

# Governance of Large-Scale Agricultural Investments: The Case of Ethiopia

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# Introduction

- PLIAF study commissioned by World Bank
- To evaluate the policy, legal and institutional framework that indicate governance of large scale agricultural investments in Ethiopia
- Process and Methodology followed:
  - expert investigations
  - convening panel of experts
- Limitations of the study:
  - lack of quantitative/statistical data on some dimensions
  - predominantly based on desk study and expert opinion
  - limited regional coverage

# Background

- Economy heavily dependent on the agricultural sector
- Rural livelihood based on subsistence rain-fed agriculture-small holding size and fragmented
- Low productivity; vulnerable to drought and famine
- Large scale agricultural investments may help increase productivity; create employment; technology transfer etc, provided it is properly regulated
- Major land reforms and political changes in four decades-land currently remains public property
- Federal structure and Decentralized decision-making regarding land administration
- Economic policy-ADLI; SDPRP (2002-2005); PASDEP (2005-2010)

# Governance Framework

## 1. LAND

### **Recognition and Enforcement of Land Rights**

- Right to ownership of land vested in the state and people-land not subject to sale or other means of exchange
- Recognition of use rights for state, private and communal holdings
- Peasants and pastoralists have perpetual rights, free of charge subject to payment of advance compensation
- Private individuals-right to acquire land for a specific period subject to payment to be determined by regional laws
- Federal government: mandate to issue land policies and laws while regional governments' mandate is to administer laws in accordance with those issued at the Federal level

# Recognition and Enforcement of Rights (cont'd)

- To date, one law at the Federal level and only 4 regional states have issued implementation laws further defining holding rights (Amhara, Tigray, Oromia and SNNP)
- Holding rights recognized by law are: inheritance and rent for a specific period of time with several limitations
- First time registration and issuance of holding certificates implemented in the four regional states (constitute 70% of rural population)

# Recognition and Enforcement of Rights

- Key limitations:
  - no implementing law in the other 5 regional states; not clear how rights recognized under the law is implemented
  - Rights of pastoralists not further defined by subsidiary legislation; therefore weak security of tenure
  - Community holdings defined by law but are subject to transfer to private holdings by government
  - Registration did not involve formal demarcation and mapping (except for pilot schemes);
  - Registration so far did not include most communal holdings and state holdings (except for forests designated by law)

## Land Related Conflicts

- Land related conflicts regarding large-scale agricultural investments is minimal or reported to be non-existent.
- Conflicts among farmers significant

## Restrictions on Land Rights and Land Use Planning

- Laws provide some land use restrictions and the development of land use plans
- In practice, the holding certificates do not incorporate such restrictions
- Rural land use plans are virtually non-existent

## Public Land Management

- Land allocation for large-scale agricultural investments is made by the respective regions
- However, the allocation of land above 5000 ha has recently been transferred to the Federal Government on the basis of “delegation”
- This is Constitutionally questionable
- The mandate to allocate land in regions is done by the respective investment offices (except for the Amhara region)
- None or minimal consultations and exchange of information with other relevant government agencies both horizontally and vertically
- Public land transactions are not publicly available
- Land lease fees nominal-approximately USD 2-13 per ha

## Expropriation and Compensation

- Issue of expropriation and compensation for large scale agricultural investments has not yet emerged due to allocation of “idle” land
- Private property on land may be expropriated for “public purpose” (broadly defined and open to arbitrary measures)
- Advance compensation commensurate to value of the property provided by law
- Power to expropriate principally vested in Woreda (district administrations)
- Valuation to be made by certified public or private institutions. However, currently it is valuation committees who determine compensation

- Proof of lawful possession of land holdings is a requirement of eligibility
- Issuance of holding certificates not completed in regions and it is not clear how expropriation takes place in regions with as yet no laws
- In most cases, practice in regions not consistent with the law e.g property inventory and valuation not transparent; advance compensation not always made
- Appeals and grievances can only be made on the amount of compensation
- Grievances and appeals made to regular courts
- Lack of awareness of the law by expropriated landholders including courts

## 2. Investments

- Law provides for two types of incentives: income tax holiday and exemptions from customs duty
- Power given to the Fed Investment Board to extend tax exemptions may lead to discretion
- Some regional state make exemptions for payment of land lease not provided by law
- Pertinent laws and contract do not provide benefit sharing mechanisms
- Application for an investment license may take from hours up to ten day maximum
- Delivery of land may take a long time: 6months- a year

### 3. Environment and Social Safeguards

- The law requires EIA and social impact assessments to be conducted prior to implementation of investments
- EIA directive provides that irrigated agriculture above 3000ha to be subject to EIA
- In practice, no EIA or social impact assessment
- E.g. Babile Elephant Sanctuary

# Conclusions

- Some progress towards governance in some dimensions assessed: e.g. legal recognition of rights; issuance of holding certificates; low level of conflicts;
- Assessment of other dimensions show major gaps and do not meet criteria of good governance: e.g. absence of land use plans; lack of institutional coordination and exchange of information; lack of transparency of contractual agreements; no benefit sharing mechanisms and no EIA and social impacts undertaken

# Recommendations

- Laws to clearly define content of pastoral and communal holding rights
- Need for guidelines for implementation of federal laws
- Need for completing registering and mapping of all land holdings
- Develop and implement land use plans
- Clearly define mandates and coordinating mechanisms among institutions involved in land acquisition
- Put in place benefit sharing mechanisms
- Put in place policies and laws on requirement and disclosure of information
- Ensure enforcement of environmental laws
- Put in place mechanisms for monitoring investments projects and enforce compliance

Thank you  
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