



Graduate School of Development Studies

**Large scale transnational land acquisition in
Ethiopia – is it an acceleration for development?
The case of Bako and Gambella region in Ethiopia**

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This document represents part of the author's study programme while at the Institute of Social Studies. The views stated therein are those of the author and not necessarily those of the Institute.

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List of Acronyms

ADLI - *Agricultural Development Led Industrialization*
CGIAR - *The Consultative Group on International Agricultural Research*
EBRD - *The European Bank for Reconstruction and Development*
EIA – *Ethiopian Investment Agency*
ERA – *Ethiopian Roads Authority*
EU – *European Union*
FAO – *Food and Agricultural Organization*
FDI – *Foreign Direct Investment*
FDRE – *Federal Democratic Republic of Ethiopia*
GCC - *Gulf Cooperation Corporation*
GFRP - *The Global Food Crisis Response Program*
IFAD - *International Fund for Agricultural Development*
IFC - *International Finance Corporation*
IFPRI - *International Food Policy Research Institute*
IRRI - *The International Rice Research Institute*
MCC - *The US Millennium Challenge Corporation*
MNEs – *Multi-national Enterprises*
MoARD – *Ministry of Agriculture and Rural Development*
MoTI - *Ministry of Trade and Industry*
OECD - *Organization for Economic Co-operation and Development*
OPEC – *Organization of Petroleum Exporting Countries*
PASDEP - *Plan for Accelerated and Sustained Development to End Poverty*
TNCs – *Transnational Corporations*
UNESCO – *United Nations Educational, Scientific and Cultural Organization*
UNCTAD – *United Nations Conference on Trade and Development*
WBG - *World Bank Group*

Abstract

This research focuses on the developmental benefits of large scale transnational land acquisition in Ethiopia with specific reference to two corporations in Bako, in Oromia Region and Gambella Regions. In conjuncture, the magnitude of the business in Ethiopia and both the governments and corporations interest from this business especially after the 2008 economic crisis was studied. To assess these factors, a qualitative study was employed. Hitherto, Ethiopia has been increasingly providing 3 – 5 million hectares of agricultural lands for foreign investors. Since 2007 including medium size agricultural projects, about 2000 foreign corporations have secured farm land. In Bako and Gambella 25% and 30% of the arable and total land area have been provided to TNCs, respectively, with quite nominal lease price per year that ranges between \$ 2 and 10. This is the lowest in Africa. Increasing soil pressure, displacement of local population from their livelihoods, conflict over land resources, loss of wild life and forest cover are the major risks of the business. From the findings, the federal government attracts corporations mainly to acquire foreign currency, followed by gaining financial and political freedom from foreign aid. Expected developmental benefits in terms of technology transfer, infrastructure development, employment creation and market linkage, have found to be very weak and inexistence. This is partly due to lack of legal and institutional framework which enforces these benefits. Evidence also shows competition on land provision between the federal and regional governments. As a result, actual land delivery and on records are dissimilar. It is the researcher's contention that macro-economic benefits like the need for foreign currency should not override local communities' interest and livelihood. Rather the government should focus on forming sustainable developmental linkage with TNCs rather stimulating enclave formation.

Relevance to Development Studies

The study is conducted on the current debating issue of large scale agrarian land acquisition in Ethiopia. Despite the spate of media reports and some published research, international land deals and their impacts remain vaguely understood. This study will contribute to further policy and academic debates for researchers, students and international organizations dealing with this issue. It highlights how countries like Ethiopia are affected by the global economic process in relation to land acquisition. Conclusions drawn from this study could help inform policy makers to evaluate the cost of these deals and the envisaged benefits.

Keywords

Transnational Corporations, Transnational Land Acquisition, Developmental Linkage, Market Linkage, Infrastructural Development, Employment Generation, Transfer of Technology

Chapter One: Introduction

1.1 General Background

The global economic system including the process of liberalization, privatization and increased globalization has accelerated the demand for resources in poor countries. Moreover, limited availability of resources like water and arable land together with food supply problems gave rise to the global land demand. The recent global financial crisis and associated food price rise has initiated a new trend towards buying up land for outsourced food production (Seized, 2008). These make Africa the new frontier for global food production. Large scale land acquisition is becoming a burning issue on the development debate presently. African governments are promoting FDI by leasing/selling lands to foreign corporations for the period that range from 10 to 99 years. An investigation estimates that up to 50m hectares of land is either changed hands or is in the process of being sold in 2009 in Africa (Vidal, 2010) compared with annual average expansion of agricultural land of less than 4m hectares before 2008 (World Bank, 2010: vi). Host countries most involved in this business in Africa are Ethiopia, Sudan, Kenya, Nigeria, Tanzania, Malawi, Congo, Zambia, Uganda, Madagascar, Zimbabwe, Mali, Sierra Leone, and Ghana. The Ethiopian government has leased at least 3 million vast hectares of fertile agricultural land in different regions mainly for Saudi Arabia, India, China, Egypt, Italy and Israel. Though researches show low development benefits, the Ethiopian government is still inviting additional hectares of farmland to TNCs assuming various developmental opportunities (Cotula et. al, 2009; Genet, 2009).

1.2 Problem statement

Two antagonistic arguments can be found in relation to the issue of land grabbing or acquisition in the development debates in Ethiopia. Government officials strongly argue that these deals create development opportunities like: revenue generation, guaranteed outlets, employment, technology transfer, investment in infrastructures and increases in agricultural productivity. Although Ethiopia has abundant land and labour resources, it does not have adequate capital to develop the agricultural sector. Therefore, the government claims to avail large hectares of unutilized or marginal lands, particularly in the lowlands, foreign investors for development. In so doing, the government hopes to supplement its efforts of commercializing small holder agriculture from mere subsistence.

Contrary to the governments' vision, others contend that there is enclave development with limited linkage with the local economy. In addition, local communities' farming lands are being leased to corporate firms. Most of the land was previously used for farming, animal husbandry, fishing and pastoral

rotation, although governments claim they are unused lands by the localities (Cotula et al., 2009; PP: 6). Past researches in Ethiopia depict low bargaining power of institutions and lack of sufficient mechanism to protect land rights, local interests, livelihoods and welfare make land acquisition a risky business. UNESCO (2007) reports Ethiopia has an estimated 13.7 million people (1/6 of total population) dependent on foreign food aid while the food produced serves external market. Yet, further negotiations are underway in different regions of Ethiopia in the blurred sense of the impact of these contracts. The government recently announced that it is eager to provide several hectares of farmlands.

Hence, it is worthwhile investigating the magnitude of the business in line with government's motivation in engaging in these highly contested deals. In addition, an empirical study to establish the developmental linkages and benefits to the local population is deemed important. Consequently, this paper is conducted mainly to assess the developmental benefits of transnational corporations in the Bako and Gambella area in Ethiopia. Further, the study answers three research questions.

1.3 Research questions

The research at hand has three research questions. The next three chapters are structured so as to answer each research question.

The first research question answers 'what are the empirical significance, magnitude and trends of the current transnational land acquisition in the country?' This question is empirical and descriptive in nature. This question seeks to provide the general framework of the land acquisition process, how much land has been transacted, empirical significance and the transaction process including the institutional arrangements. It is important as it gives general scope on the magnitude of the business in Ethiopia before assessing expected developmental benefits.

The second question, which is treated under chapter three, inquires 'Why transnational land acquisition taking place in Ethiopia referring to the Ethiopian and foreign corporations/governments interesting in leasing lands'. This question is analytical in nature. It investigates the government's assumption and expectations from TNCs which leads to the next evaluative question. It sought to justify the motivation behind the corporations and their governments in Ethiopia. Though this is not the main focus of this research, it aids in understanding the global triggering forces.

The third research question 'what developmental linkages exist with the introduction of TNCs in the study areas?' is an evaluative question focussing on developmental linkages existing with the introduction of transnational land acquisition in the study areas. It assesses the contribution of TNCs to local development with regard to employment opportunities, development of infra-

structures, transfer of technologies and creating developmental linkages which are primarily assumed by the government.

To answer these questions, both primary and secondary data was collected from different sources including the local community, government offices, corporations and their employees, civil society organization and NGOs. Primary data included policy documents, land lease documents, contracts and case studies documents. Secondary data was also used from periodicals, newspapers, articles, journals, internet etc. The study employed qualitative methods which include: interviews, focus group discussions, document analysis, case studies and synthesis of land deal documents. Detailed research methodology is shown under chapter four.

1.4 Scope of the study

The study is delimited to studying the developmental linkages of TNCS in Ethiopia especially after the economic crisis of 2008. It thus addresses motivation of the Ethiopian government and foreign corporations/governments involved in agricultural production in Ethiopian. It focuses on three corporations in two regions i.e. Oromia and Gambella where there is high concentration of TNCs (See Appendix One for description of study areas). It only encompasses large scale foreign bio-fuel and food crop production corporations.

1.5 Organization of the paper

The study followed a three phase approach: firstly, it gives a reflection of ‘what is happening in Ethiopia’; the magnitude of land acquisition, discussed in Chapter Two. Next is ‘why is it happening in Ethiopia’. Likewise, Chapter Three explains the motivation to land acquisition for the corporations and government. Lastly, it focuses on ‘its impact on bringing development opportunities to the area. This issue is addressed in Chapter Four, Five and Six. Chapter Four discusses the agricultural linkages and the enclave development model. This chapter explains agricultural growth and its linkage with economic development by providing possible forms of agricultural linkages including contract farming and the endogenization process. The research method is herein discussed. Subsequently, Chapter Five presents the findings and analysis of the developmental linkages in line with the specific theories discussed in Chapter Four. Subsequently, Chapter Six provides alternative possible explanation for government’s intention of promoting TNCs followed by Chapter Seven which contains the summary and conclusions.

Chapter Two: Trends, Empirical Significance and Land Acquisition Process in Ethiopia

2.1 Trend Analysis of Foreign Large Scale Land Acquisition in three regimes (Haile Selassie, the Derg and EPRDF)

Land acquisition is not an entirely new phenomenon, Western food companies have owned or leased large scale lands in other countries and in Ethiopia for many years. Attempts to modernize land management systems by giving title either to the peasants who till the soil, or to large-scale farming programs, have been in all regimes. This section deals with land tenure and foreign land acquisition in these regimes.

Prior to the 1974 Ethiopian Revolution, during the Haile Selassie regime, Ethiopia had a complex land tenure system. It is commonly distinguished between communal, grant, freehold/private, church, and state tenure regimes (Crewett et. al, 2008: 12). In the northern and southern parts of Ethiopia, peasant farmers did not have the means and incentives to improve production due to fragmentation of holdings, lack of credit, and the absence of modern facilities which led to less productivity. Hence, the government granted large-scale lands to development projects and private individuals and resettled farmers in nomadic areas to earn income on land rent and production taxes (Cohen, 2010: 370-371). Large-scale mechanized farming was undertaken by foreign Dutch, British and Italian companies on the production of cotton and sugar (Gebru, 1995: 215).

The introduction of mechanized farming in 1960's also caused of mass displacement and eviction of tenants and small holders in areas such as Chilalo Awraja of Arsi Povince (Cohen, 2010: 375-376). New agricultural technology highly tempted the landlords and motivated them to earn more income and wealth, which were substantially higher than the rents received from tenants. The landlords displaced tenants in large-scale to rent their land to foreign corporations who were capable of employing new technology in the farms.

Large scale farming did not make any significant headway either in fundamentally altering the feudal agrarian structure or in increasing the sectors contribution to the economy since it marginalized peasants from the development process (Gebru, 1995: 215).

The Derg regime replaced the Imperial government of Haile Sellassie in 1974, and proclaimed a radical land reform in March 1975. The reform act nationalized all rural lands and eliminated private landownership. The government nationalized rural land without compensation, abolished tenancy, forbade the hiring of wage labour on private farms, ordered all commercial farms to remain under state control, and granted each peasant family 'possessing rights'

up to ten hectares of land (Hussen, 2004: 10). It also gave communal land rights for grazing purpose. Millions of small-scale farmers worked under licence from the state, and most plots are one hectare or less that hampered efforts to improve food security (Rice, 2010). Moreover, the government emphasized the significance of state farms both as a source of surplus accumulation and instrument of agrarian transformation (Gebru, 1995: 231-237). The Awash Valley, large scale commercial estates farming was an example of government intention of establishing state farms.

Though land reform destroyed the feudal order; changed landowning patterns, particularly in the south, in favour of peasants and small landowners; and provided the opportunity for peasants to participate in local matters by permitting them to form associations, problems associated with declining agricultural productivity and poor farming techniques were prevalent (Hussen, 2004). Moreover, land reform had less impact on lowland peripheries, where nomads traditionally maintained their claims over grazing lands. Hence, the centralized tenure system, by itself gave a loop-hole for the government to offer hundreds of idle farms to investors at cheap rates (Rice, 2010). In the Chilalo region, the Swedish based CADU project was one of the foreign large-scale farming projects. This led to extensive mechanization and eviction of perhaps 6,000 tenant households; the government maintained land available for various elites (Cohen, 2010: 375). Due to less capacity of the government to support peasants in the provision of credits and other inputs, private investors/foreign corporations invited for investment there by land rents were collected which were the primary source of revenue.

The present constitution of Ethiopia, which was put on power January 1995, vests land ownership exclusively in the State and in the peoples of Ethiopia. The December 1994 Constitution of the FDRE proclaimed that 'Land is a common property of the nations, nationalities and peoples of Ethiopia and shall not be subject to sale or to other means of transfer'. Since the period of the radical reform, 1975, land has been administered by the government. Private ownership of land is still banned, and farmers in Ethiopia, foreign and domestic work under a licensing arrangement with the government. Recently, the government has set up the Agricultural Investment Support outfit to deal with land lease and related issues. The land-tenure policy has made it possible for the ruling party to hand over huge tracts to investors at nominal rents, in secrecy, without the bother of a condemnation process (Hussen, 2004).

In line with that, TNCs and private investors are acquiring vast hectares of agricultural lands. Several industrialized countries, EU countries, USA, rapidly growing developing nations like China and India, Israel and oil-rich countries, especially from the Arab Gulf, including Saudi Arabia leased large scale lands in Ethiopia (See Appendix 3). Documented land deals tend to concentrate in regions with more fertile lands and closer links to markets. The current nature

of the land deals is for long period of time (10 -99 years). Experts argue that most of the lands given were set aside for farming, animal husbandry, fishing and pastoral rotation which affect the livelihood of the peasantry (Coutula et al., 2009: 6). Similar to the current process, the aim of the 1950's and early 1960's agricultural production was to develop agricultural export potential and boost foreign currency earning (Dessalegn Rahmeto, 2009).

