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# Implications of land deals to livelihood security and natural resource management in Benshanguel Gumuz Regional State, Ethiopia

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# **Implications of land deals to livelihood security and natural resource management in Benshanguel Gumuz Regional State, Ethiopia<sup>1</sup>**

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## **Abstract**

The Federal Government of Ethiopia (FGE) is leasing out large tracts of arable lands both to domestic and foreign investors in different parts of the country where land is relatively abundant. While the FGE justifies that it is part of the country's strategy to achieve food security objective, critics have been forwarded from different directions. This research aims at studying the implications of land deals to livelihood security and natural resource management in Benshanguel Gumuz Regional State. Exploratory study was done and data were collected through interviewing 150 farm households in two districts of the region. Key informants interview and focus group discussions were also held to generate required data. Primary data were complemented with secondary data sources. Preliminary findings suggest that there is weak linkage, monitoring and support of investment activities from federal, regional and district levels, weak capacity of domestic investors, accelerated degradation of forest resources, and threatened livelihood security of community members.

**Key words:** Land deals, livelihood security, natural resource management, Benshanguel Region, Ethiopia

## **1. Introduction**

With a change in government in 1991 in Ethiopia, the country has adopted a Structural Adjustment Policies (SAP) that liberalized the government controlled institutions to a more market-oriented economy (TGE 1992). The country took structural reform measures in the financial sector, public enterprises and civil service areas including enacting investment law for the country (GoE *et al* 1998). Following the investment law, private investments mushroomed in the country. In the agricultural sector, both domestic and foreign investors have emerged. The

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2007/08 price boom in food commodities has motivated food import dependent countries to look for option to produce food commodities in countries where there are abundant land and water resources as their food security strategy (Deininger et al 2011). As a result, there is a strong Foreign Direct Investment (FDI) flowing to developing countries to acquire cultivable land and produce food commodities. Countries like Ethiopia, Sudan, Pakistan, etc are target/client countries with abundant agricultural resources whereas countries such as India, China, Saudi Arabia, Turkey, etc are investing countries. There are mixed views whether such investment activities are beneficial to target countries. Some argue that FDI in agriculture will create opportunity for “sustained” and “broad-based development” through enhancing technology transfer, increasing domestic availability of food supply and creating employment opportunities provided that inward investment is well-managed (Deininger et al 2011). Others (Mersha 2009; Grojnowski 2010; Fitzgerald 2010; Rice 2009; Mihretie 2010; McLure 2009) criticized it as “land grabbing”, “bio-colonialism”, “agro-colonialism” etc. The government of Ethiopia argued that it is part of the country’s strategy to achieve its food security objectives. Except some media reports, there are little empirical findings on the issue whether such investments are opportunities or challenges to target countries. This research aimed at identifying the implications of large scale agricultural investments towards livelihood security and natural resources management under the Ethiopian context. The specific objectives of the study are:

1. To explore the nature of land deals for commercial agriculture in Benshanguel Gumuz Regional State in Ethiopia,
2. To identify the implications of commercial agriculture to forest resource management in the region
3. To describe the implications of land deals to livelihood security in the region

## **2. Literature review**

### **2.1 Overview of agricultural investment in developing countries**

The flow of Foreign Direct Investment (FDI) in agriculture has increased substantially and the Least Developed Countries (LDCs) attracted \$1,833 billion in 2007. In Ethiopia alone, agricultural investment increased from \$135 million in 2000 to \$3500 million in 2008 (UNCTAD 2008). The drivers of FDI in agriculture are: reduction of production costs since labor is cheap in LDCs, seeking new markets, attaining food security following the world food

price crisis in 2007 and securing financial returns following world financial meltdown in 2007 (GRAIN 2008). Especially, the world food price hike in 2007 motivated countries with limited cultivable land and water resources to acquire farmlands in developing countries as their food security strategy (Braun and Meinzen-Dick 2009). In terms of availability of uncultivated land, sub-Saharan Africa stands first with a potential of more than 200 million hectares followed by Latin America and the Caribbean with available land of about 123 millions hectare (Deininger et al 2011). The Gulf States, China, South Korea, and India are some of the investing countries that target developing countries with abundant land, water and labor resources and suitable climatic conditions for large scale agricultural investments.

A move towards large scale farmland acquisition in developing countries is partly seen as an opportunity that injects huge capital and creates new jobs to the rural poor. It is also partly seen as a threat to the rural poor whose livelihood heavily depends on land and associated natural resources (von Braun and Meinzen-Dick 2009; Deininger et al 2011). As reported by Braun and Meinzen-Dick (2009), 3.079 millions hectare of land is leased out from six developing countries (the Philippines, Sudan, Tanzania, Ukraine, Kenya and Pakistan) between 2008 and 2009. A recent finding by Deininger et al (2011) reported that in a period of less than one year, foreign investors expressed their interest to lease in 29 million ha of land from Sub-Saharan Africa.

