EFFECT OF LARGE-SCALE AGRICULTURAL INVESTMENT ON LOCAL LIVELIHOODS:

A STUDY OF BAKO-TIBE KARUTURI AGRO PRODUCTS PLC., ETHIOPIA

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Effect of Large-Scale Agricultural Investment on Local Livelihoods:

A Study of Bako-Tibe Karuturi Agro-Products Plc., Ethiopia

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Declaration

I, Obsa Tolesa Daba, declare that this thesis is a result of my research investigations and findings. Sources of information other than my own have been acknowledged and a reference list has been appended. This work has not been previously submitted to any other university for award of any type of academic degree.

Signature……..

(Obsa Tolesa)

Date……

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Abstract

This study examined the effect of a large-scale agricultural investment, namely Bako-Tibe Karuturi Agro Products Plc., on local livelihoods in Ethiopia using quantitative and qualitative analysis. A sample survey of randomly selected 88 households from three kebelles adjacent to the investment and three focus group discussions in each of the kebelles were carried out. Key informant interviews with woreda (district) government officials and qualitative and informal interview with local people were conducted. Available official documents were collected. The study investigated local, socio-economic conditions and rural livelihood imperatives were not taken sufficiently into account when decisions about the investment were taken. The land expropriated for the investment was a 'rural communal landholding' vital for communal grazing and forest based economic activities. Parts of the rural communal landholding were used for crop production on individual basis for year with the authorization of local government bodies. Regardless of its use, the communal landholding and parts of it used for crop production were not registered and consequently not eligible for payment of compensation. Stated intentions of the investment included more productive land use, generation of employment and training benefits for the local community and improvement of local social facilities and infrastructures. But the opportunity costs of the investment for the local people seem to be greater than the benefits generated so far. The expropriation of the landholding changed accesses to communal grazing land and water resources for livestock and challenged household irrigation. It has significantly affected forest-based incomes for household consumption and commercial purposes. It affected individual landholdings used for years (but unregistered) and intra-local mobility of the community adjacent to the investment. Though local employment opportunities were created, these consisted of low-paying seasonal jobs and casual labour with no employment security and poor working conditions. Under the current investment agreement and investor's performance, spillover effects related to improved agricultural production techniques are questionable. Any significant contribution of the investment to local and national food supply seems unlikely. The change of accesses to the local resource base strongly affected local livelihoods options to and income diversification opportunities. Farm income (crop-production and livestock) contributes up to 87% of total household income. The local households are economically poor - mean per capita income is far less than the national average and more than two-thirds reported a mean annual food supply shortage of 1.75 months. As a consequence of expropriation of unregistered individual land holdings, inequality in land and wealth distribution, measured through the GINI index, increased by about 4 and 2 percentage points respectively.

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List of Abbreviations and Acronyms

ADLI	Agricultural Development Led Industrialization
BEPLAU	Amhara Regional State Bureau of Environmental Protection Land Administration and Use
EIA	Ethiopia Investment Agency
EPRDF	Ethiopian Peoples Revolutionary Democratic front
FAO	United Nations Food and Agricultural Organization
FDI	Foreign Direct Investment
FDRE	Federal Democratic Republic of Ethiopia
FGD	Focus Group Discussion
FSS	Food Security Strategy
GTP	Growth and Transformation Plan
ha	Hectares
IFAD	International Fund for Agricultural Development
IFPRI	International Food Policy Research Institute
MDGs	Millennium Development Goals
MoARD	Ministry of Agriculture and Rural Development
MoFED	Ministry of Finance and Rural Development
OBLEP	Oromia Bureau of Land and Environmental Protection Bureau
OECD	Organization for Economic Cooperation and Development
PASDEP	Accelerated and Sustainable Development to end Poverty
RDPS	Rural Development Policy and Strategy
SDPRP	Sustainable Development and Poverty Reduction Plan
SPSS	Statistical Package for Social Science
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
USD	United States Dollar

1. INTRODUCTION

1.1. Background of the Study

The last decade has seen increasing interest in large-scale foreign investment in agriculture in developing countries. Countries hosting the investments look for Foreign Direct Investment (FDI) in their agricultural sector to stimulate socio-economic development while investing countries and their private entities look for arable land to produce food crops, agro-fuels and other agro-industrial commodities for their domestic consumption as well as commercial purposes. Millions of ha of arable land are involved in the land acquisitions worldwide in which investors acquire long-term possession the land for decades in most cases. This has raised local and global concerns among civil society, international organization, development agencies and researchers because acquisitions of huge tracts of land by distant actors entail social, economic, environmental as well as political impacts for the host countries. The investment has potential socio-economic benefits for hosting countries while the land leases and acquisition lead to changes in the way land and related resources are used. In long-term land leases, such as renewable leases for 25 years, the changes eventually lead to permanent loss of the land and related resources (White et al. 2012).

Initially, large-scale agricultural investment was brought to our attention by international radical social movements and their sympathizers that works to support smallholder farmers and social movements like GRAIN and international peasant movement *La Via Campesina*. The groups used 'land grab' to describe and analyse the land leases and acquisitions (Borras Jr. & Franco 2010b, Borras Jr. et al. 2011, Scheidel & Sorman 2012). The land lease and acquisition process was compared against the past processes and practices of enclosures of commons by governments and agro-capitalists from the Global North through dispossession of peasants and indigenous peoples and ruining their environment in the Global South (Borras Jr. & Franco 2011). This led the radical social movements to view the contemporary large-scale land acquisitions as the continuation of agro-industrial capitalist expansion in the name of pro-poor agricultural investment and ecologically sustainable economic development. 'Large-scale land investment' or

investment in land was later introduced and popularized by governments and mainstream development circles that viewed the investment as a potential solution for rural poverty (*Ibid*).

Unlike the term land grab which portrays a negative message, the term large-scale investment in land portrays almost a neutral message with regard to land deal and negotiation processes, implementation and its socio-economic benefits. The Transnational Institute of Agrarian Justice Program (2012), for instance, define 'land grabbing' as control grabbing, which means the capturing of power to control land and other associated resources like water, minerals or forests, in order to control the benefits of its use. But 'large-scale agricultural investment' has a balanced view as opposed to 'land grabbing'. Therefore, large-scale agricultural investment is adopted in this thesis and refers to long-term leases and acquisitions of thousands of hectares of land and related resources by powerful national and/or transnational actors from private equity funds and corporations to sovereign wealth funds for the purpose of producing for profit or non-profit agricultural food crops, agro-industrial commodities, or others. 'Large-scale land acquisitions' is also used in the thesis with the same message as large-scale agricultural investment. .

Large-scale foreign investment in agriculture is not a new phenomenon but in the contemporary situation the investments happened rapidly and at a widespread scale making it different from the past (GRAIN 2008). Before 2005, the pace and scale of large-scale land acquisitions in Africa were low (De Schutter 2011). From this time onward the land acquisitions have accelerated by about 200% (Oxfam 2012) following the 2007-2008 global food, financial and energy crisis. This was due to national and international food, energy and environment concern that created agricultural investment opportunities for agribusinesses and financial speculators. After 2009, the land deals and acquisitions went down (but still continuing) with the realization of certain challenges associated with large-scale land leases and acquisitions such as the failure the DAEWOO Logistic Corporation 1.3 million ha lease in Madagascar due to public backlash (Anseeuw et al. 2012).

There were several attempts to document the location and extent of global land acquisition. But due to transparency problems, the amount of land involved in the investment locally and globally is not well known. In spite of this limitation, it is reported to reach 20 million ha between 2005 and 2009 (Von Braun and Meinzen-Dick 2009) and 46.6 million ha between October 2008 and August 2009 (World Bank 2010). According to Anseeuw et al. (2012), between 2000 and 2011,

203 million ha were reported subjected to large-scale land acquisitions worldwide of which 71 million ha were cross-referenced. Africa accounts for 134 million ha of the reported land acquisitions (of which 34 million ha were cross-referenced) and Latin America, Southeast Asia and the former USSR countries accounts for the remaining (*Ibid*). According to the Oxfam (2012) report, of the land deals that occurred between 2000 and 2010, 60 per cent were in food insecure developing countries with hunger problems, two-third was for export and 60 per cent were for biofuels purposes.

Regionally, Friis and Reenberg (2010) reviewed 51 million - 63 million ha and the World Bank (2010) reviewed 56.6 million ha that occurred from 2008-2010 in sub-Saharan African countries based on data from International Land Coalition and GRAIN website respectively. This accounts for two-third of the land deals and acquisitions worldwide. In the region, Sudan, Ethiopia, Mozambique and Tanzania are the major targets of the investment (Cotula et al. 2009, World Bank 2010). Among these countries, according to the Oakland Institute estimate, Ethiopia has leased 3.6 million ha to domestic and foreign investors between 2008 and 2011 (Mittal & Parulkar 2013). The sub-Saharan African countries are attractive for the investors not only because of the abundance of land and fresh water resources for agriculture but also their legal and institutional frameworks enable investors to acquire large tracts of land from the government with almost no payment (Anseeuw et al. 2012). Gulf Arab Countries, China and South Korea are pronounced as major investing countries or origins of the investors (Hallam 2009, Daniel & Mittal 2009, Borras Jr. & Franco 2012). But according a survey conducted by OECD in 2010, Europe and North America are the major origin of investors while private endowment and family offices are the major sources of investment funds (OECD 2010). Many western companies have been operating on the continent well before the start of the contemporary 'global rush for farmland'. For instance, many European companies have targeted Africa and acquired about 5 million ha following the 2003 European Union biofuel directive to meet the biodiesel target in transportation fuel (Daniel and Mittal 2009).

The investments are characterized with new features that distinguish them from the past ones (Cotula 2012). It is not simple to distinguish the actors involved; whether they are state, corporation or private entity. The home governments of the investors play key supportive roles in private sector-led initiatives, providing diplomatic, financial and other supports. A private company or corporate entity could implement deals signed between governments. The purposes

of the investments whether they are for food, biofuels or others are fluid as a single project or a single crop could be used for different purposes (e.g. maize could be used for food, animal feed or biofuels while palm oil project could serve for food oil or biodiesel). The flows of investment are not uniform as in the traditional North-South investments. The borderline among national, regional, and international investment are fluid as some countries or companies serve as a transit to channel investment in another third country. The borderline between national and foreign investment are not clear as some foreign investors operate through domestically incorporated subsidiaries. It is not enough to represent the origin of an investment with the nationality of the land acquirer as the fund for the investment might involve many players, lenders, insurers, contractors and suppliers from different location. Implementations of the investments likely begin on portion of the land acquired and operation to fuller capacity would likely take some time due to difficulties on ground or to finance the whole project at once.

1.2. Problem Statement Specification

Large-scale foreign investment in agriculture is a controversial development issue viewed differently among organizations, academics, institutions, civil society groups and others (World Bank 2010; Deininger 2011; De Schutter 2011 & 2012; von Braun & Meinzen-Dick 2009; Borras Jr. & Franco 2011; Borras Jr. et al. 2010 & 2012). The investment creates opportunity for increasing the flow of capital into agriculture and stimulates socio-economic development in countries lacking the capacities for the infusion of necessary capital into their agricultural sector.

Despite these facts, there are mixed views on the benefit of large-scale investment for the target countries for various reasons. The views raised regarding the benefit of the investments for local people where the investment takes place are especially strong. Proponents advocate the investments as a solution for rural poverty. They believe the investment will boost employment opportunity, create an opportunity for transfer of modern techniques and technologies of production, contribute to rural social facilities and services and consequently to rural development and poverty reduction.

However, opponents of the investment, particularly radical social movements and their sympathizers see the opportunities advocated by proponents of the investment as unwarranted optimism. The opponents see the investments as continuation of agro-capitalists expansion and argue the investments would elevate poverty. For them, the investments are a threat to local

smallholder farmers and local livelihoods. They argue it takes their land and related local resources and leads to deterioration of means of local livelihoods, as it is a threat to national food supply and international food price. Some critique of large-scale agricultural investment urge converting exiting large-scale agricultural investment to smallholder agriculture better contributes to poverty reduction.

The position of mainstream development circles and concerned international organization and institutions falls between the advocators and opponents of the investment. They recognize the opportunities and risks of the investments. They argue large-scale agricultural investment runs many risks and needs improvement of hosting countries legal and institutional framework and compliance to 'responsible agricultural investment' practices to exploit the potential opportunities of the investment. The challenge with large-scale foreign agricultural investments rests on designing a proper legal and institutional framework; mutually beneficial investment agreement for all the stakeholders involved and implementing it in a way the investment could benefits not only the investors but also the hosting country socio-economic development (Kaarhus et al. 2010). Voluntary international codes of conducts have been issued for these ends for the investment to produce a win-win outcome for the hosting nation and the investor. But there is little empirical evidence that elucidates the benefit of large-scale agricultural investment for hosting nations or helps to understand possible gap between the global and national ambitions and the local reality.

This study is intended to examine the effect of a large-scale agricultural investment on local livelihoods in Ethiopia. Ethiopia is one of the countries attracting large-scale foreign agricultural investments in Sub-Saharan Africa (Cotula et al. 2009). It is reported to have more than 4.5 million ha 'unused' and 'underutilized land' potential for large-scale agricultural investment and reported not to affect local people if transformed to large-scale agriculture through domestic and foreign investment (Rahmato 2011, Alemu 2012). Though there are differences on the amount of land subjected to large-scale agricultural investment in Ethiopia, it is evident that millions of hectares have been transferred to investors so far. According to Kugelman and Levenstein (2009) more than 2.7 million hectares were made available to foreign investors. Deininger et al. (2011) states 1.9 million hectares have been given for investors in large-scale agriculture of which 51% were foreign investors. According to studies based on assessment of government documents and review of existing studies conducted on large-scale agricultural investment in Ethiopia (Rahmato

2011, Alemu 2012, Mittal & Parulkar 2013), the amount of land so far transferred to investors ranges from 1.3 million to 3.6 million ha. Especially, according to Rahmato (2011), by 2015, end of the Growth and Transformation plan, land in the hands of large-scale agricultural investors in Ethiopia would reach nearly 7 million ha.

Investment in large-scale agriculture in Ethiopia is part of its Agricultural and Rural Development Policy. The plan for Accelerated and Sustainable Development to End Poverty (PASDEP) places emphasis on making land available for foreign investment with a special emphasis on export diversification (MoARD 2006). The Ethiopian development strategy for 2010 to 2015, namely, 'The Growth and Transformation Plan' (GTP) states that in addition to export diversification, Foreign Direct Investment (FDI) in agriculture creates job opportunities, transform domestic agricultural practice and provides opportunities for rapid agrarian development, contributes to food security in the country, to rural economic and social development and consequently to poverty reduction (MoFED 2010). Some studies, however, argued the investments carry more risks than opportunities for the local people (Biraara 2011, Rahmato 2011 & The Oakland Institute 2011). These studies relate large-scale land acquisitions in Ethiopia with 'land grabbing' – displacement of local people and dispossession of smallholder farmers.

However, there are few empirical studies conducted on the effect of large-scale agricultural investment on local people in Ethiopia. The available studies mainly focused on documenting the amount of land subjected to large-scale land acquisition and the land deal and negotiation process with little attention on its implementation and impact on local livelihood (Rahmato 2011, Alemu 2012, Makki & Geisler 2011, Jiru 2011). This study, therefore, contributes to empirical understanding of in these regards to the uncertainties related to the benefits of the investment for local people and the possible gap between national as well as international ambitions and local reality.

The study specifically examines the effect of a large-scale foreign investment in agriculture in Oromia region of Ethiopia, namely *Bako-Tibe Karuturi Agro-Products Plc.* on livelihoods of local people living adjacent to the investment. The company is given 1o,704 ha in Bako-Tibe woreda in West Shewa Zone located 250 km from the capital city Addis Ababa. The investment is intended to grow palm oil trees as well as cultivate rice and maize. On the one hand, the investment is expected to bring social and economic development opportunities for the local

people. On the other hand, the investment has taken land and related local resources vital for local livelihoods activities away from the local people for 40 years that can be renewable to 99 years.

1.3. Objective and Research Question

The study is generally intended to examine the effect of Bako-Tibe Karuturi Agro Product Plc. on livelihoods of communities living adjacent to the investment. Specifically, the study addresses the following questions:

1. How has the expropriation of land for Karuturi Agro Product Plc. affected local people access to land and related local resources?
2. How has Karuturi Agro Product Plc. contributed to local social and economic development?
3. What is the effect of expropriation of land and related resources linked to Karuturi Agro Product Plc. on local livelihoods diversity and diversification?
4. What is the effect of Karuturi Agro Product Plc. on strengthening of food self-sufficiency?

1.4. Organization of the Thesis

The thesis has eight chapters. Chapter one has presented background of the study and problem statement specification. Chapter two presents review of related literature on the contemporary phenomena of global rush for farmland. The chapter discussed drivers of and controversies in contemporary large-scale land leases and acquisition, and laws applicable to govern the investments and international codes of conducts recommended by different international bodies in order for the investment to produce a win-win outcome for the investor and hosting nation.

Chapter three presents the context of large-scale foreign investment in agriculture in Ethiopia. The chapter present a brief over view of Ethiopian agricultural investment legal and policy framework based on constitutions, proclamations, regulations and guidelines and other government documents associated with large-scale foreign investment in agriculture. This is to provide an understanding of agricultural investment legal and policy frameworks with bigger emphasis on that of large-scale foreign agricultural investment.

Chapter four presents analytical framework for the study. The theory of eminent domain provide a framework to examine the land deal and acquisitions process as well as development benefits of the investment while sustainable livelihood approach will provide the framework to examine the impact of the investment on livelihood of local people.

Chapter five presents the research methodology followed in the study. The chapter described the research approach(s) followed, data collection and analysis tools used, participants of the study and ethical consideration followed in collecting and analysing data as well as reporting the results.

Chapter six and seven presented analysis and finding of the study and addresses the research questions. The analysis and discussion in chapter six is mainly based on the qualitative data collected. The chapter discuss land deals and negotiation process and development benefits of the investment for the local communities in relations to promised and expected local development benefits. The analysis and discussion in chapter seven is mainly based on quantitative data collected. Based on this the chapter presents measurable impact of the large-scale agricultural investment on local livelihood.

The last chapter of the thesis, chapter eight, presented summary of the findings and conclusion drawn based on the findings.

2. LARGE-SCALE LAND ACQUISITION

2.1. Trends in Overseas Large-Scale Land Acquisitions

Overseas large-scale land acquisition is not a new phenomenon. Beyerlee (2012) cites the Roman Empire attempt to create large estate in North Africa. Wily (2012) cites the beginning of the seventieth century English conquest of Ireland and acquisition of unoccupied land in a cheap and legal manner, and the beginning of ninetieth century in America linked to establishing the right of discovery and the distribution of vacant lands. Similarly, in the pre-colonial global south; for instance, in Africa, ruler acquired large tracts of land through territorial war (White et al. 2012). During the colonial period this was re-acquired by colonial powers. During this period, European colonial powers were running many large-scale plantations in developing countries. In post-colonial period, large-scale land acquisitions took a new form, and domestic and foreign corporation started acquiring vast tracts of land for large-scale investments in agriculture in many developing countries (White et al. 2012). Following the nationalization of land in African colonies after their independency and land redistribution in some Latin American countries, 'the direct ownership and operations of large-scale farm during the colonial period took the form of long-term contractual arrangement with the local farmers and suppliers' (UNCTAD 2009, cited in Cotula 2012:13).

At the end of the colonial period, the newly independent countries were found to have shortage of necessary capital needed to improve their agricultural sector and were in need of investment. However, the existing poor legal and institutional frameworks in addition to the lack of proper property relations became major barrier to attract potential investors to the sector. Consequently, there were attempts to break and clear these barriers. Governments were taking steps to improve the existing legal and institutional frameworks, and break down large individual estates and commons to smallholder through land reforms (White et al. 2012). The World Bank was not only the major advocator; it was funding the land reforms to happen. In the 1980s and 90s, (Structural Adjustment Policies), there were attempts to establish suitable legal environment for private investment so as to encouraged the flow of investment to rural and marginalized areas of developing countries (Li 2011). Under the Structural Adjustment Policy, the World Bank was

prescribing and pushing developing countries to abandon institutional directing of agriculture and to remove subsidies for smallholder farmers and clear barriers to trade and investment so that private investment to replace public spending (De Schutter 2011). Private investors, however, showed little interest to invest in agriculture, except in some tropical commodities, discouraged with declining agricultural commodity prices (UNCTAD 2008). The cutting of government subsides and low private investors interest produced unintended outcome of a large proportion of farming population dependent on substance agriculture and rural poverty became widely spread (Nalepa 2011). The neglect of government investment in agriculture continued and some countries that were food self-sufficient in the 1970s later became net-food-importers.

Following EU and United States plan to increase the proportion of cleaner energy sources in transportation fuels, investors started to show interest in large-scale land acquisitions in the global south (White & Dasgupta 2010, Holt-Giménez 2007). During the 2007-2008 global food and financial crises, investors' interest in long-term and large-scale investment in agriculture including in agro-fuels increased considerably at an alarming rate (Oxfam 2012, GRAIN 2008). Then the interests of a number of low-income or relatively cash-strapped agriculture-based countries reportedly having vast potential 'unused' or 'underutilized' land, converged with the interests of capital- rich investing countries with limited land for agricultural expansion. Agribusiness to financial speculators and Wall Street banks to wealth individuals started looking for arable land with the expectation of big financial return from investing in land.

The large-scale land acquisition has similarities with the division of labour during the colonial period in which the colonies were supplying primary and semi-finished goods for industries in the North (Anseeuw et al. 2012). However, except for settler colonies, colonialism has not involved direct acquisition of land as the current land acquisition do. The traditional North - South flows of the investment is not enough to describe the origin and target of investment because there are other emerging dynamics (Borras Jr. et al. 2011). A single investment project could involve interests from different geographies and the investments could be channelled through transit countries). There are different local and national dynamics and actors that play a significant role in the current land acquisitions alongside the international actors. Recipient governments actively seek possible investors and they consequently play key role to establish a suitable environment to attract investors and to make the transactions occur and they work in closer partnership with the investor in the implantation process (Borras Jr. & Franco 2010b, 2012). Unlike in the past, the

current investments are resource seeking rather than market; emphasis the production of food including animal feeds for export back to the investing country rather than only tropical crops for wider commercial export; involve leases and acquisitions of large tracts of land rather than looser forms of joint venture like contract farming or out-grower scheme (Hallam 2009). Overseas land acquisitions are much pronounced but domestic investors are also playing a similar role. For instance, domestic investors account for 60% of land allocated for large-scale investment in Ethiopia from 2004 to 2009 (Cotula 2012). In countries that have achieved little foreign investment in agriculture, in Benin, Burkina Faso and Niger, about 95% of investors in agriculture are domestic investors (Hilhorst et al. 2011). In Cambodia, Sudan, Mozambique and Nigeria domestic investors account for about or more than half of the land allocated for large-scale land based investments (World Bank 2010).

2.2. Drivers of Large-Scale Land Acquisitions

In the literature, concern for long-term food and energy security and individual expectations of higher return of investing in land are widely cites as the drivers for the contemporary upsurge in overseas land acquisition. Zoomers (2010) identified seven processes behind large-scale land leases and acquisitions in Latin America including land acquisition by 'diaspora' from the continent in their home countries. White et al. (2012) identified six drivers: global anticipation of food insecurity; new forms of resource extraction for fuels security; new environmental imperatives and tools; extensive infrastructures corridors and Special Economic Zones; the creation of land as new financial instrument; and rules, regulations and incentive provided by the international community. The drivers can be categorized, on the one hand between 'national and international policy pressure and marker forces' (Cotula 2012) or between food, energy security and environment concerns and commercial investment opportunities (Nalepa 2011, White et al. 2012, Zoomers 2010).

3.2.1. Market forces

Changes in global supply and demand for agricultural commodities are one of the drivers for the contemporary large-scale land acquisitions. This is due to growing world population, changing dietary habit in some economies associated with growing income, increased meet consumption that again increases demand for animal feeds, and increased rate of urbanization that increases the

number of population dependent on purchase of food that has a push factor on the demand for food and energy up (FAO 2008, Foresight 2011). However, there are declining agricultural production and productivity, and the declining proportion of world population joining agriculture (increasing rural-urban migration) are pushing the global supply of agricultural commodities down (*Ibid*). Under such scenario, global demand for food and its prices are predicted to remain high in the long run (OECD & FAO 2009).

The second market force leading to upsurge in overseas large-scale land acquisitions is the 'financialization of agriculture' (Cotula 2012). First, the changes in supply and demand for agricultural commodities point to an increase in value of land in the long term where they are cheap now. Consequently, investors have been acquiring land in the current situation expecting high return in the long-term. Second, recently investing land became better investment option for portfolio diversification to avoid risks. Following the 2007-2008 food price hikes and financial crises, land acquisition became an important investment alternative (Daniel & Mittal 2009). And the 2008 financial crises reduced trust on investing on commodities and equity market, and increased trust on investing on land as its value has low correlation with change in equity market (White et al. 2012, Cotula 2012). This made investors and speculators to see land as an important option for portfolio diversification and prefer land leases and acquisitions than investing on commodities or equity market. As a result, land became an attractive investment option; not only for agribusiness and energy companies interested in direct production, but also financial operators from western banks and wealth individuals to speculators (Cotula 2012, Daniel & Mittal 2009). Consequently, it is not only the crops produced that are commodities, 'the land and water for agriculture has increasingly become commoditized, increasingly subject to globalized rights of access' (Smaller & Mann 2010:7).

3.2.2. Policy Pressures

Domestic and international policies are the other drivers leading to the contemporary overseas large-scale land acquisitions. Some countries explicitly support land acquisitions overseas because of their future food security concerns. For instance, in the Kingdom Saudi Arabia there is a declining agricultural productivity due to limited available arable land and depleting freshwater resources that is not enough to meet future food demand of its raising population. Thus, the kingdom has planned to phase out domestic wheat production in 2016 to preserve declining fresh

water resources (Smaller & Mann 2010). King Abdullah Initiative for Saudi Investment Abroad was established and provides credit facilities to support Saudi companies' overseas agricultural investment in countries having agricultural potential and to repatriate their production (Cotula 2012, Smaller & Mann 2010).