2.2 The empirical significance, magnitude and institutional processes of land acquisition.

Ethiopia has approved 815 foreign-financed agricultural projects since 2007 (Farmland grab, 2010)¹. Other sources show 1,300 foreign corporations have received licenses for commercial farms in Ethiopia since 2004 (Essayas, in Rice, 2010). This means the number of investors increased by 168% from 485 in 2004 to 815 since 2007. However, including medium size agricultural projects the number increases to 2,000 foreign companies who have already secured farmland (Argaw, 2009). World Bank (2010: xiv) report shows Ethiopia has the highest large scale land provision compared to other selected countries in Africa with 406 projects between 2004 -2009 (see the table below). The majority of investor enquiries are from India, China, European and Middle Eastern firms operating in Ethiopia. Until recently, many foreign enterprises that have started operation are Chinese company producing sesame seeds, Indian companies engaged in the production of sugar cane, tea and cotton and bio-fuel. Saudi Arabian company is investing on rice, wheat, barley and palm oil production. Private companies rather than foreign state-owned entities own the majority of the firms. Some few are held in partnership with Ethiopians and foreign individuals/companies.

Table1: Large scale land acquisition in selected countries

Country	Projects	Area (1,000 ha)	Median size(ha)	Domestic share*
Cambodia	61	958	8,985	70
Ethiopia	406	1,190	700	49
Liberia	17	1,602	59,374	7
Mozambique	405	2,670	2,225	53
^e Nigeria	115	793	1,500	97
Sudan	132	3,965	7,980	78

Source: World Bank (2010: xiv)

The government officially announced it is offering at least 3 million hectares of fertile land and still showing interest in providing additional fertile lands to foreign investors. MoARD, emphasizes the fertility and abundance of land in Ethiopia stating that from around 74 million hectares of fertile land only 15% is under cultivation at this time. PASDEP document, however, depicts relative scarcity of land in some part of the country, particularly the northern and central highlands (MoFED, 2006: 195). A large portion of the country's population has lost the productive capacity mainly due to land degradation and high population pressure (Ibid). The Ethiopia Institute of Agricultural Research data on arable land is 32 million hectare and of which 12 million are currently under cultivation. Based on this information, at least 10% of the total arable land, the majority of which were under utilization by the locality has been given to TNCs. Cotula et al. (2009: 50) reported 98% of the agricultural projects recorded at the Ethiopian Investment Agency involve food production which are going to be exported for external market while Ethiopia is dependent on international aid for 10% - 25% of its annual food (UNESCO, 2007).

In Oromia region, there are more than 160 proposed and delivered land deals registered in the Oromia investment promotion agency. The majority of the land deals are over 1,000 ha (Cotula et al., 2009: 40). In Bako Tibe, one of the study areas in Oromia Region, 54.25% of the land is arable or cultivable, 23.98% pasture, 5.12% forest, and 16.65% infrastructure or other uses (See Appendix for description of study areas). 70% of the farmers owning cattle contributed to shortage of grazing lands (ERA, 2006: 43). With an area of 637.19 Km², Bako Tibe has an estimated population density of 210 people per km², which is greater than the Zonal average of 152.8 (Ibid: 136). This makes it a relatively densely populated area. Due to this, cultivable land holding is small, on average ranging between 0.5 and 1.5 ha/HH (Ibid: 43). From the total land area of 63,719 hectares 12,500 (19.6%) is given to Karuturi global plc, the case corporation. The proportion is significant i.e 25% compared to the cultivated and grazing land (50,436 hectares), which were under cultivation

by the locality. The case corporation in Bako is producing food crops including maize, wheat, palm-oil, and rice.

In Gambela region, many firms already begin operation since 2008 (Desalegn, 2010). MoARD has provided 27,000 hectares of land to BHO Agro Plc. BHO plans to grow bio-fuel seed on almost half the size of the capital city, Addis Ababa. Ruchi Group, the newly joining corporation, is planning to cultivate bio-fuel seeds on 25,000 hectares of land. In 2008, Karuturi became the first company to lease 300,000 hectares of land, an area larger than Luxembourg, for the production of wheat which is to be exported to its home country. Recently, MoARD approved 22,000 hectares of land to the National Bank of Egypt. Saudi Star Plc, a Saudi based corporation has been given 10,000 hectares of land in Akobo area with a plan to expand to 300,000 hectares in few years. Horizon Ethiopia, is vying for 100,000 hectares of land to cultivate oil palms (Indian Ocean Newsletter, 2010). Gambella has an estimated area of 2,580,201 hectares, and population density of 9.57 people per square kilometre (CSA, 2007). In total, these deals equal 774,000 hectares which is about 30% of the regions land areas. Since most of the investors showed interest investing in already developed land by the community, the proportion becomes highly significant affecting local lives. The case corporation is planting one million tonne crescent rice for export which is the most expensive rice type in world. Others mainly produce bio-fuel crops, palm-oil, and wheat.

Due to growing pastoral and agricultural population and livestock resources, there is increasing pressures and displacement of local population from their private and family farms and communal grazing lands (Alebachew, 2010). Land provision for bio-fuel production increased the pressure on lands. Indigenous and local communities around forest and rangeland areas depend on the farms, grazing lands and the forest resources for their livelihoods and socio-cultural practices and rituals. However, most of the lands assigned for this purpose are being provided for investment (see the table below). Moreover, most of the projects expected to result environmental and socio-economic impacts. Threat to livelihood, conflict over land resources, loss of wild life and forest cover are the major problems in Gambella and other regions (ASO, 2010).

Table 2: Impacts of selected ongoing large scale transnational projects in Ethiopia

Company	Land granted and negotiation (in ha)	Land use type	Social/economic impacts
Horizon PLC	53,000 Gambella	Natural forest	Threat to livelihood and land use conflict
East Africa Holdings	40,000 Gambella	Dense forest	Loss of livelihood and land use conflict
Jatropha Biofuel Industry	80,000 Benishangul Gumuz	Forest area	Displaced forests, loss of local livelihood
IDC	15,000 Benishangul Gumuz	Multi-purpose	-
Sun fuels/NBC	80,000 Benishangul Gumuz	Forest, woodland, range land	Source of firewood, food and feed to their cattle, and medicine
Ambasel Jatropha project	20,000 (applied to 80,000), Benishangul Gumuz	Natural forest (project needed to clear the forest)	Sources of firewood and tree grazing area
Flora Eco-power Ethiopia	Obtained 15,000 requires 200,000 Oromiya	Forest, bush land, cultivated land, grazing land	Lose of wild life, forest cover, etc
Global Energy Ethiopia	2,500, SNNPR 7,500, contract with 25,000 out-growers	Agricultural land	Land use conflict (displacement of food crops)
Vatic International	50,000, Amhara	Farm land	Threatened farm land

Source: Alebachew (2010)

The magnitude of land allocations is high for the specific region or district. Land allocations that look small in relation to the overall national territory can still be very significant especially when they concentrate on possibly much more limited areas of higher-value land. All land leased projects documented by the national inventory involve land allocations that range from a period of 10 to 99 years. For example, under the agreement with Ethiopia's government, Karuturi global in Bako is rent free for the first six years and after that it will pay U.S. \$1.18 per hectare per year for the next 84 years. The land rent is determined per hectare and is usually paid annually based on each region's land use regulation and depending on the sector and size of the investment (Weissleder, 2009: 22). Several deals involve five-year exemptions from land fees, as shown in article 4(a) of the contract. MoARD report shows there is disparity in land fee from 11 to 131 birr (approximately \$0.70 to \$ 8) in different regions. The rents are nominal and seem quite low and do not actually reflect the market price for land (see the table below).

Table 3: Comparison of land lease price per year in some selected countries

Country	Lease Price per year (USD/hectare)
Ethiopia (Regional Land)	2-10
Sudan	3-20
Mali	6-12
African Average	350-800
Brazil/Argentina	5,000-6,000
Germany	22,000

Source: Access Capital (2010: 11)

2.3 Transaction process in Ethiopia: land deal processes and institutional arrangements

2.3.1 The land allocation processes

Land allocation to investors is made by the concerned Federal or Regional government agencies. Prior to land acquisition, an investment license should be obtained by the investor. The process first involves obtaining an investment license from central government. Proclamation No.280/2002, has given the Federal Ethiopian Investment Authority the mandate to issue investment permit for investments (Imiru, 2010: 17). The time required for examining and approving an investment application could be segregated into two components, namely, issuance of investment licence and allocation of land. The application for an investment license may be made at the Federal or Regional State levels depending on the identity of the investor or place of investment. If the investor is foreign, the process starts from MoARD where it provides investment promotion about the investment opportunities in each region. Based on the interest of the investor, the Ministry would send the investor to the respective region. There is no standardized approach here. Foreign investors can also contact regional offices where they want to undertake investment. In doing so, contact is made with the sub-national (i.e. regional) investment office, where verification of capital is required. Though there are different procedures from region to region, investors are usually required to show a bank statement of 30% or the proposed capital.

After a lease agreement is signed with the regional investment office, the land is transferred to the investor. The applicable determinants to provide land are whether land is 'available', 'idle' or 'waste' to justify allocation. Land allocations recorded at the National Investment Promotion Agency are also classified as "wastelands" by the agency, i.e., no pre-existing users. Very little effort is made in participating communities in the land appropriation process. Ob-

taining an investment licence at both the Federal and Regional levels is not a cumbersome process and the information requirements are not lengthy and do not require detailed technical and financial proposal. On average it takes 10-15 days to obtain an investment licence (Imru, 2010: 15). The allocation and delivery of land takes significantly more time. For instance, recent records for the Gambella Region show that the process may take between four to six months while the auction process in the Amhara region also requires a more or less comparable duration to assess bid documents and allocate the land requested. Usually, the amount of time spent to identify the relevant land and process the transfer at the local level is lengthy.

2.3.2 Institutional arrangements and legal framework

The basic land policy and laws are set at the Federal level and respective regions are given the mandate to administer based on those policies. Based on these policies, regions issue their own land policies and implementation legislation and directives (Imiru, 2010: 9). Hence, the administration of rural land, and more specifically, land allocation and transfer for large-scale agricultural investments, are handled by respective government institutions. Specific delegations to this effect are also found in the subsequent federal land laws such as the rural land administration Proclamation. From regional offices, however, the agricultural Investment Support Directorate of MoARD has recently taken over the administration and allocation of rural lands for investment purposes above 5000 hectares.

In relation to operational guidelines for the allocation and transfer of land, most regional governments have issued general laws for the administration of rural land. Such legal standards have, for instance, been identified in the Amhara, SNNP, Oromia, Tigray and Gambella Regions. Public land transactions in rural areas, including those for large-scale agricultural investments, are usually conducted through negotiations between the concerned government agencies and the investors based on applications and proposals submitted by individual investors. Investors are required to submit two types of proposals - technical proposals and financial proposal for land lease. Such transactions are not officially published nor are the agreements open to public scrutiny although it may be possible to acquire such information and data regarding such transactions upon request from the concerned agencies. The basic contents of the deals and the duties/obligation of the parties are summarized in the appendix part.

2.3.3 Benefits and investment guarantee

Investors have significant benefits while investing. According to the Ministry of Trade and Industry (MoTI) report since September 2008 export restrictions has been removed for investors so as to engage them in the export market. All investors who are engaged in agricultural activities are exempted from the payment of custom duties and other taxes levied on imports of all goods and construction materials necessary for the establishment of new projects or

the expansion of existing ones. Under the incentive scheme, an investor who exports at least 50% of the products; or supplies 75% to an exporter shall be eligible for income tax exemption for five years (See the table below). This income tax exemption may be extended for up to seven years by the Investment Board under “special circumstances” or may be extended for more than seven years upon the decision of the Council of Ministers. An investor who exports less than 50% of the products, or supplies only for the domestic market shall be eligible for income tax exemption of two years. This period may be extended for up to five years by the Federal Investment Board under “special circumstances”. Investors engaging in underdeveloped regions would be entitled to an extra one year of income tax exemption (Ibid: 15).

Table 4: Conditions and periods of income tax exemption

<i>Condition for income tax exemption</i>	<i>Period of Income tax exemption</i>	<i>Period of Income tax exemption for investments made in underdeveloped regions</i>
<i>The FDI project exports at least 50% of its production</i>	<i>5 years</i>	<i>6 years</i>
<i>The FDI project exports less than 50% of its production</i>	<i>2 years</i>	<i>3 years</i>
<i>The FDI project supplies an exporter with at least 75% of its products</i>	<i>5 years</i>	<i>6 years</i>
<i>The FDI project is declared as facing special conditions by the BOI</i>	<i>Up to 7 years</i>	<i>Up to 8 years</i>
<i>The FDI project is declared as facing special conditions by the Council of Ministries</i>	<i>More than 7 years</i>	<i>More than 8 years</i>
<i>The FDI project only produces for the local market but is necessary according to the BOI</i>	<i>2 years</i>	<i>3 years</i>
<i>An expansion or upgrading increases the production value by 25% and 50% of the total production is exported</i>	<i>2 years</i>	<i>3 years</i>

Source: Weissleder(2009: 23)

Regarding custom duties, the law provides for three types of exemptions. The first is for the importation of duty free capital goods and construction materials necessary for establishing a new enterprise or for the expansion or upgrading of an already existing enterprise. Secondly, an investor is eligible for duty free importation of spare parts the value of which is not greater than 15% of the total value of the capital goods imported. Finally, the law also provides for duty free importation of vehicles to be determined by the investment board depending on the type and nature of the investment. FDI projects producing for export have priority to get loan from the development bank of Ethiopia but are also allowed to obtain loan from foreign countries and are permitted to repay the principal and interest in convertible foreign currency.

Investors have an investment guarantee of full repatriation of capital and profits (Getnet, 2009). This encompasses profits, dividends, interest payments on foreign loans, asset sale proceeds and technology transfer payments. They also have guarantee against expropriation. The government has tried to provide investment guarantee and protection through member agencies and organizations like MIGA, ICSID and WIPO (Weissleder, 2009: 22). Investors are also allowed to remit profit and dividends accruing from investment, principal and interest payment on foreign loans, payments related to technology transfer or management agreement registered in accordance with the proclamation, proceeds from the liquidation of an enterprise, and proceeds from the transfer of shares or of partial ownership of an enterprise to a domestic investor at any convertible currency at the prevailing exchange rate on the date of remittance. Foreign investors can hire qualified foreign nationals necessary for the implementation of their projects. Expatriates employed in an enterprise can also remit salaries and other payments accruing from their employment. A foreign investor can hire foreign national on top management position without any restriction upon obtaining the prior consent of the Investment Agency.

Chapter three: Why is transnational land acquisition taking place in Ethiopia?

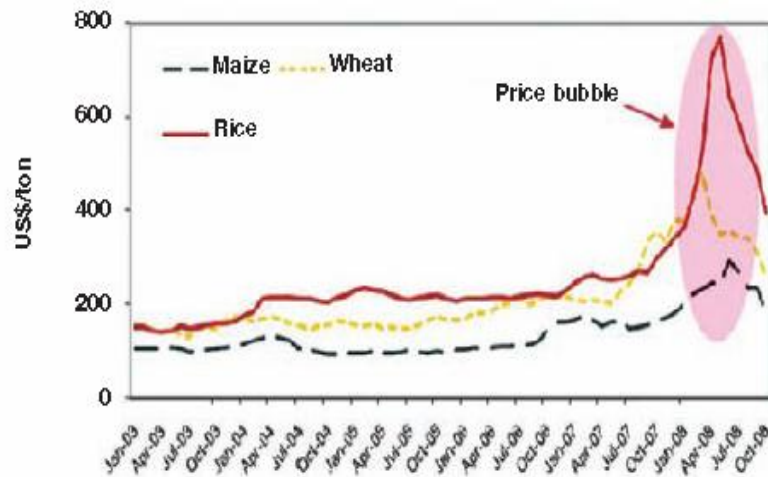
This section has three major sections. The first part discusses why land acquisition is occurring globally by summarizing triggering forces and foreign governments' interests simultaneously. The next two parts provide discussion of the corporations' interest and expectations from the Ethiopian government with much emphasis on the latter.

