencies to enforce laws;
- Government's desire to attract FDI is manifested in deregulation of the sector.

The industry-run Ethiopian Horticulture Producers and Exporters Association developed its own Code of Practice in 2007. The Code sets out environmental and labor performance measures, and focuses on storage and use of chemicals, waste disposal, and water issues. The industry issues bronze, silver, and gold levels to firms based on their compliance with the Code.

Source: Ethiopian floriculture and its impact on the Environment: Regulation, Supervision and Compliance. Mulugeta Getu.

While little evidence of displacement from settlements was found beyond villagization processes, there has been widespread loss of both farmland and communal areas. In some cases, this farmland was cleared while under cultivation, but in the majority of situations, plots of cleared land were part of shifting cultivation, and would again be used in the future. Many indigenous communities living in the regions visited by OI practice various forms of shifting cultivation. Other indigenous groups, like the Gambella's Nuer, spent summers along the riverbank farming and grazing their cattle and move further inland during the winter. Some farmland, either currently under cultivation or part of shifting cultivation techniques, has been lost in all of the large land investment areas visited by OI (>1,000 ha). AISD and other government departments repeatedly rejected the assertion that farmland was being taken, calling these areas of shifting cultivation "abandoned farms."

In Ilea, the Indian investor, Karuturi, has repeatedly stated that no land has been lost, and no local people have been displaced.¹³³ Local people indicate that when Karuturi arrived and began clearing the land, the village lost their communal maize, sorghum, and groundnut crops. In addition, the village's royal cemetery, where generations of their traditional leaders were buried, was destroyed, except for one gravesite, which was saved only after villagers ran out and confronted the bulldozer.¹³⁴

There are also reports from Bako in Oromia that many farmers lost land to a 10,000 ha Karuturi farm. In response, an AISD spokesperson stated, "If they had title, they were compensated, otherwise they were there illegally." Land registration in Oromia is not yet complete, and there are no reports in Oromia of grazing areas or communal areas being given formal title.

On a 3,000 ha domestic site in Benishangul, the investor told OI that there were numerous farmers with plots on his land (both indigenous Gumuz and Highlanders) and that none had been displaced. As a result, he had only cleared 300 ha so far. However, there is increasing hostility between the farmers and the investor. The woreda has therefore pledged to "demarcate" his land and relocate the farmers.

COMPENSATION

Issues of compensation were challenging to discuss, as

government officials insist that no one has been displaced from farmland, and thus compensation does not need to be paid. The compensation requirements are clearly stated in Ethiopian legislation. Proclamation 455/2005 outlines the procedures for expropriation, including the advance payment of compensation equivalent to the replacement cost of property on the land and any improvements (value of capital and labor) made to the land. In addition, displaced persons should receive 10 times their average annual income from the previous 5 years.

However, this only applies to land where the farmer has legal title. No legislative expropriation or compensation procedures exist for those who do not have title, which is the rule in the areas where investment is currently focused. Several sources told OI that compensation is frequently given out to farmers in the vicinity of Addis Ababa who have land expropriated (for urban expansion, industrial land uses, etc.), and that compensation was also given out during the rapid floriculture expansion that occurred from 2005 to 2007. The OI research team did not find any villages or farmers that were offered compensation from lost land. In some cases, those who lost land were offered employment by the investor.

Even if land, titled or not, was compensated at a fair value, the land itself cannot be replaced, as land cannot be purchased in Ethiopia. This compensation is thus not sufficient to restore livelihoods and only leads to increased farmer landlessness.

3.5 Environmental Impacts

Ethiopia faces numerous environmental problems including land degradation, environmental vulnerability due to climate variability, indoor air pollution, water pollution, biodiversity loss, spread of invasive alien species, urban air pollution, and toxic and household wastes.¹³⁵

"You have no land, only the government has land."

— Gambella Regional Government representative speaking to a leader of a village impacted by land investment¹⁵³

DEFORESTATION AND LAND INVESTMENT

One of the major environmental threats facing Ethiopia is deforestation. The rates of deforestation, particularly in the Highlands are significant, between 80,000 ha and 200,000 ha each year. Subsequently, erosion and soil degradation are growing problems, which result in the loss of 30,000 ha of productive land each year (with 2,000,000 ha already having been irreversibly damaged).¹³⁶ While accurate numbers on the rate of deforestation in the lowland investment areas is not known, much of the land that has been given to investors (and that is marketed as available) are areas not presently under cultivation, and many are covered in woodland or forest. If arable lands are not covered in woodland or forest, it is because they have been cleared by local people, and are usually under some form of cultivation or use. In almost all of the investment sites visited by OI, leased out forest areas were cleared by bulldozer. A couple of domestic investors were also felling trees to sell firewood locally.

While the sale of charcoal is forbidden by law in Ethiopia it is a widespread and common practice. Larger scale investors (usually foreign) seem to clear with larger machinery and then burn the cleared wood and debris, according to first hand observations and the testimonies of local people.