In Ethiopia, the Plan for Accelerated and Sustainable Development to End Poverty (PASDEP), among other things, emphasized on making land available for large scale commercial agriculture with a focus on export diversification (Teshome 2006). Deininger et al (2011) also identified that the ratio of cultivated to total suitable area for farming in Ethiopia is 21%, and the country achieved slightly greater than 2% of potential yield. The same report stated that about a total of 1.19 million hectares of land is leased out to large scale farms in Ethiopia. Out of which, 51% of them account to land acquisition by foreign investors. Evidences from Ethiopian Investment Agency states that a total of 525 agricultural projects have been licensed to operate in Benshanguel Gumuz Region from 1992 to 2010, and they are under different level of operation. The main investor countries in Ethiopia are: the EU, India, Israel, Saudi Arabia and the USA (Weissleder 2009).

## 2.2 Framework for evaluating large scale agricultural investments

Deininger et al (2011) and von Braun and Meinzen-Dick (2009) have presented some principles or code of conducts that could serve as a framework for evaluation large scale land acquisition in developing countries. While von Braun and Meinzen-Dick (2009) presented five sets of code of conducts such as: Transparency in negotiation, Respect for existing land rights, Sharing of benefits, Environmental sustainability and Adherence to national trade policies, Deininger et al (2011) added two more principles such as: Ensuring transparency, good governance, and a proper enabling environment and Responsible agro-investing. Brief discussion of these criteria, as presented by von Braun and Meinzen-Dick (2009) and Deininger et al (2011) is given below:

1. **Respecting existing land rights:** the authors emphasized that the land deals should respect existing land and resource use rights of farmers, including customary and communal land use right, and suggest payment of adequate compensation for those who lose their rights.
2. **Ensuring transparency, good governance, and a proper enabling environment:** Deininger et al (2011) discussed that large scale land acquisition processes between host government and investing countries to be transparent, monitored and ensure accountability of stakeholders in the legal system. von Braun and Meinzen-Dick (2009) also implicitly discussed the issue in their criterion of transparency of negotiations.
3. **Consultancy and participation of all stakeholders:** both authors underscored there should be participation and consultation of stakeholders who will be affected from the land deals.
4. **Responsible agro-investing:** Deininger et al (2011) suggested that land deals “respect the rule of law”, “reflect industry best practice”, and document that projects are “economically viable”. von Braun and Meinzen-Dick (2009) implicitly mentioned the issue of responsible agro-investment in their criterion of environmental sustainability.
5. **Environmental sustainability:** both authors emphasized that land deals for large scale agricultural investment should enhance the sustainability of the environment and suggest that land deals should document environmental impact assessments that minimize negative impacts.
6. **Ensure food security:** both authors discussed that land deals for large scale land acquisition shouldn't threaten households' or community members' food security. von

Braun and Meinzen-Dick (2009) claimed that land deals should adhere to national trade policies in which domestic food supply rather than export should be given priority when hosting governments face food insecurity risks due to drought.

7. **Social sustainability or sharing of benefits:** both authors indicated that land deals for large scale land acquisition should benefit community members and create desirable social benefits. von Braun and Meinzen-Dick (2009) indicated that participation of farmers or community members in contract farming or out-growers scheme enhances their control over resources, their integration to the market and technology use.

### **3. Methodology**

#### **3.1 Description of the study area**

The Federal Democratic Republic of Ethiopia is classified into nine autonomous regions. Benshanguel Gumuz Regional State (BGRS) is one of the regions found in the northwest part of the country. It is located at  $9^{\circ} 17'$  to  $12^{\circ} 6'N$  latitude and  $34^{\circ} 10'$  to  $37^{\circ}$  E longitude with its capital, Asosa city, found 665 kilometers away from Addis Ababa (BGRIO 2010). The total area of the region is 50,380 km<sup>2</sup> bounded by Amhara region in the north, Oromia region in the east, Gambella region in the south and the republic of Sudan in the west. It is administratively classified into three zones (Asosa, Kamashi and Metekel zones) and two special districts (Maokoma special district and Pawi special district). Including the two special districts, there are a total of 20 districts in the region. The total population of the region is projected at 711,702 people in 2009 (CSA 2007). Based on their languages, five indigenous people (Berta, Gumuz, Shinasha, Mao and Komo), and settlers of different ethnic groups (Amhara, Oromo, and others) inhabit the region. The indigenous people constitute 57.47% of the total population in the region. The region is endowed with different natural resources and there is huge potential for agriculture. Farming, hunting, gathering of wild foods, traditional gold mining are some of the livelihood strategies of the indigenous people. Population density is sparse with a regional average of 14 people per square kilometer (CSA 2007). The smallest population density is estimated at 3 persons per square kilometer and recorded in Guba, Yaso, Dangur and Sirba abay districts while the largest population density is estimated at 62 people per square kilometers, which is recorded at Asosa, Mandura, Bambasi and Pawi districts (CSA 2007). Agricultural land is abundant with a mean landholding size of 3.7 hectare.

