Lesson 4: Large-scale Acquisitions of Land in Ethiopia

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Introduction

A global land rush—first sparked primarily by the food price crisis, and now driven by a variety of factors including increased demand for food and biofuels, carbon markets, and speculation—is remaking the face of agriculture and land use in the developing world. Ethiopia has been among the most popular countries for investors as it has actively sought investment in the agricultural sector. According to a recent World Bank report, 406 commercial land investment projects covering 1.19 million hectares were approved in Ethiopia between 2004 and 2009. A more recent analysis set forth in the International Land Coalition’s Land Matrix reveals at least 56 land investments in Ethiopia of 200 hectares or more, covering a total of slightly more than 2.4 million hectares between 2000 and 2011 (ILC Land Matrix 2012).

Nearly half of Ethiopians live below the poverty line. Twelve million people face at least periodic food insecurity. Agriculture provides the main source of livelihood for more than eighty percent of Ethiopians. Most people live in rural areas, and most depend on small scale farming (generally with less than one hectare of land) or herding livestock. As such, they have often been at the mercy of drought, war and ineffective and inefficient agricultural production and marketing systems (Anseeuw et al 2012).
Many rural families in Ethiopia, especially pastoral families or smallholders who have not been part of the recent land certification process, lack secure rights to the land they till. This certification process, intended to improve the land tenure security of smallholders, has yet to reach all regions of the nation. In addition, land certification may not provide tenure security in the face of the government’s drive to attract large commercial land investors, given the government’s broad powers of expropriation. Thus, small holders are at risk of displacement by large-scale land acquisitions. This scenario is consistent with conditions seen in many other countries that are receiving agricultural investments, although the Ethiopian context may be somewhat unique insofar as the government appears to resort to expropriation to acquire land more than many other governments.

In Ethiopia and elsewhere, interventions to address the global land rush cannot ignore the issue of land rights and land governance. Indeed, recent evidence suggests that some investors specifically seek to invest in countries with weak land governance, shedding light on the vulnerability of current land occupiers whose rights are not adequately protected by law and policy (Deininger and Byerlee 2011). The relative strength of the institutional, legal and regulatory framework for land rights plays a critical role in determining how large land investments will impact various stakeholders, especially the rural poor. The purpose of this lesson is to describe the current status of land acquisitions in Ethiopia in the context of the country’s land-based policies, laws and practices.

**BACKGROUND**

A January 2012 report by the International Land Coalition (ILC) states that large-scale land investments (those exceeding 200 hectares) reported in media reports and under negotiation from 2000 to 2011 covered at least 203 million hectares of land worldwide. The demand for increased agricultural production (in turn responding to food needs of a growing global population, commodity price fluctuations, and new targets for biofuel production), accounts for the majority of the area acquired. Other factors are driving demand include carbon offsets, mineral extraction, and tourism. These factors have led investors (including speculators) to consider land, particularly agricultural land, to be increasingly valuable, thus intensifying the competition for land.

Foreign investors feature prominently in media reports on the land rush and many investors are foreign companies. However, the majority of investors in many countries are domestic companies and individuals (IFAD 2012).

Ethiopia has been one of the largest recipients of investment in agricultural land. The government’s Agricultural Development-Led Industrialization (ADLI) strategy focuses primarily on expansion of large-scale commercial farms and improved productivity in smallholdings. Specific goals of the strategy include: “expand modern commercial farms” and “encourage private investors in agriculture and agri-business” (Ethiopian Investment Commission).

In view of this strategy, it is not surprising that Ethiopia has been a very attractive place for large-scale investments in agricultural land. The government has offered huge parcels of land at extremely low lease rates, along with five-year tax holidays (Anseeuw et al 2012). Reports vary as to how much land has been made available or actually leased out. A BBC report citing the Deputy Prime Minister states that 3 percent of the arable land is being made available to investors (Stebeck 2011). (Estimates of the total amount of arable land in Ethiopia vary widely.) A recent World Bank report estimates that 406 commercial investment projects in Ethiopia cover over 1 million hectares (representing more projects than were reported in any other country). The total land area under these projects, however, was substantially less than in some of the other countries cited (Deininger and Byerlee 2011). Another report estimated that by January 2011 the government had transferred 3,619,000 hectares of land to investors. Finally, the ILC Land Matrix, using a different analysis, found 56 transactions exceeding 200 hectares for a total of 2.4 million hectares from 2000 to 2012 (ILC Land Matrix 2012).