The forests are critical to many indigenous groups in Ethiopia, particularly in the Lowlands (see Box I). Various uses of forest products include medicines, fuelwood, building materials, food, cultural/historical importance of specific trees, and for defense purposes. Frequently, indigenous groups told the OI research team that forests are of particular importance during times of famine or food insecurity, and that forest food supplies provide an important buffer against food scarcity brought on by climatic variation, pest outbreaks, and conflict.¹³⁷

In Benishangul, there is a clause in the land agreements that six trees must be replanted for every hectare of land that is cleared, but according to the local Investment Bureau (the agency responsible for the negotiation of these agreements), this has never been enforced.

IMPACTS OF MONOCULTURES

Common environmental impacts associated with monocultures and industrial-style agriculture include increased toxicity (which can decrease soil fertility and can spread through the food chain), disruption of

nature's system of pest control, creation of new weeds or virus strains, loss of biodiversity, and the spreading of genetically-engineered genes to indigenous plants.¹³⁸

As the actual agriculture development within lease areas is quite limited at this time, use of pesticides and fertilizers is minimal. However, several domestic investors indicated that they plan to use such chemicals in the near future and were not aware of any limits or of any regulations regarding their use. The proposed *Environmental Code of Practice for Agricultural Investment* has several guidelines for pesticide use including lists of approved chemicals, basic environmental protection measures, and employee health and safety guidelines precautions. The federal *Pesticides Registration Proclamation* (Proclamation No. 20/1990) outlines safe handling procedures, registration procedures, and human safety considerations for pesticides. However, this law has not been implemented. Ethiopia has a worrying history of pesticide and herbicide use. For example, recent studies have shown that 18 of the 96 insecticides/nematicides and 19 of the 105 fungicides imported and used by Ethiopia's floriculture industry are not on the list of approved chemicals.¹³⁹

OTHER ENVIRONMENTAL IMPACTS

Other potentially significant adverse environmental impacts include loss/degradation of wetlands, decrease in quantity/quality of wildlife populations and habitat, impacts to water quality/quantity, the proliferation of invasive species, and loss of biodiversity.

Wetlands are critical to local livelihoods. They serve as a buffer against floods, are areas of high biodiversity, help to regulate river flows and recharge groundwater supplies. Yet little attention is given to protecting wetlands in Ethiopia. Several key wetland areas have been given to investors. OI field research in Karuturi's Gambella site found that some key wetland areas are being at least partially drained for agricultural use.

ENVIRONMENTAL AND SOCIAL IMPACT ASSESSMENT IN ETHIOPIA

Throughout the world, environmental impact assessment (often combined with social impact assessment) is an accepted way of quantifying and mitigating the potential impacts of development activities. While its effectiveness varies greatly across the world, it is considered one of the most appropriate tools for ensuring the sustainability

of development projects. At its most effective, it allows for the early identification and mitigation of a project's environmental and social impacts, identified through early, comprehensive consultation and analysis.

The FDRE's 1997 *Environmental Policy* established public consultation processes, concepts of sustainability, and the requirement for full environmental and social impact assessments (EIA, SIA). In 2002, it further became required by law that EIAs be conducted *prior* to project implementation.¹⁴¹ However, EIA practice in Ethiopia remains weak due to lack of awareness, lack of capacity, lack of enforcement mechanisms, lack of incentives, and weak political commitment.¹⁴² In 2005, 300 project owners were given land in the Addis Ababa Region for investment purposes. The Environmental Protection Authority (EPA) chose 80 of these to go through an EIA. The investors were told of the need for an EIA, but only 2 followed up with the EPA to get more information, and neither of these has submitted any documentation since.¹⁴³

3.6 Water Use and Management

Ethiopia has 12 river basins with an annual runoff volume of 122 billion cubic meters of water and an estimated 2.6 to 6.5 billion cubic meters of ground water potential. Even with Ethiopia's large population, this amounts to an impressive 1575 m³ of physically available water per person per year. That water is divided into four major water basins (Nile, Rift Valley, Shebelli-Juba, and Northeast), with 69 percent of the total runoff coming from the Nile Basin (see Box M for discussion of water issues in the Nile basin). Most Ethiopian rivers are seasonal, with about 70 percent of the total runoff obtained during July-August. Of the 3 percent of water resources that are used by the population, 86 percent is currently used for agriculture, 11 percent for domestic uses, and 3 percent for industrial uses.¹⁴⁴

IRRIGATION ISSUES

Ethiopia has an estimated 3.6 million ha of irrigation potential.¹⁴⁵ Presently, the vast majority of food crops are rainfed, with irrigated agriculture accounting for only about 3 percent of the output. The irrigated crops are usually the water hungry, export-oriented crops including sugarcane, cotton and fruit. A 2001 case study estimated that average yields of cereals under irrigation and rainfed conditions are 1.75 and 1.15 tons/ha respectively.¹⁴⁶ Ethiopia thus far has not tapped into this massive irrigation potential, but with a variety of large dams either being built or in the

planning stages, combined with the increase demand for commercial agriculture, irrigation is set to be a major feature of Ethiopia's agricultural development strategies.

WATER USE IMPACTS

Federal legislation is in place to ensure the appropriate use of water resources,¹⁴⁷ but implementation of these laws is very weak. Legislation seeks to ensure that water is "conserved" and "is used for the highest social and economic benefits of the country." The laws outline protection measures (including prohibition on waste discharges and the retention of riparian vegetation along streambanks).