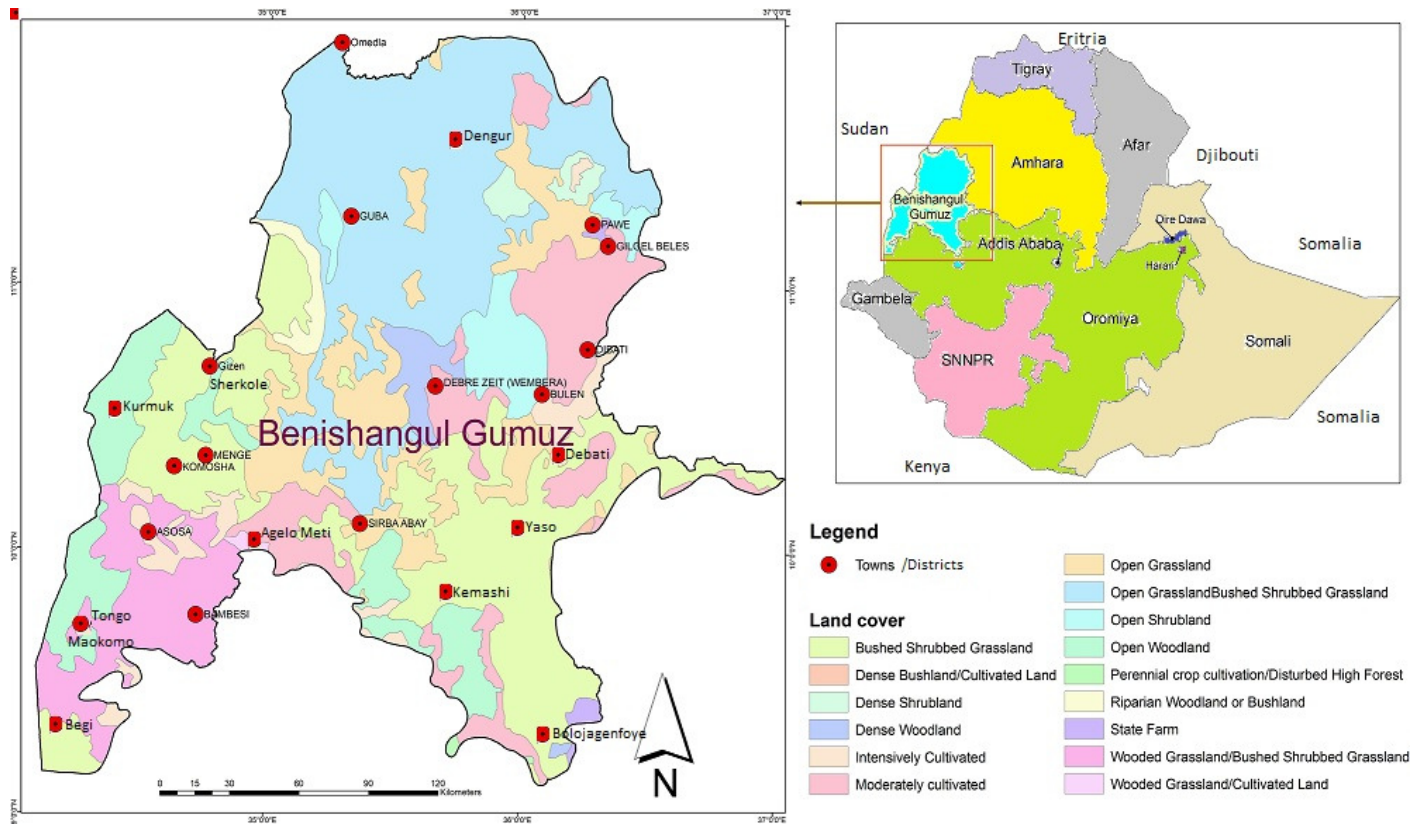


Figure 1: Map of Benshanguel Gumuz Regional State

### 3.2 Data collection and analysis

The study employed an exploratory design. The study covered two different districts such as Maokomo special district and Guba district. The selection of the districts is based on the distribution of agricultural investments available in the region. Data were generated through Focus Group discussion (FGD), interviewing of farmers and key informants. A total of 150 farmers were randomly selected from the two districts for interview. Discussions with key informants and community members were also held. Community elders, officials working at district and regional level were used as key informants (see Annex 1). A total of 10 FGDs that constituted 8-10 farmers of different sex and age groups attended the FGD. Data were also generated from secondary sources such as Ethiopian Investment Authority, Benshanguel Gumuz Region Investment Office, Ministry of Agriculture and Development, Regional and District Agriculture and Rural Development Offices, etc. The data were analyzed through computer loaded SPSS software. Evaluation of large scale agricultural investment in the region was made using Deininger and others “principles of responsible agro-investment” as a framework.

## 4. Results and discussion

Deininger et al (2011) developed criteria for evaluating land deals. In the forthcoming section, land deals signed between the Ethiopian government and investors for commercial agriculture are evaluated following the criteria suggested by these authors:

### 1. Respecting land and resource rights:

For agricultural FDI to be an opportunity for target countries like Ethiopia, land and natural resource use rights of the community members are respected and recognized. With a team of experts from MoARD and experts from Benshanguel Gumuz Regional State, 1,405,067 hectares of land were identified for agricultural investment in 10 different districts of Benshanguel Gumuz region in the first round assessment.

**Table 1: Area of land identified for large scale agricultural investment in Benshanguel Gumuz Regional State**

District	Land demarcated for investment during first round survey (hectare)	Land demarcated for community land uses (hectare)			Land demarcated for investment during second round survey (hectare)
		Crop production	Grazing	Forest	
Guba	486,477	7484	9823	18000	377,206
Dangur	293,787	10806	17538	33100	211,055.578
Wonbera	144,982	4552	3748	4800	131,882
Sirba Abay	44,899	1936	3700	2812	36,451
Maokomo	80,527	NA	NA	NA	NA
Asosa	90,932	9076	8697	2350	71,841
Homosha	11,011	1156	1993	900	5,229.90
Menge	52,582	4254	6077	3800	38,451.80
Kurmuk	35,940	3720	4661	2150	25,474.40
Sherkole	163,930	14648	18303.30	16395	88,704.50
<b>Total</b>	<b>1,405,067</b>	<b>57632</b>	<b>74540.3</b>	<b>84307</b>	<b>986,296.178</b>