All documented projects involve leases between the government and an investor, with terms ranging from 25 to 99 years (Cotula et al 2009). The four largest investment sectors since 2006 have been flor-horticulture, food, meat and biofuels. The government states that it allocates only unoccupied or underutilized land to investors and that those living on allocated land receive compensation when it is transferred. There does not appear to be an official definition of “unoccupied” or “underutilized” land. However, it appears that in many cases pastureland, grassland, woodlands and waterways that are used by local communities but not actively and regularly cultivated or occupied, are
considered to be unused and made available to investors (Rahmato 2011). Many of the investments since 2006 are still in the pre-implementation phase where the investors have secured land but not yet moved into the implementation or operation phases (Weissleder 2009).

**Land Tenure in Ethiopia**

In Ethiopia, land law is governed by the Constitution and by federal and state statutory law. Under the Constitution, land “is an inalienable common property of the nations, nationalities and peoples of Ethiopia” (Constitution 1995). Adult Ethiopian peasants have the right to be allocated land for farming by the State without payment, although such allocation is dependent on the availability of land (Constitution 1995). Today, in many more populous areas, there is little available unused land due to population pressures and inheritance, leading first to decreased farm sizes, and eventually to limited availability of land for allocation (Holden and Tefera 2008).

An important early land law, Proclamation 89/1997, permitted land to be leased and bequeathed but prohibited the sale or exchange of land or its use as collateral (Chanyalew, Adenew and Mellor 2010). A subsequent law, Proclamation 456/2005, modestly strengthened landholders’ rights while maintaining federal ownership of rural land and retaining the ban on sales. It allows for the exchange and lease of land, within strict limits, confirms the right of inter-generational tenure transfer and gives holders the right to the products of the land. All of these rights are to be assured through land certificates issued by the government (Rural Land Administration Proclamation 1997). (See Focus on Land in Africa lesson “Making Land Rental Markets Work for Ethiopia’s Rural Poor” for a more detailed discussion of the limitations imposed on leasing and the effects on land markets in Ethiopia.)

Neither the federal government nor most of the state and regional governments have laws specifically protecting the land and water rights of pastoralists. Such rights, including customary rights to land and water, are usually ignored. Rules applied to pastoral areas are usually laws designed to govern arable land (Adams & Palmer 2007). However, Oromia’s Rural Land Use and Administration Proclamation 130/2007 provides at least nominal protections. In addition, the Afar and Somali regional states are reported to be formulating land policies and laws for pastoral areas (Mulatu & Bekure).

The reforms in 2005 and regional land policies promulgated from 2000 to 2003 have moved Ethiopia closer to a system of private property rights. Since 2003, Ethiopia has been implementing a land certification program in most areas of the country. By September 2010, more than 6.3 million land certificates had been issued (Chanyalew, Adenwe and Mellor 2010).

The Agricultural Investment Support Directorate was established in 2009 to identify land for investors, carry out land transfers and provide various types of support to investors. It has identified over 3 million hectares of land that can be made available to investors. It is also charged with attempting to link small farmers with commercial agriculture. It has renegotiated a number of lease agreements so as to reduce the land areas, increase rental rates and standardize their terms (Fisseha 2011; Lavers 2012).

The Constitution explicitly gives private investors the right to pay for and use land and the State can expropriate private property for public use upon payment of “adequate compensation” (Rural Land Administration Proclamation 1997). The law explicitly includes a “better development project” to be carried out by “private investors” as a permissible public use for which expropriation is allowed. The law does not, however, further define what constitutes a “better development project” (Expropriation Proclamation 2005).

Ethiopia’s compulsory acquisition policy underlies one important element of the state’s official policy as it relates to large scale private investments. The official policy thus requires that land must be acquired—with “adequate compensation”—from local landholders prior to its transfer to foreign investors, despite the fact that all land formally belongs to the state. The law does not distinguish between land that has been formally certified in the name of an individual and land that has not been certified. According to the Government of
Ethiopia, the government expropriates the land (which legally requires compensation to the land holders) before leasing it out to the investor. This means that the actual lease and investment agreement is between the investor and the federal or, sometimes, the regional government, depending on the size of the parcel transferred. It also means that local communities are rarely, if ever, involved in the processes of selecting land for foreign investment and negotiating and implementing any agreements that result (FAO et al 2010). Indeed, the expropriation law does not require the government to consult with the land user prior to carrying out the land taking (Fisseha 2011).