In United Arab Emirates (UAE) and Qatar there are growing momentums of 'long-term land acquisitions overseas in agriculturally potential countries to repatriate food supplies to sustain long-term food security of their population' (Daniel & Mittal 2009, Borras & Franco 2010). Qatar that has only about 1% of its land suitable for agriculture, acquired arable land in Kenya, Cambodia, Vietnam and Sudan. The UAE that imports 85% of its food supplies from the international food market has acquired arable land in Punjab and Sindh provinces of Pakistan. In China linked to increasing urbanization, large population and changing dietary habit associated with increasing income, the governments has sought land abroad in Mozambique and Zimbabwe for rice production (Daniel & Mittal 2009). South Korea is opting for self-sufficiency than depending on international market and has acquired arable land in Sudan, Mongolia, Argentina and Indonesia (*Ibid*).

Some countries are driven with business opportunity, macroeconomic or geopolitics objectives in addition to food security concerns. Chinese overseas land leases and acquisitions is part of Chinese 'development outsourcing' or 'Going Global' or 'Going out Strategy' (Görgen et al. 2009, Hofman & Ho 2012, GRAIN 2008). The strategy encourages Chinese companies to invest overseas and to gain overseas business opportunity. The strategy started well before the 2007-2008 food and financial crises and by 2008 some 30 agricultural cooperation deals have been sealed to give Chinese firms access to "friendly country" farmland in exchange for Chinese technologies, training and infrastructure development funds (GRAIN 2008:3). Such investments include Chinese companies' investments in rice and rubber in neighbouring Asian countries (Laos and Cambodia) and investment in Asian parts of Russia, and Libyan agricultural investment in Sahel countries such as Malibya Project in Mali (Cotula 2012).

Multilateral organizations and mainstream development organization including UN and World Bank are establishing the condition that leads to generating the supply and demand for large-scale land acquisitions through the creation of rules; regulations and incentives and help countries systematically remove barriers to FDI (White et al. 2012). Clearing the ground for investment in

agriculture in receipt countries has been going for decades linked to globalization, privatization or openness to international trade and investments (Zoomers 2010). It started with Structural Adjustment Policies (SAP) in the 80s and 90s: attempts to break down large size landholding into smallholder farming and to establish suitable environment for investment, establishing clear land and property rights, strengthen land and resource security and the rule of law (good governance). During the 2007-2008 global food crises, the World Bank and International Financial Corporations (IFCs) have been engaging with and encouraging private investors to boost global food production (Daniel & Mittal 2009). The 2008 World Development Report urges investment in agriculture as a means for rural transformation and poverty reduction (World Bank 2008). The 2010 World Bank report on rising global interest in farmland identifies potentially suitable, not forested not protected, lands inhabited with few population in developed countries and argued investment in such land will increase the production and productivity, create rural development opportunities and consequently contributes to poverty reduction. The 2008 FAO report noted low level of investment in agriculture that would not meet future demand for food that could happen associated with increasing urbanization or non-agricultural population, increasing world population, increasing rural poverty and associated hunger. So, the report urges addressing these needs require increasing investment in agriculture and doubling global food production in 2050, specifically in developing countries where the majority of world rural poor live and 95 per cent of global population increase is expected.

Another policy driver for large-scale land acquisitions is demand for biofuels as an alternative cleaner energy for the environment, to strengthen energy security and to reduce the dependence on oil import (Daniel & Mittal 2009, Cotula 2012, White & Dasgupta 2010, Scheidel & Sorman 2012, Vermeulen & Cotula 2010). According to the 2003 EU Biofuels Directive, the EU had planned to replace 5.57% of fossil fuels used for transport with biofuels in 2010. According to the 2009 EU Renewable Energy Directive', this proportion is planned to reach 10% by 2020. In the US according to the US Renewable Fuel Standard there is plan to increase corn ethanol consumption to 3.5 billion gallons by 2017 (Daniel & Mittal 2009). About 500 million hectares are required to achieve the EU and USA targets (Gallagher 2008, cited in Borras Jr. et al. 2010:577). If this is to be met through domestic agriculture, the EU target requires 70% of cultivated farmland in the EU while the US target requires land used for corn and soya bean production in the US which is not feasible in both cases (Holt-Giménez 2007). As a result,

European investors motivated to get advantage from these have acquired about 5 million ha in the global south for agro-fuels production such as sugar cane, maize, palm oil tree and *Jatropha* (Borras Jr. et al. 2010). The US is diverting corn from food and animal feed to ethanol production to meet its source of clean energy target (Daniel & Mittal 2009). Some countries like Indonesia and Malaysia have already planned to supply 20% of EU biodiesel demands and consequently there are many domestic and foreign large-scale palm oil plantations in these countries (Holt-Giménez 2007). Moreover, biofuel is believed to be a better longer-term alternative to declining global fossil fuels reserve and fluctuating oil prices and driving for overseas large-scale land leases and acquisitions (Zoomers 2010). Some countries like Brazil have planned to replace 10 per cent of global fossil fuel consumption with sugar ethanol in 2025 (Holt-Giménez 2007). Purchasing carbon credit (market) is another policy driver for large-scale land acquisitions for tree plantations and reforestations (Cotula 2012). Under the UN collaborative program for Reducing Emission from Deforestation and Forest Degradation (REDD) some industrial courtiers are acquiring large tracts of land for afforestation or forest conservation in the global south (Zoomers 2010).

Another policy driver is recipient government need for investment in agriculture that creates convergence with investors demand for arable land (Görgen 2009, Cotula 2012). In most recipient countries, there is demand for investment in agriculture to reverse underdevelopment of the sector due to lack of infusion of the necessary capital for decades. This is to boost food supplies, promote rural employment opportunity, transform the agricultural system, and promote rural development and contribute to the alleviation of rural poverty. To this end, the recipient governments have taken measures to establish attractive investment climate such as improving their legal and institutional frameworks for an easier access to land and provision of attractive investment incentives to attract investors.

There are other development decisions that are putting pressure on land. These include foreign investor's interests in development of protected areas, nature reserves, ecotourism and hideaways; state decisions to establish special economic zones (SEZs), large-scale infrastructure, urban extensions and tourist complexes, and retirement and residential migrations in search for sunny climate and escape costly life in developed countries (Zoomers 2010).

2.3. Targeted Land: Empty, Idle or Underutilized?

The target of large-scale land leases and acquisitions are claimed to be empty, idle or underutilized land. Such land apparently exists in developing countries, mostly in Sub-Saharan African countries where the governments have limitations in budgetary resource to utilize it. Large-scale agricultural investments, domestic and foreign, are assumed would bring the necessary capital to install the missing infrastructures and to transform the land and utilize them to their fuller potential. This is believed to contribute not only to poverty reduction through bringing different development opportunities in hosting countries, but also to investing countries and international food and energy supplies.

According to the World Bank (2010) estimates, there are 446 million ha potentially available non-cultivated non-protected land inhabited with less that 25p/Km^2 located in different regions of the world. The bank estimate these are a third of currently cultivated 1.5 billion ha. More than half of the potential lands are located in ten countries; six of which are African countries Sudan, the Democratic Republic of Congo, Mozambique, Madagascar, Chad, and Zambia. These lands are believed to be suitable and productive for five rain-fed crops - maize, wheat, sugarcane, soybean and oil palm. Based on the yield gap compared with currently cultivated areas, the world bank classified countries where these lands available into four to provide input into planning and identify options; for instance, the option between transforming to large size farms or to provide incentives for exiting smallholder farmers (World Bank 2010:xxxiv-xxxviii).

The first classification include *countries with little land for expansion and little yield gap* that include Asia, Western Europe, and the Middle East, highly productive smallholder producers will play key role in agricultural growth as investors increasingly provide capital, technology, and access to markets through contract farming to meet demand for high value products. Second, in *countries with suitable land with low yield gap* mainly in Latin American countries where land is abundant and technology is advanced a proper regulatory role by the public sector is needed to ensure that areas with high social or environmental value are protected and to provide the basis for well-functioning factor markets, especially land markets. Third, in *countries with little land available for transformation with high yield gap*, that includes densely populated developing countries like Malawi, Rwanda, India or Egypt, increasing agricultural productivity requires public investment to raise smallholder productivity while private investment through contract

farming can promote diversification into high value and export markets. Finally, in *countries with suitable available land with high yield gap* majority of Sub-Saharan Africa, transfers of technology could provide large benefits to local populations. Most of the available potential lands in these countries are far from infrastructure and consequently large size farms would play key role in these areas. In cases of limited labour supply or in-migrations for smallholder expansion, labour extensive large size farms are viable strategy.

However, many claims land targeted with large-scale land acquisition requires further important aspects to be considered. In reality land destined 'empty' and 'idle' does not mean unoccupied and unused. Such land is used for ranges of activities to support local livelihoods from smallholder farms, pastoralism and shifting cultivation (White et al. 2012) to 'socio-ecological resilience for millions across the world, in addition to having ancestral and spiritual value' (McMichael 2010:693). Land described as 'idle' or 'abandoned' may have purposefully been taken out of rotation to fallow, left by pastoralists to regenerate, or specifically dedicated to secondary growth forest' (Nalepa 2011:15). In spite of these uses, reflections are not given neither by hosting government nor in the World Banks report in light of what does it mean by marginal, for whom is it empty (Celestino 2010), who might be using the lands, and for what purpose the land being used for (Cotula et al. 2009, Nalepa 2011).

According to some empirical evidences, land targeted by the investment were used for smallholder and substance farming and other natural resource extractions (Oxfam 2012). For some critical commentators not even land that is already used for different purposes, 'transformation of idle or marginal lands to large-scale investment with the expectation of higher productivity and local development also underestimate the opportunity costs of giving away the land' (De Schutter 2012:250). According to De Schutter transforming 'idle lands' through large-scale agricultural investment have much less powerful poverty reducing impacts than if access to land and water were democratized for local peasants. An opportunity cost in this regard is the benefit lost because of giving away land to large-scale investors instead of being distributed to local farming households in order to strengthen their livelihood and access to land and water (De Schutter 2011).

Land categorized as potential available has poor infrastructure, limited input supplies and inadequate market connection (World Bank 2010). But investors are interested in best land in

terms of availability of infrastructure, water availability, soil fertility and market connectedness than developing such marginal land (Cotula 2012). Consequently, most of the land leases and acquisitions have targeted quality farmlands, specifically irrigable land and those that have access to the market and other necessary infrastructure (Oxfam 2012). It is also argued past and present land acquisitions happened through legal manipulation that denied indigenous tenures system and so legalizing the acquisitions of the land from the local people (Wily 2012).

2.4. Opportunities and Risks for Local Livelihoods and Development

The contemporary upsurge in large-scale land acquisitions started following the EU 2003 Biofuels Directives. When the land lease and acquisition linked to the biofuel move converged with ones linked to the 2007-2008 food and financial crises and the 2009 EU renewable energy directive it raised concerns not only among some civil society groups and transactional networks but also the mainstream development circles and others. Civil societies and international networks that consider themselves represent poor peasants were concerned that the land leases and acquisitions would have adverse effects on local communities and ecosystem. GRAIN was the first to document the on going land deals and negotiations and to raise the threats it could pose on the local people and the ecosystem. GRAIN (2008:1) noted that large-scale land deals and acquisitions would 'spell the end of small-scale farming and the end of livelihoods'. The report put the consequences of the investments as:

> "… Workers, farmers and local communities will inevitably lose access to land for local food production. The very basis on which to build food sovereignty is simply being bartered away. The governments, the investors and the development agencies that are being drawn into these projects will argue that jobs will be created and some food will be left behind. But these don't replace land and the possibility of working and living off the land. In fact, what should be obvious is that the real problem with the current land grab is not simply the matter of giving foreigners control of domestic farmlands. It's the restructuring. For these lands will be transformed from smallholdings or forests, whatever they may be, into large industrial estates connected to large far-off markets. Farmers will never be real farmers again, job or no job. This will probably be the biggest consequence. (GRAIN 2008:9)"

Such pessimism was slowly absorbed to the mainstream development view (Borras Jr. & Franco 2011). The mainstream development circles promote large-scale land deals acquisitions as economic approach that has potential opportunity for rural development provided that they are harnessed properly so as to minimize or avoid the negative social and environmental risks the investment carries. Those who promote this view include World Bank Group, International Food

Policy Research Institute (IFPRI), United Nations Food and Agricultural Organization (FAO), International Fund for Agricultural Development (IFAD) and United Nations Conference on Trade and Development (UNCTAD). These groups believe large-scale investment in agriculture boost investment capital in agriculture, benefits rural people through creating farm and off-farm jobs, increases individual income through contract and out grower schemes, facilitate the transfer of production and processing technology, increases food production for domestic and overseas consumptions, contributes to the construction of rural infrastructure and increases access to rural social services, and opening-up export opportunities (World Bank 2010, von Braun & Meinzen-Dick 2009). On the other hand, they raise their concern that the change in land use and property relationship, and high investors' interests in countries with weak legal and institutional framework carries immense risks for local people. This includes risks of displacement of land users, undermining of existing land rights, absence of consultation, transparency problems and chance of increased corruption, undermining of food security and loss of livelihoods, environmental degradations in the investment area and beyond, undermining vulnerable groups' access to land and nutritional deprivation, social polarization and political conflict (World Bank 2010, Deininger 2011, von Braun & Meinzen-Dick 2009).

However, some critical groups and individuals criticize the view of the mainstream development circles as unwarranted optimism and forward what they think are alternatives to it. The proponents include Oliver De Schutter (UN Rapporteur on Human Right to Food) and Civil Societies Groups (e.g. *La Via Campesina*), NGOs that claim they represent smallholder farmers and the poor (e.g. GRAIN). The proponents argue large-scale land leases and acquisitions dispossess land and other resources on which local people depend for their livelihood and ruin the environment, in addition to devaluing its social and cultural values, where they have such purposes. De Schutter (2011:250) notes 'the most pressing issue regarding investment in agriculture is not how much, but how: what we need is not to regulate land grabbing as if this were inevitable, but to put forward an alternative program for agricultural investment'. From the perspective of human right to food he arrived at the conclusion that investment in farmland that imply change in land right " should represent the last and least desirable option, acceptable only if no other investment model can achieve a similar contribution to local development and improve the livelihoods within the local communities concerned (UN Assembly 2010:20).

According to some critical empirical studies, the development impact of large-scale agricultural

investment for local people is very questionable. Evidence from past and present local employment impact (job created and reward received) of large-scale palm plantation in Indonesia shows 'large-scale farming not only fails to reduce poverty, but actively produces it' (Li 2011.285). The evidences show the employment opportunities created are by far less than expected, local people were taken their land but they were seldom employed in the investment. The investors import labour from the surrounding islands and the labourers were made to pay the cost of importing them by working for certain years before they get payment for their passage home. Sub-contract worker are abused, paid late or nothing at all. As the plantation expanded, local smallholder palms were taken and their access to land and surrounding resources shirked. The evidences led Li to share World Bank (2010) recommendation that smallholders who have the possibility to produce and sell a commercially viable crop should not give it up to a plantation promising wage employment, as well as to disagree regarding the following:

> "Large- scale farms (e.g. *latifundias, haciendas* and plantations) that already exist should be parcelled up into smallholdings through land reform; and in areas where population is sparse, government or donor-sponsored land distribution programs that settle people as smallholders on viable land, with a viable crop and proper support, offer them a far better pathway out of poverty than granting the land to large farms. (Li 2011:285)."

Similarly, another review of evidence from both past and recent studies on agro-fuels expansion arrived at a conclusion that the current expansion of agro-fuels investment are continuations of past agro-capitalist mono-crop production (White & Dasgupta 2010). The evidences used in the review demonstrated biofuel investments 'can have (and is already having) a devastating impact on local cultures, livelihoods and ecologies, which may be unprecedented in contemporary capitalism' (p.605).

Some argue large-scale agricultural investment not only helps to overcome hosting countries food security problems, where they exist, but also strengthen investing countries and international food supplies and stabilize international food price problems. But others argue acquisitions of large tracts of land by distant actors pose a threat to local and national food security in hosting countries (Daniel & Mittal 2009).

The effect of the investments on hosting countries food security depends on the type of investment and where the agricultural products are marketed. A large-scale investment on food crop production has more impact on food security than a biofuel project provided that the production is marketed in the domestic market. But all the investments are not for food

production; all those that are for food are not for domestic consumption or market. According to Oxfam October 2012 report, the large-scale land deals and acquisitions that occurred from 2000 to 2010 are able to feed the total globally hungry population. However, the report shows 60 per cent of the land is for agro-fuels productions and two-third of the food produced are for export to the investors' home country. In countries that already have food security and environmental problems, such land leases and acquisitions go paradox and exert additional problem on the existing situation (Brown 2011).

The distribution of benefits, costs and risks of large-scale land leases and acquisitions dependent on the choice of 'business model' and the implications of the business model followed on land use change and property relations as well as employment and labour rights (Cotula & Leonard 2010, Vermenuel & Cotula 2011). The choice of the business model could be between large-scale investment run by the investor and collaborative models with local farmers that include diverse forms of contract farming schemes, joint ventures, management contracts, community leases and new supply chain relationships (Cotula & Leonard 2010).

Large-scale land deals and acquisitions could involve four directions of land use changes (Borras Jr. and Franco 2012). First, in '*food-to-food*' setting the land use change remains with food production but the purpose could change either from consumption to domestic exchange or from consumption (domestic exchange) to export or from large-scale food and animal feeds production for export or domestic exchange to small-scale family farms for consumption (domestic exchange). Second in '*food-to-biofuels*' setting, the land use change transforms land that was used for food production for consumption, domestic exchange or export to agro-fuels feedstock.

Table 1: Possible effects of large-scale FDI in land and agricultural on rural livelihood

	Positive	**Negative**
Direct socio-economic Impacts of FDI in land on Local Livelihoods	– Increasing productivity of agricultural land – Transformation (enclosure) of marginal or idle land – Increasing access to market for local people – Increased income through leasing land and employment – Improvement of social infrastructures and facilities, – Increase overall productivity and product	– Food security problem if production not supplied to the local market; – Biased distribution of benefits in favour of the investor or limited number of the local people – Social conflict and inequality instead of alleviating poverty; – Completion over land for food production, animal feed and agro-fuels

	quality. – Increase in agricultural exports – Increase agricultural raw material. – Transfer of knowhow – Integration of the local economy into added value chains – Off-farm and on-farm job opportunities – Foreign currency and additional taxes revenues – Expand the scope of national government to invest in projects that improve the living conditions.	– Increase vulnerability of the poor from increase land price and water resources; – Increase in unemployment if the investment is applying later extensive – Conflict overland that lead to civil and political instability. – Marginalization of smallholder farmers,
Possible socio-cultural impacts of FDI in land on rural livelihood	– Improving society living conditions and sustainable development – Improvement in social infrastructure and facilities – Improved work standards if investor domestic standard applied.	– Conflict overland, leading to civil and political instability. – Marginalization of smallholder farmers, – Displacement of indigenous people – Exclusion of rural community and increase in rural poverty especially for the poorest and women. – Immigration of foreign workers could invoke friction with local community. – Better positions, pay and working condition for foreign workers and vice versa for local. Lingual and cultural divergence could complicate the social system.
Environmental impacts of FDI in land on rural livelihoods	– Increase in environmental-friendly production methods if the investors import their countries experiences that are usually more sustainable due to better educational and technical practices than those of the recipient countries. – Training local people their experiences could spread good practices and awareness of underlying environmental problems to local producers and kick-off comprehensive natural resources management.	– Erosion and climatic change due to deforestation and change in land use – Water scarcity because of too much use for the investment – Salinity and decrease in water quality because of the uses chemicals in production like pesticides and fertilizers – Soil degradation due to unsustainable soil uses, – Decrease in biodiversity due to monoculture production system – Disruption of local ecologic system due to introduction of new spices.

Source: Adapted from Douche Gesellschaft Für Techinsche Zusammenarbeit - GTZ (Görgen et al. (2009:21-24)

Third, in '*non-food-to-food*' setting land that was previously not food production is converted to food production. Non-food refers to: (1) land that was not used for any production (marginal

land, idle land, forest land and possibly other coverage) and that serve for different livelihoods activity. (2) Land used for producing non-food agricultural crops – cotton, flax, hemp, fibres, rubber, wood for timber and other like coffee, tobacco, opium, coca, cosmetics and many kinds of medicinal crops. Finally, in non-'*food-to-non-food'* setting land that was destined marginal, forest and other non-food land are converted to non-food agricultural crops. Each of these settings generates different risks and benefits.

The change in property relations brought by overseas land acquisition could lead to different flow of land based wealth and power that could be either redistribution, distribution, non-(re)distribution, or re-concentrations (Borras Jr. & Franco 2010c & 2012). Land based wealth (also called local resource base) refers to the land itself, water and minerals therein, other products linked to it such as crops and forest, as well as the farm surplus created from this land while land based power refers to control over the flow of the land based wealth (Borras Jr. & Franco 2010c: 10). In redistribution land based wealth and power transfers from monopoly of landed classes or state or community to land less and near land less poor. In distribution state transfers land based wealth and resources to the land less near land less poor without any landed classes losing in the process. Non-(re) distribution maintains the exclusionary status quo - land based wealth and power remain in the hands of the landed classes or the state or community. Finally, in re-concentration land based wealth and power transfers from the state, community or small family farm holders to the monopoly of landed classes, corporate entities, and state or community groups. Large-scale land deals and acquisitions involves either non-(re) distribution or re-concentration (Borras Jr. & Franco 2012).

2.5. Governing Large-Scale Foreign Agricultural Investments

2.5.1. Laws and Investment Agreements

There are three sources of laws for governing foreign agricultural investments: (1) domestic law, (2) international investment contracts and (3) international investment agreements (Smaller & Mann 2010). The domestic law includes existing legal and institutional frameworks in hosting countries concerned with regulating large-scale agricultural investment. It includes different ranges of things: laws relating to the admission of investors, incentive for investors, taxation, property law, land and water rights and rates, and laws relating to social and environmental

impacts of investments and possibly others. These frameworks are weaker in many of recipient countries: they have 'either no, insufficient or unclear domestic law concerning land right, water rights, pollution control for intensive agriculture, human health, workers protection, and so on' (Smaller & Mann 2010:8). Therefore, in these countries making institutional reform (promoting good governance) is essential to exploit the potential development opportunity of the investment and control associated risks (World Bank 2010).

The investment contracts address ranges of specific issues (price and amount land, and duration of the contract) and general issues (environmental and development) to key provision for fiscal and economic bargaining relating to the investment and 'stabilization clauses' (Hallam 2009). Optimizing the potential of investment for the local people depends on the nature of contractual framework and the capabilities of the recipient country and the willingness of the investors' countries national institutions to ensure implementations in compliance with the contractual framework (Görgen et al. 2009). A good contractual framework is one that is designed and implemented in a way it ensure sustainable development at the local and national level, especially while addressing the development needs of the investment area (World Bank 2010).

However, there are constraints that limit the establishment of a good contractual framework so as to ensure sustainable development and the development needs of the local peoples. Recipient governments are more inclined towards attracting foreign directed investment than supporting smallholder farmers and protecting the right and interest of landholders. This has profound influence on recipient governments' decision on issues of land governance, labour law, environmental regulations, agricultural policies and possibly others (Anseeuw et al. 2012). There is unequal power relationship between the investor and recipient countries in determining the contractual framework, particularly when investors want to take competitive advantage in the investment deals and negotiations (White et al. 2012). This conversely means the competing government has to keep land lease charges lower purporting to other uncertain development commitments (Li 2011). The existing legal and institutional limitations allows investors to exploit the government through corruption and indebtedness and the government lacks capacity to regulate the investment deals or implementations, or to prevent investors from expelling local people and targeting the poorest of the local community (World Bank 2010, Deininger 2011). This could lead to a condition where state and local elites tries to fulfil the interest of the investors, local people allowed little or no bargaining power on the land deals and negotiations

agreements, the contractual framework becomes highly inequitable, with benefits accruing to the investor and risks being carried by the host government or community (Kachika 2010, White et al. 2012). In Mali, with the Malibya Project the government sided with the investor though the government is aware of what it is doing and its consequences, and in Ghana with the investment contract with Norwegian biofuels, the local chiefs fall prey to sophisticated and highly politically connected investors, and coerced into 'thumb print' signing an agreement that they understand little or nothing (Kachika 2010:33). The local peoples had limited bargaining power in the land deals and negotiation agreement and the contracts consequently were based on unclear provisions and false promises reflecting investors' interests to maximize their gains (*Ibid*).

International investment agreements include bilateral treaties, free trade agreements, regional and international investment agreements that are designed to protect foreign investors from ranges of recipient government measure against the terms and conditions of the contract, unless they are specifically stated in the domestic law (Hallam 2009). It creates hard rights for foreign investors and in the absence of clear and comprehensive domestic law that defends the interest of domestic stakeholder, it could lead to overshadowing of the international law over domestic law (Smaller & Mann 2010, Hallam 2009). In cases of disputes, "it allows an investor to present claims against the recipient government to an international tribunal, but evidence shows the scales are balanced much against the host government (White et al. 2012).

2.5.2. International Codes of Conducts

Large-scale investment plays effective role in local development, if the investment needs of recipient countries are reconciled with the objectives of the investors. Achieving this with the laws and investment agreements that help to govern large-scale investment is questionable (Hallam 2009). The laws are weak to protect the interest and development needs of the local people and consequently favour the interests of investor. To overcome these problems and to reconcile the interests of the investor, the hosting country in general and the local people in particular, different multinational bodies and development circles have made different recommendations. These recommendations originated from two directions – (1) from the mainstream development circles and (2) alternatives from the critiques of the mainstream development circles codes of conducts.

The mainstream development circles recommend hosting countries to follow a dual approach to exploit the potential rural development opportunities and minimize or avoid the risks of large-scale agricultural investment (World Bank 2010, von Braun & Meinzen-Dick 2009, Görgen et al. 2009). The first element in dual approach is making institutional reforms in the host country so as to strengthen their legal and institutional framework and implementation capabilities. Though the World Bank has been pushing developing countries to ensure good governance for decades, it has not reached the capacity required in this regard (Borras Jr. & Franco 2010a, c). The IFPRI (von Braun & Meinzen-Dick 2009:4), which the World Bank (2010) shares, urges "host country should improve investment climate through the rule of law and contract security; pursue evidence based agricultural policies related to incentives, market, technology, and rural infrastructure; facilitate collaborative practices like out growers scheme and contract farming in the smallholder sector; enhance market information system that can point to opportunities for farming communities; build extension system that facilitate access to knowledge and service, include rural banking." Hosting countries having such policy environment have derived significant benefits from large-scale agricultural investment in terms of better access to capital, technology and skills, generation of employment, and productivity increase (UNCTAD 2010). But in hosting countries where land and property rights are not well defined, government is weak or those affected have no voice, the investment could carry considerable risks of various types mentioned above.

