

Land, Land Policy and Smallholder Agriculture in Ethiopia

Land and land tenure is a hot policy issue in Ethiopia. Three key issues are raised – farm size and fragmentation and the question of what is a ‘viable’ farm unit; tenure security and whether lack of land registration/certification or titling undermines investment in productivity improvements; and finally the issue land markets and whether imperfectly functioning markets constrain opportunities for land consolidation, investment and agricultural growth.

Farm size, land fragmentation and smallholder production

Ethiopia is a country of smallholder agriculture. In the 2000 cropping season, 87.4 % of rural households operated less than 2 hectares; whereas 64.5 % of them cultivated farms less than one hectare; while 40.6 % operated land sizes of 0.5 hectare and less. Such small farms are fragmented on average into 2.3 plots. The average farm size can generate only about 50% of the minimum income required for the average farm household to lead a life out of poverty, if current levels of farm productivity and price structures remain constant. Such farmers have little or no surplus for investment and for input

purchase. The increasing decline of farm size also leads to a reduction of fallowing practice or shortening of fallow cycles, and rotation, with a consequence of declining soil quality and fertility in some highland areas. The average farm size is considered by many too be small to allow sustainable intensification of smallholder agriculture. The probability of adopting fertiliser and improved seeds decreases with declines in farm size. Households with relatively small farm size are generally poor in cash income, have less access to extension services and credit, and have less risk coping opportunities to take risks of rain failure, and less profitable technologies given higher transaction costs of acquisition and application of fertiliser per unit of operated land.

Tenure insecurity and smallholder production

Given the absence of any contractual or lease agreement with the government and the general belief that land redistribution will take place any time, tenure insecurity is often high. This result is that incentives to invest in land improvement are often minimal. The Ethiopian

government has in recent years tried to address this problem through issuing certificates of land use rights to peasants. Moreover, some regional governments (like Tigray and Oromia) have land administration laws that limit the possibilities of land distribution/redistribution to only certain specified categories. A key challenge is to find mechanisms for land transfer which allows some consolidation of land, while offsetting the dangers of a rapid growth in landlessness through dispossession or unproductive accumulation of land. Moreover, many critics suggest that peasants open-ended use right should be changed into a fixed, renewable long-term lease agreement following the Chinese or Vietnamese model.

Land markets and smallholder agriculture

Despite policy constraints, land rental markets remain important in Ethiopia. Taking fixed rental and sharecropping together, 22% and 23% of households in Tigray and Amhara regions, respectively, cultivate someone else's land obtained through land rental markets. Such markets help land transfer from relatively old, resource poor farmers to young, healthier and/or relatively resource rich farmers. Land rental markets can improve the allocative efficiency of factors of production and so expand the use of purchased farm inputs like inorganic fertilisers and improved seeds. Farm households that rent-in or share-in lands not only applied more improved technologies, but also got the opportunity to use labour and oxen that otherwise would be under- or unutilised.

Future options and scenarios

Everyone recognises that land is a critical issue, and developing an effective policy framework is vital for the future of agriculture in Ethiopia. However, the land issue, perhaps more than any other policy issue, is hotly contested. An enhanced free operation of land rental market,

some commentators argue, could have positive effects, encouraging land consolidation and increasing incentives for land investments and commercialisation. But many policy makers have a less positive view. A freely operating land rental market could lead, they argue, to unproductive accumulation of land or translate into the creation of a large landless class, with unknown social and political consequences. Given these debates, what, then, should future land policies be centred on? Four future scenarios are evident:

Maintaining state ownership of land and facilitating agriculture-led growth

This has been referred to as the 'China model' and is the favoured approach of the government. The argument runs that small farms are not necessarily 'sub-economic', as long as land productivity is boosted through external support and investments in new technology. Total reliance on a farm plot is also not advisable, and diversification into other non-farm activities, fostered by farm-led economic growth makes sense. This reduces risk exposure and encourages a broader based growth in the rural economy. High population densities also encourage market linkages and the growth of rural business and small towns. State ownership of land under such conditions, so the argument goes, is not necessarily prejudicial to investment and productivity growth as long, as land users trust the government and mechanisms for gaining finance are secured which do not require land ownership as collateral. This requires interventions by the state in increasing the trust levels of land management institutions and offering alternative methods for supplying credit and alternative employment for the growing landless population.



