CHAPTER 2: AGRICULTURE AND ECONOMIC DEVELOPMENT IN AFRICA

2.1 Introduction

Many African nations, with the exception of Ethiopia and Liberia, had a colonial history and their development policies were much influenced by colonial powers. Soon after their independence in the late 1950s and early 1960s, with the exception of few countries such as Mali, Ghana and Guinea, which espoused socialism, many African leaders adopted mixed economic policies and emphasized industrialization, diversification of their economies, expanding educational opportunities and nation building (Eicher & Baker 1992). Their approach to development was generally urban-biased and they gave little attention to the agricultural sector, despite its importance in propelling economic growth and reducing poverty.

African leaders considered agriculture not only to be 'backward' and 'outdated', but also as a sector from which to extract surpluses, through taxation, in order to finance the industrial sector and urban development, and as a source of surplus labour (Eicher & Baker 1992, p. 22; Hoeffler 2011, p. 7). The leaders were generally pessimist about the agricultural sector's ability to bring much-needed economic growth. Industrialization, on the other hand, was perceived as delivering a high rate of economic growth and as being a short-cut to structural and economic transformation (cf. Bates 1981; World Bank 2000; Hoeffler 2011). Historically, producers of agricultural commodities in general and agricultural export commodities in particular were discriminated against by African governments' biased policy that supported producers of non-agricultural commodities (Bates & Block 2009). Hence, for several decades, the agricultural sector faced the challenges of policy distortions and received little government support, which Collier & Gunning (1999) refer to as *sins of commission* and *sins of omission*, respectively.

The *sins of commission* in African agriculture are reflected in the different trade policies. For example, exchange rates were overvalued, export was banned or heavy export duty was levied to discourage export, and marketing boards were set up to provide politically influential urban dwellers with cheap food commodities (Bates 1981; Cabral & Scoones 2006). On the other hand, African governments committed the *sin of omission* in African agriculture by allocating a small proportion of the annual budget to the agricultural sector, and thus investment in rural infrastructure was minimal. Spearheaded by the World Bank and the International Monetary Fund, African governments adopted structural adjustment policies in the 1980s. The punitive measures of structural adjustment policies significantly reduced the capacity of African

nations to invest in the much-needed infrastructure and further fuelled the pervasive nature of the *sin of omission*. For example, public spending as share of agricultural GDP between 1980 and 2000 was very low and evidence showed that it barely exceeded 4% of the agricultural GDP, until the mid-2000s, when it increased slightly to 6.4% (World Bank 2007; Fan *et al*. 2009). An improvement in public spending in agriculture is recorded after the African heads of states acknowledged the poverty-reducing and broad-based economic development roles of agriculture in Africa, which culminated in the adoption of the Comprehensive Africa Agriculture Development Programme (CAADP) in Maputo (African Union 2003). This has significantly affected growth in the agricultural sector.

There is general consensus that agriculture received little policy support in the past, but that land-locked countries exhibited the least bias compared to those in coastal areas (Bate & Block 2009). Agricultural policies and approaches to rural development adopted in Africa were influenced by the global political system (Ndulu *et al.* 2007), and thus different policies were experimented with over the years, but often relegated to the scrap heap before maturing to the point of scaling-up. Therefore, African agriculture was mostly an experimental station of inappropriate western economic models. This emanated from the lack of thorough understanding of the sector's contribution to overall economic transformation as well as its role in poverty reduction and food insecurity relating to the African population.

2.2 The Role of Agricultural Development in Economic Transformation

According to Oya (2010), neo-liberals and neo-populists are pessimistic about the performance of agriculture and its potential role in economic transformation. Neo-liberals associate poor agricultural performance in the 1960s and 1970s in Africa with policy distortions and heavy-handed government interventions in the sector, while neo-populists associate the agrarian crisis to state-designed modernist interventions as well as to subsequent market liberalizations, which discriminated against smallholder food producers. Gradually, however, pessimism is fading and a Green Revolution is anticipated in Africa. The potential role of agriculture in economic growth and poverty reduction is acknowledged, and thus several African nations have designed agricultural-centered development strategies.

A 2008 World Bank report stressed that agriculture is the major source of growth in Sub-Saharan Africa (SSA), accounting for up to 32% of the GDP. Regardless of whether a country is still agricultural-based, is transforming or has become an urbanized economy,[13] the poverty

[13] Agriculture-based countries are those in SSA in which 32% of the growth in GDP comes from the agricultural sector, compared to those transforming (e.g. China and India) and urbanized (e.g. Europe and Central Asia)

reducing effect of growth in the agricultural sector is at least twice the poverty-reducing effect of the non-agricultural sector (World Bank 2007). Agriculture in SSA serves not only as a sector with multiplier effects in other sectors of the economy, but growth in this sector has also proved to have a far-reaching poverty reducing effect compared to countries in transforming and urbanized economies (World Bank 2007; Hoeffler 2011).

Researchers also argue that higher agricultural output: stimulates growth in the non-agricultural sector, and thus spurs overall economic growth in Africa (Juma 2011); generates employment with a far-reaching poverty reduction effect (Bezemer & Heady 2008; Diao *et al.* 2008); and diffuses patterns of urbanization from mega-cities to rural towns, thus having a positive effect in terms of narrowing down rural-urban income disparities (Tacoli & Satterthwaite 2003). Agriculture-led growth is argued to have greater impact on poverty reduction than non-agriculture-led growth (De Janvry & Saddoulet 1996; Bourguignon & Morrisson 1998; Salami *et al.* 2010). Its poverty reducing effect is significantly higher when interventions are targeted at middle-farmers, who can adopt agricultural productivity enhancing technologies and produce marketable surplus, and when interventions are targeted at areas that have high production potential (Mellor & Dorosh 2010).

Most importantly, it is argued that the economic transformation roles of growth in the agricultural sector are achieved when strong linkages are established between surplus agricultural producing areas and the (rural) non-farm sector. This occurs when investment in infrastructure, such as roads, telecommunications and rural electrification, takes place (Haggblade *et al*. 2007; Juma 2011). Alliance for a Green Revolution in Africa (AGRA),[14] in its background note on Africa's economic transformation, noted the presence of untapped agricultural potentials in Africa that can be harnessed to bring a faster economic growth to the continent (AGRA 2015). Despite the potential of the agricultural sector as a driver of economic growth, poverty reduction and improving food security, the performance of the sector in several African countries is still disappointing (Hoeffler 2011; Moyo *et al.* 2015). It is a sector that has showed decline in productivity, unlike experiences from East Asian countries. So far, the Green Revolution has not happened on the continent. The sector still faces severe taxation and restrictive government policies, and private investment is crowded out (Cheru 2008).

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economies in which the contribution of agriculture to their GDP accounts for up to 7% and less than 5%, respectively (World Bank 2008).

[14] AGRA is a partnership between the Rockefeller Foundation and the Bill & Melinda Gates Foundation, working on the development and distribution of improved seeds, improving soil management and enhancing market access.

In 2003, the African Union member states vowed to increase investment in agriculture by allocating 10% of the national budget to the sector by 2008, and by registering at least 6% growth in agriculture per annum. The 2003 Maputo declaration on agriculture and food security is endorsed under the framework of CAADP and contributes to the Millennium Development Goal of halving poverty by 2015 in member states (African Union 2003). Here, it is relevant to unpack the commitment of African governments to providing the needed policy and resource support to the agricultural sector. For example, only 10% and 22% of member state countries in 2003 and 2006, respectively, complied with the Maputo declaration of committing at least 10% of their national budget to agriculture (NEPAD 2009).[15] Similarly, the Food and Agriculture Organization of the United Nations revealed that public spending on agriculture in Africa declined from 4.5% of the total expenditure in 2001 to 2.5% in 2012 (FAO 2015 in Moyo *et al.* 2015).