**Examples of Large-Scale Acquisitions of Land in Ethiopia**

Some of the more well-publicized investments in Ethiopia include:

**Karuturi Global, Ltd.,** an Indian company, has leased at least 100,000 hectares for corn, rice and palm oil in a very fertile area of Gambella. Originally, the lease covered 300,000 hectares but the government reduced the area to 100,000 hectares. The company retained an option to lease an additional 200,000 hectares if it develops the first 100,000 hectares as provided in the lease (Stebek 2011). It is probably the largest foreign holding in Ethiopia (Rahmato 2011). The company maintains that its projects will create up to 20,000 new jobs and that it will contribute local infrastructure such as a new hospital, school and day care centers although the contract does not require it to take such actions. The company’s commitment to provide water and other assistance to a nearby village appears to have gone unfulfilled (Davison 2011). Under the original lease, Karuturi was required to pay no rent for the first six years of the lease; thereafter it was to pay 15 birr (U.S. $.84) per hectare per year for the balance of the 50 year term (McLure 2009). Under the revised lease, the company pays an annual lease rate of 20 birr per hectare (van Kotes 2012).

Karuturi has also begun a 10,700 hectare project in Oromia Regional State, known as the Bechera Agricultural Development Project. The local community consists of small farmers and herders. The company plans to grow a variety of food crops. The project has created 30-50 full-time, skilled jobs for Ethiopian workers and 500 seasonal positions (Fisseha 2011). Developing the land will require felling about 100,000 trees. The company intends to export two-thirds of the one million tons of rice it plans to produce (van Kotes 2012).

In addition, one of Sheik Al-Amoudi’s Ethiopian companies previously announced plans to lease more than one million acres to satisfy Saudi demand for staple crop production. The Sheik’s other companies are cultivating rice, vegetables and fruit for export (Rice 2009). In all cases, there are significant concerns about the impact of Sheik Amoudi’s investments on local water supplies. Such concerns have even led to violence as recently as April 2012 (Grain 2012).
THE UNCERTAIN IMPACTS OF LARGE-SCALE INVESTMENTS ON ETHIOPIA’S POOR

It is very difficult to assess the impact of large-scale land investments on Ethiopia’s people, especially its smallholder farmers and pastoralists, primarily because little reliable data exists on the details of many of such investments (von Braun and Meinzen-Dick 2009; Rice 2009; Weissleder 2009). Moreover, many investment agreements are quite recent, thus making it too early to assess impacts in most cases. From the information that is available, however, there appears to be little evidence that Ethiopians living in the areas where investment is taking place have benefited in ways consistent with the government’s goal of promoting sustainable development of smallholder farms. Moreover, there is little sign that broader goals, such as employment and infrastructure creation, technology transfer and enhanced foreign currency earnings, have been realized (Fisseha 2011).

Ethiopia’s land certification process has covered about 70% of the country’s landholders. For the remaining 30% it is not clear how they can establish their rights to land that may be made available to investors. The extent to which those displaced by investments, whether they have certified land rights or not, are adequately compensated, or even compensated at all, is unclear. Even the number of people displaced is unknown.

The manner in which Ethiopia’s investment laws are enforced generally has not required investors to pursue their projects in ways consistent with sustainable development. For example, although environmental impact assessments are a required component of the project approval, they are often waived (Deininger and Byerlee 2011). Sustainable development measures apparently are left to each individual investment agreement (Weissleder 2009). The terms of the agreements are sometimes not made public or, when they are disclosed, the disclosure is made long after the fact (Moseley 2012).

Pastoral communities may be especially at risk of harm from land investments, largely because the land rights of pastoral communities are not recognized by the formal law. For example, the 10,700 hectares of land taken by Karuturi Global for the Bechera Agricultural Development Project are grazing lands and wetlands of local pastoralists. Similarly, most of Karuturi’s 100,000-300,000 hectares in Gambella Regional State is pastoral land. Herders have been deprived of their strategic pastures by the loss of routes to water points and livestock tracks, leading to distress livestock sales (Fisseha 2011).

Whether relying on the terms of individual investment agreements (as opposed to general legal requirements) adequately protects local communities also cannot be substantiated. For example, while the Karuturi Company boasts that its investment will create 20,000 jobs, the jobs that have been created pay a wage below the World Bank’s poverty limit. Thus far, promised community development initiatives have not been realized (McLure 2009).

At least one of Sheik Al-Amoudi’s investments has brought computerized irrigation systems and other agricultural technology to Ethiopia. However, the crops to be grown on the land are for export, thus raising food security concerns in a country with a history of famine and where millions experience chronic food shortages. It is unclear whether the investment contracts with Sheik Al-Amoudi or others include provisions to protect domestic food security. Moreover, employees of at least some of Sheik Al-Amoudi’s companies receive wages below the international poverty threshold. At least one report indicates that many farmers were displaced without compensation (Rice 2009).

In mid-2012, the Ethiopian government reportedly temporarily suspended consideration of new land allocations. It did so because of concerns that many project developers were too slow in undertaking land development activities (Tekleberhan 2012). There is no indication in the media reports that the suspension relates to concerns about the impact of these investments on the lives of local communities.