The second element in dual approach demands hosting government and foreign investor to comply with the Principles of Responsible Agricultural Investment (PRAI) for the investment not to carry harm, become sustainable and contribute to local development (World Bank 2010, UNCTAD et al. 2010, von Braun & Meinzen-Dick 2009). FAO, IFAD, UNCTAD and the World Bank group formulated seven principles that all involved stakeholders should follow for the investment not to do harm, be sustainable and contribute to local development (World Bank 2010). The principles are presented in table 2 available on next page. .

PRAI is, however, criticized from different angles. It is regarded as response to concerns raised by civil society groups and transnational networks to continue with the existing industrial pattern of food and energy production and consumption controlled by transnational companies rather than blocking it (see Borras Jr. & Franco 2012, 2010, 2010b). From social justice perspectives, Borras Jr. and Franco (2010b) argued extensively the PRAI is worthy idea in principle, but not worth in practice because they are unlikely to produce a pro-poor outcome.

Table 2: Principles of responsible agricultural investment

Principle	Explanation
1 Respecting land and resource rights	Existing rights to land and associated natural resources are recognized and respected
2 Ensuring food security	The Investments should not jeopardize food security but should strengthen it
3 Ensuring transparency, good governance, and a proper enabling environment	Processes for acquiring land and other resources and then making associated investments are transparent and monitored, ensuring the accountability of all stakeholders within a proper legal regulatory, and business environment
4 Consultation and participation	All those materially affected are consulted, and the agreements from consultations are recorded and enforced.
5 Responsible agro-investing	Investors ensure that projects respect the rule of law, reflect industry best practice, are economically viable, and result in durable shared value.
6 Social sustainability	Investments generate desirable social and distributional impacts and do not increase vulnerability.
7 Environmental sustainability	Environmental impacts of a project are quantified and measures are taken to encourage sustainable resource use while minimizing and mitigating the risk and magnitude of negative impacts.

Source: World Bank (2010: xxvi)

The social justice perspective links the cause of rural poverty to transnational companies' control of global production and distributions system and from this viewpoint it is argued it is unlikely for the PRAI to strengthen and protect rural poor people access to land and property interests. A pro-poor policy protects and transfers land based wealth and power in favour of the poor (Borras Jr. & Franco 2010c:10). Consequently, Borras Jr. and Franco (2010b: 521) concluding that PRAI even cannot be used as the second best alternative, they urge 'prioritizing truly pro-poor outcomes would require adopting a human rights-based approach, including taking seriously the right to food and the right to land' into consideration.

For Oliver De Schutter, The UN Special Rapporteur on Human Right to Food, the PRAI emphasis on policy and institutional weakness in recipient countries but not on livelihood and equity of the local people which are critical for human right to adequate food. In relation to livelihood and equity of local people, De Schutter (2012) argues large-scale land deals and acquisitions are unjustifiable even though they comply with the PRAI. For him the PRAI are

formulated based on a lucid understanding of the risks entailed by the wave of investment in land and without the participation of parties at stake in land deals and acquisitions. Besides, some concerned government claim PRAI were not designed following an inclusive process, while some grass root organization that claim they represent small farmers denounce the fact that the principles served as a check list and legitimized unacceptable deals as long as they followed it and that it is not able to slow down the current wave of land leases and acquisitions which they perceive as destroying livelihoods of local peasants in recipient countries (The Global Campaign for Agrarian Reform 2010, cited in De Schutter 2011:254).

Hence, De Schutter (2010) formulated the minimum sets of core principles to help foreign investor and recipient countries ensure that large-scale land acquisitions contribute to 'human right to adequate food'. The principles are formulated with emphasis on vulnerability, opportunity cost, and the huge risks caused by large-scale land acquisitions that foreclose use options for future generations (Li 2011). The Minimum Human Right Principles to large-scale land leases and acquisitions are: States has to take into account existing land rights in the area targeted for the investment and the right of workers employed on the farms. The investment should either preserve recipient country food security or the revenue gained from the investment should be sufficient to get food supplies equivalent to the volume produced for export. There should be some clause in the contractual agreement providing the investor to supply to the local market and increase the percentage when international food market price reaches a certain level. To strengthen local food security, investors should be encourage to use labour-intensive farming system to reinforce local livelihoods rather than merely driven with optimizing productivity and follow unsustainable farming approach. Recognizing different uses of land and resources that are critical to livelihoods where such land have no legal titles or recognitions. In cases where land users have no legal title or recognition, it is also important to recognize other use rights on land such as grazing and gathering wood, which are often critical sources of livelihood especially for women. The rights of pastoralists in particular are generally neglected in public debates. Government should protect the right of agricultural workers as it has significant contribution to the alleviation of hunger.

Another international codes of conducted recommended to govern large-scale agricultural investment is initiated by FAO. In May 2012, the FAO with participation of government officials, civil society organizations, private sector representatives, international organizations and

academics has endorsed a draft of Voluntary Guidelines on Responsible Governance of Tenure of Land and Other Natural Resources. The principle emphasis on vulnerable and marginalized people, with the goals of food security and progressive realization of the right to adequate food, poverty eradication, sustainable livelihoods, social stability, housing security, rural development, environmental protection and sustainable social and economic development (FAO 2012:1). The principles were intended to contribute to the global and national efforts towards the eradication of hunger and poverty, based on the principles of sustainable development and with the recognition of the centrality of land to development, by promoting secure tenure rights and equitable access to land, fisheries and forests (FAO 2012:I). The principles cover ranges of issues including: recognition and protection of legitimate tenure rights, even under informal systems; best practices for registration and transfer of tenure rights; making sure that tenure administrative systems are accessible and affordable; managing expropriations and restitution of land to people who were forcibly evicted in the past; rights of indigenous communities; ensuring that investment in agricultural lands occurs responsibly and in a transparent way; mechanisms for resolving disputes over tenure rights; and dealing with the expansion of cities into rural areas.

Still another is regional or continental framework and guidelines on land policy that could be applicable to govern the challenges of large-scale agricultural investments on local people. In July 2009 the heads of states and government of the African Union adopted a continental framework and guidelines on land policy development and implementation through the 'declaration of land issues and challenges in Africa' (African Union Assembly 2009). The process for designing the continental framework and guideline was started in 2006 and developed through joint initiative of African Union Commission, United Nation Economic Commission for Africa and African Development Bank. Under the declaration, the member states agreed to prioritize and lead land policy development and implementation process, support the emergency of the institutional framework required for the effective development and implementation of land policies and allocate adequate budgetary resources for land policy development and implementation process. The member states resolved to ensure equitable access to land and related resources among all land users and to strengthen land tenure security for those that need special attention such as women and other often marginalized from development activities.

Regardless of the laws and investment agreement and recommended international and regional codes of conducts, there are still concern that large-scale land acquisitions are going out of

control leading to loss of land and access to related resources, forced displacement and greater poverty (Oxfam 2012). The Oxfam report urges the World Bank to 'time out' (freeze) global land rush in developing countries for six months to spur the desperately needed improvements in safeguards and land governance (Oxfam 2012:13-18). The report noted the 'time out' would send strong signal to international investors to hold on the on going land lease and acquisition for a while and improve their standards of practices in four key areas: good governance; land right; free, prior and informed consent of local communities; and food security.

3. THE CONTEXT OF LARGE-SCALE AGRICULTURAL INVESTMENT IN ETHIOPIA

3.1. Rural Land Ownership and Land Use Systems

Ethiopia had a complex land tenure regime prior to 1974 that was classified based on the structure of the imperial administration. The land tenure regimes were classified as *rist* (communal land), *gult* (grant land), freehold land as well as *gebar* (private tenure), *samon* (church land), and *maderia* or *mengist* (state land) (Crewett, Bogale & Korf 2008). *Rist* and *gult* system are the dominant ones especially in the Northern highlands of Ethiopia. The *rist* tenure system was a kind of communal land owned and shared based on hereditary lines or by the decedents of the founder or occupier. The *guilt tenure* system was superimposed on *rist* tenure system to pay tribute or taxes to landlords or class of warrior lords from a third to half the output estimated in cash, kind or labour.

Following the fall of imperial monarchy and coming to power of the Derg or socialist regime in 1974, Ethiopia has experienced a major land reform. The land tenure regimes during the imperialist period were abolished; land is nationalized and came under state ownership and control. But some forms of customary tenure system were yet in practice (Heegde et al. 2012). The Derg regime banned land transitions such as land renting, mortgaging, sharecropping, and others. Peasant associations were mandated to administer land distribution and a household was allocated depending on family size with ceiling limit of ten hectares.

The socialist regime fall in May 1991 and Ethiopian People Revolutionary Democratic Front (EPRDF), incumbent ruling party, came to power. A new constitution was drafted in 1995 and the state is restructured in to Federal Republic and structured into nine regions delineated according to ethno-linguistic lines and two city administrations. Legislative power over land was reserved for federal government and its implementation was decreed to regional government. The government adopted liberal economic approach but land remained under state ownership and control. The agrarian systems in the previous socialist system, collective farming was privatized and cooperative producers were abolished. In line with this, this chapter focuses on rural land

administration and land use since 1991. The legal and institutional frameworks governing land ownership and use enforce at present were enacted since this time.

After 1991, state ownership and prohibition on sales and mortgaging of land remain continued but renting up to half of household landholding has been allowed. Article 40 of the FDRE constitution, about 'the right to property', declares, "The right to ownership of rural and urban land, as well as all natural resources is exclusively vested in the state and the peoples of Ethiopia. Land is the common property of all nations, nationalities and peoples of Ethiopia and is not subjected to sale, transfer or other means of exchanges. Ethiopian peasants have the right to obtain land without payment and the protection against eviction from their possessions. 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 government argues state ownership protects 'poor peasants' from the negative side effects of privatization of land ownership that 'poor peasants' would sell their landholding and become landless.

The federal MoARD coordinates land issues and regional authorities, in accordance with federal laws, administer land and its natural resources. Each of the nine regions has their own institutional arrangements for this purpose. For instance, In Oromia regional state, Oromia Bureau of Land and Environmental Protection (OBLEP) and in Amhara regional state, Bureau of Environmental Protection, Land Administration and Use (BEPLAU) administer land and its natural resource in the respective regions. The rest regions have similar regional authority for this purpose. The local government, woreda and kebelle, administer land and its day-to-day issues. Kebelles handle day-to-day land issues. The kebelle are mandated with registration of household landholding and the woreda issues landholding certificate and keep the registry of issuance of the certificate.

3.2. Expropriation of Land for Large-Scale Agricultural Investment

The legal framework serving as the basis for allocation of land for the currently undergoing domestic and foreign large-scale agriculture investment started with FDRE constitution of 1995. And has been given effect through different proclamation - the Rural Land Administration and Land Use Proclamation No. 456/2005 and Expropriation of Landholdings for Public Purposes and Payment of Composition proclamation No. 455/2005. In the FDRE constitution Article 40(6) it is stated that 'without prejudice to the right of Ethiopian Nations, Nationalities, and Peoples to

the ownership of land, government shall ensure the right of private investors to the use of land on the basis of payment arrangements established by law. And according to Article 40(8) … the government may expropriate private property for public purposes subject to payment in advance of compensation commensurate to the value of the property.'

The Rural Land Administration and Land Use Proclamation 456/2005, was aimed at increasing tenure security, improve productivity and avoid expectation of land distribution. This is to be strengthened through registration of landholding and issuing certificates. The proclamation declare communal landholdings can be changed to private holdings including to private investors as may be necessary and laws of the respective region determine the duration of use by a private investor. The proclamation provides transferring of the land is done subject to giving priority to peasant farmers/semi-pastoralists (Article 5 (4)). Private investors that engage in agricultural development activities have the right to use rural land in accordance with the investment policies and laws at the federal and regional levels.'

In line with the rural land administration and land use proclamation the government carried out an extensive land registration and certification program from 2003 and 2010 (Holden, Deininger and Gebru 2007). This was a low cost program praised by international development organization including the World Bank. Though landholdings are registered and certificates are issued, the landholders have limited right over the land and tenure security. The landholder cannot use the land as collateral and the government can expropriate private landholding and convert communal rural landholding to private investment when found necessary to do so under the expropriation of private landholding for public purposes.

The Expropriation of Landholdings for Public Purposes and Payment of Compensation tends to contradict with the Rural Land Administration and Land Use proclamation. The former entitles the government with the power to take registered landholding for public purposes or to transfer to private investment. And consequently tend to go against the strengthening tenure security intended to happen under rural land administration and land use proclamation. According to the expropriation of landholding for public purposes upon payment in advance of compensation the government can expropriate rural or urban landholding for a better development project to be carried out by public entities, private investors, corporate societies or other organs. In line with this, the government has expropriated considerable amount of individual as well as communal

rural landholding and transferred to domestic and foreign investors for cut flower and large-scale agricultural investment over the past decade.

3.3. Foreign Agricultural Investment Framework

The flow of Foreign Directed Investment in Ethiopia started following economic liberalization reform that began in 1992. The reform was to eliminate constraints to the flow of FDI to Ethiopia and to established suitable environment for foreign investment. In 1992 Ethiopian Investment Agency (EIA) was established to facilitate both foreign and domestic investment, to promote and coordinate investment both before and after starting operations. Since then legislations, institutional arrangement and guidelines have been made at all levels from the central to the local level to facilitate the investment process.

An overall development strategy, namely Agricultural Development-led Industrialization (ADLI), was designed in 1993. In the strategy, agriculture was believed to be the fundamental economic sector on which all other sectors dependent and its development is the principal. Making the overall development strategy (ADLI) as their guiding framework, three-development plans were designed successively – Sustainable Development and Poverty Reduction Plan (SDPRP) for the years 2002 to 2005 (MoFED 2002), Accelerated and Sustained Development to Eradicate Poverty (PASDEP) for the years 2005 to 2010 (MoFED 2006) and Growth and Transformation Plan (GTP) for the years 2010 to 2015 (MoFED 2010). Rural Development Policy and Strategy (RDPS) and Food Security Strategy (FSS) were designed to implement these plans.

The Rural Development Policy and Strategy in during the SDPRP gave greater emphasis on smallholder agriculture and cultivation as engine of development. The strategy is to be rural centered and smallholder farmer were to get support not only from the government but also from international donor assistance. Efforts were to be made to improve the productivity of smallholder farmers through agricultural extension programs (e.g. use of chemical or organic fertilizers and improved seeds) so as to ensure food self-sufficiency, proper use of land, to expand small financial institutions (e.g. micro-finance institutions and micro-credit services) and social services (education and health facilities).

From the early 2000s there were indication of strategic shift in government interest to wards large-scale agricultural enterprises and FDI in agriculture while efforts made on smallholder

cultivation and production where remain intact. The 2001 Ethiopian Rural Development Strategy and Policy indicate government strategic shift towards commercial farms from small private capital to large-scale foreign directed investment (MoFED 2003).

A major shift towards commercial farm was seen during the Plan for Accelerated and Sustained Development to Eradicate Poverty - PASDEP (MoFED 2006). The plan placed greater emphasis on commercialization of agriculture and private sector development to accelerate and maintain economic growth and development so as to strengthen the struggle for poverty alleviation.

From 2007 both federal and regional governments started promoting investment in large-scale agriculture and looking for foreign investors. The government claims availability of vast land and water resources unused by peasants and pastoralists that could be transferred to investors under favorable conditions. In 2008 the Ministry of Agriculture and Rural Development was chosen to lead large-scale land deals and handle investment that exceed 5,000 hectares from the regions due to regions' poorly developed regulatory capacities. The benefits earned from the land leases are to be utilized by the respective regions. MoARD was mandated to provide information and technical assistance to attract investors, signing the contract, transfer land to the investor and undertake follow-up works. Land suitable for investment was made to be put into Federal Land Bank and to be made easily accessible for investors. In January 2009, Agricultural Investment Directorate was established within the Ministry of Agriculture and Rural development and given the responsibility to provide comprehensive technical and administrative support for investment above 5,000 hectares and respective regional to administer land less than 5,000 hectares and not put into Federal Land Bank. Environmental Impact Assessment is made one of the bases for making decision on investment application and Federal Environmental Protection Agency was given the responsibly to make the impact assessment and the regional counterpart or its sub-units to make its follow up. In 2009 the responsibility for Environmental Impact Assessment was shifted to Ministry of Agriculture and Rural Development but there is some scepticism as to the technical and institutional capacity of the ministry for environmental impact assessment (Rahmato 2011).

Issued in 2010, The Growth and Transformation Plan (GTP) emphasized on private agricultural investment in a way that was never seen in the preceding plans (MoFED 2010). Private large-scale investment (domestic and foreign) is foreseen as a strategy for rapid agricultural

development so as to ensure food self-sufficiency and the provision of inputs for industries. In the plan it was argued agricultural investment would enable 14.9 per cent growth in agriculture during the period and to double in 2015. It was further argued Ethiopia would meet the Millennium Development Goals (MDGs) in 2015 and join 'lower middle-income' countries in 2028 if the growth rate is sustained.

According to MoARD (2009), guideline for determination of land rental rates, the price of land leased for investment is determined depending on its proximity to the central market of Addis Ababa. The rental rate for a hectare of land within 100 kilometre radius of the capital are set to be Birr 2,660 for irrigable land and Birr 2,541 for rain-fed land. On an investment site located 700 kilometres away from the capital the rate for a hectare of land is set to be Birr 111 for rain-fed agriculture and Birr 158 for irrigable farm and increases by Birr 4.05 per kilometre as it mover closer to the capital or declines by the same rate as it draws away from the capital. Alemu (2012) argues the absence of determining water use separately in the MoARD guideline for determination of land rental rate implies water use is free. Comparatively, the land lease rate in Ethiopia is smaller than in the investors' country and they are set lower as one of the incentives to attract foreign investment.

3.4. Incentives to Attract Investment

Ethiopia offers very attractive incentive packages for investors engaged in commercial agribusiness. The Federal Investment Promotion Act (375/1996, 249/93 and 543/2007); and Labour Proclamation No. 466/1997; and Land Administration and Land use Proclamation Act 456/1997 and other subsequent regulation provides wide range of favourable investment climate and incentives for both domestic and foreign investors.

The Investment Proclamations No. 280/2002 and Regulations Governing Inventive Provided to Domestic Investors (Council of Minsters Regulation No. 84/2003 and its Amendment No. 146/2008) are intended to determine the capital requirement and incentives to attract investors including in large-scale agriculture development. The investment proclamation declares any foreign investor to be allowed to invest in Ethiopia is required to allocate a minimum capital of USD 100,000 for a single investment project and USD 60,000 for investing jointly with domestic investor. If an investor is re-investing its profits or dividends or exporting 75 per cent of its outputs, there is no minimum capital requirement.

The Council of Ministers investment regulations provide incentives for investors depending on the proportion of export of their produce, type of investment and location of investment. The investment regulations provide five-year of tax exemptions and could extend to seven years under special circumstances for investors that export at least half of their produce; and two years of tax exemptions for those exporting less than half of their produce. It is argued; the priority given for export oriented investments and their level of foreign exchange earning with respect to investment in agribusiness undermine boosting domestic food security (Rahmato 2011, Alemu 2012). Investors that invest in comparatively underdeveloped regions (Gambella, Benshangul Gumuz, South Omo, Afar and Somali Region) are eligible for an additional one year of tax holiday. Investors that invest in priority area like agro-processing industries will get land at reduced rate and are eligible to borrow 75 per cent of their capital from Development Bank of Ethiopia. An investor can use the land and/or an asset produced on the rented rural land as a mortgage for the period of the lease. According to United States Department of state (2010) Investment Climate Statement on openness to foreign investment, the Ministry of Agriculture and Rural Development offers a seven years grace period for land rents.

An investor is allowed to import capital goods; construction material and spare parts free of custom duties. A foreign investor has the right to fully repatriate profit and dividends; external loans principal and interest payments; proceeds from technology transfers, asset sales in the event of liquidations; and the transfer of shares or ownership to domestic investors in convertible currencies.

The Investment Proclamation provides guarantees against expropriation of investment for both domestic and foreign investors except in cases of expropriation for public purpose where full market value in compensation would be paid. Such expropriation happens under the context of expropriation for public purposes and payment of compensation if the land is found to yield better public purpose that what it is being used for. Ethiopia is a member of International Centre for Settlement of Investment Dispute between a State and National of other State, Multilateral Investment Guarantee Agency and The World Intellectual Property Organization (organization or agencies committed to provide investment guarantee and protections). It has signed bilateral investment agreements with many countries.

3.5. Aim and Targets of Large-Scale Agricultural Investments

According to Investment Proclamation No. 280/2002, 'the aim of agricultural investment to improve the living standards through the realization of sustainable socio-economic development'. Large-scale foreign agricultural investment in particular is aimed to produce export crop and hence increase the country's foreign exchange earning; to expand agro-industrial crop for industries like cotton and sugar; to create employment opportunities in the investment area; to benefit local community through the construction of social service and infrastructure; to get new knowledge of production – technology transfer; and to strengthen food and energy security (Rahmato 2011; Alemu 2012).

The early years of foreign directed investment in agriculture was seen in horticulture or cut flower investment. So far some 4,000 hectares of land has developed for cut flower majorly by companies from the Netherlands (MoARD 2010). It was claimed horticulture investments were carried out without alienating peasants because of vast reserve of state land.

At present, the government upholds Ethiopia has 'abundant land having accessible sufficient water resources' and was not used by peasants, pastoralist and others and could be developed through investment. Ministry of Agriculture and Rural Development put the land size of Ethiopia at 111.5 million hectares out of which 74.3 million hectares are suitable for annual and perennial crop production. The ministry estimate only about 15 million hectares of these are under cultivation. But there is no precise figure of potential available land for large-scale agricultural investment in Ethiopia. Rahmato (2011) and Alemu (2012), for instance, have arrived at different figure in the same report prepared by MoARD. In the report the MoARD suggested 54 million ha which seems with the help of simple calculation available land minus the cultivated land. This was considerably reduced to 10 million ha in the later pages of the report.

In spite of conflicting figures reported at different times, it is estimated that Ethiopia has 4.8 million ha potential for large-scale agricultural investment of which more than 3.5 million hectares are submitted to the federal land bank (Rahmato 2011). The World Bank (2010) puts the amount of land transferred to investors in Ethiopia at 1.2 million. In July 2011, according to data from EIA, land licensed for foreign agricultural investment has reached 4.2 million hectares (Rahmato 2011; Alemu 2012). The government envisions transferring 3.3 million hectares to both domestic and foreign investors at the end of the Growth and Transformation Plan in 2015.

According to Rahmato and Alemu based on government own sources noted if the current plan implemented without any change, nearly 7 million hectares would be in the hands of large-scale agricultural investors at the end of Growth and Transformation Plan in 2015. This would be a third of land under cultivation at present in Ethiopia.

Another is potential for irrigation. According to the Federal Ministry of Mines and Energy Biofuel Development and Utilization Strategic document (Mom 2007), Ethiopia has 4.3 million ha potential for irrigation. Out of this only 160,000 hectares have been developed so far. The following table shows the potential land for investment in different regions and the amount of land the regions transferred to the custody of federal land bank to be easily assessable by investors.

Table 3: Potential land for investment and under federal land bank in Ethiopia (in hectares).

Region	Potential land for investment	Land submitted to Federal Land Bank
Amhara	N/A	420,000
Afar	N/A	409,678
Benshangul and Gumuz	1.4 million	691,984
Gambella	1.2 million	829,199
Oromia	1.7 million	1,057,866
SNNPRS	0.5 million	180,625
Total	**4.8 million**	**3,589,352**

Source: Adapted from Rahmato (2011:11).

Note: Alemu (2012) shows the amount land only in four out of the six regions above (Benshangul and Gumuz, Gambella, Oromia and SNNPRS) submitted to the federal land bank at 3.6 millions hectares. If the land put into the federal land bank from the two regions (Afar and Amhara) are included the amounts land from the six regions amounts to 4.5 million hectares.

The determination of potential land for investment is not without problem. According to Rahmato (2011), the estimation of 'cultivated land' in Ethiopia is based on satellite mapping that put the extent of 'cultivated land' at less than 20 per cent of the total land imagery for agriculture in the country. Depending on this premise it is claimed that there is plenty of land that is uncultivated and could be handed over to investors for development. Rahmato argues defining 'cultivated land' on such basis is misleading as the definition is too narrow and does not include land from which peasants and agro-pastoralists access resources vital for their livelihoods. Such resources include grazing lands that includes pasture and grasslands, forest including woodland and useful plants as well as transit corridors, pathways and access to water resources. Determining

availability of land comparing with 'cultivated land' means considering land under individuals holding that does not comprises resources from which an individual makes a livelihood. Failure to take such resources vital for local livelihood in to account in land deal and negotiation processes and its implementations were observed in this study. The findings are presented in chapter six.

The 2005 Poverty Reduction Strategy Papers has incorporated domestic and foreign investment on empty and unused lands in peripheries or lowlands where infrastructure is underdeveloped and there is limited labour and prevalence of diseases like malaria and tsetse fly and discourages labour-intensive investments (MoARD 2006). The government maintains, as opposed to the past it has expanded transport and other necessary infrastructures to these areas that then has increase investors interests. The peripheries were marginalized and left behind during previous regimes and the current government is taking steps for enclosure and conversion of these areas to productive ones through mechanized agricultural practices (Makki & Geyser 2011).

Foreign investors started showing interest following passing of the Investment Proclamation. Allocating land has been going since the 1990s but these were only domestic investors until 2002 and the land allocated was less than 500 hectares (Rahmato 2011). This was initially seen in floriculture investment and its effectiveness has attracted more investors from 2003 to 2007. Investors in large-scale agriculture began to emerge in 2006 and following the 2007 - 2008 food and financial crisis; demand for large tracts of land has increased dramatically. In 2009, about 500 foreign investors have obtained land individually or on joint venture bases with domestic investors (*Ibid*). Based on data obtained from Ethiopian Investment Agency (EIA), Alemu (2012) put the number of foreign agricultural investment projects licensed between October 1995 and July 2011 at 1,055 projects. Of these projects, 837 are on pre-implementation phases, 92 are under implementation and 126 are operational. Foreign investors are preferred over domestic ones because they are perceived to have better capital, technology and consequently become effective than domestic ones.

3.6. Foreign Investors in Large-Scale Agriculture and their Origins

Foreign investors in large-scale agriculture in Ethiopia are mix of private, state and state affiliated companies from different parts of the world - the Middle East, Asia, Europe and United States of America. Companies from India are the largest both in number and the amount of land leased.