After the Maputo declaration, agricultural GDP has reportedly grown, on average, by 4%, which is below the target (Moyo *et al.* 2015). While this is an improvement compared to the 1990s, the performance of the agricultural sector is not impressive, even for those countries that spend huge public resources on agriculture. For example, a study by the World Bank (2008) showed that despite a decade of significant public spending on Ethiopia's agricultural sector, productivity is very low and the sector is characterized by low-input and is largely subsistent. In this regard, Geda & Birhanu (2011) argued that spending in the agricultural sector in Ethiopia is made without proper planning and this had resulted in limited welfare and growth impact of public spending in the agricultural sector of the country.

Ethiopia adopted an unbalanced growth model soon after the incumbent government assumed power in 1991. Agriculture was chosen as a leading sector, and the government prepared the Agricultural Development-Led Industrialization (ADLI) as a strategy for implementing the model. Increasing production and productivity of smallholder farming was at the centre of the ADLI, and large-scale farming is anticipated to play a vital and complimentary role in the economic and agricultural transformation of the poverty-stricken nation (cf. MoFED 2003). The next sections provide a historical overview using the model of large-scale farming in Africa as a tool of transformation, and subsequently present a conceptual model to analyse the impacts of large-scale farming on local economic development, household food security and the environment in Ethiopia.

[15] Ethiopia is one of the few countries that has successively allocated at least 10% of the national budget to agriculture since 2003 and achieved more than 6% growth per annum (Geda & Birhanu 2011).

2.3 Economic and Agricultural Transformation through Large-scale Farming

2.3.1. The political economy argument of farm size

In the political economy of agrarian transformation, the literature is dominated by the debate between those scholars who support the neo-classical neo-populism perspective, which profoundly recommends redistributive land reform, from large-scale farm enterprises and property that use hired labour to small-scale family-operated farms (cf. Lipton 1977; Berry & Cline 1979; Griffin *et al.* 2002) – and those who criticize it (cf. Byres 2003; Dyer 2003; Sender & Johnston 2003; Bernstein 2004). Griffin *et al.* (2002) present a number of success stories regarding redistributive land reform in East Asian countries (Taiwan, Japan, South Korea, China and Vietnam) that transferred large-scale landed property to small-scale farmers to support the notion of an inverse relationship between productivity and farm size.

Bernstein (2004) criticized the presentation of Griffin *et al.* (2002) success stories, arguing that the cases do not involve large-scale production with hired labour (but used 'coerced labour') and that they provide little evidence of redistribution of large-scale agricultural enterprises to small-scale farmers; rather, they were limited to discussing the role of local-level struggles for land, as in the case of *Movimento Rural Sem Terra* in Brazil, in today's agrarian question. Further, due to aggregation of data, the analysis failed to take account of differences in crop and livestock production, socio-demographic and agro-ecological differences that are important in determining the inverse relationship postulate. Byres (2003) and Dyer (2003) also challenged the redistributive land reform recommendation of GKI as a strategy for poverty reduction by referring to its defective approach, which is based purely based on the neoclassical approach of perfect competition that fails to consider the historical processes involved in capital transformation. The inverse relationship between productivity and farm size concluded by Griffin *et al.* (2002) is thus, as Byres argues, not true at all times and in all places due to the development of capitalism in agriculture and the emergence of class structure and differentiated peasantry. Sender and Johnston (2003) argue that there is little empirical evidence to support the inverse relationship argument between productivity and farm size in (South) Africa and redistributive land reform is unlikely to benefit the poor.

Bernstein (2004, p. 197) provided an interesting argument after going through the different critiques of the Griffin *et al.* (2002) postulate. He argued that:

> farm size is better understood as an effect of social relations and their dynamics than as the source or cause of productive virtue and vice, as in neo-classical populism on the one hand, technicist conceptions of

> economies of scale on the other hand. Understanding the determinants of farm sizes and their distribution, and of the relations between farm(er)s of different sizes and between farmers and agrarian labour, requires the investigation of historical specificities, utilizing the analytical means provided by more general theoretical models.

It can thus be concluded that it is oversimplification to consider the model of large-scale farming as a 'vice' and that of small-scale farming as a 'virtue' in reducing the plethora of poverty in Africa or in deciding on the allocation of productive factors based on a simple economies of scale argument without understanding specific and significant historical and social relations of production. In the following section, I provide the historical perspectives and some specific experiences of the model of large-scale farming in Africa to shed light on how the decision on the allocation of land resources is framed in the African context.

2.3.2. History and experience of large-scale farming in Africa

Historically, large-scale farming in Africa dates back to the colonial period with the cultivation of export crops by Europeans. After independence in the 1960s, agricultural policies in Africa supported large-scale farming on the ground of bringing rapid economic development by harnessing the benefit of economies of scale (Eicher & Baker 1992).

The debate between large-scale and small-scale farming in Africa was framed around the terminologies of transformation and improvement approaches. The transformation strategy of agricultural development includes different variants of large-scale farming such as plantation agriculture, state farms and land settlement schemes in empty area and the promotion of processing plants. The improvement strategy, on the other hand, is a term used for the strategy of improving the farming practices of smallholder farmers (Eicher & Baker 1982, 1992). Historically, some success stories of large-scale farming, such as the Gezira scheme in the Sudan, Firestone rubber estate in Liberia, Unilever estate in Democratic Republic of Congo (the then Belgian Congo) etc., were presented to justify the 'transformation approach' as the best agricultural development strategy to bring agricultural transformation to the newly independent African states (Eicher & Baker 1982, p. 49).

The transformation approach was challenged by some African scholars who argued that the western advisors exaggerated the contributions of large-scale farming by ignoring failed cases of plantation monoculture schemes such as the East Africa groundnut scheme of the British in Tanzania (the then Tanganyika) and the Mokwa settlement scheme in Nigeria (Baldwin 1957). Eicher and Baker (1982) also argued that fifty years of experience in large-scale

farming in Africa demonstrated the failure of the model. They presented failed examples of large-scale farming schemes from Liberia (e.g., the Uniroyals large scale food production which terminated in 1960s), Ghana (e.g. a maize farm and grain storage complex) and Cameroon (e.g. a 4,000 hectare government-run mechanized wheat farm which faced difficulty in 1979). Detailed evaluation of the transformative model in southern, western, eastern and mid-western Nigeria showed that large-scale plantation schemes all failed to transform Nigeria's economy (cf. Roider 1971; Wells 1974; Andreou 1981). In Ethiopia, state-run large-scale farms that existed during the Derg regime experienced serious inefficiencies and failed to transform the country's economy (cf. Dejene 1987; Bruce 1998; Tirfe 1999).

Yet, there is substantial support among African politicians and donors to the model of large-scale farming as an economic transformative tool. In the recent burgeoning policy debate, however, the argument is not about choosing one model over the other, but exploiting the complementary benefits of smallholder and large-scale farming. Collier and Dercon (2009) argued that by encouraging the vertical integration of smallholder farmers with large-scale commercial enterprises, it is possible to exploit scale economies provided by the later. A second justification in terms of the complementary roles of foreign direct investment in agriculture is provided by Liu (2014).

As discussed earlier in this chapter, the lack of investment in agriculture due to *the sin of omission* was one of the reasons for the stagnation and decline of agricultural productivity in the past three decades. In this regard, public investment in agriculture by governments is a necessary condition in terms of channeling private investment towards agriculture. A higher agricultural output, however, is by no means sufficient to bring the needed economic transformation given that African governments have huge financial gaps (Liu 2014). Evidence showed that the share of official development assistant going to agriculture declined in the past few decades (Hallam 2011), and thus, the investment gap in agriculture is not expected to come from international donors either. Liu (2014) argued that the public investment gap in agriculture can be filled if governments in developing countries harness the complementary roles of foreign direct investment in agriculture and investments made by farmers.