Notes: 1. Land demarcation for communal grazing is done through taking the entire livestock population (except chicken) found in the region, and allocating 0.5 hectare of land per animal per year.

2. The study considered lands covered by crop and fallow lands in allocating land for crop production

Source: MoARD Investment Support Directorate (unpublished document)

A second round assessment was done to refine the investment potential of the region taking into account communal lands used for grazing lands, crop lands, fallow lands for shifting



cultivation and forest lands. Accordingly, the team identifies 986, 296.18 hectares of land suitable for agricultural investment in the region, which is included into the land bank of the MoARD. The study gave an allowance of 418, 770.822 hectares of land for the farming community for crop production, fallow land, grazing land and forest land, which implies that it recognized customary land use rights (see Table 1). Deininger et al (2011) stated Ethiopia, Vietnam and Mexico as land-abundant countries with improved legal and regulatory framework to recognize customary rights.

**Table 2: Change in private and communal landholding size since the past five years**

Direction of change	Change in private landholding size		Change in Communal landholding size	
	Frequency	Percent	Frequency	Percent
Increased	46	30.7	7	6.3
Decreased	4	2.7	26	23.4
No change	100	66.7	78	70.3
Total	150	100.0	111	100.0

Source: own data

Results of the household survey conducted in the two districts revealed that about 67% of the respondents didn't experience any change in their landholding size while 31% of them has actually increased their private holdings. Land is relatively abundant in Benshanguel Gumuz Regional State with average landholding size of 3.7 hectares (study result), which is higher than the national average of 1.19 hectare (CSA 2009) and the Amhara Regional State average of 1 hectare (Mekonnen, 2009). Similarly, 70% of the respondents revealed that there is no change in the communal landholding size while 23% of them revealed that there is a decrease in the size of communal land holding size (see Table 2). The decrease in communal landholding size is associated to expansion of household landholding and due to the large scale agricultural investment activity taking place.

From resource use point of view, result of the questionnaire survey indicated that 34% of the households living in Bengo village of Guba district face competition from the domestic investor for community water source. This was further confirmed with the focus group discussion in which members of the FGD stressed the scarcity of water due to competition between the community members and domestic investors. In addition, they stressed that

incidence of theft on their livestock has increased with the coming of employees of the investors. Community members revealed that it is common to see goats missing that are left to graze freely in the forest.