More than 35 companies have leased large tracts of arable land in different parts the country ranging from 25,000 hectares to 100,000 hectares of which Gambella Region is the most targeted one (Rahmato 2011; Alemu 2012). The largest of these companies are Karaturi Agro Plc., a Bangalore based private company, that has acquired 100,000 hectares and to get another 200,000 hectares provided that it has developed half of the land it has acquired during the first year of its operation.

Table 4: Indian origin large-scale agricultural investment in Ethiopia

Investor	Amount of land	Duration	Purpose
Karuturi Agro-Product Plc.	311,700 ha	50 years	Palm oil tree, cereals and pulses in Gambella and Oromia region
Emami Biotech	100,000 ha	N/A	Jatropha and edible oil seeds
S and P Energy solutions	50,000 ha	N/A	Biofuels and edible crops
Shapoorii Pallonii	50,000 ha	N/A	N/A
Almidha	28,000 ha	N/A	Sugarcane
BHO Bio	27,000 ha	25 years	Cereals, pulses and edible oils
CLC Industries	25,000 ha	50 years	Cotton
Ruch Soya	25,000 ha	25 years	Soya beans
Sannati Agro Farm Enterprise	10,000 ha	25 years	Rice, cereals and pulses
Whitefield Cotton Farm	10,000 ha	25 years	Cotton
Razia Agro Industry	N/A	N/A	Sugar Mill in Oromia
Vadanta Harvests	3,012 ha	25 years	Tea and allied crops
Uttam Sucrotech	N/A	N/A	Expansion of Wonji-Shoa Sugar Mill
Neha International	N/A	N/A	Floriculture, rice, maize, oilseeds pulses in Oromia region
Green Valley Agro Plc.	5,000	N/A	Cotton farming & related activities
JVL Oversea PTE Ltd	5,000	N/A	Cotton Farming & Related Activity

Source: Media Advisor (Mittal and Parulkar 2013)

Karuturi Agro Product Plc. has leased another 11,700 hectares in May 2008 in Bako-Tibe woreda of Oromia region for 40 years mainly to grow palm oil tree as well as cultivate maize and rice. (This study has examined the impact of Karuturi Bako-Tibe investment project on local livelihood and the findings are presented in chapter six and seven). The company has investment in cut flower in Oromia region. Other Indian origin large-scale agricultural investments are presented in table 2.2 above.

Table 5: Publicized Other small and large-scale agricultural investment in Ethiopia

Investor	Origin of Investor	Type of Investment	Amount land (*in ha*)
Adama	Ethiopia	Cotton	18,516
Daniel Agricultural Development Enterprise	Diaspora	Cotton and grains	5,000
Lucci Agricultural Development PLC	Ethiopian	Cotton	4,003
Mela Agricultural Development PLC	Ethiopia	Cotton	5,000
Rahwa	Ethiopia	Cotton and Grains	3,000
Reta	Diaspora	Cotton and grain	2,137
Tsegaye Demoze Agricultural Development	Diaspora	Cotton, Sesame& Soybean	1,000
Keystone	Diaspora	Horticultural and Crops	431
Access Capital	Ethiopian	Sesame and beans	5,000
Saudi Star Agricultural Development	Saudi	Rice	10,000
Huana Dafengyuan Agriculture	China	Sugar Cane	25,000
Kehedam Trading	Diaspora	Oil Crop	3,000
Dr. Tamie Hadgu	Diaspora	Cotton, Seeds	5,000
Bruhoye	Ethiopia	Cotton, Soya bean and	5,000
ASKY Agricultural Development	Ethiopia	Cotton	3,000
Tracon Trading Pvt. Ltd/Co.	Ethiopia	Cotton	5,000
Toren Agro Industrial Plc	Turkey	Cotton and soya bean	6,000
Tigabe Agro Industry	Ethiopia	Cotton	3,000
Getafan Mechanized Farming	Ethiopia	Cotton, fruits, oil, crops and pulses	3,000
Agro peace Bio Eth Plc.	Israel	Production of castor oil & cotton as principal	2,000
Al-Mehadi Match Marks Plc	Pakistani	Match Stick tree Plantation	1,000
Gashewu Bezu Takele	Diaspora	Cotton	3,000
Hash Agro Industrial Plc.	Ethiopian	Cotton	14,704
Horizon Plantation Plc.	Ethiopian	Ground nut farming and related	20,000
Mamay Mihret Nega	Diaspora	Cotton	3,000
Omo Vally Farm Cooperation Plc.	Turkey	Cotton	10,000
Tikmit Agricultural Plc.	Ethiopian	Cotton	3,000

Source: Federal Ministry of Agriculture and Rural Development Internet portal, Retrieved on January 12, 2013 Available at http://www.moa.gov.et/node/150

There are claims that half of the land earmarked for large-scale agricultural investment is to be positioned to Indian companies (*Ibid*). Other publicized Indian origin large-scale agricultural

investors are Ruchi Agri Plc. that has lease 25,000 hectares for soya bean farm for 25 years and Biho Bio Products Plc. that has leased 27,000 hectares in Gambella region for cereal crops, pulses and edible oil crops for 25 years.

Investors from the Middle East are the next prominent ones following investors from India. Sheik Hussein Al-Amoundi, who has dual citizenship of Ethiopia and Saudi, and Saudi Star Agricultural Development Plc. are the largest investors from the region in terms of land size they leased. The company leased 10,000 hectares in Gambella region for 50 years for rice farm and is awaiting decision from MoARD to expand to 250,000 hectares. Publicized non-Indian origin foreign large and small-scale agricultural investments in Ethiopia are presented in table 2.3 above.

4. ANALYTICAL FRAMEWORK

4.1. The General Theory of Eminent Domain

The general theory of eminent domain helps to explain expropriation of landholding for large-scale agricultural investment in Ethiopia. The theory refers to the power of a government to take private property for public purpose, or transfer the property to an alert ego such as public utility or third party who devotes the property for the same purpose, following a just compensation for the owner of the property given up (Stoebuck 1972). There are different ways in which property interest is transferred from an owner to another. According to the general theory of eminent domain (Stoebuck 1972), transfer amount to exercise of eminent domain power: first, if the transfer occurs between an individual and a state, or some alter ego of the state such as a public utility; second, the transfer is compelled over the transferor's immediate, personal protest. The property taken could be devoted for public use by the government or transferred to delegated third party who will devote the property for the same purpose. In some cases the taking could be for economic development (e.g. to increase tax bases and create job) and the taking of the property could extend to personal properties like contracts, copyrights and patents.

The power of eminent domain was first endorsed in Magna Karta in UK and as part of the bill of right in the United States (Dalton 2006). According to the Fifth Amendment to the US bill of rights, no person shall be deprived property without due process of law; nor shall private property be taken for public use, without just compensation. The exercise of the power of eminent domain is controversial whether government can condemn a property to increase its tax base or take or transfer a private property and if these acts do constitute public purpose (*Ibid*). Traditionally, it was exercised to take land to build government and public buildings, build defence installation, to construct road and waterways and other public facilities (Stoebuck 1972). Overtime its legal bases have been extended through amendments and favoured in both urban and rural development (Dalton 2006). Now it is an inherent and necessary power of all governments and exercised unless the law does not allow government to do so (Stoebuck 1972). Under different legal system, eminent domain exercised and referred in different tone. It is referred as

compulsory purchase in United Kingdom, New Zealand and Ireland; resumption or compulsory acquisition in Australia and expropriation in Ethiopia, South Africa and Canada.

In Ethiopia, eminent domain power is enshrined in the constitution and has been given effect through proclamations. It is endorsed in the federal constitutions Article 40 on 'right to property ownership' and Proclamation on 'Expropriation of Landholdings for Public Purposes and Payment of Compensation' No. 455/2005. The federal constitution endorses the power of government to expropriate private property in general. According to Article 40(8), 'The government can expropriate private property for public purpose subject to in advance payment of compensation commensurate to the value of the private property taken. The proclamation on expropriation of landholding specifically endorses government power to transfer rural landholding to private investors. This occurs when the transfer of landholding is believed to bring better social and economic development opportunities. It is worth quoting Article 3 of the proclamation No. 455/2005 on expropriation of landholding for public purpose and payment of compensation:

> 'A woreda or an urban administration shall, up on payment of advance of compensation, ***have the power to expropriate rural or urban landholdings for public purpose where it believes that it should be used for a better development project to be carried out by public entities, private investors, cooperative societies or other organs,*** or where' such expropriation has been decided by the appropriate higher regional or federal government organ for the same purpose'. (*Emphasis added*)

The 'rural land administration and land use' proclamation No. 44/2005 similarly entitles the government with the power to convert rural communal landholding to individual landholding. It can transfer communal rural landholding to private investors for better public benefits. Rural communal landholdings are land destined for local resident for grazing, forestry and other social purposes.

The theory of eminent domain power has three fundamental concepts - the requirement of compensation, the public-purpose limitation, and the property concept (Stoebuck 1972). These are specifically endorsed in Ethiopian proclamation on expropriation landholding for public purposes and payment of compensation.

4.1.1. The Compensation Requirement

According to the concept of compensation requirement, government taking of private property interest shall take place by paying compensation equivalent to the fair market value of the

property given up (*Ibid*). Compensation for property interest given up not only paid in monetary value; it could be paid through replacement or indemnification for the property. According to the Ethiopian 'expropriation of landholdings for public purposes and payment of compensation, 'a landholder whose landholding has been expropriated shall be entailed to payment of compensation for his property situated on the land and for permanent improvements he/she made to such land'. As to the proclamation states, compensation is not paid for an expropriated land as land in Ethiopia already belongs to the state. The compensation for property situated on the land expropriated is determined on the bases of its replacement cost while for improvement made on the land compensation equal to the value of capital and labour expended is paid. In cases where the expropriation of land holding involves displacement, the landholder shall be paid displacement compensation which is ten times the average of annual income the landholder secured during the last five years preceding the land expropriation. This is in addition to compensation for the expropriated landholding including properties situated on it and improvements made to the land. In cases of displacement where replacement for expropriated landholding not made automatically, the landholder shall be paid an average of annual income during the last five years preceding the expropriation until the replacement takes effect.

4.1.2. The Public-Purpose Doctrine

Public-purpose or public use is the second central concept to the theory of eminent domain. In situation where government exercises eminent domain power, public purpose is given as a justification for the taking or a transfer of the property to delegated third party who devotes the property for public purpose. What constitutes public purpose or use is usually defined in the constitution. This is intended to limits the government or other concerned government body from misuse or abuse of authority in the name of eminent domain power to take private property. According to the public purpose or public use doctrine, government can only take or transfer property for a higher public use (Stoebuck 1972). In Ethiopia, any level of government makes decision on expropriation of landholding for public purpose. This decision is made based on development plan or urban structural plan and intended to make the people beneficial directly or indirectly in a way it consolidates sustainable social and economic development.

In the context of expropriation of landholding in Ethiopia, public purpose doctrine helps to see the public benefits of investments in two aspects. First, from perspective of the goal of utilizing

the land expropriated in a more productive way and revenues generated from the land lease. The former has the potential of stimulating local development while the later has increasing government spending capacity that then indirectly devoted for similar purpose. Second, it helps to see the investment from the perspective of export diversification and promotion and increasing the foreign currency reserve of the country. This is also important for the country in itself, but exporting food crops has potential negative impact on domestic food price and food supply.

4.1.3. The Property Concept

Eminent domain concerns the transfer of property - the taking of a property and/or transfer of the property to a third party. The definition of property could differ under different legal system. According to property concept in eminent domain, property refers 'every species of interest in land and things of a kind that an owner might transfer to another private person' (Stoebuck 1972). It included not only the property (real or personal) transferred but also property interests associated with it that the owner might grant, convey, assign, release, sell, or lease to anyone (*Ibid*). When it comes to interest in land and associated resources in Ethiopia, according to the constitution the state owns and controls urban and rural lands and associated resources. The constitution guarantees rural peasants and pastoralists, lifetime holding and associated land use right except sale and mortgage. Individual land user rights are made effective through land registration and certification. An individual (a household) landholding means that there is someone not only using it but also the use is registered and certified. The law imposed restriction on different land use right like, lease, rent, inheritance and donation. As land ownership and control rests in the state, individual are entitled to compensation for property situated on the land and for permanent improvements the owner made to the land expropriated according to the proclamation on expropriation landholding for public purposes and payment of compensation. Expropriation of registered individual landholding makes the land used eligibility for payment of compensation under normal conditions. Unregistered land uses and communal rural landholding used for local livelihoods activities (e.g. grazing and forest based economic activities) are not eligible for compensation in cases of expropriation do to lack of registration of determined individual use.

The theory of eminent domain is used in this study not in the sense that the government for public purpose expropriates land but in the sense that the government being the transferee expropriates

such land and transferred to investor to promote local social and economic development directly or indirectly. 'Eminent domain power' is exercised and 'public purpose or use' is given as a justification in the land transfer process. The investments are intended to exploit possible agricultural potential of unused and underutilized land and promote local development opportunities and contribute to poverty reduction. It seems within the concept of public use doctrine that international codes of conducts are enacted to govern large-scale agricultural investments so as the investment yield a win-win-win outcome for the investor, the government and the local people. These make eminent domain power applicable as one of the analytical framework for this study. The concept of property and the requirement of compensation are important to examine the process of land deal and acquisition. The public use or purpose doctrine is important to examine the benefits of the large-scale agricultural investment for the people, particularly the benefits the investment generate for the local people that are directly or indirectly affected by the change in the use of land and associated local resources.

4.2. Rural Livelihood and Diversification

Livelihood is commonly defined in relation to sustainable livelihood approach whereby livelihood comprises three elements that are referred as means and ends to each other: capabilities, assets (stores, resources, claims and access) and activities for means of living'' (Chambers and Conway 1991). Capability refers to the ability to perform basic functioning, to what a person is capable of doing and being (Sen 2000). It is the capabilities to be adequately nourished, comfortably clothed, to be able to avoid escapable morbidity and mortality, to be able to keep track of what is going on and what others are talking about. Ellis (2000:7) argues essentially 'capability' as component of definition of livelihood in Chambers and Conway is confusing since its meaning overlaps assets and activities. In addition, Ellis argues 'access' has much stronger influence on livelihood than as considered in Chambers and Conway definition. In Chambers and Conway, 'access' is subsumed under 'assets' referred as different type of capital, opportunities and activities to which an individual or a household has access. Consequently, Ellis (2000:15) modified the definition of livelihoods by bringing the notion of access in stronger way wherein livelihood "comprises of the assets (natural, physical, human, financial and social capital), the activities, and the access to these (mediated by institutions and social relations) that

together determine the living gained by the individual or household". This definition is adopted for the analysis in this thesis.

4.2.1. Income and Livelihoods Diversification

In Ellis (2000:11-12) rural livelihoods activities and incomes are differentiates into three but these differentiation are not hard-and-fast rule governing income classification. The first is farm income that refers to income generated from own account farming that comprises of income from crop production and livestock raring, and that could be devoted for consumption in-kind and sold for cash income. The second is off-farm income that refers to wage or exchange of labour on other farms that could comprises of labour payment in kind such as labour sharing in harvest between neighbours and local community, and other non-wage labour contracts. Off-farm income could include income from environmental resources, such income from private forest and wild forest devoted for consumption or commercialized. The third is non-farm income that refers to non-agricultural income from non-farm rural salary and wage employment, non-farm rural self-employment, rental income secured from leasing or renting land and property, remittances that could include urban-rural domestic transfers, cross-boundary or international transfers, and other urban-to-rural transfers like pension payment to retirees. Ellis (2000:10) notes "the level or amount of individual or household income depends at a given point in time is the most direct and measurable outcome of livelihood process".

Diversity and diversification are another important concept in the context of livelihoods analysis. Based on Ellis, explained in simpler terms 'diversity' is multiple income sources and 'diversification' is multiplying income sources. According to Ellis, in rural livelihood context, diversification involves diversifying income sources away from own account farming and can be defined as "the process by which rural households construct an increasingly diverse portfolio of activities and assets in order to survive and to improve their standard of living" (p.15). Figure presents a diversified rural livelihood that illustrates the linkage of the three elements of livelihoods.

4.2.2. Framework for Rural Livelihood Analysis

Livelihoods asset are the starting point in livelihood analysis. It is "the basic building blocks up on which households are able to undertake production, engage in labour market, participate in

reciprocal exchange with other households" (Ellis 2000:31). Livelihood asset is stocks of capital owned, controlled, claimed or through some means accessed by individual or household and that may be utilized directly or indirectly (*Ibid*). These include natural, human, financial, social and physical capitals.

Livelihood comprises:

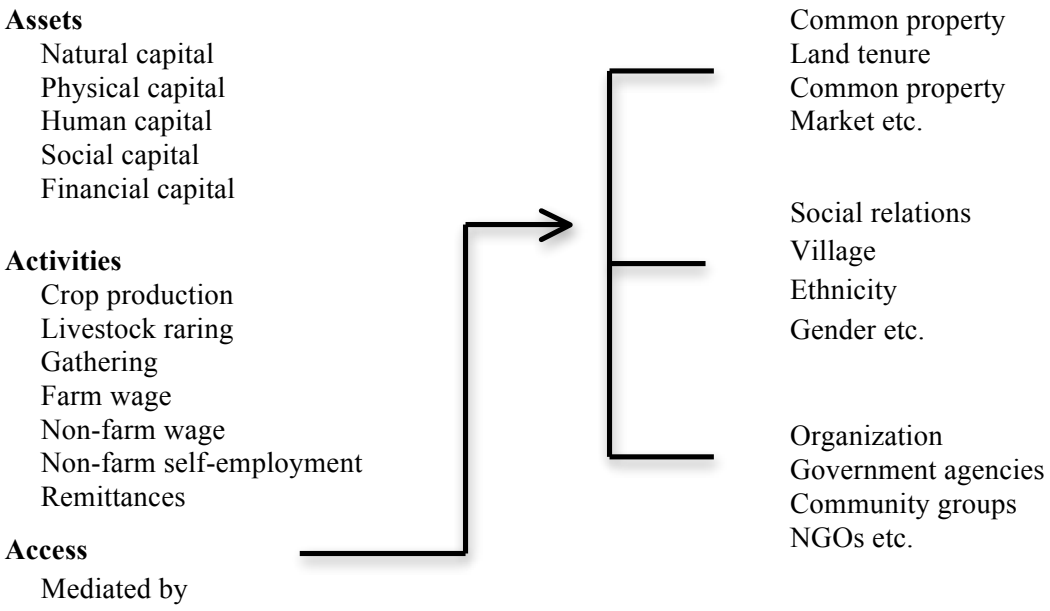

Figure 1: A diversified rural livelihood (Frank Ellis 2000:16)

The translation of livelihood assets into a livelihood strategy composed of income earning activities is dependent on mediating processes such as contextual social, economic and policy considerations (Ellis 2000:37). According to Carney (1998) the contexts mediating livelihood can be categorized as 'vulnerability context' and 'transforming processes'. Vulnerability context are shock, trends and seasonality while the transforming processes are government level, private investors, policies, culture, and institution. The interaction between the transforming structures and processes will lead to a livelihood outcome that would be one or combination of outcome that could be more income, improved wellbeing, improved food security, reduced household vulnerability contexts (shocks, trends and seasonality) and more sustainable use of local natural resource base … etc. Livelihood strategies are composed of activities that generate the means of survival (Ellis 2000). According to Ellis, the strategies could be natural resource based activities (like gathering, food cultivation, livestock keeping, pastoralism, non-farm activities …etc.) or

non-natural resource based activities (like rural manufacture, rural trade, remittances and other transfers. Livelihood strategies are dynamic and could be diversified to respond to pressures and opportunities, and in cases of shock household find coping strategies that will establish a different mix of livelihood strategies obtain than from before (*Ibid*). Under such situation a diversified livelihood promotes flexibility and positively contributes to proneness to stress and shock.

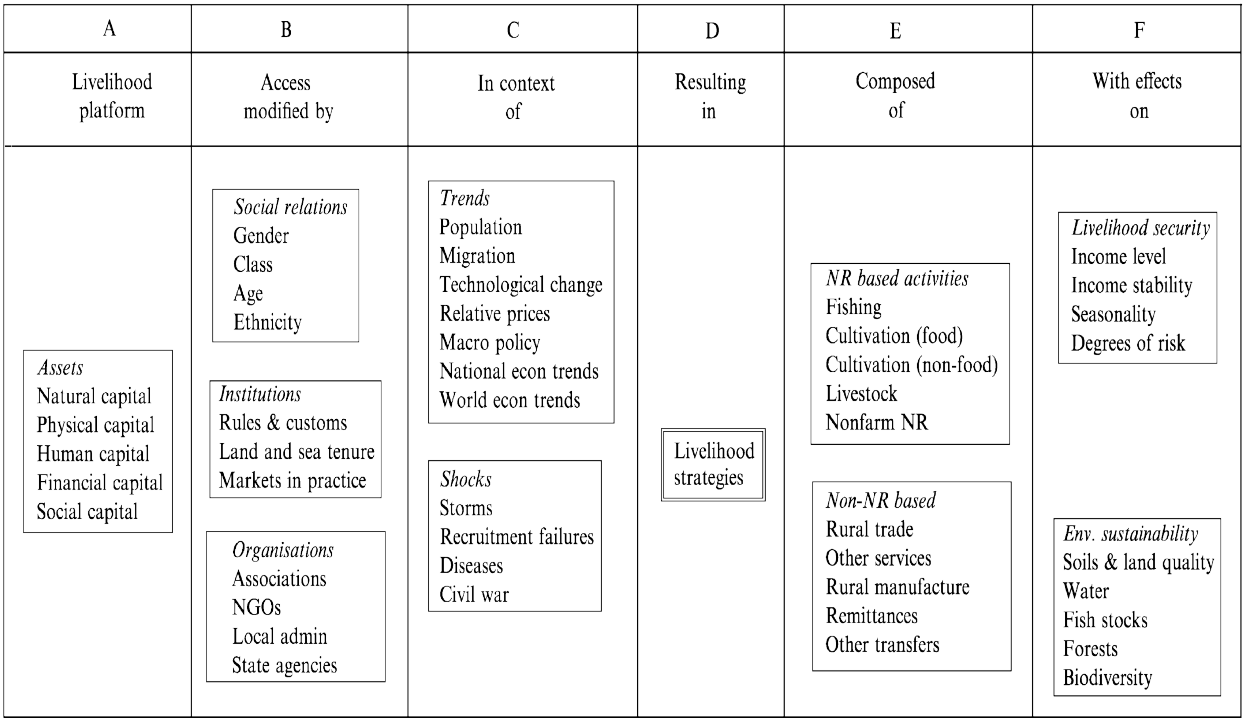

Figure 2: A Framework for micro policy analysis of rural livelihood (Allison & Ellis 2001:379).

4.3.3. Large-Scale Agricultural Investment and Livelihood

Large-scale agricultural investment carries both risks and opportunities that affect rural livelihoods diversity and diversification. On the one hand, stated objective of the investment is to generate different development opportunities for local people that are directly or indirectly expected to improve household capability and improve household welfare. This in a way leads to the expanding and strengthening of local livelihoods. Distribution of the opportunities created by the investment is essential to examine here. This relates to whether women and the poor are sharing the benefiting of the investment as well as whether the opportunities created are intended for the local people directly affected by the investment or for people from other places.

On the other hand, the investment leads to loss local resources bases necessary for making a living such as farm and communal grazing land, local forest and woodland, and local water resources for livestock drinking and irrigation away from the local people. These changes directly or indirectly lead to the construction local livelihood diversity and affects livelihood diversification options. The net effect of the investment on local livelihood depends on the combine effect of the risks and opportunities carried by the investment.

5. RESEARCH METHODOLOGY

5.1. Description of the Study Area

This study was conducted on large-scale foreign agricultural investment owned by Karuturi Agro Products Plc. located in Bako-Tibe Woreda, in Western Shewa Zone of Oromia Regional State of Ethiopia. Bako-Tibe Karuturi Agro Product Plc. is located about 250 kilometres away from the capital, Addis Ababa, 16 kilometres from the nearest town Bako that is the administrative capital Bako-Tibe woreda, and 6 kilometres from a high way. The high way connects the western part of Ethiopia with the capital and passes through Bako town.

Bako-Tibe woreda lies between 1550 to 1670 meters above sea level. It constitutes three agro-ecological zones of 51% *kolo (*lower altitude*)*, 37% *weina dega (*mid-altitude*)*, and 12% *dega (*higher altitude*)*. The monthly mean temperature ranges about 18 to 23 degree Celsius. The investment project is located in the lower altitude of the woreda.

The study area has high population dynamics. According to the 2007 population and housing census, Bako-Tibe woreda has more than 123,000 with a growth rate of 2.9%. About 23,000 of the population live in urban (towns) while 100,000 live in the rural part (Central Statistical Agency 2007). Economically, the study area is predominantly dependent on smallholder agriculture in which crop production is the major one followed by livestock raring. The major crops grown in the area include maize, sorghum and *teff*. Red paper (*berbere*) is one of the major commercial crops (spices) in the area. Some parts of the area are accessible for traditional irrigation and to grow sugar cane, tomato and potatoes for personal and commercial purpose. According to the Woreda Agricultural Desk, there are improvements in agricultural productivity as a result of provision of agricultural inputs (fertilizes, improved seeds and pesticides) for farmers, but it is still low compared with the potential agricultural productivity of the area. Among others, this is due to the practice of old method of production, poor management of natural resources leading to soil degradation and exhaustions, shortage of market oriented agricultural crops, and low use of improved seeds and pesticides. Regardless of these, the area has untapped potential for crop production through both rain-fed and irrigation as well as with the help of ground water resources.

According to the woreda administration, about 63.5% of the total area of the study area is under cultivation, 16.7% is grazing land, and 6.7% is forestlands while the remaining 13,1% is attributed to be degraded, built-up and others. The natural vegetation in the area is very small and the existing ones are highly deforested. The soil is at risks of soil erosion and degradation. The topography of the area accelerates soil erosion and leaching. The local people use traditional ways of soil conservation and maintaining its fertility through fallowing, crop rotation, animal manure, check dams, terraces and cut-off drains. In the area crop production is vulnerable to crop diseases and pests including cut worm, boll worm, ape, monkey, rat and termite that occurs both on farm and in storage. The study area is characterized with high livestock stock population. But livestock extension packages (dairy, beef and poultry farming) are not adapted to the woreda.