Further, it is argued that the transformative approach has potential positive spillover effects in terms of employment generation with decent incomes, access to capital and markets, increased food availability and transfer of knowledge and technology (Liu 2014; Moyo *et al.*

2015). In this regard, large-scale commercial enterprises that adopt the model of out-grower schemes are generally argued to bring a win-win benefit (Moyo *et al.* 2015).

A detail investigation of large-scale farming and its roles to rural wage employment is presented by scholars from the School of Oriental and African Studies. In this regard, Cramer *et al.* (2008) studied rural labour markets in Mozambique and discovered the positive role of large-scale plantations in generating employment with relatively higher median wages compared to local farmers, who often use wage labour without considering minimum wage rate regulation, despite the fact that job tenure is also insecure in the case of large-scale farms. Another study by Cramer *et al.* (2014) investigated the impact of fair-trade certification on the wage levels of small-scale (coffee) and large-scale farms (flowers) in Ethiopia, and found that wageworkers employed by fair-trade certified companies received less wages than non-certified companies in both small and large-scale farms. In this case, however, the definition of large-scale farming is based on the number of workers absorbed by the farms. Oya and Sender (2009) argued, based on their study in Mozambique, that paternalistic control of married women prohibited their participation in wage employment opportunities available in large-scale plantations compared to those who are divorced, separated and widowed, and thus the transformative approach is found to benefit women-headed households much more than male-headed ones.

The transformation approach had been adopted in Ethiopia as a tool of economic and agricultural transformation since the imperial period, albeit in different ways. Emperor Haile Selassie promoted private-owned large-scale commercial farms while the military junta adopted state-owned large-scale commercial farming as a strategy for agricultural modernization. The incumbent government, on the other hand, adopted both variants of state-run (e.g. sugar estates) as well as private-owned large-scale commercial farming models as a transformation tool. Despite the fact that the agricultural development-led industrialization strategy is largely anchored on enhancing the productivity of smallholder farmers, it had indeed acknowledged the complementary roles of large-scale commercial farming in the country. This signifies that the policy narratives in Ethiopia are in line with the arguments of Collier & Dercon (2009), Liu (2014) and Moyo *et al.* (2015) and the findings of Cramer *et al.* (2008) may support the argument of the Ethiopian government about the economic benefit of promoting large-scale farming in the country. The remaining task is thus to evaluate the impacts of large-scale farming in Ethiopia through a well-grounded research, which is the overall aim of this dissertation.

2.4 Contextualizing Large-scale Farming in the Historical Political Economy of Ethiopia

2.4.1 Introduction

While the general aim of this dissertation is to identify the impacts of large-scale farming on local economic development in Ethiopia, providing a historical overview of state formation and the political economy of the country is vital since it determines frontiers of large-scale farming in the country. Therefore, understanding this historical context is useful for the discussions forthcoming.

2.4.2 State Formation and Ethiopia's Political Economy during pre-Haile Selassie Period (1855–1930)

History reveals that Ethiopia underwent various processes of state formation that resulted in the country having constituted different spaces in the past and present. The traditional state of Ethiopia, known as the Abyssinian Empire, had existed for more than 3000 years. The Abyssinian Empire came under severe pressure at the beginning of the sixteenth century due to a series of expansions by the Oromo, the Ottoman Turks and the Somalis, and thus, the empire was very much weakened. Ras Kasa waged a series of wars to restore the then traditional Ethiopian state in 1853 and he became Emperor Tewdros II in 1855 (Keller 2005). The ideology of modern state formation in Ethiopia started in the mid-1800s, which coincided with the scramble for Africa by the Europeans. Emperor Tewdros II (1855–1868) formed a pioneer kingdom, instrumental for Ethiopian modern state formation, which had a policy of modernization and centralization of power (Teshale 1995). As part of his modernization efforts, he instituted, among other things, new administrative units that abolished the power of local princes and kings, and assigned administrators from his military or members of the royal family. The administrators were responsible for collecting taxes. Following the advice and training of the Turks and Europeans, notably the British, he also established a modern military. These reforms were instrumental for the centralization of power and maintenance of law and order in the country (Keller 2005).

His successive heirs, Yohannes IV (1872–1889) and Menelik II (1889–1913), maintained his policy of modernization of the state and centralization of power to different degrees. Emperor Yohannes was less successful in the centralization of power but made a successful stride in foreign diplomacy. He signed the first peace treaty with Egypt and a trade agreement with Britain (Keller 2005). Emperor Menelik assumed the throne in 1889 after the death of Emperor Yohannes in his battle with the Sudanese Mahdist. As part of the modernization effort, the Menelik regime, with the help of French, British and Italian companies (Norberg 1977), established the first telegraph line linking the provinces of the Ethiopian Empire

(Norberg 1977; Markakis 2011), the Addis Ababa–Djibouti railway, the first financial institution, i.e. the Bank of Abyssinia, the first government owned (Menelik II) school, the first state printing press, the Russian-owned Red Cross hospital and a government owned Menelik hospital. Menelik was also instrumental in creating the socio-spatial patterns of Ethiopia by pushing the frontiers of the state to the south, west and east, through either diplomacy or conquest (Bahru 2002).

The territories of Somali Ogaden and the Baro Salient of today's Somali and Gambella regional states were incorporated into the state during the reign of Emperor Menelik. Like his predecessor, Menelik was also active in foreign diplomacy and signed different treaties, e.g. with Italy, France, Britain and Mahdists, that acknowledged his power and sovereignty in Ethiopia. Keller (2005, p. 87), recognized the relentless efforts of these kingdoms in contributing to the consolidation of the geographical boundary of today's Ethiopia and the creation of modern state bureaucracy along the 'Westphalian model of state organization', which warranted international legal recognition of national state boundaries. The process of state formation through coercive subjugation of the territory, and forming a multi-ethnic unitary state prevailed throughout the four kingdoms. What was largely ignored during these periods, however, was the lack of effective mechanisms, other than cultural and institutional impositions, to integrate the subjects in the periphery into the state, which lashed the development of any strong sense of nationalism. As a result of widespread inequality between the centre and the periphery, national identity was challenged by the ideology of ethnic nationalism in the early nineteenth century, and this was passed to the next heir in 1930 together with the unfinished modernization project of Menelik.

2.4.3 Ethiopia's Political Economy during the last Empire (1930–1974)

The inherited notion of modernization[16] was intact during the rule of Emperor Haile Selassie (1930–1974). While modernization[17] had been advocated since Emperor Tewdros, modern economy building effectively started in the mid-twentieth century with the ideology of development capitalism. The imperial regime of this period sourced expatriate advice and established institutions responsible for crafting centrally-administered development plans. Between 1945 and 1957, with the technical help of the FAO, Yugoslavia and the United

[16]The modernization theory represents the perspectives of non-Marxist writers of the 1950s and 1960s and includes: evolutionism, diffusionism, structural functionalism, systems theory and interactionism (Harrison 2005). Rostow (1960) suggested that all societies should pass through five stages of economic growth: from being a traditional society to the drive to maturity, which represents 'modern' society.

[17] Readers should, however, note that the discussion of modernization efforts of past kingdoms is neither the intent of this dissertation, nor exhaustive by any means. It was rather presented to provide how modernization was understood during those times, and to map the historical evolution of commercial farming in the country.

States, development plans were prepared, but were shelved due to a country-wide shortage of skilled human power to successfully implement the plans. In 1954, the government established the National Economic Council responsible for economic policy making, and it developed two successive five-year development plans (Ofcansky & Berry 1991).