## 2. Ensuring transparency, good governance, and a proper enabling environment:

The Ethiopian government has enacted different investment laws with clearly set responsibility of relevant stakeholder. Deals signed defined the types of crops to be produced, the proportion of the production for domestic and foreign market, and the lease rate (see Table 3).

**Table 3: Distribution of agricultural investment in Ethiopia: Origin of investors, market share and employment potential**

Region	Nationality	Land leased (ha)	Crop type	Market share in % (Domestic: Export)	Capital (Million Birr)	Employment	
						Permanent	Temporary
SNNP	Ethiopian	4003	Cotton	100 domestic	82.8	NA	NA
SNNP	American	5000	Cotton and grains	50:50	65	28	2500
SNNP	American	1000	Cotton, sesame, soyabean	30:70	NA	10	200
SNNP	Canadian	2137	Cotton and grain	40:60	12.77	21	1139
SNNP	Ethiopian	5000	Fruits, sesame and cotton	20:80	42.5	24	1000
SNNP	Ethiopian	3000	Cotton and grains	50:50	13.6	45	585
SNNP	Ethiopian	18,516	Cotton	100 domestic	323.24	300	10000
SNNP	Indian	10,000	Cotton	50:50	32	200	10,000
Gambella	Indian	25,000	Soya bean	30:70	1451	0	8000
Gambella	British/Indian	27,000	Edible oil crops	10:90	918.4	0	7500
Gambella	Indian	10,000	Rice	100 export	160.4	125	650
Gambella	Indian	3012	Tea	100 export	631.4	141	4200
Benishangul	Indian	50,000	Pongamia	20:80	984	50	2600
Benishangul	American & Ethiopian	431	Horticultural & crops	10:90	66.3	70	500
Benishangul	Indian	25,000	Cotton	40:60	1177.2	NA	NA
Benishangul	Ethiopian	5000	Sesame and beans	50:50	60.7	118	1000

Note: SNNP stands for Southern Nations, Nationalities and Peoples

Source: MoARD Investment Support Directorate (unpublished document)

Land lease rates, lease period and grace period for income tax are clearly mentioned. A land lease rate ranging from 50-70 Ethiopian Birr/hectare (see Annex 2); a lease period of 25 years for annual crops produced through rainfed; 45 years annual crops produced through irrigation and 50 years for permanent crops (MoARD 2010) and a five year grace period for income tax are set (BGRIIO 2010). Spatial theories describe that land rent value varies based on nearness to market center (Angelsen 2007). Though not yet implemented, Agricultural Investment Directive No. 9 states that land lease tariff will be determined based on distance from port Gedarif of Sudan that ranges from 880.42 Birr/ ha to 502.42 Birr/ha (MoARD 2010). This is an improvement from the previous practice and consistent with the argument by spatial theories (see Annex 3).

From the deals one can see that the gain that the country targeted is largely foreign currency earnings and opening of new jobs. Coffee was the dominant export commodity in the country and the Ethiopian economy has suffered from a single export commodity for long period of time. To diversify foreign currency earning sources, investors are encouraged to export their products. With Ethiopia's five year Growth and Transformation Plan (GTP), it is expected that the demand for foreign currency for imported materials will be tremendous. Proclamation No. 280/2002 of the Federal Democratic Republic of Ethiopia states that an investor exporting at least 75% of the output is not required to allocate minimum capital (FDRE 2002b). In addition, Article No. 2 of Regulation No. 146/2008 and Article No. 4 and 5 of Regulation No. 84/2003 states that an investor that exports at least 50% of its production or supplies an exporter with at least 75% of its products will be exempted from income tax for 5-6 years (FDRE 2003; FDRE 2008). The same provision states that an investor that supplies less than 50% of its production only to the domestic market will be exempted from income tax for 2-3 years. In addition, there is no export tax for exporters (EIA 2010). Although export promotion has positive impact in generating foreign currencies, it will negatively affect domestic food supplies that have implication to national food security. Added to this, Proclamation No. 280/2002 states that "any foreign investor shall have the right, in respect of an approved investment, to take profits and dividends accruing from investment out of Ethiopia in convertible foreign currency at a prevailing rate of exchange" (FDRE 2002b). This provision encourages capital flight and harms the benefit of the society at large that could be generated from re-investing the profit gained.