While encouraging large scale investments in commercial farming, Ethiopia’s Prime Minister has acknowledged that doing so at the expense of small-scale farming would be a “disaster” (Fitzgerald 2010). However there is insufficient evidence at this time to determine whether this disaster is in fact occurring.
LESSONS

A number of lessons can be drawn from Ethiopia’s experience to date, as well as internationally recognized sets of principles and guidelines that have been established in an effort to promote agricultural investments that benefit investors, governments and local communities. Among these principles and guidelines are the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security, the Principles for Responsible Agricultural Investment that Respects Rights, Livelihoods and Resources and the Principles for Responsible Investment in Farmland (FAO; FAO et al 2010; Principles for Responsible Investment).

Several common themes run through the various principles and guidelines: (1) governments and investors should recognize and respect the land rights of local communities; (2) projects should be developed with the participation of local communities; (3) wherever possible, investments should be structured in a way that does not require local communities to relinquish their land rights but does align the incentives between all parties; (4) investments should have a positive impact on local livelihoods, especially those of the poorest and most marginalized people; and (5) all investments should be reflected in comprehensive agreements setting forth the rights and responsibilities of all parties (Cotula 2010; FAO 2009).

In light of these international principles, and given the importance of small-holder production to food security and rural development in Ethiopia, the following lessons can be drawn:

- It is important to have laws and practices that require meaningful involvement of local communities in determining whether investments are suitable.
- It is equally important to minimize investments that cause involuntary displacement and, where such displacement is absolutely unavoidable, it is essential to ensure that adequate compensation is paid and an accessible and inexpensive appeals process is available to those who are to be displaced.
- To ensure greater land tenure security (in Ethiopia, this would include those with certified use rights to land), it will be necessary to assess whether laws requiring compensation for expropriated land are being adequately implemented. If appropriate, changes in law and policy should be considered. An important related goal should be to consider narrowing the definition of “public use” so as to reduce the volume of takings that are carried out for private parties. For example, Ethiopia could assess whether a “better development project” carried out by “private investors” is appropriately defined as a public use.
- If critical for the legal and policy framework for large scale land deals to specifically address and protect the land and water rights of pastoralists. This is especially so in countries and regions where a significant number of people are dependent on grazing lands for their livelihood.
- It would be useful for the state and other stakeholders to determine whether national laws requiring environmental impact assessments are being followed by investors. If not, enforcement should be strengthened and necessary modifications to law and implementing regulations should be considered. Doing so may help to avoid approval of investments that threaten water and other natural resources.
- Stakeholders should conduct research assessing the impact that existing investments are having on local communities. Based on the results, governments could require extensive social and environmental impact assessments to be conducted as a condition of project approval. In the Ethiopia context in particular, the effect of these investments on the rights of those with land certificates should be evaluated to determine whether such certificates result in payment of adequate compensation when the land is taken for transfer to investors.

More generally, Ethiopia, at national or regional levels as appropriate, could begin building capacity that enables it to more effectively administer its land laws and also to ensure that investors comply with investment-related laws and regulations. The international community should provide assistance to Ethiopia so the government can do so effectively. Civil society organizations can and should monitor and supplement government oversight and management of the agreements. For the foreseeable future, local communities in Ethiopia and elsewhere in Africa likely will lack the capacity and political strength to monitor compliance themselves. Therefore, most communities will require assistance to be able to participate in development projects in a meaningful fashion.

CONCLUSION

The underlying economic fundamentals indicate that this rush for land may well continue for many years to come, in Ethiopia and elsewhere. Increased agricultural investment is needed in order to reduce poverty and hunger in the developing world. The Food and Agriculture Organization estimates that in order to feed the world’s population by 2050, food production must increase by 70% (FAO 2009). Connecting capital, technology, knowledge, and market access with poor farmers’ land and labor can lead to improved rural livelihoods and increased agricultural productivity. Large-scale investments can increase government revenues and GDP growth.

However, the pressure imposed by commercial land investment exposes existing and often fundamental weaknesses in the land tenure and land administration systems in Ethiopia and many other developing countries (Anseeuw et al 2012). It is too soon to tell whether Ethiopia’s policy of promoting large-scale investment in land will ultimately benefit or harm smallholder farmers and the poor. However, reports of land being taken without compensation and payment of below-poverty line wages are cause for concern.

Still, adoption and compliance with the principles and lessons described above can lead to a positive outcome for all stakeholders. Doing so in Ethiopia would strongly support the government’s expressed desire to avoid the “disaster” of promoting large-scale investment at the expense of small-scale farming.
W O R K S  C I T E D


