

# **International Large-Scale Land Acquisitions in Ethiopia: The Key to Trigger Agricultural Modernization, Development and Poverty Reduction?**

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## **Abstract**

The growing awareness of climate change and its consequences, the continuously rising food prices as well as the industrialized and economically fast developing countries aim to achieve more energy security, encourage large-scale food crop and biofuel production. This, in turn, promotes a rush for arable land by foreign and domestic investors. In principal, Africa is perceived as an attractive destination for such land investments, whereas Ethiopia seems to be particularly suitable due to its large "unused" affordable land. However, Ethiopia suffers from food insecurity and is dependent on international aid. Its economy is mainly based on small-scale, rain-fed, subsistence agriculture, accounting for almost 45 percent of GDP, and 85 percent of total employment. Therefore, agriculture is a key source of employment, growth and revenue as well as a more long-standing source of food security. Respectively, the Ethiopian government states that poverty reduction and development is impossible without significant diversification and commercialization of the agricultural sector and adopted several strategies and policies accordingly. First effects of large-scale land investments show on the one hand related investments in road, hospital and school construction as well as job creation on the other hand adverse consequences for the environment and local population. It has been reported that forest degradation, displacement of local populations, expropriation of land, increasing local food insecurity and increasing poverty are linked to large-scale land investments. Moreover, a dislocation of the local population might increase competition and tension with people in the receiving areas over access to land and resources or stimulate ethnic clashes.

Based on the recent trend towards foreign large-scale land acquisitions in Ethiopia, this paper analyzes drivers of investors and governments as well as socio-economic and environmental impacts. In particular the author's field research in Ethiopia with civil society groups, smallholders, scientists and government representatives, which has provided her with empirical insights into competing perspectives, will be taken into account.

## 1 Introduction

The global phenomenon of large-scale land investments, more commonly known as "land grabbing" is increasingly catching public attention since 2007/2008.<sup>1</sup> Media and NGO reports, articles as well as scientific papers are constantly being published. The attention-catching-term "land grabbing" refers to the rush for commercial land in the global South by foreign governments, private companies and investment funds. Those land investments are mainly aiming to secure one's own access to food and fuel and therefore are often described as a form of "neo-colonialism" (Friends of the Earth, 2010, p. 8). By the end of 2009, such land investment acquisitions covered 56 million hectares (ha) of farmland around the world (Deininger & Byerlee, 2011, p. xiv). Whereas more than 70 percent of such demand has been in Africa where land is comparatively affordable and in some places easily available (Friends of the Earth, 2010, p. 8; see Annex A for a respective map). Although foreign investors have been engaged in agriculture in Africa for many years, the quantity of the business has increased significantly in recent years. Hence, a public debate among international organizations, researchers and environmentalists has since been developed. This mainly regarding opportunities and threats of large-scale land acquisitions in Africa by foreign investors, splitting into opposing groups. Proponents highlight the economic opportunity for local communities that could benefit from the income generated from the leasing or selling of the land (Friis & Reenberg, 2010, p. 1) as well as from employment creation. Further benefits could be the stimulation of needed investments in new technology and infrastructure. In general, new investments in agriculture sectors could facilitate the creation of preconditions for sustainable development (Deininger and Byerlee 2011 p. XXV).

Opponents, in turn, highlight that first effects of large-scale land investments show adverse consequences for the environment and local population such as agricultural intensification, monocropping including high inputs of fertilizer and pesticides, forest degradation, displacement of local populations, expropriation of land, increasing local food insecurity and increasing poverty. Based on those consequences and because of frequently non-existing or imprecise land property rights a potential for conflict is emphasized (The Oakland Institute, 2011). A displacement of the local population might increase competition and tension with people in the receiving areas over access to land and resources or stimulate ethnic clashes. Insecure land ownership of farmers allows the African state to decide free and in cooperation with international or domestic investors about the location and size of the land acquired. Therefore, multinational corporations often obtain huge tracts of land without including smallholders, leaving the latter without an opportunity to voice their concerns and defend their own interests. Due to a wrong classification of land, conflicts on the ground may emerge

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<sup>1</sup> Following the 2007-2008 world food price crisis. Prices increased by 30-50 percent compared with their past ten-year average (Borras Jr., Hall, Scoones, White, & Wolford, 2011, pp. 209-216; FAO/OECD, 2011).

(Havnevik, 2011, p. 25). Expropriation and land loss, furthermore, might result in a lack of access to grasslands, which may have dramatic impacts on food security. As in most parts of Africa, livestock production forms the backbone of the rural community in the agriculturally marginal areas (Engstöm, 2009) land loss is very likely to lead to an increase in food insecurity which again may lead to demonstrations and resistance and thus might cause political instability (Havnevik, 2011, p. 20). In Madagascar, for instance, negotiations over a 99-year lease of 1.3 million ha agricultural land with Daewoo Logistics Corporation of South Korea for maize and palm oil was terminated due to the role the unpopular deal played in the overthrow of the government in 2009 (Von Braun & Meinzen-Dick, 2009).