The hills of Bako-Tibe woreda are rich in iron and aluminium compositions and free from waterlog. Most plain part of the woreda including land allotted for Karuturi Agro Product Plc. is covered with black soil, locally called *Koticha,* a waterlogging soil during wet season and make big open cracks during dry season. The hills are used for crop production while the low lying plains are used for grazing as well as crop production such as *teff,* oilseeds (locally called *nugii*) as well as sorghum in some parts. The investment project is located in the low lying plain part of the woreda adjoined by five kebelles - Bechera Odaa Gibee, Odaa Gibee, Tarkanfata Gibee, Odaa Kormaa and Amartii Gibee. Among these kebelles, the greatest part of the land given for the investment was located in Bechera Odaa Gibe kebelle. Gibee River flows on the right side of the project and likely flood part of the investment on this side during rainy seasons. There are other rivers (e.g. Abuko River) and small streams that flow towards the plain and used for irrigation by both the local people and for the investment.

With regard to rural social facilities and infrastructure, the study area reportedly has shortage of health facilities, schools, veterinary services, clean water supplies and other social infrastructure like roads and electric supply.

Ethiopia is composed of nine regions and two special city administrations organized in a federal system. The administrative system is based on a four-tier level of government. From top to down – federal (central), region, zone and kebelle. The kebelle is also subdivided in two three-tier administrative levels but these are often skipped, as they are informal administrative units created for ease of administration and control – Garee, Gooxii and Cell from largest unit to the smallest.

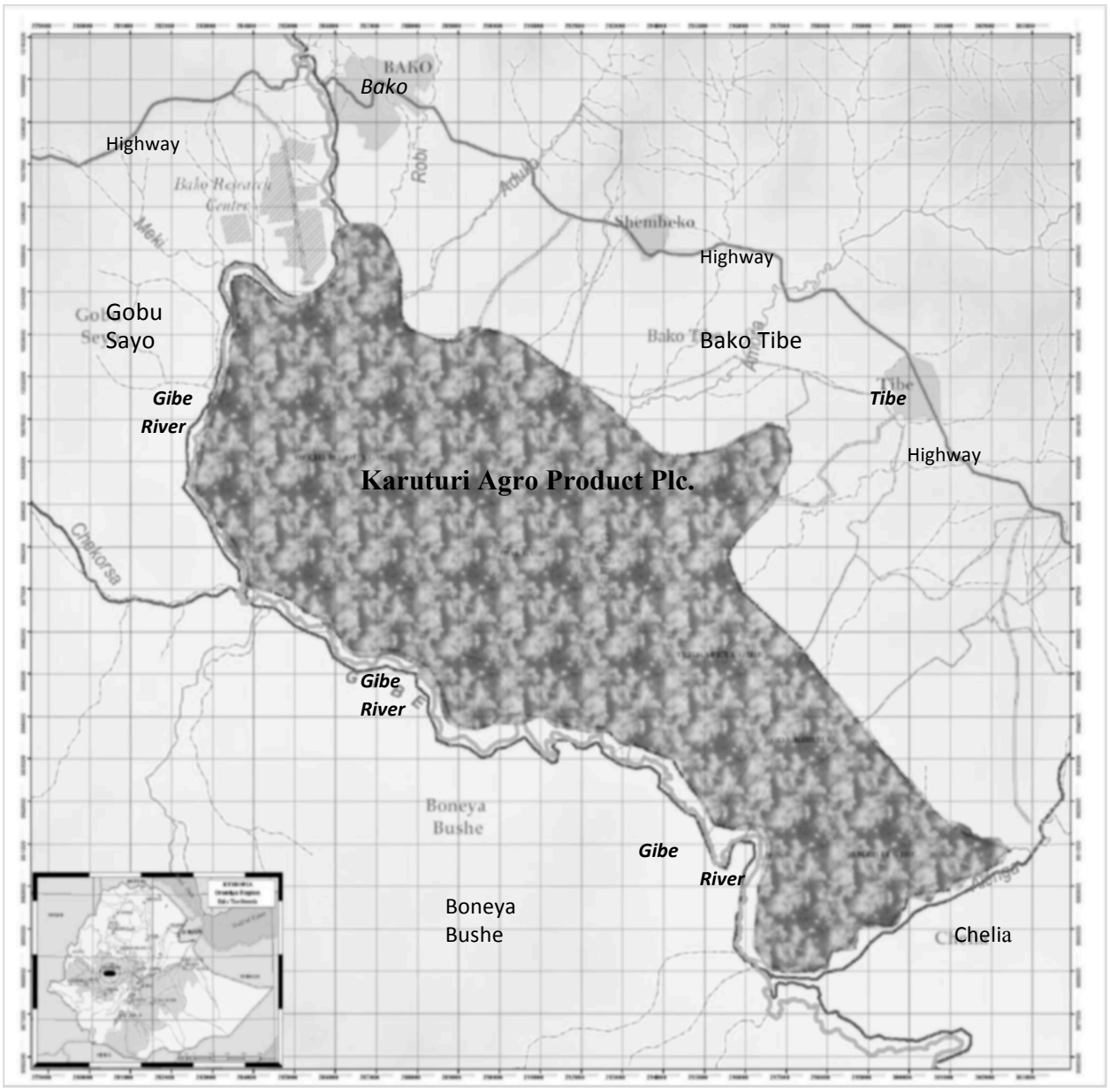

Figure 3: The study area (Modified from Fisseha 2011).

5.2. Research Approach

The study applied mixed method approach with quantitative and qualitative analysis. The quantitative approach is intended to conduct livelihood survey households adjoin the investment and have certain interests in land and related resources transferred to Karuturi Agro Product Plc. Qualitative approach is applied to collect unquantifiable data to complement data collected through quantitative approach. The data collected with quantitative approach is supported with data from qualitative approach. Qualitative approach is worth for this study as large-scale land

based foreign investments is emerging controversial development issue whose impacts are not well documented (Bryman 2008, Creswell 2003). There are problems of transparency and sensitivity of issue at hand and problem of flexibility when using quantitative survey, therefore, the use of qualitative methods was intended to overcome these problems and enrich the quantitative data. The study also demand approaching the local people and key informants face-to-face and get their experiences, perspectives and views regarding the impact of the investment happening in the area on local livelihood. Besides, qualitative approach allows purposive selection of information rich informants that may not be represented through random sampling techniques in the sample survey and whose experience, view and perspectives are worth to supplement the data collected.

5.3. Methods of Data Collection

The study involved quantitative and qualitative tools and techniques of data collection to gather data needed to answer the research questions. Household survey among quantitative tools of data collection and focus group discussion (FGD), semi-structured interview or qualitative interview, field observation and documents among qualitative tools of data collection tools were used.

Household survey is the main data collection tool for the study and used to collect household socio-economic data. The data collected include households' characteristics, assets, income and some contextual factors. The household attributes include household size, sex, age, education level, and economic activities. The household assets collected included landholding, livestock ownership, dwelling, machine and equipment, trees and plantations, and financial assets and savings. The household income collected included income from crop production, livestock, off farm self-employment, off farm wage employment, irrigation and plantations.

Focus group discussion (FGD) was used to collect qualitative data on changes in local livelihoods linked to the large-scale foreign agricultural investment happening in the area. In line with Patton (2003), the focus group involved local households who had some interests in the land allotted for the investment, have some sort of knowledge and experience of the process and practices of the large-scale foreign agricultural investments taking place in the area and expected to benefit from the investment in one way or another. The questioning made use of fairly tightly defined question and the data collected was based on interaction within the group and the joint construction of their experiences of and perspectives on the investment. The researcher assumed,

when people are questioned together they will raise significant idea, could argue on and clarify it, and also challenge and interrogate each other. This enabled to get in depth information on the impact of the large-scale foreign agricultural investment on socio-economic activities of the local community.

The FDG question emphasis on changes in access to and use of land, communal grazing land, local forest and water resources; changes in land use security and land price; competition and conflict over use of local resources; changes in local market, businesses, infrastructure and services; and changes in production techniques and technologies followed locally. The FGD was conducted based on semi-structured interview guides prepared in advance and the views generated were tape-recorded.

Document data collected includes government white papers; statistics and other policy documents concerning large-scale land based foreign investments in agriculture. The documents were not primarily produced for this study purpose but already produced for other purpose and out there and collected because of their relevance for the study (Yin 2003). Relevant and available documents were requested and collected especially from local government bodies - woreda administration, woreda investment desk and woreda agriculture desk. Ethiopian legal and institutional framework, contractual agreements and others were collected from where and when available. The data at this level were used to get understanding of the policy and its expectations, foreign investment legal and contractual framework and the process and practices of large-scale land based foreign investments are concluded and to highlight areas of possible conflict. The Internet was also potential source information for the study.

Field observation was conducted as part of the fieldwork to observe in and around the investment area. It is conducted to make sure claims made by local people when carrying out the household survey and during FGD with local households. It comprised of observations of land allotted for the investment and its boundaries with local landholding, available gazing lands, walk ways (corridors) for local people and livestock and social infrastructures and services and others. Field notes were taken from the observations and used to complement data collected through other tools.

Qualitative or semi-structured interview conducted with government officials and purposively selected local households, as they were believed to be information rich for the information

intended to be collected. Qualitative interviews were also conducted with some participants of the FGD and others from the local community. The researcher believed that because of the nature of the topic of the study, participants of the focus group interview might have reservations to openly declare their experience, views and perspectives when interviewed in together. Thus, the qualitative interview is intended to gain additional information and to bridge the information gap that might happen. Field notes were taken as necessary and later coded and organized to complement the data from the FGD. In line with Bryman (2008), 'a series of mostly general questions that are in the general form of an interview guide but in which the interviewer is able to vary the sequence of the questions as well as ask further questions in response to what are seen as significant replies were designed and used. As Patton (2003) noted the qualitative interview helped to get experience, knowledge, attitude and perspectives of the key informants and others participated in the interview.

Table 6: Summary of the research methodology

Research Approach	Research Method	Participants	Sampling Technique	Data Type
Quantitative	Household survey	88 local households from 3 kebelles	Random Sampling	Primary (Livelihood survey)
Qualitative	Focus group discussion	20 local households from three kebelles	Purposive and Convenience	Primary (Audio records)
	Documents	Relevant documents from woreda, zone and region	_	Secondary (Documents)
	Qualitative Interview	4 households and 3 key informants from woreda offices	Purposive sampling	Primary (Audio records and field notes)
	Informal Interview	Informants at woreda, zone, region and federal as well as 5 households from local households	Purposive and Convenience	Primary (Field notes)
	Field Observation	Around the investment and in the local communities	__	Primary (Field notes)

5.4. Participants of the Study and Sampling Method

The household survey involved a randomly selected 88 households after consultation with the local administration; kebelles households' registry and local development agents (DAs) from purposively selected three kebelles surrounding the investment. Largest part of land expropriated

for the investment was located corresponding to the three kebelles selected. These are sample of 40 households from 161 households in Bechera Odaa Gibee, sample of 22 households from 203 households in Odaa Gibee and sample of 26 households from 185 households in Tarkanfata Gibee. The sample size selection from the three kebelles was relative to the proportional land that was being accessed corresponding to the kebelles.

Three focus group discussions involving 20 household head of which 4 were female-headed households corresponding to the three kebelles targeted were conducted. The FGD comprised of 8 participants corresponding to Bechera Odaa Gibee and 6 participants each corresponding to Odaa Gibee and Tarkanfata Gibee. The participants were purposively selected participate information rich households in the discussion while convenience sampling was also applied where the intended participants did not show up to have enough number of participants.

Participants of the qualitative interview were similarly selected purposively so as to get 'rich information' and 'direct knowledge' of the information sought. The qualitative interview from the local community involved 4 household lost property and assets as a result of the investment while from government bodies' involved key informants from woreda administration, woreda investment bureau and agriculture and rural development bureau. Besides, relevant information was obtained through informal interviews conducted with key informants from zonal investment bureau, regional Investment Commission and Federal Ministry of Agriculture and Rural Development. The informal interviews were 'covert' and parts of securing the research permit and information obtained were kept as part of fieldwork note.

5.5. Data Collection Process

Presenting cover letter from Norwegian University of Life Science (UMB) to Ministry of Agriculture and Rural Development to get research permit started the data collection. The ministry, however, referred me to the Oromia Investment Commission because the investment was allowed and followed by the regional government not the federal. The commission accompanied me with a letter to Western Shewa Investment desk that in turn accompanied me with letter directing the Bako-Tibe Woreda Investment desk and Bako-Tibe Woreda Administration requesting to provide me required support in the field work process. Finally, the woreda administration gave me a research permit to directly contact target households and if sought to get support from corresponding kebelle administration and local development agents. In

its letter, the woreda administration also letter allowed me to contact management of Bako-Tibe Karuturi Agro Product Plc. and employees working for the company. But the management of the company neither gave any information nor allowed to contact the company's employees. It was not possible to get required data from the company's head office located in Addis Ababa. The head office replied there were many similar requests to get data for research purpose but has never provided or allowed any of the requests.

The data collection was carried out from bottom up - household to woreda to zonal level. The household survey and qualitative tools were conducted simultaneously. Because of delays in getting the research permit it was not possible to finish the required number of household survey within the intended time plan. As a result, the recruited enumerators conducted more than one-third of the household survey over a period of four months. The recruited enumerators were trained how to fill the questionnaire. They were given the list of remaining randomly selected households members.

The researcher conducted collection of all the qualitative data collected as opposed to the household survey that was in part conducted by the recruited enumerators. The FGD was conducted in the localities of the participants that ended up in recording the discussion using a recorder. Informal discussions were conducted with some of the participants individually after the FGD to get additional information that might have been concealed from the group discussion. The data were recorded as field notes. Based on signals expressed in FDGs, local households having certain direct knowledge for instance property loss and compensation because of the investment were contacted and qualitative interview were conducted which ended up taking field notes. Field observation was conducted simultaneously along the survey and FGDs that ended up taking pictures from the observations.

Then appointment was sought from key informants at woreda level and the interviews were conducted. Audio recording and taking field notes as necessary. Secondary data or documents were collected simultaneously. Finally, zonal investment bureau was contacted and required data were collected

5.6. Data Analysis

The data collected were analysed using qualitative and quantitative data analysing tools. The

qualitative data collected through the different data collection tools were organized. The audio records were transcribed and then translated in to English. This is then assembled together with the other data collected - documents and field notes.

The quantitative data were coded and filled into Microsoft Excel and then imported to Statistical Package for Social Science (SPSS). The data analysis was done using this statistical software. Depending on the type of data, different statistical methods were applied to analyse the quantitative data. Statistical correlation and regression were used to test determinates of local livelihood and livelihood dependency as well as the relationship between land lost because of the investment and local food self-sufficiency. Gini coefficient is used to test the effect of the investment on land and wealth distribution. Descriptive statistical tools, such as mean and variance were applied where and when necessary. Graph and table were used as appropriate to present the results.

5.7. Scope and Limitation of the Study

The main emphasis of this study is examining the livelihood impact of a large-scale foreign agricultural investment at the local level. Though it has given little attentions, it has drawn some insight with respect to its effect at regional and national level.

There are some limitations in this study that need to be acknowledged. In Ethiopia, large-scale agricultural investments, domestic and foreign, are recent phenomenon. Many of the investors are in early operational phases of clearing and preparing the land for mechanized farming. Some of the investors like Bako-Tibe Karuturi Agro Product Plc. have already started operation and collected output for two – three year. This may create limitation to do a comprehensive study of the impact of the investments on local livelihood as the investments are not fully operationalized and others benefits and costs, if any, might come. This study, consequently, focus on early effects of Karuturi Bako-Tine large-scale agricultural investment on local livelihoods.

This study deals with a controversial development issue. Therefore, there were some level of transparency problems regarding the process and practice of the investment from key concerned stakeholders - decision or policy makers, owners and managers of the investments and the local people. This is the main challenge during the fieldwork. To overcome this limitation, different

sources of data were used to get rich information. Some of the participants in the focus group discussion were contacted individually

The other limitation is associated with generalization of the findings beyond the case under the study. Different large-scale agricultural investment might not undergo similar land deal and acquisition process and implementation. The investment practice and the local livelihood context where the investment take place might be different. These futures determine the impact of the investment on local livelihood. This limits broad generalization of the findings of this study to other large-scale agricultural investment happening in Ethiopia.

5.7. Ethical Considerations in the Study

The study is subjected to certain ethical considerations. The research has explained important aspects of the study to the participants of the study. These include explaining and what the research is about, the aims of the research; and what role the participants have in the research. It was also explained that participation in the research is voluntary and that they can withdraw anytime if they wanted. They were also explained how the information obtained is treated in analysing and in writing the research report. The identity of the participants was treated anonymous in data analysis and in reporting the study to protect the privacy of the participants.

6. THE LAND ACQUISITIONS PROCESS AND LOCAL DEVELOPMENT

6.1. Land Leased for the Investment

The agricultural investment in this study is owned and operated by Karuturi Agro Product Plc**.,** which is a subsidiary of Bangalore based private Indian company Karuturi Global Ltd. In May 2008, the Government of the Regional National State of Oromia accepted the investment proposal and the agreement were signed between Oromia Investment Commission and Karuturi Agro Product Plc. According to the agreement, the investment was to take place on 10,704 ha on a 40 year renewable lease with a start-up capital of Birr 455,180 million (or USD 26 million) to grow palm oil tree as well as produce rice and maize. But Karuturi Agro Product Plc. did not take possession of all the land allotted in the investment agreement until Spring 2012 around the time the fieldwork was conducted. According to Bako-Tibe investment desk, the land was allotted based on estimates conducted in the early 1980s and due to local population growth over the years agriculture is expanded on parts of the land in the estimate. In 2012, only 4,540 ha were identified available for the investment out of the 10,704 ha (Bako-Tibe Woreda 2012). Regardless of the lack of full possession of the land, Karuturi has started operation soon after its admission on a portion of the land available. During the first year of its operation, the company devoted its time on clearing and preparation, and during the second and third year cultivated maize and rice and started growing palm oil tree.

Initially, there was a difference of ideas between MoARD and Government of National Regional State of Oromia on the selection of the land for large-scale agricultural investment. The regional government considered the land appropriate for large-scale agricultural investment. But MoARD expressed its concerns that the land is not appropriate for the investment because the local communities were dependent on the land for their livelihoods and because of population dynamics in the area associated with increasing demand for farmland in the future. The area has population growth rate of 2.9% according to the 2007 Ethiopian Housing and Population Census (CSA 2007). The woreda and zone investment offices have similar concerns. They believe the

basis of the land transfer was not up-to-date and disregarded population growth and agricultural expansions happened over the decades. However, the ministry of agriculture and rural development neither stopped nor interfered in the decision of the regional government.

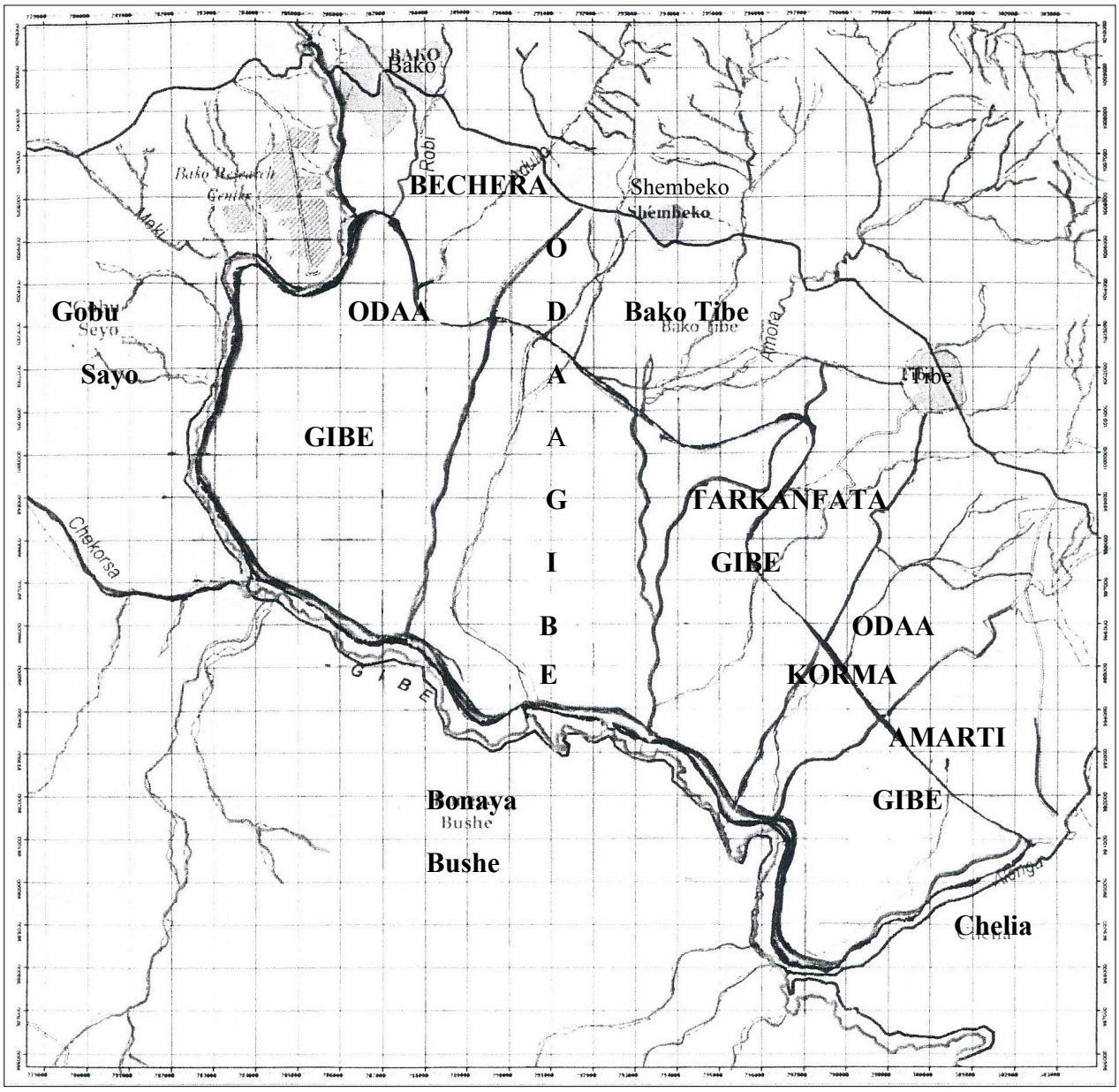

Figure 4: Land use before expropriation. The area bounded in bold line shows the land given for Karuturi Agro Product Plc. The partitions inside the bold line are based on which kebelle most used that area before expropriation.

At the time the investment proposal was accepted, there was a competition between regions over foreign investors to strengthen their income generating capacity (Yassin 2010). This was

prompted linked to 'expropriation of landholding for public purposes' and the investment proclamation that granted regions the right to expropriate landholding and use the revenues for regional purposes. The competition led to rush in leasing land. In some cases, regions leased land to investors without the knowledge of MoARD and understated the amount of land leased when reported to the federal offices and led to difference in records (or information gap) between the two levels (Cotula et al. 2009). In 2009, Ethiopian Investment Support Directorate was established under MoARD mandated for leasing lands greater that 5,000 ha. But the revenue generated from the land lease is still used by the regions. On the one hand, the directorate, helped to overcome regions' regulatory capacity problems that could happen in land leasing process. On the other hand, it created conflict of interest between the regional (and lower levels) and federal offices because of difference of interests in large-scale agricultural investment.

6.1.1. Overlap and Border Conflict

Since the investment decision was made based on decades old estimate, it neglected to take changes in the amount of land occupied overtime, local population dynamics and livelihoods imperatives into consideration. Land occupied over the years and used by local community was not identified from land that could possibly be given for the investor. As a result problems were inevitable. First, land given for the investment overlapped with individual landholdings and land given for another investor. Local People produce crop on parts of the land given for the investor. The larger portions of the land were unregistered but registered landholdings were taken from five households in total. In the same year the investment agreement was signed, the local government (kebelle administration) partitioned parts of the land in the investment agreement for local landless young married households. These households were ready to produce *teff* and *nug* at the time the company went to take possession of the land. Some part of the land given for Karuturi overlapped with land given for medium-scale domestic company called United Farm Business (UFB). UFB was allotted 3,000 ha mostly in the direction of Odaa Gibe for producing genetically improved seeds for the domestic market.

Second, there were no clearly demarcated boundaries between land used by local people and land allotted for the investment and consequently there were no corridors (buffer zone) left for local people and livestock in between. This not only raised opposition to the investment from the local people but also confrontation in some parts of the area with the company. For instance, at the

time the company employees went to clear land given for the company siding Amartii Gibe, the employees were confronted and stopped by local people using the land.

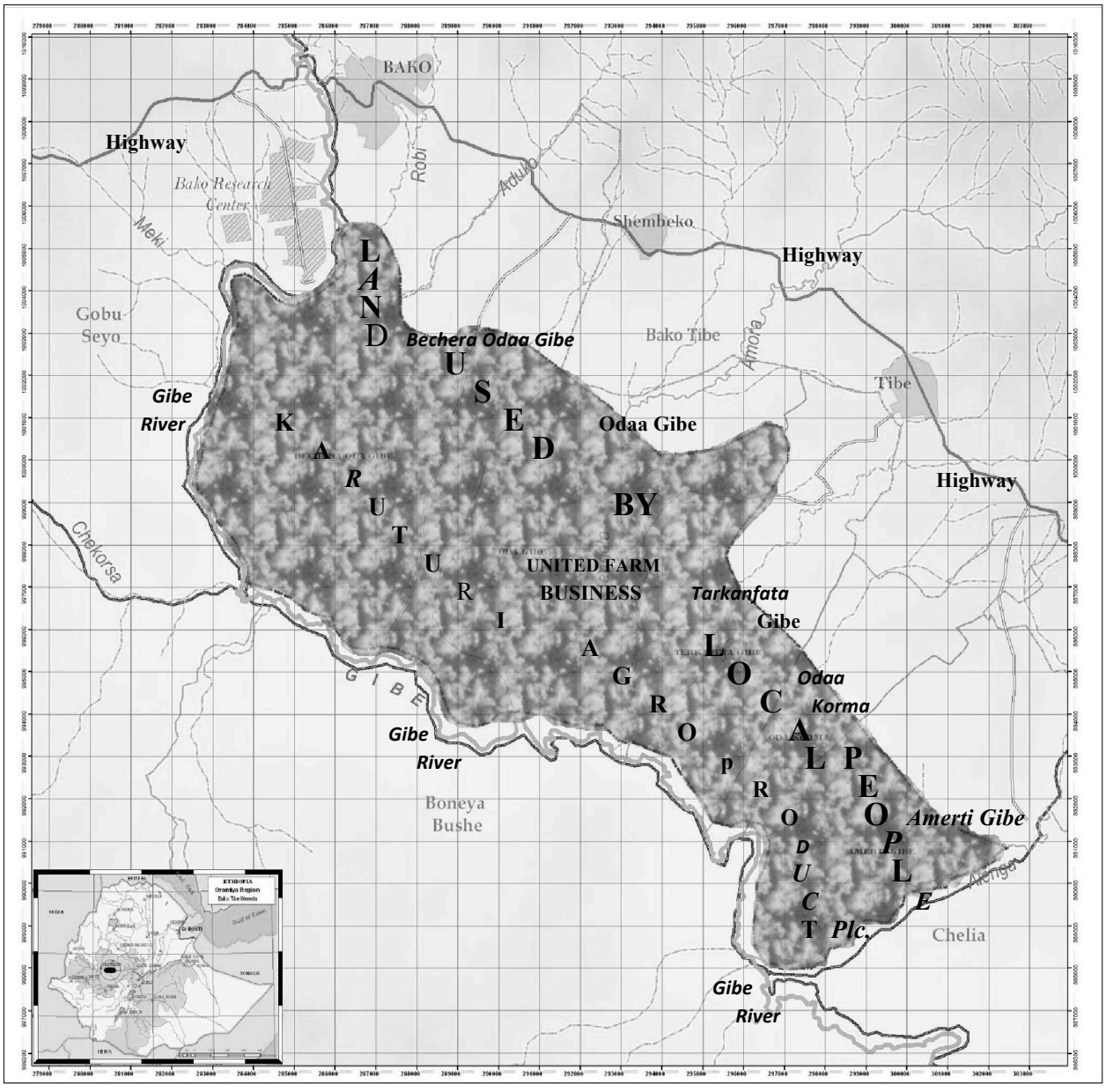

Figure 5: Map showing overlaps of Karuturi Agro-Product Plc. with local landholding and United Business Farm

As the local people expressed on focus group discussion (FGD), the company was not entitled to that part of the land and the incident happened because of absence of updated boundaries of the land intended for the investment. The local people use that part of the land and the company hasn't tried to take it after that time. The FGD participants also reported group actions and

protests against the investment that were weak and did not lasted longer because of the government interference to solve the problem.