The first five-year development plan (1957–1962) emphasized the development of infrastructure and communication facilities with the aim of extracting resources in the hinterlands, training skilled and semi-skilled labour that can work in import-substituting processing industries, and accelerating agricultural development through the promotion of large-scale farming (Ofcansky & Berry 1991). Following the plan, the country promoted investment in modern education, construction of transport and communication infrastructure (e.g. radio broadcasting, all-weather roads, air transport linking major towns), and development of large-scale mechanized farms and export-oriented plantations. The investment improved urbanization and economic development outside the Abyssinian homeland of the northern highlands, but resulted in declining agricultural productivity and impoverishment of smallholder farmers in the north (Markakis 2011).

In 1963, the imperial regime established the Ministry of Agriculture that was entrusted with the responsibility of providing agricultural extension services to farmers (Abate 2007). The year was the beginning of the second five-year development plan (1963–1967), which focused on transforming the country's economy, based on subsistence agriculture, into one of a vibrant agro-industrial system. It focused on the introduction of modern processing systems, diversification of products and expansion of the economy's production capacity. A modern taxation system was introduced in 1966 with a proposal to register all land, but opposed by the majority of the landed nobility who were members of the parliament (Ofcansky & Berry 1991). A bill on agricultural product tax was also passed in 1967 but discontinued in 1969 after fierce resistance from land owners. Government policies were designed to attract private-owned manufacturing firms and large-scale farms (Vaughan & Gebremichael 2011; Berhanu & Poulton 2014) and an investment code was also enacted. Export commodities such as coffee and *khat* were promoted, and the southern highlands were identified as the frontier of coffee production (Markakis 2011). In the east, the Awash valley was identified as the frontier of large-scale commercial farming. At that time, 200,000 ha of cultivable land with irrigation potential was identified. The presence of road and railway infrastructure passing to port Assab also justified the choice of this frontier (Markakis 2011, p. 138).

The imperial state established the Awash Valley Authority in 1962 entrusted with the responsibility of allocating land resources to investors as deemed appropriate. The Authority had leased 31,000 ha of land to investors by 1971. In 1975, there were twenty private-owned commercial farms and thirteen joint venture[18] farms cultivating a total of 60,000 ha in the Awash valley (*Ibid*. 2011). Although the government claimed that the land could be made available for commercial agriculture with little economic and political trade-off, the conversion of land use affected the traditional migration patterns of pastoralists for pasture and water (Ofcansky & Berry 1991). The commercial farms in this region cultivated high value crops like sugarcane, cotton and sesame (Zewde 2008; Rahmato 2009; Vaughan & Gebremichael 2011). The British company Mitchell Cotts produced cotton (Tendaho cotton plantation) while the Dutch Handels Vereniging Amsterdam (HVA) engaged in sugarcane (Wonji sugar plantation). These two companies were among the most important foreign owned large-scale farms in Ethiopia during this time.

In those days, the production of cotton in the Awash valley accounted for 87% of the total land allocated for large-scale farming, which shows the similarity of the imperial regime with the present Ethiopian government in the selection of cotton as a strategic crop commodity. In the southern highlands, the coffee production potential of the area attracted the state to modernize production and processing of the coffee berry, which was one of the export commodities of the regime. In the northwest, the Humera area was targeted for large-scale oil seed cultivation.

The historical development of capitalist agriculture in Ethiopia illustrates that today's large-scale land transfer for large-scale farming to foreign and domestic capital is not a new phenomenon, but a continuation of past modernization efforts. Another important point here is that all the manufacturing firms and commercial farms were placed outside the 'Abyssinian homeland', with a clear intention of the imperial state to use investment as a tool of economic integration between the centre and the periphery (Markakis 2011). Besides the lack of land in the central highlands making it unsuitable for large-scale farming in Ethiopia, I also argue that the geographical domination of today's large-scale farms in the lowland periphery (discussed below), is partly a mechanism of incorporating the periphery to the core of the republic. During our fieldwork we observed that the Nuer indigenous ethnic group in Gambella interacts more often with South Sudan (for example, in marketing of goods and services and sometimes making a living by finding a job in South Sudan) and the Nuer identify themselves more to South Sudan than to Ethiopia, which shows the lack of effective integration of the

[18] Foreign firms jointly with the imperial state.

periphery into the centre even today. They are also in constant conflict with the Anuak indigenous ethnic group of the region.

The third five-year plan (1968–1973), developed by the Ministry of Planning, aimed at accelerating the country's economic growth by improving the performance of the manufacturing and the agro-industrial sectors. Unlike previous five-year development plans that promoted the development of large-scale farms, the third five-year iteration recognized smallholder farmers (Aredo 1990). With the help of Swedish International Development Agency (SIDA), the Chilalo Agricultural Development Unit (CADU) and the Wolaita Agricultural Development Unit (WADU) were initiated with the aim of implementing integrated rural development activities (Ketsela 2006; Abate 2007). CADU and WADU facilitated, among other things, the provision of improved seeds, fertilizers, credit services to the farmers and promoted the development of road, irrigation and soil conservation structures. In 1972, the Ministry of Agriculture designed the Minimum Package Programmes (MPP) that provided extension advice and credit schemes for wealthy smallholder farmers (Gebremedhin *et al*. 2006; Davis *et al.* 2010). A similar agricultural extension programme, the Comprehensive Package Programme, was also designed for organized groups of farmers (Davis *et al.* 2010), but proved to be less successful due to its huge resource requirements.

Evaluation of the performances of the three successive development plans showed that all failed to reach the planned targets. Some authors (Berhanu & Poulton 2014) claim that structural issues related to land tenure insecurity were one of the critical problems of the imperial era that hampered success. There was a growing opposition to the Haile Selassie regime between 1960 and 1974 that shifted the focus of the regime towards addressing this resistance, rather than implementing the second and third five-year plans. Lack of administrative and technical staff was also among the challenges exhibited throughout the three successive five-year plans that resulted in poor performances. A trade balance deficit was the rule more than the exception, and economic growth hardly surpassed 3.2% in the first five-year plan (Ofcansky & Berry 1991).

Land, the state and politics are intimately interlinked and central to the political economy of the country throughout its history. During this period, the land tenure system was very complex and one can find several versions within a certain region (Bruce 1998). For instance, Ofcansky & Berry (1991) noted about 111 different land tenure systems in the former Welo province. For ease of understanding, the major types of land tenure systems that existed in the northern highlands and the southern highlands are described here. The dominant land tenure

system in northern provinces, such as Gojam, Begemedir, Simen (Gondar), Tigray, highlands of Eritrea, Welo, and northern Shewa, was a communal land ownership system called *rist*. Under this system the land belongs to a lineage group, and descendants have usufruct rights to a plot of family land. Land under this system is inherited from family members, but it can neither be alienated, nor sold outside of the family. Land is not a commodity to be mortgaged or bequeathed since the land belongs to a kinship group. Under this system, the majority of the peasants own *rist* lands but some members (estimated at 2%) who were not part of the family served as tenants on *rist* lands. Absentee landlordism was rare in the northern highlands (Ofcansky & Berry 1991).

In the southern highlands, the *gult* system existed. Under the *gult* system land ownership rights are acquired from the monarch as compensation from the government for serving the monarch or provinces. *Gult* owners collected tribute and received labour services as payment in kind from peasants. The number of tenants under this system was huge, estimated between 65–80%, and payments by tenants to landlords were estimated at 50% of their produce (Ofcansky & Berry 1991). In the southern highlands, two-thirds of the land was owned by the Ethiopian Orthodox Church and landlords. Other forms of land ownership include *maderia* – land granted to government officials as salary, *mengist* – land owned by the state, and *samon* – land granted by the state to the Orthodox Church. The Ethiopian Orthodox Church and the government were estimated to own about 20% and 12% of the country's agricultural land, respectively (*Ibid*. 1991). The state collects tributes from all but the land owned by the Ethiopian Orthodox Church (Markakis 2011). Peasants in the *gult* system had no usufruct rights to land. The period was dominated by unequal land ownership and absentee landlordism was common (Abbink 2011). The peasantry was supposed to pay taxes and land rents to absentee landlords even during periods of famine. They were often evicted from their land when they failed to pay tributes to their landlords (Van Santen 2011).