However, human land use decisions play a crucial role in driving changes in the land system and lead to radical shifts in economic, social, cultural or environmental conditions (Friis & Reenberg, 2010, p. 1).

The ambition of this paper is to provide background information framing the main research question if international large-scale land acquisitions in Ethiopia are the key to trigger agricultural modernization, development and poverty reduction? As the research is embedded in the latest ongoing discourse on drivers and impacts of large-scale land investments in the global South, the second chapter illustrates the general drivers of the current land grabbing trend while the third chapter comprises provisional results of a case study of international large-scale agricultural land investment in Ethiopia, considering the main actors involved as well as their general incentives. Potential and verifiable socioeconomic and environmental impacts are further illustrated within chapter three. Subsequently, chapter four addresses the importance and need for more systematic country specific research regarding large-scale land acquisitions and therefore highlights the relevance of the underlying research question if international large-scale land acquisitions in Ethiopia are the key to trigger agricultural modernization, development and poverty reduction? Finally, the methodological approach to answer the above stated research question will be briefly outlined.

In principal within this paper the term large-scale is defined as 2000 ha or more. Furthermore, in the context of this paper "land grabbing", "land deal" as well as "land acquisition" are used synonymously and refer to large-scale land investment as well as the involvement of foreign actors. Also note that this paper cannot be cited or quoted unless the author has given approval after receiving a request. They readers adherence and consideration is very much appreciated.

## **2 General drivers of large-scale land acquisitions**

Interest in farmland is increasing. While nearly no unused arable land is available in developed countries and despite that land in general is very expensive, land in developing countries, especially in Africa occurs to be more affordable and accessible. Further, the rush for land is driven by the assumption that land is abundant in Africa, labor costs are low and by the existence of a congenial business environment as well as the intend of various governments to attract foreign investment and to support development (The Oakland Institute, 2011, p. 14). Consequently, international large-scale land deals are defined as purchases or long-term leases of land by foreign investors (ODDO Securities, 2010, p. 5). The following sub-chapters - climate change, aiming energy and food security as well as the world's population growth - briefly illustrate the key drivers to encourage land acquisitions by foreign investors in general (ODDO Securities, 2010, p. 5).

### **2.1 Climate change**

The growing awareness of climate change and its consequences has led to various international initiatives regarding adaptation and mitigation of climate change impacts. The overall approach is to reduce carbon dioxide (CO<sub>2</sub>) emissions for instance by steadily increasing green energy use as substitute for fossil fuels and hence enlarging biofuel production. In the framework of the Kyoto protocol 37 industrialized countries and the EU committed themselves to reduce green house gas emissions. The EU, for example, insists that 10 percent of all transport fuel has to be obtained from plant-based biofuels by 2020 (Directive 2009/28/EC). Likewise, more and more actors in the US are claiming for an aggressive energy policy reform, including the need for a reduction of CO<sub>2</sub> emissions in addition to already existing policies. Those international government emission targets have been the key driver of the biofuel boom, as they create a guaranteed market for producers and in turn promote land investments. Government policies comprise also financial incentives to the private sector, for instance subsidies and tax breaks (Cotula, Vermeulen, Leonard, & Keeley, 2009, p. 54).

Furthermore, climate change is expected to exacerbate land degradation and water scarcity in many places and to increase the frequency of extreme weather events which in turn affect harvests. This also may support the global shift of agricultural production and promotes international land investments (Cotula, Vermeulen, Leonard, & Keeley, 2009, p. 53). However, closely linked with those international governmental policies to promote biofuel is the oil-import-dependent-countries desire for energy security.

## **2.2 Energy security**

In addition to the governmental incentives and policies to promote biofuel production in order to mitigate the impact of climate change, industrialized as well as economically fast developing oil-dependent countries aim to achieve more energy security by a shift from scarce fossil fuels to renewable energy, especially to biofuels (ODDO Securities 2010 p. 1).

Thus, the demand for biofuels has increased rapidly over the past several years as oil-dependent countries establish ambitious targets for biofuel production, especially incorporating biofuel with traditional transport fuels (Daniel & Mittal, 2009, p. 4). Therefore, vast tracts of land to produce crops for biofuels are required.

Another concern that encourages large-scale land deals is the world's population growth rate and the quest for food security as briefly described in the following subchapter.