### 3. Consultation and participation:

The starting point for investors is to get investment license either from the Ethiopian Investment Authority or from Regional Investment Offices. Investment projects exceeding 5000 hectares of land are administered by the MoARD Investment Promotion and Support Directorate while those less than the specified land size are administered by regional government investment offices (MoARD 2010). The directorate has agricultural lands identified for investment purposes from different regions of the country that are included in its land bank. The investor then identifies land in the region of his/her interest and inform to the directorate. The directorate then makes sure that the area proposed by the investor is not currently under use by the community, free from forest reserve and settlement areas aided by the GPS information that it gathered during the investment potential assessment phase. The investor then signs a contractual agreement with the directorate. Following, the directorate issues a letter to the respective region for demarcation of the proposed land to the investor. The Regional Investment Office together with team of experts from Regional office of Agriculture and Rural Development demarcate the agricultural land to the investor. Other stakeholders like community members are not consulted and participated in the process of the land deals.

**Table 4: Process of land acquisition in Ethiopia**

Steps	Before 2009	After 2009 <sup>*</sup>
1	Obtaining an investment license	Obtaining an investment license
2	Identify appropriate land in the target area	Identify appropriate land in the target area
3	Submit project document to regional investment office for verification of capital and project feasibility	Submit project document to the Ministry of Agriculture & Rural Development (MoARD) along with business plan
4	Negotiation with community elders and the investor submit the agreement of the community members to the regional investment office	No negotiation, but MoARD checks if the land proposed by the investor lies in the land bank
5	Signing of lease agreement with the regional investment office	The MoARD will then prepare a lease contract and arrange for proof of ownership and a map of the plot. Then lease agreement signed.
6	Land is transferred to the investor	The MoARD write a letter to the regional investment office to demarcate and hand-over the land to the investor
7	<b>Source: Cotula et al (2009)</b>	<b>Source: MoARD (2010)</b>

<sup>\*</sup>Note: Land deals administered by the MoARD

. The key informants' interview carried out in Benshanguel Regional State District Administration, Regional Office of Agriculture and Rural Development and Regional Investment Office also confirmed that there is weak linkage among investment offices, agricultural and rural development office and district administration. They don't know details of the deals/contractual agreements that the investors signed with the MoARD Investment Support Directorate. Hence, there is weak linkage among federal, regional and district government offices and weak monitoring and support of investment activities (see Table 4).

#### **4. Responsible agro-investing:**

Investment Directives No. 13.2 and 13.4 (MoARD 2010) states that an investor is required to:

*“ensure proper use of technologies in order to prevent soil erosion and land slide in those areas that are marked by such conditions and to make properly and responsible use of chemicals that may be necessary for cultivation”.*

Proclamation No. 542/2007 also states that forests shall be protected from forest fire and deforestation activities (FDRE 2007). However, results of the field survey indicated investors operating in the region don't employ industry best practices and are not respecting the rule of law. They are degrading the natural resource base through burning down trees for extensive farming. Interviews with those domestic investors operating in the region indicated that they cultivate local crop varieties which are similar to what the local farmers are cultivating, and they never use fertilizer to keep the fertility status of the land.

#### **5. Environmental sustainability:**

Investment Directive No. 13 (MoARD 2010) states that:

*“Investors are required to protect and properly administer natural resources, plant trees and vegetation that are good for soil conservation and replace trees and bushes that are cut down for agricultural purposes”.*

Nevertheless, forest clearing for agricultural purposes by burning trees is widely practiced in the region. The forest cover of the country has changed from 60% at the turn of the 19<sup>th</sup> century to less than 3% at present (Dessie and Christiansson, 2008). With the current rate of deforestation, the forest resource of the country might be depleted in the near future. This will worsen the already happening climate change problem. Although climate change is a global concern, the negative local effect of such accelerated deforestation is quite immense for countries like Ethiopia that are frequently hit by drought with little capacity to respond to disaster risk. The focus group discussion held in the two districts and in different villages uniformly confirmed that

there are widespread deforestation activities practiced by investors and further noted that changes are being observed in overall increase in daily temperature and disappearing of wild life resources. In addition, they noted that the land given to the investors has been covered by bamboo and other tree species of indigenous type (see picture below).

Although it is encouraging that the investment potential assessment study conducted by team of experts from MoARD Investment Support Directorate and Benshanguel Gumuz Regional State considered the different forms of customary land uses by the farming community, allocation of land for crop production and communal grazing land is based on the present human and livestock population, and didn't make projections of demand for such land uses based on population growth rate. Allocation of land for communal grazing is done on the basis of allocating 0.5 hectare of land for any type of livestock multiplied by the entire current livestock population. The calculation should have been made based on carrying capacity of the land. The likely future impact of allocation on such bases is overgrazing and encroachment to forest areas, which has serious implication to natural resources management.