3.1 Triggering forces and foreign governments' motivation for transnational land acquisition

It becomes evident in 2008 that transnational land acquisition has happened due to the recent price inflation and scarcity of food and run to bio-fuels. Between 2006 and March 2008, FAO's food price index showed 73% increase in price (Kaloustain and Newman, 2010: 3). The price of nearly every agricultural commodity sharply increased in 2007 and 2008, creating a global food price bubble. At their peaks in the second quarter of 2008, world prices of wheat and maize were three times higher than at the beginning of 2003, and the price of rice was five times higher (von Braun, 2008: 10; see the figure below). Grain and other food prices have dropped from the highs seen in the summer of 2008; but prices are still 30% to 50% above their averages over the past decade (The Economist, 2009b, in Cotula et al., 2009: 5). The movement took off when at least 25 producing countries including Ethiopia restricted the export of key food crops. A number of food exporting countries that implemented the trade restrictions including India curbed rice exports, Ukraine ceased exporting wheat, and Argentina imposed heavy taxes on sales of soya overseas. Kaloustain and Newmans' (2010: 16) report shows ten net food importing countries were suddenly left vulnerable not only to escalating food prices but also to interruptions in supply. Consequently, food importing nations have lost some faith in the international market and are turning to food outsourcing as a key element of a food security strategy. In the food security discussion held at the Group of Eight summit in L'Aquila, Japan Prime Minister H.E Taro Aso referred the importance of conducive regulatory frame works for investment to happen in developing countries:

We think a regulatory approach is not desirable, as it may suppress benign investment. Lasting investment is the only viable solution for a sustainable future, and we must work to restore confidence in the market, particularly among food-importing countries concerned by the proliferation of export restrictions. Charity alone cannot be a lasting solution.

Figure: The global food price crisis in 2007 -2008



3.2 Why are foreign corporations interested in land acquisition in Ethiopia?

Different types of companies have different reasons for investing overseas. Dunning (1993) summarized four reasons of FDI: resource seeking, market seeking, efficiency seeking and strategic asset seeking. Most FDI in developing and transition economies is resource seeking. In the current wave of transnational land acquisition, however, different reasons seem to appear from various sources. The Bako corporation manager stated why Ethiopia is the primary choice:

We are protected by the government as it provides conducive investment environment. They offer us a great support...That is why we really are interested in Ethiopia. And the land is so fertile for any type of crop productions; hence we are producing maize, rice, and palm oil... in Bako and Gambella region. Ethiopia appears to be an FDI-friendly environment with relaxed investment regulations which offers significant investment incentives.

Evidently from the data collected, these companies are also allowed to access local resources like river water free of charge. Also, investors who engage in agricultural activities are exempted from the payment of custom duties and other taxes levied on imports and export. As mentioned previously, various attractive investment incentives and guarantees are provided for promoting investment. They claim to bring enormous benefit for the host countries. The manager of Karuturi Global, Ram Karuturi said "What Karuturi is doing is what Africa needs, wants and deserves, what we put in is our money into Africa, which nobody else is doing" (Heinlein, 2010). Karuturi added his big machinery more than doubles the output of traditional farms, and creates jobs where there were none. He said food grown here will be consumed here and investments like his, totalling hundreds of millions of dollars, are revolutionizing African agriculture.

The Green Revolution missed this continent 20 years ago...There are not more than 1,000 tractors in private hands in this country. And for a country of 80 million people and 120 million hectares, that's a tragic situation.

Corporations think as with land, labour is also extremely cheap and in Ethiopia the minimum wage is about 8 birr (\$ 0.61) a day.

Empirical studies, however, depicts countries attracting investors include those with weak land governance and institutions (World Bank, 2010: ix). Also, countries with poor records of formally recognized rural land tenure also attracted greater interest, raising a real concern about the ability of local institutions to protect vulnerable groups from losing land. Moreover, limited screening of proposals, inexistence of strong legal or procedural mechanisms, project

approvals without due diligence, rivalries among institutions with overlapping responsibilities, and an air of secrecy all create an increased demand to acquire land in countries (Ibid).

The price of land and labour seem the major driving factors in Ethiopia. Farmers who turned out to be employees of the corporations are paid less than a dollar a day. Land rents are nominal and do not actually reflect the market price for land (Access Capital, 2010: 11). Corporation managers said '*Africa has most of the underutilised fertile land in the world...*' (Cotula et al., 2009: 59) and '*land values are very, very inexpensive*'. Tegenu, a government official in Bako, explaining the motivation of the corporations said:

The land and labour is cheap and the climate is good here. Everyone — Saudis, Turks, Chinese, Egyptians — is looking. The farmers do not like it because they get displaced, but they can find land elsewhere and, besides, they get compensation, equivalent to about 10 years' crop yield.

Overriding this motivation is the corporations need to maximize financial returns through agri-business. Most writers agree land acquisitions has been driven by the profit-making motives of the private sector in developed countries and has often focused on perennial tropical cash crops rather than basic staples with cheap inputs of production (Braun and Meinzen-Dick, 2009: 1). GRAIN (2009) argues, it is hard to believe with so much money on the line, with so much accumulated social experience in dealing with mass land concessions and conversions in the past, whether from mining or plantations, and given the central role of the finance and agribusiness industries, these investors go for maximizing their profit than playing fair. The commercial investment arm of the World Bank, IFC, is offering a huge amount of Money in the form of loans and other support for these corporations. In order to pay back their loans they have to incur profits from the business which is their chief objective in host countries. From the data collected, one of the corporations' managers confirmed this:

We are here to do business and make profit, but in all the processes the local communities will be benefited...we cannot expect understanding from the local communities before they see the benefits.

However, one farmer told: '*They are only for the company's benefit. Maybe there can also be benefits for us — but we will only know in the future*'. It can be said the food crisis has only served as a catalyst for the agricultural sector, spurring financial firms like Goldman Sachs and Black Rock to invest hundreds of millions of dollars in overseas agricultural projects for the purpose of making business (Rice, 2009). In many cases, the goal is to generate revenue streams both from the harvests and from the land itself, whose value they expect to go up (GRAIN, 2009). Foreign governments and investing corporations, on the other hand, argue that the land deals are for mutual benefits.

3.3 The expectations of the Ethiopian Government from the land deals

Transnational land acquisition has instigated two antagonistic arguments from different government bodies, and other non-governmental bodies, civil societies and international organizations. Governments promoting this business claim that it addresses poverty and unemployment problems in the country. International financial institutions also view positive aspects of the scene if a win-win situation is made. Others extend the issue to the new form of colonialism. This section provides a detailed account of government's logic of acquiring benefits and expectation from these agreements.

The envisaged benefits include: revenue generation, guaranteed outlets, employment, investment in infrastructures, and increases in agricultural productivity. The government argues it is thoughtfully done to help meet the five years strategic plan of the country where it plans to increase cultivated land by close to five million hectares by 2010 (Chebsi, 2008; Richardson and Maier, 2010). Ethiopia has abundant land and labour resources; despite lack of adequate capital to develop the agricultural sector. *'We have abundant land and labour but we don't have finance and technology to feed our people'* said Esayas, Head of the Agricultural Investment Agency in MoARD (McLure, 2009). He added:

Since Small-scale farmers' do not have the necessary technology they cannot produce quality products they should produce. So this business is done with the assumption to supplement the efforts made by the government to transform small-holder agriculture from one of subsistence to commercialization by raising agricultural productivity ... Its not land grabbing; we are looking to generate foreign currency to support our development effort. It's better than begging ... (in Argaw, 2009).

With 12 million households in Ethiopia, the government cannot afford providing new technology to all of them. It is hoped that the investors would bring technology and local farmers would learn scientific farming techniques and be encouraged to produce cash crops. In that way, it facilitates the development process of Ethiopia (ibid). Al Swatt, the chief executive of the Tabuk Agricultural Development Company, one of the Saudis kingdom's largest farming concerns also said:

They have the land, they have the water, but unfortunately, they don't have the system or sometimes the finance to have these large-scale agricultural projects. Hence, we wanted to export our experience and really develop those areas, to help people (Rice, 2009).

The government also considers these corporations as market stabilizers. As Hashim Ahmed, Macro-economic policy advisor to the government justified (Heinlein, 2010) when local prices go up, these investors may sell their outputs locally at the price that customers would pay if they were to import the same agricultural outputs from another country. So, the assumption is they may not necessarily sell their outputs overseas if they can find customers lo-

cally. Abdurashid Dulane, Ethiopia's Ambassador in Tokyo, said it assists the effort to attain food security and benefits the entire economy by generating foreign currency (Farmland grab, 2010)³. Prime Minister Meles view the macro impact of the deals. He said these deals strengths the bilateral economy of trade partners. Saudi Arabia, for example, is one of the top three trading partners of Ethiopia. The trade volume between the two countries stood at one billion dollars. Ethiopia imports half a billion dollar more in the form of Saudi oil and petroleum than its exports of coffee, meat and other agricultural products (Heinlein, 2010). In interview with the Irish Times, He gives the response that:

We have to be aware of all the possible risks because there is not going to be any free lunch. The pioneers who are here to develop agricultural land are not philanthropists, they are businessmen out to get profit – which is fine so long as we too benefit as they do.

The World Bank also envisions greater benefits from these deals if local peoples' land rights are respected. Investing in agriculture is one of the most effective ways to speed economic development on the continent of Africa. According to World Bank and the International Food Policy Research Institute (IFPRI)

...more investments in this sector would create new farm and off-farm jobs, boost smallholder incomes (through contract-growing schemes), facilitate transfers of new technologies in production and processing (including biotechnology), increase production of food crops for both domestic and overseas consumption, build up infrastructure and improve access to basic services (e.g., health and education) in rural areas, and open up new export opportunities to earn foreign exchange (Borras and Franco, 2010: 511)².

Dr. Abera Deresa, the Minister of the organization said the Ethiopian government is against rent seeking. However, from this business it wants to see productive economic activity (in Richardson and Maier, 2010) like infrastructure development, job opportunity, technology transfer and market linkages which in turn support food security of the country. These are the major issues of the paper at hand. Hence, developmental benefits in this paper are operationalized on these four basic indicators.

Chapter four: Analytical Framework: Developmental linkages and Enclaves Development Model

The economic benefits from land acquisition emanate from their linkages with the local economy and associated benefits in infrastructure, technology transfer and market outlets. These depend on production models employed. This chapter is divided in two parts. The first section reviews importance of agricultural growth and agricultural linkages models. Contrary, section two discusses the possible risks inexistence of market linkages with the local economy in the framework of enclave development model. To adequately assess TNCs contribution, investigating both views is indispensable.

4.1 Agricultural growth linkages with economic development

Mellor (1966: VI) contends that '*The faster agriculture grows, the faster its relative size declines*' leading to industrialization. His explanation shows that growth in agriculture regardless of its origin – domestic or foreign – is the perquisite to industrialization and further economic development. Casual relationship exists with agricultural development and the structural transformation and aggregate growth of an economy (Mellor, 1995: 1). Agriculture contains most of the land, labour, and capital of low-income countries, at the early stages of development. It contains large share of the economy; moreover, it is a potential source of effective demand for consumption goods as large numbers of people are involved in it and their income and consumption patterns tend to favour domestically produced products (Mellor, 1995; pp: 7). Hence, engaging most of the labour force and land resources in agriculture would increase efficiency and contribute to the food requirement.

The greater the extent to which a low-income country chooses not to receive or cannot receive foreign aid and foreign commercial investment the greater the extent to which it must draw upon its own resources, chiefly from the dominant agricultural sector (Mellor, 1966: 84).

Similarly, rapid expansion of non-agricultural goods which accelerates economic development highly depends on the growth of agricultural sector. Increased specialization in agriculture provides a significant contribution to the capital needs of other sectors in the economy by transferring many goods from the farm to the non-farm or urban factories. Diao et.al (2007: 29) study in Ethiopia also find out that agricultural growth can induce higher overall growth and faster poverty reduction than non-agricultural growth, although the latter can also have large growth effects.

Growth in agriculture contributes to the capital formation of a country in four major ways. Capital may be accumulated in the form of taxes by the gov-

ernment. The rise of agricultural production also contributes to a relative decline in agricultural prices which in turn stimulates increased profits in the non-farm sector with consequent favourable effects on savings and investment. Capital may also be formed directly in the sector and minimize its demands for capital from other sectors. Due to the development of the sector, demand for the products from other sectors may increase profitability that leads to re-investment in other sectors (Mellor, 1966: 84-85). Above all, increase in agriculture gives a major contribution to net foreign exchange earnings through displacement of current and potential imports and through expanded exports.

Generally, developing agricultural potential stimulates developmental linkages among different sectors which accelerate capital accumulation. Thus, as a *sin-qua-non* condition for structural transformation and economic development in low income countries, agricultural development should pave the way for further industrialization. How the growth process is formed is crucial to anticipate the ways in which transnational corporations can contribute to this process. The next sessions explore the alternative forms of acquiring benefits from agriculture through various market linkages with the local economy.

4.1.1 Alternative forms of linkages with TNCs

Early studies on economic linkages between industries or sectors, focused on production linkages (Hirschman, 1958: 100). These were classified as "backward" and "forward" linkages of production processes. However, now with the increase in trade and global openness a variety of linkages grow up.

Backward linkages indicate the demand for inputs to start or produce new activity. Out sourcing of some parts, components, indirect materials and services to suppliers is one form of backward linkage TNCs adopt in host countries. This type of linkage may be for short or long-term inter-firm relations, and may be direct or through intermediaries (Tilman, 2000: 3-4). Also the benefit of this type of linkage depends on the quantity and types of inputs supplied, procurement contracts, and willingness of TNCs to long-term transfer of technology. An extension of backward linkages is discussed in different types of contract farming models in the next section.

Forward linkages arise when a new intermediate product for a market is provided. TNCs mainly develop three types of beneficial linkages: market outlets, linkage with industrial buyers and linkages with secondary processors (Tilman, 2000: 4). TNCs which outsource the distribution of brand name products often make considerable investments in the performance of their marketing outlets. Linkages with industrial buyers occur when TNCs producing machinery, equipment or other inputs offer after sales services. TNCs may also produce goods for secondary processing, mainly commodities, such as metal ores and agricultural raw materials. I-O or Leontief model also explains these linkage processes across production sectors in national, regional or village

economies. This model states that the larger the chains of elements in the linkages, the larger would be the corporations' potential to stimulate growth through creation of forward and backward linkages (Davis, et. al 2002: 1-11).