In the lease agreements studied by the OI research team, there was no evidence of expressed limits on water use. A spokesperson for the federal AISD suggested that while there was no limit on water use, land rents are higher if land is irrigated, if a lease area is located along a river, or if a "prime water area." Many of the investors interviewed by the OI research team were unconcerned with water quantity. In addition, the majority of small-scale investors interviewed continue to use rainfed agriculture.

Saudi Star spokesperson, Mr. Germid Bogale, told OI that water will be their biggest issue, and numerous plans are being established (including the construction of 30 km of cement-lined canals and another dam on the Alwero River) to ensure that there is adequate water for their rice production (see Box G for more information).

Finally, there is no evidence of mechanisms for determining the impacts of water use on downstream users, whether those users are immediately downstream, or in other countries. Given the critical importance of downstream water quantity and quality, the cumulative impacts and stresses on water systems are of great concern. These impacts include total water withdrawals/use, water quality issues, climate change considerations, development of numerous dams and hydroelectric facilities, future land investment projections, concentration of land investments within certain watersheds, and population increases.

3.7 Land Certification: Does it Make Any Difference?

The OI research team primarily visited lowland areas (Gambella and Benishangul) where no systems of land certification are in place (although land certification



Karuturi worker in camp

processes are underway in the lowland SNNPR region). OI was told by Mr. Esayes Kebede, director of AISD, in reference to rumors of displaced farmers in Bako, Oromia that “anybody who has land title receives compensation; anybody else is there illegally.”¹⁵⁴ Systems of traditional land tenure are not recognized by government authorities in the regions visited. Without title, households have little recourse for lands that have been lost to commercial land investment. As has been discussed elsewhere, the phrases “abandoned farms” and “there is no one there” are used by government officials to describe lands that are used for shifting cultivation or for communal purposes. In Highland areas, where land certification processes are further advanced, large-scale commercial land investment is less common (with the possible exception of Oromia).

While there is a clear correlation between areas that are targeted for investment and areas without a land certification system, lack of this system is not believed to be a determinant of where land investment will occur. There are a variety of reasons why these areas are being targeted for investment, only one of which may be the absence

of local land certification. A probable explanation for the correlation, therefore, is that the lack of a certification system reduces the likelihood of receiving compensation for expropriated land. The lack of a certification system can also be reflective of the government’s lack of understanding and respect for the land use patterns prevalent in the lowland regions (shifting cultivation, pastoralism, communal resources, etc.).

3.8 Levels of Awareness

In general, the OI research team found that the level of awareness of land investments in communities was low. As discussed, access to independent media and information is very limited in Ethiopia. State-controlled media frequently provides coverage of agricultural investment, highlighting the positive aspects of the developments. In addition, the state-run television channels often run commercials and programs marketing the agricultural opportunities available in different regions.

In general, information on specific land investment

BOX K: ETHIOPIA AND CLIMATE CHANGE¹⁴⁰

Ethiopia's ability to feed itself is already overly reliant on climatic considerations. One of the key factors leading to ongoing food insecurity is recurrent droughts and flooding. Given the length of commercial land leases, it is concerning that there are no considerations of the impact of a changing climate on these operations and on Ethiopia's land investment policy. Lack of controls over water use and the market destination of production further exacerbate this situation.

A recent mapping exercise listed Ethiopia as one of the countries most vulnerable to the effects of climate change. It also determined that Ethiopia has a low capacity to respond to these changes. While climate change modelling exercises come with a high degree of uncertainty, consensus is that Ethiopia is likely to experience further variability in rainfall, with extreme weather events, water shortages, and temperature increases (global models predict a 1.7-2.1°C rise in Ethiopia's mean temperature by 2050). Associated impacts of this could include increased incidence of disease (including malaria, cholera, and dengue fever), increased food insecurity, increased land degradation, and damage to infrastructure, further increasing competition over already scarce resources. OI was told by farmers in Benishangul and Gambella about changing and unpredictable weather patterns (different rain and temperature patterns, changing water levels in rivers, etc.) in the last five years and the impacts this has had on their food production.

deals seems to spread largely by word of mouth. There is rampant rumor about the realities of specific deals. Because there is no community consultation or independent media reporting, there is little knowledge of land deals at the local level, and communities often only find out that the land has been given to investors when the bulldozers or workers show up to clear the land.

No one seems to dispute the need for increased agricultural investment in the country. There are concerns, however, that government is using large-scale land investments to further secure its hold on power. Other concerns include food security, rights of the marginalized (socio-economically, ethnically, or politically), and human rights implications.

3.9 World Bank Principles

One international response to the social and environmental concerns of large-scale land investments is the World Bank's *Principles for Responsible Agricultural Investment*, a series of voluntary principles for land investors. The Principles have been met with controversy, as many believe the generality of the principles as well as their voluntary nature will do little to minimize actual adverse impacts "on the ground."