The government did not give any policy support to smallholder agriculture both in the northern and southern highlands. From 1963–1973, the agricultural sector received only 4% of the state's budget. Particularly in the south, tenure insecurity was a disincentive for farmers to boost their production. This resulted in stagnation of agricultural productivity and a dire fall in per capita food production (Ofcansky & Berry 1991; Bruce 1998; Markakis 2011). Due to the policy bias against the peasantry, the country was not able to cope with the drought that resulted in a shocking famine in 1972, which continued until 1975 (Markakis 2011; Van Santen 2011). The famine reportedly led to the deaths of more than 200,000 people in Tigray and Wollo provinces of Ethiopia (Degefu 1987; Ofcansky & Berry 1991; Devereux 2000).

The land tenure system in the lowland periphery was dominated by communal ownership of pastoralists and governed through customary rules. This remained undisturbed by the rulers from the northern highlands due to the unfriendly environmental conditions of the lowland regions, until technology allowed for the control of malaria risks and increased access to irrigation facilities for large-scale commercial farming in the 1960s, especially in the Awash valley. As had previously been the case, the socio-spatial relations continued to be centralized at the core of the polity during Haile Selassie's period. The expansion of farmlands in the south and east were, therefore, part of the process to integrate the periphery to the state (Markakis 2011; Makki 2012), and it aimed at modernizing the agricultural sector by transforming 'traditional' agrarian society into 'modern' society of the Western style. However, the majority of the lowland areas, dominated by (agro-) pastoralism and shifting cultivation, were not incorporated into the imperial state bureaucracy, and their contribution to the national economy at that time was viewed insignificant due to the absence of effective market linkages for pastoralists' livestock production (Markakis 2011). Thus, they did not receive any meaningful development interventions until recently when tapping land-based resources in those areas, through agri-business development, mining and oil exploration, was considered vital for national economic development (*Ibid*. 2011).

The leaders who reigned the four kingdoms were from the Abyssinian highlands (Keeley & Scoones 2000) and the process of integrating the lowlands to the highlands continued throughout the Ethiopian history. The defining behaviour of the centre-periphery relationship is the centralization of power at the centre and the marginalization of the periphery in political power. Yet, local resources are appropriated to the state by the centre (Markakis 2011). The geographical mapping of the different lowland and highland areas in Ethiopia evolved in the history of modern state formation in the country, which is markedly different from today's geographical delineation based on ethno-lingual federation. The modernization philosophy of the past kingdoms was more biased towards urbanization, state bureaucracy formation, infrastructure building, and neglected the rural hinterlands and smallholder agricultural development.

2.4.4 Ethiopia's Political Economy during the First Republic (1974–1991)

Following the agrarian crisis that existed during the imperial era, a series of uprisings by the so called students' movement led to the overthrow of the emperor by the military junta, the

Derg,[19] in 1974. Soon after gaining power, the Derg adopted Marxism-Leninism as its leading political ideology. A radical land reform that brought all lands, including church lands, under state custody was promulgated on 5 March 1975 (Ministry of Land Reform 1975). The reform banned hiring of farm labour and permanent dislocation (migration) of peasants from their villages (Ofcansky & Berry 1991); it abolished tenancy (Amare 1995), prohibited transfer of land through sale, lease or mortgage and liberated tenants from all forms of obligations and exploitations by landed classes (Bruce 1998; Berhanu & Poulton 2014). It automatically granted tenants usufruct land rights to the parcels they used to farm and for which they paid rent.

A year after the reform, an egalitarian land re-distribution based on family size of households was carried out by a committee of elected elders (Bruce 1998). Land allocation through re-distribution was reported to take into account not only size, but also the productivity of the land. This was, nevertheless, marred with irregularities due to the imprecise measurements of land size and its quality (Amare 1995). Peasants were given usufruct land rights to a maximum of 10 ha of land and a right to transfer it to their immediate heirs (Rahmato 1993; Bruce 1998; Yeraswork 2000). Continuous land re-distribution was permitted for parcels owned by families who are deceased or who had migrated, and this was a source of tenure insecurity in the period (Abate 1995; Bruce 1998). Land rental markets were restricted to those elderly who are unable to cultivate their parcels due to old age or physical illness (Amare 1995).

The land-to-the-tiller reform generally resulted in changes in land-property relationship between the state and the peasantry, and between tenants and landlords. Although the abolition of landlordism and the radical redistribution of land among the peasantry were successful, it was overshadowed by the government's policy of collectivization of smallholder farms into state-controlled producer cooperatives (Rahmato 1984; Bruce 1998). It is also argued that the salient features of the imperial regime such as tenure insecurity, resource extraction, declining agricultural productivity, environmental degradation and impoverishment of peasants continued during the Derg regime due to its architecture of socialist agrarian transformation (Degefa 2001).

[19] Derg is an Amharic term that stands for 'council' or 'committee'. The Derg stands for the coordinating committee of the armed force, police and territorial army. Major Mengistu Haile Mariam was the chairman of the committee, which later became a government after the demise of Emperor Haile Selassie government (Ofcansky & Berry 1991).

The Derg, guided by the socialist ideology of 'redistribution with growth',[20] also nationalized all banks and insurance companies. Private-owned capitalist farms that existed during the imperial period were confiscated, but retail trade and the import-export sector were allowed to stay under private ownership. A total of 75,000 ha of land developed by private owners for large-scale farming was converted to state ownership (Ofcansky & Berry 1991). During this period, capitalist farming stagnated but state farming and producers' cooperatives were promoted. In essence, other than changing title deeds of previously existing privately-owned large-scale farms, the Derg was not against the role of large-scale farms.

Thus, large-scale farming was one of the agricultural development strategies of the Derg. Although state-owned large-scale farms were opened on existing state land, households with a historic claim over 176, 708 ha land were displaced to give way for state farms, resulting in an encroachment by peasants of state-owned large-scale farms (Bruce 1998, p.170). In 1988, the size of large-scale state-owned farms increased to 216,000 ha accounting for 3.3% of the total cultivated area of that period. In its ten-year plan, the Derg planned to increase the size of large-scale farms to 468,000 ha, accounting for 6.4% of the total cultivated land of the country by 1994. However, the Derg regime was removed by the Tigray People's Liberation Front (TPLF) in 1991 before it could implement its plans. It was hoped that the large-scale farms would increase domestic food supply, provide raw materials for domestic industries, and generate the much-needed foreign currency through production of agricultural export commodities (Ofcansky & Berry 1991). The policy expectations of large-scale farming during the Derg regime are not different from the expectations of the current government, which are discussed in the next chapter.

In terms of the level of support provided to smallholder farmers, the Derg period witnessed no major changes other than the radical land reform measures. The implementation of the Minimum Package Programmes (MPP) initiated during the Emperor Haile Selassie period continued to be the agricultural extension approach of the Derg regime for a short period. Thereafter, it was changed to the Peasant Agricultural Development Extension Programme (PADEP) (Berhanu & Poulton 2014). Farmers were obliged to organize themselves into peasant associations, one for every 800 ha of land. The peasant associations were the lowest administrative units instituted by the Derg as instruments to implement development strategies and to promote the socialist ideology of the government (Ofcansky & Berry 1991).

[20] Redistribution with growth strategy is witnessed in the distribution of income to members of the cooperatives based on their labour contributions. In addition, the urban dwellers were privileged to buy cheap food commodities from *kebeles* that were purchased by the Agricultural Marketing Corporation from the farmers at prices lower than going market prices.