## **2.3 World's population growth and food security**

Due to the world's population growth, which is expected to reach about nine billion people by 2050 (FAO/OECD, 2011, p. 10) food demand will rise in general. In addition, the global trend towards increasing urbanization, which expands the share of the world's population that depends on food purchases, and changing diets, particularly growth in meat consumption, appear among the factors pushing up global food demand (Cotula, Vermeulen, Leonard, & Keeley, 2009, p. 53).

In the course of the global food crisis of 2007/2008, prices increased by 30-50 percent compared with their past ten-year average, many food import-dependent countries were reminded of their vulnerability to food insecurity (Deininger & Byerlee, 2011, p. xxv). Whereby climatic factors, such as droughts, floodings and temperature change leading to low yields for several crops have also contributed to the price rises in 2007/2008 and again in 2010 (FAO/OECD 2011, p. 11). Consequently, nations seek to protect their own future food security by increasing their own agricultural food cultivation (ODDO Securities, 2010, p. 13) and thus push large-scale land investments in the global South, where agricultural land seems to be available. Furthermore, the World Bank called for a New Deal on Global Food Policy as a consequence of the global food crisis in order to increase agricultural production. By bringing more land into cultivation and by improving productivity food security shall be achieved (Deininger & Byerlee, 2011). Therefore, the International Financial Corporation (IFC) - a member of the World Bank Group - promotes the role of the private sector in agriculture by increasing lending to agribusiness (Daniel & Mittal, 2009, p. 6) and thus establishes a strong incentive for land investment, especially in Sub-Saharan Africa (The World Bank Group, 2011).

In summary, the land grab phenomenon is a result of a complex combination of drivers like international policies to mitigate climate change impacts, aiming energy and food security as well as growing human and environmental pressures.

To the present the Ethiopian government has given out millions of ha of farmland to investors (Rahmato, 2011, p. 2). The following chapter will thus examine the current agricultural land investment situation in Ethiopia, emphasizing the main actors involved and their incentives as well as socioeconomic impacts of large-scale land deals in Ethiopia based on actually performed field research and relevant literature.

### **3 Case study Ethiopia**

Ethiopia, one of the poorest countries in the world and heavily dependent on international food aid is according to a GLP report one of the African countries with the highest number of international land deals (Friis & Reenberg, 2010, p. 10; see Annex B for a map of Ethiopia). The Ethiopian government declares that out of 111.5 million ha of total land, 74.3 million ha are suitable for agriculture and around 18 million ha are currently under production (Ministry of Agriculture and Rural Development, 2009, p. 4). Recently the Ethiopian government announced that in total 5.284 investors, of which are 126 international investors, received 2.2 million ha of land on lease terms in different parts of the country. (Mekuriyaw, 2012, p. 5) - despite the incapability to provide sufficient food to its citizens. Thus, 27 percent of the 2.2 million ha land is being developed by international investors while domestic investors have the share of the remaining 73 percent (Mekuriyaw, 2012). In contrast, the recent Oakland Institute report points out that presently at least 3.6 million ha land have been transferred to domestic as well as foreign investors (The Oakland Institute, 2011, p. 1). Regardless of this contradicting information concerning the quantified area of land acquisitions it can be noted that land investment undoubtedly does take place as well as that domestic investors seem to account for a significant proportion of land investment. To gain a better understanding of the actors involved the following subchapter illustrates which stakeholder is involved in large-scale agricultural land investment in Ethiopia.

#### **3.1 Who is involved?**

Generally it can be distinguished between two main types of investors who acquire farmland. On the one hand foreign governments and on the other hand the private sector. The majority of investors is domestic but comprises mainly small-scale land acquisitions. Dominant large-scale investors are international private businesses from India, EU, Israel, US followed by few investors from Saudi-Arabia, Pakistan, Djibouti and Egypt. The single largest investment is being operated by Karuturi Global, an Indian private investor, covering 111.104 ha of agricultural land (Tekleberhan, 2012).



However, the major tendency indicates a collusion or alliances often between foreign and national companies, complicating a precise distinction between domestic and foreign investors. (Matondi, Havnevik, & Beyene, 2011, p. 2). In general, a lack of transparency regarding the amount, size and location of leased land as well as regarding who is involved impede a clear and comprehensible picture of large-scale land acquisitions.<sup>2</sup> Nevertheless, main area of activity is the cultivation of food crops, biofuels, flowers and sugarcane.

Even if currently no official evidence exists that investment funds or hedge funds are directly investing in farmland in Ethiopia, it cannot be precluded that such investments do not take place or will not take place in the near future.

To get a better understanding why large-scale land deals are taking place in Ethiopia, the Ethiopian government development strategy and its incentives to attract foreign investors will be outlined in the following subchapter.