In the context of Ethiopia, it is evident that what is happening in practice does not reflect any of these principles:

Principle 1: *Existing rights to land and associated natural resources are recognized and respected.*

- Existing rights to land (both formal and informal) are not being respected or recognized. In some cases, those with formal rights are compensated. State land ownership, lack of widespread formal rights recognition, lack of respect for traditional systems of tenure, and lack of communal land recognition prevent this principle from being practical in Ethiopia. See Section 1.4 for more discussion on land rights in Ethiopia.

Principle 2: *Investments do not jeopardize food security but rather strengthen it.*

- For those that are chronically food insecure, and live within the vicinity of the lease areas, food security will be weakened, not strengthened.

Principle 3: *Processes for accessing land and other resources and then making associated investments are transparent, monitored, and ensure accountability by all stakeholders, within a proper business, legal, and regulatory environment.*

- Levels of transparency are low. Monitoring provisions are weak. No mechanisms to ensure accountability. A solid business, legal, and regulatory environment is in place but in many cases this does not match what happens.

Principle 4: *All those materially affected are consulted, and agreements from consultations are recorded and enforced.*

- Consultation of impacted communities, while a legal requirement, is non-existent.

Principle 5: *Investors ensure that projects respect the rule of law, reflect industry best practice, are viable economically,*

BOX L: ENVIRONMENTAL CODE OF PRACTICE

The MoARD is in the final stages of producing an *Environmental Code of Practice for Agricultural Investment*. When implemented, it will be a voluntary, self-regulated standard for investors. Similar to the floriculture industry's Code of Conduct (see Box J), the MoARD will give out bronze, silver, and gold certifications based on the level of compliance with the Code. The Code strongly encourages the use of environmental management systems and EIA.

Some of the standards and guidelines in the Code relate to consultation practices, cultural site protection, employment standards (with special attention towards women), setbacks from sensitive environmental features, union representation, health and safety considerations, storage and use of chemicals, biodiversity and forest considerations. In some cases these directives are quite general (i.e. "The local peoples are involved in the whole process of planning and implementation of the project"), in other cases quite specific (i.e. "camps shall be constructed at least 1km away from waterbodies"). Some of the more specific environmental standards include:

- No clearing or vegetation removal within 500m of a waterbody
- Indigenous trees to be planted on 5 percent of the leased land
- Pesticides stored at least 50m from waterbody
- Camps constructed at least 2km away from forests and National Parks
- "Bumps" are constructed in every 500m of access road leading to the farm land (with the goal of preventing illegal hunting)

The intention is that audits will be carried out by government officials and NGOs. The official at AISD suggested all environmental concerns associated with land investment will be addressed through this Code, rather than through legislation, regulation, and enforcement. Given the lack of respect and absence of implementation for those environmental protection measures already enshrined in Ethiopian law, and the experiences with the floriculture industry's *Code of Conduct*, concerns persist about whether or not this Code will be respected and implemented.

and result in durable shared value.

- Too early to tell on many of these factors, but the early indicators are not positive. Viability of business plans does not appear to be assessed in any concrete manner. Investments do not appear to reflect industry best practices. No indication yet if rule of law is respected. Relevant laws do not appear to be enforced.

Principle 6: *Investments generate desirable social and distributional impacts and do not increase vulnerability.*

- No discussion of distribution or maximization of benefits. Early indications are that vulnerability of impact populations will be increased by land investment, particularly in combination with other factors.

Principle 7: *Environmental impacts due to a project are quantified and measures taken to encourage sustainable resource use while minimizing the risk/magnitude of negative impacts and mitigating them.*

- EIAs are rarely carried out prior to project implementation and there is no enforcement of mechanisms related to sustainability and risk management.

3.10 Areas of Further Research

The nature and volume of land investments is constantly evolving. Research must be ongoing in order to provide up-to-date information on the ever-shifting situation. More specifically, for Ethiopia, certain areas merit further research in the short term:

- **Land investment in Highland areas.** While much attention is given to the areas where intensive land investment marketing is occurring (lowland areas), it is also of critical importance to examine land investment in the Highland areas of Ethiopia. Highland areas are more densely populated and better connected to markets with more adequate infrastructure, making them potential land investment targets. Little media coverage or in-depth research has been done regarding land

investment in these areas.

- **Villagization.** It is difficult to underestimate the impact that villagization will have on the people of lowland Ethiopia. Very little has been written about this latest round of resettlement, the long-term impact on livelihoods and food security, and its connection with the land investment phenomenon.
- **Cumulative impact on water.** The cumulative impact of water use in the rivers that flow through Gambella and within the Blue Nile watershed merit more attention. Dams, hydroelectric facilities, irrigation schemes, uncontrolled commercial land investment (and associated deforestation and wetland alteration), local uses and a changing climate are just some of the pressures on water resources in the Western part of the country. At the same time, there are little, if any, controls on water use in land investment processes.
- **Cumulative impact on indigenous lifestyles of the Omo Valley.** As discussed in Box A, the cumulative pressures on indigenous groups of the Omo Valley are reaching a critical point. The attention of civil society has been fo-

cused on this area in the past because of the proposed dam and because of issues surrounding the national park. However, there has been little in-depth research to analyze the extent of land investment in the area or its pressure on indigenous livelihoods.