Photograph: Petterik Wiggers

Land policy is hotly debated in Ethiopia. But what aspects should future land policy focus on?

Land privatisation and titling

Some argue that the efficiency gains of land privatisation and formal titling in Ethiopia are significant, allowing agricultural entrepreneurs to consolidate land holdings and manage 'economically viable' land units on a commercial basis. This would encourage others to move out of agriculture and away from sub-economic 'starvation plots' and seek other forms of livelihood outside the rural areas, or within linked to new more commercial farming operations. Rural areas might then have the chance of prospering with linkages fostered by a revitalised in the labour market in agro-processing, trading and other activities. External investment would then flow in creating a virtuous cycle of growth and development, offsetting any negative consequences of displacement and landlessness.

Encouraging land rental markets

The full privatisation and titling model is however seen by many as risky. The consequences of rapid consolidation of farm areas and an increase in landlessness among those selling most or all of their land is seen as potentially catastrophic in both humanitarian and political terms. Others argue that a good compromise already exists in the form of land rental markets, but is constrained by inappropriate policies. The degree to which such government regulations are enforced is not known, and most case study evidence points to an existing and vibrant land rental market in highland areas. The policy challenge then is to provide a framework for encouraging and formalising land rentals – and associated labour migration/exchanges and improvements of efficiency through scale advantages – while avoiding the

downsides of rapid moves to consolidation and landlessness.

Enhancing tenure security.

Some argue that it is tenure security not land ownership (through registered title, leasehold or rental agreement) that is the issue. Many studies have shown how perceived insecurity of tenure restricts people's incentives to invest in land improving technologies and management systems. The fear of redistribution or appropriation, as discussed above, hangs over many people and is well remembered from the past. Despite assurances, it is apparent that many smallholders don't trust the government on this. Recent attempts at providing systems of land registration through certification may be one route to providing such assurances. It will be important to find out whether this does change perceptions and result in greater investments, or whether the constraints in fact lie elsewhere, requiring more attention to physical land redistribution through other means.

Conclusion

Everyone is agreed on the overall aim – to boost pro-poor agriculture-led growth – and this is echoed in policy documents and discussions from all sides of the debate, but what to do about land and land tenure remains a sticking point which urgently needs to be tackled. In order to

avoid sudden, nation-wide changes with uncertain consequences, there is also a possibility to test the potential impact of any policy revision through pilot programmes in limited areas, commentators argue. This will allow time to make necessary adjustment for full implementation of any programme or its abandonment. Such pilot programmes will also create conditions to test empirically the validity of policy makers' fears that private ownership of land or unrestricted land rental market will encourage or force Ethiopian peasants to migrate *en masse* into urban centres due to distress sale of their land due to drought- or poverty-induced problems. With the next phase of the Future Agricultures Consortium work in Ethiopia focusing on regional, state-level discussions of future agriculture and livelihood scenarios, the content of this paper is intended to provide a sound information base for such discussions.

Acknowledgements

This Policy Brief was written by **Samuel Gebreselassie** of the **Future Agricultures Consortium**. The series editor is David Hughes. Further information about this series of Policy Briefs at: www.future-agricultures.org

The Future Agricultures Consortium aims to encourage critical debate and policy dialogue on the future of agriculture in Africa. The Consortium is a partnership between research-based organisations across Africa and in the UK. Future Agricultures Consortium Secretariat at the University of Sussex, Brighton BN1 9RE UK T +44 (0) 1273 915670 E info@future-agricultures.org

Readers are encouraged to quote or reproduce material from Future Agricultures Briefings in their own publications. In return, the Future Agricultures Consortium requests due acknowledgement and a copy of the publication.

FAC appreciates the support of the
UK Department for International Development (DfID)