Third, the protection of rural communal resources and social and traditional religious sites as well as corridors for local people and livestock were absent. The investment closed both people and livestock walkways that previously pass through the land given for investment. Consequently, local people on different side of the investment were forced to travel longer distances to meet each other and take their livestock to water and water points. Nor were the local people allowed to use roads constructed by the investors through the investment leading to Gibe River. These roads are advantageous for local community to easily cross to Gibe River and meet community beyond the river and vice versa. Besides, the company tries to get control and monopolistic use of local water resources for irrigation. For instance, it tries to get control of Abuko River (a tributary of Gibe River) and other local small streams and water sources for irrigation. Local farmers on the vicinity of the water resources, however, use the water resources for traditional household irrigation to grow sugarcane and various kinds of vegetables. These problems are the results of lack of coordination between the local and regional governments as well as lack of proper implementation and consideration of existing local socio-economic conditions.

6.1.2. Re-identification of Available Land

In 2009 a team selected from the local community were sent to present complaints to the regional government seeking solutions for problem created linked to land given for the investment. Understanding the problem, the regional government instructed the zone administration to find solution through discussion with the local community and the company. But the company refused to open access to water and water points or allow the local people to take grasses to feed their cattle and for roof thatching of their houses. The company refused to accept the proposed solutions expressing that it is paying tax over the land given for it. The zonal administrations went back without any solution. Some affected households similarly appealed to woreda administration. But the woreda administrations expressed they have no the power to look at the problems and the problems remain unsolved.

Following the failure of the zone administration attempt, in 2011 a team of government bodies from the local to the regional level was organized. The team was comprised of representatives from Bureau of Industry and Urban Development and Oromia Investment Commission from the

regional level; Western Shewa Land and Environment Protection Bureau, and West Shewa Investment Bureau from the zone level; Bako-Tibe Investment Desk, Bako-Tibe Woreda Land and Environment Protection Desk, and Bako-Tibe Woreda administration from the woreda level; and the local (kebelle) administrations. It was intended to identify available land and demarcate its boundaries in a scientific way using Geographic Information System (GIS), to find solutions for existing problems taking local conditions and interests into account and to assess the performance of the company.

It was found the 10,704 ha given for the investor in May 2008 affects five kebelles (Bechera Odaa Gibe, Odaa Gibe, Tarkanfata Gibe, Odaa Korma and Amartii Gibe) and more than two times of what would have been given for the investor. It was found to include residences of local people, registered landholding and already in use by local people for crop production. The team identified only 4,540 ha available out of the 10,704 ha. This includes land that was already under the investor's possession. Table 7 presents the re-identified land with their use conditions. The difference 6,164 ha (10,704ha – 4540 ha) includes land occupied over the years for agricultural expansions, land not suitable for the investment and land given for United Farm Business. The team also identified some parts of the land is not suitable for what was intended to be produced. Because this part of the land is covered with waterlogging black soil (locally called *kotichaa*) during wet season, from July to September and damages crop before producing seeds. Other low-lying parts of the plain on the side of Gibe River are likely flooded during the same period.

Table 7: Re-identified land and their use status

Type of land Identified	**Amount (*in ha*)**
Under Karuturi possession	
Cultivated	912.90
Cleared, ploughed and ready but uncultivated	691.67
Sub total	1,604.57
Part of the land given for Karuturi but neither under Karuturi possession nor used by local people	246.50
Land some parts are still used by local people but given for Karuturi and not possessed	2,531.83
Newly identified land that can be added to land given for Karuturi	157.90
Total	**4,540.80**

Source: Compiled based on re-identification of available land and assessment of the performance of the company (Bako-Tibe Woreda 2012).

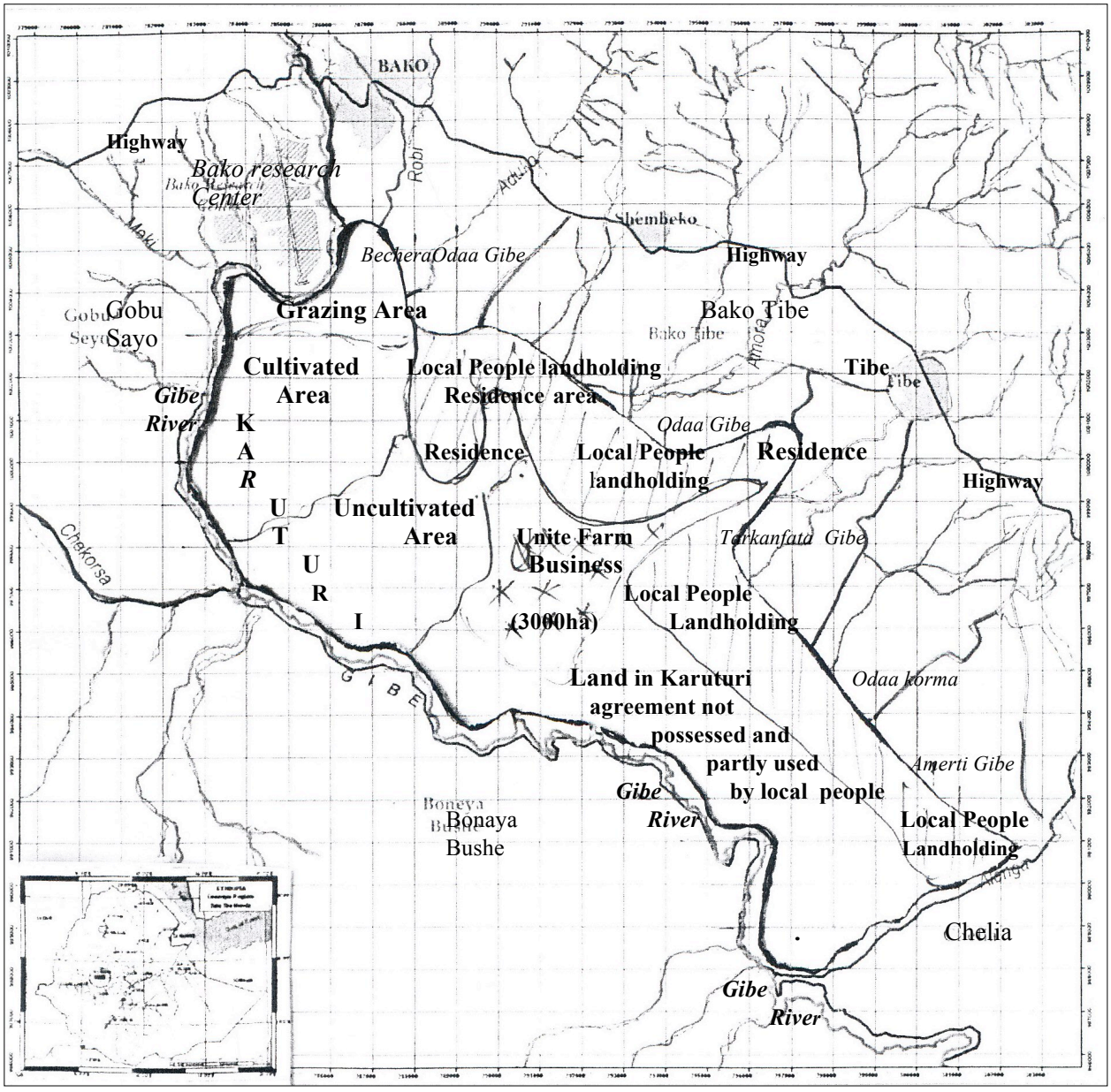

Figure 6: Available interests over the land after re-identification. Mapping of the re-identified land use conditions is based on observation during the fieldwork.

After discussion with the company and local people, the team proposed to create 'buffer zones' of 100 meters between the investment and land used by local people and between the investment and Gibe River. The team has also proposed the investor to open corridors for travelling as well as to reconstruct the onsite camp and warehouses (storage facility) at least 100 meters away from land used by the local people. The onsite camp and warehouses were constructed on land that was

previously used by local people for farming and grazing. The company has another large storage facility in Bako town located about 16 kilometres from the investment site. The team also proposed to open corridors for local people and livestock to Gibe River and beyond to Bonaya Bushe. Besides, the investor dug wide and deep canal to prevent flood from the investment but this caused economic damage to the local people. During rainy seasons, the banks of the canal pushes floods from the hills back flooding crops cultivated by local people, grazing areas and walkways on the side of the investment. Since the canals are deep and wide, when water disappears during dry seasons, cattle cannot cross the canal and sometime fallen inside and found dead. As far as the fieldwork was conducted, the land re-identification and proposed solutions were not implemented.

6.1.3. Effect on Existing Property Right and Use of Local Resource

International codes of conduct applicable to large-scale foreign direct investment in land and agriculture demand the protection of exiting landholding including customary and common property rights. In rhetoric, the target of large-scale investments in land and agriculture in Ethiopia is 'unused' and 'marginal' land that does not affect livelihoods of local community. As this study investigated, land that was used for various economic activities from crop production and communal livestock grazing to forest based economic activities were expropriated for private investment intended to generate a better public benefit.

Prior to 1974 the land given for Karuturi was under the ownership of local gentry (Rahmato 2011). During the socialist government from 1974 to 1991 this was transformed to common land, the bulk of which was used for communal grazing and forest based economic activities on communal basis. This continued until it was transformed to private large-scale agricultural investment in May 2008. Under both the Federal and the respective Oromia Region Rural Land Use and Administration Proclamation (No.44/2005 and No. 130/2007 respectively) the land given for the investor is categorized as 'communal rural landholding' or 'communal holding'. Such lands are 'rural land that the local community commonly uses for grazing, woodlots and other social purposes'. Under the proclamation on expropriation of landholding, communal holding can be expropriated when found necessary to use in a more productive way and to generate better public benefits. This includes the consequent transfer of the land to private investors as in this case.

Under this framework, the land given for Karuturi had been used for communal grazing, forest based economic activities and other social purposes until it was expropriated. Parts of the communal landholding were used for crop production on individual basis with the authorization of the local government for years. The communal holding was not only serving the five affected kebelles of Bako-Tibe (Bechera Odaa Gibe, Odaa Gibe, Tarkanfata Gibe, Odaa Kormaa and Amartii Gibe) but also other kebelles from Bonaya Bushe, Gobu Sayo and Cheli'a. There is large livestock ownership in these localities. According to the household survey, the sample household on average own 21 livestock's that include oxen, cows, heifers, equines, calves, sheep, goat, horse, mule and donkey.

First, the major negative effect of expropriation of the rural communal landholding was on livestock grazing and this affected livestock income. According to the FDGs, milk production and the value of their livestock in the market are decreasing. The participants reiterated this is because of the shrinking of available grazing land (or grasses) and access to water. Before the investment, households in the area used to keep livestock for others; especially, from near by towns, a practice called '*darabaa*'. *Darabaa* is a practice where households who live on the proximity of large communal grazing land keep livestock for other for economic gains. The *darabaa* keeper then gets herding fees and other economic benefits from the livestock controlled (e.g. cow for milk and ox for plough) and the livestock dung traditionally serves to preserve soil fertility. As the participants expressed the number of livestock taken for *darabaa* is decreasing because of the shortage of grazing land (grasses) and consequently its economic benefits are declining. This was reported to have had of great importance for the relatively land less and poor households in the area to diversify their income.

Before the expropriation of communal grazing land, households in the area do not fallow land used for crop production for grazing or growing grasses. Now, as understood from the FGDs, households shifted to fallow part of their landholding used for crop production to grow fodder for their cattle while those who have shortage of land to fallow are shifted to purchasing from others. Out of the sample of 88 households, 43 (48%) households fallowed part of their landholding used for crop production to grow fodder for their livestock while 29 (33%) households rented fallowed lands in search of grasses for their livestock. This in a way forced households to divert part of their landholding used for crop production to other purposes.

Second, the expropriation of the communal landholding affected land used on individual bases for crop production. As far as the local people remember, some parts of the rural communal landholding were used on individual basis for crop production with the authorization of the local (kebelle) administrations. In 2008, some pockets of the communal land, particularly siding Bechera Odaa Gibe, was distributed for young married and landless households from the localities as part of the kebelles land distribution program. Similarly, households from the nearby town of Bako and other adjoining kebelles tried to partition part of the grazing land. As these move threatened grazing land, community of Bechera Odaa Gibe banned further agricultural expansion to preserve the communal grazing regardless of existing demand for farmland in the area. Residents of Odaa Gibe and other adjacent kebelles made similar decision to preserve enough communal grazing for their livestock.

All FGD participants corresponding to the three kebelles expressed, majority of the households, especially young married households, have no enough farmland in the area. The rural communal landholding was advantageous for households with land shortage because it was the only possible area for agricultural expansion in the area. Thus, the loss of the land has affected those who have shortage of farmland and households living closer to the investment than others. As the land is expropriated, households having shortage of farmland and households who lost part of rural communal landholding used on individual basis for crop production shifted to sharecropping and land renting. According to sample survey, average landholding in the area is 1.48 ha while 6.8% were landless but on average the sample households cultivated 2.42 ha during the year. This illustrate household in the area on average cultivate 0.94 ha more than their own landholding through sharecropping and land rental arrangements. The majority of the households who practice sharecropping and land rent are young married households. The plots available for sharecropping are, however, small and the output is shared; consequently, outputs gained from it is usually not enough to complement household food supply. As a result of the loss of rural communal landholding, many affected households are looking for land rent and this increased the rates dramatically. The FGDs reported since the rural communal landholding was expropriated, the land rental rates in the area increased from Birr 600 to 800/ha/year to Birr 3,000 to 4,000/ha/year. But this is hardly possible to afford. Unlike in sharecropping, there is no output sharing in land rental arrangement; the one who rented land is required only to pay rental fees for the landholder.

In the area land rental arrangement gives the renter to cultivate the land for a specified period of the agreement (as the participants expressed land rent is commonly available for one year).

Third, the land given for the investor was covered with open woodlands. This was source of different forest based economic activities (e.g. charcoal, firewood, building materials, traditional medicines and others) for household consumption and commercial purposes. According to the survey, income generated from local forests both for households' use and commercial purpose is very small. As the local forest is gone, households have shifted toward growing and using own grown trees and plantation. According to the household survey, mean private forest income accounts for 6% of total mean annual income while mean wild forest income accounts to 2% of mean total annual income. The estimated value of household grown trees, excluding own grown various indigenous trees inside household landholding (which of course belong to the household), are on average accounts for 16.5% of estimated mean assets endowment of the sample.

Fourth, the investment is challenging access to water and water points for livestock drinking and access to rivers and streams for irrigation. The investor wants to have monopolistic control over water resources from their upper courses where the local household use them for traditional irrigation to grow sugar cane and different vegetables.

6.1.4. Participation and Compensation

Prior, informed consent and participation of the local people are some of the fundamental elements of a responsible agricultural investment. But neither the local government bodies (kebelle and woreda) nor the local community participated in the initial stages of the land deals and negotiation process. There were concerns raised from MoARD regarding the appropriateness of the land for the investment. As in others land deals and negotiation processes in Ethiopia (Rahmato 2011, Bues 2011), there is lack of participation and problems of transparency in land deal and negotiation process related to Bako-Tibe Karuturi Agro Product Plc.

As understood from the interviews with local government officials and FGDs, there was lack of inter-agency coordination, and participation and consultations among different levels during the land deal and negotiation processes. The land deal and negotiation process started top-down from regional and federal level as opposed to bottom-up through participation of and negotiation with kebelle and woreda officials and local people. Thus, neither the woreda investment and

agricultural desk nor the affected kebelle administration and local people participated until the regional bodies went down to implement the investment agreement and announce the expropriation of the rural communal landholding to the local people. The local government bodies (woreda administration and other woreda offices) knew about the investment when the news the agreement signed between the Oromia Investment Commission and Karuturi Agro Products Plc. was broadcasted.

Regarding local people participation in the land deal and negotiation process, the three FGDs were asked whether they were informed about the expropriations of the rural communal landholding for the investment. A 60-year-old household head having 8 household members from FGD correspond to Bechera Odaa Gibe who participated on a local meeting called by the investor and a regional official has replied as follows:

> "The Indians came together with officials. We (local people in the meeting) are told that an Indian agricultural investment will take place far down near the river (Gibe River). Until that day, we did not know that this land was given for the Indians. The Indians told us, they will work together with us and the investment will not affect land we use. But things did not happen as we were told. When they start operation, they took our backyards (referring to the communal land) where we cultivate crops and graze our cattle. Now, not for cows, if our calves enter the Indian's farm, we will be penalized. But a calf don't damage farm." (FGD February 2012)

Similar accounts were obtained from the other two focus groups. Part of the land given for the Karuturi used by local people for crop production with the authorization of the local administration and used for communal livestock grazing were not registered when land registration and certification was carried out in the area in 2005. Under Oromia Rural Land Use and Administration, 'communal holdings (or referred as rural communal landholding under the respective federal proclamation) held in the kebelles, shall be registered and holding certificates be issued by the name of the community using the land jointly'. But the details of registering communal holding were not ready when the holding was expropriated and consequently the communal holding was not registered. Moreover, parts of the communal landholding used on individual basis for crop production considered not suitable for crop production officially because of its soil character. Tax is also not levied on this land. Though the land was waterlogged for considerable part of a year, local people had been cultivating certain types of crops on it for years. Because of the absence of registered communal and individual user right, the affected community were not eligible to get compensation. Registered land user right and holding certificate are an important requirement in to get compensation in situation where a landholding is expropriated.

There was a situation where compensations were not paid for expropriated registered land and damage to properties situated on the land. Reportedly, there were five farmers who lost registered land for the investment and one of them was interviewed individually during the fieldwork. The interviewee still has land user certificate that include the lost land but neither given replacement land nor paid compensation. Similarly, the others were not paid compensation. There is six kilometres dirt road leading from a national highway to the investment site. When the road was cleared in 2008, though no one was displaced, it affected landholdings, mango plantations (an important source of financial income in the area), eucalyptus trees and other. Some of the affected households have asked the company directly while others have later appealed to local and woreda administrations for compensation. As households interviewed during the fieldwork reported, their cases at both the kebelle and woreda levels were closed for no reason and they were told compensation is not paid for the kind of property lost. Nonetheless, one affected household who lost five mango trees and about 200 eucalyptus trees later appealed to zone level and able to get Birr 56,000 (or USD 3,100) in compensation after two and half years frequent court appointments and follow ups. The household is relatively economically well off and the household head is high school complete able to follow up court processes. The other affected households were relatively poorer, female windowed and older people headed households who were not economically and personally able to present and follow up their appeal at a higher level. According to the proclamation on expropriation of landholding for public purposes and payment of compensation, registered landholders issued certificates shall be paid compensation if their landholding is expropriated. The compensation is paid for property situated on the land and improvements made on the land (such as irrigation canals, if any) and displacement compensation (this is discussed in detail in chapter four, under 4.1.1.).

6.1.5. Environmental and Social Effects

Deforestation is one of the major causes of environmental problems not only in the study area but also throughout the country (West Shewa Finance and Economic Development Bureau 2011). The cause of deforestation was not only the investment happening in the area but also agricultural expansions associated with population growth, over grazing and lack of forest conservation as well as illegal tree cutting and charcoal making. According to information from the woreda

agriculture desk, the forest cover of the area is about 7% and it is declining from year to year because of lack of conservation and deforestation.

When the fieldwork was conducted, the land was cleared and emptied for mechanized farming and no trees including indigenous trees are observed throughout land under the possession of the company. The investment contractual agreement, require the company to conserve tree plantations that have not been cleared for earth works and apply appropriate methods to prevent soil erosion. The proclamation to amend the Oromia Rural Land Use and Administration proclamation (as well as the investment agreement) require private investors to reforest 2% of their landholding with indigenous tree specious. The inclusion of such clause in the contract shows consideration given for the environment but neither the proclamation nor the investment agreement mention when this has to begin. According to interview with the woreda investment desk and confirmation from local people who are working in the investment, the company has not started planting trees when the fieldwork was conducted.

It is too early to clearly examine the environmental effects of the investment. Despite this fact, some of the environmental effects of the investment were raised on FGDs. The participants lamented the local temperature has increased over the past few years and its consequences have started to be observed on crop production and livestock. The participant believes this is because of clearance of woodland and savannah covers linked to preparing the land for the investment and cutting of indigenous trees that used to preserve the local temperature and as a shade during hot seasons. Besides, the company is digging boreholes in the investment for irrigation. The participants expressed as a consequence of the boreholes the amount of water sources in the vicinity of the investment have declined sharply since the company has started the boreholes.

In the area, some tree species have specific social and cultural values. *Odaa*' and *Qilxuu* are religious and cultural symbol not only in the area but also in some other parts of the region among many Oromo people. Because of their large size, such trees serve as a site for social gathering, arbitrations and peace making. Besides, a small hill called Tulu Saha, occupied for residence and office by the company, was a site of traditional religious practice. As reported on the FGDs, there were weak resistances to occupation and clearing of traditionally valued trees and sites from local residents angered with the situation. But this did not lasted long and able to stop the company from building residence and office for management of the company.

6.2. Expected (or Promised) Local Development Benefits

According to Ethiopian investment policy, the overall rationales for attracting foreign investments in agriculture are to improve the living standards of the people through sustainable social and economic development. At the local level the investment are believed to contribute to rural (local) development through the creation of employment opportunities, through construction of social infrastructure and improvement of social facilities and service, spillover of new technologies and techniques of production and others. These are propagated as benefits of large-scale agricultural by its advocators including mainstream development organization. Karuturi also made commitments for local development from the beginning. Based on evidence collected on the ground, the next sections discuss the contribution of Karuturi to these ends.

6.2.1. Employment Opportunities for Local People

When the fieldwork was conducted, there were few jobs in the investment – clearing and burning of remains (straws) of previous cultivation and works in irrigation farm. It was not possible to get information regarding employment opportunities created and other from the company or its head offices in Addis Ababa. Nonetheless, as confirmed from government officials and records, the company has created employment opportunity for 30 Indians and 50 Ethiopian (as supervisors, technicians and drivers) on permanent basis. There were temporary or casual employment opportunities created. A woreda registry (Bako-Tibe Woreda 2012a) of investments in rural lands shows the company has created temporary employment opportunities for 280 people from adjacent kebelles and causal jobs for as much as 500 people during peak labour periods. But the registry doesn't show how much permanent employment opportunity created for the local people. Compared to 1,605 ha (see table 7) under the possession the company, the investment has created 1 permanent employment per 32 ha for Ethiopian. Households in the area, however, depend on average on 1.5 ha per household or in other words an individual in the area depend on 0.2 ha (per capita landholding). This shows the amount of employment opportunity created compared to land operationalized is very small.

According to interviews with Woreda Investment Desk and based on official report jobs created for local people are mostly farm works while management and supervision are filled with non-

local people. An assessment the performance of Bako-Tibe Karuturi Agro Products Plc. , however, has to say the follows:

> "There are many unemployed bachelor degree graduates from the localities and have the necessary qualifications and skills required for positions in the investment, speak Afaan Oromoo (local language), Amharic and English, and have knowledge of local economic, social and culture conditions. As a result they not only able to communicate with the employees of the company but also could be able to work in cooperation with the local people. In spite of this, the company recruits are from other places and regions. The supervisors are expatriates (Indians) having unsatisfactory English language skills who are not able to communicate with their workers and local people and find solutions. These negatively affected not only employment opportunities for local people but also creation of good relationships and mutual cooperation between the company and the local people." (Bako-Tibe Woreda 2012a: no page, translated from Afaan Oromoo version).

The report (Bako-Tibe Woreda 2012a) argues knowing the local context not only helps to respond to local needs and interests and build mutual relationships with local people but also to respect the local cultural and social practices as well as protect heritage sites and ancestral lands. As understood from interview with woreda investment desk, the company has loose communications with local government bodies, report directly to regional government particularly Oromia Investment Commission regardless of which level of government (kebelle or woreda or zone) the issue concerns. Regarding this, the woreda Investment Desk had to say the following:

> "The relationship between the company with the local people as well as with the woreda needs improvement. The company reports all cases to the regional bodies even including those that concerns woreda and zone; even those that concern kebelle. If something happened, they 'take phone and say hallo' to the head office in Addis Ababa which then report back to regional government. We hear everything from the region rather than for the region get information and report from the woreda. …The problem is a language problem. Therefore, it is important for the investor to consider a person who is responsible for community works and control workers in the investment to speak the local language or at least English particularly the supervisors and managers." (Interview, Bako-Tibe Woreda Investment Desk, March 2012).