“There is more than enough water in Ethiopia. No shortage. In Gambella, we spend more money draining water than bringing in water.”

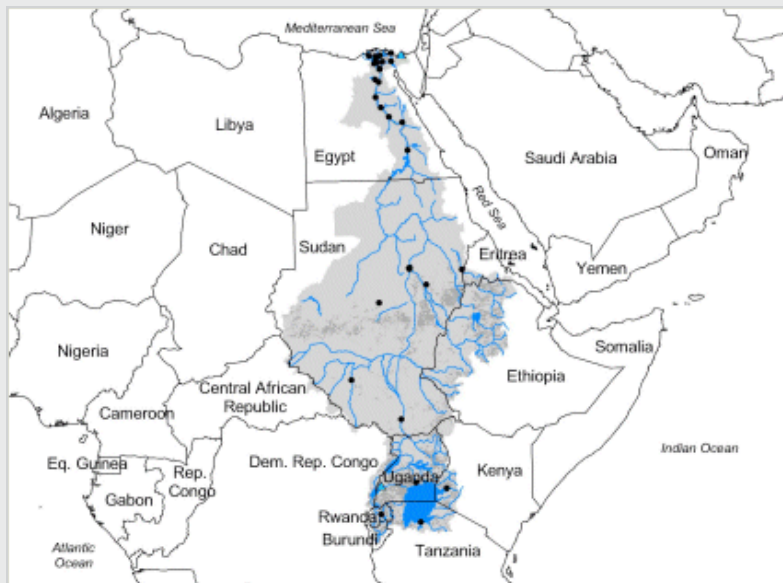
—Karuturi CEO Mr. Sai Ramakrishna Karuturi¹⁴⁸



Anuak elder shows us some of the traditionally used fruits from a recently cleared area

BOX M: THE NILE AND LAND INVESTMENT

No issue is likely to dominate Ethiopia's future foreign policy agenda more than control over development and use of the Nile's waters. Ethiopia constitutes about 90 percent of the total flow of the Nile, through both the Blue Nile and through rivers that eventually flow into the White Nile. In addition, 96 percent of the nutrient rich sediment in the Nile originates in the Ethiopian Highlands. Historically, the use of the Nile's waters was governed by 1929 and 1959 accords between Egypt and Britain (on behalf of its colonies) and Egypt and Sudan. According to these colonial-era agreements, Egypt and Sudan cumulatively have the right to about 90 percent of the Nile's water resource (55.5 billion cubic meters for Egypt and 18.5 for Sudan, annually).



As upstream nations begin to develop their land and resources, there is an increasing realization that these agreements do not reflect the current realities of independent African states anxious to further their own development. Consequently, upstream nations, including Ethiopia, Uganda, Rwanda, and Tanzania recently signed a new treaty on more equitable sharing and management of the Nile.

Egypt is particularly dependent on the flows of the Nile River. Rainfall in Egypt is minimal, groundwater resources are limited, and with a changing climate and a rapidly growing population, Egypt's ability to feed itself depends on finding an advantageous deal.

Seven of the eight remaining Nile Basin countries have threatened to build dams in their countries to improve their agricultural sectors and also to address their own water needs.¹⁴⁹ Ethiopia has ambitious plans to export hydropower to neighboring countries, and has built at least five dams in the last decade in addition to beginning work on a \$1.4 billion hydroelectric facility.¹⁵⁰ The government's emphasis on large-scale land investment will exacerbate these effects. Of the lands listed by the federal government as available for large-scale commercial agriculture, more than 70 percent, or 1.5 million hectares, are located within the Nile watershed.¹⁵¹ According to figures provided from the Gambella and Benishangul regional governments, another 520,000 ha have been given out to investors. The OI research team found no clause in the lease agreements specifically related to water. In addition, there is no evidence that water use from commercial agriculture is monitored, regulated, or managed in a concrete way.

"The Nile is one I worry about," says Sandra Postel, director of the Global Water Policy Project. Egypt, she says, is militarily powerful, but vulnerable. "The hydropolitics might favor some military action, because Egypt is so heavily dependent on the Nile, it's already virtually tapping out the supply, and Ethiopia is now getting interested in developing the headwaters."¹⁵²

APPENDIX A: SELECTED LAWS AND REGULATIONS AFFECTING FOREIGN INVESTMENT IN ETHIOPIA

The majority of the proclamations and regulations referenced in this section can be found at http://www.ethioinvest.org/Legal_Framework.php or <http://www.ethiopian-law.com/>

INVESTMENT

Proclamation No. 375/2003: A Proclamation to Amend Amended Law governing investment the Investment Re-enactment Proclamation No. 280/2002

Proclamation No. 280/2002: Re-enactment Law governing investment

Council of Ministers Regulation (No. 84/2003): Regulation governing investment incentives and areas reserved for Domestic Investors

TRADE, TAXATION, FINANCE AND INSURANCE

Commercial Code (1960): Law governing company formation, operation, dissolution, etc.

Civil Code (1960).

LABOR AND INDUSTRY

Proclamation No. 42/1993: Labor Proclamation. Umbrella law governing worker-employer relations, work permits, etc.