Forest fire as a means of land clearing



Forests under fire



Barks of the tree removed to let it dry



Trees burning down



Trees with removed barks ready to burn



Land cleared from forests

## 6. Ensuring food security

For investments activities to be win-win, it should strengthen food security status of the community. The household survey result indicated that farmers practice shifting cultivation to enrich soil fertility. They burn their farms to remove grass and plant seeds with hand tool-aided zero tillage activity. On average, they cover the food demand of the household from their grain production only for 9 months. Proportionally, only 51.3% of the households entirely cover their food demands from their own production. They complement their food supply through various means and ways. Livelihood activities such as beekeeping, collecting wild foods from the forest, hunting of various wild animals, etc are important components of household food system. With widespread cutting and burning of trees associated with agricultural investment activities in the region, such sources of household food system will be jeopardized. Braun and Meinzen-Dick (2009) also discussed that official assessment reports in developing countries often underestimate such forms of community livelihood sources as they are not marketed. From the focus group discussion, the following livelihood strategies were identified as coping mechanism to meet the food balance deficient and these livelihood strategies are potentially affected due to accelerated deforestation. Hence, agrarian change from farming, hunting and gathering of wild foods to subsistence farming is expected in the years to come.

### **Livelihood and coping strategies for indigenous people**

- ✓ Livestock production and management is good source of food and income: they manage their livestock through leaving them in the forest to freely graze (normally from November to June) until the period of crop onset.
- ✓ Honey production and harvesting: Honey from wild bees and from domesticated bees is good source of food and income for households in the region. Households keep up to 50 traditional beehives in their homestead and in nearby forests.
- ✓ Bamboo tree harvesting and selling for construction and furniture purposes: one bamboo pole sold at 1.50 to 2 Ethiopian Birr (ETB) at local market.
- ✓ *Soyama* harvesting and selling for traditional beehive construction
- ✓ Fuel wood harvesting and selling
- ✓ Eating wild plants: bamboo shoots and roots, baboon root (bush), *Harakote* (a runner tree in which both the fruit and branch are consumed), wild yam from the forest, *Seido/Kima* (both wild and domesticated vegetable crop eaten by Gumuz and Shinasha people),



Okera/ladies figure (eaten by Berta and Gumuz people), *Taro/Godere* and *Cassava* (domesticated), *Kokono/lenkuata* (wild plant used as a spice food), *Burie, kega, Dokma*, Agenba (a kind of cabbage which is both wild and domesticated), *Biobabe/Agongush* (a wild tree used as fruit and cash source by selling it in Sudan), *phoenix* (wild fruit tree used as food, medicine and beverage).

✓ Hunting of wild animals of different types

As presented in table 3, some of the deals are 100% for domestic market and others are 100% for export market. There are clear proportions set to determine the share of the domestic and export market for the different agricultural products to be generated from the various investment activities. The fact that some of the production from the investment is sold at the domestic market will increase domestic availability of commodities. But, as the case presented in table 3 indicates, the proportion set for those deals that produce food commodities is small, and this undermines the contribution of investment activities for local and national level food security targets. Investment Directive No. 10 of the MoARD stipulates that large tract of land is given to investment projects that aim to cultivate biofuel crops, palm oil & date tree, rubber tree, cotton and sugar cane (MoARD 2010). This is also partly observed from some of the deals presented under Table 3. Giving less priority to projects that plan to cultivate food crops will have negative implication towards ensuring national food security objectives of the country.

Another premise of promoting investment activities is to enhance employment opportunities for the local people that will have significant impact in household food security. Again from the four agricultural investment deals signed in Benshanguel Gumuz Regional State, there is the expectation that 4100 new jobs for casual workers and 238 new jobs for permanent employees will be created in Benshanguel Gumuz Regional State (Table 3). The household survey indicated that 19 family members of the farming community are employed in the agricultural farms that started operation. The focus group discussion further revealed that many of the employees working in the agricultural farms come from parts of the country other than Benshanguel Gumuz Regional State. Further, Proclamation No. 280/2002 (FDRE 2002) states that investors can take their profit out of the country in any currency form. This provision, though creates an enabling environment for the investing country, it encourages capital flight and limits job creations from re-investing the profit. Previous studies also mentioned that there are limited job opportunities created from land deals in Ethiopia (Cotula et al 2009).

## **7. Social sustainability**

As presented above, there is widespread deforestation associated to large scale investment activities that threatened livelihood security of community members. This will negatively affect the distributional impacts of such projects for the coming generation. In the long-run this will inevitably increase vulnerability of community members to shocks and natural disasters that jeopardize the social sustainability of the community. Allocation of land to large scale investment brings change in agrarian structure of the community who depends on farming, hunting & gathering of wild foods to subsistence farming. Unless supported by some policy instruments that encourage participation of the farming community in contract farming and out grower's scheme, the change in agrarian structure will negatively affect the social sustainability of the farming community.