TNCs may initiate common projects with indigenous enterprises like equity or non-equity linkages, joint ventures, licensing agreements and strategic alliances. This type of linkage is called partnership linkage with local enterprises (Tilman, 2000: 4). This can happen in two forms: host countries may influence foreign investors to take on local partners in joint ventures or to license technology to local firms; or voluntarily linkages may arise when both parties realize opportunity being in partnership business. This type of inter-firm linkages is crucial source of transfer of technology. It stimulates a healthy competition throughout the whole industry.

Other benefits from TNCs are demonstration effects and human capital spill-over. Local entrepreneurs may imitate their products and management techniques or gain access to non-traditional markets by emulating TNCs. This is called demonstration effect which may happen as a spontaneous, even unconscious process or as a planned and systematic benchmarking exercise (Ibid: 7). Human capital spill-over arise when corporations train personnel or if their experienced personnel moves to local firms or forms new spin-off companies. These are all possible linkages which also work for large scale foreign investors in agriculture. Involvement of different local firms in the production process with the different forms of linkages will capacitate local firms and initiate growth in the economy. The next section provides alternative possible linkages which serves as a solution for transnational land acquisition.

4.1.2 Contract Farming

Some writers provide contract farming/out-grower scheme as a substitute for transnational land acquisition (Hallam, 2009: 6). Contract farming indicates '*a particular form of supply chain governance adopted by firms to secure access to agricultural products, raw materials and supplies meeting desired quality, quantity, location and timing specification*' (Silva, 2005: 11). It is a kind of vertical integration between farmers and agribusiness firms/associations. Especially, in Ethiopia it can serve as a strategy to transform subsistence agriculture to commercial market oriented one (FDRE Mol. 2001).

Eaton and Shepherd (2001: 46) identified five contractual farming models. These are the centralized model, the nucleus estate model, the multipartite model, the informal model and the intermediary model. These models can be alternative forms of creating market linkages between the transnational corporations and the local economy. These models work under three contractual arrangements: market specifying contracts, resources providing contracts and management and income guaranteeing contracts (Rehaber, 1998: 7).

Selection of the above models and the respective contractual agreements depends on several factors including the feature of the commodity to be produced and the firm's capacity, farmers' production experience and negotiation capacity, land availability, institutional structures and legal framework. In the study areas, where small holder agriculture is prominent a combination various models can be applied. Bako which is a maize-belt area, strong production linkage can be formed with the corporation that engages in the same business for export production. There is a possibility that government institutions can provide support to farmers to produce for intermediary local associations to reach to the corporation or alternately the corporation themselves can serve as intermediate agents for other foreign firms involved in further processing of the output.

In most of the cases, the corporation come up with imported high yield seed varieties. Hence, the nucleus estates model is preferable among others since it can serve as hub of excellence and technological innovation if effective local institutions are established to adapt the diffusion of technologies to the local context. Though each model has its own merits and demerits, combining nucleus and multipartite models with management and income guarantying contracts may provide a situation where the support from government and other stakeholders facilitates further developmental linkages with in turn leads to transfer of managerial and technical knowledge for improved production.

4.1.3 Endogenisation

Endogenisation is a local development theory which deals with maximizing host country benefits in any form of FDI. It is the creation of new factors of production in the host country resulting from exogenous factors brought by TNCs (Poh, 2006: 37). Endogenisation as a process involves a continuous process of learning and simultaneously applying knowledge in order to build up the local capabilities for technological and organisational innovation, which in the end would lead to the creation of own factors of production, and to industrial upgrading of products and technology (Ibid: 39).

Initially, local partners can jointly work as partners with MNEs by supplying parts/components of the production. In the interaction they may acquire management skills, production techniques and marketing expertise. Cooperation and joint actions may be promoted on non-core activities (e.g. jointly buying inputs) at this level. Meanwhile, local firms may bargain and negotiate with MNEs for more transfer of management skills and technology or other expertise which the MNEs may be reluctant to take part (Poh, 2006: 39). The creation of associations to facilitate and coordinate interaction among firms and knowledge centres and supporting institutions is crucial here. Based on the learning and partnership process, enhanced local entrepreneurship will help forge new linkages or markets with other MNEs and they may also set up new firms. This highly contributes to development of industrial structure. There takes place a process of excelling and surpassing, at a higher stage of endogeni-

zation, where firms raise their product quality and competitiveness with improved product and design pushes them to branch out to other countries and become MNEs. At this stage expanding Research & Development capacities of firms for continuous upgrading and innovation of diversified products, marketing and branding ensures sustainability in the sector. At different level of the process, the government should build the capacity of local firms and establish strong institutions which develop their negotiation power. It is not a linear process; it may overlap and can be worked together - learning occurs while bargaining, building up while learning, finally culminating in excelling and surpassing (Ibid: 39).

Due to various reasons, TNCs may not always enable developmental linkages with local firms or individual farmers in host countries. Past experiences show that most TNCs that have been involved in agricultural production had little room for local linkages and transfer of technologies. This next session surveys enclave nature of TNCs in host countries.

4.2 The enclave development model

The current phenomenon of transnational land acquisition is strongly criticized for lacking local developmental linkages. One way to understand this critique is to realize the theoretical models which describe absence of developmental benefits and market linkage with TNCs that existed in history. The enclave development provides sufficient evidence in this area.

Enclave development is a form of "development" where an industry is built around extracting and exporting unprocessed natural resources such as ore or oil, with limited benefits to the local economy in terms of linkages (Layman, 2006). The significant proportion of agricultural output is destined directly for exports with forward linkage effects are weak in the local economy especially in agriculture and mining. The machinery, equipment, hardware, fuel, chemicals, etc were mostly imported and the output which required only elementary processing was almost entirely exported. Some processing in industries is performed; however, the value added to the agricultural products (milling of wheat, rice, coffee, etc) is small in relative to the value of the products itself. Since the production process in these industries involved only elementary or primary processing, and owing to the resultant semi-finished product nature of exports from this region, its increase by itself could not be taken as an index of industrial progress (Gallagher and Zarsky, 2000). Moreover, very little inter-dependence between these agro-processing industries existed. Owing to their low technological basis, there was very little scope for the development of local engineering or metal industries.

Hirschman (1966: 110-111) explained the formation of enclave development in the local economy. In a hypothetical triangular arrangement of the in-

put-output matrix, there is a “last” sector which takes inputs from a number of other sectors and whose output goes entirely to the final demand. The second-to-last sector sells its output to final demand and to the last sector and buys inputs from all other sectors except from the “last”. This process continues until we come to the “first” sector whose output goes to all the subsequent sectors and possibly also to final demand, but which does not use any inputs from other sectors. While this should be the formal process, underdeveloped countries often set up “last” industries first. This means what in developing countries are inputs from the other sectors are replaced by imports. This dependency on imported inputs signifies the formation of enclave development. Hence, in developing countries industrialization is introduced through plants that perform the “final touch” on almost-finished industrial products imported from abroad (Ibid). This makes the process linkage free at the beginning since materials are imported from abroad and only some value is added to them through mixing, assembling, packaging, etc..., and the finished product is exported to the final consumers abroad.

The current enclave formation is exacerbated by the objective of promoting development through FDI.

In its zeal to attract FDI and create employment, government policy (e.g. through export processing zones) may, intentionally or not, stimulate enclave formation by the type of incentives provided (no import duties, no VAT on exports, thus making local procurement unattractive) (Ayelech and Helmsing, 2010: 41).

In enclave economies, the main export sector is ‘controlled’ by foreigners (Conning and Robinson, 2009). This type of venture has proven particularly attractive to foreign capital and many of the branch plants owned by foreign corporations specialized in this kind of operation. The benefits of foreign investment were confined to an international sector not connected to the wider local economy (Gallagher and Zarsky, 2007).

The case of the mining corporations in the past reflects the situation of enclave development. In these corporations manufacturing and other activities that produce inputs for exploration of the resources were imported from abroad (Otto et al., 2006 in UNCTAD, 2007: 140). Linkages in the metal mining process require various processing and developing manufacturing activities. However, only little processing and manufacturing have occurred due to lack of institutional capacity of host countries. Especially, developing countries do not have the capacity to enter into the smelting and refining stages of the value chain, which are capital-intensive and tend to have larger economies of scale (Mintek, 2007 in UNCTAD, 2007: 140). Knowledge intensive and high value adding service linkages with the local market was weak; only supplies of services for construction like transportation, catering and cleaning were only sourced to local market. Most of the technologies developed by these industries were beyond the development status of the host countries that it was difficult to harmonize and adopt technologies into local contexts.

Green revolution is also imperative to understand limited applicability of technologies to local contexts. It refers to a series of research, development and technology transfer initiatives that increased industrialized agricultural production in India and the rest of the world. The initiatives involved the development of high-yielding varieties (HYVs) of cereal grains (wheat, maize and rice), expansion of irrigation infrastructure, and distribution of hybridized seeds, synthetic fertilizers, and pesticides to farmers. The diffusion of these technologies in many parts of the world has brought significant change in the growth of agricultural production. However, there was a different level of adopting the technologies at different units of society and benefits registered also various in terms of farm size (Kuhnen, 1982: 73-77). Large farms were utilizing the new opportunities and were more advantageous than small farmers. The problem with the inexperienced farmers was the inability to access the new technology (Pray, 1981). The experience from the revolution reveals the notion that only a certain strata would benefit from the introduction of new technologies. Hence, weak adaptability to the local contexts has brought less impact in developing countries.

This section has reviewed two different perspectives of TNCs in forming agricultural linkages. Agricultural growth is important to promote structural transformation in the economy. Agriculture contributes to capital accumulation through generating revenue from taxes, increasing supply which leads to increased savings and investment, generating farm and non-farm employment and through technology advancement agriculture contributes to transfer of learning and innovation. Contract farming and endogenization aids in acquiring growth through TNCs. However, the enclave development model reveals limited backward and forward linkages with the local economy. Government's policy stimulates enclave formation if emphasis is given only to attracting FDI. This study employs these concepts on transnational land acquisition by exploring their developmental linkages in the economy.

A developmental linkage is understood as development benefits from any type of internal or external intervention in the economy. It includes infrastructure development, employment generation, technology transfer, and market linkages. These are the most feasible and dominant indicators of development linkages (Borras and Franco, 2010: 511)². Moreover, they are the major expectations of the Ethiopian government, World Bank, and local communities as promises from the corporations. Hence, they are employed as yardstick for evaluating development as discussed hereafter. Also they help to examine the above frameworks in practise. Each of these indicators is further operationalized below:

- Infrastructure development indicates the building or provision of services or facilities including roads, water, electricity, school, clinic, sewerage, bridges, canals, reservoirs and etc that support the locality and the economy. In both case areas, corporations has promised to fulfil

these benefits to the local community especially roads, water pipes, electricity, school and clinics. These variables served as criteria for evaluating existence of infrastructure development in the study areas.

- Employment generation is interpreted as farm and/or non-farm jobs created to the local community due to the introduction of TNCs. It considers both the quantity and quality of employment generated. Hence, number of jobs created is the variable used to justify the quantity of employment generated. Quality of jobs is understood here as the type of employment (skilled or unskilled), optimum wage amount, and job security issues (safety against job injuries and formality of contracts). Whether productive/quality employment has been generated depends all on these indicators.
- Transfer of technology is the process of sharing knowledge, skills and technologies which are suitable to local context and accessible among local firms/institutions or the localities. It can be measured on the basis of the number of skilled/unskilled employees who learned to operate certain type of technology and adoption of technologies by local firms or institutions. Though it is early to evaluate based on these aspects, it can be approached on the basis of the current status.
- Market linkage is explained as the trade relationships between TNCs and local economy in the form of both backward and forward linkages either in using local inputs to start new activity or supplying a new intermediate/final product for the local market, respectively. For backward linkage variables can be utilization of local resources including labour, capital, farm equipment, fertilizer, seeds, machineries, and etc... Products for non-farm production purposes, either raw or semi-processed agricultural products and final consumer products from the corporation (like wheat, maize, rice, palm oil) can serve indicators of forward linkages.

These can be basis for measuring existence of development linkages in the economy. Hence, the next chapter focuses on these four dimensions of development using the following methodology.

4.3 The research methodology

4.3.1 Sampling methods

Land acquisition is taking place in different regions of Ethiopia - Gambela, Oromia, Southern Nations, Nationalities and People, Benishangul-Gumuz regions, Amhara, and Afar regions. Purposive sampling was used to study Gam-

bella and Oromia regions as case areas due to high concentration of investors and large hectares of land appropriation among others. Using the Ethiopian Investment Agency list of investors as a sampling list, one corporation from Bako area and two corporations from Gambella region was incorporated in the study. These corporations were considered to examine their impact at higher level due to their acquisition of large scale agricultural lands. Notably, the areas are conflict hotspots primarily over control over resources, thus increasing interest to focus on them.

4.3.2 Data sources

Various data sources were employed. In the study areas major data sources were the development agents, community development officers, local communities, corporation employees and corporation managers and agricultural research institution. Additionally at national level, Ministry of Agriculture and Rural Development, Ministry of Trade and Industry, Forum for Environment and Ethiopian Environmental Journalist Association, Ethiopian Consumers Rights Association, Ethiopian Economic Association, Forum for Social Study, Ethiopian Investment Agency, and Oromia Investment Commission provided reliable primary data. Moreover, different websites primarily developed for land issues like Grain and Farmland grab was used. Other data sources like BBC and CNN documentaries and Prime Minister's interview by different bodies were used.

4.3.3 Data types and gathering techniques

To make in-depth analysis of why land acquisition is taking place in Ethiopia and whether it can supplement the development process, both primary and secondary data sources were employed. Primary data included policy documents, land lease documents, contracts and case studies documents. Secondary data was also used from periodicals, newspapers, articles, journals, and internet. The study employed qualitative methods which include: interviews, focus group discussions, document analysis, case studies and synthesis of land deal documents. Interviews were conducted with development agents, community leaders, corporation managers, MoARD officers, MoTI and community development officers. With farmers in Bako, both individual interviews and focus group discussion were employed. A detailed case analysis was also conducted based on field observation and analysis of documentary movies made on Bako and Gambella regions of Ethiopia. Review of various documents and information from government officials in the Federal Investment Agency, MoARD, and MoTI was also undertaken.

Largely, the terms of contract determine the development impacts of the land deals. Thus, examining some of the land deal documents was imperative.

While tracing the market linkages, value chain and market analysis, in the transaction process export facilitation offices and the Ministry of Trade and Industry in Addis Ababa was communicated. Arguably, since land acquisition impacts might differ by sector and across time. Hence, reviewing historical structures to assess the behavior and interest of governments was employed.

4.3.5 Limitation of the data

Accessing land deal documents on the case organizations was formidable task in the data collection process. However, since most of the deals are similar by content, reference supplemented by field work and literature was done. Fear of allegation by the government limited information provision by the communities and development officers working with the community. It was a challenge in the Gambella's case where conflicts over land among tribes and with the government exist. This was also observed in Bako. Field observation of the corporations, however, highlighted the plight of the local population particularly loss of their communal lands. Being at its infancy stage, it would be too early to study the investment impact and developmental linkages with the local economy for at a minimum 25 years project.

Chapter Five: Findings from the field - Development opportunity or Enclaves Development?