Proclamation No. 67/1997: Trade Registration and Business Licensing Proclamation. Governs business licensing requirements and processes.

ENVIRONMENT

Proclamation No. 299/2002: Environmental Impact Law governing environmental impact Assessment Proclamation and assessment of investment projects.

Proclamation 197/2000: Water Resources Proclamation. Ensures that water resources are conserved and protected from harmful effects and utilized for the highest social and economic benefits.

Regulation 115/2005: Water Resources Regulation

LAND

Proclamation 456/2005: Rural Land Administration and Use Proclamation (federal). Recognizes rights of investors to acquire and use land. Details to be developed through Regional proclamations.

Proclamation 56/2002: Oromia Rural Land Use and Administration Proclamation

Proclamation 53/2003: SNNPR Rural Land Administration and Utilization Proclamation

Proclamation 46/2000: Amhara Rural Land Administration and Use Proclamation

Proclamation 23/1997: Tigray Rural Land Proclamation

Proclamation 455/2005: A Proclamation to Provide for the Expropriation of Land Holdings for Public Purposes and Payment of Compensation

APPENDIX B: LAND INVESTMENT STATISTICS NOTES

The statistics in Table 4 are from a combination of sources, including federal and regional government sources, credible media reports, and the ILC Land Portal. The quality, thoroughness, and timeliness of the data are variable, but in all cases the most accurate (as opposed to the highest) numbers have been given. The numbers are either direct, confirmed statistics from those government bodies with the mandate for land investment, OR are the sum of individual land investment deals for which specific, detailed, and verifiable information was available. As such we believe it is the most accurate information available on land investment in Ethiopia as of January 2011. At the same time, there are considerable limitations to the data including:

Potential double-counting: numbers provided by the federal government (200,000 ha) may also be counted in region-specific numbers. In addition, multi-regional figures (500,020 ha) may include land investments that are also included in the federal figure (200,000 ha).

Pre-implementation versus actual implementation: many of the statistics are for intended investments/expenditures rather than what was actually granted by governments. In addition, only a small percentage of these awarded lands are actually under production.

Preliminary land awards: Gambella's statistics include the more conservative, but likely accurate 100,000 ha Karuturi figure compared to the publicly-stated but dubious 300,000 ha figure (see Box D). It is likely that many other investors are given smaller land holdings initially, with larger awards dependent on performance measures. The majority of the stated statistics likely include total anticipated land awards rather than the actual preliminary amounts awarded.

Lack of domestic investors: It is likely that many small-scale domestic land investors are excluded from the above calculations as regional government investment bureaus have unreliable systems of records management. Many different figures emerge from the exact same government department at different times, with different assumptions, omissions, etc. Small-scale domestic investors are largely excluded from regions where statistics are derived largely from media reports and the ILC Land Portal. In addition, the "Number of investors" figure includes domestic investors for Benishangul only, and perhaps for Gambella.

Double-counting between lands available and lands awarded: It is our understanding that the majority of the lands that are marketed as available have not yet been awarded to investors, yet is possible that a small percentage (particularly from the federal government's 200,000 ha) of the marketed lands have already been awarded to investors.

Lands available only include federal figures: Lands identified as available are those tracts that have been transferred to the federal land bank. Other lands are available for disposition by the regional governments for domestic investors or for foreign investments <5,000 ha. As such, 2.1 million ha is merely the amount that is being marketed as available from the federal government, and does not include all the other lands that are available on an ad-hoc basis from regional governments.

Industry exclusions: Generally speaking, these statistics do not include floriculture, agro-processing, agro-forestry, or other value-added agro-industries.

Outdated data: There is a definite lag between when investments are awarded and when information management systems have that data recorded and available. Given that the latest wave of land investment has occurred since 2008, it is likely that stated statistics are significantly understating the extent of land investment awarded since that time.

DATA EVALUATION CRITERIA

The table includes an assessment of the strength of the data using a simple scaling tool that evaluates the data in terms of its thoroughness and how up-to-date the data is.

Up-to-date: A qualitative measure of how up-to-date the stated data is.

High: Data includes figures up until Fall 2010 (when the research team visited the regions)

Medium: Data includes figures up until 2009 (captured the beginning of the latest wave of intensive land investment)

Low: Data is older than 2009

Thoroughness: Much of the data received is a subset of the actual investments handed out in any one region. It is important that anyone using this data has an understanding of how thorough this data likely is. The statistics may be based on government-stated numbers that were not verifiable or do not include domestic investments. Statistics may also have been derived primarily from media reports that often focus more on larger, more accessible, or controversial investments. Similarly, the ILC land portal, while an excellent tool, currently focuses on a select subset of investments. For example, while Amhara has 175,000 ha of stated investments, this figure is based exclusively on media reports and several entries in the ILC Land Portal. As such, it is not thorough, accurate, or up-to-date and likely dramatically understates the actual extent of land investment in that region.

High: Data is considered to have a high level of thoroughness if statistics come from appropriate government departments, includes both foreign and domestic investors, and a sample of this data has been verified by either discussions with investors, in-field visits, or through reliable media reports.