### **3.2 A governmental perspective: Land investment as development strategy**

#### **3.2.1 Development strategy**

Ethiopia's economy is based on small-scale, self-subsistence and rain-fed agriculture, accounting for almost 45 percent of GDP, and 85 percent of total employment (Central Intelligence Agency, 2011). Generally the agricultural sector suffers from frequent drought and poor cultivation practices. Consequential malnutrition and poverty is seen as rooted in those agricultural structures. Moreover, global circulation models predict a 1.7-2.1 degree Celsius rise in Ethiopia's mean temperature by 2050, leading to, among others, intensified food insecurity, malnutrition and land degradation (The World Bank, 2010). Due to its currently low adaptive capacity Ethiopia entail a high vulnerability to the impacts of climate change (The World Bank, 2010a, p. xvi). In order to counteract possible consequences of climate change, response to agricultural productivity challenges and to escape food insecurity the Ethiopian government enforced many policies including an Agricultural Development-Led Industrialization (ADLI)<sup>3</sup> strategy as well as a Plan for Accelerated and Sustainable Development to end Poverty (PASDEP)<sup>4</sup>. Diversification and commercialization of the agricultural sector achieved with the help of land investment serves as a central strategy to reduce poverty (Ministry of Finance and Economic Development, 2006, p. 46) and to increase agricultural output. Thus, in other words, agriculture, defined as a source of employment, growth and revenue as well as more long-standing

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<sup>2</sup> This statement is based on the author's own field research in Ethiopia.

<sup>3</sup> The ADLI's distinctive features include: commercialization of smallholder agriculture through product diversification; a shift to higher-valued crops; promotion of niche high-value export crops; support for the development of large-scale commercial agriculture; effective integration of farmers with domestic and external markets; and tailoring interventions to address the specific needs of the country's varied agro-ecological zones. (United Nations. Economic and Social Council (a), 2007).

<sup>4</sup> PASDEP is Ethiopia's medium term MDG-based plan to reach the MDGs by 2015. See (United Nations. Economic and Social Council (b), 2007).

source of food security, is "used as a weapon to fight poverty" (Mekuriyaw, 2012, p. 5). This government's development strategy to undertake "a massive push to accelerated growth" (Ministry of Finance and Economic Development, 2006, p. 46) is based on two policies, namely, the commercialization of agriculture and acceleration of private sector development (Ministry of Finance and Economic Development, 2006, p. 46). In this context, foreign investment is seen as capable of bringing new technologies, developing productive potential, facilitating infrastructure development, creating employment and supply of food to local markets. The Ethiopian government states that the country has plenty of "unused" land which can be operated efficiently by large-scale investors (Kebede, 2011). Moreover, the private sector in Ethiopia is young, and entrepreneurs and enterprises are in a critical need of growth capital. In this regard various international private investors are involved in the effort to strengthen the financial base of the domestic private sector (Mekonnen, 2012).

Ultimately, the commercialization of land and the shift to large-scale agriculture is being presented by the Ethiopia government as an essential basis for agricultural modernization and the improvement of productive efficiency which shall lead to increased food production and economic growth (Rahmato, 2011, p. 4). Transforming Ethiopian agriculture from its current subsistence state to market oriented production system forms the basis of agricultural development strategy of the government (Dereje, 2012, p. 5). In order to promote foreign investment the Ethiopian government has created an investor friendly environment, which will be illustrated in more detail in the following subchapter.

### **3.2.2 Legal basis for land investment**

Within the context of international large-scale land acquisitions it is important to understand the national land tenure system and legal basis which provides the foundation upon which all land investment-related legislation and policy is based. According to the 1994 Federal Democratic Republic of Ethiopia Constitution all land in the country is state property and private ownership is not allowed (FDRE Constitution, 1994; chapter three, article 40) Land users (i.e. small-scale farmers and pastoralists) have the right to use land but they cannot sell, mortgage or exchange it in any way. 1997 the power to administer land has been explicitly given by law to the respective regional authorities (Federal Rural Land Proclamation No 89/1997). Further does the Ethiopian Constitution determine that the government has the right to expropriate private property for public purposes or if it considers that land will be contributing more to the common benefit and development if utilized by investors, cooperative societies and other public or private entities (FDRE Constitution, 1995; chapter three, article 40 and article 89 (5)). The most significant initiatives to attract foreign investment and to encourage large-scale agriculture were the Investment Proclamation 280/2002 and the Investment Regulation 84/2003. The Investment Proclamation 280/2002 states that the

investment objective is to increase foreign exchange earnings by encouraging growth in export industries, transfer of technology and know-how and to "render foreign investment play its proper role in the country's economic development" (Investment Proclamation No. 280/2002; part two, article 4). The Investment Regulation 84/2003 further outlines exemptions from income tax and payment of customs duty provided to foreign investors (Regulation No. 84/2003).