In the positive side, in areas where there are large scale investment activities, the government of Ethiopia has developed a scheme of collecting farmers that live in remote parts of the region with harsh climatic condition through its villagization program. The program aimed at providing farmers with various physical infrastructure and social services such as basic education, improved agricultural technologies and equipping farmers with necessary skills through farmers' training center, providing them with health care services through health extension programs, etc. This will contribute to social sustainability of the community.

## **5. Conclusion**

For countries like Ethiopia with vast untapped natural resource base with limited public/government capital for utilizing it, participation of domestic and foreign investors could be a good source of economic growth. This could be realized, however, if deals maintain a win-win scenario for both parties. From the results presented, the following threats and benefits can be presented.

### **Potential threats:**

- Community members loss some of their livelihood strategies
- Negative local effect of climate change due to accelerated deforestation; incidence of future disaster risks events will be high
- Accelerated loss of wildlife resources, loss of biodiversity and loss of forest reserves

## **Potential benefits**

- Increase in foreign currency reserves
- Increase in availability of agricultural commodities that will be used as input in agro-processing industries (eg. cotton) but only limited increase in the case of food commodities. This will help to stabilize commodity prices provided that there is strong monitoring activity to enforce investors abide by their agreements
- Increase in national income from land rent and income taxes
- Some increase in employment opportunities

To maximize the benefits and exploit the opportunities from investment, Ethiopia should:

- Have strong monitoring and support mechanisms for domestic as well as transnational investors. This will help to enforce contracts, and minimize negative effects of natural resource degradation.
- Enhance strong linkage and participation among all relevant stakeholders in the process of land leasing and overall agricultural investment
- Create enabling condition for farmers to increase their income through participation in contract farming and out-growers scheme. This will help to improve the social sustainability of the community and provide them with alternative ways of livelihood strategy.
- Strengthen the voluntary based villagization scheme which is currently underway in many remote parts of the region. This enables to tap resources in a better way for investment purposes and helps to equip farmers with physical and social infrastructure that provides alternative ways of livelihood strategy.

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### Annex 1: Lists of key informants

S.N	Key informants ID	Institution
1	001	Ethiopian Commodity Exchange, Assosa Branch
2	002	Natural Resources expert, Benshanguel Gumuz Region Office of Agriculture and Rural Development
3	003	Crop production expert, Benshanguel Gumuz Region Office of Agriculture and Rural Development
4	004	Benshanguel Gumuz Region Investment Office
5	005	Benshanguel Gumuz Region Investment Office
6	006	Maokomo District Office of Agriculture and Rural Development
7	007	Makomo District Office of Agriculture and Rural Development
8	008	Maokomo District Administration
9	009	Guba District Office of Agriculture and Rural Development
10	010	Guba District, Aynishmish village Development Agent
11	011	Assosa Agricultural Research Center
12	012	Assosa Agricultural Research Center
13	013	Assosa Agricultural Research Center
14	014	Assosa Zone Administration
15	015	Elderly farmer in Bengo Village
16	016	Elderly farmer in Bengo village
17	017	Guba District, Bengo Village Development Agent
18	018	Guba District, Aysid Village Development Agent
19	019	Guba District, Aysid Village Development Agent
20	020	Guba District, Aysid Village Development Agent
21	021	Maokomo District, Eshkaba village Development Agent
22	022	Maokomo District, Tuludoken village Development Agent
23	023	Maokomo District, Ya'a village Development Agent
24	024	Maokomo District, Muturu village Development Agent

## Annex 2: Land lease rate in Benshanguel Gumuz Regional State, 2010

S.N	District	Land lease rate (Ethiopian birr per hectare)
1	Asosa	70
2	Menge	60
3	Homosha	70
4	Sherkole	60
5	Kumruk	50
6	Bambasi	70
7	Odabeldigelu	60
8	Kamashi	60
9	Sirbaabay	50
10	Agalo mett	60
11	Yaso	60
12	Belogigenfoy	70
13	Mandura	70
14	Dangur	70
15	Wonbera	60
16	Guba	70
17	Bulen	70
18	Debati	70
19	Pawe	70
20	Maokomo	70

Source: BGRIIO (2010)

**Annex 3: Land Lease Tariff**

<b>Distance of the land from Sudan Gedarfi port (Kilometers)</b>	<b>Land rent value (Birr/hectare)</b>
Starting point	880.42
100	805.42
150	767.92
200	730.42
250	692.92
300	655.42
350	617.92
400	580.42
450	542.92
500	505.42
504	502.42

Source: MoARD (2010)