Introduction

Developmental benefits were operationalized previously on opportunities like: employment creation, revenue generation, guaranteed outlets, technology transfer, infrastructure investment and increase in agricultural productivity. These are the benefits envisaged by governments from large scale transnational land deals. This chapter provides field data and analyses whether these benefits are realized. Conversely, recurrent impacts of the business on accessing local resources, compensation and community participation are examined.

5.1 Expected Developmental Benefits

5.1.1 Infrastructure development

Ethiopia's strategy for the next five years set in the Plan for Accelerating Sustainable Development to End Poverty (PASDEP) emphasises strengthening the country's infrastructure as a backbone of the development process. Based on the information collected from both study areas - Bako, in Oromia and Gambella regions, contrary to the pledges, infrastructural development has not happened two years down the line. The local communities in Bako explained that:

The corporation manager promised us to build road, install electricity and construct water wells, mini-clinics and schools for the community. The managers also said they will construct roads which connect the surrounding villages like Goromte, Milmile, Chitu, Werebilee and Werabile villages in order to facilitate social and economic interaction. However, only the road that connects the main road to the companies' farm gate is cleared so far disregarding other promises.

These agreements are made verbally between the community and the corporations. The government involves only in the provision of the land. There are no mechanisms to enforce the propositions and pledges made by the corporations. Same scenario was recorded in Gambella region. However, the corporation managers told that '*...we hope to have the school and clinic at the end of the year*'.

At federal level, while MoARD assesses the business proposals for land request by corporations, it evaluates contribution for local community as a basic criterion for provision of land. However, further analysis and follow up especially on infrastructure aspect is weak. It is assumed that is the corporations' moral obligation to provide these facilities to make the deals a win-win, but no mechanism has been put to ensure its delivery in Federal and Regional Offices. Evidently reviewing the land deal documents, there is no binding element in

the contract which enforces the corporations to develop infrastructures. Though the Ministry still expects infrastructure development as major benefit for the local community, the effort put to ensure those promises is trivial. Information from Oromia Investment Office indicated lack of institutional capacity to ensure developmental impacts of these businesses.

5.1.2 Technology transfer

It would be a toll order for the Ethiopian government to provide new technology to the 12 million farmer households. Consequently, local farmers hopefully, would learn scientific farming techniques from the new technologies introduced by TNCs and be encouraged venture in agribusiness. In Bako and Gambella, the corporations brought a variety of modern tractors, bulldozers, earth breakers with brand CASE and excavators in the farm. Besides, the corporation brought expatriates (6 experts and 17 supervisors) to work in Bako. They have already imported 24 modern tractors, case drivers and excavators, and 10 more tractors are expected for another project in Gambella region. The managers claim to train some employees on maintenance of these machineries, since the employees only know how to drive the tractors they are providing trainings on maintenance of these machines to some employees since the workers only know how to drive the tractors but do not know how to maintain them. However, the employees disputed this claim. From the interview with the corporation managers, in Gambella, they justify importing expertise by claiming that it is difficult to find experts locally.

...since there is shortage of technical experts from the domestic labour market, we are forced to import professionals from abroad to maintain and drive the machineries, and run the overall business process.

In the land deal document it is stated that the lessee should give opportunities to the people residing in the investment areas unless it requires special skills. It shall pay birr 5,000.00 penalty without any precondition in accordance with the Regional Government investment laws in the attempt to employ unskilled labourers from other regions. Though a noble deal, it does not provide enough leeway to enable knowledge transfer by participating local expertise in this area.

Though it is difficult to generalize on this aspect it is pivotal to underline technology/knowledge transfer in the absence of institutional systems that enable and disseminate knowledge to local situation. Concisely, it can be said that while the situation might differ from place to place according to the size, geographical location and corporations' commitment to accomplish the promises, a recurring theme is that there is narrow room for transfer of technology.

5.1.3 Employment Generation

An investment should improve sustainability, increase employment and the local standard of living. The focus should not only be on employment

growth but also on productivity growth. As said earlier, government's objective of promoting this type of FDI is to help address basic unemployment problems in the country in creating new farm and non-farm jobs. From the study, unmistakably, the local people only serve as casual labourers while the technical work is undertaken by foreign employees brought by the corporations. Though the corporations promised about 2,000 and 5,000 jobs for Bako and Gambella's corporations, respectively, very insignificant employment is generated so far. The new World Bank reports echoes the same sentiments that there is a limited employment benefit to the local communities. The report also showed that only 0.005 jobs/hectare has been created for local population on average in Gambella region. Same scenario is witnessed in Bako where a mere 250 workers have been hired on 12,500 hectares of land translating to 0.02 jobs/hectare. Debatably, this is better compared to Gambella's employment, but low in absolute terms. This number, however, did not specifically consider the number of local populations, but focussed on overall employment on the farm. By virtue of mechanized farming it is relevant to recognize the capital intensive nature of the business than labour.

In Bako site employees work overtime without overtime payment. The labour code of Ethiopia stipulates that normal hours of work shall not exceed eight hours a day or 48 hours a week. Work done in excess of the normal daily hours of work shall be deemed to be overtime in the proclamation. The employees also work on week-ends, without any extra payment for it. The labour law does not prescribe minimum wages through statute; wages are fixed by the employer or by collective agreements or by the employee's contract of employment. So, there is no fixed wage for a daily labourer who works on the field. Tamirat (2009) observed that many of the workers were children.

Employees in these corporations are paid on average \$ 0.61 and \$ 0.76 per day. It is by far below the poverty line and definitely no savings are possible. The casual and contract labourers complained that they are paid less than the daily labourer wage in the country which is 20 to 25 birr (equivalent to \$1.25 to \$1.5). Though there is significant difference in the market price for casual labourers from place to place, generally wage labours are paid more than a dollar in other parts of the region. The workers reported:

...the company refused to sign a wage contract. Moreover, the supervisors treat us cruelly and most workers were just buying time would shift to a construction company rumoured to pay \$2 to \$4 a day (Tamirat, 2009).

Many of the local staff too are discontented due to underpayment; no insurance in case of work related accidents; and sceptical to form a union as this could have dire consequences. "We are not happy," said the man, a farmer-turned-tractor driver in Bako who did not give his name because he feared being fired. 'I'm a machine operator and I make 800 birr [about \$65] a month. This is the most terrible pay.' The employees are compelled to move to the company's new site in Gambella without any adjustment in per diem and desert allowance.

5.1.4 Market Linkages and compliance with development strategy

FDI should integrate with the sectoral or over all development strategy of the country, promote niche market, and effective integration of farmers with domestic and external markets. However, the scope for linkages is barely in-existent in the study areas. As said earlier, ninety-eight percent of the agricultural projects recorded at the EIA involve food production. However, none of these is processed or even consumed in the local market. Rather they are directly exported either for their own populations or for abroad market. While explaining the export process, Vidal (2010) depicts the situation:

Within 24 hours, the production is driven 200 miles to Addis Ababa from the production site and flown 1,000 miles to the shops and restaurants of Dubai, Jeddah and elsewhere in the Middle East.

In the case areas, production inputs (for example, the seed varieties, labour, machineries, etc) are imported from abroad which also signify inexistence of backward linkage. In some cases, they import their own employees. Availability of production for local market i.e forward linkage is also in-existent in almost all of the transnational corporations. The community and employees were asked if there is market linkage existed with the corporations:

...the foreigners were buying some milk for their personal consumption not for further processing; however, since our cattle are dying now due to lack of grazing areas we cannot provide milk for them... Even, some of the food the corporation produced is kept in the store for so long serving as a food for mouse rather than providing or selling it for us...

Moreover, inability to utilize the market opportunity from smallholder agriculture either in the form of contract farming or out-grower scheme still shows the gap in integrating farmers with both domestic and external market. As stated previously, Bako is a maize-belt area. The farmers in Bako have indigenous knowledge and experience on producing maize and palm oil, same crops cultivated by the corporations. No effort has been made on part of the government to provide access to the highly improved imported seeds to the local farmers. Corporation managers also reported that since the variety of seeds and other necessary inputs are not available in the country they are forced to utilized imported inputs.

To assess the harmony with the country's development strategy, Agricultural Development Led Industrialization (ADLI), which is the overarching policy response to Ethiopia's food security and agricultural productivity challenge, was reviewed. This strategy has been followed since 1993 with distinctive features including commercialization of smallholder agriculture through product diversification, promotion of niche high-value export crops, and effective integration of farmers with domestic and external markets. It is intended to capacitate small holder agriculture by making use of technologies that are labour us-

ing, providing fertilizer and improved seeds. The underlying assumption for the strategy is to facilitate the growth of industry and service sectors in conjuncture with agriculture sector by utilizing the necessary inputs from it. The resources for the development of the industrial sector are assumed to be generated primarily through creating strong bondages between agriculture and industry and subsequently exploiting these linkages via the concerted efforts of non-state actors, particularly the non-peasant private sector. However, the introduction of TNCs for production of export market justifies incongruence with the strategy. Particularly, in the study areas or in general at national level, no literature indicates back ward or forward linkage with the local economy.

The food security strategy of the country, on the other hand, puts low productivity of agriculture as a major challenge to overcome the chronic food dependency in the country. Though this type of foreign investments in agriculture increases the aggregate food supplies, it did not increase the domestic food availability since the production is for external market. From both study areas, the production of palm oil, rice, barley and other production crops are planned for export market. Interview results shows that, one of the corporation in Gambella that is considered in this study has made an agreement with the Saudi government to supply 30% of the production and the rest for external market. The other corporation in Bako harvested 5,000 tons of corn between September and October, 2009 but they were not supplied to the local market. Contrary, National Food Security Program seeks to ensure food security for five million chronically food insecure people and another 10 million who are badly affected by shortages in drought years which cannot escape from the cycle of dependence on emergency relief. Ironically, food insecurity at the household level still persists despite growth of food and cash crops at national level. Hence, the government perception of the corporations as market stabilizers and important contributors to the food security of the country is highly disputable.

5.2 Effects on the local communities

5.2.1 Access to local resources

Land acquisition should not compromise equitable allocation of resources including land among the poor. For a land policy to be pro-poor it should aim at protecting and advancing the land access and property interest of working poor people (Borras and Franco, 2010)¹. Data gathered from the field work indicate that in both areas communal land acquisition by corporations make land accessibility difficult to the local population. For instance, the land in Bako given to the corporation was utilized by the community in order to produce 'Teff' and Nigger seeds and partly for grazing. One government officer said:

In dry season huge cattle resources graze on the land since it is low land area and water would drain to the field so it is always green and suitable for grazing. The land and labour is cheap and the climate is good here. Everyone — Sandis, Turks, Chinese, Egyptians — is looking. The farmers do not like it because they get displaced, but they can find land elsewhere and, besides, they get compensation, equivalent to about 10 years' crop yield.

The local farmers in Bako reported '*we are victims of time*'. Their access to land has been limited, forcing them to sell their cattle. As a result, the price of cattle in a nearby market has gone down from 2,500 - 1,500 birr in Ethiopian currency (Tamrat, 2009). Government officials also realize the fact that the land was used by the locality before they assign the corporation to the area, the Western Shoa Administration, said '*The land given to the company belongs to the state, although local farmers have been using it for grazing and additional farming*'. Access to these resources by the community is restricted as the farm land is fenced and grazing lands and river waters fall under control by the corporation's (See the box below from the voice of the locality). The farmers lamented that the small grazing land left was insufficient for their cattle. They complained about the above problems to the corporation manager, but they were promised cattle feed to carry out zero grazing. This scheme which the firm promised to offer is called 'cut and carry' system. This has not been fulfilled and the local community is now forced to travel 8 km away in search of pasture for grazing and water as the shortcut road to the nearest river is blocked.

At first, they (the corporation) said only for 5 hectares of land will be required only for a trial. But now they take over all the area found in our locality and around the river. Now even we cannot easily access the river to fetchwater for our cattle since the surrounding area is fenced. Our cattle are dying because of lack of grazing lands. The common water pipe originally built by government was promised to be distributed for the local population, but now they couldn't even utilize it for common purpose. They started operation two years before, but we don't have electricity they promised till now.

Since we don't have any choices some of us were hired in their firms. But we are really facing problems in getting our salary on time. We are paid only 7 or 8 birr per day (\$ 0.5 - 0.6). We are forced to work by the policewhen we complain about the salary.

They took even the mountains by force by the influence of the police. Originally the mountains were used to grow grasses which are used for repairing our hut. It was harvested each year by the community and is used to build or repair one house for one of the community members by social alliance. But now since there is a problem of grasses our houses leak rain especially in rainy season. Some people who cannot build a cottage are now sleeping outside and are subjected to different type of diseases including malaria. But those people who can build a house with iron sheets are building their house, and others who cannot have the ability to build this type of house are in great difficulty. (Results of the focus group discussion in Bako)

5.2.2 Absence of compensation

The information acquired from the Oromia investment commission office indicates that most of the land (more than 60%) given to foreign corporations is given by compensation payment to the farmers. Field work analysis indicates that investors target the arable lands to invest in agriculture, and displace and compensate the local people. If compensation is paid, whether commensurate or not, this large number indicates that the land was under utilization primarily, and compensation is paid for eviction. In accordance with Article 55 (1) of the Constitution, compensation is paid for a person or group of persons for property situated on the expropriated landholding. A rural land holder or holders of common land whose landholding permanently expropriate shall, in addition to compensation payable for the property situated on the land should be paid displacement compensation which shall be equivalent to ten times the annual income they secured during the last five years preceding the expropriation of the land.

Despite the proclamation, especially in the Bako and Gambella areas where the local population livelihood is based on farming and cattle herding no compensation has been. There was mango fruit production on the land, but it is cleared without compensation. Besides, the farmers reported that the corporations utilized all the resources they found from the lands to their purposes. For example, they cleared the land and burned the wood on the soil in order to increase the fertility of the soil. The same proclamation, explains that depriving rural land user from the land use right is only under the conditions that the land is left unused for two consecutive years, or leaving the holding on her/his own reason, or neglect conserving the land. On the PASDEP, however, the government confirmed agricultural land should be utilized where comparative advantage is the highest (MoFED, 2006: 195). The fact that the localities do not have secured land rights to claim their rights, make them vulnerable to dispossession.

5.2.3. Level of participation

Participating local communities and identifying their rights and interests is a mandatory requirement for community consultations when land is transferred to new uses and users (Cotula, et al., 2009: 72). Implementation of positive legal and institutional frameworks that incorporates locals is unsatisfactory in the case of the two areas under study. Significant social groups like women or user groups such as pastoralists in Gambella especially the nomadic Nuer people were not consulted in the expropriation process. Despite being the majority of the workforce in rural lands, women are rarely involved in the consultation processes.

The Federal Government identifies the land which is assumed to be marginal lands without consultation with the local communities. Land deal agreement is made with regional offices to acquire the land. When the communities claim or defend their land right with the corporations, they are told that “our agreement is with the Prime Minister and not with you”. This shows an up-

ward imposition of policies without proper consultation at grass root level. Land transfers, however, should be approved by the communities that have basic rights over the land in question, with further requirements for protection of access rights, fair compensation and opportunities for review of the agreements.