Based on the briefly illustrated legal basis for land investment and land tenure system, the Ethiopian government has created a very encouraging investment climate. Land rents are very low as according to The Oakland Institute investors pay between USD 1.25 - 10 per ha per year (The Oakland Institute, 2011, p. 29). Ethiopia further offers investors a wide range of climatic conditions, unlimited water resources and a quickly developing infrastructure (Kebede, 2011). Low labor costs, relaxed regulations, ability to export, privileged access to other markets - like the EU and the US - as well as exceptional incentives of tax holidays and no duty amounts which all trigger the demand of foreign investors. In addition to it the Ethiopian government claims the availability of huge areas of "unused" land (Ministry of Agriculture and Rural Development, 2009). Besides, the Ethiopian Investment Agency (EIA), responsible for coordinating and facilitating foreign investment, offers a one-stop-shop for foreign investors and therefore simplifies international land deal procedures enormously.

For a more general overview of why large-scale land deals are taking place in Ethiopia, the perspective of investors has to be considered and will be outlined next.

### **3.3 Investor perspective: Making profit**

Due to the initially demonstrated global climate change impacts as well as food and energy security issues governments, both from industrialized and emerging countries, enforced policies to increase agricultural investment. Therefore, guaranteed markets for agricultural products (whether biofuels or food crops) have been established. The increasing demand furthermore leads to a rise of agricultural commodity prices. Agricultural production and hence the acquisition of farmland appears as an increasingly attractive option to investors. (Cotula, Vermeulen, Leonard, & Keeley, 2009, pp. 56-57). By this means, those firm global markets for alternative energy and food trigger large-scale land investments.

Interest in large-scale land investment in Ethiopia is further motivated predominantly by the low costs of land and labor in rural Africa accompanied with the assumption of existing vast areas of unused or underutilized land (Cotula, Dyer, & Vermeulen, 2008). Particularly, rising land values and the rise in prices of agriculture-based commodities are key drivers for the engagement of the private sector in Ethiopian agriculture. Although Ethiopian land prices are rising, they are currently relatively low and therefore are causing high expectations of competitive returns from agricultural investment (Havnevik, 2011, p. 24). Thus, private sector involvement seems mainly be driven by expectations of competitive returns from agriculture. The presently largest investor in Ethiopia, Karuturi, states for

instance that following aspects give a competitive advantage regarding land investment in Ethiopia (Karuturi Global , 2011):

- The abundance of land and water with immaculate weather conditions
- Cheap labor and easy land availability with low lease rentals
- Road freight to be competitive due to the proximity to COMESA<sup>5</sup>
- Markets and low air - freight to the European markets.
- Duty free import of inputs and equipment for companies
- Regulations on investments are relaxed
- No import duty levied on Ethiopian goods in other importing countries
- Can compete with other African countries due to the
- Government's positive attitude to investments
- Income tax exemption for five years

As land is extremely affordable in Ethiopia and, as stated above, the value of land is very likely to rise, investing in farmland promises significant returns and therefore attract speculative activity. Thus, investment funds or hedge funds might soon play an important role within land investment in Ethiopia.

However, foreign land deals in Ethiopia under given conditions show several effects. The following chapter therefore highlights those impacts of international large-scale land acquisitions in Ethiopia based on the author's own field research findings and literature review.

### **3.4 Impact of international large-scale land acquisitions in Ethiopia**

Benefits of land investment could be the needed investments in new technology, wage employment, increased foreign direct investment (FDI) as well as infrastructure improvements as intended by the Ethiopian government. New investments in agriculture sectors could facilitate the creation of preconditions for sustainable development (Deininger & Byerlee, 2011, p. xxv). However, it is too early to finally evaluate if these benefits will occur as the rush for large-scale land investments mainly begun in consequence of the global food crisis of 2007/2008. Moreover, lacking infrastructure and not yet cleared farmlands causes delay in the implementation of the investor's projects (Mekuriyaw, 2012, p. 5). Furthermore, the performance of private commercial farms in Ethiopia is very slow because of labor shortage or a shortage of the investor's capital. Although large-scale agricultural land investment is strongly promoted by the Ethiopian government, administrative procedures for investors are very time-consuming and lack transparency (Author's own findings). Nonetheless, according to the findings of the ODDO Economic report international land deals in Ethiopia could

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<sup>5</sup> COMESA (The Common Market for Eastern and Southern Africa), is a preferential trading area with nineteen member states. For more information refer to <http://www.comesa.int>.

cause high risks especially in terms of environmental and social aspects (ODDO Securities, 2010). This is mostly caused by poor planning and weak control of the investor's obligations (The Oakland Institute, 2011, p. 34). Investors are for instance obliged to conduct an environmental impact assessment, which should be reported within three months to the Ministry of Agriculture and Rural Development (MOARD), even though MOARD has not the technical and institutional capacity to carry out the duties involved (Rahmato, 2011, p. 11). More specific socioeconomic and environmental challenges will be emphasized by the following subchapters.