Medium: Data is considered to have a medium level of thoroughness if appropriate government departments have provided the data but it has not been verified in any way OR government data has been verified by the research team but only includes one of foreign or domestic.

Low: Data is considered to have a low level of thoroughness if it is derived primarily from media reports, ILC land portal, discussions with investors, or limited site visits. Under this level, no comprehensive region-wide statistics from government departments or other sources were available.

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 - 92 There are currently efforts to give the forests that surround the headwaters of the five rivers in Gambella in Godere woreda "reserve forest" status. This area is of prime target for agricultural investment, and the research team heard several reports of land being cleared for investment purposes very near to this area. Due to time constraints and the remoteness of this area, these reports could not be verified. According to EWCA, the federal department responsible for protected areas, it will be a race between their department and the agricultural investment industry to see what will happen to the area.
 - 93 Mary Fitzgerald, "The New Breadbasket of the World?" *Irish Times*, 30 January 2010.
 - 94 *New Business Ethiopian Reporter*, "Ethiopia To Introduce New Agricultural Land Lease Price," 13 April 2010.
 - 95 The application form can be found at <http://www.ethioinvest.org/docs/App%20forms/download.php?file=Investment%20Permit%20APP.pdf>
 - 96 Lists of lands in these banks are also available from several different marketing presentations, including: http://www.ethemb.se/ee_investment_files/Agriculture%20investment%20potential%20of%20Ethiopia%5B1%5D.ppt%20amended.ppt
 - 97 Federal application form can be found at <http://www.ethioinvest.org/docs/App%20forms/download.php?file=Land%20Acqui.%20App.pdf>
 - 98 Access Capital, "2010 Ethiopian Macroeconomic Handbook," <http://www.accesscapitalsc.com/downloads/The-Ethiopia-Macroeconomic-Handbook-2010.pdf> (accessed January 2011).
 - 99 BBC interview with Mr. Esayas Kebede, AISD, November 2010.
 - 100 Oromia Investment Commission, "Investment Opportunities in Oromia," July 2010.
 - 101 William Davison, "Ethiopia Plans to Rent Out Belgium-Sized Land Area to Produce Cash Crops," *Bloomberg*, October 26, 2010, <http://www.bloomberg.com/news/2010-10-26/ethiopia-plans-to-rent-out-belgium-sized-land-area-to-produce-cash-crops.html> (accessed January 2011).
 - 102 *New Business Ethiopian Reporter*, "Ethiopia To Introduce New Agricultural Land Lease Price," April 13, 2010.
 - 103 Foreign investor in Gambella region, direct communication, November 2010.
 - 104 Mr. Sai Ramakrishna, Karuturi CEO, direct communication, November 2010.
 - 105 See *New Business Ethiopian Reporter*, "Ethiopia To Introduce New Agricultural Land Lease Price," April 13, 2010.
 - 106 Mary Fitzgerald, "The New Breadbasket of the World," *Irish Times*, 30 January 2010.
 - 107 "Mohammed al-Amoudi profile," *Forbes*, http://billionaires.forbes.com/topic/mohammed_al_amoudi (accessed 16 January 2011).
 - 108 Pokedi villager, direct communication, November 2010.
 - 109 Sections 15(1) and 15(2) of Part V
 - 110 Access Capital, "2010 Ethiopian Macroeconomic Handbook," <http://www.accesscapitalsc.com/downloads/The-Ethiopia-Macroeconomic-Handbook-2010.pdf> (accessed January 2011).
 - 111 The Baro River flows into the Nile River in Sudan. Product could then be transferred from Khartoum to Port Sudan by rail to access global markets.
 - 112 There is a process to ensure that investor has the necessary capital. This includes showing a bank statement that shows that the investor has had at least 30 percent of their registered capital for the previous 12 months. The OI team was told by several investors that this requirement is discretionary and there are numerous ways around this requirement, particularly for domestic investors.
 - 113 Lucie Weissleder, "Foreign Direct Investment in the Agricultural Sector in Ethiopia," University of Bonn, October 2009.
 - 114 Emily Doe, WFP Gambella Office, direct communication, November 2010.
 - 115 This information comes from several FDRE marketing brochures and presentations. The areas set aside are along the Awash River Valley.
 - 116 Foreign investor in Gambella, direct communication, November 2010.
 - 117 Emily Doe, WFP Gambella Office, direct communication.
 - 118 The rice crops were later destroyed due to high levels of flooding.
 - 119 Village elder in Gambella, direct communication, November 2010.
 - 120 William Davison, "Ethiopia Plans to Rent Out Belgium-Sized Land Area to Produce Cash Crops," *Bloomberg*, October 26, 2010, <http://www.bloomberg.com/news/2010-10-26/ethiopia-plans-to-rent-out-belgium-sized-land-area-to-produce-cash-crops.html> (accessed January 2011).
 - 121 *Human Rights Watch*, "Development without Aid: How Aid Under-