5.3 Conclusion: Are the expected developmental benefits attained?

Development linkage with TNCs should be seen through generating adequate employment, consumption of sufficient local inputs, technology transfer and training to the community, and provision of supplies to local market. Most importantly, effective integration with development strategy should be formed. This section evaluates the dimensions of development benefits presented in the previous section.

Though infrastructural development is one of the governments and local community's expectation, this did not happen at the time of data collection. The land deal documents do not have mechanism to enforce infrastructural development. Negotiating these developments with TNCs is assigned to the community. The negotiation was verbal that it was not documented. Certainly, the negotiation capacity of the communities' is weak to protect their rights and interests unless backed by government intervention. It was all assumed as the company's responsibility or moral obligation. Though the corporations hope to fulfil this promise, unless strong legal framework is established, it cannot be realized. Government's incentives are also loose to stimulate investors engage in underdeveloped regions. When it provides 5-7yrs tax exemption for export market only 1 year is exemption is given for investment in underdeveloped areas.

The corporations planned to hire more employees than they have now. Only few numbers of jobs are created for the locality compared to the total number of jobs - 0.005 and 0.02 in Gambella and Bako areas, respectively (World Bank, 2010). The land deal document stipulates that the corporation shall pay birr 5,000.00 (\$ 312.5) in employing unskilled labourers from other regions. Though this remains the strong side of the agreement, it is still open for participating local expertise in skilled job. Most of the employment generated is for labourers. This inhibits the prospect of knowledge and technology transfer through employment. More focus is accorded to quantity of jobs created than quality employment. The corporations do not take into account the right of workers. Workers do not have legal wage contracts. Collective and social dialogue through workers association is entirely absent. Furthermore, due to lack of legal knowledge of labourers enforcement of the law usually tends to be weak.

The enclave development model depicts narrow linkages of TNCs with local economy. The corporations are situated in already developed and resourceful areas where they can utilize water and other resources. They export unprocessed farm products or small processing with less value adding which shows export enclave nature of the business. This shows inexistence of forward linkage with the economy. Also, machineries, equipments, the seeds and the skilled labourers are imported from abroad which justifies lack of backward linkages. Since there is shortage of technical experts from the domestic labour market, the corporations are forced to import professionals from abroad to maintain and drive the tractors. Since daily labourers are illiterate and imported machineries are sophisticated, knowledge and technology transfer may be unrealized. The experience of the green revolution exhibited that technology transfer was embedded due to difficulties in adapting foreign technologies. Though various farm technologies are introduced, there are no local institutions or established national frameworks which guide adaptation of imported technologies to local contexts. Though endogenization is a long term phenomenon, there is barely any effort at this point made to integrate local firms with the TNCs.

Lack of integration with the sectoral or over all development strategy of the country can be considered as the major drawback of the deals. Though it was assumed supportive of the country's development strategy, i.e ADLI, it does not supplement this strategy. Its distinctive feature includes commercialization of smallholder agriculture, promotion of niche high-value export crops, and effective integration of farmers with domestic and external markets. No market opportunity has been arranged to local farmers either through contract or out-grower scheme. This shows the gap in integrating farmers with domestic or external market. This type of investment only increases aggregate agricultural production, without ensuring domestic foods supply. Contrary, MoARD argues that *'If we get money we can buy food anywhere, then we can solve the food problem'* (Richardson and Maier, 2010). The agreements, however, involves significant amount of tax holidays and land fees which are nominal even in African context. The government is still purchasing grain from the international grain market to feed a significant number of malnourished segments of the population (Desta, 2010). Non-governmental agencies, are also soliciting for food aid from donors to feed the 6-8 million starving and poverty-stricken (Ibid).

Land acquisition should rather fulfil the investment gap of the country; investment objectives of investors should be reconciled with the investment priority of the country. Mellor's (1966, 1995) argument that agricultural growth would lead to capital formation and effective linkage with other sectors and contribution for food supply is not testified in the realm of the transnational land acquisition. If developmental linkage from this business is not realized, what other benefits the government would hope to attain is discussed here after.

Chapter Six: Alternative possible explanations for governments motivation in Transnational Land Acquisition

6.1 Shortage of Foreign Currency

Presently there is high shortage of foreign currency in Ethiopia and these businesses are meant for filling this gap. This is found to be the dominant but not the only reason for leasing lands. Government documents like PASDEP regarded agriculture as the main source of earning foreign currency. By the end of 2009/10, export earnings from goods and services were targeted to reach 15 to 20% of GDP. MoFED report shows that the country's foreign currency reserve went down by 19.1 percent during the first nine months of 2006 due to increasing price of petroleum products and other imported goods (Xinhua, 2006). Furthermore, McLure's (2008) interview with IMF officials indicates that Ethiopia is close to exhausting its foreign-currency reserves and may need a loan of \$1 billion to fund food and fuel imports to avoid economic growth from slowing.

Without \$1 billion in bridge financing, Ethiopia's growth may fall to an estimated 6 percent from 7 percent by the end of next year and to 6.5 percent by 2010 from 7.5 percent"(IMF, 2008).

One of the criteria to offer land for TNCs is their interest to produce for export market. In that case, they are offered with various incentives and benefits mentioned in chapter two. Prime Minister Meles said in The Irish Times (Jan 31, 2010):

I assume they are bona-fide capitalists and so they will sell it where it makes more sense for them to sell. That is fine with me. If they export their products to Saudi Arabia because is more profitable than Ethiopia, let them bring the dollars back and we will use the dollars to buy the type of products we need for ourselves from the international market . . . My hope and expectation is that we will feed Ethiopia through the produce of our small-scale farmers.

From one of the Gambella corporations, \$ 1.5 billion foreign currency per annum is expected when the rice production is supplied for the foreign market. From the above responses and various sources it can be justified the primary interests of the government is acquiring foreign currency than creating developmental linkages. However, it was not possible to gather data on how much currency is attained so far.

6.2 Political and economic reasons of the federal government

The data collected from different government bodies indicate that political and economic reasons exist for attracting foreign corporations. According to MoARD, revenue will be generated in terms of rents, and taxes provide them financial freedom and to decide solely without foreign pressure whose money is likely attached with conditionality. MoARD stated that this option is by far better than begging money and food. It gives an option to mobilize domestic revenue and acquire foreign currency by marketing and negotiating on an even level ground. But MoARD believes it is a single piece effort to liberate the country from foreign aid and defend the political territory. The Chinese and Indians are lending money without preconditions. Some study report shows that India's agricultural investment in Ethiopia has been more than \$2.5 billion. The total investment in Ethiopia was \$300 million three years ago and has now grown to \$ 4.3 billion which is double the amount of Western aid offered to Ethiopia (Argaw, 2009). The trade volume with Saudi Arabia has been reached \$1 billion which is expected to reach \$ 2.5 billion when the already approved 240 Saudi projects start operation.

The Prime Ministers interview with the Saudi TV stated that the fast growing economic partnership would contribute a lot to the political understanding that we currently enjoy (Walta Information Centre, 2008). Dr. Merara Gudina, a leading opposition figure, however, accuses the government using the land policy to hold on to power "We are afraid this government is buying diplomatic support by giving away land." Though this may not be a direct justification, establishing sense of solidarity and creating conducive economic and political relations contribute to strengthen the power of the government.

The World Bank Group (WBG) took a lead role on the international stage following the food and financial crises with the formation of programs such as the Global Food Crisis Response Program (GFRP) in May 2008 (Daniel, 2010: 6). Ethiopia is the largest recipient of World Bank's GFRP program, and it received a series of technical assistances and policy promotion in attracting FDI in agriculture (See Annex - 4). "IFC's strategy in Ethiopia focuses on proactively developing new investment projects, supporting public-private partnerships that promote economic growth, and mobilizing direct investments to key sectors of the economy. IFC is significantly promoting this business by adopting a neoliberal agrarian restructuring through promotion of agricultural investment in the export oriented sector. Hence, due to the global economic and political processes, i.e geo-political and geo-security issue, it can be said that the Ethiopian government has made an ideological shifts from "land to the tillers" to market centred approach of land management.

6.3 Competition over land between Regional and Federal Governments

While the need for foreign currency was found to be the main reason at national level, different scenarios are observed for attracting foreigners at regional levels. The primary reason for attracting foreigners at regional level is to mobilize the regions income generating capacity. The new proclamation no. 455/2005 accorded power to expropriate land holdings and utilize the income earned to district or regional offices. This gives the region the freedom to utilize the money based on the region's development plan with limited dependence on federal government. For example, MoARD reported that last year 2.7 million birr land fee was paid to the district office in Gambella. The proclamation instigated high competition among regions to attract investors and rush for leasing lands before the federal government takes over. Regions divide the land which is under the Federal government plan and lease/sell it to investors without the knowledge of the federal government.

This competition with the government and regional offices differs in land provision records. Likewise, media sources and official government data are varied; for example, in the case of German company Flora EcoPower in Ethiopia it was reported to involve in 13,000 ha, while it is recorded at the EIA for 3,800 ha only (Cotula et al., 2009: 41). Another corporation in Gambella claims 300,000 hectares of land while MoARD refutes by far less than this amount. Also, there is a range of differences in the land actually given and what is on record. Mostly, what is actually given is larger than the plan by the Federal government. MoARD reveals that rules are lenient in regional levels. Currently, it took over the mandate to lease more than 5,000 hectares of land which has been given to regional governments. This shows conflict of interest over the matter between the federal governments and regional governments. The Prime Minister's response also indicates there is stiff interest and risk of transparency between the two levels (The Irish Times, 2010):

We saw large-scale interest, we as a federal government felt that we had to take another step to make sure there are no mishaps. We have to make sure that interact with one entity, that there is a process that is transparent . . . and which is with eyes wide open.

Evidently from this research, the nature of the land provision process has communication gap at different levels of government which might provide loopholes for abuse of power and bad governance. This may imply absence of proper national governance frame work and harmony in mandate. Regional or zonal offices, hence, have different interests from the central government in providing large scale agricultural farm lands.

Chapter Seven: Summary and Conclusion

The research is conducted on the developmental linkages of large scale transnational land acquisition in Ethiopia with specific reference to two corporations in Bako, in Oromia Region and Gambella Regions. There found to be divergent views on the context of transnational land acquisition in Ethiopia. While government expects positive developments, others emphasize little developmental benefits and more harm on local people which jeopardize local livelihood (Cotula et al., 2009). The paper assessed the developmental benefits of TNCs in land acquisition in the case areas. By the same conjuncture, the magnitude of the business and interest of Ethiopian government and foreign governments including their corporations were studied with major emphasis given to the former. Both primary and secondary data was collected from reliable sources: local communities, the corporations, government offices, civil society organization and NGO's. Accessing government documents and land deal contracts was the major obstacle in data collection. Moreover, as land acquisition is a relatively new phenomenon especially after 2008, it is difficult to evaluate the development benefits too early, though analysis can still be made based on the current status of the business. Due to limited number of cases considered, generalization cannot be applied to the country as a whole.

In studying the developmental benefits, the paper followed three steps approaches: what is happening, why it is happening and how does it helped the local economy. In the early chapters it explained what is happening: the general magnitude/extent of the business including the transaction processes. It then explores why it is happening. Here, the interests of different stakeholders were examined. A mix of these two steps lead to the last step which evaluates the developmental benefits to the local economy. Before addressing this issue, this paper employed two differing theoretical frameworks relevant to understand the business. One framework followed is Mellor's type of agricultural development linkage where increase in agricultural production would bring structural transformation leading to industrialization. Basic tenets of this argument is, growth in agriculture contributes to capital formations, employment generation, foreign currency acquisition and increase in savings and reinvestment. The enclave development framework, contrarily, presented a scenario where there would be limited forward and backward market linkages with the local economy. The production equipments are mostly imported and the significant proportion of output which required only elementary processing is almost entirely exported exhibiting weak forward and backward linkage. To practically evaluate these concepts, four dimensions of developmental linkages were used: infrastructure development, employment generation, transfer of technology and market linkages.

Chapter two presented data on the trend and magnitude of the business transaction and process in Ethiopia. It was found out that the number of

TNCs is increasing with time, i.e increased by 168% from 485 in 2004 to 815 since 2007. Including medium size agricultural projects the number increases to 2,000 foreign companies who have already secured farmland (Argaw, 2009). The government announced its plan to lease 3 – 5 million hectares of land. Based on EIAR data which considers the land degradation and high population pressure, with lack of accurate data base, it can be estimated 10% of the total arable land has been given to TNCs in Ethiopia. In study area in Bako and Gambella 25% and 30% of the arable and total land area have been provided, respectively. The land lease price per year ranges between \$ 2 and 10 which is the lowest in Africa. This created an increasing pressure and displacement of local population from their private and family farms and communal grazing lands and threat to livelihood, conflict over land resources, loss of wild life and forest cover are the major problems among others in the study area (Alebachew, 2010).

In chapter three, data was presented that shows the interest of the government and the corporations. The government's major interest on TNCs was found to be the benefits achieved on the form of technology transfer, infrastructure development, employment generation and market linkages. The foreign governments are interested in ensuring their long term food security and to minimize the energy consumption by producing bio-fuel crops. In many cases, corporation are interested in maximizing revenue form the harvests and from the land itself, whose value they expect to go up (Grain, 2009). The data presented, under chapter five, inexistence of both forward and backward linkages with the local economy. Most of the inputs are imported from abroad and productions will be sent to either home countries or external market. Also limited jobs are generated for local communities (0.005 and 0.02 jobs/hectare, in Gambella and Bako areas, respectively) with poor employment conditions (World Bank, 2010, and own survey). The sophisticated rice milling machines and equipments, the brand case tractors and excavators are among the imported technologies. Operators are imported from abroad to run the machines in Gambella's case. Few employees in Bako said they have gained tractor driving skills, but they would have liked if they acquired maintenance skill. The promise of developing infrastructure has not been fulfilled since the start up of the business operation two years ago.

Though the government argues provision of insignificant proportion of lands for TNCs seeking developmental benefits, no strong evidence in the study areas was found to support this claim. Although 10 % arable land provision looks insignificant at national level, the magnitude is higher especially for the specific region or district. It is significant especially when they concentrate on possibly much more limited areas of higher-value land (e.g 25% in Bako and 30% in Gambella). Most investors seek lands which are already developed/fertile land that were primarily utilized by the local community. Hence, it can be said that this proportion is highly significant to impact the lives of the local community where these business are located.

There is hardly any guarantee that the developmental benefits the government assumes would be achieved. The land deal documents neither talk about infrastructure development nor have an enforcing mechanism which means that the corporations are not obliged to so. MoARD assumes this is a moral obligation of the corporations. This justifies lack of enforcing mechanism of the land deals. In study areas, the local communities are the one who took the initiative in negotiating over these matters with the corporations. In the absence of institutions and structured systems that enable proper knowledge transfer to local situations, the effort to learn basic skills and knowledge would be minimal. Moreover, most of the professionals who run the machineries are hired from abroad with little room for local employees to acquire knowledge. Government's legislation that bans hiring casual labourers from other regions is the strong side of the deal. However, disintegration with the local economy or development strategy remains the major risk for enclave formation.

