

# The role of foreign investment in Ethiopia's smallholder- focused agricultural development strategy

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# Ethiopia's agricultural development strategy

- Smallholder based development strategy
- Investment sector
  - Export focus to earn foreign exchange
  - Domestic & foreign, state & private
- But political importance of smallholder sector remains

# Changes in land use patterns

<b>From</b>	<b>To</b>	<b>Investor plantation</b>	<b>Outgrower scheme</b>
<b>'Unused' land</b>		Large foreign private investors (e.g. case A)	None
<b>Communal land</b>		Small domestic private investors (e.g. Case C)	None
<b>State farms</b>		Medium/large scale foreign (state & private)	None
<b>Individual holdings</b>		Small, mostly foreign flower farms	Biofuel, sugarcane, tea (e.g. Cases A and B)

# Case A – biofuel in Oromiya

## Arrangement

- Foreign private investor growing castor
- 72,000 ha land under outgrowers
- 60,000 ha of ‘unused’ land

## Result

- Yields overestimated
- Management challenges
- Threat to food security

# Case B – sugarcane in Oromiya

## Arrangement

- State-owned sugar factory
- Cooperatives formed to supply factory
- 3,000ha initially, rising to 9,000+ ha

## Results

- Weak bargaining power of coops
- Inadequate payment
- Indefinite contract

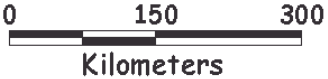
# Conclusions

- Agricultural investment is a government owned policy
- Key areas are remote, lowland areas used by pastoralists and politically marginal
- Smallholder displacement limited but new risks emerging

# Aid to Ethiopia by sector

Percentage of aid going to:	1970s	1980s	1992-96	1997-2001	2002-06
- Social sector	13	18	19	21	26
- Government & civil society	1	0	2	10	6
- Economic infrastructure	25	17	13	26	21
- Productive sectors	38	29	17	10	6
- GBS	0	3	22	5	9
- Other	19	30	22	22	23

# Administrative Regions and Zones of Ethiopia



All boundaries are approximate and unofficial  
Graphic produced by UN Emergencies Unit for Ethiopia; March 2000