Interview with local people working in the investment shows the working conditions are poor and employees have no job security. Many employees working for the company for more than three years have no employment contract. As a result, they do not have employment benefits if they are sick, maternity leave, or know whether they continue working in the company at least in the short term. Two years ago, employees who worked more than two years for the company signed employment contract with the company and sent to the head office in Addis Ababa for authorization. But as the employees interviewed reported none of the employee has received the

contract. Though the employees asked about the contract, the site managers replied their application is still at head office and they do not know anything about it. According to the domestic law, an employee who continuously worked for 45 days is entitled to get permanent employment contract but employees who worked for the company for more than two years still have no job contract.

From the interviews, unmarried high school complete aged 24 from the local community working for the company explained the working conditions in the company as follows:

> "They do not see us as a human being; they want us to work like a machine. But if we do not, they do not pay our salary properly. But we are not working for free; we get for what we work. If someone does a mistake they fire right away, they say 'go' 'go' 'go'… they do not want to see this guy again nor pay the salary properly … (FGD, March 2012)

Similar stories were reported in other interviews and also on FGDs by participants worked for the company. For instance, a man aged 48 having 10 household members participated on FGD corresponding to Odaa Gibe and who worked for the company for three months had to say the following:

> "… They (Indian supervisors) want us to do what is more than our capacity. If you are not able to perform that task, they either will fire you or they will not pay your salary correctly; they will deduct from it. They want to hit you … working with them is very hard. They do not have good relationship with worker. They do not know how to work with people. They change workers from time to time. They fire and bring another one and fire him as well if they find any silly problem. It is not allowed to take five minutes break on the job. If you do so, they say 'go'" (FGD, March 2012).

The participant dropped the job because of the poor working condition and employment benefits that do not replace the opportunity cost of working for the company. The pay rate for new unskilled employee is 12 Birr that is lower than the minimum national daily wage of 15 Birr set in the domestic law. According to interview with the company employees, the team tasked to re-identify the available land asked the company to paying at least the minimum domestic daily wage. The company had to reply; it was not successful to collect the expected outputs and consequently will not be able to pay more than what it was paying. And it will not increase until the company recovers its operating costs. As a woreda investment desk noted, expectations of company's commitments for provision of social facilities and other development benefits may have prevented the team to challenge the company to comply with minimum national daily wage rate and guarantee employment security (or issue employment contracts).

6.2.2. Improvement of Local Social Facilities and Services

Improvement of rural social facilities and infrastructure are some of the rationales for attracting large-scale foreign investment in agriculture. As understood from the FGDs, at the beginning the local people were not happy with the transfer of the land to the investor. But their attitude had changed as they were told the investment would support improvement of local social facilities and services and contribute to local development. The company initially promised to support existing local primary schools materially and financially and supply drinking water for the students; expanding and improving dirt road leading from nearby high way to the investment and beyond; constructing additional primary schools; establishing water pumps for local people and to connect school and clinic along an electric line leading to the investment site to get electric supply. These were reported as the major promises made verbally unaccompanied with written evidence. Besides, there were expectations that the investment would create market for local people engaged in sales and retails and encourage new businesses to emerge in the area.

The company is in its early years of operation. So far it has cleared road leading from high way to the investment and covered with stone gravels. But the government carried out the major job of clearing the road and it is primarily intended for the company itself. The investor has provided iron sheeting to a community school found in Milimili and recruited one teacher for the school and is paying the salary. It had been supplying drinking water for Bechera Primary School for some time and awarded good performing students in the school. But the company has not delivered other commitments like contracting new schools, supporting exiting schools and health posts to get connected to electric supply and constructing water pumps for local people. Along a 6km electric line leading to the investment, though there are additional requirements and procedures required by Ethiopian Electric Light Power Authority (EELPA) to be fulfilled, neither schools and health posts nor households on the line has electric supply. The company has neither established drinking water supplies nor has maintained broken water pumps located in the vicinity of the investment. On the FGD corresponding to Bechera Odaa Gibe, it was told as a surprise that the company has destroyed and taken a broken water pump belonging to the kebelle and located in the land given for Karuturi. The local people had demanded the pump to be replaced, but the company has neither replaced nor given the broken one back. The water pump was constructed with contributions of local people and support from what the participants call a catholic NGO since they don't know its name precisely. The company has been digging

boreholes in its farm for irrigation. However, it has not made any water pumps for local people's use. As it was observed during the fieldwork, a few hundred meters from the company's onsite camp, local people and livestock depend on the same small water source. But the company has not tried to find ways as to how the water source could be used in a better way.

Neither has the investment created demand for local good nor market for local people. When FGD corresponding Bechera Odaa Gibe were asked if new businesses emerged because of the investment in the area and benefited households, the participants agreed to what a 61 year old man having 6 household members had replied:

> "The company has recruited someone from the town who provides tea, coffee, soft drink and cook food for employees of the company. The employees get what they need to buy to eat and drink there in the camp. There is no anything the workers come to buy from the local people. It has not created market for us. If it had been according to employees working in the company, it would have created market and benefited the local people a lot … (FGD, February 2012).

In the rhetoric, local development is one of the benefits of large-scale agricultural investment in Ethiopia. This is evident in the countries investment policy, and past and present economic strategy (e.g. The Growth and Transformation Plan). This is not translated into action in the investment contractual agreement. There is no any clause in the contractual agreement that demands the company to contribute to local development. Promises for local development are agreed verbally unaccompanied with written agreement. Thus, contributions to local development depend on the company's moral obligation as opposed to a must to do.

6.2.3. Transfer of Methods and Technology of Production

Another expected benefit of large-scale foreign directed investment in agriculture in developing countries is agriculture modernization through the transfer of modern methods and technologies of production. When the fieldwork was conducted the company has not operationalized at least the 1600 ha under its possession in three years (see table 6.1). According to the investment agreement the investor should start operation within six month; develop half of the leased land within the first year and develop the entire land leased within a period of not more than two years. The methods of production and output yield are not different from the local ones except the use of tractors and other machineries in the investment. According to evidence from the woreda and media, from the 912 ha maize cultivated in 2011 (i.e. third year), the company was able to collect 7,000 *kuntals* (one *kuntal* is 100 kilograms). This means the company produces about 7 *kuntals*

per hectare. Maize cultivation during the second year of operation failed short of giving the expected output. But the sample of 88 households totally cultivated maize on about 65 ha in the same year and were able to collect 1,220 *kuntals*, which means the local people can produce 18.7 *kuntals* of maize per hectare. However, the company uses modern farm machineries and better inputs than the local peasants who use ox plough and less inputs or nothing.

When the FGD participants corresponding to Bechera Odaa Gibe were asked if they have learned new ways of production techniques and methods from the investment and local households has benefited, the participants anonymously agree that there is no new production technique and methods they could learn from the investment at the time. It is worth quoting one response given by one of the participants among others:

> "They (the company) are blind (locally someone is blind mean illiterate unable to read or have no the required knowledge and skill) for themselves what do we learn from them? What do they know? If they know what to cultivate, do you think they ask local peasants about the farming and sawing seasons? … They come and see what we are doing. As we know, until now they are finding out what is suitable to cultivate on the land. They have cultivated maize, but we have never cultivated maize on that land." (FGD, March 2012)

The woreda assessment (Bako-Tibe Woreda 2012) of performance of the company also investigated a similar practice:

> "Land management practice of the company is poor and outputs obtained were very low. Though some part of the land was cleared, ploughed and ready for cultivation, the greater part of it was fallowed and covered with weeds and grasses. There was no effective use of expected modern technologies and techniques of agricultural production. As a result, the farming practice and output of the investor is similar or below the standard of ones practiced and output obtained by the local farmers. However, provided that the company's land management is improved, and the necessary inputs are used, the land would yield more output than the current level." (Bako-Tibe Woreda 2012 no page; translated from Afaan Oromoo version)

In Ethiopia, foreign investors are preferred over domestic ones. Foreign investors are expected to have knowledge of modern ways of production and necessary capital to import the necessary technologies, and potential investors are not required to provide details in these regards (Nalepa 2012). Capital and experience are important but they do not guarantee as knowledge of local contexts would matter success and consequently need to be cautious to reduce the risk of ill-prepared investors. From experience, there were instances where foreign investors became insolvent including in Ethiopia. A German based company Flora EcoPower engaged on producing castor beans in Oromia region of Ethiopia was unable to pay its debts and stopped operation in 2010 (Sisay 2010). A study in Tanzania (Sulle & Nelson 2009) and in Mozambique

(Nhantumbo & Salomâo 2010) shows a situation where large-scale biofuels projects fall into financial difficulties and unable to operate as a result of global economic crises and changing oil prices.

6.2.4. Contribution to the Strengthening of Food Supply

The contribution of large-scale foreign agricultural investment to domestic food security is controversial, particularly when it comes to food security of food insecure countries hosting the investment. It is claimed the investments could threaten domestic food security if the productions are not supplied to the domestic market. Thus, international organization and mainstream development circles urge the investments shall strengthen domestic food security and the investment contracts shall be designed in a way that the investor should supply its production to the domestic market in times of food supply problems. However, there is no any clause in the investment agreement regarding where the production of the investment are marketed including conditional clauses when there is domestic food supply problem. Productions from the last two years are in whorehouses, located at Bako town 16 kilometres from the investment site. Thus, it is not known where the productions are marketed. It is doubtful that the investment would contribute to domestic food security according to the investment contact. If the production is marketed in the domestic market it could contribute to domestic food supply otherwise not. Besides, the output collected so far is below the expected level. During the third year (in 2011) the company collected about 7,000 *kuntals* of maize from about 1,000 ha, which is 7 *kuntals*/ha. This is far less than 18 *kuntals/*ha produced by the local farmers.

There are some conflicts in government rhetoric on large-scale agricultural investment contribution to domestic food supplies. On the one hand, the government argues the investment happening in the country would strengthen domestic food security. This impact would be greater provided that the productions from the large-scale agricultural investment are marketed through the domestic market. On the other hand, the government provides different incentives to encourage export in order to increase the county's foreign currency reserves. For instance, as discussed in Chapter two, the country investment proclamation provides five year tax exemptions for investors that export at least half of their produce and at least two year tax exemption for those that export less than half of their production. In these regards, the government rhetoric tends to go against each other and makes the issue of strengthening local as well as national food

security questionable. However, strengthening local and national food supply should get greater emphasis both in the investment contractual agreement as well as in the investment policy. Food security problem in the country is a frequent phenomenon as a result of combination of cause including natural causes of frequent drought or insufficient rainfall.

It is early to clearly examine the impact of the investment on local food security at this time. The government considers the study area as food self-sufficient. But from the FGDs, it is understood many households face average annual food supply shortage of 1.75 months especially from June to September, which is between cultivating and harvesting period, because of diminishing of food supplies of previous harvest. This is claimed due to shortage of farmland compared to household size in many households and low level of output yield of the land. There are also larger transitory food security problems in the area due to fluctuation in rainfall from time to time. The area was one of the places affected by 1984/85 famine occurred in Ethiopia (Pankhurst & Bevan 2003). According to Pankhurst and Bevan there were improvements since then due to improvements in production but still there are transitory food security problems. There were food security problem in the area that affected about 20% of the population for an average of 3 months in 1992, about 35% of the population for an average of 4 months in 1995, about 25% of the population for an average of 4 months in 1999 (*Ibid*). Livestock products and sales of livestock are the main copping strategies during such periods. As discussed before, the expropriation of communal grazing land and consequent diminishing of grasses has affected livestock products and income from sales of livestock.

On the FGDs, households' expropriated unregistered land for the investment claimed the loss of the land had affected their food self-sufficiency. The claims made by young married households were stronger. Young married households in the area had shortage of farmland and the kebelles administration had given part of land given for the investment as part of kebelle land distribution program. The household survey shows about 55% of the sample have lost unregistered land that ranged from 0.25 ha – 3 ha once used for producing food crops. The survey also shows more than two-third of the sample faced mean food supply shortages of 1.75 months with a range of four months in some households. Statistical tools were used to examine if there is any relationship between expropriation of unregistered landholding because of the investment and household food self-sufficiency. The results are presented in next chapter.

7. MEASURABLE EFFECTS OF THE INVESTMENT ON LOCAL LIVELIHOODS

7.1. Basic Sample Characteristics

The household survey involved a sample of 88 households selected randomly from three kebelles out of the five kebelles of Bako-Tibe Woreda affected by Karuturi Agro Product Plc. The sample comprised of 40 households from Bechera Odaa Gibe, 22 households from Odaa Gibe and 26 households from Tarkanfata Gibe. Out of the total, 20.5% were female-headed households and 79.5% were male-headed households. The mean sample household head age was 43.9 years and mean household size was 6.97 persons. The sample households were composed of household members 43.4% below 14 years, 52.7% between 15 and 65 years, and 3.9% above 65 years. The dependency rate of the sample households was 47.2 %. However, people at all age contribute labour though the level is not equivalent. Labour is shared among neighbourhoods and local community reciprocally to overcome shortage of labour during peak labour period. Of the sample households, 25 (28.4 %) household heads were illiterate and 16 (18.2%) household heads attended adult education. And the highest education level of 20 (22.7%) household heads was lower primary education, 11 (12.5%) household heads was upper primary school and 16 (18.2%) household heads was upper secondary school, which was the highest level of education reported.

Some contextual data related to the investment happening in the locality of the households were collected. Estimated sample households mean distance from land expropriated for the investment is 2.5 km with a range of 0.5 km to 4.5 km. As discussed in chapter six, the land expropriated for the investment was a rural communal landholding used for communal grazing and forest based economic activities. Some part of the land was used for crop production on individual basis with the authorizing of local governments though it was not registered when land registration and certification carried out in the area. Of the sample households 49 (55.7%) reported expropriation of 0.6 ha of the unregistered landholding of on average; 83 (94%) reported loss of access to communal grazing land; and 85 (96.6%) reported clearance of communal wild forest (communal

woodlots and savannah grasses) and a consequent decrease in wild forest based economic activities.

Table 8: Household characteristics and contextual factors, Bako-Tibe**,** Ethiopia, 2012

Household characteristics and contextual factors	Bechera Odaa Gibe (n = 40)	Odaa Gibe (n = 22)	Tarkanfata Gibe (n = 26)	Total (n = 88)
Sample Household characteristics				
Household head age (mean)	41	50	43	44
Composition of household members				
Below 14 years (%)	43.2	43.4	43.6	43.4
Between 15 years and 65 years (%)	53.1	52.7	52.6	52.7
Above 65 years (%)	3.7	3.9	3.8	3.9
Household head sex (no)				
Male	29	19	21	69
Female	11	3	5	19
Household size (mean)	7	7	6	7
Household head education level				
Illiterate (no)	20	10	9	39
Adult education (no)	9	5	6	20
Lower primary school (no)	5	5	2	16
Upper primary school (no)	4	2	6	7
Lower secondary school (no)	1	0	0	3
Upper secondary school and above (no)	1	0	2	3
Sample Household contextual factors				
Estimated distance from the investment (km)	2.34	2.65	2.74	2.54
Households expropriated land (no/%)	26(65)	11(50)	12(46)	49(55.6)
Land expropriated for the investment (ha)*	0.70	0.56	0.47	0.60
Households sharecrop and rent land (no/%)	29(73)	12(55)	15(57)	
Sharecropped and rented land (mean ha)	1.18	0.83	0.55	0.94
Decrease in access to communal grazing (no/%)	38(95)	21(95)	24(92)	83(94.3)
Decrease in access to local wild forest (no/%)	39(98)	20(91)	25(96)	85(96.6)
Worked in the investment in any basis (no/%)	21(53)	9(41)	11(42)	41(46.5)
Annual food self-sufficient months (mean)	9.9	10.1	10.7	10.4
Annual food supply shortage months (mean)	1.48	1.03	1.14	1.27

Source: Household survey, N = 88

*This is part of the communal landholding used on individual basis without registration for crop production and expropriated for the investment.

Sample households' data on wage employment in Karuturi investment and food security conditions were also collected. At least one household member was employed in the investment in 41 (46.6%) of the sample households. More than three-fourth of the employments were reported to be temporary employment and casual labour during peak labour periods (e.g. weeding

and harvesting). The sample households own food production was enough for 10.4 months on average. More than two-third of the sample households reported on average 1.75 months of annual food supply shortage. The food shortage was reported to happen, in most cases, between cultivating and harvesting period i.e. from July to September.

7.2. Livelihoods Activities and Assets

Agriculture is the main livelihood activity of all the sample households. The households practice mixed subsistence agriculture of crop production and livestock keeping. Agriculture is complemented with other livelihood activities though its contribution to the households' income is small. The complementary activities include off-farm activities including forest based economic activities and exchange of labour in the farm and non-farm livelihoods activities including non-farm self-employment and wage-employment activities.

The reported assets were landholding, dwelling, livestock, financial assets and savings, and private trees and plantations. In the area, landholding and oxen ownership were reported to be major indicators of a household wealth and important means of getting income. This is due to the fact that rural Ethiopian economy is predominantly agriculture and oxen ploughs are widely used to cultivate crops. The average landholding of sample households was 1.48 hectares with a variation of 0.3 ha to 5 ha while 6.8% of the sample households were landless. Sharecropping and land rent are practiced in the area to overcome shortage or imbalance of landholding in relation to household size and this reported to have increased after the investment took the rural communal landholding. On average, the sample households cultivated 0.94 ha through sharecropping in and land renting in arrangements during the last 12 months the survey covered. Land rented out and sharecropping out are essentially included in household own landholding farmed. Sharecropping and land rent in the next section refers land rented out and sharecropped out.

On average, the sample households own 21 livestock heads (that include oxen, cows, heifers, equines, calves, sheep, goat, horse, mule and donkey) and this increase to 27 when poultry ownership is included. Households in the area keep livestock for others households (e.g. from towns like Bako and Tibe) through the *darabaa* system for economic gains. Households keeping livestock under the *darabaa* practice get herding fees per livestock head and also use the livestock's products and labour as long as the owner do not need the livestock.

The private forest are household grown trees like eucalyptus trees and own-grown various trees specious in a landholdings belonging to a household. Household plantations refers to sugarcane, mango, orange, lemon, banana and other related farms that give edible products for consumption and commercial purposes.

Table 9: Household assets by kebelle and income group, Bako-Tibe, Ethiopia, 2012

Type asset (Sample mean value)	**Kebelle**			**Income group***			**Total (n = 88)**
	Bechera Odaa Gibe (n = 40)	Odaa Gibe (n = 22)	Tarkanfata Gibe (n = 26)	Poor (n= 30)	Medium (n=29)	Less Poor (n = 29)	
Own landholding farmed	1.33	1.59	1.62	1	1.46	2	1.48
Sharecropped and rented land farmed	1.18	0.83	0.55	0.9	0.92	1	0.94
Total land farmed (ha)	2.51	2.57	2.17	1.59	2.53	2.61	2.43
Livestock (no)	24	16	21	15	20	27	21
Dwelling value	15068	9986	21296	9662	15845	21386	15638
Equipment value	323	258	328	268	297	367	308
Cash and financial assets	4308	855	781	845	1570	4614	2402
Trees value	9677	16884	7309	7116	12758	12511	10779
Total asset endowment	65172	59595	70997	48656	67281	82087	65499

Source: Household survey, N = 88

***** The sample was divided in to three relative income groups according to their per capita income for ease of more understanding the sample income. The per capita income of the 'poor' is USD 46 – USD164, 'medium poor' earn USD 165 – USD259 and 'less poor' earn USD 260 – USD780.

7.3. Sources of Household Income

The household income calculation comprised of 12 months income from cash and subsistence activities based on households recall and estimated market value. The income reported comprised of farm income, off-farm income and non-farm income. The farm income comprises of income from crop production and livestock. The off-farm income comprises income from wild and private forest. And the non-farm income comprises of income from off-farm self employment, salary from wage-employment and remittances. The income calculation does not include labour spent a household own activity or exchanged (shared) between neighbours and local community reciprocally. The amount of labour-time spent in these regards are hardly recalled and different activities need different amount of labour-time (Kamanga, Vedeld & Sjaastad 2008:618)

Farm income constitutes the largest share of the sample households' income. Crop production provides 58% of mean annual sample households' income. Crop cultivation is largely dependent on rain fed cultivation and some households cultivate through irrigation besides rain fed agriculture. Of the sample households, 23% have access to traditional household irrigation. In these households, mean income from irrigation makes up 16.5% of their mean income from crop production. Smallholder peasant cultivation is dominant both in terms of cultivated area and production size. The largest share of landholding is devoted to teff (26%) and maize (21%) production. Maize, teff, wheat, sorghum among cereals; horse beans, chickpeas and field peas among pulses; 'nug' among oilseeds and other like 'red paper', sugarcane, and vegetables are grown in the area. Oilseeds and 'red paper' are the major cash crops. The largest share of the other crops is used for substance purpose and under normal circumstances the surplus is commercialized.

Livestock products and sale of livestock is another major source of income in the area. Similar to most rural parties of Ethiopia, livestock products (milk and milk products) directly devoted to household own consumption and not commercialized except for surplus butter, skin and hide. On estimate, overall income from livestock provides 29.3% of sample household annual income.

Table 10: Household income composition by kebelles, Bako-Tibe, Ethiopia, 2012, (values in Birr)

Source Income	**Bechera Oda Gibe** (n = 40)		**Odaa Gibe** (n = 22)		**Tarkanfata Gibe** (n = 26)		**Total** (n = 88)	
	Mean	SD	Mean	SD	Mean	SD	Mean	SD
Crop production	15621	14717	12994	7711	13930	9043	14464	11670
Livestock	6964	3741	8022	3248	7228	4662	7307	3905
Off farm self-employment	373	1182	109	498	350	1211	302	1063
Off farm wage employment	1175	1362	887	706	749	700	977	1062
Private forest income	1489	1163	1257	1080	1283	1011	1370	1092
Wild forest income	534	320	535	450	443	170	507	324
Total income	26156	15145	23798	7957	23982	10117	24924	12199
Per capita income	3956	2583	3931	2575	4432	2086	4090	2427
Per capita income –USD*	229	149	227	149	257	121	236	140
Source: Household survey, N=88. *USD1 = Birr17.30, when the survey was conducted								

The share of off-farm income and non-farm income in the sampled households' income portfolio are small compared to the sample household farm income. The share of local wild forest and wild

forest products is smaller in the area (on average 2%) because of destruction of existing, communal forest, woodland and grasslands as discussed in chapter six. Households in the area consequently depend on private forests and crop remains (straws) for building, energy consumption and commercial purposes. Only 19.3% of the sample households collected various benefits from local wild forest, which makes up 3.5% of the households mean annual income. The benefits reported were mostly firewood and fencing materials. Other wild forest income like building materials, timber, fruits, and medicinal purposes were very insignificant. For instance, only 3(3.5%) of the sample households collected wild honey, which was less than 1% of the households' mean annual income.

Table 11: Household Income composition by income group* (values in Birr), Bako-Tibe**,** 2012

Source of Income	**Poor (n = 30)**		**Medium (n = 29)**		**Less Poor (n = 29)**		**Total (n = 88)**	
	Mean	SD	Mean	SD	Mean	SD	Mean	SD
Crop production	8480	4570	13821	7066	21298	16262	14464	11670
Livestock	5877	2936	8025	3582	8067	4723	7307	3905
Off farm self-employment	203	709	334	1250	376	1191	302	1063
Off farm wage-employment	1073	1227	814	671	1041	1206	977	1062
Private forest	1748	1263	1366	1056	983	794	1370	1092
Wild forest	436	225	554	343	535	384	507	324
Total income	17817	6109	24914	7631	32287	15975	24924	12199
Per capita income	2048	498	3521	506	6773	2354	4091	2428
Per capita income – USD*	118	29	204	29	391	136	236	140

Source: Household survey, N = 88.
*USD1 = Birr17.30, when the survey was conducted.

Off-farm wage employment and self-employment income were other reported sources of household incomes in the area. Employment in Karuturi is one of the sources of off-farm wage-employment income. Employments in road construction carried out by Chinese companies as well as daily wage employments in nearby towns (e.g. Bako town) that reportedly pay better than Karuturi are other sources of wage employment income. Income from such sources constitutes 4% of the sample households' mean annual income of which 1.65% is wage income from Karuturi Agro Product Plc. Some of the sample, (10 households or 11.5%), complement their income through off-farm self-employment income such as petty-trading, sales of local liquor and local beer which accounted for 9% of the households mean annual income. Another source of

income was domestic remittance for 2 (2.8%) households that accounted for about 1.5% of their mean annual income reported in a sample corresponding to Bechera Odaa Gibe. The remittances were reported irregular and small financial supports. Consequently, it was added to the household annual income. Because the remittances were small and irregular reported by few (two) sample households to categorize as separate source of income.

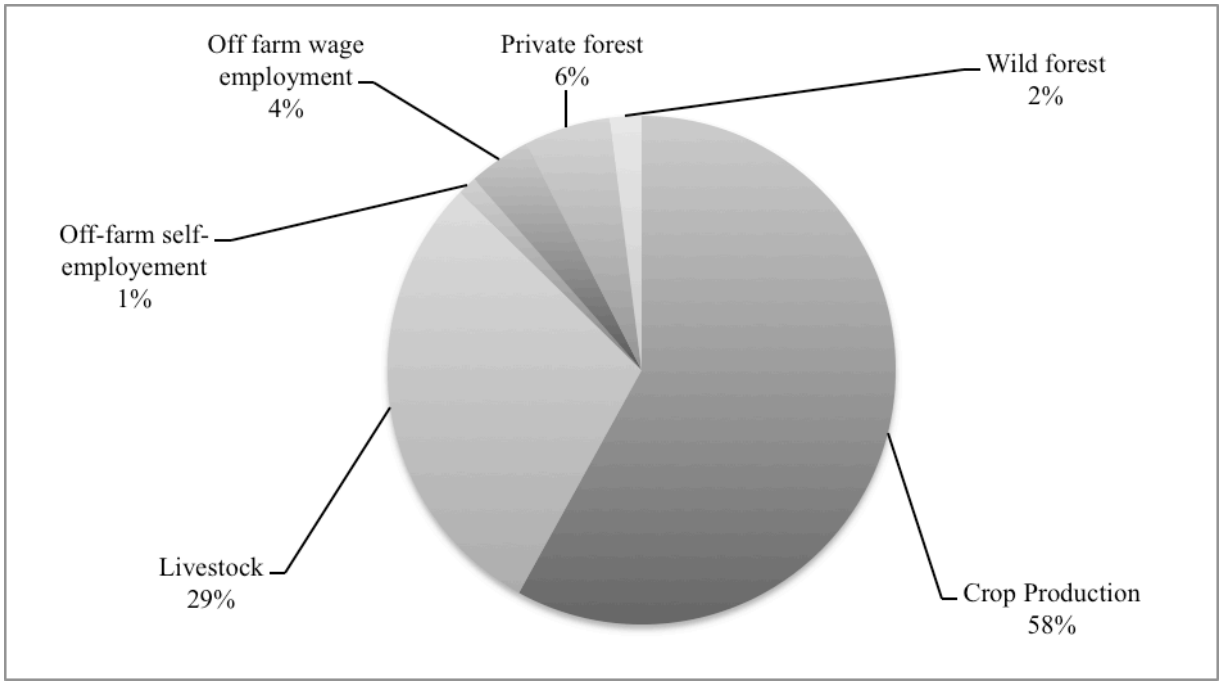

Figure 7: Percentage of average household income source in mean household income portfolio, Bako-Tibe, Ethiopia, 2012

The average nominal per capital income of the sampled households was USD 236.45 (with a standard deviation of USD 140.32). This is less than the USD 374 nominal average national per capita income (World Bank 2011). (The adult equivalent nominal per capita income is USD 443.27 with standard deviation of USD 284.82). Majority of the community in the study area are reportedly poor. Based on income data from the household survey, about 90% of the households depend on less than a dollar per day.