#### **3.4.1 Socioeconomic impacts**

As indicated above wage employment seems to be a positive effect of foreign investment. Land rent contractual agreements therefore oblige the investor to provide job opportunities to the people residing in the investment area. However, often low wages are paid and employment is frequently seasonal or short-term (The Oakland Institute, 2011, p. 37; author's own findings). Income security as well as a wage to cover the costs of living cannot be guaranteed. This, as well as missing safety regulations cause dissatisfaction among workers (Author's own findings). Since large-scale agriculture requires huge amounts of labor, people from other areas of the country migrate. For instance, the Indian investor Karuturi claims to need around 30.000 employees while the Saudi-Arabian investor Saudi Star announced to employ approximately 5.000 workers (The Oakland Institute, 2011, p. 37). This can lead to conflicts with local people over access to land and resources - like fish, wildlife, firewood - or stimulate ethnic clashes (Cotula, Dyer, & Vermeulen, 2008). Non-existing or imprecise land property rights might aggravate those negative effects. Particularly since the Ethiopian government authorities are empowered to lease land to investors even if these includes the displacement of local populations and expropriation of land (Rahmato, 2011, pp. 6-7). However, no direct link between displacement of rural populations and large-scale land investment could yet be identified by the author. Local food insecurity, increasing poverty as well as local people's exclusion from water resources might be additional consequences (Friis & Reenberg, 2010, p. 16). The Ethiopian people's right, enshrined in the FDRE Constitution, to receive compensation in case of displacement and expropriation has been assessed as unfair and inadequate (Rahmato, 2011, p. 6).

Another effect of large-scale land acquisitions by foreign investors is that local farmers might be confronted with increased costs in order to adapt to new or modified agricultural cultivation methods. Cost impacts derive for example from machines, seeds, fertilizer and livestock.

Further effects directly linked with large-scale land investment could be an increasing competition between different land utilization. Biofuel production, for instance, may become a direct competitor to food production on existing cropland, leaving the local population without sufficient yields to feed themselves and their animals (FAO/OECD, 2011).

At this moment in time it has to be assumed that international land deals hardly benefits the local people, rather it threatens the livelihoods of the local rural population. (Rahmato, 2011, pp. 7-8). The negative effects are the loss of farmland, loss of pasturage and grazing rights, loss of sources of water and fishing as well as the loss of access to firewood and useful plants (Rahmato, 2011, p. 17).

### **3.4.2 Environmental impacts**

Land that has been transferred includes arable land, woodland, forest land, savanna grassland and wetlands (Rahmato, 2011, p. 17). Environmental damage related to large-scale land investment might occur directly because of agricultural intensification, forest degradation and the replacement of grasslands. This leads to significant biodiversity loss, soil erosion and infertile soil. Two documented examples are land leases in the region of Gambella and Oromia which have been inside a national park and wildlife sanctuary (Rahmato, 2011, p. 17). Damaging impacts on land resources, wildlife and biodiversity can be expected. Directly affected by large-scale farming are further water resources. Due to the given right to investors to use water without restriction (The Oakland Institute, 2011, p. 46), land grabbing is simultaneously water grabbing. Foreign investors cultivating water-consuming agricultural crops, fruits or set up flower farms require an immense amount of water and thus have an impact on the water quantity available and on water systems in general. Additionally, the use of fertilizers harms the water quality enormously (The Oakland Institute, 2011, p. 46). Moreover, the influx of large numbers of workers into an area further increases environmental stress due to increased deforestation, decline in fish stocks, wildlife and general influences on ecological systems (The Oakland Institute, 2011, p. 37).

## **4 Research question: International large-scale land acquisitions in Ethiopia: The key to trigger agricultural modernization, development and poverty reduction?**

As outlined, the process whereby external investors acquire vast agricultural areas for the production of food and biofuels has accelerated in recent years, particularly in Ethiopia. The sudden interest in land appears to be determined by a combination of drivers and evokes several socioeconomic and environmental concerns. Conducted studies provide a better understanding of the background, driving forces and outcomes of large-scale land investments. In general, various researchers come to an understanding that large-scale land investments, mainly concluded between governments and investors, do have strong negative effects. So far, hardly any positive effects on the ground have been reported in studies or media reports. Investments in new technology, employment creation and an income generated from leasing or selling of the land, still remain more or less theoretical. Nevertheless, significant knowledge gaps need to be addressed. Yet no systematic and country specific research has been conducted to analyze and understand socioeconomic impacts on

smallholders and the rural population, correlated conflicts and possible conflict-resolution mechanisms as well as its effects on development and political stability. An in depth analysis of motivations of all actors involved in large-scale land investment is also lacking. Therefore, there is a need of systematic data collection and assessment. In contribution to these research requirements, this research aims to provide insight into national and micro-level de facto and potential socioeconomic effects of international large-scale land investments, linked conflicts as well as scrutinize if land investment is the base and foundation of agricultural modernization, development and poverty reduction?