Input and output markets were highly centralized with heavy state involvement. Distribution of farm inputs was channelled through the peasant associations, and marketing of agricultural outputs were highly regulated by the state's interventions that disincentivized producers. The Derg established the state-led Agricultural Marketing Corporation (AMC) that obliged peasants to sell a certain quota of their produce at prices lower than market prices. The aim was to supply urban dwellers with food commodities at cheap prices, as these citizens are perceived politically as the most influential by the military regime and could challenge its rule (Vaughan & Gebremichael 2011).

As discussed earlier, the Derg favoured big (state-owned) farms, rather than small farms due to its widely held belief that smallholder farmers are less efficient than big farms (Ofcansky & Berry 1991). This was also reflected in its strategy of organizing smallholder farmers into producers' cooperatives, which, it was argued, helped to pool small parcels and allowed to use technologies that are scale-sensitive. However, this was seen by Abbink (2011) as a setback for farmers in realizing their production potentials as individual producers.

The collectivization of farms and the obligation of farmers to sell their agricultural products to the AMC reduced the incentives for smallholder farmers to boost their production. This resulted in the perpetuation of the agrarian crisis, and the impoverishment of the rural mass throughout the country. It has been argued that this was the result of state policy contradictions that undermined the roles of smallholder producers and instead saw state-owned large-scale farms and producer cooperatives as a panacea to the agrarian crisis of the pre-1974 era (Clapham 1988). In support of this, Ofcansky & Berry (1991) noted that state-owned large-scale farms contributed only 6% of the total agricultural output in 1987, but received 43% of the government's agricultural investment between 1982 and 1990, and 76% of chemical fertilizers imported, 95% of improved seeds, and 81% of agricultural credit supplied in 1983. This indicates that very meagre resources were allocated to smallholder farmers who supplied more than 90% of the agricultural output. Shortly before its demise, the Derg changed its state-dominated economic policy to a mixed economic policy in March 1990, and invited private actors to invest in various sectors of the economy, although this was a reform too late to revitalize the moribund economy.

2.4.5 The Political Economy of Contemporary Ethiopia (1991–present)

The agrarian crisis, widespread famine and poverty that existed during the Derg regime, resulted, as it had during the time of its predecessor, in the demise of the regime (Keeley & Scoones 2000) in 1991. In 1995, a new Constitution was promulgated that established a

federal government based on ethno-lingual arrangements: the Federal Democratic Republic of Ethiopia (FDRE) (FDRE 1995). Spearheaded by the Tigray People's Liberation Front (TPLF), a coalition of four ethnic-based resistance groups formed the Ethiopian People's Revolutionary Democratic Front (EPRDF) that has ruled the country to date (Berhanu & Poulton 2014).

The major economic policy shift of the EPRDF government from the Derg regime was the adoption of a series of economic reform measures with the philosophy of 'free-market policy'[21] that acknowledged the roles of the private sector as an ally to promote economic development. The market liberalization reforms, inter alia, removed the embargo by the former regime to establish private capitalist agriculture. In terms of land ownership, the incumbent government maintained the land policy of the Derg regime and peasants continued to have usufruct land rights (Transitional Government of Ethiopia [TGE] 1991; FDRE 1995; FDRE 1997; Bruce 1998; Degefa 2001; Jemma 2001; Belay & Manig 2004). Legally, all land in Ethiopia belongs to the state. Customary tenure is important in terms of de facto land use, but has no legal basis.

The incumbent Ethiopian government argues that privatization of land concentrates land in the hands of the rich through distress land sale and fosters eviction of the poor farmers (Crewett & Korf 2008). The Ethiopian Economic Association (EEA), on the other hand, argued that ownership of land by the state undermines efficiency and blocks the development of a land market (EEA/EEPRI 2002). In a similar argument, Rahmato (2011, p. 6) argued that peasants and pastoralists in Ethiopia are in a situation of 'land dependency' as opposed to 'land sovereignty'; in practice, this is a source of insecurity as they can be expropriated from their land at any time with the justification of land for greater 'public purposes'. Degefa (2001) also argued that state-ownership of land proclaimed by EPRDF was a source of land tenure insecurity among peasants, affected their decision to make long-term investments in tree planting and soil conservation, crippled the emergence of legalized land markets such as sharecropping, land sale and lease, and thus resulted in overexploitation of resources.

Ethiopia's 1995 Constitution provided regional states in Ethiopia considerable autonomy to develop their own land administration policy under the general law stipulated at federal level. Four regions in Ethiopia –Amhara (ANRS 2006), Southern Nations, Nationalities and Peoples (SNNP 2007), Oromia (ONRS 2007) and Tigray (TNRS 2006) – developed their

[21] Critics argue that the government was not committed to adopting real free-market policy but used it to gain acceptance and foreign aid from Western governments.

own land administration legislation and gave land certificates to smallholder farmers. It is important to differentiate the core and periphery regions, and the lowland and highland divide where different land use patterns exist. In the core/highland regions, smallholder farming dominates and landholders received certificates for their farmlands, but not for grazing lands. In the periphery/lowland regions, pastoralists and agro-pastoralists dominate and land is used under customary ownership systems without land certificates being issued. This is a risk if these lands are sought after by outsiders as Article 40(8) of the Constitution entitles landholders to a compensation payment commensurate to the value of land when it is expropriated for public purpose (FDRE 1995). However, in both the core and the periphery, land users without land certificates are not entitled to compensation in cases where land is expropriated for investment.

The government of Ethiopia committed itself to supporting smallholder agriculture in the early and mid-1990s based on its strongly held premise of peasant farming as a mechanism of achieving food self-sufficiency and propelling overall economic growth, providing raw materials for industry and generating export revenue. The PADEP initiated during the previous government regime continued to be the agricultural extension approach of the EPRDF until the mid-1990s before the Participatory Demonstration and Training Extension System (PADETES) was adopted based on the successful pilot extension programme introduced and supported by the Sasakawa Global 2000 in 1993 (Berhanu & Poulton 2014).

In the mid-1990s, the government announced the Agricultural Development-Led Industrialization (ADLI) strategy in which agricultural extension, based on a PADETS approach, was the major component in the strategy to support smallholder farmers. At the initial stage, food crops such as maize and wheat were the focus of PADETS in selected geographical locations, but later, in the early 2000s, this was expanded to include high value export crops and other geographical regions (Rahmato 2008). The ADLI served as a framework to develop the country's successive Poverty Reduction Strategy Programmes (PRSP), and smallholder farmers were considered as key players in propelling economic growth for the poverty-stricken nation (MoFED 2003). On the other hand, pastoralism was viewed as backward and unsustainable, which is clearly reflected in the government's Rural Development Policy and Strategy, which advocated for the sedentarization of pastoralists over the long term. The strategy emphasized the need to institute irrigated farming and seek other non-pastoral livelihood options through voluntary settlement (MoFED 2002).

Although the importance of attracting foreign capital for lowland areas with irrigation potential was underlined by the ADLI well before the emergence of renewed global interest in farmlands (MoFED 2003, p. 52), the Ethiopian government put large-scale farming high on the agenda for change in 2007–2008 (Rahmato 2013). The second PRSP document, 'Plan for Accelerated and Sustained Development to End Poverty' (PASDEP), emphasized the commercialization of smallholder agriculture and private sector development with a need to attract foreign investment (MoFED 2006). Similarly, the 2010 iteration of the five-year Growth and Transformation Plan (GTP) also underlined the promotion of large-scale farming as a strategic fundamental (MoFED 2010). This summons an intentional shift in the political economy of agriculture from purely smallholder-oriented agriculture to a dual strategy of creating complementarities between smallholder farming and large-scale capitalist farming. The level of support provided to smallholder agriculture has dwindled during the second PRSP. For instance, investment in agricultural R&D in Ethiopia declined from 2003 onwards after a sharp increase during the inception period of ADLI and after its peak in 2002. Ethiopia's spending on agricultural R&D as a percentage of agricultural GDP declined from 0.65% in 2002 to 0.27% in 2008, which is comparatively lower than the intensity of spending on agricultural R&D in Kenya, which was 1.43% in 2008 (Flaherty *et al*. 2010, p. 2). Compared to the AU's recommendation for each member state to commit at least 1% of their agricultural GDP by 2006 on agricultural R&D (African Union 2003), Ethiopia's support to smallholder agriculture is below the target. In 2011, only eight African countries – Mauritania, Uganda, Kenya, Burundi, South Africa, Namibia, Mauritius and Botswana – allocated more than 1% of their agricultural GDP to agricultural R&D (ONE 2013). The focus of agricultural R&D in Ethiopia was, therefore, on adaptive research and dissemination of best practices to smallholder farmers that require relatively limited financial and human capital.