All the above factors lead to alternative justifications why the government is really interested in advancing this business. The dominant reason for the national government to attract transnational firms is to acquire foreign currency. Since this business mobilizes local resources and augment revenue generation capacity, the government utilized it as a way of defending the political territory from foreign influence. However, studies show limited contribution of this business for resource mobilization and revenue generation. There found to be stiff competition over land provision between the federal and regional governments. High need of financial mobilization and independence has led regional governments to compete against the Federal government. The research finds out that there is discrepancy between actual land provision and on records, and federal government's record and regional offices. This implies that there is communication gap at different levels of government and this might provide a room to flourish abuses of power and bad governance.

In general, analysis of the past two regimes shows foreign large scale land acquisition has not brought significant changes in the lives of the peasantry. Currently, too, it is not encouraging to say that the corporations have brought development and change in the life of the localities. However, they may serve as a means of earning foreign currency and mobilizing income in the future. Emphasis is given to it than creating sustainable developmental linkages within the local economy. It should be noted that mere concern on macro economic benefits like foreign currency may override local communities' interest and livelihood. Lavers (2010: 28) study shows that "the increase in foreign currency only benefits those buying imported goods – capitalists buying foreign equipment and urban elites seeking foreign consumer goods". Hence, further research is required to appraise future profit or loss from these corporations.

Appendixes

Appendix 1: Description of the study areas

Bako

Bako is a town in central Ethiopia. It is located in the West Shewa Zone of the Oromiya Region of Ethiopia. It has a longitude and latitude of 9°08'N 37°03'E/ 9.133°N 37.05°E with an elevation of 1743 meters above sea level. Bako is the administrative centre of Bako Tibe district. It is one of the 180 districts, in the Oromia Region. Bako Tibe is bordered on the south, west and north by the East Wolega Zone and on the east by Cheliya. Other towns in Bako Tibe include Tibe and Shoboka. The all-weather highway which links Nekemte to the capital city Addis Ababa runs through all three towns in this district.

Land survey in Bako Tibe shows that 54.25% is arable or cultivable, 23.98% pasture, 5.12% forest, and 16.65% infrastructure or other uses. Rivers in this district include the Abuko, Mara, Robi and Gibe. Bako Tibe district is mainly a maize producing area; as a result it is called a Maize Belt area. Other production of the area includes cereals, pulses, oil seeds, and chat for cash crops. The area is relatively wealthy.

Bako Tibe district had an estimated total population of 133,799, of whom 68,401 are men and 65,398 are women; 28,294 or 21.15% of its population are urban dwellers, which is greater than the Zone average of 12.3% (Central Statistical Agency, 2005). With an estimated area of 637.19 square kilometers, Bako Tibe has an estimated population density of 210 people per square kilometer, which is greater than the Zone average of 152.8. Same year Bako had an estimated total population of 18,641 of whom 9,370 are men and 9,271 women. The 1994 census reported this town had a total population of 10,422 of whom 5,082 were men and 5,340 women. It is the largest of three towns in Bako Tibe.

Land size, land use system and land leased to TNCs in Bako Area

Mixed type of agriculture in which livestock production is closely integrated with crop production is the main stay of the population in Bako area. Cattle are the dominant livestock followed by sheep and goats. Major crops in the area, in order of importance, are maize, teff, noug (nigger oil), pepper, sorghum, millet and pulses. Maize is the dominant food crop grown and stored by farmers in the Bako area of Ethiopia. However, currently, the production and storage of maize is threatened by several insect pests. A survey of the land in Bako Tibe shows that 54.25% is arable or cultivable, 23.98% pasture, 5.12% forest, and 16.65% infrastructure or other uses (See the table below). In this

area, 70% of the farmers own cattle. However, disproportional pastoral land compared to the majority of farmers owning cattle in the district may result shortage of grazing land and/or over grazing in the area. Ethiopian Roads Authority (ERA) report also showed overgrazing is a major problem in Bako area due to shortage of grazing lands (2006). Additionally, the introduction of TNCs in the area may further exacerbate the shortage and competition over resources and loss of fertility due to overgrazing in limited plot of land.

Land Use and Land Cover of Bako Tibe Wereda/district

Type	Bako Tibe	
	Area(Ha)	%
Arable land	-	-
Cultivated land	34975.36	54.25
Grazing land	15461.24	23.89
Forest land(natural and manmade)	3299.22	5.12
Land used for settlements and various infrastructure	10733.18	16.65
Others		
Total	64469	100

Source: ERA, from Woreda(district) Agriculture and Rural Development Offices

The 1994 national census reported a total population 92,608 for this district. Central Statistical Agency's population census on 2005 in this district signifies 133,799 people living in Bako Tibe district which shows an increase of almost 50% from the previous number of population (i.e. 41,191). This shows there was an increase of 4,191 populations on average the past 10 years. Based on the projection of number of population, a significant increase in number of population may exist in the coming 10 or 20 years. With an increase in population, there will be definite increase in the demand for resources in the area and this might lead to potential competition or tension with the currently established transnational corporations who acquired 12,500 hectares of land for 30 years. During the data collection, farmers expressed their worry that the little grazing land they are left with will go dry soon and they will have no land to send their cattle to.

Looking at the density of population, with an estimated area of 637.19 square kilometers, Bako Tibe has an estimated population density of 210 people per square kilometer, which is greater than the Zone average of 152.8. This makes it a relatively densely populated area (See the table below). Due to this, cultivable land holding is small, on average ranging between 0.5 and 1.5 ha/HH (ERA, 2006). The problem of shortage of land may also be aggravated

when communal (grazing and agricultural) lands are confiscated and given to corporations.

Central Statistical Authority abstract shows that the total land area in the Bako area is 637.19 km², which is 63,719 hectares and out of this the case corporation took 12,500 (19.6% of the total land area). On March 2008, in Bako 400 households or farmers signed a petition to claim their loss of agricultural lands. If we consider this and take proportion of the land taken from the cultivated and grazing land (50,436 hectares), the proportion would rise to 25% of the land which were used by the community.

Area size of each district and its population density

Zone	Woreda/district	Area km ²	Density per km ²
West Shewa	Cheliya	1,854.07	129.5
	Bako Tibe	637.19	210.0
East Wollega	Sibu Sire	1,132.15	86.4
	Billa or Gobu Sayoo	1,134.22	85.0
	Guto Wayu	1,324.22	180.0
Total		6081.85	132.6

Source: CSA Statistical Abstract, January 2006

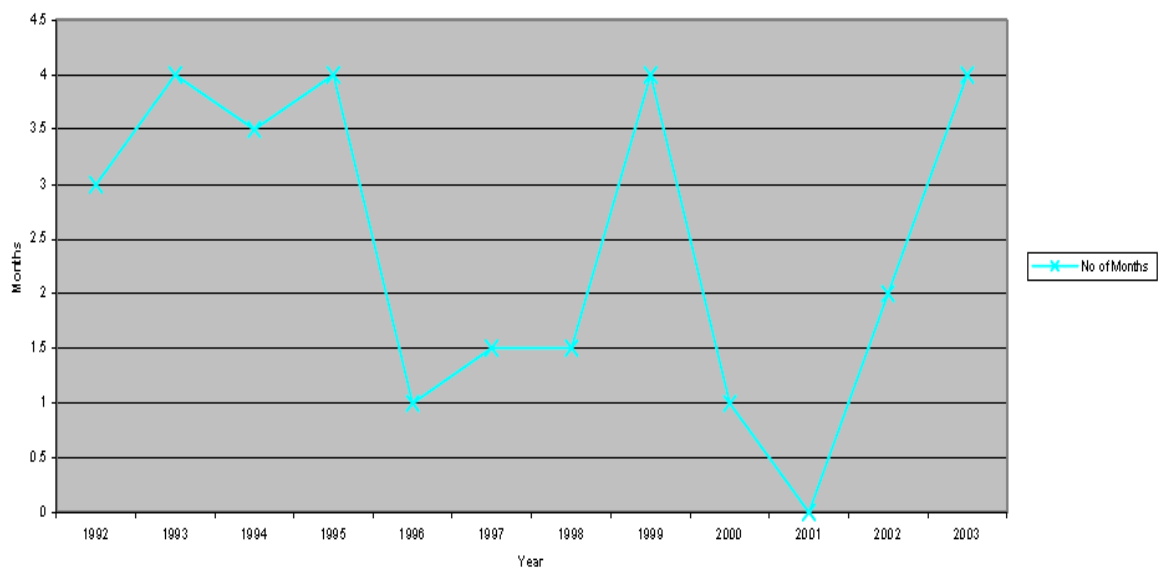
According to the oromia region proclamation No. 55/2002, residents in Bako have the right to get rural land free of payment for any resident of the district, whose life depends on agriculture. They residents have usufructuary right over land which gives the right to use land and the right to benefit from the fruits of her/his labour which may be crops, trees, etc. found on the land or any permanent works such as buildings etc. But only few of the farmers have land use right certificates. Still on another proclamation no. 455/2005, the power to expropriate landholdings is vested to woreda or urban administration authorities. Article 3, no.1 of the proclamation states that: "A woreda or an urban administration shall, upon payment in advance of compensation in accordance with this proclamation, have the power to expropriate rural or urban landholdings for public purpose where it believes that it should be used for a better development project to be carried out by public entities, private investors, cooperative societies or other organs, or where such expropriation has been decided by the appropriate higher regional or federal government organ for the same purpose.' In the circumstances, however, the community in the Bako area has not paid compensation when their communal land is appropri-

ated. Regarding the level of participation of the community in the appropriation process, another descriptive section would appear in the coming sections.

Food Security Issues and Land Acquisition in Bako

It is not difficult to assume that loss of land which was either used for cultivation or grazing purpose would lead to food insecurity. Pankhurst and Bevan (2003) study presented some empirical findings related to hunger, poverty and 'famine' taking evidences from twenty rural sites in Amhara, Oromiy, Tigray and SNNP regions. Based on their research it was able to realize that famine occurred in the 1984/5 period in Bako area due to lack of rainfall and famine related deaths were reported. After this incident 1984/5 though there is improvement food production different percentage of population was still food insecurity at different periods. Between the 1992 and 2001 the food security situation in Bako improved considerably, but there were blips in 1995 and 1999. In 1992 around 20% of the population was affected by food insecurity for an average period of 3 months. The 1995 figures are 35% of the population affected for an average of 4 months. In 1999 around 25% of the population were affected for an average of 4 months (see the figure below). However, the years 2001 and 2002 show a sharp increase in food insecurity so that in 2002 it is reported that around 80% are affected for an average period of 4 months (Pankhurst and Bevan, 2003). The problem may still be capitalized due to community's alienation from farm lands. As opposed to local consumption, most of the production is sent to external market which again exacerbates shortage of foods in the local market.

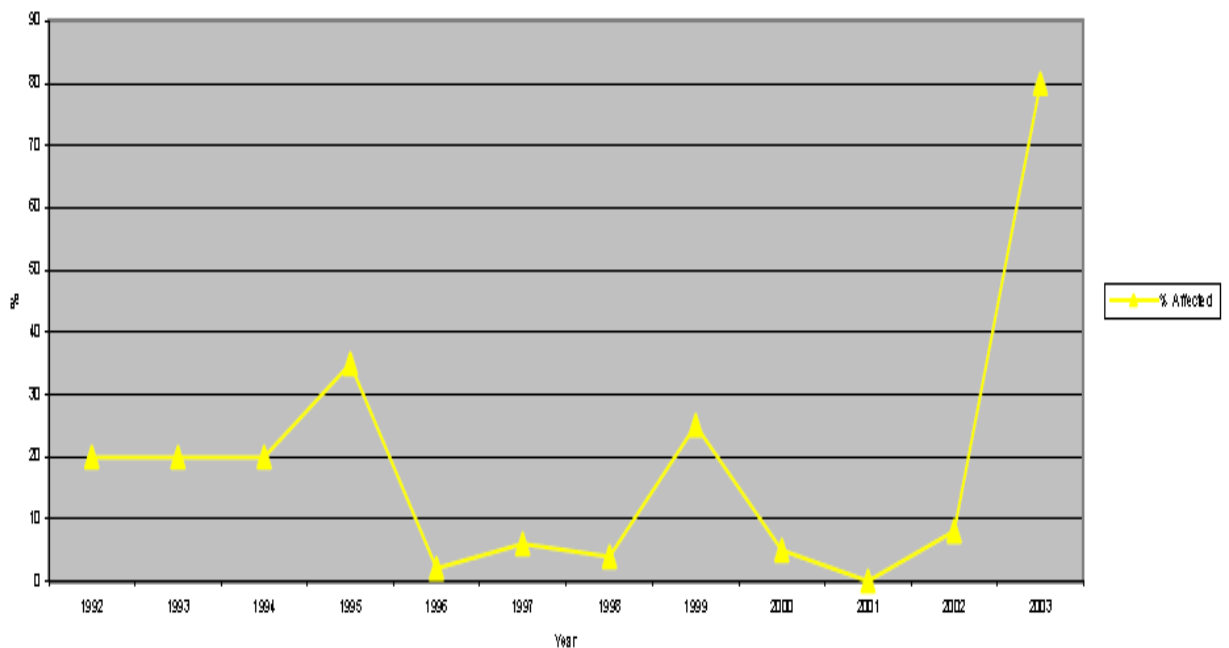
Number of months of food insecurity for average family in Bako area



Source: Pankhurst and Bevan, 2003

As a coping strategy for the food insecurity and famine, the local communities sold livestock and other assets including gold. It was also able to link the situation with the current incident of selling cattle by the community due inability to find grazing areas as the community reported. As farmers reported since their grazing lands are taken over, they are selling herds and as a result the price of cattle has gone down from 2,500 to 1,500 Birr. Migration to urban areas, seasonal and daily wage labourers, working on state or private farms, and hiring out children to work as herders or domestic servants and borrowing money were other means the community follow to resist the problems of food insecurity (Pankhurst and Bevan, 2003). Land acquisition by the corporation would question the food security issue of the community. At a large scale, the effects would also be migration to urban areas and embezzlement of child labour to compensate the required revenue to sustain the family.

The proportion of community affected



Source: Pankhurst and Bevan, 2003

Most affected groups in Bako

Land acquisition has different social impacts on women than men. In Bako area, men are mostly engaged in agricultural activity. Women on the contrary play triple roles and responsibilities. Women play a significant role in agricultural production, domestic tasks and also social activities. Women are the one who fetch water from the nearby rivers, collect fire woods and purchase

housing stuffs from the market. The occupation of river side's and control of nearby resources by TNCs would make them travel a long distance to gather woods and fetch water. Since TNCs has blocked (from field observation) the way to the market, they round up to reach to the closest market.

In the time of food insecurity and famine or loss of farm lands to the community as currently happened, women will be differently affected than men. Men may migrate in search of employment, risking their life. Women are also the most affected. The men may migrate and survive. The women often remain with the children; give priority to their children during the time famine happened (Pankhurst and Bevan, 2003). Young men are less affected. Old people cannot migrate to other places and they don't have chance to be employed in the towns. In the time of food insecurity, babies were worst affected due to their regular need for milk, the problem of milk supply from hungry mothers, their inability to eat famine food and food aid, and their lack of resistance to diseases. Moreover, if food consumption is reduced in the household, respondents in most locations agreed that food reduction is not equally distributed. Those working in the fields eat properly. The elderly and women are served last as they do not work in the fields (Ibid). These are the effects that are expected to appear with the current problem of land alienation.