7.4. Determinates of Household Income

To examine determinates of household income, per capital income was regressed against household socio-economic characteristics and contextual factors. Table 12 presents the results of

the regressions. Per capita income is statistically significant and directly related to land used per capita (**p<0.001), livestock ownership per capita (*p<0.001), total asset endowment per capita (*p<0.001) and land farmed through sharecropping and renting per capita (**p<0.01). Per capita income is statistically significant and inversely related with households' size (**p<0.001), months of households' food supply shortage in a year (*p<0.05) and amount part of communal landholding used for crop production used on individual basis expropriated for the investment per capita (*p<0.05).

Per capita income is not statistically significantly related with household head sex, household head age, distance from the investment and months food self-sufficient with own production at (p<0.05). But there is a statistically significant and direct relationship with distance of household from the investment site and annual food sufficient months through own production at (*p<0.1). Wage employments in Karuturi Agro Product Plc., loss of access to communal grazing land and forest based economic activities have no statistically significant relationship with households' per capita income.

Table 12: Results of OLS regression of per capita income against household socio-economic characteristics, Bako-Tibe, Ethiopia, 2012

Variables	**Exp. Sign**	**Coef.**	**SE**	***t*-value**	***Sign.***
Household head sex	-	- 310.343	631.704	-0.491	0.624
Household head age	-	- 25.101	23.451	-1.070	0.287
Household head education	+	617.658	183.550	3.365	0.001
Household size	-	- 550.741	82.390	-6.685	0.000
Land used per capita	+	3750.217	720.311	5.206	0.000
Livestock ownership per capita	+	0.222	0.059	3.799	0.000
Total asset endowment per capita	+	0.119	0.035	3.426	0.001
Distance from the investment	+	384.359	234.693	1.680	0.087
Months of own food production is sufficient in a year	+	272.310	180.069	1.512	0.234
Months of household food shortage in a year	-	- 410.283	248.289	-1.652	0.012
Land expropriated for the investment per capita	-	-4003.816	1581.816	-2.532	0.013
Land sharecropped and rented per capita	+	9068.810	1708.135	5.309	0.001
Employment in the investment	-	- 872.760	1431.251	-0.610	0.544
Loss of access to grazing land	-	- 901.049	1120.138	0.804	0.432
Loss of access to wild forest	-	1612.816	1423.761	-1.133	0.261

Source: Livelihood survey, N = 88

These results shows in the area landholding and livestock ownership are determinant for household income. Households with large family size and households having problem of food supply shortage are likely characterized with low per capita income while households with greater asset endowment are characterized with higher per capita income. The statistically significant and positive relationship between household residence and per capita income (even though it is at $p<0.1$) shows households residing closer to the investment has lower per capita income than those living relatively far from the investment site. Most of the households closer to the investment were using part of the communal landholding expropriated for the investment on individual basis for crop production relative to household relatively far from it. On the FGD this claimed to have affected landholding of households closer to the investment in relations to their household size and consequently their income from crop production. This in evident from the statistically significant and negative relationship between per capita income and the per capita amount of part of the communal landholding used for crop production on individual basis expropriated for the investment. According to the regression result, wage employment income in Karuturi Agro product Plc. has no significant contribution to household income.

7.5. Household Income Dependency and Diversification

The sample is divided into three groups relative to their annual per capita income to examine the household income dependency and diversification by their income source and group (also see table 11). The groups are: the 'poor' with per capita income of USD 46 – 164, 'medium poor' with a per capita income of USD 165 – 259 and 'less poor' with a per capita income of USD 260 – 780. Based on these income groups, table 13 presents the proportion of income extracted from each of the sources household income and results of analysis of variance (ANOVA).

The three income groups are dependent on crop production for the largest share of their income and this is followed by dependency on livestock. The less poor reported higher share of income from crop production (66%) compared to the poor group (48%). Contrarily, the relatively poorer group reported higher share of livestock income (33%) compared to the less poor group (25%). On average, the less poor group own more livestock than the less poor, which is on average 27 to 15 respectively (see table 9). The difference in greater proportion of income dependency of the poor on livestock income than the less poor group is because the poor keep more livestock for others through the *darabaa* system. The share of off-farm wage employment and private forest

income in household income are reported to be higher in the poor group. The share of reported wild forest income is less than private forest income in all the groups' income portfolio. The low level of dependency on wild forest income is the result of clearance of communal wild forests, woodlands and savannah in the area because of the investment. Non-farm incomes are limited and their shares in household income portfolio are small. Off-farm self-employment and wage-employment incomes, and private forest and wild forest incomes all together make up 19% in poor, 11% in medium poor and 9% in less-poor households.

Table 13: Household income dependency (values in Birr), Bako-Tibe, Ethiopia, 2012

Source of Income	Income groups						ANOVA *	
	Poor (n = 29)		Medium Poor (n = 29)		Less Poor (n = 29)			
	Income	%	Income	%	Income	%	F	Sig.
Crop production	8,480	48	13,821	55	21,298	66	11.008	5.674
Livestock	5,877	33	8,025	32	8,067	25	0.001	0.999
Off-farm self-employment	203	1	334	1	363	1	0.582	0.561
Off-farm wage employment	1,073	6	814	3	1,041	3	0.480	0.620
Private forest	1,748	10	1,366	5	983	3	3.369	0.039
Wild forest	436	2	554	2	535	2	1.121	0.330
Total income	**17,817**	**100**	**24,914**	**100**	**32,287**	**100**	**14.028**	**5.538**

Source: Livelihood survey, N = 87.
*p < 0.05; df = 2, 84; f-critical = 3.105

The analysis of variance (ANOVA) was carried to examine statistical difference in average source of income of the three income groups. Among the three income groups there are statistically significant difference in mean crop production income ($F = 11.008$; df 2,84; $p<0.05$), and mean private forest income ($F = 3.369$; df = 2, 84; $p<0.05$)). There are no statistically significant differences among the three-income group mean livestock income ($F = 0.001$; df 2, 84; $p<0.05$), mean off-farm self-employment income ($F = 0.508$; df = 2, 84; $p<0.05$), mean off-farm wage-employment income ($F = 0.480$; df = 2, 84; $p<0.05$) and mean wild forest ($F = 1.121$; df = 2, 84; $p<0.05$). The statistically significant difference in mean crop production income indicates the relatively wealthiest group rely more on crop production while the statistically significant difference in mean private forest income indicates the relatively poorer groups depend on private forest to diversify their income. Besides, the dependency ratio illustrates off-farm wage

employment, which contributed to 6% the poor group's income, is another activity through which the poor diversify their income sources.

7.6. Effect on Land and Wealth Distribution

To examine the effect of the investment on land and wealth distribution, the sample was divided into five quartiles based on the sample households' annual per capita income. The lower quartile represents the lower 20% which is relatively the poorest group with mean annual income of USD 100 and the upper quartile represents the upper 20% which is relatively the wealthiest groups with mean annual income of USD 454. In terms of mean household landholding, there is small inequality in land distribution between the upper and lower quartiles. The lowest quartile uses 1.3 ha on average, while the upper quartile use 1.5 ha on average. This shows a difference of 0.2 ha. However, in terms of per capita landholding, the upper quartile uses twice as much land than the lower quartile. The mean per capita landholding of lowest quartile was 0.17 ha while that of the upper quartile is 0.34 ha.

Gini index is computed to examine the effect of expropriation of part of the communal landholding used on individual basis for crop production without registration and certification and associated effect on wealth distribution. The average land expropriated for the investment from the lowest and upper quartiles were 0.4 ha and 0.5 ha respectively. First, Gini index for present sample households' landholding without the amount of land expropriated for the investment was computed. This shows distribution of landholding after the expropriation of the land for the investment. Second, Gini for present sample household landholding with the land expropriated for the investment is computed by adding the amount of the land expropriated for the investment to the amount of household's landholding at present. The index shows distribution of landholding that existed before the expropriation of the land for the investment. Following the expropriation of part of the rural communal landholding used on individual basis for crop production without registration, inequality in access to farmland in the area, as measured by the Gini index, is 32.8%. This was 28.44% prior the expropriation of land for the investment.

Land is one of the most important asset and indicator of wealth in the area. To examine the effect expropriation of part of the communal landholding used on individual basis for crop production without registration on wealth distribution, Gini index for household wealth before and after the expropriation of the land is computed. First, Gini index is computed for household wealth without

the value of the land expropriated. This shows wealth distribution after the expropriation of the landholding. Second, Gini index is computed for household wealth including the value of the land expropriated for the investment (by adding the value of the land expropriated for the investment to households total asset endowment). This shows wealth distribution prior to the loss of land. Following the expropriation part of the rural communal landholding used on individual basis for crop production without registration, wealth distribution as measured by the Gini index is 34.98%. This was 32.08% prior to the land expropriation.

The Gini indexes show the expropriation of the landholding for the investment has increased inequality in distribution of landholding by 4.36 percentage points and wealth by 2.9 percentage points in the area.

7.7. Effect on Household Food Self-Sufficiency

Landholding is the major source of means of livelihoods and determinant of household food supply in the study area. Thus, change in landholding has direct implication not only on household income but also on household food self-sufficiency. To examine the effect of expropriation of part of rural communal landholding used on individual basis for crop production on household food self-sufficiency, an ordinary least square regression of months of household food supply shortage in a year is regressed against household socio-economic characteristics and contextual factors. Table 14 shows the results of the regression. The area under the study is affected with transitory food security problems linked to fluctuation in rainfall from time to time as discussed in chapter six. As understood from the Bako-Tibe Woreda Agriculture Desk, during the last 12 months the household survey covered, the area received rainfall normal for crop production.

According to the results, months of household food supply shortage in a year is statistically significant and directly related with household size (**$p<0.01$) and loss of access to grazing land (*$p<0.05$), loss of access to wild forest resources (**$p<0.01$) and land farmed through sharecropping and renting per capita (**$p<0.01$). Months of household food supply shortage in a year has statistically significant and inverse relationship with land size per capita (**$p<0.01$), livestock ownership per capita (*$p<0.05$), total household asset endowment per capita (*$p<0.05$), and per capital income (**$p<0.05$). Months of household food supply shortage in a year have no

statistically significantly relationship with household head age, education level and sex. But it has statistically significant and directly related with amount of part of rural communal landholding used on individual basis for crop production that was expropriated for the investment (**p<0.1) and inversely related with distance of household residence from the investment (**p<0.1).

Table 14: Result of OLS regression of household food deficient months against household socio-economic characteristics and contextual factors, Bako-Tibe, Ethiopia, 2012

Variable	Coef.	SE	*t-value*	Sig.
Household head sex	0.387	0.267	1.448	0.151
Household head age	- 0.002	0.010	- 0.193	0.348
Household size	0.121	0.041	2.912	0.005
Household head education level	- 0.057	0.083	- 0.686	0.495
Landholding size per capital	- 0.944	0.338	- 2.792	0.006
Total asset endowment per capital	0.000	0.000	- 2.232	0.028
Per capital income	0.000	0.000	- 1.652	0.012
Land expropriated for the investment	0.485	0.156	3.114	0.094
Distance of household residence from the investment	- 0.178	0.106	- 1.676	0.097
Land farmed through sharecropping and renting per capita	- 2.136	0.809	-0.274	0.010
Employment in the investment	0.067	0.613	- 0.109	0.414
Loss of access to grazing land	1.133	0.465	2.438	0.017
Loss of access to wild forest resources	1.792	0.582	3.079	0.003
Limitations of access to water resources	0.081	0.119	0.682	0.497

Source: Household survey, Bako-Tibe woreda, Spring 2012, N = 88

As inferred from the results the investment has affected food self-sufficiency of some of the households' expropriated land for the investment. Especially, households near the investment were affected more than other. This is evident with the inverse relationship between months of food supply shortage in a year and desistance of households from the investment. Households affected with the expropriation of the landholding for the investment lowered its effect on their food self-sufficiency through complementing production from remaining landholding through sharecropping and land rental arrangements. This can be seen from the negative relationship between months of household food supply shortage in a year and land farmed through sharecropping and renting. Before the investment, young married households were distributed parts of the land expropriated for the investment by kebelle administration as part of land distribution in the area. To overcome the loss of the land expropriated, young married households

shifted to sharecropping and land renting to produce enough food for their household members. A separate test of correlation between household head age and land rented and sharecropped confirms this. According to the test there is strong inverse relation between household age and amount of land farmed through sharecropping and renting.

Household food self-sufficiency was also affected by the loss of access to grazing and wild forest. The major negative impact of the investment was on grazing land as discussed in chapter six. The expropriation of communal grazing land and consequent loss of grasses affected both income from their own livestock and income gained through the *darabaa* practice. Before the investment, the forest cover of the expropriated communal land was source of wild forest income for local people. It was of great importance particularly for poorer households dependent on sales of firewood, charcoal (but it is illegal), and other forest products to diversify their income and overcome food supply problem. The poor are more food insecure as can be seen from the regression result. Consequently, they shifted to private forest for own consumption or for commercial purposes. This can be seen from the household income dependency (under section 7.6); the poor group dependent on private forest for 10% of their income as opposed to 2% on wild forest income.

8. SUMMARY AND CONCLUSION

8.1. Summary

The expropriation of the communal rural landholding and transfer to private investor has led to changes in access to land and related resources vital for local livelihoods. The rural communal landholding and related resources were vital for social and economic activities of the local people from crop production to livestock grazing and drinking, household irrigation to forest based economic activities for consumption and commercial purposes. The investor has not fully operationalized all the land intended for the investment and there were some pockets of land still under the use of local people. As the investment become fully operational, limitation of access to land and local resources will be much more than at present. In Ethiopia, communal rural landholdings could be expropriated when found necessary for public purpose. In Oromia region, the legal framework under which communal landholding is registered is pending enactment. Consequently, it is not known whether there compensation for expropriation of communal rural landholding or nor and who is compensated. Individual landholding could be expropriated in a similar manner and compensation is paid provided that the expropriated land is registered and certificates of registrations are presented.

There were certain problems in making the investment decision, land deal and negotiation process and its implementations. There was lack of proper prior identification of appropriateness of the land for the investment in relation the importance of the land and related resources for local livelihoods. There was failure to consider implication of expropriation of landholding for local conditions (in the short-term and long-term) in relation to local population dynamics and livestock ownership and demand for resources in future. There was lack of participation of the local government bodies (woreda and kebelle) and local people in the land deal and negotiation process and its implementation. Local participation was important to identify the possible interests in the land expropriated for the investment, to examine the possible impacts of expropriation of the land and related resources on local livelihoods and to make a wise investment decision whether the investment could lead to more productive use of the land and generate better socio-economic opportunities for the local people or not. These shall be central to

the investment decision and the land deal and negotiation process and its implementation as the expropriation of communal rural landholding is intended for better public purpose.

The change in access to land and related resources has greatly affected social and economic activities of the local people. These effects were evident in the sampled households' livelihoods diversity and diversification. Households adjacent to the investment depend on mixed subsistence agricultural of crop production and livestock raring for more than 87% of their income. Income generated from off-farm wage employment accounts for 4% of mean household income of which wage employment income in the investment accounts for 1.65%. Available wild forest and woodlands are taken over by the investor and consequently access to wild forest based income for consumption and commercial purposes changed. Wild forest income is limited to 2% of mean annual household income. This is smaller than income from private forest income that accounts for 6% of mean annual households' income. These show that the investment has lead to contraction of local resource base available for local livelihood activities. This has implication for livelihoods diversification.

Large-scale agricultural investment is argued it would bridge the transformation from predominantly smallholder substance agriculture to large-scale agriculture leading to rural development and decline in the proportion of the population dependent on subsistence agriculture. If this rhetoric is to hold on, in areas where large-scale agricultural investments are taking place now, the local populations are expected to start generating substantial share of their income from off-farm economic activities one of which is through working in the large-scale investment itself. But the investment has led to limited livelihoods options and this led them to be sceptical such a transformation could happen. The per capita income of the households in the study area is by far less than the national average for 2011 by USD 138 (USD 374 national average minus USD 236 the sample average). About 90% are dependent on less than a dollar a day and more than two-third reported 1.75 months of food supply shortage during the last 12 months the survey covered. Land expropriated for the investment had been serving as an equalization factor for inequality in distribution of landholding in the area. Consequently, there is an increased inequality in landholding and consequently wealth distribution by 3.36 and 2.9 percentage points. The part of the communal land expropriated was particularly advantageous for young married households who normally have shortage of farmland in that area. Households have

shifted to sharecropping and renting land but the land available under such arrangement is often small and the rates are seldom affordable with the households' capacity.

The goal of expropriation of landholding for large-scale agricultural investment in Ethiopia is to utilize such land in a more productive way and stimulate rural social and economic development and contribute of rural poverty reduction. But the investment agreement and its implementations seemed to have neglected these goals. Neither local development given priority in the investment contractual agreement nor there are appropriate mechanisms designed to exploit the promised and expected contribution of the investment for local development. Commitments for local development were agreed verbally unaccompanied with written agreement that oblige the investor to fulfil its commitments or serve as evidence in cases of denial. The neglect giving attention to the expected contribution of the investment for local development in the investment agreement and the absence of enforceable mechanisms makes improving local social facilities to depend on the willingness of the investor not an obligation. The investor was not able to get expected results from its investment so far and consequently it was unable to deliver its commitments for local development. So far, the investment has created employment opportunities for Ethiopians regardless of their shortcomings. But employments available for local people were often temporary and seasonal employment and causal labour without employment security. The pay is less than the domestic minimum daily wage rate. No employment benefits are available and the working conditions are reportedly poor. There is no spill over of new lessons of agricultural production to the local people.

It is hardly possible to see effect of the investment on local food self-sufficiency for two reasons. First, the study area has food insecurity trends because of fluctuation in rainfall and poor harvest due to traditional farming practice and low or lack of use of the necessary inputs of crop production. Second, it is too early to see the impact of the investment on food supply as the investment is not fully operational and outputs collected so far were not marketed. Despite these conditions, there are two points to mention. First, the expropriation of unregistered landholdings reportedly had implication for food self-sufficiency of the affected households. This was low because the affected households were able to cope up the land loss through sharecropping and land rent. Besides, the investment has not fully operationalized all the land possible to develop through the investment and some pockets are still used by local people. Second, there are compromises of strengthening food supply in the investment contractual agreement and

investment policy intended to strengthen foreign reserves. The investment agreement does not mention where the outputs from the investment are marketed including if domestic food supply problems happens. The investment policy in general promotes export to strengthen the county's foreign currency reserve and different incentives are put in place to encourage investors to export their produce.

8.2. Conclusion

It is too early to reach any final conclusions with respect to the effect of Karuturi Agro Product Plc. on livelihoods of local people at this point because the investment is in its early years of operation and all the land intended for the investment was not fully operationalized. Consequently, some possible effects of the investment, positive or negative, are yet to emerge and this makes further research imperative. As this study has revealed, however, so far the investment has brought more costs than benefits to the local people.

The findings imply that large-scale foreign agricultural investment has uncertain development benefits for local people. The expected local development benefits become very uncertain in situation where legal and institutional frameworks necessary to govern large-scale agricultural investment are weak and poorly implemented. Therefore, the benefit of large-scale agricultural investment for local people depends on strong legal and institutional framework to identify suitability of land targeted by such investment and to design the investment contractual agreement in a way it could benefit the local people and contribute to local development, and follow up the implementation of the investment in line with the investment agreement.

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Appendix: Questionnaire

Part I: Livelihoods Survey questionnaire

I: Basic household data

Name of HHH		Questionnaire No.	
Peasant Association		Date	
Religion		Interviewer	

Distance of household residence from investment site _____

	Family relations	Sex	Age	Education	Main econ. Activity	Other econ. Activity
Note: -List family member according to age from older to younger. -Use C1, C2, and C3…etc. from Child 1, Child 2 etc. Other for relatives. Education level. 0= illiterate. 1=adult education. 2=1-4. 3=5-8. 4=9-10. 5=>10						

II. Assets 1 = Land

Plot no.	Size	Use	Household rights	Source	Investments (value)
1					
2					
3					
4					
5					

Use: e.g. crop cultivation, grazing, forest product collection, etc

Rights: e.g. own registered, unregistered, rented, communal land, open access

Source: e.g. mother, father, aunt, uncle, friend, market etc

Investments: e.g. irrigation, terraces, furrows, trees, fence, etc

2. Dwelling

Type	Number	Value
Building or structure locally		
Building or structures elsewhere		

3. Equipment/Machine

Type	Number	Value
Plough		
Harrow		
Tractor		
Other		

4. Livestock

Type	Livestock inventory; and changes last 12 month						
	today	Bought	Sold	Died	Consumed	Given away	Received l
Ox							
Cow							
Goat							
Sheep							
Horse							
Donkey							
Mule							
Poultry							
Other							

5. Trees and Plantation

Type	Number/Size of land covered	Value (or value of harvest last 12 months)
Mango trees		
Orange trees		
Lemon trees		
Size of banana plantation*		
Size of sugar cane plantation*		
Plantations (planted trees)		

6. Financial Assets and Deb

Type	Value
Financial assets	
Cash	
Debt	

III: Income

1. Crop production

a. Outpu

Out Type	Crop production for last 12 months						
	Plot size	Tenure	Seed	Output	Price	Surplus	Total
Maize							
Sorghum							
Wheat							
Teff							
Oilseeds							
Spices							
Sugar cane							

Inputs

Input Type	Inputs of crop production for the last 12 months		
	Quantity	**Unit cost**	**Total cost**
Fertilizer			
Seed			
Pesticide			
Labor			

Income from livestock products

Type	Income from livestock products for the last 12 months				
	Quantity	Value	Consumed	Sold	Total
Milk					
Butter					
Cheese					
Egg					
Hides/ Skin					

Inputs of Livestock keeping

Type		Costs of animal husbandry for the last 12 months
Medicine/Veterinary Service		
Fodder		
Labor (e.g. herding)		
Other		

3. **Off farm Income**

Type	Off farm income in the last 12 months				
	Income	Cost	Labor wage	Profit	Total
Petty trading					
Local brewery					
Local liquor					
Wage labour					
Other					
Other					
Other					

4:Income from local forest

Type	Income from forest in the last 12 months				
	For own use	Estimated value	For sale/month	Estimated value	Total Income /year
Firewood					
Fencing					
Building					
Timber					
Fruits					
Honey					
Medical					
Other					
Other					

5**: Income from irrigation and plantations**

Type	Income from plantation and irrigation in the last 12 months				
	Quantity	Value	Consumed	Sold	Total
Fruits					
Sugar cane					
Spices					
Vegetables					
Plantations*					
Other					
Other					

6. Remittances:

	Domestic	**Foreign**
Domestic transfer		
Foreign transfer		

Part II: Qualitative Interview Questions

1. How many years have you lived in this place? Number of years: _____ or
   a. Less than five years
   b. Five to ten years
   c. More than ten years
   d. Native to the place
   e. Others (specify)
   f. If you moved in here, where is your place of origin? _____
   g. Why did you move here? _____

2. How many years since you started farming here? No. of years _____ or

   a. Less than 5 years
   b. Five to ten years
   c. More than 10 years

3. When were you informed about the investment happening in this area? Who informed you?
_____

4. Did you lose any land because of this investment? If yes:

   a. What types of land?
   b. How much of each type?
   c. Registered or unregistered (or both)?
   d. Private or communal or open access?

4. Did you lose any other assets (buildings, fixed land improvements/structures) because of the investment? If yes, please indicate type and value:

5. Were you offered any compensation for the loss (or losses) of land or other assets? If yes, please indicate type and amount of compensation:

6. Has the investment affected the security with which you hold your land? If yes, in what ways?

7. Has the investment affected your access to cropland? If yes, in what ways?

8. Has the investment affected your access to grazing land? If yes, in what ways?

9. Has the investment affected your access to forestland and forest products? If yes, in what ways?

10. Has the investment affected your access to water for your animals? If yes, in what ways?

11. Has the investment affected your access to water for irrigation? If yes, in what ways?

12. Has the investment affected your access to drinking water? If yes, in what ways?

13. Has the investment led to any changes in the price of land? If yes, please explain:

   If yes, what are the consequences of this price change?

14. Has the number or intensity of land or resource conflicts changed as a result of the investment? If yes, please explain:

15. Has the investment led to any other changes in access to, or use of, land and water resources? If yes, please explain:

16. Has the market for the goods that your household produces changed as a result of the investment? If yes, please explain:

17. Has the investment led to employment opportunities (wage labour or piece work) for your household? If yes, please explain (type of work, duration, amount of pay, working conditions, etc.):

18. Has the investment led to changes in local infrastructure and services (roads, schools, clinics, electricity, agro processing, sanitation, etc) in the area? If yes, please explain:

If yes, has your household benefited from these changes? If yes, please explain:

19. Has the availability of goods and commodities in the shops changed as a result of the investment? If yes, please explain:

20. Have new businesses emerged in the area as a result of the investment? If yes, Explain:

If yes, has your household benefited from this? If yes, explain:

21. Has the investment led to the spread of new production technologies in the area? If yes, please explain:

If yes, has your household benefited from this? If yes, please explain:

22. Has the investment affected the total household income? If yes, in what way?

23. Has the investment affected your household's range of livelihood options and opportunities? If yes, in what way?

24. Has the investment led to any other changes in the area? If yes, please explain:

25. How many months of consumption does the household's own food production provide for?

26. Did your household face food shortages these last 12 months? If yes, how many months?