Around the mid-2000s, the government established several agricultural, technical and vocational education and training colleges. Here, large numbers of extension agents[22] were trained who were supposed to work in tandem with farmers trained in newly established farmer training centres. Berhanu & Poulton (2014) alleged that EPRDF's extension system was also an effective mechanism for controlling the peasantry down to the household level, due to the fact that the extension agents were recruited based on their political loyalties. In other words, these authors contend that the extension system has a second, hidden objective:

[22] A report showed that 62,764 extension agents were trained in 2008 and 45,812 of them were employed to work at grassroots level with farmers, which decreased the extension agents to farmers ration significantly (cf. Davis *et al.* 2010).

to control the peasants, rather than simply providing the needed agricultural knowledge support to them.

In 2010, the government of Ethiopia founded the Agricultural Transformation Agency (ATA), modelled on the experiences of Southeast Asia, to support government, private and non-governmental partner institutions in achieving the agricultural transformation stipulated in the GTP. At the initial stage, ATA adopted a value-chain approach of selected food crops such as *teff*, maize, wheat and pulses, and included a future plan to embrace oil crops, rice and livestock production.[23] ATA's intervention was limited to certain food commodities and geographical areas, and here it is reasonable to argue that the bias against the periphery has continued until this period. This shows that small-scale farming in the highlands is still key in the development strategy of the government, while a systemic neglect to provide support to the livelihood strategies of the lowland residents continues. In these parts of the country, promotion of large-scale farming seems the only strategy put in place by the government, which will be discussed below.

2.4.5.1. Narratives around land and large-scale land acquisition in contemporary Ethiopia

A 2009 report by the Ministry of Agriculture stated that Ethiopia was endowed with over 74 million ha of land suitable for annual and perennial crop production, while only 18 million ha were under cultivation. Allocating these 'available lands'[24] to commercial actors would, according to the government, maximize land use efficiency (MoARD 2009). The government justifies the transfer of large-scale farmlands to investors by claiming the presence of vast tracts of 'unused' land that is suitable for large-scale capitalist farming in the country.

One year earlier, in 2008, the Ethiopian government established the Federal Land Bank under the Agricultural Investment and Land Administration Agency (the former AISD) of the Ministry of Agriculture (the former Ministry of Agriculture and Rural Development). The government identified close to 3.6 million ha of land (Rahmato 2011, p. 11), mostly with the help of satellite images, as 'unused' and waiting to be developed in the regional states of Gambella, Benshanguel Gumuz, SNNP, Afar, Oromia and Amhara. With the exception of Oromia and Afar regional states, the regions 'voluntarily' transferred the land identified by

[23] For further details, see: http://www.ata.gov.et/about/.

[24] Rahmato (2011) reported the wide discrepancy of government reports in terms of identifying 'available land' for agricultural investment ranging from 54 million ha by the Ministry of Agriculture to 24 million ha by the Ministry of Mines and Energy. On the other hand, the World Bank (2011) reported that the available land in Ethiopia, which is suitable for farming but non-cropped, non-protected and non-forested with a population density of less than 25 persons/km^2, is 4.726 million ha.

the AILAA to the Federal Land Bank. The lands identified as 'unused' through satellite images were seldom verified with the help of ground-testing, making the notion of 'available but unused' land problematic.

Deconstruction of the 'unused' land narrative in other countries indicates that lands occupied by pastoralists that are assumed to be insufficiently productive are not necessarily 'empty' (Galaty 2012; Lavers 2012a); lands that are assumed to be marginal still have cultural and ecological significance or are part of the pastoralists' seasonal herding system (Borras & Franco 2012). The 'unused' category also refers to lands that overlap with national park boundaries (Nalepa 2013) or lands that are being used by the local people for side-line economic activities such as the collection of honey, wood or other forest products (Abbink 2011). The lands targeted to large-scale farming are, therefore, grazing, forest and bush lands, mostly in the periphery/lowland regions, as these lands were assumed to be underutilized or vacant in the land identification process of AILAA, or warranted to be available with little economic and political trade-off. Makki (2012) also asserts that the core/highland regions are well integrated to the state and hold strong land rights and that the magnitude of land transferred to large-scale farms is lower in these regions than the periphery/lowland regions with a dominant customary land ownership system, which are less effectively integrated into the state system.

The promotion of large-scale farming is premised on the expectation that large-scale commercial farms facilitate transfer of improved farming technology to smallholder farmers, contribute to local level food security by increasing availability of food from large-scale farms and increase the purchasing power of local people through wage employment. This, in turn, generates additional revenue and much needed foreign currency and contributes to infrastructure construction. However, government policies, strategies and/or regulations related to private investment, and aimed at transforming the agrarian-based economy of the country, show ambiguities and inconsistencies (Stebek 2012). While large-scale farming is expected to play a complimentary role to address local-level food security objectives, no specific provisions are presented that will ensure that this objective is attained.

Investment proclamations and directives in Ethiopia either encourage production of non-food commodities or the export of commodities produced locally, which affects availability of food in the local market. For example: (1) Investment Directive No. 10 of the Ministry of Agriculture and Rural Development (MoARD) stipulates that investment projects that aim at cultivating non-food commodities, such as date tree, rubber tree, cotton and sugar cane,

receive priority in terms of acquiring farmlands (see MoARD 2010a); (2) the land deal contracts for large-scale farming prescribes the use of capital intensive technologies that replace labour,[25] which, again, contradicts the objective of employment creation and household food security; and (3) Article 2 of Regulation No. 146/2008 and Articles 4 and 5 of Regulation No. 84/2003 state that investors exporting at least 50% of their production will be exempted from income tax for five to six years. On the other hand, those investors that export less than 50% of their produce will be exempted only for two to three years (FDRE 2003; FDRE 2008). Similarly, the government expects to generate foreign currency through export-based large-scale farming. Proclamation No. 280/2002, however, gives foreign investors the right to expatriate profits and dividends accruing from investment in any convertible foreign currency at a prevailing rate of exchange (FDRE 2002a); this is another contradiction.

2.4.5.2. Magnitude and geographical distribution of agricultural investment

The economic liberalization reform adopted by EPRDF allowed private agricultural investment to mushroom as early as 1992. During early periods, federal states transferred farmlands to investors without any limit to size. However, the magnitude of land transfer was not significant before the soaring food prices of 2007–2008. With investor's keen to acquire large-scale farmlands, the government hastily identified land across different federal states and gave the mandate to transfer plots greater than 5000 ha to the Ministry of Agriculture (FDRE 2010).

Regional governments were mandated to transfer farmlands less than 5000 ha and continued to hand out land to investors. Nevertheless, there was no clear demarcation of land under the mandate of regional states and land reserved for transfer by the federal AILAA. As a result, some parcels have been transferred twice, to different investors, by the regions and by the AILAA. This practice caused conflicts and resulted in inefficiency in the administration of large-scale farmlands. In early 2012, the federal government embargoed economically emerging regions like Gambella and Benshanguel Gumuz from making land deals, even for parcels less than 5000 ha. This was justified by pointing at a corrupt and poor management of land resources, reflected partly through double-allotment of lands to different investors.