Gambella

Gambella is one of the nine ethnic divisions of Ethiopia. Previously known as Region 12, its capital is Gambela. The state of the Gambella Peoples is "located in the western tip of Ethiopia bordering with Benishangul Gumuz and Oromiya regions to the North, the Southern Nations, Nationalities and Peoples' Regional State (SNNPRS) and the Sudan Republic to the South, Oromiya and SNNPRS to the east and the Sudan Republic to the west. It is composed of two administrative zones and eight districts. The main nationalities of the State are Nuer, Agnuak, Mezhenger, Apana and Komo. The zonal division are based on the ethnic groups of the region. In that regard it is divided into three zones and seven districts almost on ethnic lines: the Anuakzone, which consists of four districts, namely Gambella, Elwero-Oppeno, Gilo and Dima; the Nuer zone of Akobo and Jikowo weredas, and the Majengir zone of Godere wereda. Lying between the Baro and Akobo Rivers, the western part of Gambella includes the Baro Salient. Gambella is the historic home of the indigenous Anuak. In recent years there has been significant violence between the Agnuak and more recently arrived Ethiopian, who are generally referred to as "Highlanders" (see the next section).

In 2002 the population of Gambella region was 228,000, of whom 90,517 were Nuer, 62,586 Anuak, and 13,133 Majangar, while the exact number of smaller tribes such as the Komo and Opo could not be accounted for. About 61,766 were non-indigenous settlers from all over Ethiopia (Ministry of Federal Affairs 2004). In terms of percentages, the Anuak represent 27 per cent, the Nuer 40 per cent, the Majangir 6 per cent, the Opo and the Komo 3 per cent (Population and Housing Census 1994). In terms of territory, however, the Anuak live in most of the weredas, which will complicate the nature of territorial and political power in the region. Based on the 2007 census conducted by the Central Statistical Agency of Ethiopia, the region has total population of 306,916, consisting of 159,679 men and 147,237 women; urban inhabitants number 77,878 or 25.37% of the population. With an estimated area of 25,802.01 square kilometres, this region has an estimated density of 9.57 people per square kilometre. For the entire region 65,445 households were counted which resulted an average of 4.6 persons in a household, with urban households having on average 3.9 and rural households 5.0 people.

Agro-ecologically, the region is dominantly lowland with a few midlands. Recession riverside agriculture is common, particularly maize and sorghum, and widely practiced by Anyuaa people along the Baro, Gilo and Akobo rivers. As the region is generally not cereal self-sufficient, alternative income sources such as fishing are important sources of food. Wild food consumption is part of the daily dietary intake given the still partly untouched bush land and natural forest resources. Most of the Nuer population reside along the Ethio-Sudanese border (Akobo and Jikawo woredas), where it is too dry for rain fed agriculture. Therefore, livestock constitutes the primary source of income.

Gambella attracts a lot of communities from within and outside the national borders of Ethiopia, especially since the region has rich natural resources, particularly the large expanse of arable land, huge surface and ground water resources, livestock and fish resources, and forest resources, which render the region best suited to agricultural development. Oil reserves and other mineral resources add up to the region's natural wealth, which is a 'bonanza' for economic growth.

Conflicts over resources in Gambella Region

The Gambella region has seen factional fighting and inter-community violence since the last two decades. There have always been clashes between the Anuak and the Nuer, mainly over resources and for socio-cultural reasons. Livelihoods pursued by these two groups are one of the major causes for conflict. The Anyuaa are primarily cultivators, the Nuers are mainly pastoralists. Ethnic boundary is also marked by difference in livelihood strategies. The Anuak are peasant farmers of maize and sorghum. Similarly, the Opo are predominantly cultivators; while the Nuer practice transhumance pastoralism (steadily changing to agro-pastoralism); while the Majangir combine hunting and gathering with shifting cultivation.

As populations increased, access to grazing land and water became scarce (Sewunet, 2002). Large numbers of Nuer with their cattle encroached on Anyuaa territory and remained there for a longer period than the traditionally limited grazing season permits. As semi-pastoralists, the Nuer graze their cattle on the Gambella plains in the dry season approximately November to May, and move to lands along the Sobat River in Ethiopia's rainy season (June to October); in addition they engage in simple cultivation. The Nuer had thus developed a pattern of movement with their cattle during the dry season from their permanent villages in Jikawo-Sudan to the rangelands of the banks of the Baro River in the Itang district of Gambella (Taddesse, 2002).

The major cause of the Nuer- Anuak conflict is animals trespassing onto Anuak farmland where they live in mixed settlement or in neighboring villages. The push factors from Southern Sudan including the war between the government of Sudan and Sudanese Peoples Liberation Army (SPLA) has caused large numbers of Nuers to cross borders and settle in Gambella region of Ethiopia. It is also argued that better social services such as education, health and markets in Gambella town, compared to woredas of Jikawo and Akobo, where the majority of Nuers live, have attracted many to Gambella town. Due to this constant influx of Nuers, the Anyuua have felt dominated by those who initially came in small numbers that have steadily brought their presence to a major one in the region (Sewunet, 2002). Eventually, the Nuer gained confidence and began to allow their cattle to graze on the farmed fields of the Anuak and was ready to fight when asked why they were not looking after the cattle. The backbone of the Nuer economy centres on cattle, which often clashes with the way of farming practiced by the Anuak, especially in a situation where they are not regulated (Kong, 2006 in Tadesse, 2002).

Particularly since early 2002, ethnic conflict and clashes have increased in Gambella region. The present conflict is largely waged between the Anyuua and the Nuers in Itang district with the underlying cause of struggle for arable land along the riverbank. The Itang district where the Nuers live is one of the places where transnational land acquisition took place. One of the corporation managers announced during the interview that they have been given 300,000 hectares of land for corn, palm oil, sugar cane, etc production. This area may also be a potential source of conflict in the future where Nuers live, as it also brings eviction or movement of the pastoralists to another region looking for a land and other resources for a living. It is also important to note that another Saudi based corporation has been given 10,000 hectares of land which will be expanded to 300,000 hectares of land after few years in Akobo area where the majority of Nuers live that would cause displacement to other parts of the region for seeking resources. This might again instigate conflict with other ethnics of the region especially with the Anyak people who have been in constant conflict with the Nuers in resource matters. Some analysts also argue that the concentration of foreign companies in one region could impact local farmers negatively and also risks whipping up controversy among riparian countries of the Nile basin owing to the region's only water resource, Baro River, an important tributary of the White Nile (<http://farmlandgrab.org/15078>). In that regard the coming of these corporations may remain as a curse than a blessing as it arise ethnic conflict and geo-political issues.

Appendix 2: Rights and Obligation of the Leaser and the Lessee in the land deal contracts

Land deal documents, rights and obligations of the parties

Regions have the mandate to administer and allocate lands on their own territory. Hence, land deals are prepared on the respective regional investment Offices. The deals are prepared per specific project, but the rights and obligation of both the lessee and the Leaser remains the same in all projects. The land deal contains: ***location of the land leased, total area of the land given, duration of the deal, project type, the land lease price and terms of payment, rights and obligations of both the lessee and the Leaser, liabilities of the parties, force majeure, settlement of disputes, and witnesses confirming the deals.*** In the study areas, the deal agreement is made only between regional offices and the investors. Investors submit technical proposals and the amount of proposed payment for the land requested for lease and based on that negotiation would be conducted between them. This document is not official that local communities or other stakeholder are not participated in this process.

The Leaser enjoys the rights to use the land leased for the purpose of the project permitted, transfer the use right of the leased land to any other third party who has capacity to develop the land. After having written consent from the Leaser, the Lessee may construct and utilize all types of infrastructures with the prior approval of the concerned governmental organs and if the Leaser interrupts the Lessee and causes any damage or any other kind of loss, the Lessee has the right to claim compensation for the damages and losses incurred (Oromia Investment Commission, 2010). In addition to obligations found in relevant investment laws, the lessee rights and obligation is summarized in the coming section.

Rights of the Leaser

✚ Make a follow up works to verify whether the lessee uses the land leased out in accordance with the conditions stated in this agreement and under the project proposal permitted , without making any hindrance on the day-to-day activities of the Lessee and to take appropriate measure if any faulty occurs:

✚ Give notice to the lessee for any conditions not fulfilled by the Lessee as stipulated in this agreement and takes corrective measures if not corrected;

✚ Decide on any project alteration or project land expansion requests made by the Lessee.

✚ Cancelling this agreement in case of illegal or criminal involvement of the lessee in the investment activities

✚ Take back the leased out land in accordance with pertinent investment laws, if the Lessee failed to develop the land in accordance with the project indicted under this contract & on the Board's decision.

Obligation of the Leaser

Without prejudice to the existing provisions of the Ethiopian Investment and other relevant laws, the Leaser shall:

✚ Handover the land leased out to the Lessee free from settlers within ten(10) days upon signing of this agreement,

✚ Warrant to the Lessee that the Lessee has the right to peacefully and quietly use the land leased and protect the lessee from any third party claims over the landholding right.

✚ Warrant Lessee its sole use right on the land leased out,

✚ Strictly comply with all obligations contained in this agreement and respect Lessee's right in accordance with the relevant laws,

✚ Facilitate for the Lessee as per the law and its request of change on the holding right of the land leased out and grant Title Deed Certificate,

Rights of the Lessee

The Lessee has the right to:

- ✚ Use the land leased for the purpose of project permitted;
- ✚ Transfer the use right of the land leased to any other third party who has capacity to develop the land after having written consent from the leaser,
- ✚ Construct and utilize all types of infrastructures with the prior approval of the concerned governmental organs.
- ✚ If the leaser interrupts the Lessee and causes any damage or any other kind of loss, the Lessee has the right to claim compensation for the damages and losses incurred,

Obligations of the Lessee

In addition to obligations found in relevant investment laws, the lessee shall:

- ✚ Commence its project activities on the land leased within six months starting from the date of handover of the land leased out,
- ✚ Submit report about the progress of his project to the LEASSOR every three months.
- ✚ Open office at nearest town or at the site of the project & assign his /her representative and make it appear when required.
- ✚ Use proper modern agricultural machines & equipment
- ✚ Develop the rented out land in accordance with the purposes mentioned in this agreement;
- ✚ Notify the lessee immediately if any claim or conflict arises by any other third party on its use right including the title deed certificate on the land leased out,
- ✚ Cover 2% of the land leased out with indigenous trees excluding eucalyptus trees,
- ✚ Give job opportunities to the people residing in the investment areas unless it requires special skills;
- ✚ Submit lists of permanent workers to the Leaser
- ✚ The Lessee shall pay birr 5,000.00 penalty without any precondition in accordance with the Regional Government investment laws in the attempt to employ unskilled labourers from other regions any improve him/her performance according to the above mentioned article;

- ✚ Protect the environment from pollution by using appropriate methods and technologies;
- ✚ Avoid the use of any toxic chemicals & legally prohibited pesticides
- ✚ Allow experts of the LESSOR sent for appraisal and follow up of the use of the land leased in accordance with this agreement and relevant investment laws and shall give them the required information.
- ✚ Respect all other conditions stated in this agreement and relevant laws of the country.
- ✚ Develop the land by employing experts having appropriate knowledge on agriculture.
- ✚ Increase productivity of the land by using appropriate inputs and produce Better crops than the farmers in the area,

Each party shall be liable to one another for any damages that may arise due to non-performance of its respective obligations. Such liabilities shall include non-performance of this contract. Neither party shall be deemed in default of its contractual obligations where performance thereof is prevented by force majeure. Any disputes or differences between the Leaser and the Lessee in breach of any condition stated in this agreement, which cannot be amicably settled between the two parties, shall be referred to regional Investment Board.

**Appendix 3. Percentage of total investment for the main investors
between 2000 and 2008**

Main Investors	2000	2001	2002	2003	2004	2005	2006	2007	2008	Average
EU	26.63%	7.41%	5.34%	11.72%	18.47%	20.87%	12.11%	52.61%	16.37%	21.22%
India	--	--	31.60%	1.94%	13.20%	8.75%	70.62%	2.80%	12.81%	32.43%
Israel	2.75%	15.76%	--	5.56%	23.65%	29.21%	4.30%	10.63%	5.42%	7.18%
SaudiArabia	47.40%	76.84%	58.77%	4.87%	3.07%	4.13%	0.23%	3.53%	3.60%	3.10%
USA	--	--	4.30%	44.55%	28.96%	20.06%	10.93%	17.17%	4.89%	11.54%
Rest	23.21%	--	--	31.36%	12.66%	16.98%	1.82%	13.26%	56.91%	24.53%
Total Investment Sum (\$ Million)	43.51	56.12	19.52	223.77	380.96	180.59	3490.89	1640.47	3214.17	9250

Note: Main Investors in the different years are highlighted

Source: Federal Investment Bureau of Ethiopia (2009)

Appendix 4: IFC's involvement in Ethiopia

Year , Type of IFC/FIAS Project	IFC/FIAS Service
2009: Leasing	IFC is developing Ethiopia's leasing sector through investment and advisory services to help establish the country's first leasing company. The new company is the culmination of IFC's work with Ethiopia's government to help draft a new legal framework for leasing in the country, which started almost a decade ago.
2009-2010: Investment Policy & Promotion	IFC's current strategy in Ethiopia for IP&P focuses on proactively developing new investment projects, supporting public-private partnerships that promote economic growth, and mobilizing direct investments to key sectors of the economy, including agribusiness, financial services, health and education, infrastructure, manufacturing, and tourism.
2000-2001: Investment Policy & Promotion	In 2000, FIAS provided training to the Ethiopian Investment Agency to help strengthen its capacity for investment promotion. Then in 2001, FIAS reviewed the country's investment environment with a special emphasis on export-oriented FD I.

Source: (Mis) investment in Agriculture - The Role of the International Finance Corporation in Global Land Grabs

Appendix 5: List of interviewees/informants

List of interviewees from Bako:

- Bako area farmers and community leaders
- Four employees and Site Manager of Karaturi Global Plc
- Two Bako District Government Development Agents
- Bako Agricultural Research Institute officers

List of interviewees from Gambella's case:

- Pact Ethiopia Community Development Officers in Gambella
- DFID Officer in Gambella
- Local Communities in Gambella
- Saudi Star Plc Manager in Gambella

List of Civil Society and NGO's informants:

- Ethiopian Environmental Journalist Association Officer
- Pact Ethiopia Community Development Officers in Addis Ababa (two officers)
- Manager of Ethiopian Consumer Rights Society
- Researcher Forum for Social Studies
- Melka Mahiber Local NGO officer

List of Government Officials interviewed:

- Ministry of Agriculture and Rural Development, Agricultural Promotion and Development Officials and Investment Promotion Office Unit Head
- Ministry of Trade and Industry, Spices and Cereals Agro Industry Processing Unit
- Ethiopian Investment Agency Officials (2)
- Oromia Investment Commission Officials (2)

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