As Ethiopia experiences for the first time foreign large-scale land investments at this rate and it is expected that even more foreign large-scale land investments will take place (Rahmato, 2011, p. 5) due to a considerably very affordable labor force, friendly private investment policies, vast available investment areas as well as a stable political system it provides a reasonable case study. Consequently, the main research question of this study is: International large-scale land acquisitions in Ethiopia: The key to trigger agricultural modernization, development and poverty reduction? To answer this broader question, several following sub-questions are necessary:

- How do international and national policy processes influence international land deals in Ethiopia?
- How effective are development strategies and policies enacted by the Ethiopian government?
- How are land property rights legally and by rural communities regulated in Ethiopia?
- Who benefits and who suffers from such international land deals, in terms of the Ethiopian government, investors, smallholders and the rural population?
- How effectively do rural communities cope with land investment-related challenges?

Thus, the ambition of this research is to contribute to a deeper understanding of large-scale land investment and illustrate various angles and perspectives of this accelerating process in Ethiopia. Eventually, much more research needs to be done since the land grabbing phenomenon is relatively new and is constantly evolving.

## **5 Methodology**

The final accomplished study will be based on empirical research with strong emphasis on qualitative field research in Ethiopia. Both, a deductive and inductive as well as a non-normative approach will be applied.

Initially, governmental policies and strategies to foster agricultural modernization and consequently development and poverty reduction as well as essential regulations on international land deals on international and national level will be analyzed. In addition, current available

information from various sources on international land deals in Ethiopia will be compiled and analyzed to ensure the most reliable compilation of data and to present a general overview of the current state of international agricultural land deals in Ethiopia. In this respect the dominant source of information are relevant regulations, the print media as well as existing research papers.

Subsequently, to complement the data gathered through document analysis, data collection on site will be carried out. Field research data will be obtained through semi-structured interviews with relevant government representatives, NGO's, civil society, affected smallholders and experts on international land deals in Ethiopia. Further the bottom-up approach might contribute to an evaluation of potential future conflict on local, regional as well as national level.

Ultimately, the research comprises an evaluation of the collected data and a comparison to the gathered information in the beginning. Based on the analysis of existing development strategies, international and national regulations and policies with regard to international land deals in Ethiopia, taking strong account of the gained data on site, policy recommendations will be worked out to mitigate potential negative effects of international land deals and to stimulate economic development.