- writes *Repression in Ethiopia*,” 19 October 2010.
- 122 Mr. Sai Ramakrishna, Karuturi CEO, direct communication, November 2010.
 - 123 Indigenous elder in Benishangul, direct communication, November 2010.
 - 124 Tesfaye Teklu, “Land scarcity, tenure change and public policy in the African case of Ethiopia: Evidence on efficacy and unmet demands for land rights,” <http://homepages.wmich.edu/~asefa/Conference%20and%20Seminar/Papers/2005%20papers/Tesfaye%20Teklu%20on%20Land%20Tenure%20in%20Ethiopia.pdf> (accessed 16 January 2011).
 - 125 Mr. Sai Ramakrishna, Karuturi CEO, direct communication, November 2010.
 - 126 Quotes taken from direct communication with the OI team in November 2010.
 - 127 Population Resettlement Head in Benishangul, conversation with author, November 2010; Gambella Peoples’ National Regional State, “Villagization Program Action Plan,” August 2002, [http://www.anuakjustice.org/downloads/VillagizationProgramActionPlan\(2003\).pdf](http://www.anuakjustice.org/downloads/VillagizationProgramActionPlan(2003).pdf) (accessed January 2011).
 - 128 Gambella Peoples’ National Regional State, “Villagization Program Action Plan,” August 2002, [http://www.anuakjustice.org/downloads/VillagizationProgramActionPlan\(2003\).pdf](http://www.anuakjustice.org/downloads/VillagizationProgramActionPlan(2003).pdf) (accessed January 2011).
 - 129 There is currently no system of land certification in either Gambella or Benishangul. Benishangul will embark on this process in the next year. Head of Population Resettlement in Benishangul suggested that while intent was to have lands certified, it was not his department’s responsibility, and so he did not know if it would happen.
 - 130 135,000 households with 5 people/household as an average.
 - 131 OI’s estimates.
 - 132 Mary Fitzgerald, “The New Breadbasket of the World,” *Irish Times*, 30 January 2010.
 - 133 Numerous media sources and interviews. See for instance <http://www.bloomberg.com/news/2010-11-12/karuturi-global-eyes-east-african-markets-for-crops-grown-on-ethiopia-land.html>
 - 134 OI’s visit to this last remaining gravesite showed a very overgrown forest area. It would be very difficult for a bulldozer operator, without the appropriate expertise, to identify the area as a cemetery. Consultation with local people could have led to the identification of the site and would have alleviated the problem.
 - 135 “Ethiopian Environment and Climate Analysis,” *Goteberg University*, February 2008.
 - 136 Taddese, G. and Peden, D. “Effective Management of Water and Livestock Resources for Community Based Irrigation in Ethiopia,” *Working Paper ILRI*, Ethiopia, 2006.
 - 137 In particular the villages of Al-Mahal in Benishangul and Pokedi in Gambella emphasized the importance of their trees and forests.
 - 138 Miguel Altieri, “The Ecological Impacts of Agricultural Technology,” <http://www.actionbioscience.org/biotech/altieri.html> (accessed January 2011).
 - 139 Jonathan McKee, “Ethiopia Country Environment Profile,” EC Delegation, August 2007.
 - 140 The World Bank, “Ethiopia: Economics of Adaptation to Climate Change Study,” <http://beta.worldbank.org/content/ethiopia-economics-adaptation-climate-change-study> (accessed October 2010).
 - 141 EIA Proclamation (299/2002).
 - 142 Mellese Damtie and Bayou Mesfin, “Overview of Environmental Impact Assessment in Ethiopia: Gaps and Challenges,” <http://www.melca-ethiopia.org/EIA.html> (accessed October 2011).
 - 143 Ibid, p 43.
 - 144 World Resources Institute; Earthtrends, “Water Resources and Freshwater Ecosystems—Ethiopia,” Earthtrends Country Profiles, http://earthtrends.wri.org/pdf_library/country_profiles/wat_cou_231.pdf (accessed January 2011).
 - 145 FAO Water Report 29. FAO. 2005.
 - 146 The Encyclopedia of Earth, “Water profile of Ethiopia,” http://www.eo-earth.org/article/Water_profile_of_Ethiopia (accessed October 2010).
 - 147 For example, Proclamation 197/2000 (*Water Resources Proclamation*) and Regulation 115/2005 (*Water Resources Regulation*).
 - 148 Mr. Sai Ramakrishna, Karuturi CEO, direct communication, November 2010.
 - 149 Gwen Thompkins, “Ethiopia Claims High Ground in Right-to-Nile debate,” *NPR broadcast*, September 2010.
 - 150 Amena Bakr and Dina Zayed, “Egypt says ‘amazed’ by Ethiopia’s Nile remarks,” *NewsWire*, 24 November 2010.
 - 151 Figures from “Ethiopian Environment and Climate Analysis,” *Goteberg University*, February 2008. This includes large blocks of contiguous, suitable land that has been transferred to the Federal land bank from regional governments, and does not include more fragmented lands that regional governments will lease out for investment, nor does it include lands that have already been leased out to investors.
 - 152 Flatrock, “Nor any drop to drink,” http://www.flatrock.org.nz/topics/environment/effluent_for_the_affluent.htm (accessed October 2010).
 - 153 Leader of village impacted by land investment, quoting Gambella regional government representative, direct communication, November 2010.
 - 154 Mr. Esayas Kebede, director of AISD, direct communication, November 2010.