Until July 2013, the amount of land transferred nationwide to investors from the land reserved under the Federal Land Bank was a mere 447,803 ha. This does not necessarily indicate that the balance as recorded in the Land Bank is available, since regional governments were

[25] For example, Article 3.5 of the contract agreement between Karuturi and the Ethiopian government clearly states that all activities shall be operated using mechanization (Oakland Institute 2013).

handing out farmlands either from the Land Bank or elsewhere under their mandates, which apparently shows a lack of clarity in the land administration. The most recent information available at the AILAA shows that the government decided to transfer land to investors in different phases based on demonstrated investors' performance. In the first phase, a maximum of 5000 ha can be given to an investor (Sethi 2013). This is contrary to the practices of early 2008, when parcels up to 100,000 ha were transferred to a single investor.

While it is clear that large areas of land have been acquired by investors, estimates of the magnitude of large-scale land acquisitions and number of land deals are inconsistent – largely due to the poor access to reliable information, the time periods the different estimations covered and land size considered. Scoones *et al.* (2013) discussed the problem of data discrepancies and the difficulties of reconciling the various figures. Similarly, Annelies *et al.* (2015, p.12) commented on the 'big data' hype that resulted in debates around land-grabbing. They advise researchers not to be 'overwhelmed' by the quantification of the size of land transferred for large-scale farming and recommend examining the 'quality and reliability' of data. The estimated number of land deals ranges between 63 (Land Matrix 2016) to 1349 (Oakland Institute 2011), while the total land size transferred ranges between 603,000 ha (Cotula *et al.* 2009) and 1.7 million ha (Schoneveld 2013). This makes comparison among different reports difficult. Also problematic is that some reports do not differentiate between virtual and actual investments, and thus overestimate the land size transferred to investors. This is particularly evident in the estimate of Oakland Institute (2011) and Schoneveld (2013). Keeley *et al.* (2014) make considerable effort to provide better figures, but it has limitations in its time period examination (Table 2.1).

Table 2.1: Estimates of land size transfer in Ethiopia

Source	Period	Land size (>ha)	No. of projects*	Total land size ('000 ha)
Cotula *et al.* (2009)	2004–2009	1000	157	603
Oakland Institute (2011)	?– 2011	?	1,349	3,620
World Bank (2011)	2004–2009	500	406	1,200
Schoneveld (2013)	2008–2012	2000	83	1,696
Land Matrix (2016)	2000–2016	200	63	902
Keeley *et al.* (2014)	2005–2012	1000	131	1,060

Source: Author's compilation

This thesis adopted the conceptualization of large-scale farming provided by the World Bank (>500 ha), which is above the land size considered by the Land Matrix (2016), but less than the land size considered by Cotula *et al.* (2009), Keeley *et al.* (2014) and Schoneveld (2013).

* The estimate made by the Oakland Institute does not include projects in Tigray and Somali regional states.

It covered the period between 1992 and 2013, and triangulated the information from different sources including the Ethiopian Investment Commission, Regional Investment Bureau, AILAA, and the Regional Environmental Protection and Land Administration Bureau, in order to avoid double-reporting and to minimize inclusion of unrealized acquisitions. The estimation showed that close to 2.2 million ha of land have been transferred to large-scale private farming in Ethiopia during these periods, confirming that there is an overestimation of the size of land deals by different reports. If lands allocated for sugar estates being developed by the government are taken into account (estimated at 372,022 ha), the figure increases to 2.5 million ha (cf. Shete & Rutten 2015b for details).

In terms of number of deals, a total of 4,698 private-owned projects were granted with a minimum of 500 ha and a maximum of 100,000 ha lands; these are all at various stages of implementation (Table 2.2). This estimate is equivalent to 44.4% of the total agricultural land (4.73 million ha) identified by the World Bank (2011, p. 165) as suitable for farming but non-cropped, non-protected, non-forested and inhabited with less than 25 persons/km^2. The proportion of land allocated to large-scale farming is significantly low (3.8%) when compared to the total agricultural land (56 million ha) identified by the Ethiopian government as suitable and 'available' for crop production (MoARD 2009, p. 4).

Analysis of the proportion of farmlands to the total land transferred across the different regions shows that Benshanguel Gumuz (28.3%), Oromia (21.6%) and Gambella (18.8%) regional states are the first three regions that leased out huge proportions of farmland to private investors. It is important to note here that SNNP region will be the top of the list in terms of receiving large-scale investment when the state-owned Omo-Kuraz sugar estate (175,000 ha) is added to the calculation. In terms of the proportions of farmlands acquired, foreign investors received 47% of the total land size transferred so far. The average land size acquired by a foreign investor[26] is 3,688 ha compared to 479 ha by a domestic investor (Table 2.2).

[26] Foreign investment projects include projects owned by individuals who are Ethiopian by origin but foreigner by nationality, projects owned by foreigners by origin and by nationality and those projects that are joint-ventures (Ethiopians and foreigners).

Table 2.2: Farmland acquired by private investors in Ethiopia (1992–2013)[27]

Region	Land size (ha)	No. of projects	No. of projects by foreigners	Land acquired by foreigners (ha)	Proportion of FDI out of total (%)	Regional distribution (%)*
Afar	47744	48	8	25150	52.7	2.3
Somalia	22762	16	9	13400	58.9	1.1
Tigray	109318	397	36	57030	52.2	5.2
Amhara	171772	1290	28	34720	20.2	8.1
SNNP	311502	1408	50	207316	66.6	14.7
Benshanguel	600254	306	41	243350	40.5	28.3
Gambella	399491	304	14	225012	56.3	18.8
Oromia	458292	929	85	193432	42.2	21.6
Total	2121135	4698	271	999410	47.1	100

* Calculated as land transferred in each region divided by total land transferred to investors in the country

Data Sources: Data sets of AILAA, Ethiopian Investment Commission, Regional Investment Bureau, Regional Environmental Protection and Land Administration Bureau

Indians followed by Saudi Arabians dominate land acquisition in terms of the size of land acquired in Ethiopia. Indian investors engagement in the agricultural sector in Africa in general and in Ethiopia in particular was strengthened after the first India-Africa forum summit held in 2008, which produced the Delhi Declaration. The Import-Export Bank of India provides access to finance to Indian investors who invest overseas. African governments, including that of Ethiopia, see India as an important development partner to access finance, technological know-how and policy options given their increasingly successful development paths (Cheru *et al.* 2013). Trends of large-scale agricultural investment flows in Ethiopia show that private investment in agriculture was insignificant in the 1990s, but exhibited a sharp increase in the period 2007–2009, during which 69% of all the project licences were issued.

A strong peak in the flow of investment projects was observed in 2008. This trend was most distinct in Gambella and Benshanguel Gumuz regional states where 85.7% and 82.3% of the project licences, respectively, were issued over the period 2007–2009. The global food price hike was argued to be one of the drivers for the renewed interest in farmlands by capital rich countries (Rahmato 2011; World Bank 2011). The data in Ethiopia show a strong association between the FAO Food Price Index and investment intensity for the 1992–2010 period. The year 2010, though, appears to be an anomaly as, despite high food prices, investment intensity was comparatively low (Schoneveld & Shete 2014). This might be due to the fact that hosting governments were pressured by various human right groups, donor agencies and researchers

[27] The figures are rounded to the nearest integer

who criticized the rush in land transfer as ‘land grabbing’ and a threat to local food security. Further, the Ethiopian government has become more cautious towards new investments because of some problems experienced in the early leases. For example, an interview with the Minister of Agriculture, Tefera Deribew, pinpointed the government’s discontent regarding the poor performance of Karuturi Agro Products PLC in Ethiopia. The company went bankrupt after it failed to re-pay its loan taken from the state-owned commercial bank of Ethiopia (*The Reporter* 2014).