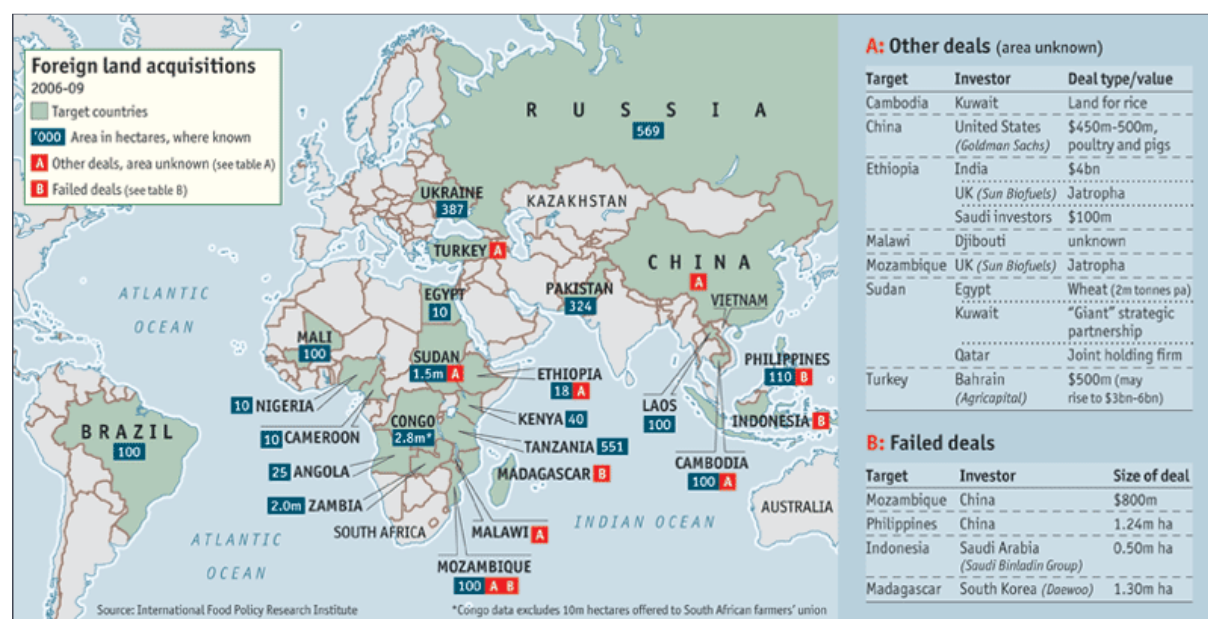
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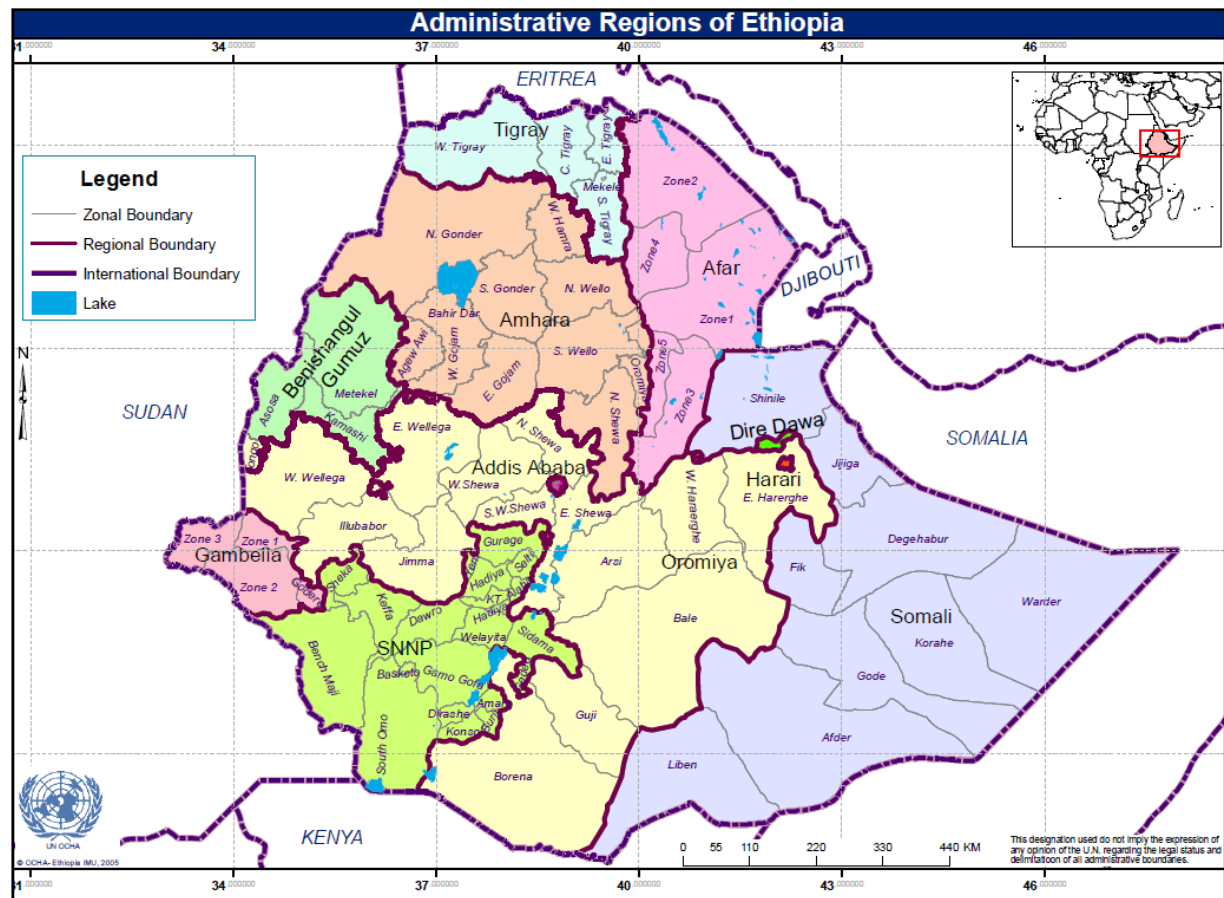
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## Annex A: Map of foreign land acquisitions worldwide 2006-2009



Source: *The Economist* 2009: <http://www.economist.com/node/13692889>.

## Annex B: Map of Ethiopia



Source: <http://reliefweb.int>